





## **Purpose**



- Review of Water Service Policies
- Inform on Current State of Expanding Services

**New Requests** 

**Opportunities** 

Gather Support and Guidance

Market-Rate Water Strategy

Regional Approach

# Background



- Duty to Provide Service
- Activities Guided by Policy Documents
  - Tacoma Municipal Code
  - Customer Service Policies
  - One Tacoma Plan
  - Satellite System Management Program
  - Water Rate and Financial Policies

## Growth and Regional Collaboration

 Address Regional Water Management Challenges and Opportunities

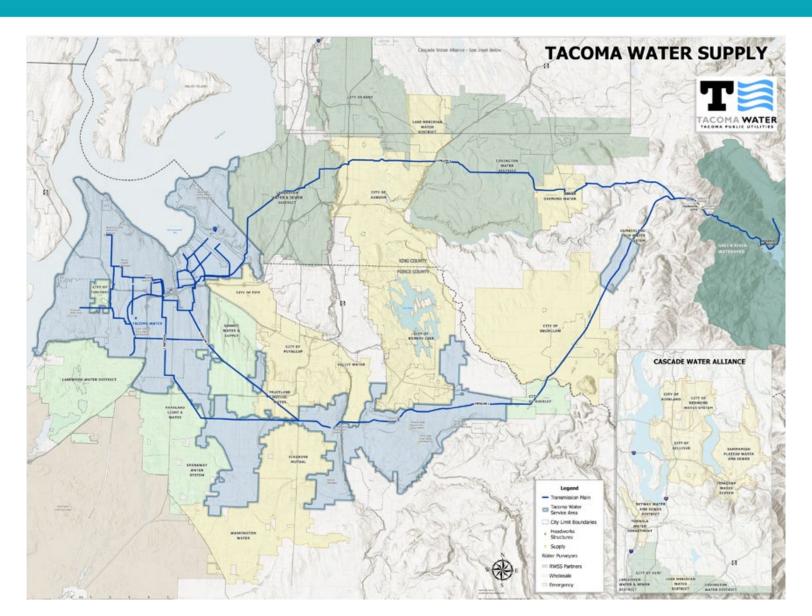
# Regional Challenges & Opportunities



- Growth/Development
- Emerging Contaminants
- Failing Infrastructure
- Increased Regulations
- Climate Change
- Resiliency/Emergency Planning
- Inflation
- Hard to Serve Parcels

# **Large Pierce County Water Purveyors**





## Types of Service



#### Wholesale

- Deliver water to another purveyor who distributes it to their customers
  - Contract & System Development Charge (SDC) required
  - Customer pays Ready-to-Serve and volumetric rates.
  - Tacoma Municipal Code 12.10.400.B

#### Emergency Wholesale

- Deliver water to another purveyor who distributes it to their customers in emergency situations
  - Contract required, no System Development Charge
  - Customer pays Ready-to-Serve and volumetric rates when active
  - Tacoma Municipal Code 12.10.400

#### Satellite Systems

- Operate another water system on behalf of a 3rd party
  - For example: Tacoma Power Campgrounds
  - Tacoma Municipal Code 12.10.180

#### ❖ Acquisition/Retail

- Customer in Tacoma Water service territory. Deliver water to the meter.
  - Customer pays Ready-to-Serve and volumetric rates
  - Tacoma Water may assign a monthly surcharge
  - Boundary adjustments required
  - Tacoma Municipal Code 12.10.400.H

#### Regional Water Supply System Partners

- Purveyor shares in actual costs of building, operating and maintaining certain shared assets.
  - City of Kent, Covington Water District, Lakehaven Water & Sewer District
  - Bill monthly based on actual costs of building, operating and maintaining shared assets.
  - Governed by Second Supply Agreement

# **Example of Acquisition: Curran Road**



- Acquired November 2017
- Initial System Upgrade Estimate: \$12 million
  - Curran Road customers to pay ACTUAL costs
  - Sales of land and other assets count against balance
- Upgrade Spending, \$5.3 million through May 2025
- Curran Road customers have paid \$2.6 million
  - Tracked in SAP
- Payoff Date, estimated 2046

## Wholesale: Current State



### 2019 Wholesale Rate Restructure

- Increased Fix Cost Recovery to 35% in 2021
- Charge Ready-to-Serve based on Peak SDC Allocation instead of meter size
- Stopped allowing wholesale customers to "turn off"

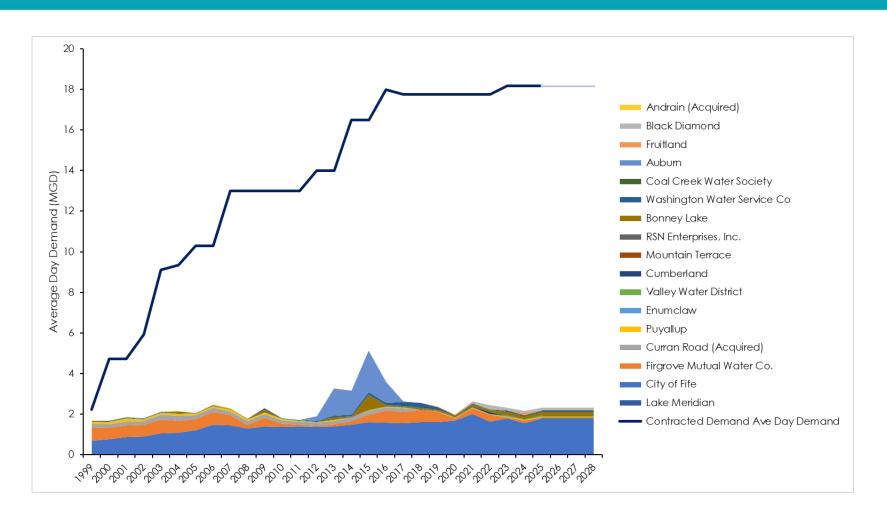
#### 16 Wholesale Customers

## Contracted Average Day Demand

- 42.24 MGD\* with Cascade
  - Earliest delivery to Cascade is ~2041
- 18.24 MGD without Cascade
- 2.16 MGD average use by wholesale class in 2024
- Approximately \$2.9 Million in Revenue

## **Contracted Demand Vs Sales**

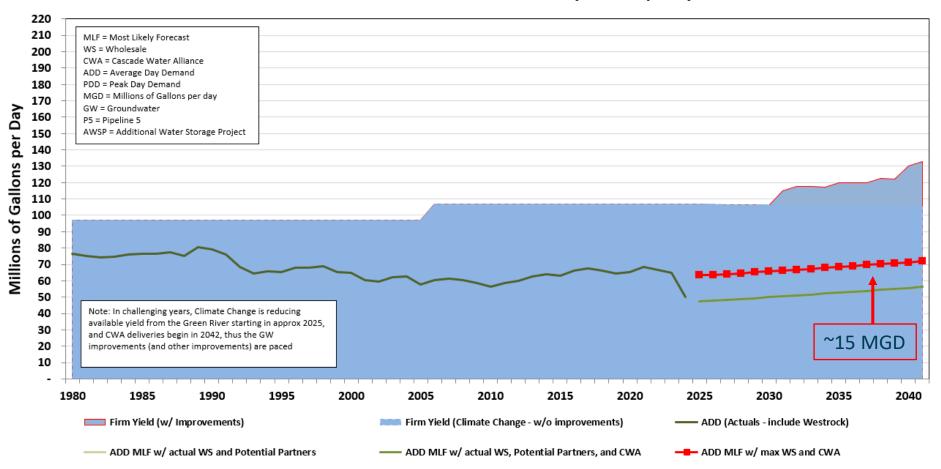




# **Wholesale Opportunity**



#### Annualized Demands vs Firm Yield and System Capacity



# 2023 Wholesale Survey



## **Survey Results**

- 6 out of 15 Responded
  - Auburn, Black Diamond, Bonney Lake and Firgrove included
- Asked what is keeping them from using more water from Tacoma
- 5 out of 6 stated they had an abundance of low-cost water from their own sources
- 3 indicated the cost of Tacoma's water was too high

### **Possible Future Actions**

- Reach out to customers with abundant water and discuss market-rate water
- Market-Rate water is water would sell below TMC rates but would be term-limited and be a take-or-pay agreement

## **Market Water Strategy**



## Opportunity to Sell Approximately 15 MGD through 2040

### Market Water features

- Pricing below TMC
- No SDC
- Take-or-Pay
- Term limited

### Proposed Changes

- Shorter terms
- Lower take-or-pay amounts

## **Market Water Comparison**



<b>Current Pricing</b>	Market Pricing	Variance

Wholesale Customer	Peak-Day Allotment		umption MGD)	Estimated Revenue		Wholesale Customer	Peak-Day Allotment	Cons	e or Pay umption MGD)	Revenue	Potential Annual Benefit
CITY A	5.12 MGD	0.0	00 MGD	\$186,040		CITY A	5.12 MGD	1.0	0 MGD	\$579,285	\$ 393,245
		202	25 Rates								
Monthly Re	ady to	\$	15,503			Take or Pay	Amount	1.0	) MGD		
Winter Rate \$/CCF		\$	1.598			Market Rat	e \$/CCF	\$	1.25		
Summer Ra	te \$/CCF	\$	1.998								

### Benefits

- Additional Revenue
- Reduce Rate Pressure
- Improve Purveyor Relationships
- Optimize Tacoma Assets

# **Next Steps**



- Survey Wholesale Customers
- Update Board with Results
- Bring New Agreements through PUB and City Council for Approval