

KING COUNTY WASTEWATER TREATMENT DIVISION
2014 SEWER RATE PRESENTATION

MWPAAC
May 22, 2013



PRESENTERS

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King County Wastewater Treatment Division

TODAY'S AGENDA

Overview of the Executive's 2014 Rate and Capacity Charge Proposal

- **Components of the 2014 Rate**
- **Capacity Charge**
- **Summary of Proposal**

King County's Wastewater Treatment Division has been committed to protecting and improving water quality for more than 50 years.

Summary of Executive's 2014 Rate Proposal

Sewer Rate of \$39.79 per month

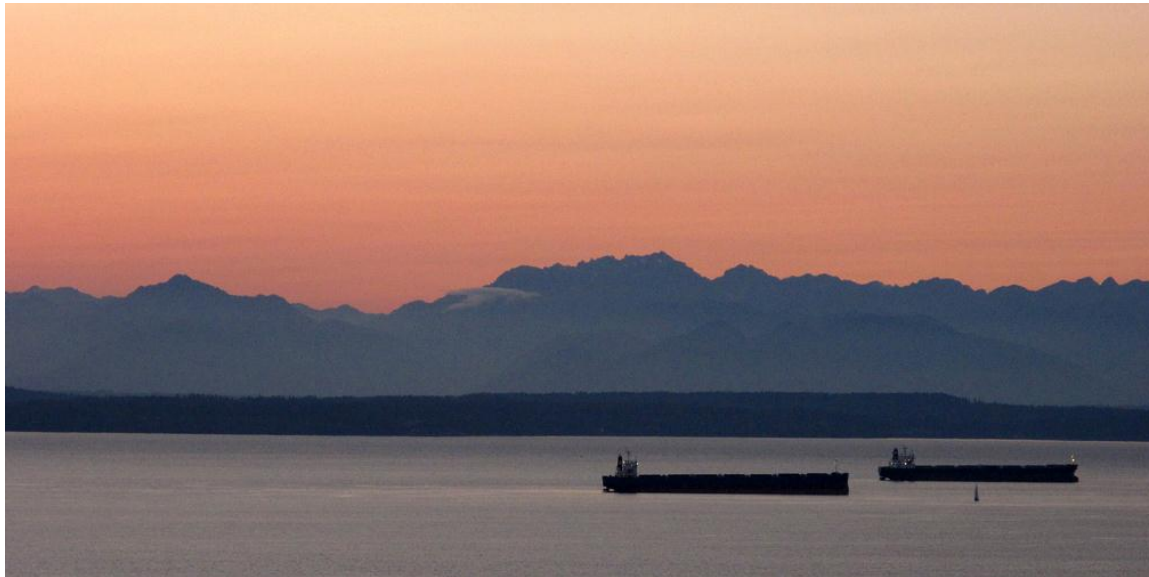
- No increase from 2013 rate
- Projected rate increase falls from 10.2 percent to 6.5 percent for 2015-2016

Capacity Charge of \$55.35 per month

- 3.5 percent increase 2013 to 2014, 3.0% thereafter
- 2014 charge reflects a 3-year update
- \$9,963 over full 15 years
- \$8,225 with early payment discount

What the sewer rate pays for:

- Enhancing regional water quality in compliance with federal, state, and local regulations;
- Providing sufficient wastewater conveyance and treatment capacity to meet the long-term needs of people and businesses in the Wastewater Treatment Division's (WTD's) service area;
- Ensuring continued operation and reliability of existing wastewater conveyance and treatment assets; and
- Creating renewable resources from wastewater.



Proposed rate of \$39.79 per month compared to previous benchmarks

Wastewater Treatment Division Executive's 2014 Rate Comparisons							
	2012	2013	2014	2015	2016	2017	2018
Previous Benchmarks							
2013 Adopted Rate (June 2012)	\$36.10	\$39.79	\$39.79	\$43.83	\$44.68	\$44.77	\$45.09
% change	0.0%	10.2%	0.0%	10.2%	1.9%	0.2%	0.7%
2013 Adopted Budget (November 2012)	\$36.10	\$39.79	\$39.79	\$43.75	\$44.55	\$44.84	\$45.16
% change	0.0%	10.2%	0.0%	10.0%	1.8%	0.7%	0.7%
Executive's Proposal							
	2013	2014	2015	2016	2017	2018	
Single-year Rate (Single Rates 2015-2016)							
Monthly Sewer Rate	\$39.79	\$39.79	\$41.95	\$42.73	\$44.51	\$45.16	
% change	10.2%	0.0%	5.4%	1.9%	4.2%	1.5%	
difference from 2013 Adopted Budget	\$0.00	\$0.00	-\$1.80	-\$1.82	-\$0.33	\$0.00	
Single-year Rate (Two-year Rate 2015-2016)							
Monthly Sewer Rate	\$39.79	\$39.79	\$42.36	\$42.36	\$44.50	\$45.15	
% change	10.2%	0.0%	6.5%	0.0%	5.1%	1.5%	
difference from 2013 Adopted Budget	\$0.00	\$0.00	-\$1.39	-\$2.19	-\$0.34	-\$0.01	

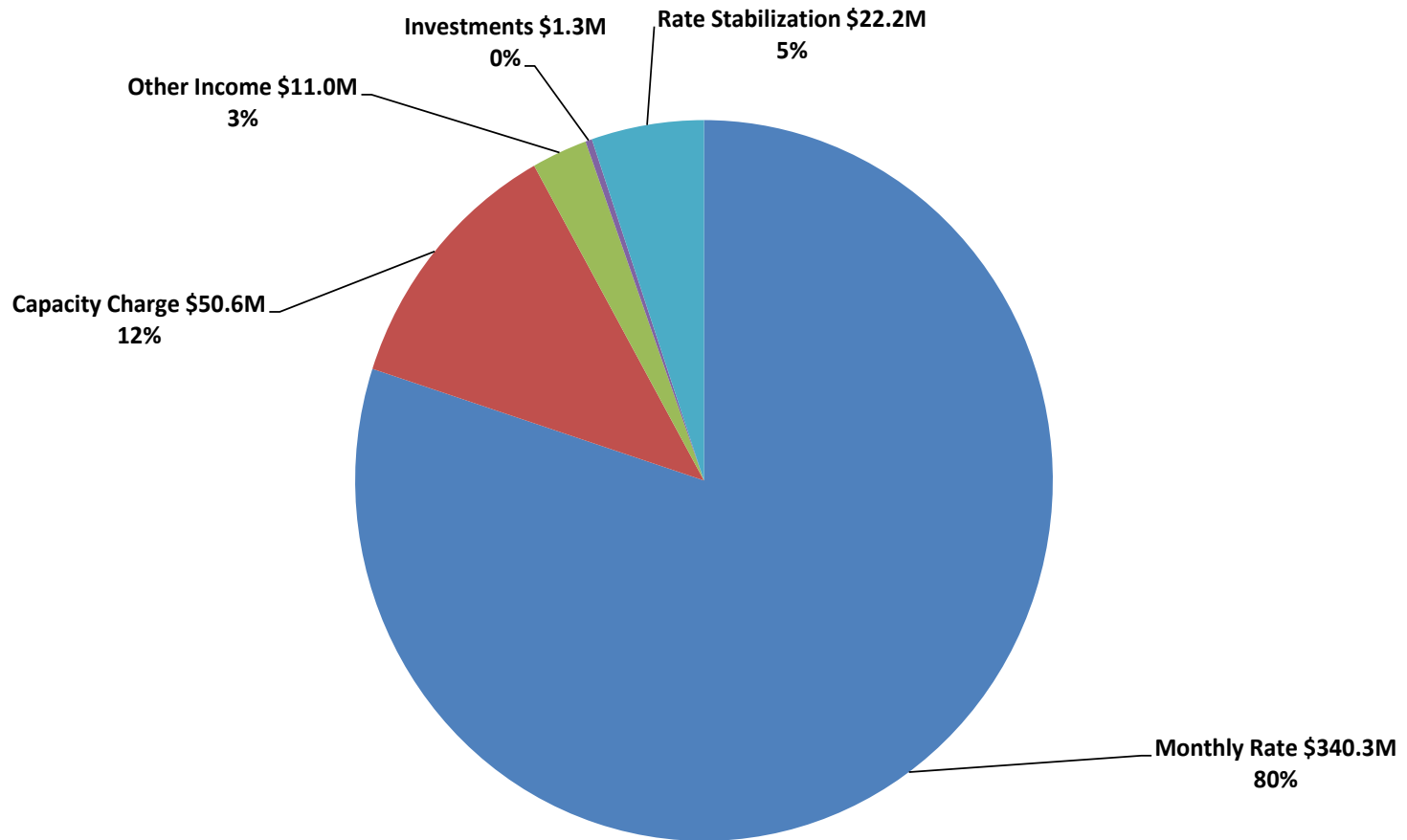
Components of 0% Rate Increase in 2014

	<u>Change</u>	<u>Rate</u>
2013 Adopted Rate		\$39.79
Revenues and Customer Charges		
Investment Income	(0.03)	
Increased RCEs	(0.20)	
Capacity Charge (pre-payments and rate increase)	(0.14)	
Reduced use of rate stabilization *	0.81	
<i>Sub-total</i>	<u>0.44</u>	
Operating Expenses	0.07	
<i>Sub-total</i>	<u>0.07</u>	
Capital Program and Debt Service		
Long-term Bond Refundings	(0.51)	
<i>Sub-total</i>	<u>(0.51)</u>	
Total Rate Change		\$0.00
2014 Proposed Rate		\$39.79

* Rate stabilization use of \$8.6 million moved from 2014, used in 2015 and 2016

Sewer rate generates most of the utility's revenue

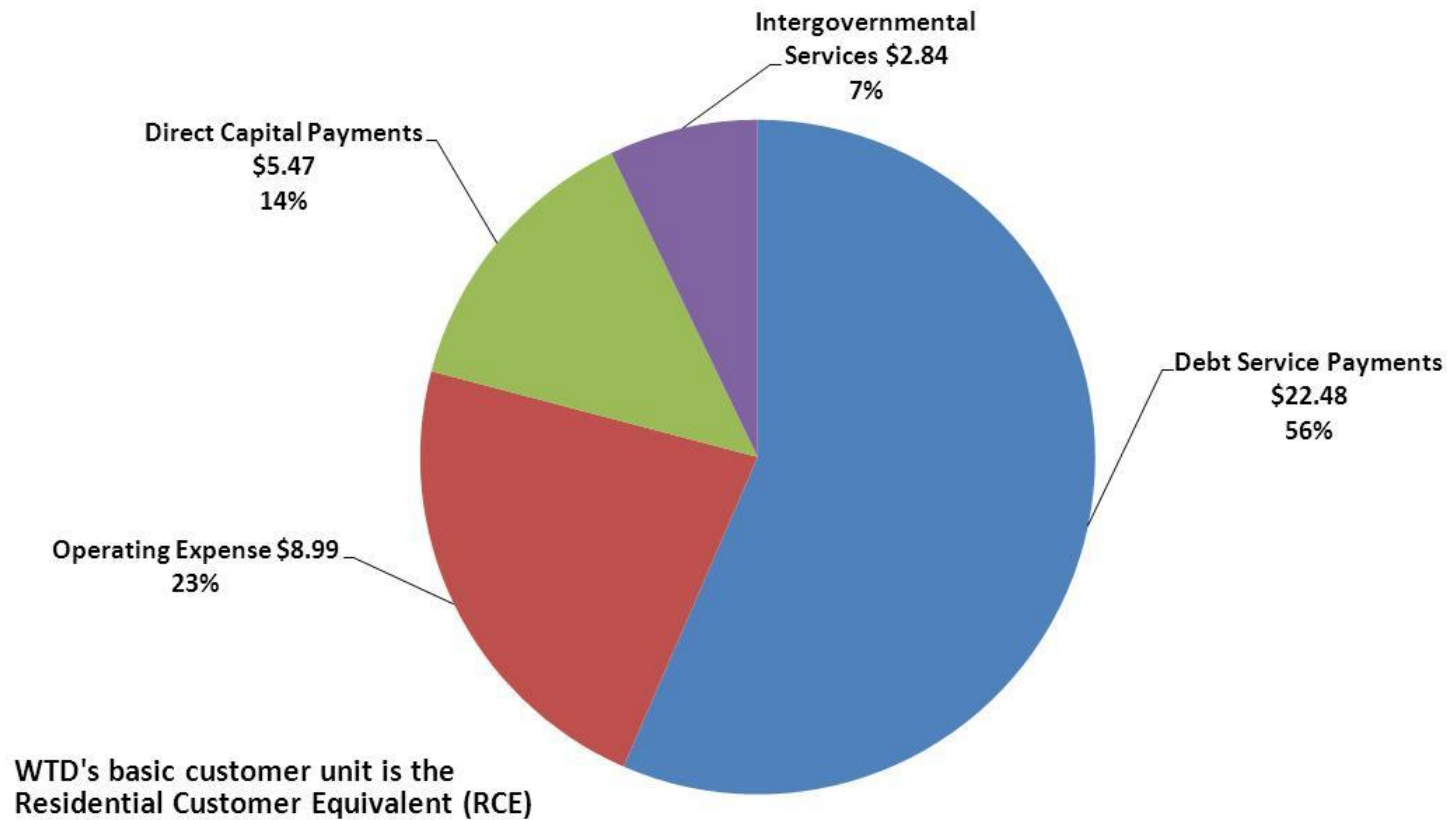
Monthly Sewer Rate and Capacity Charge yields 92% of Operating Revenue



WTD operating revenues for 2014
Proposed Rate, \$425.3 million

Major uses of rate revenues

**King County Wastewater Treatment Division
Components of the 2014 Sewer Rate of \$39.79**



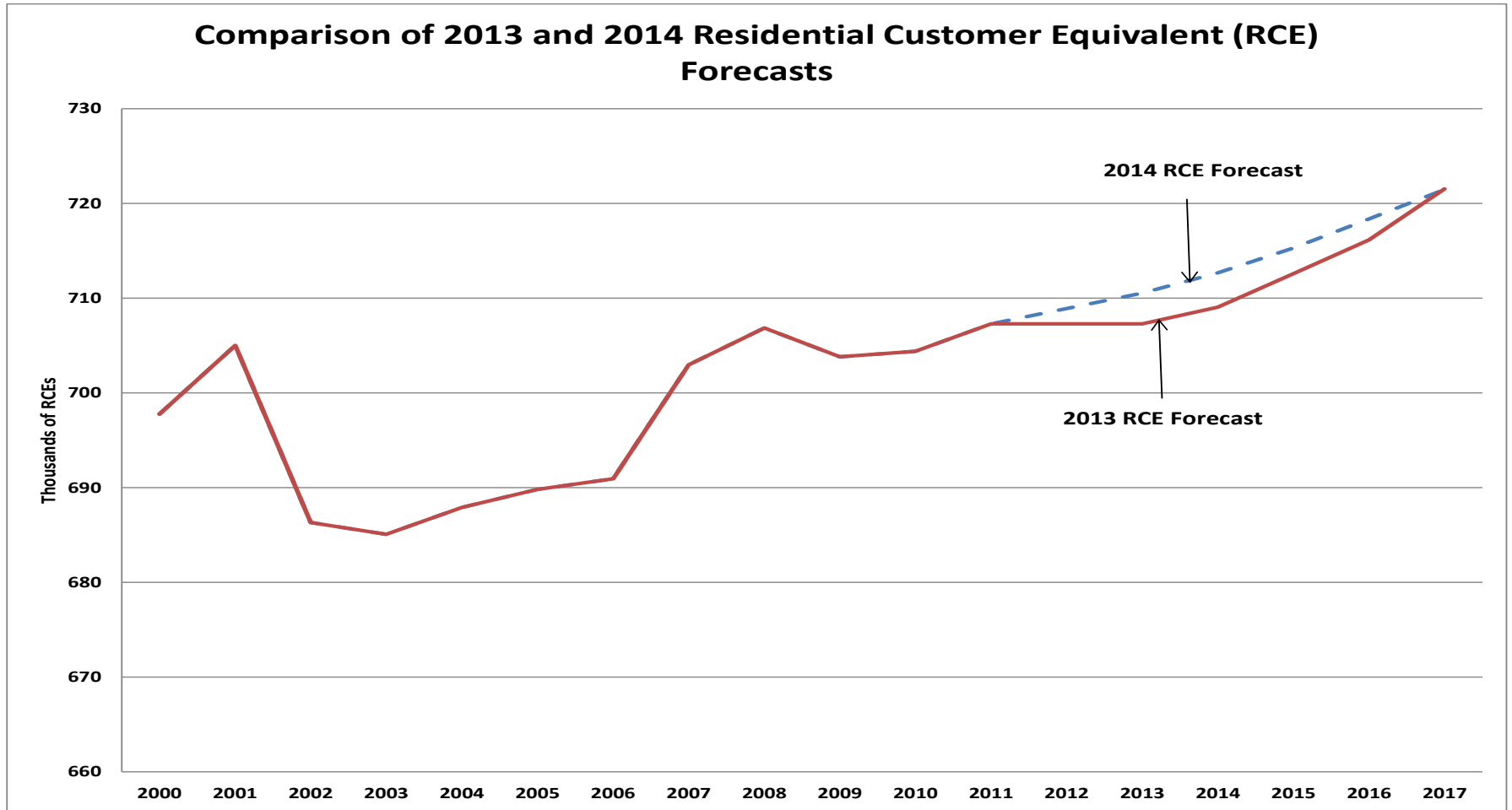
Operating expenses

- 2014 planned operating expense of \$126.5 million, a 4.1% increase
- \$800,000 in operating efficiencies planned for 2013
- \$250,000 operating efficiencies identified so far for 2014, with total expected to exceed 2013 level

Debt service savings from March 2013 refunding

- Total debt service savings of \$35.2 million through the bond term, including \$1.4 million in 2013 and \$1.2 million in 2014

RCE recovery continues



Rate stabilization

- Recognizes current revenues in future periods.
- Helps manage and stabilize rates
- Executive's proposal uses the available balance by the end of 2016

	2013	2014	2015	2016	2017
Executive's 2014 Rate Proposal					
Use Of Rate Stabilization Reserve (000's)					
2013 Adopted Budget (November 2012)	\$ 21,500	\$ 30,820	\$ 10,280	---	---
Single-year Rate (Single Rates 2015-2016)	\$ 16,250	\$ 22,165	\$ 13,850	\$ 10,335	---
Single-year Rate (Two-year Rate 2015-2016)	\$ 16,250	\$ 22,165	\$ 10,700	\$ 13,485	---

Rate outlook for later years

Rate projections for 2015 to 2019 indicate average annual increases of approximately 3.1% per year

Uncertainties in projections:

- timing of the recovery of Brightwater jury award
- bond and investment interest rates
- return to growth in RCEs and new connections

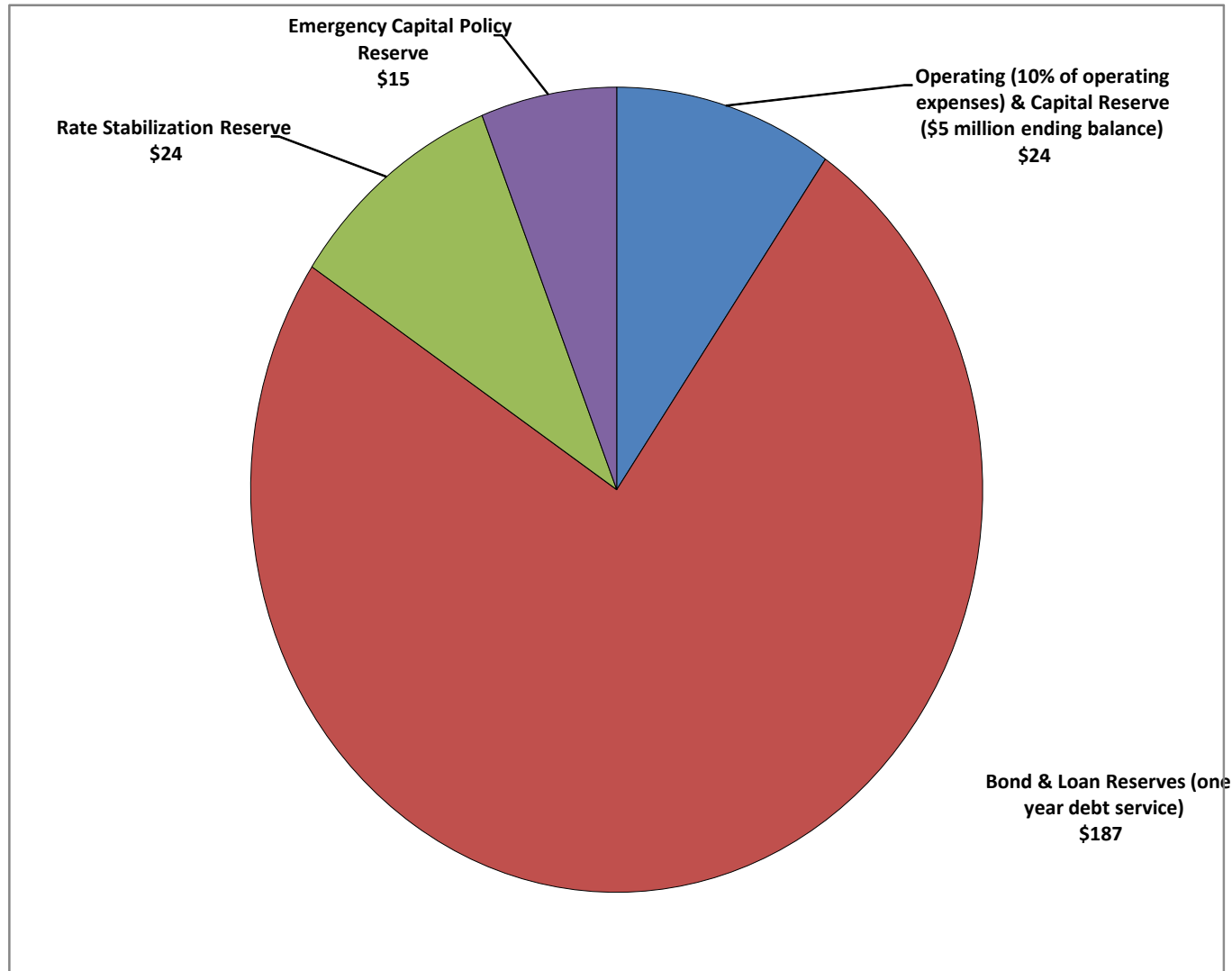
Key projects in the 2014 rate proposal

- **Puget Sound Beaches Combined Sewer Overflow (CSO) Control projects: Murray, Magnolia, Barton and North Beach (\$139.1 million)** will be in construction in 2013 with substantial completion in 2015. These locations are top priority because they are used for recreational activities such as swimming.
- **North Creek Interceptor (\$55.9 million)** project includes 9,650 feet of 30 to 48 inch diameter gravity sewer to avoid sanitary sewer overflows and provide additional capacity for home and businesses and to ensure safe and reliable operations for the future. The project is currently scheduled for completion in 2017
- **West Point Influent and Effluent Pump Station Equipment Replacement (\$35.3 million)** replaces solids treatment equipment that has reached the end of its useful life with new energy efficient equipment. It is estimated that the project will result in \$30,000 of annual savings in electricity costs. The current schedule for completion is 2018.

Key projects in the 2014 rate proposal

- **CSO Control: Hanford at Rainier and Bayview North (\$27.4 million)** was started in 2013 to control CSOs at Hanford @ Rainier and Bayview North and improve water quality. The current schedule for completion is 2019.
- **West Point Treatment Plant Oxygen Generating and Distribution System Replacement (\$23.5 million)** replaces a system which has reached the end of its useful life with a new energy efficient system. It is estimated that the project will result in \$185,000 of annual savings in electricity costs. The current schedule for completion is 2018.
- **CSO Control at Brandon St – S. Michigan (\$165 million)** requires a Wet Weather Treatment Facility, conveyance and an outfall to treat CSOs prior to discharge into the Lower Duwamish Waterway. Discharges from this CSO location exceed the state standard and must be brought into compliance. The project is currently scheduled to be completed in 2021 under the consent decree.

Wastewater Reserves 2014 (millions)



2014 Capacity Charge

		2013	2014	2015	2016	2017	2018	2019
Monthly Capacity Charge	\$	53.50	\$ 55.35	\$ 57.01	\$ 58.72	\$ 60.48	\$ 62.30	\$ 64.17
% Change		3.0%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Payments Over 15 Years	\$	9,630	\$ 9,963	\$10,262	\$10,570	\$10,886	\$11,214	\$11,551
Proposed Monthly Sewer Rate	\$	39.79	\$ 39.79	\$ 41.95	\$ 42.73	\$ 44.51	\$ 45.16	\$ 45.90
Proposed Capacity Charge Rate	\$	53.50	\$ 55.35	\$ 57.01	\$ 58.72	\$ 60.48	\$ 62.30	\$ 64.17
Total For New Connections	\$	93.29	\$ 95.14	\$ 98.96	\$101.45	\$104.99	\$107.46	\$110.07

If you have additional questions, please contact:

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King County

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