

# Amended Wholesale Full and Partial Water Supply Contracts

**Seattle City Council  
Parks, Public Utilities & Technology  
Committee**

*August 13<sup>th</sup>, 2025*

# Agenda and Purpose

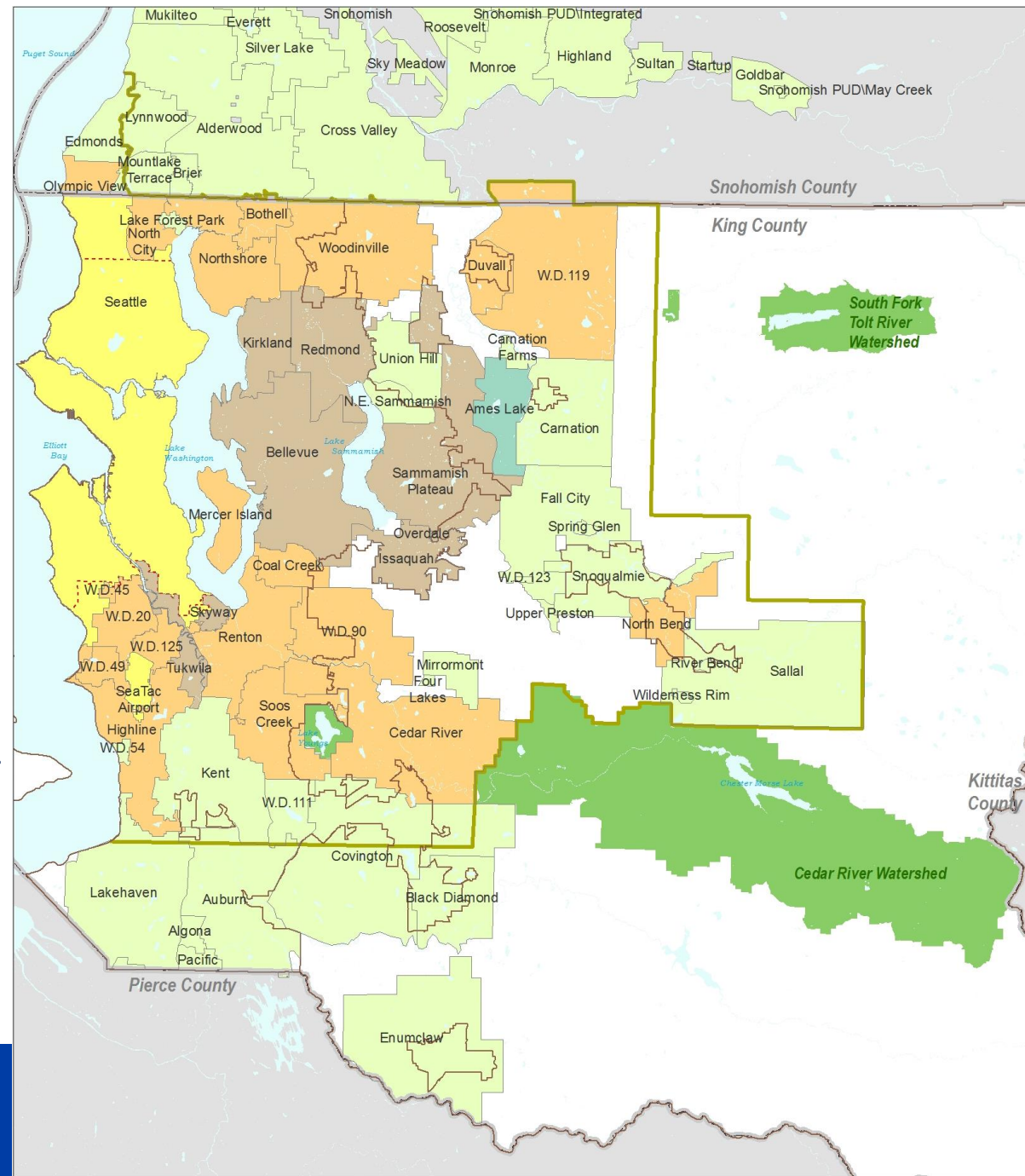
- Overview of SPU wholesale water supply contracts
- Background on Full and Partial water supply contracts
- Details on major changes to contract
- Next steps





# SPU Wholesale Customers and Water Supply Contracts

- 700,000 people served by SPU wholesale customers
- Wholesale customers buy about half of Seattle's supply
  - 16 Cities and Districts – Full or Partial (F&P) water needs met by SPU
  - Northshore Utility District – fixed block of water
  - Cascade Water Alliance (7 members) – fixed block of water that declines in the future
  - North Bend – mitigation water offsetting impacts on Snoqualmie River
  - Edmonds, Lake Forest Park – emergency supply only



# Wholesale Water Supply Contacts - Background

- Full and Partial contracts (signed 2002–2011) include a provision allowing for an every 20-year re-opener
- First reopener began in 2020
- 2020-2025 – Multiple meetings, workshops and negotiation sessions with all 16 Full and Partial contract holders
- 2<sup>nd</sup> quarter 2025 – Concluded negotiation sessions
- End of 2025/early 2026 – Goal is to have all 16 contracts signed or amended through the contract provision which allows for Seattle to make limited amendments without mutual agreement



# Intent of Contract Amendment

- Administrative and organizational
  - Update out-of-date or unclear provisions
  - Establish language and application consistency
  - Reorganize sections so similar items are together
- Update major substantive provisions
  - Future contract extensions
  - Stranded cost protections and potential future billing credits
- Update financial provisions to meet current conditions



# Highlights to Contract Amendment

## Contract Term and Stranded Cost

- Contract Term
  - Automatic 10-year extensions with SPU supply commitment:
    - Allowing customers to plan long-term
    - Securing Seattle's planning process
    - Providing continually long-term contracts beneficial for bond ratings
- Purchase Commitment
  - Main goal - stranded cost protection for both wholesale customers and Seattle
  - Stranded cost to be paid for any reduction over 5%
  - Billing Credits for timely independent supplies if growth or climate change diminish the system's surplus



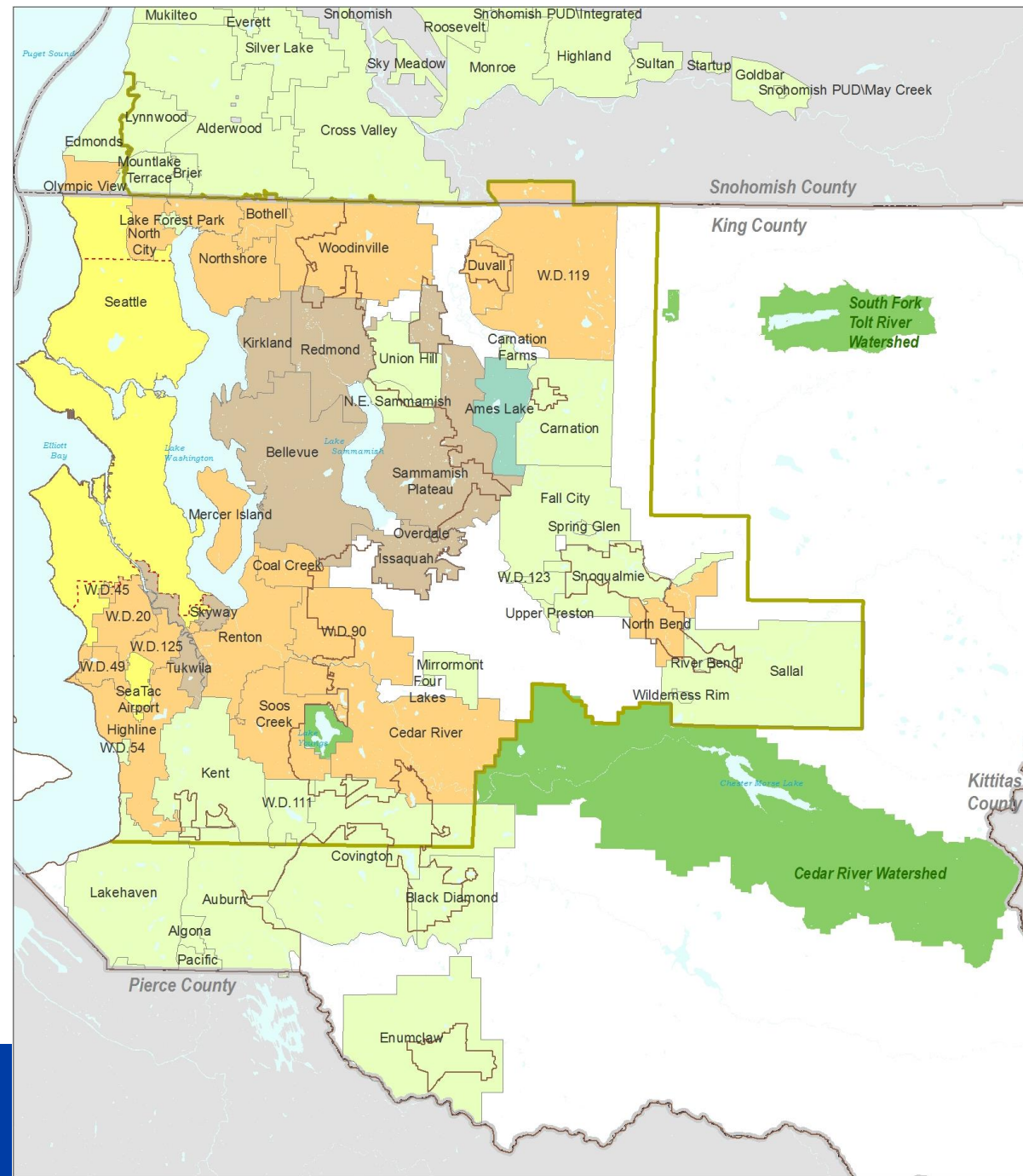
# Contract Amendment - Financial

- Increased flexibility for cost allocation is expected to result in a more complete cost recovery
- Changes to how overpayments (which occur when wholesale rate payments are more than actual costs in a given time period) are returned
  - Contracts will now have the option for direct payment annually rather than applying overpayments to rates in future years, reducing interest paid by Seattle
- Return of \$27M in cumulative overpayments since 2018 via direct payment to occur after contract signing - legislation includes:
  - Budget authority for these payments
  - Authority for matching withdrawal from Water Fund Revenue Stabilization Fund



# Next Steps

- September 10 – Consideration and possible vote
- September 16 – Full Council consideration
- December 31, 2025 – Goal for all contracts to be signed or amended





# Questions?

