

**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Seattle Public Utilities	Sheila Strehle/4-5846	Karl Stickel/4-8085

**Legislation Title:**

AN ORDINANCE relating to Seattle Public Utilities; authorizing the Director of Seattle Public Utilities to execute a Second Amended and Restated Declining Block Water Supply Agreement between the City of Seattle and Cascade Water Alliance.

**Summary of the Legislation:**

This legislation would authorize the director of Seattle Public Utilities to execute a water supply contract amendment with the Cascade Water Alliance.

**Background:**

The Cascade Water Alliance (Cascade) is a joint municipal utility services authority made up of the following member utilities:

- City of Bellevue
- City of Kirkland
- City of Redmond
- City of Tukwila
- City of Issaquah
- Sammamish Plateau Water and Sewer District
- Skyway Water and Sewer District

Under the original block contract executed in 2003, Cascade contracted with Seattle for a block of “take or pay” water in the amount of 30 million gallons daily (MGD) average daily demand. This amount would be reduced by 5 MGD starting in 2024 then at five year intervals from 2024-2045. Cascade had acquired a water right for Lake Tapps in Pierce County and intended to build its own independent water supply system. In 2009, Cascade and Seattle signed an amendment adding a small (3 MGD 2009-17 and 5 MGD 2018-23) Supplemental Block of water to its existing base block to allow Cascade (at its request) to delay development of its Lake Tapps water right.

Cascade subsequently approached Seattle again, asking to increase its block supplies and extend the contract further so it could again delay development of Lake Tapps. Seattle, like other regional water suppliers, has a water supply surplus. Seattle analyzed its supply and determined it could provide additional block water which, along with Cascade members’ independent supplies, could meet Cascade’s projected demand through 2039 without impacting Seattle’s ability to meet the needs of its retail and other wholesale customers. Seattle also determined such a supply extension would allow it to continue to honor its Cedar River diversion threshold required by Seattle’s agreement with the Muckleshoot Indian Tribe. Further, the contract

amendment would provide an estimated \$148 million present value in increased revenues to the Seattle regional supply system over 51 years, to be shared between Seattle and its other full service and partial service wholesale customers by reducing rates lower than the rates would be without the amendment.

The \$148 million present value of the contract amendment is based on changes to annual water sales revenues between 2018 and 2063, as well as three transition payments to Seattle of \$5 million in 2013, \$12 million in 2018, and \$5 million in 2024. In addition to requesting authority to execute the amendment, Seattle is seeking approval in this legislation to defer the recognition of the revenue from these three transition payments until the payments are received rather than at contract execution, which is allowed under applicable accounting standards with legislative approval.

Please check one of the following:

**This legislation does not have any financial implications.**

**This legislation has financial implications.**

**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

<b>Fund Name and Number</b>	<b>Department</b>	<b>Revenue Source</b>	<b>2013 Revenue</b>	<b>2014 Revenue</b>
Water Fund 43000	Seattle Public Utilities	Wholesale Water Sales	\$5,000,000	\$0
<b>TOTAL</b>			\$5,000,000	\$0

Revenue/Reimbursement Notes:

The only change in revenue in 2013-2014 is the \$5 million transition payment in 2013. The likely use of this revenue is to place it in the Revenue Stabilization Account for use in future rate periods.

As mentioned above, there are two additional transition payments occurring later (\$12 million in 2018 and \$5 million in 2024), as well as changes to annual revenues beginning in 2018.

**Other Implications:**

**a) Does the legislation have indirect financial implications, or long-term implications?**

The legislation provides an estimated \$148 million in present value revenue to the Seattle regional water system, including changes to water sales volumes (2018 through 2063) and transition payments (2013, 2018, and 2024). These additional revenues can keep retail and wholesale rate increases lower than they would otherwise be without the amendment.

**b) What is the financial cost of not implementing the legislation?**

The City Seattle would not receive \$148 million present value payments from Cascade.

**c) Does this legislation affect any departments besides the originating department?**

No.

**d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?**

There are no alternatives to the legislation.

**e) Is a public hearing required for this legislation?**

No.

**f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

**g) Does this legislation affect a piece of property?**

No.

**h) Other Issues:**

Because this revenue is from a wholesale customer, it is not subject to the City's Utility Tax.

**List attachments to the fiscal note below:**

None.