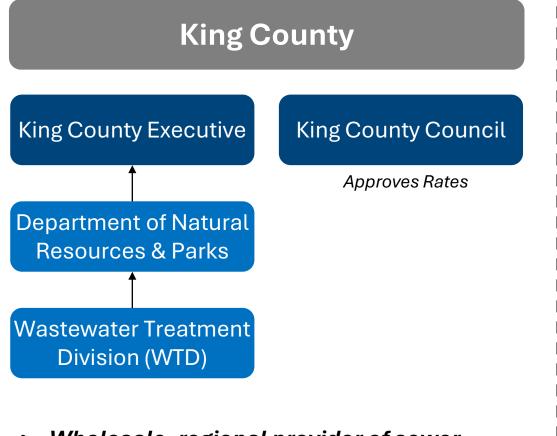
WTD Rate-Setting 101

MWPAAC General

January 22, 2025



Governance and Service Provider Structure



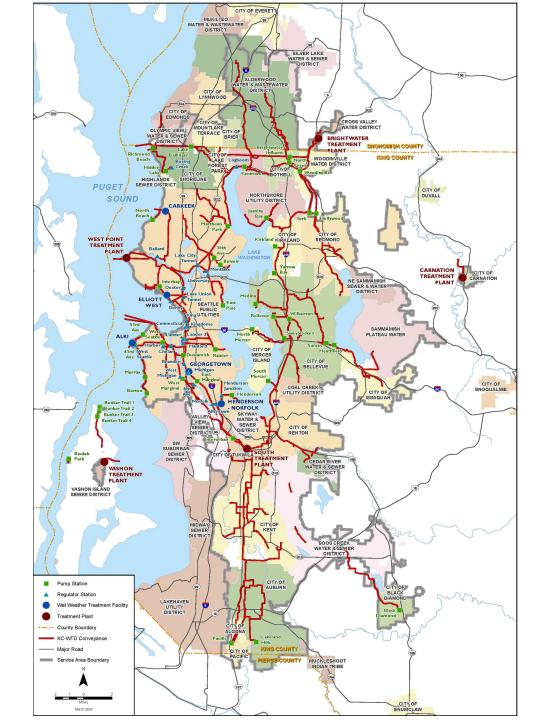
• Wholesale, regional provider of sewer treatment and conveyance

Contracts ("Sewage Disposal Agreements")

Local Sewer Agencies (34)



- Collection systems that feed into King
 County conveyance lines
- Agencies pay King County for treatment
- Local agencies set rates, bill, and collect from households and businesses



	onigior anny	How Based		r er centage er
	<u>RCEs</u>	<u>RCEs</u>	<u>Total RCEs</u>	<u>Total (%)</u>
Local Sewer Agencies - Cities				
Algona	1,017	390	1,407	0.18%
Auburn	13,414	18,541	31,955	4.139
Bellevue	32,595	26,069	58,664	7.59%
Black Diamond	2,226	107	2,334	0.30%
Bothell	5,015	3,186	8,200	1.06%
Brier	1,573	235	1,808	0.23%
Carnation	907	286	1,193	0.15%
lssaquah	7,062	6,536	13,597	1.769
Kent	13,468	24,202	37,670	4.87%
Kirkland	10,226	5,331	15,557	2.01%
Lake Forest Park	3,608	508	4,116	0.53%
Mercer Island	7,187	1,474	8,661	1.129
Pacific	1,554	1,090	2,643	0.34%
Redmond	15,410	17,714	33,124	4.28%
Renton	16,419	15,269	31,688	4.109
Seattle	156,289	145,076	301,364	38.989
Shoreline	15,407	4,894	20,301	2.639
Tukwila	1,062	6,383	7,445	0.969
Alderwood Water & Wastewater District	36,434	17,159	53,592	6.939
Local Sewer Agencies - Districts and Tribes				
Cedar River Water & Sewer District	4,161	1,372	5,533	0.729
Coal Creek Utility District	3,282	1,399	4,681	0.619
Cross Valley Water District	-	433	433	0.069
Highlands Sewer District	106	1	107	0.019
Lakehaven Utility District	1,104	11	1,115	0.149
Muckleshoot Indian Tribe	352	98	450	0.06%
NE Sammamish Sewer & Water District	4,733	121	4,854	0.639
Northshore Utility District	20,708	10,992	31,700	4.10%
Olympic View Water & Sewer District	215	0	215	0.039
Sammammish Plateau Water & Sewer District	11,959	4,618	16,577	2.149
Skyway Water & Sewer District	3,959	1,481	5,440	0.70%
Soos Creek Water & Sewer District	32,987	6,140	39,127	5.06%
Valley View Sewer District	7,156	10,821	17,977	2.339
Vashon Sewer District	434	508	941	0.129
Woodinville Water District	2,875	2,822	5,697	0.749
Subtotal	130,463	57,975	188,438	24.37%
Non Municipal Derticipante and Other Customer-		0.004	0.004	0.39%
Non-Municipal Participants and Other Customers	-	2,981	2,981	
Grand Total	434,898	338,245	773,142	100.00%

Single Family Flow-Based

Percentage of

3

Generally Accepted Rate-Setting Methodology



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



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

Determined by existing contracts with LSAs



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

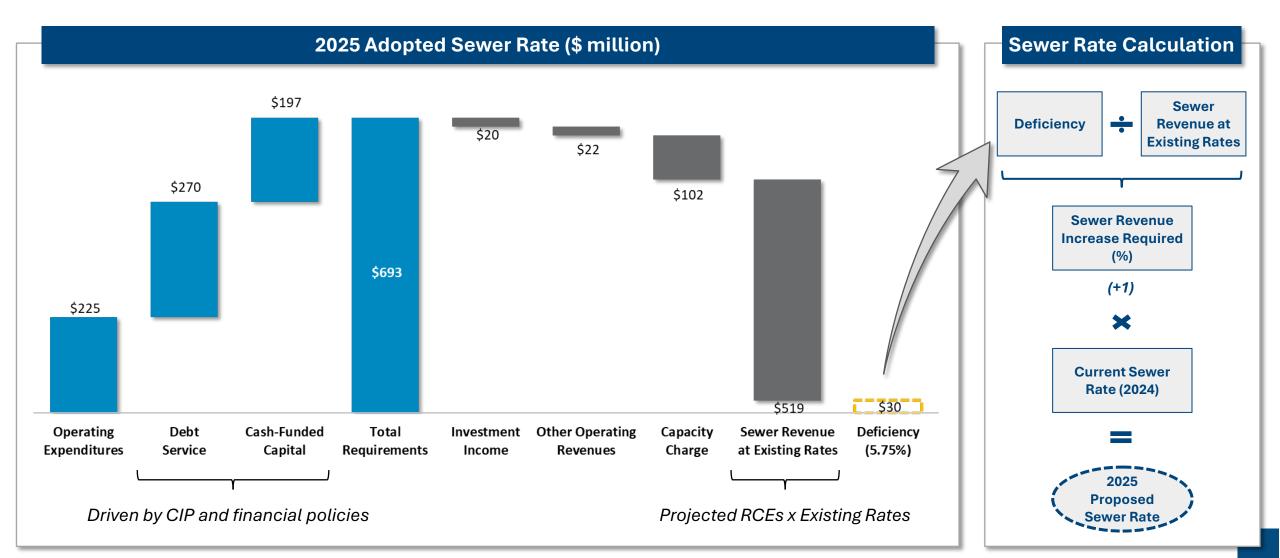
One sewer rate fee per RCE (750 cubic feet of water use per month)

Data Sources and Assumptions

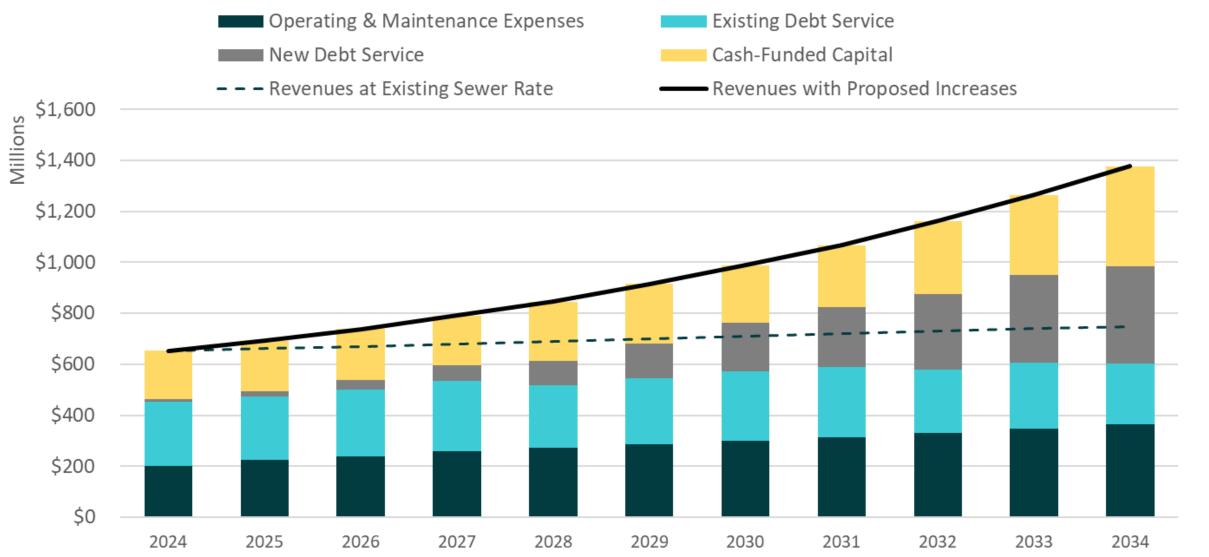
	Data Sources				
Revenue	Unaudited year-end				
Operating Cost	Adopted Budget				
Capital Expenditures	6-year Capital Improvement Program + final Long Term Control Plan + cost increases and newly identified needs				
Debt Service	Amortization schedules (principal and interest by year)				
Fund Balances and Reserves	Unaudited year-end cash balances				
Forecast Assumptions (using 2025 adopted)					

	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)

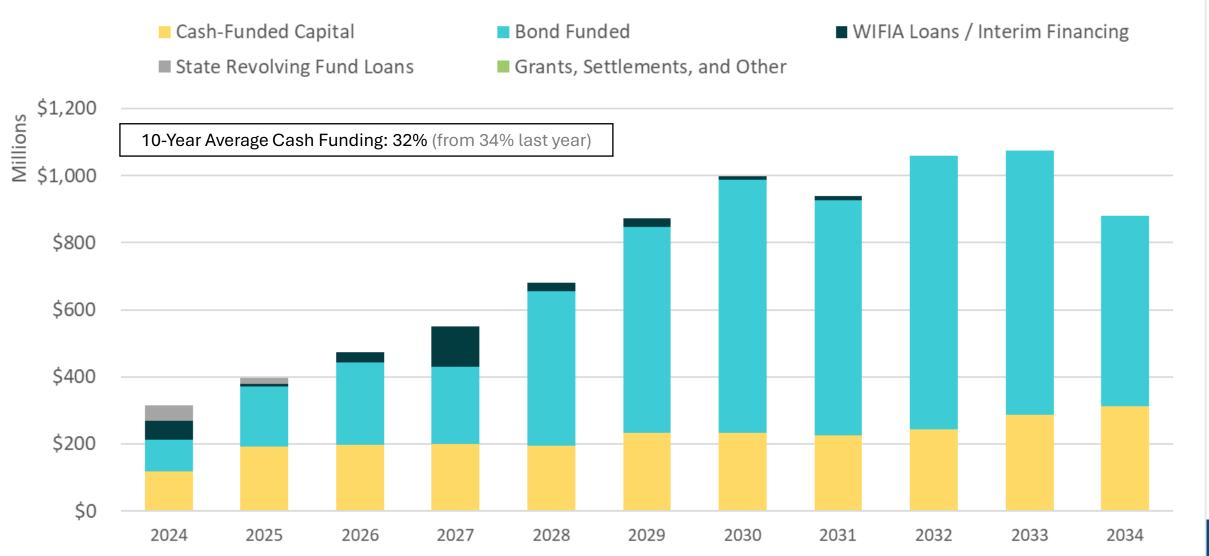
Revenue Requirement Overview



2025-2034 Revenue Requirements



2025-2034 Capital Funding Plan

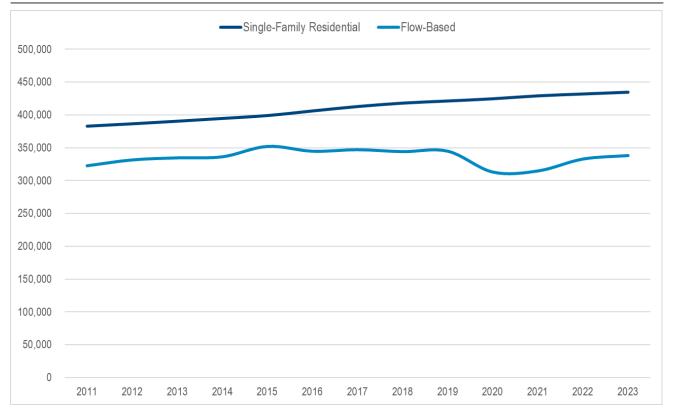


2025-2034 Sewer Rate Forecast

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	1.74 x	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		ear Average 32.4%		10-1	Year Average	31.8%
Total Debt Balance (\$m)	\$3,529	\$3,603	\$3,739	\$3,930	\$4,284	\$4,766	\$5 <i>,</i> 345	\$5 <i>,</i> 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



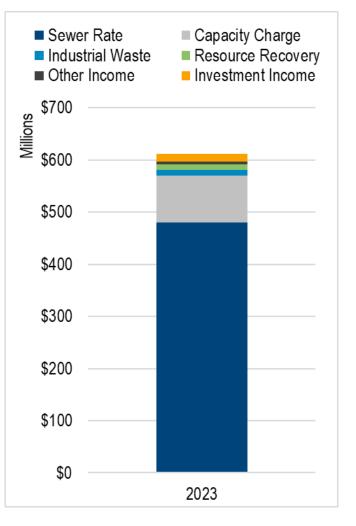
RCE Reporting to Sewer Rate Billing Lag

		20	2024			
	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24
Single Family Residential				Reported		Billed
Commercial / Multi-Family	[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)

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

Thank you

Andrés Bas Moore, Rates & Financial Planning abas@kingcounty.gov

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