

REVENUE: No revenue impact

FISCAL: Fiscal statement issued

Action:	Do Pass as Amended and Be Printed Engrossed
Vote:	4 - 1 - 0
Yeas:	Atkinson, Hass, Prozanski, Dingfelder
Nays:	Boquist
Exc.:	0
Prepared By:	Beth Herzog, Administrator
Meeting Dates:	2/3, 2/10

WHAT THE MEASURE DOES: Establishes a framework for payment of dam removal on the Klamath River subject to final analysis and confirmation. Directs the Public Utility Commission (PUC) to set rates to allow PacifiCorp to recover Oregon's share of their undepreciated investment in the dams, costs incurred by PacifiCorp due to operational changes in the dams prior to removal, replacement resources, and dam removal costs. Requires the PUC to hold a hearing to determine whether the rates are fair, just, and reasonable. Authorizes the state to enter into an agreement with representatives from California to establish each state's share of the \$200 million customer contribution and to establish and administer the authorized trust accounts.

Requires that within six months from the execution of the final agreement the PUC must determine a depreciation schedule for each dam based on the assumption that it will be removed in 2020. Authorizes the PUC to change the depreciation schedule at any time if the removal of a dam will occur in a different year. Directs the PUC to use the depreciation schedule to establish rates. Requires the PUC to allow PacifiCorp to recover any remaining unrecovered capital cost at the time of dam removal at a cap of one-half percent of their annual revenue.

Directs PacifiCorp to file with the PUC the final agreement with full and complete copies of all analysis or studies that relate to rate-related costs, benefits, and risks for customers no more than 30 days after the final agreement is reached. Directs PUC to require PacifiCorp to begin collecting the surcharges on the date the filing is made or no later than January 1, 2010. Requires that surcharges may not exceed \$200 million. Directs the PUC to conduct a hearing within six months of the filing where PacifiCorp would bear the burden of showing that the imposed surcharges are fair, just and reasonable. Outlines procedure and process for judicial review to the Supreme Court. Requires that the PUC direct the trustee of the account to refund any excess amounts of funds collected to customers, use them to benefit customers, or adjust future surcharge amounts to offset the excess amount.

Requires that all or part of surcharge collection be terminated if one or more of the dams will not be removed. Directs that the excess amounts be allocated to Oregon's share of costs to implement Federal Energy Regulatory Commission relicensing requirement and all excess amounts be refunded to the customers or used for their benefit.

ISSUES DISCUSSED:

- Cost of FERC relicensing compared to dam removal
- Potential ratepayer contribution
- Concern for who would be responsible for cost overruns
- Sediment issues

EFFECT OF COMMITTEE AMENDMENT: Replaces the original bill.

BACKGROUND: For the past two years the Klamath Settlement Group, comprised of 26 organizations, has been engaged in negotiations. Part of these negotiations included working with PacifiCorp to reach an agreement on the decommissioning of four dams on the Klamath River, the J.C. Boyle, Copco 1, Copco 2, and Iron Gate. On November 13, 2008 Oregon, California, US Department of Interior (DOI), and PacifiCorp signed the Agreement in Principle (AIP), which laid out the framework for the removal of the dams in 2020, as well as a commitment from the parties to negotiate

a final agreement. If a final agreement is not executed by June 30, 2009, all parties have a right to withdrawal from the AIP. The AIP is based on the preliminary view that the potential benefits of dam removal for fisheries, water, and other resources outweigh the potential costs and risks. The funding mechanism laid out in the AIP requires that the customer contribution in Oregon and California not exceed \$200 million. During the hearing the Committee heard testimony that Oregon's share of that would be \$180 million. Under the AIP, the final authority for dam removal must be granted by the DOI following a cost benefit analysis. The final determination of whether or not to remove the dams must be made no later than March 31, 2012.