

Don Theiler/King County Washington  
Wastewater Treatment Division  
Feb 2, 2007

## King County Capacity Charge

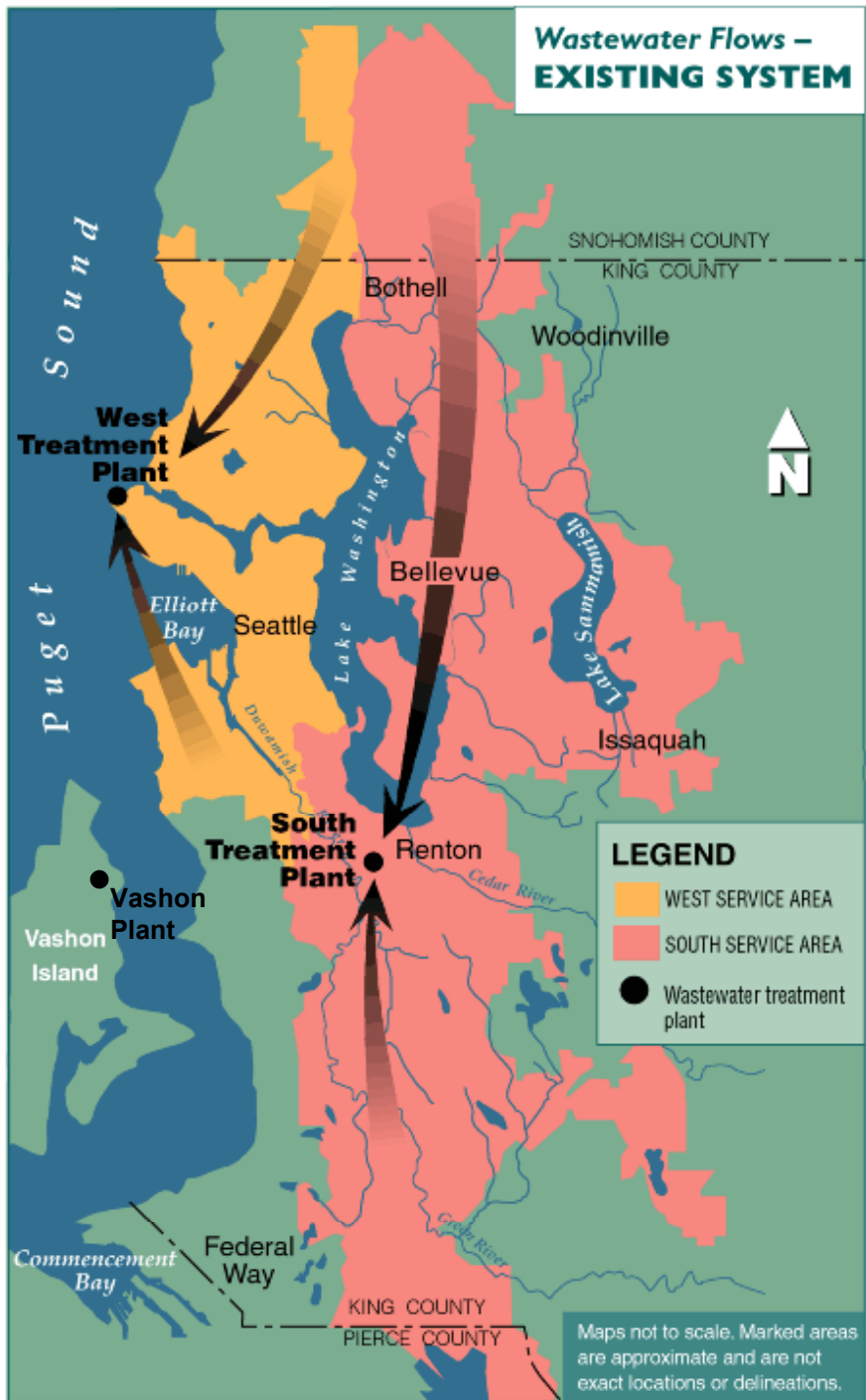


*“Growth paying for growth”*

National Assoc. of Clean Water Agencies  
St. Petersburg, Florida

# The Capacity Charge – What Is It?

- The capacity charge is a type of development or connection charge paid by new development (residential and non-residential) to finance the cost of expanding system capacity
- Commonly used revenue source
- Often a lump-sum charge and paid by the initial developer
  - King County's capacity charge is *not* paid for in this manner.



## King County Operates a Regional Treatment System

- Serves 34 cities and sewer districts
- Treats an average of 170 mgd
- Serves 1.4 million people
- Two large regional treatment plants and one small plant
- Current revenues approx. \$250 million annually

# History of the Capacity Charge

- 1980 – major expenses forecast related to growth
  - Renton effluent tunnel
  - Renton plant expansion
- Impact fee discussed
- Had to get state legislation of Metro statute changed
- 10 years of building consensus
- Home builders and developers were the primary roadblock

# History of the Capacity Charge

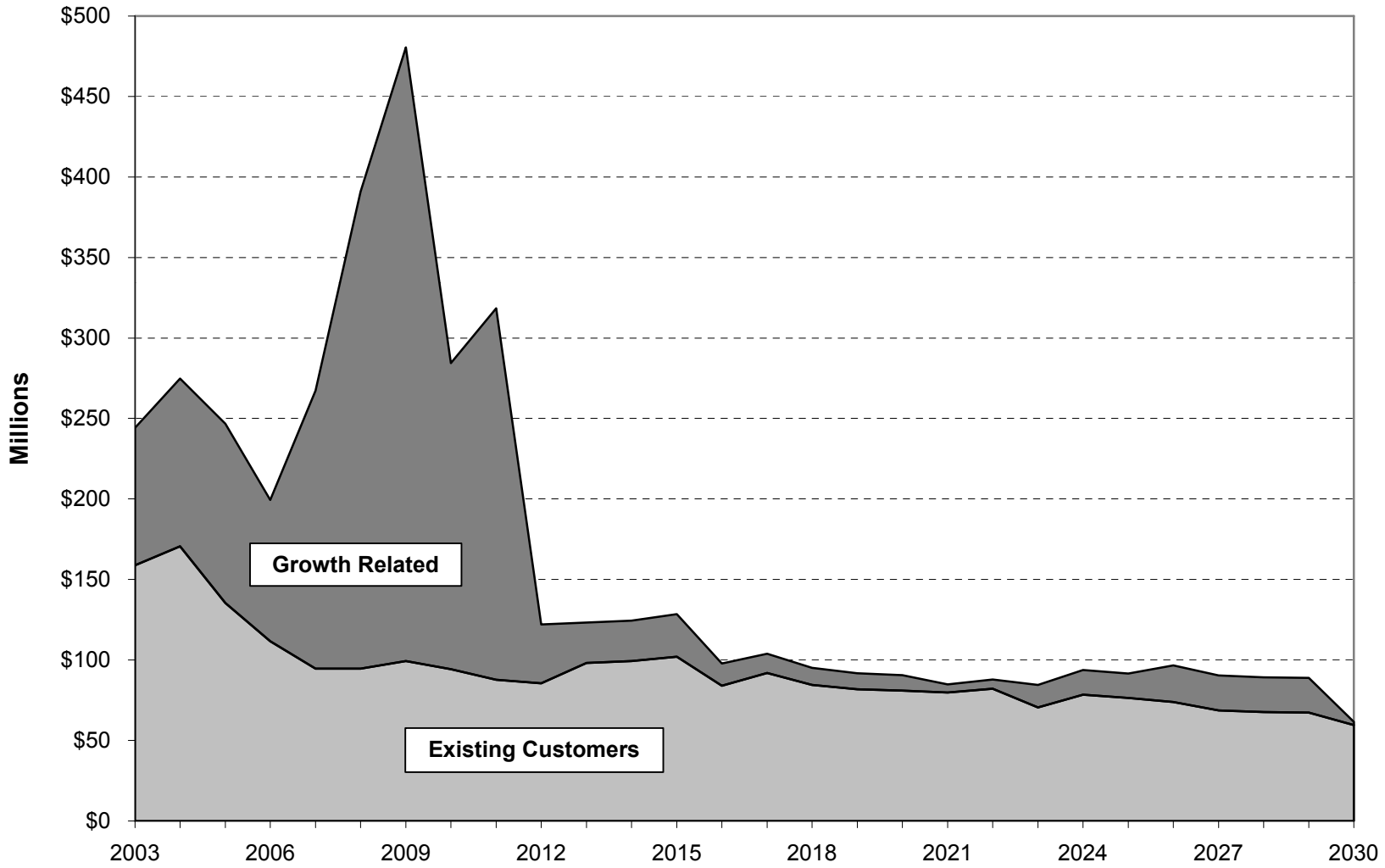
- Original program - 1990
  - \$7.00 (1990-97); \$10.50 (1998-2001)
- Limits set by state statute
  - No greater than \$10.50
  - No greater than one-half monthly sewer ratepayer rate
- Political compromise with developers

# History of the Capacity Charge

## Regional Wastewater Services Plan – 2000-2030

- Projected significant growth in service area
  - New Brightwater Treatment Plant costing \$1.62 billion
  - Major adjustments to conveyance system to accommodate growth
- Significant concerns raised on how these needs would be financed

**Wastewater Treatment Division  
Capital Expenditures 2003-2030  
(2004 RWSP Update, 2005 Dollars)**



# History of Capacity Charge

- Robbinswood Agreement
  - Legislative agenda
  - Uniform rates for new and existing customers
  - Growth pays for growth
  - New methodology to capture growth costs
- State Law Changed June 2000






# Current Capacity Charge Attributes

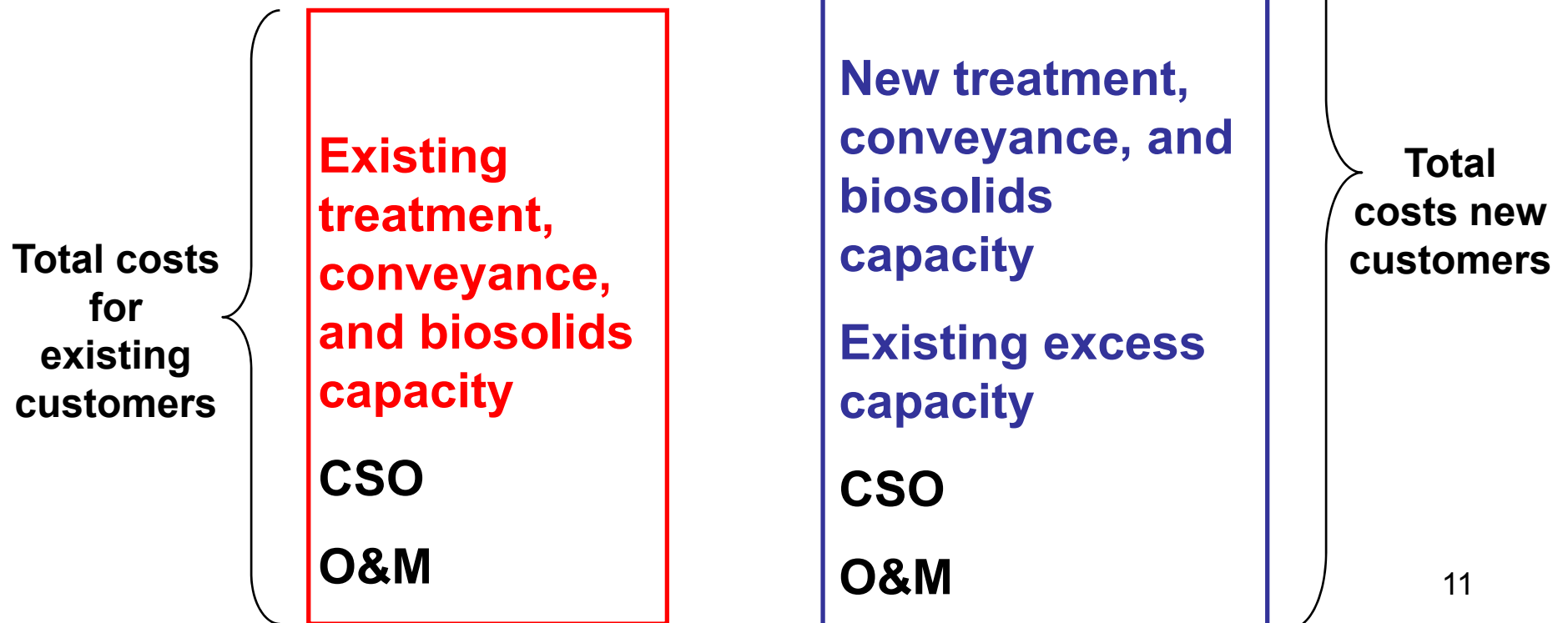
Policies providing a detailed methodology for calculating the capacity charge. The methodology went into effect on January 1, 2002. It provides for the following:

- All customers with new connections will pay both a uniform capacity charge and the monthly sewer rate.
- New customer rate and capacity charge revenues will recover 95 percent of total growth costs during the entire period. This does not imply 95% will be recovered in each year but during the entire 2003-2030 period.
- Projections underlying capacity charge is updated every three years.
- System costs are defined for the RWSP planning period (2003-2030).
- System costs will be allocated among three categories: growth-related, existing, and shared.

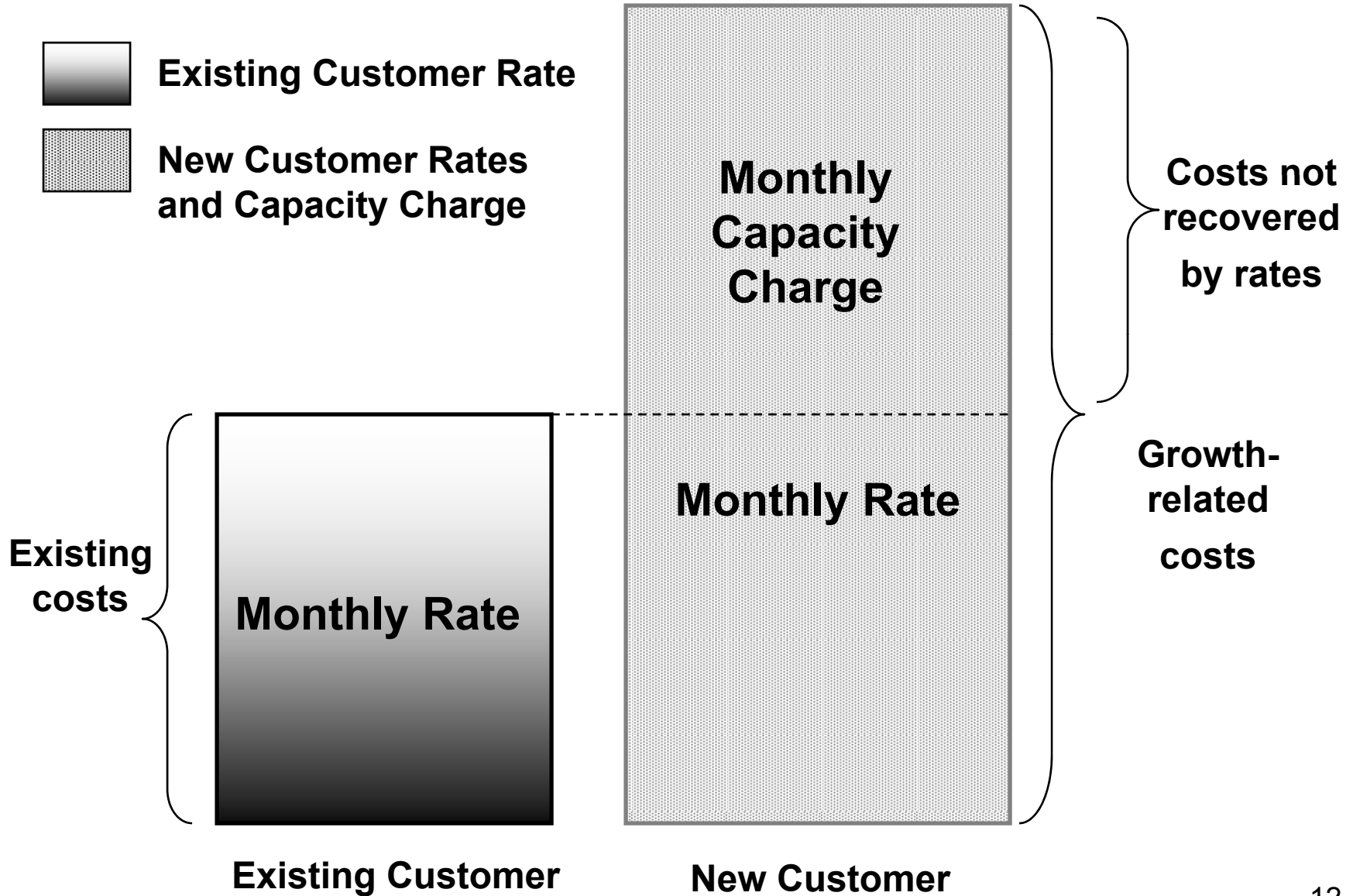
| Cost                                | Paid by New Customers | Paid by Existing Customers | Shared In Proportion |
|-------------------------------------|-----------------------|----------------------------|----------------------|
| New treatment capacity              | <b>X</b>              |                            |                      |
| New conveyance — new customers      | <b>X</b>              |                            |                      |
| New biosolids capacity              | <b>X</b>              |                            |                      |
| Existing, excess capacity           | <b>X</b>              |                            |                      |
| Current treatment capacity          |                       | <b>X</b>                   |                      |
| Current conveyance capacity         |                       | <b>X</b>                   |                      |
| Current biosolids capacity          |                       | <b>X</b>                   |                      |
| I/I assessment and reduction        |                       | <b>X</b>                   |                      |
| New conveyance – existing customers |                       | <b>X</b>                   |                      |
| CSO control                         |                       |                            | <b>X</b>             |
| O&M for new system operation        |                       |                            | <b>X</b>             |
| O&M for current system operation    |                       |                            | <b>X</b>             |
| O&M central administration          |                       |                            | <b>X</b>             |

# Allocating costs between existing and new customers

-  Existing Customer Costs
-  New Customer Costs
-  Shared Customer Costs



# Revenue needed to recover costs of growth



# Capacity Charge/Development Charge/Connection Fee

- Recent informal survey of 20 agencies:
  - rates of \$1,250 to \$10,000
  - Average was \$3,700
- King County Capacity Charge
  - 15 years or lump-sum with a discount
  - designed to recover, in conjunction with sewer rate revenues, 95% of growth costs by 2030
  - \$42 per month; \$5,243 upfront; \$7,560 over 15 years

# Capacity Charge Connections

- Each residential customer = 1 connection
- Multi-family based on number of dwelling units
  - 2 to 4 units = .8 connection per unit
  - > 4 units = .64 connection per unit
- Commercial/Industrial connections are based on number, type, and use of fixtures.
  - Type: dishwasher, kitchen sink, fountain, etc.
  - Use: public vs. private (load factor UPC)
  - Number of fixtures divided by 20 = 1 connection

# Low Income Provision

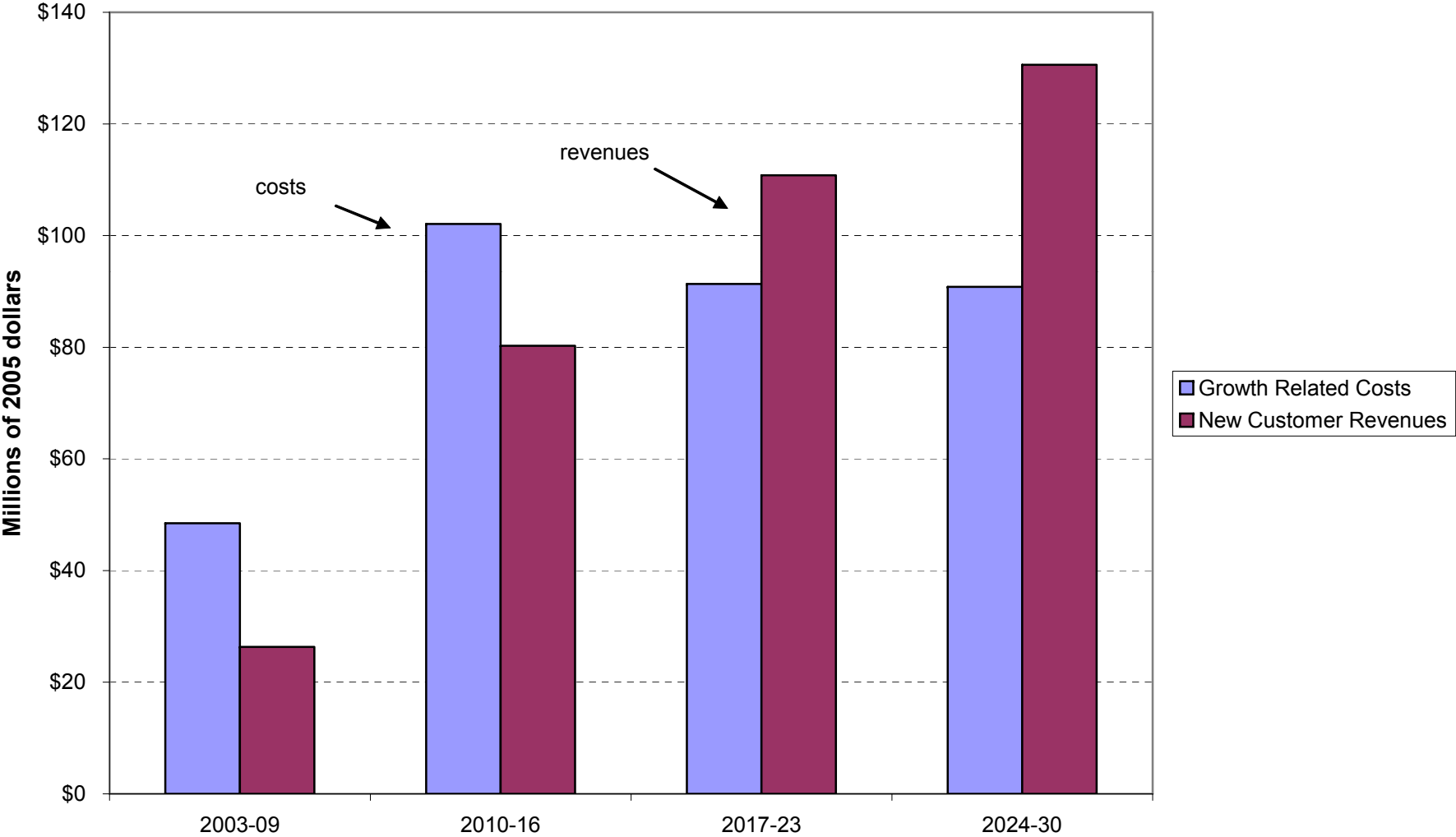
- Reduced charge for multi-family housing serving low income, elderly and disabled residents
- Based on size and occupancy restrictions

# Cost Recovery Characteristics

- In 2004 capacity charge revenues were 7.8% of system revenues.
- In 2030 capacity charge revenues are projected to be 20% of system revenues.
- The capacity charge, in conjunction with the sewer rate, is set to recover 95% of the costs allocated to growth customers during 2003-2030.
- During the entire 2003-2030 period, the present value of growth-related costs will balance with growth-related revenues.
  - In the early years, growth-related costs will exceed growth-related revenues as wastewater facilities must precede the growth.
  - In the later part of the period, growth-related revenues will exceed growth-related costs.



**Average Annual Revenues & Costs Associated with New Customers  
2003-30 in 2005 Dollars**



# Questions

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King County Wastewater Treatment Division

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