

**Summary of 2009 True Up Results
Provided at July 1st, 2010 Operating Board**

- Wholesale Statements “true up” the wholesale share of actual water system costs and actual wholesale revenue. Any surplus or deficit in revenues is carried forward with interest and lowers or raises rates in the future.
- Seattle Public Utilities prepares the wholesale statements, and Moss Adams applies the specific procedures to test their accuracy.
- Under the 2001 contract, Seattle is considered a wholesale customer.

2009 Results

Balances (in \$1,000)	2009 Year End Balance	2009 Target from Rate Study
Regional Rate balance (Full & Partial Req.)	(1,487)	0
Southwest Subregion	(250)	0
East Subregion, Segments 3&4 combined	(141)	(45)
Facilities Charge Balance	(12,883)	N/A

- The 2009 regional rates were set in early 2008 before even the 2007 true up balances were known, and the rate study assumed that the then existing regional rate balance would be brought down to zero by the end of 2008. This was not the case, and is one of the factors that caused the 2009 ending balance to be different than expected:

Actual 2009 beginning balance lower than planned (in \$1,000)	(5,949)
Lower rate revenue (due to the economy)	(2,053)
Sale of Easement along Tolt Pipeline	4,700
Lower than projected regional costs	501
Prior Year adjustment	1,315
<u>Difference from rate study target</u>	<u>(1,486)</u>

- The 2009 Southwest Subregion balance is lower than projected due to the lower than planned 2008 yearend balance. When 2009 rates were set, they were set to “catch up” on a balance of \$(83)k and bring the account to zero. The actual 2008 yearend balance was \$(324)k due to a variety of factors in 2007 and 2008 that were not known when the 2009 rates were set.
- The combined East Subregion balance also remains lower than projected. Again, the main driver for this is the significantly lower 2008 ending balance than what was expected: 2009 rates were set to reduce a 12/31/2008 balance of \$(82)k, while the actual was \$(156)k.
- The Fixed Block contract (Northshore Utility District) does not have a year end balance in the table above because their surplus/deficit is settled annually. NUD ended 2009 with a surplus of \$247k, primarily due to the sale of the Tolt Pipeline easement.

- Facilities Charge revenues and costs were nearly equal in 2009, causing no significant change in the 2008 FC balance of \$12.9M. No excess balance was transferred to decrease rates, and no transfers are expected for 2010 or beyond. In accordance with the May 2010 Operating Board decision, the current \$713/ERU charge will be adjusted for the 2011+ conservation program that replaces the current 1% Conservation Program ending 12/31/2010.

