Future of Cascade's Water Supply

Presentation to Bellevue City Council

September 27, 2021
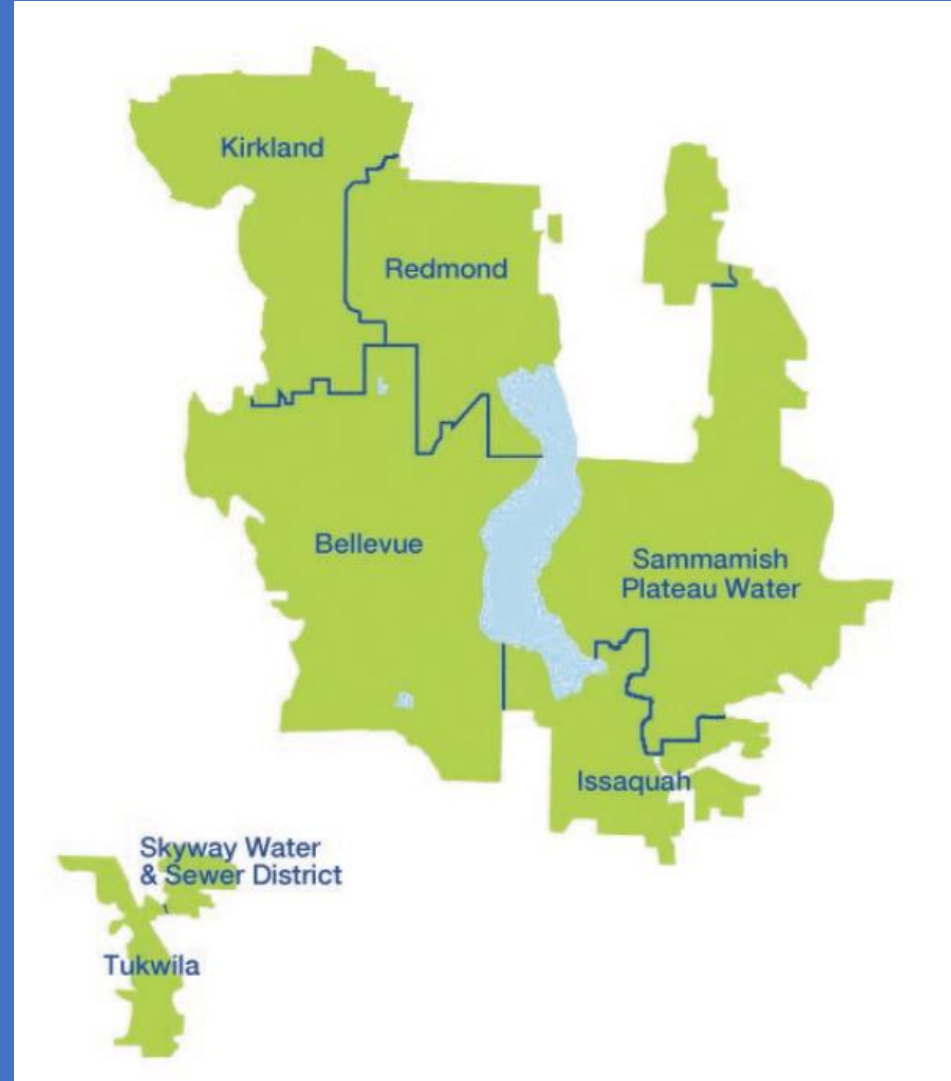
Presentation Overview

- Overview of Cascade and its existing water supply

- Future water supply scenarios

- Water Supply Development Fund (WSDF)

- Impacts on Bellevue and other member agencies

Cascade Water Alliance

- One of the "big four" water suppliers.

- Seven member agencies.

- Serves 380,000 people, 20,000 businesses.

- Formed in 1999.

- Founding principles:
  - Voice and a vote.
  - Equal rights to Cascade supplies.
  - Independent supplies produced first.
  - Durable governance structure.
  - Dual majority voting.
  - Stable and predictable financial structure.
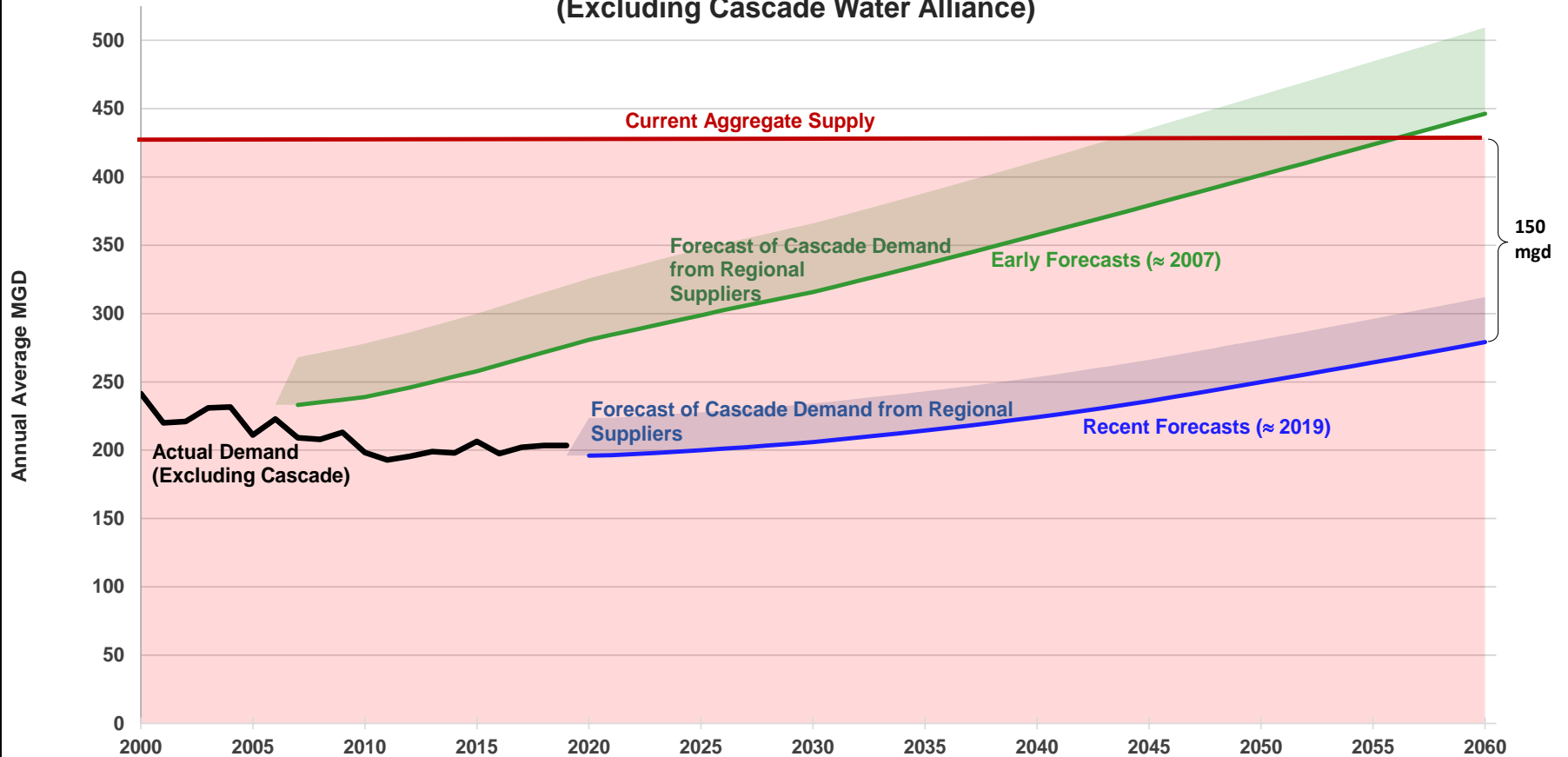
Cascade's Water Supply

Current Supply Strategy

- Declining block contract with Seattle.

- Water right for municipal use of Lake Tapps Reservoir.

- Lake Tapps operational by 2042.

Strategy Flexibility

- Business model: Use regional water to bridge demand until Lake Tapps is operational.

- Ample regional water supply through 2060.

- Lake Tapps can be deferred with extended or new supply contract and extended water right development schedule.

Seattle-Tacoma-Everett Aggregate Supply and Projected Demand (Excluding Cascade Water Alliance)

Cascade Board Workshop

Discussion

- Future water supply scenarios and costs.

- Water Supply Development Fund (WSDF):
  - Accumulates cash toward supply project.
  - Satisfies fiscal policy requirements.
  - Reduces and smooths out rate impacts.

Board Direction

- Pursue contract extension with Seattle.

- Explore new contract with Tacoma.

- Present resolutions in October to implement WSDF.

Cascade Board Supply Scenarios Direction

Base Scenario
- Lake Tapps in service 2042

Continue to Evaluate

- Seattle Extension
  - Lake Tapps in service 2055
  - Block contract

- Tacoma (no wheeling)
  - Lake Tapps in service 2059
  - Block contract

- Tacoma (with wheeling)
  - Lake Tapps in service 2059
  - Block contract
  - Seattle wheeling agreement

Remove Options

- Everett
  - Lake Tapps in service 2059
  - Seattle wheeling agreement

- Purveyor contract with Seattle
  - Permanent supply commitment from Seattle
  - Sale or transfer of Lake Tapps

Water Supply Development Fund Scenarios

The WSDF supports all supply scenarios being evaluated.

Scenario	Base Case	Seattle Extension	Tacoma (no wheeling)	Tacoma (with wheeling)
Description	Develop White River-Lake Tapps (WRLT) Supply	• Develop WRLT • 15-year block contract Seattle	• Develop WRLT • 20-year block Contract Tacoma	• Develop WRLT • 20-year block contract Tacoma • Seattle wheeling agreement
Total Project Costs	$1.54B	$2.36B	$2.69B	$2.97B
WSDF Accrual	$419M	$1.18B	$1.09B	$1.22B
Gap Requiring Bond Funding	$1.12B	$1.18B	$1.59B	$1.75B

Water Supply Development Fund Impacts

- Reduces debt-to-equity ratio and maintains high bond ratings.
- Bellevue's contribution via member charges: $6.7M over nine years.

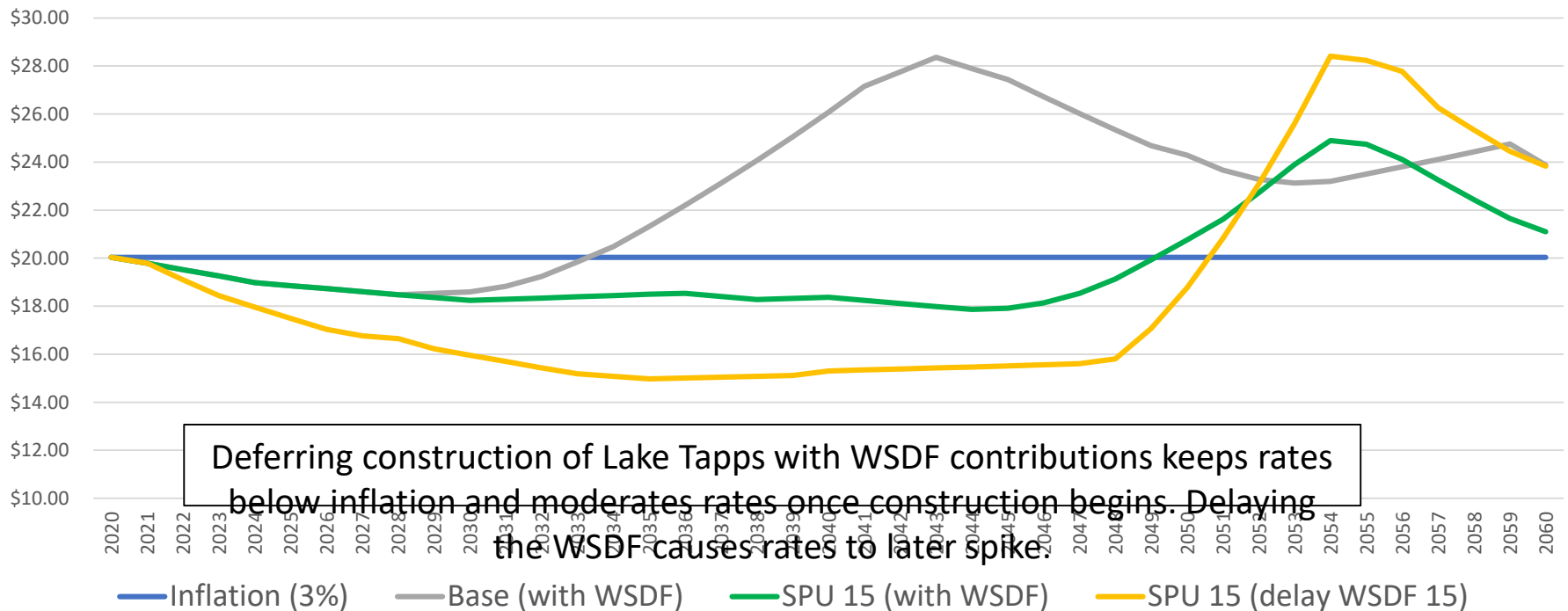| Total 2021-29 Contribution	2021	2022	2023	2024	2025	2026	2027	2028	2029
$6,727,186	$0	$1,181	$151,356	$399,470	$660,071	$941,080	$1,228,352	$1,522,008	$1,823,667

Note – Bellevue's total member charges in 2021 are $21.5M.

- Pre-construction: Cascade's general rate increases are below inflation.

Estimated Rate Increases	2021	2022	2023	2024	2025
Assumed Annual Inflation	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Cascade General Rate Increase	**2.2%**	**2.2%**	**2.2%**	**2.2%**	**2.2%**
Projected Bellevue Cost Per CERU/Month	$26.46	$26.93	$27.50	$27.89	$28.50
Projected Annual Increase in Cost/CERU	$0.50	$0.47	$0.57	$0.39	$0.61

Real Monthly Cost per CERU 2020-2060 with Seattle Extension

Total Member Charges except RCFCs, inflation-adjusted

Deferring construction of Lake Tapps with WSDF contributions keeps rates below inflation and moderates rates once construction begins. Delaying the WSDF causes rates to later spike.

Legend: Inflation (3%) — Base (with WSDF) — SPU 15 (with WSDF) — SPU 15 (delay WSDF 15)

Water Supply Development Fund Board Authority

- Approves amount of rate increases and transfers used to fund WSDF.

- Authorizes use of WSDF funds.

- Approves project capital funding plan prior to commencing work on supply strategy.

- Redirects use of WSDF funds if not needed as planned or to extent anticipated:

  - Reduce demand share charges.

  - Distribute funds to Members.

Thank you for your time.

Any questions?