

**INTERGOVERNMENTAL AGREEMENT**  
**RELATING TO PROVISION OF WATER SERVICE**  
**TO THE CITY OF OREGON CITY**

THIS AGREEMENT is made and entered into by and between CLACKAMAS RIVER WATER (“CRW”), a domestic water supply district created pursuant to ORS Chapter 264, and the CITY OF OREGON CITY (“City”), an Oregon municipal corporation. CRW and the City are hereinafter referred to as the “Parties.”

**RECITALS:**

- A. The City operates a municipal water system and CRW is engaged in the supply of water service for domestic purposes to the residents in their respective areas. The Parties acknowledge that they have the authority to execute this intergovernmental cooperative agreement pursuant to ORS 190.003 to 190.030;
- B. CRW acknowledges the City as an urban water provider within the UGB. The City acknowledges CRW as a provider of water service within the UGB;
- C. CRW and the City desire to provide water service in an orderly, efficient, non-duplicative manner and as provided for within the City’s adopted Water Distribution Master Plan (WMP);
- D. The City’s current 2012 WMP is the City’s guiding document for the planning of the City’s water distribution system to meet both existing and future projected water demands, and provides recommendations for a Capital Improvement Program (CIP) for future water infrastructure improvements to meet projected future demands;
- E. The City’s recommended CIP for future water facilities to serve a portion of the City’s Beaver Creek Road Concept Plan (BRCP) area located approximately south of Meyers Road, includes a booster pump station, two million gallon storage facility, and 16-inch diameter transmission pipeline;
- F. The City’s existing water distribution system currently can serve the portion of the BRCP area located approximately north of Meyers Road through waterline extensions from the existing system;
- G. CRW and the City agree that it is anticipated that CRW will have sufficient resources and facilities to provide through the term of this Agreement water service to development within the City through a proposed master meter intertie connecting the two Parties’ water systems at an approximate location near the intersection of Glen Oak Road and Beaver Creek Road that will allow the City to serve the proposed property development at 19896 Beaver Creek Rd, Oregon City (Clackamas County Map 3-2E- 10C Tax Lot 00800), the (“Property”). The Property consists of approximately 9.7 acres within the City, and is conditionally approved to develop a total of 121- apartment units and 59 live-work units through a Type II Limited Land Use Decision on November 14, 2014, by the City of Oregon City Community Development Director (“Land Use Decision”)

- H. The Parties agree that it is in the best interest of citizens of the City and CRW's customers to enter into a formal agreement setting forth the intention of the Parties regarding CRW's provision of water service to the City in order to allow the City to serve the Property development; and
- I. The Parties will coordinate the third party design and construction of the following infrastructure: 1) a master meter intertie and vault assembly near the intersection of Beaver Creek Road and Glen Oak Road, to be known as the "Glen Oak Master Meter Intertie," and 2) a 12-inch water transmission main on Beaver Creek Road from the Glen Oak Master Meter Intertie to the Property.

NOW, THEREFORE, the premises being in general as stated in the foregoing recital, IT IS AGREED by and between the Parties hereto as follows:

1. **EFFECTIVE DATE:** This agreement shall take effect on \_\_\_\_\_, 2016. It shall remain in effect until either the City has the water system infrastructure to serve the Property directly without the Glen Oak Master Meter Intertie or the City and CRW execute an amendment to this Agreement.
2. **COORDINATION:** The Parties hereby establish a cooperative approach to managing activities related to the Glen Oak Master Meter Intertie ("Intertie") and 12-inch water transmission main ("12-inch Main"), which includes infrastructure and capital planning, building and construction permitting, construction plan review, and final construction and acceptance. CRW shall be responsible for the development and amendment of any of its existing facilities needed to ensure continued service to the Intertie. The City shall require the developer of the Property to construct the master meter intertie, vault assembly and the 12-inch water transmission main at the developer's cost. Upon construction completion and acceptance of these facilities by the City and CRW, CRW shall own, operate and maintain the master meter and vault assembly infrastructure, and the City shall own, operate and maintain the 12-inch water transmission main. The City shall require the developer to obtain all necessary permits and governmental approvals for constructing the said infrastructure, including applicable permits from Clackamas County for construction of any infrastructure within the Beaver Creek Road public right of way, and coordination with CRW for CRW's technical plan approval(s), permitting approvals, and construction inspections as applicable to the Intertie. The City shall provide notice to CRW when the City receives submittals for construction plans, and building application(s) for the said infrastructure, being the Intertie and 12-inch Main. See Exhibit 1 for *Location Map* depicting the location of said facilities.
3. **SUPPLY OF WATER:** During the term of this agreement and pursuant to its terms and conditions, CRW agrees to wheel to and provide, through the Glen Oak Master Meter Intertie, a supply of potable water to the City, to allow the City to serve the Property with sufficient water as defined in Section 6.
4. **LIMITATION OF SUPPLY:** The Parties understand and agree that CRW anticipates a supply of water sufficient to furnish the City with water service at the Intertie, to allow the City to serve the Property. For purposes of this agreement, water provided to the City by CRW is considered to be available from CRW's Beaver Creek Pressure Zone. In the event CRW is unable to furnish a sufficient supply of water to the City during the term of this agreement, CRW shall give the best notice possible to the City and it is agreed that CRW

shall not be held liable on account of any such inability or related curtailment. The City may, at its discretion, obtain and use water from the City's distribution system maintained by the City or from other sources at any time during the term of this agreement.

5. **SERVICE REDUCTION:** CRW agrees to exercise reasonable diligence and foresight to repair and replace its distribution system to maintain water volume, pressure and flows, and emergency fire flows at the Glen Oak Master Meter Intertie as CRW is currently able to provide hydrologically. The estimated normal flow rates and emergency fire flow rate are described in Section 6 below. If a general emergency or water shortage requires restriction on the delivery of water, then general restrictions placed upon deliveries to the City shall be determined per CRW's current *Water Management and Conservation Plan*.
6. **FLOW RATES:** The following estimated flow rates are based on the flow rates CRW currently is able to provide pursuant to its hydrological model and limitations of pressure zones and shall be deemed to be sufficient flows under this Agreement: .

**Glen Oak Master Meter Intertie:**

- Estimated Average Daily Demand (ADD) gallons per minute = 83.3
  - Estimated Maximum Daily Demand (MDD) gallons per minute = 111.1
  - Fire Flow Requirement = 1,562 gpm @ 20 psi
7. **RATE:** The City shall be billed monthly for the water sold under this Agreement, and payment shall be made within 30 days of billing.

See Exhibit 2 for the GLEN OAK ROAD ANALYSIS - CALCULATION OF WHOLESALE WATER RATE FROM CLACKAMAS RIVER WATER through the Glen Oak Master Meter intertie.

The City shall pay monthly to CRW for all water passing through the Intertie described in Section 3 at rates determined using cost of service principles described in Section 8 and adopted annually by Resolution of CRW's Board. Effective on each successive January 1 during the term of this Agreement, or any renewal thereof, the rate shall be retained or modified in accordance with the criteria set forth in Section 8.

8. **RATE SETTING CRITERIA:** In setting rates, CRW shall take into account the following, for the quantity of water proposed to be purchased:
  - a. Rates shall be determined in accordance with generally accepted ratemaking practices, as described in the AWWA M-1 Manual, 2012 Sixth Edition and subsequent amendments;
  - b. Rates shall include, but not be limited to, payments for reasonable operation and maintenance expense, depreciation, return on investment, administrative and general expenses, in-lieu taxes and other costs associated with CRW's financing and operation of its system. The rate of return on investment shall be prime + 1%.
  - c. CRW O&M Rate Per CCF shall be as stated in Exhibit 2, based on the methodology as provided in FCS Group Memorandum, dated August 27, 2016, Exhibit 3, and effective January 1, 2018, and annually thereafter, the CRW O&M rate shall be adjusted to

account for inflation in an amount not to exceed 3 percent per year. South Fork Water Board (SFWB) rate per CCF shall be as stated in Exhibit 2, shall be based on the actual SFWB rate charged to CRW, and shall be effectively changed with adopted SFWB rate changes;

- d. Costs and expenses shall be classified in the "base-extra capacity method" as described by the AWWA M-I Manual, 2012 Sixth Edition and subsequent amendments;
  - e. For improvements to be installed during the fiscal year and for construction work in progress, the plant in-service date shall be deemed the mid-year of the rate period; and
  - f. The City shall be given the opportunity to participate and provide input into CRW's rate-setting process.
9. **TIMELINE:** The Parties agree to develop a timeline for each of the respective construction obligations outlined in this Agreement that is mutually agreeable to all Parties.
10. **RESPONSIBILITIES CONCERNING CONNECTION AND METER(S):** CRW agrees that all of the meters shall be checked and their accuracy certified annually by qualified meter technicians at the expense of CRW. Should the meter(s) at any time fail to accurately measure the water passing through said meter(s), the charge for such water delivered during the time the meter or meters are not properly functioning shall be based on CRW records for City usage for the period out of service. CRW agrees to notify the City prior to repairing the meter(s) and to repair the meter(s) expeditiously. The City or its agents shall contact CRW for access to the metering vault. CRW and the City further agree that any new system interconnection, or replacements of existing system interconnections, shall require the prior approval of CRW and the City.
11. **LIMITATIONS ON LIABILITY:** No liability on behalf of the CRW or its officers, directors, employees or agents shall arise from any curtailment or interruption of service consistent with the terms of this agreement. The City agrees to defend, indemnify and hold CRW harmless for claims brought by or through the City's customers for damage of any nature resulting from such curtailment or interruption of service except for claims attributable to negligence by CRW.
12. **MAINTENANCE:** CRW shall own, operate, maintain, repair and replace all water system facilities necessary to furnish water to the outlet side of the master meter(s) at the Glen Oak Water Master Meter Intertie used for measuring the quantity of water delivered to the City. CRW shall impose no charges other than established pursuant to Section 8.
13. **AMENDMENT PROVISION:** The terms of this agreement may be amended or supplemented by a mutual agreement of the Parties. Any amendments or supplements shall be in writing, shall refer specifically to this agreement, and shall be executed by the Parties.
14. **DISPUTE RESOLUTION:** The Parties hereby agree that resolution of any and all disputes arising out of the terms of this Agreement or interpretation thereof shall follow a prescribed process beginning with negotiation and subsequently moving to mediation, provided the dispute remains unresolved. Within thirty (30) days following receipt of written notice regarding a dispute, the Parties shall assign a representative to participate in good faith negotiations for a period not to exceed sixty (60) days.

- a. If after the sixty (60) day period of negotiation (or a period not to exceed ninety (90) days following the original date of receipt of notice regarding the dispute), the dispute(s) cannot be resolved, the Parties agree to submit the matter to non-binding mediation. The Parties shall attempt to agree on a mediator in a period not to exceed thirty (30) days (or a period not to exceed one hundred twenty (120) days following the original date of receipt of notice regarding the dispute) and proceed accordingly.
  - b. After exhaustion of the preceding processes, either Party may initiate litigation in the Circuit Court of the State of Oregon for Clackamas County. Moreover, each Party shall bear its own legal and expert witness fees at all stages of the dispute resolution process, including at trial or on any appeals. In addition, nothing shall prevent the Parties from waiving any of the steps by mutual consent.
  - c. The Parties agree that the service and commodity provided by CRW pursuant to this Agreement is a special contract service and is not provided by CRW as a common utility service.
15. **OTHER NECESSARY ACTS:** The Parties shall execute and deliver to each other all such further instruments and documents as may be reasonably necessary to carry out this Agreement.
16. **SEVERABILITY:** If one or more of the provisions contained in this Agreement is determined by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall continue in full force and effect.
17. **NOTICES:** Any notice herein required or permitted to be given shall be given in writing, shall be effective when actually received, and may be given by hand delivery or by United States mail, first class postage prepaid, addressed to the Parties as follows:

**Clackamas River Water:**

General Manager  
Clackamas River Water  
PO Box 2439  
Clackamas, OR 97086

**Oregon City:**

City Manager  
City of Oregon City  
625 Center Street.  
Oregon City, OR 97045

These addresses may be changed by written notice to the other Party.

18. **NO THIRD-PARTY BENEFICIARIES:** The Parties to this Agreement are the only Parties entitled to enforce its terms. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide, any benefit or right, whether directly or indirectly or otherwise, to third persons.
19. **NONWAIVER:** Failure by any Party at any time to require performance by the other Party of any of the provisions of this Agreement shall in no way affect such Party's rights hereunder to enforce the same, nor shall any waiver by either Party of the breach of this Agreement be held to be a waiver of any succeeding breach or a waiver of this non-waiver clause.

20. **APPLICABLE LAW:** The Agreement shall be governed by and construed in accordance with the laws of the State of Oregon.
21. **COMPLIANCE WITH LAWS:** In connection with their activities under this Agreement, both Parties shall comply with all federal, state, and local laws, comprehensive plans and ordinances applicable to this Agreement, or any work performed pursuant to this Agreement.
22. **INDEMNIFICATION:** To the maximum extent permitted by law and subject to the limitations of the Constitution and laws of the State of Oregon regarding units of local government, the Parties shall hold harmless, defend, and indemnify each other, its governing bodies, officers and employees, from any claims for damages to property or injury to persons or for any penalties or fines, which may be occasioned in whole or in part by the indemnitor's performance or failure to perform under this Agreement.
23. **ASSIGNMENT:** Neither Party may assign this Agreement, in whole or in part, or any right or obligation hereunder, without written approval of the other Party, which shall not be unreasonably withheld.
24. **BINDING EFFECT:** The covenants, conditions, and terms of this agreement shall extend to and be binding upon and inure to the benefit of the successors of the Parties hereto.
- a. The City and CRW represent that the person signing this agreement on each Parties behalf is duly authorized to bind it to the terms of this agreement.
- b. Successors and Assigns. All the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the Parties hereto and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the Parties have set their hands and affixed their seals as of the date and year hereinabove written.

The Board of Commissioners of Clackamas River Water has acted in this matter pursuant to Resolution No. \_\_\_\_\_, adopted by its Board on the \_\_\_\_ day of \_\_\_\_\_, 2016.

The City of Oregon City has acted in this matter pursuant to Resolution No. \_\_\_\_\_, adopted by its City Commission on the \_\_\_\_ day of \_\_\_\_\_, 2016.

CLACKAMAS RIVER WATER

CITY OF OREGON CITY

\_\_\_\_\_  
Naomi Angier, President

\_\_\_\_\_  
Dan Holladay, Mayor

Attest: \_\_\_\_\_  
Secretary

Attest: \_\_\_\_\_  
City Recorder

APPROVED AS TO FORM

APPROVED AS TO FORM

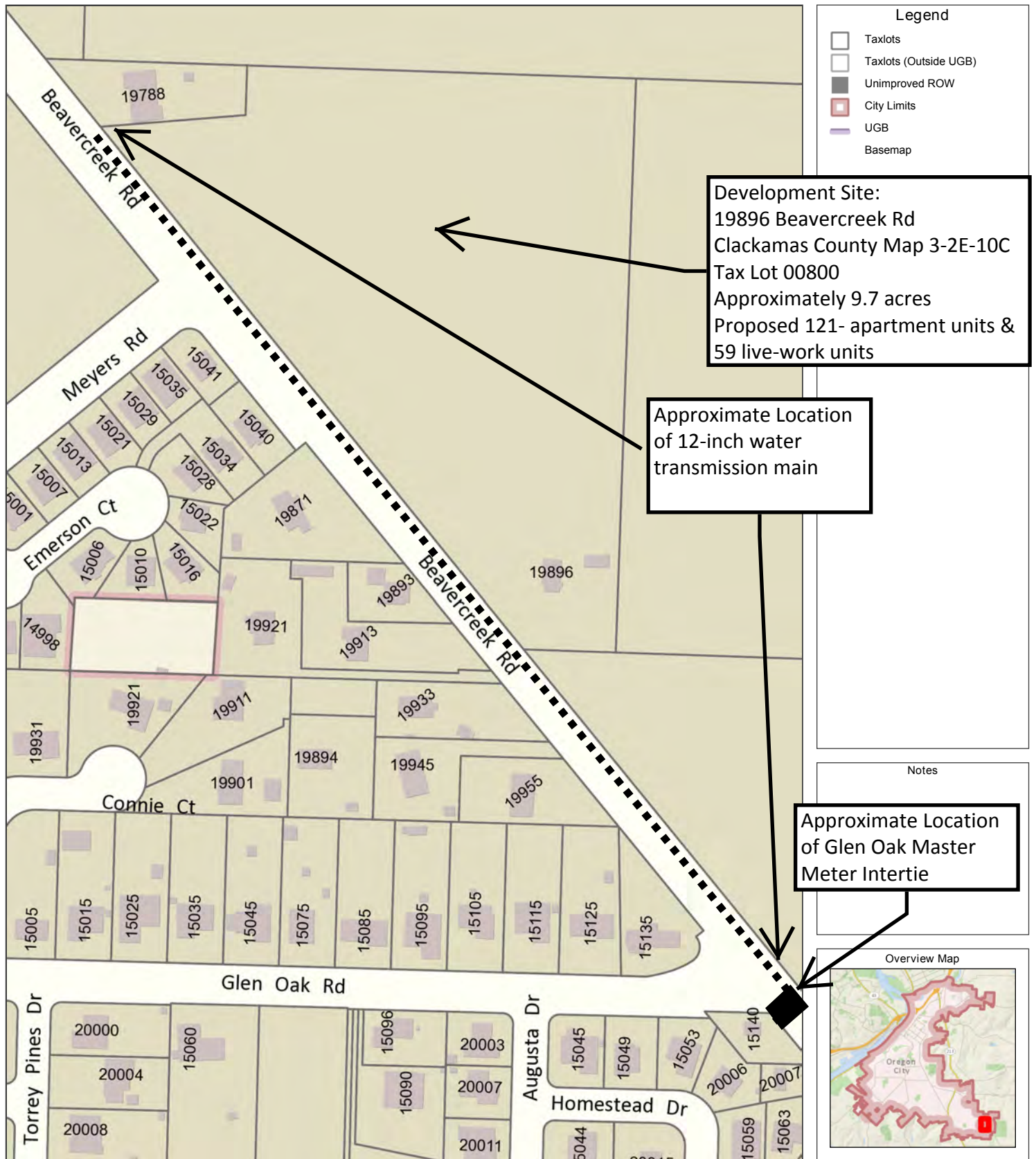
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Legal Counsel

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City Attorney

# EXHIBIT 1 Oregon City GIS Map



The City of Oregon City makes no representations, express or implied, as to the accuracy, completeness and timeliness of the information displayed. This map is not suitable for legal, engineering, surveying or navigation purposes. Notification of any errors is appreciated.



0 200 Feet  
1: 2,400

City of Oregon City  
PO Box 3040  
625 Center St  
Oregon City  
OR 97045  
(503) 657-0891  
www.oregoncity.org





## EXHIBIT 2

### EVERGREEN HOUSING DEVELOPMENT 19896 BEAVERCREEK ROAD

#### CALCULATION OF WHOLESALE WATER RATE FROM CLACKAMAS RIVER WATER THROUGH GLEN OAK MASTER METER

<b>2016/2017 Budget Operating &amp; Maintenance Expenses</b>	<b>\$40,229</b>
<b>Capital Investment Charge</b>	
Depreciation	\$9,649
Return on Rate Base (4.5% rate of return used)	\$4,369
<b>Total Allocable Costs</b>	<b>\$54,247</b>
Estimated Water Consumption (CCF)	58,529
CRW O&M Rate Per CCF	\$0.93
South Fork Water Board Rate Per CCF	\$0.89
<b>Total Volume Rate (including South Fork Water Board Rate)</b>	<b>\$1.82</b>

## EXHIBIT 3



# Memorandum

**To:** Bob George, Carol Bryck; Clackamas River Water

**Date:** August 27, 2016

**From:** Angie Sanchez Virnoche, FCS GROUP

**RE:** CRW IGA Glen Oak Master Meter Intertie

Financial Consulting Solutions Group was asked to develop a wholesale rate for the Glen Oak Master Meter Intertie which will serve the Evergreen Development (Evergreen). Under traditional industry standard approaches to rate-making, wholesale customers are more often than not charged under a “utility basis” of rate-making methodology. This approach recovers applicable operating and maintenance costs, plus a capital cost recovery based on the original cost of capital investment committed to the wholesale customer’s service. The “capital cost recovery” includes two components: depreciation of fixed assets and a rate of return on the net investment or book value of those wholesale serving assets. The utility basis approach was used to develop the requested rates for the Glen Oak Master Meter Intertie.

## CAPITAL COST RECOVERY COMPONENTS

The capital cost recovery includes two components; 1) rate of return on the allocable assets serving the customer and 2) annual depreciation.

## RATE OF RETURN

The rate of return was developed through a multi-step process that included identifying the eligible SSA assets and developing an allocation basis for Evergreen.

1. District assets were reviewed to isolate those assets in the South Service Area (SSA). The review was conducted by major asset type related to Supply/Treatment, Pumping, Storage, Transmission/Distribution, Meters & Services, Hydrants and General. This was streamlined by the District accounting for assets by type and service area. Of the total \$88 million in original cost asset value, \$26 million was identified as related to the SSA. Accumulated depreciation on the SSA assets was calculated at \$12.8 million resulting in a net book value for SSA assets of \$13.6 million.
2. Of the \$13.6 million, supply/treatment, hydrants and general asset values were eliminated as eligible assets. Water will be supplied from South Fork Water Board. The resulting SSA allocable assets totaled \$13.3 million

Asset Category	Original Cost	North Assets	South Assets	Less: South Accumulated Depreciation	Net Rate Base South Assets	% Eligible	\$ Eligible Evergreen
Supply/Treatment [1]	\$ 17,179,930	\$ 17,071,003	\$ 108,927	\$ 65,950	\$ 42,977	0.00%	\$ -
Pumping	\$ 4,329,271	\$ 1,982,876	\$ 2,346,396	\$ 1,643,949	\$ 702,446	100.00%	\$ 702,446
Storage	\$ 7,086,643	\$ 4,715,128	\$ 2,371,515	\$ 1,101,199	\$ 1,270,316	100.00%	\$ 1,270,316
Transmission/Distribution	\$ 48,672,762	\$ 29,723,531	\$ 18,949,230	\$ 8,285,874	\$ 10,663,356	100.00%	\$ 10,663,356
Meters and Services	\$ 4,642,199	\$ 3,059,334	\$ 1,582,865	\$ 939,510	\$ 643,355	100.00%	\$ 643,355
Hydrant	\$ 276,667	\$ 275,685	\$ 982	\$ 664	\$ 318	0.00%	\$ -
General	\$ 5,516,743	\$ 4,439,227	\$ 1,077,516	\$ 799,834	\$ 277,682	0.00%	\$ -
Total	\$ 87,704,215	\$ 61,266,783	\$ 26,437,432	\$ 12,836,981	\$ 13,600,451		\$ 13,279,474

[1] Water supply from South Fork Water Board

### Firm Headquarters

7525 166<sup>th</sup> Ave. NE., Suite D-215  
Redmond, Washington 98052

### Locations

Redmond, WA | 425.867.1802  
Portland, OR | 503.841.6543

## EXHIBIT 3

### Clackamas River Water Glen Oak Master Meter Intertie Rate

3. Pumping, storage, transmission/distribution and Meters & Services were the only identified allocable assets. The next calculation required that the allocable SSA assets be further refined to determine what portion of the asset is eligible to include in the rate of return calculation for Evergreen.
- Pumping – \$702K book value. Of the total SSA pumping assets only the Holly Lane and Glen Oak pump stations were included. The gallon per minute (gpm) pumping capacity of each station was compared to the average day demand (ADD) of Evergreen (83.3 gpm). Based on this calculation, 7.5 percent or \$22,154 was identified as eligible to include in the rate of return.
  - Storage - \$1.3 million. The asset value was split into capacity and fire related based on the American Water Works Association (AWWA) classification procedures which looks at max fire event to total storage capacity. The calculation for the SSA resulted in 93 percent related to capacity and 7 percent related to fire. The maximum storage capacity in the SSA is 5.8 million gallons. The master meter is 3.8 percent of the max day capacity in the SSA. Fire was allocated based on equivalent residential units (ERUs) generated from customer statistics – Evergreen ERUs represented 516 ERUs. The eligible storage asset value is 4.10 percent or \$52,100 of the total SSA storage assets.
  - Transmission & Distribution (T&D) - \$10.7 million. An engineering analysis of the applicable pipes was completed using the CRW hydraulic model. The analysis calculated the proportional flow of Evergreen per eligible pipe segment resulting in a percentage of capacity used per pipe. The replacement cost of each eligible pipe was calculated and the Evergreen capacity used percentage was applied to each pipe. The Evergreen value was then compared to the total transmission and distribution replacement cost in the SSA. The eligible asset value is 0.213 percent or \$22,700 of the total SSA T&D.
  - Meters & Services - \$643K. The allocation of meters and services was developed by comparing one Evergreen meter to the total meters in the SSA. The eligible asset value is 0.022 percent or \$139. This particular asset value can be much improved by including the cost of the actual meter when known.
  - The total allocable asset net book value or rate base is ~ \$97,100.

Asset Category	Allocable to Wholesale	Basis for Allocation	Basis	Evergreen Share	% Allocated	\$ Allocable to Evergreen
Pumping [1]	\$ 702,446	Holly Lane/Glen Oak	\$ 294,780	\$ 22,154	7.52%	\$ 22,154
Storage [2]	\$ 1,270,316	Capacity & Fire	3.8%/ 8.8%, respectively	\$ 52,067	4.10%	\$ 52,067
Transmission/Distribution [3]	\$ 10,663,356	Capacity per Pipe Size	\$ 74,688,992	\$ 159,139	0.213%	\$ 22,720
Meters and Services [4]	\$ 643,355	number of meters	4,637	1	0.022%	\$ 139
<b>Total</b>	<b>\$ 13,279,474</b>					<b>\$ 97,080</b>

[1] Includes Holly Lane and Glen Oak pump station Asset Values only. Holly Lane 1,371 gpm and Glen Oak 658 gpm; Evergreen 83.3 gpm representing 6.08% and 12.66% of pump station capacity, respectively.

[2] Storage capacity in South Area (5.8 million gallons); Per AWWA calculation max fire event to total storage capacity provides fire and capacity split.

Capacity represents 93.4% and fire 6.6% (1,600 gpm for 240 minutes). Evergreen is 3.8% of max day capacity demand in South; fire based on ERU's in South

[3] Transmission/Distribution based on Engineering analysis of Evergreen capacity used per specific pipe size; represented in replacement value of applicable pipe

[4] Represents value of meters/services in South Area and represents number of meters in South Area

- The current CRW cost of capital used is 4.5 percent.
- Return on rate base is \$4,369 (\$97,100 \* 4.5 percent)

Rate of Return	Amount
Allocable Evergreen Assets	\$ 97,080
Cost of Capital	4.50%
<b>Return on Rate Base</b>	<b>\$ 4,369</b>

## EXHIBIT 3

### Clackamas River Water Glen Oak Master Meter Intertie Rate

## ANNUAL DEPRECIATION

The calculation of annual depreciation used CRW's asset data for the identified eligible assets. The Evergreen percent allocated percentage from the net book value calculation was used to determine the portion allocable to Evergreen. The calculation resulted in an annual depreciation of \$9,650. This calculation can also be improved for meters and services once the cost of the meter is known and a useful life determined.

Asset Category	2015 Depreciation	% Allocated (from asset allocation)	\$ Allocable to Evergreen
Pumping	\$ 95,011	Actual deprec. Share	\$ 5,798
Storage	\$ 74,211	4.10%	\$ 3,042
Transmission/Distribution	\$ 376,754	0.213%	\$ 803
Meters and Services	\$ 27,552	0.022%	\$ 6
Total	\$ 573,529		\$ 9,649

*Note: Percentages used from asset allocation*

## OPERATING AND MAINTENANCE

The utility basis approach recovers applicable operating and maintenance (O&M) costs. The fiscal year 2016/2017 budget was used and categorized into customer costs, water resources and system operations. Cost were further isolated to include only that portion of the budget allocable to the SSA. An allocation basis was developed to identify the Evergreen share of O&M costs.

- Customer - \$1.3 million assigned to SSA. Costs include board of commissioner, finance/accounting/customer service, administration and Engineering costs. The basis of allocation was number of meters. Evergreen share is 0.022 percent or \$711. It is likely that actual may be a higher figure depending on the level of effort expended by CRW to service, bill and update the charge.
- Water Resources - \$315K assigned to SSA. Costs were split for this category into fixed and variable charges. Variable charges included utilities and water purchases/treatment. No variable charges were included for Evergreen as they will receive water from South Fork Water Board. Fixed charges were allocated based on the peak demand of Evergreen compared to the peak demand of SSA (159,984 gpd /4.25 mgd). The allocated amount is \$11,859 or 3.76 percent.
- System Operations - \$735K assigned to SSA. Costs were split for this category into fixed and variable charges. Variable charges included a minor amount for water purchases/treatment. No variable charges were included for Evergreen. Fixed charges were allocated in the same manner as Water Resources using peak demand. The allocated amount is \$27,659 or 3.76 percent.
- Evergreen allocable O&M costs total ~\$40,200

# EXHIBIT 3

## Clackamas River Water Glen Oak Master Meter Intertie Rate

Asset Category	Total Budget FY 2016/2017	South Area Budget Allocation	Basis of Allocation [3]	Total Units [3]	Evergreen Share [3]	% Allocated	\$ Allocable to Evergreen
<b>Customer Costs</b>	\$ 3,298,522	\$ 1,275,348	Number of Meters	4,637	\$ 1	0.022%	\$ 711
<b>Water Resources</b>							
Fixed	\$ 1,354,218	\$ 315,034	Peak Demand South	4,249,984	159,984	3.76%	\$ 11,859
Variable [2]	\$ 1,616,800	\$ -	Avg. Demand South	1,589,952	119,952	7.02%	\$ -
Total	\$ 2,971,019	\$ 315,034					\$ 11,859
<b>System Operations</b>							
Fixed	\$ 1,543,129	\$ 734,764	Peak Demand South	4,249,984	159,984	3.76%	\$ 27,659
Variable [2]	\$ 1,000	\$ -	Avg. Demand South	1,589,952	119,952	7.02%	\$ -
Total	\$ 1,544,129	\$ 734,764					\$ 27,659
Fixed Costs	\$ 6,195,868	\$ 2,325,146					\$ 40,229
Variable Costs	\$ 1,617,800	\$ -					\$ -
<b>Total Direct O&amp;M</b>	<b>\$ 7,813,669</b>	<b>\$ 2,325,146</b>					<b>\$ 40,229</b>

[1] customer costs include Board of Commissioner Costs, Finance/accounting/customer service, administration and engineering

[2] Variable costs include items such as utilities and water purchases/treatment. Since Evergreen will be provided water from South Fork Water Board they will pass this cost on directly to Evergreen

[3] Peak demand South Area = 4.25 MGD max day demand (Evergreen 111.1 gpm\*1,440 minutes in day=159,984); Average day demand South Area = 1.59 MGD (Evergreen 83.3gpm\*1,440 minutes in day = 119,952)

## TOTAL UTILITY BASIS COSTS

The utility basis cost components include O&M (fixed and variable), depreciation and return on rate base. The total cost basis for Evergreen is ~\$54,250

Cost Components	FY 2016/2017
Operating & Maintenance Costs - Fixed	\$ 40,229
Operating & Maintenance Costs - Variable	\$ -
Depreciation	\$ 9,649
Return on Rate Base	\$ 4,369
Total	\$ 54,247

The allocable costs will be charged as a volumetric rate per hundred cubic foot (ccf). The total costs spread over the estimated water consumption of 83.3 gallons per minute or 58,529 results in \$0.93 per ccf. Adding the current South Fork Water Board rate of \$0.89 per ccf (as a direct pass through) results in a total ccf rate of \$1.82

**Clackamas River Water  
Glen Oak Master Meter Intertie Rate**