

MWPAAC Rates & Finance Subcommittee

May 2, 2024 Meeting Summary

Agenda:

1. Welcome & Introductions. Gregg Cato, Rates & Finance Subcommittee Vice Chair **8:30**

2. Capacity Charge Methodology Discussion. Joe Crea and Vanessa Waller, Raftelis **8:35**

Andres Bas Moore, Rates Modeling Supervisor at King County's Wastewater Treatment Division (WTD), introduced the topic of the Capacity Charge Review Study and then introduced Joe Crea of Raftelis to deliver the presentation.

Mr. Crea presented a refresher on the Capacity Charge Review Study, which will create a methodology to replace the current capacity charge methodology that will "expire" in 2030. This study has been paused for the past 2 years as the Regional Wastewater Services Plan (RWSP) update was also paused. Now that the RWSP update process has been relaunched, the Capacity Charge Review Study is also resuming.

After explaining the history of the study and its relationship to the RWSP update process, he covered the goals for the alternative capacity charge methodology. He then covered three alternatives being considered: the "Buy-In" Approach, the "Incremental / Marginal Cost" Approach, and the "Combined" approach. He then presented example calculations for each alternative with round numbers for ease of demonstration.

The next step for this study is that the Raftelis team will use actual data assumptions for capital costs and future customers. An Ad-hoc MWPAAC work group will also be reformed to work on this study together with the Raftelis team and WTD staff.

Mr. Crea and WTD staff took questions from attendees regarding:

- Different approaches with respect to equity in the methodologies.
- The ideal frequency with which we should re-analyze capacity charges in the future?
- The handling of depreciation in the models.
- Which alternative methodology is the current capacity charge model closest to?
- The definition of "Carrying Costs" in the model (interest for a 10-year period of time following the completion of an asset).
- How the RCE value will be determined as an input to new methodology.
 - o A follow up question from WTD Director Kamuron Gurol about the process for updating the RCE value.
 - o Courtney Black, Rates, Capital & Debt Management Unit Supervisor at WTD answered that it is up to MWPAAC Exec Board to prioritize, create work group if necessary, to update this value.

- *The MWPAAC Exec Board is currently considering this process as part of a broader contract review effort.*
- Mr. Gurol followed up on earlier questions with a remark about review period / frequency of review for RWSP and Capacity Charge calculation. He mentioned the importance of finding a good cadence.

The Meeting adjourned at 9:20 a.m.