



## ORDINANCE NO. 28305

1 AN ORDINANCE relating to the Department of Public Utilities, Water Division  
2 (dba "Tacoma Water") amending Section 12.10.400 of the Tacoma  
Municipal Code to revise water regulations and rates.

3 WHEREAS Resolution No. 36675, adopted October 18, 2005, authorized  
4 the Department of Public Utilities, Water Division (dba "Tacoma Water") to enter  
5 into a water supply contract with Simpson Tacoma Kraft Company ("Simpson") to  
6 serve the Tacoma pulp and paper mill, commencing January 1, 2006, and ending  
7 on July 31, 2015, which agreement included an option for two, five-year extensions  
8 upon mutual agreement of the parties ("Agreement"), and

9  
10 WHEREAS RockTenn, CP LLC ("RockTenn"), a wholly-owned subsidiary of  
11 Rock-Tenn Company, acquired substantially all of Simpson's assets through a  
12 2014 purchase agreement, and the Public Utility Board, through Resolution  
13 No. U-10686, consented to the assignment of the Agreement from Simpson to  
14 RockTenn, and

15  
16 WHEREAS two significant changes have occurred during the period that the  
17 parties were engaged in discussions regarding a renegotiated water supply  
18 agreement: (1) the Simpson Tacoma Kraft mill was purchased by RockTenn in  
19 May 2014; and (2) a merger between RockTenn and MeadWestvaco was  
20 announced in January 2015 and is currently pending, and

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22 WHEREAS, in May 2014, the U.S. Environmental Protection Agency  
23 announced regulatory standards affecting cooling water intakes, which could  
24 significantly affect the mill's two existing saltwater intakes in Commencement Bay,  
25 and  
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1 WHEREAS RockTenn requires time to comprehensively evaluate its water  
2 supply needs in the context of recent ownership transitions and pending federal  
3 regulations, and

4 WHEREAS, pursuant to Section 9 of the Agreement, the City Council  
5 delegated authority to the Public Utility Board to approve Tacoma Water and  
6 RockTenn's request that the Agreement be extended for an additional five-year  
7 period, from July 31, 2015, through July 31, 2020, to enable the parties to  
8 collaboratively develop solutions to the mill's future water supply needs in a  
9 manner that accounts for joint environmental and financial sustainability objectives,  
10 and work in good faith toward a renegotiated agreement, and

11 WHEREAS RockTenn pulp and paper mill is the largest customer of Tacoma  
12 Water, paying \$5.8 million for 16.6 million gallons per day of water in 2014, which  
13 represents 8.3 percent of Tacoma Water's service revenues and nearly 33 percent  
14 of all water deliveries by volume, and

15 WHEREAS, in accordance with the terms and conditions of the Agreement, it  
16 is necessary to amend Section 12.10.400 of the Tacoma Municipal Code to revise  
17 regulation language, extend existing water rates through December 31, 2015, and  
18 provide for an increase of 4 percent for said rates beginning January 1, 2016, and

19 WHEREAS the extended Agreement will benefit Tacoma Water by allowing it  
20 to reliably project the stream of revenue derived from the Agreement, and

21 WHEREAS the Public Utility Board considered and approved the extension  
22 of the Agreement and proposed rate adjustments at its meeting of June 17, 2015;

23 Now, Therefore,  
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BE IT ORDAINED BY THE CITY OF TACOMA:

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That Section 12.10.400 of the Tacoma Municipal Code is hereby amended as set forth in the attached Exhibit "A" and as required to implement the extension of the Agreement.

Passed \_\_\_\_\_

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

Approved as to form:

\_\_\_\_\_  
Chief Deputy City Attorney

Requested by Public Utility Board  
Resolution No. U-10784



EXHIBIT "A"

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**12.10.400 Rates – Inside and outside City limits.**

\* \* \*

I. ~~Simpson Tacoma Kraft Company~~RockTenn Contract. The rates, terms, and conditions in the contract between the City and ~~Simpson Tacoma Kraft Company~~RockTenn CP, LLC ("RockTenn"); ~~formally assigned to RockTenn CP, LLC ("RockTenn") on May 16, 2014~~, are applicable, except as modified by this section. ~~The current assigned contract with RockTenn expires on July 31, 2015, and in the absence of a revised or extended contract after this date, the rate applicable to RockTenn will be the Commercial and Industrial – Large Volume rate schedule as described herein.~~

For a nominated contract demand, the water rate will be based on a monthly distribution charge and the daily supply charge. If the monthly water use exceeds 103% of the contract demand or the daily water use exceeds 109% of the contract demand, an excess water usage charge will be applied. The excess water usage charge will be either the daily excess water use charge or the monthly excess water use charge, whichever is greater.

- 1. Water use within the range of contract demand plus 3 percent: The charge will consist of a monthly distribution charge and daily supply charge per ccf metered as stated below.
- 2. Daily water use greater than one hundred and nine percent (109%) of the contract demand: The charge will consist of a monthly distribution charge, daily supply charge, plus a Daily Excess Water Usage Charge (based upon the commercial and industrial-large volume rate) for water metered daily in excess of the contract demand plus 9 percent as stated below.
- 3. Monthly water use greater than one hundred and three percent (103%) of the contract demand: The charge will consist of a monthly distribution charge, daily supply charge, plus a Monthly Excess Water Usage Charge (based on the commercial and industrial-large volume rate) for water metered during a month in excess of the contract demand plus 3 percent, as stated in the following table.

Billing Components	Commencing	
	<del>4/1/15-7/31/15</del>	<u>1/1/16</u>
Distribution Charge per Month	\$71,377.26	<u>\$74,232.35</u>
Supply Charge/CCF	\$0.6609151	<u>\$0.6873517</u>
Daily or Monthly Excess Water Usage Charge (Commercial and Industrial - Large Volume Rate) per CCF	\$1.510	<u>\$1.557</u>

4. The Superintendent is hereby authorized to execute a contract with RockTenn to provide additional terms and conditions of service and other provisions consistent with this ordinance.

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