

As a not-for-profit corporation, Firgrove Mutual Inc. raises water rates only when needed to fund operations and capital programs. The Firgrove Board of Trustees has determined that it is necessary to increase rates effective May 1, 2009.

The Board took this action after receiving the results of a rate study conducted by an independent rate consultant and a detailed review of the budget year 2010 operating and capital improvement costs. The factors driving the rate increase were closely examined, and the current economic conditions were given careful consideration.

There are a few primary drivers of this rate increase. Firgrove purchases water from Tacoma Public Utilities, which recently increased its wholesale water rates 14% for 2009 and 10.5% for 2010, with additional increases anticipated in years thereafter. These increases add to Firgrove's operating costs. Also, Firgrove is scheduled to receive a 1.5% interest State Revolving Fund loan to help fund capital projects needed to continue reliably supplying high quality drinking water to our customers. The rate increase is necessary to qualify for and repay this loan, with debt payments beginning in FY 2010.

In addition, the severe downturn in construction in our area has significantly reduced the funds Firgrove receives from new development. Firgrove uses some of those funds to offset existing debt service payments, thus reducing the amount we need to collect from our rate payers. This reduction in revenue from development has forced Firgrove to look to other funding sources. Lastly, declining interest rates mean that returns on Firgrove investment funds are significantly lower than in prior years, resulting in less money available to fund capital projects. All of these factors, many of which are beyond our direct control, affect the cost of providing water service and impact rates.

The typical single family residential customer with a ¾ inch service line will see its base rate increase from \$9.00 to \$10.50 per month. The usage charge per CCF (hundred cubic feet, approximately 748 gallons) for low usage (0 – 12 CCF) customers will increase 20 cents, from \$1.20 to \$1.40; for medium usage customers (12 – 25 CCF), the charge per CCF will increase from \$1.45 to \$1.65; and for high usage (over 25 CCF) customers, the charge per CCF will increase from \$1.70 to \$1.95. The average customer's monthly bill (10 CCF) is currently \$21.00. This will increase to \$24.50 under the new rate structure.

The Board understands that there is never a good time to raise rates, especially in the current economic climate. However, this rate increase is crucial to the Board of Trustees's continuing commitment to preserving Firgrove's long-term financial viability.