

This water sales agreement (“Agreement”) is entered into by and between City of Sandy (“Purchaser”) and the City of Portland (“Portland”), a municipal corporation of the State of Oregon. This Agreement may refer to Portland and Purchaser individually as a “Party” or jointly as the “Parties.”

Recitals:

- A. Purchaser is *[select one of the following descriptions]*: a municipal corporation of the State of Oregon and is authorized by its charter or by state law or both to operate a municipal water system *or a(n) [enter name of State] [enter type of business entity (e.g., limited liability company, partnership, or corporation)]*.
- B. Portland is a municipal corporation of the State of Oregon and is authorized by Chapters 2 and 11 of the Charter of the City of Portland to maintain water works for the furnishing of water to the city, its property, its inhabitants, and to non-inhabitants. Portland is further authorized to enter contracts for the supply of water by the city and to sell water to persons, public and private, outside the city, on terms and conditions Portland finds appropriate.
- C. Portland is further authorized by Section 2-105(a)4 of its Charter to enter agreements, without limitation as to term, as Portland finds appropriate for cooperation, consolidation and maintenance of services with any other public corporation or unit of government.
- D. ORS 190.003 to 190.110 authorize units of local government to enter into intergovernmental agreements for the performance of their duties or for the exercise of powers conferred upon them.
- E. The service and commodity provided by Portland pursuant to this Agreement are a special contract service and are not provided by Portland as a common utility service.

THE PARTIES AGREE AS FOLLOWS:

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SECTION 1 – NATURE OF SERVICE

- A. Subject to the terms and conditions contained in this Agreement, Portland agrees to furnish and sell, and Purchaser agrees to purchase potable water on an annual basis for the life of this Agreement. Unless stated otherwise, all water purchased by Purchaser from Portland will be on a firm, uninterruptible, basis up to the Purchaser's Peak 3-Day Demand.
- B. Water is to be delivered to the Purchaser at the place or places, at such pressure or pressures, and up to the Peak 3-Day Demand as set forth on Exhibit 1, provided that Portland is not obligated to meet Purchaser's demands for water during any period that Purchaser operates its system out of compliance with operational rules established pursuant to Section 4.D.1.
- C. With the exception of water delivered to the Purchaser to be subsequently delivered to Portland's Retail Customers pursuant to Section 10, and subject to Section 6.C, all water delivered to the Purchaser under this Agreement is to be used to meet the demands of the Purchaser's Retail Customers.
- D. Portland will deliver water to Purchaser from the same source or sources of water that Portland delivers to Portland inhabitants. Portland will be responsible for meeting all applicable drinking water regulatory requirements up to Purchaser's Point of Delivery as shown in Exhibit 1.
- E. Purchaser's supply of water will be reduced or terminated only in accordance with the terms of this Agreement.
- F. Purchaser recognizes and agrees that no liability for damages will attach to Portland on account of any failure of supply or changes in pressure, flow rate, or water quality due to circumstances beyond the reasonable control of Portland acting in accordance with standards of care common and usual in the municipal water supply industry. Examples of such circumstances include, but are not limited to, natural events such as earthquakes, landslides and floods, wildfires, and human-caused events such as terrorism, malevolent acts, contamination of the water supply, and acts of war.
- G. The Parties agree and acknowledge that Portland is the owner and operator of the water supply, storage, transmission, and treatment system, and all facilities and infrastructure associated with the storage, treatment, transmission, and distribution systems used in its utility operations to the Purchaser's Point of Delivery. The purchase of water or any other commodity or service under this Agreement does not constitute the purchase of ownership rights to water, water rights or any portion of the water system owned and operated by Portland, except as may be specified herein or may be established by a separate agreement. Nothing in this Agreement precludes the Parties from entering separate agreements involving joint ownership or joint operation of system elements.

SECTION 2 – WATER REGULATIONS

Purchaser shall comply with the terms and provisions of Chapter 21.28 – Outside City Services and Wholesale Distributors of the Code of City of Portland, Oregon, as it presently exists or as may be amended to comply with federal and state law, during the life of this Agreement, to the extent to which such terms and provisions do not conflict with any material provisions of this Agreement.

SECTION 3 – DURATION OF AGREEMENT AND RENEWAL

- A. Agreement Term. This Agreement becomes effective on July 1, 2026 and continues in effect for thirty (30) years, unless terminated or renewed as provided in this Agreement. Each “Agreement Year” will run from July 1 through June 30 of the following calendar year.
- B. Early Terminations. At any time during the Agreement Term, the Purchaser may give written notice of termination. If such notice is issued, this Agreement will terminate the next June 30 at least ten years but not more than eleven years from the date of the notice. Terminations prior to the end of the Agreement Term are considered Early Terminations and will require the Purchaser to pay Portland an Early Termination Fee as described in this Section.
- C. Early Termination Fees. Purchasers terminating the Agreement early are subject to Early Termination Fees designed to mitigate the effects of stranded costs on Portland and the remaining wholesale customers served under the Agreement. The Fees will be determined based on the formula set forth in Exhibit 2 and based on the number of years left in the agreement term at time of termination. The termination fees will be used to offset stranded capital costs for rate setting.
- D. Renewals. This Agreement will renew automatically for subsequent 10-year terms unless either Party elects not to renew the Agreement by written notification no less than five years prior to the expiration of the Agreement Term.

SECTION 4 – WHOLESALE WATER MANAGERS GROUP

- A. General. A Wholesale Water Managers Group (WWMG) will be established no later than thirty (30) days after the commencement of this Agreement and will continue during the Agreement Term. Purchaser is eligible for participation in the WWMG. The WWMG will consist of two representatives from Portland, to be named by the Administrator, and one representative of each participating entity that has signed a contract to purchase water from Portland containing a provision allowing its participation in the WWMG. Portland will provide staff support to the WWMG and will be responsible for keeping the official records.
- B. Meetings and Bylaws. The WWMG will meet regularly to communicate with and make recommendations to the Administrator regarding matters relating to Portland’s sale of water to participating purchasers. The WWMG will adopt bylaws concerning its organization and governance by a majority vote of the membership. WWMG’s role is advisory in nature and, except as specified herein, no rule, bylaw, or action of the WWMG may alter any term of this Agreement
- C. Committees. The WWMG will be responsible for establishing committees as needed to make recommendations to the Administrator about ongoing needs, which may include:
1. Water Resource Conservation
 2. Operations Coordination. Possible responsibilities for such a committee may include coordinating supply system routine and emergency operations among Portland and its wholesale purchasers with the goal of providing efficient and cost-effective system operations; and
 3. Other committees, as identified by the WWMG
- D. Creation of Operating and Information Standards.
1. The WWMG will recommend to the Administrator standard water system operating practices necessary or advisable to enhance the efficiency, reliability, and cost-effectiveness of the supply, transmission, and storage of water provided under this Agreement. These recommended standard operating practices will address issues such as, but not necessarily limited to, forecasting seasonal demands, forecasting peak demands, managing the system to minimize the impact of peak demand periods, security and emergency management, use of storage, and timing of deliveries of water. After consideration of the recommendations, the Administrator will adopt interim operating practices that may or may not include the WWMG’s recommendations and will provide them to the WWMG for review and further recommendations. The Administrator will consider any further recommendations from the WWMG, but is not bound by them, and will adopt final standard water system operating practices that they deem necessary. The Purchaser agrees to operate its system in a manner consistent with such final operating practices and in keeping with the responsible use of Portland’s water supply system.

2. The WWMG will recommend to the Administrator what information and data the Administrator will require each participating purchaser to provide, in order to allow efficient, reliable, and cost-effective provision of water under this Agreement. The Administrator will consider these recommended information requirements and will adopt those that they deem necessary or advisable or may propose other requirements instead. Such information may include, but is not necessarily limited to:
 - (a) System maps with mains, pump stations, tanks, and supply connections.
 - (b) Connections and usage from other supply sources.
 - (c) Total number of existing and new service connections by category.
 - (d) Key benchmarks to be identified by the Operations Group such as but not limited to standards for operational norms, notification deadlines, and protocols for communication.
 - (e) Water quality data.
 - (f) Purchaser facilities' standards for operation to minimize peak and emergency events; and
 - (g) Emergency contact information for each Purchaser and any agreements that have been signed by individual providers to address emergency response.
 3. The WWMG will periodically evaluate Purchaser's compliance with the information requirements and standard operating practices and will provide the Administrator with findings and recommendations to assure ongoing compliance.
- E. Rate Review. In order to provide timely notification to Purchaser of proposed changes in rates, charges, and rate design and an opportunity for Purchaser to evaluate such proposals and be heard before Portland Council, Portland will take the following steps annually:
1. Capital Improvement Program. On an annual basis, Portland will share the 10-year CIP that is included in the next rate year with the WWMG.
 2. Operation & Maintenance Budget. On an annual basis, Portland will share the O&M budget that is included in the next rate year with the WWMG.
 3. The Administrator will share with WWMG the commencement of annual financial plan and budget preparation. Portland will advise Purchaser in writing of significant changes in the proposed budget after its submission to the Mayor.
 4. The Administrator will review any proposed methodology changes to Portland Model with the WWMG to the extent such changes would affect the future calculation of rates pursuant to this Agreement.
 5. Rate Forecast. On an annual basis, Portland will provide Purchaser a 10-year rate forecast.

6. When Portland files its annual rate ordinance with the Portland City Council Clerk, a copy of said ordinance will be forwarded to Purchaser, the dates on which the Portland City Council is scheduled to consider rates.
 7. Purchaser, through the WWMG, may offer comments on the annual rate ordinance in writing or in personal testimony before the Portland City Council.
 8. These procedures may be modified as necessary to comply with the City of Portland's Charter.
- F. Protection of Confidential Information. Information submitted to or produced by the WWMG or otherwise exchanged by the Parties to this Agreement and similar wholesale water agreements may include documents related to the vulnerability or security of water supply systems. The Parties agree that if either receives a public document request for such information, the Party receiving that request shall, prior to release of any documents, expeditiously notify the entity about whose system information is sought and shall assert all applicable exemptions to release of the documents available under the Oregon Public Records Law within 15-days of receipt of the request.

SECTION 5 – WATER PURCHASE QUANTITIES

- A. General Purchase Quantities. Unless excused by some other provision of this Agreement, Purchaser agrees to pay Portland each year a sum of money equal to the annual water rate applicable to Purchaser for that year times the actual quantity of water delivered to the Purchaser. The Purchaser’s annual water rate will be determined pursuant to Section 7. Purchaser shall make payments to Portland as provided in Section 13.
- B. Purchase Quantities And Peaking Factors.
1. Purchase Quantity. For purposes of calculating annual rates and determining the Purchaser’s payment, the “Purchase Quantity” means the average of the water delivered and metered at the Purchaser’s Point of Delivery from Portland from the previous five (5) years. The Purchase Quantity divided by number of days in the year (365 or 366 days) is the Purchaser’s Average Daily Demand for purposes of calculating rates.
 - (a) Exclusions. The Purchaser’s metered water deliveries will be adjusted so as not to reflect: (i) emergency water deliveries pursuant to Section 6, (ii) mandatory water curtailments imposed by the Administrator pursuant to Section 12, (iii) water delivered to the Purchaser for the purposes of Wheeling to Portland Retail Customers pursuant to Section 10. Such exclusions will apply to all water demands for the purposes of determining Purchase Quantities as defined in this Section, including all measures of peak demand.
 - (b) For purposes of this section, the Purchaser’s “Actual Average Daily Demand” means the Purchaser’s actual water demand for a single Agreement Year, divided by number of days in the year (365 or 366 days).
 - (c) New Customers and Customers without a Five-Year Demand History. Portland will use reasonable methods to estimate average and peak demands for new customers and those lacking a five-year demand history until such demand history can be established.
 2. Seasonal Peaking Factor.
 - (a) Except as otherwise provided in this Agreement, for purposes of calculating monthly demands and annual rates and determining Purchaser’s payment, Purchaser’s “Seasonal Peaking Factor” will be the average “Actual Seasonal Peaking Factor” from the previous five (5) years.
 - (b) For purposes of this section, the Purchaser’s “Actual Seasonal Peaking Factor” means the ratio of the Purchaser’s actual average daily demand placed on Portland system during the peak season (as determined from Portland water supply data) to the Purchaser’s actual annual average daily demand.
 - (c) Seasonal Peaking Factor is the ratio of the Purchaser’s actual average daily demand placed on Portland system during the Peak Season to the

Purchaser's actual annual average daily demand. "Peak Season" means the period of time from July 1 through September 30.

3. 3-Day Peaking Factor.
 - (a) Except as otherwise provided in this Agreement, for purposes of calculating annual rates and determining Purchaser's payment, Purchaser's "3-Day Peaking Factor" means the average "3-Day Peaking Factor" from the previous five (5) years. "3-Day Peaking Factor" is the ratio of the average of the Purchaser's actual highest three consecutive days of purchases in a year to its actual average daily demand for the same year.
 - (b) For purposes of Section 5 of this Agreement, the Purchaser's "Actual 3-Day Peaking Factor" is the ratio of the average of the Purchaser's actual highest three consecutive days of purchases (based on Portland data) to its actual average daily demand for the year.
4. Interruptible Water Purchases Under Previous Water Sales Agreement. The calculation of Purchase Quantities and Peaking Factors in this Section excludes all purchases of Interruptible Water made under the previous Regional Water Sales Agreement.

C. Purchase Reductions.

1. Normal Variation in Water Deliveries. The Purchaser will only be billed for actual water deliveries. Purchaser's actual deliveries may vary from year to year based on normal events, including but not limited to: weather, changes in customer usage patterns, conservation, and improvements in water efficiency. Such variations do not constitute a reduction in Purchase Quantity for the purposes of this Agreement.
2. Reductions Resulting from the Use of Independent Supplies. Reductions in Purchase Quantity of 90% or more from the Purchaser's use of Independent Supplies will subject the Purchaser to payment of Early Termination Fees as determined in Exhibit 2.
 - (a) Purchaser shall notify Portland at least five (5) years in advance of the start of rate year implementing any Independent Supplies ("Independent Supplies Notice") to the extent such supplies will reduce the Purchaser's Purchase Quantity. If the Independent Supplies will reduce the Purchase Quantity by 90 percent or more, then this Agreement will terminate.
 - (b) Purchaser shall include in its Independent Supplies Notice: (1) The expected date the new supplies will take effect; (2) the expected annual deliveries from its new supply sources, and (3), if Purchaser is Wheeling water to Portland's Retail Customers or to any other entity, results of a blending study prepared by a registered professional engineer in the State of Oregon in addition to any regulatory approvals required by law.

Portland reserves the right to terminate service to the Purchaser without notice if, at Portland's sole determination, the blending of water supplies in the Purchaser's water system poses a potential regulatory violation.

- D. Increases to Purchase Quantity. Purchaser may increase its Purchase Quantity to meet increasing demands due to normal growth within its service area. If the Purchaser anticipates an increase in any year of 20% or more in the Purchase Quantity, then the Purchaser shall provide written notice to Portland of the expected increase. When Portland receives Purchaser's notice of an increase to Purchaser's Purchase Quantity written notification is received, Portland will conduct an evaluation to determine whether the increased demand can be accommodated within Portland's existing system capacity. Portland will notify the Purchaser of its decision within 90 days of Portland's receipt of Purchaser's notice of an increase to Purchaser's Purchase Quantity.

SECTION 6 – OTHER SERVICES

- A. Provision of Additional Services. Portland may offer, and the Purchaser may elect to purchase additional services as described in this Section. Services provided under this Section are in addition to the level of service as provided through other Sections in this agreement.
- B. Backup Services. If Purchaser obtains less than 100 percent of Purchaser’s water supply from Portland, Purchaser may acquire backup service for Purchaser’s alternative supply sources under the following terms and conditions. Each Purchaser requesting backup service will enter into a separate agreement for the service with Portland to specify the type and conditions of service.
1. Reserved Backup. The preferred method of obtaining backup services (“Reserved Backup Services”) from Portland is to reserve it in advance. To obtain Reserved Backup Services, Purchaser shall notify the Administrator annually of the Peak Capacity Purchaser wishes to reserve, expressed in millions of gallons per day, and a duration expressed as a number of days (e.g., 2 MGD for 30 days) (“Peak Capacity”). If Purchaser reserves Reserved Backup Service in this manner, Portland will meet Purchaser’s backup demand on parity with Portland’s Retail and other Contractual Customers.

The following charges will apply:

- (a) Annual Reservation Charge. Purchaser shall pay an Annual Reservation Charge to reserve the capacity for the duration elected by the Purchaser as published at Exhibit 3.
- (b) Reserved Water Delivery Charge. Should emergency water supplies be delivered in any period, Purchaser will pay a volumetric charge equal to the Base Costs as described in Section 7 up to the Purchaser’s daily reservation.
- (c) Excess Delivery Charge. If the daily amount of water provided to Purchaser by Portland for backup purposes exceeds the daily amount reserved by Purchaser (“Excess Delivery”), Purchaser shall pay an Excess Delivery charge in the amount shown in Exhibit 3.
2. Unreserved Backup. Purchasers may request emergency backup services without electing Reserved Backup Services by notifying the Administrator in writing and electing “Unreserved Backup Service.” Purchaser will receive Unreserved Backup Service only if Portland determines that such supplies are available after first having met all demands of Portland’s Retail Customers and Contractual Customers, including all Reserved Backup demands. If any water supplies are provided by Portland under this provision, the following charges will apply:
- (a) Annual Administrative Fee. Purchaser shall pay an annual administrative fee as updated annually by Portland and published on Exhibit 3.

- (b) Unreserved Water Delivery Charge. Purchaser shall pay an Unreserved Water Delivery Charge per Exhibit 3
- 3. Spontaneous Backup. Other purchasers or other customers who are not party to this Agreement may request backup services. However, Portland is not obligated to meet other purchaser or customer requests and will only do so if the Administrator determines that supplies are available after having first met all retail and contractual demands, including all Reserved and Unreserved backup demands, and that the water may be reasonably delivered to the customer without additional expense to Portland. Any water delivered pursuant to a Spontaneous Backup request will be subject to the then-existing volumetric rate charged to Portland's Retail Customers.
- C. Resale. Purchaser may resell water it purchases from Portland to third parties with the written approval of the Administrator, and by establishing an agreement with the Purchaser for the use of the Purchaser's infrastructure to deliver the water. Request would not be unreasonably withheld. All water purchased for resale will be included in the Purchaser's Purchase Quantity and the determination of the Purchaser's Seasonal Peaking Factor and 3-Day Peaking Factor. Resales may include services described in Section 1 or Backup Services defined in this Section 6.

SECTION 7 – RATES AND CHARGES

A. Rate Making in General.

1. The rate structure for Purchaser’s purchase of water will consist of:
 - (a) A fixed monthly charge equal to the charges paid by Portland’s Retail Customers for the same meter sizes as published in Portland’s current rate ordinance.
 - (b) A volume charge calculated using volumetric rates established as provided herein multiplied by Purchaser’s actual water drawn from Portland.
2. The volume charges will be determined as set forth in this Section.
3. The revenue requirement for wholesale volume rates will be determined using the utility basis and cost of service allocation principles as described in *Manual of Water Supply Practices – M1. Principles of Water Rates, Fees and Charges* as published by the American Water Works Association (hereafter “AWWA Manual M1”) or in such updates as may occur from time to time, except for such deviations from AWWA Manual M1 as are described or permitted by this Agreement. A cost-of-service computer model (“Portland Model”) will be used to calculate the revenue requirements, cost allocations, and resulting rates.
4. The Parties understand that Portland may enter into similar wholesale water sale agreements with other water utilities during the term of this Agreement under the same terms and conditions as described in this Agreement.

B. O&M Cost Component of the Annual Revenue Requirement.

1. O&M Costs. The operations, maintenance, planning studies and associated overhead expenses of the City’s water supply system as adopted in the City’s annual budget process for the fiscal year for which the rate will be in effect, multiplied by the O&M Budget Execution Factor, and excluding that portion identified as Retail-only Costs.
2. O&M Budget Execution Factor. A percentage determined as the actual O&M expenditures for a fiscal year divided by the total adopted O&M budget for the same fiscal year. The average of said factors for the previous five years for which data is available will be the O&M Budget Execution Factor applied for the purposes of determining rates.

C. Capital Cost Component of the Annual Revenue Requirement. The sum of the Return on Rate Base and Depreciation Expense as defined below.

1. Return on Rate Base. The amount determined by multiplying the Rate of Return by the Rate Base.
 - (a) The Rate Base is the sum of the following items.
 - i. Net Book Value. The original cost less accumulated depreciation of Portland’s capital assets identified as Wholesale-Only or Joint for the previous 12-month financial reporting period. Capital

assets that are not used and useful in providing water service will be excluded from the Rate Base. Capital assets will exclude capitalized overhead costs. Capital assets may include Regulatory Assets.

- ii. Allowance for Working Capital. An amount equal to 12.5% (approximately 45 days) of the O&M Costs.
 - iii. Construction Work in Progress (CWIP). The amount reported in the previous 12-month financial reporting period. It is explicitly understood that Construction Work in Progress is to be included in the Rate Base and that its inclusion is a modification to the standard definition of the term “rate base” as described in the AWWA M1 Manual and elsewhere.
 - iv. Less Contributed Capital. The unamortized book value of cash or assets contributed to Portland by wholesale customers or other parties is to be deducted from the Rate Base. To the maximum extent possible, credits for Contributed Capital will be awarded to the specific wholesale customers who made the contributions. Contributions made by non-parties to this Agreement, including state and federal grants, will be deducted from the total Rate Base for the benefit of all customers.
- (b) Rate of Return. Portland’s cost of debt, defined as its True Interest Cost on all outstanding debt as determined by Portland’s Municipal Advisor, times a multiplier of 1.35, *plus X percentage point [To be added for agreement with terms less than 30 years]*. Said multiplier may be adjusted subject to the five-year Cost Audit described in Exhibit 5.
2. Depreciation Expense. All annual depreciation expenses reported for the previous 12-month financial reporting period matched only to the capital assets included in the Rate Base.
 3. Accounting Standards. For the purposes of this Section financial values will be those reported for the 12-month financial reporting period immediately preceding the calculation of the water rates using generally accepted accounting practices required by the Government Accounting Standards Board (GASB) or its successor.

D. Cost Allocations – General.

1. Costs will be allocated to Purchaser in accordance with generally accepted ratemaking practices and procedures. In general, unless specified otherwise in this Agreement, costs will be allocated proportionately as provided by the then-current AWWA Manual M1.
2. Cost allocation for purposes of this Agreement will be based on the “base-extra capacity” methodology, as defined in AWWA Manual M1.
3. There are three types of costs referred to in this Section 7.

- (a) Retail-Only Costs – The cost of services and assets that benefit only Portland Retail Customers.
- (b) Wholesale-Only Costs – The cost of services and assets that benefit only wholesale customers.
- (c) Joint Costs – The cost of services and assets that benefit all retail and wholesale customers.

E. Steps Involved in Cost Allocation. The following general sequence will be employed in allocating costs and developing the wholesale volume rate.

1. Assign all system costs to categories reflective of the functions of Portland water system. Typical functional categories include but are not limited to: Source of Supply, Raw Water Conveyance, Water Treatment, Transmission, Storage, and Distribution. The Administrator may establish these and other functional categories as needed to ensure the equitable allocation of the system costs.
2. Assign the functional categories to the appropriate Cost Pools as described in Section 7F.
3. Allocate the costs for each functional category in each Cost Pool to relevant Cost Components as described in Section 7G in accordance with the Base Extra-Capacity method.
4. Determine the unit costs for each Cost Component in each Cost Pool expressed as a dollar per applicable unit of service.
5. Distribute the costs to individual wholesale customers by multiplying the relevant unit costs by each customers' units of demand.
6. Determine the volumetric rate for each wholesale customer by summing the total distributed costs for the customer and dividing by their five-year average annual water demand. For new customers, five-year average will be as described in Section 5.B 1.c.

F. Portland Cost Pools. Cost Pools are groups of asset and O&M costs, related by system functions, that may be shared jointly with all wholesale customers, or more specifically among a subset of customers. Purchaser and other wholesale customers may be assigned to one or more Cost Pools depending on how they use Portland's system. Cost Pools include the following with general list of assets listed in Exhibit 4:

1. Joint – Asset and O&M costs that benefit all customers regardless of location. This includes Powell Butte and Groundwater related costs and assets.
2. West – Asset and O&M costs located west of the Powell Butte reservoir. These assets and costs directly benefit customers located on the west side of Portland's service territory.
3. East – Asset and O&M costs located east of the Powell Butte reservoir. These assets and costs directly benefit customers located on the east side of Portland's service territory.

4. New Cost Pools. The Administrator may designate additional Cost Pools in the future as needed to ensure a fair and equitable allocation of system costs.
- G. Cost Components. Portland’s water system is designed and operated to meet different rates of demand, defined by the following Cost Components:
1. Base Costs – the costs Portland incurs to provide water up to its customers’ average daily demand (ADD) needs.
 2. Peak Season Extra Capacity – the additional costs above Base costs that Portland incurs to meet peak season demands.
 3. Peak 3-Day Extra Capacity – the additional costs Portland incurs, above and beyond Peak Season, to meet Peak 3-Day Demands.
 4. Cost Components may be amended from time to time to reflect changes in AWWA M1 Manual methodologies. Other changes to the Cost Parameters may be made without modification to any other terms of this Agreement by mutual consent of the WWMG and the Administrator.
- H. Surplus Capacity. On or about June 30, 2026, Portland anticipates that three major users of Portland water will terminate their water supply contracts with Portland, which will result in additional surplus capacity (“Surplus Capacity”). To reduce the cost impacts to Contractual Customers resulting from the reduction in purchases and demands attributable to the Terminating Parties, Portland will temporarily bear the additional system-operation costs related to the Surplus Capacity. Over time, the system-operation costs related to Surplus Capacity will be allocated to Portland Retail Customers and Wholesale Customers subject to the following provisions:
1. Cost Allocations. Portland will determine the Surplus Capacity costs by allocating a proportionate share of all costs except Wholesale Only Costs using the same methods and procedures described in this Section 7.
 2. Demand Characteristics. To determine Surplus Capacity cost, Portland will use the same Seasonal Peaking Factor and 3-Day Peaking Factor characteristics attributed to Portland Retail within the Portland Model.
 3. Reductions. The Surplus Capacity and associated costs borne by Portland will be decreased each year following June 30, 2026 by the greater of (1) the growth in aggregate demand of the Portland Retail and Contractual Customers or (2) 5% of the initial Surplus Capacity until such time as the Surplus Capacity is zero. The amount of reductions will be reviewed every five years as part of the Cost Audit as described in Exhibit 5.
 4. No Increases. In no event will the Surplus Capacity be increased.

SECTION 8 – WATER SYSTEM PLANNING AND COOPERATION

To facilitate regional water planning and resource development, Purchaser and Portland agree as follows:

A. Purchaser’s Projected Water Usage.

1. Every five years, at a minimum, starting on July 1 of the fifth year this Agreement is in effect, Purchaser shall provide Portland with estimates of Purchaser’s water demand to be purchased from Portland by year for ten-years. This includes peaking factor estimates.
2. In addition, in any other Agreement Year in which unforeseen developments have altered Purchaser’s ten-year estimates by more than 10 percent, Purchaser shall provide Portland with its revised estimates of its preferred use of Portland water for a ten-year period.
3. The estimates provided in this provision are for planning purposes only and do not commit Portland or Purchaser to either buy or supply any particular quantities of water.
4. Portland shall provide WWMG with a summary of Portland’s projected demands for all wholesale and retail demands by no later than May 1 of each year.

B. Portland Evaluation of Capacity of Portland Water System.

1. Whenever it receives revised demand and Peaking Factor estimates from Purchaser, Portland will provide Purchaser with estimates of the capacity of Portland water system to meet all projected system loads over the ten-year planning horizon.
2. If Portland determines that the water system cannot meet Purchaser’s demand, Purchaser and others have proposed to place on it over the ten-year planning horizon, Portland and Purchaser (together with other purchasers who may wish to join the discussions) may initiate negotiations to determine if and how Portland water system could meet the projected loads, either through a reduction in demand or development of additional water system capacity.

SECTION 9 – CONNECTIONS AND METERING

A. Meter Ownership and Responsibility.

1. Portland owns all existing water meters and associated facilities such as vaults and will own any new meters.
2. The primary source of Purchaser's monthly water purchases will be the registers physically located on the meters (i.e., register meter readings and not Supervisory Control and Data Acquisition (SCADA) nor electronically transmitted data). Portland will use demand data from the register readings for calculating the total annual water delivered to Purchaser unless the readings need to be adjusted because the meter readings are otherwise inaccurate.
3. In addition, Portland will attempt to read the meters either physically or electronically on key dates as defined in this Agreement (i.e., June 30 and Sept 30). If accurate or reliable meter readings are not reasonably available for key dates needed for calculating annual demand, monthly demand, or Peaking Factors, then Portland's SCADA data or other electronically transmitted data will be used to establish Purchaser's water demand to the intended key dates. If SCADA or other electronically transmitted data are not available or for some reason are not considered reliable in a particular case, Portland will use the best means that are reasonably available to estimate usage.
4. Portland and Purchaser will collaboratively resolve any data discrepancies.

B. Meter Costs. The cost of replacing the meter or meters and their operations and maintenance will be included by Portland in calculating Purchaser's rates.

C. Meter Access. Purchaser may have reasonable access to meters and facilities for purposes of installing and maintaining telemetry equipment or other equipment related to the metering function.

SECTION 10 – PURCHASER-SUPPLIED WATER TO PORTLAND RESIDENTS

- A. Water Supplies To Portland Residents. To the extent permitted by law, Purchaser shall, when requested by the Administrator, provide water supply to Portland Retail Customers in areas adjacent to Purchaser’s water mains subject to limitations of the available capacity of Purchaser’s water distribution system. Water delivered to Portland customers by Purchaser at the Administrator’s request will be metered by Portland and its residents’ individual services.
- B. Master Metering.
1. Portland and Purchaser will review each situation where such arrangements exist and attempt to reach an agreement on the need and feasibility of installing a master meter or master meters to register the volume of water delivered to Portland residents.
 2. The Purchaser shall ensure that the water delivered to Portland residents will be from the same source or sources as water that Purchaser delivers to its customers and the water meets all applicable drinking water regulatory requirements.
 3. The Purchaser may request that Portland install a master meter if the local distribution system is shown to have demonstrated leakage or unaccounted water losses in excess of 10% of the average daily demand of Portland residents served by the system or by mutual agreement of the Parties. Improvements to the local distribution system will be made by mutual agreement of the Parties.
- C. Charges For Water.
1. When Purchaser provides water to supply Portland residents at the Administrator’s request, Purchaser may charge Portland up to one hundred twenty-five percent (125%) of the wholesale water rate Portland charges the Purchaser. Portland will credit this amount to Purchaser’s monthly bills. Purchaser’s water supplied to Portland residents at the Administrator’s request will not be included in the calculation of the Purchaser’s Purchase Quantity.
 2. Purchaser may conduct a cost-of-service study to determine the cost of serving Portland residents. If the cost-of-service exceeds 125% of the wholesale water rate, the Purchaser may adjust the charge to Portland accordingly, but not above the actual cost of service.

SECTION 11 – WATER RESOURCE CONSERVATION

A. General.

1. Parties to this Agreement intend that water delivered under this Agreement will be used beneficially, efficiently, and without waste.
2. The Parties encourage the development of joint conservation programs where such partnerships are of mutual benefit and produce increased efficiencies in program costs or water savings. Provided, however, that funding for joint conservation programs will be established by a separate agreement between the interested parties.

B. Submission of a Water Conservation Plan. It is the responsibility of each Purchaser to determine how to use water Purchased under this Agreement beneficially, efficiently and without waste. Unless Purchaser serves a population of 1,000 or less, Purchaser shall submit a copy of its Water Management and Conservation (“WMCP”) plan as outlined in OAR 690-086-0150. Purchaser shall submit a copy of its Water Conservation and Management Plan within six months of signing this Agreement to the WWMG. Every time a Purchaser prepares its 5-year benchmark report or its 10-year WMCP for submission to the State, it shall provide a copy to the WWMG.

SECTION 12 – WATER CURTAILMENT AND PROTECTION OF THE WATER SYSTEM

A. General.

1. During times when water supplies are not adequate to meet the aggregate of all demands placed upon Portland water system, Portland shall collaborate with Purchasers to minimize impacts to all. By signing this Agreement, Purchaser and Portland acknowledge that unforeseen or unavoidable circumstances may limit the amount of water available to Portland for sale and distribution, whether temporarily or permanently.
2. Should the available supply fall below the aggregate of all demands placed on Portland system, or should the Administrator determine that supply will fall below demands before other supplies are available, the Administrator of Portland Water Bureau may declare that a water shortage is in effect and may require a curtailment. Portland's Curtailment Plan, developed for the water system in accordance with OAR 690-086-0160(2) and OAR 690-086-0160(3) and filed as part of PWB's Water Management and Conservation Plan and would be in effect for all water users – retail and wholesale. If the Administrator requires curtailment, Purchaser shall implement measures sufficient to meet the demand reduction target requirements in accordance with PWB's WMCP. It is the responsibility of each Purchaser to develop appropriate policies, plans and procedures to respond effectively to required curtailment reduction targets, to protect the system's capacity to supply water for fire, life, safety, and other high priority needs.
3. It is to the benefit of all the users of Portland water system that plans for curtailment be agreed upon in advance and that plans for curtailments be coordinated among water providers. The Purchasers, through the WWMG shall develop and regularly update a Water Shortage Mitigation & Curtailment Plan to guide the implementation of the curtailment provision of this contract consistent with PWB's Water Management and Conservation Plan.

SECTION 13 – BILLING AND PAYMENT

A. Charges for Water Deliveries.

1. **Monthly Charges.** Portland will bill the Purchaser monthly for the actual volume of water delivered together with the fixed charges and any applicable charges pursuant to Section 6 of this Agreement. The monthly volumetric charge will be the product of the Purchaser's monthly deliveries, as determined in Sections 13.A.2 below, times the Purchaser's rate for that year's water deliveries as determined in Section 7.
2. **Monthly Water Deliveries.** Portland will read the Purchaser's water meters on a recurring cycle of approximately 30 days to determine the Purchaser's total deliveries for each month. The water deliveries used to determine the charges for the current month will be the difference in units between the most recent meter reading and the one immediately before it.

B. Payment Schedule. Bills are due upon receipt and are subject to a collection fee if not paid on or before the thirtieth day following the billing date. Collection fees will be established each year in the annual City ordinance establishing rates.

C. Charges In Case of Meter Failure.

1. Should any meter fail to measure accurately the water passing through the said meter, the charge for water used during the time the meter is out of service will be based on Portland's estimates of the volume of water supplied based on usage patterns and statistics for prior periods. Portland may, at its sole discretion, use water meter, SCADA, or other monitoring data provided by the Purchaser to inform its estimates of water usage in the event of a meter malfunction.
2. "Out of Service" means "out of calibration" or circumstances in which a meter is not reporting the Purchaser's water demand accurately.
3. Portland plans to test wholesale meters approximately every six months. If, because of periodic meter testing, Portland identifies that a Purchaser's meter is out of calibration, Portland will provide the Purchaser with an initial notice of a meter error and an interim correction factor to estimate usage. Portland and the Purchaser will then work together to verify the meter error and confirm and/or refine any calibration test results. Based on additional calibration test results, Portland and the Purchaser will work together to identify a final correction factor to be applied. The final correction factor will be applied retroactively to the Purchaser's meter readings only after the date of Portland's initial notice of a meter error.
4. Peak-Season and Peak-Day Peaking Factors will be recalculated to reflect the Purchaser's corrected water demands only for dates after the date of Portland's initial notice of a meter error. To allow "closing the books" for the previous fiscal year, if a final correction factor has not been established by September 1, the interim correction factor identified in Portland's initial notice of a meter error will be applied retroactively beginning on the date of Portland's initial notice of a

meter error and continuing through June 30. In this case, a final correction factor established after September 1 will be applied retroactively only to the Purchaser's demands from July 1 and after only for the purpose of calculating actual total annual demand.

- D. Disputes. In the case of disputes over billings for water, the Purchaser shall pay the undisputed amount when due. The disputed amount will be resolved through dispute resolution procedures contained in Section 15 (DISPUTE RESOLUTION) of this Agreement. The Purchaser shall pay interest at a rate equivalent to the rate earned on Portland's internal investment pool managed by the City Treasurer on any disputed amounts found through dispute resolution or litigation to be due to Portland.

SECTION 14 – SPECIAL FUNDING OF CAPITAL IMPROVEMENTS

- A. Project Funding in General. Portland plans, designs, constructs, owns, and operates all fixed assets used to deliver water under this Agreement up to the Purchaser's wholesale water meter(s). All such assets are eligible additions to the rate base as described in Section 7. Unless specified by a separate agreement, direct capital contributions by the Purchaser for all or any portion of the cost of any given project do not convey an ownership interest in the project(s) nor any interest in Portland's water system whatsoever.
- B. Special Project Funding.
1. **Portland Financing of Purchaser-Specific Project.** Portland, at its sole determination, may agree to pay for a capital project that has exclusive benefit to the Purchaser. In such cases, the fixed assets related to the project will be excluded from the rate base and the Purchaser will be subject to a Repayment Agreement, the terms and conditions of which will be negotiated separately and agreed to by Portland and the Purchaser. Portland will include on the Purchaser's monthly bill for water deliveries the sum of any payments due from the Purchaser's outstanding Repayment Agreements. Charges related to Repayment Agreements are additional to the rates and charges determined pursuant to Section 7.
 2. **Joint Funding of Portland Projects by Purchaser or Group of Purchasers.** Portland, at Portland's sole discretion, may accept contributions in aid of construction from one or more purchasers to fund capital projects eligible for inclusion in the rate base. If Purchaser participates in jointly funding a capital project with Portland, the total cost of the assets will be included in the rate base and Portland will credit Purchaser's contributions on Purchaser's monthly water services bill a credit equal to the sum of:
 - (a) One month's amortization of the Purchaser's contribution where the schedule of amortization is equal to the useful life of the asset expressed in months (e.g., a 10-year life is equal to a 120-month amortization and each month's amortization is $1/120^{\text{th}}$ of the total).
 - (b) The unamortized portion of the contribution times $1/12^{\text{th}}$ of the then-current Rate of Return.

SECTION 15 – DISPUTE RESOLUTION

In case of disputes arising out of this Agreement, including disputes regarding the interpretation of any provision of this Agreement, subject to the terms of this Section, either Party may seek all remedies available at law or in equity. Prior to commencement of any litigation, the Parties will first engage in dispute resolution as provided in the Section.

- A. Notice of Dispute. Prior to a Party's commencement of litigation of a dispute, the Party seeking to commence litigation shall first provide the other Party with a written notice describing the dispute and follow the process outlined in this Section 15. Neither Party shall commence litigation until the dispute resolution process described in this Section 15 is complete unless litigation in the form of a temporary restraining order or preliminary injunction is necessary to prevent imminent and irreparable harm to the Party commencing litigation.
- B. Negotiation. Each Party (1) shall designate a person or persons to negotiate the dispute on its behalf, (2) shall make a good faith effort to exchange information and data related to the dispute, and (3) shall meet to negotiate a dispute resolution. If the dispute is resolved at this step, the Parties will memorialize the agreement in writing, which shall be signed by the authorized representatives of the Parties.
- C. Mediation.
1. If the dispute has not been resolved within 45 days of the date of the notice of dispute, or such longer time as is mutually agreed by the Parties, the Parties will submit the matter to mediation. The Parties will attempt in good faith to agree on a mediator. If the Parties cannot agree, the Parties will request a list of five mediators from an entity or firm providing mediation services. The Parties will attempt in good faith mutually to agree on a mediator from the list provided, but if they cannot agree, each Party will select one name. The two selected mediators will select a third mediator who will mediate the dispute.
 2. Any common costs of mediation, including the cost of mediation, will be borne equally by the Parties. Each Party shall bear its own individual costs. Mediation will not continue more than 105 days past the initial notice of dispute unless mutually agreed by the Parties. If the dispute is resolved at this step, a written determination of such resolution will be signed by the designated representatives of the Parties.
- D. Arbitration. If the dispute has not been resolved through negotiation or mediation within the time set by this Agreement, within 15 days of the end of mediation, or such other time as is mutually agreed, the Parties may submit the dispute to arbitration under mutually agreeable terms. In the absence of such an agreement, the dispute resolution process under this Agreement will be deemed ended and the Parties will be free to pursue other remedies.

- E. Litigation. Any litigation between the Parties arising under or regarding this Agreement must be conducted in the Multnomah County Circuit Court of Oregon. In any litigation, each Party will bear its own costs and attorney's fees.

SECTION 16 – WASHINGTON COUNTY SUPPLY LINE

This agreement includes the Washington County Supply Line that will be treated as a Portland asset to include in cost allocation as described in Section 7 – Rates and Charges of this agreement.

GLOSSARY

<u>Term</u>	<u>Definition</u>
3-Day Peaking Factor	The Purchaser's average Actual 3-Day Peaking Factor from the previous five years.
Actual 3-Day Peaking Factor	The Purchaser's Peak 3-Day Demand divided by three, divided by the Purchaser's Actual Average Daily Demand.
Actual Average Daily Demand	The Purchaser's total water deliveries for a single Agreement Year divided by number of days in the year (365 or 366 days).
Actual Seasonal Peaking Factor	The Purchaser's Peak Season water purchases divided by 92 days, divided by the Purchaser's Actual Average Daily Demand.
Administrator	The Administrator of the Portland Water Bureau as defined in Portland City Code Section 21.04.010.A..
Agreement	This wholesale water purchase agreement between Portland and the Purchaser.
Agreement Term	A standard period of years from the execution of the Agreement, 30 years, or 20 years.
Agreement Year	July 1 of the current year through June 30 of the following year.
Annual Administrative Fee	A charge assessed to Purchasers who opt for Unreserved Backup services as described in Section 6.
Annual Reservation Charge	A charge applicable for those reserving backup capacity from Portland in advance under the Reserved Backup option as described in Section 6.
Average Daily Demand	The Purchaser's average Actual Average Daily Demand for the previous five years.
Backup Services	An optional service available to Purchasers and non-Parties to the Agreement for Portland to provide backup capacity and water supplies.
Base Extra-Capacity (method)	A cost allocation methodology as described by the American Water Works Association's M1 Manual.

<u>Term</u>	<u>Definition</u>
Capital Costs	The sum of the Return on Rate Base and Depreciation Expenses for an Agreement Year.
Contractual Customers	Customers served by Portland under the terms of a contract, including all contracts with Purchasers.
Cost Pools	Grouping of assets. Listing of the asset groups are in Exhibit 4.
Depreciation Expense	The annual depreciation expense reported for the for the previous 12 months for the assets included in the Rate Base.
Early Termination Fees	Required payments to Portland in the event of a Purchaser's early termination of the Agreement, or Reduction in Purchase Quantity.
Excess Delivery Charge	The charge for water deliveries in excess of the reserved amounts under the Reserved Backup option as described in Section 6.
General Purchase Quantity	The actual amount of water delivered by Portland to the Purchaser in a single Agreement Year after adjusting for exclusions as defined in Section 5.B of the Agreement.
Independent Supplies	Sources of water owned or purchased by the Purchaser other than the Purchaser's General Purchase Quantity.
Interruptible Water	A service offered in the previous Regional Water Sales Agreement that had allowed purchasers to buy water from Portland on the condition that such service could be shut off at any time at Portland's sole determination. Interruptible Water is not an offered service within this Agreement.
Joint Costs	O&M and Capital Costs incurred by Portland that benefit both its retail system and the wholesale customers. The retail portion of Joint Costs are excluded from the determination of rates and charges under this Agreement.
Meter Costs	The costs incurred by Portland related to acquiring, replacing, operating, and maintaining water meters at the Purchaser's Point of Delivery.

<u>Term</u>	<u>Definition</u>
O&M Budget Execution Factor	The average percentage of Portland’s actual O&M Costs for the previous five fiscal years divided by the adopted budgeted O&M Costs for the same fiscal years.
O&M Costs	Portland’s costs of operations, maintenance, planning studies and associated overhead expenses incurred to own and operate the water system.
Operations Group	Water Bureau workgroup responsible for the operation and maintenance of water storage and supply, treatment and transmission from the Watershed and the CSS Well Field and Powell Valley Well Field.
Parties	Portland and the Purchaser
Peak 3-Day Demand	The Purchaser’s highest level of water purchases over three consecutive days during a single Agreement Year.
Peak Season	Water deliveries between July 1 and September 30 for a single Agreement Year.
Point of Delivery	The connection or connections between Portland and the Purchaser whereby Portland delivers water under this Agreement.
Portland	The Portland Water Bureau
Portland Model	A Microsoft Excel workbook used by Portland to calculate rates and charges for the purposes of administering this Agreement.
Portland Retail Customers	Customers who receive their water service from Portland subject to the ordinances of the City of Portland and are not Purchasers.
Purchase Quantity	The Purchaser’s average Actual Average Daily Demand from the previous five years times 365 days.

<u>Term</u>	<u>Definition</u>
Purchase Reduction	A reduction in the Purchaser's General Purchase Quantity due to the Purchaser's increased use of Independent Supplies.
Purchaser	Any entity executing this agreement purchasing water from Portland as a wholesale customer.
Purchaser's Retail Customers	Individual customers served by the Purchaser for end-use consumption and not for resale.
Rate Base	The sum of Portland's net book value of the assets used to provide wholesale services including any regulatory assets, an allowance for working capital, the construction work in progress, less any contributed capital.
Rate of Return	A percentage equal to Portland's true interest of all outstanding debt times 1.35
Reserved Water Delivery Charge	The charge for actual water deliveries made under the Reserved Backup option as described in Section 6.
Retail-Only Costs	O&M and Capital Costs incurred by Portland related only to water sales to Portland Retail Customers and excluded from the determination of rates and charges under this Agreement.
Seasonal Peaking Factor	The Purchaser's average Actual Seasonal Peaking Factor from the previous five years.
Surplus Capacity	Portion of the system capacity left unused after June 30, 2026 when City of Gresham, Rockwood PUD, and Tualatin Valley Water District are expected to terminate their firm supply purchase from Portland. It is the sum of water purchased by Gresham, Rockwood PUD and Tualatin Valley Water District prior to June 30, 2026. This agreement includes a one-time adjustment assigning Portland the Surplus Capacity. This is for the purpose of rate making where Portland is assigned the costs that is allocated to Surplus Capacity.
	The sum of annual water purchases, Peak Season demands, and Peak 3-Day demands attributable to the Terminating Parties prior to June 30, 2026.

<u>Term</u>	<u>Definition</u>
Terminating Parties	The City of Gresham, Rockwood PUD, and the Tualatin Valley Water District. Each has given notification that they will terminate their water purchases from Portland as of June 30, 2026.
Unreserved Water Delivery Charge	The charge for actual water deliveries provided by Portland for Unreserved Backup services as described in Section 6.
Water Management and Conservation Plan	The Purchaser's plan as required and outlined in OAR 690-086-0150.
Wheeling	Water delivered above the Purchaser's General Purchase Quantity to be transported through the Purchaser's water system to Portland's Retail Customers.
Wholesale Distributors	The Purchaser and all other Purchasers who are Parties to this Agreement.
Wholesale-Only Costs	O&M and Capital Costs incurred by Portland for the benefit of only its wholesale customers. These costs are included in the determination of rates and charges under this Agreement.

KEY DATES

Requirement	Section / Reference	Date
Notification of renewal	3.D	No less than five years prior to expiration of the Agreement
Independent Supplies Notice	5.C.2.a	At least five years before implementing any Independent Supplies.
Peak Season	5.B2	Peak Season is from July 1 to September 30
Purchase Increase	5.D	Immediately, when Purchaser expects to increase its Purchase Quantity by 20% or more in any year.
Portland Confirmation of Increased Purchase Quantity	5.D	Within 90 days of receipt of Purchaser's notification of Purchase Increase.
Projected Water Usage	8.A.1	Every July 1 commencing on the fifth year after the execution of this Agreement and every fifth July 1 thereafter until termination.
Portland Demand Forecast	8.A.4	Every May 1. Portland provides the WWMG with a summary of projected water demand for the region.
Notice of Dispute	15.A	Immediately upon identification of a contractual dispute.
Commencement of Mediation	15.C.1	45 days after receipt of the Notice of Dispute.
Commencement of Arbitration	15.D	15 days after the end of Mediation.

EXAMPLE PURCHASE QUANTITIES AND PEAK DEMAND
(To be update annually for rate setting)

AVERAGE DAILY DEMAND (MGD)

Customer Class	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	5 yr avg
Service Area 1 Water Cos.	0.03	0.03	0.03	0.03	0.04	0.03
City of Gresham	5.86	5.93	5.56	5.91	5.53	5.76
Lusted Water District	0.15	0.15	0.13	0.15	0.16	0.15
Pleasant Home Water District	0.16	0.16	0.13	0.16	0.15	0.15
Rockwood Water PUD	6.18	5.99	6.05	6.42	6.49	6.22
Palatine Hill Water District	0.37	0.39	0.34	0.39	0.33	0.37
Burlington Water District	0.04	0.03	0.03	0.03	0.03	0.03
Lake Grove Water District	0.34	0.30	0.29	0.31	0.32	0.31
Valley View	0.14	0.17	0.17	0.17	0.13	0.16
West Slope Water District	1.20	1.23	1.11	1.27	1.16	1.19
TVWD	16.58	16.18	16.14	16.28	15.75	16.19
Raleigh Water District	0.55	0.53	0.47	0.55	0.49	0.52
City of Tualatin	4.38	4.63	4.18	4.61	4.25	4.41
City of Sandy	0.46	0.47	0.50	0.51	0.51	0.49
Total	36.43	36.20	35.14	36.80	35.34	35.98

PEAK SEASON DEMAND (MGD)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	5 yr avg
Service Area 1 Water Cos. (1)	0.05	0.05	0.03	0.04	0.06	0.05
City of Gresham	6.75	6.76	6.40	6.72	6.67	6.66
Lusted Water District	0.24	0.24	0.18	0.24	0.25	0.23
Pleasant Home Water District	0.29	0.25	0.19	0.26	0.28	0.25
Rockwood Water PUD	6.83	6.75	6.50	6.77	6.84	6.74
Palatine Hill Water District	0.79	0.80	0.65	0.75	0.79	0.76
Burlington Water District	0.04	0.04	0.04	0.04	0.03	0.04
Lake Grove Water District	0.32	0.32	0.32	0.32	0.32	0.32
Valley View	0.28	0.28	0.26	0.30	0.30	0.28
West Slope Water District	1.77	1.87	1.68	1.82	1.94	1.82
TVWD	19.16	19.16	19.12	19.15	19.32	19.18
Raleigh Water District	0.92	0.84	0.74	0.82	0.87	0.84
City of Tualatin	5.81	6.07	5.55	5.82	6.48	5.95
City of Sandy	0.48	0.50	0.51	0.53	0.55	0.52
Total	43.74	43.93	42.18	43.58	44.70	43.63

PEAK 3-DAY DEMAND (MGD)

Customer Class	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	5 yr avg
Service Area 1 Water Cos. (1)	0.08	0.09	0.08	0.08	0.08	0.08
City of Gresham	8.09	6.99	6.97	8.14	6.98	7.43
Lusted Water District	0.39	0.39	0.36	0.37	0.35	0.37
Pleasant Home Water District	0.41	0.37	0.32	0.41	0.39	0.38
Rockwood Water PUD	7.49	7.17	7.01	7.24	6.96	7.17
Palatine Hill Water District	1.12	1.03	0.94	1.07	1.00	1.03
Burlington Water District	0.11	0.07	0.07	0.08	0.08	0.08
Lake Grove Water District	0.45	0.35	0.39	0.61	0.50	0.46
Valley View	0.41	0.36	0.40	0.41	0.40	0.40
West Slope Water District	2.29	2.41	2.21	2.35	2.35	2.32
TVWD	24.64	24.20	21.68	24.01	26.73	24.25
Raleigh Water District	1.46	1.13	0.95	1.17	1.10	1.16
City of Tualatin	7.04	7.54	7.53	8.21	7.94	7.65
City of Sandy	0.51	0.52	0.77	0.89	0.60	0.66
Total	54.49	52.61	49.67	55.03	55.46	53.45

(1) weighted average from Lusted & Pleasant Home

EXHIBIT 1
POINT OF DELIVERY LOCATIONS

(To be added for each Purchaser)

EXHIBIT 2
EARLY TERMINATION FEES

Early termination fees consist of the capital portion of the wholesale rate multiplied by the Purchaser's eliminated or reduced demand at the time Purchaser gives notice of termination or reduction.

The formula for determining the Early Termination Fee is as follows:

$$\text{Fee} = C \times D \times P \times N / (1 + \text{RoR})^N$$

Where:

C = Capital portion of the wholesale rate applicable in the year preceding the notification expressed in \$/gallon.

D = The Purchaser's average total water deliveries from Portland for the five-year period preceding the notification expressed in gallons.

P = The percentage of the Purchaser' demand (D) to be reduced either from termination of the Agreement or by reduction due to changing supply sources. For terminations, P=100%. For reductions, P < 100% determined as the amount of continuing water purchases from Portland as a percentage of D.

N = The number of remaining years in the term of the Agreement.

RoR = The Rate of Return pursuant to Section 7 of the Agreement.

EXHIBIT 3
CHARGES FOR BACKUP SERVICES
(To be update annually for rate setting)

Table 1. Reserved Backup Charges

Fiscal Year Ending June 30	Reservation Charge	Reserved Water Delivery Charge	Excess Delivery Charge
2023	\$782.25 / MGD	\$1.252 / CCF	\$3.036 / CCF
2024			
2025			

Table 2. Unreserved Backup Charges

Fiscal Year Ending June 30	Administrative Fee	Unreserved Water Delivery Charge
2023	(see Table 4)	\$3.036 / CCF
2024		
2025		

Table 3. Spontaneous Backup Charges

Fiscal Year Ending June 30	Water Delivery Charge
2023	\$6.493 / CCF
2024	
2025	

Table 4. Annual Administrative Fee (for Unreserved Backup)

Meter Size	EQM Ratio	Annual Cost
3/4"	1.00	\$ 575.45
1"	1.67	\$ 959.09
1.5"	3.33	\$ 1,918.18
2"	5.33	\$ 3,069.09
3"	10.67	\$ 6,138.17
4"	16.67	\$ 9,590.89
6"	33.33	\$ 19,181.78
8'	53.33	\$ 30,690.86
10"	126.67	\$ 72,890.78
12"	166.67	\$ 95,908.92
14"	250.00	\$ 143,863.38
16"	333.33	\$ 191,817.85
18"	416.67	\$ 239,772.31
20"	500.00	\$ 287,726.77
24"	748.46	\$ 430,704.43

EXHIBIT 4
GENERAL LIST OF ASSETS IN COST POOLS

(To be added)

EXHIBIT 5
FIVE-YEAR COST AUDIT

In Contract Year 5 and every five years thereafter during the term of this contract and any extensions, an independent third party shall be retained to conduct an audit of all steps of the then-currently employed process to allocate assets and O&M to customer classes. The expert shall be instructed, as the result of its audit, to recommend any changes necessary to ensure the continued accuracy of the revenue requirements and the cost allocations consistent with the terms of this contract and the AWWA M-1 manual. The expert shall be selected by Portland and the auditor expense shall be included in O&M expenses and allocated accordingly. The expert's report shall be completed by December 1 of the contract year in which the expert is hired.

Expert recommendations for cost allocations shall be reviewed by the WWMG and shall be implemented by the Administrator in the contract year following receipt of the recommendations unless: (1) a majority of the WWMG and the Administrator concur that the recommendations should not be implemented or (2) the Administrator determines that it would be imprudent to adopt any or all of the recommendations. In case the Administrator reaches a determination of imprudence, the Administrator shall explain the Administrator's determination of imprudence in writing to the WWMG and consult with WWMG concerning the Administrator's determination.