



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Scott Dewhirst, Water Superintendent
MEETING DATE: September 28, 2022
DATE: August 21, 2022

STRATEGIC DIRECTIVE ALIGNMENT (select as many that apply):

Please indicate which of the Public Utility Board's Strategic Directives is supported by this action.

- | | |
|--|---|
| <input type="checkbox"/> SD1 – Equity & Inclusion | <input type="checkbox"/> SD8 – Telecom |
| <input checked="" type="checkbox"/> SD2 – Financial Sustainability | <input type="checkbox"/> SD9 – Economic Development |
| <input checked="" type="checkbox"/> SD3 – Rates | <input type="checkbox"/> SD10 – Government Relations |
| <input type="checkbox"/> SD4 – Stakeholder Engagement | <input type="checkbox"/> SD11 – Decarbonization/Electric Vehicles |
| <input type="checkbox"/> SD5 – Environmental Leadership | <input type="checkbox"/> SD12 – Employee Relations |
| <input type="checkbox"/> SD6 – Innovation | <input type="checkbox"/> SD13 – Customer Service |
| <input type="checkbox"/> SD7 – Reliability & Resiliency | <input type="checkbox"/> SD14 – Resource Planning |

SUMMARY: Approve a proposed Water Supply Agreement with WestRock that will be the basis of WestRock's contract water rates from January 1, 2023 through July 31, 2025. The proposed Water Supply Agreement has the same terms and conditions as a previous agreement approved by the Board and the City Council in July 2020.

BACKGROUND: On January 1, 2006, Simpson Tacoma Kraft Company, LLC, a limited liability company organized under the laws of the state of Washington ("STKC") and Tacoma entered into a Water Supply Agreement, wherein Tacoma agreed to sell and STKC agreed to purchase a water supply from Tacoma for certain STKC industrial operations. The 2006 Agreement was amended on July 22, 2015, and July 30, 2020 (the "2006 Amended Agreement"). WestRock is STKC's successor in interest in and under the 2006 Amended Agreement and has guaranteed the payment obligations under the 2006 Amended Agreement. In July of 2020, the final five-year optional extension period was amended to a one-year extension with up to four additional one-year extensions through Public Utility Board (Resolution No. U- 11176) and the Tacoma City Council (Ordinance No. 28683) with the one-year extension running through July 31, 2021, and with options to extend for up to four additional one-year periods going out to a maximum duration of July 31, 2025.

The expectation was that WestRock and Tacoma would extend the 2006 Amended Agreement for each of the four additional one-year extensions upon mutual agreement of the Parties. WestRock has continued its use of water as provided for in the 2006 Amended Agreement and has paid the bills it has received from Tacoma which has billed WestRock at the rate set forth in TMC 12.10.400(E) for the Pulp Mill Contract. Through an administrative oversight the extension of the 2006 Amended Agreement was not completed by August 1, 2021, and, therefore, the proposal is to confirm and reestablish the terms and conditions of the 2006 Amended Agreement in the proposed 2022 Water Supply Agreement, and to have the proposed Agreement in place before the City's 2023-2024 biannual budget and rates are adopted. The 2006 Amended Agreement can be found as Attachment A to the proposed 2022 Water Supply Agreement.



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The term of the proposed 2022 Water Supply Agreement would be from the Effective Date to July 31, 2023, with an option for two one-year extensions which would allow the proposed Agreement to go to a potential ending date of July 31, 2025, which is the same potential ending date as was in the 2006 Amended Agreement.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW IT IS TO BE COVERED. NA

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? No

ATTACHMENTS: Proposed Agreement, Resolution U-11176, and Ordinance No. 28683

CONTACT:

Primary Contact: Scott Dewhirst, Water Superintendent, 253-502-8246

Supervisor's Name: Jackie Flowers

Presenter (if different from primary contact):

Additional staff requiring a Zoom presentation link: