

Working Draft

Potential Policy Issues for Work Plan

PART A: Policy issues expected for 2023

- 1) **Policy Issue:** What is a reasonable **rate increase for 2024** given the competing priorities of reducing the fiscal burden on rate payers and addressing increasing costs and required investments?

Information needed:

- Chart showing the major components of the rate expenditures by category over time.
- How does the rate increase for 2024 affect the 10-year rate forecast?
- Major assumptions driving the rate proposal. (What went into the rate recommendation from WTD and the Executive's rate proposal?)
- How much of the rate is required for operational expenses necessary for system operation?
- How much of the rate is required for debt payment?
- How much is dedicated to regulatory compliance?
- How much is dedicated to capacity improvements?
- What are the expenses that are optional (not required for operation or compliance)?
- Comparing the proposed rate with rate scenarios that are higher or lower and understanding the impacts of these various scenarios on rate payers, asset management, regulatory compliance obligations, and the 10-year forecast.

- 2) **Policy Issue:** What should be WTD's **cash funding approach** (ratio of cash to debt) for new capital projects?

Information needed:

- What is best practice of other similar sized wastewater treatment operations?
- What is the history of the cash policy over time?
- If WTD were to increase or decrease the use of cash by 10 or 20 percent, what is the implication for rates now and in the future?
- What is the debt capacity and what is the future ability to use debt depending upon future scenarios (rate and compliance decisions)?

3) **Policy Issue:** How can the RWQC Committee best give input so that the scope for the **Clean Water Plan** (relaunch is expected in Q3 2023) addresses the most important planning issues?

Information needed:

- Timeline expectations for major components of the plan development.
- What is the planned scope?
- How will the guiding principles be determined?
- A review of each of the main issues in the RWSP and identify which issues are appropriate for reevaluating.

4) **Policy Issue:** What updates to the **Capacity Charge Methodology** are needed to bring the charge in line with current industry standards and extend the charge beyond its current timeframe that ends in 2030? (WTD request, anticipating legislation.)

Information needed:

- What is the current methodology?
- What consultant work has been done to date on options for an updated methodology?
- What are the impacts to the capacity charge amount over time with the options?
- What is the consultant's recommendation on an updated methodology?
- What changes are needed to K.C.C. 28.86.160 Financial policies in the Regional Wastewater Services Plan (RWSP) which contain the capacity charge methodology?

5) **Policy Issue:** Should the codified biosolids policies be updated to include the production of **Class A biosolids** in addition to the existing authorization for Class B biosolids? (WTD request, anticipating legislation)

Information needed:

- What are the current biosolid policies?
- Why is there a need to update the policies?

6) **Policy Issue:** **Modified Consent Decree** and any corresponding changes needed to the RWSP to comply with modified consent decree.

Information needed:

- What are the proposed modifications to the consent decree and implications for the regional wastewater system and ratepayers?

- Do the RWSP policies in K.C.C. 28.86.080 need to be amended to be consistent with the modified consent decree?

7) **Policy Issue:** Proviso report that considers a **wastewater capacity charge exemption or reduced costs for those King County residents who themselves or their progenitors or both were impacted by redlining**. Response is due on June 1, 2022.

Information needed:

- Review of proviso response.

8) **Policy Issue:** Proviso report and motion (PM 2023-0034) acknowledging receipt of the report related to toxic effluents including those elements considered toxic to Orcas.

Information needed:

- Committee reviewed the report at January RWQC meeting
- No action was taken; action is not required.

PART B: Additional topics of interest to RWQC members

1) **Policy Issue:** Long term, how can the **rate model** be more transparent and allow for the modeling of different scenarios to show how current decisions impact future rates?

Information needed:

- How can rate model be made more understandable to the Committee and the public?
- What would a rate model look like that integrated infrastructure life-cycle costs, operating costs, asset management, system expansion, regulatory compliance, use of debt and cash?
- How can the rate model include a view of 20-30 years (term of most system debt) or 50 years (closer to life-cycle costs) and include inputs from the asset management plan? Develop a model which include scenarios that show the impact of any near-term changes to rates and financing policies. Financing policies include the balance of cash vs. debt funding.

- 2) **Policy Issue:** How should the committee engage with questions of **governance** that have been raised by members?

Information Needed:

- Review the recommendations in the City of Seattle commissioned study by Portland State University, *King County Regional Wastewater Study*.
- What are the limitations in code and charter to the role of the RWQC?

- 3) **Policy Issue:** Is WTD spending at the appropriate level to address keep pace with **asset management needs**?

Information needed:

- What is the current asset management backlog?
- What is the annual budget for asset management?
- What is the gap between asset management needs and what is expended?
- What is the implication of not adequately funding asset management?

- 4) **Policy Issue:** Are there opportunities for King County to leverage additional **federal funds and low interest loans** to address wastewater impacts (direct and indirect) to Puget Sound?

Information needed:

- What is WTD doing to identify potential federal funding opportunities and work with federal delegation?
- What are the challenges to getting federal funding?
- What are the challenges with federal affordability guidelines?
- What funding is available from Federal Infrastructure Investment and Jobs Act? (This will likely be coming as SRF loans.)
- Are more resources necessary to secure additional federal funding?

- 5) **Policy Issue:** Should the committee focus on advocating and creating momentum for the idea of **Puget Sound as a national asset** to help facilitate more federal investments in Puget Sound and better coordination and investment of federal dollars and regulation?

Information needed:

- What are the current efforts by the Puget Sound Partnership to advocate for national recognition of Puget Sound?

6) **Policy Issue:** Are improvements needed to the County's **cost management** efforts?

Information needed:

- What specific efforts have been made to evaluate the efficiency and need of existing programs?
- What efforts have been made to avoid cost overruns and institute cost control and oversight measures on major capital projects?
- Is WTD's strategy for delivering the capital plan with increased staff the most effective approach? What analysis has been done to show that the proposed staffing strategy produces the lowest cost outcomes for the rate payers.

7) **Policy Issue:** Is the wastewater system adequately **prepared for the expected population growth between now and 2050?**

Information needed:

- Provide more information on WTD's Conveyance System Improvement (CSI) program that is updated every 10 years.
- What are the initial results of the recently completed decennial flow monitoring effort?
- What is the range of growth expected in the system based on the 2020 federal census, WTD's data analysis, and check-ins with local sewer agencies?
- How are capital projects prioritized in the CSI program to address capacity needs?

8) **Policy Issue:** Should RWQC evaluate **policies that are embedded in the Sewage Disposal Agreements**, including Infiltration and Inflow (I/I), combined sewer overflows (CSOs), residential customer equivalent (RCE), and their impacts?

Information Needed:

- How do the policies embedded within the contracts directly and indirectly impact I/I, CSO, and RCE (Residential Customer Equivalent)?
- What are the policies in the RWSP related to I/I and CSOs?

9) **Policy Issue:** Can King County achieve **better results for the health of Puget Sound** through a combination of stormwater initiatives and wastewater programs rather than focusing exclusively on wastewater programs?

Information needed:

- What is the current impact of stormwater on the Puget Sound?
- What is the future projected impacted?

- What are the range of options and who pays the costs for the programs?

10) Policy Issue: How can the **RWQC and MWPAAC work together** more efficiently and coordinate to avoid duplicative work and ensure briefings are happening at the right technical level for each audience. Is it desirable to assign technical conversations to MWPAAC and the policy considerations to RWQC and align the workplans so both committees are working on the same issue, one at technical level, one at policy level?

Information needed:

- Current practices of RWQC and MWPAAC.

11) Policy Issue: Is the system prepared for **climate change**?

Information needed:

- What are the projected impacts from climate change?
- How has WTD planned for those impacts?

12) Policy Issue: How should RWQC engage in the **regulatory issues of nutrients and PFAS**?

Information needed:

- What is the status of the nutrients litigation and WTD's current compliance work with the Washington Department of Ecology's nutrients general permit?
- What is the current status of regulation for nutrients and PFAS?
- Is spending at the projected levels to meet regulations the best expenditure to preserve/enhance Puget Sound?

13) Policy Issue: Annual report on **Waterworks Grants**.

Information needed:

- Information on proposed projects or status report on existing projects.