Metropolitan Water Pollution Abatement Advisory Committee
April 22, 2015
King County’s Wastewater Treatment Division has been committed to protecting and improving water quality for more than 50 years.
Summary of the Executive’s 2016 Rate Proposal

Sewer Rate of $42.03 per month
  • Continuation of the 2015 rate
  • Annual average rate increases of 2.4% are projected for the 2017-2021 period

Capacity Charge of $58.70 per month
  • 3.0 percent increase 2015 to 2016
  • $10,566 if paid during full 15 years
  • $8,547 with early payment discount of 3.0 percent
What the sewer rate pays for:

- Maintaining and improving regional water quality in compliance with federal, state, and local regulations;
- Providing sufficient wastewater conveyance and treatment capacity to meet the long-term needs of people and businesses in the Wastewater Treatment Division’s (WTD’s) service area;
- Ensuring continued operation and reliability of existing wastewater conveyance and treatment assets; and
- Creating renewable resources from wastewater.
## Proposed 2016 rate of $42.03 per month

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</tr>
</thead>
<tbody>
<tr>
<td>2015 Adopted Budget (November 2014)</td>
<td>$39.79</td>
<td>$42.03</td>
<td>$42.03</td>
<td>$43.99</td>
<td>$44.81</td>
<td>$46.24</td>
<td>$47.18</td>
<td>$48.20</td>
<td>[2.8%]</td>
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<tr>
<td>% change</td>
<td>0.0%</td>
<td>5.6%</td>
<td>0.0%</td>
<td>4.7%</td>
<td>1.9%</td>
<td>3.2%</td>
<td>2.0%</td>
<td>2.2%</td>
<td>[2.8%]</td>
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</tbody>
</table>

### WTD 2016 Sewer Rate Recommendation

a) Stable Rate for 2017 and 2018

| % change | 0.0% | 5.6% | 0.0% | 3.1% | 0.0% | 1.9% | 2.2% | 5.2% | \[2.4\%\] |
| Difference from 2015 Adopted Budget | $0.00 | $0.00 | $0.00 | ($0.66) | ($1.48) | ($2.10) | ($2.09) | ($0.79) | ($1.43) |

### Alternative Rate Options

1. Recommendation with 25-Year Bond Term

| % change | 0.0% | 5.6% | 0.0% | 3.6% | 0.0% | 2.5% | 2.4% | 2.7% | \[2.7\%\] |
| Difference from 2015 Adopted Budget | $0.00 | $0.00 | $0.00 | ($0.44) | ($1.26) | ($1.61) | ($1.49) | ($0.23) | ($1.01) |

2. 2015 Rate Extended to 2017

| % change | 0.0% | 5.6% | 0.0% | 0.0% | 3.9% | 2.1% | 2.1% | 4.1% | \[2.4\%\] |
| Difference from 2015 Adopted Budget | $0.00 | $0.00 | $0.00 | ($1.96) | ($1.13) | ($1.63) | ($1.62) | ($0.79) | ($1.43) |

3. Higher Rate Stabilization Fund Maintained

| % change | 0.0% | 5.6% | 0.0% | 2.6% | 2.3% | 2.9% | 2.1% | 2.3% | \[2.4\%\] |
| Difference from 2015 Adopted Budget | $0.00 | $0.00 | $0.00 | ($0.86) | ($0.70) | ($0.85) | ($0.85) | ($0.79) | ($0.81) |
Sewer Rate Generates Most of the Utility’s Revenue

**Monthly Sewer Rate and Capacity Charge yield $447.4m or 97% of Operating Revenue (millions of $)**

- **Capacity Charge**
  - $63.04
  - 14%
- **Other Income**
  - $10.66
  - 2%
- **Investments**
  - $2.74
  - 1%
- **Rate Stabilization**
  - $0.15
  - 0%
- **WTD Operating Revenues for 2016 Proposed Rate, $447.4 million**

- **Monthly Rate**
  - $370.86
  - 83%
Uses of Rate Revenues

King County Wastewater Treatment Division Components of the 2016 Sewer Rate of $42.03

- Debt Service Payments: $24.23 (58%)
- Operating Expense: $9.69 (23%)
- Direct Capital Payments: $4.95 (12%)
- Intergovernmental Services: $3.16 (7%)

* Intergovernmental services includes activities such as local hazardous-waste fees, insurance, information technology, and environmental lab services.
Operating Expenses: 2015-16 Summary

2015 operating expenses are projected to increase 6.5 percent to $135.0 million

- Projected increase in chemical price and useage
- Continuing the Carbon and Energy Investment Program generates efficiencies
- Establishment of “Water Works” Program (1.5 percent of operating budget)
- Four additional, full-time employees (FTEs) in operations to support the Combined Sewer Overflow (CSO) Program
- Completion of the Resiliency and Recovery Program review

2016 operating expenses are projected to increase 4.7 percent to $141.4 million

- Projected increases in chemicals and electricity price and usage
- Initial contributions for future membrane replacement
- Ongoing maintenance of equipment and infrastructure
System Investments Map

Regional Wastewater Services Plan Projects and Service Areas (1999-2030)

- Brightwater Service Area
- West Service Area
- South Service Area
- Carnation Service Area
- Vashon Service Area
- Existing Wastewater Pipeline

RWSP Recommended Conveyance Projects
- Completed
- In Design or Construction
- Future (2012 – 2030)*

Protecting Our Waters Program Projects
- In Design or Construction
- Future (2015 – 2030)

Treatment Plant Projects
- Completed
2014 findings indicate there will not be treatment plant capacity needs through 2030.
Capital Program

- Maintaining lower, long-run levels of activity
- 2014 Capital spending was $155.4 million, 4.7% above predicted.
- Continuing evaluation of project scopes, schedules, and budgets
- Planned spending of $162.5 million in 2015
  $167.2 million in 2016
Rate stabilization

- Recognizes current revenues in future periods.
- Helps manage and stabilize rates
- Executive’s proposal uses the available balance by the end of 2020

### Rate Stabilization Reserve, 2014-2020 (million dollars)

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<tr>
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<tbody>
<tr>
<td>Beginning balance</td>
<td>$52.3</td>
<td>$34.3</td>
<td>$34.3</td>
<td>$34.2</td>
<td>$32.8</td>
<td>$22.8</td>
<td>$11.4</td>
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<tr>
<td>Additions</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
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<tr>
<td>Reductions</td>
<td>$18.0</td>
<td>$0.0</td>
<td>$0.2</td>
<td>$1.4</td>
<td>$10.0</td>
<td>$11.4</td>
<td>$11.4</td>
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<tr>
<td>Ending balance</td>
<td>$34.3</td>
<td>$34.3</td>
<td>$34.2</td>
<td>$32.8</td>
<td>$22.8</td>
<td>$11.4</td>
<td>$0.0</td>
</tr>
</tbody>
</table>

Note: Totals may not add due to rounding.
Wholesale Wastewater Customers

- King County bills component agencies, who in-turn, bill end-users.

- Single-family residences pay uniform charge

- Multi-family, Commercial and Industrial Customers pay on Residential Customer Equivalent (RCE) basis
  - Can affect sewer through water consumption
  - 750 cubic feet (cf) per month is 1 RCE for rate purposes
  - Billing = \((\text{water consumption}/750) \times \text{monthly rate}\)
  - Conversion rate at 750 cf since 1994
Customer Growth Patterns

Residential Customers and Residential Customer Equivalents

Number of RCE’s in thousands


- SFR Customers: 315.9, 320.1, 325.1, 329.3, 334.6, 342.6, 349.5, 357.1, 364.0, 370.6, 375.5, 378.1, 380.3, 383.9, 387.6, 391.7, 395.6, 399.6, 403.6, 407.6, 411.7, 415.8, 420.0
- Volume Based RCE’s: 378.2, 377.6, 377.6, 357.0, 349.4, 345.3, 340.3, 333.4, 338.9, 336.2, 328.3, 328.3, 326.0, 325.0, 330.6, 334.1, 335.3, 335.7, 336.2, 335.8, 335.8, 336.3, 336.9
- Total RCE’s: 694.1, 697.7, 702.7, 686.3, 683.9, 687.9, 689.8, 690.6, 702.9, 706.8, 703.8, 706.4, 706.3, 708.9, 718.2, 725.8, 730.9, 735.3, 739.7, 743.4, 747.5, 752.1, 756.8

Commercial, industrial and multi-

Single family
RCEs show continued growth in 2014

Current Residential Customer Equivalents Forecast

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Rate Proposal</td>
<td>725,844</td>
<td>730,925</td>
<td>735,310</td>
<td>739,722</td>
<td>743,421</td>
</tr>
<tr>
<td>Percent Change between Years</td>
<td>1.07%</td>
<td>0.70%</td>
<td>0.60%</td>
<td>0.60%</td>
<td>0.50%</td>
</tr>
<tr>
<td>2015 Sewer Rate</td>
<td>721,248</td>
<td>724,349</td>
<td>727,464</td>
<td>730,607</td>
<td>733,749</td>
</tr>
<tr>
<td>Percent Change between Years</td>
<td>0.43%</td>
<td>0.43%</td>
<td>0.43%</td>
<td>0.43%</td>
<td>0.43%</td>
</tr>
<tr>
<td>Change between 2016 Rate Proposal and 2015 Sewer Rate</td>
<td>4,596</td>
<td>6,576</td>
<td>7,846</td>
<td>9,115</td>
<td>9,672</td>
</tr>
</tbody>
</table>

New connections recovered in 2014

Projected New Sewer Connections by Year of Connection

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Rate Proposal</td>
<td>11,291</td>
<td>11,500</td>
<td>11,000</td>
<td>11,000</td>
<td>10,500</td>
</tr>
<tr>
<td>2015 Sewer Rate</td>
<td>9,500</td>
<td>10,500</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
</tr>
<tr>
<td>Change</td>
<td>1,791</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
<td>(500)</td>
</tr>
</tbody>
</table>
“Growth paying for growth”

• New connections to system pay additional charge to support the creation of new capacity

• Capacity charge accounts for 13.6% of total revenue in 2014, growing to 15.7% by 2021

• Payable as a monthly charge for 15 years or a lump sum with a 3.0 percent discount
## 2016 Capacity Charge Proposal

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</thead>
<tbody>
<tr>
<td>Monthly Capacity Charge</td>
<td>$53.50</td>
<td>$55.35</td>
<td>$57.00</td>
<td>$58.70</td>
<td>$60.46</td>
<td>$62.27</td>
<td>$64.16</td>
<td>$66.10</td>
<td>$68.08</td>
</tr>
<tr>
<td>% Change</td>
<td>3.0%</td>
<td>3.5%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Total over 15 years</td>
<td>$9,630</td>
<td>$9,963</td>
<td>$10,260</td>
<td>$10,566</td>
<td>$10,883</td>
<td>$11,209</td>
<td>$11,551</td>
<td>$11,897</td>
<td>$12,255</td>
</tr>
<tr>
<td>Proposed Sewer Rate</td>
<td>$39.79</td>
<td>$39.79</td>
<td>$42.03</td>
<td>$42.03</td>
<td>$43.33</td>
<td>$43.33</td>
<td>$44.14</td>
<td>$45.09</td>
<td>$47.41</td>
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<tr>
<td>Proposed Capacity Charge</td>
<td>$53.50</td>
<td>$55.35</td>
<td>$57.00</td>
<td>$58.70</td>
<td>$60.46</td>
<td>$62.27</td>
<td>$64.16</td>
<td>$66.10</td>
<td>$68.08</td>
</tr>
<tr>
<td>Total for New Connections</td>
<td>$93.29</td>
<td>$95.14</td>
<td>$99.03</td>
<td>$100.73</td>
<td>$103.79</td>
<td>$105.60</td>
<td>$108.30</td>
<td>$111.19</td>
<td>$115.49</td>
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Future Rate Outlook

Rate projections for 2017 to 2021 indicate average annual increases of approximately 2.4% per year.

Uncertainties in projections:

- Timing and amount of recovery of Brightwater disputed costs that are pending on appeal
- Increases in bond and investment interest rates
- Sustained growth in RCEs and new connections versus pent-up demand and recovery boom.
If you have additional questions, please contact:

King County Wastewater Treatment Division
Department of Natural Resources and Parks

Tim Aratani, Finance Manager
(206) 477-5351 or tim.aratani@kingcounty.gov