

# **2015 Rate Letter Topics**

## **Rate Process Schedule Challenges**

MWPAAC wishes to point out the impact of WTD's accelerated schedule which has restricted the opportunity to review and discuss some of the key components of WTD's rate proposal. We believe it prevents more thorough review and constructive input from MWPAAC, which might otherwise include the possibility of incorporating more complete information on some of the topics described below as well as identifying other significant rate issues. We hope this can be addressed before their 2017 sewer rate proposal is completed.

## **Debt Review Committee Participation**

Work continues by our Debt Review Committee, and MWPAAC continues to believe that their ongoing work is very important in identifying a suitable path for future capital financing as well as the effect of debt on future rates. While the review is taking longer than originally anticipated, MWPAAC expects that the Committee's work will be completed by mid-summer with a full report to MWPAAC in the fall. The committee recognizes one outcome could be to cash fund a larger portion of the capital program, which would result in higher near term rates but rate stabilization in the long run. The results of the debt review committee's work will be instrumental in our future rate recommendations.

## **Industrial Waste Fee Structuring Update**

Calculation of the Industrial Waste Fee is an administrative component of fee authorization that is spelled out in the Sewage Disposal Agreement. In 2013, WTD briefed the Committee, indicating that staff has begun updating the cost allocations to the fee, and that going forward WTD plans for a five-year review cycle of the fee that has remained stagnant for 17 years. Given development and industry changes in members' respective communities in the past 17 years, MWPAAC anticipates there could be significant changes to the fee and requests another briefing outlining change to the fee structure, allocation updates, and any capital program impacts. In December 2013, it was estimated this project would be completed by mid-2014. The update has not yet occurred and we request that WTD make this a priority so that member agencies may take appropriate and timely action to inform affected ratepayers.

## **Recovery and Resiliency Program Review**

The County has initiated an important new study of the potential vulnerability of WTD facilities and operations to natural and man-made events. This could lead to significant capital outlays to protect the public and our infrastructure investments. Being mindful of budget and rate implications, MWPAAC supports the study and looks forward to working with WTD to address these concerns in a fiscally responsible manner.

## **Water Works Program**

MWPAAC appreciates WTD's partnership in developing criteria for the new Water Works Program and that the current proposal includes program criteria from the work group. We believe this is a step in the right direction. We hope in the future that the full amount of the Water Works program, which is funded by our ratepayers, would go through the application and committee approval process, which would include increased MWPAAC representation. The Committee expects this Program will continue to be finalized through the contract negotiation process and looks forward to participating with WTD in an advisory role.

### **Budget and Rate Implications of Emerging CSO Reduction Program**

The Committee recognizes that there are several uncertainties concerning the County's CSO Reduction Program, and that these could have significant near-term as well as long-term rate implications. To this end, the Committee appreciates the opportunity to participate through representation on the Cost Estimating Technical workgroup, created with Budget Proviso 1. Accordingly, as the County's Combined Sewer Overflow Reduction program and implementation of their Consent Decree continues, the Committee expects ongoing updates regarding, in particular, the sequencing of diverse large projects, scheduling of their implementation and further program impacts to the budget such as new hires. Recognizing there will be future rate impacts generated from this program; the Committee appreciates and requests a continuation of WTD's efforts to keep us up-to-date and informed of new developments.

### **Cost of Debt**

Finally, the committee recognizes the efforts of WTD to lower borrowing costs by refunding higher interest debt whenever possible. We were particularly impressed with the January 2015 refunding of over \$725 million of outstanding debt and the related annual debt service savings exceeding \$5 million. MWPAAC continues to be concerned about debt levels and encourages the WTD to pursue prudent available methods to reduce the debt burden on our common ratepayers. The Committee is also encouraged by the capacity charge revenues and anticipates a continuation of these revenues being utilized in the capital program to reduce upward pressure on our existing customers' rates.