

## Summary of 2010 True Up Results Provided at July 7th, 2011 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.

### 2010 Results

Balances (in \$1,000)	Projected 2010 Balance from 2009-2011 Rate Study	2010 Actual Year End Balance	Projected 2010 Balance from 2012-2014 Rate Study
Regional Rate balance (Full & Partial Req.)	0	(7,119)	(4,898)
Southwest Subregion	0	(371)	(218)
East Subregion, Segments 3&4 combined	0	(218)	(146)

### Components of the Regional Balance

(in \$1,000)	Projected 2010 Balance from 2009-2011 Rate Study	2010 Actuals	Projected 2010 Balance from 2012-2014 Rate Study
Balance on 12/31/2009	0	(1,557)	(1,557)
Revenues	+ 67,630	+ 59,865	+ 60,110
	Actuals \$7.7M lower		Close
Costs	- 67,630	- 65,472	- 63,451
	Actuals \$2.2M lower		Actuals \$2.0M higher
Balance on 12/31/2010	= 0	= (7,118)	= (4,898)
	Overall, actual balance is \$2.2M worse than rate study assumption		

- As compared to the actual 2010 costs, the current rate study underestimated the O&M component. This was because costs used in rate study were pulled fairly soon after 2010 year end and were incomplete.
- The Southwest and East Subregions all follow the same pattern as above: Revenues for 2010 were fairly well projected in the current rate studies, but O&M costs were incomplete.

- 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 2010 with a surplus of \$68k, which will be applied to their 2012 block cost.
- Facilities Charge costs were significantly higher than revenues due to the continued decline in new connections and the cumulative nature of costs for the 1% conservation program. No excess balance was transferred to decrease rates, and no transfers are expected for 2011 or beyond. In accordance with the May 2010 Operating Board decision, the FC charge was adjusted effective 1/1/2011 for the expiration of the 1% Conservation program and the beginning of the new conservation program.

