



TO: Elizabeth Pauli, City Manager
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COPY: Government Performance & Finance Committee; Jackie Flowers; Elizabeth Pauli, Andy Cherullo
PRESENTER: Marc Powell, Sean Senescall [Tacoma Water]
SUBJECT: Proposed Wholesale Water Supply Contracts with the Cascade Water Alliance
DATE: 2/18/25

PRESENTATION TYPE:
Informational Briefing

SUMMARY:

Tacoma Water wishes to brief the Committee on two water supply agreements Tacoma Water staff have been negotiating with the Cascade Water Alliance. Under the agreements, Tacoma Water would deliver 12 million-gallons-per-day [MGD] (average day) on a permanent basis and an additional 12 MGD (average day) temporarily from 2041 to 2062. Tacoma Water has included Cascade Water Alliance’s water need in recent climate and supply modeling and determined capacity exists to deliver water to Cascade while meeting existing obligations.

BACKGROUND:

Cascade Water Alliance currently gets their water (33 MGD) from Seattle Public Utilities, but this allocation starts to decrease in 2040 until reaching 5.3 MGD in 2064. The proposed agreements would replace this supply from Seattle Public Utilities with water from Tacoma Water. Cascade Water Alliance would have to build, own, and maintain a transmission main to deliver water from Tacoma Water to their customers. This project will generate significant revenue and position Tacoma Water to participate in major resiliency water projects over the next 100 years.

ISSUE:

Tacoma Water currently has a surplus water supply and has been looking for opportunities to sell it to regional wholesale water purveyors. Additionally, the recent closure of the pulp mill has returned 16 MGD of water capacity back to Tacoma Water that can now be used to serve Cascade Water Alliance.

ALTERNATIVES:

Alternate action is to not execute agreements with Cascade Water Alliance and forgo the opportunity to generate over \$1.5 billion in revenue to Tacoma Water over the next 50 years.



FISCAL IMPACT:

These agreements represent a significant revenue generating opportunity. Once executed, Tacoma Water can expect 6 new streams of revenue over various time frames beginning in 2026. Financial modeling through 2075 shows an estimated \$1.5 billion in revenue which translates to an estimated \$116 million to the City of Tacoma in gross earnings tax.

Revenue Stream	Agreement	Revenues	Fixed/ Variable	Start	End	City GET
System Development Charge	Permanent	\$50.8 M	Fixed	2026	2040	\$4.1 M
Capacity Reservation Fee	Temporary	\$2.9 M	Fixed	2026	2040	\$0.2 M
Ready to Serve	Permanent	\$93.3 M	Fixed	2026	Continuous	\$7.5 M
Volumetric	Permanent	\$863.6 M	Variable	2051	Continuous	\$69.1 M
Temporary Ready to Serve	Temporary	\$130.6 M	Fixed	2041	2061	\$10.4 M
Volumetric	Temporary	\$268.3 M	Variable	2041	2061	\$21.5 M
Existing Agreement	Temporary	\$47.6 M	Fixed	Ongoing	2040	\$3.8 M
		\$1,457.1 M				\$116.6M

RECOMMENDATION:

This is an informational briefing only. This item will be presented to the Joint Study Session scheduled for 2/11/25.