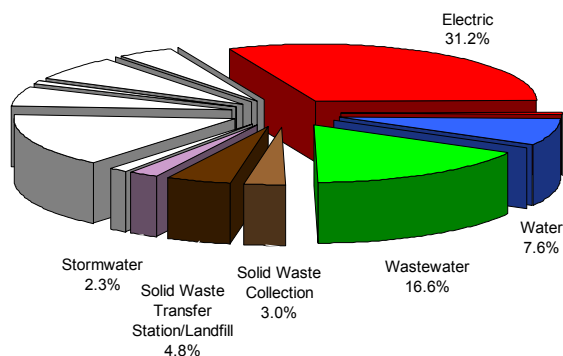


October 5, 2010
City Council
Utility Rate Studies Presentation

Utilities 60.7% Overall City Budget



Larry Dunbar, Deputy Director of Power Systems

Proposed Agenda

1. Historical Utility Rates & Costs
2. 2011 Proposed Utility Rate Adjustments
3. 2011 Proposed Utility Fee Adjustments
4. Electric, Water, Wastewater, Collection, Transfer Station, and Stormwater Utility Rate Studies
5. Summary & What's Next?

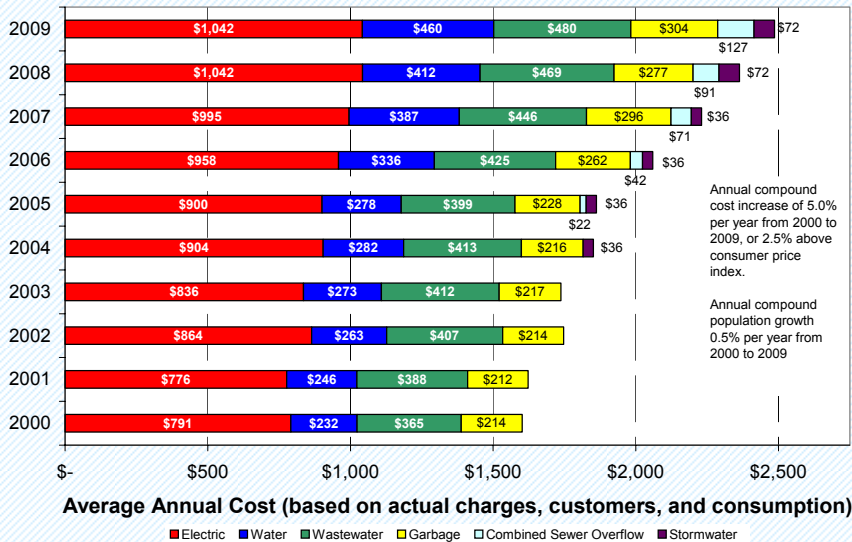
Based on September 10, 2010 Proposed Budget

Historical Rate Adjustments

Utility	2006	2007	2008	2009	2010	2011
Electric - Base	-	-	-	-	-	?
Electric - Consumption	-	5.9%	-	-	-	?
Water - Base	3.0%	19.0%	19.0%	7.0%	8.5%	?
Water - Consumption	3.0%	19.0%	19.0%	7.0%	8.5%	?
Wastewater	4.3%	4.8%	5.3%	2.1%	4.0%	?
Wastewater - CSO	108.0%	54.0%	37.0%	29.0%	30.1%	?
Collections - Weekly Pickup	24.8%	-	-1.8%	1.5%	-	?
Collections - EOW Pickup	-	-	-10.9%	1.5%	-	?
Stormwater	-	-	100.0%	-	-	?
Transfer Station	5.0%	14.5%	7.5%	10.5%	4.5%	?
Blue Mountain	-	-	7.5%	3.5%	-	?

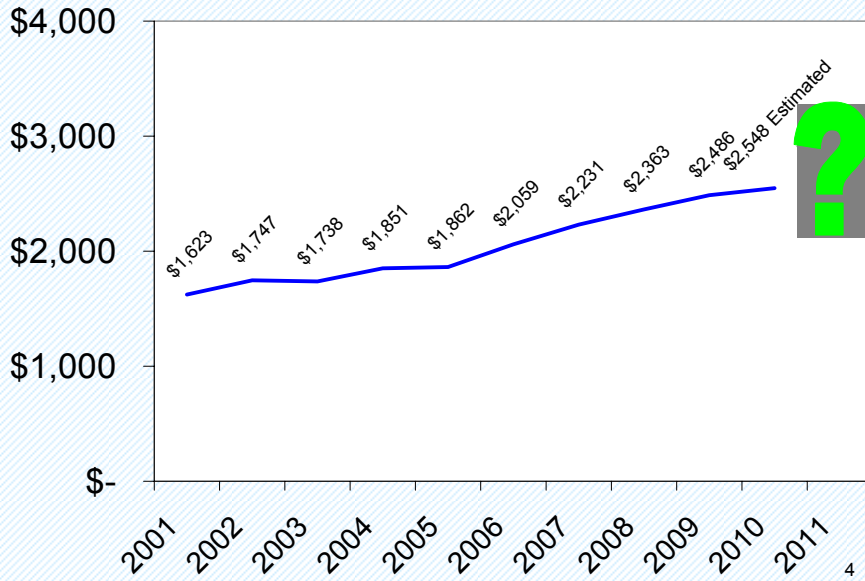
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Residential Customer Utility Costs



3

Residential Customer Utility Costs



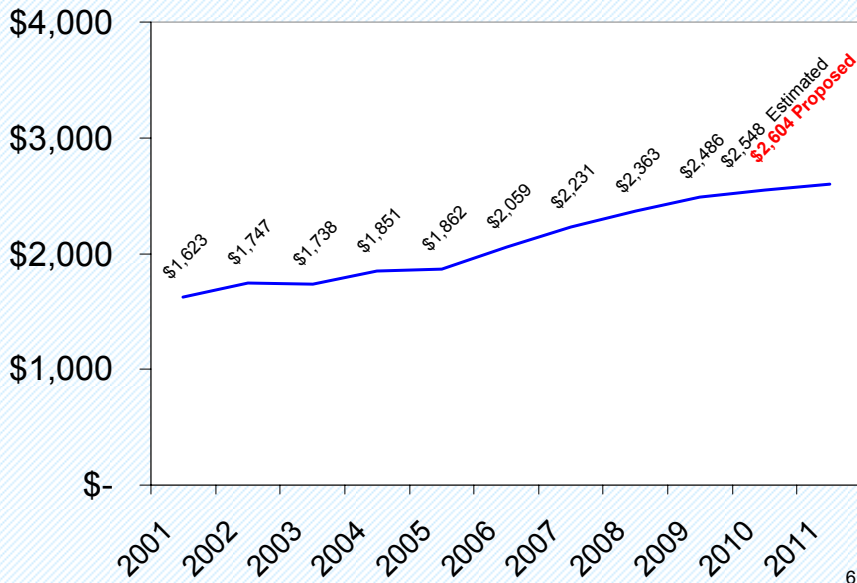
4

2011 Proposed Rate Adjustments Residential Customers

Utility	2010 Residential Rates	2011 Proposed Monthly Increase
Electric - Base	\$11.00/month	\$2.00
Electric - Consumption	0.0582/kWh	\$0.00
Stormwater	6.00/month	\$0.00
Collections - Weekly Pickup	27.20/month	\$0.00
Collections - EOW Pickup	19.75/month	\$0.00
Water - Base	26.75/month	\$0.00
Water - Consumption	2.08/100 CF	\$0.00
Wastewater	44.30/month	\$0.00
Wastewater - CSO > 430 CF	14.95/month	\$2.65
Average Customer Total	\$212.00/month	\$4.65
1,300 kWh & 655 CF	Without CSO	\$2.00

5

Residential Customer Utility Costs



6

2011 Proposed Rate Adjustments Transfer Station Utility

Transfer Station	2010 Rates (per ton)	2011 Proposed Increase (per ton)
Collection Entities - Tons	\$98.20	\$4.57
Self Haulers - Base	\$10.00	\$0.00
Self Haulers - Tons	\$120.10	\$5.75
Yard Waste - Collection Entities - Tons	\$27.70	\$0.00
Yard Waste - Self Haulers - Base	\$5.00	\$0.00
Yard Waste - Self Haulers - Tons	\$44.95	\$0.00
Biosolids - Collection Entities - Tons	\$48.40	\$2.25
Blue Mountain - Self Haulers - Base	\$5.00	\$0.00
Blue Mountain - Self Haulers - Tons	\$204.65	\$0.00

7

2011 Proposed Rate Adjustments Transfer Station Utility

Transfer Station	2010 Rates (per yard)	2011 Proposed Increase (per ton)
Compost 1-3 Yards	\$20.00	\$0.00
Compost 4-49 Yards	\$17.00	\$0.00
Compost 50-99 Yards	\$16.00	\$0.00
Compost 100-299 Yards	\$15.00	\$0.00
Compost 300 Yards or More	\$14.00	\$0.00
Compost 4 Yards or More (Schools, Non-Profit, or Governmental Agencies)	\$15.00	\$0.00

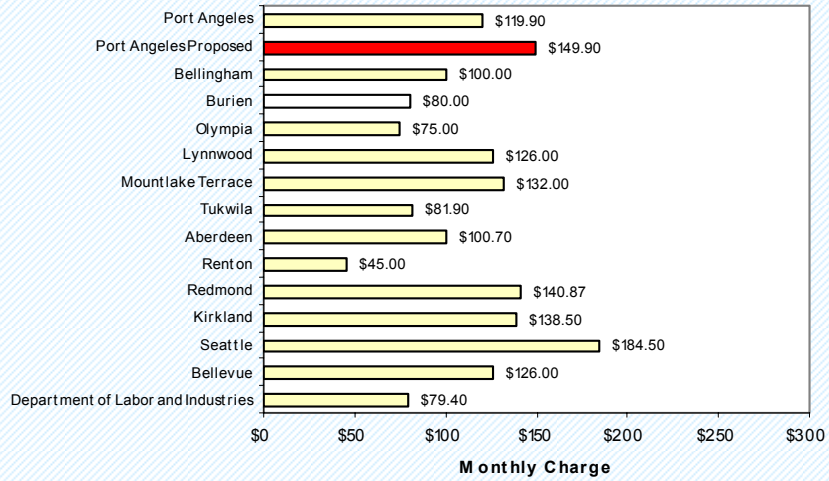
8

2011 Proposed Fee Adjustments

Electric Utility	2010 Fees	2011 Proposed Fee Increase
Electrical Work Permits	\$119.90	\$29.98
Pole Attachments	\$13.80	\$1.20
Water Utility - Residential		
Connection 5/8 Inch	\$1,160	\$120.00
Connection 3/4 Inch	\$1,160	\$120.00
Connection 1 Inch	\$1,260	\$130.00
Water Utility - Commercial		
Connection 1 Inch	\$1,710	\$0.00
Connection 1-1/2 Inch	\$3,200	\$365.00
Connection 2 Inch	\$3,200	\$365.00

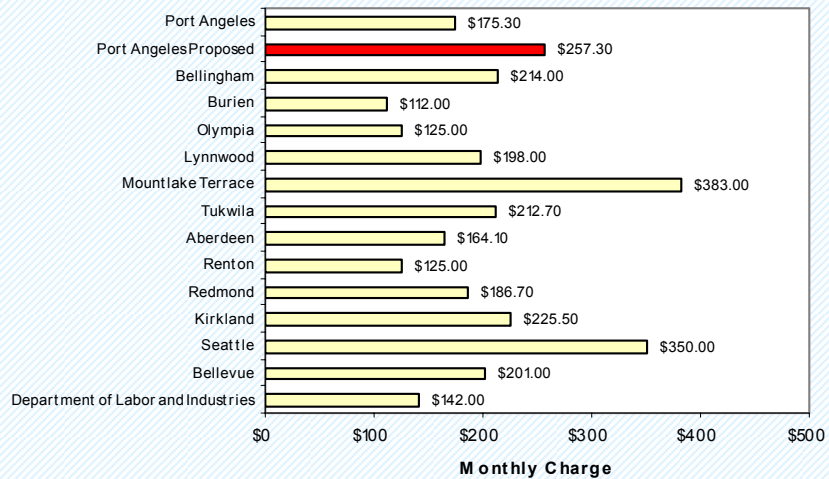
9

Electrical Work Permit Fee Survey



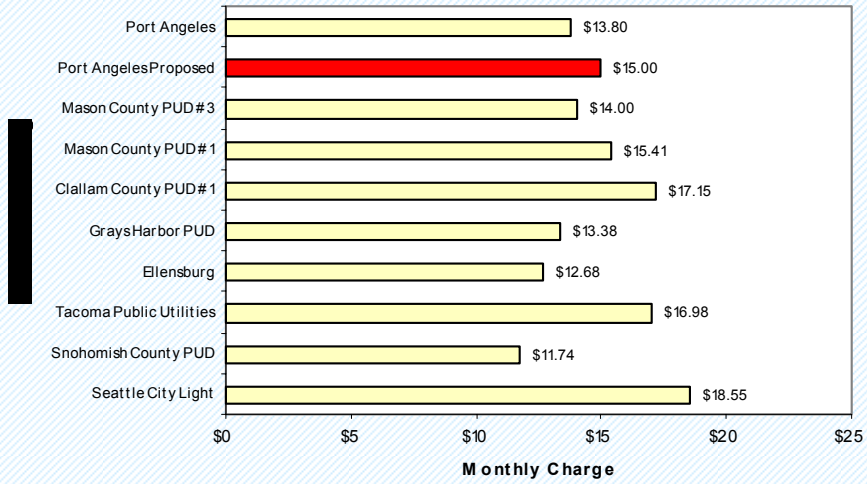
10

Electrical Work Permit Fee Survey



11

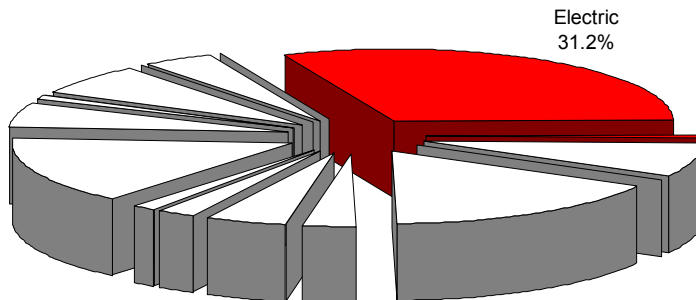
Pole Attachment Fee Survey



12

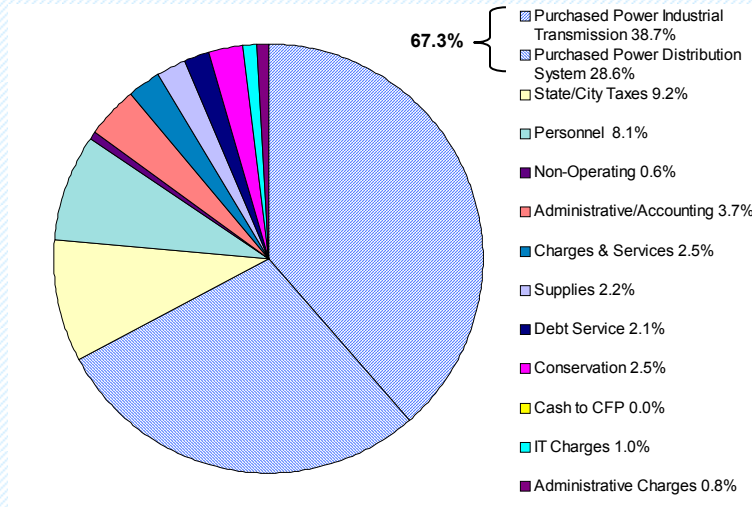
Electric Utility Rate Study

City Budget Breakdown



13

Electric Utility Expenses



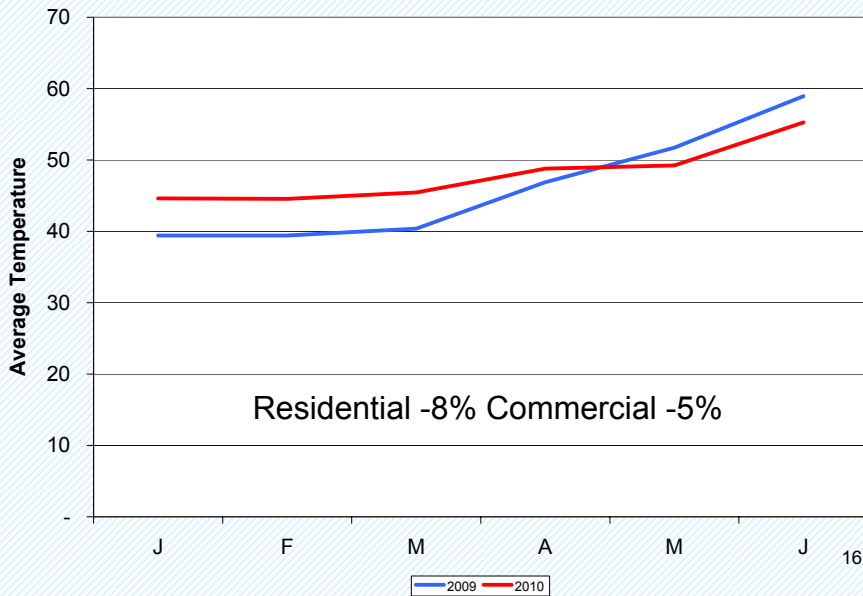
14

Electric Rate Study Assumptions

- 2010 Revenues ▼ \$993K
- 2010 O&M - ▲ \$297K
- Retail rate deficiency 5.3%
- 2011 retail rate adjustment proposed 2.3%
- 7% BPA Wholesale increase Oct 2009 (no step)
- ~12% BPA Wholesale Increase Oct 2011
- Discontinuation of "Lookback Credit" Oct 2011
- ~10% BPA Transmission Increase Oct 2011
- Industrial Transmission Pass-Through

15

Weather Effects Energy Sales Revenue



Electric Rate Study Assumptions

- Electric work permit – 3rd of 3rd year cost recovery proposed
- Pole attachments – 2nd of 4th year extended cost recovery proposed
- No light operation facility contribution
- Additional debt service
- No customer growth
- Rate stabilization adequate

Electric Rate Study Assumptions

- No COLA included
- PERS & medical increases
- Tier 2 expanded conservation program
- BPA Residential, Commercial & Industrial Demand Response grants
- Department of Commerce wireless mobile data system grant

18

Electric Utility Challenges

- BPA energy conservation program increase
- Advanced metering infrastructure, demand response, communications projects, retail rates using new design
- Future 9/30/2011 Tier 2 decision, BPA wholesale Tiered Rates, new policy for large single loads
- Climate change & renewables legislation

19

Electric Utility Challenges

- Residential exchange program litigation
- 2011 economic development State law sunset

20

Electric Rate Study Findings

Capital Facilities Plan (\$1,000)

Capital Facilities Plan	2010	2011
Design for F Street 1202 Upgrade	30	
Advanced Metering Infrastructure	107	56
BPA Demand Response Program	20	101
Wireless Mobile Network	0	260
Eclipse Add Second Source		35
Transmission Line Upgrade WA to I St		220
Upgrade A St Substation Transformer		60
Laurel Substation Structure		
Washington Sub-Transmission Line Renovation	75	125
F Street 1202 Upgrade	140	
Morse Creek Hydro Improvements	75	
College Substation	80	
System Protection	60	
Laurel Street Substation	80	
Wireless Mobile Network	-	2,340
Advanced Metering Infrastructure	-	2,777
BPA Demand Response Program	-	1,118
MAN Services Agreement	13	133
Street Light Upgrades		1,200
Pole Replacement		900
Cable Restoration Phase III	100	100
Total	780	9,425

21

Electric Rate Study Findings

Capital Facilities Plan Funding Sources (\$1,000)

Capital Facilities Plan Funding Sources	2010	2011
CFP Beginning Cash	297	6,075
Other Note Proceeds	4,879	-
Construction Contribution	-	60
Department of Energy	417	384
Department of Commerce	-	2,600
Cash/Rate Financed Contribution	1,079	-
Transfers Related to CFP	184	306
Elwha Mitigation	-	-
CFP Ending Cash	6,075	(0)

22

Electric Rate Study Findings

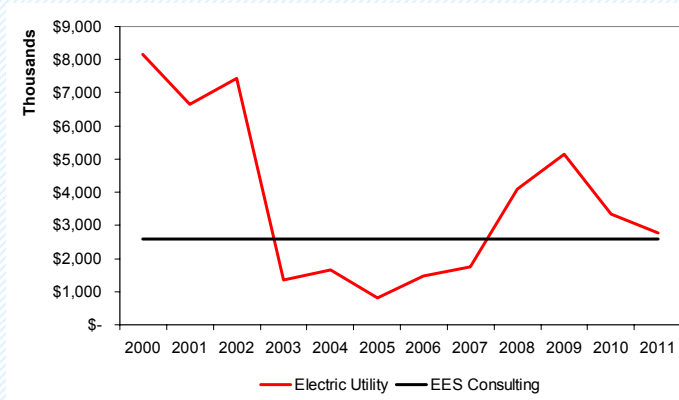
With 2.3% Rate Increase (All Retail Rates)

Revenue Requirements (\$1,000)

Description	2010	2011
Distribution System Sales	16,238	16,552
Industrial Transmission Sales	12,509	13,301
Permit & Construction Related	294	319
Miscellaneous	252	221
Pole Rental	71	71
Total Revenues	29,364	30,464
Operation & Maintenance	6,960	5,962
Purchased Generation & Transmission	20,001	20,860
Taxes	2,737	2,849
Transfer Payments	184	174
Debt Service	453	665
Materials - Job Cost	520	520
Total Expenses	30,855	31,030
Revenues Less Expenses	(1,491)	(567)

23

Electric Unrestricted Cash Balance



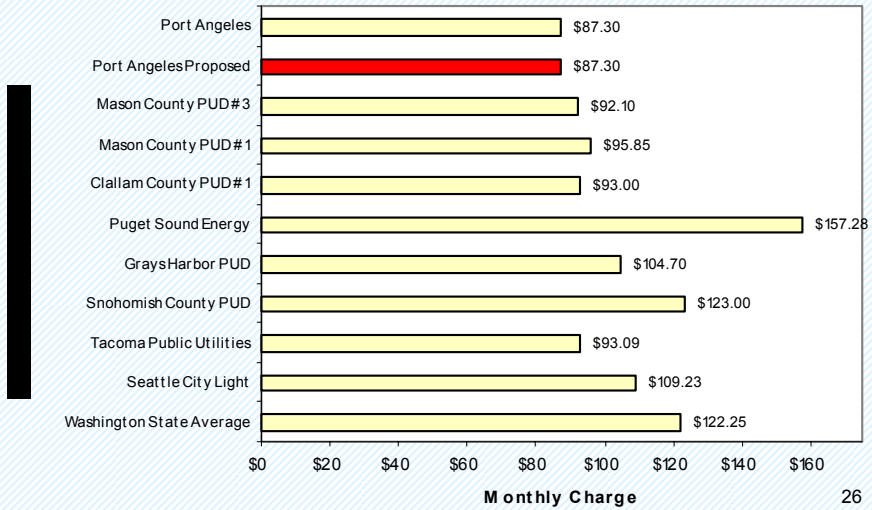
24

Electric Rate Study Findings With 2.3% Rate Increase (All Retail Rates) Ending Fund Balances (\$1,000)

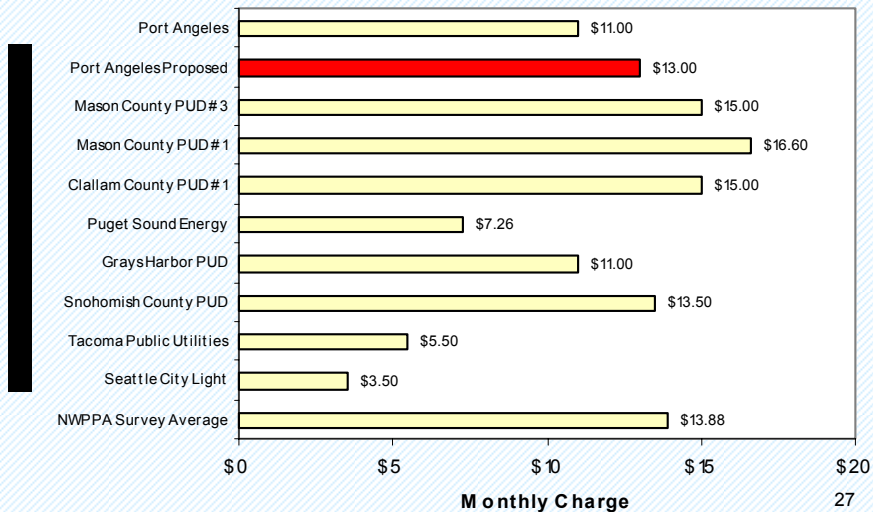
Type of Reserve	2010	2011	Requirement	
Ending Unrestricted Balance	3,330	2,764	2,600	-
Ending Rate Stabilization Balance - Tier 2	900	900	900	-
Ending CFP Balance	4,230	3,664	3,500	EES Consulting
Ending Contingencies & Replacement Balance	6,075	(0)	-	-
Ending Bond Reserves	30	30	160	Annual Bond Covenant
Ending Light Operations Center Balance	509	509	509	Bond Covenant
Ending Conservation Balance	650	650	2,000	Replacement Cost
Ending Conservation Balance	639	571	-	-
Total Reserves	12,133	5,424	6,170	

25

Electric Rate Survey – Energy Rate

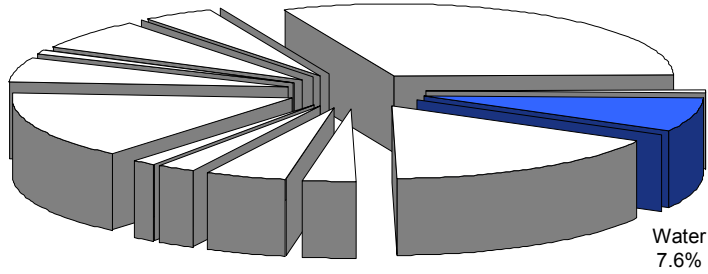


Electric Rate Survey – Base Charge

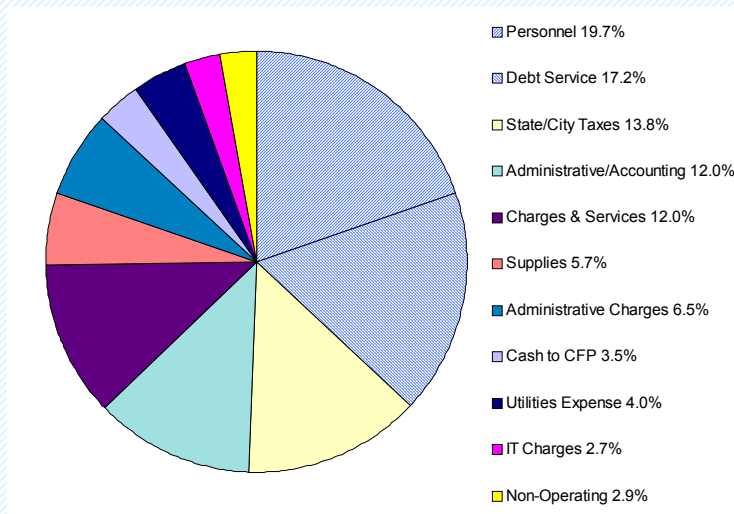


Water Utility Rate Study

City Budget Breakdown



Water Utility Expenses



Water Rate Study Assumptions

- 2010 revenues ▼\$123K
- 2010 O&M ▲\$104K
- Retail rate sufficient
- 2011 retail rate adjustment proposed 0.0%
- No customer growth in 2010

30

Water Rate Study Assumptions

- Connection fees – 3rd of 4th year extended cost recovery program
- Flat rate – 3rd of 3rd year cost recovery program not needed due to reduced usage
- No COLA
- PERS and medical increase
- Additional debt service

31

Water Utility Challenges

- Water Use Efficiency distribution system leakage standard
- Operation of new PAWTP
- Advanced metering infrastructure, communications projects

32

Water Rate Study Findings Capital Facilities Plan (\$1,000)

Capital Facilities Plan	2010	2011
Directed Services	55	-
McDougal Subzone Improvements - WT04-2007	40	-
Design for Morse Creek Waterline - WT03-2009	100	-
Design for Phase II & III Transmission Line - WT0	575	-
E St Reservoir Painting	-	200
Bi-Annual Replacements - WT02-2006	340	-
Dry Creek Water Line Settlement	60	-
Advanced Metering Infrastructure - WT01-2008	500	613
Concrete Cylinder Pipe Replacement	-	1,430
McDougal Subzone Improvements - WT04-2007	-	500
Transfer Morse Creek Waterlines to PUD	-	400
Total	1,670	3,143

33

Water Rate Study Findings

Capital Facilities Plan Funding Sources (\$1,000)

Capital Facilities Plan Funding Sources	2010	2011
CFP Beginning Cash	217	2,043
Other Note Proceeds	3,259	900
PWTF Loan Proceeds	-	-
Elwha Mitigation	-	-
Treatment Plant O&M	35	-
Cash/Rate Financed Contribution	200	200
CFP Ending Cash	2,043	-

34

Water Rate Study Findings

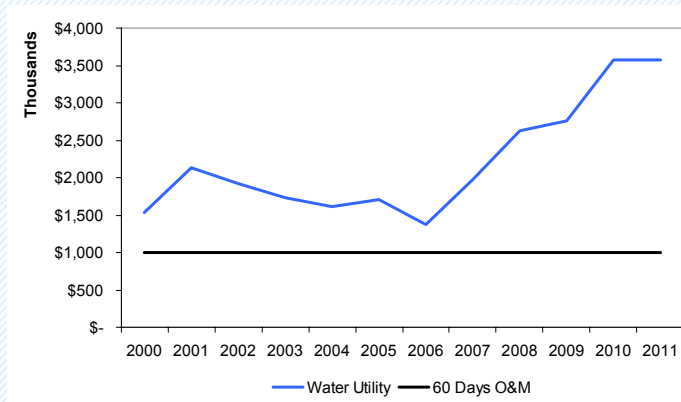
With 0.0% Rate Increase

Revenue Requirements (\$1,000)

Description	2010	2011
Irrigation Sales	129	132
Residential Sales	3,236	3,300
Commercial Sales	1,431	1,459
PUD Wholesale Sales	263	263
Elwha & Industrial Sales	16	16
Other Fees	178	178
Investment Interest	47	62
Miscellaneous Revenues	417	405
Total Revenues	5,588	5,682
O&M	1,938	2,084
Administration & General	1,159	1,201
Utilities	227	227
Chemicals	75	76
Taxes	765	779
Transfer Payments	279	306
Debt Service	865	972
Total Expenses	5,308	5,645
Revenues Less Expenses	280	37

35

Water Unrestricted Cash Balance



36

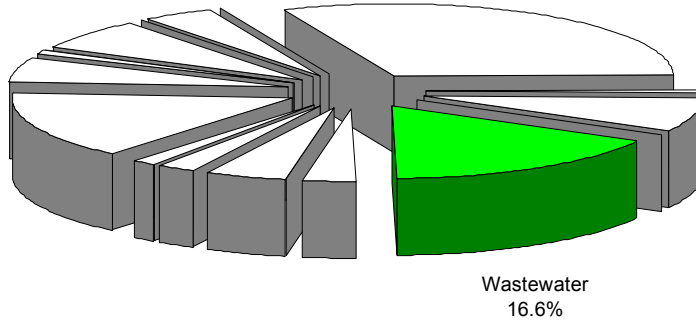
Water Rate Study Findings With 0.0% Rate Increase Ending Fund Balances (\$1,000)

Type of Reserve	2010	2011	Requirement	
Ending Unrestricted Cash Balance	2,720	2,757	1,000	60 Days O&M
Ending Rate Stabilization Balance	-	-	-	-
Ending PAWTP O&M Designated Reserves	5,538	5,373	5,373	5,373
Ending PAWTP O&M Restricted Reserves	1,100	1,100	1,100	1,100
Ending Bond Reserves	590	590	590	Bond Covenant
Ending CFP Balance	2,043	-	-	-
Total Ending Reserves	11,991	9,820	8,063	

37

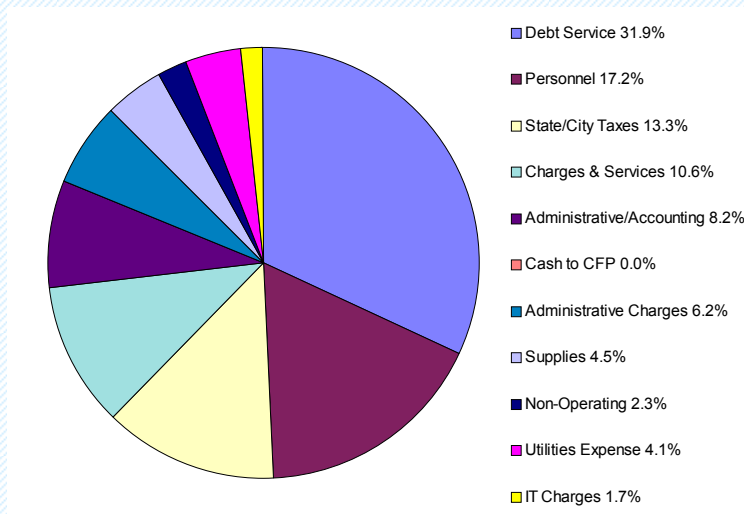
Wastewater Utility Rate Study

City Budget Breakdown



38

Wastewater Utility Expenses



39

Wastewater Rate Study Assumptions

- 2010 revenues ▼ \$170K
- 2010 O&M ▲\$48K
- Retail wastewater rate sufficient
- 2011 rate adjustment proposed 0.0%
- Retail CSO rate based on financing plan
- 2011 CSO adjustment proposed 17.7%
- 2011 overall rate adjustment 4.5%
- No customer growth in 2011
- No COLA

40

Wastewater Rate Study Assumptions

- PERS and medical increases
- Use of CSO revenues to fund debt services

41

Wastewater Utility Challenges

- Combined Sewer Overflow project
- Pretreatment program
- Plant dewatering improvements

42

Wastewater Rate Study Findings

Capital Facilities Plan (\$1,000)

Capital Facilities Plan	2010	2011
Additional Design for CSO Phase I - WW08-2008	1,100	-
Preliminary Septage Receiving Station STA Analysis	103	-
Pump Replacements at PS#3 - WW03-2008	145	-
Carbon Scrubbers for WWTP - WW04-2008	28	45
Waste Activated Sludge Thickening - WW06-2008	40	260
Sewer Trestle at Francis & 8th - WW05-2006	75	400
Directed Services	65	-
Dry Polymer Feed Replacement - WW01-2008	20	45
Plant Dewatering Improvements	20	1,320
Digester Mixing Improvements	20	-
Bi-Annual Line Replacements - WW27-1999	268	300
Task #16 ONP	151	-
Advanced Metering Infrastructure - WT01-2008	500	613
CSO Phase I Construction - WW08-2008	-	10,000
PLC/HMI Improvements	-	100
Total	2,534	13,083

43

Wastewater Rate Study Findings

Capital Facilities Plan Funding Sources (\$1,000)

Capital Facilities Plan Funding Sources	2010	2011
CFP Beginning Cash Balance	3,595	3,374
Construction Contribution	-	-
Other Note Proceeds	1,839	1,970
PWTF Loan Proceeds	221	10,000
Cash/Rate Financed Contribution	-	-
DOI/Bureau of Land Management	151	-
Septic Waste Fund	103	-
CSO Reserve Fund	-	-
CFP Ending Cash Balance	3,374	2,261

44

Wastewater Rate Study Findings

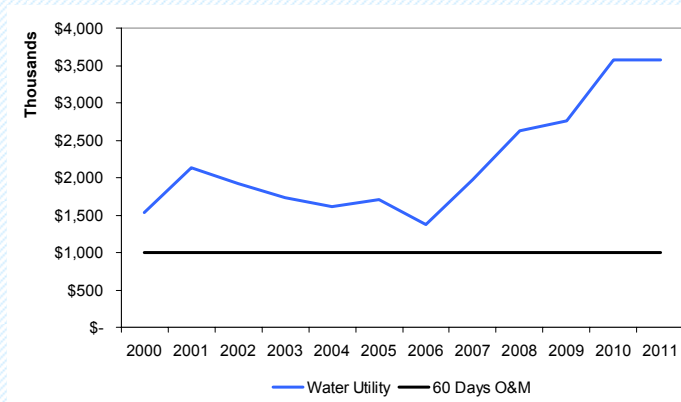
With 4.5% Rate Increase (All Retail Rates)

Revenue Requirements (\$1,000)

Description	2010	2011
Residential	3,269	3,269
Commercial	1,187	1,210
Septic Disposal	235	235
Leachate	166	166
Combined Sewer Overflow	1,428	1,681
Investment Interest	212	224
Miscellaneous Revenues	151	111
Total Revenues	6,648	6,896
O&M	2,113	1,936
Administration & General	937	957
Utilities	223	242
Chemicals	50	50
Taxes	761	793
Transfer Payments	1,091	1,025
Debt Service	1,281	1,896
Total Expenses	6,458	6,898
Revenues Less Expenses	190	(3)

45

Wastewater Unrestricted Cash Balance



46

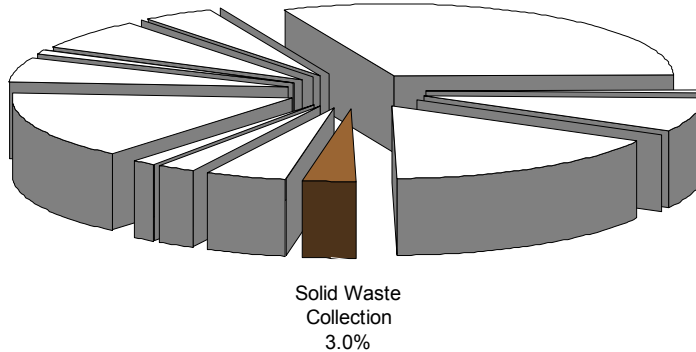
Wastewater Rate Study Findings With 4.5% Rate Increase (All Retail Rates) Ending Fund Balances (\$1,000)

Type of Reserve	2010	2011	Requirement	
Ending Unrestricted Cash Balance	3,569	3,567	1,000	60 Days O&M
Ending Rate Stabilization Balance	1,130	1,130	-	Discretionary
Ending Combined Sewer Overflow Balance	4,115	5,071	5,071	CSO Financing Plan
Septic Waste Cash Balance	900	900	728	Capital Facilities Plan
Ending Bond Reserves	820	820	820	Bond Covenant
Ending CFP Balance - Wastewater & CSO	3,374	2,261	2,261	CSO Financing Plan
Total Reserves	13,909	13,749	9,880	

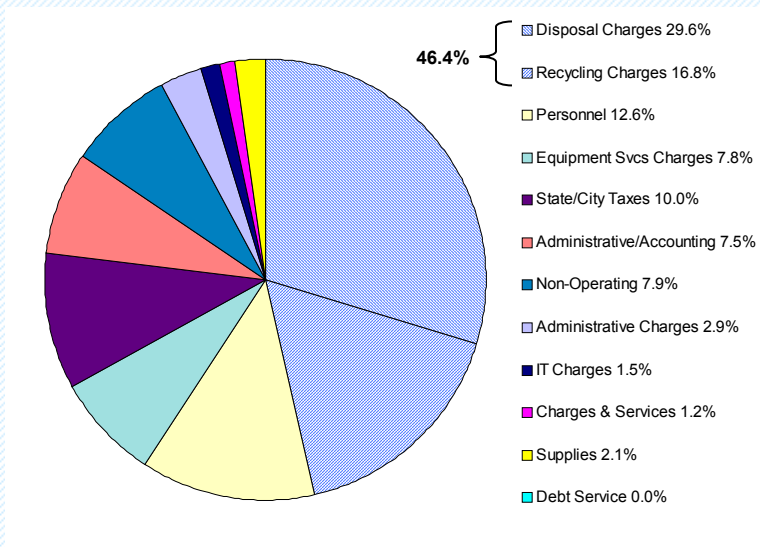
47

Solid Waste Collection Rate Study

City Budget Breakdown



Collection Utility Expenses



Collection Rate Study Assumptions

- 2010 revenues ▲ \$106K
- 2010 O&M ▼ \$50K
- Retail rate deficiency 11.9%
- 2011 retail rate adjustment proposed 0%
- No customer growth in 2010
- No COLA
- PERS and medical increase
- Increased disposal, recycling, and yard waste costs

50

Collection Rate Study Challenges

- Increasing recycling efficiency
- Increasing yard waste collection
- Reducing disposal tonnage
- Increasing every other week garbage collection
- Contribution to alley paving

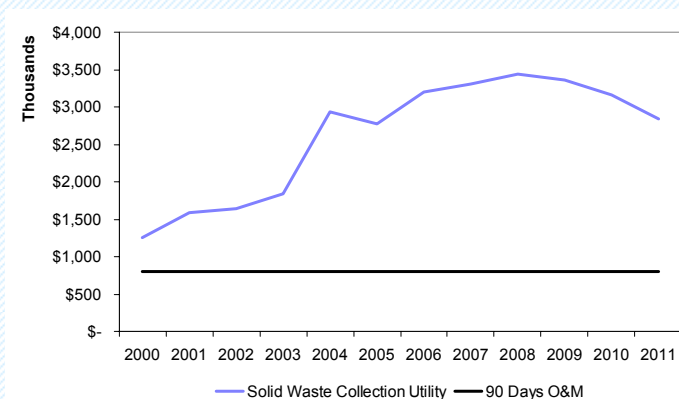
51

Collection Rate Study Findings With 0% Rate Increase Revenue Requirements (\$1,000)

Description	2010	2011
Residential Weekly	1,240	1,240
Residential Every-Other-Week	794	794
Residential Yard Waste	206	206
Commercial	973	973
Commercial Recycling	4	4
Investment Interest	68	64
Miscellaneous Revenues	25	18
Total Revenues	3,311	3,299
O&M	895	856
Administration & General	439	434
Disposal Charges	1,028	1,077
Recycling, Yard Waste, OCC	578	608
Taxes	370	364
Transfer Payments	195	287
Debt Service	-	-
Total Expenses	3,506	3,626
Revenues Less Expenses	(195)	(327)

52

Collection Unrestricted Cash Balance



53

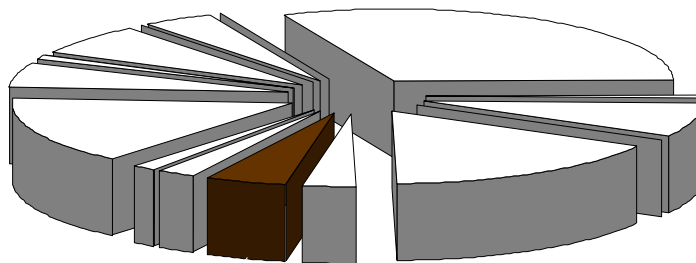
Collection Rate Study Findings With 0% Rate Increase Ending Fund Balances (\$1,000)

Type of Reserve	2010	2011	Requirement	
Ending Unrestricted Cash Balance	3,163	2,836	800	90 Days O&M
Total Reserves	3,163	2,836	800	

54

Transfer Station/Landfill Rate Study

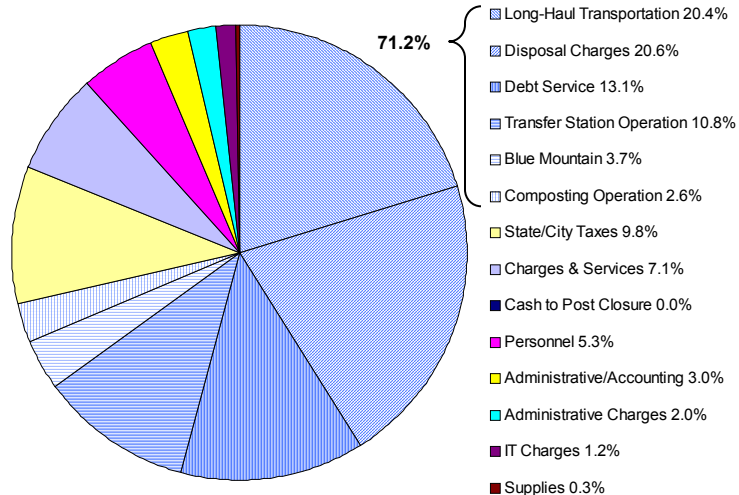
City Budget Breakdown



Solid Waste
Transfer
Station/Landfill
4.8%

55

Transfer Station Expenses



56

Transfer Station Rate Study Assumptions

- 2010 revenues ▲ \$523K
- 2010 O&M ▲ \$483K
- Retail rate deficiency 12.1%
- 2011 retail rate adjustment proposed 5.0%
- Blue Mountain retail rate adjustment proposed 0%
- No customer growth in 2011
- Planned use of unrestricted reserves through 2011
- No COLA

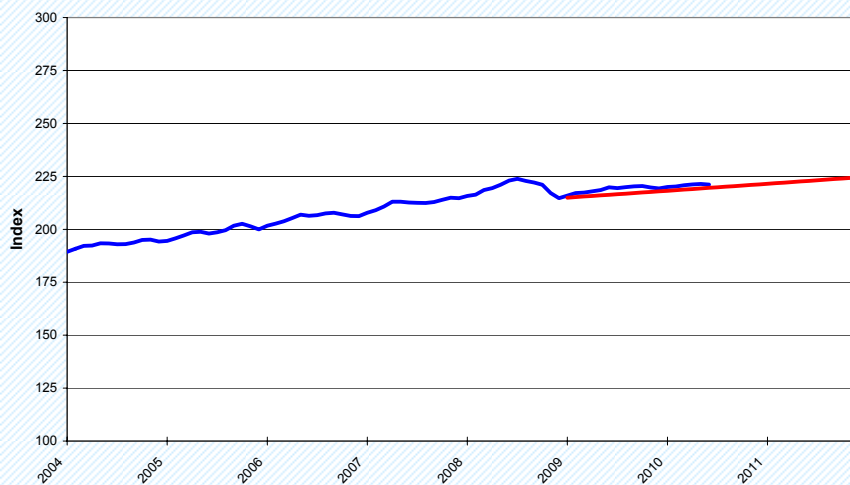
57

Transfer Station Rate Study Assumptions

- PERS and medical increases
- Service Agreement fees tied to CPI & FPI
- Increased operation, long-haul, co-composting, and disposal service fees

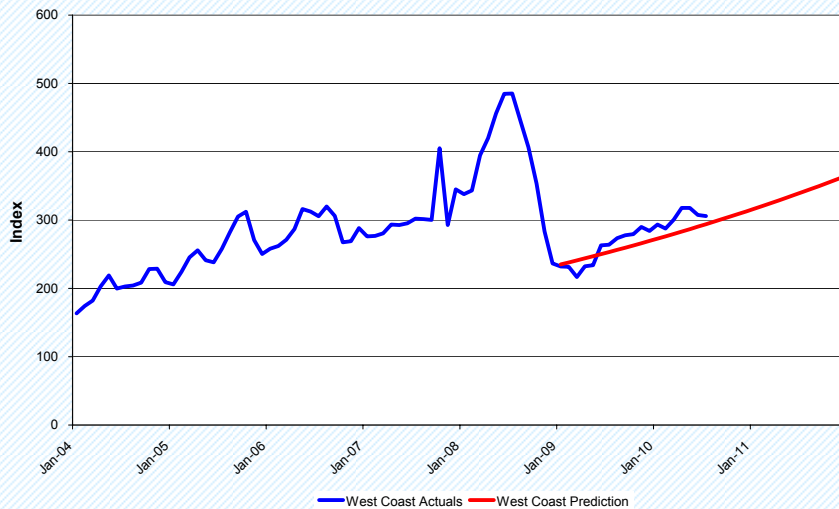
58

Consumer Price Index Forecast



59

Fuel Price Index Forecast



60

Transfer Station Utility Challenges

- Economic recession effects tonnage
- Expansion of moderate-risk waste program
- Transition to full cost of service rates in 2012
- Strong demand for compost
- Landfill gas beneficial use RFP
- Post-closure maintenance costs, risks, regulation

61

**Transfer Station Rate Study Findings
With 5.0% Rate Increase (Most Retail Rates)
Revenue Requirements (\$1,000)**

Description	2010	2011
Collection Entities	2,945	3,092
Self-Haulers	1,489	1,552
Yard Waste & Compost	171	174
Intra-Fund Transfers	24	30
Miscellaneous Revenues	647	606
Blue Mountain Drop Box	294	294
Total Revenues	5,276	5,454
O&M	514	526
Administration & General	389	366
Transfer Station Operations	771	771
Long Haul & Disposal	2,365	2,365
Debt Service	753	753
Post-Closure Maintenance	208	208
Taxes	461	483
Transfer Payments	-	2
Blue Mountain Drop Box	281	296
Total Expenses	5,743	5,770
Revenues Less Expenses	(466)	(316)

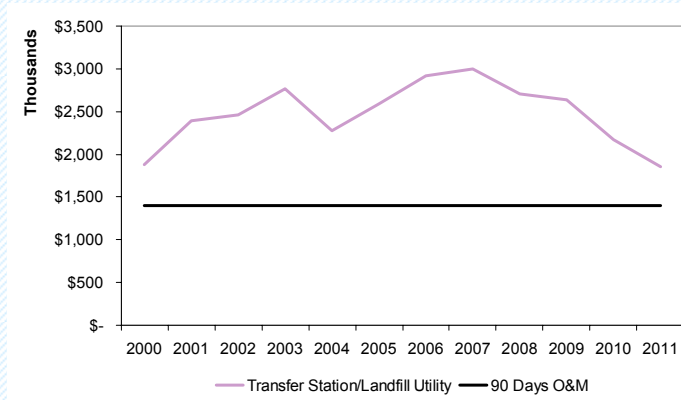
62

**Blue Mountain Detail
With 0.0% Rate Increase
Revenue Requirements (\$1,000)**

Description	2010	2011
Blue Mountain Drop Box	294	296
Total Revenues	294	296
Administration & General	18	18
Operation	106	114
Long Haul	33	36
Disposal	30	34
Recycling	12	13
Clallam County	44	44
Taxes	39	39
Total Expenses	281	296
Revenues Less Expenses	13	-

63

Transfer Station Unrestricted Cash Balance



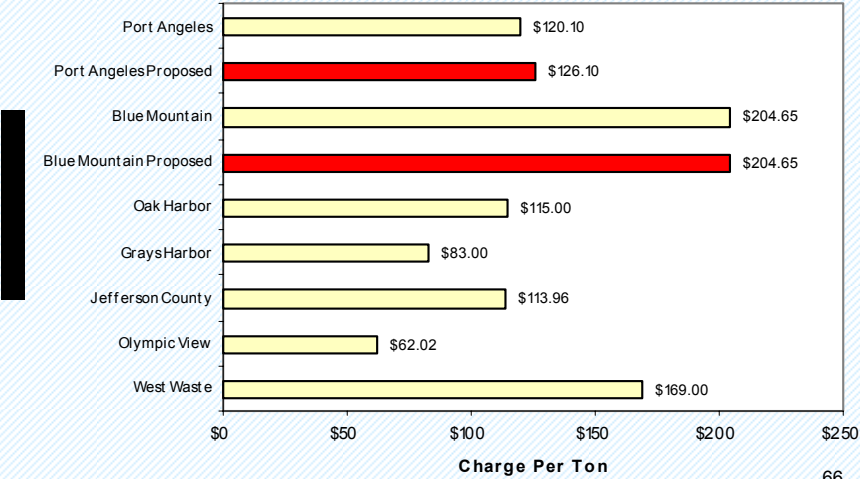
64

Transfer Station Rate Study Findings With 5.0% Rate Increase (Most Retail Rates) Ending Fund Balances (\$1,000)

Type of Reserve	2010	2011	Requirement	
Ending Unrestricted Cash Balance	2,175	1,859	1,400	90 Days O&M
Ending Closure Balance	-	-	-	-
Ending CFP Balance	-	-	-	-
Ending Post-Closure Balance	3,621	3,591	3,644	Post-Closure Plan
Total Reserves	5,796	5,450	5,044	-

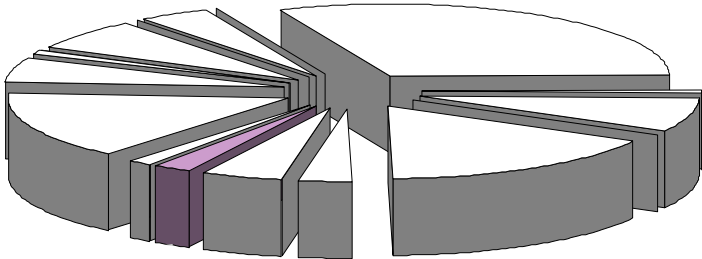
65

Transfer Station Rate Survey



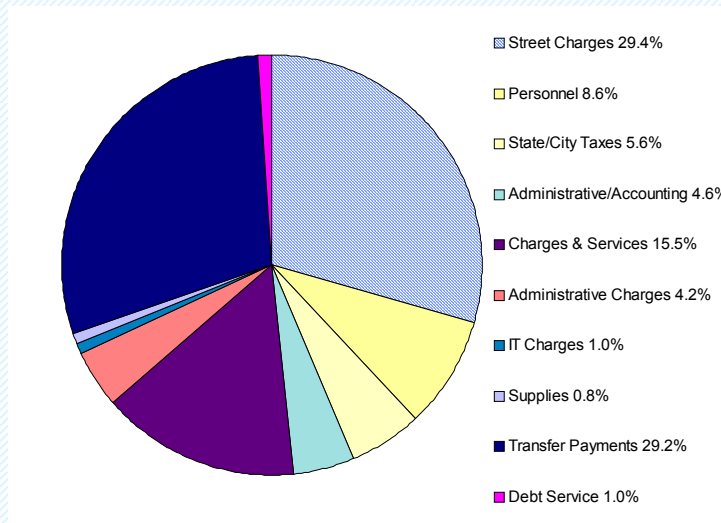
Stormwater

City Budget Breakdown



Stormwater
2.3%

Stormwater Expenses



68

Stormwater Rate Study Assumptions

- 2010 revenues ▲ \$148K
- 2010 O&M ▲ \$19K
- Estimate retail rate deficiency \$4/ERU
- 2011 retail rate adjustment proposed 0.0%
- No customer growth in 2011
- No COLA
- PERS and medical increases

69

Stormwater Utility Challenges

- NPDES Phase 2 Permit requirements:
 - 1) Development and re-development activities, and
 - 2) Street and stormwater maintenance and monitoring activities
- 2012 Stormwater System Plan

70

Stormwater Rate Study Findings

Capital Facilities Plan (\$1,000)

Capital Facilities Plan	2010	2011
Design for 4th & H St Improvements	170	135
Design for Stormwater Outfalls	20	-
Design for Culvert Repairs	3	-
1st Street Separation	955	665
4th & H St Improvements	-	1,100
Stormwater Outfalls	37	50
Culvert Repairs	53	-
Total	1,238	1,950

71

Stormwater Rate Study Findings

Capital Facilities Plan Funding Sources (\$1,000)

Capital Facilities Plan Funding Sources	2010	2011
CFP Beginning Cash	-	17
Other Note Proceeds	300	-
DOI/Bureau of Land Management	955	1,655
Cash/Rate Financed Contribution	-	278
CFP Ending Cash	17	-

72

Stormwater Summary

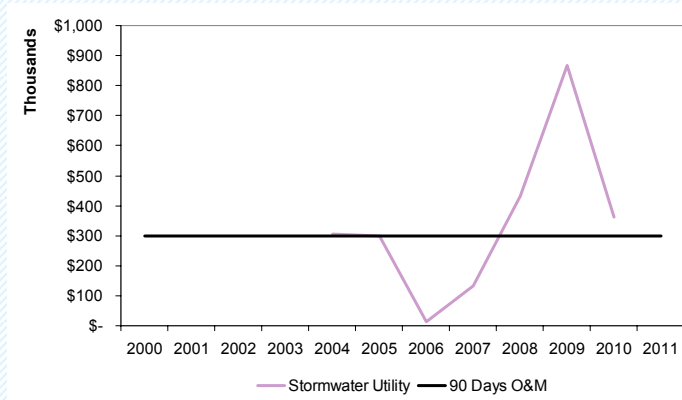
With 0% Rate Increase

Revenue Requirements (\$1,000)

Description	2010	2011
Stormwater Revenue	725	725
Investment Interest	8	12
Miscellaneous Revenue	174	51
Total Revenues	907	787
Street Charges	373	380
Personnel	103	112
Supplies	2	10
O&M	47	200
Administration & General	104	127
Taxes	83	73
Transfer Payments	50	378
Debt Service	3	13
Total Expenses	763	1,293
Revenues Less Expenses	144	(506)

73

Stormwater Unrestricted Cash Balance



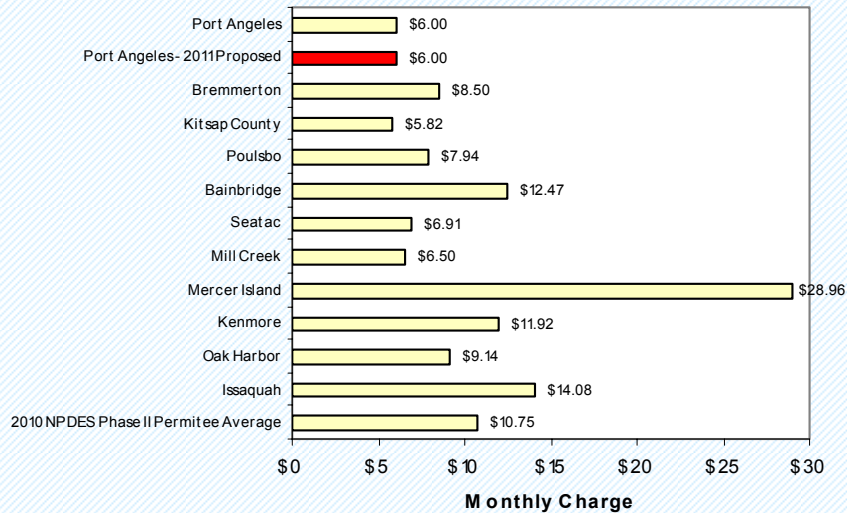
74

Stormwater Summary With 0% Rate Increase Ending Fund Balances (\$1,000)

Type of Reserve	2010	2011	Requirement	
Ending Unrestricted Cash Balance	868	362	300	90 Days O&M
Ending CIP Cash Balance	17	-	-	-
Total Reserves	885	362	300	

75

Stormwater Rate Survey



Utility Rate Study Summary

Fee adjustments proposed:

Electric work permits

Pole attachments

Water connection fees

Retail rate adjustments proposed:

Electric 2.3% All Retail Rates

Wastewater 4.5% All Retail Rates

Transfer station 5.0% Most Retail Rates

No retail rate adjustment proposed:

Water, solid waste collection, stormwater

What's Next?

- √1. September 14, 2010 Utility Advisory Committee presentation
- √2. October 4, 2010 Joint Solid Waste Advisory Committee presentation
3. October 5, 2010, open the public hearing
4. October 12, 2010 Utility Advisory Committee recommendation
5. October 19, 2010 public hearing continuation and adopt ordinance amendments
6. January 3, 2011 new rates and fees in effect