



# Board Workshop

June 30, 2021

# Workshop Agenda

1. Quick recap of June 23<sup>rd</sup> Board meeting.
2. Water supply scenarios:
  - a. Description of scenarios.
  - b. Cascade's supply and demand.
  - c. Cost per CCF (2022-2050) for the scenarios.
  - d. Implications for the Water Supply Development Fund (WSDF).
3. Key WSDF issues.
4. Supply scenarios decision points.
5. Requested Board actions:
  - a. Direction on which supply scenarios to pursue.
  - b. Direction on establishing the WSDF.

# Recap of June 23 Board Presentation

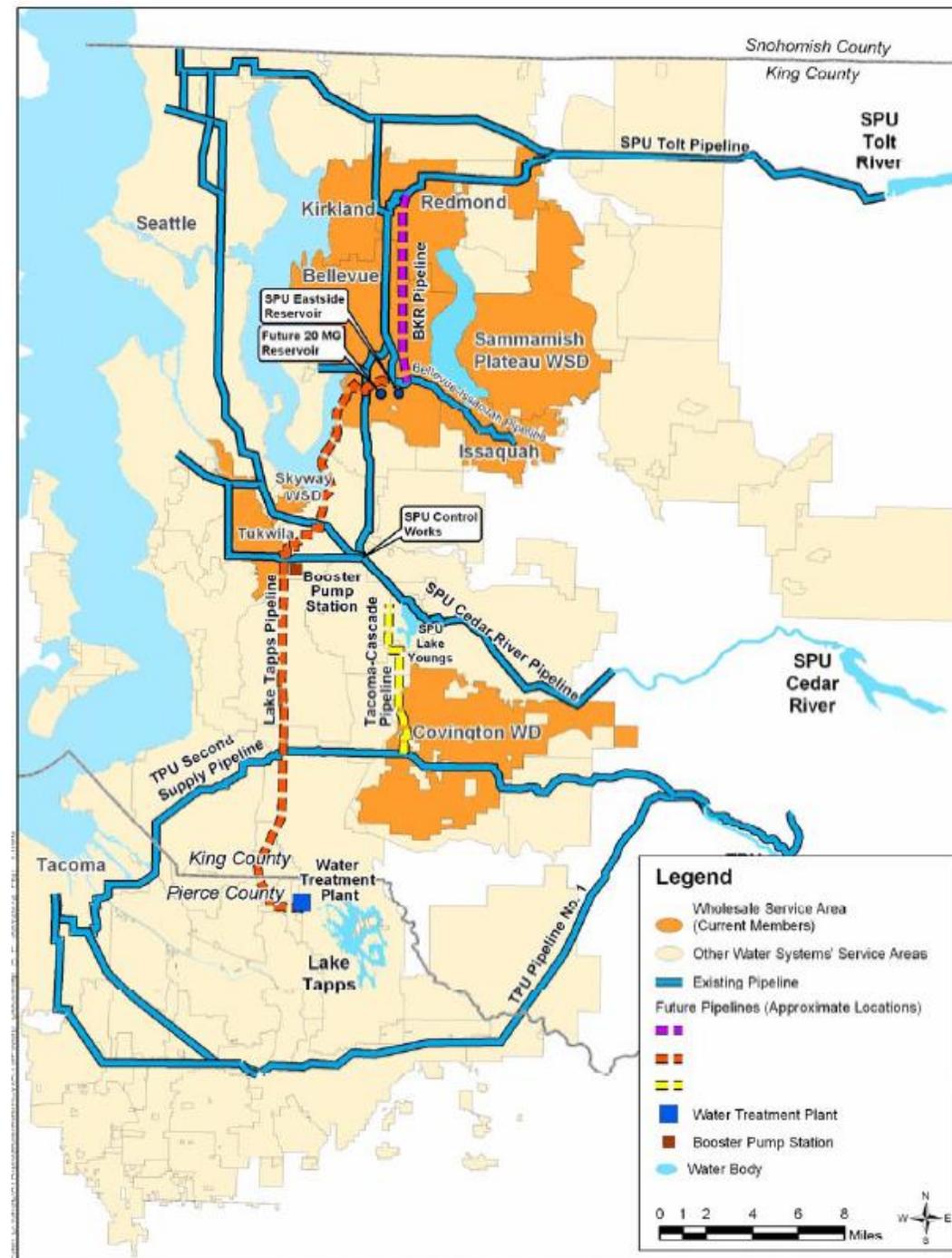
- Cascade was formed to provide members with a voice and a vote.
- The JMUSA requires Cascade to provide a full supply commitment to each member now and in the future; the JMUSA and Cascade Code call for a reliable, predictable and stable approach to supply development and funding.
- Past agreements impact future supply decisions and govern management of the Lake Tapps Reservoir pre- and post-development of the water supply project (Project).
- The current development schedule requires the Project to be operational by 2042.
- Business model: Use available regional wholesale supply contracts to “bridge” demand requirements until the Project is brought on-line.
- Cascade’s demand forecast has flattened significantly in the past decade, and there is ample regional water supply through 2060.
- If Cascade can extend its contract with Seattle or secure a bridge contract with Tacoma and extend its water rights development schedule, it can defer developing the Project beyond 2042.

# Water Supply Scenarios Developed for Evaluation

Base Scenario	Seattle Extension (SPU 15)	Tacoma (TPU) No Wheeling	Tacoma (TPU) With Wheeling	Everett	Purveyor
<i>Develop White River-Lake Tapps (WRLT) Supply 2042</i>	<i>15-Year Block Contract Extension with Seattle</i>	<i>Expanded and Extended Tacoma Wholesale Agreement</i>	<i>Expanded and Extended Tacoma Wholesale Agreement with Seattle Wheeling</i>	<i>New Everett Wholesale Agreement with SPU Wheeling</i>	<i>Seattle Purveyor Contract(s) conditioned on sale/ transfer of Lake Tapps</i>
	<p>15-year extension of existing 33.3 MGD contract capacity.</p> <p>Allow up to 3 MGD additional purchases if/when needed.</p> <p>Same declining block structure beginning in 2055.</p>	<p>20-year contract for supply of 20 MGD average, 30 MGD peak beginning in 2040.</p> <p>Declining supply commitment beginning in 2060 (2 MGD/year).</p> <p>Begin constructing <u>Central and North segments</u> of Cascade transmission system in 2032, in-service by 2040.</p>	<p>20-year contract for supply of 20 MGD average, 30 MGD peak beginning in 2040, stepping down after 2060.</p> <p>Declining supply commitment beginning in 2060 (2 MGD/year).</p> <p>Begin constructing <u>Central segment</u> of Cascade transmission system in 2032, in-service by 2040.</p> <p>Wheeling agreement with SPU for delivering Tacoma water from Lake Youngs intertie.</p>	<p>20-year contract for supply of 20 MGD average, 30 MGD peak beginning in 2040, ending after 2060.</p> <p>Declining supply commitment beginning in 2060 (2 MGD/year).</p> <p>Begin constructing Everett-Seattle intertie from Clearview to Woodinville in 2032, in-service by 2040.</p> <p>Wheeling agreement with SPU for delivering Everett water from Tolt pipeline intertie.</p>	<p>Replace SPU contract with "Purveyor" contract at established wholesale rates.</p> <p>Assume permanent supply commitment.</p> <p>Assume \$60 million buy-in to compensate for past Cascade savings and no future premium or liability assigned to Cascade.</p>
Begin WRLT project in 2033.	Begin WRLT project in 2046.	Begin WRLT project in 2050.	Begin WRLT project in 2050 (including <u>North segment</u> ).	Begin WRLT project in 2050.	End operating Lake Tapps in 2038 (expiration of existing bonds).
WRLT supply Phase 1 in-service in 2042	WRLT supply Phase 1 in-service in 2055.	WRLT supply Phase 1 in-service in 2059.	WRLT supply Phase 1 in-service in 2059.	WRLT supply Phase 1 in-service in 2059.	
Complete WRLT Phase 2 for full capacity in 2059.	Complete WRLT Phase 2 for full capacity in 2071.	Complete WRLT Phase 2 for full capacity in 2068.	Complete WRLT Phase 2 for full capacity in 2068.	Complete WRLT Phase 2 for full capacity in 2068.	
Continue SPU supply at 5.3 MGD after 2063.	Continue SPU supply at 5.3 MGD after 2078.	Continue SPU supply at 5.3 MGD after 2063.	Continue SPU supply at 5.3 MGD after 2063.	Continue SPU supply at 5.3 MGD after 2063.	

\*A permanent Purveyor contract with Tacoma would entail the same timeline and cost assumptions.

# General Locations of Planned Infrastructure (from 2012 TSP)

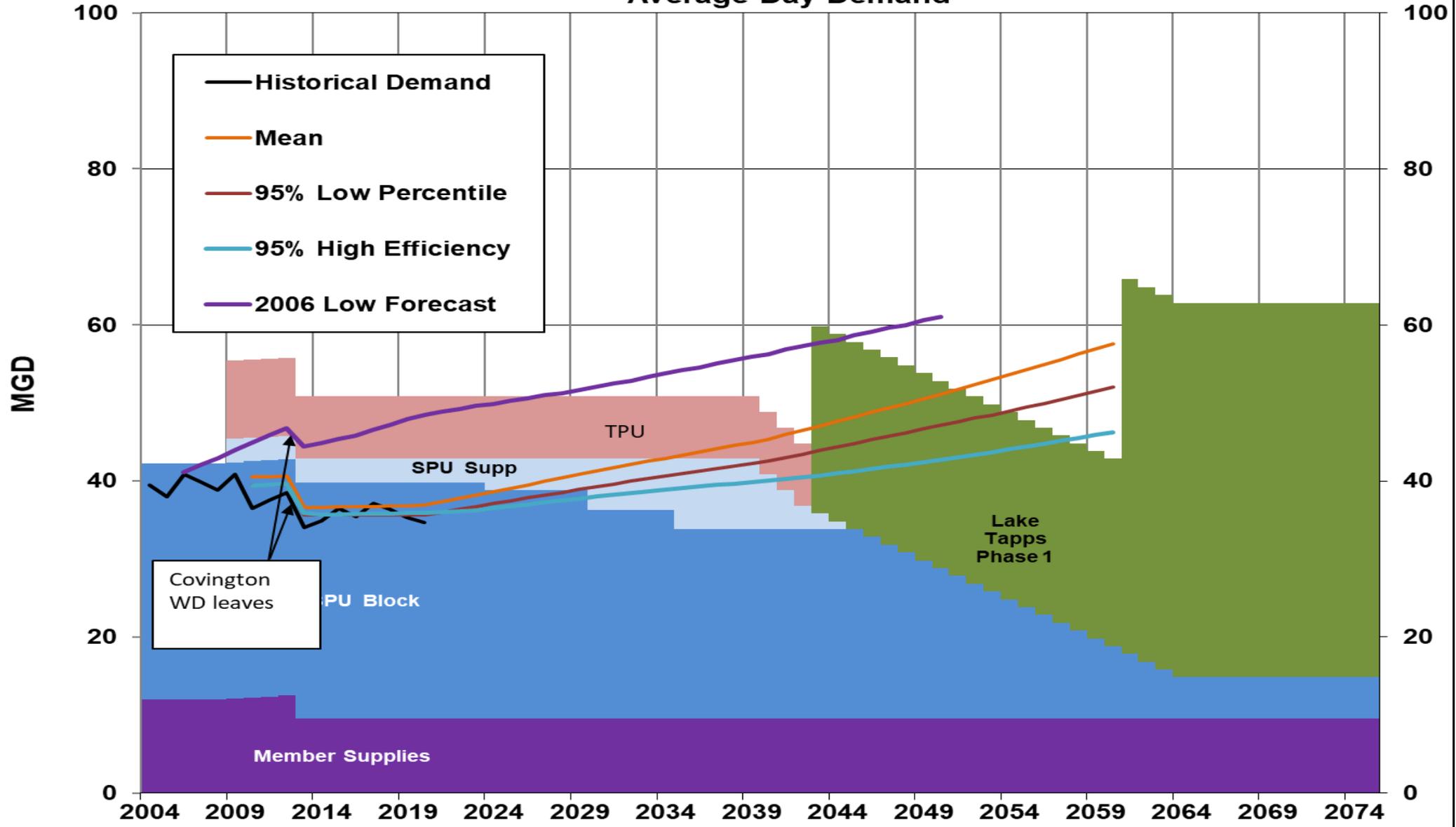




# Cascade Supply & Demand Forecast

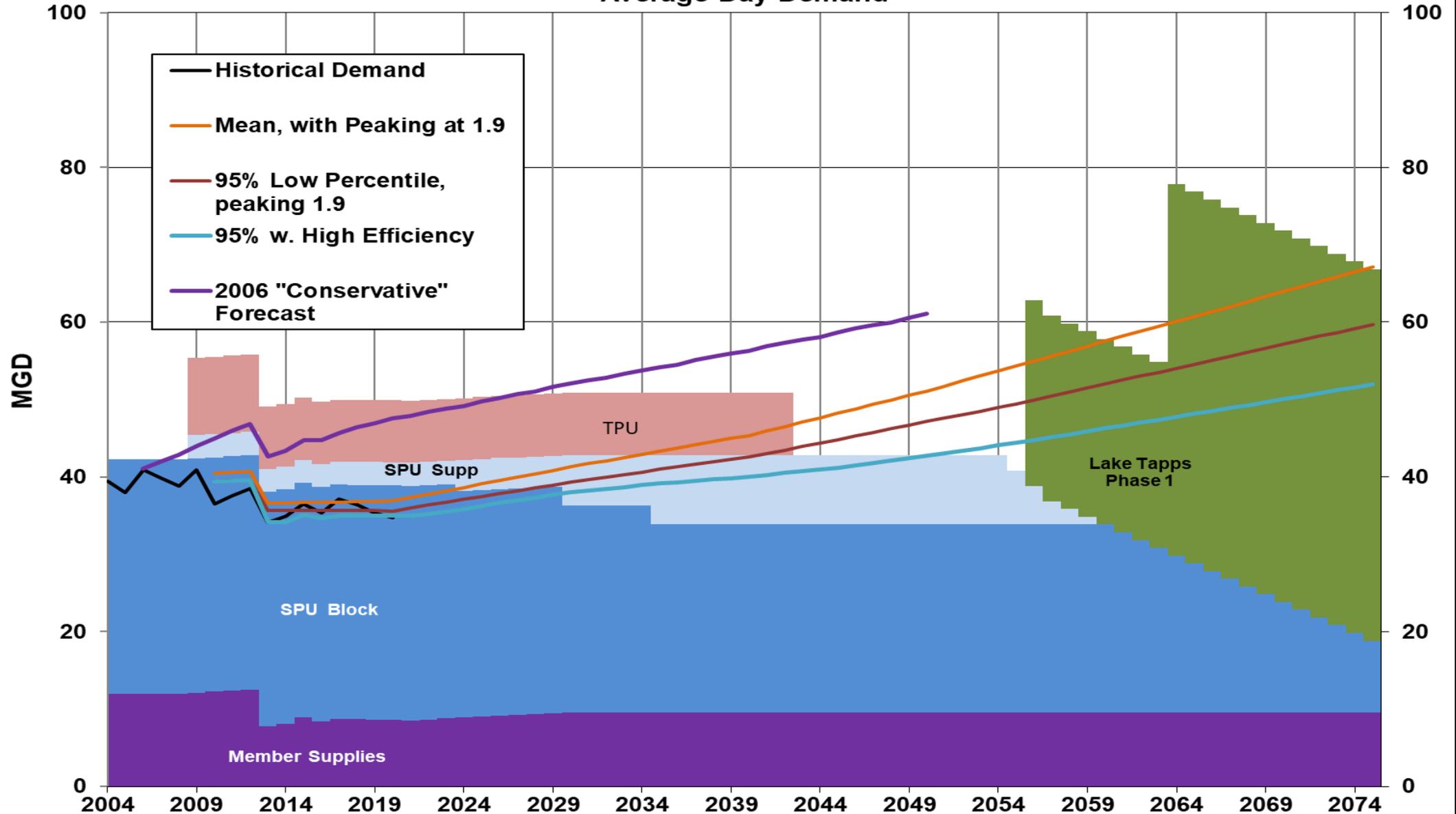
## Base Scenario: Lake Tapps 2042

### Average Day Demand

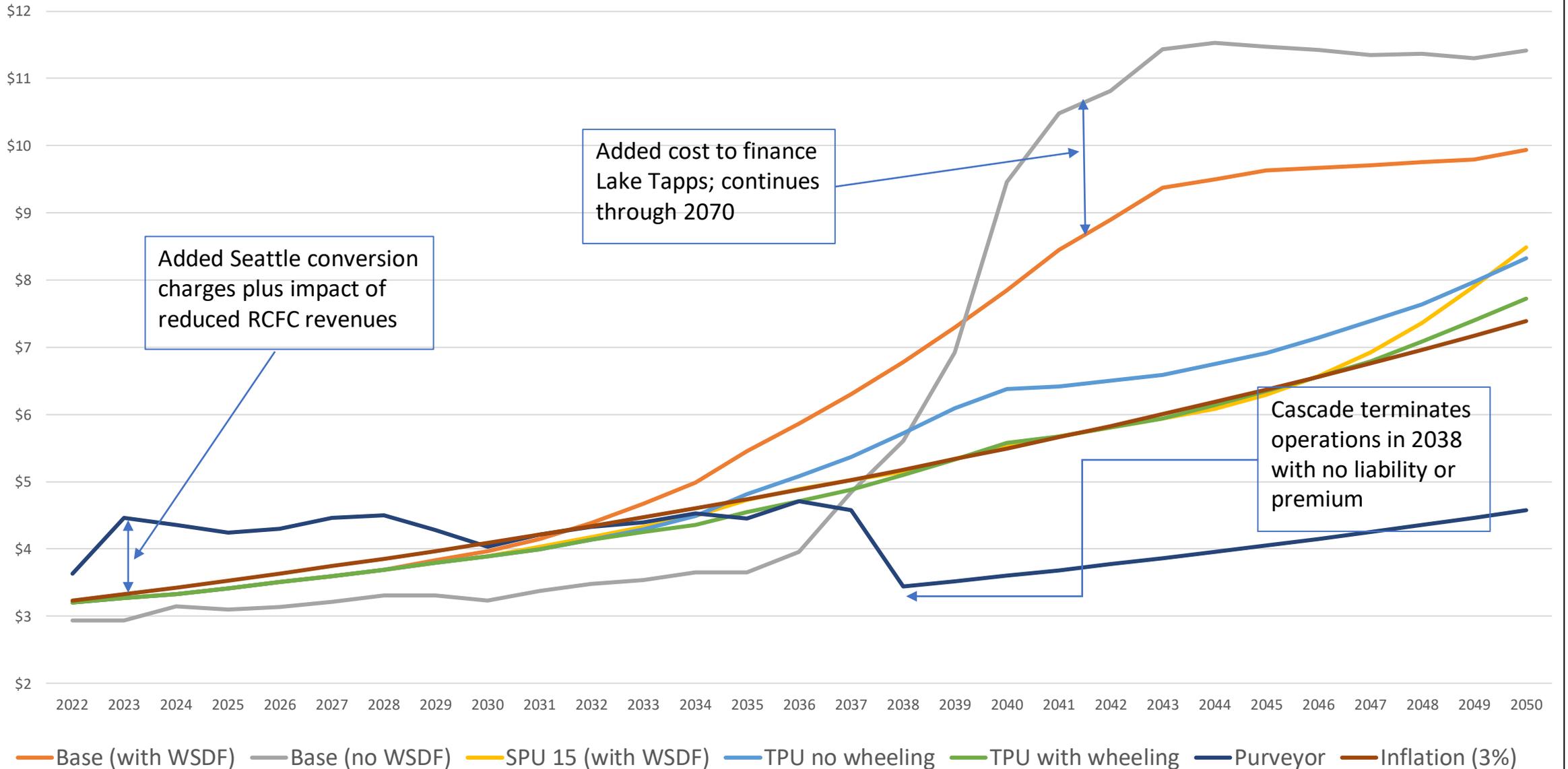




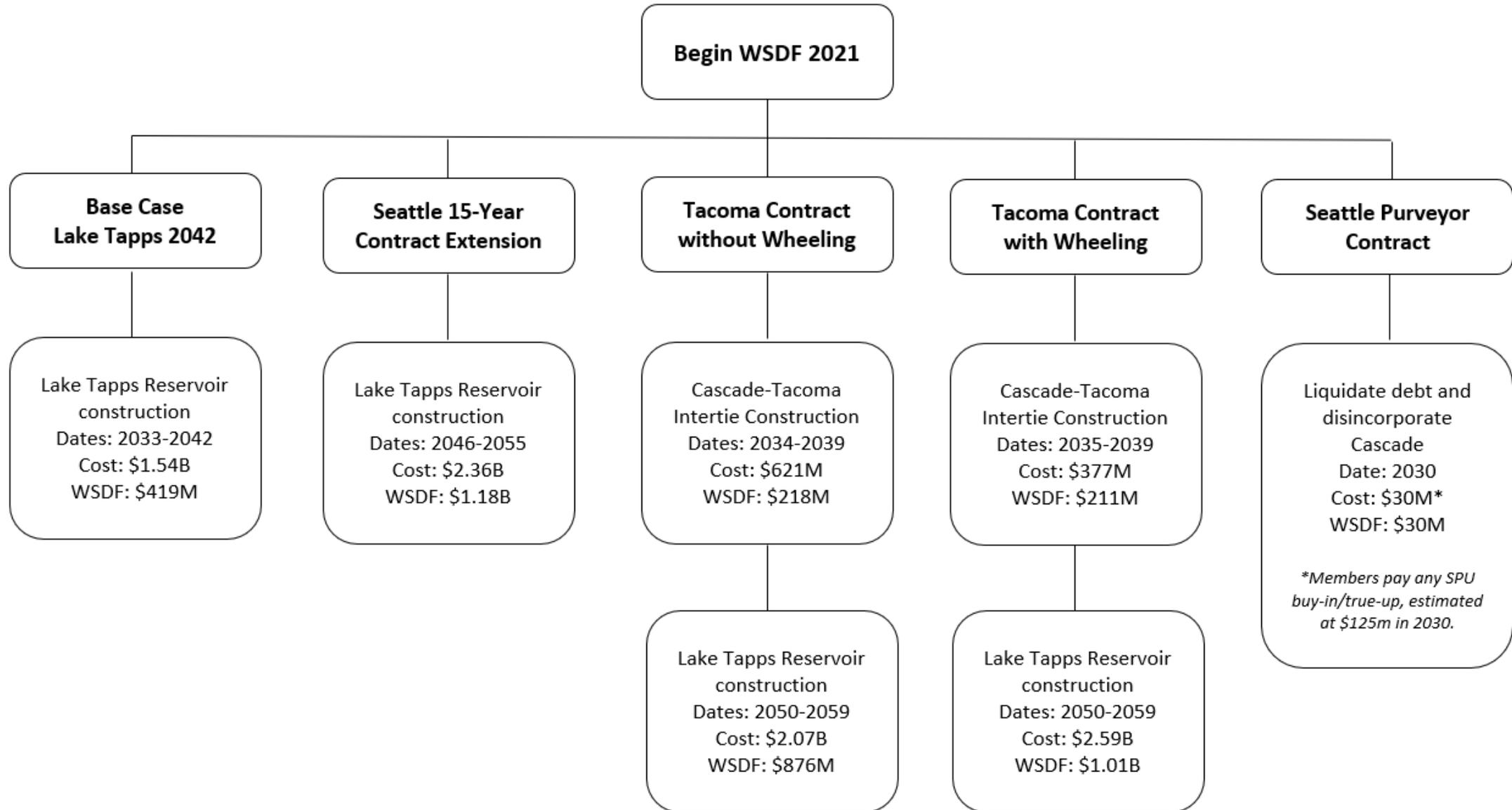
# Cascade Supply & Demand Forecast Seattle 15 Year Extension Average Day Demand



# Supply Scenarios: Cost per CCF 2022-2050

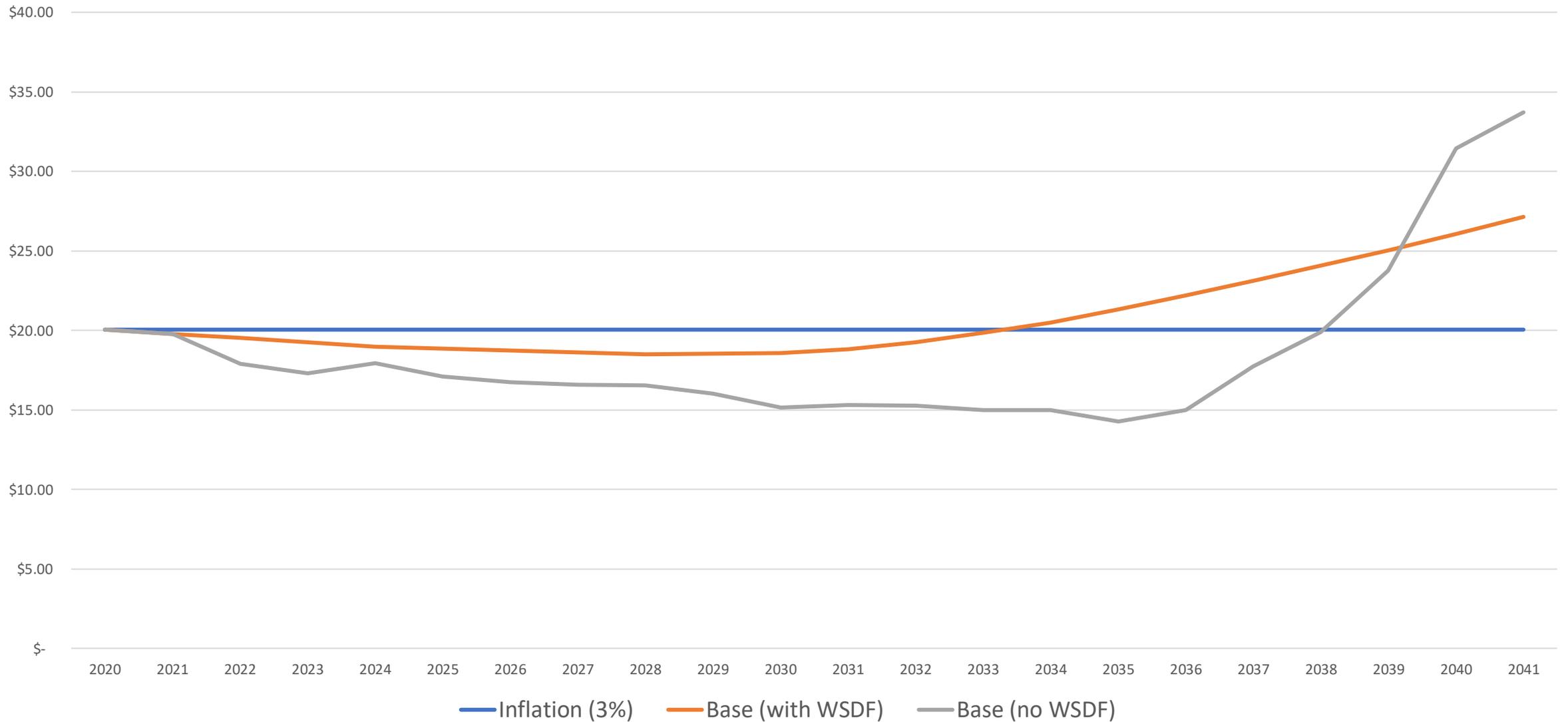


# Water Supply Development Fund (WSDF) Scenarios



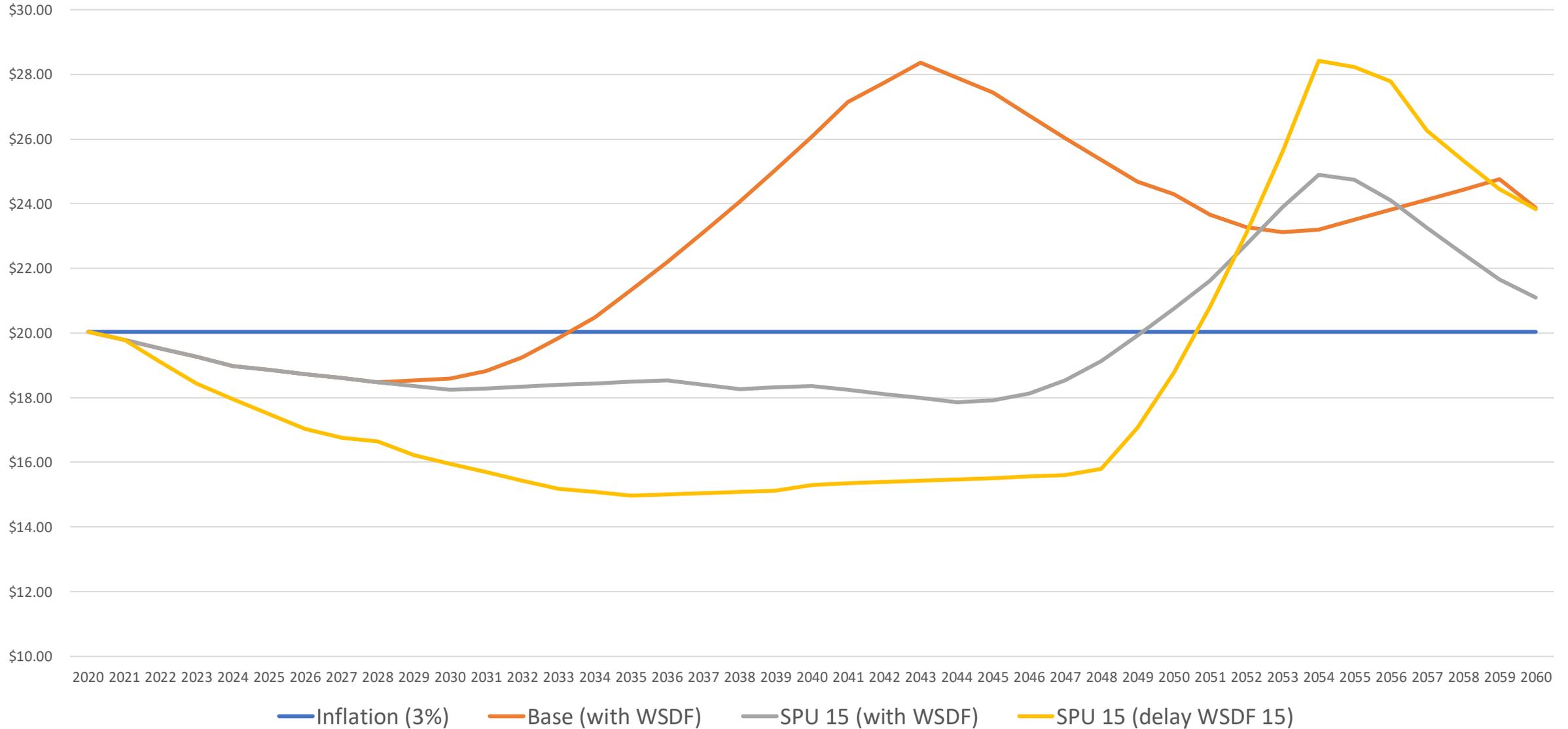
# Real Monthly Cost per CERU 2020-2041

*Total Member Charges except RCFCs, inflation-adjusted*



# Real Monthly Cost per CERU 2020-2060 with Seattle Extension

*Total Member Charges except RCFCs, inflation-adjusted*



# WSDF Key Issues

## Why is the WSDF needed now? What are the impacts on rates and bills?

- Delaying contributions to the WSDF adds hundreds of millions in debt and adds an average of \$10/month to retail bills.
- Even with planned contributions to the WSDF, rate increases are projected to stay below inflation for the next decade.
- Annual funding to the WSDF from member charges are shown below:

	TOTAL 2021-2029	2021*	2022	2023	2024	2025	2026	2027	2028	2029
<b>Derived from Operations (Member Charges)</b>										
Bellevue	\$ 6,727,186	\$ -	\$ 1,181	\$ 151,356	\$ 399,470	\$ 660,071	\$ 941,080	\$1,228,352	\$ 1,522,008	\$1,823,667
Issaquah	\$ 753,972	\$ -	\$ 100	\$ 13,416	\$ 37,601	\$ 65,771	\$ 100,285	\$ 138,072	\$ 178,400	\$ 220,327
Kirkland	\$ 1,835,402	\$ -	\$ 314	\$ 40,968	\$ 106,957	\$ 177,694	\$ 254,854	\$ 334,647	\$ 417,154	\$ 502,813
Redmond	\$ 2,340,304	\$ -	\$ 398	\$ 50,963	\$ 136,807	\$ 226,700	\$ 324,962	\$ 426,687	\$ 532,121	\$ 641,665
Sammamish Plateau Water	\$ 446,673	\$ -	\$ 78	\$ 8,361	\$ 21,508	\$ 37,919	\$ 57,791	\$ 80,431	\$ 106,010	\$ 134,574
Skyway Water & Sewer	\$ 137,323	\$ -	\$ 24	\$ 3,149	\$ 8,143	\$ 13,463	\$ 19,203	\$ 25,069	\$ 31,059	\$ 37,213
Tukwila	\$ 829,768	\$ -	\$ 149	\$ 18,981	\$ 49,501	\$ 81,690	\$ 116,303	\$ 151,555	\$ 187,431	\$ 224,158
<b>Total</b>	<b>\$ 13,070,627</b>	<b>\$ 5,000,000</b>	<b>\$ 2,245</b>	<b>\$ 287,195</b>	<b>\$ 759,987</b>	<b>\$1,263,308</b>	<b>\$1,814,478</b>	<b>\$2,384,812</b>	<b>\$ 2,974,184</b>	<b>\$3,584,417</b>

Note: Does not total to ending fund balance due to RCFC transfers and unallocated fund earnings. \* Initial funding of WSDF is made from operating reserves and does not impact 2021 member charges.

# WSDF Key Issues

## **What happens if the WSDF isn't needed as planned or accumulates more money than is needed?**

The Board may liquidate all or part of the WSDF and used as follows:

- Reduce demand share charges by retiring debt or directly using the funds to reduce those charges.
- Distribute the funds to members in proportion to their relative total payments of demand shares plus RCFCs for the past 10 years if Cascade is disincorporated or if the Board identifies other cases that warrant removing a surplus.

# WSDF Key Issues

## Could members provide their share of cash funding instead of Cascade doing this?

- Not under the current Joint Municipal Utilities Services Agreement. Cascade has a common duty to provide sufficient supply to meet all members' needs.
- Members don't own specified shares of current or future projects or shares of equity obligation and such an approach would be higher risk.
- Cascade can instead provide information on WSDF allocations for members' use:

<b>WSDF Allocation</b>		
Allocated based on 10-year historical average of demand share and RCFC payments.		
<b>Member</b>	<b>Jan 1, 2030</b>	<b>% Share</b>
Bellevue	\$13,864,617	46.9%
Issaquah	\$2,112,763	7.1%
Kirkland	\$4,214,562	14.2%
Redmond	\$5,372,265	18.2%
Sammamish Plateau Water	\$2,082,675	7.0%
Skyway Water & Sewer	\$283,906	1.0%
Tukwila	\$1,658,366	5.6%
<b><i>WSDF Fund Balance as of 12/31/29</i></b>	<b><i>\$29,589,154</i></b>	<b><i>100.0%</i></b>

## WSDF – Board Authority

- Approve the amount of all rate increases and transfers used to fund the WSDF.
- Biennially, review the performance of the WSDF and its planned use; affirm (or redirect) the supply strategy.
- Determine and authorize any use of WSDF funds.
- Approve a project capital funding plan to meet projected cash flow needs prior to commencing capital work on the Board-selected supply strategy.
- Redirect use of funds if not needed as planned or to the extent anticipated.

# WSDF – Implementation Steps

## **Implementing the WSDF requires Board approval of several resolutions:**

1. Establish the WSDF at King County Treasury, adopt the policy framework for managing the Fund and begin the Pool Plus application process.
2. Enable initial fund transfer of \$5 million from Operations (substitutes for Shared Benefit of reduced SPU wholesale costs).
3. Amend the budget to recognize WSDF as a fund, budget and allow planned transfers for the 2021-22 biennium.
4. Authorize Pool Plus participation and acknowledge the attendant risks.

# Supply Scenarios – Board Decision Points

## **Junctures for the Board to affirm or redirect Cascade’s water supply strategy:**

- Biennially, during the rates and budget process, during review of the WSDF and supply strategy.
- Every five years during development of the Strategic Plan.
- Every 10 years during the update of the Transmission Supply Plan.
- During critical decision-making points, such as if negotiations with Seattle or Tacoma appear to be successful.

# Requested Board Actions

1. Based on the water supply scenarios staff presented to the Board, which scenarios does the Board want Cascade to pursue?

*Staff Recommendation: Concurrently pursue a contract extension with Seattle and explore a new contract with Tacoma. Per the Board's previous guidance, also submit a development schedule request to Ecology.*

2. Based on today's discussion of the Water Supply Development Fund, is the Board ready to vote on a series of resolutions to establish and implement the Fund?