

**Seattle Public Utilities**  
**Additional Programmatic Reductions Information for the Customer Review Panel**  
**January 29, 2014**

On January 13, SPU presented the following table that shows the proposed programmatic reduction amounts in each of the three tiers, along with the estimated impact on the 2015-2020 rate path:

Reduction Category	Tier 1: SPU recommended Reduction	Tier 2: Reduction Under Consideration	Tier 3: Do Not Take the Reduction
Annual O&M	(\$3.7 million)	(\$5.2 million)	(\$5.5 million)
6-year CIP (2015-2020)	(\$101 million)	(\$0)	(\$20.1 million)
Estimated Impact on 2015-2020 Rate Path	Tier 1 rate impact = (0.27%)	Tiers 1-2 rate impact = (0.37%)	Tier 3 not recommended

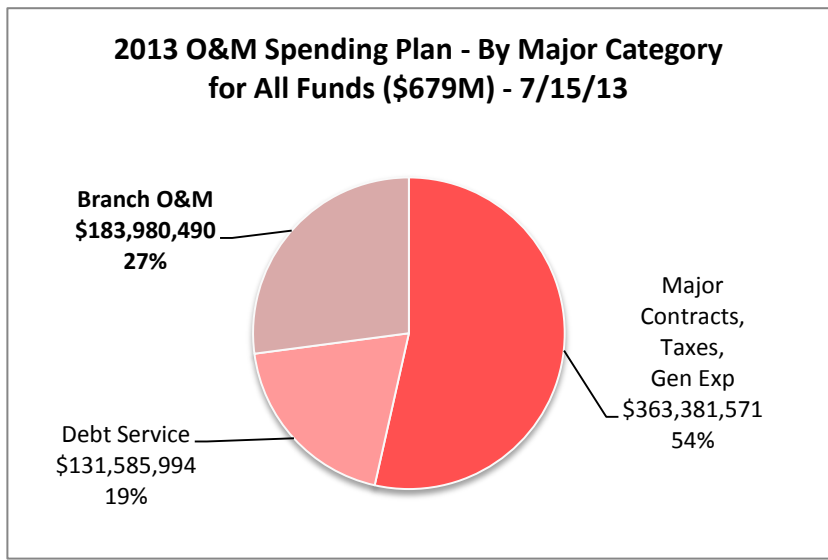
SPU also presented a summary of specific reductions in Tiers 1 and 2. Per the Panel’s request, attached to the back of this page is a summary of the current Tier 3 reductions. SPU is re-evaluating this list to see if any Tier 3 items can be moved to Tier 1.

With the exception of the One Less Truck program (a savings of \$4.5 million per year in the Tier 2 category), all the Tiers 1, 2 and 3 O&M reductions are from the **Branch O&M** baseline budgets. The Branch expenditures represent the “controllable” parts of SPU’s O&M budget.

As can be seen in the graph below (presented first at the July 15, 2013 Customer Review Panel meeting), total **Branch O&M** budgets in 2013 were \$183.9 million (including field operations and maintenance, customer service, utility systems management, project delivery, human resources & service equity, finance & administration, and Corporate strategies & communications). So, expressed as a percentage of controllable costs, we can say the following about the programmatic reductions above:

- Tier 1 programmatic reductions represent a 2% reduction in controllable costs
- Tiers 1 and 2 programmatic reductions (excluding One Less Truck) represent a 2.4% reduction in controllable costs
- Tiers 1, 2, and 3 programmatic reductions (excluding One Less Truck) represent a 5.4% reduction in controllable costs

The remaining \$495 million in the 2013 O&M spending plan is in **Major Contracts, Taxes and General Expenses** (including the King County wastewater treatment payments, solid waste collection and disposal contracts, and City Central Costs) and in **Debt Service** payments.



<b>Tier 3 Programatic Reductions - High Level Summary (in thousands of dollars)</b>		
<b>Operations &amp; Maintenance Reductions</b>		
<b>Focus Area</b>	<b>Description</b>	<b>Annual O&amp;M</b>
Customer Experience	<b>Reduction in Customer Involvement:</b> - Eliminate education programs at the Watershed Ed Center - Eliminate the landscape water conservation program	<b>(\$461)</b>
	<b>Reduction in Easy Customer Experience and Access:</b> - Don't print/mail the annual Water Quality report; rely on email - Reduce commercial key account services by roughly 10% - Reduce solid waste customer services - Reduce by half the service equity program's professional services budget	<b>(\$476)</b>
Environment & Public Health	<b>Reduction in Ability to Meet Environmental Mandates:</b> - Defer CMOM program work to later years of the program (4% cut -- \$213k) - Reduce maintenance activities in support of NPDES permit compliance	<b>(\$291)</b>
	<b>Reduction in Stewardship:</b> - Eliminate drainage environmental monitoring of new facilities (\$140k) - Eliminate funding for the Green Seattle Partnership (\$100k) - Reduce SDOT payments for street sweeping (11% fewer curb miles)	<b>(\$435)</b>
Workforce	<b>Reduction in Ability to Recruit and Retain Talented Staff:</b> - Reduce employee training and professional development - Reduce the apprenticeship program	<b>(\$165)</b>
Operational Excellence	<b>Reduction in Efficiencies and Effectiveness:</b> - Reduce field support for crews (night-time fueling) - Reduce Project Delivery O&M by 6% - Reduce asset management technical services by 25% (\$50k) - Reduce information technology services - Reduce maintenance of SPU facilities (\$100k -- roughly 70% of of in-City budget)	<b>(\$1,700)</b>
	<b>Reduction in Service Quality:</b> - Reduce inspection and cleaning of catch basins and water quality structures (\$430k -- take as efficiency) - Reduce resources and capacity to inspect/clean sewer mainlines by 5% - Reduce long-range and pre-CIP planning work - Reduce emergency management and security activities (20% reduction in security/contracted guard service; 80% reduction in consultant services)	<b>(\$1,804)</b>
	<b>Reduction in Fiscal Strength:</b> - Reduce accounting services by 10%, with risk of affecting quality of accounting and internal controls work - Reduce risk & quality assurance activities	<b>(\$215)</b>
	<b>TOTAL TIER 3 O&amp;M REDUCTIONS</b>	<b>(\$5,547)</b>
<b>Capital Improvement Program Reductions</b>		
<b>Focus Area</b>	<b>Description</b>	<b>6-year CIP</b>
Customer Experience	<b>Reduction in Customer Involvement:</b> - Reduce the regional water conservation program by 40% (CIP)	<b>(\$4,641)</b>
Operational Excellence	<b>Reduction in Efficiencies and Effectiveness:</b> - Reduce the Tech capital program by 10%	<b>(\$14,665)</b>
	<b>Reduction in Service Quality:</b> - Reduce the number of new SCADA field sites in the water system (CIP -- 30% reduction)	<b>(\$880)</b>
	<b>TOTAL TIER 3 REDUCTIONS</b>	<b>(\$20,186)</b>