

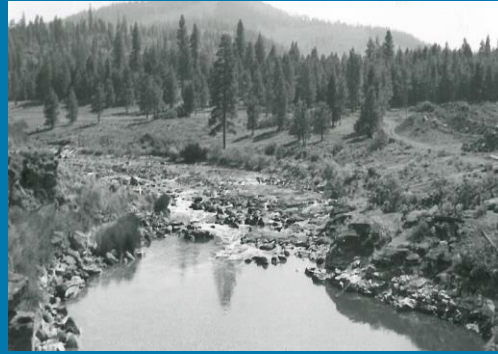
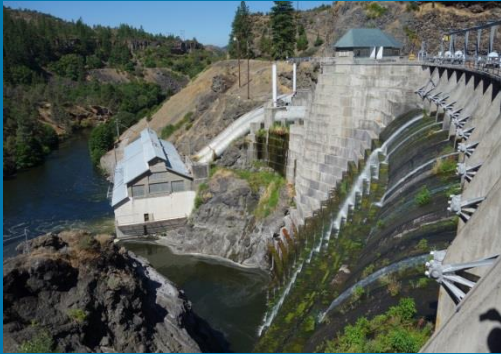


Klamath Renewal

Presentation to Oregon PUC

January 15, 2019

Restoring the natural vitality of the Klamath River



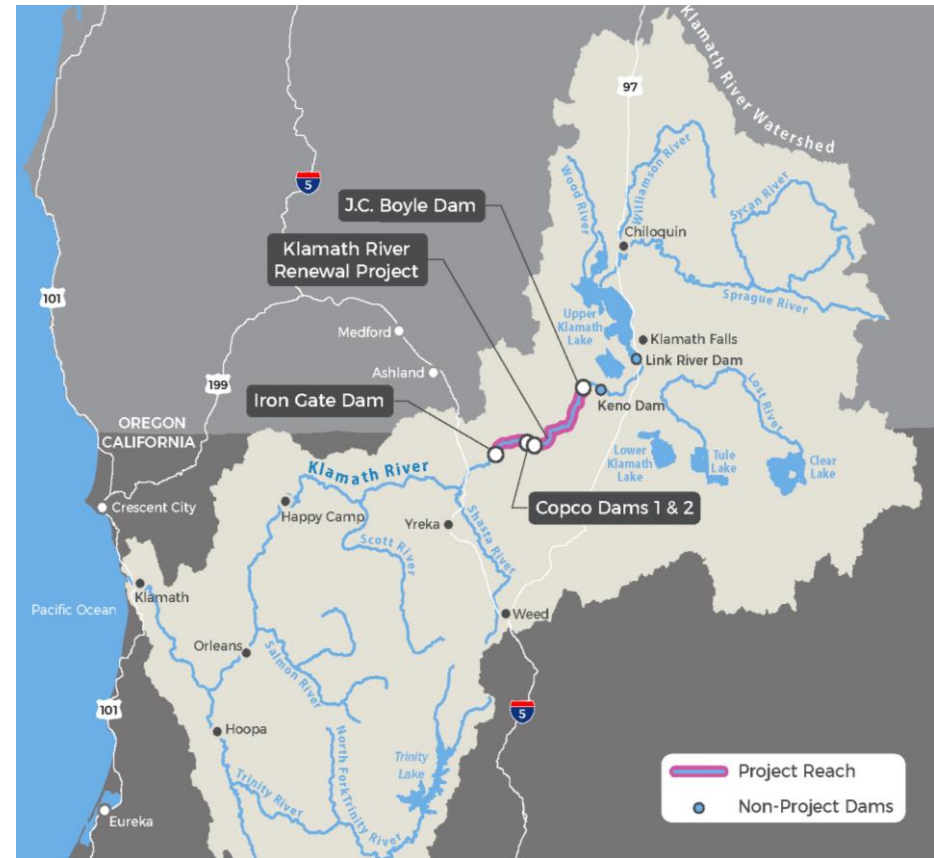
1 – Introduction

Purpose of Today's Presentation

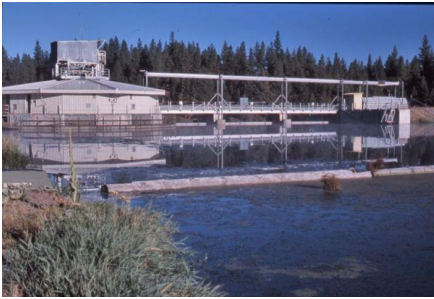
- Overview
- Provide update on implementation of OPUC Funding Agreement DM#7810225
 - authorizes the expenditure of \$184 million of PacifiCorp customer funds by Klamath River Renewal Corporation (KRRC) to implement the amended Klamath Hydroelectric Settlement Agreement (KHSA)
- Provide a high-level financial overview
- Review KRRC accomplishments to date, focusing primarily on 2018
- Look ahead to future activities
- Answer Commissioner and staff questions

What is KRRRC?

- A 501(c)(3) non-profit organization, governed by a 14-person Board
- Charged to implement the KHSA
 - Transfer of Federal Energy Regulatory Commission (FERC) license from PacifiCorp to KRRRC
 - License surrender and decommissioning by KRRRC



Which Hydroelectric Dams Will Be Removed, and Why?



JC Boyle



Copco No. 1



Copco No. 2



Iron Gate

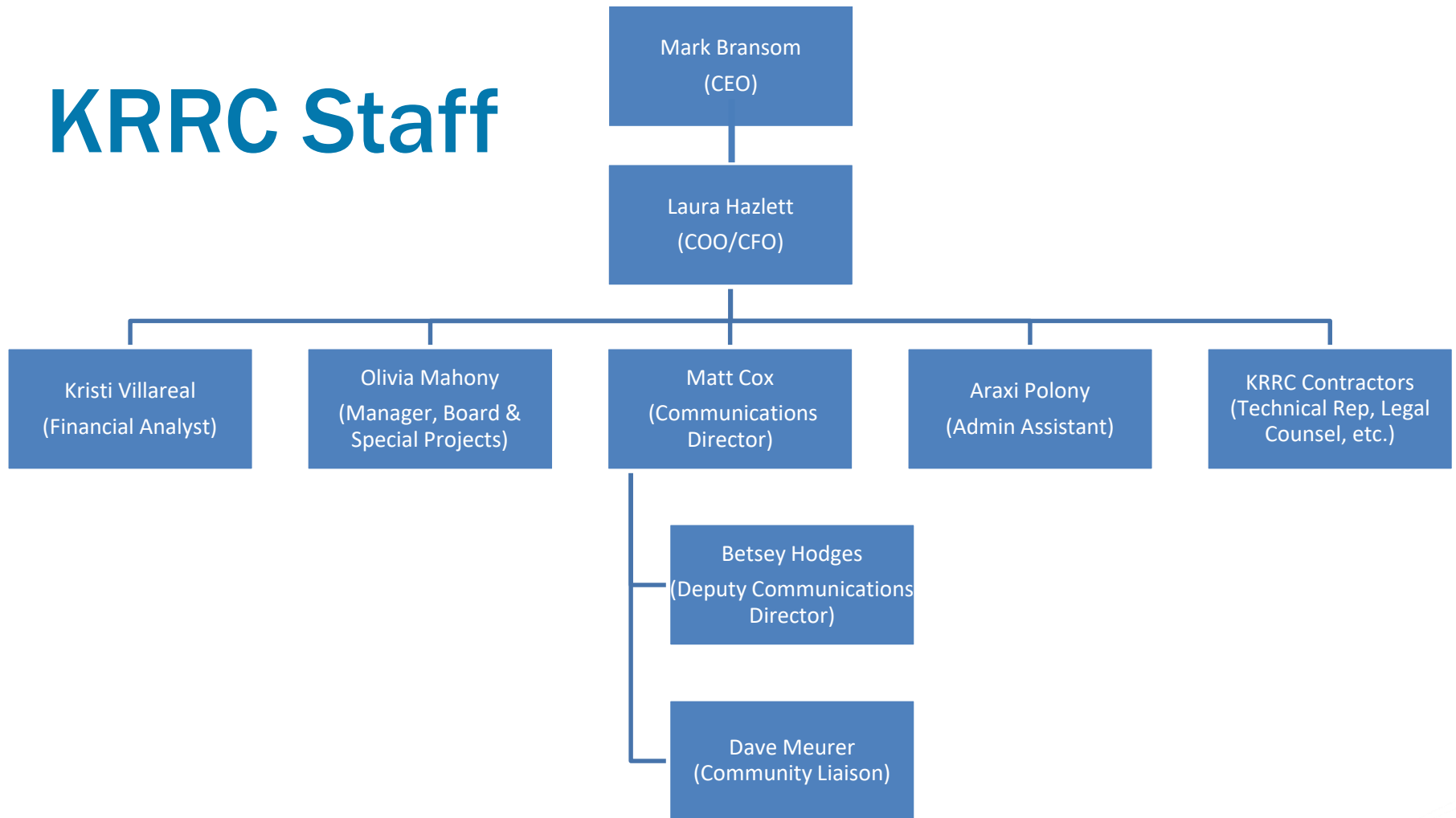
- **Privately-owned and operated by PacifiCorp**
- **Not operated to provide flood control, irrigation diversion, or storage**
- **License surrender and decommissioning consistent with KHSA's terms**
 - The KHSA provides cost certainty and liability protection for PacifiCorp and its customers relative to uncertain costs and risks of relicensing
 - Restoration of free-flow conditions of Klamath River for 235 miles to Pacific Ocean; benefits for anadromous fisheries

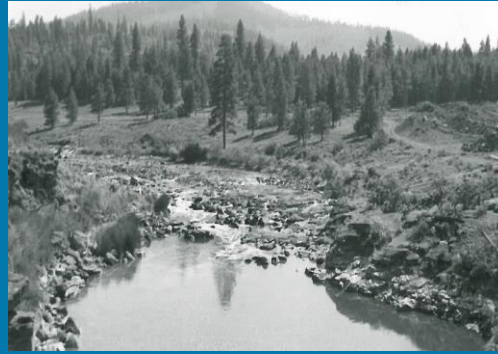
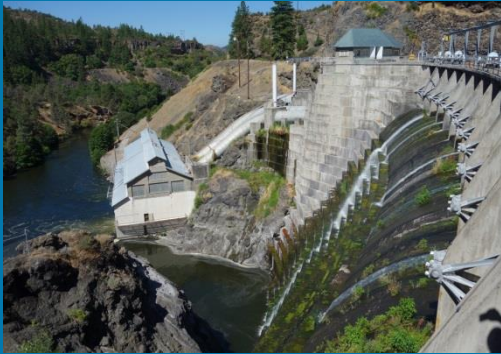
What are PacifiCorp's roles?



- **Throughout:**
 - PacifiCorp will furnish information and cooperate with KRRC, per KHSA sections 2.1 and 7.1.7(A)
 - PacifiCorp will operate power dams until decommissioning
- **Upon license transfer order:**
 - PacifiCorp and states will confirm that KRRC has met the eight conditions in KHSA section 7.1.4, including liability protection
 - If yes, PacifiCorp will transfer fee title for lands, power dams, and related facilities to KRRC, which will accept license transfer
 - PacifiCorp will fund hatchery improvements
- **Upon license surrender order:**
 - PacifiCorp will not be responsible for any of the dam removal activities

KRRC Staff





2 – Financial Overview

Project Funds Available

- **PacifiCorp customer funds via PUC funding agreements**
 - Oregon: \$184M
 - California: \$16M
- **California Prop. 1 Bond Funds**
 - Up to \$250M

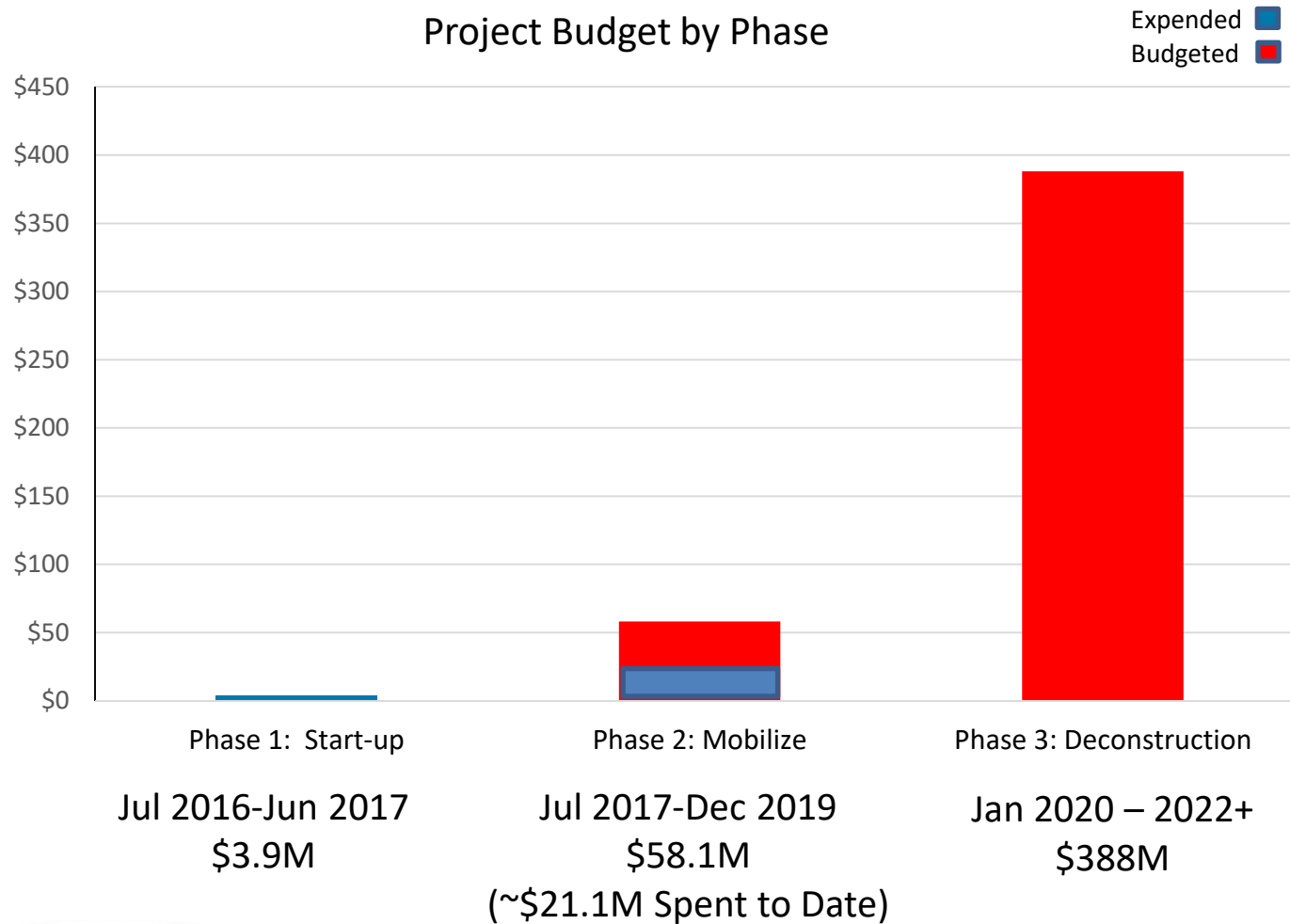


Klamath River between JC Boyle Dam and Powerhouse

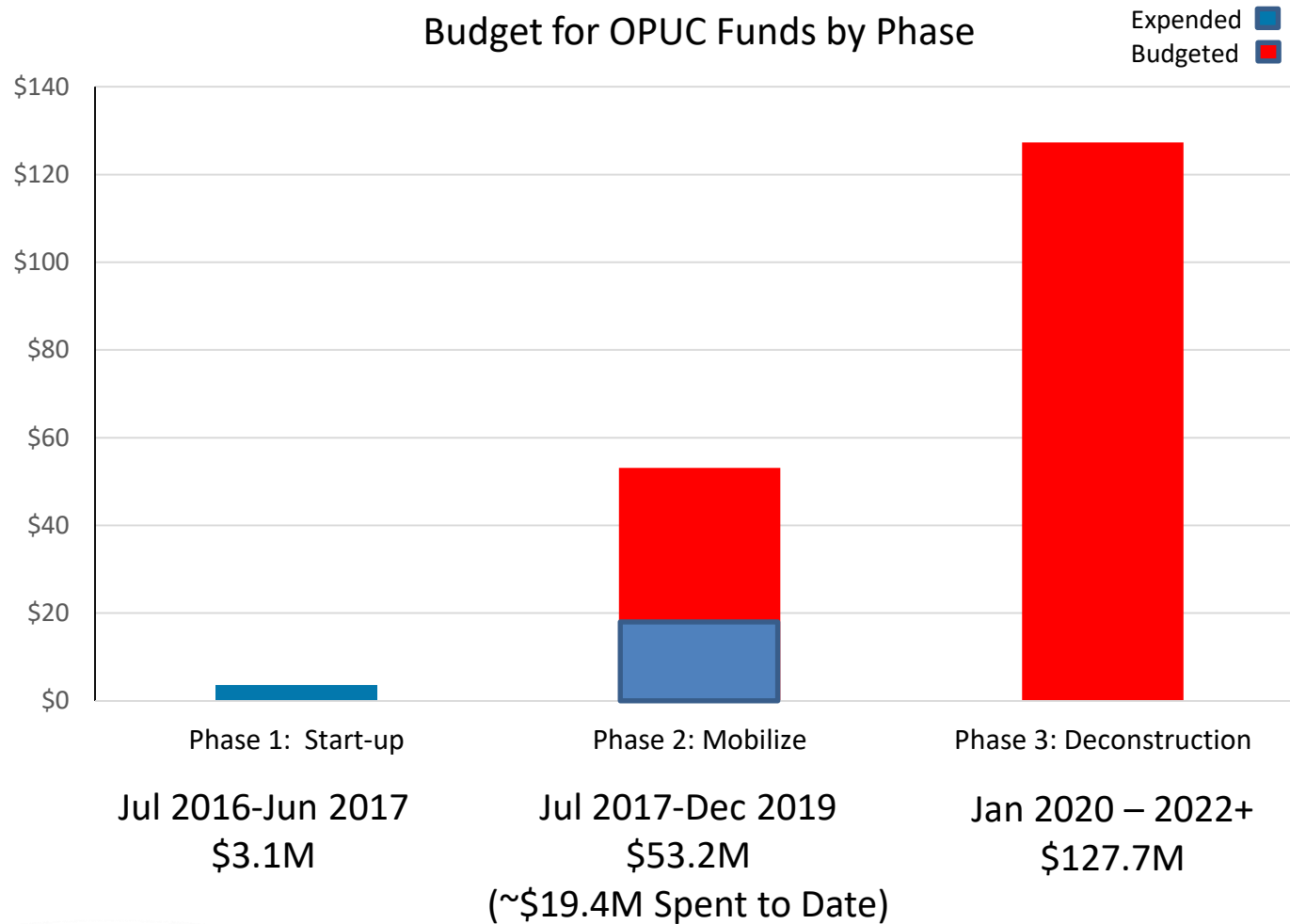
Projected OPUC Expenses through Dec '18

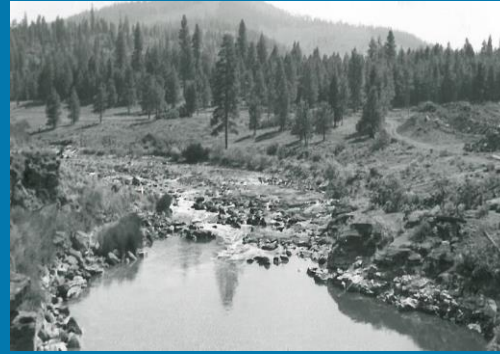
Phase	Key Activities	Dates	Total \$	OPUC \$
1	Start Up (completed) <ul style="list-style-type: none"> Board appointments Set up legal, technical, and administrative operations Hired CEO 	Jul 2016 through Jun 2017	\$3.9M spent	\$3.1M spent
2	Mobilize (in progress) <ul style="list-style-type: none"> Complete Definite Plan Complete regulatory filings Hire staff Risk management plan Prepare procurement documents Procure contractor Design Establish GMP 	Jul 2017 through Dec 2019	\$21.1M spent (\$58.1M budget)	\$19.4 M spent (\$53.2 M budget)
3	Deconstruction/Facilities Removal (not started) <ul style="list-style-type: none"> Remove dams Restore native habitat Adaptive management Monitoring and reporting 	Jan 2020 through 2022 and beyond	\$388M budget	\$127.7M budget
	Total Budget		\$450M	\$184M

Expected Allocation of \$450M Project Cost



Expected Allocation of OPUC's \$184M





3 – 2018 Activities and Accomplishments

KRRC 2018 Accomplishments

Procurement

✓ **Definite Plan**

- Completed Definite Plan as basis for regulatory approvals and design-build contract
- Detailed methods for implementation, including deconstruction, mitigation, and risk management

✓ **Engagement of Progressive Design-Build (PDB) contractor**

- Issued Request for Qualifications (RFQ) for PDB contractor for dam removal
- Shortlisted three qualified Design-Build teams
- Issued Request for Proposals (RFP) to three finalists

✓ **Insurance**

- Developed comprehensive insurance approach to dam removal project
- Identified new indemnification options to optimize use of Liability Transfer Corporation (LTC)

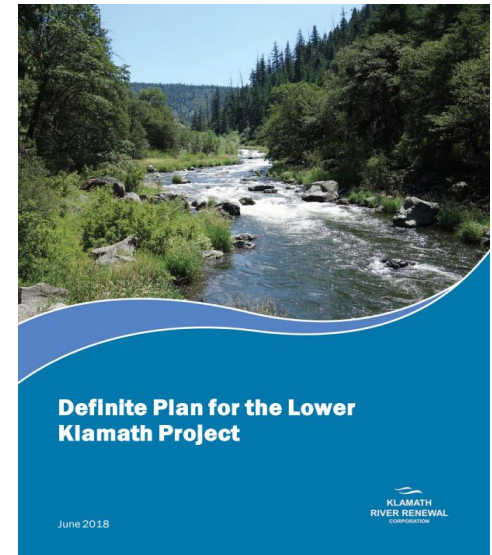
✓ **Preparation for mitigation after dam removal**

- Executed contract for native seed collection
- Selected contractor for construction of vegetation test plots
- Issued RFQP for native seed propagation

KRRC 2018 Accomplishments

Regulatory

- ✓ **Federal Energy Regulatory Commission (FERC)**
 - Received order creating Lower Klamath Project; stayed order pending approval of license transfer
 - Responded to FERC's information requests related to license transfer
 - Convened Board of Consultants to provide peer review; responded to first report on KRRC's capacity
- ✓ **Oregon Department of Environmental Quality**
 - Received final water quality certification
- ✓ **California Water Resources Control Board**
 - Received draft water quality certification
 - Agreed to tribal cultural resources mitigation under CA law
 - Received Draft Environmental Impact Report



KRRC 2018 Accomplishments

Regulatory (continued)

- ✓ **U.S. Army Corps of Engineers**
 - Continued cooperation to prepare Clean Water Act 404 permit application

- ✓ **U.S. Fish & Wildlife Service, National Marine Fisheries Service (Endangered Species Act)**
 - Drafted Biological Assessment (BA)
 - Submitted to agencies for informal review
 - Submitted to PacifiCorp



KRRC 2018 Accomplishments

Stakeholder & Community Engagement

- ✓ Participated in events with tribal nations, elected officials, agricultural and conservation groups
- ✓ Connected with property owners on well monitoring, flood risks, and slope stability risks
- ✓ Met with recreation groups and businesses to understand impacts from dam removal, discuss potential mitigations
- ✓ Coordinated with local Chambers of Commerce and Economic Development agencies to promote job opportunities
- ✓ Launched media campaigns to expand outreach to key basin stakeholders
- ✓ Messaged project benefits through website, newsletters, local press and social media



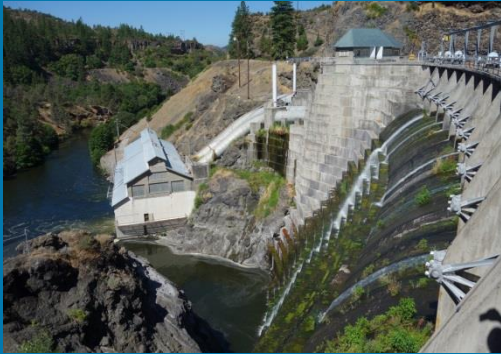
FERC/Yurok Consultation

KRRC 2018 Accomplishments

Financial & Administrative Management

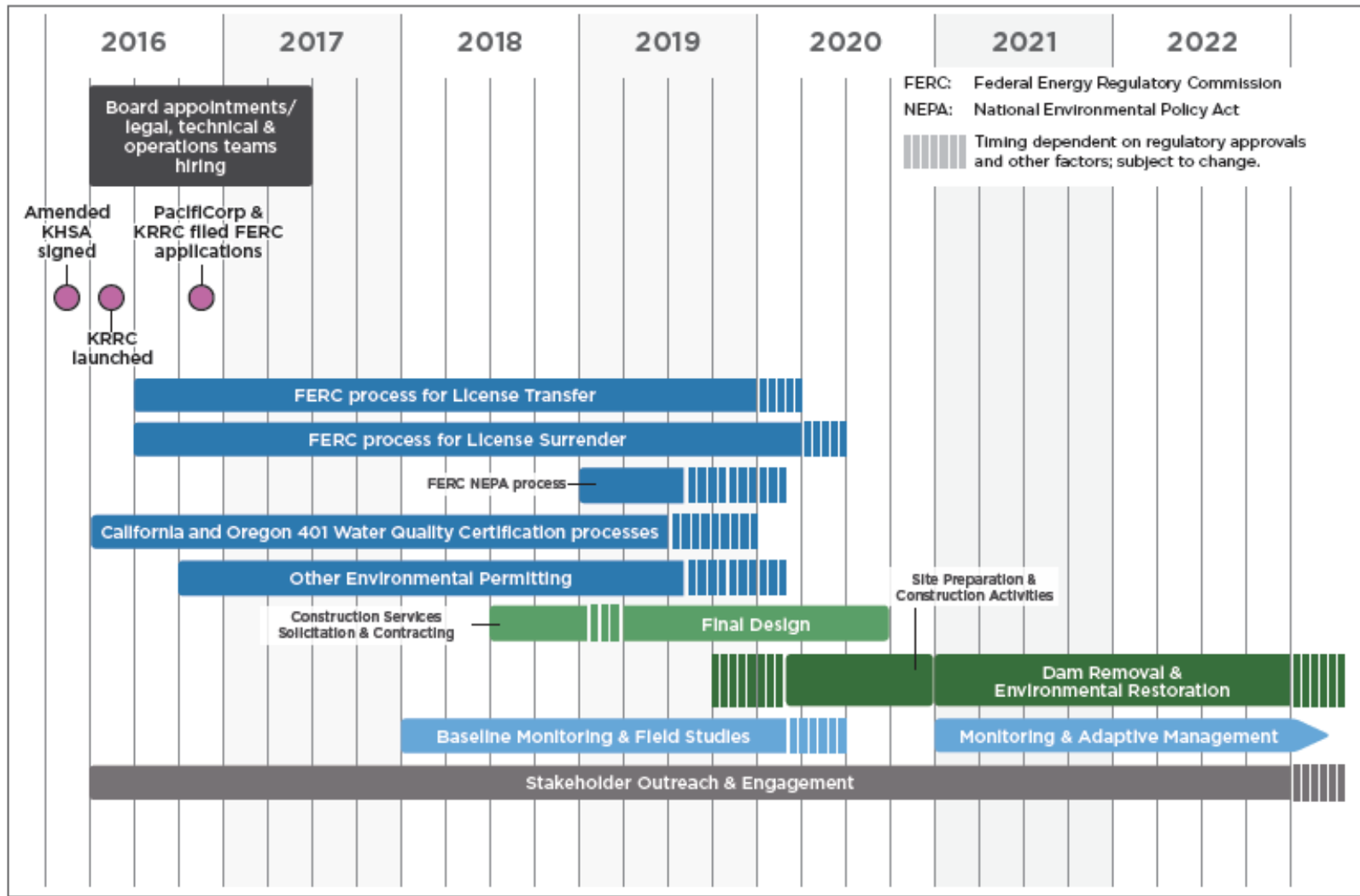
- ✓ Completed clean FY 18 audit by external, independent CPA firm
- ✓ Completed Calendar Year 2017 audit with OPUC
- ✓ Hired CFO
- ✓ Thorough review of policies, adding new ones where necessary (e.g., procurement, sexual harassment, employee handbook)
- ✓ Risk review (e.g., cyber security, insurance)





4 – Next Steps

Anticipated Project Timeline



Next Steps

- **January 2019:**
 - Continue informal consultation with NMFS and USFWS regarding Biological Assessment
 - Submit Clean Water Act Sec. 404 Application to Army Corps of Engineers
- **February 2019:**
 - Review/respond to draft Environmental Impact Report (EIR) for California Water Quality Certification
- **April 2019:**
 - Determine liability protection arrangement for PacifiCorp and states, including Liability Transfer Corporation
 - Engage Progressive Design-Build Contractor, with Guaranteed Maximum Price due later in 2019
 - Contractor begins preliminary work
 - Submit revised Definite Plan to FERC and Board of Consultants



Next Steps on Regulatory Issues

KRRC must answer two fundamental questions in order to support FERC's approval of license transfer:

- **What is Plan B if all-in costs could exceed the funding (\$450 million) provided by KHSA?**
- **Given the unique nature of this project, is there a Liability Transfer Corporation that will adequately indemnify PacifiCorp and the states?**

Next Steps on Indemnification

Working with PacifiCorp and the States, KRRC will:

- Identify all material risks
- Estimate maximum risk exposure, both catastrophic and operational
- Identify responsible party as between Project Company and KRRC
- Determine available levels of coverages for insurance and bonds, with tail extending through statute of limitations
- Determine indemnification coverage
- Identify and contract with Liability Transfer Corporation (LTC)
- Confirm sufficiency of liability protection package before executing Project Agreement



5 – Questions



Credit: Ecoflight

Thank you!