



## Board Action Memorandum

**TO:** Jackie Flowers, Director of Utilities  
**COPY:** Charleen Jacobs, Director and Board Offices  
**FROM:** Scott Dewhirst, Tacoma Water Superintendent  
**MEETING DATE:** October 25, 2023  
**DATE:** October 17, 2023

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### **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:**

Tacoma Water requests approval by the Public Utility Board (PUB) to amend and revise sections of Chapter 10 (Water Regulations and Rates) in Title 12 (Utilities) of the Tacoma Municipal Code (TMC) sections 12.10.301 and 12.10.400.

The requested changes will implement gradual water rate adjustments to make up for the loss of revenue and cash reserves resulting from the WestRock closure effective January 1, 2024.

### **BACKGROUND:**

On August 1, 2023, WestRock announced it will permanently cease operating its paper mill effective September 30, 2023. The mill produced kraft and white top liner and bleached pulp. WestRock has operated in Tacoma for more than 90 years, and most recently employed around 400 people.

WestRock was Tacoma Water's largest customer and their operations provided a significant source of income. In 2022, WestRock paid approximately \$7.5 million for water, or about 7.3 percent of our sales revenue. The pipes and water system used to provide that amount of water are a part of our overall system. The whole system needs to be maintained in order to continue providing the same supply of clean and reliable drinking water. WestRock consumed about 1/3 of total water use in 2022, or about the same amount used by 100,000 homes in Tacoma. As a municipal utility that is owned by the City of Tacoma, we charge only what is needed to cover our costs. While Tacoma Water is using cash reserves to mitigate the loss of revenue in the near term, we must make up for this on-going loss of income to maintain our system and service.



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Tacoma Water is proposing an annual system average rate adjustment of 5.0% effective January 1, 2024 in order to make up for part of the cash reserves and revenue loss from the WestRock closure. The rate adjustments will be implemented across all rate classes and distributed to fixed and variable rate elements where applicable or consistent with policy and contractual provisions. This rate increase is in addition to the planned rate increase for 2024 that was approved by the PUB and City Council in 2022. An updated revenue requirement, long-range financial plan, and Cost of Service Analysis will be used to develop the rate proposal for 2025-2026 and will include adjustments to mitigate any remaining revenue losses from the closure of WestRock.

This proposal also includes an increase to the amount available through our Bill Credit Assistance Program for income-eligible households to mitigate the impacts of the proposed rate increase for our most vulnerable customers. The proposed rate increase will result in about a \$2.28 increase to the average monthly bill for a residential customer inside the City of Tacoma, Tacoma Water will also increase the Bill Credit Assistance Program credit available by \$3.00 per month to offset the impact of the rate increase.

Tacoma Water and the TPU Public Affairs and Communication team conducted extensive outreach and engagement with customers and stakeholders including with the Puyallup Tribe, neighborhood councils, franchise cities, large commercial customers, and various community groups. Communication has also been distributed through the press, newsletters, bill inserts, website, and social media.

Tacoma Water has presented the impacts of the WestRock closure to the Board at several Study Sessions and Board meetings, as well as to the Government Performance Finance Committee since the announcement on August 1, 2023. Adoption of the rate proposal by the PUB is scheduled for November 15, 2023. The first reading by the City Council is scheduled for November 21, 2023.

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? N/A**

**IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED. N/A**

**IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? N/A**

### **ATTACHMENTS:**

- Request for Resolution
- Council Action Memorandum
- Proposed Rate Ordinance Redlined
- Proposed Rate Ordinance Clean

### **CONTACT:**

- Primary Contact: Jodi Collins, Financial Stewardship Manager
- Supervisor: Sean Senescall, Business Services Manager
- Presenter: Scott Dewhirst, Tacoma Water Superintendent