



Cascade Water Alliance Water Supply Contract Options

Presentation to the Bellevue City Council

March 25, 2024

Today's Purpose

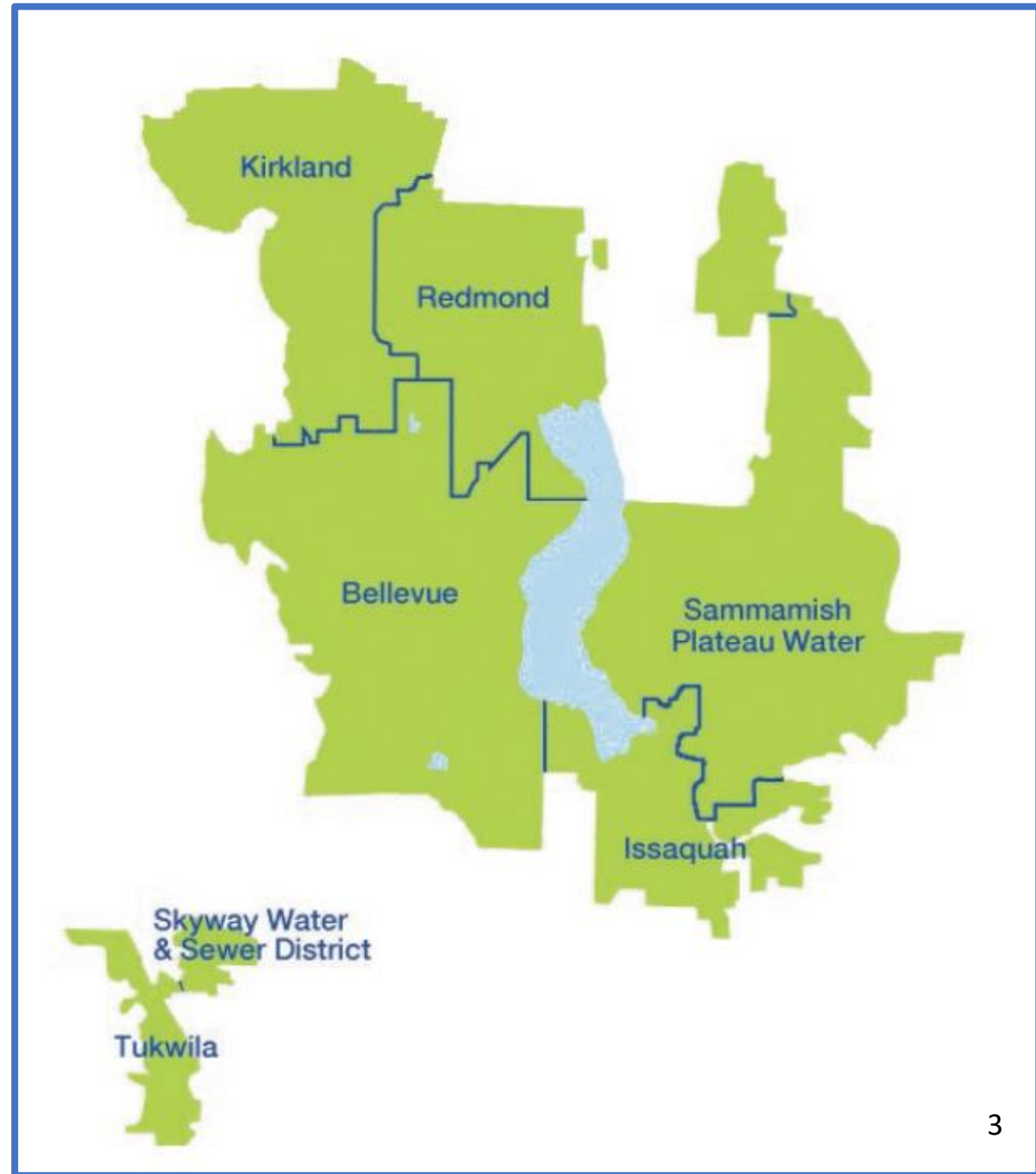
Brief the City Council on the status of Cascade's negotiations with Seattle and Tacoma for future drinking water supply:

- Overview of Cascade
- Current contract terms
- Why negotiations are occurring now
- Overview of Seattle's and Tacoma's proposals
- Cascade staff's preliminary recommendation
- Board decision timeline



Cascade Water Alliance

- Created in 1999 to provide members with a voice and a vote and control of its destiny.
- Seven member agencies.
- Serves 380,000 people; 20,000 businesses.
- Governed by Board of Directors of members' elected officials.
- Acquired Lake Tapps Reservoir in 2009 as future source of supply.



Current Contract

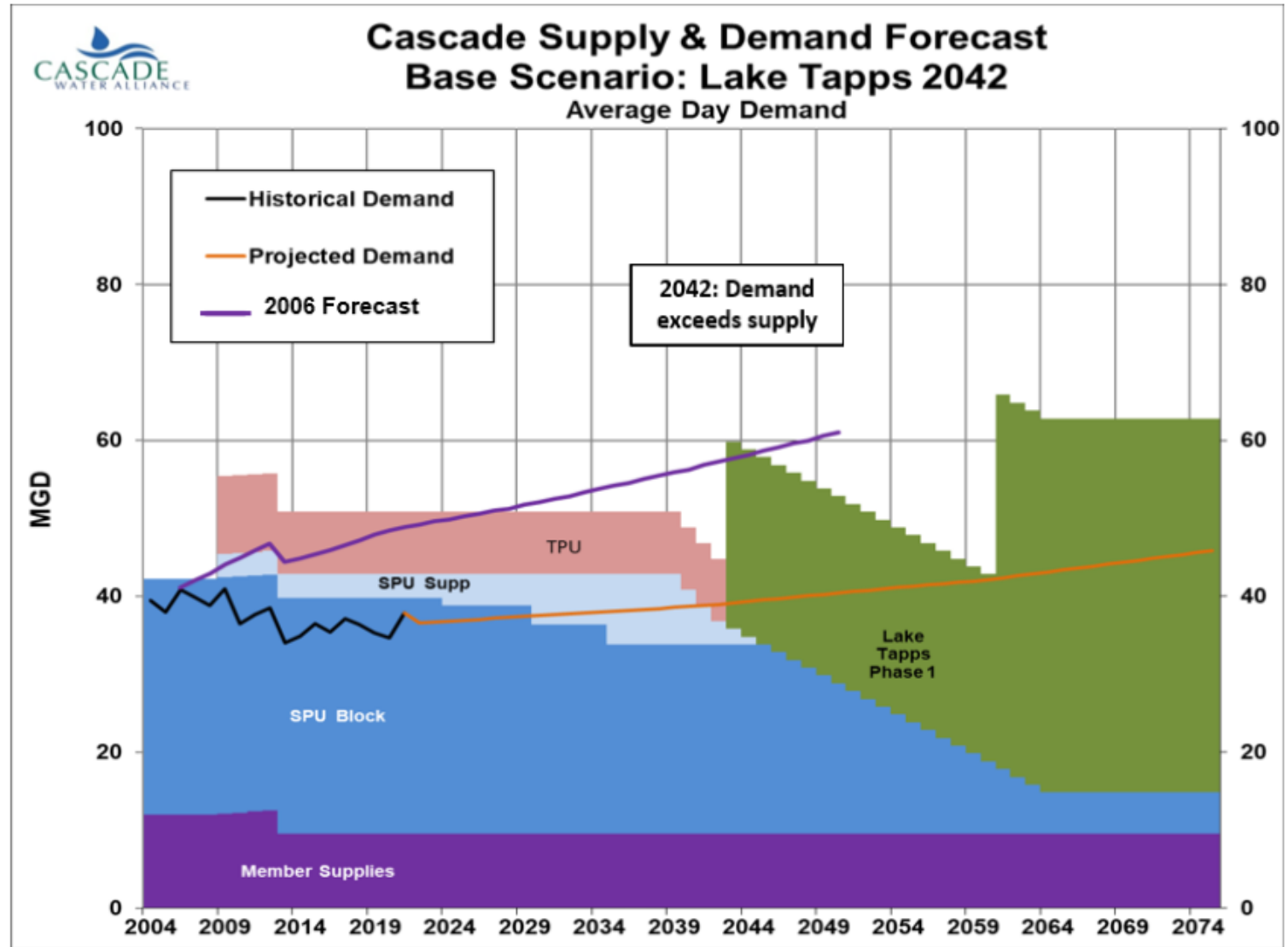
Current terms with Seattle Public Utilities:

- 33.3 million gallons per day (MGD) average block
- “Take-or-pay” – payment based on block size, not amount of water used
- Discounted rates compared to other wholesale customers
- Current average use about 28 MGD
- Block (water available to Cascade) begins to decline in 2039
- Contract ends in 2063
- Starting 2064, can continue to purchase 5.3 MGD



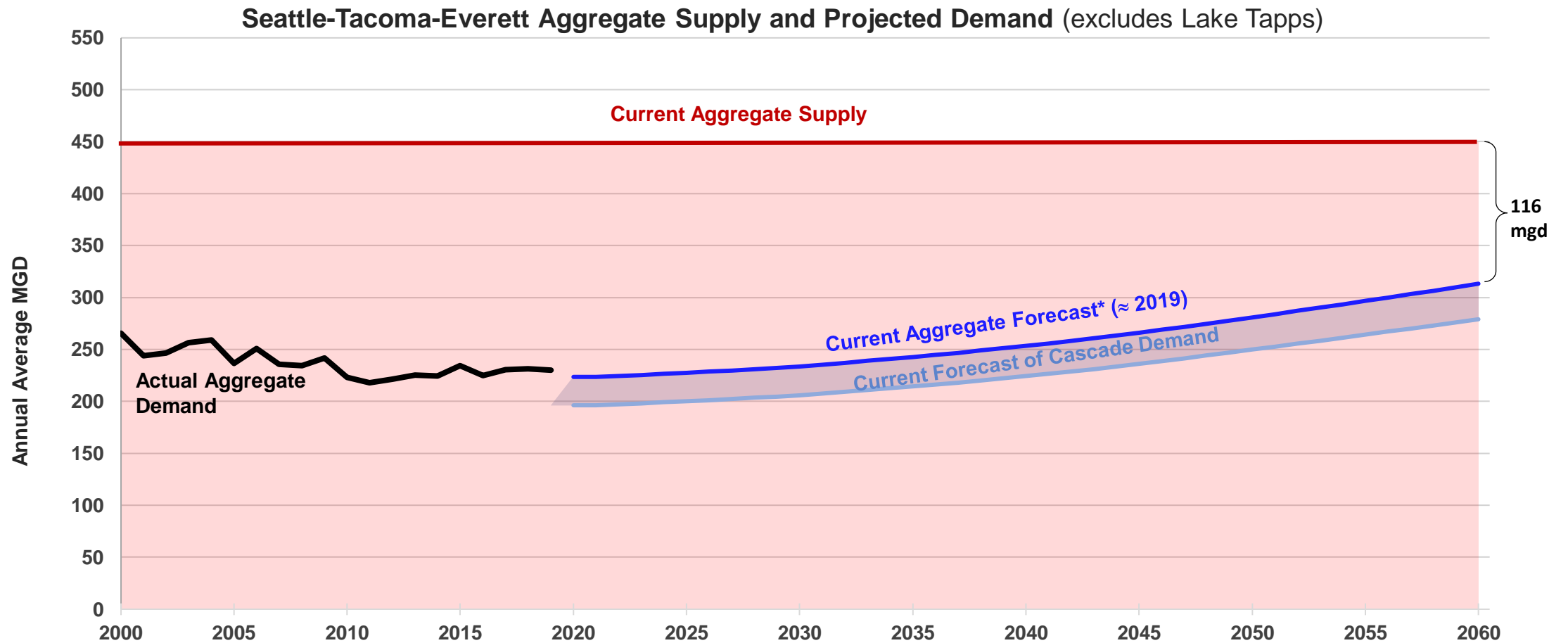
Why Negotiate Now?

- Lake Tapps Reservoir would need to be in service by 2042 when demand exceeds supply.
 - \$2 billion estimated for transmission pipes, treatment plant, and other assets.
- 20 years to plan, secure permit and property rights, design, construct, etc.
- Contract extension with Seattle or new contract with Tacoma allows build out of Lake Tapps to be deferred.



Why Negotiate with Seattle and Tacoma?

- Business model: Use available regional water to bridge demand until Lake Tapps is developed.
- Ample regional supply projected through 2060 (excluding Lake Tapps as a source of supply).



* The sum of the forecasts from each supplier's most recent water system plan

Water Supply Proposed Terms

Seattle

- 10-year guaranteed extension (2040-2049)
 - Rates increase from 2024-2034 for block plus \$14M additional payment
- Two five-year conditional extensions for block (2050-2054 and 2055-2059)
 - If 1st extension conditions not met, can extend by paying \$20M to offset related supply costs
- 40-year conditional contract for individual members (2060-2099)
 - Requires intertie agreement with another utility by 2044 for additional supply
 - 25% rate premium to offset new supply

Tacoma

- 25-year guaranteed contract (2040-2064)
 - Rates about 20% below Seattle
 - Payments made largely based on water taken (not block contract)

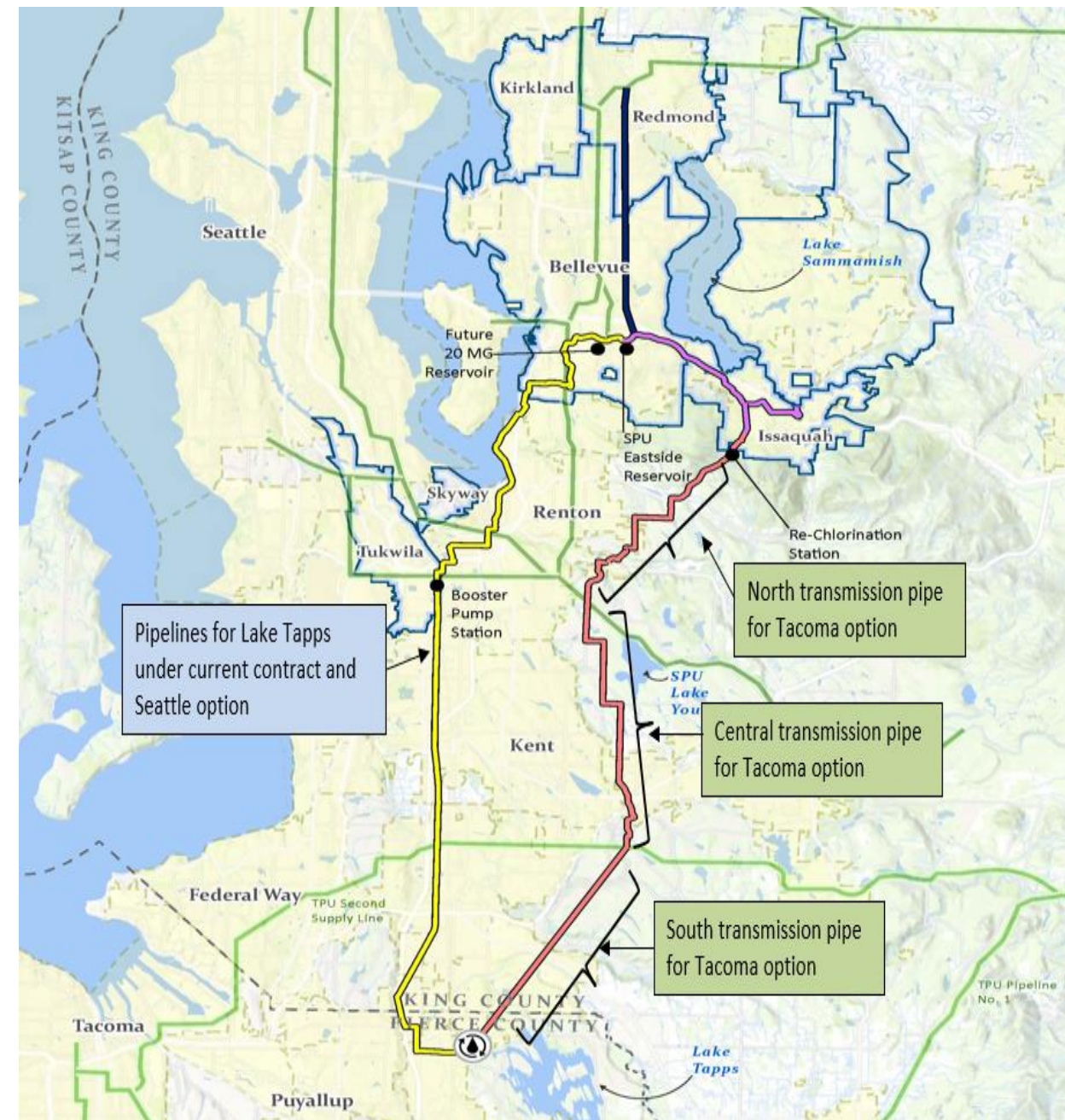
Capital Needs

Seattle

- 10, 15, or 20-year extensions:
 - No capital needs for extensions.
 - Lake Tapps built out in a compressed timeframe.
- 40-year option:
 - Potentially avoids building out Lake Tapps.

Tacoma

- Lake Tapps built out in phases:
 - Phase 1: Central and North transmission pipes to take Tacoma water; later used for Lake Tapps.
 - Phase 2: South transmission pipe to connect to Lake Tapps plus treatment plant.



Water Supply Proposals - Financials

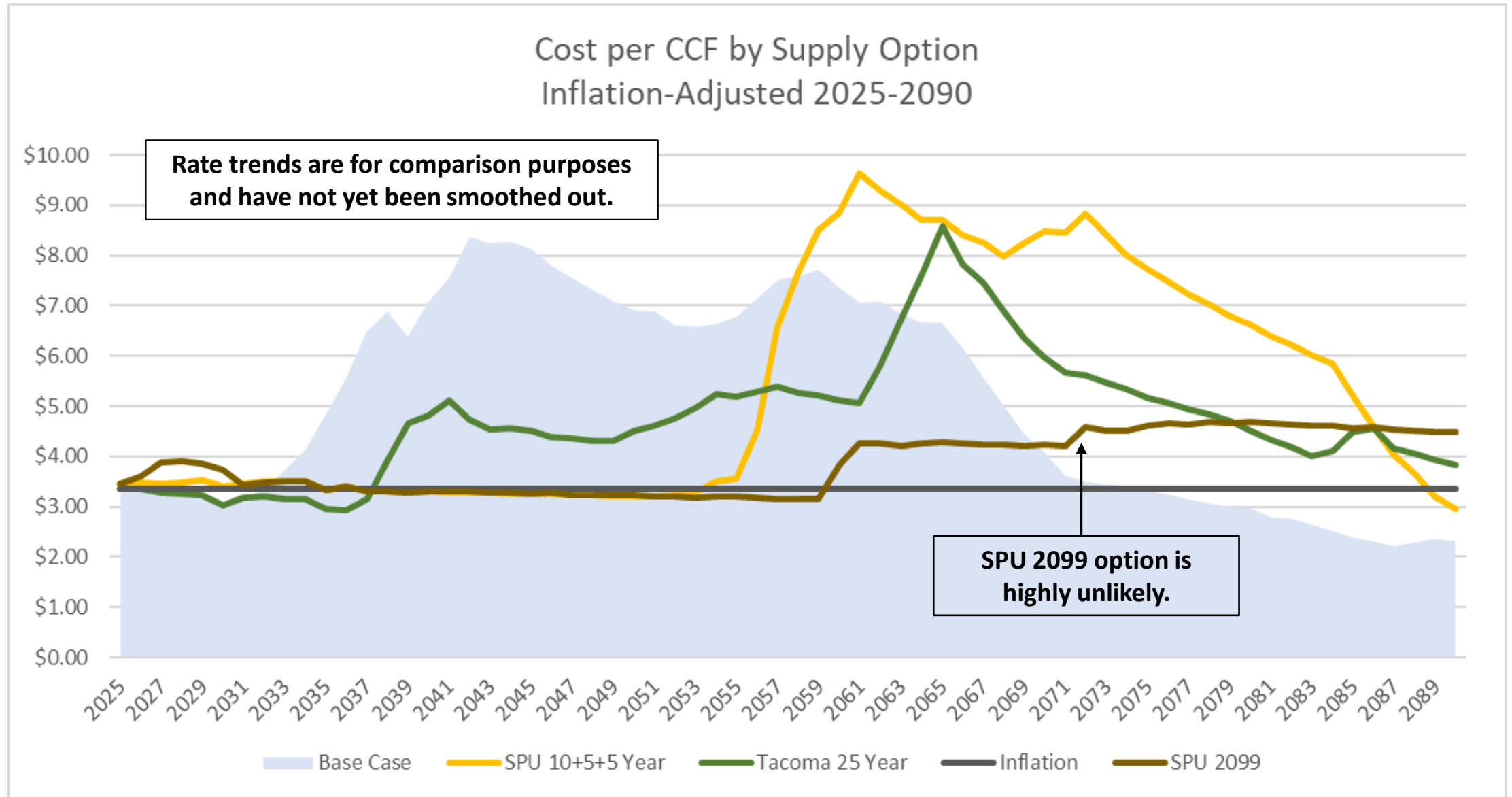
Seattle

- 10-year guaranteed extension
 - **\$53M** savings versus building out Lake Tapps by 2042
- Two five-year conditional extensions
 - **\$132M** savings versus building out Lake Tapps by 2042
- 40-year conditional contracts
 - **\$907M** savings (assumes Lake Tapps is not developed)

Tacoma

- 25-year contract
 - **\$299M** savings versus building out Lake Tapps by 2042

Water Supply Proposals – Rate Trends



Seattle's 40-Year Option

- Lowest cost option but lowest probability of occurring mainly due to the required intertie agreement.
- Only offered to individual members, not Cascade.
- Members who opt-in can remain in Cascade or leave:
 - Members who remain: still legally responsible for maintaining Lake Tapps Reservoir unless it is sold or transferred.
 - Members who leave: required to provide Cascade with their allocable share of costs (e.g., bond and contract obligations, fixed operating costs):
 - Bellevue's current estimated buyout amount ~\$350M.
 - Buyout amounts should decline over time.
 - Actual buyout amounts to be set by the Board.



Cascade's Staff Preliminary Recommendation

Contracting with Tacoma provides greater benefits:

1. Longer supply certainty plus flexibility to adapt to changes in supply and demand.
2. More cost effective compared to Seattle's 10-year extension and conditional five-year extensions.
3. Lower construction risk and time to adapt to changing circumstances.
4. Opportunity for regionalism and improved resiliency:
 - Possibility of limiting construction to the Central pipeline.
 - Once in service, Lake Tapps an important part of regional water system.



Cascade's Board Decision Draft Timeline



Cascade's Budget and Rates Process



Cascade's budget and rate proposals will include resources needed for either the Seattle or Tacoma option.

Thank you for your time.
Any questions?

