

2024 Sewer Rate Process

# **Rate-Setting 101**

King County Wastewater Treatment Division  
MWPAAAC Rates & Finance

December 1, 2022

# Agenda

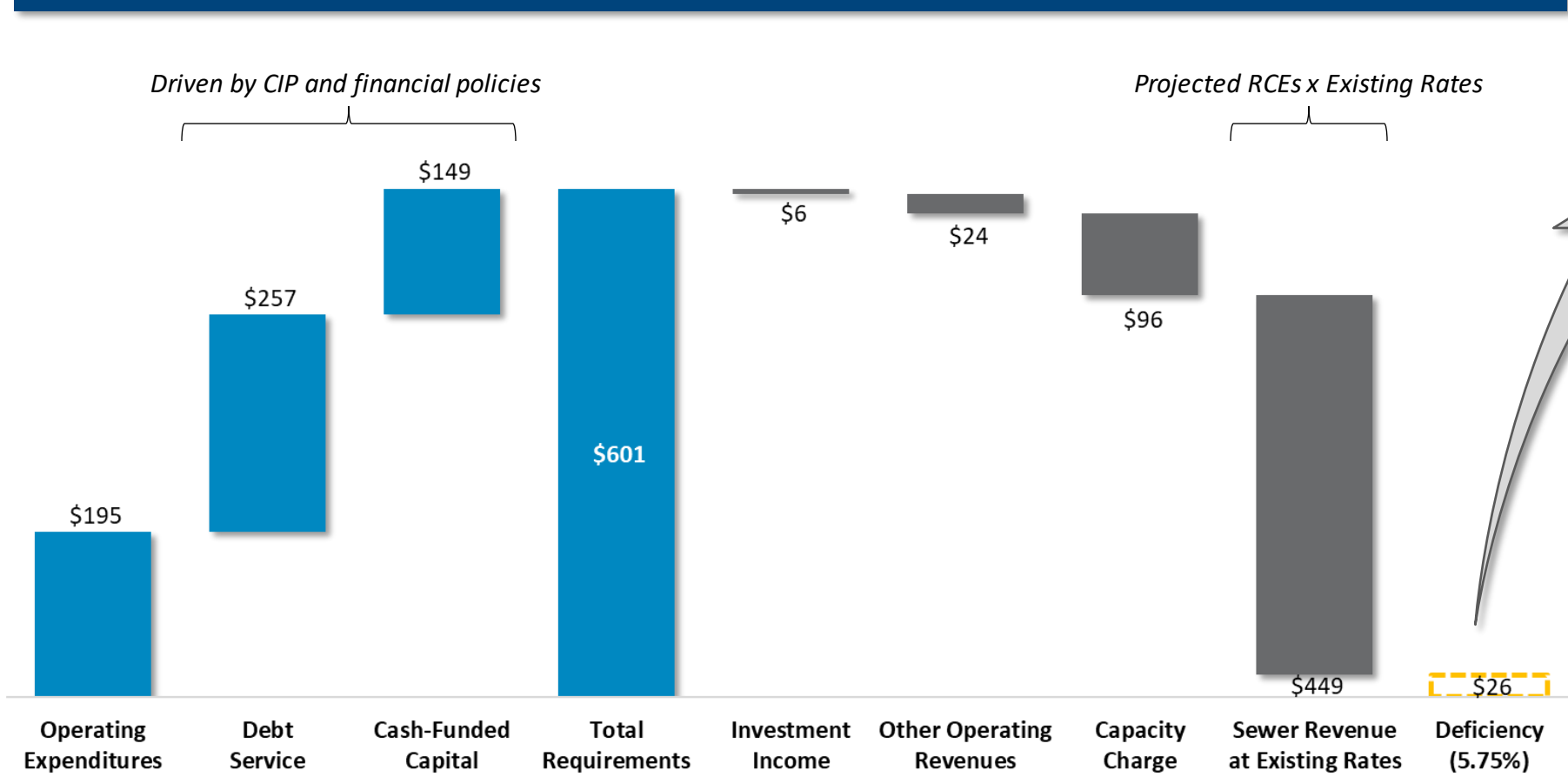
1. Introduction
2. Revenue Requirement
3. Capital Funding Plan
4. Customers and Billing Structure
5. Other Inputs and Assumptions
6. Next Steps
7. Q&A

# Introduction

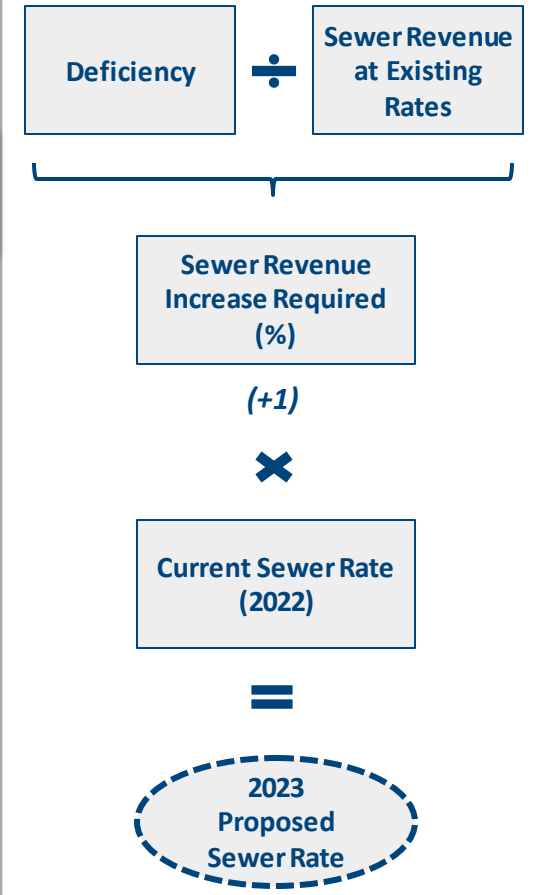
- Utility enterprise funds (such as WTD) are self-supporting and must set user fees to recover the costs of providing service(s)
- The total cost that must be recovered by a utility's revenue sources in any given period is referred to as a utility's revenue requirement
  - Total cost includes operating expenditures, debt repayment, and cash-funded capital, and are impacted by financial policies and reserves
- The sewer rate is adopted annually, and the funding needs and revenues generated are viewed as part of a 10-year financial forecast as required by KCC 28.86.160(C), formally referred to as the Rate Plan

# Revenue Requirement Overview

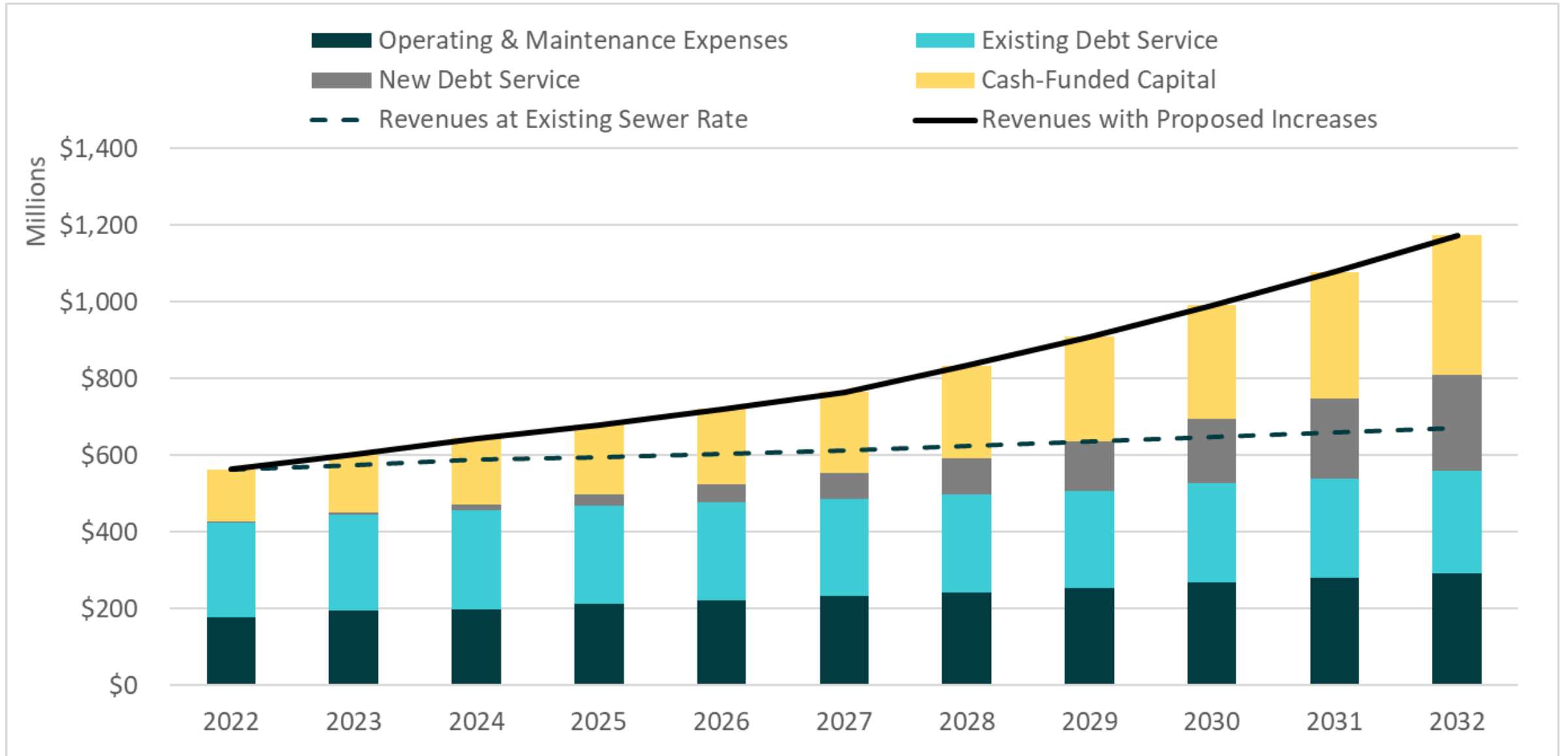
## 2023 Adopted Sewer Rate (\$ million)



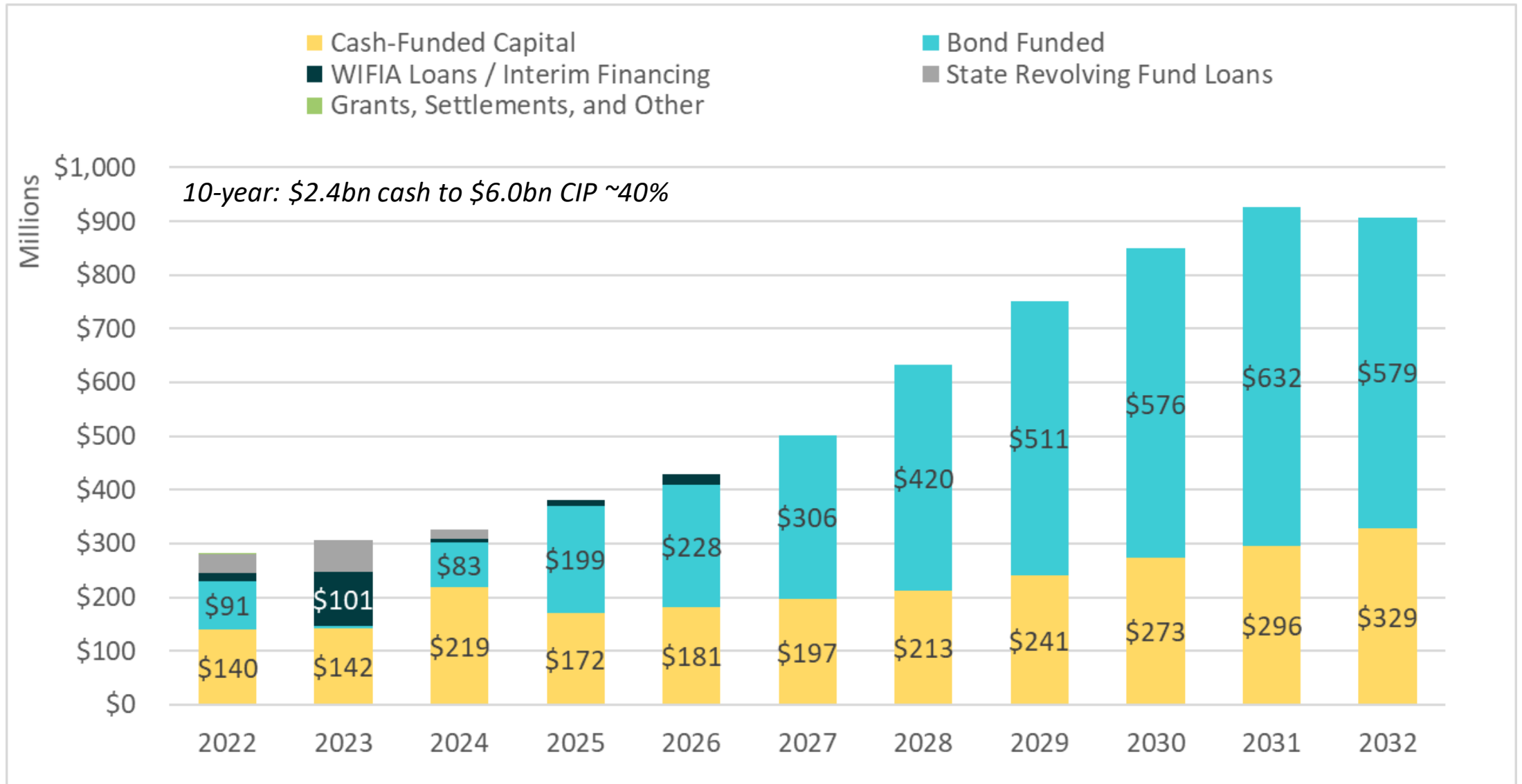
## Sewer Rate Calculation



# 2023-2032 Revenue Requirements



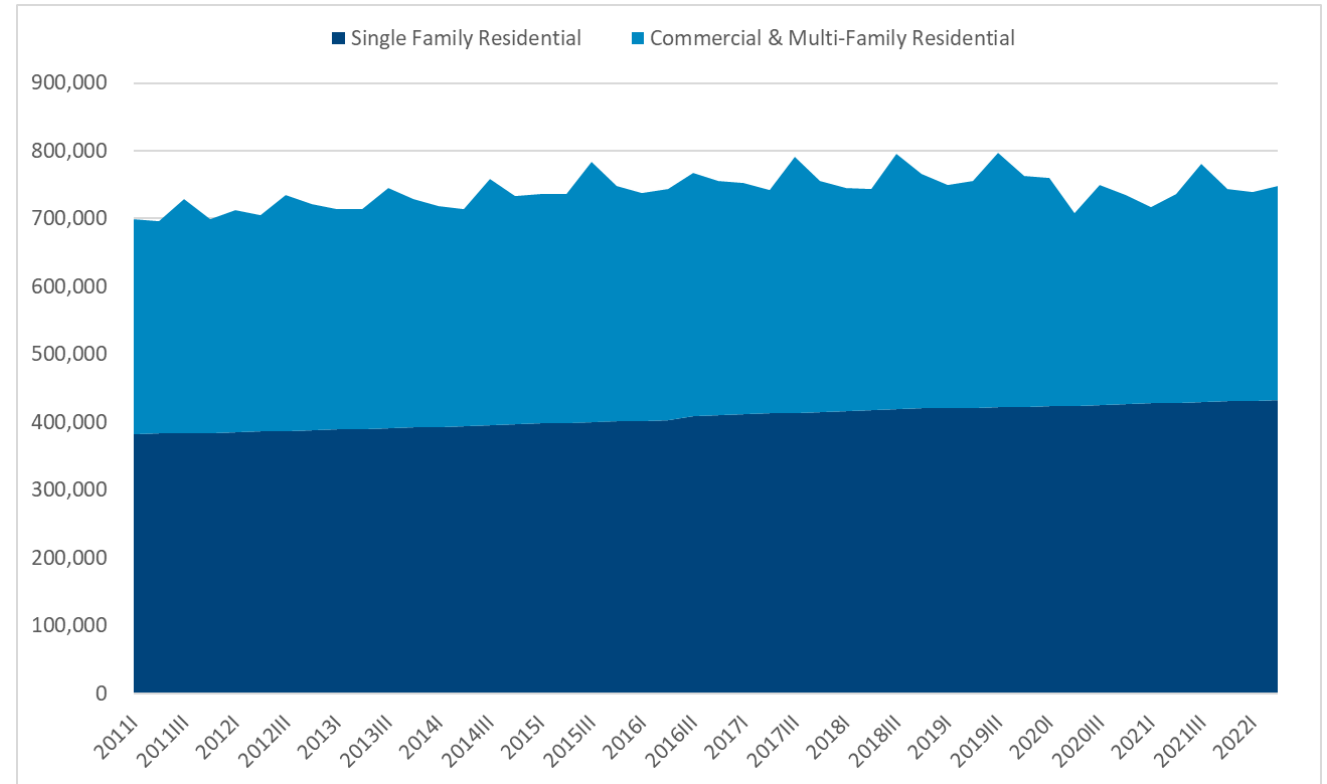
# 2023-2032 Capital Funding Plan



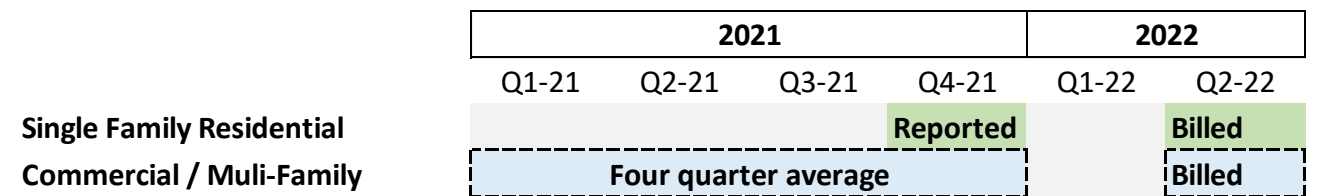
# Customers and Billing Structure

	Single Family Residential Customers	RCE based Customers	Total Customers	Percentage of Total (%)
<b>Local Sewer Agencies - Cities</b>				
Algona	1,011	400	1,411	0.19
Auburn	13,355	17,829	31,184	4.18
Bellevue	32,522	27,982	60,504	8.11
Black Diamond	1,823	81	1,904	0.26
Bothell	4,858	3,134	7,992	1.07
Brier	1,564	218	1,782	0.24
Carnation	893	281	1,174	0.16
Issaquah	6,982	6,398	13,380	1.79
Kent	13,351	24,297	37,648	5.05
Kirkland	10,127	5,517	15,644	2.10
Lake Forest Park	3,610	470	4,080	0.55
Mercer Island	7,178	1,435	8,613	1.15
Pacific	1,550	1,197	2,747	0.37
Redmond	15,287	15,649	30,936	4.15
Renton	16,326	14,366	30,692	4.11
Seattle	155,248	128,191	283,439	38.00
Shoreline	15,147	4,774	19,921	2.67
Tukwila	1,057	6,315	7,372	0.99
<b>Subtotal</b>	<b>301,889</b>	<b>258,534</b>	<b>560,423</b>	<b>75.14</b>
<b>Local Sewer Agencies - Sewer Districts and Tribe</b>				
Alderwood Water & Wastewater District	35,420	15,541	50,961	6.83
Cedar River Water & Sewer District	4,120	1,343	5,463	0.73
Coal Creek Utility District	3,221	1,349	4,570	0.61
Cross Valley Water District	-	397	397	0.05
Highlands Sewer District	105	1	106	0.01
Lakehaven Utility District	1,097	5	1,102	0.15
Muckleshoot Indian Tribe	320	84	404	0.05
NE Sammamish Sewer & Water District	4,728	89	4,817	0.65
Northshore Utility District	20,401	10,113	30,514	4.09
Olympic View Water & Sewer District	209	1	210	0.03
Sammamish Plateau Water & Sewer District	11,819	5,279	17,098	2.29
Skyway Water & Sewer District	3,946	1,544	5,490	0.74
Soos Creek Water & Sewer District	33,204	5,533	38,737	5.19
Valley View Sewer District	7,137	7,807	14,944	2.00
Vashon Sewer District	429	472	901	0.12
Woodinville Water District	2,879	2,998	5,877	0.79
<b>Subtotal</b>	<b>129,035</b>	<b>52,556</b>	<b>181,591</b>	<b>24.35</b>
<b>Non-Municipal Participants and Other Customers</b>				
	-	3,860	3,860	0.52
<b>Total</b>	<b>430,924</b>	<b>314,950</b>	<b>745,874</b>	<b>100.00</b>

Historical Reported RCEs by Quarter



RCE Reporting to Sewer Rate Billing Lag



# Other Inputs and Assumptions

Forecast Assumptions: Proposed Rate Plan	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Single-Family Residences RCE Growth	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Multi-Family & Commercial RCE Growth	3.0%	4.1%	1.7%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Capacity Charge Regular Payments	3.0%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Capacity Charge Prepayments	3.0%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
General Cost Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Labor Cost Inflation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Expenditure Growth	1.0%	1.0%	1.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Capital Cost Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
CIP Accomplishment Rate <sup>[1]</sup>	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Revenue Bond Rate (30 Year Term)	4.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Blended Variable Rate	1.54%	2.47%	3.01%	3.02%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Investment Pool Earnings Rate	0.75%	1.00%	1.25%	1.50%	1.50%	1.67%	1.94%	2.16%	2.34%	2.34%	2.34%

<sup>[1]</sup> The Joint Ship Canal Water Quality Project and Georgetown Wet Weather Treatment Station at 100% Accomplishment Rate



# Next Steps

## **January 5 – MWPAAC Rates & Finance Subcommittee Meeting**

- Review WTD 2024 Sewer Rate Development Goals and Schedule
- Review Adopted 2023-2032 Sewer Rate Financial Forecast
- Present key assumptions for 2024 rate-setting process
- Discuss preliminary rate-setting policy direction, if possible

## **February 2 – MWPAAC Rates & Finance Subcommittee Meeting**

- Discuss preliminary rate-setting policy direction, if possible
- Present operating and capital program investments

## **March 2 – MWPAAC Rates & Finance Subcommittee Meeting**

- Present WTD 2024-2033 Sewer Rate and Capacity Charge Proposal



Q&A



**Wastewater Treatment Division  
Rates, Capital, & Debt Management**

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