



Pacific Power |
Rocky Mountain Power
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

**Via Electronic Mail
and U.S. Mail**

July 30, 2020

The Honorable Gavin Newsom
Governor of the State of California
1303 Tenth Street, Suite 1173
Sacramento, CA 95814

Dear Governor Newsom:

Thank you for your July 29, 2020, letter regarding PacifiCorp's hydroelectric developments on the Klamath River in southern Oregon and northern California.

We share your concerns about social and environmental progress and remain committed to solving these deeply rooted cultural and community impacts. For over a decade, PacifiCorp has been working in close partnership with Tribal Nations, the states of California and Oregon, irrigators, local governments, and other Klamath River Basin stakeholders to solve long-standing and complex challenges. PacifiCorp remains committed to continued collaboration with California, indigenous peoples and other Basin stakeholders to chart a path forward.

As initially envisioned in 2008, dam removal was one component of a larger effort to address endangered fish, water quality concerns, contested claims to water by various stakeholders and comprehensive Basin restoration. The original Klamath Hydroelectric Settlement Agreement (KHSA) established a landmark co-funding mechanism, \$250 million in California bond funding for dam removal, and an additional \$200 million commitment from PacifiCorp's Oregon and California customers. In addition, PacifiCorp would transfer its interest in its hydroelectric license and all associated property. The settlement balanced California and Oregon's desire for dam removal as a public policy outcome with ensuring protections for PacifiCorp's customers. That balance has underpinned the settlement for over a decade.

These core principles were carried forward in the amended KHSA that PacifiCorp, along with former California Governor Brown signed in 2016. Key to that agreement was the creation of an independent dam removal entity, the Klamath River Renewal Corporation, to fully assume PacifiCorp's federal license and responsibility for dam removal. This structure preserved the agreed-to cost and risk allocations upon which the settlement has always been predicated.

Although recognizing the unique structure of the amended KHSA, the Federal Energy Regulatory Commission (FERC) unfortunately rejected as a matter of policy the concept of transferring hydropower license and responsibility for dam removal solely to a third party. Instead, FERC endorsed an entirely different structure wherein PacifiCorp remains a licensee, along with the KRRC, through the dam removal process. While FERC's ruling contemplates a path forward for dam removal, it does so at the expense of the amended KHSA's customer protection framework. And while much progress has been made to date, FERC's order and the negotiated amended KHSA cannot be easily reconciled.

While the challenges created by FERC's order are significant, PacifiCorp confirms its long-standing and demonstrated commitment to continuing this important work with California and Oregon, indigenous peoples and other Basin stakeholders, to restore the careful balance that retains the foundational elements of dam removal and customer protection. The coalition built around these solutions has a proven record of resilience, commitment, and close collaboration, and we are confident that it can once again craft a balanced solution that recognizes the diverse array of customers, stakeholders and indigenous communities that depend on us.

We look forward to close collaboration with California leading to a successful outcome.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stefan A. Bird', with a stylized, cursive script.

Stefan A. Bird
President and CEO
Pacific Power

Cc: Mr. Warren E. Buffett, Chairman and Chief Executive Officer, Berkshire Hathaway, Inc.
Mr. Gregory E. Abel, Chairman, Berkshire Hathaway Energy
Mr. William J. Fehrman, President and CEO, Berkshire Hathaway Energy
Governor Kate Brown, State of Oregon