

Municipal Wastewater Permit Fees Advisory Committee

Meeting 7 Notes

Group/Committee	Municipal Wastewater Permit Fees Advisory Committee
Date	October 17, 2022
Time	9:00AM - 11:00AM
Location	Zoom

Attendees:

Stakeholders

- Dave Barnes
- Dan Eisses
- Shane Fisher
- Sharman Herrin
- Rob Lindsay
- Dave Peeler
- 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
- John Peterson
- Carl Schroeder

NOTES:

Meeting Minutes – Slide 4

- Approved by all

6 Fee Scenarios to Reach \$8.7 Million – Slides 5-12

- Note that for the median income scenario there is a pretty even spread, about half are above average income counties and half are below average income counties.
- **Question:** For these scenarios, is there a way to estimate the difference for rate payers (for example an individual household)?
- **Response:** We are increasing fees about 65%. How that translates to an individual household rate depends greatly on the fee structure we chose. If we use REs and a flat fee, everyone will have the same ~65% impact. If we choose a flow-based structure with tiers, then there are two variables at play. A facility would have to consider how the change from RE to flow-based affects them and how the size of the facility affects the rate. It is difficult to calculate the individual fees and we want to be making decisions based on the entire system rather than individual data points.
- **Follow up:** It is hard to know how these rates would work out for individual households. Would it be possible to figure out the individual rate payer cost without names? Perhaps just with different sized facilities and generic categories?
- **Response:** On average, despite which structure we choose, there will be a 65% increase. With a size based tier structure, large facilities would be paying about 10% more than that. We are trying to avoid getting into individual winners and losers.
- **Follow-up Response:** For instance, if there is a 70% increase overall, with a flow-based structure and size based tiers, if you are a large facility, it would go up another 5%. Larger facilities pay more on the whole with a flow-based structure in part because large urban facilities have stormwater increasing their per capita flow. So for example, a large facility may see an 80% increase, medium may see 62% increase, and a small facility might have a 58% increase.

Pros and Cons of Fee Structure Scenarios – Slides 13-16

Committee Thoughts on RE vs. Flow-Based

- **Comment:** When thinking about RE vs. flow-based, neither fully consider the complexity of the work. We should consider a hybrid approach where there is a base with additional charges for additional work load - CSOs, TMDLs, or industrial waste. What we want to figure out is, what is the best proxy to address the Ecology staff effort? Is there a hybrid version that lays out the tasks Ecology must perform for all permits and then adds a surcharge for certain things Ecology has to perform on top of that. Income equity is important but offering rate relief on an individual utility bill is the most effective tool. From a larger rate making perspective, the benefit doesn't actually translate to as much of a relief per RE. In terms of structure, no preference for either RE or flow-based. Flow based isn't that different than the current system but in either scenario we would recommend a hybrid model.
- **Response:** Going forward with the round table, could everyone else share their thoughts on a hybrid model? Both RE and flow is based on volume. They are both trying to get at how much is there to process. Is the complexity piece built in? Can we assume the larger the flow the more likely you are to be more complex?
- **Comment:** Leaning toward flow based. I like that with flow based the data already exists and it is precise.

- **Comment:** All of the scenarios are not that different. The bottom line for a plant doesn't vary that much. I think it is best to go with a flow-based flat fee. RE vs flow-based doesn't make that much of a difference so I don't know if it makes sense to do the work to calculate REs.
- **Comment:** I am still struggling with variability around a flow-based structure. How much will it change year to year due to changes in flow over time? Maybe there is not any more variability than growth in service areas with REs. Only concern is being able to predict what that fee is going to be and how it will change over time.
- **Response:** Either model will have a little variation. The RE calculation changes with population growth or new businesses. Flow will likely have less variability than RE. Facilities that may have more variability would be systems with major stormwater events. Still it would be about 1-2% variability without major swings.
- **Follow-up Comment:** We are an example of a mostly residential, rural facility that is large but not necessarily complex. As our service area grows our fees will grow based on the size based models but the complexity won't grow much.
- **Comment:** It is still a wide target for how much the fees could go up. What metrics are going to be used to track success? We like the idea of a hybrid system or al la carte type approach for additional services.
- **Comment:** My concern all along has been that our REs have changed as we've changed our rates but that hasn't reflected changes in the service area. Flow based is easier to explain. It increases over time but there are less surprises. I like the idea of an al la carte system with flow-based structure. We want to make sure the work that ecology is doing is being fairly allocated.
- **Comment:** It seems that a "hybrid" system as suggested would add more complexity and uncertainty to the fee structure possibly adding more workload to Ecology. But it might result in a more equitable fee structure. Is the tradeoff worth it? In the case of water systems, there is an incentive for large water systems to take over smaller systems, which is generally a good thing. Not sure if that happens often with sewage systems. We don't want to discourage that consolidation if that happens with sewage systems.
- **Response:** We did have a county try to dissolve a small district and they were not able to do that. It is difficult legally to take over a small system. In this case, a private owner passed away and the county was willing to take over the district but went to court for 6 months. In the end, the county wasn't able to take over the private district.
- **Response:** The fees wouldn't change much if a large system absorbed a smaller facilities permit fee. If we have tiers based on size there may be more of an impact. No big changes that are close to how much it costs to absorb another facility.
- **Comment:** I agree RE and flow based differences are probably nominal. I lean toward flow based. If it was flow based, would it adjust annually or based on the 5 year permit time frame?
- **Response:** We get to decide. We have the historic data so we can use 5 year, 2 year or annual data.
- **Comment:** Torn on an overall rate methodology. The complexity issue is a state-wide issue. State dollars, trying to figure out answers so that it hits our rate payers out of a different bucket. Al la carte gets at that a little. Some entities that have a wastewater and a stormwater permit might make the wastewater more complex. Combined systems make the stormwater less complex. Do those balance out so that you aren't double charging residents? If you take all of Ecology's cost and do an overall allocation it could be a better funding scenario for the state. It

could be easier to explain to citizens that this is what water quality costs. There should be an overall Ecology water quality rate methodology. Bigger discussions need to be had statewide. Leaning toward keeping the RE-based structures until those larger discussions are had. If we do go flow-based, I would ask that it be based on the prior year or the year before. Knowing what the fee is going to be in advance would be helpful.

Ecology Team Thoughts on Al La Carte Hybrid System

Comment: If we add those complexities with surcharges in general the larger facilities would pay more relative to smaller facilities; it could be duplicative to have an al la carte system with tiers based on size. Are we disincentivizing things we want to encourage (e.g. pretreatment)? Surcharges need to be a rate scaled with the jurisdictions ability to pay so that it is not crippling for a smaller facility.

Comment: With the al la carte method we need to make sure we don't create a disincentive for things that we want to encourage (e.g. reclaimed water). It is hard to charge people more for protecting water when they already have to spend more to do so. It is difficult philosophically. Agree that any of these rate structures already account for complexity under the rule that larger facilities are more likely to be more complex.

Comment: Quantifying the management workload for something like the addition of reclaimed water is a challenge. Intrigued by the al la carte method but we don't have the data right now to say what the magnitude of that would be or if it is something we need to take on. Over the next couple years, we can look at our fee structures more granularly and we could add surcharges. This is a longer term conversation. Have to consider if it is more work than it is worth.

Comment from chat: "Agreed that we don't have good information for costs of any given a la carte item."

Continued Stakeholder Discussion

Comment from chat: "Isn't the overall goal clean water, and whatever it takes to get to clean water? Some will need more of those "a la carte" options than others."

Question: Is Ecology proposing with the revised fee structure that they will keep data so that we have more information to look? That way we will know A. whether are we achieving targets in statute and B. how that ratio is working? Will we have data to have a more refined idea of how this is working and how much work it takes to write these permits?

Response: Coming up with a workload estimate and a fair al la carte system in the next couple weeks would be very challenging. We can assemble that data over the next 2 years and bring it back to the committee. Our goal right now is to get the revenue to staff up and get rid of the backlog. When we check in in 2 years we can reconsider if there is a better way to realign costs and workload.

Tiers - Flat vs. Median Income vs. Sizes

Some of our smallest facilities are unique service areas – schools, mobile home parks, correctional facilities. It is very hard to determine the median income of these service areas.

At the local level you have the opportunity to offer differential rates and address the equity issue.

- **Comments:** Unanimous approval of using flat rate over the other two options – median income and size. There are too many challenges and complexities with tiers or categories.

Next Steps – Slide 17

- RE vs. flow - Leaning toward flow
- Flat vs. tiered by income or by size – Decision made for using a flat rate
- Adding al la carte menu/complexity – now or in 2 years with data?
- Phasing in (decision now vs. later; default approach)
- We will come back with a draft fee recommendation with a flow-based flat rate structure with a commitment to come back in 2 years to provide information on the al la carte system and check-in on the phasing in to eliminate additional funding sources.
- Communication tools

Committees Thoughts on using 5-year or Annual Average Flow

Pros – The longer the averaging period, the less variability year to year

Cons – More data

- 6 votes for 5-year average
- 1 vote for annual
- 1 vote for an average over 2 or 3 years, or most current info/estimate if new or revised facility
- 1 vote for 2 years

Scheduling Meetings – Slide 19

- 9am-11am is convenient for most permittees.

Parting Thoughts

- **Comment:** Appreciation for the previous comments on state-wide issues. There is a growing complexity of permitting, both legal and technical. There are broader statewide issues that are not being addressed that are putting Ecology in the middle. Rate payers end up paying for it. Larger thinking needed to address Clean Water Act challenges.
- **Comment:** The north star is to get to clean water. These permits are going to get more complex because the issues are getting more complex. There is a strong role for the public to move all of this forward. I want to make sure that with the al la carte option we don't end up disincentivizing actions that help get us to clean water.