



HILLSBORO/FOREST GROVE/BEAVERTON/
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION (JWC)
PRELIMINARY AGENDA

City of Hillsboro
Civic Center
150 East Main St., **Room 113B**

July 11, 2014
12:30 p.m.
Regular Meeting

Assistive Listening Devices (ALD) and sign language interpreters are available, at no cost, and can be scheduled for this meeting. Please provide at least 72 hours notice prior to the meeting. To obtain these services, call (503) 681-6100 or TTY (503) 681-6284.

ALL TESTIMONY IS ELECTRONICALLY RECORDED.

The Commission lunches at 12:00 p.m.

CALL TO ORDER

Introductions.

1. **CONSENT AGENDA** (The entire Consent Agenda is normally considered in a single motion. Any Commissioner may request that an item be removed for separate consideration.)
 - A. Approve regular meeting minutes from Friday, April 11, 2014.
 - B. Consider approval of the Audit Arrangement letter and consider the required communications under Statement on Auditing Standards 114.
 - C. Consider approval of Contract Amendment #2 for Analytical Laboratory Services.

2. COMMUNICATIONS AND NON-AGENDA ITEMS

- A. None scheduled.

3. UNFINISHED BUSINESS

- A. None scheduled.

4. NEW BUSINESS

- A. Consider award of WTP Backup Power Facility - Generator Procurement Contract. *Staff Report – Erika Murphy*

General Manager

Kevin Hanway
150 E. Main Street
Hillsboro, OR 97123
503-615-6585

Board of Commissioners

City of Hillsboro

John Godsey
John Rosenberger
David Judah

City of Forest Grove

Rod Fuiten
Carl Heisler
Victoria Lowe

City of Beaverton

Denny Doyle
Marc San Soucie
Mark Fagin

Tualatin Valley Water District

Dick Schmidt
Marilyn McWilliams
Mark Knudson



5. **DISCUSSION ITEMS** (These items may result in action by the Commission.)

- A. Stored Water Status. *Staff Report – Niki Iverson*
- B. Update on Tualatin Basin Source Water Protection Plan. *Staff Report – Kristel Fesler*
- C. Opinion on Managing Agency change order authority. *Staff Report – Kevin Hanway*
- D. Report on term as AWWA-PNWS Chair. *Staff Report – Chuck Kingston*
- E. General Manager's Report. *Staff Report – Kevin Hanway*

6. **ADVICE/INFORMATION ITEMS**

- A. The next JWC and BRJOC meetings are scheduled on Friday, October 10, 2014, at the Civic Center in Room 113B. The BRJOC meeting will be held at 12:30 p.m. with the JWC meeting following.

HILLSBORO/FOREST GROVE/BEAVERTON
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION (JWC)

MINUTES

City of Hillsboro
Civic Center Room 113B
150 East Main St.

April 11, 2014
12:30 p.m.
Regular Meeting

Commissioners Present:

Hillsboro: John Godsey and Dave Judah
Forest Grove: Victoria Lowe and Rod Fuiten
Beaverton: Denny Doyle, Marc San Soucie and Mark Fagin
Tualatin Valley Water District: Dick Schmidt, Marilyn McWilliams and Mark Knudson

Staff Present:

Hillsboro: Rob Dixon, Kevin Hanway, Sophia Hobet, Chuck Kingston,
Tyler Wubbena, Suzanne Linneen, Erika Murphy, Tacy
Steele, Kristel Fesler, Mellisa Franklin, and Susan Howard
Beaverton: David Winship
Forest Grove: Rob Foster
Tualatin Valley Water District:

Others Present: Clark Balfour – Attorney

The Commission lunches at 12:00 p.m. Call to order at 12:48 p.m.

CALL TO ORDER

Introductions.

1. **CONSENT AGENDA** (The entire Consent Agenda is normally considered in a single motion. Any Commissioner may request that an item be removed for separate consideration.)

A. Approve regular meeting minutes from Friday, January 10, 2014.

Hanway stated Tyler Wubbena was not present at the January meeting as stated in the meeting minutes. The individual present was Bernie Monahan.

Motion by Godsey, seconded by San Soucie, to approve the Consent Agenda as presented with the correction stated above. Motion carried unanimously with Commissioners Godsey, Rosenberger, Judah, Fuiten, Lowe, Doyle, San Soucie Fagin, Schmidt, McWilliams and Knudson all voting in favor.

2. COMMUNICATIONS AND NON-AGENDA ITEMS

A. None scheduled.

3. UNFINISHED BUSINESS

A. None scheduled.

4. NEW BUSINESS

A. Consider adoption of proposed 2014-15 budget. *Staff Report – Mellisa Franklin*

Franklin reviewed revenues for projected year end (PYE) stating water sales shows an increase of \$13,000 due to the 12th Avenue North Transmission Line (NTL) leak. This number could change depending on final invoicing. Miscellaneous contributions in aid are showing lower than budget by \$4.7 million. This is primarily due to the timing of projects. She stated miscellaneous revenue is projected at \$4,000. Budgeted contingency is \$500,000, however the current PYE shows \$0 and after final numbers are received for the NTL leak, this number will change.

Franklin reviewed expenditures for PYE stating personnel services are under budget by \$84,000 which is primarily due to open positions and accrued vacation expense. Non-project capital outlay of \$83,000 will be fully utilized on spare steel transmission line, pump drive system and PLC firmware. Franklin stated special payments are in line with budget at \$1.7 million. Capital outlay is lower than budget due to project timing. She stated contingency is currently showing \$0, however depending on the 12th Avenue NTL leak there may be a need to use funds.

Franklin then reviewed the proposed FY 2014-2015 budget stating personnel services shows an increase of \$217,000 which includes an overall 5% increase for possible cost of living adjustments, medical/dental mid-year increase and the class comp study. Also included are a .5 seasonal utility worker and a .25 project manager. She stated materials and services increased by \$329,000 when compared to the original budget of \$3 million. Included in the increase is \$185,000 for utilities, \$20,000 for the water quality database and \$10,000 for additional monitoring. Non-project capital outlay shows an increase of \$83,000 with an increase in special payments of \$89,000 from original budget. Franklin stated \$500,000 is budgeted for contingency.

Franklin presented a list of capital outlay projects and Wubbena gave an overview with general updates for each project. Franklin continued with the non-project capital outlay consisting of the purchase of a replacement vehicle, double axel heavy duty trailer, spare steel transmission pipe and fittings, pump station #1 floor painting and epoxy coating, zonal fire detection system and wonder ware and software platform upgrade.

Franklin reviewed proposed revenues for FY 2014-2015 stating water sales shows an increase of \$420,000, an increase of \$612,000 in contributions in aid and a budget of \$500,000 for contingency. She then reviewed unit cost of service stating approximately .40 cents per unit was budgeted in FY 2013-2014, however the actual average cost was .42 cents per unit. The proposed FY 2015 will be .43 cents per unit. San Soucie inquired if the cost of the repair for the NTL was taken out of the

equation, would the unit cost be different. Hanway responded the inquiry will be calculated and forwarded for reference.

Motion by San Soucie, seconded by Schmidt, to approve the proposed FY 14/15 budget as presented, subject to final modifications not to exceed 5% of Personnel Service and Special Payments costs as determined by the City of Hillsboro. Motion carried unanimously with Commissioners Godsey, Rosenberger, Judah, Fuiten, Lowe, Doyle, San Soucie Fagin, Schmidt, McWilliams and Knudson all voting in favor.

- B. Consider authorizing a meeting of the Executive Committee to be called for consideration of contracts and change order. *Staff Report – Kevin Hanway*

Hanway requested that the Commission authorize a request to call an executive committee meeting to address contract awards associated with the South Transmission Line (STL) project and a change order regarding the electrical projects at the treatment plant.

Motion by Lowe, seconded by Fuiten, to approve a meeting of the Executive Committee to be called for consideration of contracts and change order. Motion carried unanimously with Commissioners Motion carried unanimously with Commissioners Godsey, Rosenberger, Judah, Fuiten, Lowe, Doyle, San Soucie Fagin, Schmidt, McWilliams and Knudson all voting in favor.

5. DISCUSSION ITEMS (These items may result in action by the Commission.)

- A. North Transmission Line Valve Failure Update. *Staff Report – Tyler Wubbena*

Wubbena presented an update on the North Transmission Line (NTL) valve failure. He provided a slide indicating the location of the leak and stated Kerr Construction was contracted by the City due to their location, familiarity with the NTL and their resources. He stated a consultant was contracted to assist with the assessment and to help develop a repair plan. He explained the crack occurred in the metal flanges and extended through the bolts.

Wubbena stated the City of Cornelius is served by three pressure reducing valve (PRV) stations and all three stations were shut down to isolate the leak. A fourth PRV station was brought into service and produced a sufficient flow to meet domestic needs. However, an additional water supply was needed to meet life and safety needs of the City of Cornelius. On February 14 staff identified a location for a second PRV feed to Cornelius and by February 18 a 6" PRV was installed and began feeding water to Cornelius.

Wubbena reviewed the development of repair scenarios which listed essential parts that would be necessary to replace and repair to get the valve back on line. He also reviewed the process in locating the parts necessary for the repair and the necessary steps it took to receive the parts on a timely basis. Also reviewed were the necessary steps to dewater the NTL for repairs.

Wubbena stated excavation and assembly of shoring began on March 18. He reviewed the process of dismantling the coupling and valve and the removal of the cracked valve. He reviewed probable causes of valve failure and the valve reinstallation plan. He stated depressurizing of the NTL occurred on March 28 which consisted of testing for water quality, swabbing, upstream chlorine residual testing, C12 samples and Bac T sampling. On March 31 the NTL was back online.

In conclusion Wubbena stated communication with stakeholders is essential and the assessment of the spare parts program should be looked at more closely due to long lead times for fabrication or purchasing of parts for emergency repairs. Also developing relationships with other members of the “Big Pipe Club” is essential in acquiring parts necessary for emergency repairs. Hanway stated Hillsboro staff will be evaluating the valves more often which will help identify issues that may be occurring before there is an emergency.

Knudson inquired if a plan has been put into place that captured lessons learned through the process of the NTL valve repair that will assist in building future pipelines. Wubbena stated one lesson learned is that valves should not be placed in an intersection; it should be placed outside of the area. Dave Winship commented that these same issues will be faced on Cornelius Pass Road with the development of South Hillsboro.

B. Project Updates. *Staff Report – Tyler Wubbena*

Wubbena stated project updates were covered during the budget presentation.

C. Stored Water Status. *Staff Report – Kristel Fesler*

Fesler presented the stored water status update for Scoggins Reservoir stating everything is on target with the current reservoir level at 51,600 acre feet. She stated water levels are being monitored for release dates as the National Weather Service has predicted a warmer, dryer spring.

D. General Manager’s Report. *Staff Report – Kevin Hanway*

Hanway reminded McWilliams, Lowe, Doyle and Godsey they will be contacted for an Executive Committed meeting to address contract awards associated with the STL project and a change order regarding treatment plant electrical projects.

He introduced Sophia Hobet to the Commission stating she will be serving as manager for the Treatment and Distribution divisions. He stated Sophia served as Water Services Manager for the City of Salem and brings with her extensive water systems and treatment plant experience along with experience in emergency planning. He also introduced Erika Murphy, a project manager in the Engineering Department.

He announced the retirement of Art Woll stating Art has served as an Operator at the treatment plant for the past thirty years. Art has been working closing with the remaining operators to ensure a smooth transition.

Hanway stated operations and treatment are well positioned to meet peak season needs. He stated currently no issues are being experienced with pumping from Wapato Lake. The Fish and Wildlife Department, who now manages the Wapato Irrigation District, has begun pumping earlier in the season and have been very good about planning and working closely with the Plant.

He updated the Commission on the Tualatin Basin Water Supply project, stating Clean Water Services (CWS), who has been managing the project, has been diligently working to bring the partnership to a close by fiscal year end due to the decision not to proceed with the 40' dam raise. To meet their own needs, CWS will continue looking at a 12' dam raise. For seismic needs, the JWC will stay involved in dam upgrades.

6. ADVICE/INFORMATION ITEMS

- A. The next JWC and BRJOC meetings are scheduled on Friday, July 11, 2014, at the Civic Center in Room 113B. The BRJOC meeting will be held at 12:30 p.m. with the JWC meeting following.

There being no further business to come before the Commission, the meeting adjourned at 2:11 p.m.

Chairman _____
Hillsboro/Forest Grove/ Beaverton/
TVWD Joint Water Commission

ATTEST: _____
Secretary



STAFF REPORT

Date: July 11, 2014

To: Joint Water Commission

From: Jon Grover, Accounting Manager

Re: Agenda Item 1B – Audit Arrangement Letter and Required Communications under SAS 114

Staff Recommendation

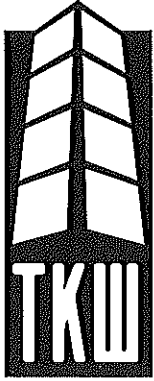
Staff recommends that the Commission acknowledge the required communication under SAS 114, and approve the audit arrangement letter with Talbot, Korvola and Warwick LLP.

Attached for your consideration is the arrangement letter and required communication under Statement on Auditing Standards 114 with Talbot, Korvola and Warwick, LLP, for the 2013-14 audits of the Hillsboro – Forest Grove – Beaverton – Tualatin Valley Water District Joint Water Commission and the Barney Reservoir Joint Ownership Commission.

The arrangement letters include proposed fees for each engagement not to exceed \$9,700. As a comparison, the previous audit fee was \$9,400, for an increase of 3.2%. The fees for services are paid by the City of Hillsboro's Finance department.

The initial contract entered in conjunction with the City of Hillsboro and the Hillsboro Economic Development Commission, effective for the 2009-10 Audit, was a one year contract which may be extended for an additional four years. The 2013-14 Audit will be the fourth and final extension. The City will prepare an RFP for the 2014-15 Audit.

Please feel free to contact me at 503-681-5361 or jon.grover@hillsboro-oregon.gov should you have any questions in reviewing the attachments.



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

ACHIEVE MORE

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April 22, 2014

Board of Commissioners
Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District
Joint Water Commission
Hillsboro, Oregon 97123-4028

Attention: Marilyn McWilliams, Chair

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission's (the Commission) financial statements as of and for the year ending June 30, 2014.

Communication

Effective two-way communication between Talbot, Korvola & Warwick, LLP (the Firm) and the Board of Commissioners is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding the Commission and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures, your suspicion or detection of fraud, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, instances of noncompliance with laws and regulations that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We will also communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our Firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example, partners and professional employees of the Firm are restricted in their ability to own a direct financial interest or a material indirect financial interest in a client or any affiliates of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with

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Independence (Continued)

Firm policy. In addition, our policies restrict certain non-audit services that may be provided by the Firm and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

The Audit Planning Process

Our audit approach places a strong emphasis on obtaining an understanding of how your business functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your business. The development of a specific audit plan will begin by meeting with you and with management to obtain an understanding of your business objectives, strategies, risks, and performance.

As part of obtaining an understanding of your business and its environment, we will obtain an understanding of internal control. We will use this understanding to identify risks of material misstatement, which will provide us with a basis for designing and implementing responses to the assessed risks of material misstatement. We will also obtain an understanding of the users of the financial statements in order to establish an overall materiality level for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

The Concept of Materiality in Planning and Executing the Audit

We apply the concept of materiality both in planning and performing the audit, evaluating the effect of identified misstatements on the audit, and the effect of uncorrected misstatements, if any, on the financial statements, and in forming the opinion in our report. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit. We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. We will accumulate misstatements identified during the audit, other than those that are clearly trivial. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

Our Approach to Internal Control Relevant to the Audit

Our audit of the financial statements will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the Company's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

Board of Commissioners
Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District
Joint Water Commission
April 22, 2014
Page 3

Timing of the Audit

We have scheduled preliminary audit field work, to coincide with the fieldwork of the City, for the week beginning July 28, 2014, with final field work commencing the week of October 6, 2014. Management's adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to timely completion of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Commission.

This communication is intended solely for the information and use of the Board of Commissioners and management and is not intended to be and should not be used by anyone other than these specified parties.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Timothy R. Gillette, Partner



Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

ACHIEVE MORE

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April 22, 2014

Board of Commissioners
Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District
Joint Water Commission
Hillsboro Oregon 97123-4028

Attention: Marilyn McWilliams, Chair

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission (the Commission), as of and for the year ending June 30, 2014, which collectively comprise the basic financial statements. Our audit will consider other supplementary information (OSI) as presented by the Commission. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

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The Responsibilities of the Auditor (Continued)

We will also communicate to the Board of Commissioners (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the Commission and that are to be included as part of our audit are substantially the same as those in the prior year.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management and when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP);
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c. To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audit; and
 - (3) Unrestricted access to persons within the Commission from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the Commission complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Commission involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework (Continued)

affecting the Commission received in communications from employees, former employees, analysts, regulators, or others.

The Board of Commissioners is responsible for informing us of its views about the risks of fraud within the Commission, and its knowledge of any fraud or suspected fraud affecting the Commission.

The Commission agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the Commission agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering.

Our association with an official statement is a matter for which separate arrangements will be necessary. The Commission agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Commission seeks such consent, we will be under no obligation to grant such consent or approval.

We agree that our association with any proposed offering is not necessary, providing the Commission agrees to clearly indicate that we are not associated with the contents of any such official statement or memorandum. The Commission agrees that the following disclosure will be prominently displayed in any such official statement or memorandum:

Talbot, Korvola & Warwick, LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Talbot, Korvola & Warwick, LLP also has not performed any procedures relating to this official statement or memorandum.

Because Talbot, Korvola & Warwick, LLP will rely on the Commission and its management and Board of Commissioners to discharge the foregoing responsibilities, the Commission holds harmless and releases the Firm, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the Commission's management which has caused, in any respect, the Firm's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

The Commission's Records and Assistance

If circumstances arise relating to the condition of the Commission's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Commission's books and records. The Commission will determine that all such data, if necessary,

The Commission's Records and Assistance (Continued)

will be so reflected. Accordingly, the Commission will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Commission personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Michelle Wareing, Assistant Finance Director. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as maintaining depreciation schedules, drafting the financial statements, etc.), you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

Other Relevant Information

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In addition, we may utilize financial information you have provided to us in connection with this engagement for purposes of creating benchmarking data to be used by TKW professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

You may choose to publish your financial statements electronically on the Commission's Internet website. You agree we are not required under professional standards or this Agreement to read or monitor the information contained on your website or to consider the consistency of other information in the electronic site with the original document. However, we reserve the right to review the information as presented on your Internet website, and to withdraw our report should we disagree with the form, context or manner of presentation of the financial statements upon which we reported. You agree upon written notification of our objections, to immediately remove our report and any reference thereto or to the Firm from your Internet website.

In the interest of facilitating our services to you, we may communicate by electronic mail over the Internet. Such communications may include information that is confidential to the Commission. Our Firm employs measures in the use of computer technology designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume that you consent to our use of electronic communication during this engagement as we deem appropriate.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from Commission personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase.

Our fee for the June 30, 2014, audit is not expected to exceed \$9,700. This fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or the incomplete or untimely receipt by us of the information on the client participation list. All other provisions of this letter will survive any fee adjustment. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the Firm and is subsequently employed by or associated with a client in a key position. Accordingly, the Commission agrees it will compensate the Firm for any additional costs incurred as a result of the Commission's employment of a partner or professional employee of the Firm.

In the event we are requested or authorized by the Commission or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Commission, the Commission will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Claim Resolution

The Commission and the Firm agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by the Firm or the date of this arrangement letter if no report has been issued. The Commission waives any claim for punitive damages. The Firm's liability for all claims, damages and costs of the Commission arising from this engagement is limited to the amount of fees paid by the Commission to the Firm for the services rendered under this arrangement letter.

If any term or provision of this Agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of the Commission's financial statements. Our report will be addressed to the Board of Commissioners of the Commission. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary

Board of Commissioners
Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District
Joint Water Commission
April 22, 2014
Page 6

Reporting (Continued)

for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph, or withdraw from the engagement.

This letter constitutes the complete and exclusive statement of agreement between Talbot, Korvola & Warwick, LLP and Barney Reservoir Joint Ownership Commission, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 

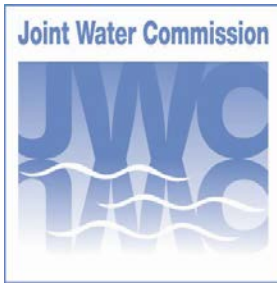
Timothy R. Gillette, Partner

Confirmed on behalf of the addressee:
**Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District Joint Water Commission**

By _____

Title

Date



STAFF REPORT

Date: July 11, 2014
To: Joint Water Commission
From: Niki Iverson, Water Resources Manager
Re: Agenda Item 1C – Contract Amendment #2 for Laboratory Analysis Services

Staff Recommendation

Staff recommends the JWC Board approve Contract Amendment #2 with Edge Analytical the amount of \$32,000, for a total “not to exceed” contract amount of \$112,000 and authorize the General Manager to sign.

Background

In September of 2011, JWC staff opened a Request for Proposals (RFP) for Laboratory Analysis Services. The four proposals submitted were review and ranked by staff and the Technical Advisory Committee (TAC). Lab proposals were ranked in areas of experience, services provided, cost, and scheduling. Edge Analytical was selected since it received the highest combined ranking score. Separate contracts were awarded to Edge for BRJOC and JWC for laboratory analysis services. These contracts were effective as of January 1, 2012 for a period of two years with the option to extend for an additional two years. Under Contract Amendment #1, the contracts were extended to June 30, 2015.

The original contracts included “not to exceed” amounts of \$80,000 for JWC and \$50,000 for BRJOC. The original “not to exceed” amounts were based on laboratory services estimates for the original contract period of two years. With the extension of the length of the contract by 1.5 years these not-to-exceed levels are no longer sufficient to cover the cost of laboratory analysis services for that period of time. Staff has evaluated the expected laboratory analysis costs through the end of the extended contract date of June 30, 2015 (Table 1). JWC will need an additional \$32,000 to complete the necessary laboratory services. This will cover laboratory services for regulatory compliance, source water monitoring and emergency water quality events as approved in FY 14/15 budget.

Table 1. Contract Amendments for JWC Laboratory Services

Original contract amount NTE	\$80,000
Contract Amendment #1 (Extension of Time)	N/A
Contract Amendment #2	\$32,000
Final Contract Amount	\$112,000

Agenda Item 1C – Contract Amendment for Laboratory Analysis Services

July 11, 2014

Page 2

The BRJOC laboratory services costs are not estimated to exceed the original contract amount; therefore a contract amendment is not needed for that contract.

Staff will begin the RFP process for laboratory services this year and have a new contract for JWC Board approval at the April meeting. Contract Amendment #2 has been reviewed by the Management and Operation Committees, both of which support the staff recommendation.



**JOINT WATER COMMISSION
Analytical Laboratory Services
Contract Amendment No. 2**

Date: June 26, 2014
To: Lawrence Henderson, Edge Analytical Laboratories
From: Niki Iverson, Water Resources Manager, City of Hillsboro
Re: Joint Water Commission Analytical Laboratory Services – Contract Amendment #2

**JWC Analytical Laboratory Services
Contract No. 908
Contractor: Edge Analytical Laboratories**

Original contract amount NTE	\$80,000
Contract Amendment #1 (Extension of Time)	N/A
Contract Amendment #2	\$32,000
Final Contract Amount	\$112,000

DESCRIPTION:

This change order amends Section 3 of the original contract. The final contract shall be amended to state that payments made may not exceed \$112,000. All other requirements of the existing contract remain intact and in full effect.

Requested by: _____ Date: _____
Jessica Dorsey, City of Hillsboro

Recommended by: _____ Date: _____
Niki Iverson, Water Resources Manager

Approved by: _____ Date: _____
Kevin Hanway, General Manager



STAFF REPORT

Date: June 27, 2014
To: Joint Water Commission
From: Tyler Wubbena, PE, Engineering Manager
Erika Murphy, PE, Project Manager
Re: Agenda Item 4A – WTP Backup Power Facility Generator Pre-selection

Staff Recommendation

Staff recommends JWC award the contract to Peterson Caterpillar for the WTP Backup Power Facility - Generator Procurement for a contract price of \$1,842,660.00, and authorize the General Manager to sign the contract.

Generator Pre-Selection Background

Carollo Engineers is currently in design for a backup power facility at the JWC water treatment plant (WTP). The purpose of the project is to provide an emergency backup power that will be sufficient to provide power for 50 percent of the rated capacity of the WTP as recommended in the 2009 Master Plan.

Staff previously identified a strategy to pre-select the generator manufacturer prior to completing the design of the generator building. This approach allows the facility design to be refined for the requirements of the specific generator and paralleling switch gear of the final installed equipment manufacturer. The selected equipment manufacturers' contract will be assigned to the general contractor's construction contract, which will be brought to the Joint Water Commission for award at the October meeting.

The invitation to submit sealed bids for this Project was published on May 16, 2014. Staff received three (3) bids which were opened on June 5, 2014,

Bid results are on the next page.

Water Department Staff opened bids with the following results:

JWC WTP Backup Power Generator Procurement

Bid Results - June 5, 2014

	Cummins Northwest	Pacific Power Products	Peterson Caterpillar
Number of Generators Proposed	2	2	2
Individual Generator Rating (kW/Generator)	2,500kW	2,250 kW	2,500kW
Total Generator Capacity Proposed (kW)	5,000kW	4,500kW	5,000kW
Lump Sum Bid Amount for Goods and Services	\$1,764,639.00	\$1,651,615.00	\$1,842,660.00
Credit adjustment for extra kW (\$290) for each kW over 4,500	(\$145,000.00)		(\$145,000.00)
TOTAL BID COST	\$1,619,639.00	\$1,651,615.00	\$1,697,660.00
Responsive/Responsible Bid?	NO	NO	YES

The credit adjustment shown in Table 1 was part of the bid evaluation process announced in the solicitation for sealed bids. The solicitation requested bids for a minimum generator capacity of 4,500 kW. Credits were applied to reflect the additional incentive from PGE for bids that provided a capacity higher than the minimum.

After review of the three bids, the two low bids were rejected as non-responsive:

- The Cummins Northwest bid was rejected for making a number of exceptions and amendments to the bid document, and stating that it reserved the right to negotiate the contract. Under Oregon Public Contracting Code and the Attorney General’s Model Purchasing Rules as applied to sealed competitive bids, JWC is prohibited from negotiating with any bidder and must reject as non-responsive any bid that is contingent upon JWC accepting terms different from those in the solicitation documents, or that takes exceptions to the terms of those documents.
- The bid by Pacific Power Products failed to meet the experience requirement for installations within the PGE DSG program.

It was determined that the bid by Peterson Caterpillar was the only responsive and responsible bidder for the project. The three bidders were notified on June 13 of the Notice of Intent to Award to Peterson Caterpillar.

The “protest of award” period ended at 10:00 am, June 23, 2014, with receipt of a formal protest from Cummins Northwest. The protest was reviewed by legal counsel. It was confirmed that the

Agenda Item 4A - WTP Backup Power Generator Award

July 11, 2014

Page 3

Cummins bid violated Oregon Public Contracting Rules and the bid protest was rejected. Copies of the bid protest and the JWC response are included with this staff report.

Cummins has the right to appeal the rejection decision to Circuit Court. The Operations Committee agrees with the staff recommendation to continue with the award of the procurement contract, completion of design, and solicitation of construction bids during the 60-day appeal period.

Other Project Information

JWC staff has recently received the draft contract from PGE for participation in the standby generation program. The contract includes the reimbursement funding that PGE would provide for the proposed installed generator capacity. A separate memo is provided explaining the PGE program.

Staff and Carollo Engineers will be presenting a project update at the commission meeting.



Northwest

June 18, 2014

City Manager
City of Hillsboro/Joint Water Commission
150 East Main Street
Hillsboro, OR 97123

Ref. JWC Backup Power Facility-Generator Procurement, project 80054200-7040-10414
FORMAL PROTEST OF AWARD in accordance with Article 14 of Procurement Documents
Bid, 6-5-2014, Bid results posted 6-13-2014

City Manager,

Cummins Northwest (CNW) is in receipt of the published bid results indicating CNW as the **lowest Total Bid Cost at \$1,619,639**, as opposed to the awarded vendor in an amount \$1,697,660, or \$78,021 higher. CNW was listed as 'No' on Responsible/Responsive Bid which we view as incorrect.

Erika Murphy, Project Manager, indicated that CNW was deemed non-responsive/responsible on the grounds that "The Cummins bid that we received had several conditions added to the standard contract language (pages 3, 5, and 6 of the attached PDF). The nature of the comments was to eliminate some of the risk and responsibility on the vendor and place it back on the owner, engineer and general contractor. Had these concerns been raised during the bid advertisement period, there would have been an opportunity to review the contract language and address concerns in a bid addendum. However the bid proposal was reviewed by the City attorney, whose recommendation was to deem the bid non-responsive."

Cummins Northwest is aware of the comments included on the bid forms. The bid instructions did not prohibit the inclusion of the comments nor indicate that their inclusion would be deemed non-responsive, only that 'erasures, interpolation and otherwise' would need to be signed, which was the case, signed by our Director of Finance, Gordon Zander on the single document signatory line on page 4 of the bid document.

To be clear, Cummins Northwest did not object or take any exception to the bid documents, plans or specifications nor establish any conditions to eliminate risk. Our intent was to clearly delineate what was, or was not included in our interpretation. This is the responsible thing to do. A dialog between two entities entering into a business agreement is the right thing to do.

1.01 Intent to Sign Agreement. Payment terms were not presented in the bid documents and that subject would need discussed as part of the award of any contract (whether that be Cummins or not). Our attached General Exclusion page clearly states delineation between products and services as defined in our Bill of Materials, the plans/specifications, and in our proposal versus scope that would be typically provided by trade contractors, 3rd party vendors and/or the design engineer.

2.01 Bidder's Acknowledgement. This comment refers to terms and conditions not defined in the contract documents such as payment terms and title transfer.

Cummins Northwest, LLC
4711 North Basin Avenue (97217-3557)
PO Box 2710
Portland, OR 97208-2710
Phone 503 289 0900
Fax 503 286 5938
cumminsnorthwest.com

Service Locations: Alaska - Anchorage; Montana - Missoula;
Oregon - Coburg, Medford, Pendleton, Portland, Portland Distribution Center;
Washington - Chehalis, Renton, Spokane, Yakima



Northwest

5.05 On Liquidated damages. Cummins Northwest (or any successful bidder) could not reasonably be held to Liquidated Damages caused or created by others such as the contractor, owner, engineer, other vendors, etc. without discussion. CNW (or the successful bidder) has limited control of Submittal Review timelines, Release to Production dates, Installation schedules, Site conditions, Training schedules, etc. Discussion of expectations would be required of any vendor.

6.01 Assignment of Procurement Contract. We simply request to be part of the discussion as reassignment would be contingent on the selected contractor's legal standing as it relates to OCCB, business licensing, insurance, etc, as would be the case with any other successful bidder. Additionally, payment terms would need to be established, discussed and agreed upon.

To deem Cummins Northwest non-responsive for clarifying/raising topics that would be discussed with any successful bidder, unnecessarily eliminates the lowest cost bid. It does not serve anyone's interests other than to elevate the overall project costs to JWC needlessly. The contract documents did not prohibit additional remarks nor indicate that inclusion of them would deem the bid non-responsive/responsible. The additions CNW made to the bid form serve to clarify necessary items and did not seek to "eliminate some of the risk and responsibility on the vendor and place it back on the owner, engineer and general contractor."

Our offering should provide JWC an added level of confidence knowing that we have reviewed, studied and carefully prepared a submission in good faith that will provide the best value and lowest overall cost to you, the owner. The intent of CNW in providing clarifications is to protect the Owner from potential issues resulting from arbitrarily submitting a bid without clear expectations and delineation for the owner, engineer and trade contractors.

We request that the bid of JWC Backup Power Facility-Generator Procurement, project 80054200-7040-10414 be awarded to Cummins Northwest. We feel strongly that an award to Cummins Northwest is the right and responsible move and in the best interest of Joint Water Commission and the rate payers.

We look forward to your written response and consideration.

Sincerely,

Jim Stalnaker
Power Generation Sales Manager
Cummins Northwest
4711 N Basin Ave
Portland, OR 97217
o. 503-972-6609
c. 503-806-0330

Cummins Northwest, LLC
4711 North Basin Avenue (97217-3557)
PO Box 2710
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Phone 503 289 0900
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Service Locations: Alaska - Anchorage; Montana - Missoula;
Oregon - Coburg, Medford, Pendleton, Portland, Portland Distribution Center;
Washington - Chehalis, Renton, Spokane, Yakima

Joint Water Commission



General Manager

Kevin Hanway
150 E. Main Street
Hillsboro, OR 97123
503-615-6585

Board of Commissioners

City of Hillsboro

John Godsey
John Rosenberger
David Judah

City of Forest Grove

Rod Fuiten
Carl Heisler
Victoria Lowe

City of Beaverton

Denny Doyle
Marc San Soucie
Mark Fagin

Tualatin Valley Water District

Dick Schmidt
Marilyn McWilliams
Mark Knudson

June 25, 2014

Jim Stalnaker
Power Generation Sales Manager
Cummins Northwest
4711 N Basin Ave
Portland, OR 97217

RE: Joint Water Commission ("JWC") Back-Up Power Facility
Cummins' Protest of Contract Award

Dear Mr. Stalnaker:

We are in receipt of your June 18, 2014 protest relative to the above project. After carefully reviewing Cummins' protest and reviewing the facts surrounding the solicitation, we uphold staff's decision finding Cummins' bid non-responsive and accordingly reject Cummins' protest. We discuss our basis for reaching this conclusion below.

The JWC derives its procurement authority from Oregon law. It solicits and awards contracts pursuant to the Oregon Public Contracting Code and the Oregon Attorney General's Model Public Contracting Rules (the "Model Rules"), as well as its local procurement regulations. Specifically, ORS Chapter 279B governs the JWC's solicitation and purchase of the back-up generator and control system.¹ The Model Rules at Oregon Administrative Rules Chapter 137, division 47 also apply to this solicitation.²

As clearly stated in the solicitation documents, the JWC invited competitive sealed bids for the generator. It did not request competitive sealed proposals from potential suppliers. As such, the JWC was required to include, among other things, "all contractual terms and conditions applicable to the procurement."³ With respect to competitive sealed bidding, OAR 137-047-0600(3)(a) expressly states that the JWC "shall not negotiate with any Bidder."

In your protest, you state that Cummins did not take exceptions to various solicitation and contract terms, but rather offered clarifications of what it understood the Contract to require.⁴ However, Cummins expressly stated in its bid that it took "exceptions to the specifications and reserves the right to negotiate the contract." Regardless of how it is framed after the fact, Cummins' bid is reasonably understood to be contingent on a number of changes to the contract's terms and conditions.

Cummins could have sought clarifications or changes to the solicitation, including contract terms, no less than 10 days prior to bid closing.⁵ However, it did not do so.

¹ This chapter of the Oregon Public Contracting Code governs the purchase of goods and certain services, including the purchase of a generator.

² This chapter of the Model Rules supplements ORS Chapter 279B.

³ ORS 279B.055(2)(h).

⁴ You state the solicitation did not address terms of payment; however, the general conditions at Article 6 address payment to the contractor in detail.

⁵ Please see Instructions to Bidders at Article 4 and OAR 137-047-0730.

While your letter states that Cummins wanted to negotiate various terms and conditions if it were awarded the contract, as stated above the sealed bid process prohibits negotiations between bidders and the JWC. The proper approach would have been for Cummins to point out those areas of concern it had with the specifications and contract at least 10 days prior to closing. The JWC would have considered them and could have amended the solicitation accordingly so all bidders would be subject to any such amendments. If Cummins' concerns were not resolved by the JWC's response, it could have refrained from bidding or it could have sought judicial review of the solicitation in accordance with ORS 279B.405.

Ultimately, Oregon law is very clear that the JWC must reject Cummins' bid as non-responsive. The JWC "shall reject" a bid if it is "contingent upon the [JWC's] acceptance of terms and conditions (including Specifications) that differ from the Solicitation Document" or "takes exception to terms and conditions (including Specifications) set forth in the Solicitation Document."⁶

Cummins may be able to seek judicial review of the JWC's rejection of its protest. You would have to file any action in Washington County Circuit Court and otherwise comply with ORS 279B.415. We encourage you to speak with your legal counsel if you have any further questions regarding judicial review.

On behalf of the City of Hillsboro and the JWC, we want to thank you for your interest in this project and hope that we may be able to work together in the future.



Kevin Hanway, JWC General Manager



Date



Rob Dixon, Hillsboro Acting City Manager



Date

⁶ OAR 137-047-0640(1)(b)(A) and (B).



STAFF REPORT

Date: June 30, 2014
To: Joint Water Commission
From: Tyler Wubbena, PE
Re: Agenda Item 4A – Additional Information - Portland General Electric Dispatchable Standby Generation Program

No Commission action is requested at this time. This memo is provided for information purposes only. The PGE Dispatchable Standby Generation program contract will be presented for approval at the October meeting.

Background

The greatest vulnerabilities for the JWC water treatment plant (WTP) are earthquakes and loss of electrical power. To address the potential loss of electrical power supply, JWC is currently under design for a backup power facility at the WTP. The backup power facility is being designed to meet 50 percent of the design capacity of the WTP. Carollo Engineers, which is under contract with the JWC to complete the design for the facility, has calculated that the plant will need 5.0 MW (5,000 kilowatts) of generation capacity to meet the design requirements of the project.

Installation of this much backup power generation capacity creates an opportunity to partner with Portland General Electric (PGE) in a unique partnership called Dispatchable Standby Generation (DSG). The program will benefit JWC through a large cash contribution from PGE, and through a PGE monitoring and maintenance program that greatly improves the reliability of the generator system. In exchange, PGE benefits by having access to use of power generated by the facility for defined durations during periods when the JWC does not need to rely on the generators.

Typical Owner Generator Program

The mission-critical purpose of a generator is reliability. As owner, JWC needs to have confidence (1) that the generator will be ready to begin operation instantly if the WTP loses power from the grid, and (2) that the generator will sustain operations for as long as needed until power supply from the grid can be restored. To protect that reliability without participating in the DSG program, JWC would have sole responsibility for servicing, maintaining, and testing the generator system, and for the costs associated with those activities.

Under a typical ownership arrangement:

- JWC would be responsible for the full cost of purchasing and installing the generator and all of the related equipment.
- JWC would pay for all generator maintenance and fuel costs.
- During periods that the generator was supplying WTP operations, JWC would not be purchasing any power supply from PGE, but would be responsible for all of the costs associated with the generator power supply operations.

Testing “Under Load” Ordinarily, a generator is sitting idle nearly the entire life of the asset, incurring maintenance costs to ensure that it is available during a local or regional power outage. The only way to be certain that the generator is actually ready to perform is to test it through periodic operation. Any problems identified during performance testing would then be addressed through the maintenance program.

Simply turning on the generator does not provide an adequate test of the equipment’s readiness to perform. Instead, the generator must be tested “under load” by placing a power demand on the generator for a sustained period during the test operation. For a small generator that load can be simulated by hooking the generator up to portable equipment (such as high intensity portable heaters otherwise known as a “load bank”) that places a high demand on the generator. For a generator system of the size that JWC will be installing, it would not be feasible to collect enough portable equipment sufficient to simulate the load that the WTP would place on the generator. The only reliable way to test the JWC generator would be for the WTP to switch over to the generator for its power supply during a sustained test.

Fuel Supply Management JWC would also have to maintain the diesel fuel supply for the generator. Load testing to supply the entire WTP will consume a large volume of diesel fuel that will have to be replenished. There also is the need to monitor and protect against deterioration in the quality of the diesel fuel supply. If not used or properly maintained, diesel fuel in the storage tank can separate, collect moisture, grow algae, or develop other long term diesel storage issues that can either reduce or interrupt the ability of the generator to operate when needed during an emergency.

PGE’s DSG Program

JWC’s cost picture would be very different under the DSG program. During the 10-year contract:

- JWC would retain ownership of the generators and the backup power facility.
- PGE would make a substantial cash contribution to the purchase and installation cost of the generators. Under DSG program formulas, at the time the equipment is put into service PGE would pay to JWC:
 - \$222,000 for purchase and installation of upgraded switchgear, communications equipment, and other improvements necessary to complete connection of the generator to the electrical grid
 - \$1,117,850 as a direct subsidy (designated as “Aid in Construction” funds)
 - For purposes of comparison, JWC WTP electrical power costs for the entire FY 2012-13 was \$1,311,000.

- PGE would be responsible for all routine maintenance and operational costs for the generators. JWC would be responsible for the cost of major repairs, if necessary, and for maintenance of some breakers.
- JWC would pay for the filling the diesel fuel tank the first time, but PGE would then pay for all fuel expenses, including fuel used during any utility outage up to a maximum of 15 hours annually.
- PGE would remotely monitor the generator system on a 24-hour basis and alert JWC to any alarms. PGE would dispatch a service technician as needed.
- PGE would perform load tests on a monthly basis. Instead of switching the WTP over to rely on the generator during the test, the generator would be load tested by connecting the generator to the PGE grid.
- During any time that PGE is operating the generators, JWC continues to pay PGE for electrical power at the WTP's standard rate, without any premium applied to the rate. The standard JWC rate is approximately \$.09 per kW; PGE estimates the cost of operating the generator at approximately \$.40 per kW.

JWC Benefits and Protections

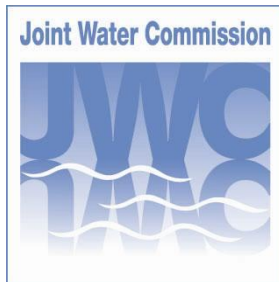
The JWC will see a number of benefits for participation in the program. These benefits include:

- The reimbursement funds and “aid in construction” grant (total PGE payment \$1,339,850) offset JWC's project expenses and reduce JWC's initial capital cost for the project by 22%.
- JWC retains ownership of the generators and is guaranteed access to power from the generators at all times. In the event of any utility system outage, the WTP has first call for instantaneous delivery of power generated by the backup power facility, even during any period that PGE is testing or otherwise drawing on the generators. Only if the generator produced more power than was required by the WTP could excess power then be supplied to the grid.
- Improved reliability through monthly load testing by PGE. This provides confidence to JWC staff that not only do the generators run when they need to, but that they also produce the power that they are supposed to.
- Extended life of the generator equipment through monthly high-load testing. Diesel engines will perform better and last longer the more often they are run at high loads.
- 24/7 monitoring by PGE at their headquarters. All generators in the program are monitored full time at PGE's command center. All electronically monitored system information is relayed, which allows PGE staff to trouble shoot issues or dispatch a service technician as problems arise.
- Upgraded paralleling switchgear which allows for seamless transfer of power from the generator back and forth between the generator and the electrical grid during a power outage.
- PGE assumes all maintenance and operational costs of the generator over the life of the contract. Maintenance contracts for two 2.5 MW generators is estimated to be approximately \$15,000 annually.
- PGE will pay for all fuel expenses after the generator is installed. This include all fuel used by the JWC WTP for the generators during a utility outage up to 15 hours annually.

PGE Benefits

PGE also receives benefits by businesses and utilities participating in the program.

- PGE has the right to operate the generators for a maximum annual total of 100 hours. This total includes:
 - Approximately 15 hours per year for load testing.
 - Peak management operations to reduce demands on the grid by switching the WTP off the grid to a supply from the generator, or by operating the generator to supply power to the grid.
 - During the 10-year contract, the generators would be tested a total of approximately 150 hours, and PGE could operate them for other purposes for a maximum of 850 hours. (The number of hours available for PGE operations would be reduced if the generator was operated to serve the WTP during a utility outage.) The estimated useful life of the generators is 8,000 hours of operations between major overhaul servicing.
- Allows PGE to meet its FERC requirements for having peak power capacity for its service territory. PGE might otherwise have needed to build a peaking power plant that would ordinarily sit idle. The 'virtual' power plant created through the DSG program is currently at 93 MW of capacity in the region. There are a total of 72 generators from 34 different public and private customers within the program.
- Reduces the need to expand long distance electrical transmission capacity since the 'peaking' power is generated internally within the distribution system.



STAFF REPORT

Date: July 11, 2014
To: Joint Water Commission
From: Kristel Fesler, Water Resources Program Coordinator
Re: Agenda Item 5B – Update on the Tualatin Basin Source Water Protection Plan

In order to continue providing high quality drinking water, the JWC began developing a source water protection program in 2013. A technical advisory committee (TAC) was formed, with participation from each partner agency and Clean Water Services, to provide guidance over an update of the Source Water Assessment (SWA) and assist in the development of a Source Water Protection (SWP) Plan. The SWA update was initiated to gather the most current information on potential risks to the JWC source water by reviewing historical information, developing a spatial analysis tool, and assessing the overall susceptibility of the watershed to potential impacts. Those results were used to provide recommendations for program prioritizations and guide the development of the SWP Plan.

This development phase will transition into program implementation. A 5-year implementation plan with an annual budget of \$55,000 has been drafted. Each year the TAC will reconvene to discuss progress and reaffirm the direction for the upcoming year. This is to ensure high priorities are tackled first and programs will stay within budget.

Programs will be focused on leveraging partnerships to gain water quality benefits. Several of these projects have already been undertaken by JWC staff and are now being consolidated into the overall SWP program. Implementing a new program for the first time is expected to take a larger amount of effort in the first years than in following years and the work is phased accordingly. The proposed projects are outlined below. The full draft Source Water Protection Plan is attached.

Agenda Item 5B – Update on the Tualatin Basin Source Water Protection Plan

July 11, 2014

Page 2

- Turbidity & Water Quality projects
 - Create a small grant program to support projects that improve water quality. Applications will be solicited from select non-profits. Grantees will be required to submit project completion reports.
- Research & Education
 - Continue to support U.S. Fish & Wildlife Service (USFWS) restoration planning and complementary U.S. Geological Survey (USGS) research on the Wapato Lake National Wildlife Refuge.
- Public Outreach
 - Tualatin Watershed Tours to be held on September 27, 2014. Increase signage at Hagg Lake educating users that it is a drinking water source.
- Septic Tank
 - Gather more detailed information on septic tank locations and ages in the source water assessment area. Discuss developing a maintenance assistance program with Washington County.
- Other Non-point Sources
 - Influence development of camping facilities at Hagg Lake Park. Research clean boater/camper programs.
- Monitoring
 - The source water assessment identified chemicals that may be present in the watershed based on current land use practices. Monitoring will begin for the most toxic and persistent chemicals. The current plan recommends sampling twice a year for two years at nine sites. Restarting monitoring at Hagg Lake with partial funding provided by CWS.
- Agricultural Runoff
 - Continue to support Pesticide Collection events. Support educational workshops on best management practices for streamside residents with Tualatin Soil and Water Conservation District.
- Forestry Activities
 - Oregon Dept. of Forestry is transitioning to digital project announcements, which will be integrated with the JWC spatial database when they become available.
- Point Source Discharges
 - Identify which permit holders are non-compliant. Request compliance inspections and technical assistance for those facilities. Educate permit holders and regulatory agencies on potential degradation to the water supply.

Staff will give a summary presentation of the Source Water Protection Plan and program recommendations at the Commission meeting.



STAFF REPORT

Date: July 11, 2014
To: Joint Water Commission
From: Kevin Hanway, General Manager
Re: Agenda Item 5C - Opinion on Managing Agency change order authority

No Commission action is requested at this time. This memo is provided for information purposes only.

At the last Commission meeting, the General Manager advised the Commission that he would be returning in July with a request to approve a small change order (approximately \$5,000) that had just been received. Change orders had been approved previously that raised the contract amount by 13.4%.

As interpreted by the General Manager, the JWC Water Service Agreement (IGA) required Commission approval for any change order beyond 110% of the original contract amount. At the meeting some commissioners expressed their preference that the JWC General Manager be authorized to approve small change orders of this nature.

Staff has consulted Clark Balfour, JWC's counsel, for a legal opinion on the General Manager's authority to approve contract amendments. The key points of the opinion are:

- Under the JWC IGA, the General Manager's authority on this question is restricted to approving change orders not exceeding 10% of the original contract amount.
- The IGA also allows the Commission to expand that authority through adoption of its own Local Contract Review Board (LCRB) rules.
- The Commission has adopted LCRB rules that define the contract price as the original amount plus any subsequently approved change orders or amendments.
- Therefore, once any change order has been properly approved, a new contract price is thereby established, and the General Manager may approve a change order for up to 10% of that new contract price. Commission or Executive Committee approval is required for any single change order that exceeds 10% of the contract price in place at the time.

Agenda Item 5C – General Manager Change Order Authority

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Working under that opinion, the General Manager has approved the small change order that raised this question, without the need for Commission action.

The City of Hillsboro (Managing Agency) is currently working on an update of its own purchasing rules. That update is expected to be completed, by the end of this year. Once they are completed, the General Manager will work with legal counsel to update JWC's Local Contract Review Board rules to coordinate them with the new Hillsboro rules, and to clarify the General Manager's change order authority. Those revisions will be brought to the Commission for consideration and adoption. In the interim, the General Manager will apply discretion in exercising the change order authority, with the goal of protecting the interests of the Commission and of the partners in responsible management of JWC's contracts and budget.



STAFF REPORT

Date: July 11, 2014
To: Joint Water Commission
From: Kevin Hanway, General Manager
Re: Agenda Item 5E – General Manager’s Report - Request Authorization for Executive Committee

Staff Recommendation: Authorize the Executive Committee to meet and to make decisions as necessary regarding the awarding of contracts for service, goods and materials for the South Transmission Line and vault modifications project.

Design work has begun for modifications to the South Transmission Line (STL) and associated facilities, necessitated by the planned extension of Cornelius Pass Road across Tualatin Valley Highway. The request to award the construction contract will be ready for presentation to the Commission at its October 10 meeting. Staff anticipates that JWC will need to contract for procurement of pipeline and other materials and equipment prior to the next Commission meeting. Construction of all JWC improvements must be completed by early February to keep the road construction project on schedule. In addition, since the project will disrupt water deliveries to Beaverton for several weeks, it is critical that the STL work be performed during December and January when water demands are at their low. The lead time for some materials is such that construction could not begin on the required schedule if procurement is deferred until after the construction contract award.

Joint Water Commission



General Manager

Kevin Hanway
150 E. Main Street
Hillsboro, OR 97123
503-615-6585

Board of Commissioners

City of Hillsboro

John Godsey
John Rosenberger
David Judah

City of Forest Grove

Rod Fuiten
Carl Heisler
Victoria Lowe

City of Beaverton

Denny Doyle
Marc San Soucie
Mark Fagin

*Tualatin Valley Water
District*

Dick Schmidt
Marilyn McWilliams
Mark Knudson

Oregon Department of Transportation
Attn: Oregon Speed Zone Review Panel
Traffic-Roadway Section - MS5
4040 Fairview Industrial Drive SE
Salem, OR 97302

RE: OR47 FOREST GROVE - SPEED ZONE APPEAL ID #7153

Dear Speed Zone Review Panel:

Safety is a major concern at the intersection of Highway 47 with Maple Street and Fern Hill Road. The Joint Water Commission (JWC) fully supports reducing the posted speed of the section of OR47 at Fern Hill Road and Maple Street. JWC owns and operates the JWC Water Treatment Plant on Fern Hill Road, which serves 400,000 people in Washington County. JWC employees frequently use the OR47 intersection at Fern Hill/Maple St., as do tanker trucks delivering hazardous chemicals to the treatment facility. Current conditions at that intersection create unnecessary risks for our employees and for vendors and others who need to travel to and from the treatment facility. Improving the balance of local access with highway mobility would be a great benefit and could help save lives.

Construction of the bypass created significant unintended consequences, and the posted speed limit on the south section of Highway 47 severely limits safe crossings (north-south) for vehicles, bicycles and pedestrians. Records show there have been 154 total crashes and 3 fatalities in this south section of Highway 47 between 2003 and 2012.

The existing posted speed through a majority of the south section of Highway 47 (between B Street and Highway 8) is 55 mph. Enhancements and tourist draws have added to the cross-traffic at this intersection. In addition to providing access to the JWC treatment facility, this south section of Highway 47 is surrounded by residential development, a bicycle/pedestrian pathway, an elementary school, school bus garage and recreational areas (the Valley & Vineyards Scenic Tour Route, the Fern Hill Wetlands, and the Tualatin Valley Scenic Bikeway) which all require a safer intersection for access and circulation. Additionally, though trains are few, a railroad crossing on Fern Hill Road before the intersection requires that school buses stop in both directions for visual inspection. Fern Hill Road also carries significant commuter traffic as it is a key entrance into Forest Grove from cities south and southeast of town.

Please consider this letter from JWC in support of reducing the posted speed on Highway 47 inside the City limits of Forest Grove. Thank you for your help and continued partnership in making our highways safer.

Sincerely,


Kevin Hanway
General Manager
Joint Water Commission



June 23, 2014

Kevin Hanway
JWC
150 E Main Street
Hillsboro, OR 97123

Dear Kevin Hanway:

I regret to inform you that the Oregon State Traffic Review Panel, in its meeting on June 19, refused to grant Forest Grove's speed reduction request along State Highway 47 from its intersection with Pacific Avenue (State Highway 8) south to the highway's intersection with 'B' Street. The vote was a unanimous 4-0.

As you may recall, the City, representing some 15 partners, requested a review of an earlier decision by ODOT Traffic Specialists not to lower the speed through the area from a posted 55 miles per hour. Our appeal centered on the changing nature of the area around the highway, and, specifically, the 80 per cent increased usage of the Fern Hill/Highway 47 intersection.

The panel's decision was based on a crash statistic that indicated that not enough crashes had occurred at the intersection to warrant a reduction. Our argument was, and still is, that the character of the surrounding neighborhood had changed, and the use of the highway was increasing to the point of saturation. We noted the addition of an alternate high school learning center, the creation of a school bus barn, the increased tourist interest in Fern Hill Wetlands, and the addition of a state sponsored scenic bike trail using the Fern Hill intersection. These have all been changes on the southeast side of 47 since the route was built some 15 years ago.

The indication is that ODOT feels this is a final decision.

I am writing this letter to you and others who supported our position to confer and develop some plan to keep this issue in front of ODOT and the public. It is my feeling that somewhere in all of this is a solution that will benefit the citizens who use this road, be it for commuting, moving freight, exploring the natural resources of the region, or for scenic enjoyment and exercise.

Thank you for all you did, and your support.

Sincerely,

A handwritten signature in blue ink, appearing to read "Pete Truax". The signature is written in a cursive style with a large initial "P".

Pete Truax, Mayor