

Municipal Wastewater Permit Fees Advisory Committee

Meeting 4 Notes

Group/Committee	Municipal Wastewater Permit Fees Advisory Committee
Date	September 6, 2022
Time	3:00PM - 5:00PM
Location	Zoom

Meeting Materials: available on our [committee webpage](#)

Attendees:

Stakeholders

- Dave Barnes
- Shane Fisher
- Sharman Herrin
- Mindy Roberts
- Raul Sanchez
- Jessica Shaw
- Kristen Thomas
- Jackie White

Ecology Team

- Katie Bentley-McCue
- Sarah Diekroeger
- David Giglio
- Ligeia Heagy
- Andrew Kolosseus
- Shawn McKone

Absent:

- Travis Dutton
- Dan Eisses
- Rob Lindsay
- Dave Peeler
- John Peterson
- Carl Schroeder

NOTES:

Meeting Minutes – Slides 4-5

- Approved by all

Revenue Target – Slides 6-8

- **Question:** When you say \$1.2 M will eliminate use of funds from other sources, what are those other sources?
- **Response:** Combination of other water quality permit fees (over payers) and model toxics control account.

How Would 10:1 Change the Current Fee Structure? – Slides 9-11

- **Question:** Going from a monthly rate of \$0.18 per REU to \$0.28 per REU, does that cover the \$2.7 M gap that needs to be recovered by 2023?
- **Response:** Yes. Raising the rate to \$0.28 per REU gets us to \$7.5 M in revenue.
- **Question:** Could you give a hypothetical for a given number of REUs, for example 10,000. What does this mean in terms of total fee paid by the municipality? It would be helpful to see total dollars owed to help consider different options.
- **Response:** We will continue to take that approach and give examples at future meetings.
- **Follow-up:** For a hypothetical 10,000-REU utility, this would raise the fee paid by the utility from \$1,800 to \$2,800 if all at once or phased in over time?
- **Response:** \$0.18 is the monthly fee. The annual fee is \$2.16 x number of RE. So, if you have 1,000 RE - multiply by \$2.16 - and the fee is \$2,160.
- **Question:** Noting the 3% annual inflation comment in red at the bottom of the slide, is that included in the senate bill and automatically happens? And, for example if inflation is 9% would it be a \$0.03 increase every year?
- **Response:** No, it is not in the senate bill. Inflationary increases are in the earlier part of statute. As our costs go up in our fee rule, we have slight inflationary increases. Under this hypothetical, I wanted to be upfront that a phased approach means \$0.28 per REU in FY24 actually looks like \$0.33 in FY26 because of inflation. Yes, if inflation is 9% it would be a \$0.03 increase.

Different Ways Fees are Structured- Slides 12-14

- **Question:** Are flow-based rates currently based on design flow or actual flow you are receiving?
- **Response:** Most are based on design flow because it includes peaking. Going forward, we could negotiate a change. We want feedback from permittees because there are benefits and challenges to each direction. The permit workload doesn't change as flow rates go up.
- **Comment:** Our flow rates tend to go down because water use efficiencies and conservation measures lead to higher loadings but less flow.
- **Response:** It is also possible flow rates go down because population goes down.
- **Response:** One option is to collect annual flow data so if it goes up or down it could be adjusted annually.

- **Response:** Simplicity is a virtue with fee setting but it is possible to do a combination of things. For example, the fee could be based half on actual flow and half on design flow.
- **Question:** For the REU basis today, how frequently is that updated?
- **Response:** Data is collected annually. FY23 fees were based on REUs reported for calendar year 21. We collect the information 6 months ahead of time but it is an annual process. With flow-based, we could also have annual reporting but it would involve simpler forms than with REUs. Flow data can be seen in PARIS.

Your Feedback on Fee Structure – Slides 15-16

- **Comment:** It is important to also explore ability to pay. For example, Sunnyside income vs. Bellevue income. There is a perceived block in state law that you can't consider relative income within the service area to decide what the fee is, but maybe we should look into that block.
- **Comment:** You've mentioned that because a flow or REU number goes up or down it doesn't necessarily change the workflow of a permit writer. But, if a flow volume is much higher than others maybe the permit writer should be spending more time on those. In the case of the Salish Sea, there are 2 large dischargers who are impacting smaller dischargers in the basin. The workload isn't considered bigger but it should be because impact areas are overlapping from multiple dischargers. Relative area impact should be factored in because of downstream effects and relative amount of time Ecology would have to spend on those impacts.
- **Question:** Is Ecology required to consider environmental justice (EJ) when deciding on a fee structure?
- **Response:** Not sure there are any requirements surrounding EJ. HEAL ACT implementation is ongoing.

Structure – Slide 17

Roundtable – REUs vs. Flow-based?

- 4 in support for REU structure.
- 1 in support for a flow-based structure using design flow. In some cases, commercial customers are subsidizing residential customers. REU calculation takes time and can be influence by this balance between commercial customers and residential customers. Design flow may be a better way at getting at the size of the treatment plant and complexity.
- 1 in support for flow-based structure using actual flow. Calculating REU advantages some and disadvantages some depending on how much commercial customers are being charged. Actual flow should be used because there can be different numbers for different parts of a plant and some plants are at different stages of upgrades that would impact design flow. Additionally, we should be thinking about categories of flow instead of MGD.
- 1 interested in exploring both options. Maybe REUs make the most sense, but would be good to see flow-based hypothetical. Also, agrees with looking into tiers or categories and trying to find natural breaks.
- 1 in support of whatever the group decides.

How do people feel about precise REU or flow-based data vs. broad categories or tiers?

- 1 in support of precise data.

- 1 needs more information and to talk to their finance folks.
- 3 interested in exploring both options with more data.
- 2 interesting in categories. Worth exploring categories while keeping it simple.
- 1 in support of whatever the group decides.

Phasing In – Slide 18

Roundtable

- Overwhelming support for phasing in from everyone. No reasons given not to phase in.

Fairness – Slide 19

Roundtable – Should we try to find some way to incorporate fairness by charging different fees for different facilities?

- Same rate per all REUs.
- Would like to see the data but REU basis seems fair.
- In support of the group as long as the spirit of fairness is considered.
- Would be great to make it fair for everyone relative to workload, but we may have to consider ability to pay. Need to be mindful of how rates get passed on to customers.
- Environmental justice component comes into play here. A multi component fee may address fairness, for example with categorical tiers as well as fees based on REU or flow.
- Relative environmental impact, environmental justice, and ability to pay should all be considered. For example, maybe there should be a lower rate if you already have nutrient removal technology.
- Want to see more data that breaks down data by categories.

Ecology to check in with attorney and Econ team to see if we are able to reward more effective facilities (e.g. nutrient removal technology) with a discount on their fees.

We will move forward with going down the path of same REU fee for everyone but will come back once we've worked out flow vs. REU, and categories/tier breaks.

For things like reclaimed water and pretreatment, does it make sense for there to be an additional fee? Or does that create a disincentive?

- We don't want to penalize utilities that have done the right thing or are early adopters. Charging extra for more pollution control sends the wrong message.
- Ecology is already collecting fees from entities where Ecology is managing the pretreatment. But, we don't have the fee to support the pretreatment staff working with delegated communities.
- We have to weigh the significant workload costs with the policies that we are trying to encourage.

Next Steps – Slide 21

Steps to take before and what to cover at the next meeting:

- Explore both REU and Flow-based structures
- Explore categories/tiers (and without)
- Create a chart showing flow-based hypothetical
- Histogram of the data with categories drawn (small, medium, large), bring some examples based on logic of flow-based fee model
- Create spreadsheet that can take tier definitions and create fees on the spot
- Look into both proposals on flow-based: design flow and actual annual flow

How are virtual meetings going for you? – Slide 22

- Virtual meetings are working for everyone.
- Appreciation of timeliness of materials sent.

Committee Decisions and Recommendations

10:1 Staffing Ratio

- After evaluating potential staffing ratios, the group approved a 10:1 ratio of permits to FTE.
- With 12 members voting, the group came to a general consensus with everyone showing either enthusiastic or lukewarm support.
- 10:1 was identified as the staffing level necessary in the WQ permit fee program to support adequate levels of service to permittees.
- 10:1 is based on macro-data that incorporates all variables and has been shown to work in the NWRO over time.
- The group's decision also included a recommendation that Ecology hire an additional coordinator position to optimize statewide permitting efficiency.

Annual Check-ins

- The group recommends that Ecology has annual check-ins with the group starting in 2023 through 2027.
- Ecology agrees that this will be useful, and will report on hiring and progress made towards reducing the permit backlog, and permittees can share their level of technical assistance they are receiving.
- Annual check-ins allow the group to track if the staffing level and fee structure are operating as intended to reduce the backlog.