Regional Wastewater Services Plan (RWSP) Update: Affordability Metrics & Rate Relief Approaches

Presented to the Regional Water Quality Committee

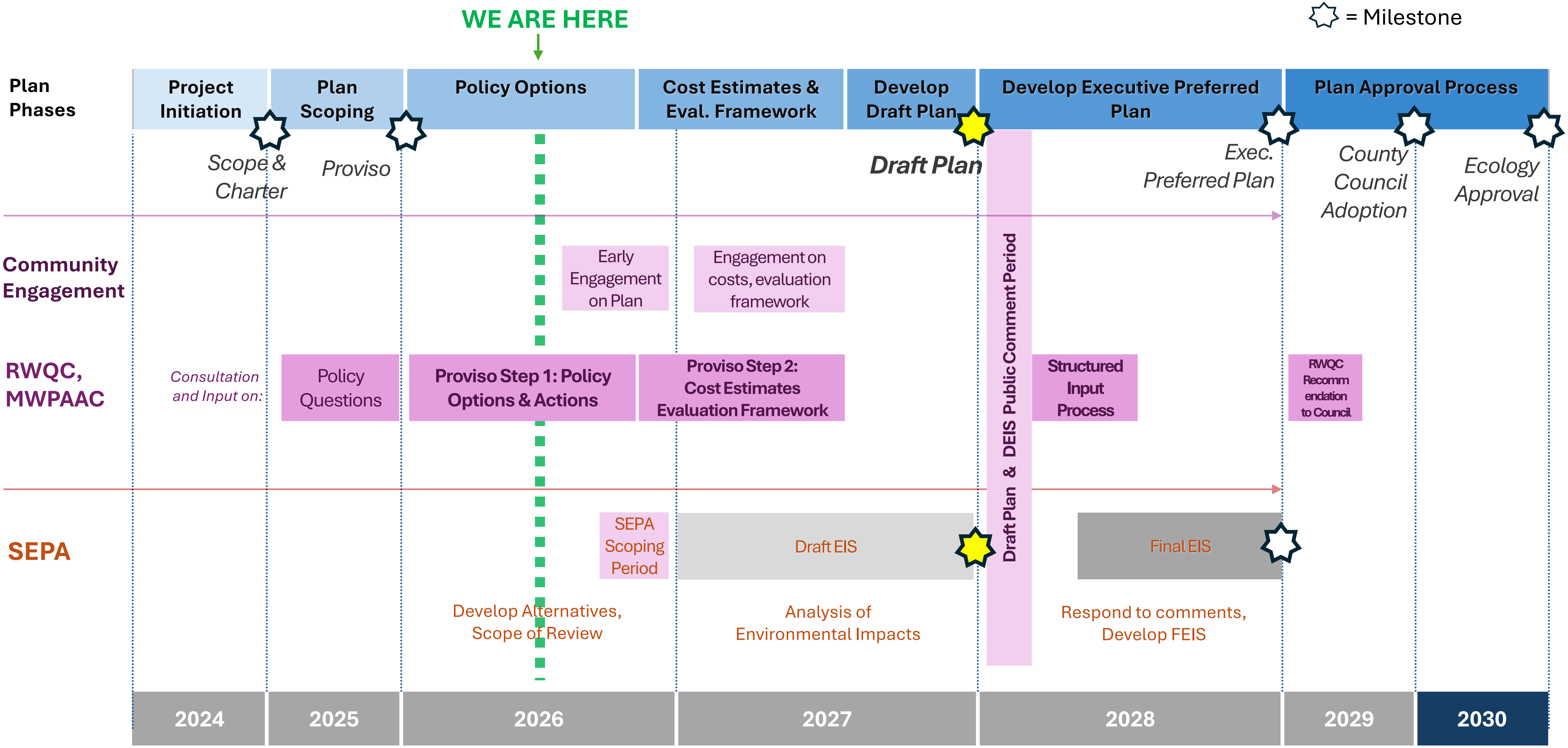
July 1, 2026

Step 1 Policy Analysis Schedule

11 “Groups” of Policy Analyses for RWQC:

March	Group #1: Separated System Conveyance
April	Group #2: Pollution Source Control & Legacy Pollution
May	Group #3: Asset Renewal & Replacement
June	Group #4: Climate Impact Preparedness & Natural Hazard Resiliency
July	**Group #5: Affordability Metrics & Rate Relief Approaches**
August	Group #6: Combined System Management
September	Group #7: Treatment
October	Group #8: Resource Recovery
Nov / Dec	Group #9: Finance/Rate Structure
Throughout	Group #10: Equity & Social Justice
Throughout	Group #11: Relationship to Contracts

RWSP Update Timeline *(tentative, as of April 2026)*



RWSP Scoping Document "Major Policy Questions"

1. How will WTD measure customer affordability for contract agencies and ratepayers?

2. What other rate relief approaches should WTD implement to improve affordability for those who may struggle to pay their sewer bill?

Part 1

Affordability Metrics

What do we mean by Affordability ?

- **System Affordability (or Financial Capability):** Gauges community ability to fund future investments. Used for Clean Water Act schedule negotiations and/or NPDES permit needs.

- **Household Affordability:** Gauges individual customer's ability to pay their sewer bills while also meeting other essential living expenses.

Problem Statement

Measurement:

- Financial burden varies widely across households and communities with different economic conditions.

- There is no industry consensus on a single metric to measure affordability of utility bills—a combination of measurements is needed.

Affordability – Existing Policies in Code and/or Practice

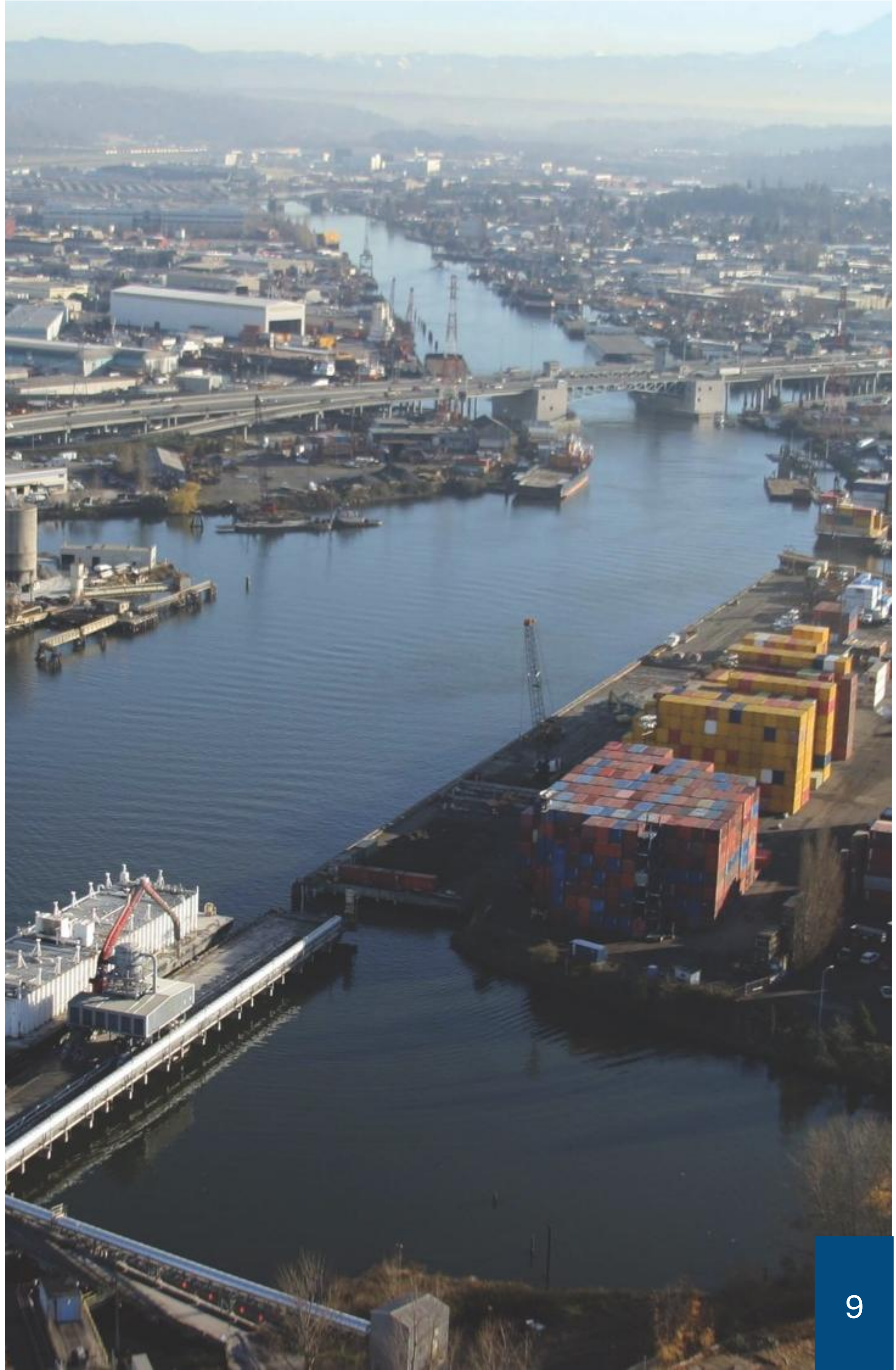
Neither King County Code nor WTD’s contracts with LSAs include policies explicitly directing WTD’s measurement of rate affordability

Relevant Laws, Policies, and Plans	Description
RCW 36.94.140	State law (and federal case law) includes restrictions on utilities that ensure a uniform rate for the same class of customers, and customer classification needs to follow cost-of-service principles except for low-income assistance.
LSA Contracts (Sewage Disposal Agreements)	The LSA contracts (section 5) dictate a uniform rate structure and the allowed uses of wastewater rate revenue. This language prevents WTD from offering rate relief approaches without contractual changes.

Why WTD Assesses Affordability

- Ongoing priority and consideration in rate-setting
    - **WTD will pilot an initial affordability framework in the upcoming rate cycle**
    - Regional, Executive, and partner agency priority in addition to workplan item for WTD

- Supports EPA/Ecology regulatory negotiations
    - Clean Water Act allows financial capability to influence compliance schedules
    - Framework used: **Financial Capability Assessment (FCA) Guidance**
    - Most FCA metrics gauge community ability to fund compliance, not household affordability

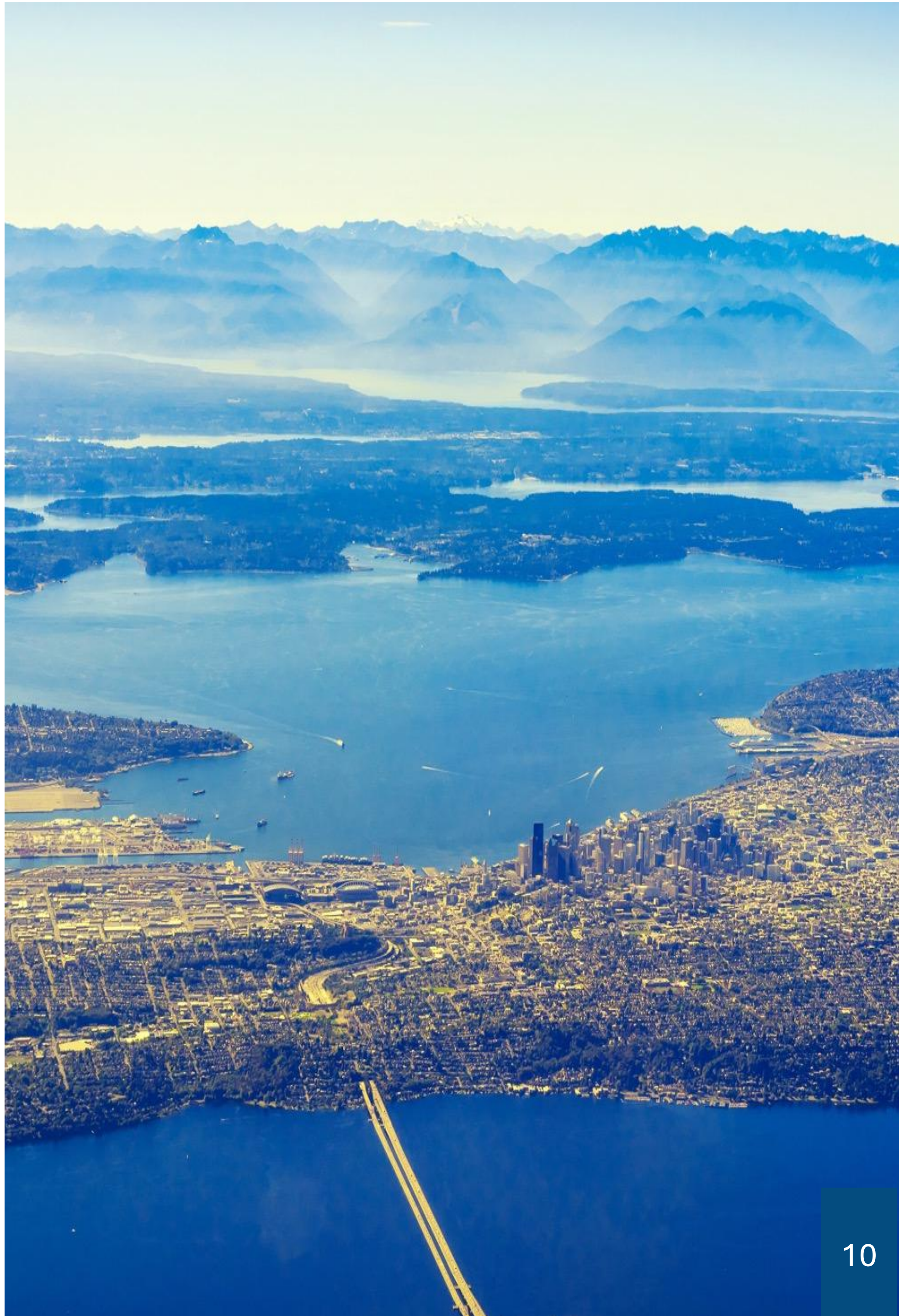


Importance of Metrics

- WTD typically uses the metrics endorsed by EPA and Ecology and included in their financial capability assessment guidance. These are must-do metrics for specific uses.

- We have calculated other metrics as part of the supplementary analysis in the FCAs. We will continue to explore these and other potential metrics for the RWSP.

- As we move into more explicit affordability goals for the annual sewer rate process, we will need to determine the **appropriate mix of current and new/supplementary metrics**
    - Reflect the conditions of the region
    - Create a sustainable rate path.

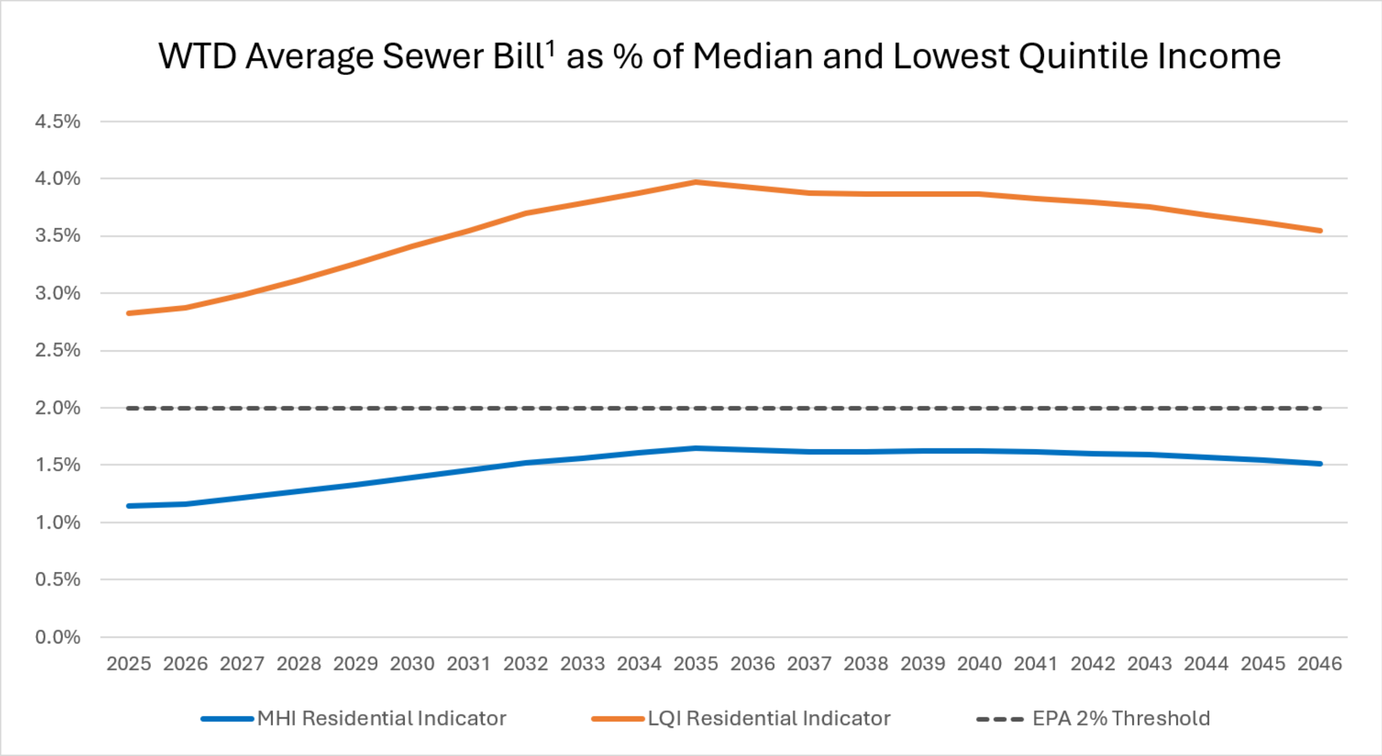


FCA Overview

- EPA's required method; multiple revisions since 2020. Final version published in 2023
  - In March 2026, EPA opened a public comment period to gather feedback on the existing FCA with a focus on low-income indicators and cost-of-living adjustments, among others
  - Combines weighted metrics into one overall score that represents low/medium/high impact rating

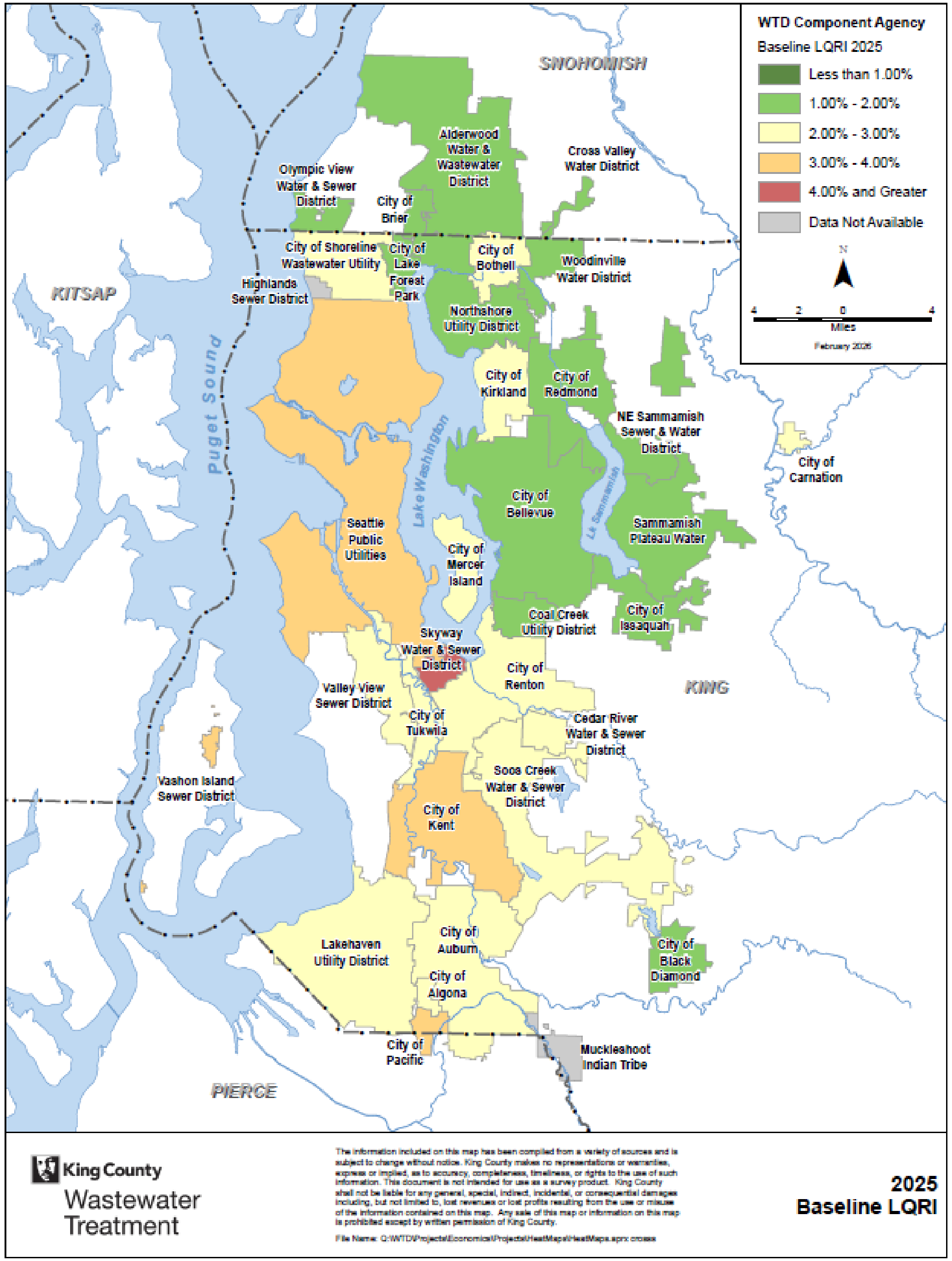
- **Higher impact can justify extended schedules (not reduce obligations)**

- WTD incorporates local sewer agency data and costs when possible/applicable



[1]Includes sewer treatment, local collection, stormwater, and utility taxes. Assumes single-family home usage of 430cf for Seattle and 600cf for others

Service Area	# of Customers	2025				
		Sewer & Stormwater Monthly Bills (w taxes)	Median Household Income	MHI RI	Lowest Quintile Income	LQRI
Alderwood Water & Wastewater District	54,502	$105	$129,445	1.0%	$67,519	1.9%
City of Algona	1,659	$105	$91,876	1.4%	$60,344	2.1%
City of Auburn	31,430	$117	$94,427	1.5%	$52,231	2.7%
City of Bellevue	66,330	$114	$161,300	0.9%	$69,115	2.0%
City of Black Diamond	2,465	$114	$147,069	0.9%	$89,808	1.5%
City of Bothell	8,707	$125	$130,654	1.2%	$58,172	2.6%
City of Brier	1,806	$89	$144,995	0.7%	$78,249	1.4%
City of Carnation	942	$154	$171,369	1.1%	$75,125	2.5%
Cedar River Water & Sewer District	5,511	$118	$115,870	1.2%	$66,363	2.1%
Coal Creek Utility District	4,942	$114	$174,098	0.8%	$71,089	1.9%
Cross Valley Water District	418	$120	$162,425	0.9%	$72,789	2.0%
Highlands Sewer District	N/A	N/A	N/A	N/A	N/A	N/A
City of Issaquah	13,371	$109	$145,356	0.9%	$70,259	1.9%
City of Kent	37,334	$117	$86,230	1.6%	$45,294	3.1%
City of Kirkland	16,265	$131	$172,537	0.9%	$71,630	2.2%
City of Lake Forest Park	4,066	$117	$142,418	1.0%	$73,898	1.9%
Lakehaven Utility District	1,152	$145	$126,324	1.4%	$66,308	2.6%
City of Mercer Island	8,655	$157	$192,862	1.0%	$91,442	2.1%
Muckleshoot Indian Tribe	N/A	N/A	N/A	N/A	N/A	N/A
NE Sammamish Sewer & Water District	4,845	$131	$232,071	0.7%	$125,694	1.3%
Northshore Utility District	31,452	$99	$137,364	0.9%	$65,547	1.8%
Olympic View Water & Sewer District	215	$110	$149,519	0.9%	$73,429	1.8%
City of Pacific	2,533	$143	$92,116	1.9%	$46,963	3.6%
City of Redmond	34,833	$91	$166,710	0.7%	$71,323	1.5%
City of Renton	32,229	$116	$103,037	1.4%	$50,453	2.8%
City of Shoreline Wastewater Utility	20,408	$122	$119,777	1.2%	$51,262	2.9%
Sammamish Plateau Water	16,626	$144	$204,927	0.8%	$100,056	1.7%
Seattle Public Utilities	303,784	$139	$121,984	1.4%	$47,852	3.5%
Skyway Water & Sewer District	5,247	$148	$95,286	1.9%	$40,056	4.4%
Soos Creek Water & Sewer District	39,537	$114	$121,299	1.1%	$62,378	2.2%
City of Tukwila	7,629	$111	$85,950	1.5%	$55,919	2.4%
Valley View Sewer District	16,921	$96	$81,765	1.4%	$42,963	2.7%
Vashon Island Sewer District	653	$102	$106,204	1.1%	$31,811	3.8%
Woodinville Water District	5,988	$110	$151,611	0.9%	$77,549	1.7%
WTD Weighted Average		$123	$129,557	1.1%	$53,814	2.8%



FCA Metrics

EPA FCA Guidance

- Residential Indicator
- Financial Capability Indicators
- Lowest Quintile *Poverty* Indicator
- Supplemental Metrics and Analysis

Ecology Adjustments

- Lowest Quintile *Residential* Indicator (Ecology)
- Cost of Living Adjustments (for Poverty Indicators benchmarks)

Supplemental Metrics

- Affordability Ratio at 20th Percentile
- Hours Worked at Minimum Wage
- Poverty Income Residential Indicator
- CAP Participant Residential Indicator
- After Rent Burden

Affordability Metrics Comparison (1 of 2): *Traditional FCA Metrics*

Metric	What It Measures & Distinctive Features	Key Inputs / Method	Benchmarks / Thresholds	System or Household Affordability?
Residential Indicator (RI)	Wastewater cost as % of MHI; only household-focused metric in FCA	Annual wastewater bill; MHI	<1% low, 1–2% mid, >2% high	Household
Financial Capability Indicator (FCI)	Broad indicator of utility financial health	Debt (2), socioeconomic (2), tax-based (2)	<1.5 weak, 1.5–2.5 mid-range, >2.5 strong	System
Lowest Quintile Poverty Indicator (LQPI)	Provides context on community poverty & vulnerability	Six factors including income, SNAP, vacancies, etc.	National vs agency comparisons	System

Affordability Metrics Comparison (2 of 2): *Emerging Household-Level Metrics*

Metric	What It Measures	Key Inputs / Method	Benchmarks / Thresholds	System or Household Affordability?
Lowest Quintile Residential Indicator (LQRI)	Cost burden for lowest 20th percentile households; highlights disproportionate impacts	Cost burden ratio	No established thresholds	Household
Affordability Ratio (AR / AR20)	"One-water" cost as % of disposable income; AR20 applies to lowest-income households	Disposable income minus taxes, housing, groceries, etc.	≤10% of disposable income	Household
Hours Worked (Minimum Wage)	Hours needed to pay monthly "one-water" bill; highlights burden on low-wage workers	Local minimum wage; monthly bill	≤8 hours/month	Household

Policy Issues, Challenges & Opportunities (Metrics)

- Median Household Income (MHI) Doesn’t Show Full Burden
  - Focus on typical household obscures affordability issues at lower incomes
- Cost of Living Varies Widely
  - High local cost of living means national/statewide comparisons miss local burdens
- Regional + Local Costs Matter
  - WTD has limited visibility on local rate forecasts
- Data Gaps Limit Precision
  - Additional data could strengthen WTD’s affordability analysis

Summary on Metrics

- WTD currently uses the various FCA metrics (with some supplementary measures) for certain critical regulatory activities.

- Regional interest to include affordability metrics in sewer rate and long-term planning process, so need better metrics.

- **No one metric can reflect the conditions of the region, and there is no industry consensus**

- **Develop a suite of metrics and supplementary analysis.**

Part 2

Rate Relief Approaches

Rate Relief Policy Question

"What other rate relief approaches should WTD implement to improve affordability for those who may struggle to pay their sewer bill?"

Problem Statement

Rate Relief:

- Wastewater conveyance and treatment is a critical service that households rely on; high wastewater rates can place a significant burden on lower income households.
- Because WTD is a regional wholesale provider, WTD rate increases impact all households, but WTD does not have a direct billing relationship to offer customer assistance programs (CAPs) or other forms of direct relief.
- Current contracts with LSAs and state law require a uniform rate structure and stipulate the allowed uses of wastewater rate revenue.
- State and federal law require utilities to charge uniform, nondiscriminatory rates for customers within the same class, with limited exceptions—one exception being low-income households.

Rate Structure Reminders

- WTD is a wholesaler—it does not have a direct relationship with residents outside of the capacity charge
  - Need local agency partner - Customer Affordability Programs

- State and federal law require utilities to charge uniform, nondiscriminatory rates for the same class of customer with limited exceptions
  - Utilities may establish different customer classes based on reasonable distinctions, such as differences in cost (i.e., customer classes that cost the utility more to serve) or differences in kind (i.e., high-strength industrial dischargers)
  - “Any county, city ...public utility district or other municipal corporation providing utility services may provide such services at reduced rates for low-income senior citizens or other low-income citizens" RCW 74.38.070.

- Utility rates are a fee for service (not a tax), cannot force some customer classes to subsidize other classes outside of low-income assistance.

Rate Relief Approaches (1 of 2)

Note: All currently drafted approaches assume WTD will continue internal cost containment measures and move towards greater predictability.

1) **Status Quo**: Maintain prudent financial stewardship of rate payer funds through cost containment, project prioritization, and best-available financing.

2) **Apply Affordability Metrics**: Measure current rate path against benchmarks of affordability to inform key decision-making, mitigation efforts, and future planning.

3) **LSA Partnership**: Partner with local sewer agencies to share customer affordability data and increase use of their customer assistance programs (CAPs).

Rate Relief Approaches (2 of 2)

4) **CAP Requirement:** Require all LSAs to offer Customer Assistance Programs (CAPs) via contracts.

5) **Low-Income Rate Class:** Add low-income as a customer class at a lower rate than other RCEs.

6) **Tax-Funding Alternatives:** Fund all or part of the sewer rate through property taxes, which are more progressive than the current structure.

7) **Regulate Multifamily landlords to prevent inflated pass-through increases:** This approach would strengthen renter/tenant protections against sewer rate overbilling (i.e. limit pass-through increases to no more than the LSA sewer bill increases from year to year).

Rate Relief Approaches – *Low-income rate class*

This approach presents specific challenges.
Requirements to implement include:

- Amend contracts
- Council must approve and adopt new customer classification
- Uniform adoption across LSAs/contracts
- Uniform qualifications for low-income across LSAs
- Every jurisdiction must have their own covenants for low-income rate to ensure that savings are passed on to customer
- **Non-low-income RCEs will still pay more** to offset/subsidize

Residential Customer Equivalent (RCE) Discussion

- The 750cf SF RCE conversion factor is mis calibrated and 'hard-wired' in the contracts decades ago
- This miscalibration shifts some of the cost burden from commercial/industrial/multifamily housing to single-family residences
- It is an important item that will be addressed in the Rate Structure discussions and policy analysis taking place in November
- A more accurate, up to date conversion factor would improve fairness among customer classes but it would not help, and may worsen, affordability for those who struggle to pay the most
    - Proviso report from 2021 presented to MWPAAC and RWQC demonstrated the potential cost rebalancing between agencies

Interrelationship with other parts of RWSP

- Alternative rate structures (such as an entirely flow-based charge, I/I surcharge, CSO surcharge, Low Income Class, etc.) that may impact affordability will be examined in greater detail in November as part of the **rate structure** topic.

Questions:

1. Questions on range of Affordability Metrics?

2. Are there additional or modified Rate Relief policy approaches we should consider?