



**King County**

Department of Natural Resources and Parks  
Wastewater Treatment Division



# **WTD Staff 2024 Sewer Rate and Capacity Charge Proposal Briefing**

King County Wastewater Treatment Division (WTD)  
Seattle Public Utilities – Customer Review Panel

March 21, 2023

# Agenda

1. WTD policy goals and water quality Investments
2. WTD staff proposed 2024 Sewer Rate and 10-year projection
3. 2024 Capacity Charge proposal
4. Questions



# Policy-driven investments

- Increase **reliability** at West Point and offsite locations.
- Comply with **regulatory requirements**.
- Respond to growth-related **demand** on the system.
- Advance the most critical **asset management** projects.
- Protect **water quality** and the environment, implement the Clean Water Healthy Habitat Strategic Plan.
- Increase resiliency to **climate change** consistent under the Strategic Climate Action Plan.
- Address disparities in service delivery in alignment with the **Equity & Social Justice Strategic Plan**.

# West Point resiliency and reliability



Capital improvement projects at West Point Treatment Plant will improve system reliability, promote worker safety, protect the environment and increase efficiency.

- **Power quality improvement project**
- **Raw sewage pump replacement**
- **Biogas pipe replacement**
- **Power monitoring upgrades**
- **Seismic upgrades**

# Asset Management

- Portfolio includes over 60,000 assets.
- Strategic Plan addresses the highest priority items and backlog of needs.
- Coordination of activities promotes efficiency and reduces downtime.
- Projects can improve energy efficiency and generate cost savings.



**2023 Adopted Rate – Sewer Rate Projection - 40% Cash Funding**

2023 - 40% Cash Funding	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate Increase %	5.75%	5.75%	5.75%	5.75%	5.75%	9.00%	9.00%	9.00%	9.00%	9.00%	
Monthly Sewer Rate	\$52.11	\$55.11	\$58.28	\$61.64	\$65.19	\$71.06	\$77.46	\$84.44	\$92.04	\$100.33	
All-In Debt Service Coverage	1.59x	1.63x	1.64x	1.65x	1.67x	1.69x	1.72x	1.70x	1.70x	1.71x	

**Initial 2024 Preliminary Sewer Rate Projection – 40% Cash Funding, no changes to Capital Improvement Program, higher Accomplishment Rate, two-step smoothing**

Preliminary 40%	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate Increase %	5.75%	6.75%	6.75%	6.75%	6.75%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%
Monthly Sewer Rate	\$52.11	\$55.63	\$59.39	\$63.40	\$67.68	\$75.30	\$83.78	\$93.21	\$103.70	\$115.37	\$128.35
All-In Debt Service Coverage	1.56x	1.57x	1.55x	1.55x	1.56x	1.62x	1.66x	1.68x	1.74x	1.79x	1.96x

- Capital Improvement Program (CIP) projections show significant cost increases in the 10-year financial projection. Increases are due to new projects, revised project schedules, and revised project cost estimates.
- Affordability for lower income ratepayers already challenging and projected to worsen.

# WTD staff proposed changes to respond to affordability challenge

- Defer selected Conveyance System Improvement Inflow and Infiltration (CSI I/I) projects with lower risk of capacity-related overflows.
  - Reduces CIP by \$357M in the 10-year projection period.
- Reduce CIP Accomplishment Rates in the near term and cap later rates at up to 85%.
  - This change aligns the accomplishment rate with current economic conditions and historical performance.
- Modify cash funding approach to reduce future rate increases.
  - Adds modestly to debt and retains a strong debt service coverage ratio.

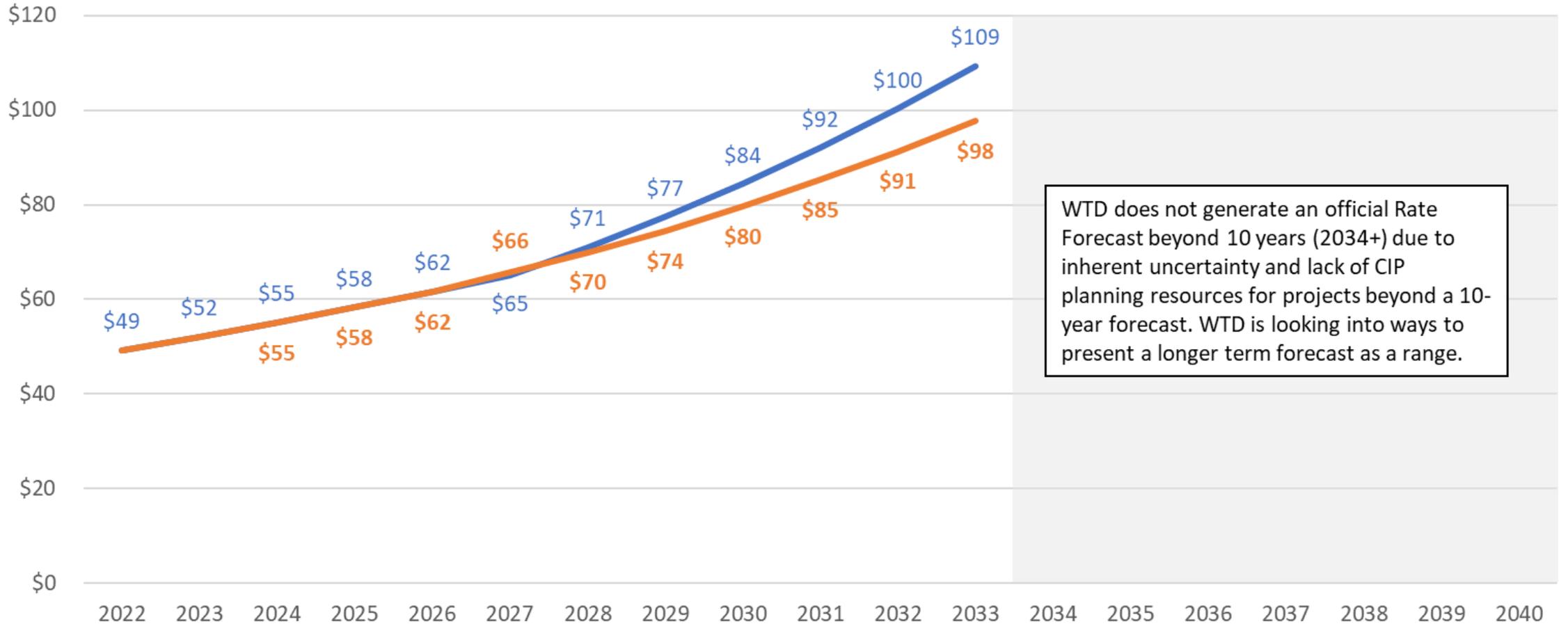
## WTD staff proposed 2024 Sewer Rate

**2024 Proposed Sewer Rate and 2025-2033 Rate Projection – Original Cost Depreciation, modified Capital Improvement Program, revised Accomplishment Rate, three-step smoothing**

Base + CSI I/I Deferral & OC Dep	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate Increase %	5.75%	5.75%	5.75%	5.75%	6.50%	6.50%	6.50%	7.00%	7.00%	7.00%	7.00%
Monthly Sewer Rate	\$52.11	\$55.11	\$58.28	\$61.64	\$65.65	\$69.92	\$74.47	\$79.69	\$85.27	\$91.24	\$97.63
All-In Debt Service Coverage	1.56x	1.73x	1.73x	1.67x	1.68x	1.65x	1.61x	1.53x	1.50x	1.47x	1.51x

- Maintains 5.75% increase for 2024 rate as projected last year.
- Reduces future year increases and associated rate at end of 10-year projection period.
- Retains ample debt service coverage ratio.

### WTD Sewer Rate Projection Comparison 2024 Sewer Rate Projection vs 2023 Sewer Rate Projection



WTD does not generate an official Rate Forecast beyond 10 years (2034+) due to inherent uncertainty and lack of CIP planning resources for projects beyond a 10-year forecast. WTD is looking into ways to present a longer term forecast as a range.

# Long-term affordability challenge

- WTD staff recommended rate addresses affordability by holding the 2024 rate to the projection from last year's rate process.
- Long-term rate affordability will continue to be impacted by:
  - Known and anticipated regulatory requirements
  - Asset management projects and programs necessary to prevent overflows
  - Demand-driven capacity projects
- Additional state and federal funding is crucial to improve long-term sewer rate affordability.

# Independent CIP review

- Hire consultant for third-party/independent review of the CIP.
- Develop scope of work to issue an RFP in mid-2023.
- Review would analyze WTD's capital portfolio approach, financial strategies, revenue/funding streams, resource needs and related market impacts, relevant timelines, and schedules.
- Engage with Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) on scope development and deliverables.

## WTD Staff Proposed 2024 Capacity Charge

2024 Capacity Charge Projection	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate	\$72.50	<b>\$74.23</b>	\$76.09	\$77.99	\$79.94	\$81.94	\$83.99	\$86.09			
Increase %	3.0%	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%			
Increase \$	\$2.11	\$1.73	\$1.86	\$1.90	\$1.95	\$2.00	\$2.05	\$2.10			
Annual Total	\$870	\$891	\$913	\$936	\$959	\$983	\$1,008	\$1,033			
Total Payment (15 years)	\$13,050	\$13,362	\$13,696	\$14,038	\$14,389	\$14,749	\$15,117	\$15,495			
Projected Revenue (000's)	\$92,998	<b>\$94,877</b>	\$94,919	\$95,999	\$97,045	\$97,460	\$97,407	\$97,505	\$90,393	\$78,794	\$69,361

- Clean Water Plan paused; performed regular three-year update.
- WTD Staff proposed 2024 rate of **\$74.23**, a **2.4% increase**, and projecting **2.5% increases** for **2025** and **2026**.
- Please note, currently, there are no policy provisions in King County Code to charge the capacity charge beyond 2030 connections.
- Continue working with Capacity Charge work group (MWPAAC).

# Stakeholder engagement

- Continue to work towards earlier information and increased transparency.
- Monthly rate briefings to MWPAAC starting in January 2023 with discussions continuing into April 2023.
- Rate briefings to RWQC in April and May 2023.
- County Executive to transmit rate proposal to Council in April 2023.

# Questions

Kamuron Gurol, WTD Division Director

[kgurol@kingcounty.gov](mailto:kgurol@kingcounty.gov)

