



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Barofsky, Schlossberg, Brown, Carlson, and Morris

FROM: John Marshall, Facilities Maintenance Supervisor, Scott Milovich, Support Services  
Operations Manager, Karen Kelley, Chief Operations Officer

DATE: September 25, 2025

SUBJECT: Bertelsen Development Project Update

OBJECTIVE: Information

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## Issue

Informational update on progress of the development of the Bertelsen property.

## Background

### Property Acquisition

In May 2021, EWEB negotiated the purchase of the 15.8-acre property adjacent to the Roosevelt Operations Center for \$1.6M. Purchase and development of the Bertelsen Property was intended to address three primary areas.

1. Provide additional secure laydown yard space to aid procurement and material lead-time challenges.
2. Develop a secondary roadway for the Roosevelt property to improve resiliency for access and deployment of EWEB resources.
3. Exploring a lease arrangement with NW Natural and other parties interested in the development of a project to produce “green” hydrogen on 1/4-acre parcel. (Northwest Natural has since backed away from this proposal.)

Type II Capital costs: Property Acquisition

- Property purchase \$1.6M
- Branch Engineering contract \$45k

### Wetland Mitigation and Site Design 2022-2023

The development approach for the Bertelsen property was to build for immediate needs, while maintaining flexibility for future growth. This led to a phased project approach with target budgets allocated per phase. Five phases of construction were planned. Completion of each phase would allow for an opportunity to review the project objectives and re-evaluate current/future needs of the organization.

Due to jurisdictional wetlands on the site a Joint Permit Application (JPA) was required by the ACOE and DSL. This JPA included the Site Master Plan, detailing EWEB’s proposed use and development of the site. Additional components of this phase were an alternatives analysis, reserving (purchasing) wetland mitigation credits from an approved local mitigation bank, and a cultural resources investigation. The Bertelsen Project JPA was filed in September 2022, and the associated permit was approved in October 2023. The permit is good for construction activities on the Bertelsen property for five years, with options to renew for up to an additional five years.

The Bertelsen Project Design Team, consisting of EWEB staff, PIVOT Architecture, and Terra Science, Inc., developed the Site Master Plan with five phases of development and a total estimated cost of \$45M for full buildout. 100% design and construction documents for Phase 1, and 30% design and construction documents for Phases 2 and 3 were also completed at this stage.

**Type II Capital costs: Wetland Mitigation and Site Design**

|                             |            |                               |        |
|-----------------------------|------------|-------------------------------|--------|
| Project Initiation:         | Nov 2021   | Initial Scope Budget:         | \$1M   |
| Initial Planned Completion: | March 2024 | Actual Project Costs to Date: | \$990K |
| Projected Completion:       | Complete   | Total Final Cost Projection:  | \$990K |

**Discussion**

The Bertelsen construction project has seen significant progress in 2025. Phase 1 construction is essentially complete and construction is well underway on Phase 2. Riverbend Materials has been the General Contractor for both phases and has been an effective partner with EWEB staff and our consulting team.

**Phase 1 Construction**

Phase 1 construction began in June of 2024. Contract-related design and construction activities are complete, and we are in the final steps of project closeout. The remaining few tasks are internal to EWEB and related to the final commissioning of the Utility Building, access control and vehicle gate controls. Once the contractor provides Phase 1 as-built drawing set(s) and the O&M manual a post-construction report will be submitted to Oregon DSL as required by our wetland removal-fill permit. As a noteworthy milestone, we have just recently began utilizing space within the Phase 1 footprint for project storage of a dozen wood utility poles.

**Type II Capital cost: Phase 1 Construction**

|                             |            |                               |        |
|-----------------------------|------------|-------------------------------|--------|
| Project Initiation:         | March 2024 | Initial Scope Budget:         | \$3.5M |
| Initial Planned Completion: | Dec. 2024  | Actual Project Costs to Date: | \$2.9M |
| Projected Completion:       | Complete   | Total Final Cost Projection:  | \$3.0M |

**Phase 2 Design and Construction**

Design work under contract with Mazetti Engineering began in September 2024, and the project was put out bid in early March 2025. The successful bid was below the project estimate, and we were able to award the alternate work in the design which will result in additional storage space originally planned for Phase 3 to be completed in this phase. The EWEB Board approved the construction contract in May and the notice to proceed was issued to Riverbend Materials on 5/9. Site conditions

were approved as acceptable for construction activities on 6/18 by the design team and the general contractor mobilized the week of June 23. Work began on site the following week.

Phase 2 scope includes the completion of the secondary access from the existing ROC facility to Bertelsen Rd., additional laydown yard space (increases to the north and east), concrete storage pad for heavy critical and/or long lead time equipment, and a training area for heavy equipment operators, locators, and saw cutting. This scope will also expand on several of the Phase 1 elements, including secure, gated access designed for EWEB Operations traffic and coordinated deliveries, yard lighting and cameras for additional security and safety, and power pedestals provided at the Utility Building/concrete storage pad for critical equipment needing to be energized for storage purposes.

Phase 2 construction is progressing as scheduled, with anticipated completion in Q4 2025. Project costs are aligned with budget, with a single Change Order related to on-site soil conditions being processed for \$43k. Stormwater, water/irrigation, electrical rough-in, concrete curb work have all been completed. Asphalt paving has begun and is expected to wrap up during the week of September 22<sup>nd</sup>. Activity through October will primarily focus on final electrical, landscaping, and fence/gate installations. EWEB staff will finish out the project with installation of a single remote security enclosure, several additional security cameras, and the east vehicle gate controls. The project is on track for substantial completion in late October.

During the CIP process this year a decision was made to pause the next phases of development and review the need and timing for the full buildout. The full development was planned to be completed in five phases with the bulk of open storage and access to Bertelsen Rd. completed in the first three phases. Favorable bids in the first two phases have allowed us to complete a portion of the work planned in Phase 3 ahead of schedule. Two major goals of the project, significant secure material storage and secondary access to our facilities from Bertelsen Rd., will be in place with the completion of Phase 2. Currently Phase 3 is budgeted in the CIP for construction in 2027. Phase 3 is additional laydown/storage area. Phases 4 and 5, planned for 2028 and 2029, construct covered and heated storage and a Project Hub building. Pausing development in 2026 will allow EWEB to reevaluate the original drivers for the project and make adjustments to the scope to meet current and future needs. Staff will bring a recommendation to the Board regarding future phases following the CIP process in 2026. For planning and permitting reasons, the initial estimate for complete buildout of the site including engineering work was \$45M. We estimate that the first two phases of the project will be completed for approximately \$8M.

#### Typical Capital cost: Phase 2 Design and Construction

##### Phase 2 Construction

|                             |            |                               |        |
|-----------------------------|------------|-------------------------------|--------|
| Project Initiation:         | Sept. 2024 | Initial Scope Budget:         | \$5M   |
| Initial Planned Completion: | Dec. 2025  | Actual Project Costs to Date: | \$1M   |
| Projected Completion:       | Dec. 2025  | Total Final Cost Projection:  | \$3.5M |

#### Requested Board Action

No Action Requested



**MEMORANDUM**  
EUGENE WATER & ELECTRIC BOARD  
*Rely on us.*

TO: Commissioners Barofsky, Schlossberg, Brown, Carlson, Morris  
FROM: Anne Kah, Chief Administrator  
DATE: September 30, 2025 (October 7, 2025, Board Meeting)  
SUBJECT: Update: McKenzie Valley Service Territory Realignment Study  
OBJECTIVE: Information

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**Issue**

EWEB and Lane Electric Cooperative are conducting a joint study on the long-term future of electric service in the McKenzie River Valley. Preliminary findings indicate the realignment represents a mutually beneficial opportunity for both utilities and our respective members and customers.

Pursuant to Board Policy SD8 - Power Risk Management Policies, and EWEB's Power Risk Management Procedures, EWEB's Risk Management Committee (RMC) is responsible for reviewing and approving asset sales and service territory changes prior to seeking Board authorization.

**Background**

The study, launched in July 2025, explores a potential transfer of EWEB's service territory, including electric distribution assets and operating rights, in the McKenzie Valley to Lane Electric Cooperative. Both EWEB and Lane Electric see potential operational and strategic benefits of a realignment:

- Both utilities provide safe and reliable services at comparable rates.
- For Eugene residents: Greater focus on urban infrastructure and resiliency, where 97% of EWEB customers live.
- For McKenzie Valley residents: Potential benefits of receiving service from a utility focused on rural areas, and the ability to vote for and elect representatives to the cooperative's board of directors, offering a more direct form of local representation.

Both utilities are working closely to ensure the evaluation is thorough, transparent, and aligned with our respective missions, values, and strategic priorities.

The study does **not** involve EWEB's generation assets or agreements with customers pertaining to drinking water source protection.

To guide the process, EWEB established a Steering Committee to coordinate discussions, support decision-making, and address key issues. The Steering Committee is comprised of:

- Voting members: Frank Lawson, Deborah Hart, Julie McGaughey, Karen Kelley, Diedre Williams, Anne Kah
- Project Chair: Vivian du Pont
- Participants: Jennifer Connors, Tyler Nice, Sarah Gorseigner, TiaMarie Harwood.

Final authorization to proceed with a territory realignment lies with the respective utility's boards and other regulatory and governmental agencies including but not limited to, the Oregon Public Utilities Commission's (OPUC), Bonneville Power Administration (BPA), and Pacific Northwest Generating Cooperative (PNGC).

The process is currently in the data-gathering and information-sharing stage. This involves fulfilling public records requests, for tracking purposes, from Lane Electric and collecting customer and community input.

EWEB and Lane Electric held a joint meeting/listening session on September 18 at the McKenzie Fire & Rescue Center. About 24 EWEB and Lane Electric customers joined General Managers Frank Lawson and Scott Coe for a discussion and Q&A on the territory realignment study. The session covered Lane Electric's service model, utility infrastructure, decision process, and considerations for customers and the broader community. EWEB Commissioner Mindy Schlossberg and Lane Electric Directors Dean Livelybrooks and Kathy Keable attended. Participants expressed mostly positive feedback, with questions focused on service delivery, outage restoration, rates, customer programs, smart meters, wildfire resiliency, and Leaburg Dam decommissioning. A full Q&A will be shared with both boards, and a meeting summary and recording will be made available to the public, with additional opportunities for community input promoted through utility websites.

Should the realignment prove to align with the mutual goals identified earlier, EWEB and Lane Electric anticipate reaching a preliminary agreement by November or December 2025, with a target transfer date of May 1, 2026.

Additional information about the study is available on EWEB's web page LINK: <https://www.eweb.org/projects/mckenzie-territory-realignment>.

## **Discussion**

EWEB management expects to acquire sufficient information to seek a recommendation from the Steering Committee on or before October 15. Should the Steering Committee provide an affirmative recommendation, EWEB will seek approval from the RMC on October 21, and prepare appropriate materials to seek approval from the Board authorizing the General Manager, or designee, to negotiate and execute the agreements with Lane Electric.

In the meantime, the general managers of both utilities are in regular communication. An offer letter for the potential transfer of service territory was provided to Lane Electric General Manager Scott Coe on September 16. Accompanying the offer was a draft Asset Purchase and Sale Agreement and a draft Territory Allocation Agreement.

These agreements are currently under an iterative development process with EWEB and Lane Electric management and legal counsel. The opening offer and draft agreements are intended to facilitate discussion between management and the governing bodies of the respective utilities. Foremost excerpts from the opening offer are provided below. A response from Lane Electric confirming their interest in proceeding with discussions is requested by November 1, 2025

The negotiation of the potential realignment includes the following, which are located within the designated service territory:

Assets: Unless specifically excluded by mutual agreement, assets include all EWEB owned electrical distribution facilities operating at nominal 12,470 kV or lower, along with intangible assets, including access rights and easements, necessary to operate and maintain the assets. The points of demarcation will be on the low side of the low-side switch of the substation power transformers, or at the first opportune location outside the substation.

In addition, the assets include all streetlights and associated facilities and standards located in the service territory or attached to poles included among the assets.

EWEB's transmission lines are **not** included.

Transfer of Tier One Power from BPA: Both parties have Regional Dialogue (RD) contracts in place with BPA. The PNGC joint operating entity is a counterparty to the contract under which Lane Electric is supplied firm power from BPA. Subject to BPA and PNGC approval, EWEB will assign sufficient Tier One power from EWEB's RD contract to support the full load amount that will be transferred. That number will be based on the methodology used by BPA but is likely in the 7 MWa range for reference.

While BPA recognized that any realignment of service territory is complex, in their September 10, 2025, letter, they indicated they do not foresee any showstoppers under our current power sales contracts (09PB-13041, and 09PB-13088).

Operational Rights: The exclusive rights to operate and maintain the electric utility services in the designated area, subject to approval by regulatory bodies.

Licenses, Permits, Easements, Telecommunications Equipment Agreements:

All necessary regulatory licenses, permits, easements, and agreements that allow for the continued operation of utility services in the area.

Customer Base: If realignment proceeds, approximately 3,000 EWEB customers may transition to Lane Electric, becoming members with voting rights for the co-op's board. Lane Electric and EWEB will work collaboratively to transfer the existing customer accounts associated with the territory, including final meter reading levels, final billing, along with any contractual obligations or agreements currently in place, including deposits and outstanding loan agreements.

Purchase Price / Value Consideration: The transaction is expected to be rate neutral for EWEB customers. EWEB proposes a purchase price based on the calculated depreciated value of the assets in service. Costs necessary to transfer assets and operations will be allocated by mutual agreement; some costs will be shared by Lane Electric and EWEB (e.g. transfer of customer records, easements, etc.) while others (e.g. reconfiguration of distribution system, metering, ongoing transmission service, wheeling, etc.) will be borne fully by Lane Electric. EWEB and Lane Electric may elect to administrate these costs separately.

Terms and Conditions: The purchase price will be paid over a period of twenty (20) years, with any unpaid balance after the first payment accruing interest at an agreed upon annual interest rate. Payments will be made to EWEB monthly. Lane Electric may prepay any part or all of the purchase price without penalty.

Indemnification: Ongoing indemnification will be included in the agreement(s) negotiated and executed between the parties. Lane Electric and EWEB indemnity obligations under this agreement shall not apply to, or affect the parties' respective rights, obligations, or potential liabilities (if any) in connection with any claims relating to or arising out of the wildfire that started in the McKenzie River Valley on or about September 7, 2020, known as the "Holiday Farm Fire."

#### **Recommendation/Requested Action**

No action is requested at this time. An agenda item is scheduled for the November 2025 board meeting at which time we will provide another update and seek Board direction.