

2009 REVENUE AND EXPENDITURE SUMMARY

Revenue

The 2008 and 2009 adopted estimated revenue amounts, excluding bond debt proceeds, are as follows:

Revenue Sources	2008	2009	% Change
Administrative charges to Members	\$1,247,487	\$1,337,898	7.2%
Conservation charges to Members	733,086	812,351	10.8%
New Water Surcharges to Members	2,964,435	2,767,919	-6.6%
Water Demand Share Charges to Members, net of adjustments and reimbursements	19,364,324	21,399,423	10.5%
Regional Capital Facilities Charges (RCFC) from Members	6,156,621	5,435,008	-11.7%
Interest earnings	1,537,148	1,257,118	-18.2%
Other	465,000	463,500	-0.3%
Total	\$32,468,102	\$33,437,217	3.0%

Water demand share charges are estimated to increase by 10.5% to cover a portion of additional water purchases from Seattle Public Utilities and the Tacoma Public Utilities. Anticipated declines in RCFC and Interest revenues of 11.7% and 18.2%, respectively, are due to economic conditions that are expected to result in fewer residential and commercial water connections and lower investment interest rates.

In addition to the revenues shown above, Cascade anticipates a bond issuance of approximately \$100 - \$110 million in 2009, to fund capital initiatives as described in the Expenditure section that follows.

Expenditure

The 2008 and 2009 adopted budgets, excluding Capital Improvement Program and bond debt service payments, are as follows:

Expenditures	2008	2009	% Change
Purchased water, net of adjustments	\$16,536,510	\$20,298,150	22.7%
Operating expenditures	3,507,852	3,719,492	6.0%
Administrative expenditures	1,370,399	1,524,486	11.2%
Conservation expenditures	733,086	812,351	10.8%
Other expenditures	368,808	435,880	18.2%
Total	\$22,516,655	\$26,790,359	19.0%

Water costs will increase 22.7% in 2009, due to an additional three million gallons per day to be purchased from Seattle Public Utilities for \$2.8 million and two million gallons per day to be purchased from Tacoma Public Utilities for \$1.3 million.

Other significant expenditures in 2009 include (dollar amounts are estimates and may differ from actual amounts expended):

- Operations and Maintenance of the Bellevue-Issaquah Pipeline, for \$25,000. Cascade has contracted with the cities of Bellevue and Issaquah for the maintenance and operation of the Bellevue/Issaquah Pipeline (BIP). Detailed operating agreements are being drafted and will be finalized during the first quarter of 2009. Charges are expected to be within the \$25,000 budget; any variance will be known upon the completion of the operating agreements.
- Puget Sound Energy Lake Tapps Asset Management Agreement, for \$1,663,000, including aerial mapping of Lake Tapps. The budgeted amount will cover the nine months of 2009 during which Cascade is expected to own Lake Tapps (approximate sale closing April 2009).
- Lake Tapps Water Quality Studies, as required by water rights and settlement agreements, for \$194,000.
- Potential water meter replacements related to the Seattle Public Utilities water transmission system, for \$60,000.



- United States Geological Survey gauges, per Puget Sound Energy funding agreements, for \$34,000.
- 2010 update to the 2004 Transmission Supply Plan, for \$1 million.
- Expanded Conservation rebates and program activities, for \$812,000.

In addition to the expenditures shown above, Cascade anticipates Capital Improvement Program expenditures of \$93.3 million and debt service payments of \$6,522,563 in 2009, to be funded by bond debt issuance of approximately \$100 - \$110 million in 2009. The 2009 Capital Improvement Program activity is as follows:

Capital Improvement Program Projects	Estimated Completion Year	2009 Budget
Transmission Line - Phase I (Central / North Segments). The Tacoma Cascade Pipeline efforts are generally on hold pending the outcome of the 2009 planning study to update the Transmission and Supply Plan; 2010 Update. Ongoing work will take place by HDR, Inc., for property acquisition and closeout of activities to enable the restart of the engineering work upon the completion of the 2009 planning efforts. At this time, no dollar estimate is available for the work to be performed by HDR, Inc., in 2009.	2010	\$1,000,000
Eastside Storage Reservoir. Estimated purchase price. Final cost to be determined based on conditions assessment and appraisal.	2009	15,000,000
Lake Tapps acquisition. Estimated adjusted purchase price to be due at closing.	2009	45,000,000
Puyallup Indian Tribes and Muckleshoot Indian Tribes settlement costs. Payment due per settlement agreements following issuance of water rights.	2010	20,000,000
Short-term supplemental supply projects. Potential costs associated with delivering Tacoma supply through non-Cascade member transmission system.	2010	1,300,000
State Route 900 and Covington Reach B. The Tacoma Cascade Pipeline State Route 900 Road Widening contract with the Washington State Department of Transportation is approximately \$10 million, of which approximately \$1.3 million will be expended in 2008. The balance will be expended in 2009. There may be other property or easement costs related to the Tacoma Cascade Pipeline.	2009	10,000,000
Lake Tapps knowledge transfer. Estimated cost of AECOM contract for Lake Tapps operations and assessment.	2009	1,000,000
Total		\$93,300,000