

MWPAAC Rates & Finance Subcommittee

November 2, 2023 Meeting Summary

Agenda:

1. Welcome & Introductions, Andrew Baker, Rates & Finance Subcommittee Chair
8:30 (5 min)
2. 2025 Sewer Rate Process: Rate-Setting 101, Andres Bas Moore, Rates Modeling Supervisor, WTD
8:35 (60 min)

Mr. Moore presented a slide deck entitled “WTD Rate-Setting 101 2023.11.02”, which had been emailed to MWPAAC members in advance of the meeting. The purpose of his presentation was to re-orient attendees to the process WTD uses for determining the monthly sewer rate, which is updated every year. The focus of his presentation was on the revenue requirement portion of this rate calculation. The other common elements of rate setting (cost of service analysis, rate design) are determined by existing contracts and are not examined during annual rate setting.

After an overview of the revenue requirement, Mr. Moore presented 10-year projections of the sewer rate, revenue requirements, capital funding plan, and capital investments by portfolio category. He spoke about total customer counts in WTD and how RCE reporting relates to the sewer rate billing lag. A final slide covered affordability considerations.

Attendees asked questions about:

- Details about affordability analysis
- Policy surrounding cash funding of repair and replacement projects
- Whether capacity charge does or should cover the annual debt service cost
- How annual revenue variability is handled
- The process of looking back at actual revenues and costs vs projected
- The annual rate of RCE growth and flow at treatment plants

Most of these questions were fielded by Mr. Moore during the meeting. Others will be answered after the meeting.

WTD Director Kamuron Gurol mentioned that many of the slides presented were also shared with elected officials over the summer to illustrate the high cost of state and federal mandates. This information helps to remind elected officials that the burden of regulations is born entirely by ratepayers. He also mentioned that in coming years, WTD is likely to need to spend more on Operations, costs which hit the sewer rate more directly since they are all cash funded. He also reminded attendees that the large projected investments and rate increases do not yet factor in any investments needed for nutrient regulations or addressing contaminants of emerging concern (PFAS, etc.).

3. Overview of MWPAAC Report to RWQC on Issues Related to Debt, Andrew Baker, Rates and Finance Subcommittee Chair 9:35 (10 min)

Chair Baker shared his draft report to RWQC on debt-related issues with attendees – he pasted the text into the Teams chat feature and read it aloud. He then sought input from the group about whether his statement captured the tenor of the conversations and concerns.

MWPAAC Chair John McClellan added some context about RWQC and their current priorities. He emphasized the importance of MWPAAC reports to RWQC, such as this. This input assists them in ascribing relative importance to different issues so they can prioritize their work. There are likely to be more assignments such as this in the future as MWPAAC strives to work more closely with RWQC.

One MWPAAC member commented that the report does not mention the capacity charge, which, if set too low, could force capacity-related costs onto current customers. Chair Baker explained his decision about which items to include in his report and which to save for further investigation later.

WTD Staff mentioned one potential edit, which will be discussed offline. Chair Baker will email his report language to all MWPAAC members. They are encouraged to reply with any suggested edits.

4. Report on RWQC Discussion of Options for Improvements to Facilitate RWQC Review of Rate Policies, John McClellan, MWPAAC Chair 9:45 (20 min)

Chair McClellan reported on the positive discussion with RWQC at their 11/1/2023 meeting. He explained that RWQC is an action-oriented group and intends to increase their involvement in policy review, especially related to rates. MWPAAC has an important role in helping them focus on important issues.

RWQC continues to be interested in sending rate letters to the King County Executive and the King County Council, as MWPAAC has done for some time. He also reported that RWQC has discussed the possibility of changing the practice of annual rate review. The change, if enacted, would entail a rate review every 2 years, with annual increases in the off years. RWQC has decided not to address that item yet.

There was further discussion at RWQC, Chair McClellan reported, about clarifying roles between MWPAAC and RWQC. One idea to clarify these roles is through the approval of a joint resolution between the two committees.

5. Asset Management Work Group: Report from First Meeting (Joint Topic with E&P), Jaclyn Knoth, City of Bellevue, Asset Management Work Group Co-Chair 10:05 (25 min)

Ms. Knoth reported on the first meeting of the Asset Management Work Group and the remaining schedule for the group to advise WTD on the Long-Term Rate and Capital Planning Study. This schedule was shared with all attendees. There was some discussion that this is a very tight timeline to deliver a well-considered recommendation to RWQC by their stated deadline. It might be appropriate to request RWQC for more time in order to deliver a higher quality review.

Final Meeting Comments:

Andres Bas Moore, Rates Modeling Supervisor at WTD mentioned the member agency rate survey. WTD will be in touch with agencies soon to present the findings and seek feedback.