

RESOLUTION NO. _____

A RESOLUTION APPROVING A REVISED METHODOLOGY FOR DETERMINING THE CONTRIBUTION IN LIEU OF TAX PAYMENT ON ELECTRICITY SALES FROM THE EUGENE WATER & ELECTRIC BOARD.

The City Council of the City of Eugene finds that:

A. Since 1943, the Eugene Water & Electric Board (EWEB) has made contributions in lieu of tax (CILT) payments to the City. For more than 50 years, the amount of the CILT payments has generally equaled 6% of gross operating revenues of the electric utility.

B. In November 1976, voters approved a new City Charter. Section 44(4) of the Charter provides that the 1976 rates of CILT payment would not change unless approved by the EWEB Board and the City Council.

C. Since 1976, the City and EWEB have entered into a number of agreements revising and refining the amount of and methodology for CILT payments. Those revisions have included differentiating between retail and wholesale power sales, with the CILT payments for retail based on gross operating revenues and the CILT payments for wholesale based on net revenues. Other revisions have included specific arrangements for sales from EWEB's steam operation and certain large-scale power contracts to individual customers. Changes in the electric power market have made it challenging to determine net revenues for wholesale power sales from particular electric generating sources, as well as making it difficult to predict what the CILT payments might be, which in turn has made it increasingly difficult for the City and EWEB to reliably forecast those potential revenues as part of preparing the future budgets.

D. EWEB and the City now desire to revise the CILT agreements to create a predictable and stable payment stream and a more streamlined methodology for calculating CILT payments.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EUGENE, a municipal Corporation of the State of Oregon, as follows:

Section 1. Based on the above findings, which are hereby adopted, the City Council approves a change in the payments received from EWEB pursuant to Section 44(4) of the Eugene Charter of 2002. Beginning in January 2015, EWEB's CILT payments to the City will consist of two components: (a) a percentage of operating revenues from retail electric sales, as further defined in a Memorandum of Understanding between the City and EWEB, and (b) an annual payment of no less than \$825,000 which will replace the more volatile wholesale and other miscellaneous revenue based CILT payments.

Section 2. The retail sales percentage component shall be 6% except when, for economic development and/or job retention purposes, the City Manager and General Manager agree to a different percentage for those large retail customers which purchase electricity from EWEB under individually negotiated power sales contracts.

Section 3. The City Manager is authorized to enter into, and amend when appropriate, a Memorandum of Understanding (MOU) with the EWEB General Manager to define terms, establish appropriate inflationary factors for the annual payment component, and other terms the City Manager and General Manager determine are appropriate to implement this Resolution, provided however that all such terms are consistent with the terms of this Resolution and applicable law.

Section 4. Nothing in this Resolution is intended to affect any of EWEB's payments to the City for calendar year 2014. Beginning on January 1, 2015, the provisions of this Resolution shall replace all prior Resolutions and other agreements between the City and EWEB which otherwise would govern CILT payments on or after January 1, 2015.

Section 5. This Resolution shall become effective after (a) the EWEB Board approves a resolution containing the same changes in payments as in this Resolution, and (b) the City Manager and EWEB General Manager execute the MOU referenced in Section 2 of this Resolution.

The foregoing Resolution adopted this ____ day of July, 2014.

City Recorder