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August 9, 2006

**VIA ELECTRONIC FILING  
& FIRST CLASS MAIL**

Oregon Public Utility Commission  
550 Capitol St. NE, #215  
PO Box 2148  
Salem, OR 97308-2148  
Attn: Filing Center

Re: UE 180 – In the Matter of Portland General Electric Company  
Request for a General Rate Revision

Dear Filing Center:

Enclosed for filing are the original and five copies of the Direct Testimony of Ken Beeson on behalf of the Eugene Water & Electric Board in the above-captioned proceeding.

Thank you for your assistance in this matter. Should you have any questions regarding this matter, please feel free to contact me. Thank you.

Very truly yours,



Edward A. Finklea

EAF/tr

Enclosure

cc: UE-180 Service List (via email & first class mail)

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

In the Matter of )  
 ) **UE 180**  
PORTLAND GENERAL ELECTRIC )  
COMPANY )  
 )  
Request for a General Rate Revision )  
 )

**DIRECT TESTIMONY OF  
KEN BEESON  
ON BEHALF OF THE  
EUGENE WATER & ELECTRIC BOARD**

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**August 9, 2006**

1 **Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Ken Beeson, and I am the Energy Resource Projects Manager for the  
3 Eugene Water & Electric Board (“EWEB”). My business address is 500 East 4<sup>th</sup>  
4 Avenue, Eugene, Oregon.

5 **Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.**

6 A. My Statement of Qualifications and Experience is attached to this testimony as  
7 exhibit EWEB/101.

8 **Q: WHAT IS EWEB’S INTEREST IN THIS PROCEEDING?**

9 A: As described in greater detail below, EWEB is a co-owner and co-licensee with  
10 Portland General Electric Company (“PGE”) of the Trojan Nuclear Project and the  
11 Trojan independent spent fuel storage installation (collectively, “Trojan”).  
12 Activities relating to decommissioning and spent fuel responsibilities at Trojan are  
13 ongoing and will continue for many years into the future. PGE, as majority owner,  
14 must maintain sufficient financial resources, on both a long-term and short-term  
15 cash flow basis, to meet its share of the Trojan obligations.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. In this rate proceeding, PGE witnesses Stephen Quennoz and Steven B. Nichols  
18 propose to reduce the annual contribution PGE makes to the Nuclear  
19 Decommissioning Trust (“NDT”) from the current level of \$14.04 annually to  
20 \$4.65 million annually. *See* Exhibit PGE/1000/Quennoz-Nichols/1. In addition,  
21 PGE proposes to return approximately \$20 million that is currently in the NDT to  
22 customers as a one time refund. *Id.* As PGE’s partner in meeting the ongoing  
23 responsibilities with Trojan, EWEB has a strong interest in ensuring that PGE can

1 meet its share of any Trojan obligations as long into the future as is necessary to  
2 complete the task of decommissioning the former nuclear plant. EWEB submits  
3 these comments on the PGE proposal as it could impact PGE's ability to meet its  
4 share of Trojan obligations in the future. EWEB is in no way looking to the OPUC  
5 for assistance in meeting its own Trojan obligations, but has an interest in OPUC  
6 regulatory decisions that could impact PGE's financial ability to meet its Trojan-  
7 related obligations in the future. My testimony will be confined to the proposed  
8 changes to the level of funds collected and maintained in the Trojan NDT.

9 **Q: WHAT IS THE CONTRACTUAL RELATIONSHIP BETWEEN THE**  
10 **TROJAN CO-OWNERS?**

11 A: On October 5, 1970, EWEB, PGE and Pacific Power & Light Co., as a predecessor  
12 to PacifiCorp, a wholly owned subsidiary of MidAmerican ("Pacific"), entered into  
13 an "Agreement for Construction, Ownership and Operation of the Trojan Nuclear  
14 Plant" ("Ownership Agreement"). A copy of the Ownership Agreement is attached  
15 to this testimony as Exhibit EWEB/102. PGE is the majority owner and lead  
16 operating entity of Trojan, holding a sixty seven and one half percent (67.5%)  
17 ownership share in Trojan. EWEB holds a thirty percent (30%) ownership share in  
18 Trojan. Pacific holds a two and one half percent (2.5%) ownership share in Trojan.  
19 In the past, EWEB assigned its 30% share of the electric power generation from  
20 Trojan to the Bonneville Power Administration ("BPA"). In consideration of that  
21 assignment, BPA has agreed to offset any payments that would otherwise be due to  
22 BPA by EWEB for the purchase of other electric power and related electric  
23 transmission services in an amount equal to EWEB's share of the costs of Trojan.

1 Under the Ownership Agreement, PGE is responsible for operating and maintaining  
2 Trojan in compliance with applicable Federal and State law and “Prudent Utility  
3 Practice” (as defined in the Ownership Agreement).

4 **Q: PLEASE PROVIDE A BRIEF HISTORY OF TROJAN.**

5 A: The federal Nuclear Regulatory Commission (“NRC”) issued to the co-owners an  
6 operating license for Trojan on November 21, 1975. Trojan began commercial  
7 operation on March 20, 1976. It was licensed to operate until 2011. Trojan  
8 operated until November 9, 1992, when a leak in a steam generator was detected  
9 and forced a shutdown of the plant. PGE announced the permanent shutdown of  
10 Trojan in January, 1993. The nuclear fuel was then transferred to an on-site spent  
11 fuel pool. On May 5, 1993, the NRC amended the Trojan operating license to a  
12 possession-only license. On January 26, 1995, PGE submitted a decommissioning  
13 plan for Trojan to the NRC. The decommissioning plan proposed decontamination  
14 and dismantlement of the Trojan plant, the licensing and construction of an  
15 independent spent fuel storage installation (“ISFSI”) and transfer of the spent  
16 nuclear fuel to the ISFSI. The decommissioning plan was approved by the NRC on  
17 April 15, 1996. The transfer of spent nuclear fuel from the spent fuel pool to the  
18 Trojan ISFSI was completed in September, 2003. Radiological decommissioning  
19 in accordance with the decommissioning plan was completed in 2005. The Trojan  
20 decommissioning plan originally called for the spent fuel to be transferred from the  
21 ISFSI to a permanent repository by 2018. As Mr. Quennoz and Mr. Nichols noted  
22 in their testimony, no permanent repository exists and it is uncertain at this time

1 when the spent fuel can be removed from the on-site ISFSI. *See* Exhibit  
2 PGE/1000/Quennoz-Nichols/5-8.

3 **Q: WHO IS RESPONSIBLE FOR PAYING TROJAN’S COSTS OF**  
4 **OPERATION?**

5 A: Each Trojan co-owner is responsible for paying a share, equal to its percentage  
6 ownership interest, of all “Costs of Operation” as defined under the Ownership  
7 Agreement. Thus, PGE is obligated to pay 67.5%, EWEB 30% and Pacific 2.5%.

8 **Q: WHO IS RESPONSIBLE FOR PAYING DECOMMISSIONING COSTS**  
9 **ASSOCIATED WITH TROJAN?**

10 A: The Ownership Agreement provides that each owner shall severally bear its  
11 ownership share of all Trojan obligations. Each co-owner is, therefore, responsible  
12 for assuring the availability of funds necessary to pay its ownership share of the  
13 costs of implementing the Trojan decommissioning plan, including the operation  
14 and subsequent decommissioning of the ISFSI. The Ownership Agreement also  
15 provides for settling all accounts following decommissioning of the project. If the  
16 total costs of Trojan decommissioning exceed the available funds contributed by  
17 the owners pursuant to the Ownership Agreement, then each co-owner will be  
18 responsible to pay its ownership share of the excess costs.

19 **Q: DO YOU DISAGREE WITH ANY OF THE STATEMENTS MADE BY MR.**  
20 **QUENNOZ AND MR. NICHOLS REGARDING THE STATUS OF THE**  
21 **DECOMMISSIONING ACTIVITIES OR THE STATUS OF THE**  
22 **DECOMMISSIONING TRUST?**

1 A: No. While I have not independently verified every number contained in their  
2 testimony, I believe they have accurately set out the challenges that the co-owners  
3 face in completing the task of decommissioning Trojan. The primary challenge  
4 stems from the fact that the federal government has not completed the process of  
5 licensing and constructing a federal nuclear waste repository. I agree with Mr.  
6 Quennoz and Mr. Nichols that the co-owners now must plan around having to  
7 safely contain the spent fuel onsite until at least 2023, with 2024 being the first year  
8 that we can prudently assume that ISFSI decommissioning would be completed.

9 **Q: HOW SHOULD THE UNCERTAINTIES FACING THE TROJAN CO-**  
10 **OWNERS FACTOR INTO PGE'S PROPOSAL TO CHANGE THE**  
11 **FUNDING LEVELS OF THE NDT AND REFUND \$20 MILLION TO ITS**  
12 **CURRENT CUSTOMERS?**

13 A: This Commission should only adjust the level of the annual contribution from  
14 \$14.04 million to \$4.65 million if the Commission explicitly authorizes PGE to  
15 collect money from its ratepayers through 2024 to fund decommissioning. In a  
16 previous Order, the OPUC stated that the collections from ratepayers for Trojan  
17 decommissioning would continue through 2011, the date when the original license  
18 expired. *See In re PGE, OPUC Docket UE 88, Order No. 95-322, p. 61 (March 29,*  
19 *1995).* Given the uncertain status of the federal government's efforts to license and  
20 construct a permanent nuclear waste repository, it would not be prudent to reduce  
21 the size of PGE's annual contribution to the NDT or to refund \$20 million from the  
22 fund at this time unless the Commission expressly conditions approval of the  
23 refund and the reduction in the annual contribution with an express authorization to

1 continue annual contributions to the NDT funded by PGE ratepayers through at  
2 least 2024. EWEB urges the OPUC to include an express condition regarding  
3 continued collections from PGE ratepayers until at least 2024 if the Commission  
4 chooses to approve PGE's requests to refund money from the NDT at this time or  
5 to reduce the size of the annual contributions.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes, at this time.



STATEMENT OF QUALIFICATIONS AND EXPERIENCE

**Ken Beeson** is an Energy Resource Projects Manager at the *Eugene Water & Electric Board*. Since 1991, he has managed EWEB interests in various generation projects including a cogeneration project in northwestern Oregon, a wind project in southeast Wyoming, siting of a geothermal project proposed (but not constructed) near Newberry Crater in Central Oregon, and the decommissioned Trojan nuclear project. He is currently managing EWEB participation in a gas-fired project proposed in northeastern Oregon. His experience also includes coordinating the installation of EWEB's fiber optic telecommunications system and the recent review of EWEB electric system capital requirements. Ken started work at EWEB in 1976 in operations and engineering. He has a Bachelor of Science degree from the University of Oregon.

AGREEMENT FOR CONSTRUCTION  
OWNERSHIP AND OPERATION  
of the  
TROJAN NUCLEAR PLANT

EWEB/102

Page 1 of 50

THIS IS AN AGREEMENT between PORTLAND GENERAL ELECTRIC COMPANY, a corporation of Oregon, herein called "PGE", PACIFIC POWER & LIGHT COMPANY, a corporation of Maine, herein called "Pacific", and THE CITY OF EUGENE, a municipal corporation of the State of Oregon acting by and through the Eugene Water & Electric Board, herein called "Eugene", each individually called "the Party", collectively called "the Parties".

R E C I T A L S

Eugene is a city of the State of Oregon which, acting through the Eugene Water & Electric Board, owns and operates an electric light and power system and PGE and Pacific are investor owned electric utility corporations subject to regulation by the Public Utility Commissioner of Oregon.

In order to achieve the economies of size, the Parties propose to plan, finance, acquire, construct, operate, own and maintain each with an undivided interest in common facilities comprising a nuclear plant for the generation of electricity of approximately 1100 megawatts net electric capacity.

PGE has acquired a parcel of real property on the Columbia River between Prescott and Goble in the State of Oregon, known as the Trojan site, as the site for such nuclear plant known as

the "Trojan Nuclear Plant", and PGE has, in connection therewith, entered into certain contracts for planning, engineering and purchase of components and fuel for said plant and has filed an application for a license and permit to construct the plant together with a Preliminary Safety Analysis Report with the Atomic Energy Commission.

Now then, for and in consideration of the covenants and agreements hereinafter set forth, the Parties hereby agree as follows:

1. DEFINITIONS: (a) "AEC" means the United States Atomic Energy Commission and such successor agencies as shall have responsibility for licensing or regulating nuclear power generating plants.

(b) "Costs of Construction" means all costs attributable to the acquisition and construction of the Project and of making it ready for operation, excluding the cost of fuel and interest during construction. Credits relating to Costs of Constructions, including insurance proceeds, shall be applied to such costs when received.

(c) "Costs of Operation" means all costs attributable to the operation and maintenance of the Project, fuel and rights relating thereto, elective capital additions made pursuant to

Section 19, and subsequent to the Date of Commercial Operation, repairs and renewals and replacements necessary to assure design capability, and betterments and additions required by governmental agencies. Credits relating to such costs, including insurance proceeds, shall be applied to Costs of Operation when received.

(d) "Date of Commercial Operation" means the date fixed by PGE as the point in time when the Generating Plant is ready to be operated on a commercial basis pursuant to schedules submitted by the Parties.

(e) "Generating Plant" means the Nuclear Steam Supply System, the turbine-generator and related structures and facilities, including the cooling tower, Trojan substation, including facilities for switching and transformation to 230-kv, together with additions, betterments and replacements thereto and appropriate equipment, spare parts and initial operating supplies, but excluding fuel.

(f) "Labor Costs" shall mean all payroll, related employee benefit costs and employee expenses of all direct employees of the Parties, other than officers and principal department heads, chargeable to the Trojan Project.

(g) "Output" means the net capacity and energy from the Generating Plant which can be made available at the 230-kv terminals of the Trojan substation after station use and losses.

(h) "Ownership Share" of a Party means the decimal fraction specified in Section 2(a) or as may be adjusted pursuant to Sections 2(b) or 2(c), 16 and 17.

(i) "Plant Real Property" means that part of the real property described in Exhibit A which underlies the Generating Plant and the visitors' center, together with a non-exclusive easement over the remainder of such real property for all purposes necessary or appropriate to the construction, operation and maintenance of the Generating Plant, all subject to the conditions relating to easements necessary or appropriate to permit the placement and operation of other facilities as provided in Section 20 hereof on the real property described in Exhibit A, the prohibition of partition and conditions contained in Section 2 and the reverter described in Section 24. The cost of Plant Real Property is \$600,000.

(j) "Project" means the (i) Generating Plant, (ii) Plant Real Property, (iii) fuel and rights relating to fuel, (iv) all licenses, permits and rights necessary to construction and operation of the Project, (v) visitors' information and view structures, signs, landscaping and recreational facilities placed or constructed upon the property described in Exhibit A, (vi) roads, railroad spurs, docks, parking lots, fencing and

similar facilities, and (vii) all cash in the Construction and Operating Trust Accounts and all things acquired with funds from such accounts.

(k) "Project Consultant" means an individual or firm, of national reputation having demonstrated expertise in the field of the matter or item referred to it, appointed for the resolution of a dispute regarding a matter or item referred to it. A different Project Consultant may be appointed for each matter or item referred.

(l) "Prudent Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant proportion of the electrical utility industry prior to the time of the reference or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice shall apply not only to functional parts of the Project, but also to appropriate structures, landscaping, painting, signs, lighting and other facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

2. OWNERSHIP, RIGHTS AND OBLIGATIONS: (a) The Parties shall have title to the Project as tenants in common and shall,

as co-tenants with an undivided interest therein and subject to the terms of this agreement, own the Project, have the related rights and obligations, participate in its construction and operation and be entitled to its Output in the Ownership Share as follows; provided, however, that the Ownership Shares of Eugene and PGE shall be changed pursuant to Section 2(b) or 2(c):

<u>PARTY</u>	<u>OWNERSHIP SHARE</u>
PGE	.675
EUGENE	.30
PACIFIC	.025

(b) If Eugene has been unable for a period of 60 days to make payments due hereunder on account of Costs of Construction, but has made in good faith all possible efforts to raise the funds necessary to make such payments, PGE shall, after notice by either Eugene to PGE or PGE to Eugene, make the payments due from Eugene on account of the Costs of Construction and Eugene shall make no further such payments. Effective on the date specified in such notice Eugene's Ownership Share shall be reduced to the decimal expression (rounded to the nearest ten thousandth) of the fraction in which the denominator is the then estimated total Costs of Construction and the numerator is the amount paid by Eugene prior to the date stated in such notice, and the Ownership Share of PGE

shall be increased by the amount of such reduction; provided, however, that in the event Eugene's Ownership Share is reduced to less than 0.05, up to the Date of Commercial Operation PGE shall have the right but not the obligation to purchase such Ownership Share at an amount equal to Eugene's costs thereof plus 5% of such costs. On the Date of Commercial Operation the Ownership Shares of PGE and Eugene shall be readjusted computed as aforesaid, but using the total Costs of Construction as estimated on the Date of Commercial Operation. If Eugene and PGE are unable to agree on the estimated total Costs of Construction, the matter shall be referred to the Project Consultant whose estimate shall be binding on them and whose costs shall be borne equally by them.

(c) If prior to the Date of Commercial Operation Eugene is not able to lease all of its Ownership Share of the initial fuel core or obtain financing for its costs of the initial fuel core other than from Eugene bond proceeds and gives PGE written notice thereof, PGE and Eugene shall then agree upon an estimate of the Costs of Construction and an estimate of the amount expended and to be expended by Eugene from such bond proceeds on account of costs of the initial fuel core. If the two Parties are unable to agree on such amounts they shall refer the matter to the Project Consultant whose estimates shall be binding upon them and whose costs shall be borne equally by them. Thereafter, Eugene's Ownership Share shall be reduced to the



decimal expression (rounded to the nearest ten thousandth) of the fraction in which the denominator is such estimated total Costs of Construction and the numerator is such total Costs of Construction times 0.30 less such estimated amount expended and to be expended by Eugene from bond proceeds on account of the initial fuel core; and PGE's Ownership Share shall be increased by the amount of such reduction. At the same time PGE shall credit Eugene with the difference between the amount theretofore paid by Eugene and the amount which Eugene would have paid had its reduced Ownership Share been in effect from the beginning of this agreement, and the balance shall be applied to future payments due under this agreement.

(d) Each Party shall promptly and with all due diligence take all necessary action and seek all regulatory approvals, licenses and permits necessary to carry out its obligations under this agreement.

(e) Upon receipt of regulatory approval, changes in a Party's Ownership Share shall take place by virtue of this agreement and without any further act, but each Party shall from time to time on request execute deeds, bills of sale and whatever other documents may be necessary in addition to this agreement to evidence title as changed.

(f) The Parties expressly waive any right of partition of the Project and the real or personal property related thereto until the End of the Project as described in Section 24.

(g) Nothing in this agreement shall create a partnership.

joint venture, association or, except as provided in Sections 7 and 10, a trust. Each Party shall severally bear its Ownership Share of all obligations, including the supply of energy for station use when not generated by the Project, and liabilities relating to the Project as they arise.

(h) Each Party and its designees shall have the right to go upon and into the Project at any time subject to the rules and regulations of public authorities having jurisdiction thereof and to the necessity of efficient and safe construction and operation of the Project, but PGE shall have possession and control of the Project for all the Parties.

(i) In order to provide unified management of the Project, Eugene and Pacific authorize and designate PGE to construct and thereafter operate and maintain the Project under the terms of this agreement; provided, however, that PGE shall not be deemed to have the status or responsibility of an independent consultant, contractor or engineer.

(j) In construction and operation of the Project each Party shall act without compensation other than reimbursement of costs and expenses as provided herein. In consideration thereof each Party expressly agrees that each other Party individually shall not be liable to such agreeing Party for any claims or damage, including claims or damage covered by insurance, based

on or arising from a negligent act or omission of an agent or employee of such other Party, in connection with ownership, construction or operation of the Project, and that payment of such claims shall be Co of Construction or Costs of Operation as appropriate.

3. ENGINEERING AND OPERATING DECISIONS: (a) At the time of the execution of this agreement and thereafter from time to time each Party shall appoint two members to the Engineering Committee and when requested by PGE, but no later than one month prior to the expected date of the first payment on account of fuel, each Party shall appoint two members to the Operating Committee. Each Committee shall meet at such times as may be agreed or upon three days' written notice by any member, and shall keep written minutes of its meetings. Each member of a Committee shall have the right to vote that part of the Ownership Share of the Party appointing him designated in the notice of his appointment, but the total voting rights of all members of a Committee appointed by one Party shall not exceed such Party's Ownership Share. Any action which may be taken at a meeting of a Committee may be taken without a meeting by individual action taken in writing by members of the Committee.

(b) PGE may, and where this agreement requires it PGE shall submit matters (including, without limitation, fuel plans, estimates and schedules) relating to construction or operation of the Project to the appropriate Committee, and matters not disapp:

by a member of such Committee within the time after submission specified in this agreement (or if no time is specified, within seven days) shall be deemed approved by such member. Matters disapproved by a member shall be segregated by him so that the exact items of difference are identified and, subject to the provisions of Sections 10(a) and 12(b) with respect to the matters therein provided, items so identified shall be referred by PGE to the Project Consultant. Each member which within the limited time disapproves an item shall at the time of such disapproval state in writing his reasons and what alternative is acceptable to him. Items not so identified shall be deemed approved.

(c) The Project Consultant shall be appointed by PGE upon unanimous agreement of the Committee making the reference. In the absence of such agreement, PGE shall request the Chief Judge of the United States District Court for the District of Oregon to appoint the Project Consultant.

(d) The Project Consultant shall consider all written arguments and factual materials which have been submitted to it by any member within the ten days following its appointment, and as promptly as possible after the expiration of such period make a written determination as to whether any disapproved item referred to it would or would not have been consistent with Prudent Utility Practice. If the Project Consultant determines that the item

referred to it was not consistent with Prudent Utility Practice, then and only then it shall recommend what would under the same circumstances have met such test.

(e) Matters or items found by the Project Consultant to be consistent with Prudent Utility Practice shall become immediately effective. Matters or items found by the Project Consultant to be inconsistent with Prudent Utility Practice shall be modified to conform to the recommendation of the Project Consultant or as the appropriate Committee otherwise agrees and shall become effective as and when modified.

(f) The cost of employing the Project Consultant and the related expenses of its determination shall be a Cost of Construction or a Cost of Operation, as appropriate, if the Project Consultant determines that the item referred to it was not consistent with Prudent Utility Practice. If the Project Consultant determines that the item referred to it was consistent with Prudent Utility Practice, such costs shall be borne by the Parties whose members on the Committee disapproved such item, in proportion to their Ownership Shares.

(g) PGE shall have the right but not the duty to proceed with an item which has been disapproved by a member of a Committee; provided, however, if PGE takes such action on a disapproved item and if the determination made by the Project Consultant is that the

item was not consistent with Prudent Utility Practice, then PGE shall individually bear the net increase in the Cost of Construction or Cost of Operation of such action to the extent it was inconsistent with what the Project Consultant determined would under such circumstances have met such test.

(h) No member of a Committee (or his successor) shall disapprove (i) matters submitted to such member which he has previously approved or which were submitted to his Committee pursuant to the terms of this agreement and not disapproved by him within the time allowed, (ii) items found by the Project Consultant to have been consistent with Prudent Utility Practice, or items modified by the Project Consultant, or (iii) items involving a cost borne by PGE individually, or (iv) items with a cost less than \$100,000.

4. CONSTRUCTION AND LICENSING: (a) PGE shall take whatever action is necessary or appropriate to seek and obtain all licenses, permits and other rights and regulatory approvals necessary to construction and operation of the Project for itself and on behalf of the other Parties.

(b) PGE shall prosecute construction of the Project in accordance with Prudent Utility Practice and plans and specifications for the Project shall be prepared or approved by Bechtel Corporation. PGE shall schedule the Date of Commercial

Operation to be, as near as may be, September 1, 1974.

PGE shall award separate contracts for readily separable parts of the work, the objective being to accomplish the construction of the Project at the least overall cost consistent with the high quality required. Construction contracts shall be lump sum or unit price if it is considered feasible to get satisfactory bids; otherwise they shall be cost reimbursable types of contracts with incentive clauses.

As a matter of policy, PGE shall advertise for bids from among prequalified contractors and award the contract to the lowest responsive bidder unless there are substantial reasons for deviating from the policy in a particular case. Contracts so awarded will include the provisions required to be included by Executive Order 1

PGE shall keep the members of the Engineering Committee fully informed of all matters PGE deems significant with respect to construction of the Project where practicable in time for the members to comment thereon before decisions are made and of such other matters as requested by any member. PGE shall submit bids and proposed contracts involving more than \$500,000 to the Engineering Committee before taking action thereon.

(c) PGE has entered into contracts relating to the Projects listed in Exhibit B. Eugene and Pacific ratify and approve the said contracts.

5. REIMBURSEMENT FOR ADVANCES: (a) At the time this agreement is executed by all Parties Eugene and Pacific shall pay PGE their respective Ownership Shares of the Costs of Construction and Costs of Operation, except administrative and general costs advanced by PGE up to the time of payment plus administrative and general costs equal to 0.95 percent of such Costs levelized pursuant to Section 5(d) and plus the interest cost to PGE from the time of such advances. At the same time each Party shall directly pay to Eugene and Pacific its respective Ownership Share of the Labor Costs and services advanced by such Parties with the consent of PGE for the benefit of the Project, plus interest costs.

(b) PGE shall be reimbursed from the Construction Trust Account for Costs of Construction advanced by it after this agreement has been executed by all Parties for, among other things: (i) Labor Costs, (ii) other Costs of Construction expended for the benefit of the Project, including, without limiting the generality of the foregoing, equipment, materials, supplies, travel and construction power, and (iii) administrative and general costs in an amount equal to 0.95 percent of all Costs of Construction levelized pursuant to Section 5(d) except Costs of Construction reimbursed pursuant to Section 5(a) and except such administrative and general costs. After this agreement has been executed by all the Parties Eugene and Pacific shall be reimbursed from the appropriate trust account



for advancements on account of Labor Costs made thereafter with the consent of PGE as part of the Costs of Construction.

(c) PGE shall be reimbursed from the Operating Trust Account for Costs of Operation advanced by it after this agreement has been executed by all Parties for, among other things: (i) Labor Costs, (ii) other operating costs expended for the benefit of the Project, including, without limiting the generality of the foregoing, equipment, materials, supplies and travel, (iii) administrative and general costs in an amount equal to 0.95 percent of Costs of Operation except such administrative and general costs prior to the effective date of the first Operating Budget levelized pursuant to Section 5(d) and (iv) administrative and general costs included in the Operating Budget.

(d) The sum of the amounts of administrative and general costs due under Sections 5(a), 5(b)(iii) and 5(c)(iii) shall be estimated. Such sum shall be levelized and paid at such times and in such amounts that an equal amount is paid in each month of the period from January 1, 1969, to the estimated Date of Commercial Operation, except that the sum of the amounts which would otherwise have been due in the months prior to the time this agreement is executed by all Parties shall be paid at such time. If during the period of construction Project facilities, construction work or licensing requirements and activities increase substantially beyond

those contemplated by said estimate, or if the Date of Commercial Option is significantly delayed, PGE shall be equitably reimbursed by the other Parties for such Parties' Ownership Shares of any increased administrative and general costs occasioned by such increases or del.

6. CONSTRUCTION BUDGET: An initial budget of the amounts expected to be expended for specific items of Costs of Construction each month from the date of this agreement to December 31, 1970, and in each quarter thereafter to the completion of construction as determined by PGE, has been submitted to the Parties and is hereby approved. By September 1 of each year until the completion of construction PGE shall submit to the Engineering Committee an updated budget, supported by detail adequate for the purpose of comprehensive review, describing the items of Costs of Construction and of the amounts expected to be expended therefor in each month during the next calendar year and in each quarter thereafter. Such budgets shall become effective unless disapproved within 30 days after submittal. Construction budgets shall be changed by PGE from time to time during a calendar year as necessary to reflect substantial changes in construction schedules, plans, specifications or costs, and when so changed shall be submitted similarly to the Engineering Committee. Such changes applicable to the current calendar year shall be subject to disapproval for only seven days following submission.

7. CONSTRUCTION PAYMENTS: (a) PGE shall establish a separate Construction Trust Account in a bank located in the State of Oregon and having qualifications meeting all requirements imposed

upon depositories for any of the Parties. All moneys for Costs of Construction of the Project not paid pursuant to Section 5(a) shall be deposited therein and PGE shall withdraw and apply funds therefrom as necessary to pay all Costs of Construction.

(b) Upon execution of this agreement each Party shall pay into the Construction Trust Account its Ownership Share of a working fund of \$100,000 and each Party shall thereafter continue to maintain its Ownership Share of such fund at such amount.

(c) Except as otherwise agreed by the Parties, each Wednesday PGE shall notify Eugene and Pacific of the Costs of Construction and reimbursement of the working fund expected to be paid during the next calendar week and, whether or not such amounts are specified in the budget, each Party shall deposit its Ownership Share of such amounts in the Construction Trust Account on the first banking day of such week.

(d) Upon completion of the construction of the Project, acceptance of the Generating Plant by PGE and settlement of all the obligations relating to construction, PGE shall close the Construction Trust Account and distribute to each Party its Ownership Share of any balance remaining.

8. OPERATION: PGE shall carry out operation and maintenance of the Project so as to meet the requirements of the AEC and other government agencies having jurisdiction in the matter and

in accordance with Prudent Utility Practice, giving due consideration to the recommendation of the Operating Committee and to the manufacturers' warranty requirements. Subject to the foregoing and to the provisions of Section 12, PGE shall operate and maintain the Project so as to produce the amounts of energy scheduled by the Parties within their respective Ownership Shares of the net capacity of the Generating Plant.

9. OPERATING BUDGETS: (a) At least three months prior to the expected Date of Commercial Operation, PGE shall submit to the Operating Committee a budget of the Costs of Operation, except fuel costs, but including administrative and general expenses relating to operation and fuel, for each month from the expected Date of Commercial Operation to the next succeeding January 1, and if the Date of Commercial Operation occurs subsequent to September 1 in a calendar year, a similar Operating Budget for the next succeeding calendar year. Thereafter, on September 1 of each year, PGE shall submit to the Operating Committee a similar Operating Budget for the next succeeding calendar year, which Operating Budget shall take into account the cumulative difference between payments into and expenditures from the Operating Trust Account up to the preceding August 1 and provide for restoration, as necessary, of the working cash fund. Each Operating Budget shall be supported by detail adequate to the purposes of each Operating Committee member and

shall show, among other things, staffing allocations and PGE services. Such budget shall become effective unless disapproved within 30 days after submittal.

(b) The effective Operating Budget shall be changed:

(i) to include costs occasioned by an emergency, (ii) to provide for repairs, renewals, replacements or additions necessary to achieve design peak and energy capability, or (iii) to provide for an expenditure required by governmental authority or an expenditure required by Section 16. Promptly after the occurrence of any of the above events and promptly after the occurrence of other circumstances requiring the expenditure of funds not contemplated in the effective Operating Budget, PGE shall submit a revised Operating Budget to the Operating Committee. Costs incurred by PGE in the exercise of Prudent Utility Practice prior to the time a revised Operating Budget becomes effective shall be added as incurred to the amounts due under the Operating Budget. The revised Operating Budget shall become effective unless disapproved within seven days after submittal.

10. OPERATING PAYMENTS: (a) Prior to the date of the first payment required on account of fuel, or such earlier time as the Operating Committee shall agree, PGE shall establish an Operating Trust Account in a bank located in the State of Oregon and having qualifications meeting all requirements imposed upon

depositories for any of the Parties. Prior to the Date of Commercial Operation each Party shall deposit in such Account its Ownership Share of a working cash fund of \$100,000 or such other amount as the Operating Committee shall determine by a vote of 0.75 Ownership Share. All moneys received by PGE as operator of the Project on account of the Project, except Costs of Construction, shall be deposited in such Account.

(b) No later than the next to the last business day of each month each Party shall deposit in the Operating Trust Account such Party's Ownership Share of the amount budgeted for the next succeeding month in the effective Operating Budget; provided, however, that when a revised Operating Budget becomes effective during a month each Party shall immediately deposit in the Operating Trust Account such Party's Ownership Share of any increase effectuated by the revised Operating Budget for that month.

11. FUEL: (a) After consultation with the Operating Committee, giving due consideration to the desires of each Party, PGE shall prepare and submit a fuel management plan and changes therein to the Operating Committee sufficiently in advance of the proposed action relating thereto to permit consideration and prosecution of the plan. Each such plan shall describe in detail each contemplated action and payment and the dates thereof, and, where applicable, core usage and design burn-up, and estimated

fueling date. Such plan shall become effective unless disapproved within 30 days after submittal, and subject to the provisions of Section 11(b), PGE shall implement such plan.

(b) If no effective fuel management plan provides specifically for a different time and manner of fueling, at the time when the design burn-up has been achieved and also on each October 1 unless the core then contains sufficient energy to permit operation of the Generating Plant at 85% plant factor to the following March 1, PGE shall proceed to fuel the Generating Plant subject to availability of fuel and to license and operating limitations.

(c) At the time of each fueling PGE shall submit to the Operating Committee an estimate of the next fueling date, the kilowatt hours of net energy available to such next fueling, and the cost per kilowatt hour of energy available to the next fueling date. Such cost per kilowatt hour shall be based upon estimates of (i) plant factor, (ii) design burn-up, and (iii) payments made or to be made from the Operating Trust Account, minus net fuel recoveries credited or to be credited to such Account, all as applicable to the core between such fueling date and the next planned fueling date. If no member of the Operating Committee disapproves such estimate within 30 days of its submittal it shall become effective.

(d) Each Party shall pay or cause to be paid into the

Operating Trust Account its Ownership Share of each payment related to fuel required by the fuel plan at least seven days prior to the date when payment is due; provided, however, that each such Party shall have the right to make whatever arrangements it may desire, whether by lease, security transaction or otherwise, for the discharge of its Ownership Share of such obligation so long as such arrangements do not impair the rights of any other Party. PGE shall disburse each payment related to fuel from the Operating Trust Account when due. Each Party shall receive its Ownership Share of each net fuel recovery credit.

(e) PGE shall keep an hourly record, cumulative from the time of the most recent fueling, charging to each Party the net energy which has been generated for such Party and the net energy for which such Party has become entitled to be paid pursuant to this subsection (e). When the sum of the amounts so charged to a Party equals such Party's Ownership Share of the net energy estimated to be available pursuant to Section 11(c) such Party shall become a deficient Party and, while there are other Parties which are not deficient, shall be required to pay the cost estimated pursuant to Section 11(c) for each kilowatt hour thereafter scheduled by it until the next fueling. Such payment shall be made to each Party which was not at the time of such schedule a deficient Party,



in the proportion that such Party's Ownership Share bore to the sum of the Ownership Shares of all Parties which were not deficient Parties. Amounts becoming due during a month shall be paid by the 15th day of the next succeeding month.

12. SCHEDULING: (a) Each Party shall be entitled to receive as scheduled all or any part of its Ownership Share of the Output of the Generating Plant at the 230-kv terminals of the Trojan substation. Each Party shall report its hourly schedule for the following day to PGE's dispatcher by 4:00 p.m. each day, except that the schedule for holidays, Saturdays and Sundays, and for the day following such days shall be submitted by 4:00 p.m. of the preceding week day; provided, however, that each Party shall have the right to change its schedule on shorter notice to reflect changes in its requirements. Should the total of requested changes in the level of operation of the Generating Plant require a rate of change in excess of either that prescribed by its manufacturers or in the AEC operating license, each Party whose scheduled rate of change is in excess of its Ownership Share of the prescribed limit shall be limited proportionately so that the total rate of change does not exceed the prescribed rate of change. If fulfilling the requested schedules of Parties would require operation of the Generating Plant at an operating level below the minimums recommended by its manufacturers or the

terms of the AEC operating license, whichever is higher, the PGE dispatcher shall immediately notify all the Parties, who with PGE shall have the right (proportional in accordance with the Ownership Share of each among those exercising such right) to supply the requested schedules from other sources in lieu of operating the Generating Plant and to be paid therefor, by the 15th day of the month following the month of delivery, at the rate per kilowatt hour established pursuant to Section 11(c). If none of the Parties agrees to supply such schedules as so requested, the Generating Plant shall be operated at the minimum generation permitted by the manufacturers' recommendation or the terms of the AEC operating license, whichever is higher. The Parties whose schedules are greater than their Ownership Share of such minimum generation shall take such schedules, and the other Parties shall schedule and take (proportional to their Ownership Shares) the remainder of such minimum generation.

(b) PGE shall schedule Generating Plant outages other than fueling outages and notify the Operating Committee as to the time and duration thereof as far in advance as practicable. If the Operating Committee does not disapprove such outage by a vote of more than .25 Share within five days, the Generating Plant shall be shut down in accordance with such schedule. Notwithstanding the foregoing, PGE may shut the Generating Plant down to avoid

hazard to any person or property.

(c) When testing of plant facilities requires generation, each Party shall make provision for acceptance of its Ownership Share of such generation. PGE will notify Parties of test schedules as far in advance as practicable.

(d) During any hour in which the Project does not generate its station use and losses to the 230-kv terminals of the Trojan substation, PGE's dispatcher shall notify the Parties and each Party shall deliver its Ownership Share of such energy to the Project.

13. ACCOUNTING: (a) PGE shall keep separate, complete and accurate account of all deposits in and withdrawals from the Construction Trust Account and each of the Parties shall keep complete and accurate accounts of all costs incurred by it for which it is to be reimbursed from such Account.

(b) PGE shall keep separate, complete and accurate account of all deposits in and withdrawals from the Operating Trust Account and complete and accurate account of all costs incurred by it for which it is reimbursed from such Account.

(c) All accounts shall be kept so as to permit conversion to the system of accounts prescribed for electric utilities by the Federal Power Commission, and the allocation of costs by PGE between Costs of Construction and Costs of Operation pursuant to this agree-

ment shall be binding on the Parties for purposes of this agreement, but the manner in which accounts are kept pursuant to this agreement is not intended to be determinative of the manner in which they are treated in the books of account of the Parties.

(d) Each Party shall have the right at any reasonable time to examine the separate books of account kept by PGE pursuant to this section and to examine the books of account and all supporting data and documents relating to amounts for which any Party is to be reimbursed from the trust accounts, and to examine and copy all plans, specifications, bids and contracts relating to the Project.

(e) PGE shall by the 15th of each month supply to each Party a complete itemized account of all deposits in and withdrawals from the trust accounts during the previous month, together with an itemization of the basis for reimbursement made to PGE from such account during such month. PGE shall cause all accounts to be audited by independent Certified Public Accountants of national reputation acceptable to all the Parties at approximately annual intervals and when such accounts are closed. Copies of such audits shall be supplied to each Party.

14. INSURANCE: PGE shall maintain in force, for the benefit of the Parties as their interests shall appear, as a Cost of Construction or a Cost of Operation as appropriate, such insurance

as the Parties may agree upon, but not less than is required under the contract with the Bechtel Corporation during the time it is in force, and thereafter not less than will satisfy the requirements of the Atomic Energy Act of 1954, as amended, and conform to Prudent Utility Practice. PGE shall keep the other Parties informed as to the status of insurance in force and if it does so, PGE shall not be liable for any failure to insure or inadequacy of coverage. Proceeds from such insurance for loss or damage to the Project shall be deposited in the appropriate trust account and shall be applied to repair of such damage as provided in Section 16.

15. UNCONTROLLABLE FORCES: No Party shall be in default in performance of any obligation hereunder, except the payment of money, if such failure of performance is due to causes which such Party could not have reasonably been expected to avoid.

16. DAMAGE TO THE PROJECT: (a) In the event that (i) after the Date of Commercial Operation the Project suffers damage, resulting from causes other than ordinary wear, tear or deterioration to the extent that the estimated cost of repair as unanimously agreed by members of the Operating Committee, or, if they cannot agree within a period of three months from the date of damage, as determined by the Project Consultant, exceeds the estimated available proceeds of insurance, if any, by less than \$6,000,000, or (ii) prior to the Date of Commercial Operation the Project suffers

damage to any extent, and in either of such events, if the Parties do not unanimously agree that the Project shall be ended pursuant to Section 24, PGE shall promptly submit a revised Construction or Operating Budget, as appropriate, and shall proceed to repair the Project, and each Party shall pay as budgeted, into the appropriate Trust Account, its Ownership Share of the cost thereof in excess of insurance proceeds.

(b) If after the Date of Commercial Operation the Project suffers damage to the extent that the estimated cost of repair exceeds the estimated available proceeds of insurance, if any, by more than \$6,000,000 as determined in Section 16(a), the appropriate committee shall agree upon, or if they cannot so agree within six months from the date of damage, the Project Consultant shall determine, the estimated value of the Project as and when repaired. Thereafter, each Party which, within a reasonable time to be determined by the appropriate committee gives notice in writing to the other Parties of its desire that the Project be repaired, shall, in the proportion that its Ownership Share bears to the total of the Ownership Shares of all Parties giving such notice, pay into the appropriate Trust Account, as budgeted in a revised budget, all of the cost of repair in excess of insurance proceeds, if any. If any Party has given such notice, the Ownership Share of each Party which does not give such notice shall, at the end of the

reasonable time which was determined by the appropriate committee, be reduced to the extent determined by the following formula:

$$S_r = S_o \left[ \frac{V - (C - I)}{V} \right]$$

where

- V = Estimated value of the Project as repaired
- C = Estimated cost of repair
- I = Estimated insurance proceeds
- S<sub>o</sub> = Ownership Share prior to loss
- S<sub>r</sub> = Reduced Ownership Share

At the same time the amount of such reduction shall be added to the Ownership Share of Parties giving such notice in the proportion that the Ownership Share of each bears to the total of the Ownership Shares of all Parties giving such notice.

(c) If after the Date of Commercial Operation the Project suffers damage to the extent that the estimated cost of repair as determined in Section 16(a) exceeds the estimated available proceeds of insurance, if any, by more than \$6,000,000 and no Party gives the notice required by Section 16(b), the Project shall be ended pursuant to Section 24.

17. DEFAULT: (a) Upon failure of a Party to make any payment when due or perform any obligation of an owner herein, any other Party may make written demand upon said Party, and if said failure is not cured within 60 days from the date of such demand

it shall at the expiration of such period constitute a default. A Party in default shall have no right to the Output of the Project, to have representation on any committee, nor to exercise any other right of a Party. In such event the defaulting Party's Ownership Share of power and energy may be sold during the period of the default for the benefit of the defaulting Party (to third Parties or other Parties to the agreement) and the proceeds applied to the amounts owed by such Party. If a Party in good faith disputes the existence or extent of such failure, it shall within said 60-day period make such payment or perform such obligation under written protest directed to the other Parties. Such dispute shall be submitted to the Project Consultant who shall determine the extent of the obligation of the Party disputing such failure and any payments shall be adjusted accordingly. Payments not made when due may be advanced by the other Parties and, if so advanced, shall bear interest, until paid, at the rate of 1% per month or the highest lawful rate, whichever is lower.

(b) If such default results from the nonpayment of capital costs, as defined in the Federal Power Commission Uniform System of Accounts, and continues for a period of four months, the defaulting Party shall afford the other Parties the right (but they shall not have the obligation) for an additional period of



two months to elect, by notice in writing, to undertake the payment of such capital costs in full. In such case any advances of such capital costs previously made pursuant to Section 17(a), and any additional payments necessary to pay such capital costs in full, shall be for the account of the paying Party, and the defaulting Party's Ownership Share shall at the time of such election be reduced to the extent determined by the following formula:

$$S_r = S_o \left[ \frac{V - A}{V} \right] \quad \text{where:}$$

V = Estimated value of the project including estimated capital costs as agreed by the appropriate committee or, if it cannot agree, as determined by the Project Consultant

A = Such capital costs plus interest on any part advanced

S<sub>o</sub> = Ownership Share prior to default

S<sub>r</sub> = Reduced Ownership Share

At the same time the amount of such reduction shall be added to the Ownership Shares of the other Parties in the proportion that the amount so advanced by each bears to the total amount advanced.

(c) In addition to the rights granted in this Section 17 any non-defaulting Party may take any action, in law or equity, to enforce this agreement and to recover for any loss or damage, including attorneys' fees and collection costs, incurred by reason of such default.

18. NOTICE UNDER OTHER AGREEMENTS: If Eugene is wholly unable to participate in the ownership, construction or operation of the Project due to licensing, financing, construction or operating conditions which are beyond its control, or if the Project is terminated pursuant to Section 24, Eugene shall give the notice of termination required by Section 12(a) of the Trojan Nuclear Project Agreement 14-03-09181 executed by the USA, Department of the Interior, acting by and through the Bonneville Power Administrator, and the City of Eugene, Oregon.

19. ELECTIVE CAPITAL ADDITIONS: Renewals and replacements not necessary to assure design capability, and betterments and additions not required by governmental agencies, shall be made after the Date of Commercial Operation only upon unanimous recommendation of the Operating Committee; provided, however, that PGE, alone or together with any other Party, may make such additions at its own expense.

20. ADDITIONAL FACILITIES: In the event additional facilities are constructed on the real property described in Exhibit A the Parties hereto shall, to the extent that the same will not interfere with the use and operation of the Project in such a way as cannot be corrected or compensated for, grant to the owners of such additional facilities the right to use, add to and modify Project facilities; provided, however, that such owners shall first pay or agree to pay

to the Parties: (i) an equitable part of the cost of such additions or modifications to Project facilities, (ii) any cost of relocation of Project facilities, (iii) equitable compensation for the use of any Project real, personal or other property, except easement rights, utilized by such owners, and (iv) equitable compensation for any increase in operating, maintenance or other costs incurred by the Parties by reason of the construction and operation of such additional facilities. Provided further that the provisions of this Section shall not operate to increase the Parties' exposure to uninsured loss without the written consent of the Parties, and if reasonable arrangements are made to cover such increased exposure, such consent shall not be withheld. If the owners of such additional facilities and the Parties are unable to agree as to any costs or compensation in accordance with the foregoing, the matter shall be referred to the Project Consultant for determination by it.

21. INVESTMENT: PGE shall have the right, but not the obligation, to invest funds in the Construction Trust Account or in the Operating Trust Account in legally issued obligations of the United States or the State of Oregon and the net proceeds from such investments shall be deposited in the Account from which it came and credited to the Parties in their respective Ownership Shares.

22. ASSIGNMENT: This agreement shall be binding upon and shall inure to the benefit of successors and assigns of the Parties, provided, however, that no transfer or assignment of other than all of a Party's interest in the Project and under this agreement to a single entity shall operate to give the assignee or transferee the status or rights of a "Party" hereunder and no transfer or assignment hereunder shall operate to increase the number of representatives of any Party on any committee. Except as provided in Sections 2(b), 2(c), 16 and 17 of this agreement, the undivided interest (or a portion thereof) of any Party in the Project, the property, real or personal, related thereto, and under this agreement may be transferred and assigned as set out below but not otherwise:

- (a) To any mortgagee, trustee, or secured party, as security for bonds or other indebtedness of such Party, present or future; and such mortgagee, trustee or secured party may realize upon such security in foreclosure or other suitable proceedings, and succeed to all right, title and interests of such Party;
- (b) To any corporation or other entity acquiring all or substantially all the property of the Party making the transfer;
- (c) To any corporation or entity into which or with which the Party making the transfer may be merged or consolidated;
- (d) To any corporation or entity, the stock or ownership

of which is wholly owned by the Party making the transfer;

(e) To any corporation or entity in a single transaction constituting a sale and lease back to the transferor or assignor;

(f) To any other person, provided that so long as Eugene retains its Ownership Share in the Project no interest, except as a security interest, in the Project shall be sold or assigned to an entity not authorized by ORS 225.470 to participate in common facilities with a municipal system; and provided further, that the Party shall first offer to transfer or assign such interest to the other Parties proportionately at the amount of and on terms and conditions not less advantageous than those which it is willing to accept for a transfer or assignment to such other person. Such offer shall remain open for a reasonable period but not less than three months; and if the offer of the selling Party's interest is not accepted by any other Party proportionately, the entire offer may be accepted by one of the other Parties or in different proportions among the other Parties as such Parties may mutually agree;

(g) Transfer or assignment shall not relieve a Party of any obligation hereunder except to the extent agreed to in writing by all the other Parties.

23. TRAINING: PGE shall carry out a familiarization and training program to maintain adequate staffing, engineering and operation of the Project and the expenses thereof shall be part of

the Costs of Construction or Costs of Operation as appropriate. Each Party shall be entitled in proportion to its Ownership Share, within the limits of operating efficiency and safety requirements, to use of the facilities of the Project for the training of its own employees for staffing of other nuclear facilities or the engineering and operation thereof. Any increase in the Costs of Construction or the Costs of Operation resulting from such training shall be borne by the Parties employing such trainees.

24. END OF THE PROJECT: When the Generating Plant can no longer be made capable, consistent with Prudent Utility Practice as determined (if necessary) by the Project Consultant, of producing electricity, or is not licenseable by the AEC, or when the Project is ended pursuant to Section 16, PGE shall sell for removal all salable parts of the Project to the highest bidders; provided, however, that the Plant Real Property shall revert to PGE. After deducting all costs of ending the Project, including, without limiting the generality of the foregoing, the cost of decommissioning, razing all structures and disposing of the debris and meeting all requirements of Federal, state or local law relating to the safe deactivation of the plant, PGE shall close the appropriate trust account and, if there are net proceeds, distribute to each Party its Ownership Share of such proceeds, including the value of the Plant Real Property as determined by agreement of all the Parties.

or in the absence of such agreement, by the Project Consultant. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred.

IN WITNESS WHEREOF, the Parties hereto have caused this agreement to be executed this 5<sup>th</sup> day of October, 1970.

PORTLAND GENERAL ELECTRIC COMPANY

By Robert N. Shurt

Attest:

[Signature]

THE CITY OF EUGENE, acting by and through the Eugene Water & Electric Board

By [Signature]

Attest:

[Signature]

PACIFIC POWER & LIGHT COMPANY

By George L. Beard

Attest:

[Signature]

SUPPLEMENTAL AGREEMENT

This is an agreement between Portland General Electric Company, a corporation of Oregon (PGE), the City of Eugene, a Municipal Corporation of the State of Oregon acting by and through the Eugene Water & Electric Board, (Eugene), and Pacific Power & Light Company, a corporation of Maine (Pacific), supplementing and conditioning an agreement of even date titled "Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant".

In consideration of the execution of said Agreement and of the provisions herein set forth, the parties agree as follows:

1. Notwithstanding the provisions of Section 5 of said Agreement, Eugene shall be excused from the payments therein required until it has raised funds in amount sufficient to make such payments estimated to be required for Eugene's share of the Costs of Construction through December 31, 1971 (such estimate being \$13,000,000). Eugene shall proceed at once to use its best efforts, in good faith, to raise such funds through the sale of bonds or bond anticipation notes. If Eugene has not raised such funds by June 30, 1971, said



Agreement shall thereupon become of no effect and void ab initio. In such event PGE shall promptly repay to Pacific any sums theretofore paid or advanced by Pacific pursuant to said Agreement, together with Pacific's related interest costs from the date such sums were paid or advanced to such date of repayment.

- 2. Pacific's obligations under said Agreement shall not become effective until approved by the Public Utility Commissioner of the State of Oregon.

October 5, 1970.

PORTLAND GENERAL ELECTRIC COMPANY

By A. J. Foster

Attest [Signature]

THE CITY OF EUGENE - Acting by and through the Eugene Water & Electric Board

By [Signature]

Attest [Signature]

PACIFIC POWER & LIGHT COMPANY

By George L. Beard

Attest [Signature]

## EXHIBIT A

## TROJAN NUCLEAR PLANT SITE: Exterior Boundary

A tract of land lying in Sections 35 and 36, Township 7 North, Range 2 West, Willamette Meridian and in Sections 1 and 2, Township 6 North, Range 2 West, Willamette Meridian, Columbia County, Oregon, being more particularly described as follows, to-wit:

Beginning at the Northwest corner of that certain parcel of land in Section 35, Township 7 North, Range 2 West, Willamette Meridian, as described in Deed to Portland General Electric Company recorded December 19, 1968 in Book 171, page 935 of Deeds of said County, the said beginning being the intersection of the Southerly right of way line of R. F. Graham Co. Rd. No. P-78 and the Easterly right of way line of the Columbia River Highway; thence Southerly tracing the Easterly right of way line of said Columbia River Highway a distance of 2760 feet, more or less, to a point on the Section line between Section 35, Township 7 North, Range 2 West, Willamette Meridian, Columbia County, Oregon, and Section 2, Township 6 North, Range 2 West, Willamette Meridian, Columbia County, Oregon; thence North  $89^{\circ} 56' 30''$  West along the North line of said Section 2, 163.4 feet to the quarter corner between Sections 35 and 2-aforesaid; thence West 1265.27 feet, more or less, along the North line of said Section 2 to the Northwest corner of the Northeast quarter of the Northwest quarter of said Section 2; thence South 2776.54 feet, more or less, along the West line of the East half of the Northwest quarter of said Section 2 to the Southwest corner of the Southeast quarter of the Northwest quarter of said Section 2; thence East 1299.16 feet, more or less, along the South line of the East half of the Northwest quarter of said Section 2 to the center of said Section 2; thence South  $2^{\circ} 47' 00''$  East 658 feet along the West line of Southeast quarter of said Section 2; thence South  $88^{\circ} 53' 00''$  East 1308.71 feet, more or less, to the West line of the NE  $1/4$  of SE  $1/4$  of Section 2; thence South 658.42 feet, more or less, to the Southwest corner of the Northeast quarter of the Southeast quarter of said Section 2; thence

East along the South line of the Northeast quarter of the Southeast quarter of Section 2 1277.25 feet, more or less, to the Northwest corner of Government Lot 4, Section 1, Township 6 North, Range 2 West, Willamette Meridian, Columbia County, Oregon; thence South 1318.26 feet, more or less, along the West line of said Government Lot 4 to the section corner common to Sections 1, 2, 11 and 12, Township 6 North, Range 2 West, Willamette Meridian, Columbia County, Oregon; thence East 2000 feet, more or less, along the South line of said Government Lot 4 to Southeast corner of said Government Lot 4; thence continuing East on an East projection of said South line of Government Lot 4 being on the South line of said Section 1, Township 6 North, Range 2 West of the Willamette Meridian to the Easterly line of the tidelands fronting and abutting said Government Lot 4; thence Northerly and downstream with, adjacent to the left bank of the Columbia River; tracing the meanderings of the Easterly line of the tidelands abutting and fronting Government Lots 4, 3, 2 and 1 of Section 1, Township 6 North, Range 2 West, Willamette Meridian, Columbia County, Oregon to an East projection of the North line of said Government Lot 1, as described in that certain Parcel 5 on page 23 of Book 168, Deed Records of Columbia County, Oregon; thence West on the aforesaid North line and East projection thereof of Government Lot 1 to the Southeast corner of that certain Parcel 1 as described on Page 117, Bk 168, Deed Records of Columbia County, Oregon, the said Parcel 1 being in Sections 35 and 36, Township 7 North, Range 2 West, Willamette Meridian, Columbia County, Oregon; thence downstream along the Westerly bank of the Columbia River and the Easterly line of the last aforesaid Parcel 1 and the Easterly line of Parcel 2 as described on Page 117, Book 168, Deed Records of Columbia County, Oregon, the following courses and distances, North  $39^{\circ} 19'$  East 98.6 feet, North  $25^{\circ} 38'$  West 249.60 feet, North 350 feet, North  $66^{\circ} 32'$  West 108.2 feet, North  $30^{\circ} 34'$  West 414.50 feet, North  $22^{\circ} 02'$  East 344.40 feet to a point on what is known as the Devil's Backbone, the said last mentioned point being the Northeast corner of that certain Parcel 2 as described on Pages 117 and 118, Book 168, Deed Records of Columbia County, Oregon; thence continuing downstream along the Westerly bank of the Columbia River North  $8^{\circ} 29'$  West 1009.20 feet to the Southeast corner of that certain parcel as described on page 387, Book 73, Deed Records of

Columbia County, Oregon; thence North 89° 38' West 777.60 feet; thence North 280 feet to the South line of Prescott Homes, a duly recorded plat of Columbia County; thence tracing the South line of said Prescott Homes, Columbia County, Oregon, North 89° 38' West 487.97 feet to a point of intersection with the East right of way line of the Spokane, Portland and Seattle Railway; thence continuing on a Westerly extension of the South line of said Prescott Homes, Columbia County, Oregon to its intersection with the division line of a triangular tract of land as excepted and described in Deed to Portland General Electric by Deed recorded December 19, 1968 in Book 171, page 935, Deed Records of Columbia County, Oregon; thence North 6° 36' 40" West along said division line to the Southerly right of way line of said Graham Road; thence along the said Southerly right of way line of said Graham Road Southwesterly approximately 1715 feet to the place of beginning

EXCEPTING THEREFROM the following:

1. That portion lying in County Road, and Old Columbia River Highway and relocated Columbia River Highway.
2. The Welter Family Catholic Cemetery in the Southeast quarter of the Southwest quarter of the Northeast quarter of Section 2 in Township 6 North of Range 2 West of the Willamette Meridian, Columbia County, Oregon and in Deed recorded March 4, 1919 in Book 27, page 209, Deed Records of Columbia County, Oregon.
3. Those portions of the Spokane, Portland and Seattle Railway right of way, as now located, traveled, and of record in Sections 35 and 36, Township 7 North, Range 2 West and in Section 1, Township 6 North, Range 2 West of the Willamette Meridian, Columbia County, Oregon.
4. Rights reserved in Deed from R. F. Graham, et al to Charles Stevens and Darleen Stevens, husband and wife, recorded August 20, 1928 in Book 46, page 127, Deed Records of Columbia County, Oregon.

5. Easement for water pipe line, including the terms and provisions thereof, given by Delbert L. Burnham, et ux to City of Prescott as disclosed by instrument recorded February 10, 1967 in Book 164, page 137, Deed Records of Columbia County, Oregon.
6. Easement and right of way, including the terms and provisions thereof, given by Portland General Electric Co. to Pacific Power & Light Co. recorded December 3, 1968 in Book 171, page 773, Deed Records of Columbia County, Oregon.
7. Reservations of roads and minerals, including the terms and provisions thereof, contained in Deed from Columbia County, Oregon to J. R. Welter, recorded June 22, 1944 in Book 74, page 576, Deed Records of Columbia County, Oregon and in Deed to Thomas Welter and Jerry Welter, recorded October 26, 1964 in Book 156, page 512, Deed Records of Columbia County, Oregon.
8. Reservation of minerals in Columbia County as disclosed in Deed to Frank Welter and Ellen Olive Welter, recorded August 17, 1944 in Book 75, page 206, Deed Records of Columbia County, Oregon.
9. Water pipe line easement and right of way, including the terms and provisions thereof, given by Walter A. Furer, et ux to City of Prescott, recorded February 10, 1967 in Book 164, page 139, Deed Records of Columbia County, Oregon.
10. Excepting from the description herein all the following tracts heretofore conveyed to the City of Prescott by Deed recorded December 3, 1948 in Book 102, page 296 and by Deed recorded August 31, 1949 in Book 104, page 646 and by Deed recorded February 10, 1967 in Book 164, page 141, Deed Records of Columbia County, Oregon

TROJAN NUCLEAR PLANT  
CONTRACT SUMMARY

Spec. No.	Item	Vendor	No. Items	Issued For Bid	Bids Received	Award Date	Commence Cancellation Charges	Delivery	Estimated Cost	Contract P. Incl. Supplies
M-1	NSSS	Westinghouse	1	3-29-68	5-28-68	11-6-68	11-6-68	3-31-72	39,375,030	35,473,000
M-3	Turbine-Generator	General Elect.	1	3-29-68	5-28-68	10-3-68	12-1-69	10-9-72	29,616,400	27,953,900
M-4	Condenser w/o tubes	Westinghouse	7	6-13-69	7-22-69	10-3-69	10-15-69	2-1-72	1,550,000	1,635,200
M-5	Circ. Water Pumps	DeLaval	2	9-25-69	11-26-69	8-5-70		7-1-72	495,000	574,600
M-7	Condensate Pumps Heater Drain Pumps	Byron-Jackson Bingham/Wlmt.	2	7-7-69	7-31-69	11-18-69	1-1-70	6-1-72	350,000	310,300
			2	7-7-69	7-31-69	11-18-69		8-1-71		142,800
M-8	Boiler Feed Pumps	Bingham/Wlmt.	2	9-8-69	10-8-69	11-20-69	6-1-70	7-24-72	150,000	152,800
M-9	Feed Pump Turbine Dr.	DeLaval	2	8-8-69	8-22-69	9-10-69	11-5-69	8-30-72	770,000	746,000
M-11	Feedwater Heaters	Sweco	8	6-13-69	7-14-69	9-12-69		4-1-72	1,750,000	1,750,000
		Westinghouse	6				9-1-71			(799,200)
		BLH	2				11-1-71			(520,200)
							10-1-69			(328,900)
M-13	Condenser Tubes	PHELPS.. Dodge	2,588,400	12-29-69	1-14-70	3-31-70	-	4-72	1,200,000	1,399,800
M-44	Solid Waste Baler	Consolidated Baling Mach. Co.	1	12-12-69	1-13-70	4-7-70	-	8-72	4,100	4,400
M-54	Turbine Bldg. Bridge Crane	Ederer Corp.	1	10-7-69	11-6-69	12-30-69	-	9-71	225,000	193,300
M-55	Polar Bridge Crane		1	1-15-70	2-17-70	-	-	-	280,000	280,000

\* Estimated amount.

TROJAN NUCLEAR PLANT  
CONTRACT SUMMARY

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Spec. No.	Item	Vendor	No. Items	Issued For Bid	Bids Received	Award Date	Commence Cancellation Charges	Delivery	Estimated Cost	Contract Price Incl. Supplies
M-28	Component Cooling Wtr. Heat Exchangers		2	(Re-issued) 7-16-70	8-4-70				120,000	120,000
M-34	Radwaste Gas Compressors and Accessories		2	3-20-70	5-5-70				50,000	50,000
M-56	Fuel Bldg. Bridge Crane		1	3-27-70	5-5-70				140,000	140,000
M-29	Spent Fuel Pool Cooling Water Heat Exchanger		2	4-22-70	6-9-70				35,000	35,000
M-53	Radwaste Water System Liquid Filters		8	5-8-70	6-11-70				11,000	11,000
M-17	Service Water Pumps	Johnson Pump	3	5-13-70	6-16-70	9-16-70		5-1-72	180,000	100,210
M-55	Instrument Air Dryers & Filters	Kemp Co.	1	5-28-70	6-20-70	9-16-70		1-24-72	6,000	7,590
M-45	Fuel Pool Filters		6	(To be reissued)					8,000	8,000
M-49	Fuel Pool Demineralizer		1	5-28-70	7-7-70				14,000	14,000
M-33	Air Compressors & Accessories		3	6-10-70	7-8-70	9-15-70		1-24-72	45,000	41,040
M-27	Lube Oil Conditioner Filter Pump and Transfer Pumps		4	6-16-70	7-14-70	9-9-70	12-1-71	6-1-72	10,000	16,310
M-400	Temporary Fire Pumps		3	6-19-70	7-14-70				20,000	19,300
M-21	Radioactive Waste System Sump Pumps		4	(Re-issued) 8-3-70	8-20-70				14,000	14,000

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\*Estimated amount.

TEOJAN NUCLEAR PLANT  
 CONTRACT SUMMARY  
 Page 3

Spec. No.	Item	Vendor	No. Items	Issued For Bid	Received	Award Date	Commence Cancellation Charges	Delivery	Estimated Cost	Contract Pr Incl. Supplier
M-219	Balance of Plant Computer		1	7-13-70	8-27-70				400,000	400,000
M-20	Fire Pumps		2	7-13-70	8-11-70				30,000	30,000
M118	Component Cooling Water Pumps		3	9-10-70	10-22-70				55,000	55,000
M65	Process Steam Boiler & Condensate Unit		5	8-14-70	9-24-70				48,000	48,000
M46	Radwaste System Gas Tanks		5	9-11-70	10-27-70				75,000	75,000
M40	Makeup Demineralizer Syst.		1	8-18-70	10-23-70				200,000	200,000
M104	Shop Fabricated Stainless Steel Piping		1 Lot	9-8-70	10-20-70				120,000	120,000
M50	Domestic Water Treatment		1	9-9-70	10-21-70				6,000	6,000
M24	Misc. Radwaste Liquid Tanks		11	9-16-70**					300,000	300,000
M39	Radwaste Syst. & Evaporator Accessories		1 unit	9-16-70**					150,000	150,000

\*Estimated amount.  
 \*\*Issued to Purchasing Agent.



TROJAN NUCLEAR PLANT  
 CONTRACT SUMMARY  
 Page 4

Spec. No.	Item	Vendor	No. Items	Issued For Bid	Bids Received	Award Date	Commence Cancellation Charges	Delivery	Estimated Cost	Incl. Supplemental	Contract Price
C-3	Sewage Pumping Station & Sewage Treatment Plant Equipment		2	5-15-70	6-11-70				35,000		35,000*
C8	Circulating Water Pipe		1 Lot	9-8-70					500,000		500,000*
C35	Structural Steel		5,550T	9-21-70	10-21-70				2,000,000		2,000,000*

\* Estimated amount.  
 \*\* Issued to Purchasing Agent.

TROJAN NUCLEAR PLANT  
 CONTRACT SUMMARY  
 Page 5

Spec. No.	Item	Vendor	No. Items	Issued For Bid	Bids Received	Award Date	Commence Cancellation Charges	Delivery	Estimated Cost	Contract Incl. Supplies
E-1	Main Step-Up Trnsfr.	McGraw-Edison	2	12-12-69	2-4-70	5-15-70		-	1,290,000	975,500
E-2	Unit Aux. Transformer	McGraw-Edison	1	3-27-70	4-29-70	7-21-70			120,000	91,450
E-5	Isophase Bus Duct	H. K. Porter	1	1-30-70	3-10-70	6-16-70	10-70	7-31-72	185,000	221,400
E-4	Unit Substation Transformer		2	7-16-70	8-18-70				100,000	100,000

\* Estimated amount.

**TROJAN NUCLEAR PLANT**  
**CONTRACT SUMMARY**  
 Page 6

Spec. No.	Item	Vendor	No. Items	Issued For Bid	Bids Received	Award Date	Commence Cancellation Charges	Delivery	Estimated Cost	Contract Incl. Sup.
F-07	Cooling Tower	Research-Cottrell	1	9-18-69	1-13-70	3-31-70	-	3-73	5,700,000	7,177
F-01 (C-5)	Site Grading	Kiewit Sons'		12-16-69	2-3-70	2-18-70	-	-	2,250,000	2,233
F-17	Passenger & Freight Elevators	Otis Elevator	3	5-6-70	6-10-70	7-22-70			165,000	135
F-19	Containment Liner Plate		1	8-24-70	9-29-70				1,785,000	1,788
F-20	Containment Post Tensioning System		1	8-21-70	9-29-70				2,248,000	2,244
F-06	Heavy Lift Rigging		1	8-17-70	10-14-70				946,000	94
F-16	Furnishing and Delivery of Concrete		1	8-27-70	10-15-70				1,254,000	1,255
F-03	Construction Facilities		1	9-1-70	10-6-70				465,000	46
Total									\$96,845,530	\$92,744

\* Estimated amount.

## CERTIFICATE OF SERVICE

I CERTIFY that I have on this day served the foregoing document **DIRECT TESTIMONY OF KEN BEESON ON BEHALF OF THE EUGENE WATER & ELECTRIC BOARD** upon all parties by routing a copy via electronic mail and/or by mailing a copy properly addressed with first class postage prepaid to each party indicated on the current service list maintained by the Oregon Public Utility Commission in this proceeding.

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