



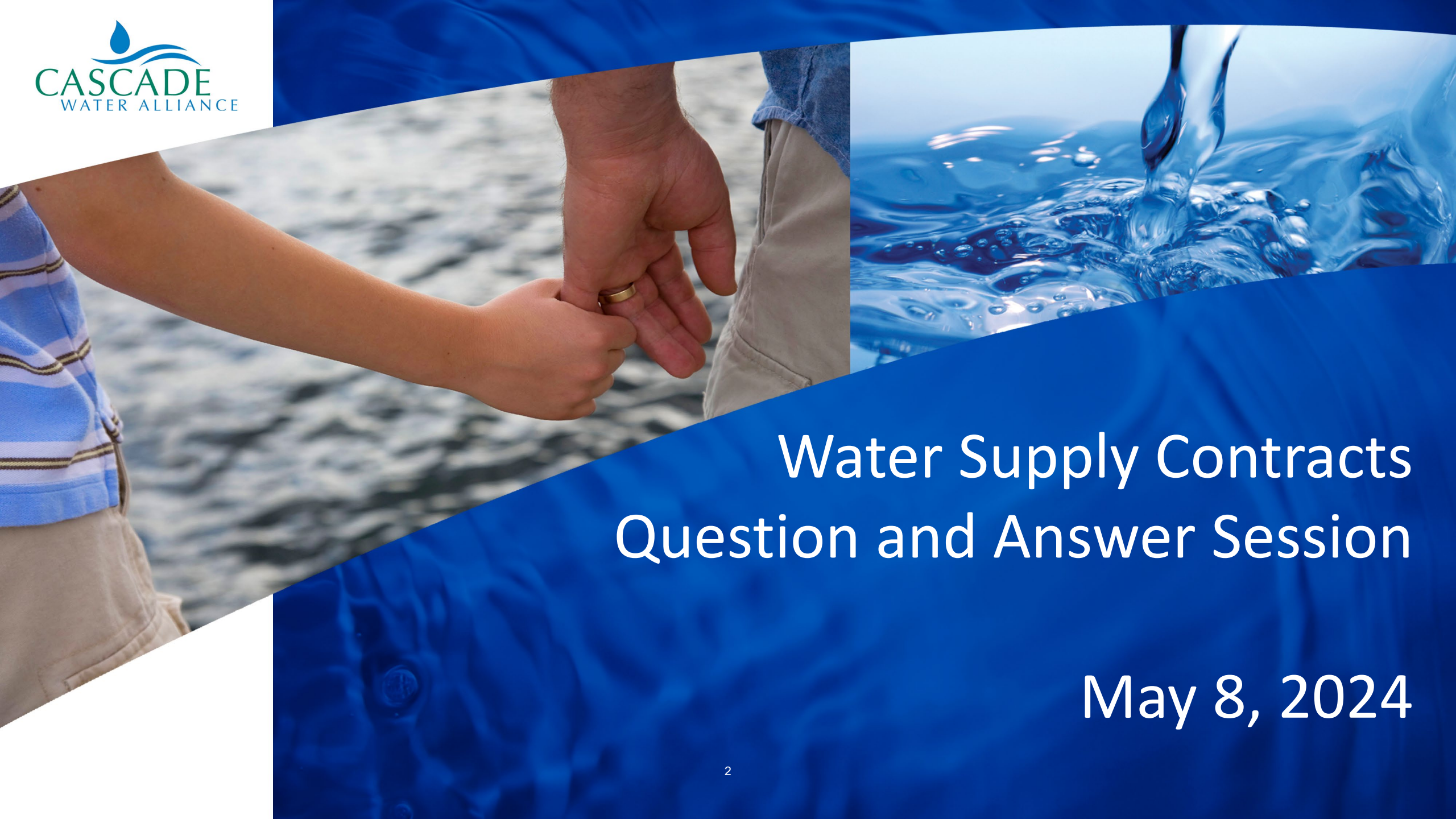
Special Meeting of the Board Water Supply Contracts Question and Answer Session

May 8, 2024

3:00 pm – 5:00 pm

Held at Cascade's Office and Via Zoom

Time	Agenda Item	Board Action
3:00 pm	Call to Order, Roll Call, and Approval of Agenda Penny Sweet, Board Chair	
	Water Supply Contract Proposals <ul style="list-style-type: none">• Brief recap of supply proposals• 2024 supply timeline• Summary of feedback from members' councils & boards• Summary of recent member staff questions• Plan for implementing Tacoma option, including anticipated rates	Presentation & Discussion
	Announcement of Next Board Meeting – May 22, 2024, at 3:30 p.m. held at Cascade's office and via Zoom Penny Sweet, Board Chair	
5:00 pm	Adjourn	



Water Supply Contracts Question and Answer Session

May 8, 2024

Briefing Objective & Agenda

Objective

To present a brief recap of Seattle's and Tacoma's water supply proposals, provide additional information, and answer remaining questions so that the Board is prepared to give Cascade staff direction at its May Board meeting on which option to pursue.

Agenda

1. Brief recap of supply proposals
2. 2024 supply timeline
3. Summary of feedback from members' councils & boards
4. Summary of recent member staff questions
5. Plan for implementing Tacoma option, including anticipated rates
6. Open questions & discussion

Recap of Supply Proposals

- Seattle's and Tacoma's proposals are both more cost-effective than developing Lake Tapps by 2042.
- Tacoma's proposal offers greater benefits than Seattle's:
 - ❖ 25-year **guaranteed** supply through 2064 vs. 10-year guaranteed extension through 2049 plus two five-year **conditional** extensions through 2054 and 2059 and **conditional** 40-year contracts for **individual** members through 2099.
 - ❖ Significantly more financial benefit, including more moderate rate increases.
 - ❖ First step towards a regional water system and improved resiliency (climate change, surface earthquakes, localized droughts, etc.).
- Tacoma's proposal requires building infrastructure to connect to their system.
 - ❖ Potential to only build central pipe to connect Seattle and Tacoma, then pay Seattle to wheel Tacoma water to Cascade's members (not yet explored).
- Seattle has declined Cascade's latest counter-proposal.

2024 Supply Timeline (Estimated)

	May	June	July	Aug	Sept	Oct	Nov
Regular Board Meetings - Contract Updates as Needed							
Executive Committee Meeting with Mayor Harrell	5/13						
Board Direction on Contract for SEPA and Direction to CEO to Develop Contract	5/22						
SEPA Checklist Determination and Comment Period							
Contract Development							
Board Authorization for Contract							
2025-26 Budget & Rates (assuming Tacoma Direction)							

Feedback from Members' Councils & Boards

- Strongly support using available regional supply instead of building out Lake Tapps.
- Lake Tapps remains a good insurance policy, even if never developed.
- Need to understand the future decision points for developing Lake Tapps.
- Tacoma seems to be a good, willing partner.
- Very interested in a regionalized water system that improves resiliency in the Puget Sound.
- Collective actions to reduce peak demand makes sense.
- Need to understand how infrastructure for Tacoma option will be funded and rate impacts on members and their customers. Need to keep costs as low as possible.

Member Staff's Recent Questions

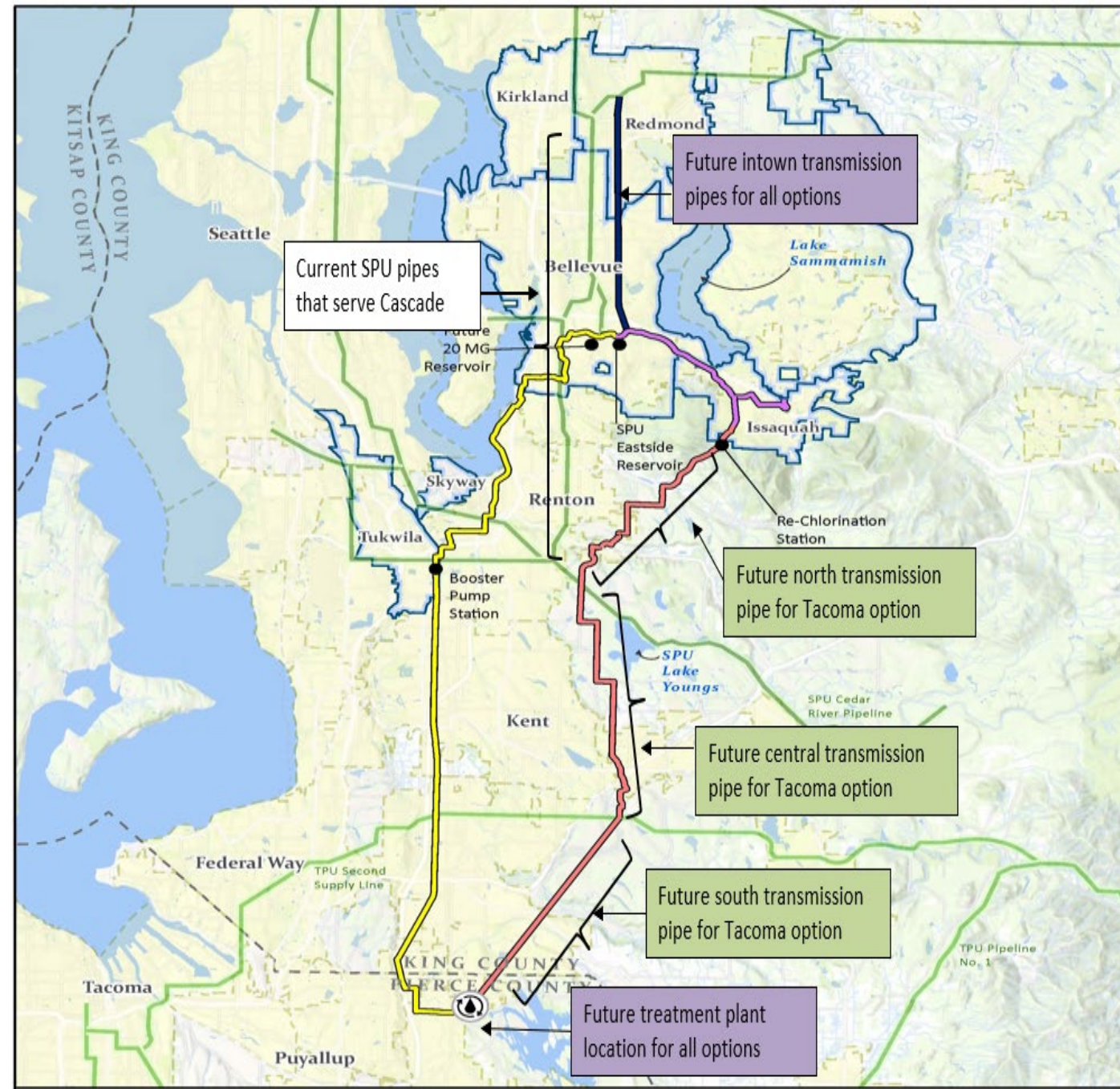
Common Themes:

- Sensitivity analyses :
 - ❖ Has Cascade done a sensitivity analysis for the projected rate path for each option?
 - ❖ If construction costs exceed estimates, what is the break even point with Seattle's proposal?
- If Cascade can wheel Tacoma water through Seattle's pipe:
 - ❖ What impacts does this have on infrastructure requirements?
 - ❖ What would the financials look like?
- What happens if Cascade's actual demand greatly exceeds its current projected demand?

Implementation Plan for Tacoma Option

Implementation Overview

- Implementation plan assumes no wheeling for conservative planning.
- Project cost projections are consistent with estimates previously shown.
- While Cascade has not implemented a project of this magnitude, the CEO and several Cascade staff have.
- New Project Team will be organizationally dedicated to delivering the Water Supply projects.
 - ❖ Availability of existing staffing assessed prior to identifying new resources.





Transmission Project Work Plan

2025	2026	2027-2028	2029-2030	2031-2032	2033-2034	2035-2036	2037-2038	2039-2040	2041-2042
			Begin Construction						Begin using Tacoma Water

Projects

Overall TCP System	■Planning	☑Planning ■Franchise & ROW	Franchise & ROW		Franchise & ROW		☑Planning		
Central Segment	■Planning	☑Planning	☑Presdesign ☑30% Design	☑Final Design ■Begin Constr.	Construction	☑Construction Complete	Schedule float	Schedule float	Schedule float
North Segment	■Planning	☑Planning	☑Predesign	☑30% Design ☑60% Design	☑Final Design	■Begin Constr.	Construction	☑Construction Complete	Schedule float
Parallel BIP	■Planning	☑Planning							☑Predesign ☑30% Design ☑60% Design
Booster Pump Station	■Planning	☑Planning							☑Presdesign ☑30% Design ☑Final Design ■Begin Constr.
Storage / Facilities	■Planning	☑Planning							☑Predesign
Eastside Connections	■Planning	☑Planning							☑Predesign
BKR Bellevue	■Planning	☑Planning							
BKR Kirkland/Redmond	■Planning	☑Planning							
BKR Kirkland/Redmond	■Planning	☑Planning							
Wheeling	■Planning	☑Planning	Legislation (if needed)		10				



Transmission Project Work Plan

2039-2040	2041-2042	2043-2044	2045-2046	2047-2048	2049-2050	2051-2052	2053-2054	2055-2056	2057-2058
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Begin using
Tacoma Water

Projects

Overall TCP System			☑Planning						☑Planning			
Central Segment	Schedule float											
North Segment	Schedule float											
Parallel BIP	☑Predesign	☑30% Design ☑60% Design	☑Final Design ■Begin Constr.	☑Construction Complete								
Booster Pump Station	☑Presdesign ☑30% Design	☑Final Design ■Begin Constr.	☑Construction Complete									
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Eastside Connections		☑Predesign	☑30% Design ☑60% Design	☑Final Design ■Begin Constr.	☑Construction Complete							
BKR Bellevue			☑Predesign	☑30% Design ☑60% Design	☑Final Design ■Begin Constr.	☑Construction Complete						
BKR Kirkland/Redmond					☑Predesign	☑30% Design ☑60% Design	☑Final Design ■Begin Constr.	☑Construction Complete				
BKR Kirkland/Redmond North					☑Predesign	☑30% Design ☑60% Design	☑Final Design ■Begin Constr.	☑Construction Complete				

Wheeling

2025	2026	2027-2028	2029-2030	2031-2032	2033-2034	2035-2036	2037-2038	2039-2040	2041-2042
			Begin Construction						Begin using Tacoma Water

Projects

Overall TCP System	■Planning	<input checked="" type="checkbox"/> Planning ■Franchise & ROW	Franchise & ROW		Franchise & ROW		<input checked="" type="checkbox"/> Planning		
Central Segment	■Planning	<input checked="" type="checkbox"/> Planning	<input checked="" type="checkbox"/> Presdesign <input checked="" type="checkbox"/> 30% Design	<input checked="" type="checkbox"/> Final Design ■Begin Constr.	Construction	<input checked="" type="checkbox"/> Construction Complete	Schedule float	Schedule float	Schedule float
North Segment	■Planning	<input checked="" type="checkbox"/> Planning	<input checked="" type="checkbox"/> Predesign	<input checked="" type="checkbox"/> 30% Design <input checked="" type="checkbox"/> 60% Design	<input checked="" type="checkbox"/> Final Design	■Begin Constr.	Construction	<input checked="" type="checkbox"/> Construction Complete	Schedule float

Planning Manager

Project Director

Support Engineer

Design Section Manager

Program Section Manager

Govt Relations & Communications

Project Controls

Admin & Support

Construction Manager

Budget & Rate Assumptions

Key Policies:

- 5-year rate smoothing
- Maximum leverage of 80% of assets

Key Assumptions:

- Inflation:
 - ❖ General inflation: 3.0% per year
 - ❖ Construction: 3.5% per year
 - ❖ Wholesale rates: 3.0% per year
- Project Costs:
 - ❖ Include industry standard contingency assumptions (varies by type)
 - ❖ Account for anticipated construction inflation
 - ❖ 2025: 100% Operating
 - ❖ 2026: 50% Operating, 50% Capital
 - ❖ 2027 and beyond: 100% Capital

Rate Plan Development

Evaluate Financial Needs

- “Raw” rate path would require a 5% rate increase in 2025 to meet all our key financial metrics

Adjust Funding Plan

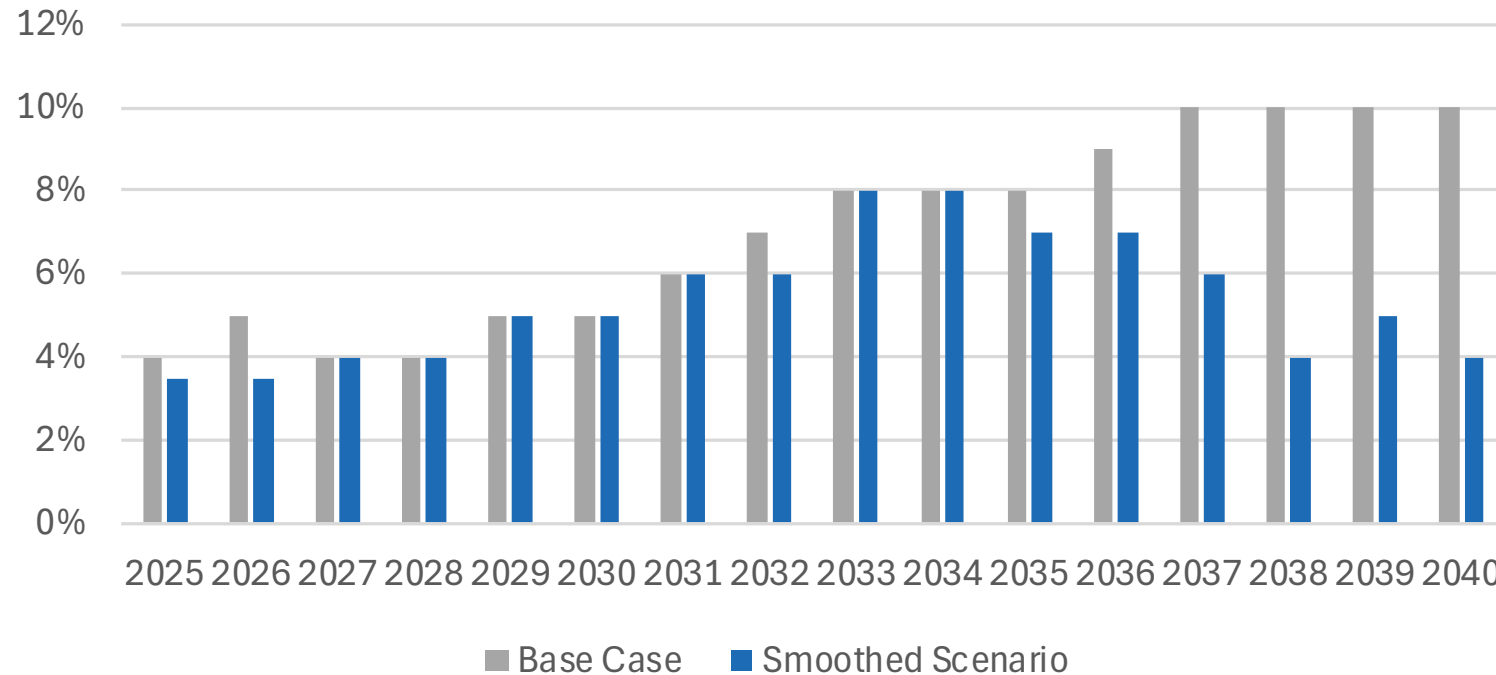
- Reduced planned WSDF transfer (capital & operating) to mitigate short-term rate impact
- Plan for use of WSDF beginning in 2028 for Transmission Project
- Delay first debt issuance until 2030

Develop Smoothed Rate Plan

- 5-Year Smoothing Policy gradually builds rate capacity:
 - 2025: 3.5%
 - 2026: 3.5%
 - 2027: 4%
 - 2028: 4%
 - 2029: 5%
- Strong metrics by 2030 for planned bond issuance

Smoothed Rate Forecast

Annual Rate Adjustment: Smoothed TPU vs. Base Case



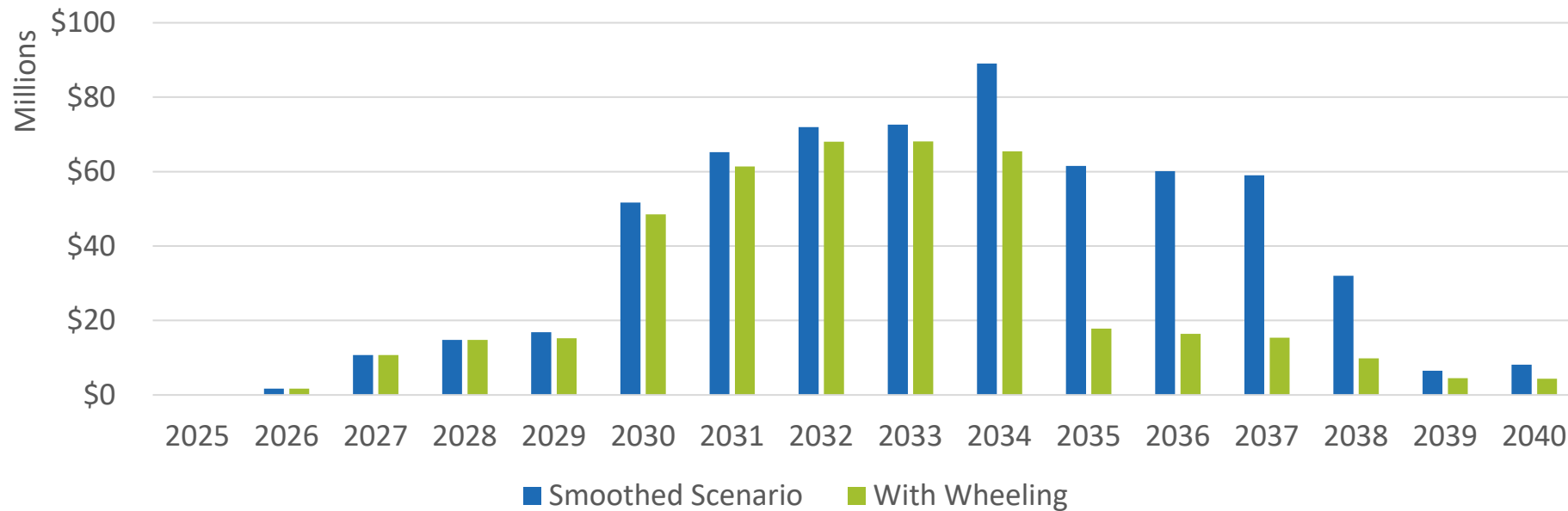
Base Case (Lake Tapps 2042)

- Smoothed Base Scenario presented in Spring 2023
- Reflects inflation impacts and other economic conditions

Smoothed TPU

- Meets policy requirements for rate smoothing
- Balances use of RCFC, WSDF, rates, and debt to fund Transmission Projects

Transmission Project Capital Needs, 2024\$



Reduced Capital Needs from 2025-2040: \$200 Million

Open Questions and Discussion