

OPERATION AND MAINTENANCE
INTERGOVERNMENTAL AGREEMENT

This Intergovernmental Agreement ("IGA"), which is effective upon the date of its last signature, is made by and between Tualatin Valley Water District, a domestic water supply water district organized under ORS Chapter 264 ("TVWD"), the City of Portland, a municipal corporation ("Portland"), and the City of Tualatin, a municipal corporation ("Tualatin"). These entities may also be referred to herein as "Party" or "Parties".

RECITALS

1. The Parties are duly authorized and formed by City Charter (Portland and Tualatin) and under the laws of the State of Oregon (TVWD) and are authorized to enter into agreements to provide for domestic water service.
2. TVWD presently has sources of water from the City of Portland and the Joint Water Commission ("JWC"). Portland has its source of water from the Bull Run system and the Columbia South Shore Well Field. Tualatin is a wholesale water purchaser from Portland.
3. TVWD and Tualatin wish to design, construct and operate a 10 mgd emergency pump station to create an emergency water supply connection between TVWD's JWC water source and its Metzger Service Area and Tualatin.
4. TVWD believes the station would best be located at the existing meter vault located near SW Beaverton Hillsdale Highway and SW Scholls Ferry Road. The vault currently houses piping and a meter owned by the City of Portland. The new meter and associated piping installed in the meter vault during the construction phase of this project serves to measure water deliveries from the Portland system to the TVWD system under their Regional Water Sales Agreement.
5. TVWD solicited proposals from a consultant and contractor, to provide services for design and construction, respectively, of a 10 mgd emergency pump station that would connect to the water piping system at the Portland meter vault. In addition, at Portland's request TVWD solicited a proposal from a consultant and contractor, to provide services for design and construction, respectively, of modifications to provide for a more accurate metering facility. Sharing of the design costs and construction costs have been delineated in previous IGAs that are being processed concurrent with this IGA.
6. TVWD and Tualatin acknowledge they must have Portland's permission to alter the piping in the vault and alter operations. Portland will assist TVWD and Tualatin in the operation of the Washington County Supply Line (WCSL), specifically the opening/closing of the inline valve located on the east side of the tee at the intersection

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of SW Beaverton-Hillsdale Hwy and SW Oleson Road during testing or during emergency operation of the temporary trailer-mounted pumping equipment.

7. The Parties therefore enter this IGA to participate in and jointly fund the operation and maintenance of temporary pumping facilities and the new metering facilities for the meter and piping in the vault. It is currently anticipated that the smaller pipe to hold the meter will run in the vault above and in parallel to the existing piping which will remain, but will be placed in an "out of service" mode. It is also expected that pumping facilities will involve the use of temporary trailer-mounted, engine driven pumping equipment, normally stored off-site, which shall be transported to the WCSL meter facility and connected using portable piping for operation if and when needed.

TERMS AND CONDITIONS

Now, therefore, the Parties agree as follows:

1. Recitals. The recitals above are incorporated by reference and made a part of this IGA.
2. Permanent Improvements at Meter Vault. The work shown on the plans and specifications prepared by the design consultant ("Contract Documents") provide the altered vault piping and new meter facilities agreed upon by TVWD, Portland and Tualatin to attain their joint goals. These improvements are asset improvements to the meter vault, with ownership assigned as outlined in Section 4.
3. Temporary Trailer-mounted Pumping Equipment. The temporary trailer-mounted pumps together with the diesel engine drivers, portable piping, fittings, tools, accessories and ancillary equipment to connect to the permanent piping at the meter vault as provided under the construction contract shall have the ownership assigned to TVWD:
 - a. TVWD will provide for the secure storage of the trailer-mounted pumping equipment on property currently owned by TVWD.
 - b. TVWD will provide for all maintenance and operation of the trailer-mounted pumping equipment, including transportation to the appropriate site for load testing of the pumps. In the event of the need to activate the units for an actual emergency situation TVWD will mobilize and set up the trailer-mounted pumping equipment at the meter vault. TVWD will furnish the equipment and labor for this activity. When placed in operation TVWD will provide 24/7 operation and provide the expendable supplies to operate the pumps (i.e., primarily diesel fuel, etc.). The Portland meters in the two vaults located at SW 80th Avenue and SW

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Florence Lane will be utilized to divide the flow during pumping operation between TVWD and Tualatin, up to 5 mgd each less the loss of water due to pipe losses in the existing 54-inch and 48-inch pipes between the Portland meter vault and the meter vaults at SW 80th Avenue.

- c. Each trailer-mounted pumping unit has a capacity of 5 mgd. The total pumping capacity is 10 mgd for both units operating together. One-half the capacity is assigned each to TVWD and Tualatin. The cost of operation will be shared equally between TVWD and Tualatin, in accordance with Section 5(a).

4. Ownership of Facilities.

- a. Pursuant to the Regional Water Sales Agreement (2006), which is incorporated by reference, "all existing water meters...and associated facilities such as vaults" are the property of Portland. Accordingly, Portland will own and maintain the new meter in proper working condition. Portland will perform periodic testing, calibration, maintenance and ultimately replacement of the meter based on generally accepted industry standards. Portland agrees to notify TVWD and Tualatin prior to any maintenance or repairs of the new meter. TVWD agrees to notify Portland prior to any maintenance of piping and valves in the vault.
- b. TVWD owns the temporary trailer-mounted pumps together with the diesel engine drivers, portable piping, fittings, tools, accessories and ancillary equipment to connect to the permanent piping at the meter vault as mentioned in Section 3.c.
- c. Portland owns the existing insertion type flow meter installed in the 54-inch pipe in the meter vault and the new 24-inch meter and associated controls and instrumentation. In addition, Portland together with the meters owns the associated pipe, fittings and valve described in the following sentence. Specifically, Portland owns all piping and fittings between and including the 24-inch butterfly valve, which is outside and just west of the vault, and the harnessed dresser coupling, which is immediately west of the 24-inch tee inside the vault. TVWD owns the existing 54-inch piping beginning with the 42-inch valve at the westerly side of the 54-inch tee on the WCSL in the intersection of SW Beaverton Hillsdale Hwy and SW Oleson Rd. TVWD's ownership of the 54-inch WCSL continues westerly through the meter vault, including appurtenances on this piping, the tee and

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new piping installed for the emergency pump station, except the Portland owned pipe and fittings as described in the third sentence of this section (Section 4.c). Exhibit 1 provides a vicinity map of the meter vault.

- d. TVWD will be allowed reasonable access to both meters and facilities for purposes of installing and maintaining telemetry equipment and other equipment related to the metering function.
- e. Portland will take ownership of the equipment described in Section 4.c upon final acceptance of the work by the Parties.
- f. Portland agrees to pay TVWD for the equipment described in Section 4.c and TVWD will subsequently pay the Contractor as delineated in the Construction IGA. Warranty documentation, operations manuals, as-built drawings and any title to the equipment will be transferred to Portland upon final acceptance of the work by the Parties.
- g. Portland's maintenance obligation for the new meter and facilities will begin upon final acceptance of the work by the Parties.
- h. Portland owns the vault and Portland does not require TVWD's permission to access and maintain Portland's equipment. TVWD does not require Portland's permission to access and maintain TVWD's piping and equipment in the vault. Although a Party to this IGA does not require permission to access its equipment, a Party that desires to access the vault will contact the other Party as a matter of courtesy. A Party wishing to perform significant maintenance or repairs should communicate with the other Party before performing any work.
- i. No easement or license will be required of either Party to enter the vault or access their equipment.
- j. Portland's maintenance obligations will end upon non-renewal of the Regional Water Sales Agreement by TVWD.

5. Implementation of the Operations and Maintenance Activities of the Pump Station. TVWD will maintain and operate the trailer-mounted pumping equipment in accordance with the manufacturer's operations manual and TVWD standard practice. These activities will include, but are not limited to, maintenance and exercising procedures for the pumping equipment per the manufacturer's operation and maintenance manual; running of the pumping equipment under load at TVWD's

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Springville Reservoir site; and other activities to maintain the units in a state of readiness to deploy for emergency operation.

- a. The operation and maintenance cost for the trailer-mounted pumping equipment owned by TVWD in which Tualatin has a 50 percent capacity interest will be shared equally between TVWD and Tualatin. TVWD shall provide an annual estimate of maintenance costs no later than February 15 for the upcoming fiscal year.
- b. The Parties agree that Portland will not participate in the operation and maintenance cost of the trailer-mounted pumping equipment. Portland's assistance in the operation of the WCSL mainline, including opening/closing of valves on the WCSL during testing or emergency operation of the trailer-mounted pumping equipment at the meter vault will be reimbursed by TVWD and Tualatin. Portland shall pay the cost of operation and maintenance only related to the meters and piping identified in paragraph 4.c. TVWD will notify Portland and Tualatin prior to setting up the pumping equipment at the meter vault for either test purposes or actual operation during an emergency.
- c. Scheduled and unscheduled capital expenditures for the trailer-mounted pumping equipment will be shared equally by TVWD and Tualatin, in accordance with Section 5(a). TVWD will notify Tualatin prior to performing the work associated with unscheduled capital expenditures to allow time for budgeting of these expenditures. Examples of scheduled capital expenditures: gradual wear of pump impeller, reduced output leads to scheduling of replacements. Examples of unscheduled expenditures: bearing failure of pump, water pump on engines, or other mechanical failure. TVWD shall invoice Tualatin in the month following completion of any scheduled or unscheduled capital expenditures.

TVWD shall submit invoices for capital expenditures electronically for Tualatin to the attention of the Tualatin Water Division Manager. TVWD will ensure that the invoices identify each party's share of cost. Within 30 days of receipt of an invoice from TVWD, Tualatin shall pay TVWD its share of the cost shown on the invoice.

- d. TVWD shall invoice Tualatin in January of each year for the routine operational and maintenance costs incurred during the

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previous calendar year. In the event of an emergency deployment of the trailer-mounted pumping equipment TVWD will issue an invoice following the conclusion of the event, or monthly, should the emergency condition be a longer term event. TVWD will ensure that the invoices identify each party's share of cost. TVWD will send a copy of the invoice to the attention of Tualatin's Water Division Manager. Within 30 days of receipt of an invoice from TVWD, Tualatin shall pay TVWD its share of the cost shown on the invoice. The invoice in addition will include the cost of water for test purposes and/or actual use during an emergency deployment of the trailer-mounted pumping equipment at the meter vault. The cost for water shall be as defined in Section 5.f.

TVWD shall submit invoices for routine operational and maintenance costs electronically for Tualatin to the attention of Tualatin's Water Division Manager.

- e. TVWD is the Managing Agency for the operation and maintenance of the trailer-mounted pumping equipment. As the Managing Agency, TVWD will oversee the execution of all operation and maintenance activity associated with the trailer-mounted pumping equipment. TVWD will communicate with the Portland Water Operations & Support Manager and the Tualatin Water Division Manager to provide them with information regarding the operation and maintenance of the trailer-mounted pumping equipment and allow for their comment and meaningful input. In addition, TVWD will provide any other documentation requested that is relevant to the operation and maintenance of the trailer-mounted pumping equipment.
- f. The cost of water for testing and/or actual use during an emergency deployment of the trailer-mounted pumping equipment for short-term use (less than 14 days) will be the Joint Water Commission (JWC) and Barney Reservoir Joint Operation Commission (BRJOC) operation and maintenance rates charged TVWD plus 25 percent infrastructure charge. In the event of a long-term (15 or more days) emergency deployment of the equipment the cost of water will be at the Portland contract rate for Tualatin, unless the actual cost of water from the JWC and BRJOC exceeds the Portland rate for Tualatin. Exhibit 2 provides a summary of the water rate for these two conditions. These rates are, however, subject to increases based on the contracts with the JWC, BRJOC and Portland. The then in effect rate will be used

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for calculating the charges to be included in the invoice together with the charges for operation of the trailer-mounted pumping equipment. The values presented in Exhibit 2 provide examples of the cost of water from the JWC and BRJOC for the period September 2013 through August 2014 (the most recent period for which data is available) and the Portland rate charge per the referenced letter. TVWD will use cost information from the most current 12-month time period preceding the operation of the trailer mounted pumping equipment to calculate the cost of water. In any event, TVWD's charge for water will not be less than its actual cost for water as calculated under the Short Term Water Rate Charge methodology presented in Exhibit 2. TVWD will update the table "Short Term Water Rate Charge" in February each year.

TVWD's ownership capacity in the JWC WTP is limited to 12.5 mgd and stored water is 5789 acre-feet (1,886 million gallons). Under certain conditions TVWD may be at risk of increased cost to maintain the ability to received water from the JWC and BRJOC. For example, at the end of the summer peak season theoretically TVWD could have already used its stored water in Barney Reservoir. Water may be available by lease agreement from other partners in the JWC and BRJOC at increased cost to TVWD. In that event, TVWD's additional costs will be calculated and added to the total rate charged Tualatin for water as described in the previous paragraph however TVWD will not charge more than its actual cost of water from the JWC and BRJOC plus the aforementioned infrastructure charge.

6. Compliance with Law. TVWD shall be solely responsible to comply with all statutes and rules regarding the conduct of this IGA.
7. Documents. TVWD shall provide Tualatin with an electronic copy of any documents describing maintenance performed to the trailer-mounted pumping equipment (i.e., quotes of material, equipment and/or supplies to conduct said work.
8. Indemnity. Subject to the conditions and limitations of the Oregon Constitution and the Oregon Tort Claims Act (ORS 30.260 to 30.300), each party agrees to indemnify, defend and hold the other parties harmless from any liability claim or injury arising from that party's acts or omissions in connection with the performance of this IGA.

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9. Insurance. TVWD is responsible to maintain insurance on the trailer-mounted pumping assets to provide funds for the replacement value in the event of catastrophic damage to the asset.

10. Term. This IGA shall terminate upon approval by all Parties that continuing to operate and maintain the trailer-mounted pumping equipment is not in their interest. Said termination shall be by the Parties mutual agreement. After good faith negotiations with all the other Parties, any Party may terminate this IGA upon written notice to the other Parties that it is unable or unwilling to continue the work. Upon any such termination, each Party shall each pay its respective share of the costs for operation and maintenance as of the termination date.

11. Notification of Need to Operate Equipment. It is anticipated that the pumping equipment will only be placed in service in response to longer term (5 days or longer) loss of the water supply from the Portland source feeding the WCSL. Examples of events that may cause the event are: damage to infrastructure and other events such as need for routine maintenance of the WCSL. Either TVWD or Tualatin may request the trailer-mounted pumping equipment be relocated to the meter vault in preparation of its use to supply up to 5 mgd to each partner. In the event Tualatin initiates the request following confirmation from Portland that the supply of water will be interrupted for a term longer than identified hereinbefore, TVWD will coordinate with Portland and initiate work to move and place the trailer-mounted pumping equipment in operation at the meter vault.

12. Connection of Trailer-Mounted Pumping Equipment. TVWD will provide the labor and equipment to place and anchor the trailers at the meter vault and assemble the portable piping, and connect to the permanent piping at the site. Disinfection of the portable piping and fittings will be accomplished by spraying the interior with an appropriate chlorine solution prior to assembly where possible and/or filling the pipe with a chlorine solution in accord with best management practices for disinfection. TVWD will coordinate with Portland for the operation of the main line valves requiring closure before connections are made to the permanent piping at the meter vault and start of the pumping equipment. TVWD will also disinfect the pumps, in accordance with the operation and maintenance procedures for the trailer-mounted pump equipment prior to the start of pump operations.

The Parties agree that there may be need for operations in emergency circumstances. TVWD will take reasonable steps under the circumstances to provide the trailer-mounted pumping equipment at the meter vault but there is no guarantee of availability of the equipment or water supply. In the event of a catastrophic emergency event the ability to travel on local streets may be limited

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and thus affect the time to respond to a request to place the pumping equipment in operation; however TVWD will make every reasonable effort to respond at the earliest possible time. TVWD's inability to respond in a timely manner due to circumstances beyond its control shall not be considered a breach of this IGA.

13. Breach, Default and Disputes. If any Party breaches any covenant hereunder, any non-breaching Party may seek all remedies available at law or equity or may revoke this IGA upon giving thirty (30) days' written notice of the alleged breach. If the breach is not cured within that time, the non-breaching party may send a second notice terminating this IGA immediately, and the IGA shall be terminated unless the disputing parties request dispute resolution in writing. Upon notice of a desire for dispute resolution the following process shall apply:

- a. The Chief Executive Officer of TVWD, the Administrator of the Portland Water Bureau, and the City Manager of Tualatin shall meet in an effort to resolve the matter within 30 days of the notice.
- b. If resolution is unsuccessful, then within ten (10) days any party may request mediation. If the parties cannot agree on a mediator, they shall use Arbitration Services of Portland, Oregon, to select a mediator. Mediation shall be concluded within sixty (60) days unless the disputing party agrees to a different schedule. If resolved, a written agreement shall be executed and approved by the appropriate decision maker.
- c. If mediation is unsuccessful, within fifteen (15) days, any party may seek any legal or equitable remedy in the Circuit Court of the State of Oregon for Washington County.
- d. If any suit, action, arbitration, mediation or other proceeding is instituted to enforce rights or otherwise pursue, defend, or litigate issues related to this IGA, or any other controversy arises from this IGA and regardless of any statute to the contrary, each party shall bear its own attorneys fees and costs. The award of costs and expenses on appeal from a judgment entered after trial shall be to the prevailing party designated as such by the appeals court.

14. Notices. Notices shall be written and sent by first class mail, postage prepaid, to the following addresses:

Stu Davis, P.E.

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Tualatin Valley Water District
1850 SW 170th Avenue
Beaverton, OR 97006

Stan VandeBergh, P.E.
City of Portland Water Bureau
1120 Southwest 5th Ave., #600
Portland, OR 97204

Jerry A. Postema
Public Works Director
City of Tualatin
18880 SW Martinazzi Ave.
Tualatin, OR 97062-7092

15. Successors and Assigns. The terms and conditions of this IGA shall be binding upon any and all successors and assigns of the Parties.

In witness hereof, the parties have executed this Intergovernmental Agreement on the last date set forth below.

[SIGNATURE PAGE TO FOLLOW]

Attachment A

TUALATIN VALLEY WATER DISTRICT

BY: [Signature]
Mark Knudson,
Chief Executive Officer

Dated: 12/17/14

APPROVED AS TO FORM:

[Signature]
District Counsel

CITY OF TUALATIN

BY: [Signature]
Sherilyn Lombos,
City Manager

Dated: 1/26/15

APPROVED AS TO FORM:

[Signature]
City Attorney

CITY OF PORTLAND

BY: [Signature]
David G. Shaff, Administrator
Portland Water Bureau

Dated: 02.24.2015

APPROVED AS TO FORM:

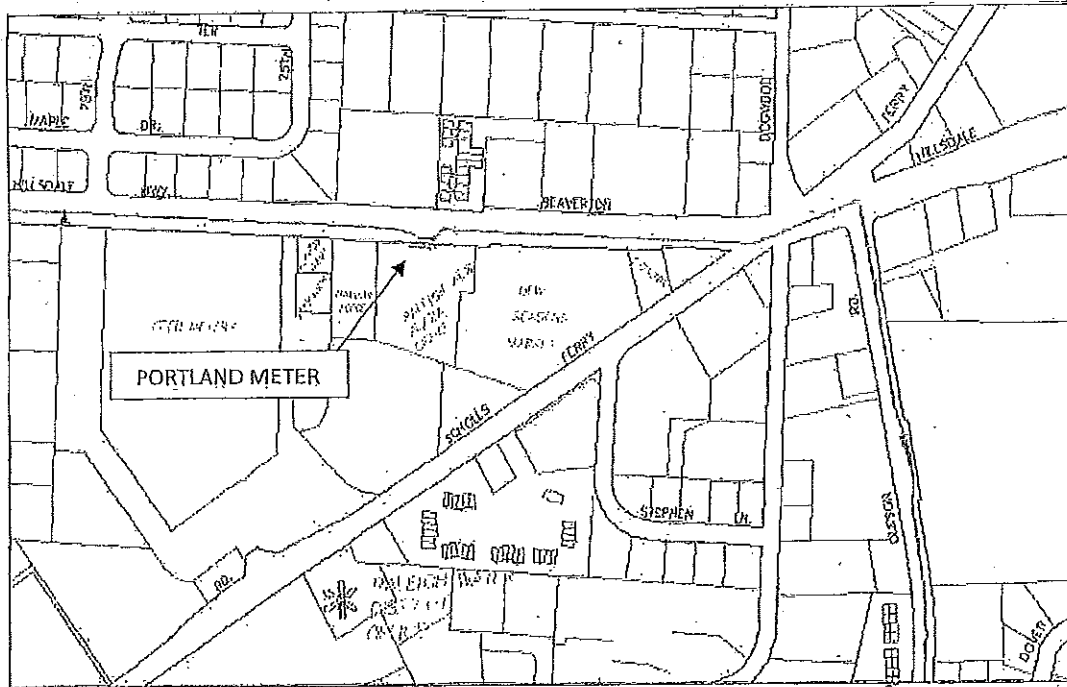
[Signature]
City Attorney CITY ATTORNEY 2/20/15

BY: [Signature]
Christine Moody
Chief Procurement Officer

Dated: 2/26/2015

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EXHIBIT 1
METER VAULT VICINITY MAP



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**EXHIBIT 2
SUMMARY OF WATER RATE CHARGE**

Short Term Water Rate Charge

Example JWC and BRJOC cost per unit calculation are presented in the following table¹:

	Gallons	CCF	Barney	JWC	Total cost
Sep-13	144,642,000	193,372	\$ 13,494.72	\$ 89,168.51	\$ 102,663.23
Oct-13	261,465,000	349,552	\$ 11,956.27	\$ 98,340.56	\$ 110,296.83
Nov-13	266,155,000	355,822	\$ 19,848.34	\$ 82,804.25	\$ 102,652.59
Dec-13	83,689,000	111,884	\$ 14,068.57	\$ 70,869.39	\$ 84,937.96
Jan-14	164,477,000	219,889	\$ 14,198.54	\$ 70,570.36	\$ 84,768.90
Feb-14	138,088,000	184,610	\$ 10,306.42	\$ 66,459.93	\$ 76,766.35
Mar-14	143,608,000	191,989	\$ 9,641.83	\$ 117,327.44	\$ 126,969.27
Apr-14	148,179,000	198,100	\$ 11,546.04	\$ 91,862.72	\$ 103,408.76
May-14	203,958,000	272,671	\$ 11,352.79	\$ 151,461.42	\$ 162,814.21
Jun-14	199,108,640	266,188	\$ 17,075.99	\$ 129,648.20	\$ 146,724.19
Jul-14	285,410,000	381,564	\$ 17,632.39	\$ 136,609.95	\$ 154,242.34
Aug-14	280,501,000	375,001	\$ 9,482.44	\$ 99,072.19	\$ 108,554.63
Totals		3,100,643	\$ 160,604.34	\$ 1,204,194.92	\$ 1,364,799.26
Average 12-month cost per CCF					\$ 0.4402
Infrastructure Cost at 25 %					0.1100
Total Rate per CCF					\$ 0.5502

EXHIBIT 1 (Continued)

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SUMMARY OF WATER RATE CHARGE

Long Term Water Rate Charge:

Example Tualatin's Portland Rate Charge (preliminary 5 year rates per 2/12/14 Portland Letter²:

FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$ 0.789	\$ 0.888	\$ 0.931	\$ 0.947	\$ 0.971

¹ TVWD's rate presented is per invoices from JWC and BRJOC which vary based on actual monthly operating costs and a 12-month rolling average of TVWD's cost. The rate shown is for the latest 12 months for which data is available.

² Tualatin's preliminary average wholesale rates for water is from Table A transmitted with a letter from Jan Warner dated February 12, 2014