



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Scott Dewhirst, Water Superintendent
MEETING DATE: June 24, 2020
DATE: June 15, 2020

SUMMARY: Resolution U-11176 requests that the Board authorize the amendment and extension of the existing Water Supply Agreement with WestRock for one year and allow four additional annual 1-year extensions by mutual agreement of the City and WestRock. The resolution also requests that the Board seek concurrence of the City Council in the Board's decision if the Board approves the amendment and extension.

BACKGROUND: The City of Tacoma, Department of Public Utilities, Water Division (d.b.a. Tacoma Water) entered into a 10-year Water Supply Agreement (Agreement) with the Simpson Tacoma Kraft Company commencing on January 1, 2006, and ending on July 31, 2015, which includes two optional 5-year extensions subject to mutual agreement of the parties. (Public Utility Board Resolution No. U-10006).

RockTenn, CP LLC, a wholly owned subsidiary of WestRock Company acquired substantially all of Simpson's Tacoma assets in 2014, and the Public Utility Board through Resolution U-10686 consented the assignment of the Contract from Simpson to RockTenn. The City and RockTenn agreed to extend the initial 10-year term with the first of the 5-year extensions commencing August 1, 2015 through July 31, 2020 (Public Utility Board Resolution No. U-10784).

RockTenn, now doing business as WestRock, does not require treated, potable water for process use and is seeking alternative water source(s) to reduce operating expenses to remain cost-competitive. A Memorandum of Agreement (MOA) between the City's Environmental Services Division, Tacoma Public Utilities Water Division, and WestRock exhibits the commitment of all parties to conduct a Preliminary Evaluation to study the potential of reclaimed water as an alternate source of supply. The MOA that is expected to be signed by all parties in conjunction with an extension of the Water Supply Agreement is attached for reference.

WestRock is unwilling to agree to the second 5-year extension afforded by the original Agreement due to business challenges and the economic uncertainty of the COVID-19 pandemic amongst other factors. Extending this Agreement for the first year of the potential five 1-year extensions, affords WestRock the ability to align with the Tacoma Power Supply Agreement expiration in 2021, to have preliminary results of the reclaimed water supply study, and to evaluate other alternative supply options and/or alternative rate structures.

Resolution U-11176 would authorize the Director of Public Utilities to sign the attached amendment to the original Water Supply Agreement which authorizes the first one year extension and up to four more 1-year extensions with the current mill operator, WestRock while water supply alternatives and rate structures are evaluated. If the City and WestRock want to exercise the additional one year extensions, those extensions will be brought to the Board for review and approval. Because all matters relating to rates are initiated by the Board, subject to approval of the City Council, if the Board adopts the resolution, the Board would also be requesting that the City Council concur in the Board's approval of the amendment and extension.



Board Action Memorandum

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Not Applicable

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

Not Applicable

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

ATTACHMENTS: Public Utility Board Resolution No. U-10006 with the original water supply agreement, Public Utility Board Resolution No. U-10784 with Signed Extension/Amendment No. 1 with WestRock Guaranty, Proposed Memorandum of Agreement between Tacoma Environmental Services, Tacoma Water, and WestRock, Proposed Contract Amendment under consideration,.

CONTACT: Scott Dewhirst, Tacoma Water Superintendent, 253.278.0527