

**REVENUE:** No revenue impact

**FISCAL:** Fiscal statement issued

---

<b>Action:</b>	Do Pass as Amended and Be Printed Engrossed
<b>Vote:</b>	6 - 2 - 0
<b>Yeas:</b>	Bailey, Barnhart, Boone, Gilliam, Smith J., Cannon
<b>Nays:</b>	Bentz, Jenson
<b>Exc.:</b>	0
<b>Prepared By:</b>	Beth Patrino, Administrator
<b>Meeting Dates:</b>	5/7, 5/21, 5/28

---

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

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

Directs PacifiCorp to file with PUC 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 final agreement is reached. Directs PUC to require that PacifiCorp begin collecting surcharges on date filing is made or January 1, 2010, whichever is later. Requires surcharges not exceed amount necessary to fund Oregon's share of customer contribution of \$200 million. Outlines procedure and process for judicial review of challenges to PUC orders to Supreme Court. Requires PUC direct trustee of account to refund any excess amounts of funds collected to customers, to use them to benefit customers, or to adjust future surcharge amounts to offset excess amount. Lists costs of removal of Klamath River dams. Requires all or part of surcharge collection be terminated if one or more dams will not be removed and excess amounts be allocated to Oregon's share of costs to implement federal relicensing requirement and all excess amounts be refunded to customers or used for their benefit.

Specifies nothing in Act authorizes expenditure of any public funds for removal of Klamath River dams. Specifies nothing in Act creates a cause of action against Oregon or agents of state. Declares an emergency; effective upon passage.

**ISSUES DISCUSSED:**

- Cost of federal relicensing compared to dam removal
- Potential ratepayer contribution
- Concern for who would be responsible for cost overruns
- Agreement in Principle
- Unknowns related to dam removal

**EFFECT OF COMMITTEE AMENDMENT:** Lists "costs of dam removal." Specifies that Act does not authorize expenditure of any public money for Klamath River dam removal or create a cause of action against Oregon and may not be used as a basis for an assertion of liability.

**BACKGROUND:** For the past two years the Klamath Settlement Group, comprised of 26 organizations, has been engaged in negotiations. The 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. In November 2008, Oregon, California, the United States Department of Interior, and PacifiCorp signed an Agreement in Principle (AIP) that lays 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 withdraw 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 AIP funding mechanism requires that the customer contribution in Oregon and California not exceed \$200 million.