August 20, 2015

Michael J. Sale, Ph.D.
Executive Director
Low Impact Hydropower Institute
34 Providence Street
Portland, ME 04103

RE: Response to LIHI Certification Condition 1 for the North Umpqua Hydroelectric Project LIHI Certificate No. 69

Dear Dr. Sale:

On June 26, 2015, the Low Impact Hydropower Institute (LIHI) issued a letter of certification for PacifiCorp’s North Umpqua Hydroelectric Project (Project; LIHI Certificate No. 69; Federal Energy Regulatory Commission (FERC) Project No. P-1927), which is located in Douglas County, Oregon on the North Umpqua River and two of its tributaries, Clearwater River and Fish Creek. The certification included the following project specific condition:

Condition 1. The owner of the North Umpqua facilities shall provide LIHI with a description of the current status and use of funds from the Mitigation Fund and the Tributary Enhancement Fund that were Part of the Settlement Agreement for the most recent FERC licensing. In particular, this description shall identify the lands and waters that are benefiting from the funds and be sufficient to determine if these funds are achieving the ecological and recreational equivalent of land protection of the buffer zone referred to in Question D.1. This information will be used by LIHI staff to determine if the N. Umpqua certification qualifies for three additional years in its term. The description of the mitigation funds is due to LIHI within 60 days of issuance of the new certification.

This letter and its attachments are provided in response to the certification condition cited above. With this submittal, PacifiCorp respectfully requests consideration for three additional years of certification term for the Project.

Settlement Agreement Section 19.1 Tributary Enhancement Program

Background
PacifiCorp funded a Tributary Enhancement Program pursuant to Settlement Agreement (SA) Section 19.1 (Attachment 1) for the purpose of off-setting Project impacts to fish and wildlife that were not otherwise mitigated through SA Sections 4 through 18. PacifiCorp initially deposited $2 million in an interest-bearing account in January 2004 and subsequently deposited annual, escalated (based on Gross Domestic Product Implicit Price Deflator) installments of $430,000 for seven years. Tributary enhancement projects may be performed by PacifiCorp,
Oregon Department of Fish and Wildlife (ODFW) or other entities, but ODFW has approval authority for proposed projects. SA Appendix E (Attachment 2) identifies enhancement and mitigation projects in the North Umpqua basin to be completed with Tributary Enhancement Program funds as required by a Memorandum of Understanding with ODFW. These projects are focused on the Rock Creek basin, which crosses the FERC Project boundary and is a tributary to the North Umpqua River approximately 31 miles downstream of Soda Springs power plant. SA Exhibit E projects in the Rock Creek basin include:

- Upgrading the Rock Creek diversion dam fishway to improve upstream passage for migratory fish and to allow for sorting of hatchery fish from wild fish;
- Adding large woody debris to East Fork Rock Creek;
- Increasing riparian protection through purchase of conservation easements in portions of the Rock Creek basin;
- Reconnection of the Clearwater River to the mainstem North Umpqua River downstream of Toketee dam;
- Measures to benefit native rainbow trout populations in the upper North Umpqua River watershed; and
- Habitat enhancement on private lands in the upper Canton Creek basin (upper Pass Creek and East Fork Pass Creek sub-basins).

ODFW will consider the following in review of other potential enhancement projects funded through the Tributary Enhancement Program:

- The project will benefit native anadromous and resident fish and wildlife populations;
- The project will support habitat restoration on private and other non-US Department of Agriculture, Forest Service (USDA-FS) lands in proximity to the Project within the North Umpqua basin;
- The project will be consistent with ODFW’s Habitat Mitigation Policy, Native Fish Conservation Policy, and other agency management plans, policies, and rules;
- The project will be consistent with other programs in the North Umpqua basin aimed at restoring fish species, aquatic habitat, and water quality;
- The project will be cost-effective; and
- Priority will be given to projects that would be cost-shared with other funding sources.

Benefits
To date PacifiCorp has deposited $5,622,853.93 and accumulated $512,056.80 in interest in the Tributary Enhancement fund account. As of June 30, 2015, ODFW has approved $4,557,556.09 of tributary enhancement projects, and the current account balance is $1,577,354.64.

Modifications to the passage facility at the Rock Creek diversion dam funded in part by the Tributary Enhancement Program provide migratory fish with improved access to the following:

- At least 39 miles of steelhead habitat upstream of the diversion;
7.8 miles of prime alluvial channel spawning habitat for spring chinook salmon;
27.5 miles of high-quality, low-gradient spawning and rearing habitat for coho salmon;
and
More than 44.3 miles of habitat for coastal cutthroat trout (SA Appendix E).

ODFW has completed 12.58 miles of mainstem and side-channel habitat enhancements in Rock Creek basin tributaries, as described in Attachment 3 provided by ODFW. Enhancement activities have included installation of large logs, boulders, and root wads; excavation of side channel blockages; recontouring of side channels and associated pools; and decommissioning of culverts. Enhancements were completed in Rock Creek, East Fork Rock Creek, East Pass Creek, and Harrington Creek, which are all ultimately tributary to the North Umpqua River.

Settlement Agreement Section 19.3 Mitigation Fund

Background
PacifiCorp established a Mitigation Fund pursuant to SA Section 19.3 to be administered by USDA-FS for the purpose of off-setting adverse impacts to aquatic, terrestrial, and other natural resources caused by the Project and not otherwise mitigated for in SA Sections 4 through 18. Mitigation Fund projects will be implemented to mitigate or compensate for Project impacts to wetlands and stillwater amphibian habitat, riparian and aquatic species connectivity, vegetation management, terrestrial species connectivity, and soil loss and/or productivity resulting in erosion. Mitigation Fund activities must be implemented on National Forest System lands and/or US Department of the Interior, Bureau of Land Management (USDI-BLM) lands within the North Umpqua basin. PacifiCorp deposits annual, escalated (based on Gross Domestic Product Implicit Price Deflator) installments of $250,000 beginning in 2004 through the FERC license term and an additional payment of $8 million to be paid in increments of $1 million commencing in 2004 and on the 2nd, 7th, 10th, 13th, 16th, 19th, and 22nd anniversaries of the first payment. When deciding how the funds will be expended to address Project impacts, USDA-FS must consult with SA parties, engage the public, and consider public comments throughout the National Environmental Policy Act (NEPA) analysis process for each proposed project.

Benefits
To date PacifiCorp has deposited $8,283,757.76 and accumulated $46,301.76 in interest in the Mitigation Fund account. As of January 31, 2015, USDA-FS has approved $5,543,884.90 of Mitigation Fund spending, and the current account balance is $2,786,174.62. Since 2007, a diverse suite of Mitigation Fund projects has been approved by USDA-FS, including, but not limited to the following, with approximate spatial quantification provided in parentheses:

- Road decommissioning (7.9 miles and 1.98 acres);
- Culvert replacements to provide for increased capacity, fish passage, and/or aquatic connectivity (improved access to 8 miles of upstream stream channel);
- Road and culvert analysis and needs surveys (90 miles);
- Stream restoration and habitat enhancements (12.75 miles);
• Stream restoration monitoring (18 miles);
• Water quality monitoring and fishery surveys (454 acres);
• Noxious weed surveys (132 acres);
• Noxious weed treatments (4 miles and 72 acres);
• Terrestrial habitat enhancements for native wildlife and ecosystem restoration (859 acres);
• Pre-commercial thinning (PCT) and under-burning of forest stands to reduce fire fuels and promote healthy stand development in the upper watershed (2,833 acres);
• Erosion control recontouring and revegetation (14 acres); and
• Wetland creation, restoration, or enhancement (16 acres).

Approved mitigation fund projects and funding amounts as reported by USDA-FS are provided in Attachments 4 and 5, respectively. Spatial quantification of benefits is not provided by USDA-FS for all of the approved Mitigation Fund projects. Some of the approved projects do not lend themselves to spatial quantification despite their ecological and/or recreational benefits, including the following:

• Water quality and algal bloom publications and communication for public awareness;
• Invasive species education and public stewardship efforts; and
• Strategic plan development and program management.

Conclusions
The North Umpqua Settlement Agreement Section 19.1 Tributary Enhancement Fund and Section 19.3 Mitigation Fund are achieving ecological and recreational goals within the North Umpqua River watershed that are equivalent to and, for many resources, including public education efforts and aquatic habitat enhancements, exceeding the conservation purposes of a shoreline buffer zone. A 200-ft wide conservation buffer on 100 percent of the shoreline (including developed areas) of all of the project impoundments would protect a maximum of 612 acres of land and 22.4 miles of shoreline. In contrast, the two funds have contributed to and will continue to contribute to protection, mitigation, and enhancement actions in over 77 miles of stream channels and 3,900 acres of terrestrial habitats. The 19.1 and 19.3 funds, as administered by ODFW and USDA-FS, respectively, have the full, ongoing support of the Project Resource Coordination Committee (RCC), which includes the following agency signatory parties to the SA:

• USDA-FS
• USDI-BLM
• USDI-Fish and Wildlife Service
• National Marine Fisheries Service
• Oregon Department of Environmental Quality
• Oregon Department of Fish and Wildlife
• Oregon Water Resources Department
Both funds will continue to provide benefits throughout the LIHI certification term. PacifiCorp has satisfied funding obligations for SA Section 19.1, but an additional $9,750,000 (in 2001 dollars) will be funded to the SA Section 19.3 Mitigation Fund through the FERC license term expiring in 2038.

If you have any questions regarding the funds or the supporting information provided in this letter and its attachments, please contact Steve Albertelli, License Implementation Program Manager, at (541) 776-6676 or steve.albertelli@pacificorp.com.

Sincerely,

Mark A. Sturtevant
Managing Director, Hydro Resources

MAS: SBA: BB

<table>
<thead>
<tr>
<th>Encl:</th>
<th>Letter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attachment 1 - North Umpqua Hydroelectric Project Settlement Agreement Section 19</td>
</tr>
<tr>
<td></td>
<td>Attachment 2 - North Umpqua Hydroelectric Project Settlement Agreement Appendix E: ODFW MOU</td>
</tr>
<tr>
<td></td>
<td>Attachment 3 - Comprehensive List of SA 19.1 Tributary Enhancement Projects Completed to Date</td>
</tr>
<tr>
<td></td>
<td>Attachment 4 - Status of Previously Selected 19.3 Mitigation Fund Projects as of April 2014</td>
</tr>
<tr>
<td></td>
<td>Attachment 5 - Mitigation Fund Projects FY07-FY14: Funding provided by PacifiCorp to USDA-FS</td>
</tr>
</tbody>
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