



**SPECIAL MEETING OF THE
BOARD OF DIRECTORS -
Future of Cascade Workshop
Held Via Zoom**

**MEETING MINUTES
June 30, 2021**

1. CALL TO ORDER

At 9:05 a.m. Chair John Stokes called the meeting to order. Board Members and alternate Board Members confirmed that they received the meeting materials and could hear the speakers clearly.

2. ROLL CALL

Board Members from the City of Bellevue (John Stokes), Skyway Water & Sewer District (Jon Ault), City of Issaquah (Mary Lou Pauly), Sammamish Plateau Water (Lloyd Warren), City of Redmond (Angela Birney), City of Kirkland (Penny Sweet), and City of Tukwila (Allan Ekberg) were present, constituting a quorum.

Alternate Board Members present: City of Bellevue (Conrad Lee), City of Issaquah (Zach Hall), and Sammamish Plateau Water (Ryika Hooshangi).

3. PUBLIC COMMENT

None.

4. EXECUTIVE SESSION

None.

5. APPROVAL OF AGENDA

6. CHIEF EXECUTIVE OFFICER'S REPORT

None.

7. CASCADE STAFF PRESENTATION AND BOARD DISCUSSION

The Future of Cascade Workshop provided information about future water supply scenarios, Cascade's supply and demand, and cost implications for each scenario. The

Workshop also provided information about each scenario's implications for the proposed Water Supply Development Fund (WSDF) and key WSDF issues to consider. Cascade staff provided this overview and a forum for discussion, input, and direction through a PowerPoint presentation. (Attachment 1). Staff requested Board direction on which supply scenarios to pursue as well as direction on establishing the WSDF.

8. BOARD DIRECTION AND ACTION ITEMS

- A. Motion by Lloyd Warren and second by Penny Sweet to move that Cascade staff concurrently pursue a contract extension with Seattle and explore a new contract with Tacoma. Motion carried unanimously (7-0).**
- B. Motion by Lloyd Warren and second by Penny Sweet to move that Cascade staff present the resolutions to establish and implement the Water Supply Development Fund for the Board's action in October. Motion carried unanimously (7-0).**

9. NEXT REGULAR MEETING

The next regular Board meeting will be held Wednesday, July 28, 2021, at 3:30 p.m. to be held via Zoom meeting or in-person.

10. ADJOURN

The meeting was adjourned at 11:05 a.m.

APPROVED BY:



John Stokes, Chair



Penny Sweet, Vice-Chair

Attachment

Future of Cascade PowerPoint Presentation.



Board Workshop

June 30, 2021

Workshop Agenda

1. Quick recap of June 23rd 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

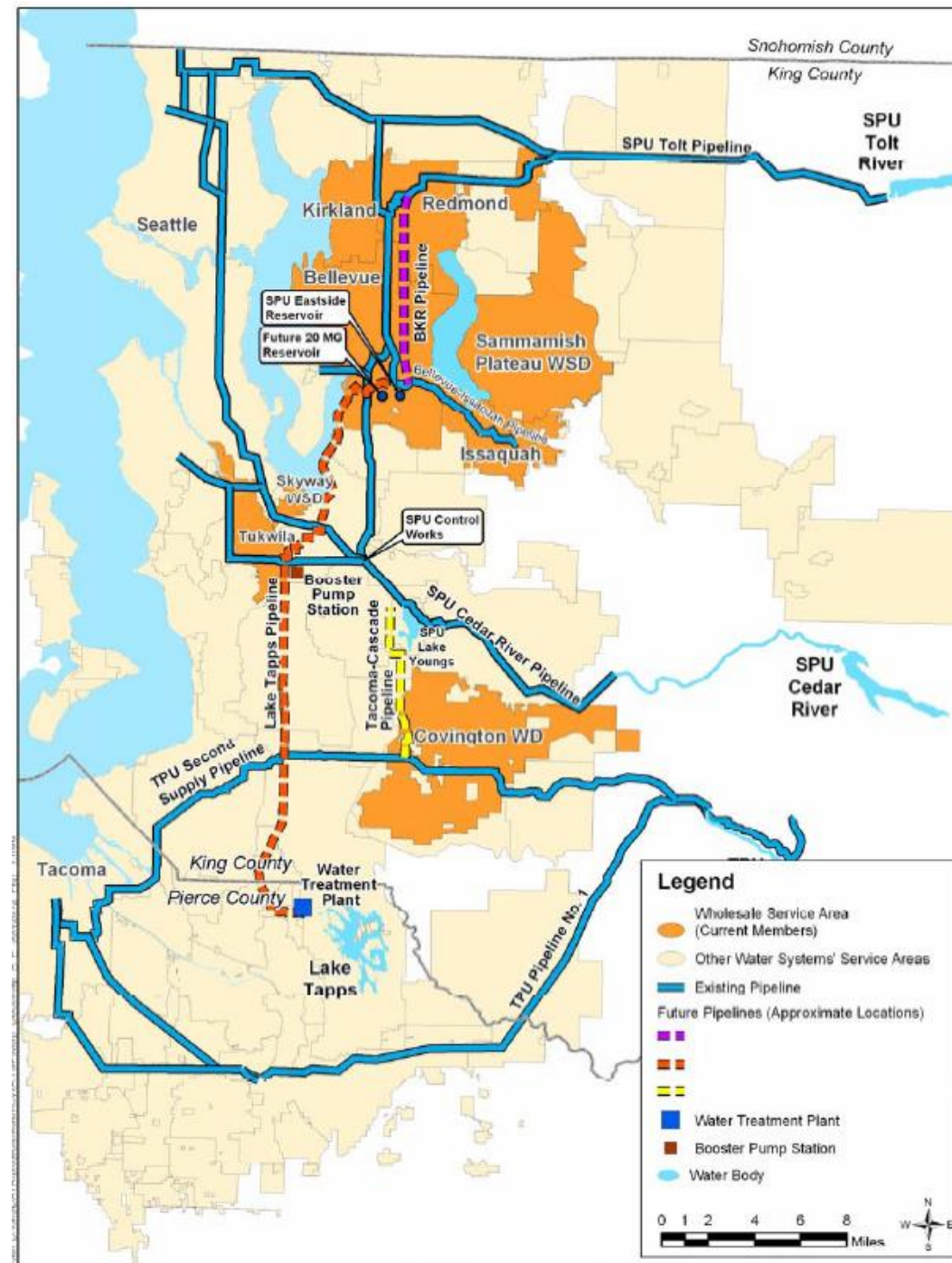
- Cascade was formed to provide members with a voice and a vote.
- The JMUSA requires Cascade to provide a full supply commitment to each member now and in the future; the JMUSA and Cascade Code call for a reliable, predictable and stable approach to supply development and funding.
- Past agreements 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)

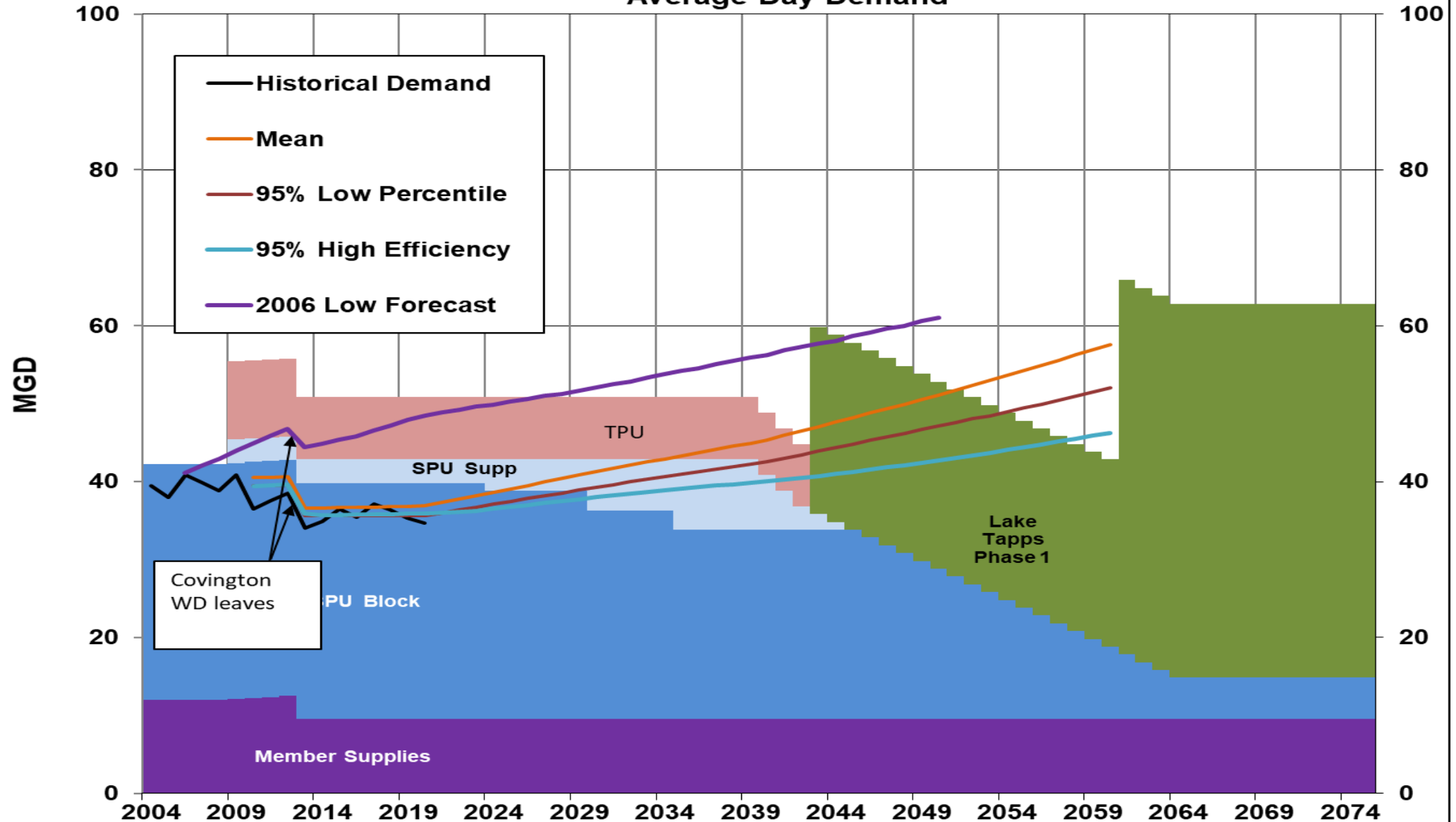




Cascade Supply & Demand Forecast

Base Scenario: Lake Tapps 2042

Average Day Demand

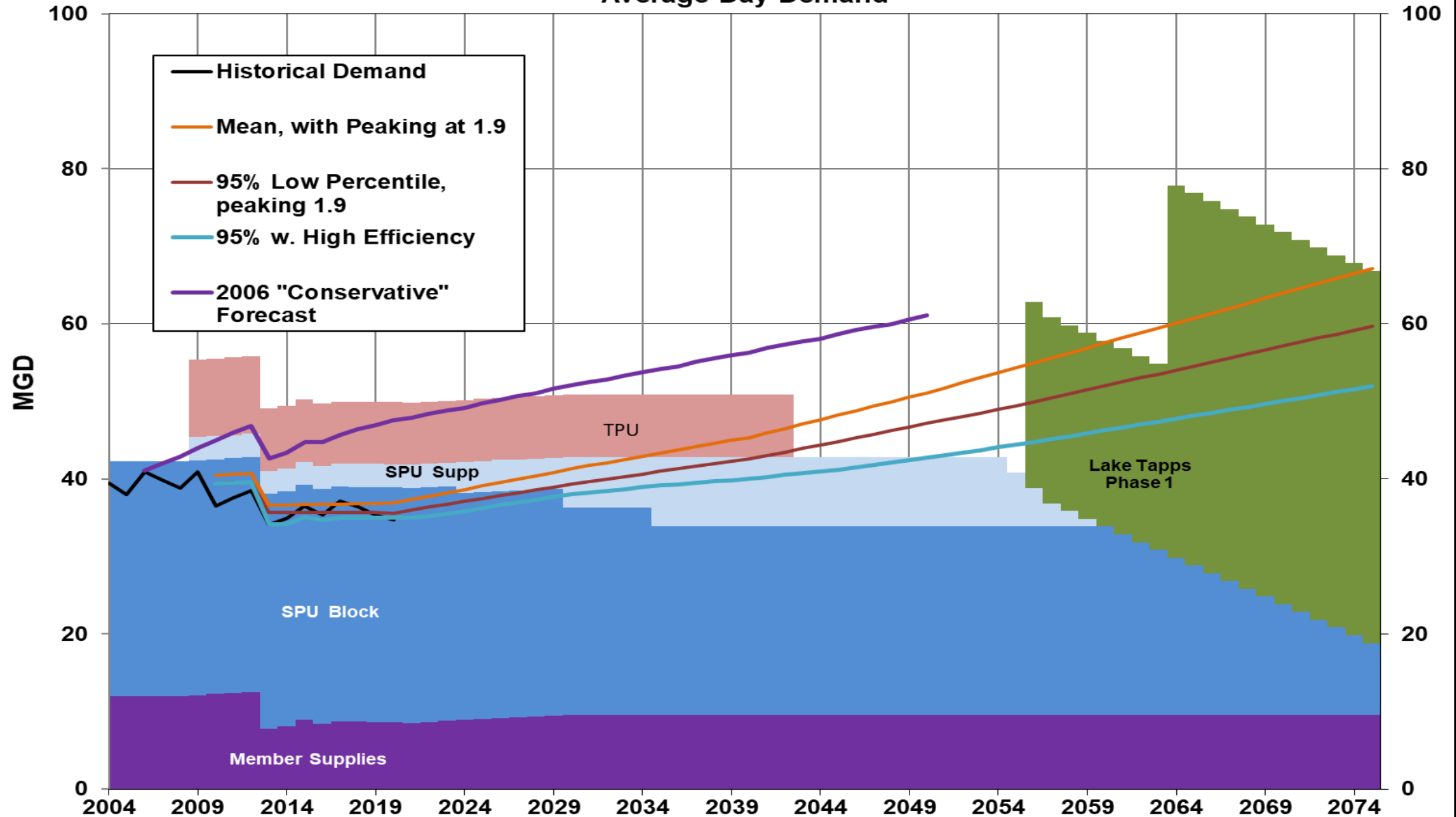




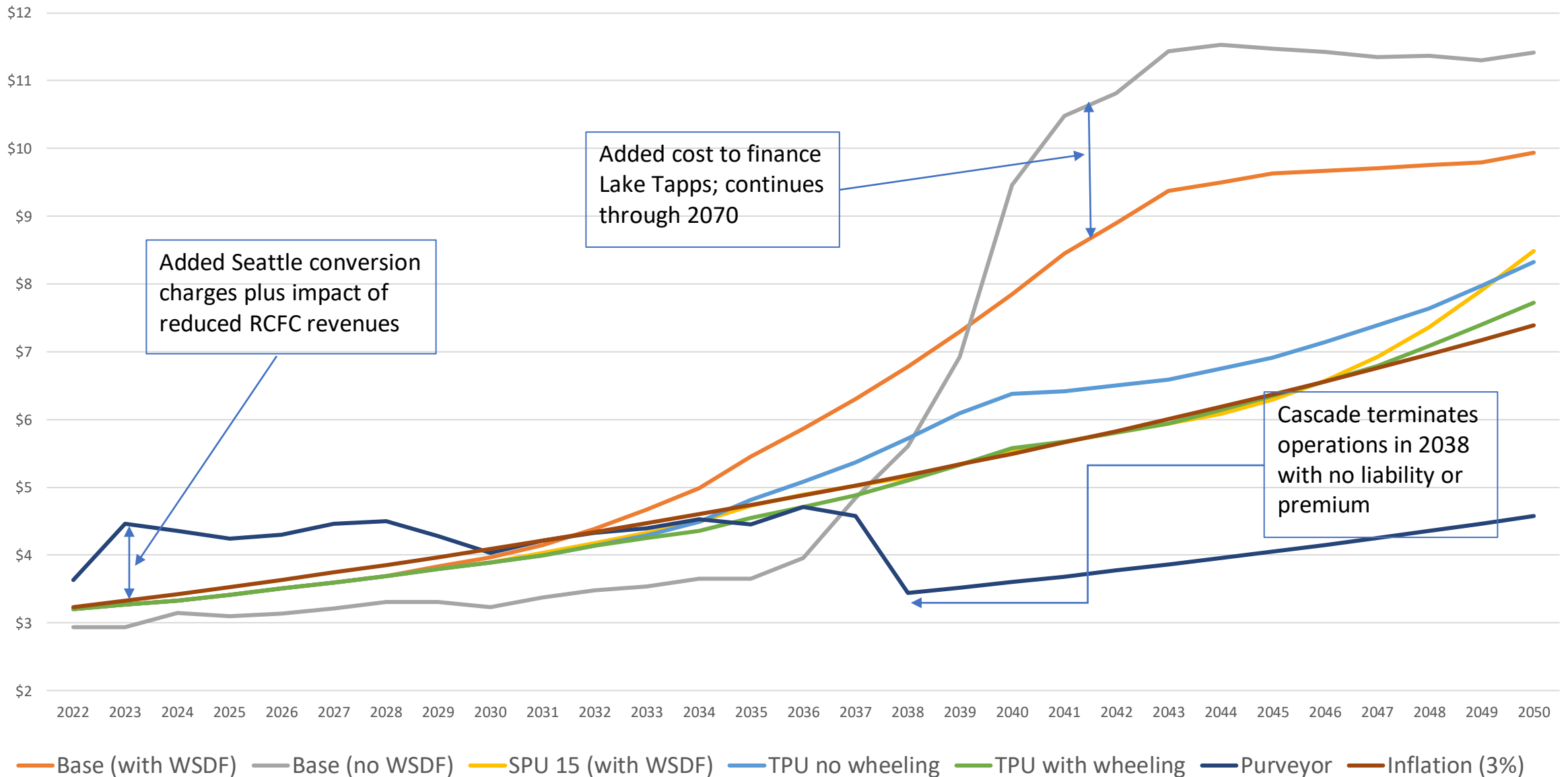
Cascade Supply & Demand Forecast

Seattle 15 Year Extension

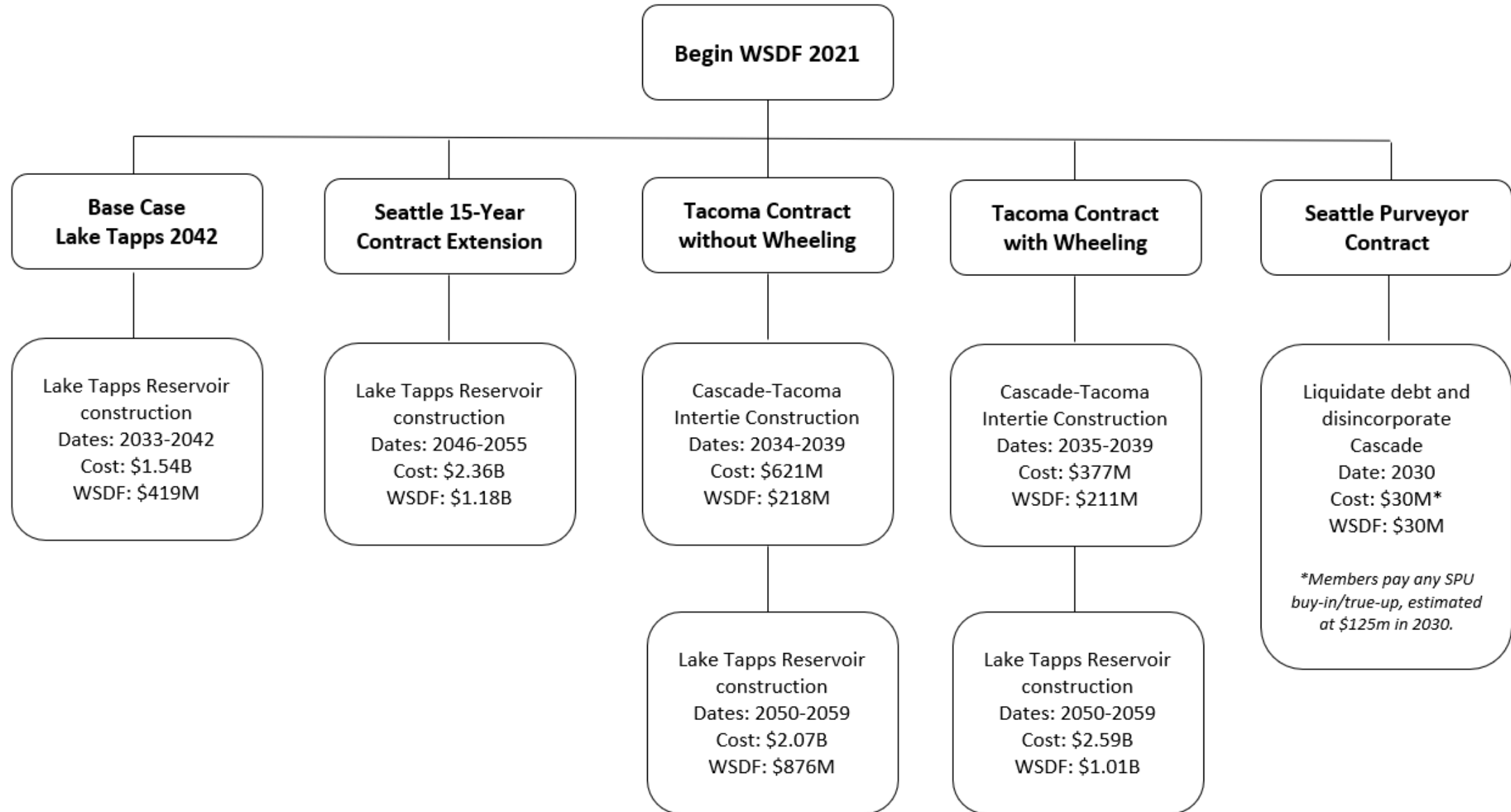
Average Day Demand



Supply Scenarios: Cost per CCF 2022-2050

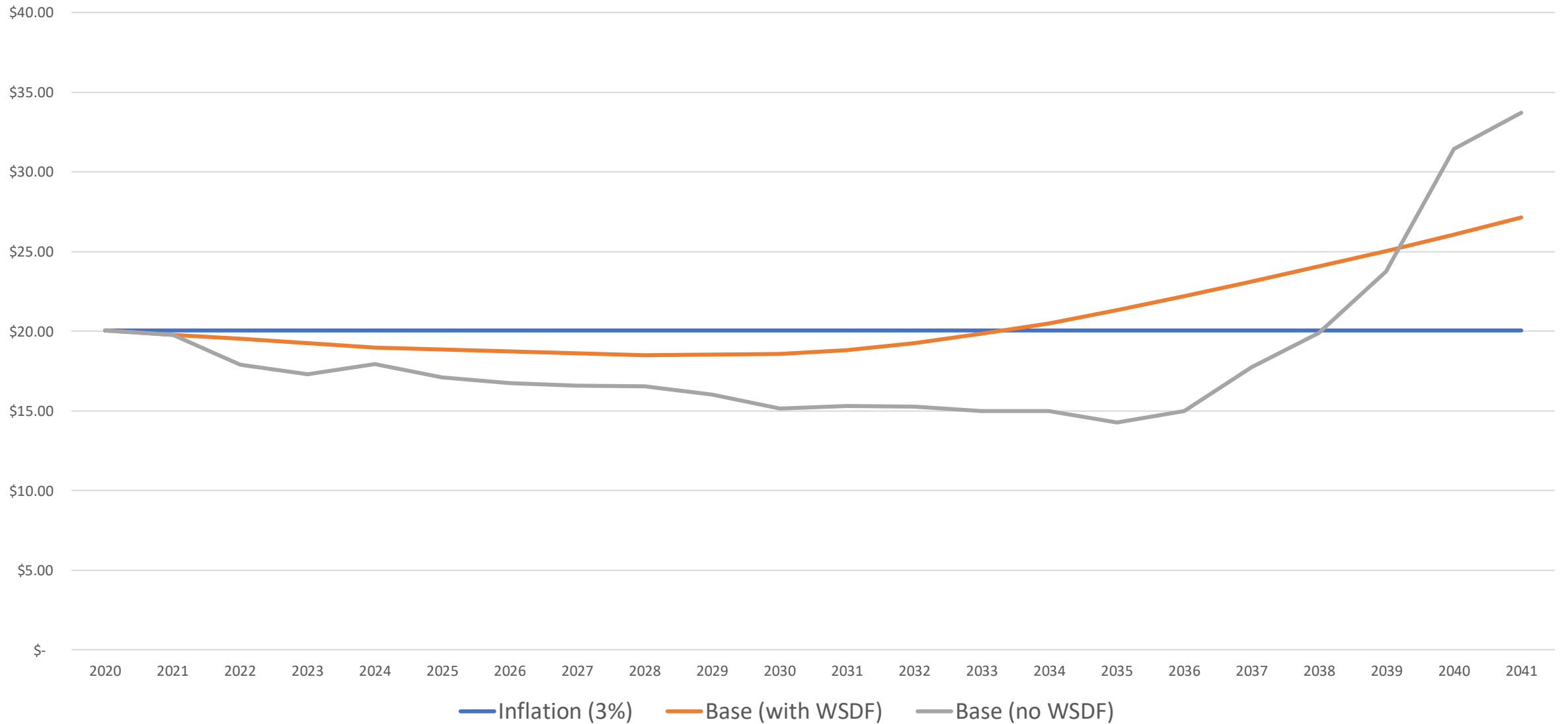


Water Supply Development Fund (WSDF) Scenarios



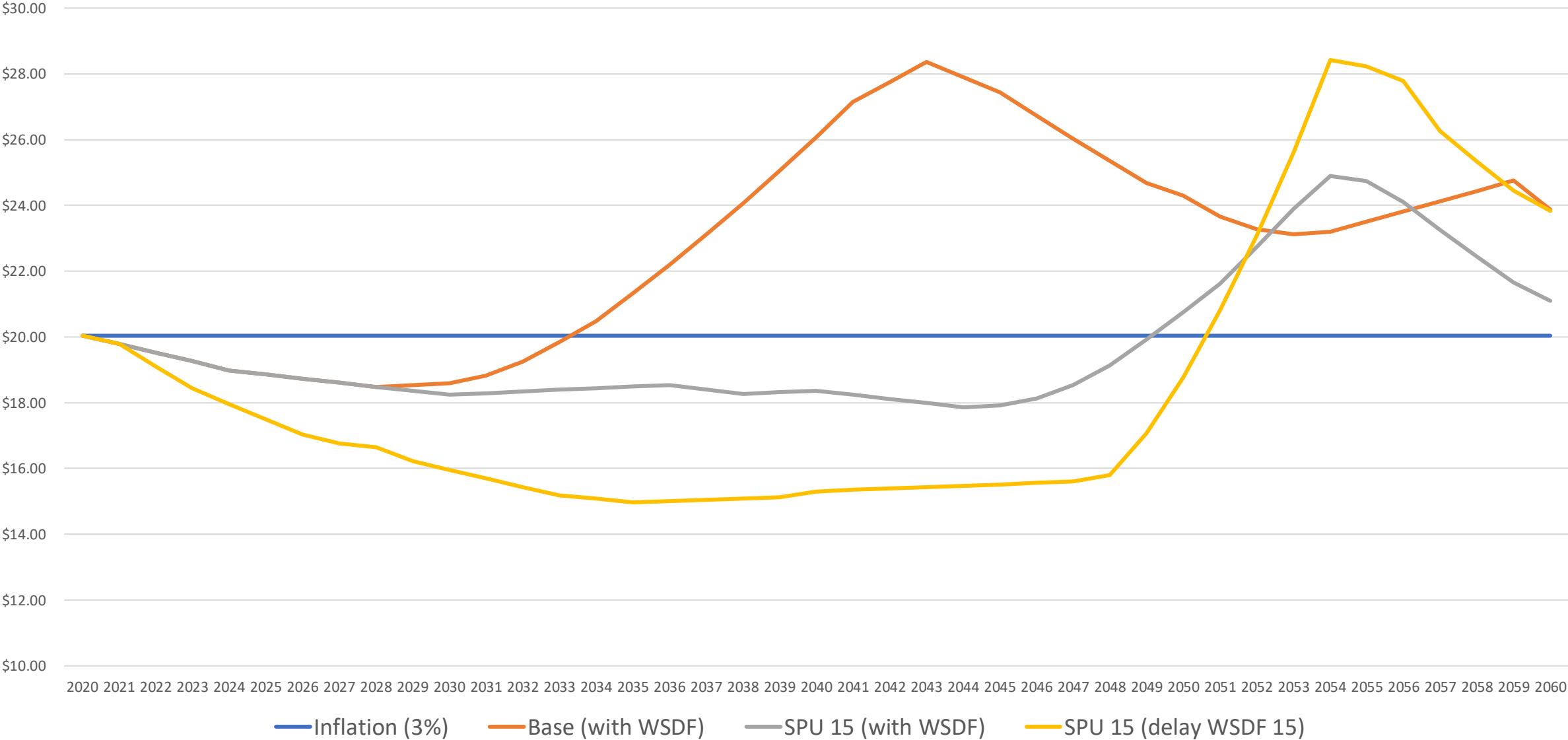
Real Monthly Cost per CERU 2020-2041

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
Derived from Operations (Member Charges)										
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
Total	\$ 13,070,627	\$ 5,000,000	\$ 2,245	\$ 287,195	\$ 759,987	\$1,263,308	\$1,814,478	\$2,384,812	\$ 2,974,184	\$3,584,417

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:

WSDF Allocation		
Allocated based on 10-year historical average of demand share and RCFC payments.		
Member	Jan 1, 2030	% Share
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%
WSDF Fund Balance as of 12/31/29	\$29,589,154	100.0%

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?