

November 13, 2023

Michael Grant
Executive Director
Public Utility Commission of Oregon
201 High Street SE, Ste. 100
Salem, OR 97301

Re: Klamath Dam Removal – Request for Order to Amend Funding Agreement DM #7810225

Dear Mr. Grant:

The Klamath River Renewal Corporation (Renewal Corporation) requests that the Commission amend Funding Agreement DM #7810225, as approved in Order 17-018, to authorize disbursement of remaining accrued interest held in the Oregon Trust. We request amendment to Section 7.g therein, which currently provides:

“The Parties understand and agree that 92% of the Customer Contribution funds for the Project will be disbursed from the Oregon Trust, except however, in no event will the total funding from the Oregon Trust and the California Trust exceed \$200 million.”

We request that Section 7.g be amended as shown:

“The Parties understand and agree that 92% of the Customer Contribution funds for the Project will be disbursed from the Oregon Trust, including any accrued interest, except however, in no event will the total funding from the Oregon Trust and the California Trust exceed \$200 million as stated in nominal dollars at the time of collection.”

We are authorized to represent that PacifiCorp supports this request.

This letter supplements our letter dated June 1, 2023, requesting such disbursement (Attachment 1). On June 21, 2023, the Alliance of Western Energy Customers and Oregon Citizens’ Utility Board filed comments in opposition to the Renewal Corporation’s request for disbursement of remaining accrued interest.

Procedural History

The procedural history provides helpful context for this request. SB 76 (2009), ORS 757.732 – 757.744, directed the Commission to authorize PacifiCorp to collect rate surcharges from customers to remove dams of the Klamath Hydroelectric Project (FERC P-2082). The statute authorizes such collections pursuant to the terms of the Klamath Agreement in Principle (Nov. 2008) (“KAP”) reached by PacifiCorp, the States of California and Oregon, and the U.S. Department of the Interior (Attachment 2 hereto). The statute also required PacifiCorp to file a copy of the Klamath Hydroelectric Settlement Agreement (“KHSA”) when executed. PacifiCorp filed the KHSA following execution on February 10, 2010, proposing the collection of rate surcharges consistent with the terms of SB 76, KAP, and KHSA. In Order No. 10-364 (Sept. 2010), the Commission approved collection of such rates. In April 2016, the parties to the 2010 KHSA agreed to an amendment, which PacifiCorp filed with the Commission. In Order No. 16-218 (June 2016), the Commission approved an increase in the rate surcharges to the maximum authorized by SB 76. Finally, in Order No. 17-018 (Jan. 2017), the Commission approved the Funding Agreement with the Renewal Corporation and authorized Commission Staff to make disbursements from the Oregon Trust.

Order No. 10-364 (p. 4) stated a cost cap for dam removal of \$450,000,000, consistent with the KHSA and KAP. \$250,000,000 was to be paid from a California bond. Rate surcharges were to result in a customer contribution of \$200,000,000, including \$28,000,000 in interest on the funds held in the trust accounts in Oregon and California. 92% of the customer contribution was from Oregon customers. Order No. 10-364, p. 14; see KAP section VI.A, KHSA sections 4.1.1(D) and 7.3.8(A).

In Order No. 10-364, the Commission authorized rate surcharges of \$158,240,000 ending December 31, 2019, with the balance of Oregon’s share to come from accrued interest. In Order No. 16-218, the Commission authorized an increase in the rate surcharge from 1.7% to 2% of the annual revenue requirement. This was forecast to collect \$171,326,721 and accrued interest of \$7,406,127 by December 31, 2019. See Appendix A thereto, pp. 2-3.

The Federal Energy Regulatory Commission (FERC) issued its license surrender order for the Lower Klamath Project (P-14803) in November 2022, 181 FERC ¶ 61,232 (2022). On December 1, 2022, PacifiCorp transferred fee title for these lands and facilities to the Renewal Corporation. On that date, the Renewal Corporation and the States of California and Oregon (as co-licensees) accepted license transfer and the terms of the license surrender order. That order is now final, as no appeal was timely filed by any third party.

Commission Staff have disbursed \$184,000,000 from the Oregon Trust to the Renewal Corporation, consisting of rate surcharges and accrued interest. As of April 30, 2023, the Oregon Trust holds \$4,747,365 in remaining accrued interest. The issue raised by our request is whether disbursement of this remainder is consistent with applicable law.

Consistency with Applicable Law

Renewal Corporation respectfully submits that such disbursement is consistent with the express terms of SB 76 and the Commission's several orders, as well as KAP and KHSA.

1. **Order No. 10-364 fixed the amount and schedule for collection of rate surcharge, not the actual cost and schedule for dam removal.**

As required by ORS 757.736(3), the Commission required collection of rate surcharges less than the 2% cap ending December 31, 2019. Order No. 10-346, p. 16; Order No. 16-218, p. 2.

The Commission did not purport to fix the actual schedule for dam removal. As the Commission recognized in Order No. 10-364 (p. 29), "there is some uncertainty regarding when all conditions precedent to the transfer of the Klamath Dams [to the dam removal entity, for the purpose of such removal] will occur." Under KAP and KHSA, the "target" date to begin dam removal was January 2020, with substantial completion in December 2020, provided that the "actual date" depends on satisfaction of conditions precedent, including regulatory approval. See KAP section VII.C, KHSA section 7.3. Similarly, the Commission did not purport to fix the actual cost of dam removal, which depends on the actual schedule as well as the conditions of regulatory approval. KAP section IX.E and KHSA section 7.2.1(A)(4) established provisions to address any actual cost in excess of \$450,000,000.

FERC issued its license surrender order in November 2022. Dam removal occurred for one dam in 2023, and for the remainder will begin in January 2024. The actual cost will be an estimated \$503,000,000. FERC required the actual schedule and all specifications that will determine actual cost.

2. **The customer contribution of \$200,000,000 is stated in nominal dollars, defined as the total when the funds are collected, not expended.**

The KAP requires this approach to calculating the customer contribution. Section II.A.ix defines “Nominal Dollars” as being “...dollars that are not adjusted for inflation at the time they are collected.” Section V.A states customer contribution in nominal dollars: “Two hundred million in nominal dollars of the total state contribution toward Facility removal costs will be provided by customers in the states of California and Oregon (Customer Contribution).” Similarly, KHSA section 4.1.1(C) states the customer contribution in “nominal” dollars. The customer contribution of \$200,000,000 is to be calculated when the funds are collected, not expended. Thus, using a standard CPI adjustment, \$1 collected in 2011 would be worth \$1.40 in September 2023 (<https://data.bls.gov/cgi-bin/cpicalc.pl>).

3. Accrued interest on the Oregon Trust Account is a necessary part of the customer contribution.

ORS 757.738(1)(a) requires an interest-bearing trust account to hold the rate surcharges. This is consistent with the agreement of PacifiCorp and other parties. After establishing a target date for dam removal in 2020, KAP section VII.C provides:

“The Final Agreement will contain one or more scenarios that are economically equivalent for PacifiCorp’s customers to the scenarios outlined in Exhibit 1. The Final Agreement may also contain other elements that may affect the initiation of removal of the Facilities by providing additional value to PacifiCorp’s customers. These additional elements may include the following: (1) additional flows created by the Klamath Basin Restoration Agreement, (2) third-party funding for restoration and replacement power, (3) *earnings on the surcharge trust*, (4) generation during the Facility removal stage, and (5) any other option to provide additional value or offset costs that can be identified and agreed upon by the Parties” (emphasis added).

KAP Appendix 1 consists of six funding and cost scenarios, prepared to analyze tradeoffs between interim costs to PacifiCorp and different schedules for dam removal. The appendix (p. 21) states:

“The Parties agree to identify third-party funding and cost offset options in the Final Agreement. These options may include: (1) additional flows created by the Klamath Basin Restoration Agreement, (2) third-party funding for restoration and replacement power, (3) *earnings on the surcharge trust*, (4) generation during the Facility removal stage, and (5) and other options that can be identified and agreed upon by the Parties” (emphasis added).

KHSA states that rate surcharges will be placed in “interest-bearing accounts and that the interest that accrues in the accounts may be used to reduce the amount collected through the surcharges” Section 4.1.1(D) states that the Oregon share of the customer contribution would be “a maximum of approximately \$184 million,” using a combination of surcharges and interest, such amount stated in “nominal dollars” (Section 4.1.1(C)). In sum, the Commission – like the Oregon Legislature, and the parties to the KAP and then the KHSA – intended for interest to accrue to reduce rate surcharges while assuring sufficient funds to complete dam removal.

4. The Commission forecasted, but did not fix, the amount of interest to accrue in the Oregon Trust by the time dam removal begins.

KHSA section 7.3.8(A) acknowledged that “it is not possible to precisely estimate the amount of interest that will accrue in the Klamath Trust Accounts,” due to variable interest rates as well as uncertain schedule for regulatory approval. PacifiCorp and the other parties anticipated that accrued interest could exceed the forecast of \$28,000,000. As discussed further in point 5 below, Section 7.3.8(A) establishes a procedure for expenditure “to the extent the interest in the accounts exceeds \$28,000,000” It would be ridiculous to suppose that the overall project – the largest dam removal in history – could be controlled to assure that the last penny of interest would accrue on the same day as the last penny of expenditure, resulting in precisely \$28,000,000 of accrued interest.

In Order No. 10-364 (pp. 14-17), the Commission discussed the assumption by the parties to the KHSA that the Oregon Trust would accrue interest at 3.5%. The Commission (p. 17) found that “the interest rate is an assumption and actual earnings may vary over the period of time that the amounts collected are held in a trust account.” Similarly, in Order 16-218, the Commission adjusted the rate surcharge because the actual interest rates were less than the assumption back in 2010 (see Appendix A. pp. 3-4). It again “forecast” accrued interest through December 2019 (see Appendix A, p. 5). Beginning January 2020, interest has continued to accrue, resulting in \$4,747,365 being held at this time.

5. Applicable law authorizes additional accrued interest to be used for dam removal if necessary, not refunded.

ORS 757.736(10) provides for refund of funds held in the Oregon Trust *only* “[i]f one or more Klamath River dams will not be removed” KAP section VI.A(5) addresses refund in the same circumstance. Order No. 10-364 (p. 22) provides for refund in this circumstance. KHSA section 4.4.2 also provides for refund of any funds held in the trust accounts “in excess of actual costs” necessary to complete dam removal. However, none of these authorities requires the refund of accrued interest that exceeds

the forecast \$28,000,000, *if necessary for dam removal*. The Oregon Legislature, Commission, and the Parties to these agreements could have established a refund requirement for additional accrued interest, but they did not. Indeed, KHSA section 7.3.8(A) expressly provides that accrued interest in excess of \$28,000,000 would be used as a “Value to Customers,” which is to say either used to accelerate the timing of dam removal to a date earlier than December 31, 2020, as described in KHSA Section 7.3.3, or refunded, “...*unless the funds are required for Facilities Removal*” (emphasis added). As established in point 6 below, the remaining accrued interest in the Oregon Trust is required for Facilities Removal.

6. The disbursement of remaining accrued interest in the Oregon Trust is necessary to complete dam removal.

As of January 2023, the budget to complete dam removal in compliance with FERC’s license surrender order is estimated as \$503,000,000. See Attachments 3 (Dec. 12, 2022 KRRC disbursement request) and 4 (May 19, 2023 KRRC progress report). As documented in our reports to the Commission since 2016, the Renewal Corporation has managed its procurement contracts, overhead, and all other aspects of this project to minimize the consequence of delay in final regulatory approval. The remaining accrued interest held in the Oregon Trust, along with other funding sources listed in Attachments 3 and 4, will be necessary to complete dam removal, including habitat restoration and other actions required by the license surrender order. Disbursement of such remaining accrued interest complies with Section 1 of the Funding Agreement, defining “Eligible Project Costs” as “necessary” for these purposes.

7. Public interest requires the completion of dam removal.

In Order No. 10-364 (pp. 12 - 13), the Commission found that relicensing the Klamath dams under the Federal Power Act would involve “significant risks to ratepayers,” as the “nature and scope of the costs associated with relicensing would remain uncertain and subject to significant escalation for a considerable period of time.” For that and other reasons, “we find the KHSA to be in the best interests of customers...” FERC approved license surrender, concluding that it advances the public interest under the Federal Power Act. 181 FERC ¶ 61,232, para. 124. In addition to power customers, dam removal will benefit tribes and other local communities due to restoration of the anadromous fisheries and ecosystem functions. *Id.*, paras. 66 - 123. The license surrender order is final and non-appealable.

On behalf of our co-licensees the States of Oregon and California, the Renewal Corporation must timely complete the dam removal project. FERC has approved our final designs, schedule, and other specifications, and compliance is strictly required under

the Federal Power Act. Implementation is underway on schedule. Our contractors have mobilized heavy equipment, built work camps, and otherwise completed preparations. In August 2023, the Renewal Corporation removed the smallest of the dams, Copco No. 2, along with its powerplant and flowline. A multitude of modifications to the other dams, powerplants, bridges, and appurtenant facilities are being made and will be completed this month. The Renewal Corporation will draw-down the reservoirs starting in January 2024, and the remaining three dams will be removed by October 2024. The public interest requires that the Renewal Corporation complete dam removal – and have the funds necessary to do so – as that is the only legal path forward.

Conclusion

PacifiCorp fully implemented the customer protections required by the Commission – namely, rate surcharges not more than 2% of the revenue requirement, ending December 2019. Comments filed in opposition to the Renewal Corporation’s request for disbursement of remaining accrued interest in the Oregon Trust disregard the points above, based on the plain language of SB 76, Order No. 10-346, KAP and KHSA. The Oregon Legislature and the Commission, supported by PacifiCorp and the other parties to these agreements, authorized the use of all accrued interest in the Oregon Trust if and as required for dam removal. We request that the Commission approve our request to amend the Funding Agreement. If the Commission nonetheless decides to set this matter for a Contested Case Hearing, we request a prompt hearing, taking into account the Renewal Corporation’s implementation schedule.

We are available to address any questions or concerns about this request for disbursement of the accrued interest remaining in the Oregon trust accounts.

Respectfully submitted,



Laura F. Hazlett
Chief Operations Officer

Cc: Ryan Flynn, PacifiCorp
Richard W. Whitman, State of Oregon

Attachment 1

June 1, 2023

Michael Grant
Executive Director
Public Utility Commission of Oregon
201 High St SE, Ste. 100
Salem, OR 97301

**Re: Klamath Dam Removal – Supplement to December 12, 2022
Disbursement Request under DM #7810225**

Dear Mr. Grant:

The Klamath River Renewal Corporation (Renewal Corporation) requests that the Public Utility Commission (Commission) disburse the accrued interest in the Oregon trust accounts, totaling \$4,747,365 as of April 30, 2023. PacifiCorp supports this request.

This supplements our December 12, 2022 request for disbursement of \$62,345,266. The Commission made that disbursement, which we received on December 20, 2022. As of that date, disbursements from the Oregon trust accounts totaled \$184 million. That amount consisted of surcharges collected from PacifiCorp's customers in this state, plus accrued interest.

The funds remaining in the Oregon trust accounts are additional accrued interest. We request disbursement of these remaining funds to pay necessary and eligible project costs in Phase 3 (deconstruction of the dams and habitat restoration), as defined in Funding Agreement DM #7810225, as approved in Order No. 17-018. We incorporate by reference the accounting, exhibits, and certifications attached to our December 12, 2022 request. Phase 3 began on March 10, 2023, when we notified Kiewit Infrastructure West to proceed with site preparation for deconstruction.

This request is consistent with the requirements of ORS Chapter 757. PacifiCorp collected surcharges in amounts as directed by the State Legislature in ORS 757.736(3) and as approved by the Commission. The collection schedule set per ORS 757.736(7) timely funded Oregon's share of the customer contribution, \$184 million, by December 31, 2019. Consistent with sound fiscal practice, the Commission chose interest-bearing trust accounts to hold the collected surcharges. As stated above, accrued interest reduced

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the amount of surcharges needed to be collected to fund Oregon's share of the customer contribution.

The amount of accrued interest in the trust accounts depended, in part, upon when final regulatory approvals were secured. On November 17, 2022, the Federal Energy Regulatory Commission issued the license surrender order to the Renewal Corporation, and the States of Oregon and California, as co-licensees. As shown in our reports to the Commission, the Renewal Corporation has managed every aspect of this project, including our procurement contracts, to minimize the fiscal impact of inflation resulting from this order issuing in 2022 and not earlier. Disbursement of the accrued interest remaining in the trust accounts is needed to cover necessary and eligible project costs, and it complies with the customer protections in ORS Chapter 757.

We are available to address any questions or concerns about this request for disbursement of the accrued interest remaining in the Oregon trust accounts.

Respectfully submitted,



Laura F. Hazlett
Chief Operations Officer

Cc: Stefan Bird, PacifiCorp
Ryan Flynn, PacifiCorp
Dustin Till, PacifiCorp
Richard W. Whitman, State of Oregon

Attachment 2

AGREEMENT IN PRINCIPLE

I. INTRODUCTION

WHEREAS, the Parties to this Agreement in Principle (“Agreement”) have entered into arms-length negotiations to address issues pertaining to the resolution of certain litigation and other controversies in the Klamath Basin, including a path forward for possible Facilities removal; and

WHEREAS, this Agreement memorializes broad principles designed to function as a framework for the development of a Final Agreement; and

WHEREAS, the Parties agree to continue good-faith negotiations to reach a Final Agreement consistent with the principles outlined herein that will minimize adverse impacts of dam removal on affected communities, local property values and businesses and will specify substantive rights, obligations, procedures, timetables, agency and legislative actions, and other steps; and

WHEREAS, the Parties understand that the Project dams are currently the property of the Company, as defined below, and that they are currently operated subject to applicable State and Federal law and regulations. The United States and the States (both as defined below) understand that the decision before the Company is whether the decommissioning and removal of certain Facilities is appropriate and in the best interests of the Company and its customers. Prudent and reasonable long term utility rates and protection from any liability for damages caused by Facilities removal are central to the Company’s willingness to voluntarily surrender the dams and the low-carbon renewable energy they produce to the removal of the dams; and

WHEREAS, the United States and the States have a strong interest in addressing long-standing disputes over scarce water resources and fisheries restoration in the Klamath Basin. The United States, since 2003, has spent over \$500 million in the Klamath basin for irrigation, fisheries, wildlife refuges, and other resource enhancements and management actions; and

WHEREAS, all of the Parties agree that it appears to be in the public interest and the interest of all Parties to proceed to a Final Agreement consistent with this Agreement in Principle.

NOW, THEREFORE, the Parties agree as follows:

II. CONDITIONS APPLICABLE TO ALL COMPONENTS

A. Definitions

- i. “Agreement in Principle” or “Agreement” refers to the agreement described herein.
- ii. “Dam Removal Entity” or “DRE” refers to a non-Federal entity that is technically competent to perform the tasks necessary for Facilities removal and financially capable to assure performance of the tasks, and, if applicable, pay restitution for any damages caused by Facilities removal, and respond to and defend all associated liability claims and costs associated therewith,

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including any judgments or awards resulting therefrom, consistent with the other terms of this Agreement in Principle. The obligations of the DRE are set forth in Section VIII of this Agreement in Principle.

- iii. “Definite Plan” refers to a timetable for decommissioning and removal of the Facilities; including, but not limited to: the plans for removal and disposal of sediment, debris, and other materials; a plan to avoid downstream impacts from facility removal; a plan for compliance with all applicable environmental laws; a detailed explanation of the estimated costs of decommissioning and removal; and a complete Plan for engineering, decommissioning, and Facilities removal.
- iv. “Facilities” or “Facility” refer to the following specific hydropower facilities, within the jurisdictional boundary of FERC project number 2082: Iron Gate dam, Copco 1 dam, Copco 2 dam and J.C. Boyle dam and appurtenant works presently licensed to PacifiCorp.
- v. “Facilities removal” refers to physical removal of the Facilities, site remediation and restoration, measures to avoid downstream impacts and associated permitting, as described in the Definite Plan.
- vi. “Final Agreement” is a binding agreement among those parties signatory to it, pertaining to the subject matter of this Agreement in Principle, including terms in this Agreement in Principle that are agreed shall be in the Final Agreement.
- vii. “Meet and Confer” refers to a process, as specified in the Final Agreement, by which the Parties shall discuss, negotiate and attempt to resolve issues and disputes.
- viii. “Multi-State Protocol” or “MSP” refers to the PacifiCorp Inter-jurisdictional Cost Allocation Methodology, known as the Revised Protocol that resulted from the Multi-State Process.
- ix. “Nominal dollars” are dollars that are not adjusted for inflation at the time they are collected.
- x. “Non-bypassable surcharge” is a surcharge authorized by the appropriate state utility commission through a tariff schedule that applies to all retail customers who rely on the Company's transmission and distribution system for the delivery of electricity.
- xi. “PacifiCorp” or “Company” refers to PacifiCorp, an Oregon corporation, the owner of the Project.
- xii. “Parties” or “Party” refers to the United States, PacifiCorp, the State of California and the State of Oregon, all of whom are duly authorized to execute this Agreement.

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- xiii. “Project” refers to the Klamath Hydroelectric Project as licensed by FERC under Project Number 2082.
- xiv. “Right of Withdrawal” refers to the right of a Party, after engaging in a Meet and Confer process with the other Parties and giving at least 30-days written notice to all other Parties, to fully withdraw from the Agreement in Principle or the Final Agreement for any reason allowed in this Agreement in Principle or the Final Agreement.
- xv. “States” refers to the State of Oregon or the State of California Resources Agency and its constituent departments and excludes all other state agencies, departments, boards and commissions.
- xvi. “State Cost Cap” refers to the collective maximum monetary contribution from the States of California and Oregon.
- xvii. “United States” refers to the following Departments of the Federal Government including their component agencies and bureaus: the United States Department of Agriculture, the Department of Commerce, and the Department of the Interior.
- xviii. “United States Determination” means the determination by the United States whether the benefits of Facilities removal justify the risks, costs, liabilities, and other consequences as set forth in Section III of this Agreement in Principle.

B. Conditions

- i. The Parties shall in good faith negotiate a Final Agreement as soon as possible. If a Final Agreement is not fully executed by all the Parties by June 30, 2009, unless all Parties agree to an extension, each Party shall have a Right of Withdrawal from this Agreement.
- ii. Neither this Agreement nor any part thereof shall be construed as admissions against interest or be used in any legal or regulatory proceeding by a Party against any other Party. The Parties agree that the documents, analysis, and positions shared in negotiating this Agreement in Principle are protected from subsequent dissemination to the fullest extent under Federal Rule of Evidence 408 and similar Oregon and California statutes. This paragraph is binding on the Parties and survives termination of this Agreement.
- iii. It is the Parties’ intention to pursue a Final Agreement and to seek the introduction and passage of legislation consistent with the material terms of this Agreement in Principle.
- iv. The Parties recognize that the Final Agreement will require the enactment of State and Federal legislation, and that if all of the required legislation does

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not pass, each Party shall have a Right of Withdrawal from this Agreement and from the Final Agreement.

- v. The Parties agree that all drafts of the Agreement in Principle shall be held strictly confidential among the Parties to the extent allowed by applicable law, unless unanimously agreed otherwise by the Parties. Representatives of the Parties may share the draft Agreement with their principals and attorneys. Except as provided above, disclosure of drafts of the Agreement in Principle or any of the material terms contained herein, in violation of this paragraph, shall be grounds for termination of negotiations. The executed Agreement in Principle will be a public document. This paragraph is binding on the Parties and survives termination of this Agreement.
- vi. This Agreement in Principle and the Final Agreement are subject to the requirements of the Anti-Deficiency Act, 31 U.S.C. §§ 1341-1519, similar requirements of state law, and the availability of appropriated funds. Nothing in this Agreement is intended or shall be construed to require the obligation, appropriation, or expenditure of any money from the U.S. Treasury or a State General Fund. This paragraph is binding on the parties and survives termination of this Agreement, except to the extent it is superceded by mutual agreement of the Parties in the Final Agreement or subsequent written agreements.
- vii. The Parties agree that there are no binding obligations or commitments contained in this Agreement other than are expressly stated in this Agreement. There shall be no remedy for any potential or alleged breach of non-binding provisions of this Agreement, and none of the Parties shall be subject to specific performance, damages, or any other remedy or type of relief for failure to perform the non-binding provisions. For any binding provisions, the remedy shall be a Right of Withdrawal.

Prior to a Final Agreement, the Parties agree to attempt to resolve as much as practicable pending litigation and other controversies related to the Klamath River Basin involving one or more Parties. If litigation is filed by non-parties against a Party to this Agreement alleging a cause of action based on the Party's support of this Agreement in Principle, the Final Agreement, or the Klamath Basin Restoration Agreement (KBRA), the Parties shall Meet and Confer with the other Parties. If the issue is not resolved satisfactorily, such litigation is grounds for the Party to exercise their Right of Withdrawal from this Agreement and the Final Agreement.

- viii. Nothing in this Agreement shall be read as an admission or determination by the Parties that any of the actions anticipated by this Agreement are necessarily required as a matter of any State or Federal law, including, but not limited to, CERCLA, 42 U.S.C. §§ 9601-9675, the Endangered Species Act, 16 U.S.C. §§ 1531-1544, the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251-1387, 1251(a) (Clean Water Act), the National

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Environmental Policy Act, 42 U.S.C. §§ 4321-4370f, or any similar Oregon or California State statutes or regulations.

- ix. Until a Final Agreement is executed, the Parties agree to refrain from any actions that do not support or further cooperative discussions toward the commitments being contemplated by this Agreement; provided, the Parties reserve their Right of Withdrawal and their rights to protect, defend, and discharge their interests and duties before any regulatory agency, court, or other forum.
- x. This Agreement in Principle has been extensively negotiated as a package of rights, obligations, and allocated costs for certain actions to be set forth in the Final Agreement. Imposition on any Party of significant costs inconsistent with this Agreement in Principle shall give the Party a Right of Withdrawal from this Agreement.
- xi. The Parties agree to cooperate and coordinate in the development of individual or joint press releases or public statements with respect to the Agreement in Principle and the Final Agreement. Subsequent statements shall be consistent with this provision. This paragraph is binding on the Parties and terminates if this Agreement in Principle terminates.
- xii. Unless otherwise required by law, Oregon will not issue for public notice and comment any proposed Clean Water Act certification of the Project as proposed to be relicensed or require further studies for certification of the project as proposed to be relicensed, during the time period from the effective date of this Agreement in Principle to the effective date of a Final Agreement. Imposition on PacifiCorp of significant regulatory costs for a Clean Water Act certification of the relicensing project during the time that PacifiCorp is devoting resources to this Agreement in Principle and the Final Agreement shall give PacifiCorp a Right of Withdrawal from this Agreement in Principle.
- xiii. Imposition on or incurrence by PacifiCorp of significant costs for a Clean Water Act certification of the relicensing project, including review pursuant to CEQA, during the time that PacifiCorp is devoting resources to this Agreement in Principle and the Final Agreement shall give PacifiCorp a Right of Withdrawal from this Agreement in Principle.

III. DETERMINATION BY THE UNITED STATES

The Parties entered into the negotiations leading to this Agreement in Principle as well as the commitment to negotiate a Final Agreement based on existing information and the preliminary view of the governmental Parties (the United States, Oregon, and California) that the potential benefits for fisheries, water and other resources of removing the Facilities outweigh the potential costs, risks, liabilities or other adverse consequences of such removal. The United States, as the lead governmental Party with regard to the removal decision and implementation, has determined that further study of the costs, feasibility, and resulting benefits, risks, liabilities, alternatives, and

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impacts is needed to confirm the actual costs, benefits, risks, and potential liabilities prior to pursuing the removal of the Facilities.

Thus, pursuant to Federal authorizing legislation to be proposed for introduction pursuant to this Agreement in Principle, the United States shall undertake and conduct appropriate studies, informed by science and engineering and consistent with applicable Federal guidance, including the “Economic and Environmental Principles and Guidelines for Water and Related Land Resources Implementation Studies” or its successor documents, to determine the likely costs of Facilities removal and whether the potential benefits of Facilities removal outweigh the potential costs, risks, liabilities, impacts to persons and property or other adverse consequences of removing the Facilities. The United States shall determine the scope of the studies and make the determination, but shall consult with State, local, and Tribal governments, PacifiCorp, and other parties to the Final Agreement in carrying out these responsibilities. Those parties shall endeavor in the Final Agreement to further refine the standards for making the Secretary’s determination.

The United States shall complete such studies and make a determination whether to remove the Facilities only after enactment of Federal and State Klamath River legislation described in the Final Agreement, and shall then make the determination no later than March 31, 2012. Promptly upon making its determination, the United States shall publish in the Federal Register and submit to the appropriate congressional committees the determination of whether the potential benefits of Facilities removal justify the potential costs, risks, liabilities or other adverse consequences associated with removal. The United States shall not publish the determination or make findings of fact unless federal legislation required by this Agreement in Principle has been enacted, and the States have authorized funding for Facilities removal as set forth in this Agreement in Principle and the Parties have set forth a method for resolving any such post-determination cost overruns. The published determination shall include an analysis of the studies conducted by the United States.

If the United States determines that the benefits of Facilities removal justify the potential costs, risks, liabilities or other adverse consequences associated with Facilities removal, confirming its preliminary view, the United States shall designate a non-Federal DRE to remove the Facilities. The selection of the DRE is subject to concurrence by the States of Oregon and California that the DRE meets the definition of a DRE and further subject to the DRE agreeing to meet its obligations under Section VIII of this Agreement in Principle. Within 60 days after the United States’ Determination, California and/or Oregon may exercise a Right of Withdrawal from this Agreement in Principle and the Final Agreement based on liability or cost concerns. If California or Oregon exercises a Right of Withdrawal, this Agreement in Principle and the Final Agreement shall be null and void as to all Parties. After the necessary permits and authorizations have been obtained, and subject to the conditions set forth in Section VII, PacifiCorp shall transfer the dams to the non-Federal DRE upon the request of the United States for no additional consideration.

If the United States determines that the benefits of Facility removal do not justify the potential costs, risks, liabilities or other adverse consequences associated with removal of any specific hydropower Facility or Facilities licensed to PacifiCorp, including but not limited to a determination that the costs of Facilities removal are likely to exceed the \$450,000,000 non-Federal contributions defined in “Section VI. Costs,” then the United States will not proceed to remove the Facilities unless the Parties reach a subsequent written agreement on the matter through Meet and Confer as provided in the Final Agreement. Upon a determination by the United States not to remove the Facilities, then this Agreement in Principle and the Final Agreement shall be null and

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void as to all Parties, and this Agreement in Principle and the Final Agreement shall have no effect as to any Party and PacifiCorp shall return to the pending FERC licensing proceeding pursuant to the Federal Power Act. Before the Final Agreement terminates, however, the Parties to the Final Agreement shall engage in a Meet and Confer process in accordance with procedures to be specified in the Final Agreement, to determine whether the Final Agreement may be conformed to the United States' Determination.

IV. FEDERAL LEGISLATION

As described in further detail below, the United States intends to offer, and the Parties intend to support, Federal legislation that authorizes the United States to determine whether the potential benefits of Facility removal outweigh the potential costs, risks, liabilities or other adverse consequences of removing the Facilities as described in Section III above. The Parties further intend that the same legislation will authorize transfer of the Facilities to a non-Federal DRE in a manner consistent with this Agreement in Principle and the Final Agreement, and that the non-Federal DRE will be empowered to secure the necessary permits and authorizations to promptly remove the Facilities.

In order to reduce uncertainty and eliminate the need to seek additional federal legislation at a subsequent date, the legislation described in this section shall also provide the Company with immunity from environmental liabilities arising from the Company's ownership and operation of the Facilities-provided, however, that liability protection related to any particular Facility shall not become operative until such time as title to the Facility in question has been transferred to the non-Federal DRE. Provided, however, if transfer of any Facility to the non-Federal DRE does not occur, the Company shall retain any liability as it may otherwise have for any environmental liabilities resulting from its ownership and operation of such Facility.

Accordingly, no later than upon the execution of the Final Agreement, the United States shall offer and support Federal legislation that: (1) authorizes, funds and directs the United States to conduct the studies and make the determination set forth in Section III of this Agreement in Principle; (2) authorizes and directs the United States to select a non-Federal DRE if the United States decides to pursue Facilities removal, consistent with the process set forth in this Agreement in Principle and the Final Agreement; (3) authorizes transfer of the Facilities to the non-Federal DRE for the express purpose of removal; (4) provides the legal capacity for the non-Federal DRE to remove the Facilities and to obtain necessary permits and authorizations; (5) authorizes PacifiCorp to continue to operate the Facilities with annual licenses under FERC jurisdiction subject to the interim operations specified in the Final Agreement, until decommissioning of each Facility; (6) provides that Facilities removal shall not be subject to FERC jurisdiction or require FERC approval; and (7) provides that no person or entity contributing funds for dam removal pursuant to Section VI of this Agreement shall be held liable, solely by virtue of that funding, for any harm to persons, property, or the environment, or damages arising from, or relating to, Facility operation or removal after the transfer of ownership and control of the Facilities to the non-Federal DRE, including but not limited to any damage caused by the release of any material or substance, including but not limited to hazardous substances.

The Federal legislation shall also provide the Company with protection from liability with provisions that are materially consistent with the following:

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1. Notwithstanding any other federal or state law or common law, in consideration for transfer of ownership of the Facilities, no previous licensee, owner or operator of aforesaid Facilities shall, after the transfer of ownership and control of the Facilities to the non-Federal DRE, be liable for any harm to persons, property, or the environment, or damages arising from, or relating to, Facility operation or removal including but not limited to any damage caused by the release of any material or substance, including but not limited to hazardous substances.
2. Notwithstanding Section 10(c) of the Federal Power Act, this protection from liability preempts the laws of any State to the extent such laws are inconsistent with this Act, except that this Act shall not be construed to limit any otherwise available immunity, privilege, or defense under any other provision of law.
3. This liability protection shall become operative as it relates to any particular Facility only upon transfer of title to that Facility from the Company to the non-Federal DRE.

Although this Agreement is the full and complete Agreement of the Parties at this time, the Parties agree that the KBRA and Final Agreement will be indivisible parts of a unified approach to resolving Klamath Basin issues in the broad public interest. The Parties will ensure that the Final Agreement and legislation proposed or supported by the Parties are consistent with this principle.

V. SCIENCE

The Parties agree that the Final Agreement will address and specify the elements of an objective, transparent, independent, and scientific process to advise the United States in making its determination whether to pursue removal of the Facilities. The Final Agreement will specify funding and contracting procedures for the science process.

VI. COSTS

A. Facility Removal Costs

This section of the Agreement addresses the contributions from California and Oregon to fund Facilities removal.

The Parties agree to make arrangements for the following contributions, and the documentation for such contributions, such as legal papers, legislation, ballot measures, bond documents or other commitments, shall specify that the contributions are expressly subject to, and conditioned upon, the Right of Withdrawal of each Party and other conditions set forth in the Final Agreement, and that no contributions shall be made unless all conditions are satisfied.

Subject to the foregoing conditions:

Two hundred million in nominal dollars of the total state contribution toward Facility removal costs will be provided by customers in the states of California and Oregon (Customer Contribution). This contribution will come from a surcharge to be set by the California Public Utilities Commission and

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the Public Utility Commission of Oregon (the State Commissions). In addition to the Customer Contribution of \$200,000,000, California will seek voter approval of a general obligation bond which will include Facilities removal funds of \$250,000,000 in nominal dollars to provide the \$450,000,000 necessary to reach the total state contribution (State Cost Cap).

The Final Agreement shall resolve how to provide for further funding of costs in excess of the State Cost Cap, if during the process of Facilities removal it becomes reasonably apparent that actual Facility removal costs are likely to exceed \$450,000,000 or in fact do exceed that amount. The United States, California, Oregon, PacifiCorp, and PacifiCorp's customers do not accept liability for any costs in excess of \$450,000,000 for Facilities removal, absent specific subsequent agreement.

1. The Customer Contribution will come from two accounts.
 - a. The "J.C. Boyle Trust Account," dedicated to Facility removal at J.C. Boyle and initially funded at 25 percent of the Customer Contribution, will consist of: (i) surcharges collected by PacifiCorp from its customers in California and Oregon based on the respective MSP allocation to each state, and (ii) as to any balance necessary to achieve 25 percent of the Customer Contribution, surcharges collected by PacifiCorp from its Oregon customers.
 - b. The "California Dams Trust Account," dedicated to Facility removal at Copco 1, Copco 2 and Iron Gate and initially funded at 75 percent of the Customer Contribution, will consist of: (i) surcharges collected by PacifiCorp from its customers in California and Oregon based on the respective MSP allocation to each state, and (ii) as to any balance necessary to achieve 75 percent of the Customer Contribution, surcharges collected by PacifiCorp from its customers in California and Oregon based on a two state MSP allocation to each state.
2. Beyond the Customer Contribution, California will ask its voters to approve, subject to the conditions specified in this Agreement and in the Final Agreement, general obligation bonds necessary to bridge the gap between the \$200,000,000 Customer Contribution and the actual cost of Facilities removal but in no event to exceed \$250,000,000. The anticipated funding amounts and percentages to be contributed through surcharges and bond moneys shall be set forth in the Final Agreement.
3. With respect to the Customer Contribution, it is intended that each State Commission will:
 - a. Approve a PacifiCorp tariff to collect a non-bypassable surcharge from customers over the estimated lives of J.C. Boyle and the California Dams, and to turn the surcharge over to trustees selected by each State Commission for deposit in an interest bearing account.
 - b. Require the trustees, upon request of the United States, to transfer to the United States or its designees, sums in the trust funds necessary to cover Facilities removal costs, and require the trustees to retain the balances, if any, for further disposition at the direction of the commissions.

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- c. Ensure that the two surcharges, taken together, at no time exceed two percent of the revenue requirements set by each commission for PacifiCorp in the most recent general rate case decided before adoption of the surcharge.
 - d. Assign responsibility among the customer classes for payment of the two surcharges on the basis of equal cents per kilowatt hour.
 - e. To the extent possible, set the surcharges each year on a real levelized basis.
 - f. Establish the two trust accounts as soon as reasonably possible to spread the costs over as long a period as possible to minimize impacts on customers.
4. Upon review of the United States Determination described in Section III of this Agreement, or as appropriate thereafter, and subject to the conditions set forth in this Agreement in Principle and in the Final Agreement, the resource agencies of California and Oregon and the State Commissions shall consult with each other and the United States regarding any changes in the trust accounts necessitated by the Determination. Following the consultation, the State Commissions, to the extent practicable, shall revise the surcharges to be consistent with any changes in the trust accounts. Any revisions shall not alter the overall level of the Customer Contribution or the State Cost Cap, or otherwise obligate the United States to provide funding.
5. If the United States Determination concludes that any dam should not be removed, or a Party exercises a Right of Withdrawal, or this Agreement in Principle or the Final Agreement is terminated, then each State Commission, after consultation with its Governor, may: (a) end collection of the surcharges; (b) direct that any existing balances of the trust accounts be used to implement Federal Energy Regulatory Commission relicensing requirements; or (c) if any excess exists after funding the relicensing requirements, order that any remaining balances be used for the benefit of customers, or refunded to customers. PacifiCorp may seek the same disposition of the surcharge and trust accounts from the State Commissions if the United States Determination concludes that any dam should not be removed, any party exercises a Right of Withdrawal, or this Agreement in Principle or the Final Agreement is terminated.
6. In the event a State Commission finds that a trust account contains more funds than are necessary for Facilities removal, then it shall direct that any excess be refunded to customers or otherwise be used for their benefit.
7. The Parties acknowledge that each State Commission is a separate state agency that is not bound by this Agreement or by any Final Agreement regarding Facilities removal. Because the Parties cannot provide assurance that any State Commission will implement any of the provisions for funding Facilities removal, failure of the State Commissions to do so is not a breach of this Agreement by California or Oregon, but it shall give each Party a Right of Withdrawal. In addition, failure of any Party to provide for the conditional contributions specified in this Agreement in Principle and in the Final Agreement shall give each Party a Right of Withdrawal from this Agreement in Principle and the Final Agreement.

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8. To ensure that the State Commissions are able to assist in carrying out the terms of this Agreement, each State will act in good faith for the passage of necessary legislation, and in the case of California, for the passage of a general obligation bond for the California Dams Trust Account.

B. Recovery of Net Investment and Expenses

Subject to the conditions in this Agreement in Principle and in the Final Agreement, California and Oregon will support rate treatment, by legislation or otherwise, for the return of, and on, amounts that represent PacifiCorp's undepreciated investment in the dams, including investment and recovery of expenses required by the United States or any agency of the States for continued operations and for decommissioning of the Facilities up to their removal dates, and investment previously made by PacifiCorp for relicensing and the settlement process.

C. Replacement Power Costs

Subject to the conditions in this Agreement in Principle and in the Final Agreement:

1. Oregon will provide through legislation that its State Commission will use its regulatory processes, including those that involve rate setting, to reflect in rates the additional costs for power that PacifiCorp will incur from changes in operation of the dams prior to removal and for replacement costs after removal.
2. California will use its state utility regulatory processes to reflect in rates the additional cost for power that PacifiCorp will incur from changes in operation of the dams prior to removal and for replacement costs after removal.

D. Renewable Portfolio Standards and Climate Change Legislation

The Parties will consider whether there are any feasible provisions to address customer impacts from renewable portfolio standards and climate change emissions requirements that might be included in the Final Agreement.

E. Local Community Power

The Final Agreement will identify any specific renewable generation projects on lands in the Klamath Basin for which PacifiCorp may be eligible to bid for the right to join in a public and private partnership.

The Final Agreement will include details agreed to by the Parties relating to the following local community power issues:

1. A description and analysis to determine whether different project development activities are feasible whereby PacifiCorp and Klamath Basin federal irrigation project and/or off-project customers would jointly develop and own certain renewable generation resources.
2. A description and analysis to determine whether PacifiCorp would purchase power from local renewable energy projects developed by Klamath Basin federal irrigation

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project and/or off-project customers or a designated entity as a qualifying facility under the Public Utility Regulatory Policies Act.

3. PacifiCorp will undertake an analysis to determine the feasibility and cost-effectiveness of PacifiCorp administering, through its billing system, an irrigation customer credit to be paid by an entity other than PacifiCorp to eligible irrigation customers' electric bills, as contemplated in the Klamath Basin Restoration Agreement.
 - a. PacifiCorp will work with representatives from the federal government to compare the costs of PacifiCorp's administration of such a customer credit mechanism with the costs of a third-party's administration of the credit mechanism.
 - b. If PacifiCorp undertakes the administration of the bill credit mechanism, all costs will be borne by the affected customers with no cross-subsidization from other customers.

4. PacifiCorp agrees to transmit and deliver any federal power that is acquired pursuant to the Klamath Basin Restoration Agreement for Klamath Reclamation Project federal loads, on-project irrigation customer, and off-project irrigation loads:
 - a. This delivery through PacifiCorp's transmission and distribution system will be priced under the Company's approved unbundled delivery service tariff schedules as approved by the California Public Utilities Commission and the Oregon Public Utility Commission.
 - b. To the extent that the eligibility requirements of PacifiCorp's existing delivery service tariffs require revisions, PacifiCorp will initiate and the Parties will support a filing with the respective Commission.
 - c. The United States is exploring whether power is obtainable from Bonneville Power Administration, Western Area Power Administration, or other alternative sources. The United States and PacifiCorp agree to address in the Final Agreement whether PacifiCorp's facilities might be used to deliver or wheel such power to customers at a reasonable cost, subject to applicable state regulations. Within 30 days of the signing of the Agreement in Principle, PacifiCorp and the United States agree to request that the Bonneville Power Administration participate in good faith discussions with PacifiCorp Klamath Water and Power Agency, Klamath Water Users Association, off-project water users and the United States. The purpose of these discussions would be to explore and agree upon the terms and conditions under which PacifiCorp would provide transmission service for any federal power that is acquired pursuant to the Klamath Basin Restoration Agreement.

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- d. Any provisions in the Final Agreement related to delivery services will be cost-neutral for all of PacifiCorp's other customer classes and designed in a manner that will not result in cross-subsidization between customer classes.
5. PacifiCorp agrees that any disposition of lands it owns shall be at fair market value to an entity that is not exempt from payment of property or other taxes, or contributes equivalent revenues in lieu of taxes.

VII. DAM TRANSFER, DECOMMISSIONING AND REMOVAL SCHEDULE AND INTERIM OPERATIONS

Subject to the conditions in this Agreement and in the Final Agreement, the Final Agreement will include a schedule for Facilities removal and interim project operations substantially as follows:

A. Stage 1:

Stage 1 shall commence upon execution of this Agreement in Principle. The Stage 1 will continue until the following events have occurred: (1) publication of a United States Determination under Section III of the Agreement in Principle; (2) completion of a period of 60 days after the Secretary's determination during which neither California nor Oregon exercise a Right of Withdrawal; (3) the United States' designation of a non-Federal DRE to remove the Facilities, subject to the concurrence by the States of Oregon and California, as set forth in Section III; and (4) the DRE's execution of a written agreement to meet its obligations under Section VIII of this Agreement in Principle.

B. Stage 2:

Stage 2 shall commence at the conclusion of Stage 1. The end of Stage 2 is envisioned to be the removal of all of the Facilities. Parties agree that if Facilities removal occurs in a staged manner, J.C. Boyle is intended to be the last dam removed. Should Facilities removal occur such that Copco No. 1, Copco No. 2, and Iron Gate dams are removed and J.C. Boyle removal is delayed, PacifiCorp will operate J.C. Boyle as a run of river facility. Provided, however, that if the scientific and engineering study results indicate that another sequencing for Facilities removal is necessary, then the Parties will Meet and Confer to resolve the inconsistency.

Contingent on FERC approval, the West Side and East Side hydropower facilities licensed to PacifiCorp shall be decommissioned by PacifiCorp, as soon as reasonably feasible subsequent to the execution of the Final Agreement, with the costs of such decommissioning to be recovered by PacifiCorp through standard ratemaking proceedings subject to the provisions of Section VI. Contingent on Congressional authorization and pursuant to the terms and conditions in the Final Agreement, the Keno Facility within the jurisdictional boundaries of the Project shall be transferred to the United States at the time of transfer of J.C. Boyle or such other time agreed by the Parties in the Final Agreement, and thereafter operated by the United States as specified in the Final Agreement.

The non-Federal DRE shall obtain all approvals and contracts necessary for Facilities removal. PacifiCorp shall transfer the Facilities to the non-Federal DRE as soon as the non-Federal DRE notifies PacifiCorp that all necessary approvals and contracts have been received for removal of each Facility; all contracts necessary for removal have been finalized; and removal is ready to

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commence. Physical removal shall occur immediately after transfer provided, any litigation, appeals, or circumstances beyond the Parties' control may be grounds for extending this schedule for transfer and removal in accordance with procedures to be specified in the Final Agreement. The Final Agreement shall specify the circumstances beyond the Parties' control that may be grounds for extending the schedule for transfer and removal in accordance with procedures to be specified in the Final Agreement.

PacifiCorp will continue to operate the Facilities for the benefit of customers and retain all rights to the power from the Facilities until each dam is finally transferred and removed, including all rights to any power generated during the time between dam transfer to the non-Federal DRE and ultimate physical removal by the non-Federal DRE. PacifiCorp shall be responsible for decommissioning of the Facilities before removal.

C. Dam Transfer Scenarios:

The target date for initiation of removal of the Facilities is 2020, provided that the actual date for initiation of removal shall be determined as a function of the following: (1) the level of the customer surcharge for Facilities removal agreed by the Parties; (2) the flow requirements during interim operations; and (3) the requirements for investment in interim measures. Exhibit 1 to this agreement contains six potential scenarios which represent the range of possible outcomes in determining initiation of removal of the Facilities. The Final Agreement will contain one or more scenarios that are economically equivalent for PacifiCorp's customers to the scenarios outlined in Exhibit 1. The Final Agreement may also contain other elements that may affect the initiation of removal of the Facilities by providing additional value to PacifiCorp's customers. These additional elements may include the following: (1) additional flows created by the Klamath Basin Restoration Agreement, (2) third-party funding for restoration and replacement power, (3) earnings on the surcharge trust, (4) generation during the Facility removal stage, and (5) any other option to provide additional value or offset costs that can be identified and agreed upon by the Parties.

The interim measures shall no longer be required if: (a) the United States determines that the benefits of Facility removal do not justify the potential costs, risks, liabilities or other adverse consequences associated with removal of any specific hydropower Facility or Facilities licensed to PacifiCorp, and determines not to remove the hydropower Facility or Facilities; or (b) any Party exercises a Right of Withdrawal; or (c) the Final Agreement is terminated prior to Facilities removal.

D. Interim Conservation Plan:

The Parties acknowledge that the National Marine Fisheries Service (NMFS) and U.S. Fish and Wildlife Service (USFWS) (hereinafter referred to collectively as the "Services") have signed a letter addressing an ESA interim conservation plan upon which NMFS, USFWS and PacifiCorp have agreed. A copy of this letter and plan will be filed with FERC. PacifiCorp has agreed to work expeditiously and in good faith to cooperatively develop a request that PacifiCorp will file with FERC to incorporate, as appropriate, the interim conservation plan measures as an amendment to the current Project license and request consultation under ESA Section 7 on that request. The Final Agreement will address procedures for appropriate FERC filings for other interim measures not included in the interim conservation plan.

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The Parties understand that as necessary, the Services will work with FERC under ESA Section 7 and implementing regulations and thereby provide appropriate authorization under the ESA for Project operations pursuant to the interim conservation plan. The Services have reserved their right to reassess these interim measures or reinitiate consultation on any final biological opinion pursuant to 50 C.F.R. § 402.16. Imposition of materially inconsistent measures that result in significant new costs inconsistent with this Agreement in Principle and the Final Agreement shall give PacifiCorp a Right of Withdrawal from this Agreement in Principle and the Final Agreement. The term “materially inconsistent measures” will be defined in the Final Agreement.

VIII. FACILITIES REMOVAL ENTITY BOUND BY AGREEMENT OF PARTIES

Pursuant to Federal legislation, the Parties intend that the United States shall be authorized to designate a non-Federal DRE as an entity to which each Facility shall, in the judgment of the Secretary, be transferred before any Facilities removal occurs. The selection of the DRE is subject to concurrence by the States of Oregon and California that the DRE meets the definition of a DRE, as provided in this Agreement in Principle and the Final Agreement. Such non-Federal DRE shall be solely responsible for removal of any Project Facilities. The non-Federal DRE shall respond to and defend all liability claims and costs caused by Facilities removal, and the non-Federal DRE shall indemnify and hold harmless the other Parties to this Agreement for any such damages, costs, judgments or awards. The Final Agreement will describe the detailed role and responsibilities of the non-Federal DRE. The non-Federal DRE shall become a Party to the Final Agreement or otherwise be bound to act in accordance with the Final Agreement.

IX. MISCELLANEOUS

The Final Agreement may address terms and conditions materially consistent with the goals of the Agreement in Principle, as well as other subjects, including but not limited to the following:

- A. An economic impact study on the effect Facilities removal will have on Siskiyou County, California;
- B. Disposition of the Fall Creek hydropower Facility and other associated Project Facilities in a manner that would protect the City of Yreka’s water supply;
- C. Disposition of BLM easements and rights of way;
- D. Terms and conditions for Right of Withdrawal, termination for cause, the Meet and Confer process, other dispute resolution procedures, remedies, and any other appropriate terms consistent with this Agreement in Principle. If the Final Agreement retains a Right to Withdraw from the Final Agreement for California and Oregon subsequent to the Secretary’s determination, in accordance with Section III, the Final Agreement shall also address PacifiCorp’s incremental increase in risk or potential liability, if any, as a result thereof;

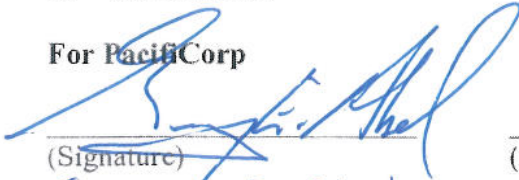
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- E. Provisions for funding any costs in excess of \$450,000,000 which arise after the Secretary makes a determination to remove the dams, consistent with provisions previously set forth in this Agreement in Principle;
- F. Treatment of the pending relicensing application and ancillary approvals, including but not limited to the Section 401 certification processes in the states of California and Oregon and the federal licensing process;
- G. Lease of bed and banks and disposition of Project lands and disposition of water rights;
- H. The Final Agreement shall describe the processes for obtaining timely approvals, authorizations, or certifications, as applicable, from agencies of competent jurisdiction for the Interim Measures and other measures in the Final Agreement pursuant to applicable federal and state laws, including but not limited to the CERCLA, the Clean Water Act, and the Endangered Species Act.. The Final Agreement will also describe any necessary reservations of authority by the agencies of competent jurisdiction for these approvals, authorizations, or certifications. Imposition of materially inconsistent measures that result in significant new costs inconsistent with this Agreement in Principle and the Final Agreement shall give any Party a Right of Withdrawal from this Agreement in Principle and the Final Agreement. Provided, the term “materially inconsistent measures” will be defined in the Final Agreement; and
- I. The Final Agreement shall include specific provisions to assure that the schedule of environmental review, permit applications, and permitting for such Facilities removal, subsequent to the Secretary’s determination, will be consistent with Section VII herein and will be coordinated with applicable KBRA provisions which are linked to the Final Agreement or Facilities removal.

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X. SIGNATURES

For PacificCorp



(Signature)

11/12/2008
(Date)

Gregory E. Abel
(Name)

Chairman and CEO
(Title)

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For State of Oregon

Theodore R. Kulayoshi *11/10/08*

(Signature)

(Date)

Theodore R. Kulayoshi

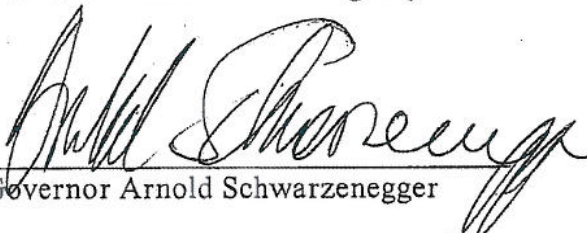
(Name)

Governor of Oregon

(Title)

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For California Resources Agency

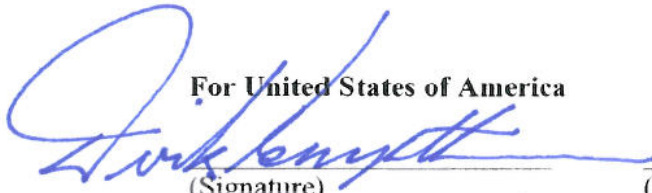

Governor Arnold Schwarzenegger

November 13, 2008
Date

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For United States of America

NOV 13 2008



(Signature)

(Date)

DIRK KEMPTHORNE

(Name)

U.S. SECRETARY OF THE INTERIOR

(Title)

EXHIBIT 1
KLAMATH HYDROELECTRIC PROJECT DAM REMOVAL SCENARIOS
AGREEMENT IN PRINCIPLE

The following chart lists six potential dam removal scenarios that will form the basis of discussions to narrow the scenarios for the Final Agreement. The Final Agreement will endeavor to include one or more scenarios that are economically equivalent to the scenarios below:

Target Removal Date	Customer Surcharge (\$ millions)	Interim Measures and Flows	Additional Third-Party Funding and Cost Offsets (\$ millions)
2020	\$ 150.00	Case A	\$13.00
2020	\$ 200.00	Case A	\$63.00
2023	\$ 150.00	Case B	\$13.00
2024	\$ 175.00	Case B	\$13.00
2024	\$ 150.00	Case C	\$ 0
2025	\$ 200.00	Case C	\$ 0

The three cases of Interim Measures and Flows are Exhibits 1A, 1B and 1C that follow.

Case A is comprised of a limited set of interim measures designed to address the needs of the Interim Conservation Plan and water quality improvements as required by the California Water Resources Control Board and the Oregon Department of Environmental Quality. Case A further requires no additional flow releases from current requirements. Additional third-party funding or cost offsets to PacifiCorp's customers will be necessary to reach the 2020 target removal date.

Case B is comprised of the same limited set of interim measures as contained in Case A and requires third-party funding or cost offsets to reach the target date. Case B requires PacifiCorp to release additional instream flows as compared to current requirements as detailed in item 7 of Exhibit 1B.

Case C is comprised of a more extensive set of interim measures, the same instream flow requirements as in Case B, and no additional third-party funding or cost offsets to achieve the target date.

The Parties agree to identify third-party funding and cost offset options in the Final Agreement. These options may include: (1) additional flows created by the Klamath Basin Restoration Agreement, (2) third-party funding for restoration and replacement power, (3) earnings on the surcharge trust, (4) generation during the Facility removal stage, and (5) and other options that can be identified and agreed upon by the Parties.

EXHIBIT 1A
KLAMATH HYDROELECTRIC PROJECT INTERIM MEASURES
AGREEMENT IN PRINCIPLE

Case A

Interim Measures Description and Timing¹

#	Interim Measure Task Title
1	Interim Measures Implementation Coordination. PacifiCorp and the Federal Agencies, Indian Tribes and States of Oregon and California will collaboratively develop a written plan which describes the process for communicating, coordinating and implementing interim measures and ongoing operations and maintenance (O & M) activities of the Klamath Hydroelectric Project with agencies and the general public.
2	J.C. Boyle Gravel Placement and/or Habitat Enhancement. PacifiCorp will commit \$150,000 per year to improve habitat in the Klamath River below J.C. Boyle dam. As an example of one approach, suitable spawning-sized gravels will be placed in the J.C. Boyle bypass and/or full flow reach. Gravel will be supplied using a passive approach prior to the high flow period. Other habitat enhancement measures of similar cost to this scope and method of gravel placement may be conducted instead of or in combination with more limited gravel placement, as agreed by PacifiCorp, Agencies, and Tribes.
3	J.C. Boyle Bypass Barrier Removal. PacifiCorp will remove the sidecast rock barrier approximately 2.5 mile upstream of the J.C. Boyle Powerhouse in the J.C. Boyle bypass reach to provide for the safe, timely, and effective upstream passage of Chinook and coho salmon, steelhead trout, Pacific lamprey, and redband trout. If blasting will be used to remove this barrier, PacifiCorp shall coordinate with the Oregon Department of Fish and Wildlife to ensure the work occurs during the appropriate in-water-work period.
4	J.C. Boyle Powerhouse Gage. PacifiCorp will provide the U.S. Geological Survey (USGS) with continued funding for the operation of the existing gage below the J.C. Boyle Powerhouse (USGS Gage No. 11510700). Funding will provide for continued real-time reporting capability for half-hour interval readings of flow and gage height, accessible via the USGS website.
5	J.C. Boyle Reservoir Water Quality. PacifiCorp will take measures to improve water quality within J.C. Boyle Reservoir. PacifiCorp will study the feasibility of installing an aeration or mixing system to improve dissolved oxygen within the reservoir, or other measures such as wetland developments that will yield water quality improvements at J.C. Boyle. Costs for these measures are estimated at \$400,000 for capital outlay and \$60,000 annually for operations and maintenance. If measures implemented within the cost estimate do not perform to the satisfaction of Parties, Parties shall Meet and Confer with the objective of resolving issues at reasonable cost. All water quality improvement actions shall be coordinated with the Oregon Department of Environmental Quality. Studies will begin upon signing a Final Agreement. Implementation of feasible enhancement measures will begin upon 61 days following the Federal Determination.

¹ The Company will begin implementation of a water quality monitoring and planning program, consistent with the programs identified in Interim Measures Numbers 11 and 12, when the Agreement in Principle is signed by all Parties. The Company will also implement the ESA interim conservation plan upon which NMFS, USFWS and PacifiCorp have agreed as noted on page 14 of the Agreement in Principle. The timing of implementation of other measures will be specified in the Final Agreement.

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6	<p>J.C. Boyle Bypass Reach and Spencer Creek Gaging. PacifiCorp will install and operate stream gages at the J.C. Boyle bypass reach and at Spencer Creek. The J.C. Boyle Bypass Reach gaging station will be located below the dam and fish ladder and fish bypass outflow, but above the springs. It is assumed that required measurement accuracy will be provided using stage gaging at existing channel cross-sections with no need for constructed weirs. The installed stream gages shall provide for real-time reporting capability for half-hour interval readings of flow and gage height, accessible via the USGS website.</p>
7	<p>J.C. Boyle Dam Instream Flow Releases. PacifiCorp will maintain current operations including instream flow releases of 100 cubic feet per second (cfs) from J.C. Boyle Dam to the J.C. Boyle bypass reach prior to removal of J.C. Boyle.</p> <p>Parties agree that if dam removal occurs in a staged manner, J.C. Boyle is intended to be the last dam removed. Should dam removal occur such that Copco No. 1, Copco No. 2, and Iron Gate dams are removed and J.C. Boyle removal is delayed, PacifiCorp will operate J.C. Boyle as a run of river facility. Provided, however, that if scientific and engineering study results indicate another sequence for dam removal, the parties shall meet and confer to resolve the inconsistency.</p>
8	<p>3,000 cfs Power Generation. PacifiCorp may divert a maximum of 3,000 cfs from the Klamath River for purposes of power generation prior to the removal of J.C. Boyle. Water diversions for power generation shall not reduce minimum flow requirements in the J.C. Boyle bypass reach.</p>
9	<p>California Klamath Restoration Fund / Coho Enhancement Fund. PacifiCorp will provide \$500,000 annually to establish a fund to be administered jointly by the California Department of Fish and Game (in conjunction with the State Water Resources Control Board) and NOAA Fisheries to fund habitat and fish restoration actions within the Klamath Basin that will benefit coho salmon. This funding obligation will remain in effect until the California dams are removed.</p>
10	<p>Iron Gate Turbine Venting. PacifiCorp shall test turbine venting at Iron Gate dam and, if determined to be a successful and viable tool for improving dissolved oxygen concentrations downstream of Iron Gate dam, shall implement turbine venting on an ongoing basis. Studies will begin upon signing the Agreement in Principle with implementation, if feasible, to follow as soon as practicable.</p>
11	<p>Nutrient Reduction Measures. PacifiCorp shall implement nutrient reduction measures addressing Basin Plan implementation (Section 401, TMDL's, etc.) with consideration for projects in Oregon and California to improve water quality within Copco and Iron Gate Reservoirs utilizing an adaptive approach based on State Water Resources Control Board recommendations. Estimated costs of \$5 million plus \$500,000 per year for operation. This effort will also provide for specific studies and planning efforts. Studies will begin upon signing a Final Agreement. Implementation of feasible enhancement measures will begin upon 61 days following the Federal Determination.</p>
12	<p>Water Quality Monitoring. PacifiCorp will fund water quality monitoring, including on-going BGA and BGA toxin monitoring. Funding of \$500,000 will be provided per year. Monitoring will be performed by an entity agreed upon by the Parties and in coordination with appropriate water quality agencies.</p>
13	<p>Water Diversions. PacifiCorp will seek to eliminate screened diversions from Shovel and Negro Creeks, and will seek to modify its water rights to move the point of diversion from Shovel and Negro Creeks to the Klamath River.²</p>
14	<p>Fall Creek Flow Releases. PacifiCorp will provide a continuous flow release to the Fall Creek bypass reach of 5 cfs.</p>
15	<p>Hatchery Funding. PacifiCorp will fund 100 percent of hatchery operations and maintenance necessary to fulfill annual mitigation objectives developed by the California Department of Fish and Game in</p>

² The intent of this measure is to provide additional water to Shovel and Negro creeks while not diminishing the value of ranch property owned by PacifiCorp. Consistent with Section IX of the AIP, disposition of water rights in a manner that does not economically disadvantage PacifiCorp's customers will be addressed in the Final Agreement.

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	consultation with the National Marine Fisheries Service. This includes funding the Iron Gate Hatchery facility as well funding of other hatcheries necessary to meet ongoing mitigation objectives following dam removal. Funding will be provided for hatchery operations to meet mitigation requirements and will continue for 8 years following the removal of Iron Gate Dam.
16	Hatchery Genetics Management Plan. PacifiCorp will fund the development and implementation of a Hatchery Genetics Management Plan for the Iron Gate Hatchery.
17	Hatchery: 25 Percent Fractional Marking. PacifiCorp will fund 25 percent fractional marking at Iron Gate hatchery facilities. Funding will include purchase of necessary equipment (e.g. automatic fish marking trailer and tags) as well as personnel costs. PacifiCorp is not responsible for funding possible transition to 100 percent marking program in the future.
18	Hatchery Production Continuity. PacifiCorp will fund a study to evaluate hatchery production options that do not rely on the current Iron Gate Hatchery water supply. The study will assess groundwater and surface water supply options and water reuse technologies that could support hatchery production in the absence of Iron Gate Dam. The study may include examination of local well records and increasing production potential at existing or new facilities in the basin as well as development of a test well or groundwater supply well. Based on the study results, PacifiCorp will provide one-time funding to construct and implement the measures identified as necessary to continue to meet current mitigation production objectives for a period of 8 years following the removal of Iron Gate Dam. Production facilities capable of meeting current hatchery mitigation goals must be in place and operational upon removal of Iron Gate Dam.
19	Iron Gate Flow Variability. PacifiCorp shall consult with NMFS and the Bureau of Reclamation, and establish variable flows below Iron Gate Dam through powerhouse releases, if feasible.
20	Iron Gate Gravel Placement. PacifiCorp will place approximately 200 cubic yards of gravels (sizes to be determined by the Agencies and Tribes) into the river downstream of Iron Gate Dam. The delivery area will be monitored each summer to estimate the amount of gravel that has been dispersed during the preceding year and to determine the need for repeated gravel placement. Repeated placement, if necessary, will be limited to no more than 200 cubic yards of gravel annually.
21	Fish Disease Relationship and Control Studies. PacifiCorp will provide funding to study fish disease relationships downstream of Iron Gate Dam. Research will be performed by an entity agreed upon by the Parties, and will include recommendations for control measures as appropriate. Estimated \$500,000 total cost.
22	Water Quality Technical Conference. PacifiCorp will provide one-time funding of \$100,000 to convene a basin-wide technical conference on water quality.

EXHIBIT 1B
KLAMATH HYDROELECTRIC PROJECT INTERIM MEASURES
AGREEMENT IN PRINCIPLE

Case B

Interim Measures Description and Timing³

#	Interim Measure Task Title
1	Interim Measures Implementation Coordination. PacifiCorp and the Federal Agencies, Indian Tribes and States of Oregon and California will collaboratively develop a written plan which describes the process for communicating, coordinating and implementing interim measures and ongoing operations and maintenance (O & M) activities of the Klamath Hydroelectric Project with agencies and the general public.
2	J.C. Boyle Gravel Placement and/or Habitat Enhancement. PacifiCorp will commit \$150,000 per year to improve habitat in the Klamath River below J.C. Boyle dam. As an example of one approach, suitable spawning-sized gravels will be placed in the J.C. Boyle bypass and/or full flow reach. Gravel will be supplied using a passive approach prior to the high flow period. Other habitat enhancement measures of similar cost to this scope and method of gravel placement may be conducted instead of or in combination with more limited gravel placement, as agreed by PacifiCorp, Agencies, and Tribes.
3	J.C. Boyle Bypass Barrier Removal. PacifiCorp will remove the sidecast rock barrier approximately 2.5 mile upstream of the J.C. Boyle Powerhouse in the J.C. Boyle bypass reach to provide for the safe, timely, and effective upstream passage of Chinook and coho salmon, steelhead trout, Pacific lamprey, and redband trout. If blasting will be used to remove this barrier, PacifiCorp shall coordinate with the Oregon Department of Fish and Wildlife to ensure the work occurs during the appropriate in-water-work period.
4	J.C. Boyle Powerhouse Gage. PacifiCorp will provide the U.S. Geological Survey (USGS) with continued funding for the operation of the existing gage below the J.C. Boyle Powerhouse (USGS Gage No. 11510700). Funding will provide for continued real-time reporting capability for half-hour interval readings of flow and gage height, accessible via the USGS website.
5	J.C. Boyle Reservoir Water Quality. PacifiCorp will take measures to improve water quality within J.C. Boyle Reservoir. PacifiCorp will study the feasibility of installing an aeration or mixing system to improve dissolved oxygen within the reservoir, or other measures such as wetland developments that will yield water quality improvements at J.C. Boyle. Costs for these measures are estimated at \$400,000 for capital outlay and \$60,000 annually for operations and maintenance. If measures implemented within the cost estimate do not perform to the satisfaction of Parties, Parties shall meet and confer with the objective of resolving issues at reasonable cost. All water quality improvement actions shall be coordinated with the Oregon Department of Environmental Quality. Studies will begin upon signing a Final Agreement. Implementation of feasible enhancement measures will begin upon 61 days following the Federal Determination.

³ Implementation of the measures identified in the Interim Conservation Plan referenced in Section VII.D of the AIP will begin upon execution of the AIP. The timing of implementation of other measures will be specified in the final agreement.

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6	<p>J.C. Boyle Bypass Reach and Spencer Creek Gaging. PacifiCorp will install and operate stream gages at the J.C. Boyle bypass reach and at Spencer Creek. The J.C. Boyle Bypass Reach gaging station will be located below the dam and fish ladder and fish bypass outflow, but above the springs. It is assumed that required measurement accuracy will be provided using stage gaging at existing channel cross-sections with no need for constructed weirs. The installed stream gages shall provide for real-time reporting capability for half-hour interval readings of flow and gage height, accessible via the USGS website.</p>
7	<p>J.C. Boyle Dam Instream Flow Releases. PacifiCorp will provide flow releases from J.C. Boyle Dam to the J.C. Boyle bypass reach as follows:</p> <p style="padding-left: 40px;">Provide 100 cubic feet per second (cfs) below the dam from December through January Provide 300 cfs below the dam from February through May Provide 200 cfs below the dam from June through November</p> <p>These flow releases will be provided at J.C. Boyle Dam. Ramp rates will comply with current license requirements.</p> <p>The above flow schedule shall be implemented by means of existing facilities. Due to the difficulty of providing precise flow releases with the existing spillgates at the dam, monitoring for purposes of determining compliance with this requirement shall be based upon average daily flows.</p> <p>Any additional flows accrued through implementation of the KBRA, or other conservation efforts, shall be made available for the enhancement of aquatic resources, as requested by the Agencies and Tribes in coordination with PacifiCorp. The Parties shall develop protocols for quantifying any additional flows made available through implementation of the KBRA, and for coordinating with PacifiCorp on the timing and manner of release of such flows.</p> <p>Parties agree that if dam removal occurs in a staged manner, J.C. Boyle is intended to be the last dam removed. Should dam removal occur such that Copco No. 1, Copco No. 2, and Iron Gate dams are removed and J.C. Boyle removal is delayed, PacifiCorp will operate J.C. Boyle as a run of river facility. Provided, however, that if scientific and engineering study results indicate another sequence for dam removal, the parties shall Meet and Confer to resolve the inconsistency.</p>
8	<p>3,000 cfs Power Generation. PacifiCorp may divert a maximum of 3,000 cfs from the Klamath River for purposes of power generation prior to the removal of J.C. Boyle. Water diversions for power generation shall not reduce minimum flow requirements in the J.C. Boyle bypass reach.</p>
9	<p>California Klamath Restoration Fund / Coho Enhancement Fund. PacifiCorp will provide \$500,000 annually to establish a fund to be administered jointly by the California Department of Fish and Game (in conjunction with the State Water Resources Control Board) and NOAA Fisheries to fund habitat and fish restoration actions within the Klamath Basin that will benefit coho salmon. This funding obligation will remain in effect until the California dams are removed.</p>
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11	<p>Nutrient Reduction Measures. PacifiCorp shall implement nutrient reduction measures addressing Basin Plan implementation (Section 401, TMDL's, etc.) with consideration for projects in Oregon and California to improve water quality within Copco and Iron Gate Reservoirs utilizing an adaptive approach based on State Water Resources Control Board recommendations. Estimated costs of \$5 million plus \$500,000 per year for operation. This effort will also provide for specific studies and planning efforts. Studies will begin upon signing a Final Agreement. Implementation of feasible enhancement measures will begin upon 61 days following the Federal Determination.</p>

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13	Water Diversions. PacifiCorp will seek to eliminate screened diversions from Shovel and Negro Creeks, and will seek to modify its water rights to move the point of diversion from Shovel and Negro Creeks to the Klamath River. ⁴
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15	Hatchery Funding. PacifiCorp will fund 100 percent of hatchery operations and maintenance necessary to fulfill annual mitigation objectives developed by the California Department of Fish and Game in consultation with the National Marine Fisheries Service. This includes funding the Iron Gate Hatchery facility as well funding of other hatcheries necessary to meet ongoing mitigation objectives following dam removal. Funding will be provided for hatchery operations to meet mitigation requirements and will continue for 8 years following the removal of Iron Gate Dam.
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⁴ The intent of this measure is to provide additional water to Shovel and Negro creeks while not diminishing the value of ranch property owned by PacifiCorp. Consistent with Section IX of the AIP, disposition of water rights in a manner that does not economically disadvantage PacifiCorp's customers will be addressed in the Final Agreement.

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EXHIBIT 1C
KLAMATH HYDROELECTRIC PROJECT INTERIM MEASURES
AGREEMENT IN PRINCIPLE

Case C

Interim Measures Description and Timing⁵

#	Interim Measure Task Title
1	Interim Measures Implementation Coordination. PacifiCorp and the Federal Agencies, Indian Tribes and States of Oregon and California will collaboratively develop a written plan which describes the process for communicating, coordinating and implementing interim measures and ongoing operations and maintenance (O & M) activities of the Klamath Hydroelectric Project with agencies and the general public.
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12	Water Quality Monitoring. PacifiCorp will fund water quality monitoring including on-going BGA and BGA toxin monitoring. Funding of \$500,000 will be provided per year. Monitoring will be performed by an entity agreed upon by the Parties and in coordination with appropriate water quality agencies.
13	Fish Tissue Consumption Risk Analysis. PacifiCorp will provide funding of \$250,000 for California Office of Environmental Health Hazard Assessment fish tissue consumption risk analysis studies to be performed by an entity agreed upon by Parties.
14	Water Diversions. PacifiCorp will seek to eliminate screened diversions from Shovel and Negro Creeks, and will seek to modify its water rights to move the point of diversion from Shovel and Negro Creeks to the Klamath River. ⁶
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Attachment 3

Memorandum

To: Imee Anderson, Chief Financial Officer,
Public Utility Commission of Oregon (OPUC)

From: Laura Hazlett, Chief Operations Officer,
Klamath River Renewal Corporation (KRRC)

CC: Michael Dougherty, Chief Operating Officer, OPUC
Krystyna Wolniakowski, Vice President, KRRC
Mark Bransom, Chief Executive Officer, KRRC

Date: December 12, 2022

Re: Klamath Dam Removal – OPUC Phase 2 Reports and Disbursement Request to
complete Phase 2 and initiate Phase 3 (DM#7810225)

OPUC PHASE 2 REVENUE AND EXPENSE REPORTS

Klamath River Renewal Corporation (KRRC) respectfully submits the following documents:

- KRRC's year-to-date (July 1, 2022-September 30, 2022) financial information
- Actual expenditures for prior disbursement period (January 1, 2022-June 30, 2022)
- Revised Fiscal Year 2023 budget

DISBURSEMENT REQUEST

Also attached to this memo is KRRC's new disbursement request of \$62,345,266 to cover remaining Phase 2 activities and the start of Phase 3 activities for the period January 1, 2023 – June 30, 2023. This request is based on KRRC's fiscal year 2023 (FY23) revised budget, which, at the recommendation of KRRC's Finance Committee, was approved by the KRRC Board of Directors on November 22, 2022. KRRC's revised budget represents a change in expected timing of expending funds based on the timing of FERC's approval of the License Surrender Order. Instead of beginning work in April 2023, KRRC now expects that our Contractors will begin work as early as February 2023.

The total estimated funding needed for January 1, 2023 – June 30, 2023, is \$87,474,597. To date \$121,654,734 of the \$184,000,000 has been disbursed to KRRC. We are requesting the remaining amount of \$62,345,266 to cover the remainder of work in FY23, which will be added to the projected rollover balance of \$20,720,684. As a reminder, 100% of total expenses charged to Public Utility Commission (PUC) funds will be covered from Oregon PUC (OPUC) given that California PUC funds have all been distributed. The table below reflects all anticipated expenses for the fiscal year.

Oregon PUC	Period	Funds Received	Interest Earned	Total Funds Available	Funds Used	Net for Period	Running Balance
Phase 1 *	Jan-Jun 2017	\$ 4,047,369	\$ 1,153	\$ 4,048,522	\$ 3,114,943	\$ 933,579	\$ 933,579
Phase 2	Jul-Dec 2017	\$ 9,606,922	\$ 4,311	\$ 9,611,233	\$ 4,369,431	\$ 5,241,802	\$ 6,175,381
Phase 2	Jan-Jun 2018	\$ 5,639,500	\$ 11,404	\$ 5,650,904	\$ 6,322,773	\$ (671,869)	\$ 5,503,512
Phase 2	Jul-Dec 2018	\$ 8,171,440	\$ 15,936	\$ 8,187,376	\$ 7,318,846	\$ 868,530	\$ 6,372,042
Phase 2	Jan-Jun 2019	\$ 11,290,117	\$ 28,912	\$ 11,319,029	\$ 11,573,298	\$ (254,269)	\$ 6,117,773
Phase 2	Jul-Dec 2019	\$ 19,787,571	\$ 141,923	\$ 19,929,494	\$ 16,932,651	\$ 2,996,843	\$ 9,114,616
Phase 2	Jan-Jun 2020	\$ 6,605,398	\$ 44,259	\$ 6,649,657	\$ 15,387,289	\$ (8,737,633)	\$ 376,983
Phase 2	Jul-Dec 2020	\$ 16,020,683	\$ 22,241	\$ 16,042,924	\$ 13,400,184	\$ 2,642,739	\$ 3,019,722
Phase 2	Jan-Jun 2021	\$ 8,697,367	\$ 14,218	\$ 8,711,585	\$ 4,013,726	\$ 4,697,859	\$ 7,717,581
Phase 2	Jul-Dec 2021	\$ 8,995,089	\$ 18,602	\$ 9,013,691	\$ 2,910,060	\$ 6,103,631	\$ 13,821,212
Phase 2	Jan-Jun 2022	\$ 9,862,525	\$ 15,648	\$ 9,878,173	\$ 6,702,270	\$ 3,175,904	\$ 16,997,116
Phase 2 Projected	Jul-Dec 2022	\$ 12,930,753	\$ 12,218	\$ 12,942,971	\$ 9,219,403	\$ 3,723,568	\$ 20,720,684
Phase 2 Projected	Jan-Jun 2023	\$ -	\$ -	\$ -	\$ 87,474,597	\$ (87,474,597)	\$ (66,753,913)
Totals		\$ 121,654,734	\$ 330,825	\$ 121,985,559	\$ 188,739,472	\$ (66,753,913)	

*Excludes Phase 1A funding that was approximately \$310K.

OVERALL PHASE 2 BUDGET DISCUSSION AND UPDATES

The Funding Agreement (Section 1) defines Phase 2 as the development of the Definite Plan; preparation of procurement documents for final design, deconstruction, and risk management; and completion of regulatory actions. This period covers all activities from the end of Phase 1 until the Progressive Design Build Contractor is ready to begin site preparation. The Contractor (Kiewit) will begin site preparation to undertake Facilities Removal under Phase 3 of this Funding Agreement, which consists of the Facilities Removal through deconstruction and restoration.

Phase 3 is anticipated to commence in early 2023 based on FERC's issuance of the License Surrender Order on November 17, 2022 and KRRC's acceptance of the License Transfer Order on December 1, 2022. At this time, we anticipate beginning preparatory work and construction in February 2023, including removal of Copco No. 2 dam. Reservoir drawdown and removal of Iron Gate, Copco No. 1, and J.C. Boyle dams are scheduled for 2024.

For this disbursement request, KRRC expects to spend \$87,474,597 during the period of January 1, 2023, and June 30, 2023. This number is based on KRRC's revised budget as well as the final Guaranteed Maximum Price (GMP) contracts that were signed with the prime contractors on December 1, 2022. Additional anticipated expenditures will include: 1) construction activities, 2) initiation of compliance work, and 3) ongoing agency coordination.

PHASE 2 PROGRAM ACTIVITIES AND KRRC ACCOMPLISHMENTS TO DATE

Listed below are the Phase 2 program activities as well as updates on KRRC's accomplishments since the update provided in the June 2022 disbursement request.

Regulatory Approvals

- a. KRRC has worked diligently to pave the way to receive critical regulatory approvals to facilitate:
 1. *Federal Energy Regulatory Commission approval of the license surrender application.*
 2. *U.S. Army Corps of Engineers issuance of a Clean Water Act Section 404 permit.*
 3. *California State Water Board and Oregon Department of Environmental Quality issuances of Clean Water Act Section 401 and Section 402 Permits and resource protection management plans development.*
 4. *All other necessary approvals from governmental agencies.*

Accomplishments:

General

- KRRC continues to actively work with local, state, and federal agencies to acquire necessary regulatory permits and approvals.
- KRRC continues calls with stakeholders to provide general project updates, regulatory and construction updates, answer questions, and ensure alignment.

FERC

- In June 2022, KRRC submitted the 100% consolidated design package to FERC and the BOC; KRRC then submitted the package to the California Division of Safety of Dams (DSOD) in July 2022.
- In August 2022, FERC issued the final Environmental Impact Statement (EIS) as part of its National Environmental Policy Act (NEPA) review, recommending approval of the proposed license surrender, decommissioning, and removal of the project with staff modifications and mandatory conditions.
- In September 2022, the independent Board of Consultants (BOC) held a formal meeting to review and provide recommendations on the technical engineering and public safety elements of the 100% consolidated design package.
- In October 2022, KRRC submitted the BOC report #4 with recommendations on the 100% consolidated design package and KRRC's response to the BOC recommendations.
- In October 2022, California DSOD issued final comments on the 100% consolidated design package.
- In October 2022, FERC issued a final Programmatic Agreement as part of its National Historic Properties Act Section 106 consultation process.
- In October 2022, KRRC filed a revised Historic Properties Management Plan to address comments by the California and Oregon State Historic Preservation Officers and the Advisory Council on Historic Preservation on a previous submission.
- In November 2022, FERC issued a final License Surrender Order for the project.

US Army Corps of Engineers

- KRRC continued to coordinate with and support the U.S. Army Corps of Engineers (USACE) as it advances the Clean Water Act (CWA) Section 404 process.

US Fish and Wildlife Service

- In October 2022, the US Fish and Wildlife Service issued an Environmental Assessment and a Finding of No Significant Impact for KRRC's Eagle Conservation Plan and issued a five-year Incidental Take Permit.

National Parks Service, Bureau of Land Management, and US Forest Service

- In September 2022, the National Park Service (NPS), Bureau of Land Management (BLM), and the United States Forest Service (USFS) filed the final Wild and Scenic

River Determination under Section 7(a) of the Wild and Scenic Rivers Act, indicating the project is consistent with NPS, BLM, and USFS river-resource protection requirements.

CA State Water Resources Control Board

- Continued coordination with the California State Water Resources Control Board (Water Board) staff to fulfill the Clean Water Act (CWA) Section 401 process and with the North Coast Regional Water Quality Control Board on the CWA Section 402 process.
- In November 2022, the Water Board issued a final water quality certification amendment as part of the CWA Section 401 process.

OR Department of Environmental Quality

- Continued monthly coordination with Oregon Department of Environmental Quality (DEQ) staff to fulfill the 2018 CWA Section 401 process and Section 402 process.
- In September 2022, DEQ issued a final water quality certification as part of the CWA Section 401 process.

OR Division of State Lands

- In November 2022, Oregon Division of State Lands issued a final Removal/Fill permit.

OR Department of Fish and Wildlife

- In September 2022, the Oregon Department of Fish & Wildlife (CDFW) issued the Oregon Fish Passage Permit, finding the project approach to be consistent with applicable fish passage design criteria to restore volitional passage of native migratory fish

Siskiyou and Klamath Counties

- Continued coordination with Siskiyou and Klamath Counties regarding implementation of their respective MOUs.

City of Yreka:

- Continued coordination with the City of Yreka, National Marine Fisheries Service, and CDFW to establish the appropriate means and methods for Endangered Species protection for the City.

Technical Preparations for Dam Removal

- a. Continuing work with KRRC's Owner's Representative and Progressive Design-Builder to complete necessary studies and analyses to support the detailed design and all regulatory approvals necessary for dam removal.
- b. Completed the review and oversight of the preparation of the final construction documents.

Accomplishments:

- Provided ongoing technical support for KRRC's regulatory and permitting team in preparing the permit applications, management plans, and other regulatory processes.
- Prepared final 100% consolidated design documents for submission, incorporating previous agency and BOC comments.
- Held routine calls with U.S. Bureau of Reclamation to coordinate water flow management during the project.
- Advanced specific plans and programs regarding construction engineering and public safety.
- Continued to update the project risk register.
- Continued advancing design for permanent recreation facilities.
- Continued coordination with PacifiCorp on completing the temporary power and transmission line relocation and demolition work assignments between the Project Company and PacifiCorp.

- Provided ongoing oversight of the Progressive Design Build and Restoration contractors, including coordination meetings, tracking of schedule and budget, and management of the agreements.
- Executed amended implementation agreements with both Kiewit and RES.

Stakeholder & Community Engagement

- a. Continued engagement with KHSA Signatories, Tribal Nations, numerous stakeholders representing various interests and other interested parties through meetings, briefings, and online communications.

Accomplishments:

- Held Tribal Participation Working Group meetings to continue to engage the Tribal workforce and increase tribal participation in potential future direct hire and subcontracting opportunities with Kiewit.
- Continued to advance recreation site design from 60% to 100% in coordination with GreenWorks (Portland, OR).
- In coordination with the Shasta Indian Nation, advanced planning of the Klamath Basin Heritage Trail using grant funds secured from Resources Legacy Fund.
- Prepared materials to educate the public and press on key aspects of the August 2022 Final EIS and the November 2022 License Surrender Order.
- Shared messages through website; local, state, and national press; videos; and social media to educate the public about Project benefits and to correct misinformation.

Administrative, Financial & HR Management

- a. Ensure the Board and funders have timely and accurate financial information.
- b. Approve annual budgets.
- c. Ensure the necessary audits of financial operations are prepared, approved, and circulated to funders and the public alike.
- d. Annually review personnel and other HR policies to ensure they meet or exceed all requirements.

Accomplishments:

- Completed clean independent audit for fiscal year 2022 with independent auditors Armanino.
- Final Draft audit report was approved by the KRRC Board of Directors on November 22, 2022.
- Received approval from the KRRC Board for revised FY23 Budget.
- Bound environmental and owners interest insurance policies for the project, effective December 1, 2022.
- Executed the Guaranteed Maximum Price (GMP) contract amendments with the dam removal contractor (Kiewit) and restoration contractor (RES).

ATTACHMENTS:

- Exhibit A: Balance Sheet through September 31, 2022
- Exhibit B: Statement of Cash Flows through September 31, 2022
- Exhibit C: Year to Date Expenses through September 30, 2022 & Revised Fiscal Year 2023 Budget
- Exhibit E: Previous Period Expenses January 1, 2022-June 30, 2022
 - E-1: All Funding Sources
 - E-2: OPUC Funding
- Exhibit F: Disbursement Request and Certification

Klamath River Renewal Corp
Statement of Financial Position
As of September 30, 2022

	Total
ASSETS	
Current Assets	
Bank Accounts	
1080 PayPal Account	116
1100 SVB/MB Checking	137,531
1110 Unrestricted & Other Grants	238,309
1115 MB OPUC Sweep Account	23,329,848
1120 SVB/MB MM California NRA	239,643
1130 SVB/MB MM Oregon PUC	250,000
1135 City National Bank Checking	99,185
1136 City National Securities	20,035,505
1137 City National Sweep	4,214,243
1138 Charles Schwab AB52 Endowment	224,428
1139 City National Bank-Siskiyou "Escrow"	810,078
Total Bank Accounts	49,578,884
Accounts Receivable	
1300 Accounts Receivable	2,571,009
Total Accounts Receivable	2,571,009
Other Current Assets	
1400 Prepaid Expenses	2,596,103
1410 Prepaid Rent	2,878
1811 Deposits Paid	11,656
Total Other Current Assets	2,610,637
Total Current Assets	54,760,530
Other Assets	
1800 Other Assets	402,560
Total Other Assets	402,560
TOTAL ASSETS	55,163,090
LIABILITIES AND NET ASSETS	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 Accounts Payable	1,133,839
Total Accounts Payable	1,133,839
Credit Cards	
2401 Mechanics Bank Visa-3959	6,174
Total Credit Cards	6,174
Other Current Liabilities	
2100 Accrued Expenses	162,678
Total Other Current Liabilities	162,678
Total Current Liabilities	1,302,691
Total Liabilities	1,302,691
Net Assets	
Total Net Assets	53,860,399
TOTAL LIABILITIES AND NET ASSETS	55,163,090

Klamath River Renewal Corp
Statement of Cash Flows
July - September, 2022

	Total
OPERATING ACTIVITIES	
Net Revenue	(589,870.46)
Adjustments to reconcile Net Revenue to Net Cash provided by operations:	
1300 Accounts Receivable	10,362,309.00
1400 Prepaid Expenses	(662,085.49)
1410 Prepaid Rent	3,374.70
1811 Deposits Paid	4,624.00
2000 Accounts Payable	(485,096.62)
2401 Mechanics Bank Visa-3959	3,703.05
2100 Accrued Expenses	72,000.00
2500 Payroll Liabilities	-
2526 Employer Pension Liability	-
Total Adjustments to reconcile Net Revenue to Net Cash provided by operations:	9,298,828.64
Net cash provided by operating activities	8,708,958.18
FINANCING ACTIVITIES	
3110 With Donor Restrictions:CNRA	(330.39)
3150 With Donor Restrictions:OPUC	(3,219,402.45)
3530 To/From Restricted	3,219,732.84
Net cash provided by financing activities	-
Net cash increase for period	8,708,958.18
Cash at beginning of period	40,869,925.74
Cash at end of period	49,578,883.92

Klamath River Renewal Corporation
Expenditure Budget Comparison Report
As of Sep 30, 2022
Budget Period: 7/1/2022 - 6/30/2023

Expenditures	FY23 Budget	FY23 YTD Actuals	FY23 Projections	FY23 Approved Revision	% Spent of Original FY23 Budget	Notes
Compensation & Benefits	\$ 1,400,000	\$ 302,859	\$ 1,295,000	\$ 1,295,000	22%	
Travel & Meetings	\$ 24,000	\$ 5,404	\$ 20,000	\$ 20,000	23%	
Agency Fees	\$ 195,000	\$ 23,250	\$ 105,000	\$ 105,000	12%	
De-Construction Design/Build	\$ 33,000,000	\$ 225,016	\$ 45,000,000	\$ 45,000,000	1%	Based on most recent projections from Kiewit.
Restoration Design/Build	\$ 8,765,000	\$ 854,487	\$ 11,765,000	\$ 11,765,000	10%	Reflects that RES will start work this year.
Accounting and Audit Fees	\$ 45,000	\$ 26,788	\$ 45,000	\$ 45,000	60%	
General Counsel	\$ 250,000	\$ 90,749	\$ 250,000	\$ 250,000	36%	Tracking high due to all the agreements and work related to anticipated license surrender, should taper off.
Construction Counsel	\$ 250,000	\$ 39,778	\$ 250,000	\$ 250,000	16%	
Regulatory Counsel	\$ 500,000	\$ 216,272	\$ 500,000	\$ 500,000	43%	Tracking high due to all the agreements and work related to anticipated license surrender, should taper off.
Corporate and Transaction Counsel	\$ 250,000	\$ 115,778	\$ 250,000	\$ 250,000	46%	Tracking high due to all the agreements and work related to anticipated license surrender, should taper off.
Technical Representative	\$ 572,000	\$ 150,793	\$ 1,500,000	\$ 1,500,000	26%	Increase in budget for cultural resources work.
Owners Representative	\$ 3,200,000	\$ 212,160	\$ 3,400,000	\$ 3,400,000	7%	Increase in budget for work moved from Camas.
Board of Consultants	\$ 100,000	\$ 18,472	\$ 100,000	\$ 100,000	18%	
Other Contract Fees Related to Dam Removal	\$ 150,000	\$ 28,408	\$ 150,000	\$ 150,000	19%	
Risk Management Services	\$ 753,000	\$ 245,884	\$ 753,000	\$ 753,000	33%	Tracking high due to all the permitting work related to anticipated license surrender.
Mitigation/Mitigation Related Expenses	\$ 3,375,000	\$ 586,289	\$ 3,375,000	\$ 3,375,000	17%	Purchase of equipment per fire management plan and related MOUs.
LTC	\$ 8,104,000	\$ -	\$ 8,104,000	\$ 8,104,000	0%	
External Communications Services	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	0%	
Other Professional Fees	\$ 453,000	\$ 26,116	\$ 453,000	\$ 453,000	6%	
Insurance	\$ 5,774,000	\$ 29,991	\$ 5,774,000	\$ 5,774,000	1%	Awaiting OIP quotes.
Admin-IT/Facilities/Supplies/Printing/Taxes/Fees	\$ 75,000	\$ 22,689	\$ 100,000	\$ 100,000	30%	
In-Kind Expense	\$ -	\$ -	\$ -	\$ -	N/A	
Contingency	\$ 19,586,000	\$ -	\$ 3,632,000	\$ 13,500,000	N/A	In projection, we allocate significant contingency to Kiewit and RES line items to account for starting the project in Feb (v. April as originally assumed); proposed revised budget allows us to maintain prudent contingency for project start. Note, this is simply a timing issue due to an accelerated project start relative to what was originally budgeted.
Total Expenditures	\$ 86,826,000	\$ 3,221,181	\$ 86,826,000	\$ 96,694,000	4%	

Klamath River Renewal Corp
 Previous Period Expenses by Activity - All Funding Sources
 Current Period 01/01/2022-06/30/2022

	PERMITS & REGULATORY APPROVALS	TECHNICAL PREPARATIONS FOR DAM REMOVAL	DAM REMOVAL & CONTRACTOR PROCUREMENT	RISK MANAGEMENT	COMMUNICATIONS	PROJECT/PROGRAM MANAGEMENT	OUTREACH	ADMINISTRATION, FINANCIAL & HR MANAGEMENT	BOARD & CORPORATION MANAGEMENT ACTIVITIES	FUNDRAISING	TOTAL
Expenditures											
Compensation & Benefits	149,268	1,017	-	-	48,578	188,908	14,993	150,274	96,080	1,340	650,459
Travel & Meetings	2,658	-	-	-	555	8,022	497	271	1,838	-	13,840
Agency Fees	111,213	-	-	-	-	-	-	-	-	-	111,213
De-Construction Design/Build	-	1,680,723	-	-	-	-	-	-	-	-	1,680,723
Restoration Design/Build	-	3,884,386	-	-	-	-	-	-	-	-	3,884,386
Accounting and Audit Fees	-	-	-	-	-	-	-	13,063	-	-	13,063
General Counsel	62,016	-	-	435	-	63,218	525	-	-	-	126,193
Construction Counsel	-	-	77,943	-	-	-	-	-	-	-	77,943
Regulatory Counsel	648,715	-	-	-	-	-	-	-	-	-	648,715
Corporate and Transaction Counsel	-	-	-	109,328	-	-	-	-	-	-	109,328
Technical Representative	-	505,379	-	-	-	-	-	-	-	-	505,379
Owners Representative	101,861	153,598	-	-	-	155,403	-	-	-	-	410,862
Board of Consultants	-	-	-	-	-	-	-	-	-	-	-
Pre-Construction Fieldwork	8,289	1,018	-	-	-	-	-	-	-	-	9,307
Risk Management Services	510,178	-	-	39,375	-	-	-	-	-	-	549,553
Mitigation/Mitigation Related Expenses	-	-	-	92,710	-	-	-	-	-	-	92,710
External Communications Services	-	-	-	-	405	-	-	-	-	-	405
Other Professional Fees	402	94,539	-	1,600	-	2,464	4,205	14,250	-	-	117,459
Insurance	-	-	-	60,338	-	-	-	-	-	-	60,338
Admin-IT/Facilities/Supplies/Printing/Taxes/Fees	-	-	-	-	858	1,221	2,076	54,474	-	118	58,747
In-Kind Expenses	-	-	-	-	-	12,000	-	-	-	-	12,000
Total Expenditures	1,594,598	6,320,659	77,943	303,785	50,397	431,236	22,295	232,332	97,918	1,458	9,132,620
Percentages	17.5%	69.2%	0.9%	3.3%	0.6%	4.7%	0.2%	2.5%	1.1%	0.0%	100%

Klamath River Renewal Corp
 Previous Period Expenses by Activity - OPUC
 Current Period 01/01/2022-06/30/2022

	PERMITS & REGULATORY APPROVALS	TECHNICAL PREPARATIONS FOR DAM REMOVAL	DAM REMOVAL & CONTRACTOR PROCUREMENT	RISK MANAGEMENT	COMMUNICATIONS	PROJECT/PROGRAM MANAGEMENT	OUTREACH	ADMINISTRATION, FINANCIAL & HR MANAGEMENT	BOARD & CORPORATION MANAGEMENT ACTIVITIES	FUNDRAISING	TOTAL
Expenditures											
Compensation & Benefits	149,268	-	-	-	48,578	188,908	11,356	150,274	96,080	-	644,464
Travel & Meetings	2,640	-	-	-	555	7,789	432	271	1,838	-	13,525
Agency Fees	95,327	-	-	-	-	-	-	-	-	-	95,327
De-Construction Design/Build	-	1,561,851	-	-	-	-	-	-	-	-	1,561,851
Restoration Design/Build	-	2,113,794	-	-	-	-	-	-	-	-	2,113,794
Accounting and Audit Fees	-	-	-	-	-	-	-	13,063	-	-	13,063
General Counsel	62,016	-	-	435	-	63,218	525	-	-	-	126,193
Construction Counsel	-	-	77,319	-	-	-	-	-	-	-	77,319
Regulatory Counsel	422,155	-	-	-	-	-	-	-	-	-	422,155
Corporate and Transaction Counsel	-	-	-	71,215	-	-	-	-	-	-	71,215
Technical Representative	-	455,486	-	-	-	-	-	-	-	-	455,486
Owners Representative	101,861	120,405	-	-	-	155,403	-	-	-	-	377,669
Board of Consultants	-	-	-	-	-	-	-	-	-	-	-
Pre-Construction Fieldwork	6,863	1,018	-	-	-	-	-	-	-	-	7,881
Risk Management Services	362,146	-	-	39,375	-	-	-	-	-	-	401,521
Mitigation/Mitigation Related Expenses	-	-	-	92,710	-	-	-	-	-	-	92,710
External Communications Services	-	-	-	-	405	-	-	-	-	-	405
Other Professional Fees	402	91,036	-	1,600	-	2,464	-	14,250	-	-	109,752
Insurance	-	-	-	60,338	-	-	-	-	-	-	60,338
Admin-IT/Facilities/Supplies/Printing/Taxes/Fees	-	-	-	-	858	818	2,076	53,853	-	-	57,604
In-Kind Expenses	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,202,676	4,343,590	77,319	265,672	50,397	418,600	14,389	231,710	97,918	-	6,702,270
Percentages	17.9%	64.8%	1.2%	4.0%	0.8%	6.2%	0.2%	3.5%	1.5%	0.0%	100%

Distribution Request Form

Date: December 12, 2022

Attn: Imee Anderson, Chief Financial Officer

Address: Public Utility Commission of Oregon, PO Box 1088, 201 High Street SE, Salem, OR 97308-1088

Phone: 971-209-8751

Email: imee.anderson@puc.oregon.gov

Re: Disbursement for Klamath Dam Removal Funding Agreement Phase 2 and Phase 3

The Klamath River Renewal Corporation requests the Public Utility Commission to submit a request for disbursement from the Customer Contribution Trust Accounts under ORS 757.738(3) in the amount of \$62,345,266

For Oregon's Share of Eligible Project Costs January 1, 2023, to June 30, 2023 to

1. Work to Receive Regulatory Approvals
2. Technical Preparation for Dam Removal
3. Engage Stakeholders and Community
4. Provide Risk Management & Insurance Activities
5. Manage Program and Project
6. Provide Board and Corporate Management
7. Provide Admin, Financial and HR Management

Note: Disbursements are made through wire transfers only.

Recipient Name: Klamath River Renewal Corporation

Wire Transfer Acct. #: [REDACTED]

Bank Name: [REDACTED]

ABA #: [REDACTED]

For Benefit of: Klamath River Renewal Corporation

FBO Acct #: NA

Attn: [REDACTED]

Phone #: [REDACTED]

KLAMATH RIVER RENEWAL CORPORATION

By: Mark Bransom

Name & Title (print): Mark Bransom, Chief Executive Officer

Memorandum

To: Imee Anderson, Chief Financial Officer,
Public Utility Commission of Oregon (OPUC)

From: Mark Bransom, Chief Executive Officer,
Klamath River Renewal Corporation (KRRC)

CC: Michael Dougherty, Chief Operating Officer, OPUC
Krystyna Wolniakowski, Vice President, KRRC
Laura Hazlett, Chief Operations Officer, KRRC

Date: December 12, 2022

Re: Klamath Dam Removal - Phase 2 and Phase 3 Disbursement Request Certification
of Eligible Project Costs for January 1, 2023, to June 30, 2023 (DM#7810225)

By my signature below, Klamath River Renewal Corporation (KRRC) certifies that the request of \$62,345,266 (\$184,000,000 total funding less \$121,654,734 in previously disbursed funds) to the Oregon Public Utility Commission (OPUC) for KRRC Phase 2 and Phase 3 Activities planned between January 1, 2023 and June 30, 2023, represents Eligible Project Costs incurred for the completion of all design and permitting documents, finalization of regulatory actions, and all other related activities until final site preparation and Facilities removal.

KRRC eligible costs, pursuant to DM #7810225 and as defined in such 2016 Agreement between OPUC and KRRC, include the costs necessary for (i) removal of the dams; (ii) site remediation and restoration; (iii) avoiding downstream impacts of dam removal; (iv) downstream impacts of dam removal; (v) permits that are required for the removal; (vi) removal and disposal of sediment, debris and other materials, if necessary; and (vii) compliance with environmental laws. Eligible Project Costs include costs of the foregoing items that have been incurred prior to the date of the Agreement and the repayment of amounts received from other sources and applied to Eligible Project Costs prior to the date of this Agreement. Estimated costs are included in this request, supported by a Board of Directors approved budget.

KRRC also certifies that no material authorization, consent, license, approval of, filing or registration with or notification to any governmental body or regulatory or supervisory authority is required for the KRRC Phase 2 and Phase 3 Project Activities completed January 1, 2023, through June 30, 2023.

Sincerely,



Mark Bransom
Chief Executive Officer

Attachment 4



Klamath Renewal

Presentation to Oregon PUC

May 30, 2023

Restoring the natural vitality of the Klamath River

Purpose of Today's Presentation

- Provide update on implementation of OPUC Funding Agreement DM#7810225
- Provide key project updates and review KRRC accomplishments since April 2022
- Look ahead to future activities
- Provide a high-level financial overview
- Answer Commissioner and staff questions





1 – Key Project Updates

Key Project Updates

- In November 2022, the Federal Energy Regulatory Commission (FERC) issued a License Surrender Order approving decommissioning of the Lower Klamath Project
- In December 2022, KRRC and the States of California and Oregon accepted license transfer; PacifiCorp is no longer the licensee, and KRRC now owns the Lower Klamath Project
- PacifiCorp continues to operate and maintain project facilities under contract to KRRC until a Facilities Termination date is established (expected January 4, 2024).
- In March 2023, KRRC issued a Notice to Proceed (NTP) to Kiewit to begin approved construction activities in preparation for dam removal; Kiewit has been in the field for nearly three months



Copco No. 1 Access Road Work



2 – Additional Activities & Accomplishments Since April 2022

Regulatory Processes

- ✓ Received a final License Surrender Order, including all related FERC-authorizations under the National Environmental Policy Act, Endangered Species Act, Clean Water Act, and National Historic Preservation Act
- ✓ Submitted final Management Plans, incorporating final agency feedback and License Surrender Order terms, to FERC
- ✓ Received partial authorization from FERC in March 2023 to proceed with preparatory construction activities (road and bridge improvements, installation of the Yreka water line, and site preparations)
- ✓ Ongoing coordination with local Counties regarding permitting process and compliance requirements
- ✓ Began compliance reporting for all permits and regulatory requirements



Daggett Bridge Work

Financial & Administrative Management

- ✓ Ended FY 22 within budget
- ✓ Received a clean FY 22 audit by independent CPA firm
- ✓ Submitted FY 22 990 tax forms in May 2023
- ✓ Prepared FY 24 budget, which is anticipated to be approved by the KRRC Board of Directors in June 2023
- ✓ Ongoing coordination with co-licensees and funders on project status and budget



Copco No. 1 and No. 2 Access Work

Operations & Technical Preparations

- ✓ Implementing the Operations and Maintenance Agreement with PacifiCorp for the operation of the Lower Klamath Project until final reservoir drawdowns begin
- ✓ Executed a Fall Creek Hatchery agreement with California and PacifiCorp, with the Karuk and Yurok Tribes as concurring parties; PacifiCorp is managing construction of the Fall Creek Hatchery
- ✓ Submitted Owners Dam Safety Program to FERC in December 2022
- ✓ Submitted final construction documents to FERC, the independent Board of Consultants (BOC), and the California Division of Safety of Dams (DSOD) in January 2023
- ✓ Received pre-drawdown construction activities approval for Iron Gate and Copco No. 1 and No. 2 dams from DSOD in April 2023
- ✓ Kiewit began approved preparatory construction work including road and bridge improvements, installation of the Yreka water line, and other site preparations
- ✓ Submitted final BOC comments on the hydraulics and hydrology design, including KRRC responses, in May 2023

Stakeholder & Community Engagement

- ✓ Hired a Public Information Officer who will be responsible for ensuring timely distribution of project information to local communities
- ✓ Continued meetings of the Tribal Participation Working Group and in-basin meetings with Kiewit to further engage the Tribal workforce and inform direct hire and subcontracting opportunities
- ✓ Continued coordination with recreators and Tribes to advance recreation site design
- ✓ Hired Fund Administrators to implement the Klamath Mitigation Fund





3 – Next Steps & Anticipated Milestones

Next Steps and Anticipated Milestones

- Following FERC approval for drawdown and deconstruction, begin dam modifications work and removal of Copco No. 2 dam in summer 2023
- Receive remaining County and local permits (signage, septic, etc.) in summer 2023
- Finalize recreation site design and work to secure new grant and private funding to allow for recreation site construction during the project
- Begin final reservoir drawdowns in January 2024
- Dam removal to be complete by end of 2024; restoration activities to continue throughout the term of the License Surrender Order
- Continue all compliance reporting to agencies





4 – Financial Overview

Projected Sources for Expected Project Costs

As of January 31, 2023

Projected Sources	
OPUC Disbursement*	\$188,800,000
CPUC Disbursement	\$14,106,000
Proposition 1 Bond Funds	\$249,500,000
KRRC Earned Interest (Projected)	\$3,000,000
MOA Contingency Funding	\$45,000,000
Hatchery Repayment	\$2,571,000
DSOD Reimbursement (Projected)	\$188,000
	\$503,165,000

*OPUC Disbursement includes current estimate of accrued interest.

OPUC Expenses through January 2023

Phase	Key Activities	Dates	Total Project Budget (\$502.6M)	OPUC Projected Costs (\$188.8M)
1	Start Up (completed) <ul style="list-style-type: none"> Board appointments Set up legal, technical, and administrative operations Hire CEO 	Jul 2016 through Jun 2017	\$3.9M spent	\$3.1M spent
2	Mobilize (completed) <ul style="list-style-type: none"> Complete Definite Plan Complete regulatory filings Hire staff Risk management plan Prepare procurement documents Engage contractor Design Establish GMP 	Jul 2017 through Feb 2023	\$113.9M spent as of Jan'23 (\$118.1M budget)	\$98.6M spent
3	Deconstruction/Facilities Removal (in progress) <ul style="list-style-type: none"> Remove dams Restore native habitat Adaptive management Monitoring and reporting 	Mar 2023 and beyond	\$380.6M budget	\$0 spent (\$87.1 projected)

Notes:

1. This schedule and budget assume reservoir drawdown in 2024
2. Budget assumes use of MOA contingency funds from California, Oregon and PacifiCorp as well as use of OPUC accrued interest and other unrestricted funds KRRC has raised.
3. Phase 3 includes over \$19.9M in contingency which is based on P80 industry standard



5 – Questions



Credit: Ecoflight

Thank you!