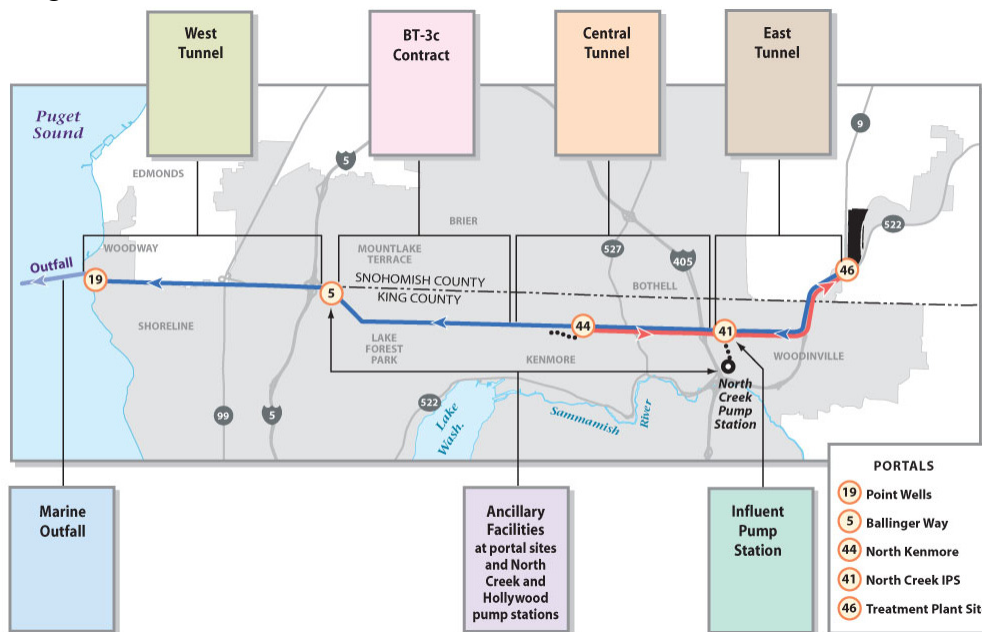


Project Overview

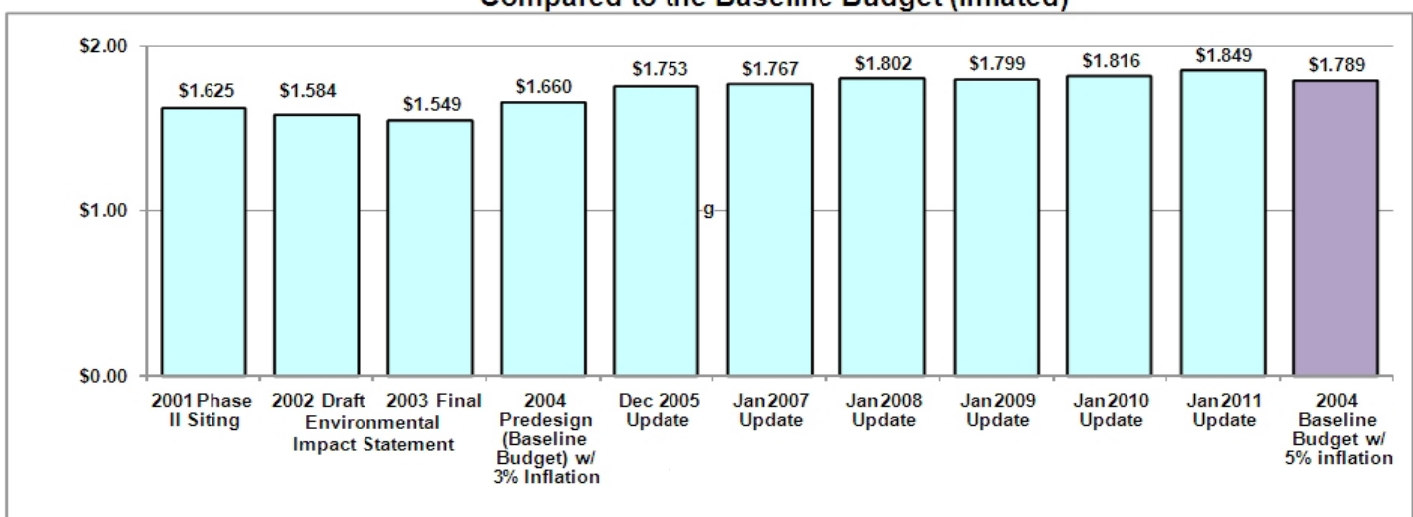
The Brightwater Treatment System is the largest expansion of the regional wastewater system in nearly 50 years. Brightwater includes a treatment plant, an influent pumping station, a 13-mile conveyance pipeline, and a mile-long marine outfall off Point Wells in Puget Sound. Project construction was divided into several major contracts, illustrated on the map below. Phased construction began in 2006 and project completion is expected in 2012, although the treatment plant is scheduled to begin operating August 2011.



Project Costs

Each year, the Wastewater Treatment Division (WTD) prepares an annual report to the King County Council about the trends and conditions that could potentially impact Brightwater's cost and schedule. As of January 2011, the current cost trend cost estimate for the Brightwater project is \$1.849 billion, which is a \$33.4 million (or 1.8 percent) increase over the 2010 cost trend and a \$59.3 million (or 3.3 percent) increase over the baseline budget established in 2004 assuming 5 percent inflation.

Figure 1
Brightwater Cost Estimates (Inflated) 2001–2011
Compared to the Baseline Budget (Inflated)



2011 Brightwater Cost Trend

What are the drivers behind cost trend changes?

Compared to the January 2010 Brightwater Cost Update, the current cost estimate represents an increase of \$0.9 million in treatment plant costs and an increase of \$32.5 million in conveyance costs, for a net increase of \$33.4 million.

In 2010, treatment plant project costs increased \$0.9 million due to contractor change orders of \$6.4 million on both the liquids and the solids contracts and changes in construction support services of \$1.9 million. These costs were offset by applying construction contingency.

Conveyance costs increased a net of \$32.5 million due to contractor change orders of \$21 million for tunneling construction and \$2.6 million for the Influent Pump Station construction. These construction cost increases were offset largely by the use of construction contingency.

When looking at the \$33.4 million net cost increase, it is important to note that \$31.2 million of this increase is attributed to a recalculation of the Manufacturing & Equipment sales tax exemption on equipment that will be used at Brightwater to create reclaimed water and biosolids. King County initially requested nearly \$41 million in sales tax relief from the state Department of Revenue (DOR) related to the purchase of this equipment. After several administrative denials, King County in August 2010 sued DOR in state court. In February 2011, the County reached an agreement with DOR for \$9.6 million in sales tax relief. This agreement resulted in a \$31.2 million increase in sales tax based on the initial requested.

Based on the current lifetime cost estimate as of January 2011 and expenditures to date, the overall Brightwater project budget is 93 percent spent. Construction on the treatment plant is 96 percent complete and conveyance system construction is 91 percent complete.

How will issues related to the Central Tunnel impact project costs?

It is not known at this time how schedule delays and additional costs associated with the completion of the Central Tunnel will impact the Brightwater budget. King County is currently in litigation with Central Tunnel contractor Vinci/Parsons/Frontier-Kemper (VPFK) regarding disputed costs surrounding the completion of this tunnel segment between Kenmore and Shoreline. King County has hired another contractor, joint venture Jay Dee Coluccio, to complete the mining of this segment, although VPFK remains under contract to complete lining and pipe installation. VPFK also completed the eastbound central tunnel between Kenmore and Bothell in July 2010. The current cost trend does not include any of the disputed costs subject to litigation.

The agency and its revenue

In April 2011, the King County Executive proposed to maintain the current wholesale sewer rate of \$36.10 for 2012. Under this proposal, the capacity charge for new sewer hookups would increase by 3 percent as planned, from \$50.45 per month in 2011 to \$51.95 per month in 2012.

King County funds its major infrastructure investments by borrowing bonds. About 54 percent of our sewer rate goes toward debt service on bonds borrowed over the past two decades to pay for many large and complex projects, including the West Point secondary upgrade, the Denny Way and Martin Luther King Combined Sewer Overflow projects and dozens of others. These facilities are now operating and serving the ratepayers, who benefit from the infrastructure that protects public health, the environment, and our quality of life.