Summary of Recommendation

1. **WTD recommends a rate increase of 2.5% for 2019 (intended to be maintained through 2020)**
   a. WTD's recommendation presents projected rates for 2019-2020 which are $0.52 lower than those projected in the 2018 adopted rate (June 2017).
   b. All options include all incurred restoration costs and $253M in post-restoration projects at West Point; maintain $46.2M rate stabilization balance through 2021; recognize substantial savings from the Georgetown CSO WIFIA loan; and use Brightwater settlement funds to pay for capital improvements into 2020.
   c. WTD’s recommendation projects a 4.5% rate increase for 2021-2022 and 2.3% rate increases in 2023 and 2024 yielding an average annual rate increase of 1.93% for the next 6 years.
   d. Options maintaining the current 2018 rate through 2019, 2020 or 2021 result in larger out-year rate increases.
   e. WTD recommends a 2019 monthly capacity charge of $64.50, a 3.0% increase from 2018. WTD is engaged in a study and analysis of the allocation across customer groups for this revenue. Additionally, a low income discount program is being designed. Recommendations from both of these studies should be ready in 2019 for incorporation in the 2020 capacity charge.

2. **Positive 2017 Financial Performance**
   a. Since January, 2015, over $1.9 billion in bonds refinanced have resulted in $16.7 million in debt service savings in the 2017-8 biennium, reducing sewer rate increases by $1.15.
   b. Moody’s upgraded WTD’s bond rating from Aa2 to Aa1 resulting in lower future borrowing costs.
   c. Total RCEs grew 0.6% from 2016 to 2017 consistent with projections and reflecting completion of large construction dewatering contributions in 2016.

3. **Future Uncertainties**
   a. Timing and amount of CSO Long-term Control Plan costs for 5 major projects will be updated in the upcoming system plan of 2020.
   b. C continued customer growth at recent high levels is not expected to continue.
   c. Timing and pace of increasing interest rates.
   d. The 2017 Tax Act ended advanced refundings for tax-exempt municipal bonds; 2021 will be the first year that potential refunding savings might become available.

4. **Highlights of WTD’s recommendation**
   a. Implements operating and capital programs ensuring continued regulatory compliance.
   b. Significant investment in West Point resiliency.
   c. Operating fund totals include increased staffing to proactively address aging workforce, support new construction & capacity improvements, system planning, upgrading our asset management capabilities and earthquake resiliency.
   d. Continues fiscally conservative debt strategies and maintains current rate stabilization balance through 2021 to support rate mitigation strategies in the future.