

# 2021-2026 Rate Path Options

Presentation to the CRP

April 17, 2020



# Purpose of this Presentation

- Review SPU's Rate Path
- Drivers and Assumptions that impact the Rate Path
- Updated King County Wastewater Treatment Rate Proposal
- Next steps



# Adopted 2018-2023 SBP Rate Path


	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2018-23</u>
Water	2.0%	2.5%	3.7%	5.0%	4.1%	5.0%	3.7%
Wastewater	4.1%	8.1%	9.9%	8.9%	1.3%	2.6%	5.8%
Drainage	10.7%	9.2%	9.7%	9.9%	7.9%	4.7%	8.7%
Solid Waste	3.1%	3.3%	4.0%	3.0%	3.8%	2.8%	3.4%
Combined	4.3%	5.7%	7.0%	6.8%	3.7%	3.6%	<b>5.2%</b>

September 2017



# Adopted 2018-2023 SBP Rate Path with Revised SW Rates

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2018-23</u>
Water	2.0%	2.5%	3.7%	5.0%	4.1%	5.0%	3.7%
Wastewater	4.1%	7.4%	7.4%	7.4%	4.5%	2.4%	5.5%
Drainage	10.7%	8.0%	8.0%	8.0%	8.0%	9.0%	8.6%
Solid Waste	3.1%	3.3%	3.2%	2.9%	2.9%	3.1%	3.1%
Combined	4.3%	5.3%	5.6%	5.9%	4.6%	4.3%	<b>5.0%</b>

 Approved rate legislation that is currently in effect

September 2019



# 2021-2026 Rate Projections (original baseline)

## Baseline with Original King County Treatment Rate Projections

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2021-26</u>
Water	2.7%	2.7%	3.1%	4.4%	5.5%	5.8%	4.0%
Wastewater	7.3%	2.4%	2.8%	2.7%	2.6%	5.0%	3.8%
Drainage	8.0%	9.5%	3.8%	2.9%	3.0%	9.1%	6.0%
Solid Waste	2.9%	2.9%	2.2%	2.2%	2.1%	2.2%	2.4%
Combined	5.3%	3.8%	2.9%	3.0%	3.2%	5.2%	<b>3.9%</b>



Approved rate legislation that is currently in effect

February 2020



# Major Baseline Rate Assumptions

- Water Fund
  - Slightly Declining demand (retail)
  - Low tap revenue growth
  - Updated wholesale revenues
- Drainage and Wastewater Fund
  - Slight declining demand
  - Wastewater treatment costs
- Solid Waste Fund
  - Contract costs +4.0%/year
  - No bond issuances
- All Funds
  - Lower bond interest rates
  - UDP is 3% of retail rate revenue
  - No changes to the regulatory environment
- CIP Accomplishment Rate
  - 85% Water Fund
  - 85% DWF (95% Ship Canal & Sediments projects)
  - 90% Solid Waste



# COVID-19 Rate Assumptions

- Water Fund
  - Declining demand (retail)
  - Lower tap revenue growth
- Drainage and Wastewater Fund
  - Declining demand
  - Reduced development fees
- Solid Waste Fund
  - Reduced commercial demand
  - Reduced transfer station fees
  - RSF withdrawal in 2020
- All Funds
  - Additional UDP enrollment of 5,000 through 2020
  - Cash Flow delays into 2021
- O&M Reductions
- CIP Reductions
  - Facilities



# 2021-2026 Rate Projections Revised Baseline

(Includes updated King County Wastewater Treatment rate increases)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2021-26</u>
Water	0.0%	2.7%	4.7%	3.6%	4.2%	5.5%	3.4%
Wastewater	7.3%	3.1%	5.9%	0.5%	7.8%	3.6%	4.7%
Drainage	8.0%	8.6%	7.2%	3.9%	6.5%	6.7%	6.8%
Solid Waste	2.9%	2.9%	2.2%	2.3%	2.1%	2.1%	2.4%
Combined	4.6%	3.9%	5.0%	2.2%	5.4%	4.2%	<b>4.2%</b>

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April 2020





# Green New Deal Rate Assumptions

- Water Fund
  - RSF withdrawals in 2020 and 2021
- Solid Waste Fund
  - RSF withdrawal in 2020
- Green Jobs
  - All O&M
  - \$16.5M in 2020
  - \$16.5M in 2021



# 2021-2026 Rate Projections (revised baseline)

## Green New Deal Included

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2021-26</u>
Water	0.0%	3.0%	4.7%	3.6%	4.1%	5.4%	3.5%
Wastewater	7.3%	2.7%	6.4%	0.5%	7.0%	3.1%	4.5%
Drainage	8.0%	8.6%	7.9%	4.0%	8.9%	7.7%	7.5%
Solid Waste	2.9%	2.9%	2.2%	2.3%	2.1%	2.1%	2.4%
Combined	4.6%	3.8%	5.2%	2.3%	5.5%	4.2%	<b>4.3%</b>

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April 2020



# Recession Rate Assumptions

- Water Fund
  - Declining demand (retail) through 2021
  - Lower tap revenue growth through 2021
  - RSF withdrawal in 2021
- Drainage and Wastewater Fund
  - Declining demand through 2021
  - Reduced development fees through 2021
- Solid Waste Fund
  - Reduced commercial demand through 2021
  - Reduced transfer station fees through 2021
  - RSF withdrawal in 2020 and 2021
- All Funds
  - Additional UDP enrollment of 5,000 through 2020 and 3,000 in 2021
  - Cash Flow delays into 2022



# 2021-2026 Rate Projections

## Recession Scenario

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2021-26</u>
Water	0.0%	3.3%	4.7%	3.6%	4.1%	5.4%	3.5%
Wastewater	7.3%	0.7%	6.5%	0.7%	9.1%	3.1%	4.5%
Drainage	8.0%	8.1%	8.6%	4.2%	8.7%	7.9%	7.6%
Solid Waste	2.9%	2.9%	2.2%	2.3%	2.1%	2.1%	2.4%
Combined	4.6%	3.1%	5.4%	2.4%	6.2%	4.2%	<b>4.3%</b>

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Note: Revenue shortfalls are offset by cash on hand and RSF withdrawals

April 2020



# Going Forward

May CRP Meeting



Follow-up from  
previous meeting