

Authorization for Parcel 15 - Portac Settlement



Parcel 15 - Portac Settlement Authorization

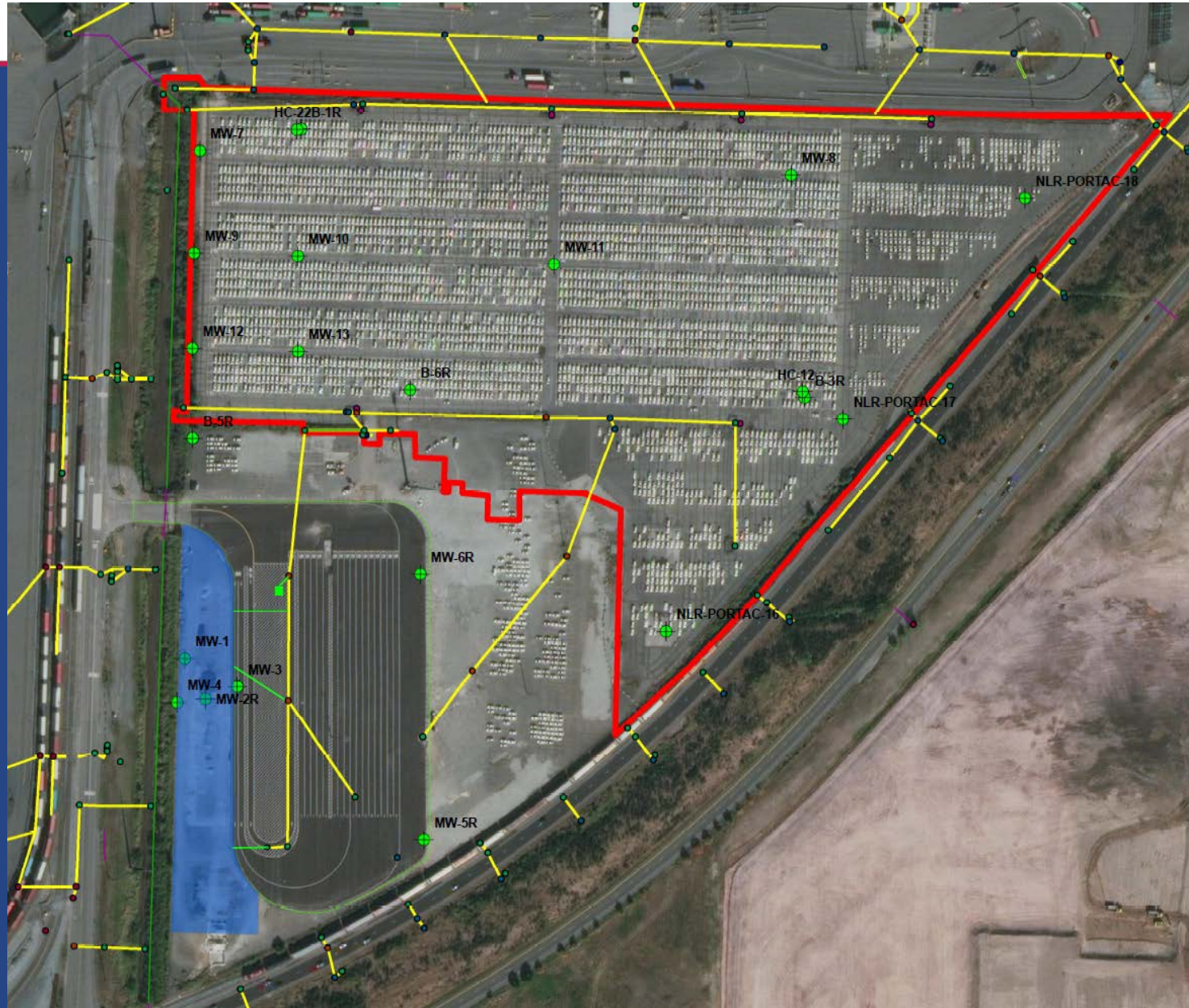


Request authorization for the CEO or his delegate to execute a settlement agreement with Portac, whereby Portac pays the Port of Tacoma a lump sum of \$8,600,000 and the Port agrees to undertake all responsibility for future environmental investigation, cleanup, and remedial action at Port property Parcel 15, Master Identification No. 099597.

Site Location



Current Conditions



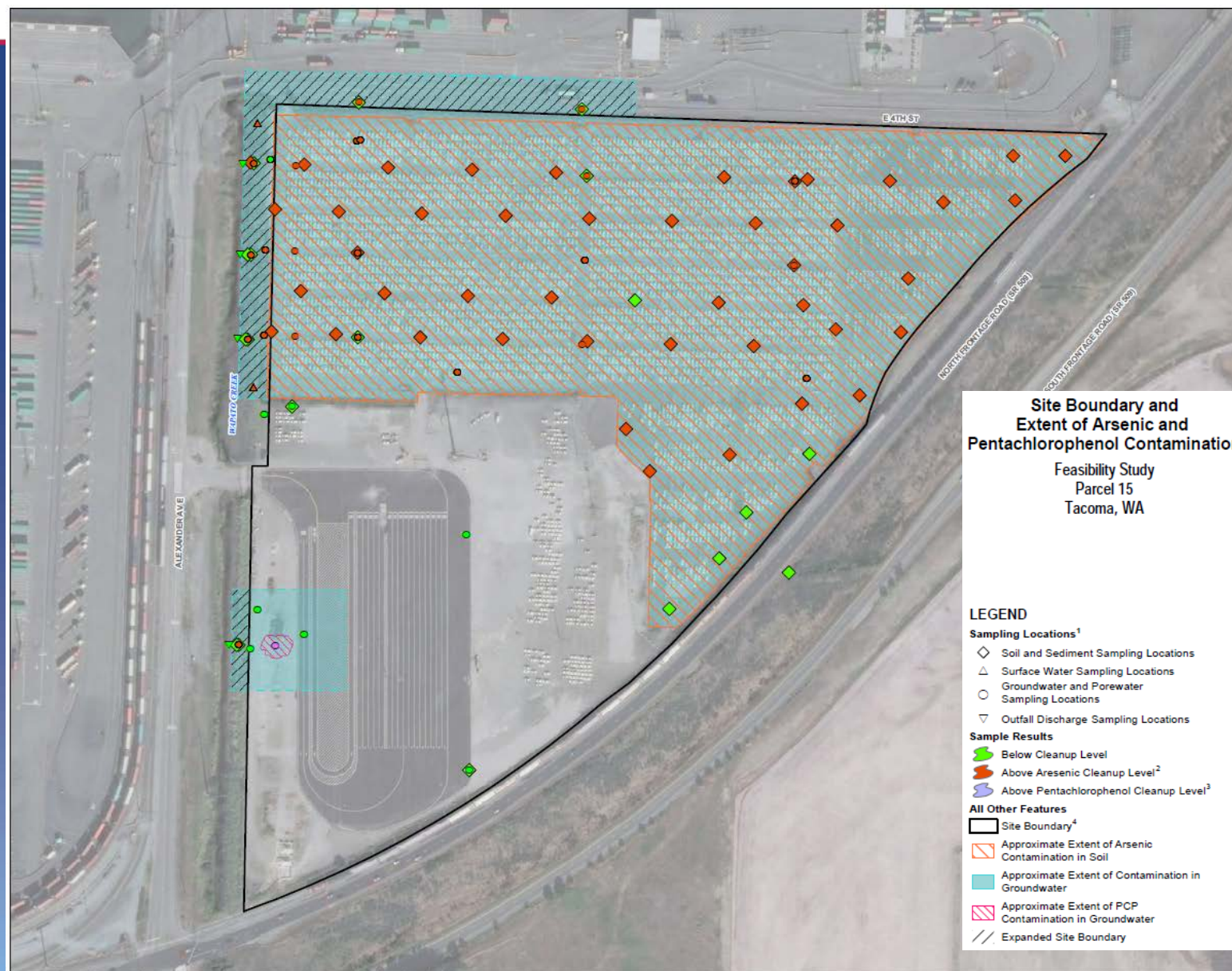
- Parcel 15 is approximately 52 acres
- Former Logyard (~30 acres) is used for auto storage.
- Former Sawmill (~22 acres) is used for a truck queue and container storage.

Background



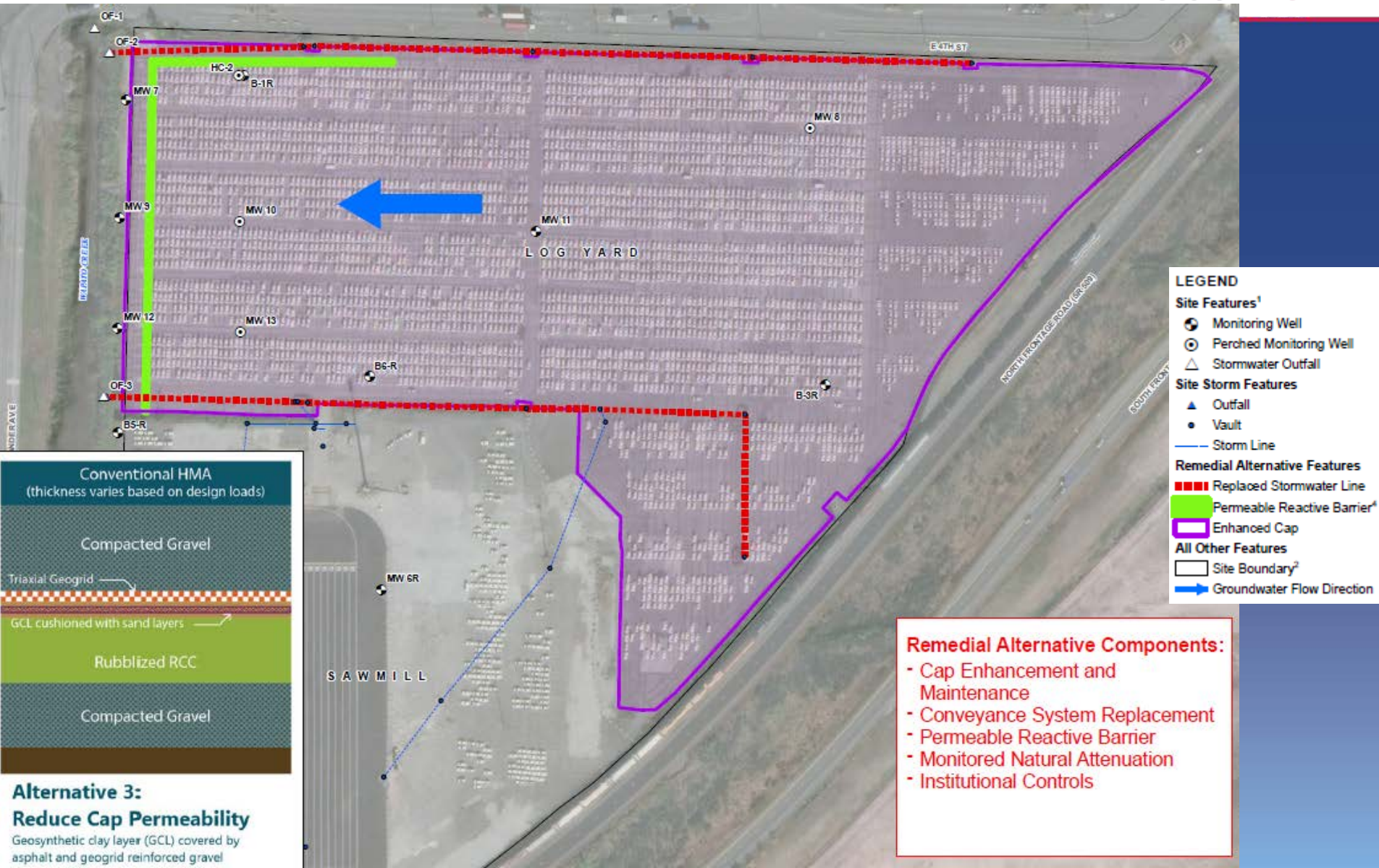
- The property was leased by Portac (a subsidiary of Mitsui) and Operated as a log yard and sawmill from 1974 to 2009.
- The former Log Yard area has an environmental cap covering metals-containing slag present in soil. The rest of the site includes the former sawmill area (Sawmill).
- In March 2016, the Port and Portac jointly entered into an Agreed Order with Ecology to complete an RI/FS. The Port and Portac have completed the requirements of the Agreed Order. Ecology has approved the Feasibility Study which identifies the preferred remedy.

Remedial Investigation Extent of Contamination



Feasibility Study

Log Yard Preferred Remedy



Remedial Action Cost Estimates



- Sawmill Preferred Remedy
 - Enhanced Bioremediation and Monitored Natural Attenuation (Yr1-10) - \$449,000 – 2017 NPV Estimate
- Log Yard Preferred Remedy
 - Immediate Cap and Stormwater Repairs (Yr1-4), Low Permeability Cap (Yr5), Stormwater System Replacement (Yr5), PRB Contingency (Yr10), Long term groundwater and surface water monitoring supporting Monitored Natural Attenuation (Yr1-100) -\$10,154,000 – 2017 NPV Estimate
- Portac's estimated share of the combined area remedies is \$5,526,000

Details of Settlement Agreement



Basic terms of the Agreement include:

- Portac pays lump sum of **\$8,600,000 (US dollars)** within thirty (30) days of execution of Settlement Agreement.
- Port agrees to undertake all responsibility for any further environmental investigation, cleanup, and remedial action at the Site.
- Port agrees to indemnify Portac for any Environmental Claim relating to Environmental Contamination at the Site.
- Upon execution of the settlement agreement and payment to the Port, the Port shall waive any objections to Portac's corporate dissolution

Source of Funds



- The 2018-2022 Capital Investment Plan (CIP) allocates \$13,037,000 for this project, which includes future cleanup costs and long-term monitoring.
- This \$8.6M settlement will be recorded as an environmental liability and will offset future cleanup and monitoring costs.
- The lump sum payment and project expense has been recognized in prior year financial results and no additional environmental expense will be recognized on the Port's income statement.
- Additional costs will be recognized in the future if the cost of the clean-up exceeds the current estimate.

Anticipated Next Steps



Following Execution of the Portac Settlement Agreement the following next steps are anticipated:

- Amend the Ecology Agreed Order to remove Portac as a signatory, and add the Draft Cleanup Action Plan as the next deliverable
- Following discussions with Ecology develop a scope of work and cost estimate for activities through the Draft Cleanup Action Plan
- Request Commission for additional funds for Project Authorization

Conclusion

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Request authorization for the CEO or his delegate to execute a settlement agreement with Portac, whereby Portac pays the Port of Tacoma a lump sum of \$8,600,000 and the Port agrees to undertake all responsibility for future environmental investigation, cleanup, and remedial action Port property Parcel 15, Master Identification No. 099597.