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# Draft Proposed Principles of Agreement

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## 1. Definitions

- 1.1. Agency: Bull Run Regional Drinking Water Agency
- 1.2. Agreement: The Bull Run Regional Drinking Water Agency agreement dated \_\_\_\_\_, as amended from time to time.
- 1.3. Board: the duly appointed elected officials who constitute the governing body of the Agency.
- 1.4. Bull Run Regional Drinking Water Agency: An ORS 190 agency created under the Agreement.
- 1.5. Capacity: the drinking water producing and conveyance capability from the various components of the System, measured in acre-feet, gallons, million gallons per day or gallons per minute or other comparable measurement (including their metric equivalents), available based on operating conditions consistent with generally accepted engineering and operating practices. Such practices may be defined formally by the Board in case of disagreement.
- 1.6. Unit Account: the account of each Party that records its number of Units in the Agency.
- 1.7. Cost-of-Service Model: a computer model adopted by the Board annually which allocates costs to the Parties based on generally accepted cost-of-service principles.
- 1.8. Demand: the amount of water used by a Party and imposed on the System to serve a Party’s customers measured in acre-feet, gallons, million gallons per day or gallons per minute or other comparable measurement (including their metric equivalents).
- 1.9. Initial Peak-day System Capacity: for purposes of establishing initial water delivery allocations and Units of ownership, it will be assumed that the System, as of the date of establishment of the Agency, has a peak-day capacity from the Bull Run system and the Columbia South Shore Wellfield of 300 million gallons per day (MGD), as measured at the point of delivery to Powell Butte.
- 1.10. Nomination of Supply: the document submitted by the Parties in accordance with Section 4.1.4 which shows the Demands of each Party to be imposed on the System.

- 1 1.11. Operating Agreements: the Agency may from time to time enter into agreements  
2 with the Parties, or others, to manage and operate drinking-water-related facilities,  
3 such as distribution systems. Such systems are not considered part of the System.
- 4 1.12. Ownership: the number of Units in the Agency owned by a Party to the  
5 Agreement. Ownership may be expressed in whole or fractions of Units.
- 6 1.13. Peak-day: the single day of highest total water use during a calendar year.
- 7 1.14. Parties: the signatories to this agreement, as amended in accordance with Section  
8 12, from time to time.
- 9 1.15. Secondary System Facilities: supply and transmission facilities that are not part  
10 of the System but which are necessary or used to provide water to one or more  
11 Parties.
- 12 1.16. System: stored raw water, water treatment facilities, transmission system, treated  
13 water storage system, and other facilities necessary or used for the treatment and  
14 conveyance of water, as is more specifically defined in Appendix A, attached hereto,  
15 as amended by the Board from time to time. Initial system assets will be the Bull  
16 Run and Columbia South Shore Wellfield water supply systems and the  
17 Washington County Supply Line and related facilities, all as shown in Appendix A.
- 18 1.17. System Expansion: A project that increases the Peak-day and/or peak season  
19 and/or annual average capacity of the System.
- 20 1.18. System Improvement: a project that improves the System, such as by improving  
21 water quality or decreasing the vulnerability of System components to damage, but  
22 may not increase System capacity.
- 23 1.19. Unit: One million-gallons-per-day of Peak-day System Capacity.
- 24 1.20. Wheeling: the transmission of water to a Party over another Party's Secondary  
25 System Facilities.
- 26 1.21. Wholesale water: refers to the drinking water sold by the Agency to a Party or  
27 other purchaser.  
28

## 29 **2. Bull Run Regional Drinking Water Agency**

### 30 2.1. The Board :

- 31 2.1.1. The Board shall consist of one member from each of the following Parties:  
32 *(insert list)*.
- 33 2.1.2. Each Board member shall be appointed by the governing body of its  
34 respective Party and each shall be a sitting elected member of the governing  
35 body of the Party.
- 36 2.1.3. Members shall serve at the pleasure of their respective appointing bodies.

1 2.1.4. Alternates: a governing body may appoint an alternate to a Board member,  
2 which alternate shall be an elected official and shall serve when the principal  
3 Board member is absent. Said alternate shall have the same right to vote as the  
4 principal member. However, in the case where the absent member is an  
5 Officer, the alternate shall not exercise the role of Officer.

6 2.2. Board's General Powers and Duties:

7 2.2.1. The Board shall govern the business and affairs of the Agency created by the  
8 Agreement.

9 2.2.2. The Board shall adopt such bylaws, rules, regulations and policies, as it  
10 deems necessary to carry out the Agreement.

11 2.2.3. The Board shall have the power to retain such employees as it deems  
12 necessary and to contract for the purchase of property and services.

13 2.2.4. The Board shall have all powers necessary and incidental to the execution of  
14 its specific duties, which powers shall be consistent with the Agreement and  
15 law.

16 2.3. Board's Manner of Acting:

17 2.3.1. Meetings of the Board shall be conducted in accordance with the provisions  
18 of the Oregon public meeting law, ORS Chapter 192.

19 2.3.2. The Board shall hold an organizational meeting within \_\_ weeks of the  
20 signing of the Agreement and shall hold regular meetings at least quarterly.

21 2.3.3. Special meetings may be called with forty-eight hour's notice by the Chair or  
22 a majority-less-one of Board members.

23 2.3.4. Voting: As a general principle, the Parties desire that votes on major actions  
24 (defined below) reflect broad consensus among the Parties and that one Party  
25 not be able to veto an action. The Parties recognize that the final decision on  
26 voting may not fully achieve these principles. The Parties agree, whatever final  
27 voting method is selected, that there should be two votes on each item voted  
28 on: a vote based on percentage ownership in the System and a vote based on  
29 the number of Parties to the Agreement. For an item to be approved, it must  
30 receive the required majority of both votes. The TAC has not reached  
31 agreement on what majority should be required, but recommends the PSC  
32 consider two options:

33 2.3.4.1. Option 1: an affirmative vote of a majority of the Parties and a  
34 majority of ownership of the System shall be necessary to approve any  
35 action.

36 2.3.4.2. Option 2: an affirmative vote of at least seventy-five percent of the  
37 Parties and an affirmative vote of a majority of the ownership of the  
38 System shall be necessary to approve any action related to the following  
39 major actions: issuing debt, setting Wholesale Water rates, taking in new  
40 owners, capital improvements or other asset additions to the System over

1                   \$\_\_ that are not included on the list in Table 1 of Appendix B, signing  
2                   water sales agreements to non-Parties, or dissolution<sup>1</sup>. A simple majority  
3                   of the Parties shall be required to approve all other matters coming before  
4                   the Board.

5                   2.3.5. Merger or consolidation of Parties: if two Parties merge or consolidate  
6                   political boundaries or a Party transfers all of its assets in the System to another  
7                   Party, the new Party or Party becoming the owner of the assets shall have only  
8                   one voting representative on the Board. The resulting Party shall have the  
9                   combined rights to water from the Agency and the combined obligations of the  
10                  merging Parties. Additional language needs to be added to this section to cover  
11                  mergers or consolidations with non-Parties.

12                  2.3.6. When state, federal or local law requires that a Party approve or ratify a  
13                  Board action by separate action of that Party's governing body, the Party's  
14                  representative on the Board who votes to approve an Agency action shall in  
15                  good faith recommend that the Party's governing body take the action that was  
16                  enacted or approved by the Board and the Party's governing body shall  
17                  consider the recommended action in good faith.

18                  2.3.7. A quorum for the transaction of business of the Agency shall consist of: (to be  
19                  inserted when decision is made on voting in 2.3.4. The quorum would be the  
20                  same as is required to approve the type of item coming before the Board for a  
21                  vote).

22  
23  
24                  2.4. Officers:

25                  2.4.1. The Board shall elect from among its members a Chair and a Vice-Chair who  
26                  shall be the Officers of the Board.

27                  2.4.2. Elections shall occur at the first organizational meeting and annually  
28                  thereafter.

29                  2.4.3. The Officers shall serve until a successor is elected. If an Officer is no longer  
30                  a member of the Board, a new Officer shall be elected at the next meeting of the  
31                  Board.

32                  2.4.4. The Board may establish advisory groups composed wholly or partly of non-  
33                  Board members and non-Parties.

34                  2.4.5. The Board may appoint an Executive Committee, whose powers shall be  
35                  defined in the Agency's Bylaws.

36                  2.4.6. The duties of the Chair shall be (insert)

37                  2.4.7. The duties of the Vice-Chair shall be (insert)

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<sup>1</sup> The PSC should consider the option of allowing the Board by supermajority vote to add other things to this list, for there may be issues that we have not foreseen that the Parties would not want approved by a simple majority of the Parties.

1 2.4.8. Vacancies: the Bylaws of the Agency shall establish a means by which the  
2 Board addresses vacancies on the Board.

3 2.5. Transition

4 2.5.1. It is assumed that there will be a transition period of a number of months in  
5 order to start up the Agency. A first task of the Board shall be to define the  
6 process, timeline and cost for the transition. The Agency may phase-in certain  
7 operations or activities over time.

8 2.5.2. If required, the Parties will agree to provide interim financing for the Agency  
9 during the transition period until regular revenues are received.

10 2.5.3. The Agency may retain staff on a temporary basis to assist in the transition,  
11 which staff may become permanent staff if the Agency so determines. The  
12 Parties do not intend that this clause supercede the provisions of state law with  
13 respect to the transfer of employees into the new agency, as provided for in  
14 Section 2.6.

15 2.5.4. A key principle of the transition shall be that water service to the Parties or  
16 wholesale contractors shall not be interrupted due to the transition.

17 2.5.5. The Parties intend that the Agency shall have full operating authority over  
18 and responsibility for the System, with the possible exception of water rights.  
19 To accomplish this, prior to signing the Agreement, the Parties will agree how  
20 best to accomplish this transfer of responsibility and the Agency will have the  
21 powers necessary to implement the transfer.

22 2.6. Labor and Personnel<sup>2</sup>:

23 2.6.1. If staff is transferred from the Parties to the Agency, the Agency shall follow  
24 the provisions of ORS 236.610 *et seq* and ORS Chapter 243 in the incorporation  
25 of existing staff of the Parties into the Agency. If the Agency directly  
26 undertakes obligations presently the responsibility of the Portland Water  
27 Bureau, it is the intent of the Parties that the Agency will fill the positions from  
28 the staff of the Portland Water Bureau. Within the constraints of these laws and  
29 according to such agreements as may be bargained with the relevant parties,  
30 the Agency may operate under the same or similar terms and conditions of the  
31 existing labor contracts with the staff of the Parties.

32 2.6.2. The Parties shall agree, to the extent practicable, which employees of the  
33 Parties who will be transferred to the Agency qualify for transfer under ORS  
34 236.610 *et seq*.

35 2.6.3. The Agency shall have the power to undertake such procedures and enter  
36 into such agreements as are necessary to transfer staff from the Parties to the  
37 Agency.

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<sup>2</sup> The TAC and PSC should consider an alternative where the Agency is established with minimum staff. In this case, the Agency would obtain the staff needed to operate the System by contract with the City of Portland, much as the JWC currently does with the City of Hillsboro.

- 1           2.6.4. The Agency shall have the authority to hire such staff as it needs, including  
2           staff specifically assigned to support the activities of the Board.
- 3           2.6.5. The Agency shall clearly define which staff is assigned to the operation of the  
4           System and which staff is assigned to operation of a Party's distribution system.  
5           In cases where staff performs both functions, the Agency shall have a time and  
6           financial accounting system that clearly records these costs separately. To the  
7           maximum extent practical, the Agency shall assign staff wholly to operation of  
8           the System or to the operation of a Party's distribution system.
- 9        2.7. Agency Financing and Financial Management:
- 10       2.7.1. The Agency is intended to be operated as an enterprise utility, all of whose  
11       costs shall be paid for from user fees, systems development charges, grants,  
12       revenue bonds and such other funds as may be available.
- 13       2.7.2. The Agency may establish a systems development charge or other types of  
14       charges to finance its growth-related capital costs, and, if requested by the  
15       Agency, the Parties agree to collect these fees and remit them to the Agency.  
16       The charge shall be set to equitably reflect the use of the System by each Party.
- 17       2.7.3. The Agency shall not have general taxing authority nor shall it issue General  
18       Obligation bonds.
- 19       2.7.4. The Agency shall have all revenue raising authorities permitted under ORS  
20       Chapter 190, including but not limited to setting Wholesale Water rates, system  
21       development charges for the System, and issuance of revenue bonds.
- 22       2.7.5. The Agency shall prepare and adopt a budget for its operations consistent  
23       with Oregon Budget Law.
- 24       2.7.6. The Agency shall maintain an accounting system that fully tracks costs and  
25       revenues and provides monthly reports. This system shall clearly separate  
26       accounts for operations and maintenance, capital expenditures, operations of  
27       distribution systems, the reserve fund, and other accounts as determined by the  
28       Board.
- 29       2.7.7. The Agency shall cause an independent audit to be performed annually by a  
30       Certified Public Accountant licensed to do municipal auditing in Oregon.
- 31       2.7.8. The Agency's fiscal year shall begin on July 1 and end on June 30 each year.
- 32       2.7.9. Since a Party's ownership in the System might not equal its demand on the  
33       system, a procedure will be established so that each Party earns a return on its  
34       investment in the Agency. There will be no guarantee of a set rate of return. In  
35       general, the rate of return the Agency would use in its calculations would be  
36       the average cost of long-term borrowing for the Agency or a reasonable proxy  
37       for this figure. It is expected that the rate of return used for water sales  
38       contracts to non-Parties would be higher.

1 **3. The System**

2 3.1. System Value:

3 3.1.1. The System as of the date of the Agreement shall be valued in accordance  
4 with the schedule of values listed in Appendix A of the Agreement. The value  
5 listed therein is deemed by the Parties to represent the agreed value of the  
6 System. (The value remains to be determined.)

7 3.1.2. The value of contributions at a later time of assets by the Parties or new  
8 Parties shall be determined by negotiation and units shall not be issued to the  
9 Party until approved by the Board.

10 3.1.3. The value of future capital improvements to the System shall be based on the  
11 cost of the improvements.

12 3.1.4. System assets shall be depreciated in accordance with generally accepted  
13 accounting principles, or the principle of useful life, as determined by the  
14 Board.

15 3.2. Definition of System Components:

16 3.2.1. It is the intent of the Agreement that the System shall consist of those  
17 components that are integral to the collection, storage, treatment and  
18 transmission of raw and treated drinking water to the Parties. However, the  
19 Parties acknowledge that there are Secondary System Facilities not part of the  
20 System that are necessary or may be used to transmit water to some Parties.

21 3.2.2. Water Rights: The rights of the City of Portland to water in the Bull Run  
22 River and the Columbia South Shore Wellfield are not considered to be assets of  
23 the System.

24 3.2.2.1. The City of Portland agrees as a condition of its participation in the  
25 Agency to execute such documents as are necessary to make available to  
26 the Agency the right to use said water at the actual cost, if any, to the  
27 Agency, subject only to applicable state or federal law.

28 3.2.2.2. The City of Portland agrees to support the Agency if the Agency, at its  
29 cost, elects to pursue complete assignment of the City's water rights to the  
30 Agency. The City of Portland shall charge the Agency at actual cost, if  
31 any, to accomplish assignment of these rights.

32 3.2.2.3. The City of Portland and the Agency agree to take all actions they  
33 separately or jointly deem necessary to maintain in force the City's rights  
34 to water and permits of all types that affect obtaining water from the Bull  
35 Run watershed and the Columbia South Shore Wellfield. The Agency  
36 shall reimburse the City for its costs in undertaking these actions, or shall  
37 undertake them on behalf of the City, as they mutually agree. Additional  
38 provisions shall be added to the Agreement to more clearly define the  
39 rights and obligations of the City and the Agency with respect to the  
40 principle described here.

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3.3. System Ownership:

3.3.1. The Parties each shall own an undivided interest in the Initial Peak-day System Capacity. The number of Units of said Capacity in the Agency each owns shall define each Party's percentage of ownership in the System.

3.3.2. Since voting rights are partly dependent on a Party's percent ownership in the system, and these percentages may change when new System components are built which involve increases in Peak-day Capacity, it will be important to decide at what point a Party's ownership change is reflected in its voting right. The TAC did not make a final decision on this matter so it is left to later clarification.

3.3.3. The Agency shall maintain an accurate account of the Units owned by each Party..

3.3.4. The Parties agree that certain capital improvements are needed in the System over the next 10 years and wish to assure that financing is available to build such facilities, approximately according to the schedule therein, in Table 1 of Appendix B. To accomplish this, the Parties agree that each Party shall be responsible for paying its share of the required investment and that if a Party fails to remit its share within a reasonable period the Agency is authorized to fund the construction of the listed facilities in accordance with the description and schedule in Table 1 of Appendix B. As part of this approval, the Parties agree to estimate the amount of Peak-day capacity, if any, involved in each project and to allocate this increase and the proportionate cost responsibility among the Parties. When the project is finally authorized to be built, at which time the Board will determine the Peak-day capacity increase, the Parties further agree to adjust their estimated cost responsibility and capacity allocations proportionate to the determined capacity increase.

3.3.6 For any System Expansion project involving an increase in Peak-day Capacity, the Parties shall be given an opportunity to nominate the amount of the increase in Peak-day Capacity that each wishes to buy. The cost to buy a given amount of this capacity increase shall be as determined by the Board under Section 5.1.4<sup>3</sup>. If the Parties nominate more than the total capacity increase available, the Board shall enter into discussions with the Parties to seek agreement on the allocation and if this fails after a reasonable period, the Board shall determine the allocation at its sole discretion. If the Parties nominate less than the total Peak-day capacity increase available, the Board may vote<sup>4</sup> to have the Agency own the un-nominated capacity or the project may be cancelled.

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<sup>3</sup> The required vote will be determined by which voting option is selected in Section 2.3.4.

<sup>4</sup> The required vote will be determined by which voting option is selected in Section 2.3.4.

1 3.3.7 For projects or portions of projects listed in Table 1 of Appendix B where  
2 Peak-day Capacity is not increased, the Parties shall be allocated  
3 responsibility for project costs in proportion to their ownership in the System.

4 3.3.8 Prior to signing the Agreement, the Parties agree to determine the date at  
5 which a Party's Unit Account, and therefore its voting rights, shall be  
6 adjusted to reflect its contribution to a project that expands the Peak-day  
7 Capacity of the System.

8  
9 3.4. Initial Capitalization of the Agency:

10 3.4.1. It is intended that the Agency be capitalized in one or a combination of three  
11 ways: (1) transfers to the Agency of physical assets; (2) contributions of cash  
12 (which may be obtained by a Party issuing bonds); and/or (3) the Agency  
13 issues revenue bonds for which individual Parties have a direct obligation to  
14 service the debt (this is a way for a Party to pay for its Units over time). These  
15 sources of capital are deemed to be equal with respect to how they are credited  
16 to a Party's Unit Account. The Legal/Governance and Financial Working  
17 Groups and the TAC have examined a number of different ways to structure  
18 the initial capitalization, but have not yet reached a conclusion on which to  
19 recommend to the PSC. All of the alternatives considered appear to be legal  
20 and do-able, but each carries different types and degrees of risk and cost. The  
21 Working Groups wish to emphasize that a fundamental issue affecting all these  
22 alternatives is determining the value of the existing System assets. Until this is  
23 done, it may be difficult for the Parties to decide which alternative makes the  
24 most sense. The key alternatives that are under consideration are:

25 3.4.1.1. The "Rouse" Plan: the City of Portland and owners of the WCSL  
26 would contribute the System assets to the Agency, receiving in return a  
27 credit for the assets' value, which value would be translated into Units  
28 and credited to its Unit Account. They would receive no direct payment  
29 from the other Parties for these assets and would, therefore, resolve bond  
30 payment obligations on their own. To achieve the Peak-day Capacity  
31 targets desired by the Parties, those who contribute no assets or too few  
32 assets to achieve their ownership target would commit to financing future  
33 capital improvements up to an amount needed to pay for their target  
34 Units. An unresolved issue is how the Parties who contribute assets or  
35 funds at the time of signing the Agreement would be compensated by  
36 those who contribute their funds at a later date.

37 3.4.1.2. Straight purchase of assets: this is the alternative detailed in footnote  
38 5. This alternative has many financial issues related to the obligations  
39 under Portland's existing bonds and to PERS, which are probably  
40 resolvable, but potentially at considerable cost to the Agency. This

1 alternative was developed in greater detail than the others. Many of these  
2 details are included in the footnote below.<sup>5</sup>

3 3.4.1.3. Asset Contract: another alternative is to have no actual transfer of the  
4 ownership of existing assets to the Agency. Rather, the Agency could  
5 contract for the use of the assets from Portland and the WCSL owners on a  
6 long-term basis, paying the owners a defined fee for use of the assets. This  
7 alternative would avoid most if not all of the difficulties with the transfer  
8 of assets to the Agency in alternatives 3.4.1.1 and 3.4.2.1 above, and would  
9 allow the Agency to control and operate the assets as if it were the owner.  
10 However, it would not achieve the goal of many Parties to be an actual  
11 owner of the existing System. They would, however, become direct  
12 owners of future System improvements.

13 3.4.2. Once the Agreement is executed, each Party shall have voting rights on the  
14 Board corresponding to its Units of ownership.  
15

16 3.5. Valuation of Units

17 3.5.1. The value of a Unit of ownership at the time of the signing of the Agreement  
18 shall be \$\_\_\_\_\_ per Unit.

19 3.5.2. The Board shall annually determine the Unit value by the beginning of each  
20 fiscal year.

21 3.5.3. The Unit value shall be the Agency's book value divided by the number of  
22 Units outstanding.<sup>6</sup>

23 3.6. Buy-in by New Parties:

24 3.6.1. New Parties may buy into the System from time to time with Board approval.

---

<sup>5</sup> (1) *The Parties who are owners of the assets of the System at the time of signing the Agreement will transfer ownership of all of these assets to the Agency. The parties that have agreed to make cash contributions will transfer the cash to the Agency. The value of the assets, cash, and obligations in lieu of cash (i.e. agreeing to pay for the debt service on an asset, similar to how the WCSL was financed) shall be translated into Units.*

(2) *The intent is that ownership will be available only to those who take a significant ownership position in the Agency relative to their current or potential Peak-day Capacity demand and financial resources. As a general rule, Parties would buy into the Agency at least in proportion to their current Peak-day demand on the system. Parties not currently obtaining water from the System should plan to invest a minimum of \$x million or an amount proportional to their expected demand on the system at a future date.*

(3) *Appendix C lists the initial asset or cash contributions or in-lieu obligations of the Parties and the corresponding Units of ownership each will have.*

(4) *If required, from cash contributions received or revenue bonds issued, the Agency shall pay the City of Portland an amount equivalent to \$\_\_\_\_\_, which money the City of Portland will use to defease its water revenue bonds or other Water Bureau-related bonds.*

(5) *Appendix E defines the initial financial status of the Agency at the time of the Agreement, including revenue bonds to be issued, use of those funds, and the obligations of the Parties to service the revenue bonds.*

<sup>6</sup> The Governance/Legal and Financial Working Groups will continue to examine alternative formulae and make a recommendation later to the PSC.

1 3.6.2. The new Parties will be issued Units in proportion to their asset, cash or in-  
2 lieu contributions to the System.

3 3.7. Purchase of New Units by Existing Parties:

4 3.7.1. Existing Parties may increase or decrease their number of Units from time to  
5 time with Board approval.

6 3.7.2. The Board shall adopt procedures to implement this by, for example,  
7 enabling Parties to purchase new Units directly from the Agency, to exchange  
8 Units among the Parties, or to pay a differential amount for new System assets.

9  
10 **4. System Use**

11 4.1. Rights of Use:

12 4.1.1 Each Party shall use the System in a manner that is consistent with prudent  
13 water utility operating practices and that minimizes the impact of that use on the  
14 other Parties.

15 4.1.2 The Parties acknowledge that at the time of signing the Agreement the  
16 System may not have the capacity to deliver from Powell Butte all the Peak-day  
17 demand of one or more Parties. The improvements listed in Appendix B are partly  
18 intended to resolve these capacity shortages. However, it is anticipated that other  
19 improvements unknown at this time will be needed.

20 4.1.3 The Parties agree that constructing new components to the System is costly  
21 and the Parties, therefore, agree to optimize the use of the existing System for the  
22 benefit of the Parties before construction of new facilities. Such optimization may  
23 include conservation measures, operational controls, scheduling of water deliveries,  
24 and other methods.

25 4.1.4 Each Party shall have available to it sufficient Capacity in its system to serve  
26 the Demand imposed by the Party on the System.

27 4.1.5 Nomination of Supply: each Party shall submit to the Agency annually no  
28 later than \_\_\_\_\_ a Nomination of Supply document. The Document shall set forth  
29 the Party's projected Demand, Capacity to serve the Demand and any deficiencies of  
30 Capacity. The document shall detail these Demand and Capacity figures for the  
31 transmission, treatment and treated-water storage components of the System for a  
32 ten year period and for Raw Water for a fifty year period by ten year increments.  
33 The demand figures shall be projected on the basis of Peak-day, Peak Season and  
34 Annual Average. The Peak-day figure may exceed the Party's Units of ownership of  
35 Peak-day capacity in the System but the Agency shall have no obligation to provide  
36 Peak-day amounts that exceed a Party's ownership. The Board shall define the  
37 terms Peak Season and Annual Average prior to when the first year nominations are  
38 due. The Parties agree to inform the Agency annually in their Nomination of Supply  
39 document if the Party does not intend to take all the water listed in Appendix D, but  
40 the Party shall be liable to pay for said water in cases where the Agency is unable to

1 resell it in whole or in part. Said payment shall only be for the actual cost to the  
2 Agency of not selling the water. The Agency shall make a good faith effort to sell  
3 surplus water.

4 4.1.6 Agency Consolidation of Nominations: after receiving the Nomination of  
5 Supply document from the Parties, the staff of the Agency shall consolidate the  
6 demand figures into one table and provide it, together with appropriate analysis, to  
7 the Board for discussion and a decision. In the event that more water is demanded  
8 than the capacity of the System, the Board shall pursue measures to bring the  
9 demands into balance with System capacity, including negotiating lesser demands  
10 with the Parties, and expanding the System. The Board's goal in performing this  
11 consolidation function shall be to try to meet all reasonable demands of the Parties.  
12 The Agency shall have available sufficient water to deliver from Powell Butte all  
13 Peak-day demands that do not exceed the Parties' ownership in the System. The  
14 Agency shall have final authority to allocate available capacity of Peak Season and  
15 Annual Average water to the Parties.

16

17

18 4.1.7 Substitution: the Agency shall only deliver water to the Parties from the Bull  
19 Run watershed and/or the Columbia South Shore Wellfield. However, in the event  
20 of emergencies, the Agency may deliver water from other sources to a Party if that  
21 Party, by prior written agreement, has agreed to take water from another specific  
22 source. The Board shall define the term "emergency", but in general it means an  
23 event that involves interruptions of normal System supply, storage, treatment, or  
24 delivery capacity. In the case where a Party does not agree to take water from  
25 another source, the Agency shall have no obligation to deliver water to the non-  
26 agreeing Party during emergencies. Emergency supply connections and agreements  
27 existing at the time of signing the Agreement are listed in Appendix F. The Board  
28 shall update this list when changes occur.

29 4.1.8 With the exception of the obligations under existing water sales contracts  
30 with the City of Portland, the Parties have first right to the water available from the  
31 System. Water that is surplus to the needs of the Parties may be sold by the Agency  
32 to non-Parties on contract subject to the requirements of Section 8.4.

33 4.1.9 The Parties agree that the intent is to terminate without penalty their  
34 wholesale contracts with Portland and substitute water purchase agreements with  
35 the Agency. This process shall assure that there is no interruption of service.

36 4.2. Secondary System Facilities Use: Since certain Parties are not served directly by  
37 the System, those Parties that own facilities that enable such Parties to receive water,  
38 agree to execute Wheeling agreements with the Agency, on a cost-of-service basis,  
39 to ensure delivery of System water to those Parties not served directly by the  
40 System<sup>7</sup>. Parties served by wheeling agreements as of the date of the Agreement,

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<sup>7</sup> The PSC should also consider the option of requiring the Parties to wheel water over their systems, where capacity is available, to wholesale customers of the Agency.

1 who increase their Demand, shall not be entitled to increased delivery of water  
2 through these facilities unless the Party owning the facilities agrees to the increase.  
3 The Parties recognize that arrangements exist among some of the Parties prior to  
4 signing the Agreement to wheel water between the Parties that do not fit the  
5 conditions described above in this paragraph. The Parties intend that these  
6 arrangements shall continue and shall not be deemed to violate the provision  
7 against reselling of water by the Parties.

8  
9 4.3. Overuse and remedies for Overuse<sup>8</sup>:

10 4.3.1. The Board shall set reasonable standards for when a Party shall be deemed to  
11 have overused the System. If overuse occurs, the Party shall be subject to  
12 appropriate remedy, which may include payments or curtailment.

13 4.3.2. Remedies for Overuse: *(insert)*

14 4.4. Conservation and Curtailment:

15 4.4.1. The Board may adopt water conservation standards for the Parties, which the  
16 Parties agree to implement.<sup>9</sup> Such standards shall be uniform among all similar  
17 classes of uses. However, said standards shall only apply to the Parties with  
18 respect to the water they obtain from the Agency.

19 4.4.2. The Board may adopt reasonable penalties for Parties failing to implement  
20 conservation measures.

21 4.4.3. The Board may adopt a curtailment plan and reductions, which plan shall  
22 provide for pro rata reductions by the Parties. However, in determining  
23 curtailment percentages, the Agency may not *(option: may)* consider alternative  
24 sources available to the Parties. *(Note: in the case where the Agency reduces a*  
25 *Party by a greater than proportional amount because it has alternative sources, it*  
26 *would need to figure in compensation to that Party if its costs for the alternative source*  
27 *are higher).*

28 4.4.4. The Board shall define the curtailment methods and reasonable notification  
29 procedures.  
30

31 **5. System Expansion and Improvement**

32 5.1. System Expansion and Improvement

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<sup>8</sup> This section was added because it is part of the JWC agreement. However, it may not be needed in this Agreement, so the PSC should consider removing it after discussion.

<sup>9</sup> The City of Portland presently does not require conservation as a condition of its wholesale contracts. The issue of any entity setting conservation targets or standards for others has been much debated in the Region. It seems logical that once the Parties come together to form an Agency, they would want to be able to set uniform conservation standards. But, some may not agree, so this is a debatable issue for the PSC.

- 1 5.1.1. The Agency shall develop plans to implement System Expansion projects  
2 when the Parties are projected to use all the Capacity within a reasonable  
3 planning horizon, or at such time as the Board deems appropriate.
- 4 5.1.2. The Parties agree that the System Improvement and System Expansion  
5 projects listed in Appendix B are likely to be needed over the next 10 years in  
6 accordance with the schedule contained therein and the Agency is authorized  
7 to construct those facilities listed in Table 1 of Appendix B, in accordance with  
8 the schedule and as limited by the revenue bonding authorized in 3.3.5.
- 9 5.1.3. Cost allocations for projects listed in Table 1 of Appendix B shall be based on  
10 one of the following methods:
- 11 5.1.3.1. For system improvement projects where Peak-day Capacity is not  
12 increased, the Board shall allocate the Parties' responsibility for project  
13 costs in proportion to the Parties' ownership in the System.
- 14 5.1.3.2. For system expansion projects resulting in an increase in Peak-day  
15 and/or Peak Season and/or Average Annual System Capacity, the Board  
16 shall reasonably allocate the Parties' responsibility for project costs and  
17 capacity expansion in millions of gallons per day (MGD) between the  
18 three elements of capacity expansion, at its sole discretion. <sup>10</sup>.
- 19 5.1.3.3. For projects that provide both system expansion and system  
20 improvements, the Board shall assign the portions of project cost  
21 attributed to system expansion and to system improvement based on  
22 findings of an engineering study. The Board shall then allocate the  
23 Parties' responsibility for the portion of project costs assigned to system  
24 improvement per Section 5.1.3.1 and system expansion costs shall be  
25 allocated per Section 5.1.3.2.
- 26 5.1.4. If the Board determines that projects not in Table 1 of Appendix B are needed  
27 the Board may provide for the Agency to build, manage and operate such  
28 improvements<sup>11</sup>. The Board shall negotiate reasonable terms for this service  
29 and these terms shall not impose any obligations on Parties not choosing to  
30 participate in the project.
- 31 5.1.5. Based on the Nomination of Supply document submitted in 4.1.4, the Board  
32 shall use reasonable standards to determine when the System shall be  
33 expanded beyond the list in Table 1 of Appendix B, and shall revise the list in  
34 Appendix B accordingly.
- 35 5.1.6. No later than June 1, 2007 (*option: set any date*), the Board shall submit to the  
36 Parties a list of projects (with budgets and schedules) that it believes will be  
37 needed to meet the needs of the Parties for the 10-year period after completion  
38 of the Table 1 projects in Appendix B. It is the intent of the Parties to agree to a  
39 list of projects and to have the governing bodies of all Parties approve said list

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<sup>10</sup> The required vote will be determined by which voting option is selected in Section 2.3.4.

<sup>11</sup> The required vote will be determined by which voting option is selected in Section 2.3.4.

1 and associated revenue bonding no later than November 1, 2008. In the case  
2 where all the Parties do not agree to approve revenue bonding for a new list of  
3 projects, the Board, at its sole discretion, may allow non-listed projects to be  
4 constructed by a subset of Parties; appropriate financing and cost  
5 reimbursement methods shall be established so that non-participants are not  
6 liable for the projects, do not pay for them, and do not receive the benefits of  
7 them.

8 5.2. Notice: The Agency shall provide the Parties \_\_ days of written notice of the  
9 intent to expand or improve the System.  
10

## 11 **6. System Operations and Maintenance**

12 6.1. Operation and Maintenance of the System:

13 6.1.1. The Agency shall operate and maintain the System in accordance with  
14 generally accepted maintenance standards of comparable US water utilities.

15 6.1.2. The Agency shall adopt protocols for the System to provide for the equitable,  
16 effective and efficient operation of the System. The Board shall appoint a  
17 technical committee from the staff of the Parties to develop these protocols and  
18 recommend them to the Board for adoption. The Parties recognize that there  
19 may be more than one way to transmit water over the System and the  
20 Secondary System Facilities to the Parties. Also, there may be times during  
21 emergencies or drought when it may be necessary to transmit water via  
22 alternative facilities. As a general principle the Parties agree to operate the  
23 system to maximize efficiency, lower costs and equitably serve the Parties. The  
24 operating protocols may be updated, as needed.

25 6.1.3. The Parties shall adopt operating protocols for their own systems which  
26 demonstrate a best efforts and good faith effort to conform with the Agency's  
27 protocols to assure that the Party shall have the Capacity to take delivery of  
28 water in accordance with its approved Nomination of Supply.

29 6.1.4. The Agency shall operate the system in a manner consistent with all  
30 agreements among the parties and all applicable local, state and federal laws.  
31 Consistent with these agreements and laws, the Agency may set operational  
32 standards that exceed the standards in these laws.

33 6.2. Operations of Distribution Systems and Other Services:

34 6.2.1. The Agency may enter into contracts with the Parties or others to operate  
35 their distribution systems or other drinking water-related systems or services.

36 6.2.2. The agreements shall adequately protect the Agency and the Parties from  
37 liabilities associated with providing the contracted services.

38 6.2.3. The Agency may perform such services as are necessary to execute these  
39 contracts.

1           6.2.4. The Agency shall not become the owner of the assets of the systems that it  
2           operates.

### 3   **7. Rates and Charges**

#### 4    7.1. System:

5           7.1.1. Parties shall be charged for water delivered by the System on generally  
6           accepted Cost-of-Service principles. The intent is that each Party pays its cost  
7           of service and that no Party either pays or receives a subsidy. Such principles  
8           shall consider a Party's use of the System and the allocation of charges shall be  
9           based on such use. Charges to the Parties and non-parties shall fully cover the  
10          Agency's revenue requirements. Charges to the Parties shall take into  
11          consideration a Party's ownership.

12          7.1.2. The Parties intend that rates for Wholesale Water shall provide funds for  
13          capital improvements needed to maintain the System in good operating  
14          condition and to replace depreciated parts of the System. The Parties also  
15          intend that the Wholesale Water rate may include a fee to establish a separate  
16          Reserve Fund to be used for emergency repairs and emergency capital  
17          improvements not elsewhere provided for in the Agreement. The Board shall  
18          determine the appropriate size of Reserve Fund.

19          7.1.3. A general principle for setting rates for new facilities built to accommodate  
20          growth shall be that "growth pays for growth". A number of methods exist for  
21          allocating these costs and the Board shall determine which to use.

22          7.1.4. The Cost of Service to the Parties shall be as determined by the Cost-of-  
23          Service Model. Said model shall be adopted annually by the Board, and  
24          updated as needed to maintain a reasonable allocation of charges.

25          7.1.5. For delivery of water to Parties west of the Willamette who do or could  
26          receive water from the Washington County Supply Line, the cost of wheeling  
27          water through Portland or operating the Washington County Supply Line shall  
28          not be specifically allocated to individual Parties. Rather, they shall be  
29          allocated equally using cost of service principles.

30          7.1.6. Within three months after the end of each fiscal year, the Agency shall  
31          calculate the actual cost-of-service costs of water delivered to each Party during  
32          the previous fiscal year and debit or credit the Parties for these actual costs.

#### 33    7.2. Distribution Systems and Other Services:

34          7.2.1. The cost for providing services shall, at a minimum, reimburse the Agency  
35          for its costs, including overheads and other indirect costs.

36          7.2.2. The Agency shall maintain an accounting system that fully tracks the costs  
37          and revenues for these services and shall establish separate enterprise funds as  
38          needed to maintain separation of Agency and non-agency funds.

39          7.2.3. The Agency shall not issue revenue bonds for a Party's distribution system.

1       7.3.    Monthly Payments:

2           7.3.1.  Each Party or contractee of the Agency shall make monthly payments to the  
3                    Agency for operation and maintenance expenses, capital improvements and  
4                    other upgrades in accordance with this Section.

5           7.3.2.  The Agency shall send monthly billings to the Parties and contractees for all  
6                    payments due the Agency, which billing shall be due within 30 days of the  
7                    invoice date. Late- or non- payment fees, interest charges and penalties shall be  
8                    determined by the Board.

9  
10    **8. Water Sales to Outside Parties**

11       8.1.    The Agency shall have authority to enter into contracts to sell water to non-  
12                   parties to the Agreement.

13       8.2.    Portland intends to transfer without penalty its existing wholesale contracts with  
14                   non-parties to the Agency as of the date of the Agreement. In the case where a  
15                   wholesaler owes money to Portland at the date of the Agreement, the Agency  
16                   agrees to assume the accounts receivable and pay Portland the amount. However,  
17                   in the case that the City is unable to transfer these contracts, it will continue to  
18                   service them.

19       8.3.    A model contract for sale of water will be provided in an appendix to the  
20                   Agreement. The purpose of drafting the wholesale contract ahead of time is for the  
21                   Parties to understand what commitments the Agency will be making in new  
22                   contracts. Said model contract may be amended from time to time by the Board  
23                   and shall be the contract used for these water sales.

24       8.4.    Parties to the Agreement shall not resell water from the System.<sup>12</sup> However, in  
25                   the event that the City of Portland is unable to assign existing wholesale contracts to  
26                   the Agency, the City shall be allocated sufficient water to cover those obligations  
27                   and shall be permitted to deliver water to the contractees under the terms of the  
28                   contracts.

29  
30    **9. Withdrawal, Termination of Membership and Sale of Assets**

31  
32       9.1.    Voluntary Withdrawal or Termination of Membership

33           9.1.1.  As a general principle it is the intent of the Parties that voluntary withdrawal  
34                   from the Agency shall be difficult.

35           9.1.2.  Any Party may elect to terminate its participation in the Agreement and  
36                   withdraw from the Agency by giving written notice of its desire to terminate to  
37                   all other Parties, and stating the date for termination which shall be not less

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<sup>12</sup> The TAC and PSC should consider whether it should allow the Parties to continue selling water to their existing wholesale contractors. As written, this clause would require that these contracts be terminated, which may be legally difficult.

1 than eighteen months (*option: other time period*) from the date of the notice of  
2 termination.

3 9.1.3. Parties may terminate participation only in the entire System, not in  
4 components of the System.

5 9.1.4. The Agency shall purchase the terminating Party's Units under these terms:  
6 the value per Unit shall be the then-existing Board approved Unit value; the  
7 payment shall be made over twenty years beginning the next fiscal year after  
8 the termination occurs; the interest on the unpaid balance shall be at the  
9 Agency's then-existing average cost of debt less 100 basis points (*option: some*  
10 *other interest rate*). Nothing shall prohibit the Board, by supermajority of the  
11 remaining Parties, to agree to different terms. The Agency may pay all or a  
12 portion of the price at any time without penalty. Upon the initial payment, the  
13 defaulting party shall be deemed terminated and have no further interest  
14 herein except those binding obligations and commitments of that defaulting  
15 party as provided in other provisions of the Agreement.

16 9.1.5. In order to prevent a very large owner in the Agency from creating a fiscal  
17 crisis for the Agency, any Party with an ownership interest in the System that  
18 exceeds twenty-five percent (*option: some other figure*) who wishes to leave the  
19 Agency agrees to remain a Party until such percentage drops below fifteen  
20 percent (*option: some other figure*), unless the Agency agrees to purchase said  
21 ownership interests under mutually satisfactory terms and conditions, as  
22 provided for in this Section.

23 9.1.6. Upon completion of the transaction, the Agency may elect in its sole  
24 discretion to provide water to the leaving party under a wholesale water  
25 purchase contract.  
26

## 27 9.2. Involuntary Withdrawal or Termination of Membership

28 9.2.1. If a Party violates or breaches a material term of the Agreement, including  
29 non-appropriation of funds, then, upon 30 days' written notice, the following  
30 occurs:

31 9.2.1.1. Voting rights are suspended from the effective date of notice  
32 (suspension) during the period a Party is in default until the default is  
33 cured or the Dispute Resolution procedures result in a decision finding no  
34 default occurred and the Party is reinstated to membership. The Board, in  
35 its sole discretion, may determine that termination of the Party's  
36 membership is appropriate, not reinstatement. In such case, and after  
37 Dispute Resolution processes are exhausted affirming the declaration of  
38 default, the Board may terminate the Party's interest and pay the  
39 terminated Party according to this Section.

40 9.2.1.2. Upon suspension, the Party shall continue to receive its current  
41 allocation of water from the Agency at the same Wholesale Water rate and

1 on substantially the same terms as it was receiving water prior to the  
2 notice of suspension.

3 9.2.1.3. If the Board determines to terminate the defaulting Party's  
4 membership, and if the declaration of default is affirmed under the  
5 Dispute Resolution process, then notwithstanding any other provision  
6 herein, the Agency shall upon 90 days' written notice purchase the  
7 defaulting Party's proportionate interest in the Agency and assets at  
8 original cost less depreciation (*option: other formula*). The Board shall make  
9 payment over 20 years (beginning the next fiscal year after the termination  
10 occurs) with the unpaid balance accruing interest at the Agency's average  
11 cost of debt less 150 basis points (*option: some other interest rate*). The  
12 Agency may pay all or a portion of the price at any time without penalty.  
13 Upon the initial payment, the defaulting Party shall be deemed terminated  
14 and have no further interest herein except those binding obligations and  
15 commitments of that defaulting Party as provided in other provisions of  
16 the Agreement.

17 9.2.1.4. Upon termination, the Agency may elect in its sole discretion to  
18 provide water to the terminated Party under a wholesale purchase  
19 contract.

20 9.3 Dissolution of the Agency (to be inserted)  
21

## 22 10. Liability

23 10.1. A Party's liability for the debt of the Agency shall be in accordance with a Party's  
24 percent ownership.

25 10.2. To the extent it determines reasonable, the Board shall obtain insurance to limit  
26 the Parties' liability to their percentage of ownership.

27 10.3. A leaving Party shall remain liable for its Unit of the debt of the Agency at the  
28 time of its notice to leave, unless the Agency or other Parties agree to assume this  
29 liability.

30 10.4. Tort Liability of the Parties: The Agency shall maintain insurance to cover the  
31 tort liability of Board members and staff acting in their capacity as agents for the  
32 Agency.

## 33 11. Dispute Resolution

34 11.1. The Parties agree that decisions by the Board by supermajority shall be final and  
35 Parties disagreeing with such decisions shall proceed directly to step 3 in this  
36 dispute resolution process. For all other disputes between a Party and the Agency  
37 or among the Parties, steps 1 and 2 shall occur first. However, nothing shall prevent  
38 the disputing parties from waiving any of the steps by mutual consent.

39 11.2. Step 1: Negotiation: each party to a dispute shall designate a person to represent  
40 them in attempting to resolve the issue. If the dispute is resolved at this step, there

1 shall be a written determination of such resolution, signed by the designated  
2 representative and ratified by the governing bodies, which shall be binding upon  
3 the parties.

4 **11.3.** Step 2: Mediation: If the dispute cannot be resolved within thirty days at Step 1,  
5 the Parties shall submit the matter to non-binding mediation. The Parties shall  
6 attempt to agree on a mediator. If they cannot agree, the parties shall request a list  
7 of five mediators from an entity or firm providing mediation services. A mediator  
8 shall be selected by mutual agreement of the Parties, or, failing such agreement, by  
9 random lot from the list of five names. Any common costs of the mediation shall be  
10 born equally by the parties. If the issue is resolved at this step, a written  
11 determination of such resolution shall be signed by the person representing the  
12 parties and ratified by the governing body of each party, which shall be binding on  
13 the parties.

14 **11.4.** Legal Action: After exhaustion of Steps 1 and 2, the Parties may initiate litigation  
15 in the Circuit Court of the State of Oregon for \_\_\_\_\_ County.

16 **11.5.** Each party shall bear its own legal and expert witness fees.

17 **12. Amendments to Agreement (to be inserted)**

18 **13. General Provisions (to be inserted)**

19 13.1.1. Notices

20 13.1.2. Severability

21 13.1.3. Counterparts

22 13.1.4. *Force Majeure*

23 13.1.5. Survival of Covenants

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## **List of Appendices**

3 A. List of System Assets

4 B. Capital Projects

5 C. Units of Ownership in the Agency (to be added later)

6 D. Demand Projections of the Parties

7 E. Initial Financial Status of Agency (to be added later)

8 F. Water Supply and Mutual Aid Intergovernmental Agreements Summary

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## Appendix A

### List of System Assets

Asset Item
○ Bull Run Watershed lands
○ Bull Run Lake permit assets
○ Bull Run Dam Nos. 1 and 2
○ All other Headworks facilities
○ Sandy River Maintenance Facility
○ Lusted Treatment Plant site
○ Conduit Nos. 1 and 5 rights of way
○ Wholesale users' taps and meter facilities
○ Columbia South Shore Wellfield
○ Conduit Nos. 2, 3 and 4 from Headworks to Powell Butte Reservoir
○ Powell Butte Reservoir and properties
○ Emergency Operations Center
○ Water Control Center and Lab
○ Washington County Supply Line

5

**Appendix B**  
**Table 1**  
**Capital Improvements**

Near-Term (3 to 5 years)	Estimated Project Cost (Year 2002 dollars)	Estimated Project Cost (Inflated dollars)	Annual O&M costs
• Groundwater Improvements	\$22,700,000	\$26,300,000 <sup>1</sup>	\$250,000 <sup>4</sup>
• Conduit Vulnerability Reduction Improvements	15,500,000	16,700,000 <sup>1</sup>	0 <sup>5</sup>
• Repair and Replacement Program	25,000,000	26,600,000 <sup>1</sup>	0
• System Meter Improvements	2,000,000	2,300,000 <sup>1</sup>	12,000 <sup>3</sup>
<b>Near-Term Improvements Total</b>	<b>\$65,200,000</b>	<b>\$71,900,000<sup>1</sup></b>	
<b>Medium Term (5 to 10 years)</b>			
• Conduit Vulnerability Reduction Improvements	\$22,200,000	\$31,500,000 <sup>2</sup>	0 <sup>5</sup>
• Powell Butte Reservoir No. 2	57,200,000	66,500,000 <sup>2</sup>	333,000 <sup>6</sup>
• Water Treatment Plant	202,000,000	245,000,000 <sup>2</sup>	8,000,000 <sup>7</sup>
• Conduit No. 5, Gresham Section	21,300,000	27,550,000 <sup>2</sup>	138,000 <sup>6</sup>
• Repair and Replacement Program	25,000,000	28,400,000 <sup>2</sup>	0
• Endangered Species Act Impacts	15,000,000	20,200,000 <sup>2</sup>	0
<b>Medium Term Improvement Total</b>	<b>\$342,700,000</b>	<b>\$419,150,000<sup>2</sup></b>	
<b>Total Improvement Cost</b>	<b>\$407,900,000</b>		

- Notes:
1. Near-term project cost estimates are inflated to year 2007 dollars at a 3 percent annual inflation rate.
  2. Medium-term project cost estimates are inflated to year 2012 dollars at a 3 percent annual inflation rate.
  3. Annual meter facility O&M costs are in year 2002 dollars based on 0.5% of capital costs.
  4. O&M costs are in year 2002 dollars for ASR operations. Ongoing well field operating costs are included in current operating expenses.
  5. Conduit operating costs are included in current operating expenses.
  6. Annual reservoir and transmission system O&M costs are in year 2012 dollars based on 0.5% of capital costs.
  7. Annual treatment plant O&M costs are in year 2007 dollars and begin mid year in 2007.
  8. The water treatment plant cost estimate includes the cost of the membrane filtration option from Section 4.6, page 19 of the September 2002 Report and Recommendations of the Bull Run Treatment Panel.

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**Table 2**  
**Additional Capital Improvement Project Summary**

Medium Term (5 to 10 years)	Estimated Project Cost (Year 2002 dollars)	Estimated Project Cost (Inflated dollars)	Annual O&M costs
• Dam Raise at Reservoir Nos. 1 and 2	\$13,900,000	17,500,000 <sup>1</sup>	0 <sup>3</sup>
• Washington County Supply Line No. 2 - Northern Route	115,200,000	154,800,000 <sup>1</sup>	774,000 <sup>4</sup>
<b>Medium Term Improvement Total</b>	<b>\$129,100,000</b>	<b>\$172,300,000<sup>1</sup></b>	
Long Term (10 to 20 Years)			
• Clackamas Connection	\$28,500,000	\$51,500,000 <sup>2</sup>	\$258,000 <sup>5</sup>
<b>Long Term Improvement Total</b>	<b>\$28,500,000</b>	<b>\$51,500,000<sup>2</sup></b>	
<b>Total Improvement Costs</b>	<b>\$157,000,000</b>		

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- Notes:
1. Medium-term project cost estimates are inflated to year 2012 dollars at a 3 percent annual inflation rate.
  2. Long-term project cost estimates are inflated to year 2020 dollars at a 3 percent annual inflation rate.
  3. Dam Nos. 1 and 2 operating costs are included in current operating expenses.
  4. Annual transmission system O&M costs are in year 2012 dollars based on 0.5% of capital costs.
  5. Annual transmission system O&M costs are in year 2022 dollars based on 0.5% of capital costs.

**Appendix D**  
**Water Demand Forecast and Supply Nomination Summary**

Member	Water Demand Estimate or Supply Nomination	2005			2010			2020		
		Average Day (mgd)	Peak Season <sup>1</sup> (mgd)	Peak Day (mgd)	Average Day (mgd)	Peak Season <sup>1</sup> (mgd)	Peak Day (mgd)	Average Day (mgd)	Peak Season <sup>1</sup> (mgd)	Peak Day (mgd)
City of Beaverton	Water Demand Estimates	8.64	11.20	17.28	9.74	12.64	19.49	11.05	14.33	22.10
	Nominated Supply - Low	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
	Nominated Supply - High	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Clean Water Services	Water Demand Estimates	4.50	6.43	6.75	9.00	12.86	13.50	13.40	19.14	20.10
	Nominated Supply - Low	0.90	1.29	1.40	1.80	2.57	2.70	2.70	3.86	4.00
	Nominated Supply - High	4.50	6.43	6.75	9.00	12.86	13.50	13.40	19.14	20.10
City of Gresham -	Water Demand Estimates	7.83	8.68	13.95	9.10	9.62	16.09	11.64	11.51	20.37
	Nominated Supply - Low	7.17	8.06	10.74	8.06	9.62	10.35	9.79	9.79	9.39
	Nominated Supply - High	7.83	8.68	13.95	9.10	9.62	16.09	11.64	11.51	20.37
Metro	Water Demand Estimates	-	-	-	-	-	-	-	-	-
	Nominated Supply - Low	-	-	-	-	-	-	-	-	-
	Nominated Supply - High	-	-	-	-	-	-	-	-	-
City of Portland	Water Demand Estimates	75.00	90.00	145.00	75.00	90.00	145.00	75.00	90.00	145.00
	Nominated Supply - Low	75.00	90.00	145.00	75.00	90.00	145.00	75.00	90.00	145.00
	Nominated Supply - High	75.00	90.00	145.00	75.00	90.00	145.00	75.00	90.00	145.00
Powell Valley Road Water District	Water Demand Estimates	6.00	7.40	11.00	6.00	7.40	11.30	6.10	7.30	11.40
	Nominated Supply - Low	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	Nominated Supply - High	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Raleigh Water District	Water Demand Estimates	0.67	0.77	1.53	0.72	0.80	1.59	0.78	0.86	1.71
	Nominated Supply - Low	0.67	0.77	1.53	0.72	0.80	1.59	0.78	0.86	1.71
	Nominated Supply - High	0.67	0.77	1.53	0.72	0.80	1.59	0.78	0.86	1.71
Rockwood Water PUD	Water Demand Estimates	7.00	9.57	13.00	7.07	9.67	13.13	7.21	9.86	13.40
	Nominated Supply - Low	3.50	4.79	6.50	3.54	4.84	6.57	3.60	4.93	6.70
	Nominated Supply - High	7.00	9.57	13.00	7.07	9.67	13.13	7.21	9.86	13.40
Sunrise Water Authority	Water Demand Estimates	5.20	9.50	13.40	8.20	15.10	21.30	13.70	25.30	35.60
	Nominated Supply - Low	0.0	0.0	0.0	0.0	0.0	0.0	2.50	10.00	10.00
	Nominated Supply - High	1.00	5.00	5.00	2.50	10.00	10.00	6.00	20.00	20.00

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Member	Water Demand Estimate or Supply Nomination	2005			2010			2020		
		Average Day (mgd)	Peak Season (mgd)	Peak Day (mgd)	Average Day (mgd)	Peak Season (mgd)	Peak Day (mgd)	Average Day (mgd)	Peak Season (mgd)	Peak Day (mgd)
City of Tigard	Water Demand Estimates	6.50	10.80	15.00	6.76	12.24	17.00	7.09	12.96	18.00
	Nominated Supply - Low	3.90	6.48	9.00	3.72	6.73	9.35	3.60	6.50	9.00
	Nominated Supply - High	6.50	10.80	15.00	6.76	12.24	17.00	7.09	12.96	18.00
City of Tualatin	Water Demand Estimates	5.60	8.30	14.00	8.37	12.40	19.00	8.80	13.10	20.00
	Nominated Supply - Low	5.20	10.80	10.80	6.00	10.80	10.80	6.00	10.80	10.80
Tualatin Valley Water District	Nominated Supply - High	5.60	10.80	14.00	9.00	12.50	19.00	9.00	13.10	20.00
	Water Demand Estimates	25.70	36.80	50.50	29.00	41.50	56.80	36.60	52.30	71.70
	Nominated Supply - Low	18.23	29.99	44.50	21.53	34.69	50.80	29.13	45.49	65.70
West Slope Water District	Nominated Supply - High	18.23	29.99	44.50	21.53	34.69	50.80	29.13	45.49	65.70
	Water Demand Estimates	1.49	1.90	3.73	1.53	1.96	3.84	1.54	1.96	3.84
	Nominated Supply - Low	1.49	1.90	3.73	1.53	1.96	3.84	1.54	1.96	3.84
<b>Totals</b>	Nominated Supply - High	1.49	1.90	3.73	1.53	1.96	3.84	1.54	1.96	3.84
	Water Demand Estimates	<b>154.13</b>	<b>201.35</b>	<b>305.14</b>	<b>170.49</b>	<b>226.19</b>	<b>338.04</b>	<b>192.91</b>	<b>258.62</b>	<b>383.22</b>
	Nominated Supply - Low	<b>120.56</b>	<b>150.52</b>	<b>237.7</b>	<b>126.4</b>	<b>156.89</b>	<b>245.5</b>	<b>139.14</b>	<b>178.9</b>	<b>270.64</b>
	<b>Nominated Supply - High</b>	<b>139.82</b>	<b>185.94</b>	<b>274.46</b>	<b>154.21</b>	<b>206.34</b>	<b>301.95</b>	<b>172.79</b>	<b>236.88</b>	<b>340.12</b>

3 Note 1: Peak season begins on July 1<sup>st</sup> and ends on October 31<sup>st</sup>.

1 **Appendix F**

2 **Water Supply and Mutual Aid Intergovernmental Agreement Summary<sup>1</sup>**  
3 **Proposed Bull Run Regional Drinking Water Agency**  
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<b>PARTIES</b>	<b>Agreement Type</b>
City of Gresham and Powell Valley Road Water District	Mutual Aid Agreement (MAA)
City of Gresham and Lusted Water District	MAA
City of Gresham and Rockwood Water People’s Utility District (PUD)	MAA
Clackamas River Water and Rockwood Water PUD	Water Supply Agreement (WSA)
Clackamas River Water and North Clackamas County Water Commission	WSA
City of Tualatin and City of Tigard	WSA
City of Tualatin and City of Sherwood	WSA
City of Tualatin and Tualatin Valley Water District for the City of Sherwood	WSA
City of Tualatin and the City of Lake Oswego	WSA
City of Tualatin and the Rivergrove Water District	MAA
City of Lake Oswego and the City of Tigard	WSA
Tualatin Valley Water District and the City of Tigard	WSA
Tualatin Valley Water District and the City of Beaverton	MAA
Tualatin Valley Water District and the West Slope Water District	MAA
City of Beaverton and the City of Tigard	WSA
Tualatin Valley Water District and the Joint Water Commission	WSA

7 Note 1: Not listed are the water supply agreements between the City of Portland and the wholesale  
8 water users.  
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