


MEMORANDUM

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TO: The Honorable Mayor & City Council

FROM: Lacey G. Simpson, Assistant City Manager Initials: 

DATE: March 29, 2023 File #: MGR23-170

RE: **Exempting the Procurement of SCADA Network Security Services from the Competitive Bidding/Written Quotation Requirements of the Ketchikan Municipal Code – Darktrace Limited**

The motion detailed below was prepared at the request of Acting Electric Division Manager Jeremy Bynum, who asked that it be placed before the City Council for consideration at its meeting of April 6, 2023. If adopted, the motion provides for exempting the procurement of SCADA network annual security services from the competitive bidding/written quotation requirements of the Ketchikan Municipal Code and authorizing the acquisition of such services from Darktrace Limited at a cost not to exceed \$15,460.

Subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code provides for exempting the purchase of such SCADA network annual security services from competitive bidding/quotation when:

“Supplies, materials, equipment or contractual services which should be purchased from a specific source in order to prevent incompatibility with previously purchased supplies, materials, equipment or contractual services. For the purpose of this paragraph, the term ‘incompatibility’ is defined as:

- (A) The inability to interconnect, combine, interchange, or join; or
- (B) That which causes substantial duplication in maintenance, expertise or training or in the stocking of parts, materials, supplies or replacements. Any purchase which is to be excluded from competitive bidding by authority of this subparagraph which exceeds \$10,000, must first be approved by the council.”

The rationale for the exemption is detailed in Mr. Bynum’s transmittal memorandum and requires no elaboration on the part of this office. I concur with the Acting Electric Division Manager’s recommendation.

Mr. Bynum will be attending the City Council meeting of April 6, 2023, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

Recommended Motion: Pursuant to subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code, I move the City Council exempt the procurement of SCADA network security services for the Electric Division from the competitive bidding and written quotation requirements of the Ketchikan Municipal Code; authorize the General Manager to enter into an agreement for the acquisition of such SCADA network annual security services with Darktrace Limited in an amount not to exceed \$15,460; and approve funding from the Electric Division's 2023 Software & Equipment Maintenance Services account (Account No. 635.04).



Electric Division
1065 Fair Street
Ketchikan, AK 99901

Phone: (907) 225-5505
Fax: (907) 247-0755

TRANSMITTAL MEMORANDUM

TO: Delilah Walsh, KPU General Manager

FROM: Jeremy T. Bynum PE, Acting Electric Division Manager

DATE: March 14, 2023

SUBJECT: Exemption to Competitive Bidding of Network Security Tool

This is a request for Council approval for exemption to competitive bidding of the KPU Electric System SCADA (Supervisory Control and Data Acquisition) network security tool, Darktrace Limited, in the amount of \$15,460.00.

The exemption to competitive bidding in accordance with KMC 3.12.050(a)(6) is required because this improvement can only be provided by a specific source and to prevent incompatibility with existing systems. The SCADA network security monitoring trial began in 2020. On April 15, 2021, Council approved the sole source procurement to continue the service.

This service monitors for rogue commands within the SCADA system and devices on the network. System intrusion, remote connections to the system, and changes in system behavior may go undetected without monitoring. A part of this tool is the Darktrace server, it is an IDS (Intrusion Detection System) that monitors network traffic looking for irregular patterns, suspicious packets, and malicious behavior by listening to network traffic and gathering a sense of what our “normal” network traffic looks like, then it uses machine learning to determine the aforementioned abnormalities. With Darktrace, KPU has 24/7 monitoring of the SCADA network. It thoroughly logs any discrepancies for quick investigation by SCADA technicians; when a high-level threat is identified, staff receive a system alert, an email, text message, and a phone call to immediately alert of a potential threat. Darktrace is a critical tool in protecting Ketchikan’s power system from malicious attacks. Ongoing monitoring of the current SCADA system tool is limited to the existing Darktrace Limited. Funding for the expenditure comes from the 2023 O&M Electric Account 635.04 Software and Equipment Maintenance Services.

Recommendation: It is recommended that the City Council authorize the exemption to competitive bidding of the SCADA network security program, Darktrace Limited, in the amount of \$15,460.00; approving funding from the Electric Division’s 2023 O&M Electric Account 635.04 Software and Equipment Maintenance Services.

Attachment: Darktrace invoice 119126.pdf

Cc: Mark Adams, Electric Division Operations Manager
Kim Hendricks, Administrative Assistant



INVOICE

To:
KPU Electric Department
2417 Tongass Ave #119d, Ketchikan
AK 99901
USA

Darktrace Holdings Limited
Maurice Wilkes Building
St John's Innovation Park
Cowley Road
Cambridge
CB4 0DS
UK
Telephone: +44(0) 1223 394 100
Email: fingroup@darktrace.com
VAT Reg No: GB 411 303 168

| Invoice Details | | | | |
|----------------------|------------|--------|--------------|-------------|
| Customer VAT Number: | Invoice No | 119126 | Invoice Date | 06 Jan 2023 |
| | PO Number | | Terms | 45 Days |
| | Reference | | Payment Due | 20 Feb 2023 |

| Description | Unit Price | Quantity | Net Amt | Tax % | Tax | Gross |
|------------------------------|------------|----------|-----------|-------|------|-----------|
| Darktrace Subscription | | | | | | |
| Invoiced annually in advance | | | | | | |
| 01 Jan 2023 to 31 Dec 2023 | 15,460.00 | 1.00 | 15,460.00 | 0.000 | 0.00 | 15,460.00 |
| Invoice 3 of 4 | | | | | | |

PLEASE NOTE: Please send payment electronically prior to the due date shown above to the bank details provided below. If you wish to pay by cheque, please write our account number on the back and post it to the below Lockbox address. If deposits are being sent via courier, please send to the address: Darktrace Holdings Limited, 25444, 14005 Live Oak Ave, Irwindale, CA, 91706-1300, USA. Please email remittance advice to fingroup@darktrace.com.

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|--------------------------|--------------------------------|--|-------------------------|-----|-----------|
| Please remit to:- | | | Total Net Amount | USD | 15,460.00 |
| Account Name: | Darktrace Holdings Limited | | Total Tax Amount | USD | 0.00 |
| Account No: | 3301332479 | | Invoice Total | | |
| Routing No: | 121140399 | | | USD | 15,460.00 |
| SWIFTBIC: | SVBKUS6S | | | | |
| Bank: | Silicon Valley Bank | | | | |
| | 3003 Tasman Drive | | | | |
| | Santa Clara | | | | |
| | CA 95054 | | | | |
| | Lockbox Remittance Address is: | | | | |
| | Darktrace Holdings Limited | | | | |
| | DEPT LA 25444 | | | | |
| | PASADENA | | | | |
| | CA 91185-5444 | | | | |