

Update on Negotiations between the Cascade Water Alliance and Tacoma Water



Alliance Members

Includes several Puget Sound Water Purveyors

Cascade & Tacoma Water Contract

Wholesale water contract created in 2005 and the agreement was restated in 2012

Cascade & Seattle Public Utilities Contract

Currently contracted with Seattle Public Utilities (SPU) for 33.3 MGD* through 2040 (Take-or-Pay). Allocation from SPU begins to decrease in 2040 by 1 or 2 MGD per year until it reaches 5.3 MGD.

Cascade Owned Water Supply

Cascade owns water rights to Lake Tapps and has future plans for Lake Tapps to be a municipal water supply.

*Millions of Gallons per Day

Principles of Negotiation



- 1 Ensure Resource Adequacy to Tacoma Water Customers
- 2 Reflect Needs of Current Customers and Partners
- 3 Increase Wholesale Revenue to Tacoma Water
- 4 Position Tacoma to Enable Participation in Future Water Supply Projects
- 5 Increase Regional Resiliency

Key Contract Terms and Volumes



Revenue Stream		Average Supply (MGD)	Peak Supply (MGD)	Term
Permanent Agreement	<ul style="list-style-type: none"> • System Development Charge • Volumetric Charge • Monthly Fixed Charge 	12.0	15.0	Perpetual*
Temporary Market Agreement	<ul style="list-style-type: none"> • Capacity Reservation Fee • Volumetric Charge • Monthly Fixed Charge • 2012 Restated Agreement 	12.0	17.5	2041-2062
Total		24.0	32.5	

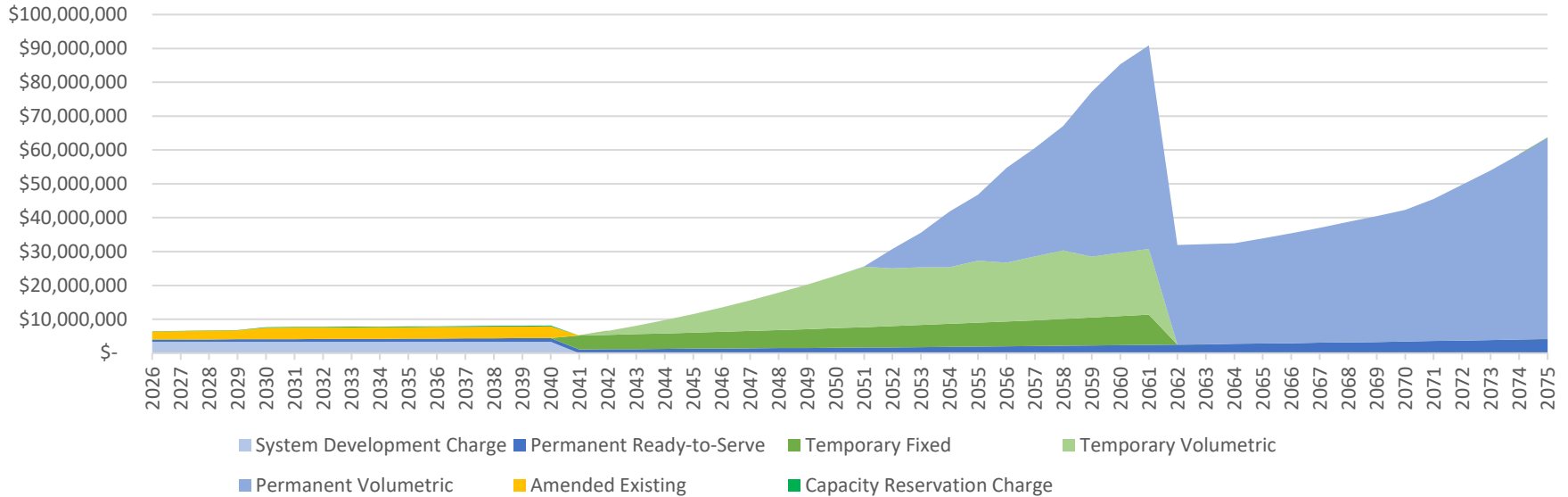
Notes for Comparison Purposes:

- WestRock Pulp and Paper Mill used roughly **16 MGD prior to closure**
- 2024 Tacoma System Peak Day Demand was **73 MGD on July 8th**

Source: Tacoma Water Annual Consumption Dashboard

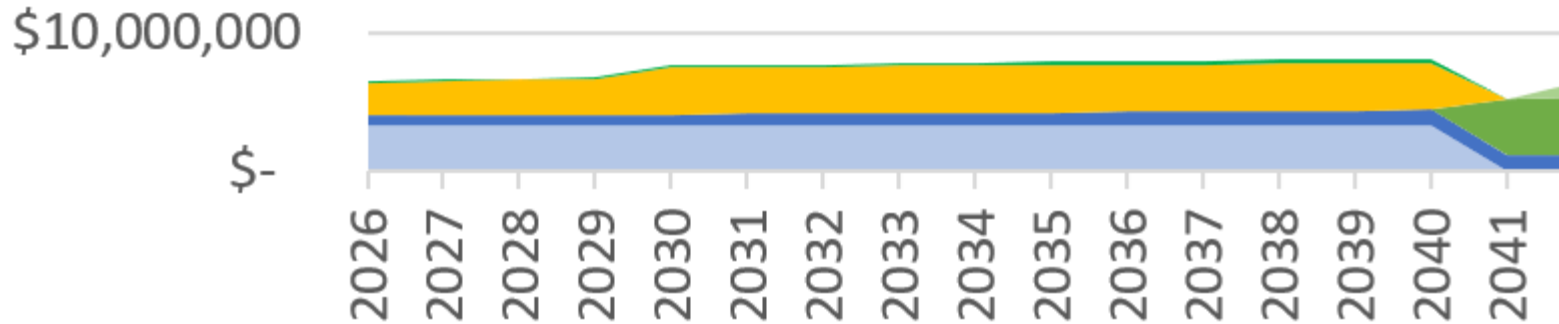
*Begins when signed

Estimated Revenue (2026-2075)



Revenue Stream	Agreement	Revenues	Fixed/Variable	Start	End	City GET
System Development Charge	Permanent	50.8M	Fixed	2026	2040	4.1M
Capacity Reservation Fee	Temporary	2.9M	Fixed	2026	2040	0.2M
Monthly Fixed Charge	Permanent	93.3M	Fixed	2026	Continuous	7.5M
Volumetric	Permanent	863.6M	Variable	Est. 2051	Continuous	69.1M
Monthly Fixed Charge	Temporary	130.6M	Fixed	2041	2061	10.4M
Volumetric	Temporary	268.3M	Variable	2041	2061	21.5M
Existing Agreement	Temporary	47.6M	Fixed	Ongoing		3.8M
2026-2075 Total		\$1,457M				\$116.6M

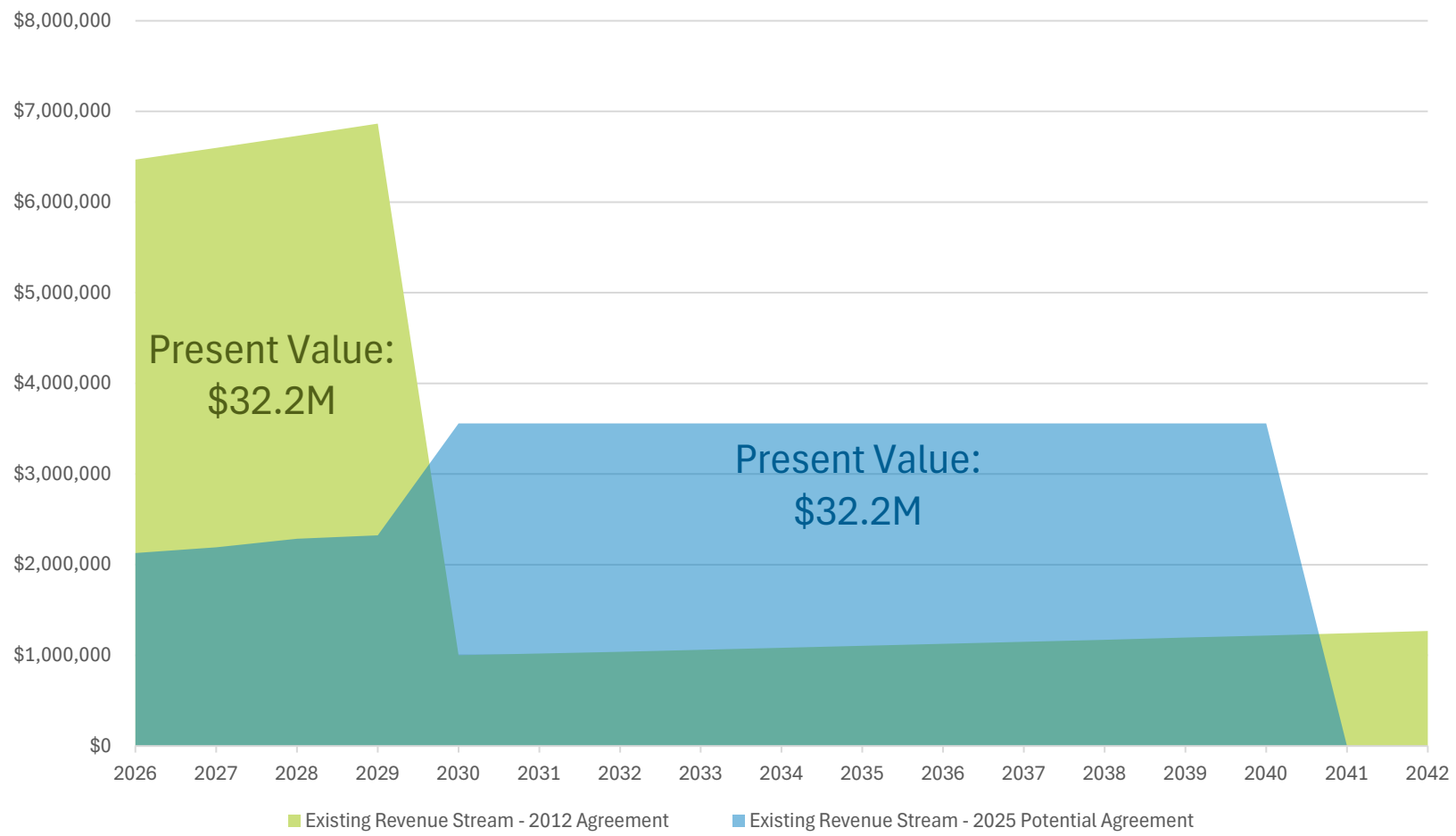
Estimated Revenue (2026-2041)



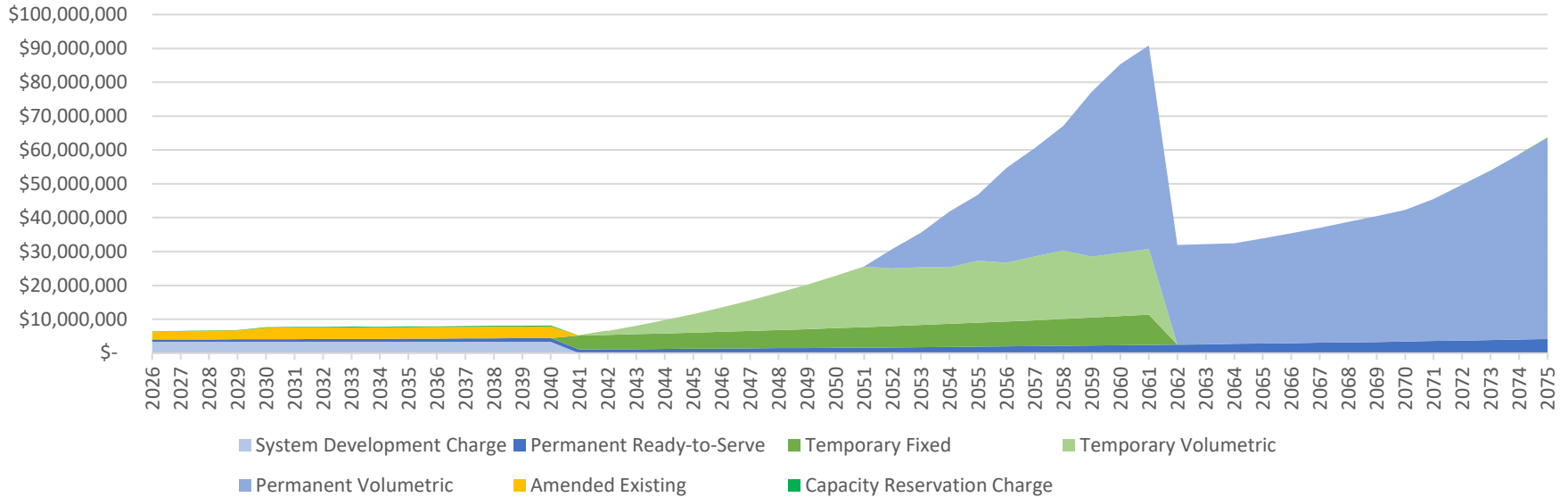
■ System Development Charge
 ■ Permanent Ready-to-Serve
 ■ Temporary Fixed
 ■ Temporary Volumetric
■ Permanent Volumetric
 ■ Amended Existing
 ■ Capacity Reservation Charge

Revenue Stream	Agreement	Revenues	Fixed/Variable	Start	End	City GET
→ System Development Charge	Permanent	50.8M	Fixed	2026	2040	4.1M
→ Capacity Reservation Fee	Temporary	2.9M	Fixed	2026	2040	0.2M
→ Ready to Serve	Permanent	93.3M	Fixed	2026	Continuous	7.5M
Volumetric	Permanent	863.6M	Variable	Est. 2051	Continuous	69.1M
Temporary Ready to Serve	Temporary	130.6M	Fixed	2041	2061	10.4M
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Existing Payment Stream Value Preserved

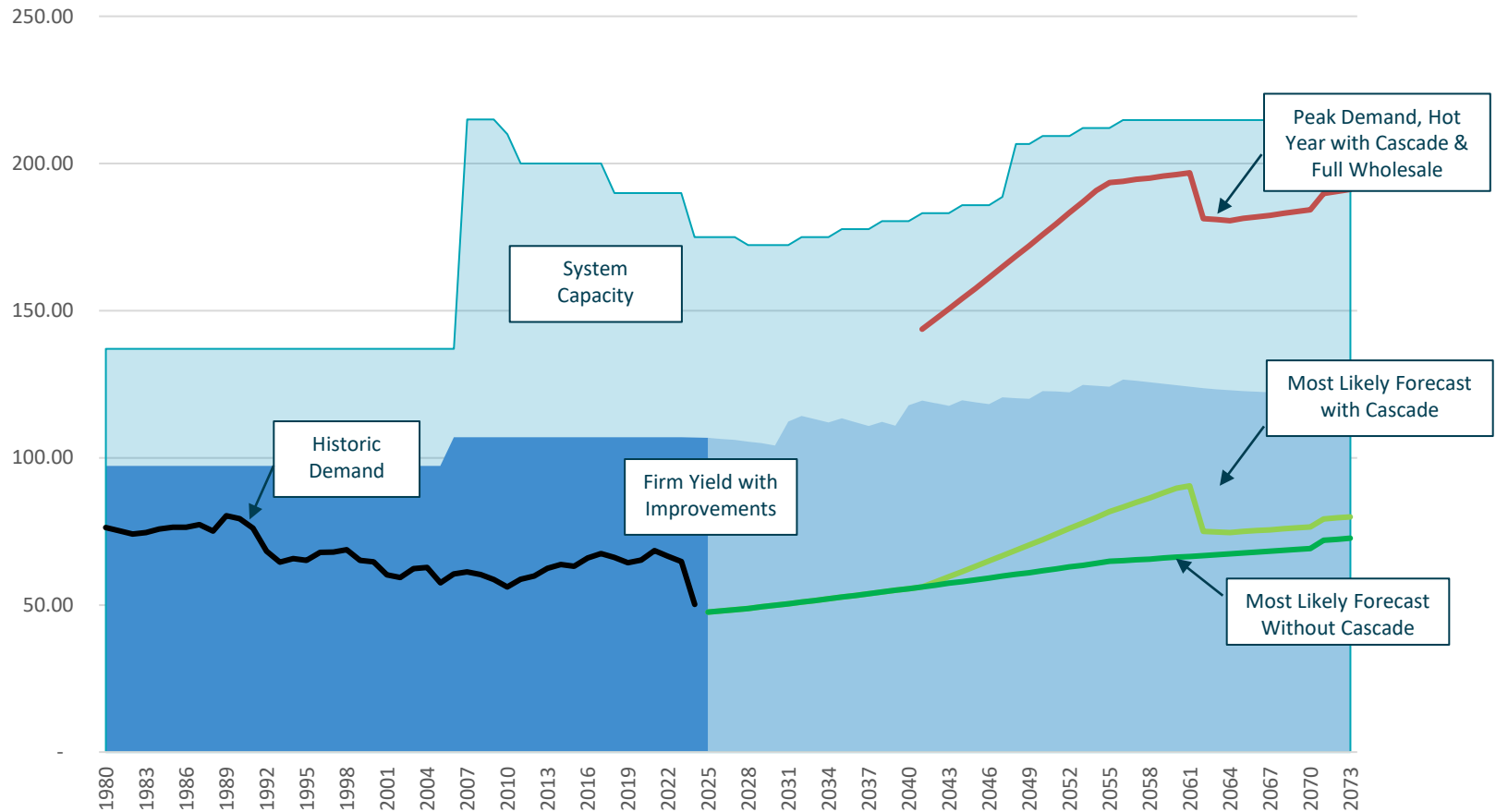


Estimated Revenue



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Demand and Yield



Assumes:

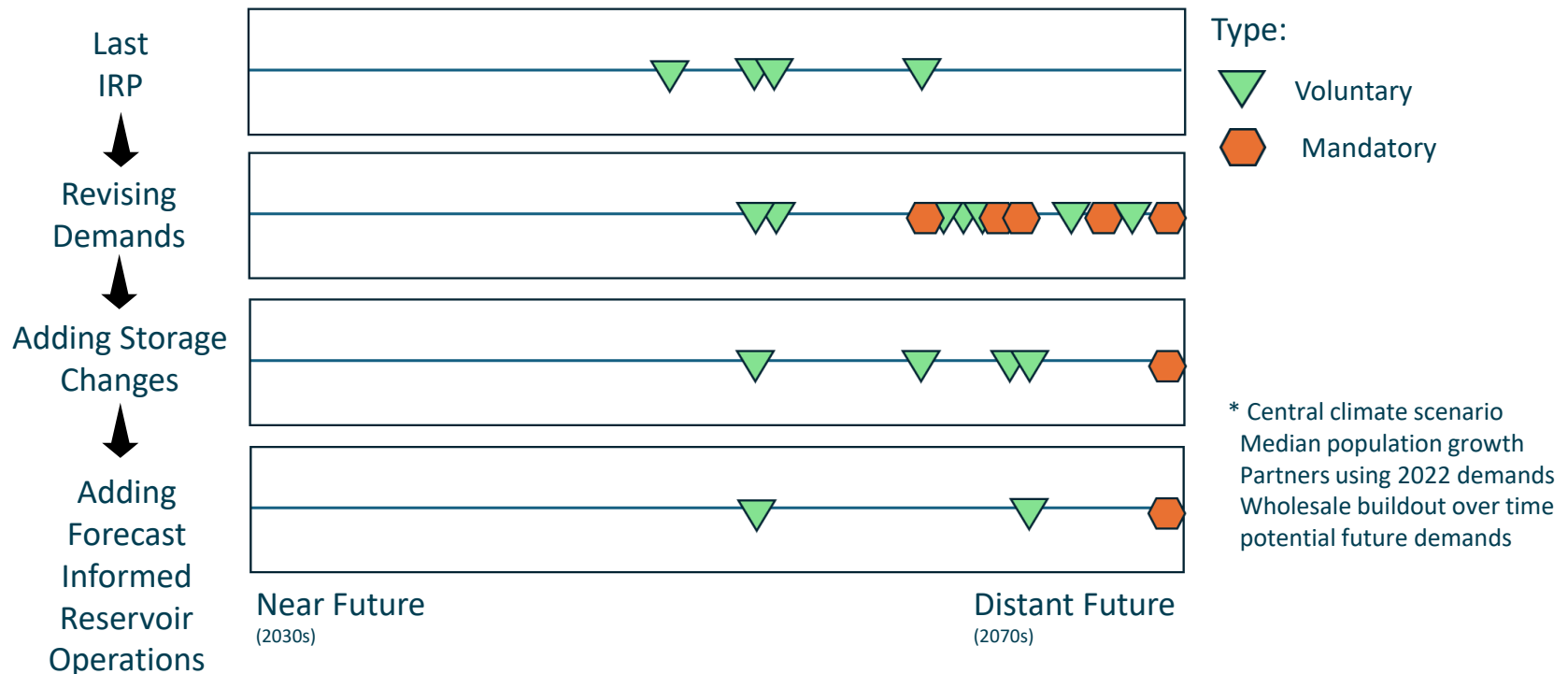
- Completion of Additional Water Storage Project
- Implementation of Forecast Informed Reservoir Operations
- Completion of Wells Master Plan

Resource Adequacy Standard (RAS)

- **Based on number of mandatory curtailments**

- Integrated Resource Plan-defined success: Mandatory demand management no more than 1 in 25 years (4% annual chance)

Current Draft RAS Example – Single Scenario*



Source Utilization & Operational Changes



	Current Water % by Source	2061 Water % by Source
Surface Water	95%	64%
Ground Water	5%	36%

- These agreements will change how we operate the system
- Cascade is responsible for constructing the transmission main, at their expense, to enable delivery to their customers
- Tacoma Water supply is comprised of a robust combination of groundwater and surface water sources and will continue to make investments to meet or exceed quality standards as always

Risk Mitigation



- Contract Includes:
 - 5-year check-ins to review supplies, demands, projects, update pricing model
 - Coordination on Water System Plans, Integrated Resource Plan, and other planning efforts
 - Gradual phase-in of water deliveries starting 2041
 - Cascade sharing in ALL Tacoma Water supply, treatment, storage, pumping and other cost
 - Tacoma will retain ownership, operational control and rate setting authority

Communication

- Briefed internal staff
- Met with Muckleshoot Indian Tribe last year and are planning additional outreach
- Webpage published →
- Full community engagement plan has been developed

4 Back Cascade Water Alliance

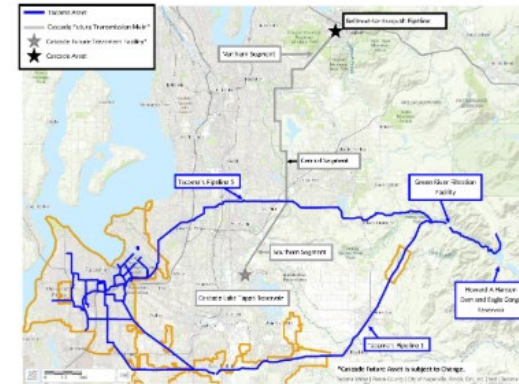
Proposed Tacoma Water partnership with the Cascade Water Alliance

The Agreement

Tacoma Water is negotiating a proposed wholesale water supply agreement with the Cascade Water Alliance (Cascade). Under this proposed agreement, Tacoma Water would deliver water to the edge of our service territory. Cascade would then deliver this water to their members.

If approved, Tacoma would start delivering water to Cascade in 2041. Delivery amounts and time frames are still being negotiated, but Cascade could start with a small portion of water in 2041 and steadily increase to 24 million gallons per day on average by 2060. After 2062, delivery to Cascade would be reduced to 12 million gallons per day (MGD) on an average day.

Currently, there is no infrastructure connecting the Tacoma and Cascade systems. Cascade would need to construct a water transmission main from Tacoma's pipeline 5 to Cascade's customers.



CASCADE WATER ALLIANCE AGREEMENT BENEFITS

This contract would benefit Tacoma Water customers in many ways:

GENERATE REVENUE AND STABILIZE RATES

Create a new, predictable, steady revenue stream for over 20 years.



Help to keep rates lower for residential, wholesale, and business customers over time.



Timeline



Meeting	Date
Board Study Session*	1/22/2025
Joint Study Session*	2/11/2025
Infrastructure Planning and Sustainability Session* (Council Subcommittee)	2/12/2025
Board Study Session*	2/12/2025
Government Planning & Finance Committee Session (Council Subcommittee)	2/18/2025
Board Meeting: (Board Approval)*	2/26/2025
City Council meeting (First Reading)	3/11/2025
City Council meeting for (Second Reading)	3/25/2025

*Meeting Has Been Scheduled.

Both Temporary and Permanent Agreements Must be Approved Together.

Appendix: Map of Future Infrastructure

