

CITY OF COOS BAY CITY COUNCIL
Agenda Staff Report

MEETING DATE July 7, 2015	AGENDA ITEM NUMBER
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TO: Mayor Shoji and City Councilors

FROM: Rodger Craddock, City Manager

ISSUE: PacifiCorp Franchise Fee

BACKGROUND:

The City Council created a Streets Task Force in 2013, and the role of the group was to make recommendations to the City Council on the management and financing of street maintenance. The task force had four (4) very productive meetings over the summer and early fall 2013. After careful consideration, the Streets Task Force formulated the recommendations that were presented to City Council in November 2013. One of the recommendations was to update the City's Street Conditions Assessment. The updated assessment was completed in January of 2015, and a draft preliminary report was submitted to the City in February 2015. In March 2015, the Streets Task Force reviewed the draft assessment and also considered funding options for street maintenance/repair to recommend to the City Council.

The task force's recommendations included increasing the PacifiCorp franchise fee an additional 2% to cover the City's current cost for streetlight and traffic signal expenses, and asking the Council and the voters to consider implementing a \$0.05/gallon local fuel tax. The reconditions were presented to the Council on April 7, 2015; and by consensus, the Council asked staff to open negotiations with PacifiCorp for a successor franchise agreement and begin discussions with the City of North Bend in an effort to coordinate our efforts in regards to a potential local gas tax.

The attached proposed ordinance is the result of our negotiations with PacifiCorp. The proposed ordinance provides for the increase in compensation from PacifiCorp for use of the City's right-of-ways the Streets Task Force and the Council was seeking. The ordinance provides for a ten (10) year non-exclusive agreement with language protecting the City's rights to manage our right-of-ways and the conditions under which PacifiCorp can use those right-of-ways for their utility.

The proposed ordinance is similar to one adopted by the City of North Bend, who increased their franchise fee to 9% earlier this year.

In addition to the proposed ordinance, attached is a resolution for Council's consideration. Should you wish to enact the ordinance, staff suggests approving the resolution which will codify the revenue derived from the increased franchise fees to be transferred into the Gas Tax Fund for the purposes of increasing funds available for street maintenance.

ADVANTAGES

Current gas tax funds are not adequate for maintaining the City's street infrastructure. Implementing the recommendation of the Streets Task Force to increase the PacifiCorp Franchise Fee will provide additional revenue for maintenance. The City will be able to make more street repairs and slow the

failure of the overall street infrastructure.

DISADVANTAGES:

Citizens will pay more for their electricity as franchise fees are normally passed on to the customers of the utility.

BUDGET IMPLICATIONS:

A 2% increase in the PP&L franchise fee is estimated to generate approximately \$316,000 for FYE2016.

ACTION REQUESTED:

If it pleases the City Council, enact the ordinance Granting an Electric Utility Franchise and General Utility Easement to PacifiCorp and Repealing Ordinance Number 438 and adopt Resolution 15-08 as a Result of the City Council Enacting an Ordinance to Increase the Electric Utility Franchise Fee with PacifiCorp to 9%.

ORDINANCE NO. ###

AN ORDINANCE GRANTING AN ELECTRIC UTILITY FRANCHISE AND GENERAL UTILITY EASEMENT TO PACIFICORP AND REPEALING ORDINANCE NUMBER 438

WHEREAS, PacifiCorp d.b.a. Pacific Power, is a regulated public utility that provides electric power and energy to the citizens of the City of Coos Bay (the "City") and other surrounding areas;

WHEREAS, providing electrical power and energy requires the installation, operation and maintenance of power poles and other related facilities to be located within the public ways of the City;

WHEREAS, the City desires to set forth the terms and conditions by which PacifiCorp shall use the public ways of the City;

NOW, THEREFORE, be it ordained by the City:

SECTION 1. Grant of Franchise and General Utility Easement. The City hereby grants to PacifiCorp the right, privilege and authority to construct, maintain, operate, upgrade, and relocate its electrical distribution and transmission lines and related appurtenances, including underground conduits and structures, poles, towers, wires, guy anchors, vaults, transformers, transmission lines, and communication lines (collectively referred to herein as "Electric Facilities") in, under, along, over and across the present and future streets, alleys, public ways and public places (collectively referred to herein as "Public Ways") within the City, for the purpose of supplying and transmitting electric power and energy to the inhabitants of the City and persons and corporations beyond the limits thereof.

SECTION 2. Term. The term of this Franchise and General Utility Easement is for ten (10) years commencing on the date of acceptance by PacifiCorp as set forth in Section 3 below.

SECTION 3. Acceptance by PacifiCorp. Within sixty (60) days after the passage of this ordinance by the City, PacifiCorp shall file an unqualified written acceptance thereof, with the City Recorder, otherwise the ordinance and the rights granted herein shall be null and void.

SECTION 4. Non-Exclusive Franchise. The right to use and occupy the Public Ways of the City shall be nonexclusive and the City reserves the right to use the Public Ways for itself or any other entity that provides service to City residences; provided, however, that such use shall not unreasonably interfere with PacifiCorp's Electric Facilities or PacifiCorp's rights granted herein.

SECTION 5. City Regulatory Authority. In addition to the provisions herein contained, the City reserves the right to adopt such additional ordinances and regulations as may be deemed necessary in the exercise of its police power for the protection of the health, safety and welfare of its citizens and their properties or exercise any other rights, powers, or duties required or authorized, under the Constitution of the State of Oregon, the laws of Oregon or City Ordinances.

SECTION 6. Indemnification. The City shall in no way be liable or responsible for any loss or damage to property or any injury to, or death, of any person that may occur in the construction, operation or maintenance by PacifiCorp of its Electric Facilities. PacifiCorp shall indemnify,

defend and hold the City harmless from and against claims, demands, liens and all liability or damage of whatsoever kind on account of PacifiCorp's use of the Public Ways within the City, and shall pay the costs of defense plus reasonable attorneys' fees for any claim, demand or lien brought thereunder. The City shall: (a) give prompt written notice to PacifiCorp of any claim, demand or lien with respect to which the City seeks indemnification hereunder; and (b) unless in the City's judgment a conflict of interest exists between the City and PacifiCorp with respect to such claim, demand or lien, permit PacifiCorp to assume the defense of such claim, demand, or lien with counsel satisfactory to City. If such defense is not assumed by PacifiCorp, PacifiCorp shall not be subject to liability for any settlement made without its consent. Notwithstanding any provision hereof to the contrary, PacifiCorp shall not be obligated to indemnify, defend or hold the City harmless to the extent any claim, demand or lien arises out of or in connection with any negligent or willful act or failure to act of the City or any of its officers or employees.

SECTION 7. Annexation.

7.1 Extension of City Limits. Upon the annexation of any territory to the City, the rights granted herein shall extend to the annexed territory to the extent the City has such authority. All Electrical Facilities owned, maintained, or operated by PacifiCorp located within any public ways of the annexed territory shall thereafter be subject to all of the terms hereof.

7.2 Annexation. When any territory is approved for annexation to the City, the City shall, not later than ten (10) working days after passage of an ordinance approving the proposed annexation, provide by certified mail to PacifiCorp: (a) each site address to be annexed as recorded on county assessment and tax rolls; (b) a legal description of the proposed boundary change; and (c) a copy of the City's ordinance approving the proposed annexation. The notice shall be mailed to:

PacifiCorp Customer Contact Center
P.O. Box 400
Portland, Oregon 97202-0400

With a copy to:
PacifiCorp
Attn: Office of the General Counsel
825 N.E. Multnomah, Suite 2000
Portland, Oregon 97232

Additional or increased fees or taxes, other than ad valorem taxes, imposed on PacifiCorp as a result of an annexation of territory to the City shall become effective on the effective date of the annexation provided notice is given to PacifiCorp in accordance with ORS 222.005, as amended from time to time.

SECTION 8. Planning, Design, Construction and Installation of PacifiCorp Facilities.

8.1 All Electric Facilities installed or used under authority of this Franchise shall be used, constructed and maintained in accordance with applicable federal, state and city laws, codes and regulations.

8.2 Except in the case of an emergency, PacifiCorp shall, prior to commencing new construction or major reconstruction work in the public way or street or other public places, apply for a permit from the City which permit shall not be unreasonably withheld, conditioned, or

delayed. PacifiCorp will abide by all applicable ordinances and all rules, regulations and requirements of the City including the City's Restoration Policy for Utility and Service Lateral Installation in City of Coos Bay Right-of-Way.

In the event that emergency repairs are necessary for its facilities in the Public Ways, PacifiCorp shall promptly notify the City of the need for such repairs. PacifiCorp may immediately initiate such emergency repairs, and shall apply for appropriate permits, if applicable, on the first business day following the discovery of the emergency.

8.3 Before beginning any new construction in the Public Ways, PacifiCorp shall provide the City through the permitting process with an initial construction schedule for work with its permit application. PacifiCorp will provide a one line sketch and map identifying the work to be performed and location. If alterations are made to the proposed work, an "as built" will be provided after construction. Maps shall be in a form acceptable to both PacifiCorp and the City.

8.4 All Electric Facilities shall be located so as to cause minimum interference with the Public Ways of the City and shall be constructed, installed, maintained, cleared of vegetation, renovated or replaced in accordance with applicable rules, ordinances and regulations of the City.

8.5 If, during the course of work on its Electrical Facilities, PacifiCorp causes damage to or alters the Public Way or public property, PacifiCorp shall (at its own cost and expense and in a manner approved by the City) replace and restore it to a condition consistent with the City's Restoration Policy for Utility and Service Lateral Installation in City of Coos Bay Right-of-Way.

8.6 In addition to the installation of underground electric distribution lines as provided by applicable state law and regulations, PacifiCorp shall, upon payment of all charges provided in its tariffs or their equivalent, place newly constructed electric distribution lines underground as may be required by City ordinance.

8.7 The City shall have the right without cost to use all poles and suitable overhead structures owned by PacifiCorp within Public Ways for City wires used in connection with its fire alarms, police signal systems, or other communication lines used for governmental purposes; provided, however, any such uses shall be for activities owned, operated or used by the City for a public purpose and shall not include the provision of CATV, internet, or similar services to the public. Provided further, that PacifiCorp shall assume no liability nor shall it incur, directly or indirectly, any additional expense in connection therewith, and the use of said poles and structures by the City shall be in such a manner as to prevent safety hazards or interferences with PacifiCorp's use of same. Nothing herein shall be construed to require PacifiCorp to increase pole size, or alter the manner in which PacifiCorp attaches its equipment to poles, or alter the manner in which it operates and maintains its Electric Facilities. City attachments shall be installed and maintained in accordance with the reasonable requirements of PacifiCorp and the current edition of the National Electrical Safety Code pertaining to such construction. Further, City attachments shall be attached or installed only after written approval by PacifiCorp.

8.8 PacifiCorp shall have the right to excavate the Public Ways subject to conditions and requirements of the City. Before installing new underground conduits or replacing existing underground conduits, PacifiCorp shall first notify the City of such work and shall allow the City, at its own expense, to share the trench of PacifiCorp to lay its own conduit therein, provided that

such action by the City will not unreasonably interfere with PacifiCorp's Electric Facilities or delay project completion.

8.9 Before commencing any street improvements or other work within a Public Way that may affect PacifiCorp's Electric Facilities, the City shall give written notice to PacifiCorp.

8.10 No structures, buildings or signs shall be erected below PacifiCorp's facilities or in a location that prevents PacifiCorp from accessing or maintaining its facilities.

8.11 PacifiCorp shall provide the City with a report of all new services created within City boundaries on an annual basis during the term of this Franchise. The City shall provide written confirmation of the accuracy of the report and/or any corrections thereto to PacifiCorp within a reasonable time following receipt of the report.

SECTION 9. Relocation of Electric Facilities.

9.1 The City reserves the right to require PacifiCorp to relocate overhead and underground Electric Facilities within the Public Ways in the interest of public convenience, necessity, health, safety or welfare at no cost to the City. Within a reasonable period of time after written notice, PacifiCorp shall promptly commence the overhead relocation of its Electrical Facilities. Before requiring a relocation of Electric Facilities, the City shall, with the assistance and consent of PacifiCorp, identify a reasonable alignment for the relocated Electric Facilities within the Public Ways of the City. The City shall assign or otherwise transfer to PacifiCorp all right it may have to recover the cost for relocation work as allowed by OAR 860-022-0046. In cases of capital improvement projects undertaken by the City, PacifiCorp shall convert existing overhead distribution facilities to underground, so long as PacifiCorp is allowed to collect the costs associated with conversion from overhead to underground distribution facilities consistent with OAR 860-022-0046, the Oregon Public Utility Commission rule on forced conversions.

9.2 Underground Conversion. As permitted by state statute, administrative rule, or regulation, the City may require PacifiCorp to remove and replace any overhead facilities with underground facilities at the same or different locations subject to PacifiCorp's engineering and safety standards. The expense of such conversions shall be paid by PacifiCorp, but PacifiCorp may recover its costs from its customers in accordance with state statute, administrative rule or regulation. Nothing in this paragraph shall prevent the City and PacifiCorp from agreeing on a case-by-case basis to a different form of cost recovery or other mechanism for funding an underground project that is consistent with state statutes, administrative rules or regulations.

9.3 PacifiCorp shall not be obligated to pay the cost of any relocation that is required or made a condition of a private development. If the removal or relocation of facilities is caused directly or otherwise by an identifiable development of property in the area, or is made for the convenience of a customer, PacifiCorp may charge the expense of removal or relocation to the developer or customer. For example, PacifiCorp shall not be required to pay relocation costs in connection with a road widening or realignment where the road project is made a condition or caused by a private development. In such event, the City shall require the developer to pay PacifiCorp for such relocation costs as part of its approval procedures.

SECTION 10. Subdivision Plat Notification. Before the City approves any new subdivision and before recordation of the plat, the City shall mail notification of such approval and a copy of the plat to PacifiCorp:

Pacific Power
Attn: Estimating Department
135 Lockhart St
Coos Bay Or, 97420

SECTION 11. Vegetation Management. PacifiCorp or its contractor may prune all trees and vegetation which overhang the Public Ways, whether such trees or vegetation originate within or outside the Public Ways, to prevent the branches or limbs or other part of such trees or vegetation from interfering with PacifiCorp's Electrical Facilities. Such pruning shall comply with the *American National Standard for Tree Care Operation (ANSI A300)* and be conducted under the direction of an arborist certified with the International Society of Arboriculture. A growth inhibitor treatment may be used for trees and vegetation species that are fast-growing and problematic. Nothing contained in this Section shall prevent PacifiCorp, when necessary and with the approval of the owner of the property on which they may be located, from cutting down and removing any trees which overhang streets.

SECTION 12. Compensation.

12.1 In consideration of the rights, privileges, and franchise hereby granted, PacifiCorp shall pay to the City from and after the effective date of the acceptance of this franchise, 9 percent (9%) of its gross revenues derived from within the corporate limits of City. The term "gross revenue" as used herein shall be construed to mean any revenue of PacifiCorp derived from the retail sale and use of electric power and energy within the municipal boundaries of the City after adjustment for the net write-off of uncollectible accounts and corrections of bills theretofore rendered. In no event shall an account write-off or correction of a bill be used as an adjustment to "gross revenue" more than once. All amounts paid under this Section 12 shall be subject to review by the City; provided that only payments which occurred during a period of thirty-six (36) months prior to the date the City notifies PacifiCorp of its intent to conduct a review shall be subject to such review. Notwithstanding any provision to the contrary, at any time during the term of this Franchise, the City may elect to increase the franchise fee amount as may then be allowed by state law. The City shall provide PacifiCorp with prior written notice of such increase following adoption of the change in percentage by the City. The increase shall be effective sixty (60) days after City has provided such written notice to PacifiCorp.

12.2 The franchise fee shall not be in addition to any other license, occupation, franchise or excise taxes or charges which might otherwise be levied or collected by the City from PacifiCorp with respect to PacifiCorp's electric business or the exercise of this franchise within the corporate limits of the City and the amount due to the City under any such other license, occupation, franchise or excise taxes or other charges for corresponding periods shall be reduced by deducting there from the amount of said franchise fee paid hereunder.

12.3 Said franchise fee shall be paid monthly on or before the 20th of each month during the terms hereof, and shall be computed upon the gross operating revenue accruing during the previous calendar month or portion thereof.

SECTION 13. Renewal. At least 120 days prior to the expiration of this Franchise, PacifiCorp and the City shall agree to either extend the term of this Franchise for a mutually acceptable period of time or the parties shall use best faith efforts to renegotiate a replacement Franchise. PacifiCorp shall have the continued right to use the Public Ways of the City as set forth herein in

the event an extension or replacement Franchise is not entered into upon expiration of this Franchise.

SECTION 14. No Waiver. Neither the City nor PacifiCorp shall be excused from complying with any of the terms and conditions of this Franchise by any failure of the other, or any of its officers, employees, or agents, upon any one or more occasions to insist upon or to seek compliance with any such terms and conditions.

SECTION 15. Transfer of Franchise. PacifiCorp shall not transfer or assign any rights under this Franchise to another entity, except transfers and assignments by operation of law, unless the City shall first give its approval in writing, which approval shall not be unreasonably withheld; provided, however, inclusion of this Franchise as property subject to the lien of PacifiCorp's mortgage(s) shall not constitute a transfer or assignment.

SECTION 16. Amendment. At any time during the term of this Franchise, the City, through its City Council, or PacifiCorp may propose amendments to this Franchise by giving thirty (30) days written notice to the other of the proposed amendment(s) desired, and both parties thereafter, through their designated representatives, will, within a reasonable time, negotiate in good faith in an effort to agree upon mutually satisfactory amendment(s). No amendment or amendments to this Franchise shall be effective until mutually agreed upon by the City and PacifiCorp and formally adopted as an ordinance amendment.

SECTION 17. Non-Contestability--Breach of Contract.

17.1 Neither the City nor PacifiCorp will take any action for the purpose of securing modification of this Franchise before either the Oregon Public Utility Commission or any Court of competent jurisdiction; provided, however, that neither shall be precluded from taking any action it deems necessary to resolve difference in interpretation of the Franchise nor shall PacifiCorp be precluded from seeking relief from the Courts in the event Oregon Public Utility Commission orders, rules or regulations conflict with or make performance under the Franchise illegal.

17.2 In the event PacifiCorp or the City fails to fulfill any of their respective obligations under this Franchise, the City, or PacifiCorp, whichever the case may be, will have a breach of contract claim and remedy against the other in addition to any other remedy provided by law, provided that no remedy which would have the effect of amending the specific provisions of this Franchise shall become effective without such action which would be necessary to formally amend the Franchise.

SECTION 18. Notices. Unless otherwise specified herein, all notices from PacifiCorp to the City pursuant to or concerning this Franchise shall be delivered to the City Recorder's Office. Unless otherwise specified herein, all notices from the City to PacifiCorp pursuant to or concerning this Franchise shall be delivered to the Customer and Community Affairs Vice President, Pacific Power, 825 NE Multnomah, Lloyd Center Tower Suite 2000, Portland, Oregon 97232, and such other office as PacifiCorp may advise the City of by written notice.

SECTION 19. Severability. If any section, sentence, paragraph, term or provision hereof is for any reason determined to be illegal, invalid, or superseded by other lawful authority including any state or federal regulatory authority having jurisdiction thereof or unconstitutional, illegal or invalid by any court of common jurisdiction, such portion shall be deemed a separate, distinct, and independent provision and such determination shall have no effect on the validity of any

other section, sentence, paragraph, term or provision hereof, all of which will remain in full force and effect for the term of the Franchise or any renewal or renewals thereof.

The following ordinance was duly passed by the City Council this 16th day of June 2015.

Yes:

No:

Absent:

Crystal Shoji
Mayor of the City of Coos Bay
Coos County, Oregon

ATTEST:

Susanne Baker
Recorder of the City of Coos Bay
Coos County, Oregon

City of Coos Bay

Resolution 15-08

A RESOLUTION OF THE CITY OF COOS BAY, COOS COUNTY, OREGON AS A RESULT OF THE CITY COUNCIL ENACTING AN ORDINANCE TO INCREASE THE ELECTRIC UTILITY FRANCHISE FEE WITH PACIFICORP TO 9%

WHEREAS, the City Council of the City of Coos Bay by ordinance increased the electric utility franchise fee with PacifiCorp to 9%; and

WHEREAS, the intention of the increase in electric utility franchise fee was to offset the State Gas Tax Fund 2 electrical cost of operating city street and traffic lights within the city limits of Coos Bay; and

WHEREAS, the City of Coos Bay recognizes the importance of street maintenance; and

NOW, THEREFORE, BE IT RESOLVED, the increase in the electrical franchise fees will be transferred from the General Fund into Gas Tax Fund 2 for street maintenance for minor repairs and into the Street Improvement Fund 16 for capital improvements

The foregoing resolution was duly adopted by the City of Coos Bay, Coos County, Oregon this 7th day of July 2015.

Crystal Shoji, Mayor

ATTEST:

Susanne Baker, City Recorder