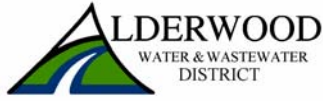


2009 WATER AND WASTEWATER RATE NOTICE

The Board of commissioners has determined that it is necessary to increase water and wastewater rates effective January 20, 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 2009 operating budget, examining closely the costs that were driving the need for a rate increase. The Commissioners also considered the input received from the public hearing specifically held to discuss the proposed rate increases. The Board of Commissioners remains committed to the principle of maintaining the lowest responsible water and wastewater rates.

Water:

The District purchases all of its water from the City of Everett and the City recently notified us that we can expect rate increases of about 9.3% per year for the next four years on our water purchases. The District is also scheduled to sell 20-30 year revenue bonds in 2010 to fund capital projects that are required to provide a reliable supply of high quality drinking water to our customers. The annual debt payments for these bonds will begin in 2010 and part of the rate increase this year is to avoid sticker shock to our customers. We believe smaller annual rate increases are preferable to large spikes in the rates that can occur, for example, with the sudden addition of principal and interest payments on new debt, we refer to this as levelizing or smoothing rate increases. The severe downturn in construction in our District has significantly reduced the funds we receive from new development. We use part of those funds to offset existing debt service payments thus reducing what we need to collect from our rate payers. Declining interest rates mean that our interest revenue on our construction funds is significantly less resulting in having to borrow more money to fund the capital projects. All of these factors, most of which are out of our direct control, increase the cost of providing water service and drive rates higher. We also have the rate consultant conduct a cost of service study to insure that our customer classes are paying a rate that approximates the cost of providing them service. We periodically adjust rates within classes to insure rates are equitable. The typical single family residential customer with a ¾ inch service line will see their monthly base rate increase from \$10.35 to \$11.39. The winter usage charge per CCF (hundred cubic feet, approximately 748 gallons) will decline 1 cent, \$1.40 to \$1.39 and summer usage charge per CCF will increase from \$1.55 to \$2.07. This increase is driven by our desire to promote conservation during peak usage times as well as to reflect the cost of service. The 2009 water rate schedule for all classes of customers is attached.



2009 WATER AND WASTEWATER RATE NOTICE

Wastewater:

The District's sewage is treated by King County, the City of Everett and our own treatment plant. The City of Everett has announced 5-6% annual rate increases. King County has announced a rate increase of 14.1% in 2009 and a tentative 10.8% increase in 2011, and we are also expanding our own treatment plant. Even though we have been accumulating significant funds to specifically pay for our treatment plant expansion, and other wastewater capital projects, we still need to sell about \$29 million of revenue bonds to complete the projects; this will add about \$2,800,000 in annual principal and interest payments in 2010. All of these factors, in conjunction with declining construction activity and declining interest rates, force the District to increase wastewater rates. We also apply the levelizing or smoothing process described above to wastewater rates. Our rate consultant provided a cost of service analysis of our wastewater customers and rate changes reflect the combined goal of each class paying an equitable rate and all classes paying for the increased costs as detailed above. A single family customer will see a \$2.40 monthly rate increase \$39.94 to \$42.34. The 2009 wastewater rate schedule for all classes of customers is attached.