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TO: Mayor Robinson and City Councilmembers

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Utilities

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SUBJECT: Update on Cascade Water Alliance long-term water supply contracts with Tacoma Public Utilities

Executive Summary

On January 22, the Cascade Water Alliance (Cascade) Board of Directors approved final contracts with Tacoma Public Utilities (TPU) for a market-priced (temporary) water supply and a wholesale (permanent) water supply. These contracts provide Cascade, and Bellevue as a member, with financial benefit, additional flexibility, and increased regional resiliency compared to alternative water supply proposals. The contracts approved by the Cascade Board of Directors are consistent with the direction that Council provided in March 2024 and with the draft term sheet adopted by the Board in May 2024. This is a status update only; no direction is being asked for at this time.

Background

Cascade staff updated the City Council on the long-term water supply contract negotiations with TPU and Seattle Public Utilities (SPU) on March 25, 2024. Additional information on Cascade's background, current contracts, and the proposals from TPU and SPU can be found in the agenda memo for [Item 24-285](#).

Cascade's analysis showed that TPU's proposal provided longer supply certainty, more financial benefit and cost effectiveness, reduced construction risk than building Lake Tapps by 2040, improved regionalism and resiliency, and greater flexibility to Cascade in the make-up of future water supply. At the March 25, 2024 Council meeting, Councilmembers provided direction to Councilmember Hamilton and Councilmember Stokes in support of negotiating a final contract with TPU consistent with the draft term sheet, as adopted by Cascade [Resolution No. 2024-06](#).

Cascade staff negotiated a draft final contract with TPU that aligned with the draft term

sheet and the Cascade Board approved Resolution No. 2025-01 on January 22, authorizing the Chief Executive Officer to execute agreements with the City of Tacoma for wholesale water supply. The contracts are considered draft final, as the City of Tacoma must also approve the contracts prior to official finalization. This resolution authorized two contracts with TPU (summarized below):

1) A market-priced (temporary) agreement

Under this contract, Cascade would receive water from TPU in 2041 or as soon as the Tacoma-Cascade Pipeline is constructed until 2062, at which time Cascade anticipates Lake Tapps Phase 1 would be complete. Cascade would receive up to 12 MGD average and 17.5 MGD peak.

The market-priced agreement supersedes Cascade's existing contract with TPU and restructures current fixed payments into Capacity Reservation Fees between 2026 and 2040. These fees would be partially credited toward future payments for water supply. Rates would be approximately 25 percent fixed and 75 volumetric, based on water that Cascade receives.

2) A wholesale (permanent) agreement

This contract is structured as TPU's typical agreement with its existing wholesale customers. Cascade would be able to receive water from TPU as soon as 2041 (if in excess of the 12 MGD average or 17.5 MGD peak outlined in the market-priced agreement), with no end date.

Cascade would pay a System Development Charge until 2040 and a Ready to Serve Charge, which would remain in place throughout the wholesale customer relationship between Cascade and TPU. Rates would be limited to 15 percent fixed and would follow TPU's wholesale rate structure.

The approved final contracts do not create a fiscal impact for Bellevue during the current biennium. Based on rate projections provided by Cascade staff in January 2025, costs of these two contracts are anticipated to have a minimal impact to the City's 2025-2030 financial forecast for the water utility. The beneficial fiscal impacts to the City will be realized once Cascade begins taking water from TPU (as soon as 2041) and, as a result, defers the construction of Lake Tapps beyond 2060.

Review of the final contracts was guided by adopted City policies, including the 2024 Bellevue Comprehensive Plan, the Comprehensive Financial Policies, the Water System Plan, the City Council Vision, and the Environmental Stewardship Plan. Two key policies that represent consistent themes are:

- Provide a cost-effective supply of safe, secure, high quality drinking water that meets the community's water needs in an environmentally responsible manner.
- Cost increases or decreases for wholesale services shall be passed directly through to Bellevue customers.