

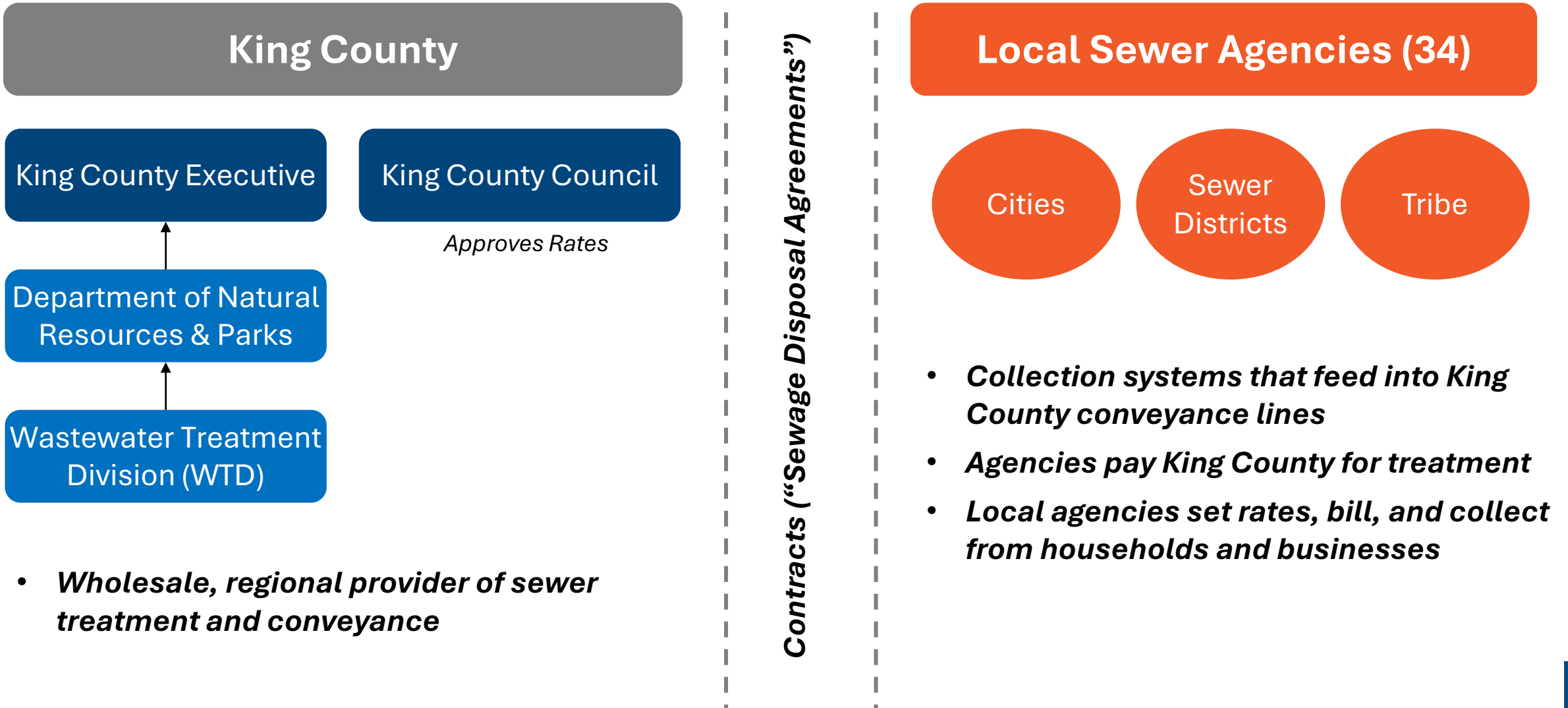
WTD Rate-Setting 101

MWPAAC General

January 22, 2025



Governance and Service Provider Structure



Generally Accepted Rate-Setting Methodology

1

Revenue Requirement: Compares the revenues of the utility to its operating and capital costs to determine the adequacy of the existing rates to recover the utility's costs

Annual Sewer
Rate Step

2

Allocation to Customer Classes (Cost of Service Analysis):
Allocates the revenue requirements to the various customer classes in a fair and equitable manner

Single-family residential,
multi-family/commercial,
industrial waste surcharge

3

Rate Design: Structures the rate components so that they accomplish policy goals and collect the allocated cost of service from each class

One sewer rate fee per
RCE (750 cubic feet of
water use per month)

***Determined
by existing
contracts
with LSAs***

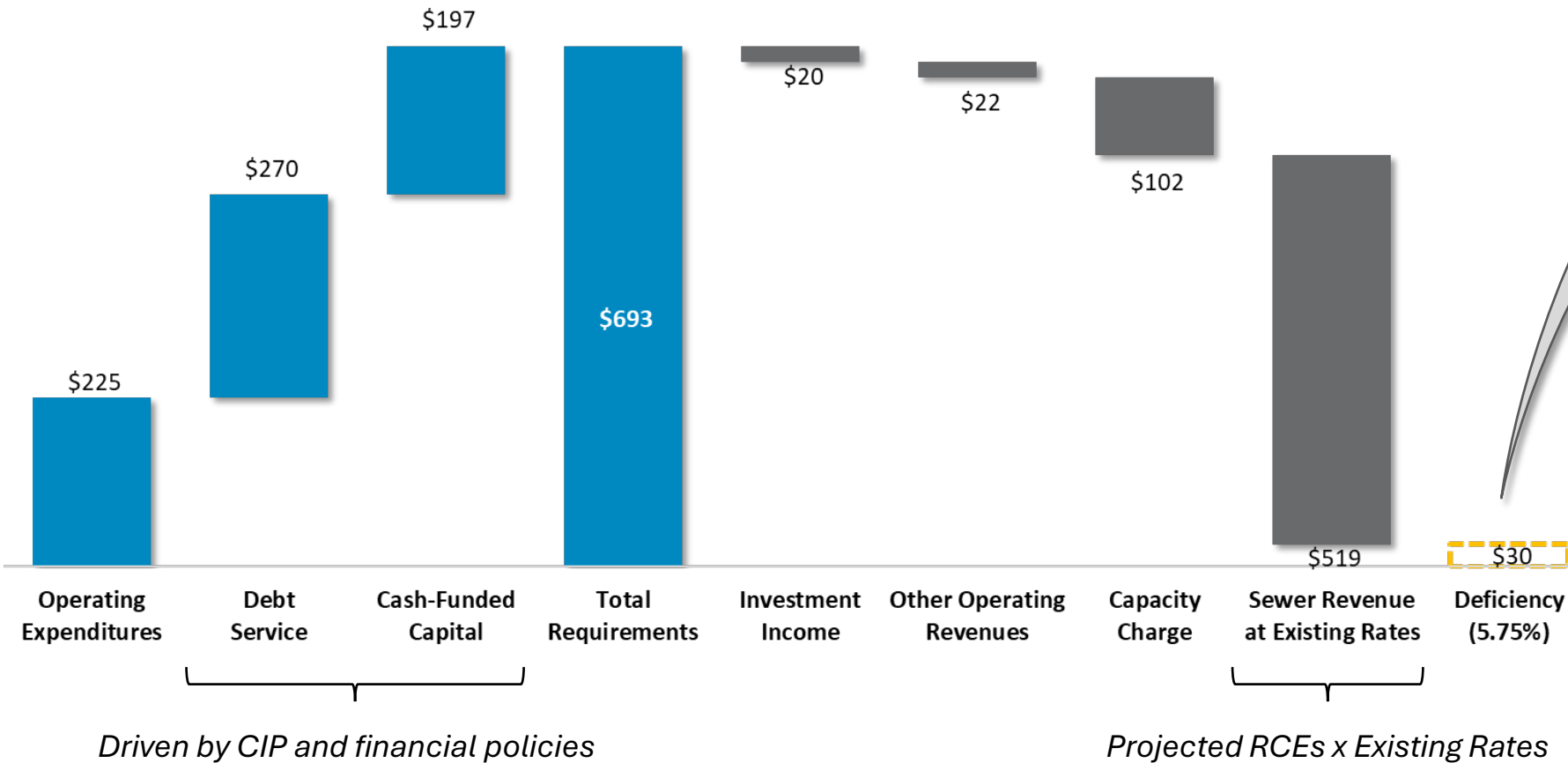
Data Sources and Assumptions

	Data Sources
Revenue	Unaudited year-end
Operating Cost	Adopted Budget
Capital Expenditures	6-year Capital Improvement Program + final Long Term Control Plan + cost increases and newly identified needs
Debt Service	Amortization schedules (principal and interest by year)
Fund Balances and Reserves	Unaudited year-end cash balances

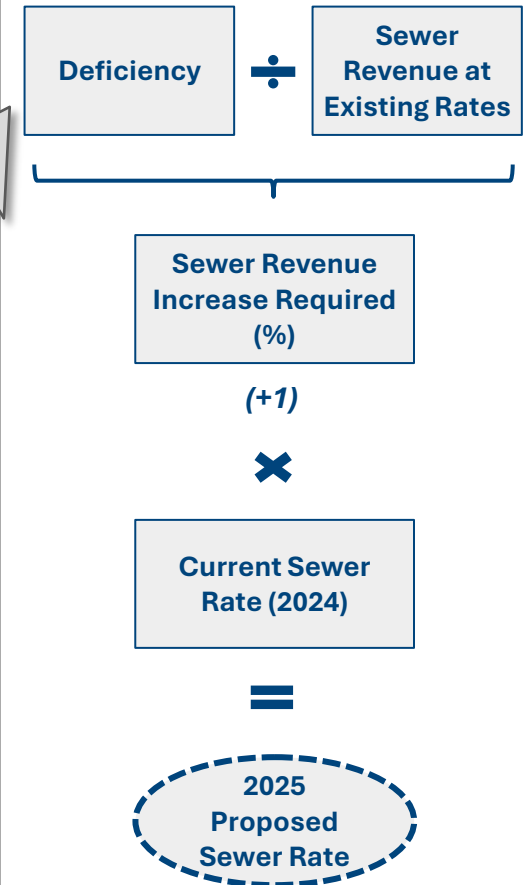
	Forecast Assumptions (using 2025 adopted)
General Cost Inflation	3% (Seattle CPI-U long-term historical average)
Labor Cost Inflation	4% (based on historical average)
Operating Cost Growth (excluding inflation)	1.5% long term + near term adjustments
Revenue Bonds Interest Rate (30-year term)	5% (WTD's highest issuance rate in last 10 years)
Single-Family Residential Customer Growth	~0.7% (conservatively adjusted population growth forecast from King County's Office of Economic and Financial Analysis)
Commercial/Multi-Family Customer Growth	~0.5% (conservatively adjusted employment growth forecast from King County's Office of Economic and Financial Analysis)

Revenue Requirement Overview

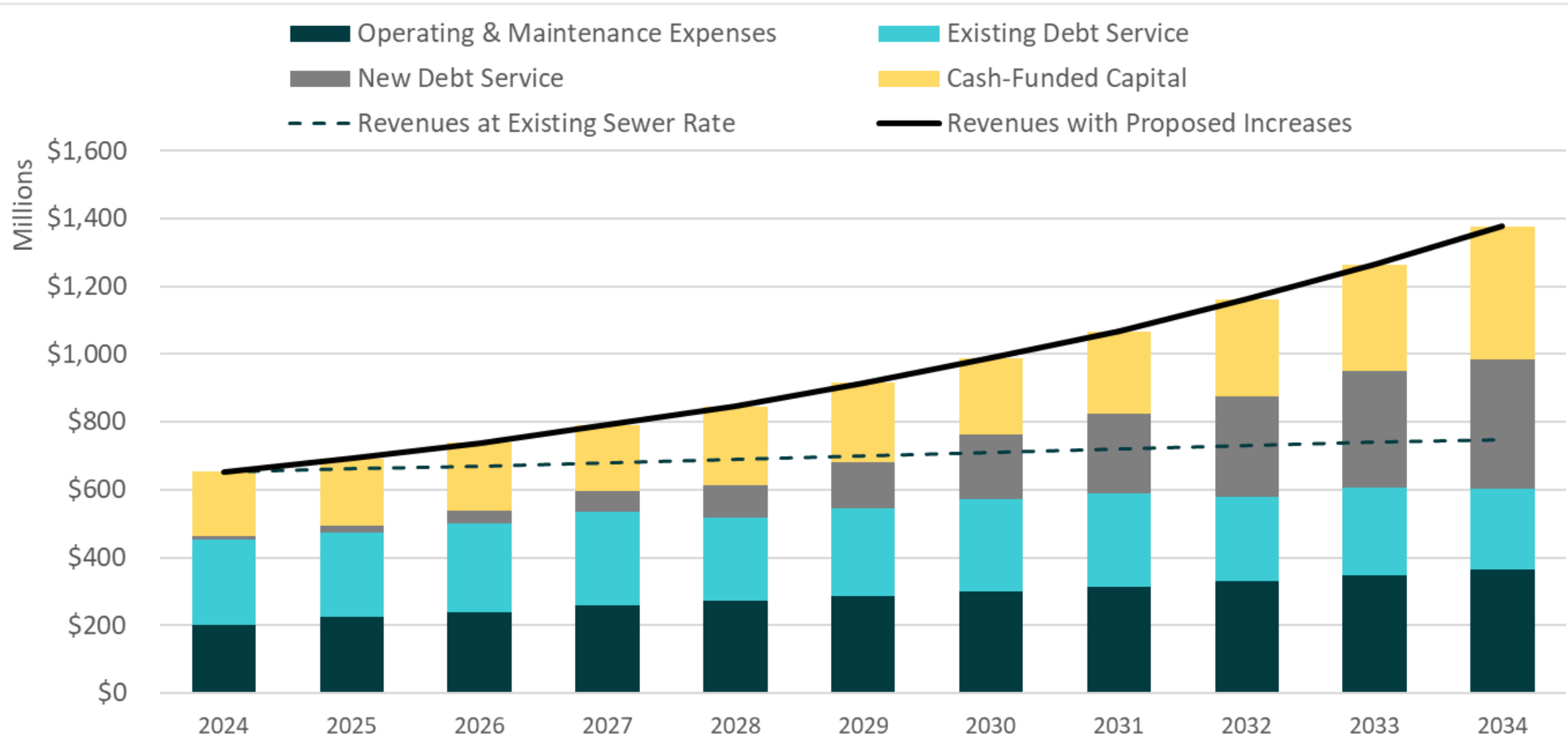
2025 Adopted Sewer Rate (\$ million)



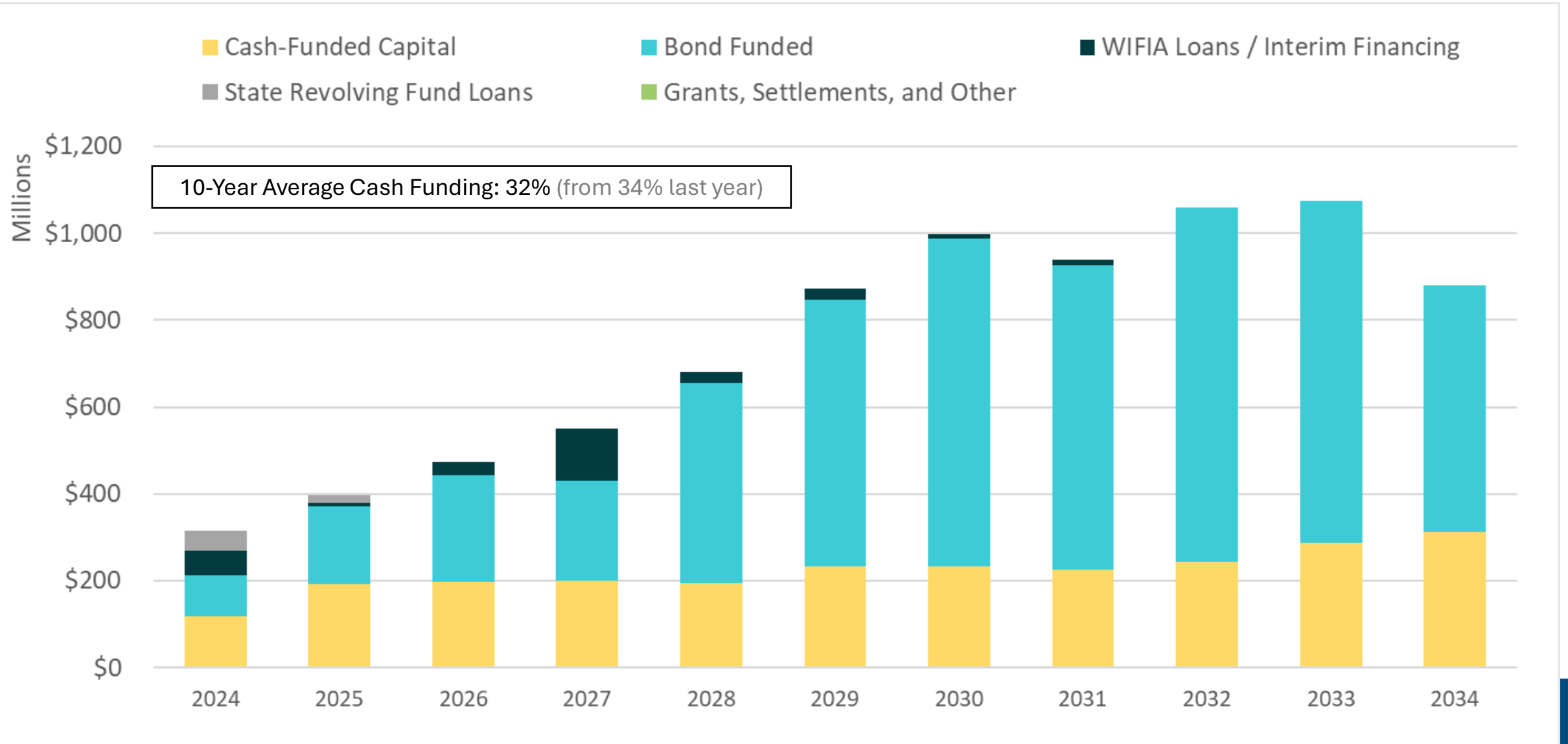
Sewer Rate Calculation



2025-2034 Revenue Requirements



2025-2034 Capital Funding Plan

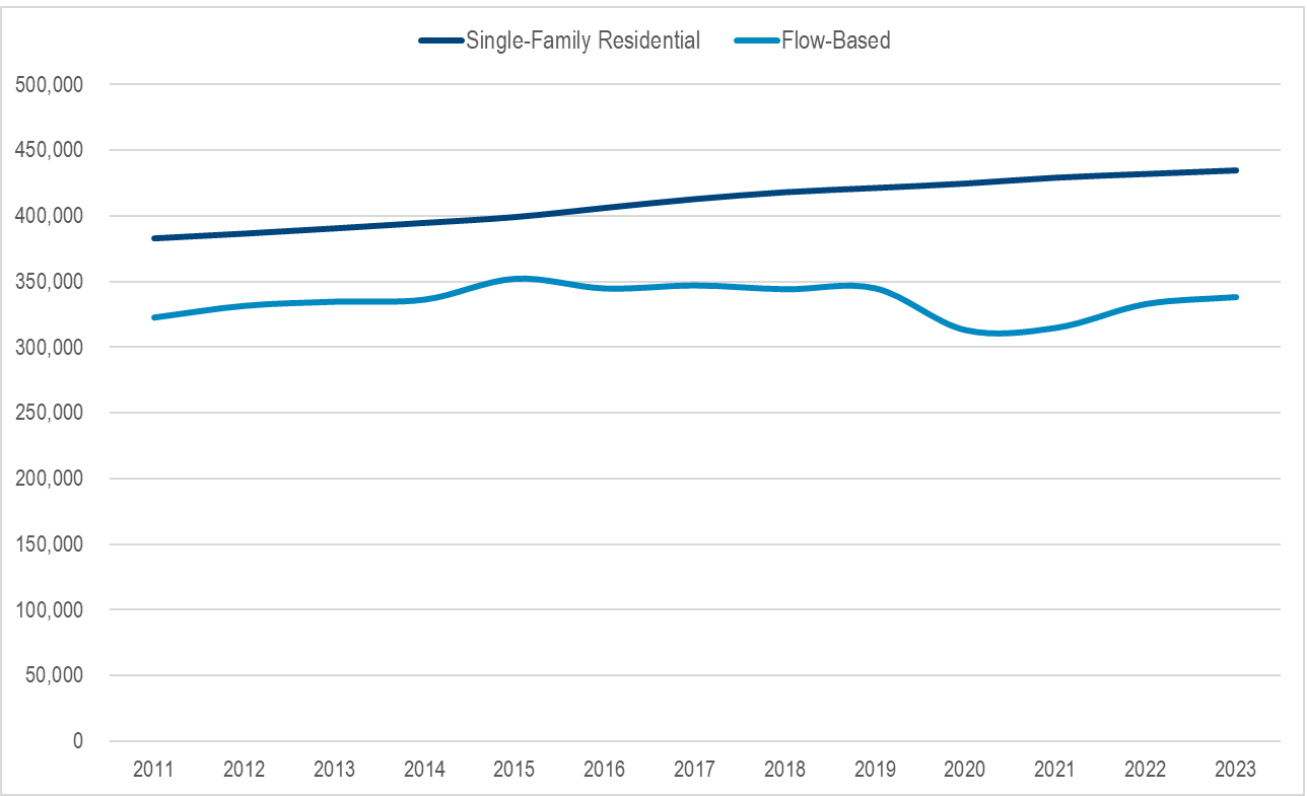


2025-2034 Sewer Rate Forecast

2025-2034 Sewer Rate Forecast		Adopted									
2025 WTD Adopted Sewer Rate	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Rate Increase %	5.75%	5.75%	7.00%	7.00%	7.00%	8.25%	8.25%	8.25%	9.25%	9.25%	9.25%
Monthly Sewer Rate	\$55.11	\$58.28	\$62.36	\$66.73	\$71.41	\$77.31	\$83.69	\$90.60	\$98.99	\$108.15	\$118.16
All-In Debt Service Coverage	1.74x	1.74x	1.68x	1.59x	1.69x	1.60x	1.49x	1.48x	1.53x	1.52x	1.63x
Projected O&M (\$m)	\$198	\$223	\$238	\$258	\$271	\$284	\$298	\$313	\$328	\$344	\$361
Projected CIP Spending (\$m)	\$316	\$398	\$474	\$549	\$681	\$873	\$997	\$940	\$1,058	\$1,076	\$879
Annual Cash Funding	61%	50%	43%	35%	34%	27%	23%	26%	27%	29%	45%
Average Cash Funding						6-Year Average	32.4%		10-Year Average		31.8%
Total Debt Balance (\$m)	\$3,529	\$3,603	\$3,739	\$3,930	\$4,284	\$4,766	\$5,345	\$5,863	\$6,487	\$7,044	\$7,379
Debt to Asset (Capitalization Ratio)	84%	81%	79%	77%	77%	76%	76%	76%	77%	76%	75%
Debt to Operating Revenue	5.7x	5.4x	5.2x	5.0x	5.0x	5.1x	5.3x	5.3x	5.4x	5.4x	5.2x

Customers and Billing Structure

Historical Reported Residential Customer Equivalents (RCEs) 2021-2023



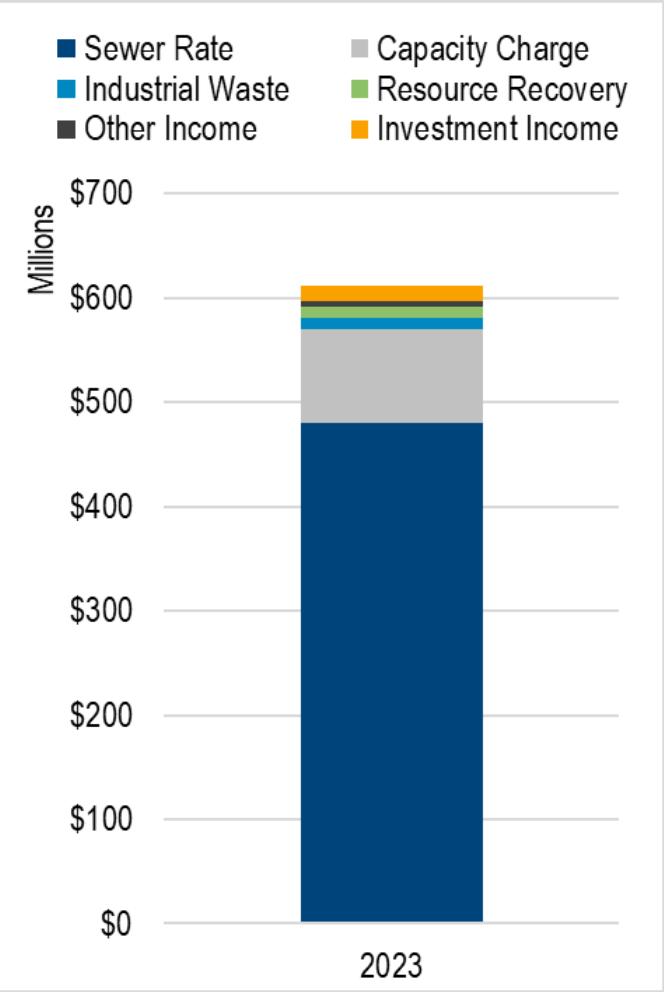
RCE Reporting to Sewer Rate Billing Lag

	2023				2024	
	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24
				Reported		Billed
Single Family Residential						Billed
Commercial / Multi-Family	Four quarter average					Billed



Other Revenue Sources

WTD Revenue Components



Capacity Charge

Since 1990, King County has levied a capacity charge on structures with new connections to the sanitary sewer system. The capacity charge is intended to ensure that new development pays its proportionate share of the cost of capital facilities in the King County wastewater system. The monthly charge is imposed at the time of development but billed on a quarterly basis over 15 years. Property owners may elect to pay off the balance at any time during the 15-year period, with a discount for early payment

Industrial Waste Surcharge

Surcharge treatment fees seek to recover the cost of treating “high-strength organic waste” at our treatment plants. The surcharge is applied to an industrial facility’s discharge volume to the sewer and its organic strength (biochemical oxygen demand and total suspended solids concentrations)

Resource Recovery (e.g., electricity, biogas, RINs) and Other Income (e.g., septage hauling, biogas sale, RINs)

Thank you

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Q & A



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