

KING COUNTY WASTEWATER TREATMENT DIVISION

2016 Sewer Rate Presentation



Metropolitan Water Pollution Abatement Advisory Committee

April 22, 2015



PRESENTERS

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TODAY'S AGENDA

Overview of the Executive's 2016 Rate and Capacity Charge Proposal

- **Components of the 2016 Rate**
- **Capacity Charge**
- **Summary of Proposal**

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

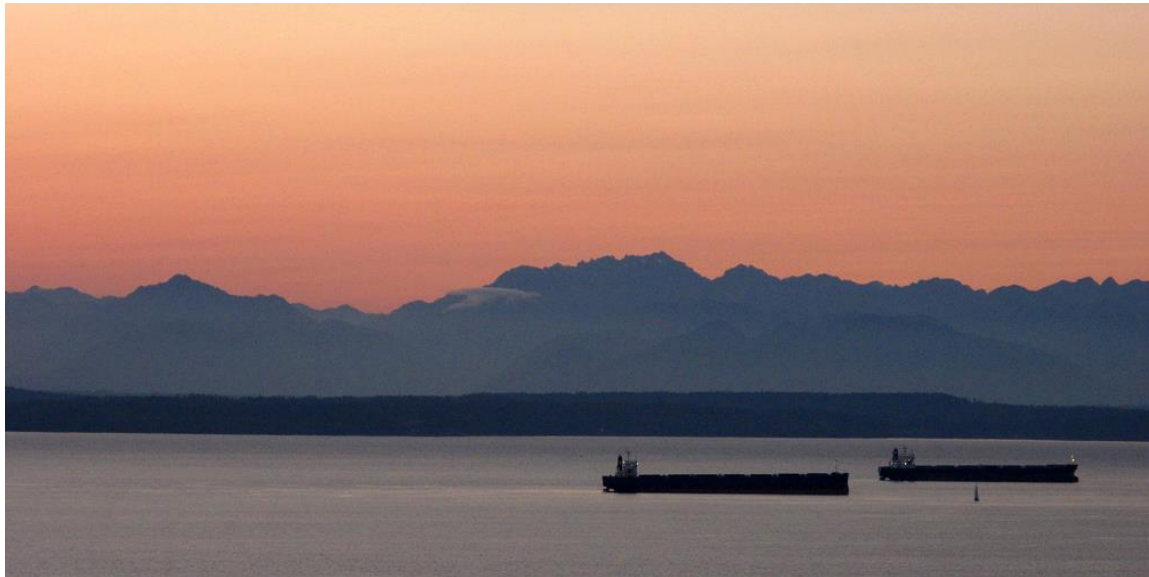
- Continuation of the 2015 rate
- Annual average rate increases of 2.4 % are projected for the 2017-2021 period

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:

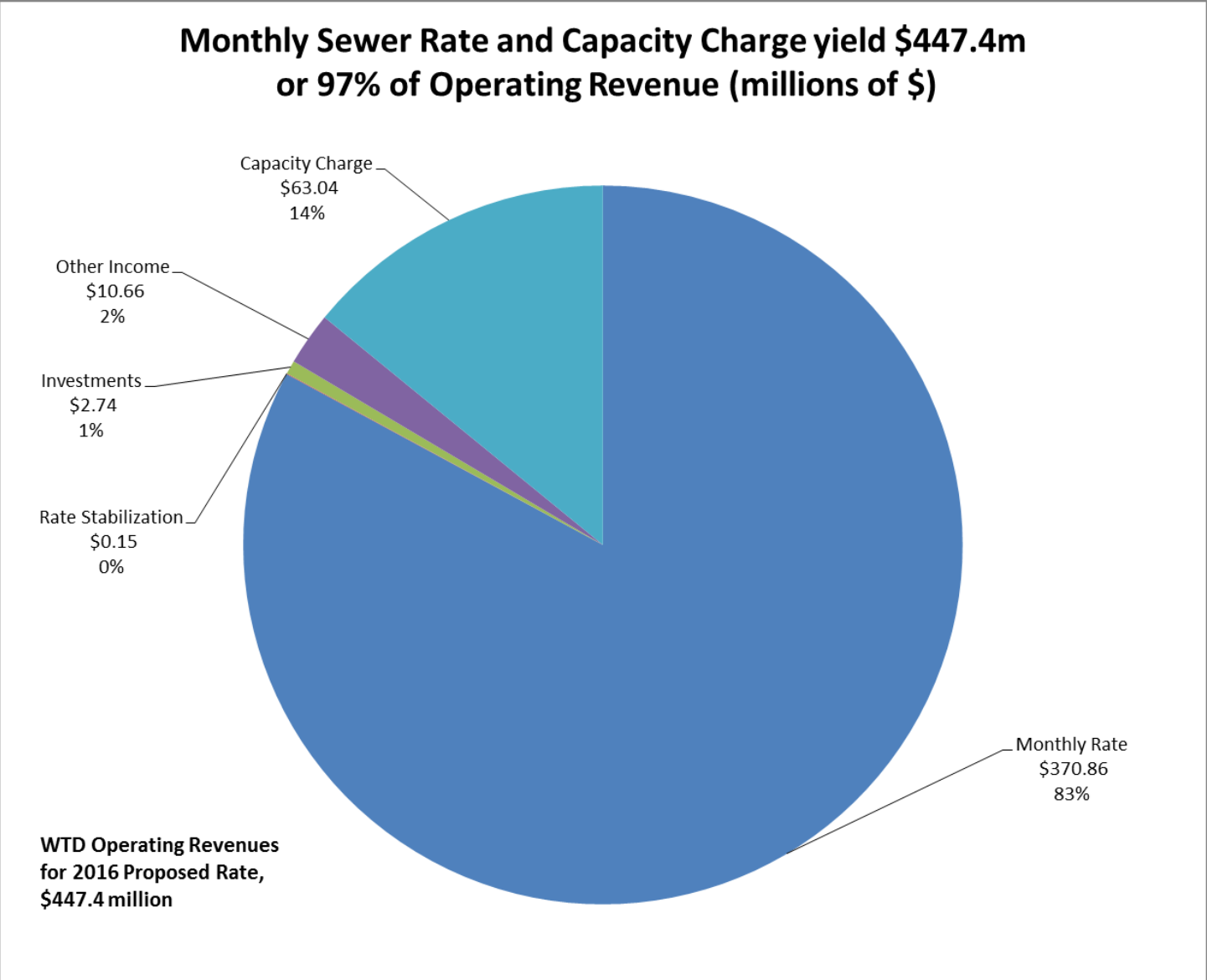
- Maintaining and improving regional water quality in compliance with federal, state, and local regulations;
- Providing sufficient wastewater conveyance and treatment capacity to meet the long-term needs of people and businesses in the Wastewater Treatment Division's (WTD's) service area;
- Ensuring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



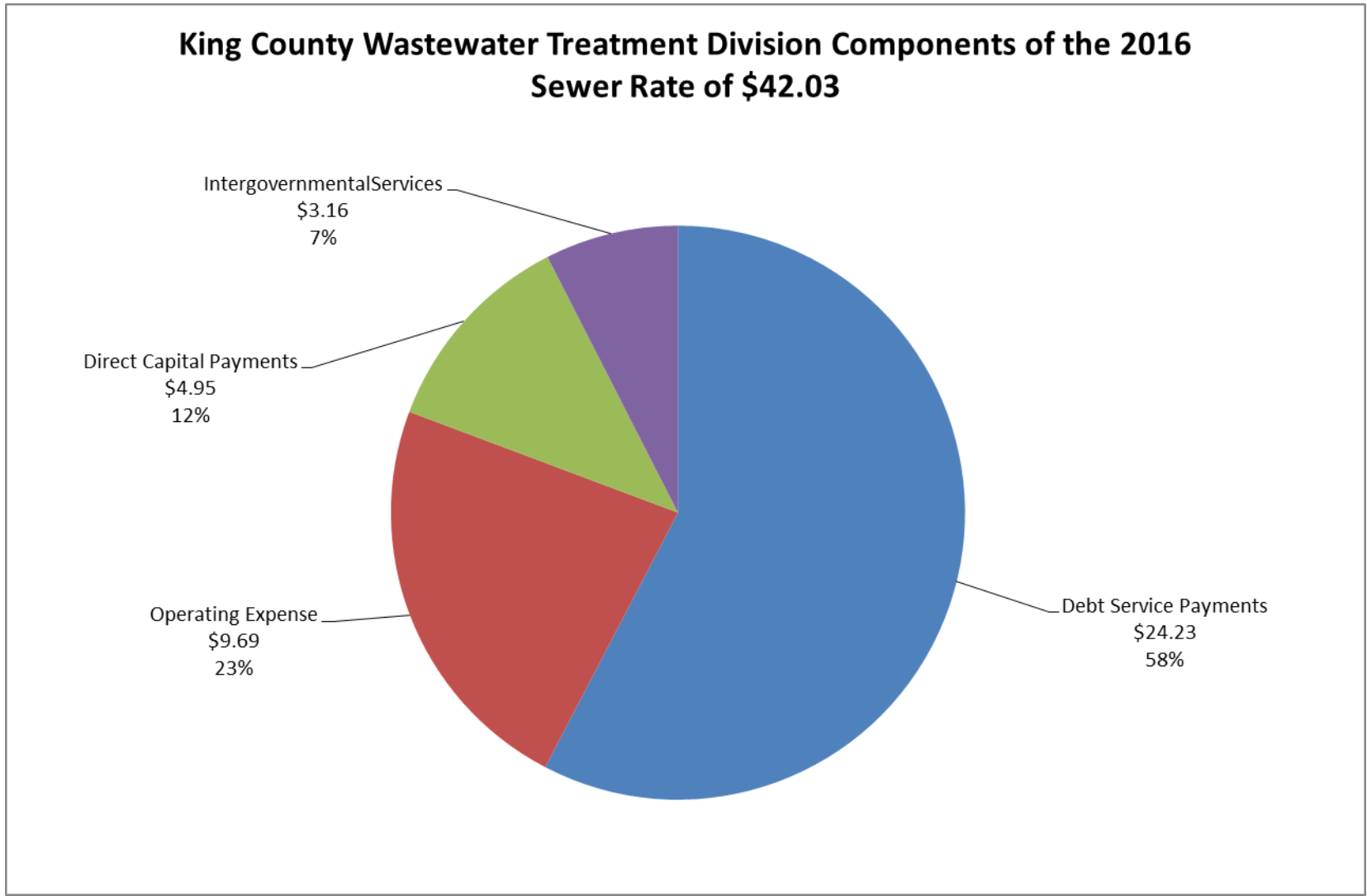
Proposed 2016 rate of \$42.03 per month

	2014	2015	2016	2017	2018	2019	2020	2021	2017 - 21 annual average
Previous Benchmark									
2015 Adopted Budget (November 2014)	\$39.79	\$42.03	\$42.03	\$43.99	\$44.81	\$46.24	\$47.18	\$48.20	
% change	0.0%	5.6%	0.0%	4.7%	1.9%	3.2%	2.0%	2.2%	2.8%
WTD 2016 Sewer Rate Recommendation									
a) Stable Rate for 2017 and 2018	\$39.79	\$42.03	\$42.03	\$43.33	\$43.33	\$44.14	\$45.09	\$47.41	
% 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	\$39.79	\$42.03	\$42.03	\$43.55	\$43.55	\$44.63	\$45.69	\$47.97	
% change	0.0%	5.6%	0.0%	3.6%	0.0%	2.5%	2.4%	5.0%	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	\$39.79	\$42.03	\$42.03	\$42.03	\$43.68	\$44.61	\$45.56	\$47.41	
% 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	\$39.79	\$42.03	\$42.03	\$43.13	\$44.11	\$45.39	\$46.33	\$47.41	
% 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



Uses of Rate Revenues



* 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 usage
- 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

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)

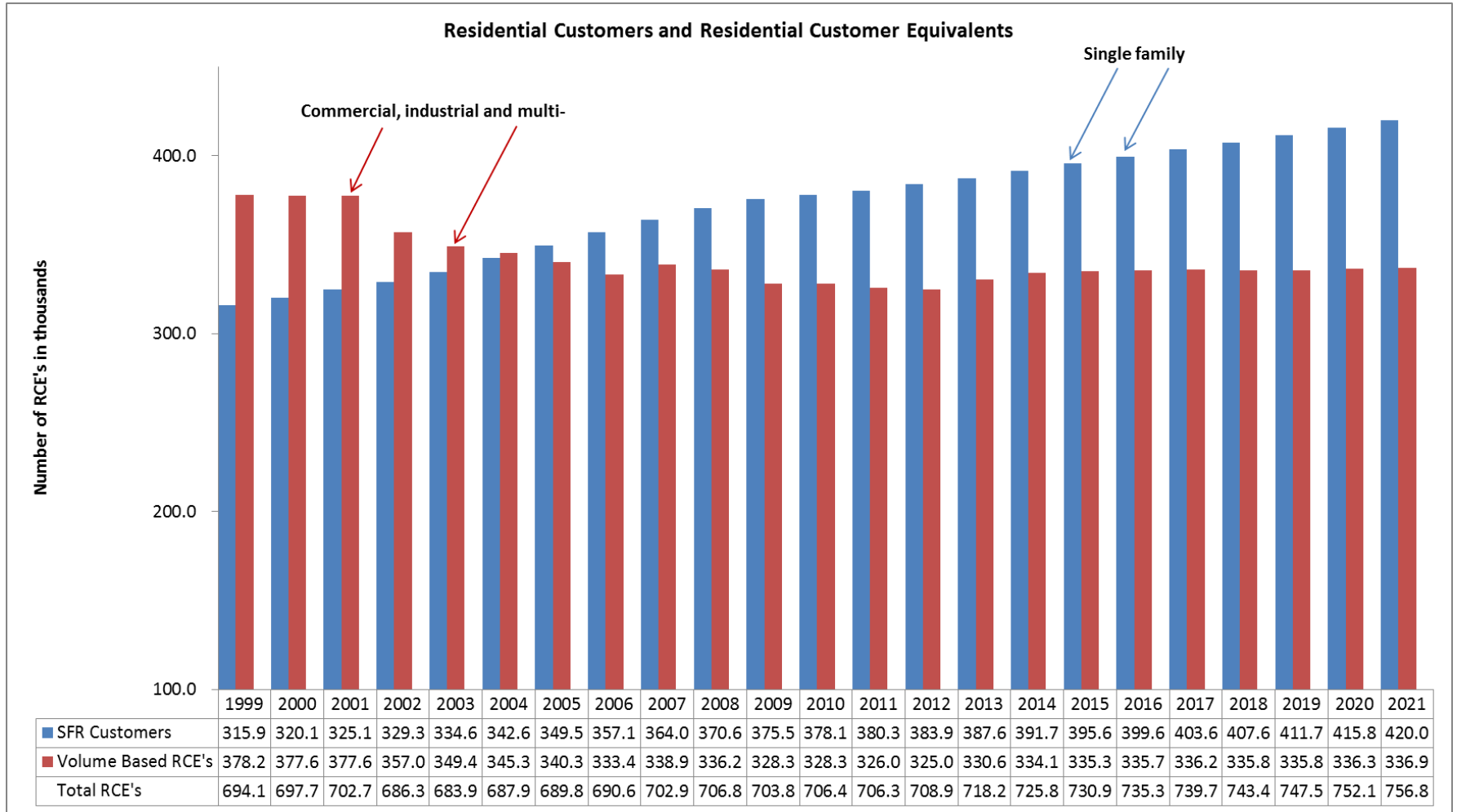
	2014	2015	2016	2017	2018	2019	2020
Beginning balance	\$52.3	\$34.3	\$34.3	\$34.2	\$32.8	\$22.8	\$11.4
Additions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Reductions	\$18.0	\$0.0	\$0.2	\$1.4	\$10.0	\$11.4	\$11.4
Ending balance	\$34.3	\$34.3	\$34.2	\$32.8	\$22.8	\$11.4	\$0.0

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 = (water consumption/750) x monthly rate
 - Conversion rate at 750 cf since 1994

Customer Growth Patterns



RCEs show continued growth in 2014

Current Residential Customer Equivalents Forecast

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

New connections recovered in 2014

Projected New Sewer Connections by Year of Connection

	2014	2015	2016	2017	2018
2016 Rate Proposal	11,291	11,500	11,000	11,000	10,500
2015 Sewer Rate	9,500	10,500	11,000	11,000	11,000
Change	1,791	1,000	0	0	(500)

Capacity Charge

“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

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Monthly Capacity Charge	\$53.50	\$55.35	\$57.00	\$58.70	\$60.46	\$62.27	\$64.16	\$66.10	\$68.08
% Change	3.0%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total over 15 years	\$9,630	\$9,963	\$10,260	\$10,566	\$10,883	\$11,209	\$11,551	\$11,897	\$12,255
Proposed Sewer Rate	\$39.79	\$39.79	\$42.03	\$42.03	\$43.33	\$43.33	\$44.14	\$45.09	\$47.41
Proposed Capacity Charge	\$53.50	\$55.35	\$57.00	\$58.70	\$60.46	\$62.27	\$64.16	\$66.10	\$68.08
Total for New Connections	\$93.29	\$95.14	\$99.03	\$100.73	\$103.79	\$105.60	\$108.30	\$111.19	\$115.49

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:

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Department of Natural Resources and Parks

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King County

Department of Natural Resources and Parks
Wastewater Treatment Division