



Metropolitan Water Pollution Abatement Advisory Committee

King Street Center, 201 South Jackson Street, MS KSC-NR-0512
Seattle, WA 98104 206-263-6070

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Wastewater District*

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March 30, 2009

The Honorable Ron Sims
King County Executive
401 Fifth Avenue, Suite 800
Seattle, WA 98104

SUBJECT: Wastewater Treatment Division 2010 Rate Recommendation

Dear Executive Sims:

In light of these very difficult economic times, it is critical that the County do whatever it can to reduce wastewater rates, including taking an aggressive look at cutting expenses and deferring capital investments. Having reviewed the rate assumptions in the King County Council's adopted two-year wholesale monthly sewer rate of \$31.90 for 2009 and 2010, the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) recommends maintaining the sewer rate at \$31.90 for the second year. It is recognized that maintaining the 2010 rate at 2009 levels will likely contribute to rate increases in 2011 and beyond that exceed increases originally projected in 2008. However, due to the present economic situation and the impact to our customers, MWPAAC believes this is the appropriate action. In the future, MWPAAC recommends adopting a one-year rate rather than a multi-year rate given continued uncertainty in the economic outlook, particularly in short and long-term borrowing costs and investment interest rate projections.

During MWPAAC's Rates and Finance Subcommittee review of the assumptions, it was suggested that Wastewater Treatment Division (WTD) staff use a more realistic approach to revenue forecasting by reducing the estimated number of residential customer equivalents in their rate assumptions during the next few years as a result of the economic downturn. It was also suggested that WTD staff reduce their forecast for new connections in the next few years until the economy shows signs of a recovery. WTD staff responded to both of these suggestions by incorporating more realistic estimates of residential customer equivalents and new connections in the assumptions for the rate projections for 2011-2014.

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In addition to cutting operating expenses, MWPAAC strongly encourages aggressive scrutiny of the capital program, including the County's policy on what are considered capital versus operating expenses. To help minimize future rate increases, MWPAAC strongly recommends that only those projects that are absolutely necessary should be constructed within the next few years. Also, MWPAAC recommends that WTD not propose any new reclaimed water projects until the Reclaimed Water Comprehensive Plan is completed and adopted.

Finally, MWPAAC recommends continuing with capitalized interest financing in future debt issuances as a means of pursuing a smoother rate pattern. This method of financing essentially defers interest payments until the asset comes online (Brightwater in this case), and typically allows for a more managed pattern of rate changes.

MWPAAC appreciates the time and effort of the WTD staff in providing information in a timely manner for review by MWPAAC's Rates and Finance Subcommittee. We ask that you carefully consider our recommendations as we feel they are in the best interests of our ratepayers.

Sincerely,

A handwritten signature in dark ink, appearing to read "Scott Thomasson", with a long, sweeping horizontal line extending from the end of the name.

Scott Thomasson
MWPAAC Chair

cc: MWPAAC Members

King County Councilmembers

Regional Water Quality Committee Members

Christie True, Director, Wastewater Treatment Division (WTD), Department of Natural Resources and Parks (DNRP)

Tim Aratani, Manager, Finance and Administration Section, WTD, DNRP