



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD
Electric Division

Rely on us.

TO: Commissioners Brown, Cunningham, Cassidy, Ernst and Farmer
FROM: Catrin van Donkelaar, P.E., Generation Manager
DATE: March 9, 2010
RE: Operation and Maintenance Agreement for Stone Creek Hydroelectric Project

ISSUE STATEMENT: The Board is being asked to approve a new ten-year contract with Portland General Electric (PGE) for operation and maintenance of our Stone Creek Hydroelectric Project, located near Estacada, Oregon.

BACKGROUND: EWEB owns the Stone Creek Hydroelectric Project, (FERC license #5264) near Estacada, Oregon (see Figure 1). The 12 MW facility generates on average 59,000 MWh each year, similar to our Walterville Project. Because of this project's remote location, over 2.5-hour drive from Eugene, EWEB contracts out Stone Creek's operation and maintenance (O&M). Our run-of-the-river Stone Creek Project includes a diversion structure at the confluence of Stone Creek and Oak Grove Fork-Clackamas Rivers, a fish ladder and powerplant (Figure 2 through 4). As shown in Figure 1, the Project is in the middle of six Portland General Electric (PGE) hydro facilities which are operated by their West Side Hydro Center.

PGE has a long history with the project that extends back to the early 1990's when it went into commercial operation. Since the project is so close to other PGE operations, it is efficient and cost effective for PGE to operate and maintain it. The PGE employees are extremely familiar with the project, and have an excellent performance record as the project operators. They are able to respond to plant needs quickly, both night and day. It has been EWEB's experience that PGE provides excellent and dependable service. PGE has the knowledge, experience and expertise needed to ensure that EWEB's investment is responsibly maintained.

The Stone Creek Project represents a substantial investment and staff must be confident in the qualifications, attention to detail, and expertise of the plant service provider to provide responsible oversight. It is staff's opinion that it continues to make good business sense that PGE be our preferred contractor to operate this project.

DISCUSSION: Choosing a new or different operations contractor with no knowledge of this plant's operation and maintenance or Federal license requirements would likely lead to reduced unit availability, a significant increase in EWEB staff time and Federal license article violations.

Given that the existing contractor is extremely familiar with the project, the remoteness of the site, the proximity of the project to an existing hydro-control center; it is in the public's interest to continue to retain PGE as the contractor for the operations and maintenance of the Stone Creek Project. An exemption from bidding and approval of a new ten-year contract is recommended. The contract amount is estimated to be \$2.25 million over 10-

years, assuming 5% escalation of costs to cover the contract with PGE and any oversight we may need from PGE for capital improvements or overhauls.

RECOMMENDATIONS/REQUESTED ACTION: Staff recommends the Board approve renewal of the ten-year contract with PGE for the operations and maintenance of the Stone Creek Hydroelectric Project. Funds for this work are budgeted annually and were budgeted in 2009.

SUGGESTED MOTIONS: Motion to approve renewal of ten-year operations and maintenance contract with PGE for the Stone Creek Project.

Attachments

Consent form.

Figure 1: Map of PGE Hydro-Projects & EWEB's Stone Creek Project

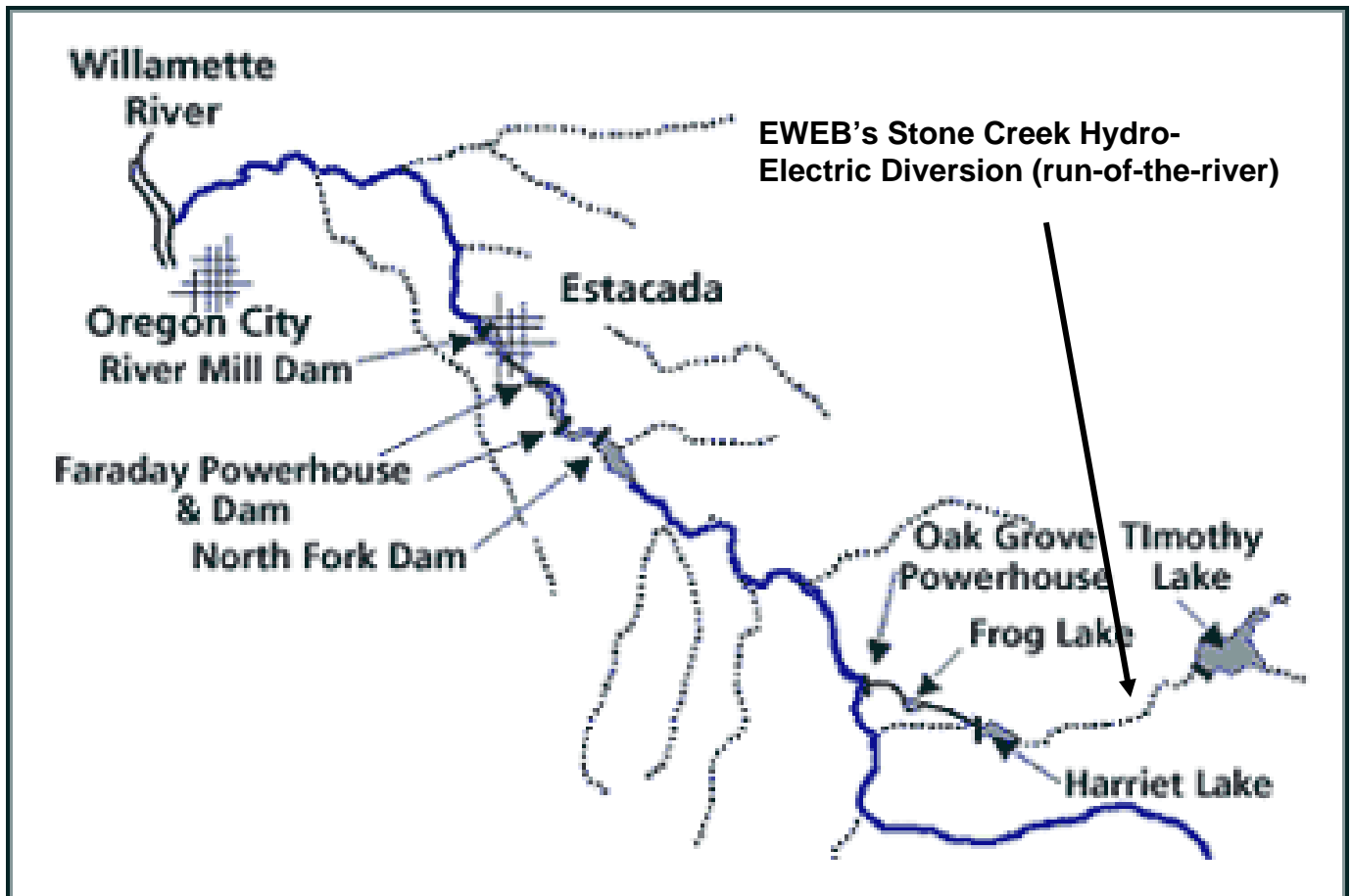


Figure 2: Picture of the Powerhouse



Figure 3: Picture of the fish ladder around the diversion structure



Figure 4: Picture of the diversion structure



SIGNATURES:

Project Coordinator: _____

Supervisor: _____

Purchasing Manager: _____

Division Director: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____