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Metropolitan Water Pollution Abatement Advisory Committee

King Street Center, 201 S Jackson St, MS: KSC-NR-5504, Seattle, WA 98104
206-477-4435

April 27, 2022

The Honorable Claudia Balducci
Chair, King County Council
516 Third Ave, Room 1200
Seattle, WA 98104

SUBJECT: Wastewater Treatment Division 2023 Rate Recommendation

Dear Councilmember Balducci:

The Metropolitan Water Pollution Abatement Advisory Committee (MWPAAAC) understands the needs driving Wastewater Treatment Division's (WTD) 5.75 percent rate proposal for 2023. We support adequate revenue to meet the growing regulatory requirements and necessary wastewater system investments. Thanks to the increased transparency and more thorough and timely rate information provided by WTD staff over the past year, MWPAAAC agencies have a greater awareness and understanding of the factors contributing to the increase. We do have remaining questions regarding the significant increase in both staffing and unspecified Capital Improvement Program funding and would ask for further examination of these investments, in order to help keep rates as low as possible. We encourage WTD to continue to implement cost containment measures and increased efficiencies to minimize its rate increases.

The proposed 2023 rate increase of 5.75 percent is larger than the forecasted 4.0 percent released just eight months ago, due in large part to the addition of accelerated combined sewer overflow expenditures, newly identified asset replacement projects, and the West Point Power Quality Improvement Project. MWPAAAC requests to view and discuss WTD's 10-year capital facilities plan specifically identifying every project and its estimated cost and how that had been used to develop the rate process.

We cannot help but be alarmed at the proposed ten-year rate plan, which shows a **doubling of the regional monthly sewer rate by 2032**. The proposed rate increases for the period of 2024-2032 include many new assumptions that MWPAAAC needs to better understand and discuss prior to the rate increase discussion in 2023. The region continues to struggle with affordability and these projected rate increases will create additional hardships for communities and customers. We need to work together to ensure there is adequate funding for both local and regional wastewater systems while still addressing affordability.

Over the following year, MWPAAAC requests additional dialogue and information in the following areas:

Consent Decree Negotiations

The projected rate path assumes a successful consent decree modification that moves 60 percent of the anticipated cost of the Combined Sewer Overflow (CSO) program (\$2.6B) to the 2032-2040 period. MWPAAC requests additional sensitivity analysis on the assumed \$1.68B in proposed spending in the 2023-2032 period, in addition to continued updates as available on the status of negotiations.

Asset Management

Every year, asset management becomes a more significant driver of rate increases. MWPAAC recognizes the necessity of maintaining a resilient and functional system. As we look to a future with enormous costs for asset replacements and refurbishments, we seek more discussion about cost estimating and decision-making related to the Asset Management program to better understand this significant rate driver. MWPAAC also supports WTD's plan to tackle asset management projects with the newly proposed "Asset Management Strike Team" of 13 FTEs. The Engineering & Planning subcommittee looks forward to deeply engaging in the work of this team.

Capacity Improvements

Capacity improvements are another major rate driver, projected at \$300 million per year. WTD's sewer rate briefing materials acknowledge the need to perform alternatives analysis for capacity-related projects at the three regional treatment plants. MWPAAC supports this work and looks forward to engaging in the process.

Staffing and Programs

WTD is proposing to add 96 full-time equivalent (FTE) staff positions, a significant number. MWPAAC's expectation is that WTD will seek efficiencies in operations and personnel and make the highest and best use of every FTE, as we all must at our individual agencies. Given all the pressures on rates, MWPAAC requests further information on the positions and programs not directly related to providing wastewater service, such as:

- the three proposed FTEs for the Strategic Climate Action Plan
- the WaterWorks Grant Program
- existing and proposed public education programs

Clean Water Plan

MWPAAC would like to thank King County for pausing the Clean Water Plan so work can focus on defining the two major regulatory drivers of the coming decades - nutrients and CSOs. Prior to the pause, the Clean Water Plan had already produced major findings about the challenges in coming decades. Coupled with asset management and capacity investments, the financing requirements are staggering. Facing these means King County WTD will need to be more creative and innovative than ever. Careful analysis and planning are needed, especially in specific areas of asset management, project cost reduction and prioritization, reclaimed water, and emerging technologies like distributed wastewater treatment. As we look to the anticipated \$6.3 billion in capital spending in the next 10 years, MPWAAC seeks to invest in wastewater programs and projects that solve multiple problems, build resilience, tackle asset management needs, and result in the greatest environmental and community value.

Financial Questions

Member agencies would like to continue to hear finance-focused presentations related to the following questions:

- Cash funding of capital projects – what are the benefits and costs of reducing the cash-funded portion from the MWPAAC-supported 40 percent to 30 percent?
- What is WTD’s construction cost inflation factor? Given the volatile economic climate, are the assumptions appropriate?
- For costs related to growth-related capacity improvements, it will be helpful to understand the allocation between the sewer rate and the capacity charge.

MWPAAC appreciates this opportunity to communicate our recommendations and concerns. We thank WTD for implementing our recommended annual rather than bi-annual rate adjustment and for providing in-depth rate development briefings to resolve some of our concerns over the compressed rate timeline. We are hopeful that 2022 will provide answers to very big questions – related to the general nutrient permit, consent decree negotiations, necessary system investments, and direction of the Clean Water Plan. We anticipate that these answers will add more clarity to the ten-year rate plan in 2023. As always, we look forward to strengthening our collaborative relationship as we all strive to provide high value wastewater collection and treatment services for a rapidly growing region.

Sincerely,



John McClellan
MWPAAC Chair

cc: King County Councilmembers
MWPAAC Members
The Honorable Dow Constantine, County Executive, King County
Christie True, Director, Department of Natural Resources and Parks (DNRP)
Kamuron Gurol, Division Director, Wastewater Treatment Division, DNRP