Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File

CORPORATE

December 15, 2005

In reply refer to: DK-7

Mr. Michael Milstein
Reporter, Northwest Team
The Oregonian
1320 SW Broadway
Portland, OT 97201-3449

RE: FOIA Request #06-007

Dear Mr. Milstein:

I am writing regarding your Freedom of Information Act (FOIA) request #06-007. We are unable to meet the initial deadline for completion of this FOIA request. As permitted by statute, we will take a ten working-day extension of time in which to respond to your request. The extension will also provide us with enough time to collect and complete the review process of the materials gathered in response to your FOIA request. The new due date for this FOIA is December 30, 2005.

If you have any questions, please contact me at 503/230-7303. Thank you for your patience.

Sincerely,

/s/ Christina J. Brannon

Christina J. Brannon
Freedom of Information Officer

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File

CORPORATE

December 23, 2005

In reply refer to: DK-7

Ms. Emily Cooper
822 SW 10th Ave.
Portland, OR 97205

RE: FOIA Request #06-006

Dear Ms. Cooper:

This letter is a partial release of documents by Bonneville Power Administration ("BPA") in response to your FOIA request No. 06-006. They are responsive to your request for documents concerning potential reuse or reactivation of the site formerly occupied by the Trojan nuclear power plant for the past five years. BPA is still processing other documents relating to your request, and we expect to complete our response by January 13, 2006.

We appreciate your patience. There is no charge for processing this portion of your request.

Sincerely,

/s/ Debra Smiley

Debra Smiley
Freedom of Information Office

Enclosures

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File

CORPORATE

February 21, 2006

In reply refer to: DK-7

Ms. Emily Cooper

RE: FOIA Request #06-006

Dear Ms. Cooper:

This letter is a second partial release of documents by BPA in response to your FOIA request No. 06-006. They are responsive to your request for documents concerning potential reuse or reactivation of the site formerly occupied by the Trojan nuclear power plant for the past five years. BPA has no other responsive documents.

There is no charge for processing this portion of your request.

If dissatisfied with this determination, you may make an appeal within thirty (30) days of receipt of this letter to Director of Office of Hearings and Appeals, Department of Energy, 1000 Independence Avenue S.W., Washington, D.C. 20585. Both the envelope and the letter must be clearly marked "Freedom of Information Act Appeal."

Sincerely,

/s/ Christina J. Brannon

Christina J. Brannon
Freedom of Information Officer

Enclosures

Kronick,Geoffrey M - LC

From: Rapacz,Andy - PGC
Sent: Thursday, November 10, 2005 5:25 PM
To: Kronick,Geoffrey M - LC
Subject: FOIA #1 - e-mails

Attachments: "West Trojan" Quitclaim Deed; FW: Trojan Letter - Quit Claim & Water Rights - January 19, 2005 Meeting with TOC; Trojan Letter - Quit Claim & Water Rights - January 19, 2005 Meeting with TOC; FW: Trojan Letter - Quit Claim & Water Rights; Trojan Letter - Quit Claim & Water Rights

Geoff,
This is remaining stuff I don't think i sent you before.
More to come.
- Andy

"West Trojan" Quitclaim Deed

FW: Trojan Letter - Quit Claim...

Trojan Letter - Quit Claim & W...

FW: Trojan Letter - Quit Claim...

Trojan Letter - Quit Claim & W...

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, February 09, 2005 10:10 AM
To: 'ken.beeson@eweb.eugene.or.us'; 'lcable@chbh.com'; 'tgrim@chbh.com'
Cc: Sherman,Bob - PGC; Rapacz,Andy - PGC
Subject: "West Trojan" Quitclaim Deed

ATTORNEY CLIENT PRIVILEGE

Bob:

Thanks.

1. I'm not sure if this date works for Ken Beeson in terms of discussing the "West Trojan" quitclaim and water rights issues in addition to the regular Trojan Operating Committee "TOC") meeting.

2. But I'm going to send it on to Ken for his consideration.

3. Moreover, I'm not sure when in February (I gather from Ken that it is at the "end" of February) that PGE will have received its "water rights valuation estimate" by some outside contractor for the value of the water that PGE they proposes to transfer to themselves for use at Port Westward. We may want to review that "valuation document" and at least see if it passes a "smell test" with Ken Beeson and/or (as Ken determines) any of the "water" attorneys at the Cable Huston law firm. Thus, the February 24, 2005 date may be too early.

4. I'm not locked to meeting to discuss the "West Trojan" "issues" on the same day as the TOC meeting, it just seems convenient for Ken and you and everybody else. Bob, is there a date in March for the TOC that has already been set?

5. One issue that I neglected to mention in my e-mail to Larry, but that I mentioned to you, is not really a EWEB/BPA issue, but may influence our ultimate time table because it is the matter of Pacificorp needing some time to "process" its title transfer. (I recall how problematic this can be from my experience with the transfer of the WNP-3 and WNP-5 sites back in 1998.) I recall talking to Ed Burton about this briefly back in December, and he agreed that the title transfer by PacifiCorp can be a time consuming task.

6. As I understand, all IOUS traditionally pledge all their land, or interests in land, to their major bank to secure lines of credit. And I've learned that title companies can be infamously slow.

7. Yet this doesn't stop us from getting to agreement, and drafting "better indemnity" language, different water rights, etc.

8. Please let all addresees know about a proposed March date with a reply all mail when convenient.

Thanks.

Geoff K. (x 5263)

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Wednesday, February 09, 2005 7:32 AM
To: Kronick,Geoffrey M - LC; 'Larry Cable'
Subject: RE: Larry Cable E-Mail Below

Geoff, Larry,

The next TOC meeting, a conference call, is currently scheduled for Thursday, February 24 at 10:00.

Bob

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Tuesday, February 08, 2005 9:34 PM
To: 'Larry Cable'
Cc: Sherman,Bob - PGC
Subject: Larry Cable E-Mail Below

ATTORNEY WORK PRODUCT
ATTORNEY CLIENT PRIVILEGE
DELIBERATIVE PROCESS PRIVILEGE

Thanks Larry, I will pass this on to our Oregon State "liaison."

Geoff K.

P.S.

1. When I talked to Ken Beeson late today about what I have termed the "West Trojan" Project he indicated that he needed to get back up to speed, and that PGE indicated that they would be providing the "Water rights" valuation by the end of the month.

2. Ken indicated that he recalled he still "owed" a letter concurring with BPA's thoughts about
(1) better indemnity language in exchange for "release" of the West Trojan parcel; (2) the retention of "water rights" that are not so transferred for value to PGE as "joint property" of all Trojan owners; (3) and I recall also in the letter sent by Bob Sherman that we indicated that PGE should put funds equal to the water rights they are receiving into "trust" for paying Trojan decommissioning. As you recall, PGE's response to our request contained in Bob Sherman's letter about financial guarantees to back the indemnity was "no!" (Or maybe just "no.")

3. Of course this last "term" involving paying the water rights valuation for that portion of the water rights that PGE is taking for itself is considerably different than our request that they establish additional financial assurance to "back" the indemnity they will give us on the "West Trojan" parcel. The "water rights" payment into a trust fund for Trojan decommissioning is money that PGE would have to pay for water rights anywhere else, and presumably no greater in cost (value) at the Trojan site than anywhere else in the immediate area. And of course, as you and I both recall, it is consistent with the manner and timing of liquidation of Trojan assets contemplated in the Trojan Operating Agreement.

4. My clients might want a "meeting" with PGE, EWEB, PP&L to discuss all these terms and make sure that everybody is agreeable before we begin drafting, recalling that we didn't go to the Trojan Operating Committee meeting back in December to meet with PGE and PP&L then. If nothing else, perhaps Bob Sherman, who I am copying on this e-mail, can advise when the next Trojan Operating Committee (TOC)is scheduled in February or March, and we could try and do it at that TOC or on the same day after the TOC meets.

Geoff K.

-----Original Message-----
From: Larry Cable [mailto:lcable@chbh.com]
Sent: Tuesday, February 08, 2005 8:49 PM
To: Kronick,Geoffrey M - LC; ken.beeson@eweb.eugene.or.us
Cc: Tom Grim
Subject: RE: FW: White Paper on Income Taxes and Utility Ratemaking
(Revised Link)

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, January 05, 2005 4:23 PM
To: Sherman,Bob - PGC
Cc: Rapacz,Andy - PGC
Subject: FW: Trojan Letter - Quit Claim & Water Rights - January 19, 2005 Meeting with TOC

ATTORNEY CLIENT PRIVILEGE

1. Larry reminds me that one of "our issues" is PGE "paying" the amounts that they would have been expected to pay to a third party for water into the Trojan Decomissioning Fund, inasmuch as it is a Trojan asset that would have ultimately been available at Project End (Section 24 again of the original Project Agreement) to reduce decomissioning costs.

2. Larry also has brought up the point regarding the ISFSI "tax credit reduction," and something that we might wish to communicate to the Commission early on, but definitely after the OPUC decides if Oregon Electric will be the new owner of PGE. Larry indicates below that he thinks it will be, and I concur. Larry's view, which seems eminently reasonable, is that what comes by benefit of Trojan Decomissioning Fund or Trojan assets should be returned to or placed in the Trojan Decomm. Fund.

Geoff K.

-----Original Message-----
From: Larry Cable [mailto:lcable@chbh.com]
Sent: Wednesday, January 05, 2005 11:43 AM
To: Kronick,Geoffrey M - LC; Tom Grim; ken.beeson@eweb.eugene.or.us
Cc: Kinsey,Bill - LC; Majkut,Paul S - LC
Subject: RE: Trojan Letter - Quit Claim & Water Rights - January 19, 2005 Meeting with TOC

I agree with all of your thoughts. Based on the further look at water rights I have tried to do and the provisions of the Ownership Agreement per salvage, I think we are very well within our rights to insist on receiving reasonable value for any water used by PGE or others and to seek assurances that these water rights are being protected. I also note that per your thought about requiring that sums earned by PGE be put into the Decommissioning Fund, that it is important for you to take a look at the position PGE is taking in the ISFSI Tax Credit Reduction filing where PGE is asking for a deferral (as I get it saying that the sums they receive for the credit be held by the Company rather than used to reduce rates until they file the next general rate case.) This is a fairly normal position to take where the issue is crediting the rates right away as compared to crediting them when the next general rate case is filed – a way to avoid going through a full rate case. However, again, per your thought that sums received by PGE from Trojan salvage or other sources should be used to fill more fully the Decommissioning Fund, we may have a situation where the issue is broader than whether the rate payers are credited now or later. The fact may be that the sums should be used to further fill the Decommissioning Fund because I further believe that the basis for the credits is that PGE spent money from the Fund for Trojan decommissioning activities. I guess my basic point is that the most secure situation for Bonneville and EWEB per not getting into a mess where PGE is unable to pay its full share of the decommissioning costs as they rise over time is to argue that whenever PGE receives money related to Trojan decommissioning, the money should go into the Fund until all costs are paid – eg, credits, salvage returns (such as water, etc.) or sums paid in settlement of the spent fuel litigation. Really two points: 1. if the money is in return for PGE's share of the "assets" or "rights" then the money should be put "back" into the Decommissioning Fund until all costs are paid; and 2. if the money is paid in return for the disposition of assets or rights for all owners, then the money should be divided among the owners and that money paid to PGE should be put into the Fund. I think this is just an expansion of the point you made earlier and I think it is the most practical avenue available given the PUC apparent disinterest in the acquisition case to do something that really deals with the problem to the extent we can. As to the need, I continue to be quite confident that the TPG deal will be approved and that there will shortly thereafter be another

sale of PGE which will leave PGE heavily indebted and under strain for a long time. Thanks for all your help it has been quite helpful. Larry

-----Original Message-----
From: Kronick,Geoffrey M - LC [mailto:gmkronick@bpa.gov]
Sent: Tuesday, January 04, 2005 12:31 PM
To: Tom Grim; Larry Cable; ken.beeson@eweb.eugene.or.us
Cc: Kinsey,Bill - LC; Majkut,Paul S - LC
Subject: FW: Trojan Letter - Quit Claim & Water Rights - January 19, 2005 Meeting with TOC

Tom, Larry, and Ken:

1. A new year but also "Trojan" time again.

2. I told Bob Sherman that we can work on providing the two documents that I discuss below so as to have drafts to share on or before the meeting date in two weeks on January 19, 2005. (I believe Bob told me it would be at 10:00 a.m. at the World Trade Center location indicated below.)

3. Based on: (1) discussion below; (2) our previous discussions and evaluations; and (3) and PGE's October 22, 2005 letter to Ken Beeson, Bob Sheman, and Ed Burton; I think that we would certainly wish an explicit indemnity and hold harmless agreement pertaining to the transferred parcel of "West Trojan" realty in terms of PGE bearing any future costs of site restoration entirely itself. The six page "draft" "*Agreement Amending the Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant*" contained as Enclosure 1 to PGE's October 22, 2005, letter does little if anything to address this specific issue of indemnity, although I believe we do understand the need and PGE's desire to "amend" the Trojan Project Agreement given Section 24 of the Trojan Project Agreement's reference to "Project Assets."

4. My sense remains that, as per the December 20, 2004 letter "response" to PGE's October 22, 2004, letter, we would also want a second document concerning the "water rights" that memorializes the concept indicated below at 5(d) of my 10:55 a.m. message to Bob Sherman of the water rights being retained as Project Assets held jointly and severally in the form of the undivided interests previously established (30% EWEB, 2% PacifiCorp, balance of 68% PGE.)

5. Under separate cover, I will be forwarding an unexecuted copy of the final December 20, 2004 BPA "response" to Steve Quennoz's October 22, 2004 letter (PGE Reference VPN-053-2004) as a Microsoft Word document in case you don't have a "hard copy" readily available.

6. As indicated in my 10:55 a.m. message to Bob Sherman below, BPA doesn't believe, notwithstanding that it was a potential issue raised in the December 20, 2005, BPA "Response," that the value of the "West Trojan" parcel sought by PGE is significant enough to warrant its appraisal and some type of compensation being paid by PGE based on the value of the parcel. Recall that this is a very discrete and isolated parcel, surrounded by property owned exclusively by PGE, and that we would also be relieved of current and ongoing O&M costs (lighting, security, taxes, etc.) upon transfer to PGE as well as the site restoration costs. As also noted below, however, BPA wants to confirm that this "view" is acceptable to EWEB.

6. Thoughts, questions, concerns?

Geoff Kronick
(503) 230-5263 - direct line

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, December 21, 2004 2:02 PM
To: Sherman,Bob - PGC
Cc: Carlson,Debbie - PGC; Rapacz,Andy - PGC
Subject: FW: Trojan Letter - Quit Claim & Water Rights

Attachments: PGEs two proposals changes accepted.DOC; Picture (Metafile)

ATTORNEY CLIENT PRIVILEGE

Bob:

1. Thanks very much for the e-mail below.

2. Certainly I approve the final version of this letter, as edited by Andy.

3. In passing, I will note that we did apparently leave open (in the section regarding the quit claim of a portion of the Trojan real property) the possibility that this would be a "Project Asset," for which compensation might well be due.

4. As we all discussed earlier, however, I think that our concensus was that the value of this real property was comparatively small, and that we felt that obtaining the "full" indemnity and hold harmless agreement that we wish for this portion of the real property is appropriate "compensation" in and of itself.

5. We can certainly indicate early on, if we do not wish to hold this "issue" of the real property value as a "bargaining chip," that we will not seek compensation of any type apart from a suitable "indemnity and hold harmless" agreement for this West Trojan "parcel."

Geoff Kronick

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, December 21, 2004 12:56 PM
To: Kronick,Geoffrey M - LC
Subject: FW: Trojan Letter - Quit Claim & Water Rights

Per your request

PGEs two proposals changes acc...

Robert N Sherman, PE
Nuclear Engineer
Bonneville Power Administration
509-372-5164
rnsherman@bpa.gov

Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER BUSINESS LINE

December 20, 2004

In reply refer to: PGC/RICHLAND

VIA FACSIMILE AND FIRST CLASS MAIL
Mr. Stephen M. Quennoz
Vice President, Generation
Portland General Electric Company
121 SW Salmon Street, 1WTC1702
Portland, OR 97204

Dear Mr. Quennoz:

Introduction

Thank you for your letter of October 22, 2004, "Trojan Co-Owner "Quitclaim" of Property and Improvements; Trojan Co-Owner Concurrence With Trojan Water Right Transfer." As we understand, there are two distinct actions being proposed by Portland General Electric ("PGE") in your letter for agreement by the Trojan Co-Owners. The first is a requested "quitclaim" of real property and improvements as concerns a portion of the Trojan site, and the second involves Co-owner "concurrence" with the transfer of Trojan water rights. These are discussed sequentially below.

Quit Claim of "West Trojan" Parcel

It is our understanding that the issue of the requested "quit claim" from the Project Co-Owners and Bonneville Power Administration ("BPA") is a discrete issue that may be considered separately from the Trojan water rights. As you indicate in your letter, such a proposed quitclaim was the subject of earlier discussions between PGE and the Trojan Co-Owners in early 2000 in the context of the "Trojan Park Proposal."

You correctly note in the CY 2000 correspondence you cite that both BPA and the Eugene Water & Electric Board ("EWEB") indicated a willingness to quitclaim those portions of the Trojan site real property and improvements previously identified as part of the "Trojan Park Project" to the State of Oregon for use as a State Park. You further note in your October 22, 2004 letter that: 1) the affirmative "responses" to PGE from BPA and EWEB with regard to the "Trojan Park Project" were predicated specifically on the contemporaneous end of "any Co-Owner obligation

for additional costs and/or liability associated with operation, maintenance, and/or decommissioning demolition of the Trojan assets covered by the quitclaim action;" and 2) that "[b]ecause progress towards completing the Trojan Park Project was subsequently halted, this Co-Owner position was never finalized ... ."

BPA notes that the current "West Trojan Parcel," quitclaim proposal that PGE has made, (in contrast to the "Trojan Park Project" proposal of almost five years ago), does not involve a donation of a portion of the Trojan site to the State of Oregon for use as a State Park. Instead, the proposal involves the transfer of what represents a Trojan Project asset held in common by all Trojan Co-Owners solely to PGE for use by PGE as an income producing leasehold property. Thus, there is a question as to what value might appropriately be attributed to such a Trojan Project Asset. Further discussion of this aspect of the transfer in the context of Section 24 of the October 5, 1970, "Agreement for Construction, Ownership, and Operation of the Trojan Nuclear Project." (Project Agreement) we believe would be useful.

A second issue also worthy of further discussion, and one previously contemplated by both BPA and EWEB in the various CY 2000 communications you reference in your October 22, 2004, letter, is the issue of how will PGE hold harmless or indemnify the other Trojan Co-Owners and BPA and provide financial assurance that regardless of any future financial developments with PGE, that none of the other Co-Owners or BPA will be held liable for operation, maintenance, or decommissioning demolition of the West Trojan Parcel. This concern finds its basis not only in the previous CY 2000 correspondence with PGE, but also in the in explicit terms and the contemplated sequence of asset transfers and reversion of real property contemplated in Section 24 of the October 5, 1970, Project Agreement.

Section 24 of the Project Agreement provides that –

> "When the Generating Plant can no longer be made capable, consistent with Prudent Utility Practice, as determined (if necessary) by the Project Consultant, of producing electricity, or is not licensable by the AEC, or when the Project is ended pursuant to Section 16, PGE shall sell for removal all salable parts of the Project to the highest bidders; provided, however, that the Real Plant Property shall revert to PGE. After deducting all costs of ending the Project, including, without limiting the generality of the foregoing, the cost of decommissioning, razing all structures and disposing of the debris and meeting all requirements of Federal, state, or local law relating to the safe deactivation of the plant, PGE shall close the appropriate trust account, and if there are net proceeds, including the value of the Plant Real Property as determined by agreement of al the Parties or in the absence of such agreement, by the Project Consultant. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred."

As indicated in Section 24 above, the Parties to the Project Agreement had originally contemplated that "salvage" of Project Assets would occur at "end of the project." Section 24 contemplated that from those proceeds of sale of Project Assets the costs of the Project including, but apparently not limited to, decommissioning costs, razing all structures, disposing of all debris, and meeting all legal requirements relating to safe plant deactivation, etc. would be offset against those proceeds from the sale of Project Assets. Any net proceeds remaining would then be distributed to each Party [Co-Owner] based on their allocated share.

It is clear that under Section 24 of the Project Agreement the Plant Real Property is to revert to PGE. Included, however, in the salvage value would be the value of the Plant Real Property, "as determined by agreement of all the Parties, or in the absence of such agreement, by the Project Consultant." Thus, not only do the Project Co-Owners all maintain a common economic interest in all Project Assets that was to be temporally "realized" only at the very end of the Project when all costs of decommissioning, etc. had been paid, but the same "commonly held" Project Assets provide "security" for all Co-Owners in the form of such assets to be applied against all costs of ending the Project, which would include decommissioning and spent fuel disposal.

Water Rights

As we understand from your October 22, 2004, letter, PGE has determined that now is an appropriate time to transfer the existing Trojan water rights to "an instream use and/or to another location" in order to avoid the forfeiture of the water rights due to non-use. Of the 89.5 cfs of aggregate Trojan water rights, you have indicated that PGE proposes that 0.4 cfs of the water rights will not be subject to transfer in the proposed application submitted to the Oregon Water Resources Department, but will be retained for fire suppression for remaining Trojan site structures.

Of the balance of 89.1 cfs it is our understanding that PGE now proposes to transfer approximately 5.4 cfs to itself for use with the Port Westward generating facility, a 30 mW combustion turbine being built by PGE. This application for water rights transfer would involve both an application for transfer of that 5.4 cfs to another "point of diversion," as described in your letter, and that the balance of the water rights would thereafter be retained.

As a Project Asset (or portion of a Project Asset), it would seem appropriate that the value of the 5.4 cfs that PGE proposes to transfer to itself for its own purposes would be ratably allocated among all Co-Owners, in the form of a revenue stream based on respective shares for EWEB and PacifiCorp that again could be applied annually to offset and reduce EWEB and PacifiCorp's annual share of Trojan costs in the form of annual decommissioning cost budget. BPA and EWEB are curious as to how PGE would propose to value the water rights (including future value) that would be transferred to PGE.

Remaining Water Rights

Consistent with the foregoing discussion concerning the character of the water rights as Trojan Project assets, we would wish to inquire as to whether PGE believes that in order to effect the required transfer of water rights the "Statement of Permission" enclosed as Enclosure II to your October 22, 2004, letter must completely vest discretion relating to transfers for "use at other locations" in PGE. We would like to explore the possibility that the subsequent permit could memorialize the status of the water rights as Project assets, subject to such future agreements and understandings that could be reached if PGE wished to transfer any remaining portions of the water rights for "other purposes."

Conclusion

Both BPA and EWEB appreciate the significance of the two proposals made by PGE concerning (1) quitclaim of the West Trojan parcel, and (2) the need to preserve existing Trojan water rights through a timely permit filing. Both BPA and EWEB are interested in exploring your proposals and believe that further discussions via a conference call between PGE, EWEB, PacifiCorp and BPA representatives might well facilitate our mutual understandings and timely resolution of these two issues. To this end we will attempt to schedule a conference call through Jerry Reid this week.

Sincerely,

Robert N. Sherman
Trojan Project Manager
Bonneville Power Administration

Cc:
Mr. Kenneth J. Beeson, Eugene Water & Electric Board
Mr. Ed M. Burton, PacifiCorp

Bcc:
James E. Benedict, Esq. - Cable Huston Benedict Haagensen & Lloyd
J. Lawrence Cable, Esq. - Cable Huston Benedict Haagensen & Lloyd
Thomas M. Grim - Cable Huston Benedict Haagensen & Lloyd
Geoffrey M. Kronick, Esq. – Bonneville Power Administration

bbcc:
A. Rapacz – PGC/RICH
J. Hairston – PG-5
D. Sandlin – PGC/RICH Official File – PGC (PM-14-24 Trojan)

GK/date

Gkronick:gk:4201 (LF-W-KRONICK-WESTTROJANQUITCLAIMANDWATERRIGHTSRESPONSE112304DRAFTCHANGESACCEPTED.DOC)

Kronick,Geoffrey M - LC

From: Rapacz,Andy - PGC
Sent: Thursday, November 10, 2005 5:25 PM
To: Kronick,Geoffrey M - LC
Subject: FOIA #2 - e-mails

Attachments: RE: Final Redraft Letter to PGC; Land and Water; RE: Final Redraft Letter to PGC; Land and Water; FW: Final Redraft Letter to PGC; Land and Water; Final Redraft Letter to PGC; Land and Water

RE: Final Redraft Letter to PG...

RE: Final Redraft Letter to PG...

FW: Final Redraft Letter to PG...

Final Redraft Letter to PGC; L...

Kronick,Geoffrey M - LC

From: Carlson,Debbie - PGC
Sent: Sunday, December 19, 2004 2:46 PM
To: Rapacz,Andy - PGC; Kronick,Geoffrey M - LC
Subject: RE: Final Redraft Letter to PGC; Land and Water

SORRY forgot to add ..... please remember, the letter needs to be faxed to Steve Quennoz @ 503 464 2222

-----Original Message-----
From: Carlson,Debbie - PGC
Sent: Sunday, December 19, 2004 2:22 PM
To: Rapacz,Andy - PGC; Kronick,Geoffrey M - LC
Subject: RE: Final Redraft Letter to PGC; Land and Water

The letter is printed and on your desk for review (Bob is signatory). I am guessing you will also initial/review for Geoff???

Envelopes are done. bbcc's are not to get copies with the bcc's name (take a look in the file at the last set of letters to see how this is done). Please make certain I get a copy of the signed letter.

-----Original Message-----
From: Rapacz,Andy - PGC
Sent: Friday, December 17, 2004 4:50 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC
Cc: Carlson,Debbie - PGC
Subject: RE: Final Redraft Letter to PGC; Land and Water
Importance: High

Thanks Geoff, that was fast. I'm fine with your changes. Debbie you can finalize if you get a chance, otherwise we can do it Monday.
Thanks,
- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Friday, December 17, 2004 4:29 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Cc: Carlson,Debbie - PGC; Kronick,Geoffrey M - LC
Subject: FW: Final Redraft Letter to PGC; Land and Water
Importance: High

ATTORNEY CLIENT PRIVILEGE

Andy:

1. I reviewed both the "changes indicated" and the "changes accepted" version below, making a few follow-up edits in the "changes accepted" version below on the far right.

2. As per Debbie's 12/7/04 e-mail, I put in Steve Quennoz's new address in Portland, Oregon at PGE's downtown headquarters. Given the mail lag, particularly this time of year, I also indicated that it would be routed by facsimile and first class mail. Debbie had earlier provided the new phone number and facsimile number, again in the same 12/07/04 e-mail to me.

3. Steve Quennoz's phone and facsimile numbers are - (503) 262-8928 (phone) and (503) 464-2222 (facsimile).

4. It looks good to me for facsimile/mail out. As I may have mentioned before, an e-mail copy or facsimile to Cable Huston law firm in Portland (attn: Larry Cable/Tom Grim) and to Ken Beeson at EWEB in Eugene will likely get Ken Beeson's "concurrence" letter with our approach out the door sooner.

Geoff K.

-----Original Message-----
From: Rapacz,Andy - PGC
Sent: Friday, December 17, 2004 3:43 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC; Carlson,Debbie - PGC
Cc: Rapacz,Andy - PGC
Subject: Final Redraft Letter to PGC; Land and Water
Importance: High

I finally had a chance to edit this letter. I tried to simplify a bit but leave PGE with an idea of what our issues are.
What do you think? Can we sent this out Monday?
Debbie,
Any chance you could look at this and make sure it's proper for final fit and form?
Then if we have any minor changes on Monday we could crank them in and sign this out.
Thanks,
- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 23, 2004 7:42 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'; Majkut,Paul S - LC; Kinsey,Bill - LC
Subject: Redraft of the Response to Steve Quennoz's Letter of 10/22/04 - VPN-053-2004

with now Andy's edits

<< File: WESTTROJANQUITCLAIMANDWATERRIGHTSRESPONSE112304DRAFTCHANGESACCEPTED.DOC >> With changes accepted: << File: PGEs two proposals changes accepted.DOC >>

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Friday, December 17, 2004 4:29 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Cc: Carlson,Debbie - PGC; Kronick,Geoffrey M - LC
Subject: FW: Final Redraft Letter to PGC; Land and Water

Importance: High

Attachments: WESTTROJANQUITCLAIMANDWATERRIGHTSRESPONSE112304DRAFTCHANGESACCEPTED.DOC; PGEs two proposals changes accepted.DOC

ATTORNEY CLIENT PRIVILEGE

Andy:

1. I reviewed both the "changes indicated" and the "changes accepted" version below, making a few follow-up edits in the "changes accepted" version below on the far right.

2. As per Debbie's 12/7/04 e-mail, I put in Steve Quennoz's new address in Portland, Oregon at PGE's downtown headquarters. Given the mail lag, particularly this time of year, I also indicated that it would be routed by facsimile and first class mail. Debbie had earlier provided the new phone number and facsimile number, again in the same 12/07/04 e-mail to me.

3. Steve Quennoz's phone and facsimile numbers are - (503) 262-8928 (phone) and (503) 464-2222 (facsimile).

4. It looks good to me for facsimile/mail out. As I may have mentioned before, an e-mail copy or facsimile to Cable Huston law firm in Portland (attn: Larry Cable/Tom Grim) and to Ken Beeson at EWEB in Eugene will likely get Ken Beeson's "concurrence" letter with our approach out the door sooner.

Geoff K.

-----Original Message-----
From: Rapacz,Andy - PGC
Sent: Friday, December 17, 2004 3:43 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC; Carlson,Debbie - PGC
Cc: Rapacz,Andy - PGC
Subject: Final Redraft Letter to PGC; Land and Water
Importance: High

I finally had a chance to edit this letter. I tried to simplify a bit but leave PGE with an idea of what our issues are.
What do you think? Can we sent this out Monday?
Debbie,
Any chance you could look at this and make sure it's proper for final fit and form?
Then if we have any minor changes on Monday we could crank them in and sign this out.
Thanks,
- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 23, 2004 7:42 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'; Majkut,Paul S - LC; Kinsey,Bill - LC
Subject: Redraft of the Response to Steve Quennoz's Letter of 10/22/04 - VPN-053-2004

with now Andy's edits

WESTTROJANQUIT
.AIMANDWATERRIG

PGEs two proposals
changes acc...

With changes accepted:

Kronick,Geoffrey M - LC

From: Rapacz,Andy - PGC
Sent: Friday, December 17, 2004 3:43 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC; Carlson,Debbie - PGC
Cc: Rapacz,Andy - PGC
Subject: Final Redraft Letter to PGC; Land and Water

Importance: High

Attachments: WESTTROJANQUITCLAIMANDWATERRIGHTSRESPONSE112304DRAFTCHANGESACCEPTED.DOC; PGEs two proposals changes accepted.DOC

I finally had a chance to edit this letter. I tried to simplify a bit but leave PGE with an idea of what our issues are.
What do you think? Can we sent this out Monday?
Debbie,
Any chance you could look at this and make sure it's proper for final fit and form?
Then if we have any minor changes on Monday we could crank them in and sign this out.
Thanks,
- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 23, 2004 7:42 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'; Majkut,Paul S - LC; Kinsey,Bill - LC
Subject: Redraft of the Response to Steve Quennoz's Letter of 10/22/04 - VPN-053-2004

with now Andy's edits

WESTTROJANQUIT
AIMANDWATERRIG

PGEs two proposals
changes acc...

With changes accepted:

Kronick,Geoffrey M - LC

From: Rapacz,Andy - PGC
Sent: Thursday, November 10, 2005 5:25 PM
To: Kronick,Geoffrey M - LC
Subject: FOIA #3 - e-mails

Attachments: Redraft of the Response to Steve Quennoz's Letter of 10/22/04 - VPN-053-2004; VPN-058-2004 - Draft Response to Steve Quennoz Letter re: Prompt Trojan Dismantlement; Draft Response to Steve Quennoz Letter of 10/21/04 - VPN-058-2004; RE: Draft Reply Letter to Steve Quennoz; RE: Friday, 11/19/04 Conference Call - Draft Reply Letter toSteve Quennoz; RE: Friday, 11/19/04 Conference Call - Draft Reply Letter to Steve Quennoz; RE: A Draft Response to Steve Quennoz's October 22, 2004, Letter; FW: A Draft Response to Steve Quennoz's October 22, 2004, Letter

Redraft of the Response to Ste...

VPN-058-2004 - Draft Response ...

Draft Response to Steve Quenno...

RE: Draft Reply Letter to Ste...

RE: Friday, 11/19/04 Conferenc...

RE: Friday, 11/19/04 Conferenc...

RE: A Draft Response to Steve...

FW: A Draft Response to Steve...

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 23, 2004 7:42 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'; Majkut,Paul S - L; Kinsey,Bill - LC
Subject: Redraft of the Response to Steve Quennoz's Letter of 10/22/04 - VPN-053-2004

Attachments: WESTTROJANQUITCLAIMANDWATERRIGHTSRESPONSE112304DRAFT.DOC; WESTTROJANQUITCLAIMANDWATERRIGHTSRESPONSE112304DRAFTCHANGESACCEPTED.DOC

ATTORNEY CLIENT PRIVILEGE
CONFIDENTIAL PRE-DELIBERATIVE PROCESS PRIVILEGE
PLEASE DO NOT FORWARD

1. Thank all of you for your participation in our conference call yesterday at 10:30 a.m.

2. Attached are two copies of the "modified" draft (November 23, 2004) responding only to the two issues in Steve Quennoz's letter refrenced above. By earlier e-mail this evening you should have received form me a "draft" responding to Mr. Quennoz's October 21, 2004, letter reference No. VPN-058-2004, addressing only the "Prompt Dismantlement," issue, or what I have referred to in conversations as "accelerated decommissioning."

3. There are two version attached of the "Draft" referenced above. The first shows insertions, modifications, and deletions, based upon our telephone conference yesterday. The second "version" "accepts" those proposed edits.

4. In order to assure that we have covered all matters so modified in the letter, I have set forth some notes below referencing the "edited" draft. It may be worthwhile for you to review these notes in hard copy form together with a hard copy of the "edited" draft while also recalling the substance of our discussions yesterday.

5. Notes on Edited Draft

a. As noted above at #2, page 1, paragraph 1 has been modified to indicate that the letter now only addresses the "quitclaim" and "water rights" issues.

b. Similarly, again as noted above at #2, page 1 paragraph 2 and the next paragraph on page 2 (paragraph 1) under the title "Accelerated Decommissioning" have been deleted since this "material" is now addressed in a separate "response" to Mr. Quennoz' October 21, 2004 letter (Reference VPN-058-2004.)

c. Similarly, first sentence on page 2, paragraph 2 under "Quit Claim of "West Trojan" Parcel" is modified to only reference the two issues.

d. Page 3, sentence highlighted in bold only to indicate that we have still provided a "glancing" reference to the West Trojan parcel's potential value. Recall that we have agreed during the conference call that because of the relatively small "footprint" represented by the parcel to be quitclaimed to PGE, the uncertainty of its potential leasehold arrangements with the proposed "new tenant," and other factors including potential continuing liabilities via a leasehold share or interest, we (EWEB and BPA) have no interest in deriving any revenue or other benefit from that parcel so quitclaimed. Indeed, we have agreed that the provision of well crafted and specific indemnity and "hold harmless" language, to be crafted by EWEB and BPA legal counsel, and perhaps included or referenced specifically in the quitclaim deed itself, provides all the "compensation" tha EWEB or BPA desires from providing the requested quitclaim deed to PGE.

Notably, however, we retain this single reference highlighted in this paragraph so as to potentially use this "valuation" of the leasehold interest as a "bargaining chip," to be traded away or given up during the course of the negotiations with PGE on final language and provisions governing indemnity of EWEB and BPA.

e. Page 4, full paragraph number 3, is eliminated in its entirety. This reflects, again, that we have no interest in the West Trojan parcel beyond the indemnification provisions discussed immediately above at "d."

f. Page 5, full paragraph number 2. First sentence eliminated as per item "e" above.

g. Page 5, full paragraph number 2. Sentence highlighted in bold as per our discussions requesting PGE to propose a method of valuing the 8.0 cfs of water rights to be transferred, and by implication, determining the 30% value of the EWEB/BPA "share."

g. Page 5, full paragraph number 3. Eliminated in its entirety, together with footnote 5. I don't know that we specifically discussed this item yesterday, and thus highlight this for your consideration and review.

This is an issue that is obviously related to our recent efforts in the Oregon PUC proceeding (UM-1121) to attempt to get PGE to provide some mechanism of financial assurance to guarantee its ability to pay its pro-rata share of Trojan Decomissioning costs in the future. Whether this paragraph, which contemplates PGE holding its "pro-rata share" of revenues from the 8.0 cfs of water rights in trust to guarantee its future decommissioning performance, should remain in this letter or not is an issue that we might wish to resolve before finalizing this letter.

As I observed, on the one hand it could be seen as "overreaching" on BPA and EWEB's part by PGE; an attempt to compel that which we have not yet been successful in compelling in the Oregon PUC proceeding or through independent discussions and correspondence and a meeting. On the other hand, it could again be maintained here merely as a "bargaining chip," something that we could "let go" during the progress of negotiation and discussion.

One additional concern that I have is whether we would set a precedent in terms of other water rights that PGE might wish to transfer to itself (oF the remaining 81.1 cfs) in the future by either insisting that the value of such rights be preserved to be used against future decommisisoning costs, as contemplated by Section 24 (END OF THE PROJECT), or in the alternative, by not so insisting. Certainly the use of the proposed 8.0 cfs for the new PGE built Port Westward generating unit (300 Mw Combustion Turbine) seems factually distinct and unique enough so as not to necessarily set a precedent if, for example, PGE sought in the future to assign a water right to a third party for value. Comments on this and the other subjects indicated in the "1st draft' (edits indicated) below are welcome.

Geoff Kronick

P.S. Paul Majkut - Asst. General Counsel - will be beginning a three month detail within the agency effective today, such that absent a specific request from Paul I will no longer be copying him on these messages, but instead will route them to Acting Asst. General Counsel Bill Kinsey, who will be substituting for Paul until April 1, 2005.

WESTTROJANQUIT
.AIMANDWATERRIG

Changes accepted version

WESTTROJANQUIT
.AIMANDWATERRIG

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
Portland, OR 97208-3621

(503) 230-4201
Facsimile (503) 230-7405
E-mail - gmkronick@bpa.gov

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Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 23, 2004 5:59 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC; Carlson,Debbie - PGC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'
Subject: Draft Response to Steve Quennoz Letter of 10/21/04 - VPN-058-2004

Attachments: WESTTROJANPROMPTDISMANTALINGRESPONSE112304.DOC

WESTTROJANPRO
'TDISMANTALINGRE

1. Attached here is a "draft" of the BPA letter responding to Steve Quennoz' October 21, 2004, letter regarding Prompt Dismantlement.

2. If EWEB has any changes or concerns, please send them promptly by 11:00 a.m. tommorrow so that perhaps this letter can go out tomorrow via facsimile to Steve Quennoz.

3. Debbie Carlson, please see next e-mail with address information.

Geoff K.

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 16, 2004 3:47 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC; Bates,Julie A - LC; 'Larry Cable'; 'Tom Grim'; 'ken.beeson.@eweb.eugene.or.us'
Cc: McDonald,Linda I - LC; Sandlin,Dana E - PGC
Subject: RE: Friday, 11/19/04 Conference Call - Draft Reply Letter to Steve Quennoz

Attachments: WESTTROJANDRAFTRESPONSE111204.DOC

WESTTROJANDRAF
RESPONSE111204..

ATTORNEY CLIENT PRIVILEGE

Addressees:

1. It doesn't appear, from what Mrs. McDonald learned via telephone inquiry to EWEB's offices in Eugene, that Ken Beeson will likely be available this Friday to discuss the "proposed draft" of the reply to the Steve Quennoz letter of this last weekend, a copy of which I have attached below as a Microsoft Word document.

2. I'd like to request that all of you route to me via e-mail by tommorrow noon your general availability for the period of Monday, November 22 through Wednesday, November 24,2004, for such a conference call early next week. I will be out of town beginning Thursdy, November 25, 2004, Thanksgiving Day) and through Sunday, November 29, 2004.

2. As I indicated to some of you in a "cover" e-mail, my intent in drafting the "reply" was not only to satisfy any "urgency" indicated by Jerry Reid as concerned the "accelerated decommissioning" at Trojan (which was not explicitly mentioned in Mr. Quennoz' original October 22, 2004, order), but also, and more importantly, to provide a "framework" for discussion of strategy and concerns that were the subject of earlier discussion among some of us on Wednesday, November 10, 2004.

3. As you will recall, there are 3 discrete proposals presented to us for consideration, review, and reponse. The first is accelerated decommissioning. The second is the proposed quit claim by EWEB and PacifiCorp to Portland General Electric of a portion of the Trojan site west of the railroad tracks (see Steve Quennoz October 22,2004, letter). The third is the matter of Trojan water rights also discussed in Mr. Quennoz letter.

4. As you will also recall, BPA is still in the process of: (a) determining the effect of the accelerated decommissioning proposal on costs for the upcoming rate period(s); (b) the consequence of such costs in terms of potential rate impact of such an impact on rates; and (c) what I presume will be a senior managment decision on the ultimate acceptability of the accelerated decommissioning proposal.

5. Via this e-mail, I would like to ask Dana Sandlin and/or Bob Sherman to advise me and Andy Rapacz of a general time frame by which we hope to have a response to questions 4(a) and 4(b) above, and to the degree possible, any informed guesses as to when we would have a response to
4(c) above.

6. Ideally, we can all meet and discuss the points raised in the draft letter sometime before the Thanksgiving holiday.

Many thanks,

Geoff Kronick

Geoffrey M. Kronick, Esq.
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-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Saturday, November 13, 2004 4:50 PM
To: 'ken.beeson@eweb.eugene.or.us'
Cc: 'lcable@chbh.com'; 'jbenedict@bhbh.com'; 'tgrim@chbh.com'; 'efinklea@chbh.com'
Subject: A Draft Response to Steve Quennoz's October 22, 2004, Letter

<< File: WESTTROJANDRAFTRESPONSE111204.DOC >>

DELIBERATIVE PROCESS PRIVILEGE
DRAFT, FOR DISCUSSION PURPOSES ONLY

Ken:

1. In preparing this "draft" I didn't want to duplicate your efforts, but thought that since BPA is the "party" who needs the time to evaluate the accelerated decommissioning proposal in terms of its cost and potential rate impact that it is likely appropriate that BPA offer the explanation contained in this "draft."

2. This is of course only a "1st draft," and as is often the case, I think that some of my longer sentences could likely be broken down into shorter "bites," and likely some verbiage eliminated. Moreover, and more importantly, this draft hasn't yet been seen by Bob Sherman, Andy Rapacz, or anybody else at BPA and won't likely be viewed by them until sometime on Monday.

3. Since this letter represents "concerns" that were only discussed among us (Dana Sandlin, Tom Grim, you, me, Larry Cable) during our conference call on Wednesday, November 10, 2004, my hope is that this "draft" letter (together with an earlier e-mail of Wednesday at 5:32 p.m. that I routed to Andy and Bob) can if nothing else help get everybody "up to speed" so that we can move forward in as timely a manner as possible on the "three" proposals (1. accelerated decommissioning, 2. quitclaim of "West Trojan parcel," 3. Trojan water rights permit) from PGE.

4. In the interest of moving this along, I am also going to share the original Steve Quennoz letter (together with his attachments and enclosures) with a colleague in the General Counsel's office who handles "real estate" matters since BPA is being asked to approve the "quit claim deed and bill of sale" "associated" with the Amendment to the initial 1970 Trojan Project Agreement, both of which are enclosed as "Enclosure 1" to Steve Quennoz' letter.

5. As I recall, Larry was going to prepare some "bullets points" for you" with the matters we discussed on Wednesday, and this will certainly help ensure that in this instant "draft" I haven't inadvertently omitted any of the "concerns" we discussed.

6. Of course, notwithstanding our desires to be responsive and timely to PGE's "requests," I will note that obviously the entire "packet" that PGE prepared and routed to you and to Bob Sherman in the form of Steve Quennoz' October 22, 2004, letter, took some considerable time to construct, and I'm thus mindful that we all are comfortable not only with the proposals conceptually, but the substance and form of the various "enclosures" for which PGE seeks signatures.

Geoff Kronick

Kronick,Geoffrey M - LC

From: Ken D BEESON [Ken.Beeson@eweb.eugene.or.us]
Sent: Wednesday, November 17, 2004 8:28 AM
To: Kronick,Geoffrey M - LC; Bates,Julie A - LC; McDonald,Linda I - LC; lcable@chbh.com
Cc: Rapacz,Andy - PGC; Sherman,Bob - PGC; Tgrim@chbh.com; ken.beeson.@eweb.eugene.or.us
Subject: RE: Friday, 11/19/04 Conference Call - Draft Reply Letter toSteve Quennoz

A couple of notes:

There is a TOC call tomorrow (Thursday) at 10 a.m.; is there any chance that we could convene this call at 9 in the morning instead of Friday? I can be on a 2 p.m. call on Friday for about 45 minutes; if we have the call on Friday, I would prefer a 1:30 start if at all possible...

Regarding Geoff's draft letter and the EWEB-BPA response:

1. I think at this point that the BPA letter should be from BPA only and that EWEB should have a separate shorter letter that indicates we agree with the BPA letter. My on-going message to Jerry Reid has been that EWEB and BPA will respond formally at the same time once the BPA internal review is complete and BPA is ready...

I have some notes from Larry and will draft the EWEB letter this morning and send it around.

2. With respect to the accelerated decom question, I think our collective response(s) needs to either include a signed copy of their 10/21 letter or tell them clearly when we will sign.

Thanks, Ken

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
fax: 541.341.1889
e-mail: ken.beeson@eweb.eugene.or.us

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>>> "Kronick,Geoffrey M - LC" <gmkronick@bpa.gov> 11/16/04 01:42PM >>>

Is there a better time for you earlier on Friday, Larry?

I'm hopeful that we can "resolve" some strategy points and proceed to finalize the letter for a Monday "send off?"

Geoff K.

-----Original Message-----
From: Larry Cable [mailto:lcable@chbh.com]
Sent: Tuesday, November 16, 2004 1:22 PM
To: Kronick,Geoffrey M - LC; McDonald,Linda I - LC; Bates,Julie A - LC
Cc: Rapacz,Andy - PGC; Sherman,Bob - PGC; Tom Grim;
ken.beeson.@eweb.eugene.or.us

Subject: RE: Friday, 11/19/04 Conference Call - Draft Reply Letter to Steve Quennoz

I will be in another meeting but you should go ahead and I will try to call in. Thanks. Larry

-----Original Message-----
From: Kronick,Geoffrey M - LC [mailto:gmkronick@bpa.gov]
Sent: Tue Nov 16 13:15:20 2004
To: McDonald,Linda I - LC; Bates,Julie A - LC
Cc: Rapacz,Andy - PGC; Sherman,Bob - PGC; Larry Cable; Tom Grim; ken.beeson.@eweb.eugene.or.us
Subject: Friday, 11/19/04 Conference Call - Draft Reply Letter to Steve Quennoz

Linda

1, Could you please set up a conference call for approximately one hour for 2:00 p.m. on Friday, November 19, 2004?

2. The inviteees are indicated above and below.

3. I have indicated phone numbers for the EWEB Resources Manager (Ken Beeson) and the EWEB attorneys here in town below. You may want to check with Tanya Roy at the Cable Huston law firm about Mr. Cable and Mr. Grim's schedules at

(503) 224-3092.

4. Subject of the Meeting is November 12, 2004, "Draft Reply" Letter to Steve Quennoz and Concerns and Strategies.

Geoff K.

..

Julie Bates - LC-7
Andy Rapacz - PGC/RICH
Bob Sherman - PGC/RICH
Ken Beeson - EWEB (541) 484-2411
Larry Cable - Cable Huston law firm (503) 224-3092
Tom Grim - Cable Huston law firm (503) 224-3092

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
Portland, OR 97208-3621
(503) 230-4201
Facsimile (503) 230-7405
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Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER BUSINESS LINE

November 23, 2004 (DRAFT)

In reply refer to: PGC/RICHLAND

VIA FACSIMILE AND FIRST CLASS MAIL

Mr. Stephen M. Quennoz
Vice President, Generation
Portland General Electric Company
Trojan Nuclear Plant
71760 Columbia River Highway
Rainier, OR 97048

Re: Your Letter Dated October 22, 2004 – VPN-053-2004

Dear Mr. Quennoz:

Introduction

Thank you for your above-referenced letter of October 22, 2004, received on October 25, 2004. As we understand there are two distinct actions being currently proposed by Portland General Electric ("PGE") in your letter for agreement by the Trojan Co-Owners. The first is a requested "quitclaim" of real property and improvements as concerns a portion of the Trojan site, and the second involves Co-owner "concurrence" with the transfer of Trojan water rights. These are discussed sequentially below.

Quit Claim of "West Trojan" Parcel

It is our understanding that the issue of the requested "quit claim" from the Project Co-Owners, as well as from BPA, is a discrete issue that like the issue of Trojan water rights may be considered separately. As you indicate in your letter, such a proposed quitclaim was the subject of earlier discussion between PGE and the Trojan Co-Owners in early-2000 in the context of the "Trojan Park Proposal." We have reviewed your January 6, 2000, letter (Ref. SMQ-005-00) as well as the EWEB and BPA "responses" to your January 6, 2000, letter, all of which you reference on page 2 of your October 22, 2004, letter.[1]

[1] At footnote 1 on page 2 of your October 22, 2004, letter you refer to BPA Letters from Robert F. Mazurkiewicz of BPA to you dated January 5, 2000, and January 26, 2000; and a letter from Kenneth D. Beeson of EWEB, to you dated May 11, 2000. The e-mail of February 10, 2000 from Edgar Burton of PacifiCorp to James Baggenstos of

Deleted: have subsequently come to

Deleted: through conversations with Jerry Reid of Portland General Electric ("PGE"),

Deleted: three

Deleted:

Deleted: , which include the two subjects discussed in your October 22, 2004, letter

Deleted: proposed acceleration of decommissioning activities on the Trojan site, the second concerns the

Deleted: third

Deleted: The latter two of course are discussed in your October 22, 2004, letter.

Deleted: ¶

Deleted: Accelerated Decommissioning¶
¶
As we understand, PGE hopes for expedited concurrence with all three actions but particularly so as concerns the proposed acceleration of decommissioning activities on the Trojan site. We have been advised that the indicated "economies" and "savings" from the proposed acceleration of Trojan decommissioning activities are based, at least in part, on assumptions of prompt commencement of such additional decommissioning tasks. As concerns this discrete issue, while both Eugene Water & Electric Board ("EWEB") and Bonneville Power Administration ("BPA") are initially supportive of the concept, it is necessary for BPA to evaluate the proposed accelerated decommissioning in the context of how increased Trojan costs during the posited time period will effect overall costs that must be recovered in BPA's rates.¶
¶
Once this information is developed internally at BPA, it must in turn be shared with BPA Senior Management, together with the apparent benefits of accelerated decommissioning at this time. Please be advised that as concerns this issue BPA hopes to develop, review, and consider such "cost impacts" and related benefits as soon as practicable, ideally providing you a response no later than _____ on PGE's proposal for accelerated decommissioning. ¶

Deleted: Again,

Deleted: i

Deleted: and the issue of "accelerated decommissioning" (previously discussed above),

As you correctly note, in the CY 2000 correspondence that you cite, both BPA and EWEB indicated a willingness to quitclaim those portions of the Trojan site real property and improvements previously identified as part of the "Trojan Park Project" – a PGE proposal that was related to the proposed donation of a portion of the Trojan site land and improvements to the State of Oregon for use as a State Park. As you also note correctly, however, the affirmative "responses" to PGE from BPA and EWEB with regard to the "Trojan Park Project" were predicated specifically on the contemporaneous end of "any Co-Owner obligation for additional costs and/or liability associated with operation, maintenance, and/or decommissioning demolition of the Trojan assets covered by the quitclaim action." October 22, 2004, letter at 2. Lastly, and most significantly, you observe in your October 22, 2004, letter, "[b]ecause progress towards completing the Trojan Park Project was subsequently halted, this Co-Owner position was never finalized ... ." Id.

In terms of the current "proposal" that PGE has made for "a quitclaim" by Trojan Co-Owners of what will be referred to as the "West Trojan Parcel,"[2] BPA and EWEB note that in contrast to the "Trojan Park Project" proposal of almost five years ago, this instant proposal does not involve a "donation" of a portion of the Trojan site to the State of Oregon for use as a State Park. Instead, the instant proposal involves the transfer of what represents a Trojan Project asset held in common by all Trojan Co-Owners solely to PGE for use by PGE as an income producing leasehold property. **Thus, there is a question as to what value might appropriately be attributed to such a Trojan Project Asset.** Further discussion of this issue in the context of "Section 24" of the October 5, 1970, "Agreement for Construction, Ownership, and Operation of the Trojan Nuclear Project" is set forth below.

Formatted

A second issue, and one previously contemplated by both BPA and EWEB in the various CY 2000 communications you reference in your October 22, 2004, letter,[3] is the issue of how will PGE hold harmless or indemnify the other Trojan Co-Owners and provide financial assurance that regardless of any future financial developments with PGE, that none of the other Co-Owners will be held liable for operation, maintenance, or decommissioning demolition of the West Portland Parcel. This concern finds its basis not only in the previous CY 2000 correspondence with PGE, but also in the in explicit terms and the contemplated sequence of asset transfers and reversion of real property contemplated in "Section 24" ("END OF THE PROJECT") of the

---

PGE also referenced in your letter of October 22, 2004 at footnote 1 could not be readily located in either EWEB's or BPA's files.

[2] Which as indicated in your October 22, 2004, letter is pictured in detail on the map enclosed as "Attachment 2" with your letter.

[3] BPA letter of January 26, 2004 ("We also are still convinced that any liability for any additional obligations or costs should end with this action."); EWEB letter of May 11, 2000 ("Such action [quitclaim] presumes EWEB would have no further obligation.").

October 5, 1970, "Agreement for Construction, Ownership, and Operation of the Trojan Nuclear Project." (Hereinafter "Project Agreement.")

Section 24 of the Project Agreement provides that –

> "When the Generating Plant can no longer be made capable, consistent with Prudent Utility Practice, as determined (if necessary) by the Project Consultant, of producing electricity, or is not licensable by the AEC, or when the Project is ended pursuant to Section 16, PGE shall sell for removal all salable parts of the Project to the highest bidders; provided, however, that the Real Plant Property shall revert to PGE. After deducting all costs of ending the Project, including, without limiting the generality of the foregoing, the cost of decommissioning, razing all structures and disposing of the debris and meeting all requirements of Federal, state, or local law relating to the safe deactivation of the plant, PGE shall close the appropriate trust account, and if there are net proceeds, including the value of the Plant Real Property as determined by agreement of al the Parties or in the absence of such agreement, by the Project Consultant. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred."

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As you are aware, changed circumstances in the timely removal of Spent Nuclear Fuel and High Level Waste ("SNF/HLW") have greatly increased the planned costs of final Trojan decommissioning and fuel disposal, as well as the sequence and length of time during which such decommissioning and spent fuel disposal would take place. As seems apparent from the explicit language of Section 24 of the Project Agreement above, this extended delay was not contemplated at execution of the original Project Agreement. Indeed, even today, the issue of the precise date upon which all SNF/HLW will at last be removed from the Trojan Site, as well as the amount of additional funds that will be necessary to maintain the Independent Spent Fuel Storage Installation on the Trojan Site until that date, remain matters of significant uncertainty.

As indicated in Section 24 above, the Parties to the Project Agreement had originally contemplated that "salvage" of Project Assets would occur at "end of the project." Section 24 contemplated that from those proceeds of sale of Project Assets the costs of the Project including, but apparently not limited to, decommissioning costs, razing all structures, disposing of all debris, and meeting all legal requirements relating to safe plant deactivation, etc. would be offset against those proceeds from the sale of Project Assets. Any net proceeds remaining would then be distributed to each Party [Co-Owner] based on their allocated share. [4]

Clearly under Section 24 of the Project Agreement the Plant Real Property is to revert to PGE, yet included in the "salvage" would be the value of the Plant Real Property, "as determined by

[4] If, of course "the costs of ending the Project [were to] exceed available funds, each Party [Co-Owner] [would] pay its Ownership Share of such excess as incurred."

agreement of all the Parties, or in the absence of such agreement, by the Project Consultant." Thus, not only do the Project Co-Owners all maintain a common economic interest in all Project Assets that was to be temporally "realized" only at the very end of the Project when all costs of decommissioning, etc. had been paid, but the same "commonly held" Project Assets provide "security" for all Co-Owners in the form of such assets to be applied against all costs of ending the Project, which would include decommissioning and spent fuel disposal.

Water Rights

As we understand from your October 22, 2004, letter, PGE has determined that it is now an appropriate time to transfer the existing Trojan water rights to "an instream use and/or to another location" in order to avoid the forfeiture of the water rights due to non-use. October 22, 2004, letter at 3-4. Of the 89.5 cfs of aggregate Trojan water rights, you have indicated that PGE proposes that 0.4 cfs of the water rights will not be subject to transfer in the proposed application submitted to the Oregon Water Resources Department, but will be retained for fire suppression for remaining Trojan site structures.

Of the balance of 89.1 cfs, it is our understanding that PGE now proposes to transfer approximately 8.0 cfs to itself for use with the Port Westward generating facility, a 30 mW combustion turbine being built by PGE. Thus, it is our further understanding that the application for water rights transfer would involve both an application for transfer of that 8.0 cfs to another "point of diversion," as described in your letter, and that the balance of the water rights would thereafter be retained.

As a Project Asset (or portion of a Project Asset), it would seem appropriate that the value of the 8.0 cfs that PGE proposes to transfer to itself for its own purposes would be ratably allocated among all Co-Owners, in the form of a revenue stream based on respective shares for EWEB and PacifiCorp that again could be applied annually to offset and reduce EWEB and PacifiCorp's annual share of Trojan costs in the form of annual decommissioning cost budget. BPA and EWEB are curious at to how PGE would propose to value the 8.0 cfs of water rights that would be transferred to PGE, and how PGE might propose to reflect the increased value of such water rights over time.

Remaining Water Rights

Consistent with the foregoing discussion concerning the character of the water rights as Trojan Project assets, we would merely wish to inquire as to whether it is PGE's belief that in order to effect the required transfer of water rights (in order to avoid loss of the same water rights) the "Statement of Permission" enclosed as Enclosure II to your October 22, 2004, letter must completely vest discretion relating to transfers for "use at other locations" in PGE. Although it is

Deleted: Thus, it seems appropriate for a "ratable" distribution to be made to the other Co-Owners of their "share" of the revenue stream realized by PGE from the leasehold of the West Trojan Parcel, to be held in trust against their shares of future and final Trojan Project costs. Moreover, it also seems appropriate for PGE to similarly hold its pro-rata portion of its leasehold revenues in a similar manner (in trust for payment of future Trojan costs), thus providing the "security" to the other Co-Owners for the value of the Project Assets (real property) being transferred by quitclaim deed to PGE now -- prior to the actual "end of the Project."

Deleted: Notably, however, the same concerns expressed above with regard to the value of the West Trojan parcel for which PGE has requested a "quitclaim" from the other Trojan Co-Owners seems applicable in the case of the proposed water rights transfer. First,

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Deleted: placed in trust to be held for payment

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Deleted: [5]

Deleted: Second, as also discussed above in terms of the West Trojan parcel, it would similarly seem appropriate for PGE to hold its pro-rata portion of the 8.0 cfs of water rights in the form of a stream of revenue held in trust for payment of future Trojan costs, thus also providing the "security" for future and final decommissioning and spent fuel storage costs to the other Co-Owners for the value of the Project Assets (water rights) that PGE now proposes to transfer to itself. Again, such funds held in trust in an interest-bearing account would also provide some measure of protection that a current valuation of the water rights being transferred to PGE would be less than the value of the same water rights in the future, at the time that such a Project Asset was initially contemplated under Section 24 to be available to offset final decommissioning and site restoration costs.¶

our understanding from your letter that the historic Trojan water rights permits have either been in the form of a permit granted solely to PGE prior to the Trojan Operating Agreement (Water Rights Permit No. 34940 – August 3, 1970) or merely confirming that same permit (Certificate No. 73396 issued in 1996), would it be possible to provide that the subsequent permit would memorialize the status of the water rights as Project assets, subject to such future agreements and understandings that could be reached if PGE wished to transfer any remaining portions of the water rights for "other purposes?"

Conclusion

Both BPA and EWEB appreciate the significance of the two proposals made by PGE concerning (1) quitclaim of the West Trojan parcel, and (2) the need to preserve existing Trojan water rights through a timely permit filing. Both BPA and EWEB believe that further discussion of the West Trojan parcel quitclaim and the water rights permit via conference call between PGE, EWEB, PacifiCorp and BPA representatives might well facilitate our mutual understandings and timely resolution of these two issues. To this end we will attempt to schedule a conference call through Jerry Reid this week.

Deleted: three

Deleted: accelerated decommissioning, (2)

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Deleted: In addition to the steps being taken internally at BPA to promptly evaluate the accelerated decommissioning proposal (discussed at pages 1-2 above,)

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Deleted: latter

Sincerely,

Robert N. Sherman
Nuclear Engineer
Bonneville Power Administration

Kenneth D. Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board

Cc:
Mr. E. M Burton
(TITLE)
PacifiCorp
825 NE Multnomah, Suite 600
Portland, OR 97232

Bcc:
James E. Benedict, Esq. - Cable Huston Benedict Haagensen & Lloyd
J. Lawrence Cable, Esq. - Cable Huston Benedict Haagensen & Lloyd
Thomas M. Grim - Cable Huston Benedict Haagensen & Lloyd

Geoffrey M. Kronick, Esq. – Bonneville Power Administration

Gkronick:gk:4201 (LF-W-KRONICK-WESTTROJANQUITCLAIMANDWATERRIGHTSRESPONSE112304DRAFT.DOC)

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 23, 2004 5:59 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC; Carlson,Debbie - PGC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'
Subject: Draft Response to Steve Quennoz Letter of 10/21/04 - VPN-058-2004

Attachments: WESTTROJANPROMPTDISMANTALINGRESPONSE112304.DOC

WESTTROJANPRO
'TDISMANTALINGRE

1. Attached here is a "draft" of the BPA letter responding to Steve Quennoz' October 21, 2004, letter regarding Prompt Dismantlement.

2. If EWEB has any changes or concerns, please send them promptly by 11:00 a.m. tommorrow so that perhaps this letter can go out tomorrow via facsimile to Steve Quennoz.

3. Debbie Carlson, please see next e-mail with address information.

Geoff K.

Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER BUSINESS LINE

November 24, 2004 **DRAFT**

In reply refer to: PGC/RICHLAND

VIA FACSIMILE AND FIRST CLASS MAIL

Mr. Stephen M. Quennoz
Vice President, Generation
Portland General Electric Company
Trojan Nuclear Plant
71760 Columbia River Highway
Rainier, OR 97048

Re: Your Letter Dated October 21, 2004 – VPN-058-2004

Dear Mr. Quennoz:

Thank you for your above-referenced letter of October 21, 2004, concerning the proposed Prompt Demolition of Trojan Cooling Tower and Plant Structures. As we understand, Portland General Electric ("PGE") hopes for expedited concurrence with this action. While both Eugene Water & Electric Board ("EWEB") and Bonneville Power Administration ("BPA") are initially supportive of the concept, it is necessary for BPA to evaluate the proposed accelerated decommissioning in the context of how increased Trojan costs during the posited time period will effect overall costs that must be recovered in BPA's rates.

Once this information is developed internally at BPA, it must in turn be shared with BPA Senior Management, together with the apparent benefits of accelerated decommissioning at this time. Please be advised that as concerns this issue BPA hopes to develop, review, and consider such "cost impacts" and related benefits as soon as practicable, ideally providing you a response no later than _____ on PGE's proposal for accelerated decommissioning, or as you have titled it, Prompt Demolition of Trojan Cooling Tower and Plant Structures.

Sincerely,

Andrew J. Rapacz
Manager, Contract Generating Resources

Cc:
Mr. Kenneth J. Beeson – Eugene Water & Electric Board
Mr. Edward M Burton – PacifiCorp

Bcc:
James E. Benedict, Esq. - Cable Huston Benedict Haagensen & Lloyd
J. Lawrence Cable, Esq. - Cable Huston Benedict Haagensen & Lloyd
Thomas M. Grim - Cable Huston Benedict Haagensen & Lloyd

Geoffrey M. Kronick, Esq. – Bonneville Power Administration

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Saturday, November 13, 2004 5:16 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC; Sandlin,Dana E - PGC; Bleifuss,Edward L - DBE
Cc: Majkut,Paul S - L; Bates,Julie A - LC; Margeson,Jacilyn R - LC; Lefler,Valerie A - KFS; Mertsching,Anita M - KFW; Margeson,Jacilyn R - LC
Subject: FW: A Draft Response to Steve Quennoz's October 22, 2004, Letter

Attachments: WESTTROJANDRAFTRESPONSE111204.DOC

ATTORNEY CLIENT PRIVILEGE

Bob and Andy:

1 I don't want to be "getting ahead of things" here, but given Ken Beeson's communication of a "sense of urgency" from Jerry Reid at PGE I wanted to try and move this along as quickly as possible, and thought that the "draft response" to the PGE proposals might well be a good "format" in which to present initial BPA and EWEB concerns, notwithstanding that the letter and the matters referred to therein likely need more thought and discussion and input from you and Bob. (And perhaps also Risk Management and Senior Management as well.)

2. As indicated below, I shared my initial "draft" of the BPA and EWEB response to Steve Quennoz' October 22, 2004, letter with Ken Beeson and "the lawyers" from Cable Huston Benedict & Haagensen (& Lloyd) (or .chbh.com) with a reminder that you and Bob haven't seen this letter and weren't privy to the conference call discussion among us (Dana, me, Ken Beeson, Tom Grim, Larry Cable) this past Wenesday.

3. As noted below at #4 of my message to Ken Beeson, I'm going to give Jackie Margeson of our office a copy of the Quennoz letter with the proposed "deeds" and related materials. And if Ed Bleifuss or Bob could advise me if Ed does not already has a copy of the "Quennoz" letter, I can route a copy to him. This "draft" "response" below makes a little more sense in the context of Steve Quennoz' October 22, 2004, letter.

4. My only thought in routing this to Val Lefler and Anita Mertsching, again hopefully not permaturely, is merely to indicate that we have at least initally discussed the possibility of "trust" accounts to hold any revenues that might be provided to EWEB/BPA from either the EWEB prorata portion of the rents that PGE apparently will receive from its leasing of the "West Trojan" parcel, and/or the EWEB/BPA prorata portion of the value of the Trojan water rights (8.0 cfs) that PGE wishes to use for its own Port Westward CT.

Geoff K. (x5263)

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Saturday, November 13, 2004 4:50 PM
To: 'ken.beeson@eweb.eugene.or.us'
Cc: 'lcable@chbh.com'; 'jbenedict@bhbh.com'; 'tgrim@chbh.com'; 'efinklea@chbh.com'
Subject: A Draft Response to Steve Quennoz's October 22, 2004, Letter

WESTTROJANDRAF
RESPONSE111204..

DELIBERATIVE PROCESS PRIVILEGE
DRAFT, FOR DISCUSSION PURPOSES ONLY

Ken:

1. In preparing this "draft" I didn't want to duplicate your efforts, but thought that since BPA is the "party" who needs the time to evaluate the accelerated decommissioning proposal in terms of its cost and potential rate impact that it is likely

appropriate that BPA offer the explanation contained in this "draft."

2. This is of course only a "1st draft," and as is often the case, I think that some of my longer sentences could likely be broken down into shorter "bites," and likely some verbiage eliminated. Moreover, and more importantly, this draft hasn't yet been seen by Bob Sherman, Andy Rapacz, or anybody else at BPA and won't likely be viewed by them until sometime on Monday.

3. Since this letter represents "concerns" that were only discussed among us (Dana Sandlin, Tom Grim, you, me, Larry Cable) during our conference call on Wednesday, November 10, 2004, my hope is that this "draft" letter (together with an earlier e-mail of Wednesday at 5:32 p.m. that I routed to Andy and Bob) can if nothing else help get everybody "up to speed" so that we can move forward in as timely a manner as possible on the "three" proposals (1. accelerated decommissioning, 2. quitclaim of "West Trojan parcel," 3. Trojan water rights permit) from PGE.

4. In the interest of moving this along, I am also going to share the original Steve Quennoz letter (together with his attachments and enclosures) with a colleague in the General Counsel's office who handles "real estate" matters since BPA is being asked to approve the "quit claim deed and bill of sale" "associated" with the Amendment to the initial 1970 Trojan Project Agreement, both of which are enclosed as "Enclosure 1" to Steve Quennoz' letter.

5. As I recall, Larry was going to prepare some "bullets points" for you" with the matters we discussed on Wednesday, and this will certainly help ensure that in this instant "draft" I haven't inadvertently omitted any of the "concerns" we discussed.

6. Of course, notwithstanding our desires to be responsive and timely to PGE's "requests," I will note that obviously the entire "packet" that PGE prepared and routed to you and to Bob Sherman in the form of Steve Quennoz' October 22, 2004, letter, took some considerable time to construct, and I'm thus mindful that we all are comfortable not only with the proposals conceptually, but the substance and form of the various "enclosures" for which PGE seeks signatures.

Geoff Kronick

check" done by the TBL, so that we know what the existing Switchyard structures and facilities are worth to PGE. That's why I copied Chuck Combs and Jon Quinata (Jon being TBL's Manager of Scheduling and Estimating) on my e-mail below.

2. Larry Cable, when we spoke yesterday, used the world "aggressive" in terms of our seeking a value from PGE for the Switchyard facilities, and I don't disagree given that PGE is "cherry picking" those portions of Trojan facilities that serves its purposes exclusively, and will monopolize the Switchyard facilities from this point forward and potentially beyond the "End of Project" as defined in the Trojan Project Agreement at Section 24.

3. Do you and Bob Sherman feel comfortable making such a request of the TBL (John Quinata) or putting it through "channels" (e.g. Steve Oliver to Brian Silverstein?)

Geoff K.
X 5263

-----Original Message-----
From: Rapacz,Andy - PGC
Sent: Thursday, October 20, 2005 12:13 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC
Cc: Roberts,Robb F - LC; Majkut,Paul S - LC; Bates,Julie A - LC; Andrews,Claudia R - KFW
Subject: RE: Trojan Switchyard and Just Compensation

Thanks Geoff.
Bob and I discussed this whole issue this morning. I think the purchase of ownership shares by PGE sounds reasonable.

How about making the compensation that PGE provides power to the Trojan site and ISFSI for the remaining life of those facilities! :-)
- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 19, 2005 6:41 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Cc: Roberts,Robb F - LC; Majkut,Paul S - LC; Bates,Julie A - LC;
Andrews,Claudia R - KFW; 'Ken.Beeson@EWEB.Eugene.OR.US';
'lcable@chbh.coml'; Quinata,John F - TOE; Combs,Chuck - LT
Subject: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

RESPONSIVE COMMENTS REQUESTED.

Bob/Andy:

INTRODUCTION

1. I talked briefly to Tom Grim and Larry Cable (Cable Houston law firm)and EWEB's Portland attorneys this afternoon before calling Bob. I indicated to Bob that I would pass this instant message on. I've omitted two earlier messages that had been in this "chain" of e-mails, since this is the most current, and also responds to the e-mail below from Bob Sherman that he sent yesterday.

PGE PURCHASE OF OWNERSHIP SHARES VERSUS PROPOSED SWITCHYARD AGREEMENT

2. Larry Cable and I both share the perspective that inasmuch as PGE (albeit PGE Transmission) proposes to acquire the Trojan Switchyard for its exclusive use with its new Port Westward generating facility, that PGE should purchase Ownership shares of the Trojan Switchyard from EWEB and Pacificorp outright, versus the proposed Switchyard Compensation Agreement discussed below in Jerry Reid's (PGE)e-mail of September 26, 2005.

3. As Larry observed, for PGE (or PGE Transmission) to operate a switchyard for Post Westward from this "co-owned" property under the earlier discussed Switchyard Compensation

Bob/Andy:

INTRODUCTION

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3. As Larry observed, for PGE (or PGE Transmission) to operate a switchyard for Post Westward from this "co-owned" property under the earlier discussed Switchyard Compensation Agreement seems inconsistent with the fact that at some date, presumably before PGE is done operating the Switchyard and the Port Westward generating facility connected thereto, all Trojan liabilities will be "covered" and neither BPA nor EWEB will have any interest in continuing involvement or "co-ownership" of the Switchyard. Moreover, the essential observation can be made that since PGE intends to monopolize this portion (the Switchyard) of the Trojan site for transmission of its own generation, why should co-ownership with EWEB and PacifiCorp continue?

JUST COMPENSATION

4. Section 24 - Project Agreement ("End of Project") contemplates that at the end of the project there will be a liquidation of all Project Assets. More specifically, the language states -

"PGE shall sell for removal all saleable parts of the Project to the highest bidders; provided, however, that the Plant Real Property shall revert to PGE. After deducting all costs of ending the Project, including, without limiting the generality of the foregoing, the cost of decomissioning, razing all structures and disposing of the debris and meeting all requirements of Federal, state or local law relating to the safe deactivation of the plant, PGE shall close the appropriate trust account and, if there are net proceeds, distribute the value of the Plant Real Property as determined by agreement of all the Parties, or in the absence of such agreement, by the Project Consultant. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred."

5. The existing Switchyard, although arguably mere surplusage in terms of the transmission of electricity from the now-terminated Trojan Nuclear Plant, presumably provides some value to PGE in terms of existing transmission facilities that formerly serviced an 1100 Mw Nuclear Generating Station and that are now proposed to service a 650 Mw gas fired turbine (Port Westward.)

6. Granted that these transmission facilities have been "dormant" since Trojan operations were halted in 1992 (some 13 years), yet presumably that facilities are of greater value to PGE in terms of wheeling its Port Westward generation than would be the case if all Switchyard equipment and structures were salvaged and removed from the site, such that PGE would need to begin its Switchyard construction from "scratch."

7. Thus, if we assume that it would be more appropriate in the context of PGE's proposed interconnection and integration of its Port Westward generating facility for PGE to "buy out" EWEB's 30% interest and Pacificorp's 2% interest in the Trojan Switchyard, then the question becomes what is the value of (30%) of this Switchyard? (Recall that EWEB's "share" of such funds would ultimately inure to BPA, for potential investment against future Trojan-related costs, consistent with the scenario envisioned in Section 24 of the Trojan Project Agreement quoted at #4 above.)

8. I would suggest that BPA has such expertise in its Transmission Business line that it seems possible that we can obtain a more informed answer to this question above regarding what the 30% share of the (Trojan) Switchyard is worth to PGE. Ultimately, Section 24 of the Project Agreement contemplated that such "liquidation" value of the switchyard, both of the "salable parts" and the real property (at least in terms of the "value" of the real property being distributed to EWEB (BPA) and PacifiCorp for their fractional shares).

9. Other related issues would of course be: (1) assuring an equitable methodology for assessing cost of electric power to the Independent Spend Fuel Storage Installation (ISFSI) and apportioning to EWEB/BPA and Pacificorp; (2) indemnity of EWEB (BPA) and Pacificorp for any and all potential liabilities arising from PGE's use of the Switchyard property; (3) the issue of whether actual transfer (by quitclaim?) of the real property would be indicated, and (4) likely some prorata reduction to overall O&M costs at Trojan reflecting PGE's monopolization of the Switchyard.

10. Comments and thoughts?

Geoff K.
(503) 230-5263 (direct line)

Cc: Chuck Combs - LT
John Quinata - TOE-Vancouver

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
Portland, OR 97208-3621
(503) 230-4201
Facsimile (503) 230-7405
E-mail - gmkronick@bpa.gov

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-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, October 18, 2005 12:02 PM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

-----Original Message-----
From: Jerry Reid [mailto:Jerry.Reid@pgn.com]
Sent: Monday, September 26, 2005 2:51 PM
To: Ken.Beeson@EWEB.Eugene.OR.US; ed.burton@pacificorp.com
Cc: Sherman,Bob - PGC; Jay Fischer
Subject: Ed & Ken,

Ed & Ken,
Please read over the below TOC minutes (draft) that I put together for our discussion of the status of the reviews on the draft Swyd Compensation Agreement. Do you have any comments on this wording??

DRAFT MINUTES

Rapacz,Andy - PGC

From: Sherman,Bob - PGC
Sent: Thursday, June 30, 2005 10:31 AM
To: Rapacz,Andy - PGC; Kronick,Geoffrey M - LC
Subject: FW: Trojan Switchyard Expansion Special TOC Meeting - July 5

Trojan Owners Switchyard.ppt

Andy, Geoff,

During recent Trojan Operating Committee (TOC) teleconferences the issue of Trojan switchyard expansion for Port Westward has been discussed. The co-owners wanted PGE to let them know if it was standard practice to receive reimbursement for allowing PGE to add a connecting point to the existing switchyard.

The message below provides the answer and is scheduled to be discussed at a special TOC teleconference on July 5 at 2:00 pm. You are welcome to join in as PGE will have attorneys on the call.

Let me know if you want to attend by phone. Andy, you and I can share a phone connection as they have a current limit of 7 connections.

Bob

-----Original Message-----
From: Jack Todd [mailto:Jack.Todd@pgn.com]
Sent: Thursday, June 30, 2005 9:59 AM
To: Sherman,Bob - PGC; Ken.Beeson@eweb.eugene.or.us;
Ed.Burton@PacifiCorp.com; Jerry Reid
Cc: Frank Afranji; Kenny Dillon; Richard George
Subject: Trojan Switchyard Expansion Special TOC Meeting - July 5

Gentlemen,
Thank you for agreeing to meet with us via conference call on Tuesday, July 5 at 2:00 PM. We look forward to discussing the Trojan Switchyard expansion project with you. I have included the call-in information below:

Dial In Number: 503-464-2220
Pass Code Number: 1126

PGE Transmission has asked Rich George, our attorney, to sit in on the call. We felt it would be advantageous for him to listen to the discussion since he will be responsible for drafting the contract. If any of the other parties feel they would like legal representation on the call, please feel free to have them on the call. There is room for seven outside calls to join us so if we need more connections, let me know.

Hosting the call from PGE Transmission will be:

Frank Afranji, Director, Transmission & Reliability Services
Kenny Dillon, Transmission Planning Engineer
Jack Todd, Transmission Contracts

I have attached the Power Point presentation. The presentation will be more effective if you have it up on your computer or a hard copy with you during the call. Thanks again for meeting with us.

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 19, 2005 6:41 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Cc: Roberts,Robb F - LC; Majkut,Paul S - LC; Bates,Julie A - LC;
Andrews,Claudia R - KFW; 'Ken.Beeson@EWEB.Eugene.OR.US';
'lcable@chbh.coml'; Quinata,John F - TOE; Combs,Chuck - LT
Subject: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

RESPONSIVE COMMENTS REQUESTED.

Bob/Andy:

INTRODUCTION

1. I talked briefly to Tom Grim and Larry Cable (Cable Houston law firm)and EWEB's Portland attorneys this afternoon before calling Bob. I indicated to Bob that I would pass this instant message on. I've omitted two earlier messages that had been in this "chain" of e-mails, since this is the most current, and also responds to the e-mail below from Bob Sherman that he sent yesterday.

PGE PURCHASE OF OWNERSHIP SHARES VERSUS PROPOSED SWITCHYARD AGREEMENT

2. Larry Cable and I both share the perspective that inasmuch as PGE (albeit PGE Transmission) proposes to acquire the Trojan Switchyard for its exclusive use with its new Port Westward generating facility, that PGE should purchase Ownership shares of the Trojan Switchyard from EWEB and Pacificorp outright, versus the proposed Switchyard Compensation Agreement discussed below in Jerry Reid's (PGE)e-mail of September 26, 2005.

3. As Larry observed, for PGE (or PGE Transmission) to operate a switchyard for Post Westward from this "co-owned" property under the earlier discussed Switchyard Compensation Agreement seems inconsistent with the fact that at some date, presumably before PGE is done operating the Switchyard and the Port Westward generating facility connected thereto, all Trojan liabilities will be "covered" and neither BPA nor EWEB will have any interest in continuing involvement or "co-ownership" of the Switchyard. Moreover, the essential observation can be made that since PGE intends to monopolize this portion (the Switchyard) of the Trojan site for transmission of its own generation, why should co-ownership with EWEB and PacifiCorp continue?

JUST COMPENSATION

4. Section 24 - Project Agreement ("End of Project") contemplates that at the end of the project there will be a liquidation of all Project Assets. More specifically, the language states -

"PGE shall sell for removal all saleable parts of the Project to the highest bidders; provided, however, that the Plant Real Property shall revert to PGE. After deducting all costs of ending the Project, including, without limiting the generality of the foregoing, the cost of decomissioning, razing all structures and disposing of the debris and meeting all requirements of Federal, state or local law relating to the safe deactivation of the plant, PGE shall close the appropriate trust account and, if there are net proceeds, distribute the value of the Plant Real Property as determined by agreement of all the Parties, or in the absence of such agreement, by the Project Consultant. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred."

5. The existing Switchyard, although arguably mere surplusage in terms of the transmission of electricity from the now-terminated Trojan Nuclear Plant, presumably provides some value to PGE in terms of existing transmission facilities that formerly serviced an 1100 Mw Nuclear Generating Station and that are now proposed to service a 650 Mw gas fired turbine (Port Westward.)

6. Granted that these transmission facilities have been "dormant" since Trojan operations were halted in 1992 (some 13 years), yet presumably that facilities are of greater value to PGE in terms of wheeling its Port Westward generation than would be the case if all Switchyard equipment and structures were salvaged and removed from the site, such that PGE would need to begin its Switchyard construction from "scratch."

7. Thus, if we assume that it would be more appropriate in the context of PGE's proposed interconnection and integration of its Port Westward generating facility for PGE to "buy out" EWEB's 30% interest and Pacificorp's 2% interest in the Trojan Switchyard, then the question becomes what is the value of (30%) of this Switchyard? (Recall that EWEB's "share" of such funds would ultimately inure to BPA, for potential investment against future Trojan-related costs, consistent with the scenario envisioned in Section 24 of the Trojan Project Agreement quoted at #4 above.)

8. I would suggest that BPA has such expertise in its Transmission Business line that it seems possible that we can obtain a more informed answer to this question above regarding what the 30% share of the (Trojan) Switchyard is worth to PGE. Ultimately, Section 24 of the Project Agreement contemplated that such "liquidation" value of the switchyard, both of the "salable parts" and the real property (at least in terms of the "value" of the real property being distributed to EWEB (BPA) and PacifiCorp for their fractional shares).

9. Other related issues would of course be: (1) assuring an equitable methodology for assessing cost of electric power to the Independent Spend Fuel Storage Installation (ISFSI) and apportioning to EWEB/BPA and Pacificorp; (2) indemnity of EWEB (BPA) and Pacificorp for any and all potential liabilities arising from PGE's use of the Switchyard property; (3) the issue of whether actual transfer (by quitclaim?) of the real property would be indicated, and (4) likely some prorata reduction to overall O&M costs at Trojan reflecting PGE's monopolization of the Switchyard.

10. Comments and thoughts?

Geoff K.
(503) 230-5263 (direct line)

Cc: Chuck Combs - LT
John Quinata - TOE-Vancouver

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
Portland, OR 97208-3621
(503) 230-4201
Facsimile (503) 230-7405
E-mail - gmkronick@bpa.gov

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-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, October 18, 2005 12:02 PM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

Cc: Roberts,Robb F - LC; Majkut,Paul S - LC; Bates,Julie A - LC; Andrews,Claudia R - KFW
Subject: RE: Trojan Switchyard and Just Compensation

Thanks Geoff.
Bob and I discussed this whole issue this morning. I think the purchase of ownership shares by PGE sounds reasonable.

How about making the compensation that PGE provides power to the Trojan site and ISFSI for the remaining life of those facilities! :-)
- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 19, 2005 6:41 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Cc: Roberts,Robb F - LC; Majkut,Paul S - LC; Bates,Julie A - LC;
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Cc: Chuck Combs - LT
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contained therein, may violate applicable laws.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, October 18, 2005 12:02 PM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

-----Original Message-----
From: Jerry Reid [mailto:Jerry.Reid@pgn.com]
Sent: Monday, September 26, 2005 2:51 PM
To: Ken.Beeson@EWEB.Eugene.OR.US; ed.burton@pacificorp.com
Cc: Sherman,Bob - PGC; Jay Fischer
Subject: Ed & Ken,

Ed & Ken,
Please read over the below TOC minutes (draft) that I put together for our discussion of the status of the reviews on the draft Swyd Compensation Agreement. Do you have any comments on this wording??

DRAFT MINUTES
Follow-up items associated with the Trojan Switchyard expansion project for Port Westward were discussed. The Co-Owners (PacifiCorp and EWEB) had previously provided comments and questions related to a draft of a Switchyard Compensation Agreement, dated 8/8/2005, that would provide compensation to the Co-Owners and allow Port Westward to expand and use the switchyard. As of 9/21/2005, PGE Transmission Services had provided responses to all of these comments and questions and also provided a new draft of the Compensation Agreement to the Co-Owners. The status of the Co-Owner's review of this new information was discussed. EWEB and PGE lawyers are discussing possible revisions to the draft Agreement, Section 6, wording related to indemnification from damages. Ken stated that EWEB wanted to discuss this proposed Agreement with BPA to ensure they were in agreement. Jerry requested that the Co-Owners finish their reviews and respond to PGE Transmission Services (Jack Todd) to let him know if the PGE answers were responsive to their questions and if they had any questions that they consider to be unresolved.

In addition, during the above discussion, both EWEB and PacifiCorp indicated that they would be willing to sell their ownership share of the Trojan Switchyard to PGE instead of establishing this proposed Compensation Agreement. This would not include all of the West of the Tracks property & buildings; it would only be the Co-Owned Land under the Switchyard and the Switchyard equipment and structures. They indicated that if PGE has any interest in owning the Switchyard, PGE and the Co-Owners should work together to determine a reasonable value for the purchase price.

Thanks

Jerry Reid
503-556-7013

Kronick,Geoffrey M - LC

From: Sherman,Bob - PGC
Sent: Thursday, July 07, 2005 8:14 AM
To: Kronick,Geoffrey M - LC
Subject: Trojan Question

Follow Up Flag: Follow up
Due By: Friday, August 12, 2005 1:30 AM
Flag Status: Red

ATTORNEY CLIENT PRIVILEGE

Geoff,

We are having Trojan TOC meetings/phone calls to discuss the expansion of the Trojan switchyard for the purpose of adding a system connection for Port Westward. The addition will be paid for by PGET their transmission side of the house at now cost to the co-owners. The ongoing O & M would be shared between the existing co-owners and with the new user (Port Westward). The Port Westward share will be 37.7% based on their use of the switchyard capability. Again, no real problem

My question:

Why don't we suggest to PGE that we (EWEB)release our interest in the switchyard and give the property back to PGE and get out of the real estate business. We can avoid future O & M costs (~$5000/yr), property taxes and unnecessary negotiations ever time something like this come up. There will be a real benefit to BPA in the avoidance of future cost. In 19 years (when the fuel is suppose to go to Yucca Mtn) all the property goes back to PGE anyway. We really are at the end of the project.

Bob

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Friday, May 13, 2005 5:52 PM
To: 'Ken D BEESON'; Rapacz,Andy - PGC; Sherman,Bob - PGC
Cc: 'lcable@chbh.com'
Subject: RE: Trojan Water Rights

Follow Up Flag: Follow up
Due By: Monday, May 16, 2005 3:00 PM
Flag Status: Flagged

ATTORNEY CLIENT PRIVILEGE

Apologies Ken for lack of a timely response to your e-mail of last week. I was out of the office most of last week, and we have had several "fires" to put out with regards to some very high priority agency projects - which have precluded me from getting to this matter, reviewing the letter, etc.

Bob Sherman will be out of town next week, but I will intend to get to this matter early this next week with comments and observations that I will share with my clients with view to getting back to you next week.

Geoff Kronick (503) 230-5263 direct line

From: Ken D BEESON [mailto:Ken.Beeson@eweb.eugene.or.us]
Sent: Friday, May 13, 2005 8:33 AM
To: Rapacz,Andy - PGC; Kronick,Geoffrey M - LC; Sherman,Bob - PGC
Subject: Trojan Water Rights

Can you give me an estimate on when I can get a BPA concurrence to the PGE proposal on water rights? I need to respond to Jerry Reid at Trojan on timing...

Thanks, Ken

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
fax: 541.341.1889
e-mail: ken.beeson@eweb.eugene.or.us

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Kronick,Geoffrey M - LC

From: Sherman,Bob - PGC
Sent: Monday, April 18, 2005 9:52 AM
To: Kronick,Geoffrey M - LC
Subject: Trojan Water Rights Valuation Report

Attachments: Picture (Metafile)

Geoff,

I received the Trojan Water Rights Valuation Report on Friday and put a copy to you in the mail this morning.

Robert N Sherman, PE
Nuclear Engineer
Bonneville Power Administration
509-372-5164
rnsherman@bpa.gov

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Friday, April 15, 2005 2:58 PM
To: Sherman,Bob - PGC
Subject: RE: Request for Permission to Transfer Trojan WaterRights

Thanks, I will look forward to seeing it whenever it arrives.

Geoff K.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Thursday, April 14, 2005 2:53 PM
To: Kronick,Geoffrey M - LC
Cc: Rapacz,Andy - PGC
Subject: FW: Request for Permission to Transfer Trojan WaterRights

Geoff,

I will be getting a copy of the Trojan water rights appraisal by Fed Ex tomorrow, maybe.
w PGE says the Port Westward portion 5.4 cu. ft. is worth $10,900.

Bob

-----Original Message-----
From: Jerry Reid [mailto:Jerry.Reid@pgn.com]
Sent: Thursday, April 14, 2005 2:18 PM
To: Sherman,Bob - PGC; Ken Beeson; Ed.Burton@PacifiCorp.com
Cc: Richard George; Spike Ford
Subject: Request for Permission to Transfer Trojan WaterRights

Co-Owners,
I apologize for the delay in getting the WaterRights Appraisal Report
to you.
I am including a copy of the Appraisal Report, a copy of the original
PGE letter (VPN-053-2004, dated 10/22/2004) and an edited version of the
"Statement Granting Permission for Transfer of Water Right" form (2004
is now 2005) in the FedEx that I am sending you.

The consultant estimated that the value of the 5.4 cubic feet per
second (cfs) WaterRight that could be transferred to the PGE Port
Westward Project is $10,900.00. (Reference Appraisal Report pages 3, 50,
52 and 53).

Following receipt of your signed Permission Forms, PGE's plans are as
follows: Out of the Trojan total Water Right of 89.5 cfs,
0.4 cfs of the total is being retained for Trojan fire protection
purposes
5.4 cfs will be offered for sale ($10,900) to the Port Westward
Project
The remaining 83.7 cfs will be placed in Instream Lease to preserve it
for future use.

PGE's application for transfer of the Trojan water right as discussed in the VPN-053-2004 letter must be accompanied by a signed, notarized statement from each co-landowner granting consent for the transfer. To this end, PGE requests that the Statement of Permission be reviewed and signed by an authorized representative of each Co-Owner of the Trojan site land, and that each signed statement be notarized and returned to me at Trojan.

Thanks,

Jerry Reid
503-556-7013

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Thanks,

Jerry Reid
503-556-7013

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, February 09, 2005 10:10 AM
To: 'ken.beeson@eweb.eugene.or.us'; 'lcable@chbh.com'; 'tgrim@chbh.com'
Cc: Sherman,Bob - PGC; Rapacz,Andy - PGC
Subject: "West Trojan" Quitclaim Deed

ATTORNEY CLIENT PRIVILEGE

Bob:

Thanks.

1. I'm not sure if this date works for Ken Beeson in terms of discussing the "West Trojan" quitclaim and water rights issues in addition to the regular Trojan Operating Committee "TOC") meeting.

2. But I'm going to send it on to Ken for his consideration.

3. Moreover, I'm not sure when in February (I gather from Ken that it is at the "end" of February) that PGE will have received its "water rights valuation estimate" by some outside contractor for the value of the water that PGE they proposes to transfer to themselves for use at Port Westward. We may want to review that "valuation document" and at least see if it passes a "smell test" with Ken Beeson and/or (as Ken determines) any of the "water" attorneys at the Cable Huston law firm. Thus, the February 24, 2005 date may be too early.

4. I'm not locked to meeting to discuss the "West Trojan" "issues" on the same day as the TOC meeting, it just seems convenient for Ken and you and everybody else. Bob, is there a date in March for the TOC that has already been set?

5. One issue that I neglected to mention in my e-mail to Larry, but that I mentioned to you, is not really a EWEB/BPA issue, but may influence our ultimate time table because it is the matter of Pacificorp needing some time to "process" its title transfer. (I recall how problematic this can be from my experience with the transfer of the WNP-3 and WNP-5 sites back in 1998.) I recall talking to Ed Burton about this briefly back in December, and he agreed that the title transfer by PacifiCorp can be a time consuming task.

6. As I understand, all IOUS traditionally pledge all their land, or interests in land, to their major bank to secure lines of credit. And I've learned that title companies can be infamously slow.

7. Yet this doesn't stop us from getting to agreement, and drafting "better indemnity" language, different water rights, etc.

8. Please let all addresees know about a proposed March date with a reply all mail when convenient.

Thanks.

Geoff K. (x 5263)

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Wednesday, February 09, 2005 7:32 AM
To: Kronick,Geoffrey M - LC; 'Larry Cable'
Subject: RE: Larry Cable E-Mail Below

Geoff, Larry,

The next TOC meeting, a conference call, is currently scheduled for Thursday, February 24 at 10:00.

Bob

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Tuesday, February 08, 2005 9:34 PM
To: 'Larry Cable'
Cc: Sherman,Bob - PGC
Subject: Larry Cable E-Mail Below

ATTORNEY WORK PRODUCT
ATTORNEY CLIENT PRIVILEGE
DELIBERATIVE PROCESS PRIVILEGE

Thanks Larry, I will pass this on to our Oregon State "liaison."

Geoff K.

P.S.

1. When I talked to Ken Beeson late today about what I have termed the "West Trojan" Project he indicated that he needed to get back up to speed, and that PGE indicated that they would be providing the "Water rights" valuation by the end of the month.

2. Ken indicated that he recalled he still "owed" a letter concurring with BPA's thoughts about
(1) better indemnity language in exchange for "release" of the West Trojan parcel; (2) the retention of "water rights" that are not so transferred for value to PGE as "joint property" of all Trojan owners; (3) and I recall also in the letter sent by Bob Sherman that we indicated that PGE should put funds equal to the water rights they are receiving into "trust" for paying Trojan decommissioning. As you recall, PGE's response to our request contained in Bob Sherman's letter about financial guarantees to back the indemnity was "no!" (Or maybe just "no.")

3. Of course this last "term" involving paying the water rights valuation for that portion of the water rights that PGE is taking for itself is considerably different than our request that they establish additional financial assurance to "back" the indemnity they will give us on the "West Trojan" parcel. The "water rights" payment into a trust fund for Trojan decommissioning is money that PGE would have to pay for water rights anywhere else, and presumably no greater in cost (value) at the Trojan site than anywhere else in the immediate area. And of course, as you and I both recall, it is consistent with the manner and timing of liquidation of Trojan assets contemplated in the Trojan Operating Agreement.

4. My clients might want a "meeting" with PGE, EWEB, PP&L to discuss all these terms and make sure that everybody is agreeable before we begin drafting, recalling that we didn't go to the Trojan Operating Committee meeting back in December to meet with PGE and PP&L then. If nothing else, perhaps Bob Sherman, who I am copying on this e-mail, can advise when the next Trojan Operating Committee (TOC)is scheduled in February or March, and we could try and do it at that TOC or on the same day after the TOC meets.

Geoff K.

-----Original Message-----

chip," that we will not seek compensation of any type apart from a suitable "indemnity and hold harmless" agreement for this West Trojan "parcel."

Geoff Kronick

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, December 21, 2004 12:56 PM
To: Kronick,Geoffrey M - LC
Subject: FW: Trojan Letter - Quit Claim & Water Rights

Per your request

<< File: PGEs two proposals changes accepted.DOC >>

Robert N Sherman, PE
Nuclear Engineer
Bonneville Power Administration
509-372-5164
rnsherman@bpa.gov

<< OLE Object: Picture (Metafile) >>

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, December 21, 2004 2:03 PM
To: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'
Subject: FW: Trojan Letter - Quit Claim & Water Rights

Attachments: PGEs two proposals changes accepted.DOC; Picture (Metafile)

FYI, See item #4 below.

Geoff K.

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Tuesday, December 21, 2004 2:02 PM
To: Sherman,Bob - PGC
Cc: Carlson,Debbie - PGC; Rapacz,Andy - PGC
Subject: FW: Trojan Letter - Quit Claim & Water Rights

ATTORNEY CLIENT PRIVILEGE

Bob:

1. Thanks very much for the e-mail below.

2. Certainly I approve the final version of this letter, as edited by Andy.

3. In passing, I will note that we did apparently leave open (in the section regarding the quit claim of a portion of the

Trojan real property) the possibility that this would be a "Project Asset," for which compensation might well be due.

4. As we all discussed earlier, however, I think that our concensus was that the value of this real property was comparatively small, and that we felt that obtaining the "full" indemnity and hold harmless agreement that we wish for this portion of the real property is appropriate "compensation" in and of itself.

5. We can certainly indicate early on, if we do not wish to hold this "issue" of the real property value as a "bargaining chip," that we will not seek compensation of any type apart from a suitable "indemnity and hold harmless" agreement for this West Trojan "parcel."

Geoff Kronick

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, December 21, 2004 12:56 PM
To: Kronick,Geoffrey M - LC
Subject: FW: Trojan Letter - Quit Claim & Water Rights

Per your request

PGEs two proposals changes acc...

Robert N Sherman, PE
Nuclear Engineer
Bonneville Power Administration
509-372-5164
rnsherman@bpa.gov

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Thursday, December 02, 2004 3:02 PM
To: 'Ken D BEESON'; Rapacz,Andy - PGC; Sherman,Bob - PGC
Cc: Kinsey,Bill - LC; lcable@chbh.com; tgrim@chbh.com; Majkut,Paul S - LC
Subject: RE: Redraft of the Response to Steve Quennoz's Letter of10/22/04 - VPN-053-2004

Importance: High

ATTORNEY CLIENT PRIVILEGE

Thanks Ken.

1. Paul Majkut is on a "detail" within BPA, and Bill Kinsey of our office is acting for him during this four month period until April 2005. Thus, I am now going to leave Paul off of these e-mails and also attempt to be selective in how much "detail" that I send to Mr. Kinsey.

2. Bob Sherman and I talked earlier today about this "letter" to Steve Quennoz re: the Trojan "quitclaim and water rights issues," and barring any additional concerns from you and/or Larry Cable or Tom Grim, I think that we can hopefully get the letter out in the next day or so. Andy has had some "fire drills" and I'm hopeful that he can give final edits to the letter soon, based perhaps on my comments below on the "edited draft." Your idea that it would be over Andy's signature alone and that EWEB (you) could provide a subsequent concurrence sounds fine.

3. My sense was that as concerns this instant "quitclaim and water rights letter" below is that we aren't necessarily waiting for internal BPA approvals from Senior Management, but instead wanted to be sure that it was "comfortable" with you and Larry and Tom Grim, which I will now assume given no comments having been received from them as well as your "ok" indicated in your message below.

4. In contrast, the "Prompt Dismantling" letter that we are now "breaking off" for a separate response is a matter that I think Andy was attempting to get a definitive management opinion (or date for decision) on earlier this week. Yet I'm unsure if he obtained this "decision" or "date," and thus must defer to him for the moment on when and if we can indicate approval or a date by which we expect to have a definite decision on "Prompt Dismantling," or what I have also termed "accelerated decommissioning.".

5. The only "clarification" that I might make is that Steve Quennoz's letter October 21, 2004 letter on "Prompt Dismantling")(his reference VPN-058-2004) has "signature blanks" on the second page of the two page letter for PacifiCorp, EWEB, and BPA "representative" concurrence, such that <u>if</u> we can accomodate PGE's request for "Prompt Dismantling" it would only be necessary to indicate concurrence with this single October "agreement," and provide a cover letter for its return to Steve Quennoz.

6. In contrast, as you likely recall from our 11/22/04 conference call, in terms of the "quitclaim and water rights issues," Tom Grim and I (and/or Larry Cable too) are going to have to "redraft" the language of the quitclaim deed as well as the proposed Amendment to the Trojan Agreement contained in Steve Quennoz's October 22, 2004, letter (reference VPN-053-2004), in order to provide both the explicit "indemnity and hold harmless" language that we discussed as "consideration" for the quit claim, and as well as provision (ideally) for the water rights to continue to be held as "joint and co-owned" assets.

Geoff K.

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 23, 2004 7:42 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'; Majkut,Paul S - LC; Kinsey,Bill - LC
Subject: Redraft of the Response to Steve Quennoz's Letter of 10/22/04 - VPN-053-2004

Attachments: WESTTROJANQUITCLAIMANDWATERRIGHTSRESPONSE112304DRAFT.DOC; WESTTROJANQUITCLAIMANDWATERRIGHTSRESPONSE112304DRAFTCHANGESACCEPTED.DOC

ATTORNEY CLIENT PRIVILEGE
CONFIDENTIAL PRE-DELIBERATIVE PROCESS PRIVILEGE
PLEASE DO NOT FORWARD

1. Thank all of you for your participation in our conference call yesterday at 10:30 a.m.

2. Attached are two copies of the "modified" draft (November 23, 2004) responding only to the two issues in Steve Quennoz's letter refrenced above. By earlier e-mail this evening you should have received form me a "draft" responding to Mr. Quennoz's October 21, 2004, letter reference No. VPN-058-2004, addressing only the "Prompt Dismantlement," issue, or what I have referred to in conversations as "accelerated decommissioning."

3. There are two version attached of the "Draft" referenced above. The first shows insertions, modifications, and deletions, based upon our telephone conference yesterday. The second "version" "accepts" those proposed edits.

4. In order to assure that we have covered all matters so modified in the letter, I have set forth some notes below referencing the "edited" draft. It may be worthwhile for you to review these notes in hard copy form together with a hard copy of the "edited" draft while also recalling the substance of our discussions yesterday.

5. Notes on Edited Draft

a. As noted above at #2, page 1, paragraph 1 has been modified to indicate that the letter now only addresses the "quitclaim" and "water rights" issues.

b. Similarly, again as noted above at #2, page 1 paragraph 2 and the next paragraph on page 2 (paragraph 1) under the title "Accelerated Decommissioning" have been deleted since this "material" is now addressed in a separate "response" to Mr. Quennoz' October 21, 2004 letter (Reference VPN-058-2004.)

c. Similarly, first sentence on page 2, paragraph 2 under "Quit Claim of "West Trojan" Parcel" is modified to only reference the two issues.

d. Page 3, sentence highlighted in bold only to indicate that we have still provided a "glancing" reference to the West Trojan parcel's potential value. Recall that we have agreed during the conference call that because of the relatively small "footprint" represented by the parcel to be quitclaimed to PGE, the uncertainty of its potential leasehold arrangements with the proposed "new tenant," and other factors including potential continuing liabilities via a leasehold share or interest, we (EWEB and BPA) have no interest in deriving any revenue or other benefit from that parcel so quitclaimed. Indeed, we have agreed that the provision of well crafted and specific indemnity and "hold harmless" language, to be crafted by EWEB and BPA legal counsel, and perhaps included or referenced specifically in the quitclaim deed itself, provides all the "compensation" tha EWEB or BPA desires from providing the requested quitclaim deed to PGE.

Notably, however, we retain this single reference highlighted in this paragraph so as to potentially use this "valuation" of the leasehold interest as a "bargaining chip," to be traded away or given up during the course of the negotiations with PGE on final language and provisions governing indemnity of EWEB and BPA.

e. Page 4, full paragraph number 3, is eliminated in its entirety. This reflects, again, that we have no interest in the West Trojan parcel beyond the indemnification provisions discussed immediately above at "d."

f. Page 5, full paragraph number 2. First sentence eliminated as per item "e" above.

g. Page 5, full paragraph number 2. Sentence highlighted in bold as per our discussions requesting PGE to propose a method of valuing the 8.0 cfs of water rights to be transferred, and by implication, determining the 30% value of the EWEB/BPA "share."

g. Page 5, full paragraph number 3. Eliminated in its entirety, together with footnote 5. I don't know that we specifically discussed this item yesterday, and thus highlight this for your consideration and review.

This is an issue that is obviously related to our recent efforts in the Oregon PUC proceeding (UM-1121) to attempt to get PGE to provide some mechanism of financial assurance to guarantee its ability to pay its pro-rata share of Trojan Decomissioning costs in the future. Whether this paragraph, which contemplates PGE holding its "pro-rata share" of revenues from the 8.0 cfs of water rights in trust to guarantee its future decommissioning performance, should remain in this letter or not is an issue that we might wish to resolve before finalizing this letter.

As I observed, on the one hand it could be seen as "overreaching" on BPA and EWEB's part by PGE; an attempt to compel that which we have not yet been successful in compelling in the Oregon PUC proceeding or through independent discussions and correspondence and a meeting. On the other hand, it could again be maintained here merely as a "bargaining chip," something that we could "let go" during the progress of negotiation and discussion.

One additional concern that I have is whether we would set a precedent in terms of other water rights that PGE might wish to transfer to itself (oF the remaining 81.1 cfs) in the future by either insisting that the value of such rights be preserved to be used against future decommisisoning costs, as contemplated by Section 24 (END OF THE PROJECT), or in the alternative, by not so insisting. Certainly the use of the proposed 8.0 cfs for the new PGE built Port Westward generating unit (300 Mw Combustion Turbine) seems factually distinct and unique enough so as not to necessarily set a precedent if, for example, PGE sought in the future to assign a water right to a third party for value. Comments on this and the other subjects indicated in the "1st draft' (edits indicated) below are welcome.

Geoff Kronick

P.S. Paul Majkut - Asst. General Counsel - will be beginning a three month detail within the agency effective today, such that absent a specific request from Paul I will no longer be copying him on these messages, but instead will route them to Acting Asst. General Counsel Bill Kinsey, who will be substituting for Paul until April 1, 2005.

WESTTROJANQUIT
.AIMANDWATERRIG

Changes accepted version

WESTTROJANQUIT
.AIMANDWATERRIG

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
Portland, OR 97208-3621

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 16, 2004 1:42 PM
To: 'Larry Cable'; McDonald,Linda I - LC; Bates,Julie A - LC
Cc: Rapacz,Andy - PGC; Sherman,Bob - PGC; 'Tom Grim'; 'ken.beeson.@eweb.eugene.or.us'
Subject: RE: Friday, 11/19/04 Conference Call - Draft Reply Letter to Steve Quennoz

Is there a better time for you earlier on Friday, Larry?

I'm hopeful that we can "resolve" some strategy points and proceed to finalize the letter for a Monday "send off?"

Geoff K.

-----Original Message-----
From: Larry Cable [mailto:lcable@chbh.com]
Sent: Tuesday, November 16, 2004 1:22 PM
To: Kronick,Geoffrey M - LC; McDonald,Linda I - LC; Bates,Julie A - LC
Cc: Rapacz,Andy - PGC; Sherman,Bob - PGC; Tom Grim;
ken.beeson.@eweb.eugene.or.us
Subject: RE: Friday, 11/19/04 Conference Call - Draft Reply Letter to
Steve Quennoz

I will be in another meeting but you should go ahead and I will try to call in. Thanks.
Larry

-----Original Message-----
From: Kronick,Geoffrey M - LC [mailto:gmkronick@bpa.gov]
Sent: Tue Nov 16 13:15:20 2004
To: McDonald,Linda I - LC; Bates,Julie A - LC
Cc: Rapacz,Andy - PGC; Sherman,Bob - PGC; Larry Cable; Tom Grim; ken.beeson.
@eweb.eugene.or.us
Subject: Friday, 11/19/04 Conference Call - Draft Reply Letter to Steve Quennoz

Linda

1, Could you please set up a conference call for approximately one hour for 2:00 p.m. on Friday, November 19, 2004?

2. The inviteees are indicated above and below.

3. I have indicated phone numbers for the EWEB Resources Manager (Ken Beeson) and the EWEB attorneys here in town below. You may want to check with Tanya Roy at the Cable Huston law firm about Mr. Cable and Mr. Grim's schedules at (503) 224-3092.

4. Subject of the Meeting is November 12, 2004, "Draft Reply" Letter to Steve Quennoz and Concerns and Strategies.

Geoff K.

..

Julie Bates - LC-7
Andy Rapacz - PGC/RICH
Bob Sherman - PGC/RICH
Ken Beeson - EWEB (541) 484-2411
Larry Cable - Cable Huston law firm (503) 224-3092
Tom Grim - Cable Huston law firm (503) 224-3092

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
Portland, OR 97208-3621
(503) 230-4201
Facsimile (503) 230-7405
E-mail - gmkronick@bpa.gov

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Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, November 16, 2004 1:15 PM
To: McDonald,Linda I - LC; Bates,Julie A - LC
Cc: Rapacz,Andy - PGC; Sherman,Bob - PGC; 'lcable@chbh.com'; 'tgrim@chbh.com'; 'ken.beeson.@eweb.eugene.or.us'
Subject: Friday, 11/19/04 Conference Call - Draft Reply Letter to Steve Quennoz

Linda

1, Could you please set up a conference call for approximately one hour for 2:00 p.m. on Friday, November 19, 2004?

2. The inviteees are indicated above and below.

3. I have indicated phone numbers for the EWEB Resources Manager (Ken Beeson) and the EWEB attorneys here in town below. You may want to check with Tanya Roy at the Cable Huston law firm about Mr. Cable and Mr. Grim's schedules at
(503) 224-3092.

4. Subject of the Meeting is November 12, 2004, "Draft Reply" Letter to Steve Quennoz and Concerns and Strategies.

Geoff K.

Julie Bates - LC-7
Andy Rapacz - PGC/RICH
Bob Sherman - PGC/RICH
Ken Beeson - EWEB (541) 484-2411
Larry Cable - Cable Huston law firm (503) 224-3092
Tom Grim - Cable Huston law firm (503) 224-3092

with the proposals conceptually, but the substance and form of the various "enclosures" for which PGE seeks signatures.
>
> Geoff Kronick
>
>

Kronick,Geoffrey M - LC

From: Larry Cable [lcable@chbh.com]
Sent: Sunday, November 14, 2004 6:32 AM
To: Kronick,Geoffrey M - LC; James Benedict
Cc: Tom Grim; Ed Finklea; ken.beeson@eweb.eugene.or.us
Subject: RE: FW: A Draft Response to Steve Quennoz's October 22, 2004, Letter

This is a nice piece of work Jeff. I have reviewed and will think about this and discuss with Ken Beeson. Thanks. Larry

-----Original Message-----
From: Kronick,Geoffrey M - LC [mailto:gmkronick@bpa.gov]
Sent: Sat Nov 13 18:23:41 2004
To: James Benedict
Cc: Tom Grim; Larry Cable; Ed Finklea; ken.beeson@eweb.eugene.or.us
Subject: FW: A Draft Response to Steve Quennoz's October 22, 2004, Letter

Okay, I think that at last I have Mr. Benedict's e-mail correct. It is Jbenedic@chbh.com.

Geoff K.

> -----Original Message-----
> From: Kronick,Geoffrey M - LC
> Sent: Saturday, November 13, 2004 4:50 PM
> To: 'ken.beeson@eweb.eugene.or.us'
> Cc: 'lcable@chbh.com'; 'jbenedict@bhbh.com'; 'tgrim@chbh.com'; 'efinklea@chbh.com'
> Subject: A Draft Response to Steve Quennoz's October 22, 2004, Letter
>
> > <<WESTTROJANDRAFTRESPONSE111204.DOC>>
>
> DELIBERATIVE PROCESS PRIVILEGE
> DRAFT, FOR DISCUSSION PURPOSES ONLY
>
>
> Ken:
>
> 1. In preparing this "draft" I didn't want to duplicate your efforts, but thought that since BPA is the "party" who needs the time to evaluate the accelerated decommissioning proposal in terms of its cost and potential rate impact that it is likely appropriate that BPA offer the explanation contained in this "draft."
>
> 2. This is of course only a "1st draft," and as is often the case, I think that some of my longer sentences could likely be broken down into shorter "bites," and likely some verbiage eliminated. Moreover, and more importantly, this draft hasn't yet been seen by Bob Sherman, Andy Rapacz, or anybody else at BPA and won't likely be viewed by them until sometime on Monday.
>
> 3. Since this letter represents "concerns" that were only discussed among us (Dana Sandlin, Tom Grim, you, me, Larry Cable) during our conference call on Wednesday, November

10, 2004, my hope is that this "draft" letter (together with an earlier e-mail of Wednesday at 5:32 p.m. that I routed to Andy and Bob) can if nothing else help get everybody "up to speed" so that we can move forward in as timely a manner as possible on the "three" proposals (1. accelerated decommissioning, 2. quitclaim of "West Trojan parcel," 3. Trojan water rights permit) from PGE.
>
> 4. In the interest of moving this along, I am also going to share the original Steve Quennoz letter (together with his attachments and enclosures) with a colleague in the General Counsel's office who handles "real estate" matters since BPA is being asked to approve the "quit claim deed and bill of sale" "associated" with the Amendment to the initial 1970 Trojan Project Agreement, both of which are enclosed as "Enclosure 1" to Steve Quennoz' letter.
>
> 5. As I recall, Larry was going to prepare some "bullets points" for you" with the matters we discussed on Wednesday, and this will certainly help ensure that in this instant "draft" I haven't inadvertently omitted any of the "concerns" we discussed.
>
> 6. Of course, notwithstanding our desires to be responsive and timely to PGE's "requests," I will note that obviously the entire "packet" that PGE prepared and routed to you and to Bob Sherman in the form of Steve Quennoz' October 22, 2004, letter, took some considerable time to construct, and I'm thus mindful that we all are comfortable not only with the proposals conceptually, but the substance and form of the various "enclosures" for which PGE seeks signatures.
>
> Geoff Kronick
>
>

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Saturday, November 13, 2004 6:23 PM
To: 'Jbenedic@chbh.com'
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'efinklea@chbh.com'; 'ken.beeson@eweb.eugene.or.us'
Subject: FW: A Draft Response to Steve Quennoz's October 22, 2004, Letter

Attachments: WESTTROJANDRAFTRESPONSE111204.DOC

Okay, I think that at last I have Mr. Benedict's e-mail correct. It is Jbenedic@chbh.com.

Geoff K.

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Saturday, November 13, 2004 4:50 PM
To: 'ken.beeson@eweb.eugene.or.us'
Cc: 'lcable@chbh.com'; 'jbenedict@bhbh.com'; 'tgrim@chbh.com'; 'efinklea@chbh.com'
Subject: A Draft Response to Steve Quennoz's October 22, 2004, Letter

WESTTROJANDRAF
RESPONSE111204..

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
fax: 541.341.1889
e-mail: ken.beeson@eweb.eugene.or.us

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Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Monday, November 01, 2004 4:00 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'
Subject: FW: Letters Referenced in Quennoz 10/22/04 Letter

Attachments: TrojQuit.doc; TrojQuit2.doc

ATTORNEY CLIENT PRIVILEGE

Bob:

1. Many thanks for tracking these down; I'm glad that they were "on the system" somewhere.

2. I still hope to see Ken Beeson's May 11, 2004 letter to Steve Quennoz and Ed Burton's February 10, 2000 e-mail to James Baggenstos; the two remaining communications that are also referenced in footnote 1, page 2, of Steve Qunennoz' October 22, 2004 letter to you, Ken Beeson, and Ed Burton.

3. I am forwarding these two letters to "the usual suspects" (Ken Beeson, Larry Cable, and Tom Grim) so that they can review them as well.

4. Now that I have seen the two BPA letters, I'm now curious to see the PGE letter (SMQ-005-00) dated January 6, 2000, that the BPA letters respond to, and perhaps you or Ken Beeson have these in your files as well.

5. Prior to reviewing the January 6, 2000, PGE letter, I can only observe that there may well have been no earlier discussion of "water rights" in conjunction with the earlier quitclaim. If this is so, then the water rights is a question of first impression that has not been addressed before and we "begin at the beginning" with PGE.

6. Again, subject to reviewing the January 6, 2000, PGE letter, I will note that Bob M.'s letter of January 6, 2000 and January 26, 2000 on behalf of BPA indicate that the manner in which PGE would provide assurance of no further liability for EWEB and BPA with regard to the quit-claimed property had not been wholly resolved, notwithstanding BPA's apparent willingness to otherwise quit claim the property.

7. Assuming that EWEB's letter reflects a similar concern as #6 above, and again subject to what is expressed in the January 6, 2000, PGE letter, we may well still need to negotiate with PGE exactly what type and degree of "assurance" we require from them with regard to this more recently requested quit claim. Opportunity knocks.

Geoff K.

Kronick,Geoffrey M - LC

From: Sherman,Bob - PGC
Sent: Monday, November 01, 2004 3:25 PM
To: Kronick,Geoffrey M - LC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'
Subject: RE: Letters Referenced in Quennoz 10/22/04 Letter

Attachments: TrojQuit.doc; TrojQuit2.doc

ATTORNEY CLIENT PRIVILEGE

Geoff,

I think these are the letters your referenced.

TrojQuit.doc (62 KB)

TrojQuit2.doc (63 KB)

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Friday, October 29, 2004 7:06 PM
To: Sherman,Bob - PGC
Cc: 'tgrim@chbh.com'; 'lcable@chbh.com'; 'ken.beeson@eweb.eugene.or.us'
Subject: Letters Referenced in Quennoz 10/22/04 Letter

ATTORNEY CLIENT PRIVILEGE

Bob:

1. Do you have in your files the letters/e-mails referred to in Steve Quennoz's letter to you dated 10/22/04 (received by you on 10/25/04 and routed to me by facsimile yesterday, 10/28/04?) See page 2 of 5, footnote 1.

2. They are (1) two BPA Letters from Bob Mazurkiewicz to Stephen M. Quennoz dated January 5, 2000 and January 26, 2000, respectively, and/or any of the other communications from Ken Beeson or Ed Burton also referenced in that footnote?

3. If you have any of them, could you send me a responsive e-mail and fax me copies with a cover sheet marked "Urgent?"

Thanks.

Geoff K. (503) 230-5263 - fax (503) 230-7405

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
Portland, OR 97208-3621
(503) 230-4201
Facsimile (503) 230-7405
E-mail - gmkronick@bpa.gov

Please note that this electronic mail message, as well as its subject matter, may be protected by the attorney-client privilege, the Trade Secrets Act, or other privileges, and is not subject to disclosure. If you have received this electronic mail message in error, please contact Geoffrey M. Kronick - Attorney - Bonneville Power Administration, P O Box 3621, Portland, Oregon 97208-3621, Routing LC-7, (503) 230-4201, immediately. Please

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Thursday, October 21, 2004 11:53 AM
To: 'Larry Cable'; Sherman,Bob - PGC; Rapacz,Andy - PGC; Majkut,Paul S - LC; 'tgrim@chbh.com'
Cc: McDonald,Linda I - LC
Subject: TROJAN WATER RIGHTS - PGE PROPOSAL

ATTORNEY CLIENT PRIVILEGE
DELIBERATIVE PROCESS PRIVILEGE

Larry, this sounds good. I'm going to ask my secretary (Linda McDonald) to set a time on Tuesday if this will work for you (my day is pretty full Monday as well as today and tomorrow) where perhaps we can talk for an hour. I'd like to get Bob Sherman from our Richland Office (our Trojan Operating Committee person) on the call, which means that we should set something by 2:00 p.m. since Bob is on an "early day" schedule. I'll ask Mrs. McDonald to check his availability for the call as well.

I've also been asked to see that this issue is "elevated" (at least as concerns a "head's up") into our Senior Management, since the water rights could represent some $$$. Certainly we don't want to "hinder" PGE in its "water deals," and have them go "south" because of lack of cooperation, but this "turkey" seems to be getting "run through a warm kitchen," and then presented as a fait accompli to us, which gives me great hesitancy.

A 30% share of the water rights for EWEB seems quite appropriate to me initially unless there is truly comparable value being provided in terms of the "advanced" clean-up and "segmentation" of the "West Trojan" parcel that PGE is proposing. And of course we won't be able to gauge this without some analysis and research.

Tom (Grim) and I talked about this yesterday as well, so he has everything that I have routed to you as well.

Geoff K.

-----Original Message-----
From: Larry Cable [mailto:lcable@chbh.com]
Sent: Thursday, October 21, 2004 6:43 AM
To: Kronick,Geoffrey M - LC
Subject: RE: FW: PowerPoint Presentation - Trojan Operating Committee Meeting

Great email - if there is such a thing. You note some things I have not considered. Ken has sent the materials forward. I am jammed up today and tomorrow but will think about what you have written and get back to you on Monday if you have time. One thought I had is that the water rights may be some kind of project asset. If so, then the point of the Ownership Agreement per the end of project provisions is that PGE is to 'salvage' the assets and proportionately distribute the proceeds to the various owners. So, if EWEB is in some way the owner or beneficiary of thirty percent of this water then maybe PGE should pay EWEB-Bonneville thirty percent of the value of the water under the ownership agreement. It could be quite valuable in this day and age. I will ask our water people and maybe we can discuss. In any event, I agree with your response. Thanks. Larry

-----Original Message-----
From: Kronick,Geoffrey M - LC [mailto:gmkronick@bpa.gov]
Sent: Wed Oct 20 15:53:45 2004
To: Larry Cable
Subject: FW: PowerPoint Presentation - Trojan Operating Committee Meeting

FYI

Larry:

Ken Beeson indicated that he had spoken to you about this, and that he would be gone for 4 days, so I'm assuming that we have some time. I thought I'd just share my initial impression with you about this PGE "request" for a quitclaim deed on the "West" Trojan portion of the Trojan Plant Site.

Geoff K.

Kronick,Geoffrey M - LC

From: Larry Cable [lcable@chbh.com]
Sent: Thursday, October 21, 2004 6:43 AM
To: Kronick,Geoffrey M - LC
Subject: RE: FW: PowerPoint Presentation - Trojan Operating Committee Meeting

Great email - if there is such a thing. You note some things I have not considered. Ken has sent the materials forward. I am jammed up today and tomorrow but will think about what you have written and get back to you on Monday if you have time. One thought I had is that the water rights may be some kind of project asset. If so, then the point of the Ownership Agreement per the end of project provisions is that PGE is to 'salvage' the assets and proportionately distribute the proceeds to the various owners. So, if EWEB is in some way the owner or beneficiary of thirty percent of this water then maybe PGE should pay EWEB-Bonneville thirty percent of the value of the water under the ownership agreement. It could be quite valuable in this day and age. I will ask our water people and maybe we can discuss. In any event, I agree with your response. Thanks. Larry

-----Original Message-----
From: Kronick,Geoffrey M - LC [mailto:gmkronick@bpa.gov]
Sent: Wed Oct 20 15:53:45 2004
To: Larry Cable
Subject: FW: PowerPoint Presentation - Trojan Operating Committee Meeting

FYI

Larry:

Ken Beeson indicated that he had spoken to you about this, and that he would be gone for 4 days, so I'm assuming that we have some time. I thought I'd just share my initial impression with you about this PGE "request" for a quitclaim deed on the "West" Trojan portion of the Trojan Plant Site.

Geoff K.

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 20, 2004 3:06 PM
To:
Cc:
Subject: FW: PowerPoint Presentation

ATTORNEY CLIENT PRIVILEGE
DELIBERATIVE PROCESS PRIVILEGE

Bob:

2. My initial thought here, reviewing this quickly, is that although the "water rights" need of Portland General Electric for Port Westward seems plausible/reasonable (I'm accepting it at face value not being familiar with Oregon State water rights rules), I'm concerned about the promised release of other co-owners, e.g. EWEB, and by clear implication because of the nature of our Net-Billed obligations to EWEB, BPA as well.

That is to say as to the "Co-owners" PGE can purport to release EWEB and PacifiCorp from their prorata contributions of decommissioning costs for the "West Trojan" portion of the Trojan site; but I'd be concerned that without more (e.g. some financial assurance) whether the "quit-claim" given to PGE would be effective as to third parties, particularly regulators like the NRC. Put more plainly, PGE indicates that they will accept any responsibility for remaining decommissioning and other required activity on the "West Trojan" end of the site, but their (PGE) promise not to look to Co-Owners for anything more is not binding on the State and Federal regulators who would certainly look to EWEB and PacifiCorp if PGE didn't honor its commitments.

(As indicated below I understand that because PGE wants to "free up" the "West Trojan" portion of the site that it seems unlikely that PGE would "default" in its commitment to clean up that "portion" of the Trojan site. Yet as also indicated below, the "quit claim" deed process was not intended to occur until the entire site was "clean" and all State, Federal and Local "regulations" satisfied.)

3. My concern about this, and why I'd like to see any proposed "draft" quitclaim documents whenever they are prepared (the devil is in the details as always!), is based upon Larry Cable's theories of potential "joint and several liability" among Co-Owners if any Co-Owner (e.g. PGE) should not bear its pro-rate share of Trojan costs.

4. A second concern is that while PGE indicates that the

"Quitclaim action at this time would only represent an acceleration of quitclaim already specified in "Deed and Bill of Sale" dated August 31, 1976, I would indicate that it is not as PGE represents "consistent with the Co-Owners'" Trojan Operating Agreement," if only because the "end of project" upon which the quitclaim deeding (and reversion of property rights to PGE) was to occur only after "meeting requirements of Federal, State, and Local Law relating to safe deactivation of plant, completing decommissioning, including razing structures and disposing of debris" on the entire site.

My question would be, as a temporal matter, is decommissioning truly completed when the spent fuel remains on the "Industrial Section" of the Trojan site? Have the requirements of "Federal, State, and Local Law" relating to safe deactivation of plant all been met? I think given the ISFSI that the answer has to be "no," notwithstanding that in 1976 it was never contemplated that "decommissioning" (removal of structures for example) would not be roughly contemporaneous with fuel removal. In other words, nobody thought that there would be spent nuclear fuel "lingering" on for years after the nuclear generating project was terminated and could in all other material respects be "decommissioned."

Now, I believe that I understand that PGE is proposing here to do everything that it possibly can do at this point in time in terms of speeding up "decommissioning" by removing other structures, "cleaning up" around the ISFSI, getting rid of the all the structures and such in the "West" Trojan area, and on a practical level attempting to "shrink" the Trojan site. Yet it appears that PGE has proposed to accelerate the earlier "decommissioning" clean-up schedule for largely their own purposes in retaining existing water rights for use with the 30 Mw Port Westward facility, and for other purposes. Yet the only "hold" or "control" that the Co-Owners have is the 1976 "quitclaim" deed which was intended for the entire site, not merely the "portion" that PGE now proposes to "segment" off for its own purposes.

There may be no better choice for BPA and EWEB than to accept PGE's "commitment" as concerns only a portion of the Trojan site (what I will call the "easy portion"), and release the only "hold" on PGE in the form of a quitclaim deed for the West Trojan parcel. Yet I think it's worth understanding fully the risk of no further "leverage" as to PGE once they have that requested "quitclaim," as well as the "value" of the water rights that PGE will have then aggregated entirely to itself.

5. At the same time, I'm not suggesting that this is an appropriate circumstance for treating the "quitclaim deed" as a bargaining chip for obtaining the type of "financial assurance" that we have sought for ISFSI in the Oregon Electric case at the OPUC. PGE is, as we recognize to some degree, "in play," and perhaps not permitted by Oregon Electric (and Texas Pacific) to entertain our proposal for financial assurances for Trojan Decommissioning as set forth in the jointly sponsored BPA/EWEB testimony of Ken Beeson at the OPUC.

6. I talked briefly to Ken Beeson, and he has sent these materials on to Larry Cable in Portland. I think Ken is of a similar mind as I have indicated here, but of course I want Larry Cable's thoughts as well.

7. In any event, Ken is going to be out-of-town until next week, and I think that PGE is "pushing" a little too fast. I don't know that EWEB can even get a consent agenda for its board to vote on giving up substantive rights (e.g. the quit claim deed as to the "West Trojan" section) earlier than a couple of weeks.

8. In the interim, I will talk to Larry Cable when we both have time, and advise you of any more thoughts. Do you have any idea when PGE would have a proposed "quitclaim deed" to share?

9. Please advise is there are any urgencies that I am missing here, so if needed I can reprioritize work.

Thanks,

Geoff K.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Wednesday, October 20, 2004 12:55 PM
To: Kronick,Geoffrey M - LC
Cc: Rapacz,Andy - PGC
Subject: FW: PowerPoint Presentation

Geoff,

I received the attached PowerPoint file from PGE for today's Trojan Operating Committee call. Ken Beeson was on the call with PacificCorp (Ed Burton) and the proposal was discussed. PGE is looking for a quick turnaround on this as they are running out of people and the water right issue is going to expire soon. Please review and provide feedback. They are asking the co-owners for two things:

1) To agree to quitclaim ownership interests to the land and improvements they have made within the portion of the Trojan site west of the railroad tracks. See the map on page 5. In exchange the co-owners would be released from further costs, liability and demolition of the assets covered by the quitclaim action. See the CBA within the slides;
and
2) To agree to transfer the Trojan site Water Right to preserve it for potential future uses by using a mechanism of Instream Lease and a direct transfer to a PGE power facility at Port Westward (near the Beaver plant). The Port Westward allocation is estimated to be about 8 cfs of the total 89.5 cfs Trojan water right. I am not sure if the portion of going to Port Westward can be processed without a benefit to BPA. No CBA with this issue. Can you provide your insights and advice?

Bob

Kronick,Geoffrey M - LC

From: Sherman,Bob on behalf of Sherman,Bob - PGC
Sent: Friday, October 01, 2004 2:49 PM
To: Kronick,Geoffrey M - LC
Subject: FW: PGE "preliminary" cost analysis for Prompt Demolition

Attachments: CoOwner 2024 Demolition.xls

CoOwner 2024 Demolition.xls (7...

-----Original Message-----
From: Jerry Reid [mailto:Jerry_Reid@pgn.com]
Sent: Thursday, September 30, 2004 11:46 AM
To: wiz.ixgate:rnsherman@bpa.gov;
wiz.ixgate:Ken.Beeson@eweb.eugene.or.us; Edgar.Burton@PacifiCorp.com
Cc: Kevin Poirier; Stephen Quennoz; Steve Nichols
Subject: PGE "preliminary" cost analysis for Prompt Demolition

As discussed in the 9/23/2004 TOC conference call and our telecon with Bob Sherman on 9/27, we agreed to send you our "preliminary" cash flow analysis for prompt cooling tower and specific building demolition. Based on the new 2004 DOE fuel shipment allocation report and our projection that spent fuel may all be shipped to DOE by 2023, this cost analysis includes extending fuel storage through 2023 and ISFSI decommissioning in 2024.

The first page of the spreadsheet is a summary comparison that shows that in nominal dollars prompt demolition is roughly $10M less than the current plan, while delayed demolition is roughly $15M more.

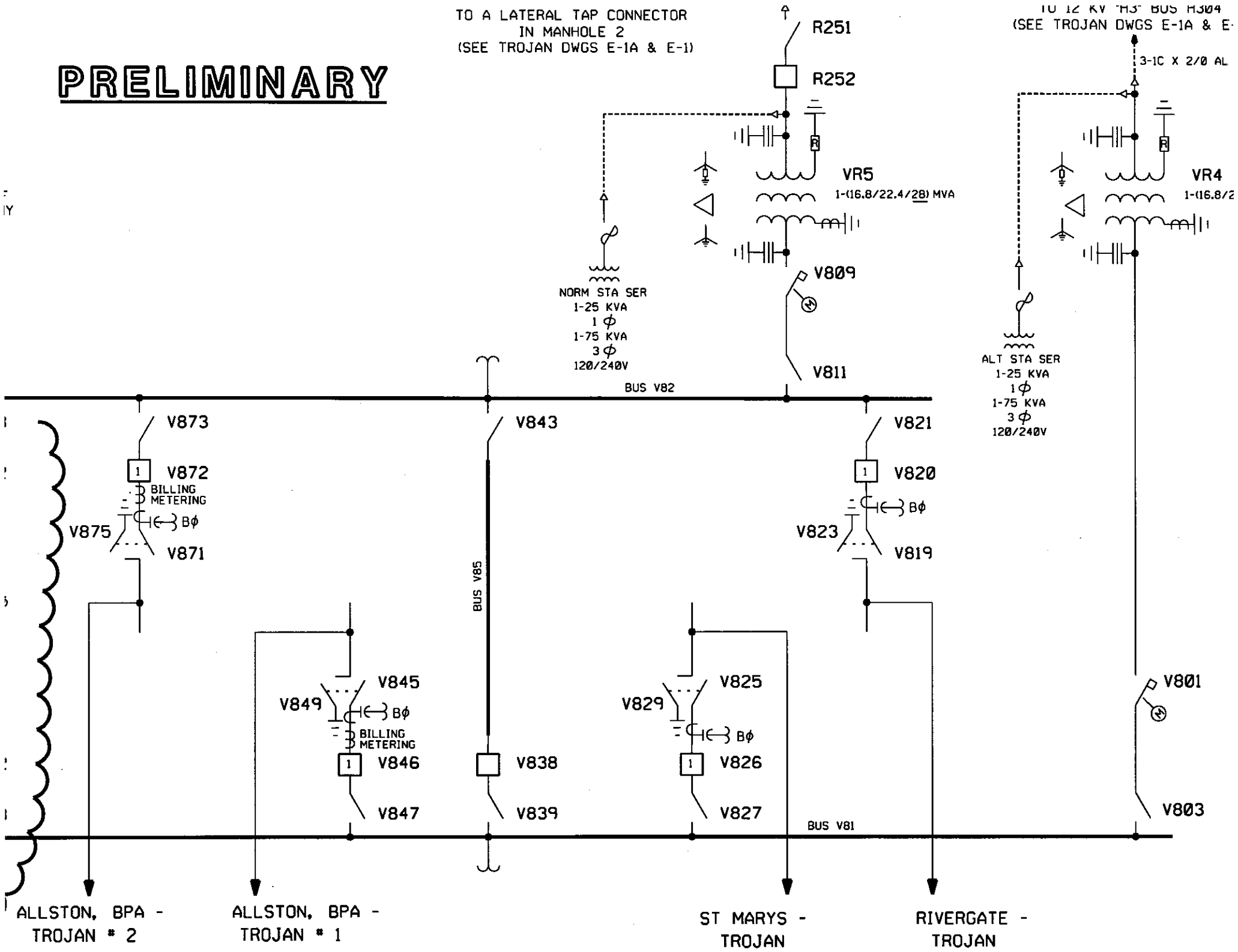
The next pages provide a year by year analysis of costs, including each Co-Owner's share. The yearly costs for CT and Bldg Demolition are based on our planned sequence for CT and Bldg Demolition and could be adjusted by changing this sequence, if necessary.

The last page of the spreadsheet contains the Inflation Factor (2.63% same as used in most recent report to NRC) and the Escalation Factors. The overall speadsheet uses these factors. You may change these factors and see what the effects are on the cost analysis.

Please review the cost analysis and let me know if this prompt demolition would be OK to pursue on formal basis.

Jerry Reid
503-556-6474

PRELIMINARY



AGREEMENT REGARDING USE BY PGE OF THE TROJAN SUBSTATION FOR ITS PORT WESTWARD PROJECT

THIS AGREEMENT REGARDING USE BY PGE OF THE TROJAN SUBSTATION FOR ITS PORT WESTWARD PROJECT ("Agreement") is among PORTLAND GENERAL ELECTRIC COMPANY, a corporation organized under the laws of Oregon ("PGE"); PACIFICORP, a corporation organized under the laws of Oregon ("PacifiCorp"), and the CITY OF EUGENE, a municipal corporation of the State of Oregon acting by and through the Eugene Water & Electric Board ("Eugene"), each individually referred to herein as a "Party" and collectively as "the Parties".

RECITALS

A. WHEREAS, on October 5, 1970, PGE, Eugene and Pacific Power & Light Company (a predecessor corporation of PacifiCorp) entered into that certain Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant. This agreement was supplemented on October 5, 1970 and subsequently amended in April 1999 (this agreement, as supplemented and amended, is hereinafter referred to as the "Owners Agreement");

B. WHEREAS, on or about January 26, 1993, the Operating Committee (as defined in the Owners Agreement) entered into an Operating Committee Agreement in which the Parties and Bonneville Power Administration (representing Eugene on the Operating Committee) agreed that notwithstanding that the Trojan Nuclear Plant Project (the "Project") was no longer generating electricity, the Owners Agreement would continue in effect until completion of decommissioning of the Project, and until all requirements of law are satisfied, accounts reconciled and closed, and any pending disputes are resolved;

C. WHEREAS, as provided in the Owners Agreement, the Trojan Substation is part of the Generating Plant, which is part of the Project and hence owned by the Parties as tenants in common;

D. WHEREAS, PGE is building a new gas fired generating project near Clatskanie, Oregon (hereinafter the "Port Westward Project"); and

E. WHEREAS, PGE wishes to interconnect the Port Westward Project into the Trojan Substation by building new facilities and utilizing certain existing facilities in and nearby the Trojan Substation.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises, consideration, and representations set forth below, the Parties agree as follows:

1. Definition of Terms. Unless otherwise specifically defined herein, all capitalized terms used herein are intended to have the meaning set forth in the Ownership Agreement. In the event of a conflict between the terms of this Agreement and the terms of the Owners Agreement, this Agreement shall govern with respect to the matters specifically agreed upon herein.

2. Construction of Additional Facilities; Use of Existing Facilities. The Parties agree that PGE may construct additional facilities at its own cost ("Additional Facilities") and utilize existing Project facilities ("Existing Facilities"), in and around the Trojan Substation, for the purposes of interconnecting and transmitting the energy from the Port Westward Project pursuant to the terms of Section 20 of the Owners Agreement. Accordingly, PGE shall make annual payments to the Parties in an amount equal to 37.7% of the yearly actual operations and maintenance costs as equitable compensation for the use of any Project real, personal or other property, except easements rights, and for any increase in operating, maintenance or other costs incurred by the Parties by reason of the construction and operation of such additional facilities. The Parties agree that the construction of Additional Facilities and the use of Existing Facilities by PGE pursuant to this Agreement do not interfere with the use or operation of the Project.

Deleted: (as provided in the Project's FERC 570, Maintenance of Station Equipment)

3. Upgrade of Existing Facilities. The Parties agree to upgrade any Existing Facilities as necessary to accommodate the interconnection of the Port Westward Project ("Upgrades"). PGE agrees to pay to the Parties all costs for the Upgrades and shall provide an initial payment of $181,814 to the Parties upon execution of this Agreement to cover the estimated cost for the Upgrades. In the event additional moneys are owed above this initial payment amount, PGE shall make such additional payments to the Parties in a commercially reasonable amount of time. The Parties agree that the Upgrades to the Existing Facilities do not interfere with the use or operation of the Project.

4. Ownership and Maintenance of Additional Facilities. The Parties agree that PGE shall own, operate and maintain at its own expense any facilities PGE constructs in accordance with this Agreement.

5. Accounting. As provided in Section 10 of the Owners Agreement, any payments made by PGE hereunder shall be paid to the Operating Trust Account.

6. Indemnification. PGE agrees to indemnify and hold harmless PacifiCorp and Eugene, their directors, officers, employees and agents (hereinafter collectively "Indemnitees") from any claims or damage to the Project arising out of or in any way connected with any act, omission, fault or negligence of PGE, its employees, agents, representatives or subcontractors of any tier, related to the use of Project real, personal, or other property by PGE for the Port Westward Project. PGE's

indemnity obligation under this article shall not extend to any liability to the extent caused by the negligence of any of the Indemnitees.

7. Consent to Exposure to Uninsured Loss. The Parties agree that reasonable arrangements have been made to cover any exposure to uninsured loss resulting from the use of the Project property or facilities for purposes of the Port Westward Project and in accordance with Section 20 of the Owners Agreement, hereby consent to any increase in such exposure.

8. Rights and Obligations under the Owners Agreement. Nothing herein shall be deemed to limit or diminish any Party's rights or obligations under the Owners Agreement with respect to Operating Costs (as defined in the Owners Agreement), claims, damages, liabilities or costs arising or attributable to the Project.

9. Miscellaneous

   a. Successors. This Agreement shall bind and inure to the benefit of, as circumstances may require, not only the immediate Parties hereto but their respective heirs, executors, administrators, personal representatives, successors in interest and assigns.

   b. No Agency, Joint Venture or Partnership. The Parties agree and acknowledge that this Agreement does not create any agency, joint venturer or partner relationship between them. Except as otherwise provided in the Owners Agreement, no Party is authorized to enter into any agreements or undertakings for or on behalf of any other Party or to hold itself out as an agent or representative of any other Party.

   c. Interpretation. This Agreement and the rights and obligations of each of the Parties hereunder shall be governed and construed in accordance with the laws of the State of Oregon. In the event any action is brought to enforce this Agreement, venue shall be in Columbia, County, Oregon, and each Party hereby irrevocably consents to the exclusive jurisdiction of the Oregon state courts. In construing this Agreement and where the context so requires, the singular includes the plural and all grammatical changes shall be implied to make the provisions hereof apply equally to corporations and to individuals. This Agreement has been submitted to the scrutiny of all Parties hereto, has been appropriately presented to the proper committee pursuant to the Owners Agreement, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight being given to its having been drafted by any Party hereto or such Party's counsel.

   d. Severability. It is not the intent of the Parties hereto to violate any applicable laws. If for any reason any provision of this Agreement does

violate any such laws or is not fully enforceable in accordance with the terms and provisions hereof, this Agreement shall nevertheless be limited or construed to comply with such laws and shall be enforced to the fullest extent permitted by such laws, and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

e. No Third Party Beneficiaries. PacifiCorp, PGE and Eugene are the only Parties to this Agreement and are the only Parties entitled to enforce the terms of this Agreement. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide any benefit or right not held by or made generally available to the public, whether directly, indirectly or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement. In no event shall any Party hereto be liable to any other Party hereto or to any third Party for any claim or damage incurred by a third Party.

f. Counterparts. This Agreement may be executed in several counterparts, all of which when taken together shall constitute one agreement binding on all Parties, notwithstanding that all Parties are not signatories to the same counterpart. Each copy of the Agreement so executed shall constitute an original.

g. Cooperation. The Parties each agree to cooperate fully and execute any and all supplementary documents and to take all additional actions as may be necessary or appropriate to give full force and effect to the terms and intent of this Agreement.

h. Payment of Fees and Expenses. Except as otherwise specifically provided herein, each Party to this Agreement will be responsible for, and will pay, all of its own fees and expenses, including those of its legal counsel and accountants, incurred in the negotiation, preparation, and consummation of this Agreement and the transactions and actions contemplated hereby.

i. Entire Agreement. The Recitals are true and correct and incorporated herein by this reference. This instrument, along with any exhibits and attachments or other documents affixed hereto or referred to herein, constitute the entire and exclusive agreement between the Parties relative to this Agreement. This Agreement, may be altered and/or revoked only by an instrument in writing signed by the Parties. The Parties hereby agree that all prior written and oral agreements, understandings and/or practices relative to this Agreement are superseded by this Agreement.

j. Regulatory Filing. The Parties agree that PGE may file this Agreement with the Federal Energy Regulatory Commission or the Nuclear Regulatory Commission if it is required to do so.

10. Effective Date. The effective date of this Agreement shall be the ___ day of _____, 2005. To the extent that this Agreement may have been executed following any effective dates set forth herein, said effective dates are hereby ratified, confirmed, and approved.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed this ____ day of _____, 2005.

PORTLAND GENERAL ELECTRIC COMPANY

By _____

THE CITY OF EUGENE,
Acting by and through the Eugene Water & Electric Board

By _____

PACIFICORP

By _____

APPROVED:

BONNEVILLE POWER ADMINISTRATION

By _____

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C. WHEREAS, as provided in the Owners Agreement, the Trojan Substation is part of the Generating Plant, which is part of the Project and hence owned by the Parties as tenants in common;

D. WHEREAS, PGE is building a new gas fired generating project near Clatskanie, Oregon (hereinafter the "Port Westward Project"); and

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By _____

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Acting by and through the Eugene Water & Electric Board

By _____

PACIFICORP

By _____

APPROVED:

BONNEVILLE POWER ADMINISTRATION

By _____

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AGREEMENT

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1. Definition of Terms. Unless otherwise specifically defined herein, all capitalized terms used herein are intended to have the meaning set forth in the Ownership Agreement. In the event of a conflict between the terms of this Agreement and the terms of the Owners Agreement, this Agreement shall govern with respect to the matters specifically agreed upon herein.

2. Construction of Additional Facilities; Use of Existing Facilities. The Parties agree that PGE may construct additional facilities at its own cost ("Additional Facilities") and utilize existing Project facilities ("Existing Facilities"), in and around the Trojan Substation, for the purposes of interconnecting and transmitting the energy from the Port Westward Project pursuant to the terms of Section 20 of the Owners Agreement. Accordingly, PGE shall make annual payments to the Parties in an amount equal to 37.7% of the yearly actual operations and maintenance costs as equitable compensation for the use of any Project real, personal or other property, except easements rights, and for any increase in operating, maintenance or other costs incurred by the Parties by reason of the construction and operation of such additional facilities. The Parties agree that the construction of Additional Facilities and the use of Existing Facilities by PGE pursuant to this Agreement do not interfere with the use or operation of the Project.

Deleted: (as provided in the Project's FERC 570, Maintenance of Station Equipment)

3. Upgrade of Existing Facilities. The Parties agree to upgrade any Existing Facilities as necessary to accommodate the interconnection of the Port Westward Project ("Upgrades"). PGE agrees to pay to the Parties all costs for the Upgrades and shall provide an initial payment of $181,814 to the Parties upon execution of this Agreement to cover the estimated cost for the Upgrades. In the event additional moneys are owed above this initial payment amount, PGE shall make such additional payments to the Parties in a commercially reasonable amount of time. The Parties agree that the Upgrades to the Existing Facilities do not interfere with the use or operation of the Project.

4. Ownership and Maintenance of Additional Facilities. The Parties agree that PGE shall own, operate and maintain at its own expense any facilities PGE constructs in accordance with this Agreement.

5. Accounting. As provided in Section 10 of the Owners Agreement, any payments made by PGE hereunder shall be paid to the Operating Trust Account.

6. Indemnification. PGE agrees to indemnify and hold harmless PacifiCorp and Eugene, their directors, officers, employees and agents (hereinafter collectively "Indemnitees") from any claims or damage to the Project arising out of or in any way connected with any act, omission, fault or negligence of PGE, its employees, agents, representatives or subcontractors of any tier, related to the use of Project real, personal, or other property by PGE for the Port Westward Project. PGE's

indemnity obligation under this article shall not extend to any liability to the extent caused by the negligence of any of the Indemnitees.

7. Consent to Exposure to Uninsured Loss. The Parties agree that reasonable arrangements have been made to cover any exposure to uninsured loss resulting from the use of the Project property or facilities for purposes of the Port Westward Project and in accordance with Section 20 of the Owners Agreement, hereby consent to any increase in such exposure.

8. Rights and Obligations under the Owners Agreement. Nothing herein shall be deemed to limit or diminish any Party's rights or obligations under the Owners Agreement with respect to Operating Costs (as defined in the Owners Agreement), claims, damages, liabilities or costs arising or attributable to the Project.

9. Miscellaneous

   a. Successors. This Agreement shall bind and inure to the benefit of, as circumstances may require, not only the immediate Parties hereto but their respective heirs, executors, administrators, personal representatives, successors in interest and assigns.

   b. No Agency, Joint Venture or Partnership. The Parties agree and acknowledge that this Agreement does not create any agency, joint venturer or partner relationship between them. Except as otherwise provided in the Owners Agreement, no Party is authorized to enter into any agreements or undertakings for or on behalf of any other Party or to hold itself out as an agent or representative of any other Party.

   c. Interpretation. This Agreement and the rights and obligations of each of the Parties hereunder shall be governed and construed in accordance with the laws of the State of Oregon. In the event any action is brought to enforce this Agreement, venue shall be in Columbia, County, Oregon, and each Party hereby irrevocably consents to the exclusive jurisdiction of the Oregon state courts. In construing this Agreement and where the context so requires, the singular includes the plural and all grammatical changes shall be implied to make the provisions hereof apply equally to corporations and to individuals. This Agreement has been submitted to the scrutiny of all Parties hereto, has been appropriately presented to the proper committee pursuant to the Owners Agreement, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight being given to its having been drafted by any Party hereto or such Party's counsel.

   d. Severability. It is not the intent of the Parties hereto to violate any applicable laws. If for any reason any provision of this Agreement does

violate any such laws or is not fully enforceable in accordance with the terms and provisions hereof, this Agreement shall nevertheless be limited or construed to comply with such laws and shall be enforced to the fullest extent permitted by such laws, and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

e. No Third Party Beneficiaries. PacifiCorp, PGE and Eugene are the only Parties to this Agreement and are the only Parties entitled to enforce the terms of this Agreement. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide any benefit or right not held by or made generally available to the public, whether directly, indirectly or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement. In no event shall any Party hereto be liable to any other Party hereto or to any third Party for any claim or damage incurred by a third Party.

f. Counterparts. This Agreement may be executed in several counterparts, all of which when taken together shall constitute one agreement binding on all Parties, notwithstanding that all Parties are not signatories to the same counterpart. Each copy of the Agreement so executed shall constitute an original.

g. Cooperation. The Parties each agree to cooperate fully and execute any and all supplementary documents and to take all additional actions as may be necessary or appropriate to give full force and effect to the terms and intent of this Agreement.

h. Payment of Fees and Expenses. Except as otherwise specifically provided herein, each Party to this Agreement will be responsible for, and will pay, all of its own fees and expenses, including those of its legal counsel and accountants, incurred in the negotiation, preparation, and consummation of this Agreement and the transactions and actions contemplated hereby.

i. Entire Agreement. The Recitals are true and correct and incorporated herein by this reference. This instrument, along with any exhibits and attachments or other documents affixed hereto or referred to herein, constitute the entire and exclusive agreement between the Parties relative to this Agreement. This Agreement, may be altered and/or revoked only by an instrument in writing signed by the Parties. The Parties hereby agree that all prior written and oral agreements, understandings and/or practices relative to this Agreement are superseded by this Agreement.

j. Regulatory Filing. The Parties agree that PGE may file this Agreement with the Federal Energy Regulatory Commission or the Nuclear Regulatory Commission if it is required to do so.

10. Effective Date. The effective date of this Agreement shall be the ___ day of _____, 2005. To the extent that this Agreement may have been executed following any effective dates set forth herein, said effective dates are hereby ratified, confirmed, and approved.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed this ____ day of _____, 2005.

PORTLAND GENERAL ELECTRIC COMPANY

By _____

THE CITY OF EUGENE,
Acting by and through the Eugene Water & Electric Board

By _____

PACIFICORP

By _____

APPROVED:

BONNEVILLE POWER ADMINISTRATION

By _____

Interconnection of Port Westward (Trojan Owners Group)

Portland General Electric Transmission (PGET)

July 7, 2005

Agenda

A. Discussion of Interconnection Costs

B. Discussion of Additional Maintenance Payment Options

- **OPTION 1:** One-time payment by PGET to owners

or

- **OPTION 2:** PGET would pay a portion of the actual annual O&M costs for remainder of joint ownership

A. Interconnection Costs

- To maintain appropriate accounting mechanics/records
- Cost to modify existing control house, communication and protection equipment

Total cost to modify equipment	$	136,162.00
PGE cost (based on 67.5%)	$	91,909.35
EWEB cost (based on 30.0%)	$	40,848.60
PAC cost (based on 2.5%)	$	3,404.05

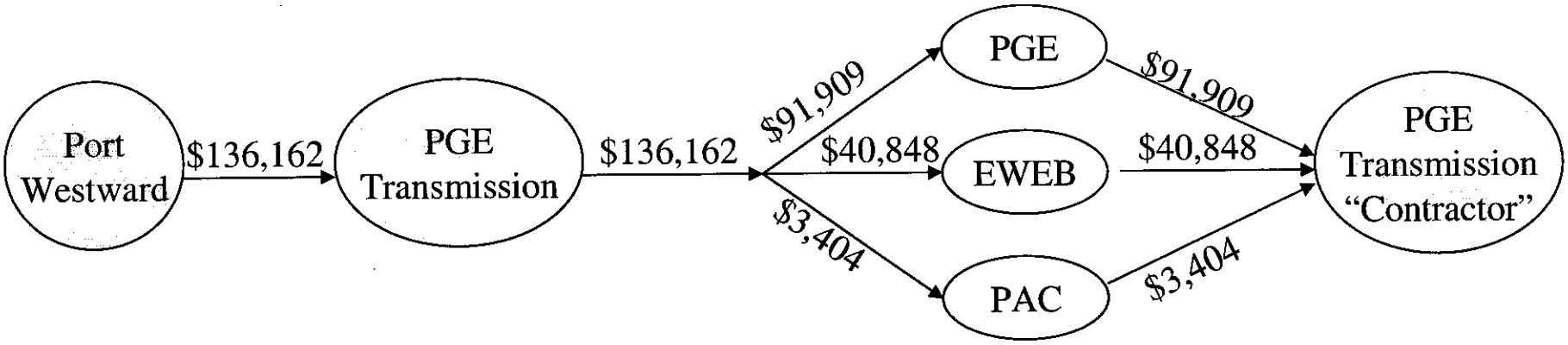
A. Interconnection Costs

- PGE Transmission Payment back to the owners to cover interconnection costs to existing facilities

Payment to PGE (based on 67.5%)	$ 91,909.35
Payment to EWEB (based on 30.0%)	$ 40,848.60
Payment to PAC (based on 2.5%)	$ 3,404.05

A. Interconnection Costs

- Net Cost to the owners for interconnection is $ 0
- Port Westward will pay cost associated with expansion of Switchyard and PGET will have ownership of all new equipment
- PGET will pay 100% of all O&M costs related to new equipment installed within Switchyard expansion



A. Interconnection Costs

- Breakdown of Interconnection Cost:

PGE Safety Watch	**$ 11,627**
Installation of temporary fence	
On-site safety watch for 30 days	

Connection to Existing Bus	**$ 9,994**
Crew Mobilization	
Establish bus outages and ground bus	
Remove existing end-cap, prep ends, weld	
Remove grounds, clear outage	
De-mobilize welder	

A. Interconnection Costs

- Continued: Breakdown of Interconnection Cost:

Install Relays in Control House	**$ 112,427**
Pre-fab new rack faceplate	
Remove existing rack equipment, install relays, connect power and land leads	
Program and integrate into SCADA system	
Link communications to PGE Comm. System	
Test relays	
Energize line position and final testing	
Clean-up and demobilize electrical crew	

Connect Line to Bus	**$ 2,114**
Make final connections of incoming line to the bus	

B. Maintenance Payments

- Port Westward uses approximately 1130 amps of the 3000 amp capacity (37.7%)
- PGET would pay 37.7% of the average actual maintenance cost
- The joint owners would pay a share of the remaining 62.3% equal to their ownership percentage
  - PGE would pay 42.0% (67.5% of 62.3%)
  - EWEB would pay 18.7% (30.0% of 62.3%)
  - PAC would pay 1.6% (2.5% of 62.3%)

B. Maintenance Payments

(**OPTION 1**: One-time payment by PGET to owners)

- PGET would make a one-time payment to the owners to cover a portion of future maintenance costs based on past actual O&M
- Average actual annual O&M Costs from 1998 – 2004 was $ 5,184.99
- Joint Trojan Ownership is expected to last 19 years

B. Maintenance Payments

(OPTION 1: One-time payment by PGET to owners)

Actual Annual O&M Charges to the joint owners (PGE, PAC, EWEB)

1998	$ 8,179.43
1999	$ 3,974.43
2000	$ 14,411.82
2001	$ 834.26
2002	$ 2,520.66
2003	$ 4,187.77
2004	$ 2,186.58
AVERAGE	**$ 5,184.99**

B. Maintenance Payments

(**OPTION 1**: One-time payment by PGET to owners)

- PGET's portion of the average would be 37.7% of $ 5,184.99 or **$ 1,953.01**
- The NPV of 19 annual payments would be $ 22,779 (discount rate of 5.44% - not adjusted)
- The payment to PGE would be **$ 15,375**
- The payment to EWEB would be **$ 6,834**
- The payment to PAC would be **$ 570**

B. Maintenance Payments

(**OPTION 2**: Portion of annual actual O&M costs)

- PGET would pay 37.7% of the actual annual maintenance cost for remainder of joint ownership
- The joint owners would pay a share of the remaining 62.3% equal to their ownership percentage
  - PGE would pay 42.0% (67.5% of 62.3%)
  - EWEB would pay 18.7% (30.0% of 62.3%)
  - PAC would pay 1.6% (2.5% of 62.3%)

AGREEMENT REGARDING USE BY PGE OF THE TROJAN SUBSTATION FOR ITS PORT WESTWARD PROJECT

THIS AGREEMENT REGARDING USE BY PGE OF THE TROJAN SUBSTATION FOR ITS PORT WESTWARD PROJECT ("Agreement") is among PORTLAND GENERAL ELECTRIC COMPANY, a corporation organized under the laws of Oregon ("PGE"); PACIFICORP, a corporation organized under the laws of Oregon ("PacifiCorp"), and the CITY OF EUGENE, a municipal corporation of the State of Oregon acting by and through the Eugene Water & Electric Board ("Eugene"), each individually referred to herein as a "Party" and collectively as "the Parties".

RECITALS

A. WHEREAS, on October 5, 1970, PGE, Eugene and Pacific Power & Light Company (a predecessor corporation of PacifiCorp) entered into that certain Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant. This agreement was supplemented on October 5, 1970 and subsequently amended in April 1999 (this agreement, as supplemented and amended, is hereinafter referred to as the "Owners Agreement");

B. WHEREAS, on or about January 26, 1993, the Operating Committee (as defined in the Owners Agreement) entered into an Operating Committee Agreement in which the Parties and Bonneville Power Administration (representing Eugene on the Operating Committee) agreed that notwithstanding that the Trojan Nuclear Plant Project (the "Project") was no longer generating electricity, the Owners Agreement would continue in effect until completion of decommissioning of the Project, and until all requirements of law are satisfied, accounts reconciled and closed, and any pending disputes are resolved;

C. WHEREAS, as provided in the Owners Agreement, the Trojan Substation is part of the Generating Plant, which is part of the Project and hence owned by the Parties as tenants in common;

D. WHEREAS, PGE is building a new gas fired generating project near Clatskanie, Oregon (hereinafter the "Port Westward Project"); and

E. WHEREAS, PGE wishes to interconnect the Port Westward Project into the Trojan Substation by building new facilities and utilizing certain existing facilities in and nearby the Trojan Substation.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises, consideration, and representations set forth below, the Parties agree as follows:

1. Definition of Terms. Unless otherwise specifically defined herein, all capitalized terms used herein are intended to have the meaning set forth in the Ownership Agreement. In the event of a conflict between the terms of this Agreement and the terms of the Owners Agreement, this Agreement shall govern with respect to the matters specifically agreed upon herein.

2. Construction of Additional Facilities; Use of Existing Facilities. The Parties agree that PGE may construct additional facilities at its own cost ("Additional Facilities") and utilize existing Project facilities ("Existing Facilities"), in and around the Trojan Substation, for the purposes of interconnecting and transmitting the energy from the Port Westward Project pursuant to the terms of Section 20 of the Owners Agreement. Accordingly, PGE shall make annual payments to the Parties in an amount equal to 37.7% of the yearly actual operations and maintenance costs (as provided in the Project's FERC 570, Maintenance of Station Equipment) as equitable compensation for the use of any Project real, personal or other property, except easements rights, and for any increase in operating, maintenance or other costs incurred by the Parties by reason of the construction and operation of such additional facilities. The Parties agree that the construction of Additional Facilities and the use of Existing Facilities by PGE pursuant to this Agreement do not interfere with the use or operation of the Project.

3. Upgrade of Existing Facilities. The Parties agree to upgrade any Existing Facilities as necessary to accommodate the interconnection of the Port Westward Project ("Upgrades"). PGE agrees to pay to the Parties all costs for the Upgrades and shall provide an initial payment of $181,814 to the Parties upon execution of this Agreement to cover the estimated cost for the Upgrades. In the event additional moneys are owed above this initial payment amount, PGE shall make such additional payments to the Parties in a commercially reasonable amount of time. The Parties agree that the Upgrades to the Existing Facilities do not interfere with the use or operation of the Project.

4. Ownership and Maintenance of Additional Facilities. The Parties agree that PGE shall own, operate and maintain at its own expense any facilities PGE constructs in accordance with this Agreement.

5. Accounting. As provided in Section 10 of the Owners Agreement, any payments made by PGE hereunder shall be paid to the Operating Trust Account.

6. Indemnification. PGE agrees to indemnify and hold harmless PacifiCorp and Eugene, their directors, officers, employees and agents (hereinafter collectively "Indemnitees") from any claims or damage to the Project arising out of or in any way connected with any act, omission, fault or negligence of PGE, its employees, agents, representatives or subcontractors of any tier, related to the use of Project real, personal, or other property by PGE for the Port Westward Project. PGE's

indemnity obligation under this article shall not extend to any liability to the extent caused by the negligence of any of the Indemnitees.

7. Consent to Exposure to Uninsured Loss. The Parties agree that reasonable arrangements have been made to cover any exposure to uninsured loss resulting from the use of the Project property or facilities for purposes of the Port Westward Project and in accordance with Section 20 hereby consent to any increase in such exposure.

8. Rights and Obligations under the Owners Agreement. Nothing herein shall be deemed to limit or diminish any Party's rights or obligations under the Owners Agreement with respect to Operating Costs (as defined in the Owners Agreement), claims, damages, liabilities or costs arising or attributable to the Project.

9. Miscellaneous

   a. Successors. This Agreement shall bind and inure to the benefit of, as circumstances may require, not only the immediate Parties hereto but their respective heirs, executors, administrators, personal representatives, successors in interest and assigns.

   b. No Agency, Joint Venture or Partnership. The Parties agree and acknowledge that this Agreement does not create any agency, joint venturer or partner relationship between them. Except as otherwise provided in the Owners Agreement, no Party is authorized to enter into any agreements or undertakings for or on behalf of any other Party or to hold itself out as an agent or representative of any other Party.

   c. Interpretation. This Agreement and the rights and obligations of each of the Parties hereunder shall be governed and construed in accordance with the laws of the State of Oregon. In the event any action is brought to enforce this Agreement, venue shall be in Columbia, County, Oregon, and each Party hereby irrevocably consents to the exclusive jurisdiction of the Oregon state courts. In construing this Agreement and where the context so requires, the singular includes the plural and all grammatical changes shall be implied to make the provisions hereof apply equally to corporations and to individuals. This Agreement has been submitted to the scrutiny of all Parties hereto, has been appropriately presented to the proper committee pursuant to the Owners Agreement, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight being given to its having been drafted by any Party hereto or such Party's counsel.

   d. Severability. It is not the intent of the Parties hereto to violate any applicable laws. If for any reason any provision of this Agreement does

violate any such laws or is not fully enforceable in accordance with the terms and provisions hereof, this Agreement shall nevertheless be limited or construed to comply with such laws and shall be enforced to the fullest extent permitted by such laws, and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

e. No Third Party Beneficiaries. PacifiCorp, PGE and Eugene are the only Parties to this Agreement and are the only Parties entitled to enforce the terms of this Agreement. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide any benefit or right not held by or made generally available to the public, whether directly, indirectly or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement. In no event shall any Party hereto be liable to any other Party hereto or to any third Party for any claim or damage incurred by a third Party.

f. Counterparts. This Agreement may be executed in several counterparts, all of which when taken together shall constitute one agreement binding on all Parties, notwithstanding that all Parties are not signatories to the same counterpart. Each copy of the Agreement so executed shall constitute an original.

g. Cooperation. The Parties each agree to cooperate fully and execute any and all supplementary documents and to take all additional actions as may be necessary or appropriate to give full force and effect to the terms and intent of this Agreement.

h. Payment of Fees and Expenses. Except as otherwise specifically provided herein, each Party to this Agreement will be responsible for, and will pay, all of its own fees and expenses, including those of its legal counsel and accountants, incurred in the negotiation, preparation, and consummation of this Agreement and the transactions and actions contemplated hereby.

i. Entire Agreement. The Recitals are true and correct and incorporated herein by this reference. This instrument, along with any exhibits and attachments or other documents affixed hereto or referred to herein, constitute the entire and exclusive agreement between the Parties relative to this Agreement. This Agreement, may be altered and/or revoked only by an instrument in writing signed by the Parties. The Parties hereby agree that all prior written and oral agreements, understandings and/or practices relative to this Agreement are superseded by this Agreement.

j. Regulatory Filing. The Parties agree that PGE may file this Agreement with the Federal Energy Regulatory Commission or the Nuclear Regulatory Commission if it is required to do so.

10. Effective Date. The effective date of this Agreement shall be the ___ day of _____, 2005. To the extent that this Agreement may have been executed following any effective dates set forth herein, said effective dates are hereby ratified, confirmed, and approved.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed this ____ day of _____, 2005.

PORTLAND GENERAL ELECTRIC COMPANY

By _____

THE CITY OF EUGENE,
Acting by and through the Eugene Water & Electric Board

By _____

PACIFICORP

By _____

APPROVED:

BONNEVILLE POWER ADMINISTRATION

By _____

TROJAN OPERATING COMMITTEE MEETING MINUTES
July 5 and 7, 2005

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid	Ken Beeson	Bob Sherman
Steve Nichols		
Larry Rocha	PacifiCorp	
Frank Afranji		
Jack Todd	Ed Burton	
Kenny Dillon	Jamie Sims	
Richard George		
Jay Fischer*		

* 7/7/05 Meeting Only

These minutes cover the special Trojan Operating Committee (TOC) conference call Meetings that occurred on July 5 and July 7, 2005.

The Purpose of these special TOC Meetings was to present PGE's plans and options for compensation to the Co-Owners related to the planned Trojan Switchyard expansion needed to support the new PGE Port Westward Generating Plant. The issue of potential compensation to the Co-Owners for the Port Westward expansion tie-in to the existing Trojan Co-Owned Switchyard has been discussed in previous TOC meetings. The Switchyard expansion construction work is planned to start in 2005 and continue into 2006. The Co-Owners have previously agreed that the Co-Owners do not have any problem with PGE starting construction of the Switchyard expansion on the current July 2005 schedule.

On July 5, 2005, Jack Todd, Frank Afranji, and Kenny Dillon from the PGE Transmission Services Department (PGET) presented and explained the information in the attached Power Point Presentation titled, "Interconnection of Port Westward (Trojan Owners Group) Portland General Electric Transmission (PGET) July 7, 2005". The compensation proposed in the attached Presentation is considered to be normal/customary when adding additional equipment to a Switchyard owned by a different utility company.

Subsequent to discussion on various aspects of the Presentation, the Co-Owners indicated a preference for Payment Option No. 2, which would provide an annual payment from PGET to the Co-Owners based on 37.7% of the actual annual O&M costs for the Co-Owned portion of the expanded Switchyard. For example, if average historical Switchyard O&M actual costs are used, the 37.7% PGET annual payment to the Trojan Co-Owners would be approximately $2000.

In the July 5 meeting, Steve Nichols asked if replacement of expensive Switchyard components, such as breaker replacement or the planned replacement of the Circuit Switchers (approximately $495,000), would be considered O&M and included in the annual O&M costs to be shared by PGET? Or would this type of work be a capital cost that would be paid entirely by the Co-Owners. The Co-Owners agreed that this

question needs to be clarified to ensure that PGET and all Co-Owners have a common understanding of who would pay for this type of work. Jack Todd agreed to work with PGE's Property/Asset Accounting Department to get an answer and clarify this question and the July 7 meeting was scheduled to discuss the answer and clarification.

During the July 7 meeting, Jack Todd provided the following answer and clarification on how future O&M and Capital improvements for the existing Trojan Switchyard would be handled. Even though PGE has fully depreciated the Switchyard, capital and O&M Switchyard expenses would be handled no differently than usual practices going forward. PGE provides the FERC accounting to the C-Owners for all expenses incurred at Trojan. So, if in a given month, a portion of the expenses were capital and another portion would be O&M, PGE would provide the proper FERC accounts to the Co-Owners for both expenditures. In response to the above July 5 question, as to whether compensation should be provided for replacement of existing switchyard equipment such as the circuit switchers. After consulting with PGE engineers, PGET does not believe such replacement costs should be included in the compensation to the Co-Owners for the Port Westward interconnection. PGE bases this conclusion on the fact that Switchyard equipment is replaced on a standard time schedule and not on a usage basis. That is, PGET's use of the existing equipment for Port Westward does not change the retirement and replacement schedule for the existing equipment. Nor does it increase the costs for replacement of such equipment, as it is PGET's understanding that all the existing equipment utilized for the Port Westward interconnection would continue to be needed for Trojan until the end of the project, and subject to normal vintage replacement.

Of course, PGET intends to pay for installation and subsequent replacement of new switchyard equipment associated with the Port Westward interconnection, and is obligated to pay for any incremental additional O&M cost associated with the interconnection. PGET does not believe, however, that there is any additional incremental cost to the Co-Owners' O&M expense due to the interconnection of Port Westward. This is because PGET intends to perform all maintenance on the new equipment itself, and the Co-Owners' current maintenance requirements for the existing equipment will not change as a result of the Port Westward interconnection.

Additionally, Jack Todd clarified an answer to one of the Co-Owner's questions previously discussed in the July 5 meeting. Bob Sherman had asked a question in the July 5 meeting that used the following scenario: A problem or fault on the Port Westward portion of the system results in damage to the Co-Owned portion of the Switchyard. Who would pay for repairing the damage on the Co-Owned portion? Jack and Frank corrected and clarified their previous answer. They stated that, if this event occurred, PGET would be responsible for paying for the repairs to the damaged Co-Owned portion of the Trojan Switchyard.

In summary, at the end of the July 7, 2005 conference call, the Co-Owners (BPA, EWEB, PacifiCorp & Trojan Plant) agreed in principle with the proposed payment Option #2 in the attached Power Point Presentation. Option #2 provides for an

annual payment to the Co-Owners that will be based on 37.7% of the annual Switchyard O&M cost each year. Based on annual O&M historical average (~$5000/year), this total payment to the Co-Owners would be about $2000/year.

The next step is for PGET to send out a proposed legal Agreement for payment of the Option #2 compensation to the Co-Owners. This proposed Agreement will be sent to the Co-Owner's for their review and signature. The Co-Owner's indicated that they would have their lawyers review this Agreement before approval.

As a reminder, the next regular conference call meeting is set for Wednesday, August 10, 2005 at 10:00 a.m.

JDR
Attachment

c: Stephen Quennoz, Steve Nichols, Jay Fischer, Larry Rocha
Richard George, Frank Afranji, Jack Todd
Co-Owner Representatives

Interconnection of Port Westward (Trojan Owners Group)

Portland General Electric Transmission (PGET)

July 7, 2005

Agenda

A. Discussion of Interconnection Costs

B. Discussion of Additional Maintenance Payment Options

- **OPTION 1:** One-time payment by PGET to owners

or

- **OPTION 2:** PGET would pay a portion of the actual annual O&M costs for remainder of joint ownership

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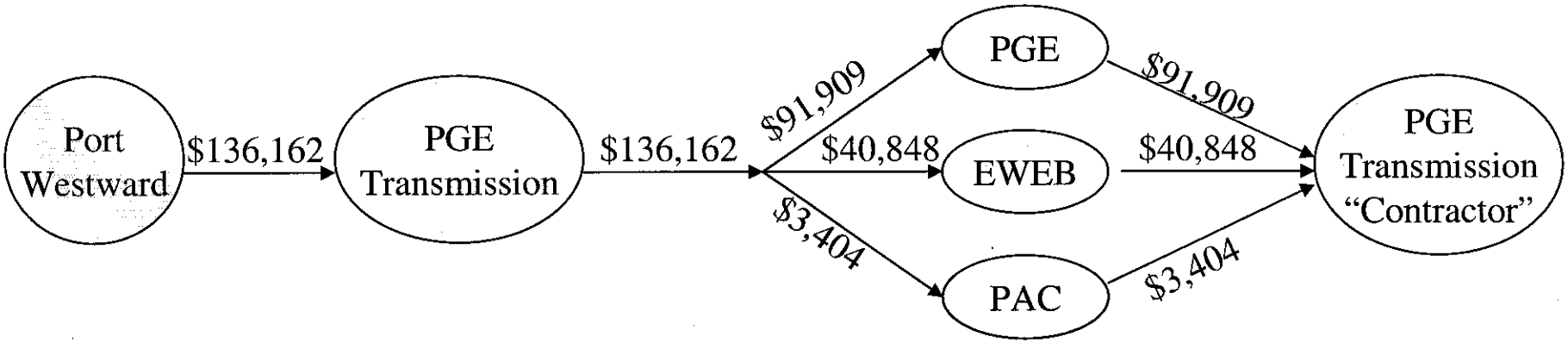

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A. Interconnection Costs

- Continued: Breakdown of Interconnection Cost:

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Test relays	
Energize line position and final testing	
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Make final connections of incoming line to the bus	

B. Maintenance Payments

- Port Westward uses approximately 1130 amps of the 3000 amp capacity (37.7%)
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B. Maintenance Payments
(OPTION 1: One-time payment by PGET to owners)

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B. Maintenance Payments

(OPTION 1: One-time payment by PGET to owners)

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AVERAGE	**$ 5,184.99**

B. Maintenance Payments
(**OPTION 1**: One-time payment by PGET to owners)

- PGET's portion of the average would be 37.7% of $ 5,184.99 or **$ 1,953.01**
- The NPV of 19 annual payments would be $ 22,779 (discount rate of 5.44% - not adjusted)
- The payment to PGE would be **$ 15,375**
- The payment to EWEB would be **$ 6,834**
- The payment to PAC would be **$ 570**

B. Maintenance Payments

(**OPTION 2**: Portion of annual actual O&M costs)

- PGET would pay 37.7% of the actual annual maintenance cost for remainder of joint ownership
- The joint owners would pay a share of the remaining 62.3% equal to their ownership percentage
  - PGE would pay 42.0% (67.5% of 62.3%)
  - EWEB would pay 18.7% (30.0% of 62.3%)
  - PAC would pay 1.6% (2.5% of 62.3%)

Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER BUSINESS LINE

December 20, 2004

In reply refer to: PGC/RICHLAND

VIA FACSIMILE AND FIRST CLASS MAIL
Mr. Stephen M. Quennoz
Vice President, Generation
Portland General Electric Company
121 SW Salmon Street, 1WTC1702
Portland, OR 97204

Dear Mr. Quennoz:

Introduction

Thank you for your letter of October 22, 2004, "Trojan Co-Owner "Quitclaim" of Property and Improvements; Trojan Co-Owner Concurrence With Trojan Water Right Transfer." As we understand, there are two distinct actions being proposed by Portland General Electric ("PGE") in your letter for agreement by the Trojan Co-Owners. The first is a requested "quitclaim" of real property and improvements as concerns a portion of the Trojan site, and the second involves Co-owner "concurrence" with the transfer of Trojan water rights. These are discussed sequentially below.

Quit Claim of "West Trojan" Parcel

It is our understanding that the issue of the requested "quit claim" from the Project Co-Owners and Bonneville Power Administration ("BPA") is a discrete issue that may be considered separately from the Trojan water rights. As you indicate in your letter, such a proposed quitclaim was the subject of earlier discussions between PGE and the Trojan Co-Owners in early 2000 in the context of the "Trojan Park Proposal."

You correctly note in the CY 2000 correspondence you cite that both BPA and the Eugene Water & Electric Board ("EWEB") indicated a willingness to quitclaim those portions of the Trojan site real property and improvements previously identified as part of the "Trojan Park Project" to the State of Oregon for use as a State Park. You further note in your October 22, 2004 letter that: 1) the affirmative "responses" to PGE from BPA and EWEB with regard to the "Trojan Park Project" were predicated specifically on the contemporaneous end of "any Co-Owner obligation

for additional costs and/or liability associated with operation, maintenance, and/or decommissioning demolition of the Trojan assets covered by the quitclaim action;" and 2) that "[b]ecause progress towards completing the Trojan Park Project was subsequently halted, this Co-Owner position was never finalized ... ."

BPA notes that the current "West Trojan Parcel," quitclaim proposal that PGE has made, (in contrast to the "Trojan Park Project" proposal of almost five years ago), does not involve a donation of a portion of the Trojan site to the State of Oregon for use as a State Park. Instead, the proposal involves the transfer of what represents a Trojan Project asset held in common by all Trojan Co-Owners solely to PGE for use by PGE as an income producing leasehold property. Thus, there is a question as to what value might appropriately be attributed to such a Trojan Project Asset. Further discussion of this aspect of the transfer in the context of Section 24 of the October 5, 1970, "Agreement for Construction, Ownership, and Operation of the Trojan Nuclear Project." (Project Agreement) we believe would be useful.

A second issue also worthy of further discussion, and one previously contemplated by both BPA and EWEB in the various CY 2000 communications you reference in your October 22, 2004, letter, is the issue of how will PGE hold harmless or indemnify the other Trojan Co-Owners and BPA and provide financial assurance that regardless of any future financial developments with PGE, that none of the other Co-Owners or BPA will be held liable for operation, maintenance, or decommissioning demolition of the West Trojan Parcel. This concern finds its basis not only in the previous CY 2000 correspondence with PGE, but also in the in explicit terms and the contemplated sequence of asset transfers and reversion of real property contemplated in Section 24 of the October 5, 1970, Project Agreement.

Section 24 of the Project Agreement provides that –

> "When the Generating Plant can no longer be made capable, consistent with Prudent Utility Practice, as determined (if necessary) by the Project Consultant, of producing electricity, or is not licensable by the AEC, or when the Project is ended pursuant to Section 16, PGE shall sell for removal all salable parts of the Project to the highest bidders; provided, however, that the Real Plant Property shall revert to PGE. After deducting all costs of ending the Project, including, without limiting the generality of the foregoing, the cost of decommissioning, razing all structures and disposing of the debris and meeting all requirements of Federal, state, or local law relating to the safe deactivation of the plant, PGE shall close the appropriate trust account, and if there are net proceeds, including the value of the Plant Real Property as determined by agreement of al the Parties or in the absence of such agreement, by the Project Consultant. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred."

As indicated in Section 24 above, the Parties to the Project Agreement had originally contemplated that "salvage" of Project Assets would occur at "end of the project." Section 24 contemplated that from those proceeds of sale of Project Assets the costs of the Project including, but apparently not limited to, decommissioning costs, razing all structures, disposing of all debris, and meeting all legal requirements relating to safe plant deactivation, etc. would be offset against those proceeds from the sale of Project Assets. Any net proceeds remaining would then be distributed to each Party [Co-Owner] based on their allocated share.

It is clear that under Section 24 of the Project Agreement the Plant Real Property is to revert to PGE. Included, however, in the salvage value would be the value of the Plant Real Property, "as determined by agreement of all the Parties, or in the absence of such agreement, by the Project Consultant." Thus, not only do the Project Co-Owners all maintain a common economic interest in all Project Assets that was to be temporally "realized" only at the very end of the Project when all costs of decommissioning, etc. had been paid, but the same "commonly held" Project Assets provide "security" for all Co-Owners in the form of such assets to be applied against all costs of ending the Project, which would include decommissioning and spent fuel disposal.

Water Rights

As we understand from your October 22, 2004, letter, PGE has determined that now is an appropriate time to transfer the existing Trojan water rights to "an instream use and/or to another location" in order to avoid the forfeiture of the water rights due to non-use. Of the 89.5 cfs of aggregate Trojan water rights, you have indicated that PGE proposes that 0.4 cfs of the water rights will not be subject to transfer in the proposed application submitted to the Oregon Water Resources Department, but will be retained for fire suppression for remaining Trojan site structures.

Of the balance of 89.1 cfs it is our understanding that PGE now proposes to transfer approximately 5.4 cfs to itself for use with the Port Westward generating facility, a 30 mW combustion turbine being built by PGE. This application for water rights transfer would involve both an application for transfer of that 5.4 cfs to another "point of diversion," as described in your letter, and that the balance of the water rights would thereafter be retained.

As a Project Asset (or portion of a Project Asset), it would seem appropriate that the value of the 5.4 cfs that PGE proposes to transfer to itself for its own purposes would be ratably allocated among all Co-Owners, in the form of a revenue stream based on respective shares for EWEB and PacifiCorp that again could be applied annually to offset and reduce EWEB and PacifiCorp's annual share of Trojan costs in the form of annual decommissioning cost budget. BPA and EWEB are curious as to how PGE would propose to value the water rights (including future value) that would be transferred to PGE.

Remaining Water Rights

Consistent with the foregoing discussion concerning the character of the water rights as Trojan Project assets, we would wish to inquire as to whether PGE believes that in order to effect the required transfer of water rights the "Statement of Permission" enclosed as Enclosure II to your October 22, 2004, letter must completely vest discretion relating to transfers for "use at other locations" in PGE. We would like to explore the possibility that the subsequent permit could memorialize the status of the water rights as Project assets, subject to such future agreements and understandings that could be reached if PGE wished to transfer any remaining portions of the water rights for "other purposes."

Conclusion

Both BPA and EWEB appreciate the significance of the two proposals made by PGE concerning (1) quitclaim of the West Trojan parcel, and (2) the need to preserve existing Trojan water rights through a timely permit filing. Both BPA and EWEB are interested in exploring your proposals and believe that further discussions via a conference call between PGE, EWEB, PacifiCorp and BPA representatives might well facilitate our mutual understandings and timely resolution of these two issues. To this end we will attempt to schedule a conference call through Jerry Reid this week.

Sincerely,

Robert N. Sherman
Trojan Project Manager
Bonneville Power Administration

Cc:
Mr. Kenneth J. Beeson, Eugene Water & Electric Board
Mr. Ed M. Burton, PacifiCorp

Bcc:
James E. Benedict, Esq. - Cable Huston Benedict Haagensen & Lloyd
J. Lawrence Cable, Esq. - Cable Huston Benedict Haagensen & Lloyd
Thomas M. Grim - Cable Huston Benedict Haagensen & Lloyd
Geoffrey M. Kronick, Esq. – Bonneville Power Administration

bbcc:
A. Rapacz – PGC/RICH
J. Hairston – PG-5
D. Sandlin – PGC/RICH Official File – PGC (PM-14-24 Trojan)

GK/date

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Attachment to VPN-058-2004

Evaluation of Decommissioning Trojan Structures

Trojan Operating Committee
Evaluation of Decommissioning Trojan Structures

I. Executive Summary

II. Details

A. Positive Factors
- Resolution of a significant portion of the remaining decommissioning costs and risks.
- Value of retaining experienced PGE personnel for prompt dismantlement
- Shared use of resources to support building demolition in conjunction with the remaining radiological decommissioning activities until the 10CFR50 license is terminated.
- No annual expenses for inspection and maintenance of structures
- Good environmental stewardship demonstrated by aggressively acting to clean and decommission the majority of site facilities in a timely manner.
- Dismantlement activities in the near term could assist in helping to spur regional economic growth.

B. Potential Risks of Waiting
- Changes in building demolition costs
- Potential decommissioning regulation changes
- Costs to inspect and maintain buildings even in mothballed condition

C. Economic Case

III. Recommendations
- Structures To Be Removed In The Near Term
- Structures To Remain For The Foreseeable Future
- Structures With No Current Recommendation

IV. References

Evaluation of Decommissioning Trojan Structures

I. Executive Summary

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Decommissioning of the Trojan Nuclear Plant has progressed to the point that the key assumptions regarding the disposition of the Trojan structures should be reviewed and updated. Most radiological decommissioning work is complete and Final Survey is scheduled to end in October 2004. Completion of radiological decommissioning is expected by June 2005 with the termination of the 10 CFR 50 license.

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The current Decommissioning Plan is based on the earlier conclusion that the most economic course of action following completion of radiological decommissioning would be to delay final dismantlement of major structures until 2018. This delay was necessary because the PGE and PacifiCorp decommissioning trusts were not fully funded at the time of the plant shutdown and it was anticipated that it would be necessary to borrow money to complete the radiological decommissioning. Therefore, it was deemed prudent and cost effective to delay the remaining non-radiological decommissioning activities until the funds were replenished by continuing collections and interest on the funds. Dismantlement of major structures was scheduled to occur in parallel with decommissioning of the ISFSI in 2018. It should be noted that the date for ISFSI decommissioning has been extended until 2024 based on the delay in completion of an off-site spent fuel storage facility (i.e. Yucca Mountain).

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It is expected that upon completion of Radiological Decommissioning there will be a positive balance in the decommissioning trust funds. This is a result of savings realized from the efficient performance of the decommissioning activities completed to date and the slightly longer schedule period used to complete these activities. Therefore, completion of a major portion of the non-radiological decommissioning is possible over the next several years using existing funds and annual collections without borrowing to complete the work. As shown in the economic analysis, completion of this work in the near term is more cost effective than delaying the activities.

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Positive factors and potential risks addressed include:

- Resolution of a significant portion of the remaining decommissioning costs. The only costs remaining after demolition of these structures will be ISFSI O&M, ISFSI decommissioning and a minor amount for additional non-radiological decommissioning. Therefore, the risk going forward is minimized.
- Shared use of resources to support building demolition in conjunction with the remaining radiological decommissioning activities until the 10CFR50 license is terminated.
- Value of retaining experienced and talented PGE personnel for prompt dismantlement.
- Ongoing expenses for inspection and maintenance of structures will be eliminated once the structures are dismantled.
- Good environmental stewardship demonstrated by aggressively acting to clean and decommission the majority of site facilities in a timely manner.

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- Employment resulting from performance of dismantlement activities in the near term could assist in helping to spur regional economic growth.
- Increases in building demolition costs over time.
- Potential decommissioning regulation changes.

A thorough review and analysis of past assumptions and changes that have occurred during the decommissioning process, along with consideration of new factors (potential risks and costs) discussed later in this paper, has led to the following recommendations:

The following structures should be removed in the near term:

Old Administration Building
Old Guardhouse
Cooling Tower
Turbine Building
Auxiliary Building
Control Building
Fuel Building
Circulating Water Pump Pit
Containment Building

Some of the Trojan structures should not be dismantled at this point in time. The primary reason for leaving these structures intact for the foreseeable future is that they may provide value should the site be utilized for another purpose. In addition, the Technical Support Center must remain, because it houses the Central Alarm Station and the ISFSI Specialist offices and is anticipated to continue to do so until the nuclear fuel is shipped off site. Structures that should remain include:

Intake Structure
Discharge and Dilution Structure
Maintenance Building
Warehouse
Switchyard
Chlorine Building
Technical Support Center
Demineralizer Building

The decision to proceed with dismantlement of several structures will be driven by circumstances not analyzed in depth in this paper. No recommendation is given for these structures, at this time. These structures include:

Trojan Central Building
Trojan North Building
Training Building

A more detailed description of the facts and assumptions leading to these recommendations is contained in the remainder of this report.

II. Details

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II.Details

The current Decommissioning Plan is based on the earlier conclusion that the most economic course of action following completion of radiological decommissioning would be to delay final dismantlement of major structures until 2018. This delay was necessary because the PGE and PacifiCorp decommissioning trusts were not fully funded at the time of the plant shutdown and it was anticipated that it would be necessary to borrow money to complete the radiological decommissioning. Therefore, it was deemed prudent and cost effective to delay the remaining non-radiological decommissioning activities until the funds were replenished by continuing collections and interest on the funds. Dismantlement of major structures was scheduled to occur in parallel with decommissioning of the ISFSI in 2018. It should be noted that the date for ISFSI decommissioning has been extended based on the delay in completion of an off-site spent fuel storage facility. The current estimate by the Department of Energy (DOE) projects the Yucca Mountain Repository will begin receiving fuel in 2010 and based on the DOE acceptance schedule it is projected that the last fuel will leave Trojan in 2023.

It is expected that upon completion of Radiological Decommissioning there will be a positive balance in the decommissioning trust funds. This is a result of savings realized from the efficient performance of the decommissioning activities completed to date and the slightly longer schedule period used to complete these activities. Therefore, completion of a major portion of the non-radiological decommissioning is possible over the next several years using existing funds and annual collections without borrowing to complete the work. As shown in the economic analysis, completion of this work in the near term is more cost effective than delaying the activities until 2020 - 2024.

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A. Positive Factors

Benefits of proceeding immediately with structure dismantlement include:

1. Resolution of a significant portion of the ultimate decommissioning costs. The only costs remaining after demolition of these structures will be ISFSI O&M, ISFSI decommissioning and a minor amount for additional non-radiological decommissioning. Therefore, the risk going forward is minimized.

2. Shared use of resources to support building demolition in conjunction with the remaining radiological decommissioning activities until the 10CFR50 license is terminated. This will allow the manpower costs to be shared between the two activities reducing the overall cost.

3. Value of retaining experienced and talented PGE personnel for prompt dismantlement. The personnel to be utilized have gained extensive plant knowledge and valuable experience in the development of bid specifications, contract negotiations, contract management, and in the overall decommissioning work activities.

4. Ongoing expenses for inspection and maintenance of structures will be eliminated once the structures are dismantled. Otherwise, periodic inspections and maintenance of the structures will be required to ensure they

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remain structurally sound and do not present a risk to the remaining personnel.

5. Good environmental stewardship demonstrated by aggressively acting to clean and decommission the majority of site facilities in a timely manner.

6. Employment resulting from performance of dismantlement activities in the near term could assist in helping to spur regional economic growth.

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B. Potential Risks of Waiting

There are significant risks of incurring additional costs for demolition of structures if such demolition is postponed for several years.

These include:

1. Increases in building demolition costs
2. Potential decommissioning regulation changes
3. Inspection and maintenance costs

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Building Demolition Costs

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Estimated costs from a 1999 study by Sverdrup (now Jacobs Engineering) for demolition of each structure are the basis of the costs noted in the Trojan Decommissioning Cost Estimate. There is a risk that the actual escalation of building demolition costs will be in excess of the base assumption. In fact, Jacobs Engineering recently advised Trojan to assume 3% per year escalation for labor intensive activities looking 15 years forward. Labor escalation projections from the Office of Management and Budget are 3.4% annually. This 3.4% escalation rate was used for the costs associated with building demolition in this evaluation. The prompt demolition of the buildings minimizes this cost escalation risk. It should be noted that the economy is in recovery from recession and lingering unemployment is a critical issue at this time both politically and economically. It seems reasonable to assume that due to chronic unemployment, particularly in Oregon, there may be labor cost savings that could be realized if demolition work is performed in the near future, rather than many years from now.

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In addition, the cost to demolish the buildings is directly affected by regulations and costs associated with handling and disposition of hazardous material, including lead, asbestos, grease, oils, etc. Trojan has spent in excess of $750,000 on asbestos mitigation. The estimated future cost for disposition of hazardous materials related to building demolition is $4.5 million. There is a substantial risk that the cost to address asbestos will be well in excess of the estimated escalated cost due to a change in regulations addressing asbestos handling and the direct cost of disposal. In addition, annual asbestos inspections are required. This risk can be minimized by the prompt removal and disposition of the asbestos under the current regulations and the existing disposal rates.

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The above discussion also applies to the handling and disposition of other hazardous materials. Structural and miscellaneous steel in the buildings was typically primed with red lead primer. Other metals such as gratings, stairs, ladders, platform steel, q-deck, and some surfaces were coated with zinc based or chrome containing coatings or treatments. The hazardous materials also include containment tendon grease, residual oil in system components, etc. It should also be noted that in 1997, OR-OSHA launched a "special emphasis program" to reduce silica exposure and thus silicosis.

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Experience with the requirements related to working with asbestos, silica, lead based paint, PCB's, etc. has sensitized us to the potential economic risks of escalating regulations for these and other potentially hazardous materials. Although we are not aware of any new proposed rules relating to demolition of the facility, regulation change is a potential risk that could significantly affect the building demolition costs.

Decommissioning Regulatory Changes

Regulatory changes that affect decommissioning continue to be made. It is more conservative to complete decommissioning activities under current regulations than to wait and face the risk that regulated activities will become more burdensome and expensive. The potential issues include the differences between the Radiation Dose Limits for site release between the EPA and the NRC. The NRC and EPA have a memorandum of understanding to handle this dual regulation issue and Trojan's Radiation Protection Department has reviewed the memorandum and does not believe there are currently any outstanding issues relevant to Trojan. However, demolition of the affected buildings in the near term would completely mitigate this concern.

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There is a risk of huge cost increases associated with potential changes in the requirements for ultimate site release of material after completion of the final survey. If current plans are realized, the material will either be salvaged or disposed of in an industrial landfill. If requirements change and this material must be treated as low-level radioactive waste, the cost of disposal could increase a thousandfold (e.g. from $65,000 to $65,000,000 for the Fuel and Auxilliary building).

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Basic Inspection and Maintenance Costs

Periodic inspections and maintenance of the structures will be required to ensure they remain structurally sound and do not present a risk to the remaining personnel. Basic maintenance costs of buildings could be substantial as the facility continues to age and there is significant risk these costs will continue to escalate as the facility ages. Roof repairs and other maintenance will likely be required for any buildings mothballed, but not dismantled.

C. Economic Case

Additional Costs

In addition to the changes addressed in this paper regarding the extension of the on-site fuel storage period and the alternatives for prompt or delayed demolition of the major facilities, some additional costs have been identified and included in the analysis.

These costs will be funded regardless of whether decommissioning is performed in the near future or delayed. In addition, there is a significant risk these costs will increase each year that decommissioning is postponed.

Annual costs for inspection and maintenance of structures: Estimates to inspect and maintain the major structures range from $15,000 to $20,000 per year for the early years, gradually increasing in the later years.

Cooling Tower Lighting Inspection and Maintenance: The cooling tower has unique requirements associated with its height. The Federal Aviation Administration (FAA) requires a daily inspection to verify that all cooling tower lights are functioning. The cost for performing this inspection is minor, however, cooling tower maintenance will be required each time a flashing beacon or strobe light becomes inoperable. FAA regulations also require notification of these outages and that repair be performed as soon as possible. For the roughly six month period from 7/29/03 through 1/15/04, these costs were $11,480. This results in a total expected cost of $22,000 per year.

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PGE Project Management Personnel: The current estimate does not include funds for the personnel necessary to manage the major structure dismantlement process. This cost is estimated to be $1,560,000.

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Standard Project Contingency: The initial estimates utilized in the Decommissioning Cost Forecast did not include the standard project contingency. Therefore, the estimate was adjusted for a contingency of 17% for an expected cost of $4,687,750.

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Hazardous material mitigation costs: Hazardous material mitigation costs and an associated contingency are included in the decommissioning cost estimate. This estimate and related contingency are based on the known hazardous materials given the current regulations and limits and the current remediation techniques based on these regulations. However, during the past 10 years, there have been substantial changes as to which materials are of concern during the decommissioning activities and which processes and controls should be utilized during remediation activities. This includes requirements for lead based paint, heavy metals, silica, asbestos, etc. Therefore, an additional contingency to address future hazardous materials mitigation is reasonable and prudent. The total added cost is $337,500.

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Cash Flow Statements

For this paper, three scenarios for completing decommissioning have been evaluated and compared. The spreadsheets are attached for your information. The scenarios are based on the following assumptions:

Current:
- Cash flow used in the March 2004 NRC filing.
- Cooling tower demolished in 2005.
- All other buildings demolished in 2018 - 2019.
- ISFSI Operations funded through 2018.

Delayed Demolition:
- Decommissioning Plan, revision 19.
- Buildings, including cooling tower, demolished in 2020 - 2024.
- Additional costs specified on the previous page are included.
- ISFSI Operations funded through 2023.

Prompt Demolition:
- Proposed plan.
- Demolition of old administration building, old guardhouse, cooling tower, turbine building, auxiliary building, control building, fuel building, circulating water pump pit, containment building in 2005 - 2008. All other buildings in 2024.
- Additional costs specified on the previous page are included.
- ISFSI Operations funded through 2023.

Numbers for each scenario are shown in both 1997 dollars and nominal dollars and reflect 100% of costs. The Current scenario is presented for information only. Since it does not include the additional expected costs as noted above and since ISFSI Operations are only funded through 2018, no meaningful comparison with the other two scenarios can be made.

The Prompt scenario is significantly less costly than the Delayed scenario in nominal dollars. Perhaps more importantly, the Prompt scenario also significantly reduces potential risks inherent in the Delayed scenario.

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III. Recommendations

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Structures To Be Removed In The Near Term

Some of the Trojan structures should be dismantled promptly. This conclusion is supported economically and from a risk mitigation standpoint. Dismantlement activities can be scheduled to proceed at a pace that will allow current collections of decommissioning funds to fully pay for all activities as they are performed.

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Old Administration Building and Guardhouse

Dismantlement of the old Administration Building and the Guardhouse should be performed first, in 2005. The scope of this work is not substantial and it can proceed without negatively impacting progress and completion of Final Survey.

Cooling Tower

Removal of the cooling tower should follow dismantlement of the Administration and Guardhouse structures. This will be a much larger scale project, but one which can also be done without impact on Final Survey. Also, if Part 50 license termination is delayed for any reason, removal of the Cooling Tower can still proceed, unimpeded. Removal of the cooling tower will eliminate the need for ongoing maintenance of the required lighting systems on the structure.

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Turbine Building

The Turbine Building should be removed following Part 50 license termination. Scrap prices are up significantly now for salvaging the condenser titanium tubes and feedwater heater and moisture separator/reheater stainless steel tubes. These prices would provide a significant offset to the demolition costs for the Turbine Building. A titanium dealer contacted Trojan in January of 2004 and stated that the titanium in the condenser tubes is worth about $1,400,000. This is more than twice the value of two years ago.

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Auxiliary Building

Control Building

Fuel Building

Circulating Water Pump Pit

Containment Building

Demolition of the Containment Building is likely to be difficult, expensive and time consuming. In addition, the work will proceed more efficiently if the surrounding buildings are removed. Therefore, it is recommended that dismantlement of this structure be performed after demolition of the previously listed structures.

Structures To Remain For The Foreseeable Future:
Some of the Trojan structures should not be dismantled at this point in time. The primary reason for leaving these structures intact for the foreseeable future is that they may provide value should the site be re-used and little of the risks previously discussed are associated with these structures. The Technical Support Center must remain because it houses the Central Alarm Station and the ISFSI Specialist offices and is anticipated to continue to do so until the nuclear fuel is shipped off site. Structures that should remain include:

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Intake Structure

Discharge and Dilution Structure

Maintenance Building

Warehouse

Chlorine Building

Switchyard

Technical Support Center

Demineralizer Building

Structures With No Current Recommendation:
The decision to proceed with dismantlement of several structures will be driven by circumstances not analyzed in depth in this paper. No recommendation is given for these structures, at this time. Considerations driving the decision for these structures include, for example, possible future uses by PGE or organizations wishing to buy or lease the facilities. These structures include:

Trojan Central Building
The current plan is to vacate the TCB in early 2005.

Trojan North Building
This building is currently being used for document storage and is expected to continue to be used for this purpose for at least five more years.

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Training Building
Lease negotiations are in progress for this building.

Note:
The TNP Decommissioning Plan (PGE 1061) states that PGE is required to notify the NRC and the State of Oregon, in writing, before performing any decommissioning activity inconsistent with, or making any significant schedule change from, those actions and schedules described in the Plan. Currently, revision 19 of PGE 1061 lists 2018 and

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2019 as the scheduled dates for major non-radiological work and site restoration (structure removal). OAR 345-026-0370 states that significant revisions to the decommissioning plan must be reviewed and approved by the Energy Facility Siting Council (EFSC) prior to implementation. However, the prompt demolition of structures does not meet any of the definitions of significant revisions. The OAR also requires EFSC notification prior to implementation if a proposed change in the plan involves an increase or decrease in costs greater than 10 percent of the previous estimation. In addition, it is advisable to provide an update to the OPUC noting the schedule change for these activities.

IV. References

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A. Trojan Decommissioning Backout Plan, Revision 1, March 2003

B. TNP Decommissioning Plan, Revision 19, March 2004

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C. OAR 345-026-0370

D. Trojan Decommissioning Costs Estimate, Overview and Validation, Revision 4, May 16, 1996

E. Containment Building Demolition and Disposal, Cost Estimate, November 8, 1999, Sverdrup Civil, Inc.

F. Basis Of Estimate, December 30, 1999, Sverdrup CRSS

G. Cooling Tower Demolition and Disposal, Cost Estimate, May 7, 1999, Sverdrup Civil, Inc.

H. E-mail from Steve Bichich of Jacobs Engineering to John Allison of PGE, April 22, 2004, Subject: Escalation for 15 years out.

I. Global Insight: The U.S. Economy, The 25-Year Focus, Winter 2004 (published on April 2004).

Current Status as of June 30, 2004 - 100% Share, 1997 Dollars

	2005	2006	2007	2008	2009	2010
NRC Decommissioning	6,414,450	0	0	0	0	0
Site Restoration	3,389,246	185,894	0	0	0	0
ISFSI O & M	3,850,102	3,825,268	3,879,251	4,008,116	3,665,676	3,617,681
Project Mgmt Reserve	0	0	0	0	0	0
Sub-Total	13,653,798	4,011,162	3,879,251	4,008,116	3,665,676	3,617,681
ISFSI Decommissioning	0	0	0	0	0	0
Total Decommissioning	13,653,798	4,011,162	3,879,251	4,008,116	3,665,676	3,617,681
PGE Share (67.5%)	9,216,314	2,707,534	2,618,495	2,705,478	2,474,331	2,441,935
EWEB/BPA Share (30%)	4,096,139	1,203,349	1,163,775	1,202,435	1,099,703	1,085,304
PacifiCorp Share (2.5%)	341,345	100,279	96,981	100,203	91,642	90,442
	13,653,798	4,011,162	3,879,251	4,008,116	3,665,676	3,617,681

Current Status as of June 30, 2004 - 100% Share, Nominal Dollars

	2005	2006	2007	2008	2009	2010
NRC Decommissioning	7,749,092	0	0	0	0	0
Site Restoration	4,094,440	230,479	0	0	0	0
ISFSI O & M	4,651,184	4,742,720	4,936,145	5,234,251	4,912,955	4,976,149
Project Mgmt Reserve	0	0	0	0	0	0
Sub-Total	16,494,716	4,973,199	4,936,145	5,234,251	4,912,955	4,976,149
ISFSI Decommissioning	0	0	0	0	0	0
Total Decommissioning	16,494,716	4,973,199	4,936,145	5,234,251	4,912,955	4,976,149
	16,494,716	4,973,199	4,936,145	5,234,251	4,912,955	4,976,149
	0	0	0	0	0	0
PGE Share (67.5%)	11,133,933	3,356,909	3,331,897	3,533,120	3,316,244	3,358,900
EWEB/BPA Share (30%)	4,948,415	1,491,960	1,480,844	1,570,275	1,473,887	1,492,845
PacifiCorp Share (2.5%)	412,368	124,330	123,404	130,856	122,824	124,404
	16,494,716	4,973,199	4,936,145	5,234,251	4,912,955	4,976,149

2011	2012	2013	2014	2015	2016	2017	2018
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	17,704,243
3,560,760	3,569,830	3,560,760	3,560,760	3,560,760	3,535,740	3,560,760	3,249,400
0	0	0	0	0	0	0	30,348,767
3,560,760	3,569,830	3,560,760	3,560,760	3,560,760	3,535,740	3,560,760	51,302,410
0	0	0	0	0	0	0	7,853,149
3,560,760	3,569,830	3,560,760	3,560,760	3,560,760	3,535,740	3,560,760	59,155,559
2,403,513	2,409,635	2,403,513	2,403,513	2,403,513	2,386,624	2,403,513	39,930,002
1,068,228	1,070,949	1,068,228	1,068,228	1,068,228	1,060,722	1,068,228	17,746,668
89,019	89,246	89,019	89,019	89,019	88,394	89,019	1,478,889
3,560,760	3,569,830	3,560,760	3,560,760	3,560,760	3,535,740	3,560,760	59,155,559

2011	2012	2013	2014	2015	2016	2017	2018
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	29,973,337
5,026,664	5,172,009	5,294,544	5,433,791	5,576,702	5,683,150	5,873,894	5,501,244
0	0	0	0	0	0	0	51,380,553
5,026,664	5,172,009	5,294,544	5,433,791	5,576,702	5,683,150	5,873,894	86,855,134
0	0	0	0	0	0	0	13,295,405
5,026,664	5,172,009	5,294,544	5,433,791	5,576,702	5,683,150	5,873,894	100,150,539
5,026,664	5,172,009	5,294,544	5,433,791	5,576,702	5,683,150	5,873,894	100,150,539
0	0	0	0	0	0	0	0
3,392,998	3,491,106	3,573,817	3,667,809	3,764,273	3,836,126	3,964,879	67,601,614
1,507,999	1,551,603	1,588,363	1,630,137	1,673,011	1,704,945	1,762,168	30,045,162
125,667	129,300	132,364	135,845	139,418	142,079	146,847	2,503,763
5,026,664	5,172,009	5,294,544	5,433,791	5,576,702	5,683,150	5,873,894	100,150,539

2019	Totals
0	6,414,450
13,578,764	34,858,147
0	51,004,864
0	30,348,767
13,578,764	122,626,228
0	7,853,149
13,578,764	130,479,377
9,165,666	88,073,579
4,073,629	39,143,813
339,469	3,261,985
13,578,764	130,479,377

2019	Totals
0	7,749,092
23,593,496	57,891,752
0	73,015,402
0	51,380,553
23,593,496	190,036,799
0	13,295,405
23,593,496	203,332,204
23,593,496	203,332,204
0	0
15,925,610	137,249,235
7,078,049	60,999,663
589,837	5,083,306
23,593,496	203,332,204

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Trojan Decommissioning
DOE Revised Spent Fuel Schedule Causes Revised Dismantlement Options
Prompt vs Delayed Dismantlement

BACKGROUND

- The current decommissioning schedule includes completion of radiological decommissioning activities in 2005 and dismantlement of the Trojan facility 2019. The dismantlement delay is necessary because the PGE and PacifiCorp decommissioning trusts were not fully funded at the time of the plant shutdown and it was anticipated that it would be necessary to borrow money to complete the radiological decommissioning. Therefore, it seemed prudent and cost effective to delay the remaining non-radiological decommissioning activities until the funds were at a level to support dismantlement.
- In July 2004 the DOE Office of Civilian Radioactive Waste Management published a revised Acceptance Priority Ranking & Annual Capacity Report.
    - The report indicates that DOE will delay the current schedule regarding acceptance of Trojan spent fuel.
    - The current Trojan decommissioning plan schedule can not be implemented due to the change in the DOE schedule
    - PGE will revise the Trojan decommissioning plan and schedule based on the new information form DOE
    - The DOE delay caused PGE to extend the current decommissioning schedule and extend operation of the ISFSI from 2018 to 2024
    - PGE has requested the co-owners to concur with the proposed prompt dismantlement plan discussed below
- In an effort to address the delay PGE developed and proposed two scenarios regarding demolition of the Trojan power plant buildings (cooling tower, administrative building, guardhouse, turbine building, control building, auxiliary building, fuel building, circulating water pump pit, and the containment building).
- The prompt demolition proposal completes building demolition in 2008
- The delayed demolition scenario extends building demolition from 2019 to 2024
- The cost, benefits and risk of each proposal is discussed below

COSTS

- Prompt
    - This option has a total going forward cost of $193,051,096 (nominal $)
    - The previously assumed (existing plan) has a total going forward cost of $203,332,204 (nominal $), However, this plan is no longer achievable
    - This option avoids annual building O&M costs ((~$60k/year nominal $)
    - This option includes demolition cost from 2005 through 2008 and then is zero until 2024
    - Net present value is estimated in the range of -$2 to -$5.8 million compared to the Delayed NPV depending on an interest rate of 4% or 7%.
    - This option adds ~ $3 million to the present rate case
    - This option adds ~ $10 million to the next rate period over current projections (2007 and 2008)

Trojan Decommissioning
DOE Revised Spent Fuel Schedule Causes Revised Dismantlement Options
Prompt vs Delayed Dismantlement

- Delayed
  - This option has a total going forward cost of $218,167,108 (nominal $)
    - includes annual costs for inspection and maintenance of the major structures and are estimated to cost from $15,000 to $20,000 per year
    - includes cooling tower maintenance and is expected to cost $22,000 per year

BENEFITS

- Prompt
  - Dismantlement costs will be known and will not escalate beyond 2008
  - Costs for majority of decommissioning borne by customers who obtained the benefit of the plant when it operated
  - Shared use of resources to support building demolition in conjunction with the remaining radiological decommissioning activities until the 10CFR50 license is terminated.
  - There is value in retaining experienced PGE staff for prompt dismantlement to manage demolition contractors
  - Elimination on ongoing expenses for inspection and maintenance of structures once they are dismantled
  - Increased environmental stewardship demonstrated by dismantlement activities in the near term
- Delayed
  - Lower short term costs

RISKS

- Potential risks associated with delayed dismantlement of the buildings include:
  - Uncertainty in Decommissioning Trust Fund earnings
  - Uncertainty in building demolition labor costs beyond escalation assumptions of 3.4% annually
  - Uncertainty in the increase in handling and disposition costs of hazardous material
    - Grease, oils, asbestos , lead, etc.
  - Uncertainty regarding decommissioning regulation changes
    - Regulatory changes that affect decommissioning continue to be made. It is more conservative to complete decommissioning activities under current regulations than to wait and face more burdensome and expensive regulations.
    - There is a risk of large cost increases associated with potential changes in the requirements for ultimate site release of material from the fuel and auxiliary building demolition. The material will either be salvaged or disposed of in an industrial landfill. If requirements change and the material must be treated as low-level radioactive waste, the cost of disposal could increase by a factor of 1,000 (e.g. from $65,000 to $65,000,000).
  - Increase in basic inspection and maintenance costs

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Trojan Decommissioning
DOE Revised Spent Fuel Schedule Causes Revised Dismantlement Options
Prompt vs Delayed Dismantlement

ANALYSIS

- The Prompt scenario is significantly less than the Delayed scenario in nominal dollars ($25 million less)
- The Prompt scenario is significantly reduces potential risks associated with building material disposal cost
- The Delayed scenario has a NPV in the range of $2 to $5.8 million higher than the Prompt secnario

RECOMMENDATION

- PGC/Richland staff recommends concurrence with the Co-Owners proposal to pursue prompt demolition for Trojan plant structures
  This is Bob's recommendation at this point, however is does not factor in the impacts to us financially. Dana is still gathering info on that, which we will have to look at next week. - Andy

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Oregon's ground water code, which requires a permit to use ground water for many uses, was enacted in 1955. Pre-1955 ground water users had an opportunity to register their use under ORS 537.605 and 537.610. These "certificates of registration" are not final determinations of the water use; the final determination is made through an adjudication by the Department and decree of the court. The adjudication of ground water registrations is many years off. In the mean time, there is no process to modify the place of use, type of use or point of appropriation of the ground water use claimed in the registration. This legislative concept would provide the Water Resources Commission the authority to develop such a process.

Fiscal Impacts
Estimated revenue $70,000 other funds.

690/04 - (Regulatory Streamlining – Use of Stored Water)

(a) Provide for an expedited process to obtain a permit to use stored water – *recognition that this type of water use from an existing storage facility has low probability of harm to the environment or existing water users.*

(b) Provide that all water stored (in non-federal projects) under a permit, certificate, order or decree is deemed to be for multi-purpose storage – *eliminates the need to change the character of use of the stored water prior to making an application to use the stored water for environmental enhancement or economic development purposes.*

Summary of LC 04 – Regulatory Streamlining (Use of Stored Water)

Description of the concept
This concept would establish an expedited process to obtain a water right permit to use water lawfully stored in a reservoir. The concept would also establish that all water stored in non-federal reservoirs under a permit, certificate, order or decree is deemed to be for multi-purpose storage.

Purpose of the concept
The water right permit review process is designed to ensure that proposed new appropriations of surface water will not impair or be detrimental to the public interest. The current process provides for numerous notice and comment opportunities and therefore takes a minimum of 6 months to complete. However, the proposed use of water already stored in a reservoir has a very low probability of harm to the environment or existing water users. This concept recognizes the low probability of concerns being raised about this type of use and establishes an expedited permitting process.

Permits authorizing the storage of water in a reservoir describe the use for which the water is being stored e.g., irrigation use etc. If a water user wants to change the use of the stored water (e.g. from irrigation to commercial use), under current law, they need to submit two transfer applications - one to change their use of the stored water and one to change the purpose for which the water is being stored under the reservoir permit. Deeming all water legally stored in non-federal reservoirs to be for multiple purpose storage will eliminate the need to submit a transfer to change the purpose for which the water is stored.

Fiscal Impacts
Fiscal impacts are unknown at this time.

690/05 - (Sustainability – Instream Leasing)
Clarify under ORS 540.610 that when a primary water right is leased instream the "forfeiture clock" for the supplemental water right is tolled – *provides certainty about the status of underlying supplemental water rights.*

Summary of LC 05 – Instream Leasing

Description of the concept
This concept would clarify under ORS 540.610 that when a primary water right is leased instream under ORS 537.348 the "forfeiture clock" for an underlying supplemental water right is tolled.

Purpose of the concept
The leasing of a water right instream provides multiple benefits including the restoration of streamflow and the protection of the water right from forfeiture (five consecutive years of non-use). A concern by some lease applicants is that their supplemental water right (a water right to make up a deficiency in supply from the "primary" right) may be subject to forfeiture because it is not being used while the primary water right is leased instream. This concept would amend ORS 540.610 to alleviate this concern.

Fiscal Impacts
No fiscal impacts are anticipated to result from this concept.

Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER BUSINESS LINE

January 5, 2000

In reply refer to: PGCO/Richland

Steven M. Quennoz, Trojan Site Executive
Trojan Nuclear Plant
71760 Columbia River Highway
Rainier, OR 97048

Dear Mr. Quennoz:

We have reviewed your November 18, 1999, request to identify our preferred approach to donating the area and buildings outside of the protected area of the Trojan Plant to the State of Oregon. We understand that this donation is for the development of a park with overnight camping capabilities. While we support the concept of some use of the existing facilities and land, we do feel that there is a need to limit our potential liability and obligation and to avoid future impacts on our on-going business operations at Trojan.

We would be willing to "Quit Claim" our interest in the buildings and area, outside of the protected area, to Portland General Electric (PGE), but we are convinced that our obligation for any additional costs or obligation should end with this action.

If this preferred approach is unacceptable to PGE, we are going to need additional information on potential alternates and associated costs in order for us to make an informed decision on approach.

Sincerely,

Robert F. Mazurkiewicz
Supervisory, Nuclear Engineer

cc:
Ken Beeson - EWEB

bcc:
PGC Official File ( )

RMazurkiewicz:5772;1/5/00 (w:\-office\Jan-mailings\TrojQuit.doc)

Department of Energy

Bonneville Power Administration
Mail Drop 1399
P.O. Box 968
Richland, Washington 99352-0968

POWER BUSINESS LINE

January 26, 2000

In reply refer to: PGCO/Richland

Steven M. Quennoz, Trojan Site Executive
Trojan Nuclear Plant
71760 Columbia River Highway
Rainier, OR 97408

Dear Mr. Quennoz:

This letter is to provide clarification to our letter of January 5, 2000, in which we offered to "Quit Claim" our interest in all property and buildings outside the protected area. We understand that you now call this area the industrial area.

We will still honor the original offer to "Quit Claim" all property including buildings outside of the industrial area. We also are still convinced that any liability for any additional obligations or costs should end with this action.

If this preferred approach is unacceptable to PGE, we will need additional information on potential alternatives and associated costs to allow for an informed decision on another approach.

Sincerely,

Robert F. Mazurkiewicz
Supervisory, Nuclear Engineer

cc:
Ken Beeson - EWEB

bcc:
PGC Official File ( )

D. Williams
DWilliams:5088:1/25/00 (w:\-office\Jan-mailings\TrojQuit2.doc)

DEED AND BILL OF SALE

PORTLAND GENERAL ELECTRIC COMPANY, an Oregon corporation, Grantor, conveys to the CITY OF EUGENE, a municipal corporation of the State of Oregon, Grantee, for the use and benefit of the EUGENE WATER & ELECTRIC BOARD, an undivided 30 percent interest, and to PACIFIC POWER & LIGHT COMPANY, a Maine corporation, Grantee, an undivided 2 1/2 percent interest in the following described property as tenants in common with Grantor:

> That real property in Columbia County, Oregon more particularly described in Exhibit I, attached hereto and incorporated herein, and all equipment and facilities now and hereafter constructed or installed thereon.

When the Project, as described in Exhibit II (the Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant dated October 5, 1970, as supplemented by the Supplemental Agreement dated October 5, 1970, attached hereto and incorporated herein) is ended pursuant to the provisions of Section 16 or Section 24 of said Agreement as supplemented, the real property hereby conveyed shall revert to the Grantor, and as a condition of the making and acceptance of this conveyance, Grantees covenant that, upon request of Grantor, Grantees, and each of them, then shall execute appropriate quitclaim deeds conveying to Grantor their respective interests in said real estate.

Grantor covenants with Grantees, and by acceptance hereof Grantees covenant with Grantor and with each other, that they expressly waive any rights of partition of the property hereby conveyed until the End of the Project as set forth in said Agreement as supplemented.

This instrument is executed for the purpose of carrying out the terms and provisions of said Agreement as supplemented (Exhibit II), and in the event of conflict between the provisions of said Agreement as supplemented and the foregoing, the provisions of said Agreement as supplemented with respect to the estates hereby created and the obligations and duties of the parties shall be paramount.

This instrument and the terms and provisions hereof, subject to the provisions of said Agreement as supplemented, shall inure to the benefit of and be binding upon the successors and assigns of Grantor and Grantees.

This conveyance is subject to easements, rights-of-way, restrictions, reservations and other encumbrances of record.

DATED this 31st day of August, 1976.

PORTLAND GENERAL ELECTRIC COMPANY

ATTEST: _____ BY: _____

"GRANTOR"

EUGENE WATER & ELECTRIC BOARD

ATTEST: _____ BY: _____

PACIFIC POWER & LIGHT COMPANY

ATTEST: _____ SECRETARY BY: _____ SENIOR VICE PRESIDENT

"GRANTEES"

STATE OF OREGON)
) ss.
County of Multnomah)

August 18, 1976.

Personally appeared H. H. Phillips and James K. Buell, who being duly sworn did say that they are the Vice President, Corp.Counsel & Sec., and Assistant Secretary of PORTLAND GENERAL ELECTRIC COMPANY, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said

corporation by authority of its Board of Directors; and they acknowledged said instrument to be its voluntary act and deed.

BEFORE ME: Rosalie A. Merritt
Notary Public for Oregon
My Commission Expires: 5-21-78

STATE OF OREGON)
) ss.
County of Lane) July 26, 1976.

Personally appeared J. A. Tiffany, and Keith Parks, who being duly sworn did say that they are the President, and Secretary, of the EUGENE WATER & ELECTRIC BOARD, and that said instrument was signed and sealed by authority of its Board of Commissioners; and they acknowledged said instrument to be its voluntary act and deed.

BEFORE ME: Patricia E. Eccley
Notary Public for Oregon
My Commission Expires: 8-21-77

STATE OF OREGON)
) ss.
County of Multnomah) August 31, 1976.

Personally appeared G. E. Drennan, and L. Bennett, who being duly sworn did say that they are the SENIOR VICE-PRESIDENT, and SECRETARY, of PACIFIC POWER & LIGHT COMPANY, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors; and they acknowledged said instrument to be its voluntary act and deed.

BEFORE ME: John F. Larson
Notary Public for Oregon
My Commission Expires: June 10, 1976

ST. HELENS

June 6, 1978

BOOK 207 PAGE 824

THREE PARCELS AT TROJAN NUCLEAR PLANT

Three parcels of land lying in Sections 35 and 36, Township 7 North, Range 2 West, and Sections 1 and 2, Township 6 North, Range 2 West, Willamette Meridian, and being more particularly described as follows, to-wit:

PARCEL I

Beginning at an iron pipe monumenting the corner common to the aforesaid Sections (having plant grid coordinates of N-10073.94 and E-4375.56), Thence North 481.06 feet to a point 555 feet North of (when measured at right angles to) the East-West Baseline, Trojan Plant Grids; Thence East 64.44 feet, more or less, to a point 25 feet from (when measured at right angles to) the centerline of the plant spur track and TRUE POINT OF BEGINNING; Thence Northwesterly tracing a line 25 feet from (when measured at right angles to) the centerline of said spur to the Easterly right-of-way line of the Burlington Northern Railroad; Thence Southerly tracing said Easterly right-of-way line to a point 1850 feet South of (when measured at right angles to) the aforesaid East-West Baseline; Thence East 1000 feet, more or less, to the boundary between PGE Company's land and the Columbia River, as disclosed in prior deeds of record on file in deed records of said county; Thence downstream, tracing said boundary to a point 555 feet North of (when measured at right angles to) the East-West Baseline, Plant Grid; Thence West 1000 feet, more or less, to the TRUE POINT OF BEGINNING.

PARCEL II

Beginning at an iron pipe monumenting the corner common to the aforesaid Sections (having Plant Grid coordinates of N-10073.94 and E-4375.56); Thence North 301.06 feet to a point 375 feet North of (when measured at right angles to) the East-West Baseline, Trojan Plant Grid; Thence West 115.56 feet to the TRUE POINT OF BEGINNING; Thence West 520 feet; Thence South 590 feet; Thence East 520 feet; Thence North 590 feet to the TRUE POINT OF BEGINNING.

PARCEL III

Beginning at an iron pipe monumenting the corner common to the aforesaid Sections(having Plant Grid coordinates of N-10073.94 and E-4375.56); Thence North 76.06 feet to a point 150 feet North of (when measured at right angles to) the East-West Baseline, Trojan Plant Grid; Thence West 1660.56 feet to the TRUE POINT OF BEGINNING; Thence South 750 feet; Thence West 175 feet; Thence North 267 feet; Thence West 115 feet; Thence North 483 feet; Thence East 290 feet to the TRUE POINT OF BEGINNING.

EXHIBIT "I"

ST. HELENS

June 8, 1976

The bearings used herein are Trojan Plant Grid as shown on Trojan Nuclear Plant Drawing No. C-1_, Marked Exhibit "A", and dated June 8, 1976.

The herein above described three parcels are shown outlined in red on a print of said drawing and by reference thereto for purposes of description are made a part hereof.

ST. HELENS

ST. HELENS

BOOK 207 PAGE 826

PROPOSED TROJAN CO-OWNER ACTIONS - TROJAN WEST QUITCLAIM AND WATER RIGHT TRANSFER

Presentation to Trojan Co-Owners - October 20, 2004

PROPOSED CO-OWNER ACTION

QUITCLAIM OF TROJAN WEST

- PGE requests Trojan Co-Owners quitclaim ownership interest in land and improvements located within the portion of the Trojan site west of the railroad tracks (Trojan West)

- In exchange, PGE would release the Co-Owners from further costs and/or liability associated with operation, maintenance, capital improvements, and/or demolition of the Trojan assets covered by the quitclaim action

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TRANSFER OF WATER RIGHT

- PGE further requests Co-Owner concurrence with the proposed transfer of the Trojan site Water Right in an effort to preserve potential future uses

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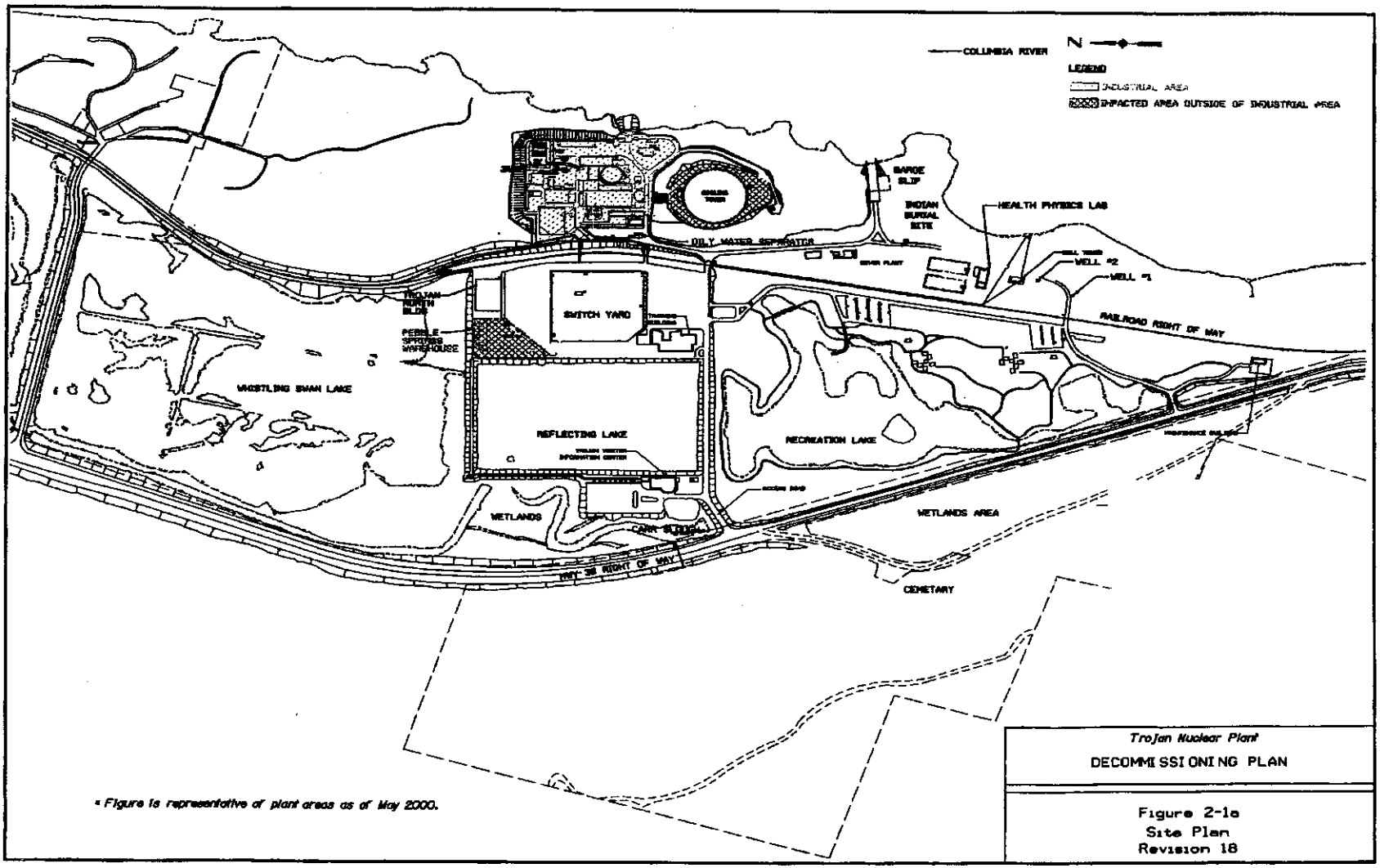
PURPOSE OF PROPOSED ACTION

- Clarify and simplify ownership/ responsibility for site given the extended nature of on-site fuel storage
- Provides PGE the full use of the land and facilities and facilitates PGE's planning and use of the Trojan site
  - Business Uses of site
  - Oregon State Park

TROJAN WEST - DESCRIPTION

- Land and improvements located within the portion of the Trojan site west of the railroad tracks
  - Land includes the real property underlying the Switchyard and the former Visitor Information Center
  - Improvements include the Trojan Switchyard, Training Building, North Building, Pebble Springs Warehouse, and Park facilities
  - Resolves any potential conflicting info *re* ownership of remaining areas in Trojan West

TROJAN WEST


COLUMBIA RIVER
N
LEGEND
INDUSTRIAL AREA
IMPACTED AREA OUTSIDE OF INDUSTRIAL AREA
BARGE SLIP
INDIAN BURIAL SITE
HEALTH PHYSICS LAB
OILY WATER SEPARATOR
SEWER PLANT
WELL #2
WELL #1
RAILROAD RIGHT OF WAY
TROJAN NORTH BLDG.
PEBBLE SPRINGS WAREHOUSE
SWITCH YARD
WRESTLING SWAN LAKE
REFLECTING LAKE
RECREATION LAKE
WETLANDS
WETLANDS AREA
CARR SLOUGH
ACCESS ROAD
HWY. 30 RIGHT OF WAY
CEMETARY
* Figure is representative of plant areas as of May 2000.
Trojan Nuclear Plant
DECOMMISSIONING PLAN
Figure 2-1a
Site Plan
Revision 18

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- Similar to "Trojan Park" quitclaim effort in 2000
  - In 2000, the Trojan Co-Owners indicated their willingness to "quitclaim" their ownership interest in the land and improvements outside the Trojan Industrial Area, stipulating that Co-Owner obligation for additional costs and/or liability would end upon execution of the quitclaim action
  - Because progress towards completing the Trojan Park Project was subsequently halted, this Co-Owner position was never finalized in a Quitclaim Deed and Bill of Sale and amendment to Co-Owners' Agreement

QUITCLAIM OF TROJAN WEST

- Quitclaim action at this time would only represent an acceleration of quitclaim already specified in "Deed and Bill of Sale" dated August 31, 1976, and is consistent with the Co-Owners' Trojan Operating Agreement

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  - Such conveyance would be recorded by Co-Owner execution of quitclaim deeds conveying to PGE their respective interests in the Trojan site real property

QUITCLAIM OF TROJAN WEST

- "End of the project" as described in the Co-Owners' Agreement includes:
  - Meeting requirements of Federal, State, and Local Law relating to safe deactivation of plant
  - Completing decommissioning, including razing structures and disposing of debris

QUITCLAIM OF TROJAN WEST

- For Trojan West, the intent of "end of the project" as described in the Co-Owners' Agreement would be materially satisfied by the quitclaim action.
  - Activities meeting the requirements of Federal, State, and local law re safe deactivation of the nuclear plant are complete for Trojan West
  - With PGE's release of the Co-Owners from further costs and/or liability associated with Trojan West, the intent of "end of the project" as described in the Agreement would be materially satisfied.

QUITCLAIM OF TROJAN WEST

Costs vs Benefits

- Co-Owners reduce costs and liability risk by releasing ownership interests
  - O&M - Approx. $59K/yr*
  - Capital Improvements - Approx. $161K*
  - Decom/Demolition - Approx. $366K*

* All estimates are based on current planning and are presented in 2004 dollars

WATER RIGHT TRANSFER

- PGE requests Co-Owner concurrence with the proposed transfer of the Trojan site Water Right in an effort to preserve potential future Water Right uses

WATER RIGHT TRANSFER

- Once established, a water right must be used as provided in the right (i.e., at the capacity and purpose stated in the certificate) at least once every five years.

- After five consecutive years of non-use, the right is considered forfeited and is subject to cancellation.

WATER RIGHT TRANSFER

- The Trojan site no longer requires water use at the capacity and purpose stated in the Trojan Water Right
  - The Trojan Nuclear Plant is nearing the end of decommissioning
  - The design of the Trojan ISFSI uses passive air cooling

WATER RIGHT TRANSFER

- Therefore, unless action is taken with the intent to preserve the Water Right for other future uses, the Trojan Water Right will be forfeited due to non-use

WATER RIGHT TRANSFER

- The mechanism that would allow options for the future use (prevent the forfeiture of the Water Right due to non-use) of the Trojan Water Right involves transfer of the Water Right pursuant to Oregon Water Resources Department (OWRD) regulations.
  - ☒ Maintain 0.4 cfs for Trojan site use (fire suppression)
  - ☒ Transfer remaining capacity (89.1 cfs)
    - ☒ Direct transfer (e.g., use at Port Westward)
    - ☒ Instream Lease

WATER RIGHT TRANSFER

- The OWRD water code provides that a Water Right is attached to the land where it was established

- For this reason, an application for Water Right transfer is accompanied by notarized statements of consent from owners of the land (other than the applicant) to which the Water Right is attached

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- PGE will forward to the Co-Owners a Permission Statement for signature and notary documentation

SUMMARY

- **Action Items to Implement Quitclaim of Trojan West and Transfer of Water Right**
  - **PGE completes draft documents**
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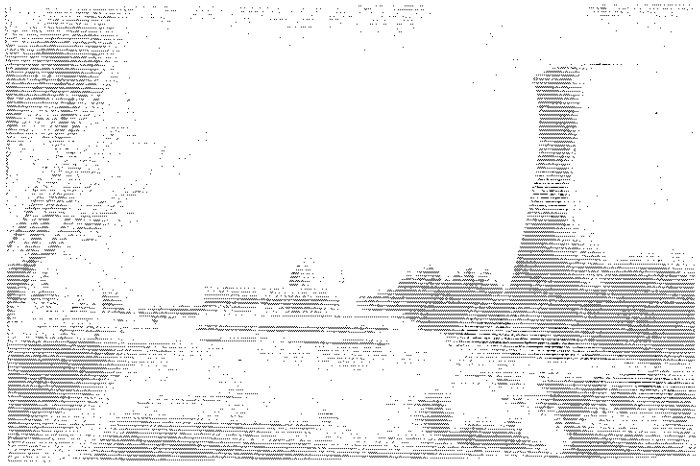

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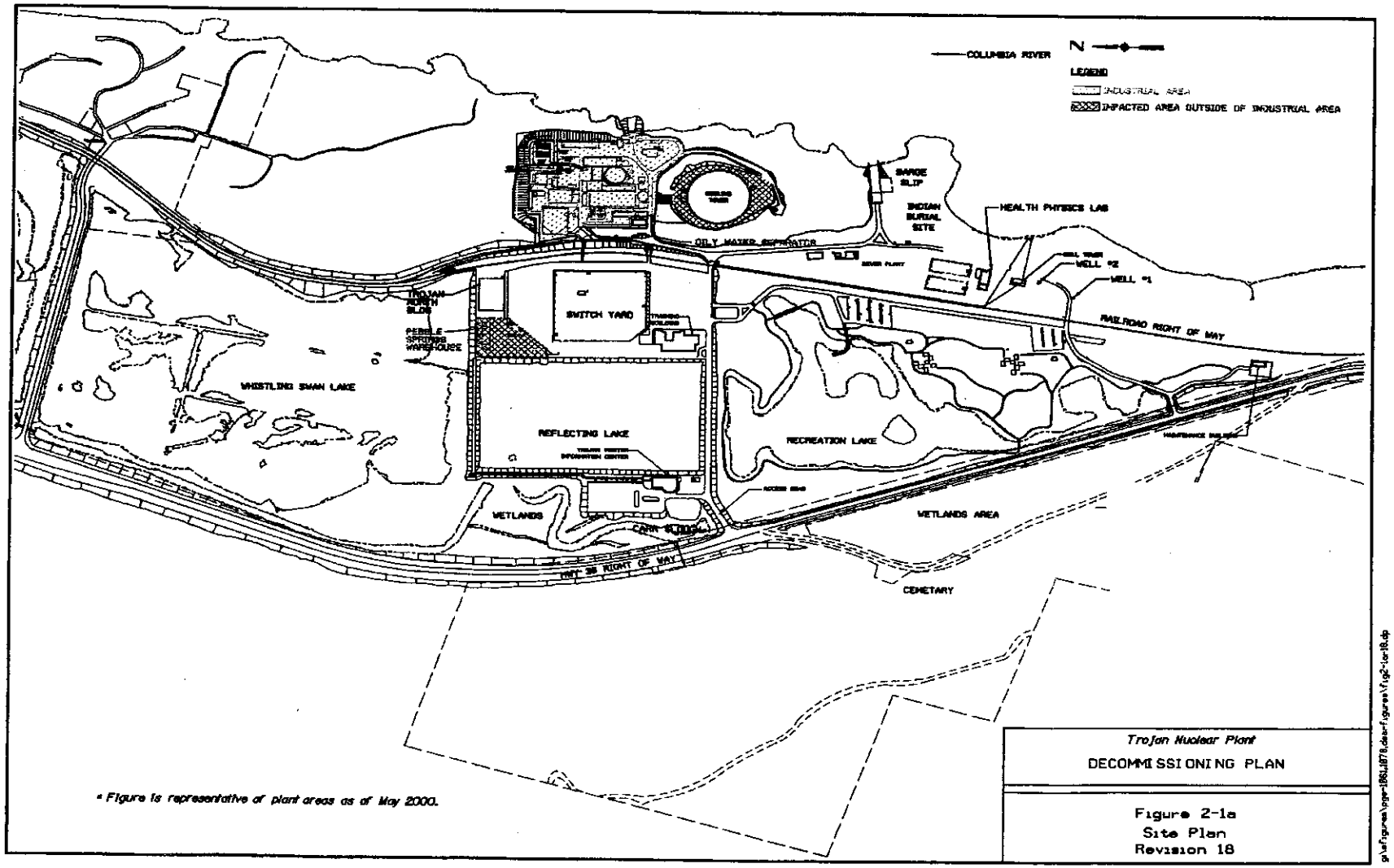
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Kronick,Geoffrey M - LC

From: Jerry Reid [Jerry_Reid@pgn.com]
Sent: Tuesday, September 21, 2004 5:17 PM
To: Sherman,Bob - PGC; Ken.Beeson@eweb.eugene.or.us; Edgar.Burton@PacifiCorp.com
Subject: 9/23/2004 TOC Meeting Info

Attachments: AGENDA 09-23.doc; Draft Letter for Training Bldg Lease.doc; Draft Lease Agreement.pdf

AGENDA 09-23.doc (21 KB)

Draft Letter for Training Bldg...

Draft Lease greement.pdf (4 M.

See Attached Files:

-Meeting Agenda 9/23
-Draft Letter for Training Bldg & Pebble Springs Warehouse Lease
-Draft Lease Agreement

The above proposed Lease will be discussed in our Thursday Conference Call.
Additional Information for the Agenda Item regarding Prompt Demolition will be sent to you on Wed or Thursday AM.

Jerry Reid
503-556-6474

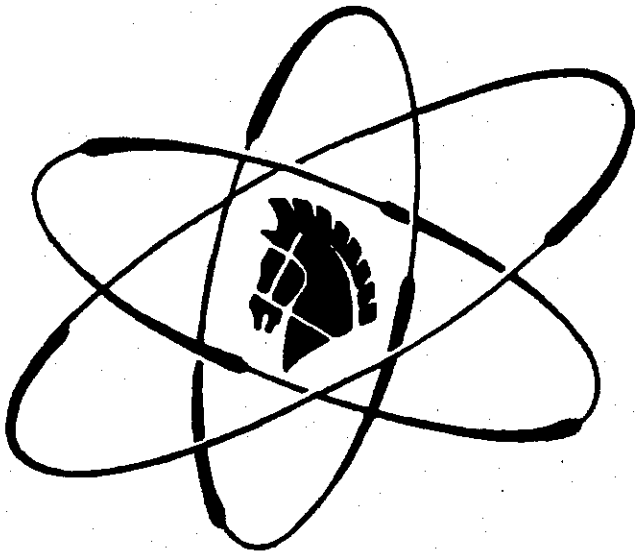
TROJAN
POTENTIAL REUSE OF SITE
Potential Natural Gas Line to Supply Gas Turbines on the Trojan Site

- Topical Report, PGE-1069, Trojan Independent Spent Fuel Storage Installation, Safety Analysis Report with Holtec MPC, Revision 6, dated July 21, 2005
    - Section 2.2.3.3, page 2.12, paragraph five, discusses the possibility in the future that a natural gas line will be placed in the vicinity of ISFSI to supply gas turbines used to produce electrical power.
    - Section 8.2.14, page 8-40 discusses the potential for a natural gas-fired turbine combined cycle power plant to be located on the Trojan site. This section describes the analysis regarding the hazards to the ISFSI created by siting a gas turbine at Trojan
    - Table 8.0-2, Design Basis and Beyond Design Basis Infrequent (Accident) Events, Lilne 14 discusses a natural gas turbine combined cycle power plant
    - Table 8.3-1, Summary of Site Characteristics Affecting the Safety Analysis, the site characteristic of a natural gas turbine hazard is discussed

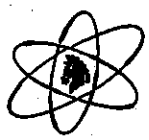
Trojan Independent Spent Fuel Storage Installation

Safety Analysis Report with Holtec MPC

PORTLAND GENERAL ELECTRIC COMPANY



PGE-1069



2.2.3.2 Toxic Chemicals

The effects of toxic chemicals on human habitability were extensively analyzed for operation of the Trojan Nuclear Plant and addressed in detail in the FSAR. These analyses were predicated on maintaining control room habitability during a toxic gas event. Continuous manning of the ISFSI for operational reasons is not required as in the case for an operating nuclear plant. There are no off-normal events or credible accidents for the ISFSI that require operator action within a prescribed amount of time.

Therefore, a toxic gas event would not affect the safe storage of spent nuclear fuel.

2.2.3.3 Fires

The ISFSI does not require automatic suppression and detection systems because the site specific fire hazards will not exceed the design temperature limits of the Concrete Casks. The fire main, which was installed for 10 CFR 50 fire protection requirements, may be operable for general property insurance requirements of the surrounding buildings, but the fire main is not required or credited for ISFSI fire protection.

Industries and oil storage facilities in the vicinity of the ISFSI are separated from the ISFSI, either by considerable distance or by the Columbia River. Therefore, fires at these facilities would not pose a hazard to the ISFSI.

Fires resulting from transportation accidents on I-5, the railway near I-5, or the Columbia River would be separated from the ISFSI by considerable distance and the Columbia River. Fires from transportation accidents on Highway 30 would be separated from the ISFSI by the recreation lake and reflecting lake. Fires from transportation accidents on the Portland & Western railway would be sufficiently far from the ISFSI to not have an effect on the ISFSI. Therefore, fires from transportation related accidents do not pose a hazard to the ISFSI.

The ISFSI is protected from brush or forest fires on two sides by water, the Columbia River to the east and the recreation lake, reflecting lake and Whistling Swan area to the west. The ISFSI is also afforded localized fire protection by the open area immediately surrounding it.

A fire caused by a rupture of the natural gas main west of the ISFSI would be separated from the ISFSI by a considerable distance and by the intervening lake areas. There is the possibility in the future that a natural gas line will be placed in the vicinity of ISFSI to supply gas turbines used to produce electrical power. The potential hazards posed by placing a natural gas line and gas turbine in the vicinity of the ISFSI are addressed in Chapter 8.

In addition to the natural barriers, Columbia River Fire and Rescue provides fire protection services for the site.

In conclusion, the consequences of the postulated free-fall drop accident of a loaded MPC from a HI-TRAC Transfer Cask into a HI-STAR 100 Transport Cask or Concrete Cask at the Transfer Station satisfy the acceptance criteria.

8.2.13.3.4 Accident Dose Calculation

There are no radiological releases or adverse radiological consequences from this event.

8.2.13.4 Loaded Transport Cask Drop

A vertical or horizontal drop of a loaded Transport Cask is speculated to occur during transfer to a heavy-haul trailer or rail car prior to the installation of transportation packaging impact limiters.

Section 9.7.5 establishes that a program provide the requirements governing handling or lifting fuel bearing components including Transport Casks. Handling/lifting of spent fuel or handling/lifting of loads over spent fuel are performed only in accordance with approved lift plans. An evaluation of consequences of a drop or handling accident shall be performed prior to initiating the handling/lifting activities.

In accordance with the program described in Section 9.7.5, an evaluation to criteria equivalent to those specified in NUREG-0612 will be performed of the entire fuel transfer and loading process. Handling of the Transport Cask at the ISFSI could utilize increased safety factors in the rigging to preclude drops or impact limiters to mitigate the effects of drops prior to installation of the transportation packaging.

8.2.14 NATURAL GAS TURBINE COMBINED CYCLE POWER PLANT EVENTS

PGE has evaluated repowering the Trojan site with a Natural Gas-fired Turbine Combined Cycle (NGTCC) power plant. This modification to the plant and site would involve locating one or two NGTCC facilities within the existing Turbine Building. A 16-inch diameter pipeline carrying natural gas would be routed onto the site generally from the south and west. The pipeline would enter a metering station from which an 8-inch diameter pipeline will be routed to each gas-fired turbine in the Turbine Building. This analysis has been performed to show that the hazards associated with the operation of a NGTCC facility at the Trojan ISFSI site would have no adverse impact on the ISFSI.

8.2.14.1 Cause of Accident

The introduction of a NGTCC power plant at the Trojan ISFSI site introduces several potential accidents that have been evaluated in this section. The NGTCC design would include both natural gas and conventional steam-cycle turbine generators that would be located in the Turbine Building. Supply lines for natural gas would be routed to the plant. Tanks for alternative fuel

supply (fuel oil) would be constructed. An exhaust stack would be required for each NGTCC unit.

The use of turbine generators introduces the possibility of turbine missiles generated by postulated turbine blade failures. These missiles potentially could strike the Concrete Casks.

Use of natural gas on the site requires the potential effects of fires and explosions to be considered. The fire hazard posed by the alternative fuel tanks is evaluated.

The exhaust stack location is evaluated to assure that a stack that failed during a seismic event or tornado would not adversely affect the ISFSI.

8.2.14.2 Accident Analysis

8.2.14.2.1 Turbine Missiles

The orientations of the gas and steam turbine generators would place the ISFSI outside of the low trajectory missile zone described in Regulatory Guide 1.115 which is 25 degrees to either side of a line perpendicular to the turbine shaft. The low trajectory missile zone is applicable to low-pressure stage shrunk-on wheels of the 1800-rpm turbines generally used with light-water-cooled reactors. Since the proposed NGTCC is a 3600-rpm gas turbine, the appropriate missile strike zone is expected to be similar, however the missile hazard associated with the high speed turbines would be a high-trajectory missile. An evaluation of the probability of a high trajectory gas turbine missile strike within the ISFSI area has been performed. The probability of a strike upon the ISFSI Storage Pad was determined to be approximately 2E-5.

Assuming that the probability of missile generation due to turbine wheel breakup is approximately the same as that of a steam turbine (about 1E-5/yr), the probability of a missile being generated and striking within the ISFSI area would be less than approximately 2E-10/yr which is below the threshold value of 1E-7/yr for which a consequence analysis is required. In addition, the proposed location of the steam turbine is on El. 45-ft of the Turbine Building. On that location, intervening structures (floor slabs, structural steel and equipment) provide the necessary shielding to prevent high trajectory missiles from leaving the Turbine Building. Therefore, neither gas turbine or steam turbine missiles represent a significant hazard to the ISFSI.

8.2.14.2.2 Fire/Heat Flux Effects

To determine the effects of the radiant heat flux on the ISFSI Concrete Casks, a conservative steady state Concrete Cask surface temperature was calculated, by considering radiation and forced convection heat transfer. This temperature provides an upper limit for the temperature rise of Concrete Cask cooling air due to a postulated fire fed by a natural gas line break at a point closest to the ISFSI. The temperature rise was calculated to be less than 4°F, without taking

credit for the substantial heat sink available from the cask concrete. Also, conservative absorptance and emittance values for concrete were used; a 5 mph wind was modeled even though the reference thermal flux calculation used a 24 mph wind; and the transient time to reach steady state, which would be quite long, was not credited. The 4°F air temperature rise is less than the accident case margin between the normal steady-state concrete temperature and the limiting concrete temperature for the design basis heat load.

The postulated fire would tend to increase ambient air temperature in the vicinity of the fire. However, this would have minimal effect on ambient temperature at the Concrete Casks due to the large standoff distance, combined with the buoyancy of the heated air and the location of the Concrete Cask inlet air ducts at the base of the Concrete Cask. Even if ambient air temperature were raised near the Concrete Casks, this would have little or no effect on the ΔT through the Concrete Cask itself. The temperature dependence of the Reynolds number, through the kinematic viscosity of air, is minor when factored into the heat transfer balance.

The thermal flux effects from oil tank fires are bounded by those due to natural gas line breaks.

8.2.14.2.3 Partially Confined Explosion at the ISFSI

The partially confined explosion within the ISFSI Concrete Cask array bounds the consequences of any unconfined explosion that may result from a natural gas deflagration.

A partially confined explosion presents a potentially greater hazard than an explosion in the free field due to flame acceleration in the vicinity of the ISFSI Concrete Casks. The Concrete Casks are approximately 11.3 feet in diameter and 17.6 feet high. The center-to-center spacing of the Concrete Casks is 15 feet. In an unconfined deflagration, the flame speed is typically low and flame acceleration does not occur or is minimal. However, partial confinement of the burning gas or the presence of obstacles in the flame path causes turbulence. Turbulence can accelerate the flame front. The effects of fuel reactivity, obstacle density, and confinement can be correlated to the flame speed. Based on the low reactivity of natural gas, and the medium density and open arrangement of Concrete Casks on the pad, a flame speed of approximately 112 ft/sec was selected for flame fronts within the ISFSI array.

An explosion overpressure calculation was performed assuming that the ISFSI Storage Pad was completely enveloped by a cloud of natural gas at the upper flammability limit of 15 percent by volume, and ignition occurred at the center of a four Concrete Cask array. The calculated overpressure generated by the explosion was 1.47 psi. This overpressure is bounded by the explosion analysis in Section 8.2.8.

The potential for the explosion to overturn a Concrete Cask or cause it to slide was calculated. The peak overpressure would induce a sliding force on the Concrete Cask of 41.3 kips. Based on the weight of the Concrete Cask (292,700 lbs), the coefficient of static friction would have to be less than 0.14 to permit sliding. The coefficient of friction for the Concrete Cask sitting on a

Storage Pad is much greater than this value, typically greater than 0.3. Therefore, sliding of the Concrete Cask is not a concern.

The overturning moment induced by the pressure of the explosion would have to overcome the resisting moment resulting from the weight of the Concrete Cask and the distance from its center of gravity to the edge of the Concrete Cask base. The overturning moment on a Concrete Cask generated by the blast pressure is less than the resisting moment and, thus, the partially confined explosion would not overturn a Concrete Cask. (Refer to the discussion of sliding and overturning in Section 8.2.8.)

The partially confined explosion would have no adverse effects on operability of the ISFSI.

8.2.14.2.4 Confined Explosions Inside Plant Structures

Confined explosions within plant structures were investigated to determine if the effects of those explosions could generate missiles that could impact and cause damage to the ISFSI Concrete Casks. The worst case confined explosions were those in the Containment and in the Auxiliary/Fuel Building. Other structures were found to be of a lighter construction than those structures and, therefore, the blast effects and ability to generate missiles was determined to be less than for those structures.

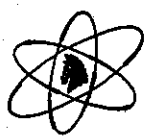
The debris that could reach the ISFSI site as a result of explosions in the Containment and Auxiliary/Fuel Building were calculated to be small (approximately 20 lb) and with impact energies insufficient to overturn or cause significant damage to the Concrete Casks. In addition, the debris would be unlikely to block more than half the Concrete Cask air inlets which is a condition analyzed in Section 8.1.2.2. Therefore, the effects of confined explosions in plant structures was found to pose an insignificant risk to ISFSI operability.

8.2.14.2.5 Seismic Event or Tornado

The proposed installation of the NGTCC plant would involve the construction of structures and systems designed to conventional Uniform Building Code requirements for seismic events and high wind exposures. Only the stack of the NGTCC unit that extends to the north of the Turbine Building could hypothetically impact the ISFSI in the event of extreme seismic ground motions or tornado winds and missiles. However, the stack is typically 210 feet in height, and it would be located approximately 280 feet from the ISFSI. Therefore, the stack would pose no hazard to the ISFSI should it fail during a seismic event or tornado.

Based on the evaluations described above, the following may be concluded:

1. A NGTCC plant turbine missile impact on an ISFSI Concrete Cask was determined to be not credible.



2. Overpressures and thermal flux from hypothetical bounding case unconfined or partially confined natural gas-air mixture deflagrations or oil tank fire would not result in effects beyond the design basis of the ISFSI.

3. Bounding case hypothetical natural gas-air mixture confined explosions inside plant structures would not generate debris missiles capable of causing unacceptable damage to the ISFSI.

4. Extreme seismic event or tornado effects on the NGTCC plant would not result in damage to the ISFSI.

Based on the above, it has been concluded that the proposed NGTCC plant at the Trojan site would not adversely affect the ISFSI.

8.2.14.3 Accident Dose Calculations

With the exception of missiles generated by confined explosions, no event associated with the use of a NGTCC facility presents a significant potential to cause increased offsite or occupational doses. The Concrete Cask would be repaired following a missile impact by filling the damaged area with grout. It is presumed that some period of time will be required to obtain the materials needed to repair the Concrete Cask surface. Shielding materials will be maintained on site for use in mitigating the consequences of this event until such time as a repair to the Concrete Cask surface can be completed. It is estimated that shielding materials can be in place within 12 hours of the event. It is estimated that once the necessary materials are obtained two technicians would be able to complete the repair in approximately 30 minutes. The collective dose to the repair crew would be less than or equal to approximately 0.238 person-rem (119.0 mrem to each technician). Direct radiation levels at the Controlled Area boundary as a result of this event are minimal for the expected duration of the event.

Table 8.0-2

Design Basis and Beyond Design Basis Infrequent (Accident) Events

Design Basis and Beyond Design Basis Infrequent (Accident) Events	MPC Press. Boundary	MPC Basket	Concrete Cask
1. Failure of Fuel Pins with Subsequent Breach of MPC	Radiological Consequences Only		
2. Maximum Anticipated Heat Load - 125°F Ambient Temperature and Full Solar Load	X	X	X
3. Concrete Cask Overturning	X	X	X
4. Tornado	X	-	X
5. Earthquake	X	-	X
6. Pressurization	X	-	-
7. Full Blockage of Air Inlets	X	X	X
8. Explosions of Chemicals, Flammable Gases, and Munitions	X	-	X
9. Fires	-	-	X

Table 8.0-2

Design Basis and Beyond Design Basis Infrequent (Accident) Events

Design Basis and Beyond Design Basis Infrequent (Accident) Events	MPC Press. Boundary	MPC Basket	Concrete Cask
10. Cooling Tower Collapse	-	-	X
11. Volcanism	-	-	X
12. Lightning	-	-	X
13. Off-Site Shipping Events a. Interference During Raising the MPC from Concrete Cask into Transfer Cask b. Interference During MPC Lowering into a Concrete Cask or Transport Cask.	X	-	X
c. MPC Drop Into Concrete or Transport Cask d. Loaded Transport Cask Drop	X	X	-
14. Natural Gas Turbine Combined Cycle Power Plant Events	X	-	X

Table 8.3-1

Summary of Site Characteristics Affecting the Safety Analysis

Site Characteristic	Effect on ISFSI Safety Analysis
Severe environmental conditions in summer and winter	Evaluation of steady state Concrete Cask, MPC, and fuel temperatures for 100°F ambient temperature with 24 hour average solar loads and -40°F ambient temperature with no solar load
Tornadoes	Evaluation of possible Concrete Cask damage including overturning due to wind loading, failure of confinement due to pressure differential, and impact damage due to tornado generated missiles
Earthquakes	Evaluation of seismic motion including possible overturning
Explosion of Chemicals, Flammable Gases, and Munitions	Evaluation of effects on Concrete Cask including potential overturning and sliding
Fires	Evaluation of potential for fire hazard at the ISFSI site
Cooling Tower Collapse	Evaluation of impact of cooling tower collapse on ISFSI
Volcanism	Evaluation of the effects of potential ash, mud and flooding caused by a volcanic eruption
Lightning	Evaluation of the impact of a postulated lightning strike
Natural Gas Turbine Hazards	Evaluation of turbine missiles generated by the gas and steam turbines and fire/heat flux, explosions, and missiles caused by gas line ruptures.

TROJAN
POTENTIAL REUSE OF SITE
Potential Reuse of Training Building
And
References To an Update of the year 2000 property appraisal for Trojan State Park

- 11/13/02 e-mail from Williams to Sherman regarding PGE MOU for potential reuse of the Trojan training building for use by Andy Papachristopoulos (lessee) for river pilots school.
- Undated MOU regarding the lease of real property (this MOU was never executed)
- 10/20/04 e-mail, Kronick to Sherman/Rapacz attached 09/24/04 e-mail from Beeson to Cable discusses potential reuse of Trojan building space
- 10/21/04 e-mail, Reid to Sherman/Beeson/Burton regarding Trojan Operating Committee (TOC) meeting agenda, draft letter and draft lease agreement all attached and not signed or executed
- 1/19/05 TOC Meeting minutes, page 4, item 7, third paragraph, co-owners have been trying to rent or lease major buildings west of the RR tracks..... The potential lease of the Training Building for a marine pilot training school currently appears unlikely....
- 2/24/05 TOC meeting minutes, page 3, item 9, PGE is currently having a consultant update the year 2000 appraisal for the Trojan State Park property.
- 03/16/05 TOC Meeting Minutes, page 3, item 7, references a consultant update of the year 2000 appraisal for the Trojan State Park (the State of Oregon did not pursue the park reuse).
- March 2005 Nuclear Division Monthly Report (PGE report), page 6, third bullet, includes a reference regarding receipt of a consultant appraiser's report that updates the market values in the year 2000 Trojan State Park appraisal.
- 04/21/05 TOC Meeting Minutes, page 3, item 8, includes a reference to the completion of an update to the year 2000 appraisal for the Trojan State Park

Sherman,Bob - PGC

From: Williams, Doug - PGC/Richland
Sent: Wednesday, November 13, 2002 12:16 PM
To: Sherman, Bob - PGC/Richland
Subject: FW: For discussion

-----Original Message-----
From: Lanny Dusek [mailto:Lanny_Dusek@pgn.com]
Sent: Wednesday, November 13, 2002 11:48 AM
To: Kim Lehman
Subject: For discussion

Attached is an MOU that PGE is anticipating signing with river pilots to work toward a lease of part of the Training Building and development of the reflection lake for a river pilot training school. We will be discussing it with you in the meeting tomorrow, so I'm forwarding it to you so you can have a chance to look at it prior to the meeting. Talk to you tomorrow at 9 a.m.

Lanny Dusek
(503)556-7409

MEMORANDUM OF UNDERSTANDING
REGARDING THE LEASE OF REAL PROPERTY

This Memorandum of Understanding ("MOU"), dated this ___ day of _____ , 2002, is by and between the PORTLAND GENERAL ELECTRIC COMPANY, an Oregon Corporation (hereinafter the "Lessor") and ANDY PAPACHRISTOPOULOS (hereinafter "Lessee").

The purpose of this MOU is to outline the intent of the parties and the manner in which Lessor proposes to Lease from Lessor and Lessor proposes to lease to Lessee, certain real property commonly known as the Reflecting Lake and a specified portion of BUILDING NO. 2, and more particularly as shown on the attached Exhibit "A" which is hereby incorporated herein by this reference (the "Property").

1. **Lease Agreement**. The parties acknowledge and agree that the transaction will require further documentation and approvals, including the preparation and approval of a formal Lease Agreement setting forth the terms and conditions of the proposed Lease relationship. Nevertheless, the parties execute this MOU to evidence their intention to proceed in mutual good faith to complete the work required to negotiate terms of a lease Agreement that are consistent with this MOU. Except as otherwise provided herein the Lease Agreement will contain representations, warranties and covenants, conditions, and understandings customary for the parties in transactions for like size and type of Property and will provide a reasonable period of time for Lessor to relocate its operations and personal property currently on the Property following the execution of the Lease Agreement. The parties intend to negotiate, enter into, execute and deliver a definitive Lease Agreement on a date as soon as feasible, but in no event later than December 31, 2003 (the "Agreement Date").

2. **Lease Terms and Rate.** Within One Hundred and Twenty (120) business days of execution of this MOU, the parties will definitively identify the Property boundaries and determine both a lease term and a lease rate. The lease rate shall be based on the market value of the Property, as determined by an independent MAI Appraisal the cost of which shall be borne by the parties equally. In the event the parties are unable to agree upon the Property boundaries and the lease term during such period either party may terminate this MOU upon ten (10) days written notice to the other.

3. **Due Diligence.** To permit Lessee to conduct its due diligence investigation, as long as this MOU remains in effect, Lessor will permit Lessee and its agents to have reasonable access to the Property and shall provide such additional information as Lessee may reasonably request. Lessee hereby releases, and shall indemnify and hold Lessor harmless from and against any and all claims, damages, or liability (included attorney fees and costs) in any way associated with the activities of Lessee, or any of Lessee's agents, permitees, and/or invitees, on or about the Property. Upon the termination of this MOU for any reason, Lessee shall promptly return to Lessor all printed information received by Lessee from Lessor in connection with the proposed transaction, and all copies thereof, and will promptly delete all electronic information, if any, obtained from Lessor to the extent allowed by law.

4. **Nature of Transaction.** Lessee acknowledges and agrees that Lessee will be concluding the lease of the Property based upon Lessee's inspection and investigation of the Property, and is leasing the Property "AS IS," without any representations and warranties by Lessor. Lessee specifically acknowledges that Lessor makes no representations or warranties regarding environmental matters.

4.1 Responsibilities of Lessee. Lessee, at Lessee's expense, shall bear the sole responsibility to determine the suitability of the Property for Lessee's business and other purposes from sources other than Lessor. Lessee will have lead responsibility for the following due diligence items, each of which shall be subject to Lessor's approval and acceptance:

4.1.1 Undertake architectural studies to determine ability of site to accommodate Lessee's intended use of the Property.
4.1.2 Review planning and zoning conditions and ascertain their impact on Lessee's intended use of the Property and determine the extent to which such conditions can be modified.

4.2 Project Information and Cooperation-Lessor.

4.2.1 Lessee shall treat all information provided by Lessor as the proprietary and confidential property of Lessor, to the fullest extent allowed by law.
4.2.2 Lessee shall be entitled to depend on the accuracy and completeness of any such information provided to it by Lessor, except third-party reports or work products specifically noted as incomplete, partial or "draft".

5. Term and Exclusivity. This MOU shall be effective when executed by both parties. Lessee will retain the exclusive right to negotiate a Lease Agreement with Lessor with respect to the Property and Lessoree will be bound not to negotiate with other parties for development on the Property, until December 31, 2003 (the "Exclusivity Period") or such time as this MOU is terminated, whichever occurs first. This date may be extended by mutual agreement, terminated in accordance with Paragraph 10 below, or superseded by the terms of the Lease Agreement between the parties.

6. Non-Binding Agreement. Except as specifically set forth in this MOU, this MOU is only a statement of the current intent of the parties, does not create a binding agreement between the parties and may not be relied upon as a basis for a contract by estoppel or be the basis for a claim based on detrimental reliance or any other theory.

7. Communications. The parties agree that all public communications concerning the Property, e.g., press releases or information provided to the press, and all substantive discussions with public agencies having jurisdiction over the Property, will be undertaken jointly by Lessor and Lessee. Neither Lessor nor Lessee will issue or approve a news release or other announcement, or engage in any substantive discussion with a public agency concerning the Property or the

transaction without the prior approval of the other as to the contents of the announcement and its release, which approval will not be unreasonably withheld.

8. Notices. All notices or other communications required by or relating to this MOU or the Property will be in writing, and sent by personal delivery, by overnight delivery, or by fax with a telephonic confirmation of receipt. Correspondence concerning the Property shall be addressed to:

For Lessor: Mike Livingston
Portland General Electric Company
121 SW Salmon Street
Portland, OR 97204
Phone: (503) 464-8127
FAX: (503) 464-2863
email: mike_Livingston@pgn.com

For Lessee: Andy Papachristopoulos
12700 S.W. North Dakota, Suite 180-66
Portland, OR 97223
Phone: 503 706-7431
FAX: 503 524-5829
Email: andyp@orion-ship.com

9. Authorization and Confidentiality. Except for published information or information ascertainable from public records, any confidential information furnished or disclosed by either Lessor or Lessee in connection with this MOU will be held by the other in confidence and will not be divulged to any third party, except for a party's advisors and consultants, or as required by law. If for any reason the parties do not enter into a Lease Agreement, then to the extent allowed by law, each party will return all such confidential information to the party from whom it was obtained.

10. Termination. Either party may terminate this MOU (the "terminating party") in writing stating the reasons for such termination. However, the nonterminating party will be given thirty (30) days to cure the reasons for termination given by the terminating party, if cure is possible, and must notify the terminating party in writing of its desire to cure. If the cure is not completed within such 30-day period, the terminating party may thereafter notify the nonterminating party of its failure to cure and this MOU shall terminate on the date of such written notice. The foregoing right to terminate shall be exclusive of and in addition to the right provided in Paragraph 2 above. Upon termination, with the exception of the obligations set forth at Paragraphs 7, 9, and 11 (and this Paragraph 10) and all of the respective rights and obligations of the parties hereunder shall be of no further force or effect. In the event of termination, except at set forth in the preceding sentence, each party shall be solely responsible for their own expenses incurred during the term of the MOU. Unless terminated earlier in accordance with this Agreement, this MOU shall automatically terminate without any further action by either party, on

December 31, 2003.

11. DISCLAIMER OF CONSEQUENTIAL DAMAGES.

IN NO EVENT SHALL ANY PARTY BE LIABLE TO THE OTHER PARTY HERETO FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM SUCH PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE.

12. Control of Leased Premises. Lessee acknowledges that the Leased Premises are part of an area surrounding the Trojan Nuclear Power Plant specifically designated as an EXCLUSION AREA. Lessor specifically retains the control and authority to determine all activities INCLUDING EXCLUSION OR REMOVAL OF LESSEES, its employees, agents, invitees, and permittees, and LESSEES PROPERTY FROM THE EXCLUSION AREA. In consideration of Lessor's agreement to allow use of the Premises by Lessee, Lessee hereby specifically agrees and warrants that they have read this paragraph and understand that Lessor retains the absolute ability in its sole discretion to oust Lessee in order to comply with its legal and regulatory obligations. Lessee further agrees and warrants to provide to each and every employee and agent suitable training and procedures for evacuation that it will make Lessor's unfettered rights known to such employees and agents and shall require each of them to respond to the direction of Lessor's employees and agents or the Nuclear Regulatory Commission in the event of any emergency or need for evacuation. Lessee shall leave the area promptly upon direction by Lessor. Lessee shall, in every manner, cooperate with and facilitate the orderly evacuation of Lessee, its employees, agents, invitees, and permittees from the area. In the event Lessee's employees are subject to medical radiation exposure, Lessee shall provide information to Lessor promptly upon learning of such exposure. Lessee shall request employees to provide such information to Lessee. At Lessor's request, Lessee shall participate in evacuation drills or other training exercises. In the event the Premises are vacated at the direction of Lessor, the rent shall be abated during the vacation period.

13. Access. Lessor shall reserve the right to enter upon the Property for any purpose deemed appropriate by Lessor in conjunction with the Exclusion Area, and to erect, maintain, repair, rebuild, operate and patrol electric power transmission lines and signal or communication lines (above and below ground), and all uses directly or indirectly necessary thereto, including without limitation, the right to install surface or subsurface mounted transformers, surface mounted connection boxes, meter cabinets and overhead service lines. Such uses shall include the erection of poles, towers, transmission structures, wires, cables, guys, supports and appurtenances and the protection thereof from fire and other hazards.

14. Successors and Assigns. This Agreement shall be binding on and shall inure to the benefit of the successors and assigns of the parties to it. Lessee may assign its interest in this Agreement and the Property, only with the prior written consent of Lessor, which consent may be

withheld in Lessor's sole and absolute discretion and may condition its consent as Lessor deems appropriate.

15. No Broker or Commission. Each party represents and warrants to the other that it has not used or engaged a real estate broker in connection with this Agreement or the transaction contemplated by this Agreement. In the event any person asserts a claim for a broker's commission or finder's fee against one of the parties to this Agreement, then the party against whom the claim is asserted will hold the other party harmless and defend from said claim.

16. Third Parties. Nothing contained herein nor the transactions contemplated hereby, express or implied, shall be deemed to inure to the benefit of any person or entity not a party to this Agreement, nor shall it confer upon any such party or entity any right or remedy of any nature whatsoever.

17. Governing Law. The parties acknowledge that this MOU has been negotiated and entered into in the state of Oregon. The parties expressly agree that this Agreement shall be governed by and interpreted in accordance with the laws of the State of Oregon.

This MOU shall be of no further force and effect if it is not signed by Lessee and returned to Lessor prior to the close of business on the ___ day of _____, 2002.

AGREED AND ACCEPTED:

PORTLAND GENERAL ELECTRIC COMPANY

By: _____

Title: _____

Date: _____

ANDY PAPACHRISTOPOULOS

By: _____

Date: _____

EXHIBIT "A"

See Attached

Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 20, 2004 3:12 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Subject: FW: Building Lease at Trojan

ATTORNEY CLIENT PRIVILEGE
PLEASE DO NOT FORWARD

Bob,

1. It looks like PGE has other "financial incentives" for getting either quitclaims of portions of the Trojan site or Co-Owners' "permission" to sub-lease.

2. I recall that somewhere in the Trojan Agreement that PGE (as manager) has a duty to maximize benefit to the Trojan Project, but this doesn't seem that it maximizes benefit to anyone but PGE, since the other "Co-Owners" are not parties to the proposed lease.

3. Please don't forward the "message" below from Ken Beeson to Larry Cable to anyone, since it is in the nature of an attorney client privilege, and something I would hope would be respected if the situation was reversed.

Thanks,

Geoff K.

-----Original Message-----
From: Ken D BEESON [mailto:Ken.Beeson@EWEB.Eugene.OR.US]
Sent: Friday, September 24, 2004 11:09 AM
To: lcable@chbh.com
Subject: Building Lease at Trojan

Hi Larry;

PGE is proposing to lease two buildings and some space at Trojan to a company that will provide training for river boat pilots and also for homeland port security.

The draft lease is attached. Also attached is a draft letter that PGE wants to send the co-owners asking us for approval. They would like us to review both.

They indicated in the meeting that their legal counsel is still reviewing the lease and letter so these aren't the final drafts. They need to have EWEB and Pacific approvals by January 1, 2005 as a condition with their lesee.

I told them we would begin review but we would need to see final draft before we would be able to approve.

The general idea is that the co-owners would sign off on the letter and then PGE would proceed with the lease. We would not be a party to the lease.

Could you have someone take a look at this material and let me know on a preliminary basis if it is OK for us to execute. I am thinking I would sign as Trojan Manager.

I would like to complete the review by October 15; our next TOC meeting is the week of Oct 18.

Thanks, Ken

Sherman,Bob - PGC

From: Jerry Reid [Jerry_Reid@pgn.com]
Sent: Tuesday, September 21, 2004 5:17 PM
To: Sherman,Bob - PGC; Ken.Beeson@eweb.eugene.or.us; Edgar.Burton@PacifiCorp.com
Subject: 9/23/2004 TOC Meeting Info

AGENDA 09-23.doc

Draft Letter for Training Bldg...

Draft Lease Agreement.pdf

See Attached Files:

-Meeting Agenda 9/23
-Draft Letter for Training Bldg & Pebble Springs Warehouse Lease
-Draft Lease Agreement

The above proposed Lease will be discussed in our Thursday Conference Call. Additional Information for the Agenda Item regarding Prompt Demolition will be sent to you on Wed or Thursday AM.

Jerry Reid
503-556-6474

AGENDA
TROJAN OPERATING COMMITTEE

September 23, 2004

1. Approval of July 15, 2004 Meeting Minutes – Jerry Reid

2. Plant Monthly Report – Jerry Reid

3. Proposed Leases (Training & Pebble Springs Whse Bldgs) – Jerry Reid

4. Budget Performance – Kevin Poirier/Christine Farris

5. Prompt Demolition of Cooling Tower & Power Block and Containment Bldgs– Steve Nichols/Kelly Cox

6. Next Meeting Date – Jerry Reid

September XX, 2004

VPN-XX-2004

Trojan Nuclear Plant

Mr. Ken Beeson
Eugene Water & Electric Board

Mr. Ed Burton
PacifiCorp

Mr. Robert Sherman
Bonneville Power Administration

Proposed Lease of Portions of the Trojan Site to
Columbia River Maritime Enterprises, LLC

Sirs:

The purpose of this letter is to obtain the concurrence of the Trojan Co-Owners regarding the proposed lease of portions of the Trojan site to Columbia River Maritime Enterprises, LLC. The leased portions of the property of concern include the Training Building and the Pebble Springs Warehouse. Columbia River Maritime Enterprises proposes to use these structures and portions of the site, including the Reflection Lake, to establish a training facility for Maritime Pilots and Tug Captains and a school for Homeland Port Security. The Maritime Pilot and Tug Captain training program would employ manned model ships and boats and make use of the Reflection Lake.

Columbia River Maritime Enterprises intends to do some remodeling in the Training Building to provide facilities such as dormitories, classrooms and meeting areas. Columbia River Maritime Enterprises access to the facilities will be along existing roadways. PGE will continue to maintain exclusion area authority over the entire site while the 10 CFR 50 License for the Trojan Nuclear Plant remains effective, (the ISFSI Controlled Area Boundary does not extend to these facilities or the Reflection Lake). PGE has concluded that the portions of the site to be used by Columbia River Maritime Enterprises were not radiologically affected by plant operations or decommissioning activities.

PGE considers the proposed use of these portions of the Trojan site and facilities to be acceptable and intends to enter into a lease agreement with Columbia River Maritime Enterprises for such purposes. PGE requests the concurrence of the Trojan Co-Owners in this proposal. A copy of the proposed lease agreement is attached.

Please signify concurrence by signing below and returning this document to Jerry Reid, Chairman of the Trojan Operating Committee. Jerry can be contacted at (503) 556- 6474 if you have any questions in this regard.

Sincerely,

Stephen M. Quennoz
Vice President, Generation

PacifiCorp Representative

_____ Date: _____
Ed Burton

EWEB Representative

_____ Date: _____
Ken Beeson

BPA Representative

_____ Date: _____
Robert Sherman

DRAFT

AGREEMENT OF LEASE

Date: October 1, 2004

Lessor: ***Portland General Electric Company*** ("Lessor")
an Oregon Corporation
121 S.W. Salmon Street
Portland, Oregon 97204

Lessee: ***Columbia River Maritime Enterprises, LLC*** ("Lessee")
an Oregon Limited Liability Company
12700 SW N Dakota Street, Suite 180-66
Portland, Oregon 97233

IN CONSIDERATION of the mutual entry into this Lease by the parties hereto, and for other good and valuable consideration, the current receipt, reasonable equivalence, sufficiency of which are hereby acknowledged by each party hereto, Lessor hereby leases the Premises (as defined below) to the Lessee and the Lessee hereby leases the Premises from Lessor, upon the following terms and conditions:

1. **Lease.** Lessor leases to Lessee, and Lessee leases from Lessor, that certain real property commonly known as the Pebble Springs Warehouse and yard, Reflecting Lake, and a specified portion of Building No. 2, (the "Premises") described on *Exhibit "A"* attached and incorporated in this Lease by this reference. The Premises are subject to the interests set forth in *Exhibit "B"* hereto. Lessee acknowledges the foregoing and accepts said letting and agrees to pay to the order of Lessor the monthly rentals provided herein for the full term of this Lease Agreement, at the times and in the manner provided herein. In addition to the terms and conditions set forth herein, Sublessee further agrees to observe and to be bound by the terms of the Agreements and regulatory authorities and security agencies referenced in *Exhibit "B"*. Except as may be otherwise provided herein, Lessor shall be entitled to each of the rights and remedies specified in the Agreements and regulations referenced in *Exhibit "B"*. Lessor shall also provide to Lessee access to the Premises through existing roadways and other points of entry on and through Lessor's adjacent property as Lessor may, from time to time designate. The obligations of Lessee are unconditionally and irrevocably guaranteed as provided in *Exhibit "C"* hereto.

1.1 Conditions to Lease.

1.1.1 **Lessor's Conditions.** This Lease and Lessor's obligation to lease the Premises are each subject to and contingent upon Lessor obtaining approval of the transaction contemplated in this Agreement from the Oregon Public Utility Commission ("PUC"), upon Lessor obtaining the consent of PacifiCorp and the Eugene Water & Electric Board, and further subject to and contingent upon Lessor obtaining approval of the transaction contemplated in this Agreement from HSBC Bank USA (fka Midland Bank, N.A.) as Trustee, and/or its successors and assigns, each on or before the 1st day of January, 2005, each upon terms and conditions acceptable to Lessor. If Lessor has not provided Lessee with evidence of the PUC's approval within such time, if Lessor has not provided Lessee with evidence of the consent of PacifiCorp and the Eugene Water & Electric Board, or if Lessor has not provided Lessee with evidence of the approval of HSBC Bank USA within such time, this Agreement shall terminate upon either party's written election given prior to the 1st day of February, 2005.

1.1.2 **Lessee's Conditions.** This Lease and Lessor's obligation to lease the Premises are each subject to and contingent upon Lessee obtaining financing in an amount not less than Two Million Dollars ($2,000,000.00) upon commercially reasonable terms on or before the 1st day of January, 2005. If Lessee has not provided Lessor with evidence of such financing having been obtained within such time, this Agreement shall terminate upon either party's written election given prior to the 1st day of February, 2005.

2. **Term.** The Premises are leased for a term (the "Term") commencing on the 1st day of February, 2005, and expiring at 11:59 p.m. on the 31st day of January, 2015.

2.1 Option to Renew.

2.1.1 **First Extension Term.** So long as Lessee and any Sublessee are not in default in the performance of this Lease, Lessee shall have the right and option to renew the Lease for one

additional ten (10) year term upon the same terms and conditions set forth in the Lease, except the Rental, and further provided that Lessee will no longer have any option to renew the Lease except as provided in Section 2.1.2 below. The ten (10) year extension term ("First Extension Term") shall commence on the first day following the expiration of the Term of the Lease and expiring on the 31st day of January, 2025. The Rental for the Extension Term shall be the fair market value for comparable Premises, as shall be determined by Lessor; provided, however, that in no event shall the Base Rent for the Extension Term be less that that in effect the last month of the initial Term nor shall such increase exceed ten percent (10%) of the Base Rent in effect during the last month of the initial Term. The option for the First Extension Term shall be exercised by delivery of written notice to Lessor not later than the 1st day of December, 2014, and not earlier than 1st day of August, 2014. This option shall terminate on the 1st day of December, 2014, unless this option is exercised in the manner provided herein at an earlier date or unless this Lease expires or is earlier terminated for any reason or in any manner.

2.1.2 **Second Extension Term.** Provided Lessee has exercised the option to renew the Lease pursuant to Section 2.1.1 above, and so long as Lessee and any Sublessee are not in default in the performance of this Lease, Lessee shall have the right and option to renew the Lease for a second additional ten (10) year term upon the same terms and conditions set forth in the Lease, except the Rental, and further provided that Lessee will no longer have any option to renew the Lease unless otherwise agreed by Lessor in writing. The ten (10) year extension term ("Second Extension Term") shall commence on the first day following the expiration of the First Extension Term of the Lease and expiring on the 31st day of January, 2034. The Rental for the Second Extension Term shall be the fair market value for comparable Premises, as shall be determined by Lessor; provided, however, that in no event shall the Base Rent for the Second Extension Term be less that that in effect the last month of the First Extension Term nor shall such increase exceed ten percent (10%) of the Base Rent in effect during the last month of the First Extension Term. The option for the Second Extension Term shall be exercised by delivery of written notice to Lessor not later than the 1st day of December, 2024, and not earlier than 1st day of August, 2024. This option shall terminate on the 1st day of December, 2024, unless this option is exercised in the manner provided herein at an earlier date or unless this Lease expires or is earlier terminated for any reason or in any manner.

2.1.3 Each option to renew shall be subject to and conditioned upon Lessor's determination, to Lessor's sole satisfaction, that Lessee has complied with all of the terms and provisions of the Lease. Each option to renew shall be further subject and conditioned upon the receipt by Lessor of a Release, Indemnification and Estoppel Agreement, in a form satisfactory to Lessor's attorney, executed on behalf of Lessor by any and all persons deemed necessary by Lessor's attorney. Each option to renew, if exercised by Lessee, shall at Lessor's sole option be void and of no further force or effect in the event Lessee or any Sublessee is in default of any of the provisions and conditions of the Lease, on the day the Extension Term was scheduled to commence. Notwithstanding the foregoing or anything to the contrary contained herein, Lessor shall have the right to terminate Lessee's option to renew by providing Lessee notice to that effect not less than one hundred twenty (120) days prior to the expiration of the Term or prior to the expiration of the First Extension Term.

2.2 **Right of First Opportunity.** So long as Lessee and any Sublessee are not in default in the performance of the Lease, should Lessor decide to sell the Premises, or any portion thereof, Lessor will notify Lessee of the availability and description of the property to be sold and the price and terms upon which the property can be acquired. Lessor will not sell any portion of the Premises to any person or entity other than Lessee during the thirty (30) day period immediately following notice of the opportunity to Lessee. If Lessee elects to acquire the Premises (or that portion of the Premises Lessor has decided to sell) and notifies Seller of such election in writing within such thirty (30) day period, Lessor shall not require Lessee to close the sale any earlier than that date which is sixty (60) days of the original notice to sale is received by Lessee. Lessee acknowledges and agrees that any proposed transfer of the Premises, or any portion thereof, will require the consent of the Public Utility Commission as well as each of the other entities listed in Exhibit "B" hereto and will be subject to and conditioned upon such consent. Notwithstanding the foregoing, neither the sale or transfer any of the assets of Lessor, or of a controlling interest in the stock of Lessor, nor the transfer of any interest in this Lease and/or the Premises, or any portion thereof, to or among any of the current owners of the Premises or to a person or entity now or hereafter affiliated with any of the current owners of the Premises or to the Bonneville Power Administration shall give rise to any rights on the part of Lessee pursuant to this provision.

3. Minimum Rent & Possession.

3.1 Rent. Subject to and conditioned upon the terms of Section 1.1 above, Lessee shall be entitled to the following:

3.1.1 The use and possession of that portion of the Premises known as the Pebble Springs Warehouse and yard (See *Exhibit "A"* hereto) on the 1st day of February, 2005, at which time Lessee covenants and agrees to pay to Lessor, promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, Two Thousand Five Hundred Dollars ($2,500.00) per month as Minimum Rent for the Premises from and after the 1st day of February, 2005.

3.1.2 The use and possession of the Western one-half (1/2) of that portion of the Premises known as Building No. 2 (See *Exhibit "A"* hereto) as determined by Lessor on the 1st day of August, 2005, at which time Lessee covenants and agrees to pay to Lessor, promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, Ten Thousand Eight Hundred Thirty Three and 34/100 Dollars ($10,833.34) per month as Minimum Rent for the Premises from and after the 1st day of August, 2005. Said sum includes the Two Thousand Five Hundred Dollars ($2,500.00) referenced in Section 3.1.1 above.

3.1.3 The use and possession of the remaining one-half (1/2) of that portion of the Premises known as Building No. 2 (See *Exhibit "A"* hereto), on the 1st day of February, 2006, at which time Lessee covenants and agrees to pay to Lessor, promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, Sixteen Thousand Six Hundred Sixty Six and 67/100 Dollars ($16.666.67) per month as Minimum Rent for the Premises from and after the 1st day of February, 2006. Said sum includes the Two Thousand Five Hundred Dollars ($2,500.00) referenced in Section 3.1.1 above and the Ten Thousand Eight Hundred Thirty Three and 34/100 Dollars ($10,833.34) referenced in Section 3.1.2 above.

3.1.3.1 Lessor will permit Lessee and its agents to have reasonable access to Building No. 2 prior to February, 2006, for the purpose of remodeling as Lessee may reasonably request. Any access or entry to Building No. 2 shall be approved in advance by Jay Buechler and Wes Waldron on behalf of Lessor, and shall be subject to the security concerns of Lessor and the terms of any additional documentation (including without limitation the execution and delivery to Lessor of Lessor's standard form Permit of Entry) and insurance coverage required by Lessor by Lessee and each of Lessee's agents) each in advance of any entry to Building No. 2. Notwithstanding the foregoing in no event shall Lessee commence any construction activities prior to Lessor receiving the consents required by Section 1.1 hereof.

3.1.3.2 In the event the remodeling of Building No. 2 is completed prior to February, 2006, Lessee shall have the right to request Lessor's consent for Lessee to occupy Building No. 2 at an earlier date, which consent shall not be unreasonably withheld by Lessor. In such event the increased Minimum rent due pursuant to Section 3.1.3 above shall be accelerated to comply with Lessor's actual date of possession of Building No. 2.

3.2 All Rent and Additional Rent shall be paid in advance, on the first day of each month during the Term. All amounts payable under Section 3.1 above, as well as all other amounts payable by Lessee to Lessor under the terms of this Lease, shall be paid at the office of Lessor set forth in Section 29, or at such other place as Lessor shall from time to time designate by notice to Lessee, in lawful money of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment. Payment may be made by mail to the office of Lessor.

3.3 It is intended that the Minimum Rent provided for in this section shall be an absolutely net return to Lessor throughout the Term, free of any expense, charge, or other deduction whatsoever, including all claims, demands, or setoffs of any nature whatsoever.

3.4 Lessee shall also pay without notice, except as may be provided in this Lease, and without abatement, deduction, or setoff, as additional rent, all sums, impositions, costs, and other payments which Lessee in any of the provisions of this Lease assumes or agrees to pay, and in the event of any nonpayment, Lessor shall have (in addition to all other rights and remedies) all the rights and remedies provided for in this Lease or by law in the case of nonpayment of the Minimum Rent.

3.5 On each fifth annual anniversary date of this Lease, Lessor shall increase the Minimum Rent as deemed appropriate by Lessor. Notwithstanding the foregoing such increase shall not exceed ten percent (10%) of the Minimum Rent then being charged pursuant to this Lease.

3.6 Under no circumstances shall Lessee and Lessee's employees, agents, and invitees use or cause to be used more than thirty (30) parking spaces at any given time.

4. **Use.**

4.1 Lessee shall use the Premises for the purpose of operating a marine training/educational facility (river pilot training, tug captain training, and marine homeland security training) for the exclusive use of Lessee and for no other purpose. Lessee acknowledges that neither Lessor nor any agent of Lessor has made any representations concerning the suitability of the Premises for the conduct of Lessee's business.

4.2 Lessee shall not use or occupy, or permit or suffer all or any part of the Premises to be used or occupied (1) for any unlawful or illegal business, use, or purpose, or (2) in any such manner to constitute a nuisance of any kind, or (3) for any purpose or in any way in violation of any certificate of occupancy, or of any Legal Requirements, including but not limited to Legal Requirements respecting Hazardous Substances, or (4) for any business, use, or purpose deemed disreputable by Lessor, or (5) in any manner or for any purpose deemed a threat to state, national or homeland security by Lessor or by the Oregon Office of Safety and Security/Homeland Security or the US Department of Homeland Security. The term Hazardous Substance means any hazardous, toxic, or dangerous substance, waste, or material that is the subject of environmental protection Legal Requirements, including but not limited to the items listed in the United States Department of Transportation Hazardous Materials Table (49 CFR §172.101) or designated as hazardous substances by the United States Environmental Protection Agency (40 CFR pt 302). Lessee acknowledges that the term Legal Requirements includes but is not limited to all environmental protection laws such as the *Comprehensive Environmental Response, Compensation and Liability Act* (42 USC §6901 *et seq.*), the *Federal Water Pollution Control Act* (33 USC §1257 *et seq.*), and the *Clean Air Act* (42 USC §2001 *et seq.*). Any dispute between Lessor and Lessee arising under the provisions of clause (4) of the preceding sentence shall be submitted to arbitration as provided in Section 31 below. Lessee further acknowledges that the term Legal Requirements also includes, but not by way of limitation, the *US Immigration and Nationality Act* (8 CFR) as well as all laws, regulations and guides regarding immigration and/or the presence of aliens and foreign nationals as promulgated by the Bureau of Citizenship and Immigration Services.

4.3 Lessee shall observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including but not limited to zoning variances, special exceptions, and nonconforming uses), privileges, franchises, and concessions that now apply to the Premises or that have been granted to or contracted for by Lessor or Lessee in connection with any existing or presently contemplated use of the Premises.

4.4 Lessee shall not suffer or permit the Premises or any portion to be used by the public at large, as such, without restriction or in such manner as might reasonably tend to impair Lessor's title to the Premises or any portion, or in such manner as might reasonably make possible a claim or claims of adverse usage, adverse possession, or prescription by the public, as such, or of implied dedication, of the Premises or any portion. Lessee acknowledges that Lessor does not consent, expressly or by implication, to the unrestricted use or possession of the whole or any portion of the Premises by the public, as such.

4.5 Lessor and Lessee agree that if and when any governmental or any other public authority requires the execution and delivery of any instrument to evidence or consummate the dedication of any street adjoining the Premises and/or if and when any governmental or any other public authority or any Lessor or any other public utility company requires the execution and delivery of any rights of way, easements, and grants in, over, and along any such streets or in, over, under, or through the Premises for the purpose of providing water, gas, steam, electricity, telephone, communications, storm and sanitary sewer, or any other necessary or desirable service or facility for the benefit of the Premises, then both parties, without cost to either party, will execute, acknowledge, and deliver any such instrument or document as may be required by Lessor.

4.6 Lessee, Lessee's expense, will apply for and obtain all necessary permits and approvals prior to dredging Reflection Lake and prior to constructing a boat launch and prior to engaging in any improvements on the Premises, including without limitation, requirements of the Oregon Division of State Lands and/or the Army Corps of Engineers. All plans for accomplishing the same shall be submitted to Lessor in advance for Lessor's consent and approval which may be withheld at Lessor's discretion.

4.7 No representation, express or implied, respecting any matter or thing relating to the Premises or this Lease, including, without limitation, the condition of the Premises, has been made to Lessee by Lessor other than as may be contained herein. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED,

ARE HEREBY DISCLAIMED, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE, HABITABILITY, OR THAT THE PREMISES ARE SUITABLE FOR LESSEE'S INTENTED COMMERCIAL PURPOSES.

5. **Utilities.** For so long as Lessee is not in default in the performance of this Lease, Lessor shall provide reasonable water, electricity, and sewer services to the extent available to Lessor. In addition to the foregoing Lessor shall maintain the existing fire suppression system (water) to Building No. 2; Lessee shall be responsible for maintaining the existing fire suppression system (water) within Building No. 2. Except as otherwise provided above, Lessee acknowledges and agrees that Lessor shall not have any obligation to provide any utilities or services nor does Lessor make any warranty or representation in any way associated with the ability of Lessee to obtain such utilities or services from third parties. Notwithstanding the foregoing Lessor shall not have any liability to Lessee or to any third party for the failure of Lessor to provide any of the foregoing utilities or services, specifically including, any failure of the fire protection system regardless of cause. Lessor represents that there is a Water Rights Certificate which is associated with the fee ownership of the underlying real property.

5.1 **Maintenance and Service Fee.** Lessor shall meter the electrical and water services and Lessee covenants and agrees to pay said sums to Lessor when due as Additional Rent, without deduction or setoff of any amount whatsoever. Except as otherwise specifically provided herein, Lessor shall have no obligation to repair or maintain the Premises or any Improvements. In addition, Lessee covenants and agrees to pay to Lessor as Additional Rent , promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, Two Hundred Eight Dollars ($208.00) per month for Maintenance and Services Fees from and after the 1st day of February, 2005. On each fifth annual anniversary date of this Lease, Lessor shall increase the Maintenance and Service Fee as deemed appropriate by Lessor. Notwithstanding the foregoing such increase shall not exceed fifteen percent (15%) of the Maintenance and Service Fee then being charged pursuant to this Lease.

6. **Liens.** Lessee shall have no power to do any act or to make any contract that may create or be the foundation for any lien, mortgage, or other encumbrance on the reversion or other estate of Lessor or on any interest of Lessor in the Premises. Lessee shall not suffer or permit any liens to attach to the interest of Lessee in this Lease or in all or any part the Premises by reason of any work, labor, services, or materials done for, or supplied to, or claimed to have been done for or supplied to, Lessee or anyone occupying or holding an interest in all or any part of the Premises through or under Lessee. If any such lien shall at any time be filed against the Premises, Lessee shall cause the same to be discharged of record within ten (10) days after the date of filing the same, by payment, deposit, or bond.

6.1 Nothing in this Lease shall be deemed to be, or be construed in any way as constituting, the consent or request of Lessor, express or implied, by inference or otherwise, to any person, firm, or corporation for the performance of any labor or the furnishing of any materials for any construction, rebuilding, alteration, or repair of or to the Premises, or as giving Lessee any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that might in any way give rise to the right to file any lien against Lessor's interest in the Premises or any portion thereof. Lessee is not intended to be an agent of Lessor for the construction of Improvements on the Premises. Lessor shall have the right to post and keep posted at all reasonable times on the Premises and on the Improvements any notices that Lessor shall be required to post for the protection of Lessor and of the Premises and of the Improvements from any such lien. The foregoing shall not be construed to diminish or vitiate any rights of Lessee in this Lease to construct, alter, or add to the Improvements.

7. **Taxes and Other Charges.**

7.1 Lessee shall pay and discharge, or cause to be paid and discharged, before any fine, penalty, interest, or cost may be added for nonpayment, all real estate taxes, personal property taxes, privilege taxes, excise taxes, business and occupation taxes, gross sales charges, assessments (including, but not limited to, assessments for public improvements or benefits), and all other governmental impositions and charges of every kind and nature whatsoever, whether or not now customary or within the contemplation of the parties and regardless of whether the same shall be extraordinary or ordinary, general, or special, unforeseen or foreseen, or similar or dissimilar to any of the foregoing which, at any time during the Term, shall be or become due and payable and which:

7.1.1 Shall be levied, assessed, or imposed against the Premises or the Improvements or any interest of Lessor or Lessee under this Lease; or

7.1.2 Shall be or become liens against the Premises or the Improvements or any interest of Lessor or Lessee under this Lease; or

7.1.3 Shall be levied, assessed, or imposed on or against Lessor by reason of any actual or asserted engagement by Lessor or Lessee, directly or indirectly, in any business, occupation, or other activity in connection with the Premises or the Improvements; or

7.1.4 Shall be levied, assessed, or imposed on or in connection with the ownership, leasing, operation, management, maintenance, repair, rebuilding, use, or occupancy of the Premises or the Improvements; under or by virtue of any present or future Legal Requirement, it being the intention of the parties that, insofar as the same may lawfully be done, Lessor shall be free from all such expenses and all such real estate taxes, personal property taxes, privilege taxes, excise taxes, business and occupation taxes, gross sales taxes, occupational license taxes, water charges, sewer charges, assessments, and all other governmental impositions and charges of every kind and nature whatsoever (all of such taxes, water charges, sewer charges, assessments, and other governmental impositions and charges that Lessee is obligated to pay being collectively called "Tax" or "Taxes"). The parties estimate that Lessee's obligation with respect to this Section 7 shall be approximately Eighteen Thousand Seven Hundred Seventy Seven Dollars ($18,777.00) for the first year of the Lease Term. The parties recognize and acknowledge that the Premises are currently centrally assessed for property tax purposes and that should that status change and the Premises become locally assessed in the future it is likely to result in a material change in the amount of Property Taxes.

7.2 Nothing contained in this Lease requires Lessee to pay any franchise, estate, inheritance, succession, capital levy, or transfer tax of Lessor, or any income, excess profits, or revenue tax, or any other tax, assessment, charge, or levy on the Rent payable by Lessee under this Lease; provided, however, that if at any time during the Term the methods of taxation prevailing at the commencement of the Term are altered so that in lieu of any Tax under this section there is levied, assessed, or imposed (1) a tax, assessment, levy, imposition, or charge, wholly or partially as a capital license fee measured by the Rent payable by Lessee under this Lease, then all such taxes, assessments, levies, impositions, or charges or the part so measured or based, shall be deemed to be included within the term Tax for the purposes of this Lease, to the extent that such Tax would be payable if the Premises were the only property of Lessor subject to such Tax, and Lessee shall pay and discharge the same as provided in respect to the payment of Taxes.

7.3 If by law any Tax is payable, or may at the option of the taxpayer be paid, in installments, Lessee may, whether or not interest shall accrue on the unpaid balance, pay the same, and any accrued interest on any unpaid balance, in installments as each installment becomes due and payable, but in any event before any fine, penalty, interest, or cost may be added for nonpayment of any installment or interest.

7.4 Any Tax relating to a fiscal period of the taxing authority, a part of which is within the Term and a part of which is before or after the Term, whether or not such Tax shall be assessed, levied, imposed, or become a lien on the Premises or the Improvements, or shall become payable, during the Term, shall be apportioned and adjusted between Lessor and Lessee so that Lessee shall pay only the portions that correspond with the portion of such fiscal periods included within the Term. With respect to any Tax for public improvements or benefits that by law is payable, or at the option of the taxpayer may be paid, in installments, Lessor shall pay the installments that become due and payable after the Term expires, and Lessee shall pay all such installments which become due and payable at any time during the Term.

7.5 Lessee covenants to furnish to Lessor, within thirty (30) days after the last date when any Tax must be paid by Lessee as provided in this section, official receipts, if such receipts are then available to Lessee, of the appropriate taxing authority, or other proof satisfactory to Lessor, evidencing payment.

7.6 Lessee shall have the right at Lessee's expense to contest or review the amount or validity of any Tax or to seek a reduction in the assessed valuation on which any Tax is based, by appropriate legal proceedings. Lessee may defer payment of such contested Tax on condition, however, that if such contested Tax is not paid beforehand and if such legal proceedings shall not operate to prevent the enforcement of the collection of the Tax so contested and shall not prevent the sale of the Premises or the Improvements to satisfy the same, then before instituting any such proceedings Lessee shall furnish to Lessor, if so required by the terms of its mortgage, a surety company bond, cash deposit, or other security reasonably satisfactory to Lessor, as security for the payment of such Tax, in an amount sufficient to pay such Tax, together with all interest and penalties in connection with such Tax and all charges that might be assessed against the Premises or the Improvements in the legal proceedings. Upon termination of such legal proceedings or at any time when Lessor shall determine the security to be insufficient for the

purpose, Lessee shall forthwith, on demand, deliver to Lessor additional security as is sufficient and necessary for the purpose, and on failure of Lessee so to do, the security originally deposited shall be applied to the payment, removal, and discharge of the Tax and the interest and penalties in connection with the Tax and the charges and costs accruing in such legal proceedings and the balance, if any, shall be paid to Lessee provided that there is then no uncured default under this Lease. In the event that such security shall be insufficient for this purpose, Lessee shall forthwith pay over to Lessor an amount sufficient, together with the security originally deposited, to pay the same. Lessee shall not be entitled to interest on any money deposited pursuant to this section.

7.7 Any contest as to the validity or amount of any Tax, or assessed valuation on which such Tax was computed or based, whether before or after payment, may be made by Lessee in the name of Lessor or of Lessee, or both, as Lessee shall determine, and Lessor agrees that it will, at Lessee's expense, cooperate with Lessee in any such contest to such extent as Lessee may reasonably request, it being understood, however, that Lessor shall not be subject to any liability for the payment of any costs or expenses in connection with any proceeding brought by Lessee, and Lessee covenants to indemnify and save Lessor harmless from any such costs or expenses. Lessee shall be entitled to any refund of any such Tax and penalties or interest that have been paid by Lessee or by Lessor and reimbursed to Lessor by Lessee.

7.8 The parties shall use reasonable efforts to see that all communications from the governmental authorities respecting Taxes are sent directly by such authorities to Lessor. Lessor shall forward any and all communications to Lessee within forty eight (48) hours of Lessor's receipt. The certificate, advice, receipt, or bill of the appropriate official designated by law to make or issue the same or to receive payment of any Tax or nonpayment of such Tax shall be prima facie evidence that such Tax is due and unpaid or has been paid at the time of the making or issuance of such certificate, advice, receipt, or bill.

8. Insurance.

8.1 During the Term, Lessor shall have no obligation whatsoever to maintain fire or casualty insurance of any kind on the Improvements or any personal property on the Premises for the benefit of Lessee, Guarantor, or any Sublessee. Lessee shall be responsible for insuring its business, all personal property and trade fixtures located on the Premises, and any alterations or Lessee improvements made to the Premises, including without limitation, any specialty (non-building standard) HVAC systems, fire and/or security systems, and computer/electronic/technology related items, and the like.

8.2 Lessee, at its expense, shall maintain at all times during the Term of this Lease public liability insurance in respect of the Premises and the conduct or operation of its business, with Lessor as additional insured, with Two Million Dollars ($2,000,000.00) minimum combined single-limit coverage, or its equivalent. All casualty insurance policies shall include contractual liability, severability of interest, and cross-liability endorsements. When Lessee conducts demolition or excavation work, the exclusions now customarily referred to as the X, C, and U exclusions shall be deleted from Lessee's liability insurance. Lessee shall deliver to Lessor and any additional named insured such fully paid-for policies or certificates of insurance, in a form satisfactory to Lessor, issued by the insurance company or its authorized agent, at least ten (10) days before the Commencement Date. Lessee shall procure and pay for renewals of such insurance from time to time before the expiration, and Lessee shall deliver to Lessor and any additional named insured such renewal policy or certificate at least thirty (30) days before the expiration of any existing policy. All insurance policies shall contain provisions whereby (1) losses shall be payable despite the negligence of any person having an insurable interest in the Premises; (2) the Proceeds will be paid in accordance with the terms of this Lease; and (3) the policies cannot be cancelled or modified unless Lessor and any additional named insured are given at least thirty (30) days' prior written notice of such cancellation or modification.

8.3 All insurance policies shall be written as primary policies to the extent of Lessee's indemnity obligations herein and shall not be contributing with or be in excess of the coverage that either Lessor or Lessee may carry. All such insurance policies shall be issued in the name of Lessee, with Lessor being included in the insurance policy definition of who is an additional insured, and shall be primary to any insurance available to Lessor.

8.4 All policies of insurance shall be issued by good, responsible companies, reasonably acceptable to Lessor and that are qualified to do business in the State of Oregon. Executed copies of such policies of insurance and certificates shall be delivered to Lessor within thirty (30) days after the Building is completed and thereafter within thirty (30) days before the expiration of the term of each such

policy. As often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Lessee in like manner and to like extent. All policies of insurance must contain a provision that the company writing the policy will give Lessor thirty (30) days' written notice in advance of any cancellation, substantial change of coverage, or the effective date of any reduction in amount of insurance.

8.5 The obligations of Lessee to carry the insurance provided for may be brought within the coverage of a so-called blanket policy or policies of insurance; provided, however:

8.5.1 That the coverage afforded will not be reduced or diminished by reason of the use of such blanket policy of insurance;

8.5.2 That the requirements set forth are otherwise satisfied; and

8.5.3 That, as to all insurance, Lessor shall be named as additional insured.

8.6 Lessee acknowledges and agrees that Lessor shall have the right, at Lessor's sole election, to self-insure with respect to the Property, the Premises, this Lease, and/or any aspect of Lessor's business. Lessor will not insure Lessee nor will it maintain insurance of any kind for the benefit of Lessee on any improvements paid for by Lessee or on Lessee's furniture or furnishings or on any fixtures, equipment, improvements or appurtenances of Lessee under this Lease and Lessor shall not be obligated to repair any damage thereto or replace the same.

8.7 Lessor may from time to time, but not more frequently than once every three years, require that the amount of public liability insurance to be maintained by Lessee under Section 9.2 be increased so that the amount adequately protects Lessor's interest based on amounts of coverage required of comparable Lessees in comparable buildings.

8.8 **Lessor Insurance.** Lessee acknowledges and agrees that Lessor shall have the right, at Lessor's sole election, to self-insure with respect to the Property, the Premises, this Lease, and/or any aspect of Lessor's business. Lessor will not insure Lessee nor will it maintain insurance of any kind for the benefit of Lessee on any improvements paid for by Lessee or on Lessee's furniture or furnishings or on any fixtures, equipment, improvements or appurtenances of Lessee under this Lease and Lessor shall not be obligated to repair any damage thereto or replace the same.

9. Lessor's Right to Perform Lessee's Covenants.

9.1 If Lessee at any time fails to pay any Tax in accordance with the provisions of this Lease or fails to make any other payment or perform any other act on its part to be made or performed, then Lessor, after ten (10) days' notice to Lessee (or without notice in case of an emergency) and without waiving or releasing Lessee from any obligation of Lessee contained in this Lease or from any default by Lessee and without waiving Lessor's right to take such action as may be permissible under this Lease as a result of such default, may (but shall be under no obligation to):

9.1.1 Pay any Tax payable by Lessee pursuant to the provisions of this Lease; or

9.1.2 Make any other payment or perform any other act on Lessee's part to be made or performed as provided in this Lease, and may enter the Premises and the Improvements for any such purpose, and take all such action, as may be necessary.

9.2 All sums so paid by Lessor and all costs and expenses incurred by Lessor, including reasonable attorney fees, in connection with the performance of any such act, together with, if Lessee does not pay the same within the thirty (30) day period after notice from Lessor, interest from the date of such payment or incurrence by Lessor of such cost and expense until paid, at the annual rate of twelve percent (12%), shall constitute Additional Rent payable by Lessee under this Lease and shall be paid by Lessee to Lessor on demand.

10. Compliance with Legal Requirements.

10.1 Throughout the Term, Lessee shall promptly comply with all Legal Requirements that may apply to the Premises or to the use or manner of uses of the Premises or the Improvements or the owners or users of the Improvements, whether or not the Legal Requirements affect the interior or exterior of the Improvements, necessitate structural changes or improvements, or interfere with the use and enjoyment of the Premises or the Improvements, and whether or not compliance with the Legal Requirements is required by reason of any condition, event, or circumstance existing before or after the Term commences. Lessee shall pay all costs of compliance with Legal Requirements, but Lessee shall have the right to cease occupation or use of, or to demolish or remove, all or any part of the Premises or the Improvements in lieu of compliance with any Legal Requirement that may require expenditures on behalf of Lessee for continued use or occupation of the Premises.

10.2 Lessee shall have the right, after prior written notice to Lessor, to contest by appropriate legal proceedings, diligently conducted in good faith, in the name of Lessee or Lessor or both, without cost or expense to Lessor, the validity or application of any Legal Requirement subject to the following:

10.2.1 If, by the terms of any Legal Requirement, compliance may legally be delayed pending the prosecution of any such proceeding without the incurrence of any lien, charge, or liability of any kind against all or any part of the Premises or the Improvements and without subjecting Lessee or Lessor to any liability, civil or criminal, for failure to comply, Lessee may delay compliance until the final determination of such proceeding; or

10.2.2 If any lien, charge, or civil liability would be incurred by reason of any such delay, Lessee nevertheless may contest the matter and delay compliance, provided that such delay would not subject Lessor to criminal liability or fine, and Lessee

10.2.2.1 Furnishes to Lessor security, reasonably satisfactory to Lessor, against any loss or injury by reason of such contest or delay, and

10.2.2.2 Prosecutes the contest with due diligence.

10.3 Lessor shall execute and deliver any appropriate papers that may be necessary or proper to permit Lessee to contest the validity or application of any Legal Requirement, provided all the requirements of this section have been satisfied by Lessee and Lessor will incur no cost.

10.4 **Compliance with ADA.** Lessee shall observe and comply with the ADA (defined below) as it applies to the Premises or the use or occupancy thereof by Lessee, including but not limited to the obligation to alter, maintain, repair, improve or restore the Premises, and all parts thereof structural and otherwise, in compliance and conformity with the ADA to the extent that the ADA applies to Lessee's use of the Premises. "ADA" shall mean the *Americans with Disabilities Act of 1990*, 42 U.S.C. § 12101 *et seq.* or comparable Oregon law (and related statutes and regulations) (collectively the "ADA"). Lessee acknowledges that Lessee may be required by the ADA to make improvements to the Premises to facilitate access for the disabled in connection with Lessee's improvement, alteration and use of the Premises, and/or as an employer, and all costs associated with such compliance shall be borne exclusively by Lessee. If Lessor determines that work outside of the Premises is appropriate under the ADA due to Lessee's use of the Premises, Lessor shall accomplish the same after consultation with Lessee, at the expense of Lessee.

11. **Repairs and Maintenance.** Lessee is familiar with the Premises and accepts the Premises "AS IS". Lessor shall have no obligation to repair or maintain the Premises or any Improvements. Lessor shall in no event be required to make any alterations, rebuildings, replacements, changes, additions, improvements, or repairs during the Term. Lessee, at Lessee's expense shall maintain in good working order and make all necessary repairs to the Premises and all Improvements, including without limitation the structures, roofs, plumbing, lights, and heat/ventilation/air conditioning. Lessor assigns to Lessee, without recourse, such rights, if any, as Lessor may have against any parties causing damage to the Improvements on the Premises to sue for and recover amounts expended by Lessee as a result of such damage. Lessee specifically acknowledges that Lessor will not be providing any security for the Premises for the benefit of Lessee. Lessee shall maintain the depth of the Reflecting Pond between three (3') feet and three and one half (3.5') feet.

12. **Alterations, Additions, and Improvements.** The term Modifications means any demolition, improvement, alteration, change, or addition, of, in, or to all or any part of the Premises or the Improvements. Modifications of any type or nature shall require the prior written consent of the Lessor shall be constructed in accordance with all applicable codes, laws, and regulations and employing Union labor. All salvage material in connection with any Modification that Lessee is permitted to make shall belong to Lessee. Lessee shall not make or suffer to be made any Modifications in, on or to the Premises or any part thereof without the prior written consent of Lessor, which consent may be withheld or issued subject to conditions, in Lessor's sole discretion. Lessor has given preliminary approval of the Plans and Specifications attached as Exhibit "D" hereto, subject to approval by all applicable governmental agencies, the issuance of proper permits, and any bonds required by Lessor.

12.1 Application to Lessor for Consent. When applying for any such consent as provided in Subsection 12 above, Lessee shall furnish complete plans and specifications for the desired Modifications, unless the cost thereof is less than Five Thousand Dollars ($5,000.00) and Lessor determines that such Modifications will not affect any structural, mechanical, electrical, plumbing or life safety systems. Subsequent to obtaining Lessor's consent and prior to commencement of construction of

the Modifications, Lessee shall deliver to Lessor a copy of the building permit and a copy of the executed construction contract covering the Modifications. Lessee shall pay to Lessor upon demand a review fee in the amount of five percent (5%) of the construction cost of the Modifications to compensate Lessor for the cost of review and approval of the plans and specifications and for additional administrative costs incurred in monitoring the construction of the Modifications. Notwithstanding the foregoing, said review fee shall not apply to any Modifications to the extent set forth in Exhibit "D" hereto. Any such review by and consent of Lessor shall not be deemed to constitute any warranty or representation by Lessor as to the adequacy, correctness, or completeness, compliance with laws, fitness for any purpose or otherwise, of said plans and specifications, or the Modifications.

12.2 Construction. If Lessor consents to the making of any Modifications, the same shall be made at Lessee's sole cost and expense, and if Lessor does not elect to construct the desired Modifications, Lessee shall engage the services of a contractor to make the same who has previously been approved in writing by Lessor to work on the Premises. Lessor may in its discretion require Lessee to obtain, at Lessee's expense, performance and/or completion bonds for any Modifications affecting the Premises. For Modifications affecting the Premise's structural, electrical, mechanical, plumbing or life safety systems, Lessee must use those approved contractors and/or subcontractors and suppliers designated by Lessor. Lessee shall provide, at its expense, such completion, performance and/or payments bonds as Lessor considers necessary with respect to such construction work. Lessee shall pay all costs of work no less frequently than monthly and shall cause release of any lien within ten (10) calendar days of filing. Lessee shall also require its contractor to maintain insurance in amounts and in such form as Lessor may require and to execute an agreement extending such warranties and other protections to Lessor as Lessor may require. Any construction, alteration, maintenance, repair, replacement, installation, removal or decoration undertaken by Lessee in connection with the Premises shall be completed in accordance with the plans and specifications approved by Lessor, shall be carried out in a good, workmanlike and prompt manner, shall comply with all applicable statutes, laws, ordinances, regulations, rules, orders and requirements of the authorities having jurisdiction thereof, and shall be subject to supervision by Lessor or its employees, agents or contractors; as-built plans and specifications shall be provided by Lessee to Lessor upon completion of work. Without Lessor's prior written consent Lessee shall not use any portion of the Common Areas in connection with the making of any Modifications. At Lessor's option, Lessor may elect to construct the Modifications desired by Lessee. If Lessor so elects, Lessee shall pay in advance of commencement of such Modifications to Lessor for any and all costs thereof (including, without limitation, the costs of design, labor, materials, equipment, a supervision fee of five percent (5%) of the total cost of construction of the Modifications) within ten (10) calendar days after receipt of Lessor's invoice. Notwithstanding the foregoing, said supervision fee shall not apply to any Modifications to the extent set forth in Exhibit "D" hereto. Failure of Lessee to pay the invoiced costs within such ten (10) calendar day period shall constitute a default under the terms of this Lease in like manner as failure to pay Gross Rent when due. In the event of any such failure of Lessee to pay such costs when due, Lessor shall thereby be entitled without cost, obligation or liability of any kind or in any amount whatsoever, to discontinue the construction of any Modifications. Should Lessor elect to exercise such right to discontinue construction, Lessee shall be and remain liable to Lessor for any and all portions of the Modifications completed or partially completed at the time of the discontinuing of construction and for any additional items of loss, expense or damage incurred by Lessor. If the Modifications which Lessee causes to be constructed result in Lessor being required to make any Modifications and/or improvements to other portions of the Premises in order to comply with any applicable statutes, laws, ordinances, regulations, rules, orders or requirements (e.g. ordinances intended to provide full access to disabled persons), then Lessee shall reimburse Lessor upon demand for all costs and expenses incurred by Lessor in making such Modifications and/or improvements.

12.3 **Cabling and Wiring.** Any cabling or wiring installed on or about the Premises (including the risers, plenum and telecommunications spaces) during the Term shall meet or exceed the requirements of the then current national and local electrical, fire and safety codes. In conjunction with the installation or modification of any cabling or wiring Lessee, at Lessee's risk and expense, shall remove and properly dispose of any abandoned cabling and wires, as defined by the National Electric Code, within the demised Premises (including the risers, plenum and telecommunications spaces). Upon the expiration or termination of this Lease, Lessee, at Lessee's risk and expense, shall promptly remove and properly dispose of any abandoned cabling and wires, as defined by the National Electric Code, within the demised Premises (including the risers, plenum and telecommunications spaces) unless excused in writing by Lessor. Failure of Lessee to promptly satisfy any obligation of Lessee pursuant to this Section shall

constitute a default hereunder and, in addition to any other remedy available to Lessor, Lessee shall forfeit such sums necessary or appropriate to remove and properly dispose of such cabling and wiring from Lessee's security deposit. To the extent insufficient funds exist in the security deposit or there is no security deposit Lessee shall remain liable to Lessor for such sums.

13. **Title to Improvements.** Any Improvements made by Lessee shall remain on and be surrendered with the Premises upon the expiration or sooner termination of the Term, except Lessee shall upon demand by Lessor at the expiration of this Lease or the termination of this Lease or of the right of possession of Lessee, at Lessee's sole cost and expense, forthwith and with all due diligence remove all or any portion of any Improvements made by Lessee which are designated by Lessor to be removed and repair and restore the Premises to their original condition, reasonable wear and tear excepted. Notwithstanding the foregoing, Lessee shall not be required to remove the Improvements to the extent noted on Exhibit "D-1" hereto. Title to Improvements shall be and remain in Lessee until the expiration of the Term, unless this Lease is terminated sooner as provided. Upon such expiration or sooner termination, title to the Improvements shall automatically pass to, vest in, and belong to Lessor without further action on the part of either party and without cost or charge to Lessor. During the Term, Lessee shall be entitled for all taxation purposes to claim cost recovery deductions and the like on the Improvements. The parties agree that all equipment and other personal property at any time acquired by Lessee and located on or about the Premises have been severed from the Premises by intention and agreement of the parties hereto and any lenders or others claiming an interest in the Premises or Lessor's adjacent land as personal property of Lessee or its assigns and, even though attached to or affixed to or installed upon or under the Premises, shall not be or become subject to any lien now or hereafter placed on the Premises or on any adjacent property of Lessor by Lessor or others claiming through or under it.

14. **No Waste.** Lessee shall not do or suffer any waste or damage, disfigurement, or injury to the Premises or the Improvements. Demolition of all or any part of the Improvements done in accordance with the requirements of Section 12 above shall not be considered prohibited by the terms of this section.

15. **Inspection and Access.**

15.1 **Early Access by Lessee.** At any commercially reasonable time, and from time to time, after the date of this Agreement and upon the consent of Lessor in each instance, Lessee and its representatives and consultants shall have commercially reasonable access to the Premises for purposes of inspecting and testing the Premises as Lessee desires, all of which may occur at any time PGE reasonably allows and subject to Lessor's security concerns and limitations. Lessor shall cooperate with Lessee in making such tests and studies. No soil tests or drilling shall be undertaken without first obtaining Lessor's written approval with respect to the agents retained to perform such work and the location and purpose of the tests or drilling. Lessee shall not interfere with or disturb the business operations of Lessor in any fashion. Lessee shall fully compensate Lessor for any physical damage to any property or any lien, encumbrance, or charge attributable to Lessee's activities pursuant to this paragraph. To the fullest extent allowable by law, Lessee shall indemnify, defend and hold Lessor harmless in connection with any damage to any property and/or other losses, liabilities, costs and expenses arising from Lessee and/or the activities of Lessee's employees, agents, representatives and invitees. Lessee will provide Lessor with copies of all reports, studies and analyses resulting from Lessee's investigation of the Premises promptly upon receipt of such materials by Lessee.

15.2 **Inspection and Access by Lessor.** Upon reasonable notice to Lessee and in the presence of an agent or employee of Lessee, Lessee shall permit Lessor, or the authorized representative of any of them to enter the Premises and the Improvements at all reasonable times during usual business hours for the purposes of inspecting the same and making any repairs or performing any work that Lessee has neglected or refused to make in accordance with the terms, covenants, and conditions of this Lease. Nothing in this Lease shall imply any duty or obligation on the part of Lessor to do any such work or to make any Improvements of any kind whatsoever to the Premises (including, but not limited to, repairs and other restoration work made necessary due to any fire, other casualty, or partial condemnation, irrespective of the sufficiency or availability of any fire or other insurance proceeds, or any award in condemnation, which may be payable). The performance of any work by Lessor shall not constitute a waiver of Lessee's default in failing to perform the same

15.2.1 During the progress of any work on the Premises or the Improvements performed by Lessor pursuant to the provisions in this section, Lessor may keep and store on the Premises all

necessary materials, tools, supplies, and equipment. Lessor shall not be liable for inconvenience, annoyance, disturbance, loss of business, or other damage of Lessee or any user by reason of making such repairs or performing any such work, or on account of bringing materials, tools, supplies, and equipment onto the Premises or into the Improvements during the course of the work and the obligations of Lessee under this Lease shall not be affected by the work.

15.2.2 Lessor shall have the right to enter on the Premises and the Improvements at all reasonable times during usual business hours for the purpose of showing the same to prospective purchasers of Lessor's interest and, at any time within two years before the Term expires, for the purpose of showing the same to prospective Lessees.

15.2.3 Except in the event of emergency repairs, all entry to the Premises by Lessor shall require at least 24 hours' advance notice to Lessee. In the event of any emergency repairs, Lessor shall use reasonable efforts to give Lessee the earliest possible notice of the same.

15.2.4 Notwithstanding the foregoing, Lessor reserves at all times the right to enter upon the Premises for any purpose deemed appropriate by Lessor in conjunction with the Exclusion Area referenced in *Exhibit "B"* hereto, and to erect, maintain, repair, rebuild, operate and patrol electric power transmission lines and signal or communication lines (above and below ground) of any type or nature, and all uses directly or indirectly necessary thereto, including without limitation, the right to install surface or subsurface mounted transformers, surface mounted connection boxes, meter cabinets and overhead service lines. Such uses shall include the erection of poles, towers, transmission structures, wires, cables, guys, supports and appurtenances and the protection thereof from fire and other hazards. Lessor shall also have the right to enter on the Premises and the Improvements at all reasonable times for the purpose of showing the same to representatives of any entity or agency noted in *Exhibit "B"* hereto.

15.2.5 Notwithstanding anything to the contrary contained herein, Lessor reserves at all times the right to enter upon the Premises and the Improvements at any time upon the request of the Oregon Office of Safety and Security/Homeland Security or the US Department of Homeland Security and/or other state or federal security agencies to allow access to representatives of such agencies at all times. Lessor shall not be liable to Lessee, or any Sublessee, or to any third party for any action taken by any governmental authority, public safety personnel, or any third party, nor shall Lessor be liable for any act or omission of Lessor that Lessor deems reasonable or appropriate to protect life or property under such circumstances.

16. Lessor's Exculpation and Indemnity.

16.1 Subject to interests set forth in Exhibit "B" hereto, Lessee is and shall be in exclusive control of the Premises and of the Improvements, and Lessor shall not in any event whatsoever be liable for any injury or damage to any property or to any person happening on, in, or about the Premises or the Improvements or any injury or damage to the Premises or the Improvements or to any property, whether belonging to Lessee or to any other person, caused by any failure of Lessor to provide any utilities or services, specifically including, any failure of the fire protection system regardless of cause, fire, breakage, leakage, defect, or bad condition in any part or portion of the Premises or of the Improvements, or from steam, gas, electricity, water, rain, or snow that may leak into, issue, or flow from any part of the Premises or the Improvements from the drains, pipes, or plumbing work of the same, or from the street, subsurface, or any place or quarter, or due to the use, misuse, or abuse of all or any of the Improvements or from any kind of injury that may arise from any other cause whatsoever on the Premises or in or on the Improvements, including defects in construction of the Improvements, latent or otherwise.

16.2 To the fullest extent permitted by law, Lessee shall indemnify, defend, and hold Lessor harmless against and from all liabilities, obligations, damages, penalties, claims, costs, charges, and expenses, including reasonable architect and attorney fees that may be imposed on or incurred by or asserted against Lessor by reason of any of the following occurrences during the Term:

16.2.1 Any work or thing done in, on, or about all or any part of the Premises or the Improvements by Lessee or any party other than Lessor;

16.2.2 Any use, nonuse, possession, occupation, condition, operation, maintenance, or management of all or any part of the Premises or the Improvements or any adjacent alley, sidewalk, curb, vault, passageway, or space;

16.2.3 Any negligence on the part of Lessee or any of its agents, contractors, servants, employees, sublessees, licensees, or invitees;

16.2.4 Any accident, injury, or damage to any person or property occurring in, on, or about the Premises or the Improvements; or

16.2.5 Any failure on the part of Lessee to perform or comply with any of the covenants, agreements, terms, provisions, conditions, or limitations contained in this Lease on its part to be performed or complied with.

16.3 The provisions of this Section shall survive the expiration or termination of this Lease or of Lessee's right of possession with respect to any claim, loss, damage, liability or cause of action accruing or occurring prior to such expiration termination, and shall remain fully enforceable thereafter. For all purposes under this Lease any deliberate action on the part of Lessor taken in good faith in the exercise of such persons' assigned duties and responsibilities shall not constitute negligence or willful misconduct. This indemnity shall survive the expiration or earlier termination of the term of the Lease or the termination of Lessee's right of possession and shall remain fully enforceable thereafter.

16.4 In case any action or proceeding is brought against Lessor by reason of any such claim, Lessee upon written notice from Lessor shall, at Lessee's expense, resist or defend such action or proceeding by counsel approved by Lessor in writing, which approval shall not be unreasonably withheld. Lessor shall not make any claim against Lessee with respect to any of such risks as to which Lessee has furnished Lessor with insurance policies or certificates of insurance evidencing coverage of such risks unless and until the insurer fails or refuses to defend and/or pay all or any part of a third-party claim.

17. Condemnation.

17.1 If all the Premises and the Improvements are taken or condemned, by right of eminent domain, by one of the agencies noted in *Exhibit "B"* hereto, or by purchase in lieu of condemnation, or if such portion of the Premises or the Improvements shall be so taken or condemned that the portion remaining is not sufficient and suitable, in Lessee's sole judgment, to permit the restoration of the Improvements following such taking or condemnation, then this Lease and the Term, at Lessee's option, shall cease and terminate as of the date on which the condemning authority takes possession (any taking or condemnation of the land described in this section being called a "Total Taking"), and the Minimum Rent and Additional Rent shall be apportioned and paid to the date of such total taking.

17.2 If this Lease expires and terminates as a result of a Total Taking, the rights and interests of the parties shall be determined as follows:

17.2.1 The total award or awards for the Total Taking shall be apportioned and paid in the following order of priority:

17.2.1.1 Lessor shall have the right to and shall be entitled to receive directly from the condemning authority, in its entirety and not subject to any trust, that portion of the award, which is defined and referred to as the "Land Award," and neither Lessee shall be entitled to receive any part of the Land Award. The term Land Award shall mean that portion of the award in condemnation or change of grade proceedings that Lessor determines represents the fair market value of the Premises, considered as vacant, unimproved but encumbered by this Lease and the sole purpose for which Lessee is entitled to use the Premises, the consequential damage to any part of the Premises that may not be taken, the diminution of the assemblage or plottage value of the Premises not so taken and all other elements and factors of damage to the Premises; but in all events such damage or valuation shall take into consideration that the Premises is encumbered by this Lease;

17.2.1.2 Lessee shall have the right to and shall be entitled to receive directly from the condemning authority, that portion of the award referred to as the "Leasehold Award." The term Leasehold Award shall mean that portion of the award in condemnation proceedings that represents the fair market value of Lessee's interest in the Improvements and the fair market value of Lessee's leasehold estate as so taken and, provided this Lease is not terminated as a result of such condemnation or taking, the consequential damages to any part of the Improvements.

17.2.1.3 It is the intent of the parties that the Land Award and Leasehold Award will equal the total amount of the awards respecting a total taking.

17.2.2 If the court or such other lawful authority as may be authorized to fix and determine the awards fails to fix and determine, separately and apart, the Land Award and the Leasehold Award, such awards shall be determined and fixed by written agreement mutually entered into by and among Lessor, Lessee, and if an agreement is not reached within twenty (20) days after the judgment or decree is entered in the proceedings, the controversy shall be resolved in the same court as the condemnation action is brought, in such proceedings as may be appropriate for adjudicating the controversy; and

17.2.3 If the condemning authority refuses or otherwise fails to deduct from the Leasehold Award any Rent or other money due from Lessee to Lessor and to pay same directly to Lessor,

then Lessee, shall execute and deliver to Lessor a written and acknowledged assignment of such amount payable out of such Leasehold Award, and if, nevertheless, the full amount of the Leasehold Award is paid to Lessee, the recipient shall hold in trust for Lessor and pay over to Lessor forthwith on the receipt of the award the amount or amounts so due.

17.3 If, during the Term, there is a taking or condemnation of the Premises or the Improvements that is not a total taking and not a temporary taking of the kind described below, or in the event of the change in the grade of the streets or avenues on which the Premises abuts, this Lease and the Term shall not cease or terminate but shall remain in full force and effect with respect to the portion of the Premises and of the Improvements not taken or condemned (any taking or condemnation or change of grade of the kind described in this Section being referred to as a "Partial Taking"), and in such event:

17.3.1 The total award or awards for the taking shall be apportioned and paid in the following order of priority:

17.3.1.1 Lessor shall have the right to and shall be entitled to receive directly from the condemning authority, in its entirety and not subject to any trust, that portion of the award that equals the Land Award, and neither Lessee shall be entitled to receive any part of the award; and

17.3.1.2 If at the time of such taking there is a mortgage held by a Lending Institution, then such Lending Institution, or, if there is no such mortgage, then Lessee, shall have the right to and shall be entitled to receive directly from the condemning authority the balance of the award, to be applied by the recipient as it shall deem appropriate.

17.4 In the event of a taking of all or a part of the Premises or the Improvements for temporary use, this Lease shall continue without change, as between Lessor and Lessee, and Lessee shall be entitled to the entire award made for such use; provided that Lessee shall be entitled to file and prosecute any claim against the condemnor for damages and to recover the same, for any negligent use, waste, or injury to the Premises or the Improvements throughout the balance of the then-current Term. The amount of damages so recovered shall belong to Lessee.

17.5 In the event of any dispute between Lessee and Lessor with respect to any issue of fact arising out of a taking mentioned in this section, such dispute shall be resolved by the same court in which the condemnation action is brought, in such proceedings as may be appropriate for the adjudicating the dispute.

18. Assignment and Subletting.

18.1 **Assignment and Subletting Prohibited.** Lessee shall not, either voluntarily or by operation of law, assign all or any part of Lessee's leasehold estate hereunder, permit the Premises to be occupied by anyone other than Lessee or Lessee's employees, sublet the Premises or any portion thereof, or encumber or pledge all or any portion of this Lease or Lessee's leasehold estate hereunder, without Lessor's express prior written consent in each and every instance, which consent may be withheld or issued subject to conditions, in Lessor's sole discretion. Any assignment, encumbrance, pledge, or Lease without Lessor's prior written consent shall be void and shall constitute a default hereunder. This provision shall apply to all mergers and changes in control of Lessee of any type or nature, each of which shall be deemed assignments for the purposes of this Section.

18.2 **No Release of Liability.** Regardless of Lessor's consent, no subletting or assignment shall release Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations to be performed by Lessee hereunder. The acceptance of rent by Lessor from any other person shall not be deemed to be a waiver by Lessor of any provision hereof. Consent to one assignment, encumbrance, pledge, or subletting shall not be deemed consent to any subsequent assignment, encumbrance, pledge, or subletting. If any assignee of Lessee or any successor of Lessee defaults in the performance of any of the terms hereof, Lessor may proceed directly against Lessee without the necessity of exhausting remedies against such assignee or successor. Lessor may consent to subsequent assignments, encumbrances, pledges, or subletting of this Lease or amendments or modifications to this Lease with assignees of Lessee, without notifying Lessee, or any successor of Lessee, and without obtaining its or their consent thereto, and such action shall not relieve Lessee of its liability under this Lease. If Lessee assigns this Lease, encumbers, pledges, or sublets all or a portion of the Premises, or requests the consent of Lessor to any assignment, encumbrance, pledge, or subletting, or if Lessee requests the consent of Lessor for any act that Lessee proposes to do, then Lessee shall pay Lessor's reasonable attorneys' fees incurred in connection therewith.

19. **Default; Remedies.**

19.1 The occurrence of any one or more of the following events of default constitutes a breach of this Lease by Lessee:

19.1.1 If Lessee defaults in the payment of Rent or Additional Rent due and payable by Lessee, and such default continues for ten (10) days after Lessor has given Lessee a notice specifying the same; or

19.1.2 If Lessee, whether by action or inaction, is in default of any of its obligations under this Lease (other than a default in the payment of Rent or Additional Rent by Lessee or specifically addressed below) and such default continues and is not remedied within thirty (30) days after Lessor has given Lessee a notice specifying the same, or, in the case of a default that can be cured but not within a period of thirty (30) days, if Lessee has not (1) commenced curing such default within such 30-day period; (2) notified Lessor of Lessee's intention and current ability to cure the default; and (3) continuously and diligently completes the cure of the default within an additional thirty (30) days thereafter.

19.1.3 A default under the terms of any Sublease shall, at the option of Lessor, constitute a default under the terms of this Lease. A default under the terms of this Lease shall, at the option of Lessor, constitute a default under the terms of any Sublease.

19.1.4 If Lessee shall file a petition in bankruptcy or be the subject of involuntary proceedings in bankruptcy not vacated within thirty (30) calendar days, or if a receiver or trustee shall be appointed of Lessee's property, or if Lessee shall make an assignment for the benefit of creditors, or if this Lease shall, by operation of law or otherwise, pass to any person or persons other than Lessee. For purposes of this Subsection 19.1.4, "Lessee" shall mean and include the Lessee named herein (or, if more than one person or entity constitutes Lessee, then by or against any such person or entity), any assignee or Sublessee, and any partner, co-Lessee, or guarantor in or of such Lessee or any assignee or Sublessee;

19.1.5 If this Lease or any estate of Lessee hereunder shall be levied upon under any attachment or execution and such attachment or execution is not vacated within ten (10) calendar days of the issuance of such attachment or execution;

19.1.6 If Lessee defaults under any other agreement with Lessor; or any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement in favor of any other creditor or person that may materially affect any of Lessee's property or Lessee's ability to perform this Lease; or a material adverse change occurs in Lessee's financial condition; or Lessor believes the prospect of payment or performance of the Lease by Lessee is impaired;

19.1.7 If any warranty, representation or statement made or furnished to Lessor by or on behalf of Lessee under this Lease is false or misleading in any material respect at the time made or furnished, or becomes false or misleading at any time thereafter; or

19.1.7 If any of the preceding events occurs with respect to any Guarantor or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of; or liability under any Guaranty of this Lease. Lessor at its option may but shall not be required to permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lessor, and in doing so, cure the event of default.

19.2 Upon the occurrence of an event of default, Lessor may exercise any one or more of the remedies set forth in this section or any other remedy available under applicable law or contained in this Lease:

19.2.1 Lessor or Lessor's agents and employees may immediately or at any time thereafter either by summary eviction proceedings or by any suitable action proceeding at law, may repossess the same, to the end that Lessor may have, hold, and enjoy the Premises. In no event shall Lessor take any action which may interrupt the service provided by Lessee to its customers. Lessee or its agents under all circumstances, until the summary eviction proceedings or other suitable action by Lessor is fully settled either by a court or by the parties, shall be allowed to continue to operate so that its services to its customers are not interrupted.

19.2.2 Lessor may relet the whole or any part of the Premises from time to time, either in the name of Lessor or otherwise, to such Lessees, for such terms ending before, on, or after the expiration date of the Lease Term, at such rentals and on such other conditions (including concessions and free rent) as Lessor may determine to be appropriate. To the extent allowed under Oregon law, Lessor shall have no obligation to relet all or any part of the Premises and shall not be liable for refusal to relet the Premises, or, in the event of such reletting, for refusal or failure to collect any rent due on such reletting; and any action of Lessor shall not operate to relieve Lessee of any liability under this Lease or

otherwise affect such liability. Lessor at its option may make such physical changes to the Premises as Lessor, in its sole discretion, considers advisable and necessary in connection with any such reletting or proposed reletting, without relieving Lessee of any liability under this Lease or otherwise affecting Lessee's liability.

19.2.3 After the completion of the proceeding in accordance with Section 19.2.1 above, whether or not Lessor retakes possession or relets the Premises, Lessor has the right to recover its damages, including without limitation all lost rentals, all legal expenses, all costs incurred by Lessor in restoring the Premises or otherwise preparing the Premises for reletting, and all costs incurred by Lessor in reletting the Premises.

19.2.4 To the extent permitted under Oregon law, Lessor may sue periodically for damages as they accrue without barring a later action for further damages. Lessor may in one action recover accrued damages plus damages attributable to the remaining Lease Term equal to the difference between the Rent reserved in this Lease for the balance of the Lease Term after the time of award, and the fair rental value of the Premises for the same period, discounted at the time of award at a reasonable rate not to exceed ten percent (10%) per annum. If Lessor has relet the Premises for the period that otherwise would have constituted all or part of the unexpired portion of the Term, the amount of rent reserved on such reletting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Premises so relet during the term of the reletting.

19.3 No failure by Lessor to insist on the strict performance of any agreement, term, covenant, or condition of this Lease or to exercise any right or remedy consequent upon a breach, and no acceptance of full or partial Rent during the continuance of any such breach, constitutes a waiver of any such breach or of such agreement, term, covenant, or condition. No agreement, term, covenant, or condition to be performed or complied with by Lessee, and no breach by Lessee, shall be waived, altered, or modified except by a written instrument executed by Lessor. No waiver of any breach shall affect or alter this Lease, but each and every agreement, term, covenant, and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach.

19.4 Lessor shall only be deemed to be in default under the terms of this Lease in the event Lessor shall fail to observe, keep or perform any covenant or agreement that is not observed, kept or performed by Lessor within thirty (30) calendar days after the receipt by Lessor of written notice from Lessee of such failure, which notice shall specifically set out the failure. Lessor shall not be considered in default so long as Lessor commences to cure the failure in a diligent manner and Lessor shall thereafter be allowed such additional time as reasonably necessary to correct the failure. Lessee specifically agrees to look solely to Lessor's interest in the Premises for the recovery of any personal judgment from Lessor, it being agreed that Lessor shall not be personally liable for any such judgment. Lessor shall be in default of this Lease if Lessor is in default of its original lease. Upon receipt of notice from any party that Lessor is in default of its original lease, Lessor shall within thirty (30) calendar days provide notice to Lessee of such default. Lessee shall have the right to make any payment or do any act to cure Lessor's default and shall have all the same rights of Lessor as described in Section 10 above.

19.5 In no event shall Lessor be liable to Lessee or to any Sublessee or to any third party for any lost or prospective profits or any other special, punitive, exemplary, consequential, incidental or indirect losses or damages (in tort, contract or otherwise) under or in respect of this Lease or for any failure or performance related hereto howsoever caused, whether or not arising from Lessor's sole, joint or concurrent negligence. To the extent any payment required to be made under this Lease is agreed by the parties to constitute liquidated damages, the parties acknowledge that the damages are difficult or impossible to determine and that such payment constitutes a reasonable approximation of such damages, and not a penalty. Lessee agrees that any action against any person or entity defined as Lessor in Section 39 (whether for breach of contract of a related strict liability or tort claim) by or on behalf of Lessee must be commenced within two (2) years after the cause of action has accrued. The obligations of Lessor under this Lease or any Sublease shall not be personally binding on, nor shall any resort be had to the private properties of, any of its trustees or board of directors and officers, as the case may be, the general partners thereof, or any beneficiaries, stockholders, employees, or agents of Lessor, or its property managers. It is expressly understood and agreed that any money judgment against Lessor resulting from any default of other claim arising under this Lease shall be satisfied only out of the rents, issues, profits, and other income actually received from the operation of the Premises from and after the accrual of said default or claim. No other real, personal or mixed property of Lessor, wherever situated, shall be subject to levy on any such judgment obtained against Lessor. If such income is insufficient for the payment of such judgment, neither Lessee nor any Sublessee shall institute any further action, suit, claim, or demand, in law or in equity, against Lessor for or on account of such deficiency. Lessee and each Sublessee each

hereby waive, to the fullest extent waivable under law, any right to satisfy said money judgment against Lessor except from income received by Lessor from or on behalf of Lessee from the Premises during the Term hereof.

19.6 Each right and remedy provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the party in question of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

19.7 In addition to any other remedies Lessor may have under this Lease, if any, damages or other sums payable hereunder by Lessee to Lessor are not paid within five (5) days after the date on which they are due, the same shall bear interest at a per annum rate equal to the rate of twelve percent (12%) per annum from and after the date on which such payment was due until paid in full; provided, however, that in no event shall such charge be greater than that permitted by applicable state law.

19.8 Lessor shall only be deemed to be in default under the terms of this Lease in the event Lessor shall fail to observe, keep or perform any covenant or agreement that is not observed, kept or performed by Lessor within thirty (30) calendar days after the receipt by Lessor of written notice from Lessee of such failure, which notice shall specifically set out the failure. Lessor shall not be considered in default so long as Lessor commences to cure the failure in a diligent manner and Lessor shall thereafter be allowed such additional time as reasonably necessary to correct the failure. Lessee specifically agrees to look solely to Lessor's interest in the Premises for the recovery of any personal judgment from Lessor, it being agreed that Lessor shall not be personally liable for any such judgment. Lessee agrees that Lessor shall in no event and under no circumstances be responsible for any consequential damages.

20. **No Abatement of Rent.**

20.1 Except as otherwise specifically provided in this Lease, no abatement, refund, diminution, or reduction of Rent or other compensation shall be claimed by or allowed to Lessee, or any person claiming under it, under any circumstances, whether for inconvenience, discomfort, interruption of business, or otherwise, arising from work on Improvements, by virtue or because of Legal Requirements, or the occurrence of any matters referred to herein with respect to casualty damage and condemnation, or for any other reason, cause, or occurrence.

20.2 Unless caused by Lessor, if any adjoining Building or structure encroaches on the Premises, no claim, demand, or objection of any kind shall be made by Lessee against Lessor by reason of such encroachments; no claim for abatement of Rent due under this Lease shall be made by reason of such encroachments or acts of, or in connection with, removal of the encroachments. The rights, liabilities, and obligations of the parties shall be the same as if there were no encroachments. In any related legal proceedings, the Premises may properly and without prejudice be described according to the description previously used without reference to any such encroachments. Lessor agrees to cooperate with Lessee in any proceedings sought by Lessee to remove such encroachments, provided such cooperation does not cause Lessor to incur any expense.

21. **Transfer of Interest by Lessor.** Lessor may sell, exchange, assign, transfer, convey, contribute, distribute, or otherwise dispose of all or any part of its interest (called "Lessor's Interest") in the Premises or this Lease (including but not limited to Lessor's reversion) provided the recipient of Lessor's Interest is bound by the terms of this Lease.

22. **Nonmerger.** There shall be no merger of this Lease, or of the leasehold estate created by this Lease, with the fee estate in the Premises by reason of the fact that this Lease, the leasehold estate created by this Lease, or any interest in this Lease or in any such leasehold estate, may be held, directly or indirectly, by or for the account of any person who shall own the fee estate in the Premises or any interest in such fee estate, and no such merger shall occur unless and until all persons at the time having an interest in the fee estate in the Premises and all persons having an interest in this Lease, or in the leasehold estate created by this Lease, shall join in a written instrument effecting such merger and shall duly record the same.

23. **Quiet Enjoyment.** Subject to acts of government and the provisions of this Lease, including without limitation the interests set forth in Exhibit "B" hereto, Lessee may peacefully have, hold and enjoy the Premises, subject to the other provisions hereof, provided that Lessee pays the Rent and performs all of Lessee's covenants and agreements herein contained, subject to any mortgage, master lease or other recorded documents having priority over this Lease and the documents and agencies set forth in *Exhibit "B"* hereto. Notwithstanding the foregoing, Lessor shall not be responsible or liable for the interference, disturbance, acts, or omissions of any third party, including without limitation, occupants of the Premises, nor shall Lessee be released from any of the obligations of this Lease because of such interference, disturbance, acts or omissions. It is understood and agreed that this covenant and any and all other covenants of Lessor contained in this Lease shall be binding upon Lessor and its successors only with respect to breaches occurring during their respective ownership of Lessor's interest hereunder.

24. **Surrender.**

24.1 Except as otherwise provided, Lessee, on the last day of the Term or upon the lawful demand of any agency or entity noted in *Exhibit "B"* hereto, shall surrender and deliver up the Premises to the possession and use of Lessor without fraud or delay, free and clear of all lettings and occupancies other than Leases then terminable at the option of Lessor or Leases to which Lessor shall have specifically consented, and free and clear of all liens and encumbrances other than those, if any, presently existing or created or suffered by Lessor, without any payment or allowance whatever by Lessor on account of any Improvements on the Premises.

24.2 When furnished by or at the expense of Lessee or any sublessee, the Improvements, furniture, fixtures, and equipment may be removed by Lessee at or before this Lease terminates, provided, however, that the removal will not injure the Premises or necessitate changes in or repairs to the same. Lessee shall pay or cause to be paid to Lessor the cost of repairing any damage arising from such removal and restoration of the Premises to their condition before such removal.

24.3 Any personal property of Lessee or any sublessee that shall remain on the Premises after the termination of this Lease and the removal of Lessee or such sublessee from the Premises may, at the option of Lessor, be deemed to have been abandoned by Lessee or such sublessee and may either be retained by Lessor as its property or be disposed of, without accountability, in such manner as Lessor may see fit, or if Lessor gives written notice to Lessee to such effect, such property shall be removed by Lessee at Lessee's sole cost and expense. If this Lease terminates early for any reason other than the default of Lessee then, anything to the contrary notwithstanding, Lessee or any sublessee shall have a reasonable time thereafter to remove its personal property.

24.4 Lessor shall not be responsible for any loss or damage occurring to any property owned by Lessee or any sublessee.

24.5 The provisions of this section shall survive any termination of this Lease.

25. **Invalidity of Particular Provisions.** If any term or provision of this Lease or the application of the Lease to any person or circumstances is, to any extent, invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

26. **No Representations.** Lessee acknowledges and agrees that Lessee has made its determination to lease the Premises based upon Lessee's inspection and investigation of the Premises, and is leasing the Premises "*AS IS*," without any representations and warranties by Lessor. Lessee specifically acknowledges that Lessor makes no representations or warranties regarding environmental matters. Lessee acknowledges that it has examined the Premises and that no representations as to the condition of the Premises have been made by Lessor or any agent or person acting for Lessor (except as expressly provided in this Lease). Lessee has, prior to the execution hereof, had the opportunity to conduct all tests and inspections deemed necessary or appropriate by Lessee with respect to the Premises and the suitability of the Premises for Lessee's intended use. Lessor shall have no liability because of, or as a result of, the existence of any law, regulation, or condition, either on the Premises or on adjacent land that might affect Lessee's intended use of the Property. Notwithstanding the foregoing, Lessee shall not be liable for any costs or required actions related to any cleanup or remedial action required by any governmental agency under any statute or regulation for any hazardous material on the Premises which existed prior to the date of possession by Lessee, and Lessor shall indemnify and hold Lessee harmless for any action or claim by any party for any such costs or actions.

27. **Subordination, Attornment and Estoppel Certificate.**

27.1 **Subordination.** This Lease shall be subject and subordinate to the lien, operation and effect of each of the following (each herein called a "Senior Instrument"): (i) each mortgage, deed of trust, ground lease and/or other similar lien instrument of encumbrance now or at any time hereafter during the Term covering any or all of the Premises or the remainder of the Property; (ii) each renewal, modification, consolidation, replacement or extension of any of such instruments. Such subordination shall be automatic and shall not require any action by either party hereto. Lessor shall also have the right to assign its interest in this Lease for security purposes to any Senior Holder. If in connection with providing any financing or refinancing for the property upon which any of the Premises is located, the proposed lender shall request modifications to this Lease as a condition of such financing, Lessee shall agree to such modifications, provided that such modifications do not materially increase the obligations, or materially and adversely affect the rights, of Lessee under this Lease. In the event of the enforcement by the Senior Holder of the remedies provided for by law or by such Senior Instrument, or in the event Lessor gives a deed-in-lieu-of-foreclosure to such Senior Holder, Lessee shall, upon request of any person or party succeeding to Lessor's interest as a result of such enforcement or termination, automatically become the Lessee of such successor-in-interest without change in the terms or other provisions of this Lease; provided, however, that such successor in interest shall not be bound by (a) any payment of rent or Additional Rent for more than one month in advance, (b) any amendment or modification of this Lease made without the written consent of such Senior Holder or such successor in interest, or (c) any defaults of Lessor under this Lease that remain uncured at the time such successor in interest obtains title to the Premises. In the event of any act or omission by Lessor by reason of which Lessee may claim the right to terminate this Lease or claim a defense or offset against the sums due Landlord hereunder, Lessee agrees not to exercise any such right until (i) Lessee has notified the Senior Holder of such act or omission by Lessor, and (ii) Lessee has given the Senior Holder a reasonable opportunity to cure such act or omission.

27.2 **Attornment.** Lessee shall, promptly at the request of the Lessor or the holder of any Senior Instrument (each herein called a "Senior Holder"), execute, acknowledge and deliver such further instrument or instruments evidencing such subordination as the Lessor or such Senior Holder deems reasonably necessary or desirable and (at such Senior Holder's request) attorning to such Senior Holder. Lessee further agrees that it will provide any such Senior Holder with any evidence required to show the authority of Lessee to execute any such subordination instrument or certificate and will, upon request, provide to such person or entity a copy of any notice Lessee gives or is required to give Lessor under this Lease.

27.3 **Estoppel Certificate.** Either party, within ten (10) days after a request from time to time made by the other party and without charge, shall give a certification in writing to any person, firm, or corporation reasonably specified by the requesting party stating (1) that this Lease is then in full force and effect and unmodified, or if modified, stating the modifications; (2) that Lessee is not in default in the payment of Rent to Lessor, or if in default, stating such default; (3) that as far as the maker of the certificate knows, neither party is in default in the performance or observance of any other covenant or condition to be performed or observed under this Lease, or if either party is in default, stating such default; (4) that as far as the maker of the certificate knows, no event has occurred that authorized, or with the lapse of time will authorize, the other party to terminate this Lease, or if such event has occurred, stating such event; (5) that as far as the maker of the certificate knows, neither party has any offsets, counterclaims, or defenses, or, if so, stating them; (6) the dates to which Rent have been paid; and (7) any other matters that may be reasonably requested by the requesting party.

27.4 **Modification for Lender/Purchaser.** If, in connection with a change in control of Lessor's stock or the sale of a substantial portion of Lessor's assets, or if, in connection with obtaining financing for Lessor, and/or for the Property upon which the Premises is located, or any portion thereof, any purchaser or lender shall request reasonable modification to this Lease as a condition to such acquisition and/or financing, Lessee shall not unreasonably withhold, delay or defer its consent thereto, provided such modifications do not adversely affect Lessee's rights hereunder with respect to essential terms such as the amount of the rent or Lessee's right to extend the Lease.

27.5 All documentation confirming the foregoing shall be in a form and content determined solely by Lessor.

28. **Force Majeure.** If the performance by either of the parties of their respective obligations under this Lease (excluding monetary obligations) is delayed or prevented in whole or in part by any Legal Requirement (and not attributable to an act or omission of the party), or by any acts of God, fire or other casualty, floods, storms, explosions, accidents, epidemics, war, civil disorders, strikes or other labor difficulties, shortage or failure of supply of materials, labor, fuel, power, equipment, supplies or transportation, or by any other cause not reasonably within the party's control, whether or not specifically mentioned, the party shall be excused, discharged, and released of performance to the extent such performance or obligation (excluding any monetary obligation) is so limited or prevented by such occurrence without liability of any kind.

29. **Notices.**

29.1 Any notice required or permitted by the terms of this Lease shall be deemed given if delivered personally to an officer of the party to be notified or sent by United States registered or certified mail, postage prepaid, return-receipt requested, and addressed as follows:

If to Lessor:	with copy to:
Portland General Electric Company Attn: Property Services Manager 1WTC0401, 121 SW Salmon Street Portland, Oregon 97204	Portland General Electric Company Attn: General Counsel 1WTC1301, 121 SW Salmon Street Portland, Oregon 97204
If to Lessee:	with copy to:
Columbia River Maritime Enterprises, LLC Attn: Andy Papachristopolous 12700 S.W. North Dakota Portland, OR 97223	_____ _____ _____ _____

or such other addresses as may be designated by either party by written notice to the other. Except as otherwise provided in this Lease, every notice, demand, request, or other communication shall be deemed to have been given or served on actual receipt.

29.2 Lessee shall immediately send to Lessor, in the manner prescribed above for giving notice, copies of all notices given by it to any mortgagee or received by it from such mortgagee, and copies of all notices that it receives with respect to the Premises or Improvements from any government authorities, fire regulatory agencies, and similarly constituted bodies, and copies of its responses to such notices.

29.3 Notwithstanding anything in this section to the contrary, any notice mailed to the last designated address of any person or party to which a notice may be or is required to be delivered pursuant to this Lease or this section shall not be deemed ineffective if actual delivery cannot be made due to a change of address of the person or party to which the notice is directed or the failure or refusal of such person or party to accept delivery of the notice.

30. **Arbitration and Appraisal.**

30.1 In any case in which it is provided by the terms of this Lease that any matter shall be determined by arbitration or appraisal, such arbitration or appraisal shall be conducted in the manner specified in this section.

30.2 The party desiring such arbitration or appraisal shall give written notice to that effect to the other party and shall in such notice appoint a disinterested person of recognized competence in the field involved as arbitrator or appraiser on its behalf. Within fifteen (15) days thereafter, the other party may by written notice to the original party appoint a second disinterested person of recognized competence in such field as arbitrator or appraiser on its behalf. The arbitrators thus appointed shall appoint a third disinterested person of recognized competence in such field, and the three arbitrators shall, as promptly as possible, determine such matter, provided, however, that

30.2.1 If the second arbitrator or appraiser is not appointed pursuant to the above procedure, then the first arbitrator or appraiser shall proceed to determine such matter; and

30.2.2 If the two arbitrators or appraisers appointed by the parties are unable to agree, within fifteen (15) days after the second arbitrator or appraiser is appointed, on the appointment of a third arbitrator or appraiser, they shall give written notice of such failure to agree to the parties and, if the parties fail to agree on the selection of the third arbitrator or appraiser within fifteen (15) days after the arbitrators or appraisers appointed by the parties give notice, then within ten (10) days thereafter either of the parties on written notice to the other party may request such appointment by the presiding judge of the Circuit Court of the County of the State of Oregon in which the Premises are located, or to any other court having jurisdiction and exercising functions similar to those now exercised by the court.

30.3 Lessor and Lessee shall each be entitled to present evidence and argument to the arbitrators. The determination of the majority of the arbitrators or appraisers, or of the sole arbitrator or appraiser, as the case may be, shall be conclusive on the parties, and judgment on the same may be entered in any court having jurisdiction over the parties. The arbitrators or appraisers or the sole arbitrator or appraiser, as the case may be, shall give written notice to the parties stating the arbitration determination, and shall furnish to each party a signed copy of such determination. Arbitration proceedings shall be conducted pursuant to ORS 33.210-33.340 and the rules of the American Arbitration Association, except as provided otherwise. If any such dispute involves a determination of value or of a fixed amount of money and if a majority of the arbitrators do not agree, then, instead of such arbitration, either party shall be entitled to seek a judicial determination of the matter in issue in a court of competent jurisdiction.

30.4 Each party shall pay the fees and expenses of the arbitrator or appraiser appointed by such party and one-half of the fees and expenses of the third arbitrator or appraiser, if any.

30.5 Anything contained in this Lease to the contrary notwithstanding, whenever Lessee is required to make any payment or to perform any act or thing at a specified time or within a specified time limit under the provisions of this Lease, and any such payment or performance is subject to arbitration under this section, such time or time limit, as the case may be, shall be extended by the period consumed by the institution, conduct, and prosecution to final conclusion of any arbitration or appraisal concerning or relating to such payment or performance.

31. **Costs and Attorney Fees.** In the event suit, action, arbitration or mediation is instituted in connection with this Lease, including but not limited to litigation or proceedings in Bankruptcy Court whether or not regarding issues which are unique to bankruptcy law, the losing party shall pay the prevailing party's reasonable attorneys' and paralegals' fees and court costs at and in preparation for any proceeding, whether at trial, appeal therefrom, on any petition for review, or in any arbitration or mediation. If Lessor prevails, to the extent that Lessor has been represented by Lessor's in-house legal counsel, Lessor's attorney fees shall be computed on the basis of those of a private attorney in downtown Portland, Oregon, who practices in a firm having as many attorneys as are employed by Lessor's in-house legal department, and who have experience comparable to Lessor's in-house counsel. If, upon the occurrence of a default by Lessee, Lessor consults with an attorney regarding the enforcement of its rights under this Lease or at law, Lessee shall pay all reasonable attorneys' fees and other related costs incurred by Lessor in connection therewith.

32. **Entire Agreement.** This Lease contains the entire agreement between the parties and, except as otherwise provided, can be changed, modified, amended, or terminated only by an instrument in writing executed by the parties. It is mutually acknowledged and agreed by Lessee and Lessor that there are no verbal agreements, representations, warranties, or other understandings affecting this Lease.

33. **Applicable Law.** This Lease shall be governed by, and construed in accordance with, the laws of the Oregon. In the event any action is brought to enforce this Agreement venue shall exclusively be in Columbia County, Oregon, and each party hereby unconditionally and irrevocably consents to the exclusive jurisdiction of the Oregon state courts.

34. **Interest on Rent Arrearages.** All arrearages in the payment of Rent that Lessee fails to pay within the ten (10) day period after notice from Lessor shall bear interest from the date due until paid, at the rate defined in Section 9 above.

35. **Brokerage.** Lessor and Lessee represent to each other that they have not employed any brokers in negotiating and consummating the transaction set forth in this Lease, but have negotiated directly with each other.

36. **Covenants to Bind and Benefit Parties.** The covenants and agreements contained in this Lease shall bind and inure to the benefit of Lessor, its successors and assigns, and Lessee, its successors and assigns.

37. **Captions and Table of Contents.** The captions of this Lease are for convenience and reference only, and in no way define, limit, or describe the scope or intent of this Lease or in any way affect this Lease. Any table of contents preceding this Lease but under the same cover is for the purpose of convenience and reference only, and is not to be deemed or construed in any way as part of this Lease, nor as supplemental or amendatory.

38. **Performance by Lessor.** All covenants to be performed by Lessee under this Lease shall be performed by Lessee at Lessee's sole cost and expense and without any abatement of rent. If Lessee shall fail to pay any sum of money owed to any party other than Lessor for which it is liable hereunder, or if Lessee shall fail to perform any other act on its part to be performed hereunder, Lessor, without waiving such default or any other right or remedy, may but shall not be obligated to, make any such payment or perform any such other act to be made or performed by Lessee. All sums so paid by Lessor and all necessary incidental costs, together with interest thereon at a per annum rate equal to the rate of twelve percent (12%) per annum from and after the date on which such payment was due until paid in full and shall be payable to Lessor on demand; provided, however, that in no event shall such charge be greater than that permitted by applicable state law.

39. **Definition of Lessor.** As used herein, the term "Lessor" means the person hereinabove named as such, and its successors and assigns (each of whom shall have the same rights, remedies, powers, authorities and privileges as it would have had, had it originally signed this Lease as the Lessor). No person holding Lessor's interest hereunder (whether or not such person is named as "Lessor" herein) shall have any liability hereunder after such person ceases to hold such interest. No Senior Holder not in possession of the Premises or the Property shall have any liability hereunder.

40. **Definition of "Lessee".** As used herein, the term "Lessee" means each person and/or entity hereinabove named as such and such person's heirs, personal representatives, successors and assigns, each of whom shall have the same obligations, liabilities, rights and privileges as it would have possessed had it originally executed this Lease as Lessee; provided, that no such right or privilege shall inure to the benefit of any assignee of Lessee, immediate or remote, unless the assignment to such assignee is made in accordance with the provisions of Section 18. Whenever two or more persons constitute Lessee, all such persons shall be jointly and severally liable for performing Lessee's obligations hereunder and each irrevocably waives, disclaims and relinquishes all claims against one another which each such party has or would otherwise have by virtue of payment of any sums to Lessor, specifically including but not limited to all rights of indemnity, subrogation, contribution or exoneration. To the extent the context of any provisions of this Lease makes if appropriate, including without limitation any representation, warranty or covenant, the word "Lessee" as used herein shall include all subsidiaries and affiliates of the Lessee. Notwithstanding the foregoing however, under no circumstances shall this Lease be construed to require Lessor to formally recognize or make any accommodation to any subsidiary or affiliate of Lessee.

41. **Consent.** Wherever in this Lease Lessee is required to obtain Lessor's consent, Lessee shall reimburse Lessor for all reasonable costs and expenses associated with processing any request for approval, regardless of whether such proposal is approved or denied, including, but not limited to, attorneys' fees for outside counsel. No consent required by Lessor under this Lease shall be granted unless in writing. Unless otherwise specifically set forth herein, consent by Lessor may be withheld or conditioned in the sole discretion of Lessor. Specifically, without limitation, Lessor's consent may be denied or conditioned upon Lessor's determination of the environmental aspects of the use of the property by Lessee and/or by the proposed assignee or sublessee. As a condition to any consent, Lessor may require that any other party or parties with a right of consent issue such consent on terms acceptable to Lessor. The consent or approval of Lessor to or of any act by Lessee requiring Lessor's consent or

approval shall not be deemed to waive or render unnecessary Lessor's consent to or approval of any subsequent similar acts by Lessee. In no event shall Lessee have the right to terminate this Lease, and in no event shall Lessor be liable for monetary damages, based on a claim that consent has been unreasonably withheld or conditioned or otherwise arising from the withholding or conditioning of consent.

42. **Communications.** The parties agree that all public communications concerning the Premises, e.g., press releases or information provided to the press, and all substantive discussions with public agencies having jurisdiction over the Premises, will be undertaken by Lessee only upon the prior written approval of Lessor as to the contents of the announcement and its release, which approval will not be unreasonably withheld.

43. **Authorization and Confidentiality.** Lessee shall treat all information provided by Lessor as the proprietary and confidential property of Lessor, to the fullest extent allowed by law. Except for published information or information ascertainable from public records, any confidential information furnished or disclosed by either Lessor or Lessee in this Lease will be held by the other in confidence and will not be divulged to any third party, except for a party's advisors and consultants, or as required by law. Lessor reserves the right at all times to disclose any information deemed necessary or appropriate by Lessor to satisfy any law, regulation, or governmental request.

44. **Lessor's Lien For Rent.** As an incentive to enter into this Lease and as an additional guaranty of performance, Lessee grants to Lessor a security interest in all trade fixtures, equipment, inventory, after-acquired property, accounts receivable and the proceeds from the sale of the same. This security interest shall apply to all trade fixtures, equipment, inventory, after-acquired property, accounts receivable and the proceeds from the sale of the same used in or about the Premises and/or used in Lessee's business. After-acquired property shall include, but not be limited to, property purchased with the proceeds of the sale of inventory, equipment, trade fixtures and/or any other property used in Lessee's business after the date of this Lease. Lessee shall execute all Uniform Commercial Code forms deemed necessary or appropriate by Lessor to effect the intent of this Section. Lessor agrees to subordinate the security interest granted herein to such conventional bank financing reasonably necessary for Lessee's purchase of trade fixtures, equipment and inventory. Lessor shall not be deemed to be subordinate to any bank financing unless such subordination is in writing and signed by Lessor. Bank financing shall mean money borrowed from a recognized lending institution and used for the express purpose of acquiring trade fixtures, inventory, and/or equipment used in Lessee's business. The foregoing lien rights shall be in addition to any such rights granted Lessor pursuant to ORS Chapter 87.

45. **Third Parties.** Nothing contained herein nor the transactions contemplated hereby, express or implied, shall be deemed to inure to the benefit of any person or entity not a party to this Lease, this Lease being intended solely for the benefit of Lessor and Lessee, nor shall it confer upon any such party or entity any right or remedy of any nature whatsoever.

46. **Survival.** The release and indemnity covenants of Lessee, the right of Lessor to enforce its remedies hereunder, the attorneys' fees provisions hereof, the provisions of Section 44 hereof, as well as all provisions of this Lease which contemplate performance after the expiration or termination hereof or the termination of Lessee's right to possession hereunder, shall survive any such expiration or termination.

47. **Recording.** Lessee shall not record this Lease or any memoranda hereof without the prior written consent of Lessor, and if such consent if forthcoming, Lessee shall pay all charges and taxes incident to such recording.

48. **Necessary Documents.** Each party at the request of any other party shall provide any information and execute, acknowledge and deliver any and all documents and instruments reasonably necessary to complete the protection contemplated by this Lease and to give full effect to this Lease.

49. **Authorization.** The execution, delivery, and performance of this Lease by Lessee, to the extent to be executed, delivered or performed by Lessee, have been duly authorized by all necessary action by Lessee; do not require the consent or approval of any other person, regulatory authority or governmental body; and do not conflict with, result in a violation of; or constitute a default under (a) any provision of its articles of incorporation or organization, or bylaws, or any agreement or other instrument binding upon

Lessee or (b) any law, governmental regulation, court decree, or order applicable to Lessee. Lessee agrees to furnish Lessor promptly upon request a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of Lessee to enter into this Lease.

50. **Good Faith.** The parties agree that the phrase "good faith" will mean honesty in fact and the observance of reasonable commercial standards of the trade as used in or applied by any mediator, arbitrator, or judge to the performance or enforcement of this Lease, including the rights and obligations of the parties hereunder.

51. **English Language.** This Agreement may be translated into one or more languages for the convenience of the parties or to comply with any law, however, in any controversy between the parties, the English language version of the Agreement shall be controlling.

52. **Rider.** If a Rider is attached to this Lease, the additional provisions contained therein shall constitute a part of this Lease. In the event there is a conflict between the body of the Lease and the Rider, the language of the Rider shall control.

53. **Guaranty.** The performance by Lessee of each and every obligation of Lessee under this Agreement, all related documents, all Exhibits hereto, shall be personally guaranteed in accordance with Exhibit "C" hereto.

54. **Statutory Warning.** "THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES."

The submission of this Lease for examination by or on behalf of Lessee does not constitute a reservation of or option for the Premises and this Lease becomes effective as a lease only upon execution and delivery thereof by Lessor and Lessee.

IN WITNESS WHEREOF, Lessee and Lessor have caused this Lease to be executed by their duly authorized officers as of the day and year first above written.

LESSOR:

PORTLAND GENERAL ELECTRIC COMPANY,
an Oregon Corporation

By: _____

Printed Name: Stephen Quennoz
Title: Vice President

LESSEE:

COLUMBIA RIVER MARITIME ENTERPRISES, LLC,
an Oregon Limited Liability Company

By: _____

Printed Name: Andy Papachristopolous
Title: Manager

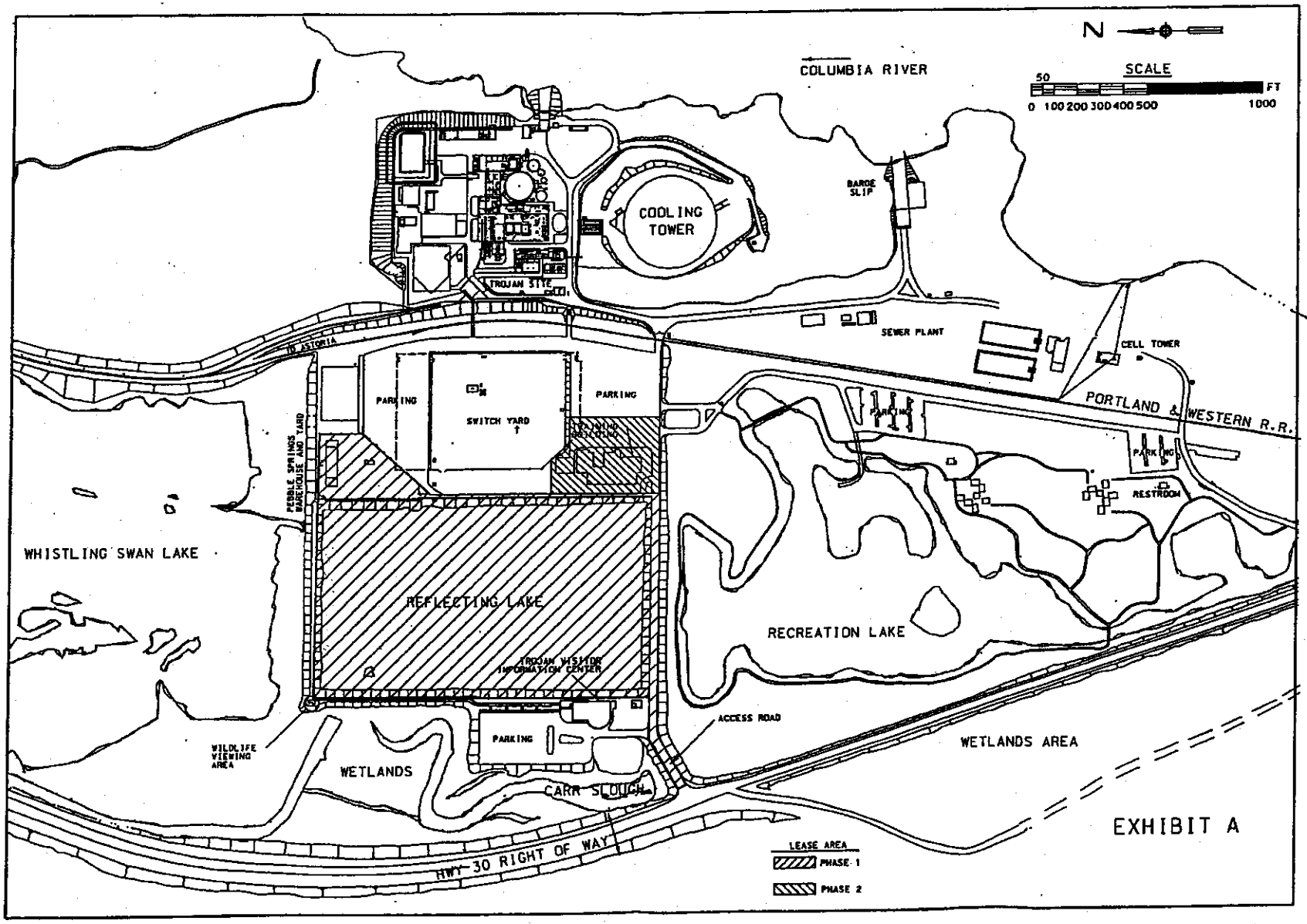
EXHIBIT "A"

Description of Premises

A portion of the Trojan Office Campus at 71760 Columbia River Highway, Rainer, Columbia County, Oregon consisting generally of the following:

1. Pebble Springs Warehouse consisting of a structure containing approximately Eight Thousand Three Hundred Sixteen (8,316) square feet of floor space and a surrounding yard comprising approximately Two and One-Half (2.5) Acres, more or less;
2. A portion of Building No. 2 consisting of a two- story structure containing approximately Fifty Three Thousand (53,000) square feet of floor space and a surrounding yard comprising approximately Two (2.0) Acres, more or less containing an asphalt parking lot with Fifty (50) spaces; and
3. Reflection Lake with dimensions of approximately One Thousand Four Hundred Feet by Nine Hundred Feet (1400' x 900') and containing approximately Twenty Eight (28) Acres more or less.

SEE ATTACHED SITE PLAN


N
COLUMBIA RIVER
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COOLING TOWER
BARGE SLIP
TROJAN SITE
SEWER PLANT
CELL TOWER
PORTLAND & WESTERN R.R.
PARKING
SWITCH YARD
PARKING
PARKING
PARKING
RESTROOM
PEBBLE SPRINGS WAREHOUSE AND YARD
WHISTLING SWAN LAKE
REFLECTING LAKE
RECREATION LAKE
TROJAN VISITOR INFORMATION CENTER
ACCESS ROAD
PARKING
WETLANDS AREA
WILDLIFE VIEWING AREA
WETLANDS
CARR SLOUGH
HWY 30 RIGHT OF WAY
LEASE AREA
PHASE 1
PHASE 2
EXHIBIT A

LESSOR:

PORTLAND GENERAL ELECTRIC COMPANY,
an Oregon Corporation

By: _____

Printed Name: Stephen Quennoz
Title: Vice President

LESSEE:

COLUMBIA RIVER MARITIME ENTERPRISES, LLC,
an Oregon Limited Liability Company

By: _____

Printed Name: Andy Papachristopolous
Title: Manager

EXHIBIT "B"

1. *Ownership Agreement.*

Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant, as amended, among PGE and Pacific Power and Light Company (now PacifiCorp) and the Eugene Water & Electric Board.

2. *Mortgage Indenture.*

Indenture of Mortgage and Deed of Trust dated July 1, 1945, as supplemented and amended from time to time, from Portland General Electric Company to HSBC Bank USA (f/k/a Midland Bank, N.A.), as Trustee, and/or its successor or assigns.

3. Governmental Agencies.

Public Utility Commission
Nuclear Regulatory Commission
Oregon Office of Energy
The Energy Facility Siting Council
Oregon Office of Safety and Security/Homeland Security
US Department of Homeland Security
US Coast Guard Marine Security

4. *Trojan Nuclear Plant*

Lessor operates and maintains the Trojan Nuclear Facility pursuant to the terms of that certain Agreement for Construction Ownership and Operation of the Trojan Nuclear Plant, dated October 5, 1970, as amended by that certain First Amendment to Agreement for Construction Ownership and Operation of the Trojan Nuclear Plant, dated April, 1999 (the "Trojan Agreement"). The Lease is and the Leased Site located at the Trojan facility are each subject to the Trojan Agreement as well as all licenses and permits and all rules and regulations of public authorities having jurisdiction over the Trojan facility.

The Leased Premises are part of an area surrounding the Trojan Nuclear Power Plant specifically designated as an EXCLUSION AREA. Lessor specifically retains, and shall retain in any Lease executed pursuant hereto, the control and authority to determine all activities INCLUDING EXCLUSION OR REMOVAL OF LESSEE, its employees, agents, invitees, and permittees, and LESSEES PROPERTY FROM THE EXCLUSION AREA. Lessor retains the absolute ability in its sole discretion to oust Lessees in order to comply with its legal and regulatory obligations. Lessees are further obligated to provide to each and every employee and agent suitable training and procedures for evacuation and Lessee will make Lessor's unfettered rights known to such employees and agents and shall require each of them to respond to the direction of Lessor's employees and agents or the Nuclear Regulatory Agency in the event of any emergency or need for evacuation. Lessees shall leave the area promptly upon direction by Lessor. Lessees shall, in every manner, cooperate with and facilitate the orderly evacuation of Lessees, its employees, agents, invitees, and permittees from the area. In the event Lessee's employees are subject to medical radiation exposure, Lessee shall provide information to Lessor promptly upon learning of such exposure. Lessee shall request employees to provide such information to Lessee. At Lessor's request, Lessees shall participate in evacuation drills or other training exercises. In the event the Premises are vacated at the direction of Lessor, the rent shall be abated proportionately during the vacation period depending upon the proportion of the Premises affected. Lessee shall be entitled to return to the Exclusion Area as soon as Lessor has reasonably determined that Lessor has complied with its legal and regulatory obligations.

Federal and State Regulations require that proposed modifications or new construction at Trojan, including activities not directly affecting the plant but within the Trojan plant site boundaries be subject to a determination of whether an environmental evaluation or prior approval from the regulatory authority are required. For example, structural modifications to the switchyard require that such a determination be

made. These determinations are made through implementation of Trojan Plant Procedure (TPP) 18-1, *10 CFR 50.59 and Other Regulatory Evaluations* and/or Trojan ISFSI Procedure (TIP) 05, *10 CFR 72.48 and Other Regulatory Evaluations* for the Trojan Plant and Trojan ISFSI, respectively. Routine maintenance and repair of existing facilities do not require making such a determination. Lessee shall notify Lessor prior to starting any new construction or making any modifications to the Premises, the site grounds, facilities or equipment. This shall specifically include without limitation all dredging or excavating activities.

LESSEE:

COLUMBIA RIVER MARITIME ENTERPRISES, LLC,
an Oregon Limited Liability Company

By: _____

Printed Name: Andy Papachristopolous
Title: Manager

EXHIBIT "C"
GUARANTY

In consideration of *Portland General Electric Company*, an Oregon Corporation ("Lessor") entering into a Lease with *Columbia River Maritime Enterprises, LLC*, an Oregon Limited Liability Company("Lessee"), dated as of the 1st day of October, 2004, and pertaining to certain property located at the Trojan Nuclear Facility (the "Lease"), and for other good and valuable consideration, the current receipt, reasonable equivalence, sufficiency of which are hereby acknowledged by each of the undersigned, the undersigned Guarantor unconditionally and irrevocably guarantees the performance by Lessee and any Sublessee of each and every obligation of Lessee under the Lease and any other obligation of Lessee, any Sublessee and/or each Guarantor to Lessor.

This Guaranty shall be continuing and shall terminate only upon the satisfaction by Lessee and each Guarantor of each and every one of their respective obligations under the Lease, any Sublease, this Guaranty, and any other obligation of Lessee and/or each Guarantor to Lessor in accordance with their terms. Guarantor acknowledges and agrees that Lessor may deal with Lessee and any other person or entity in any manner in which Lessor deems fit in connection with the Lease without any further notice to or consent from any Guarantor. Specifically, without limitation, Guarantor consents that it will not be necessary for Lessor, in order to enforce this Guaranty, to initiate an action or exhaust Lessor's legal remedies against Lessee, or any other person or entity, including without limitation, Guarantor. Guarantor consents that this Guaranty may be immediately enforced upon nonpayment when due of any amount payable to Lessor under the Lease or any other obligation of Lessee and/or each Guarantor to Lessor, or Lessee's failure to perform any other obligation under the Lease, or any other obligation of Lessee and/or any Guarantor to Lessor. Guarantor consents that Lessor from time to time may extend the time for performance or otherwise modify, alter, or change the Lease and/or any other obligation of Lessee and/or each Guarantor to Lessor, may extend the time for any payment and may receive and accept notes, checks, and other instruments for the payment of money made by or on behalf of Lessee and/or any Guarantor and extensions or renewals of such items without in any way releasing or discharging Guarantor from Guarantor's obligations under this Guaranty. This Guaranty shall not be released, extinguished, modified, or in any way affected by failure on the part of Lessor to enforce all the rights and remedies available to Lessor under this or any other Agreement between Lessor and Lessee, and/or any Guarantor.

Guarantor hereby waives presentment, protest, notice of default, demand for payment and all other suretyship defenses whatsoever with respect to any payment or obligation guaranteed under this Guaranty, and agrees to pay unconditionally upon demand all amounts due Lessor pursuant to the Lease and this Guaranty. Guarantor further waives all claims against Lessor, Lessee, and each other Guarantor. The obligations of Lessee and each Guarantor to Lessor are and shall remain joint and several and each Guarantor irrevocably waives, disclaims and relinquishes all claims against Lessee and one another which each such party has or would otherwise have by virtue of payment of any sums to Lessor, specifically including but not limited to all rights of indemnity, subrogation, contribution or exoneration. The bankruptcy of Lessee and/or any Guarantor shall not relieve any Guarantor of such Guarantor's obligations under this Guaranty.

In the event Lessor finds it necessary or appropriate to enforce any right under the Lease and/or this Guaranty, Lessor shall be entitled to attorney fees and costs in enforcing such rights in accordance with Section 31 of the Lease Agreement, in addition to any other relief to which Lessor may be entitled.

For the purposes of this Guaranty the term "Lessee" shall also include any SubLessee and/or any assignee of any interest of Lessee in the Lease.

This Guaranty shall inure to the benefit of Lessor, and Lessor's successors, heirs, personal representatives, and assigns. This Guaranty shall bind each Guarantor, jointly and severally, and their respective heirs, personal representatives, and assigns.

Guarantor: _____ Date: _____
Andy Papachristopolous

Address for Notices to Guarantor: Andy Papachristopolous 12700 SW N Dakota Street, Suite 180-66, Portland, Oregon 97233

EXHIBIT "D"
LESSEE'S PROPOSED MODIFICATIONS

See Attached

See Drawing No. FS4-103
A 2.2
Dated 1-15-88

EXHIBIT "D-1"
LESSEE'S MODIFICATIONS WHICH DO NOT NEED TO BE REMOVED UPON EXPIRATION OR TERMATION OF THE LEASE

LESSOR:

PORTLAND GENERAL ELECTRIC COMPANY,
an Oregon Corporation

By: _____

Printed Name: Stephen Quennoz
Title: Vice President

LESSEE:

COLUMBIA RIVER MARITIME ENTERPRISES, LLC,
an Oregon Limited Liability Company

By: _____

Printed Name: Andy Papachristopolous
Title: Manager

TROJAN OPERATING COMMITTEE MEETING MINUTES
January 19, 2005

BPA
FEB 14 2005
RICHLAND

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid JDReid	Ken Beeson	Bob Sherman
Jay Fischer		
Steve Nichols	PacifiCorp	
Kevin Poirier		
Christine Farris	Ed Burton	
	Anna King	

1. The minutes of the December 15, 2004 meeting were approved without any changes.

2. Pursuant to the Trojan Part 50 license, Trojan currently maintains $100M of primary liability insurance coverage. The NRC has informed PGE that the Part 50 license termination could be delayed because there is no comparable regulatory requirement for a stand-alone Part 72 ISFSI to maintain this insurance coverage. PGE has been discussing this issue and potential impacts with the NRC. The NRC's Office of General Counsel is evaluating this and Trojan's NRC Project Manager is trying to expedite their review. The most likely solution to resolve this is to commit to keeping $100M of primary liability insurance via a change to the ISFSI License.

3. PGE has been tracking and discussing with the NRC the status of our request for exemption from 10 CFR 72.30(c) to allow use of 10 CFR 50.75 for ISFSI Decommissioning Funding. Via a phone call on January 17, 2005, the NRC informed PGE that they are sending a letter requesting PGE to supplement the exemption request by submitting a License Change Application (LCA) to add an ISFSI License Condition to implement this exemption. This LCA would also incorporate the potential ISFSI License change discussed in Item 2 above.

4. Jerry reviewed significant items related to the Plant decommissioning status (Attachment A).

   PGE has submitted all of the Final Survey Reports to the NRC for their review and approval. The NRC has approved the Final Survey Reports for the following areas:

   - Containment Building Interior
   - Main Steam Support Structure
   - Electrical Penetration Area
   - Steam Generator Blowdown Building
   - Control Building
   - Turbine Building
   - Embedded Piping
   - Plant Systems

As a part of their review, the NRC is scheduled to be onsite during the week of January 24, 2005 to review the Trojan Survey Unit Records related to these remaining reports.

- Auxiliary Building Interior
- Fuel Building Interior
- Spent Fuel Pool Affected Areas
- Support Facilities and Site Grounds

On December 20, 2004, concurrent with submittal of the last Final Survey Report, PGE submitted the Application for License Termination (VPN-078-2004) to the NRC for their review and consideration. This letter requested NRC approval by March 31, 2005. In an NRC letter dated January 11, 2005, they stated that the NRC acceptance review of the application was completed and the application contained sufficient information for them to conduct a detailed technical review and they would complete their review and respond in writing by March 31, 2005.

The PGE proposed revisions to the Oregon Administrative Rules (OARs) that reflect Trojan ISFSI stand-alone operations were submitted to ODOE with a request for rulemaking. The Rulemaking Hearing was completed on Friday, January 14, 2005. EWEB submitted proposed revisions to one of the OARs related to Reporting Requirements and proposed that the EFSC require PGE to obtain a bond or letter of credit to cover ISFSI storage operations and decommissioning. Ken said that EWEB wanted PGE to provide some additional financial security for their 67.5% share of future ISFSI operations and decommissioning costs due to the uncertainty of when the spent fuel would be removed and decommissioning completed and the additional uncertainty which may result from the Texas Pacific Group (TPG) purchase of PGE. Allowing time for the Hearing Officer's Report and the EFSC meeting schedule, it is anticipated that these OAR changes should be approved in March 2005.

PGE has completed a draft revision to the QA Program for the ISFSI. This draft revision removes Trojan Nuclear Plant Part 50 information such that the Program will only apply to Part 72 ISFSI activities and Part 71 ISFSI Radioactive Material Packaging and Transportation activities. This revision is being submitted to the NRC for their review and prior approval. The submittal requests NRC approval by March 31, 2005 and that the QA Program revision effective date be concurrent with the Part 50 License Termination date.

A QA audit of the ISFSI Security Program and activities is in progress and is planned to be completed in February.

5. Kevin Poirier and Christine Farris reported on budget performance through December (Attachments B, C, D, and E). Regarding the 2004 Operating Summary, Kevin explained that incurred expenditures were under budget by

$85K for the year, primarily due to individuals taking less vacation than earned and the earlier than anticipated departure of personnel.

Other decommissioning costs were under budget by $2.5M for the year, due to a number of items:

- The final radiological survey project was under by $1.5M due to improved survey techniques and a reduced need for instrumentation repair/ replacement.

- ISFSI Operations was under by $369K due to reductions in budgeted use of outside services and timing of NRC fees.

- Decommissioning staffing was over by $648K due to extending key personnel and severance payments.

- Miscellaneous support was under by $676K due to less use of outside and professional services and materials, as well as the elimination of some planned modification work.

- Surface decontamination, embedded pipe cleaning, and equipment removal work was under by $321K due to reduced scope in some areas and improved techniques in work activities.

- Radwaste is under budget by $37K due to disposal of tools, equipment, and concrete blocks offset by receipt of the 2003 US Ecology burial rebate of $950K.

- Non-Radiological decommissioning was under budget by $239K due to reduced scope for Area 10 – Current Warehouse, and receipt of funds for asset liquidation efforts.

Fuel Management costs were over budget by $1.6M, primarily due to the write-off of the remaining material inventory of $3.6M from closing the warehouse. This was offset by fewer legal services needed than planned, reduced insurance premiums and IT support, and a change in procedure where the USDOE D&D fee is amortized over the following fiscal year rather than expensed the month it is paid.

6. The status of EWEB/BPA and PacifiCorp reviews of the PGE proposal (VPN-058-2004 dated October 21, 2004) for prompt demolition of the Cooling Tower and specific Trojan buildings was discussed. The buildings include the Turbine, Control, Auxiliary, Fuel, Containment, old Administration, and old Security Buildings. BPA and EWEB have approved prompt demolition and signed off on this proposal. PacifiCorp has not formally responded; however, they are working to obtain approval(s) to support the prompt demolition work. Ed explained that this has been delayed by a commitment made to the NRC

during the purchase of PacifiCorp by Scottish Power, which constitutes a 2.5% foreign ownership of Trojan. This commitment was related to having a Nuclear Committee to approve Trojan related projects/proposals such as this. Ed is working with PacifiCorp's Legal Department to resolve this issue. Pending completion of Co-Owner and PGE management approvals, PGE has started working on preparation of bid packages for the Cooling Tower and the Turbine Building.

7. The status of EWEB/BPA and PacifiCorp reviews of the PGE QuitClaim proposal (VPN-053-2004 dated October 22, 2004) was discussed. The proposal involves having the Co-Owners (EWEB and PacifiCorp) QuitClaim their ownership, rights and interest in all Trojan property and improvements west of the railroad tracks to PGE. In exchange for the QuitClaim, PGE would release the Co-Owners from future costs and/or liability associated with operation, maintenance, capital improvements, and/or demolition of the Trojan assets covered by the QuitClaim action. EWEB and PacifiCorp have not formally responded to this proposal. The discussion of this proposal centered around the value of the property to be QuitClaimed to PGE, which is generally addressed in the Owner's Agreement. Anna, from the PacifiCorp Property Department, said that this will require determining a defendable fair market value for the property; however, this wouldn't require a full appraisal. PacifiCorp also said that it will take 30 to 60 days for them to process the "mortgage release" for this transaction.

   In BPA's response letter dated December 20, 2004, BPA posed a question on "how will PGE hold harmless or indemnify the other Trojan Co-Owners and BPA and provide financial assurance that regardless of any future financial developments with PGE, that none of the other Co-Owners or BPA will be held liable for operation, maintenance, or decommissioning demolition of the Trojan West Parcel." Bob stated that their attorney has reviewed the language in the PGE proposed Amendment to the Owner's Agreement (attached to PGE's QuitClaim proposal letter) and he feels that this Amendment wording does not provide enough protection for EWEB/BPA from future costs. BPA thinks that PGE should provide some additional financial assurance, such as a bond or letter of credit. PGE opposes any stipulation for PGE to obtain additional financial assurance. The estimated future costs for operation, maintenance, capital improvements, and demolition of these structures has been estimated to be $5.24 million (in 2004 dollars) and there is no valid reason that PGE should need additional financial assurance for this relatively small amount.

   The Co-Owners have been trying to rent or lease the major buildings west of the Railroad Tracks for about ten years with essentially no success. The potential lease of the Training Building for a marine pilot training school currently appears unlikely due to lack of startup funding. Based on this history, PGE believes that the subject buildings have very little fair market value. To support determining the value for the Property and Improvements West of the Tracks, PGE is gathering data from the year 2000 Trojan State

Park Appraisal and other sources. PGE will review and evaluate this data and make a recommendation to the Co-Owners on how to proceed with establishing a value for the Property and Improvements. The Co-Owner's goal is to determine the net dollar value for the Property and Improvements West of the Railroad Tracks with consideration for the estimated $5.24M value associated with the Co-Owners being released from future costs and liability. A meeting with the Co-Owners is expected to occur in February 2005.

8. The status of EWEB/BPA and PacifiCorp reviews of the PGE Water Rights proposal (VPN-053-2004 dated October 22, 2004) was discussed. This PGE proposal requests the Co-Owners to give PGE permission to proceed with a transfer of the majority (83.7 cfs) of Trojan's Water Right into instream lease, such that it is not forfeited due to non-use. The proposal also requests permission to transfer/sell a 5.4 cfs portion to PGE's Port Westward Project. EWEB and PacifiCorp have not formally responded to this proposal. BPA's response letter, dated December 20, 2004, generally states that the value of the 5.4 cfs portion of the Water Right, which may be sold (not leased) to the Port Westward Project, will need to be determined and the value credited to the Trojan project account. To determine the dollar value of this 5.4 cfs portion, PGE has obtained the services of a Water Rights appraisal consultant (WestWater Research LLC). This appraisal should be completed in February 2005 and the appraisal results will be shared with the Co-Owners. If the 5.4 cfs portion of Water Rights is sold to the Port Westward Project, the sale dollars will be credited back to the Trojan Project account.

9. Jerry provided the status on another letter that PGE was previously preparing to send to the Co-Owners for their review and signature. This letter was related to leasing the PGE owned ground under the communication cell tower on the south end of the Trojan site. Based on a PGE Legal Department review, this letter is not necessary and has been cancelled.

10. The next conference call meeting was set for Thursday, February 24, 2005, at 10:00 a.m.

JDR/kal

Attachments

c: Stephen Quennoz, Steve Nichols, Jay Fischer
Kelly Cox, Richard George, Steve McCarrel
Co-Owner Representatives

TROJAN OPERATING COMMITTEE MEETING MINUTES
February 24, 2005

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid	Ken Beeson	Bob Sherman
Jay Fischer		
Steve Nichols	PacifiCorp	
Kevin Poirier		
Christine Farris	Ed Burton	

1. The minutes of the January 19, 2005 meeting were approved without any changes.

2. On 2/14/2005, the NRC issued an order approving the indirect transfer of the Trojan Part 50 and 72 licenses for the Oregon Electric Utility Company purchase of PGE from Enron. PGE is still waiting on other regulatory approvals, such as the Oregon Public Utility Commission (OPUC).

3. Pursuant to the Trojan Part 50 license, Trojan currently maintains $100M of nuclear liability insurance coverage. The NRC has informed PGE that the Part 50 license termination could be delayed because there is no comparable regulatory requirement for a stand-alone Part 72 ISFSI to maintain this insurance coverage. PGE has been discussing this issue and potential impacts with the NRC. To support Part 50 license termination, PGE has made a proposal to the NRC Part 50 Project Manager that PGE would commit to keeping $100M of nuclear liability insurance via a change to the ISFSI Part 72 License. This proposal is still being evaluated by the NRC's Office of General Counsel.

4. PGE has been tracking and discussing with the NRC the status of PGE's request for exemption from 10 CFR 72.30(c) to allow use of 10 CFR 50.75 for ISFSI Decommissioning Funding. Current discussions with the NRC indicate that they intend to approve this exemption request and their response letter is currently being processed for approval.

5. USDOE has stated that they hope to start receiving spent fuel at the Yucca Mountain Federal Repository starting in 2012 versus the previously planned 2010.

6. Jerry reviewed significant items related to the Plant decommissioning status (Attachment A).

   PGE has submitted all of the Part 50 Final Survey Reports to the NRC for their review and all but four of these reports have been approved. The NRC performed an inspection at Trojan during the week of January 24, 2005. This

inspection covered Part 50 decommissioning and Part 72 ISFSI activities. The inspection of Part 50 decommissioning activities included reviews of the Trojan Final Survey Record packages related to the Final Survey Reports for the Auxiliary Building Interior, Fuel Building Interior, Spent Fuel Pool Affected Areas, and Support Facilities and Site Grounds. This NRC inspection resulted in no violations or new open items and closure of one open item related to the ISFSI Environmental Monitoring Program procedure. In addition, the NRC sent PGE a letter, dated 2/23/2005, that documents NRC approval of the last four Final Survey Reports specified above.

The NRC staff has the draft changes to the Trojan QA Program that reflect Trojan ISFSI stand-alone operations. This QA Program revision requires NRC prior approval. PGE has requested NRC approval by 3/31/2005 and they have indicated that the NRC will meet that date. This revision will be implemented concurrent with the Part 50 License Termination date.

The PGE proposed revisions to the Oregon Administrative Rules (OARs) that reflect Trojan ISFSI stand-alone operations were submitted to ODOE with a request for rulemaking. The EFSC Rulemaking Hearing and the Public Comment Hearing have been completed. The Public Comment Hearing Officer's Report was issued on 2/4/2005 and he "recommended that the Council consider EWEB's suggested revision on requiring PGE to obtain a bond or letter of credit, and that after consideration not include the revision in any amendment to the proposed OAR 345-026-0390(6)(d) in this rulemaking proceeding."

The QA Audit of the ISFSI Security Program and activities was completed and resulted in no findings and one recommendation related to a specific Purchase Order.

The Bids for decommissioning the Sewerage Treatment Plant are due back today and work is scheduled to begin in April 2005. To support this work, most of the remaining Trojan Nuclear Plant staff people will be moved into the TSC Building with the ISFSI staff by March 7 so that potable water and the sewer system can be deactivated in the Trojan Central Building (TCB) in mid March. New phone numbers will be assigned to the people moving into the TSC. Some of the new phone numbers are as follows:

Jerry Reid	503-556-7013
Kim Lehman	503-556-7012
Steve Nichols	503-556-7006
Jay Fischer	503-556-7030

Staff reductions are continuing as jobs are completed. Four Radiation Protection personnel will be laid off next week. The ISFSI staff has selected their RP/Licensing Specialist, Larry Rocha, for coordinating their radiation protection program and providing licensing support.

7. Kevin Poirier and Christine Farris reported on budget performance through January (Attachments B, C, D, and E). Regarding the 2005 Operating Summary, Kevin explained that incurred expenditures were under budget by $6,532 for the year, primarily due to timing of individuals taking vacation.

   - Other decommissioning costs were under budget by $16,485 for the year, primarily due to timing of expenditures.

   Non-Decommissioning costs were under budget by $13,169 again primarily due to timing of expenditures.

8. The status of EWEB/BPA and PacifiCorp reviews of the PGE proposal (VPN-058-2004, dated 10/21/2004) for prompt demolition of the Cooling Tower and specific Trojan buildings was discussed. The buildings include the Turbine, Control, Auxiliary, Fuel, Containment, old Administration, and old Security Buildings. BPA, EWEB, and PacifiCorp have approved prompt demolition and signed off on this proposal on the following dates; 12/14/2004, 12/15/2004, and 2/1/2005, respectively. To support this project, PGE issued the Bid Specification package for the Cooling Tower on 2/7/2005 and the Bids are due back on 3/24/2005. Additionally, PGE has started working on preparation of bid package(s) for the Turbine Building and equipment in the Turbine Building and expects to issue this Bid Specification package in early March.

9. The status of EWEB/BPA and PacifiCorp reviews of the PGE QuitClaim proposal (VPN-053-2004, dated 10/22/2004) was discussed. The proposal involves having the Co-Owners (EWEB and PacifiCorp) QuitClaim their ownership, rights and interest in all Trojan property and improvements west of the railroad tracks to PGE. In exchange for the QuitClaim, PGE would release the Co-Owners from future costs and/or liability associated with operation, maintenance, capital improvements, and/or demolition of the Trojan assets covered by the Quitclaim action. EWEB and PacifiCorp have not formally responded to this proposal. Previous discussions of this proposal centered on determining a defendable fair market value for the property to be QuitClaimed to PGE, which is generally addressed in the Owner's Agreement. PGE is currently having a consultant update the year 2000 appraisal for the Trojan State Park property. This updated appraisal will provide a defendable fair market value for the west of the railroad tracks property, except for the Trojan Switchyard. PGE is also in the process of determining a value for the Switchyard. These valuations are expected to be completed by the end of February 2005 and will be provided to the Co-Owners for their consideration. The Co-Owner's goal is to determine the net dollar value for the Property and Improvements west of the railroad tracks with consideration for the estimated $5.24M value associated with the Co-Owners being released from future costs and liability.

10. The status of EWEB/BPA and PacifiCorp reviews of the PGE Water Rights proposal (VPN-053-2004, dated 10/22/2004) was discussed. This PGE proposal

requests the Co-Owners to give PGE permission to proceed with a transfer of the majority (83.7cfs) of Trojan's Water Right into instream lease, such that it is not forfeited due to non-use. The proposal also requests permission to transfer/sell a 5.4cfs portion to PGE's Port Westward Project. EWEB and PacifiCorp have not formally responded to this proposal. BPA's response Letter, dated 12/20/2004, generally states that the value of the 5.4cfs portion of the Water Right, which may be sold (not leased) to the Port Westward Project, will need to be determined and the value credited to the Trojan Project account. To determine the dollar value of this 5.4cfs portion, PGE has obtained the services of a Water Rights appraisal consultant (WestWater Research LLC). This appraisal is still on track to be completed by 2/28/2005 and the appraisal results will be shared with the Co-Owners. If the 5.4cfs portion of Water Rights is sold to the Port Westward Project, the sale dollars will be credited back to the Trojan Project account.

11. Jerry provided a briefing on PGE's plans to expand the Trojan Switchyard in support of the new PGE Port Westward Plant. This expansion includes constructing two new 230kv towers on the PGE owned land on the north end of the Trojan Switchyard, installing the 230kv lines, tying into the existing grounding grid, tying into the existing 230kv buses, and installing controls and instrumentation in the existing control house. This will be funded entirely with PGE funds. Construction should start in July 2005 and continue into next year. PGE has also been discussing these plans with people in the BPA transmission & distribution department.

12. The next conference call meeting was set for Wednesday, March 16, 2005 at 10:00 a.m.

JDR/kal
Attachments
c: Stephen Quennoz, Steve Nichols, Jay Fischer, Larry Rocha
Kelly Cox, Richard George, Steve McCarrel
Co-Owner Representatives

TROJAN OPERATING COMMITTEE MEETING MINUTES
March 16, 2005

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid	Ken Beeson	Bob Sherman
Jay Fischer		
Kevin Poirier	PacifiCorp	
Christine Farris		
Teresa Griffels	Ed Burton	
Spike Ford		
Larry Rocha		

BPA
MAR 23 2005
RICHLAND

1. The minutes of the February 24, 2005 meeting were approved without any changes.

2. On 3/10/2005, the Oregon Public Utility Commission (OPUC) issued an order denying the application for Oregon Electric Utility Company to purchase PGE Company from Enron.

3. Pursuant to the Trojan Part 50 license, Trojan currently maintains $100M of nuclear liability insurance coverage. The NRC has informed PGE that the Part 50 license termination could be delayed because there is no comparable regulatory requirement for a stand-alone Part 72 ISFSI to maintain this insurance coverage. PGE has been discussing this issue and potential impacts with the NRC. To support Part 50 license termination, PGE has made a proposal to the NRC Part 50 Project Manager that PGE would commit to keeping $100M of nuclear liability insurance via a change to the ISFSI Part 72 License. This proposal is still being evaluated by the NRC's Office of General Counsel.

4. PGE has been tracking and discussing with the NRC the status of PGE's request for exemption from 10 CFR 72.30(c)(5) to allow use of 10 CFR 50.75 for ISFSI Decommissioning Funding. Current discussions with the NRC indicate that they intend to approve this exemption request and their approval letter is currently being processed for approval.

5. Jerry reviewed significant items related to the Plant decommissioning status (Attachment A).

   The NRC staff has the draft changes to the Trojan QA Program that reflect Trojan ISFSI stand-alone operations. This QA Program revision requires NRC prior approval and the NRC has indicated that they will complete their review and approval by 3/31/2005, such that this revision can be implemented concurrent with the Part 50 License Termination.

The PGE proposed revisions to the Oregon Administrative Rules (OARs) that reflect Trojan ISFSI stand-alone operations were submitted to ODOE with a request for rulemaking. The EFSC Rulemaking Hearing and Public Comment Hearing have been completed. The EFSC's ruling on these changes is expected in early April.

PGE continues with work on the prompt demolition of the Cooling Tower and other onsite buildings project. The Bids for the Cooling Tower demolition are due back from the bidders on 4/6/2005 versus the previously scheduled date of 3/24/2005. Additionally, PGE has started working on preparation of the Bid package for demolition of the Turbine, Control, Auxiliary, Fuel, Administration and old Security Buildings and expects to issue this Bid Specification package by the end of March. The Containment Building demolition will be done under a separate Bid package.

The Bids for decommissioning the Sewerage Treatment Plant are back and are being evaluated. Work is still scheduled to begin in April 2005. To support this work, all but a few of the remaining Trojan Nuclear Plant staff people have been moved into the TSC Building so that potable water and the sewer system can be deactivated in the Trojan Central Building (TCB) in mid March.

The liquidation contractor, GB Fixed Asset Solutions, will be back onsite starting April 4 to sell the unused furniture, fixtures, equipment, etc. located in the Trojan Central Building.

6. Kevin Poirier and Christine Farris reported on budget performance through February (Attachments B, C, D, and E). Regarding the 2005 Operating Summary, Kevin explained that incurred expenditures were under budget by $11,421 for the year, primarily due to timing of individuals taking vacation.

   - Other decommissioning costs were under budget by $324,121 for the year, primarily due to the delay in beginning the demolition of the cooling tower.

   Non-Decommissioning costs were over budget by $214,150 primarily due to a change in methodology concerning the amortization of the interest portion of the USDOE D&D fee identified in this years audit.

7. The status of EWEB/BPA and PacifiCorp reviews of the PGE QuitClaim proposal (VPN-053-2004, dated 10/22/2004) was discussed. The proposal involves having the Co-Owners (EWEB and PacifiCorp) QuitClaim their ownership, rights and interest in all Trojan property and improvements west of the railroad tracks to PGE. In exchange for the QuitClaim, PGE would release the Co-Owners from future costs and/or liability associated with operation, maintenance, capital improvements, and/or demolition of the Trojan assets covered by the Quitclaim action. EWEB and PacifiCorp have not formally responded to this proposal. Previous discussions of this proposal centered on determining a defendable fair market value for the property to be QuitClaimed

to PGE, which is generally addressed in the Owner's Agreement. A consultant has completed his update of the year 2000 appraisal for the Trojan State Park property and included specific values for the Switchyard land, grading, gravel and fencing. PGE has also completed a comprehensive spreadsheet that provides a depreciated value for the Switchyard Buses, Breakers, and etc. This information is being discussed within PGE at this time. The Co-Owner's goal is to determine the net dollar value for the Property and Improvements west of the railroad tracks with consideration for the estimated value associated with the Co-Owners being released from future costs and liability.

8. The status of EWEB/BPA and PacifiCorp reviews of the PGE Water Rights proposal (VPN-053-2004, dated 10/22/2004) was discussed. This PGE proposal requests the Co-Owners to give PGE permission to proceed with a transfer of the majority (83.7cfs) of Trojan's Water Right into instream lease, such that it is not forfeited due to non-use. The proposal also requests permission to transfer/sell a 5.4cfs portion to PGE's Port Westward Project. EWEB and PacifiCorp have not formally responded to this proposal. BPA's response Letter, dated 12/20/2004, generally states that the value of the 5.4cfs portion of the Water Right, which may be sold (not leased) to the Port Westward Project, will need to be determined and the value credited to the Trojan Project account. To determine the dollar value of this 5.4cfs portion, PGE has obtained the services of a Water Rights appraisal consultant (WestWater Research LLC). Completion of this appraisal report has been awaiting information from the Oregon Water Resources Department and other private entities, however, the consultant expects it to be completed relatively soon. If the 5.4cfs portion of Water Rights is sold to the Port Westward Project, the sale dollars will be credited back to the Trojan Project account.

9. The next conference call meeting was set for Thursday, April 21, 2005 at 10:30 a.m.

JDR/kal
Attachments
c: Stephen Quennoz, Steve Nichols, Jay Fischer, Larry Rocha
Kelly Cox, Richard George
Co-Owner Representatives

NUCLEAR DIVISION MONTHLY REPORT

March 2005

DECOMMISSIONING PLANNING

As-Built Packages

- One (1) open as-built package is currently being processed. Applicable drawings are being updated.

Plant Modifications of Interest (Status)

- DPMR 2003-003, DCP 1, Potable Water System Modifications - Installation of two pressure tanks in the basement of the TSC was completed in May 2004. The hydropneumatic accumulator in the Turbine Building has been isolated.

- Additional modifications to the Potable Water System that support demolition of the Cooling Tower and buildings in the Power Block are being evaluated and planned.

Fire Protection

- An ongoing activity to update the Pre-Fire Plan is expected to complete in April.

Wastewater Treatment System Demolition

- Following evaluation of bids for the Wastewater Treatment System demolition, the conveyance and demolition work was awarded to PMRI. Initial fieldwork is in progress. Contract administration for fieldwork has been transferred to the Decommissioning Department.

System Transfers

- Transfer documents for five plant systems, including fire protection, domestic water, wastewater treatment, and communications are currently being developed. Transfer of these systems, including applicable design references and supporting service contracts, is expected in May.

Preparation of Specifications

- A specification to remove asbestos containing materials (floor tile, structural steel fire-retardant coating, and contaminated ceiling tile) from the Control Building lobby has been developed and approved. The specification will be issued for bids by April 12.

- Sections of the specification for the Power Block Demolition Project (TD-040) that deal with removal of asbestos and other hazardous materials have been prepared with the assistance of Doug Jenkin (Human Resources) and Jayne Allen

(Environmental Services). Additional attachments to the specification, which provide site-specific information, are also being developed.

NUCLEAR OVERSIGHT

Plant Support

- Nuclear Oversight performed preliminary reviews of 32 Trojan ISFSI Procedures, two ISFSI Security Procedures, four Off-Normal Instructions, and one Trojan Plant Procedure.

Audits/Surveillance

- Nuclear Oversight issued the report for the PGE QA 2004-I-005 Audit of the Trojan ISFSI Security. The audit resulted in one recommendation concerning access authorization investigation supplier.

- A QA Engineer conducted an audit of Baley Hinchy and Downes (BHD), the access authorization investigation supplier, in Chicago, IL. The audit resulted in one recommendation.

Corrective Actions

- No new CARs were initiated during March and there were no open CARs at the end of March.

- No CAR actions went overdue. Year-to-date, no CAR actions have been overdue.

Corporate Support

- The Nuclear Oversight Manager continued in his dual role of managing both Nuclear Oversight and the Corporate Ethics and Compliance Program.

- A Nuclear Oversight representative was transferred to the Performance Monitoring Group in RC 741.

Independent Spent Fuel Storage Installation (ISFSI) Activities

- As noted earlier, the ISFSI security audit report was issued in March.

DECOMMISSIONING

Cooling Tower Demolition

- Technical Specification number is TD-039.
- The Invitation for Bid was sent out February 7 to nine bidders.
- The pre-bid meeting was held on February 24.
- The Peregrine Falcon Contingency Plan was finalized on March 9.
- Bids were due back on April 6. Seven bids were received and are currently being evaluated.
- John Vesik is working to deactivate the 392-ft microwave station by September 30, 2005.

Power Block Demolition

- Technical Specification number is TD-040.
- The Invitation for Bid was sent out to nine bidders on April 4.
- The pre-bid meeting is scheduled for April 20.
- We are currently working on the Site-Specific Asbestos and Hazardous Material attachments for the pre-bid meeting.
- The bids are due back by May 25.
- The 230-kV lines attached to the Turbine Building will be removed between April 27-29.

Titanium Removal Bid

- Technical Specification number is TD-041.
- Bid preparation is in progress.

Trojan Central Building (TCB) Backout

- The Trojan Central Building backout for sewer and water is complete.

Tritium >DCGL Concrete Block Processing

- RACE has received test sample results and has disposed of the blocks.
- Final invoices are currently being processed.

Asset Sale (Phase 3)

- GB Fixed Asset Solutions arrived on-site on April 5.

Plant Communications and Computers

- Relocation of non-PGE communication cables from the Administration Building remains a major unknown in the demolition schedule for the building.
- PGE Property Services is the lead group within PGE tracking this project.

RADIATION PROTECTION

Decommissioning Support

- Continued clean up of the Trojan Central Building.

Radioactive Material Disposal

- No radioactive material shipments.
- Transferred the remaining sources to other licensees.

Groundwater

- Project is complete.

Final Survey

- Project complete - awaiting license termination by NRC and EFSC rulemaking.

Miscellaneous

- Continued working on a calculation for reducing the diameter of the ISFSI controlled area based on actual radiation measurements. Provided mark up of the ISFSI SAR to Licensing.
- Completed data collection for the annual fire marshal report and sent information to Environmental Services.

- Replaced peregrine nest platform with help from Portland Audubon Society personnel and Environmental Services.
- Assisted University of Washington personnel with the Beckman Liquid Scintillation counter and radiation source.
- Assisted Lower Columbia College personnel with the two Atomic Absorption instruments from the Training Building.
- Laid off ≥66% of the remaining Radiation Protection Department (4 of 6) on March 3.
- Moved Radiation Protection offices to Health Physics lab.

Monthly Performance Indicators

Category	Month	Year to Date	Goal
Contamination's (#)	0	0	------
Rad Pro Incidences	0	0	------
RW Volume/weight shipped (Direct burial)	0/0	0/0	------

PLANT SUPPORT

Licensing

Plant

- As of the end of the month, Trojan was awaiting responses from the NRC for the following submittals and NRC Inspection:

Submittal Description	VPN Letter #	Submit Date	Concurrence Requested By
Application for License Termination	078-2004	12/20/04	3/31/05

- As of the end of the month, Trojan was awaiting responses from ODOE for the following submittals:

Submittal Description	VPN Letter #	Date	Concurrence Requested By
OEUC buy PGE & Request for Declaratory Ruling that purchase does not involve a transfer of the Trojan Site Certificate	N/A	7/29/04	Yes – No Date
REMP and RECP Reduction Prior ODOE Approval (ODOE is waiting for completion of Rulemaking, approximately April 2005)	041-2004	8/12/04	N/A
Rulemaking in Progress for OAR Rule Changes to delete TNP & clarify ISFSI requirements (EFSC Meeting scheduled for 4/8/05)	051-2004	10/22/04	N/A

- During March, the following letters were submitted to the NRC and offsite agencies:
  - PGE-1009-04 Annual Operational Ecological Monitoring Report for 2004 (VPN-011-05, dated 3/11/05).
  - Annual Decommissioning Funding Report for 2004 (VPN-012-2005, dated 3/31/2005).
  - PGE-1061, Defueled Safety Analysis Report and License Termination Plan, Revision 21 (VPN-014-05, dated 3/31/05).
  - Decommissioning Funding Information requested by NRC Letter dated 3/17/05 (VPN-002-05, dated 3/31/05).

- Continued to work on the proposal for the Trojan Co-Owners to Quitclaim to PGE their ownership, rights, and interest in all Trojan property and improvements west of the railroad tracks. Received the consultant Appraiser's report that updates the market values in the year 2000 Trojan State Park Appraisal. Continued to work on the switchyard valuation and the future cost liabilities for this property and improvements.

- Continued to work on the proposal for the Trojan Co-Owners to give PGE permission to proceed with a transfer of the majority (83.7 cfs) of Trojan's Water Right into instream lease, such that it is not forfeited due to non-use. The proposal also requests permission to transfer/sell a 5.4 cfs portion to PGE's Port Westward Project. To determine the dollar value of this 5.4 cfs portion, PGE obtained the services of a Water Rights appraisal consultant (WestWater Research LLC) and the report was received in March.

- Due to the potential prompt demolition of the Cooling Tower starting in 2005, the Oregon State Department of Fish and Wildlife (ODFW) suggested that PGE develop a contingency plan to address the actions that could be taken in the event that the peregrine falcons nest on the Cooling Tower or in an alternate

nearby location where nesting activities could be negatively affected by the Cooling Tower demolition. PGE's Greg Concannon and the Trojan staff have developed a contingency plan and this plan has been approved by ODFW.

ISFSI

- As of the end of the month, Trojan was awaiting responses from NRC for the following submittals:

Submittal Description	VPN Letter #	Submit Date	Concurrence Requested By
Part 72 QA Program, Revision 28, for the stand-alone ISFSI. Discussions with the NRC indicate that they have completed their review and will approve this QA Program for Part 72 in their Part 50 License Termination letter.	001-2005	1/21/05	3/31/2005

- As of the end of the month, Trojan was awaiting responses from Offsite Agencies for the following submittals:

Submittal Description	VPN Letter #	Date	Concurrence Requested By
Oregon State Land Board Lease Application for submerged & submersible portion of this water front land (the Land board has accepted the Lease Application and the final Lease is being processed)	N/A	10/21/04	N/A

- During March, PGE received the following responses from the NRC and ODOE:

Submittal Description	NRC or ODOE	Letter Date	Approval or Concurrence
NRC approval of Exemption from 10CFR72.30(c)(5) to allow PGE and PacifiCorp use of 10CFR50.75 for ISFSI Decommissioning Funding	NRC	3/17/05	Approval
NRC approval of Part 71 QA Program, Revision 28, for the stand-alone ISFSI. The NRC plans to approve this QA Program revision for Part 72 as a part of the Part 50 License Termination letter.	NRC	3/17/05	Approval

- Pursuant to the Trojan Part 50 license, Trojan currently maintains $100M of nuclear liability insurance coverage. The NRC has informed PGE that the Part 50 license termination could be delayed because there is no comparable regulatory requirement for a stand-alone Part 72 ISFSI to maintain this insurance

coverage. Licensing has been discussing this issue and potential resolutions with the NRC. The NRC's Office of General Counsel is evaluating this. An ISFSI License Change or a new NRC Order may be necessary prior to Part 50 license termination.

- Continued to work on backfitting the QA Records Index by adding Transportation ("T") codes to specific records to support printing out a "T" Code Report and placing it in the generic binder associated with the 34 binders containing the Spent Fuel Assembly and Debris records.

- PGE continued to monitor Holtec's progress with resolving the issue caused by the revised definition of Damaged Fuel in the Holtec Transport Cask CoC. Based on the minor damage to Trojan fuel assemblies not stored in Failed Fuel Cans and their discussions with the NRC, Holtec has prepared a new Amendment to their Part 71 Transport Cask SAR and CoC that states this Trojan fuel is considered to be Intact Fuel. This Amendment has been submitted to the NRC for approval and the NRC completed their acceptance on February 11, 2005. Holtec's discussions with the NRC indicate that the new SAR Amendment and CoC could be issued in May 2005 (if no RAI is involved) and July 2005 (if an RAI is needed). As of the end of March, there is no indication that the NRC will be issuing a RAI.

- To support the PGE lawsuit against the U.S. Department of Energy (USDOE), a list of hardcopy records has been prepared and these records have been moved into a separate lockable room on the first floor of the Central Building and the room is posted with "do not destroy" signs. These records will be retained until they are released by the PGE Legal Department.

Licensing Document Change Requests (LDCRs)

- During the month, three LDCRs were received, two were approved, none were canceled or superseded, and one was closed (incorporated). Seven of these LDCRs are awaiting ODOE approval of the proposed REMP and RECP reductions. At the end of the month, a total of 17 LDCRs were being processed.

Corrective Action Requests (CARs)

- Licensing did not review any CARs for reportability this month.

Commitment Tracking List (CTL)

- During the month, no CTL items were initiated and 10 were closed. At the end of the month, a total of 18 CTL items remained open. Eleven out of the 18 CTLs are ISFSI CTLs.

Part 50 Training Activities

- During March, no Part 50 training was performed.

Purchasing Activities

- Processed the following purchase requisitions in the Masterpiece System:
  - TN00000046 to Power Maintenance Resources, Inc. in the amount of $220,000 for conveyance and wastewater treatment plant decommissioning and oily water separator demolition.
  - TN00000047 to Clayton Group Services in the amount of $48,300 for asbestos-containing material assessment.
  - TQ00000007 to Baley Hinchy Downes & Associates in the amount of $15,000 for background investigations.
- Processed the following supplements to purchase orders:
  - None in March 2005.

Administrative Services Activities

- One box of Environmental & Analytical Services Department records was located and scanning half of the box has been completed. The other half of the box contains supporting notebooks that will be stored in the TSC vault. In addition, seven boxes of these records were reviewed and it was determined that they need to be scanned. Three of the boxes have been prepped and scanned.
- Thirty-one boxes of records have been retrieved from various Trojan Central Building cubicles. A review will be conducted to determine if they have been filmed/scanned previously before prepping and scanning for retention.
- Five boxes of purchase orders and supporting documentation from bid contracts were prepped and scanned.
- Three boxes of poor quality radiation exposure records were prepped and scanned.
- One box of Engineering documents was prepped and scanned.
- Two boxes of Nuclear Division Monthly reports were turned in for scanning. One box has been completed.

- One box with 17 binders of Groundwater Monitoring Well Sampling records was received. These records are a compilation of records for each Monitoring Well that was sampled and the records will be retained in this format for future retrievability.

- One box of purchasing-related documents was prepped and scanned.

- Two boxes of assorted project (Decom, LCR, RVAIR, ISFSI) documents were turned in for review. One box has been prepped and scanned.

- Two boxes of "very confidential" records were received. This special scanning project is being coordinated with Corporate Records.

- Four boxes of Performance Abatement Services Personnel Asbestos records were received for retention.

- A review of all Radiation Protection Calculations from 1990 to date was performed and one box of unfilmed calculations was scanned. A review of previous years of Radiation Protection calculations still needs to be done and four boxes of calculations from RP are being kept for this reason. The TIS Calculation database will be updated during this review to reflect the current DeRec DocID for the calculations.

- Procedures TPP 18-4 and TIP 51 were revised to support the closure of CAR Corrective Action IC2004-0004.

Staffing

- Staffing at the end of March:

	Regular	Contractor
Fuel Management	5	0
Decommissioning Projects	26	3
Other Projects	5	0
Corporate Support	4	1

Monthly Report
March 2005
Page 11

Cost Control

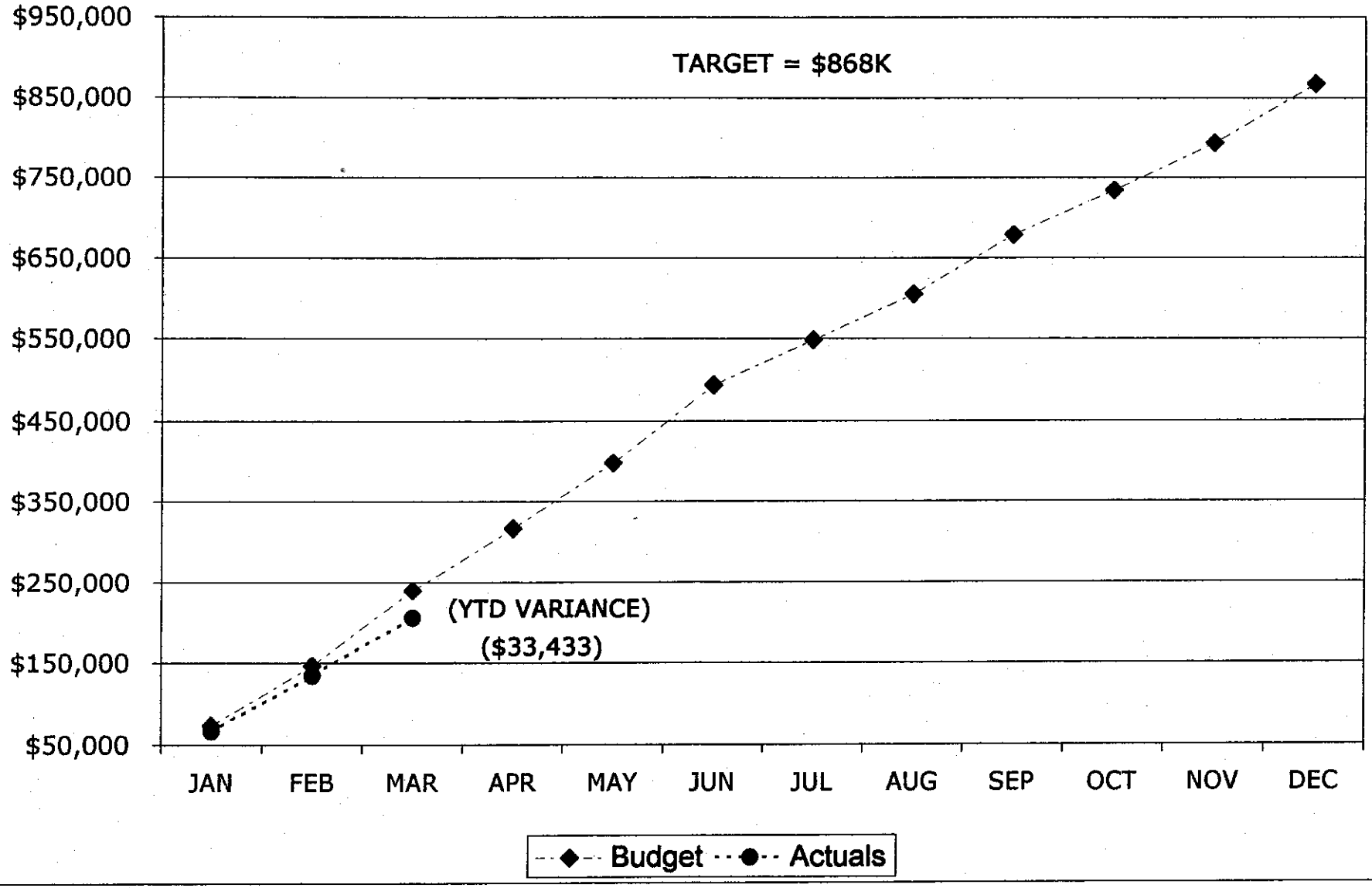
	Budgeted	Actual	Variance
Capital			
Current	0	424	424
Year to Date	0	786	786
Operating			
Current	92,669	70,657	(22,012)
Year to Date	239,283	205,849	(33,434)
ISFSI Operations			
Current	195,697	143,602	(52,095)
Year to Date	488,335	334,126	(154,209)
Other Decommissioning			
Current	409,260	151,653	(257,607)
Year to Date	1,223,523	1,063,679	(159,844)
Nonrad Decommissioning			
Current	175,000	2,466	(172,534)
Year to Date	525,000	32,696	(492,304)

JS Reid for SB Nichols 4/19/05
Steven B. Nichols

TROJAN NUCLEAR PLANT

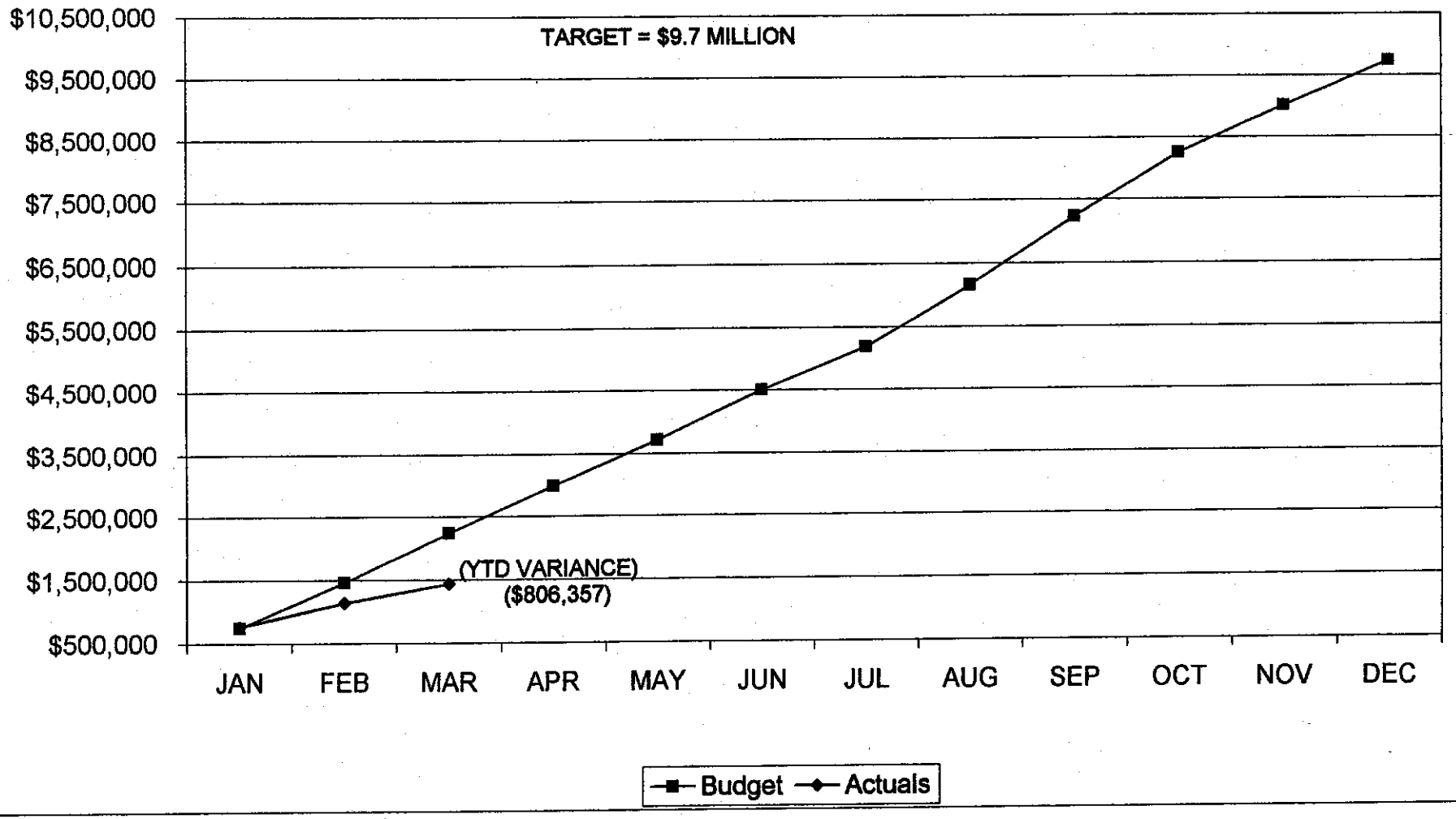
2005 OPERATING SUMMARY

(100% RC Incurred excluding Capital Accounts and Decommissioning)

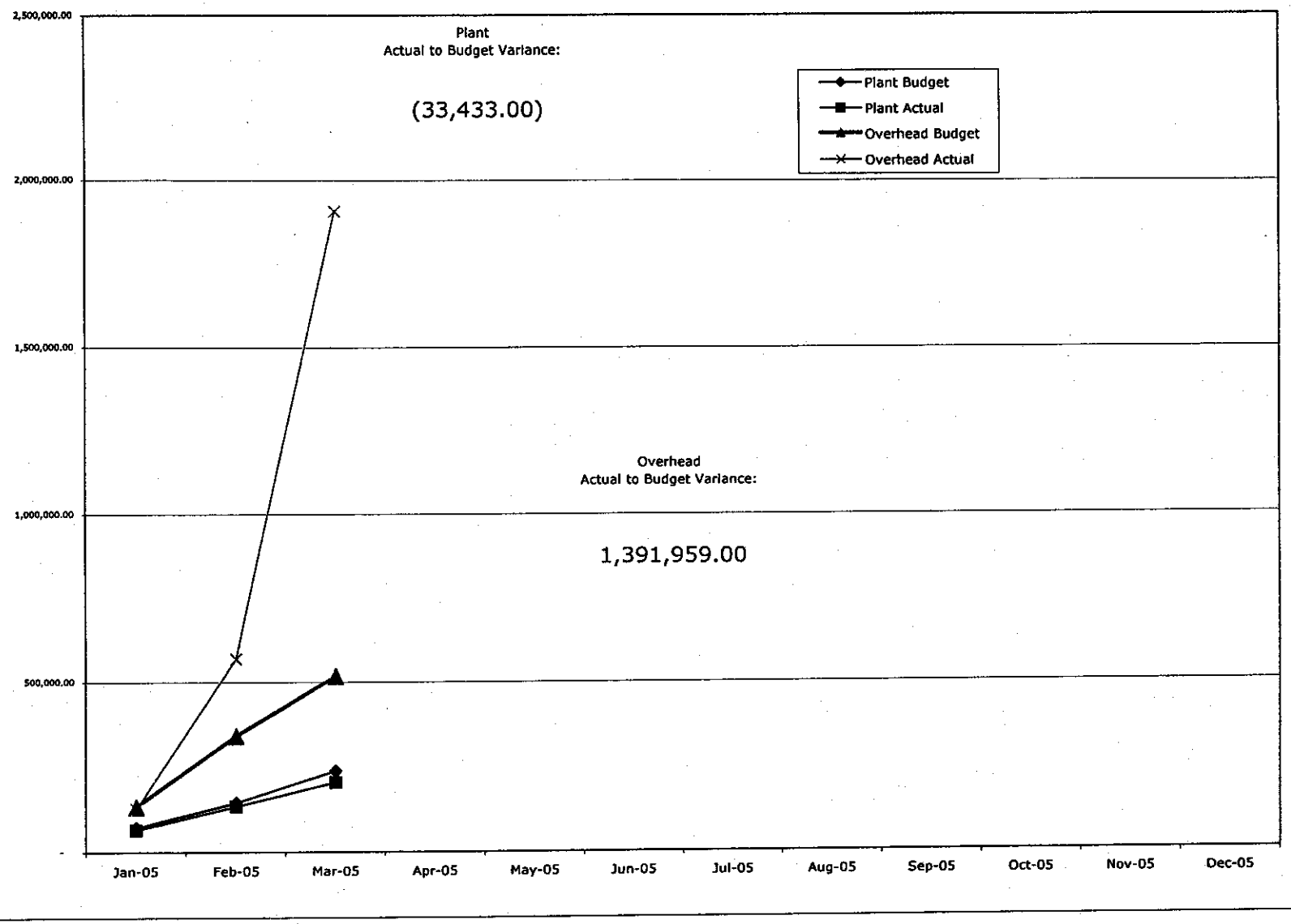


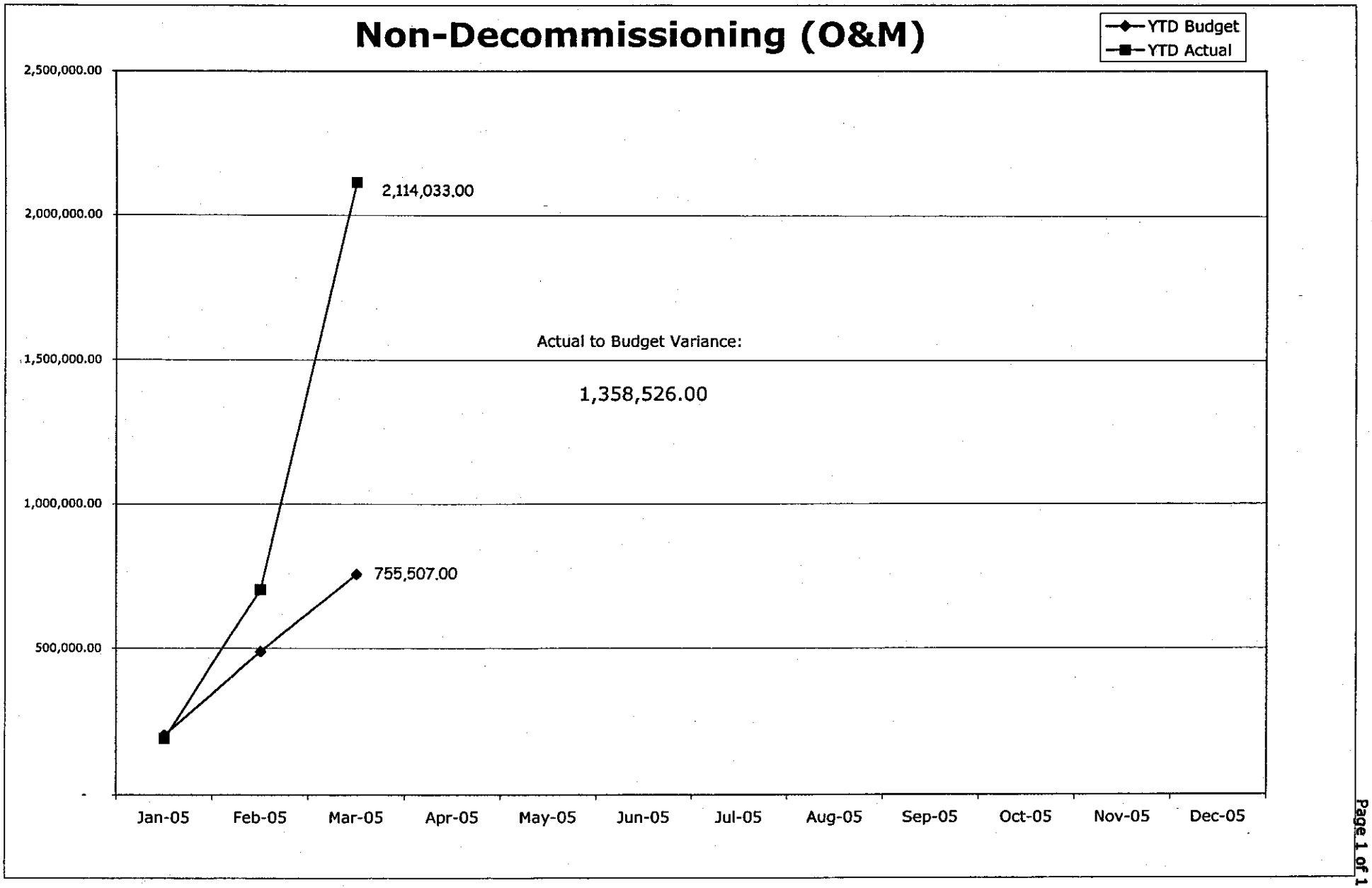
DECOMMISSIONING

2005 (100% RC Incurred)



O&M by Plant and Overhead Expense




Non-Decommissioning (O&M)
YTD Budget
YTD Actual
2,500,000.00
2,000,000.00
1,500,000.00
1,000,000.00
500,000.00
-
2,114,033.00
755,507.00
Actual to Budget Variance:
1,358,526.00
Jan-05
Feb-05
Mar-05
Apr-05
May-05
Jun-05
Jul-05
Aug-05
Sep-05
Oct-05
Nov-05
Dec-05

TROJAN OPERATING COMMITTEE MEETING MINUTES
April 21, 2005

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid	Ken Beeson	Bob Sherman
Jay Fischer		
Kevin Poirier	PacifiCorp	
Christine Farris		
Teresa Griffels	Ed Burton	
Larry Rocha		

BPA
MAY 3 2005
RICHLAND

1. The minutes of the March 16, 2005 meeting were approved without any changes.

2. Based on the March 2005 Oregon Public Utility Commission (OPUC) order denying the application for Oregon Electric Utility Company (OEUC) to purchase PGE Company from Enron and the formal termination of the Stock Purchase Agreement between Enron and OEUC, PGE has submitted a letter (VPN-016-2005 dated April 20, 2005) to the NRC to formally notify them of this status.

3. Pursuant to the Trojan Part 50 license, Trojan currently maintains $100M of nuclear liability insurance coverage. The NRC has informed PGE that the Part 50 license termination could be delayed because there is no comparable regulatory requirement for a stand-alone Part 72 ISFSI to maintain this insurance coverage. PGE has been discussing this issue and potential impacts with the NRC and this issue is very close to being resolved within the NRC. The NRC letter for Part 50 license termination has been drafted and is being routed within the NRC for approval signatures.

4. PGE has received the NRC letter approving PGE's request for exemption from 10 CFR 72.30(c)(5) to allow use of 10 CFR 50.75(e) and (h) for ISFSI decommissioning funding. This exemption allows PGE and PacifiCorp to continue to use the requirements of 10 CFR 50.75(e) and (h) for decommissioning funding.

5. Trojan Part 50 staff reduction is continuing. Layoff notice letters have been issued to five (5) individuals scheduled to leave May 31 and four (4) individuals scheduled to leave on June 30.

6. Jerry reviewed significant items related to the Plant decommissioning status (Attachment A).

   PGE has received the NRC letter approving use of the Trojan ISFSI stand-alone QA Program for Part 71 radioactive material transportation packages. The remaining NRC approval for use of this QA Program for Part 72 ISFSI dry spent

fuel storage operations will be contained in the Part 50 license termination letter. This revision of the QA Program will be implemented concurrent with the Part 50 license termination. This change also requires changes to the ISFSI Safety Analysis Report, Security Plan, Emergency Plan, and 40 ISFSI procedures. These document changes are ready to issue.

The PGE proposed revisions to the Oregon Administrative Rules (OARs) that reflect Trojan ISFSI stand-alone operations and additional financial reporting requirements proposed by EWEB were approved by the EFSC on April 8, 2005. When ODOE receives the NRC letter approving Part 50 license termination, ODOE will file these changes with the Secretary of State such that they will be effective concurrent with the license termination.

PGE continues with work on the prompt demolition of the Cooling Tower and other onsite buildings project. The Co-Owners, PGE Board, Enron Board and OPUC have approved this project. Bids for Cooling Tower demolition have been received from seven (7) companies and these bids are being evaluated. The Bid package for demolition of the Turbine, Control, Auxiliary, Fuel, Administration and old Security Buildings was issued to nine (9) bidders on April 5 and the Pre-Bid meeting was held April 20. The Bid package for asbestos abatement in the 45' elevation of the Turbine Building was issued on April 12 and the Pre-Bid meeting is scheduled for April 27. A Bid package for removing titanium metal from the Main Condenser is being developed and should be issued next week. The 230kV transmission lines from the Turbine Building to the Trojan Switchyard will be removed starting April 27. The Containment Building demolition will be done under a separate Bid package.

The bids for demolition of the Sewerage Treatment Plant and the Oily Water Separator Structure have been evaluated and the job was awarded to PMRI. PMRI has mobilized and started work. All of the Sewerage Treatment Plant influent piping has been flushed and manholes backfilled. The last discharge was performed on April 7, effluent manhole backfilled, sludge pumped out, and structure wall demolition is in progress. Demolition of the Oily Water Separator Structure is awaiting Part 50 license termination because it is a final survey impacted area.

The liquidation contractor, GB Fixed Asset Solutions, is onsite and he is selling unneeded furniture, fixtures, equipment, etc., located in the Trojan Central Building and the South Warehouse.

PGE is working on reducing the ISFSI Controlled Area Boundary from 300 meters to 100 meters. RP has taken measurements of actual radiation dose rates from the ISFSI cask array and used this information in a calculation to show that the Controlled Area Boundary may be reduced to 100 meters without approaching the limits. This proposed change will require prior NRC approval and revisions to the ISFSI Safety Analysis Report and Emergency Plan.

7. Kevin Poirier and Christine Farris reported on budget performance through March (Attachments B, C, D, and E). Regarding the 2005 Operating Summary, Kevin explained that incurred expenditures were under budget by $33,433 for the year, primarily due to timing of individuals taking vacation.

   - Other decommissioning costs were under budget by $806,357 for the year, primarily due to timing.
   - Non-Rad decommissioning is under by $527K due to delay in beginning the demolition of the Cooling Tower.
   - ISFSI Operations is under by $154K due to timing of support services and NRC/ODOE fees.
   - Miscellaneous support is under by $168K due to timing of support services.

   Non-Decommissioning costs were over budget by $1.4M primarily due to a change in methodology concerning the amortization of the interest portion of the USDOE D&D fee identified in this year's audit. Due to an auditor recommendation, PGE accrued the remaining interest portion of the USDOE D&D fee in March.

   Trojan has been notified that we will be receiving a refund for year 2004 radwaste burial from US Ecology in May 2005. The total of this refund should be nearly $1.1M.

8. The status of EWEB/BPA and PacifiCorp reviews of the PGE QuitClaim proposal (VPN-053-2004 dated October 22, 2004) was discussed. A consultant has completed his update of the year 2000 appraisal for the Trojan State Park property and included specific values for the Switchyard land, grading, gravel and fencing. PGE has also completed a comprehensive spreadsheet that provides a depreciated value for the Switchyard Buses, Breakers, and etc. This information is being discussed within PGE at this time and other options are being considered.

9. The status of EWEB/BPA and PacifiCorp reviews of the PGE Water Rights proposal (VPN-053-2004 dated October 22, 2004) was discussed. This PGE proposal requests the Co-Owners to give PGE permission to proceed with a transfer of the majority (83.7cfs) of Trojan's Water Right into instream lease, such that it is not forfeited due to non-use. The proposal also requests permission to transfer/sell a 5.4cfs portion to PGE's Port Westward Project. WestWater Research LLC has completed their Water Rights Appraisal Report and they valued the 5.4cfs portion of Water Rights at $10,900. The Appraisal Report was forwarded to the Co-Owners on April 14, 2005 with a request for their permission to transfer the Water Rights as described above. If the 5.4cfs portion is sold to the Port Westward Project, the sale dollars will be credited to the Trojan Project account. EWEB and PacifiCorp indicated that they may signoff on the permission statement soon.

10. Jerry stated that his scheduled layoff date is June 30, 2005 and that he will coordinate the May 2005 monthly meeting conference call. Jay Fischer (503-556-7030) will be assuming the TOC Chairman responsibilities and he will be coordinating the June 2005 conference call.

11. The next conference call meeting was set for Wednesday, May 25, 2005 at 10:00 a.m.

JDR/kal

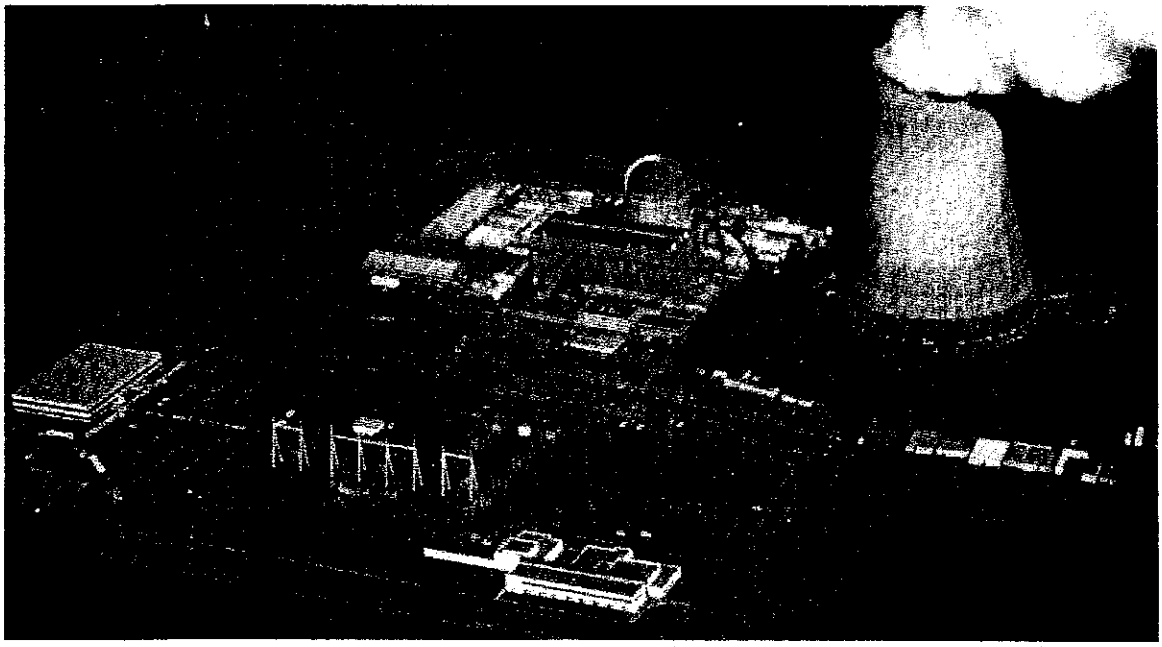
Attachments

c: Stephen Quennoz, Steve Nichols, Jay Fischer, Larry Rocha
Kelly Cox, Richard George
Co-Owner Representatives

TROJAN
POTENTIAL REUSE OF SITE
Potential Expansion of Existing Trojan Switchyard

- undated sheet showing an aerial view of the Trojan site and includes details regarding the Trojan switchyard expansion plans
- 05/04/05, TOC meeting minutes, meeting topics include information and details associated with PGE's plans to expand the Trojan Switchyard
- 05/10/05 e-mail from Reid to Sherman/Beeson/Burton regarding 5/5/05/ TOC meeting minutes and one-line drawing of Trojan Switchyard, attachments included
- 05/25/05 TOC meeting minutes, Item 9, includes a discussion regarding the expansion of the Trojan switchyard.
- 06/21/05 TOC meeting minutes, item 4 includes a discussion of the expansion of the Trojan switchyard
- 06/21/05 BPA date stamp on the May 2005 Nuclear Division Monthly Report from PGE. Page 6 of the report includes a paragraph regarding the proposed expansion of the Trojan switchyard for Port Westward
- 07/05&07/05 TOC meeting minutes, these minutes cover the two special TOC meetings that were held on July 5 and July 7 and focused on the expansion of the Trojan switchyard. A slide presentation for TOC regarding the Interconnection of Port Westward is attached
- 07/06/05 e-mail, Todd to Sherman/Beeson/Burton and others includes discussion of future O & M and Capital improvements to the existing Trojan Switchyard
- 07/07/05 08/08/05 e-mail from Todd to Sherman/Beeson/Burton and others transmitting the draft Agreement Regarding use by PGE of the Trojan Substation of it's Port Westward Project, draft agreement attached
- 08/10/05 TOC Meeting Minutes, page 2, item 4, discusses the Trojan Switchyard expansion project
- 09/07/05 e-mail from Reid to Beeson, this e-mail indicates PGE has forwarded Beeson's 09/02/05 message (included) regarding EWEB comments on the proposed agreement
- 09/16/05 e-mail, Todd to Sherman/Beeson/Burton provides answers to questions regarding draft substation agreement.
- 10/26/05, 7:14 pm, e-mail chain from Kronick Sherman, regarding questions about just compensation and the Trojan switchyard.
- 10/26/05, 7:49 pm, e-mail chain from Kronick to Sherman regarding questions on Trojan substation compensation agreement
- All my e-mail messages regarding this subject are included. To many to itemize.

PGE 2005 – 2006 Trojan Switchyard Expansion Plans



Details on Trojan Switchyard Expansion Plans

- All Switchyard construction and modification work will be performed at PGE Company expense (no cost to BPA, EWEB or PacifiCorp).
- Work is scheduled to start July 1, 2005, at the earliest, with a completion date of October 2006.
- Move the north end of the existing Switchyard fencing approximately 160 feet to the north onto PGE property. This results in adding approximately 83,200 square feet of area inside the Switchyard fenced perimeter.
- Install a grounding grid under the Switchyard expansion area and tie it into the existing grounding grid.
- Install a new 230KV dead end tower partially in the empty space on the north end of the Co-Owned Trojan Switchyard and partially on PGE owned land to the north (now a parking lot).
- Install 230KV three-conductor transmission lines from Port Westward to the new tower.
- Install new breakers and buses and connect the buses to the existing 230KV buses.
- Install controls, metering and relay instrumentation in the existing control house.
- Port Westward Plant is scheduled to be online in March 2007.

TROJAN OPERATING COMMITTEE MEETING MINUTES
May 4, 2005

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid JReid	Ken Beeson	Bob Sherman
John Vesik	PacifiCorp	
	Ed Burton	

BPA
MAY 18 2005
RICHLAND

The Purpose of this special Trojan Operating Committee (TOC) Meeting was to provide details to the Co-Owners about PGE's plans to construct an addition to the Trojan Switchyard to support the new PGE Port Westward Generating Plant.

These minutes reflect the May 4, 2005 conference call discussions and individual telephone discussions between Jerry and the other Co-Owners on May 9, 2005.

In previous meetings, the Co-Owners have discussed a PGE proposal for the Co-Owners (EWEB and PacifiCorp) to QuitClaim their ownership, rights and interest in all Trojan property and improvements west of the railroad tracks to PGE. Completion of this QuitClaim action would have resulted in PGE having 100% ownership of the Trojan Switchyard. To support the Co-Owners request for the property and improvements fair market value numbers, PGE has had a consultant update the values in the year 2000 appraisal for the Trojan State Park property and this appraisal includes specific values for the Switchyard land, grading, gravel and fencing. As mentioned in the April 21, 2005 meeting, PGE is reviewing this updated West of the Tracks appraisal report and is currently considering the QuitClaim proposal and other potential options. There was some discussion on the current status of the QuitClaim proposal. Jerry clarified that at this time PGE has not withdrawn this proposal and is considering other options. PGE management may decide to continue with the QuitClaim proposal or present a different proposal or simply withdraw the QuitClaim proposal. In order to proceed with the QuitClaim proposal, PGE would provide the Co-Owners with the West of the Tracks valuation information.

As discussed in the February 24, 2005 TOC meeting, the Trojan Switchyard expansion construction work for Port Westward is scheduled to start in July 2005 and continue into next year. Because of this July 2005 schedule and the length of time it may take to reach agreement on the QuitClaim proposal and complete all of the property transactions, PGE felt that it was prudent to discuss this Trojan Switchyard expansion project with the Co-Owners at this time.

John Vesik, Project Manager for Port Westward Transmission Line Construction and Trojan Switchyard Expansion, provided the following information and details associated with PGE's plans to expand the Trojan Switchyard:

- All Switchyard construction and modification work will be performed at PGE Company expense (no cost to BPA, EWEB or PacifiCorp).
- The Port Westward Generating Plant is a PGE owned gas turbine plant located close to PGE's Beaver Generating Facility approximately 20 miles Northwest of Trojan.
- Work on the Trojan Switchyard expansion is scheduled to start July 1, 2005, at the earliest, with a completion date of October 2006.
- Move the north end of the existing Switchyard fencing approximately 160 feet to the north onto PGE property. This results in adding approximately 83,200 square feet of area inside the Switchyard fenced perimeter.
- Install a grounding grid under the Switchyard expansion area and tie it into the existing grounding grid.
- Install a new 230KV dead end tower partially in the empty space on the north end of the Co-Owned Trojan Switchyard and partially on PGE owned land to the north (currently a parking lot).
- Install 230KV three-conductor Transmission Lines on new towers from Port Westward (~20 miles) and connect them to the new Trojan Switchyard tower.
- Install two new breakers and bus sections and connect the bus sections to the existing East and West 230KV buses.
- Install conduit from new Switchyard equipment to the existing control house building and install controls, metering and relay instrumentation in the existing control house.
- Port Westward Plant is scheduled to be online in March 2007.

After discussing the above Switchyard expansion details, Ken asked if the PGE Port Westward Project should compensate the Trojan Project Co-Owners for the Port Westward's use of the portions of the Co-Owned Switchyard. Any fees paid to the Trojan Project would be available for use to offset future Trojan Project costs. This issue was discussed and Ed concurred that payment of some compensation may be appropriate to the Trojan Project for the use of the Switchyard that is an existing Co-Owner asset. Jerry said that electrical power flows through the Trojan Switchyard everyday and that it was his understanding that no compensation or fees are currently being paid for this BPA use or PGE use of the Switchyard.

Ed requested that PGE prepare appropriate legal documents to release the Co-Owners from any liability associated with the Port Westward expansion and use of the existing Trojan Switchyard.

Bob asked if the new Port Westward Transmission Lines would be 500KV lines and John responded that they will be 230KV like the rest of the Trojan Switchyard.

The Co-Owners were also interested in knowing how much of the existing Switchyard would be used to get Port Westward power onto the Grid. Jerry and John provided the following information about the existing Switchyard:

- There are four sets of Transmission Lines connected to the Trojan Switchyard.

- Two of the Transmission Lines (Allston #1 and Allston #2) are owned by BPA and are routed to the North of Trojan.
- Two of the Transmission Lines (Rivergate and St. Marys) are owned by PGE and are routed to the South of Trojan.
- There are two 230KV buses (the East Bus and West Bus) in the Trojan Switchyard and the buses may be connected together by Bus Tie Breakers.
- The Allston #1 and St. Marys Transmission Lines are each connected to the West Bus through a breaker.
- The Allston #2 and Rivergate Transmission Lines are each connected to the East Bus through a breaker.
- Electrical power normally flows through the Trojan Switchyard everyday as the power is routed in or out on the BPA and/or PGE Transmission Lines and a small amount of power is supplied to provide power to loads on the Trojan Yard Loop.
- The amount of the Trojan Switchyard used under different power flow conditions varies and depends on which Transmission Line(s) the power comes in on and which one(s) the power leaves on.
- The new Transmission Lines from Port Westward will be able to connect to the East and/or the West Bus through breakers.

Since BPA and PGE own the Transmission Lines and the Co-Owners own the Switchyard, the Co-Owners want to know where the ownership changes. In response, Jerry said that he believed that the Co-Owners owned the breakers that connect the Transmission Lines to the Switchyard Buses, so the ownership probably changes at the input side of the breakers or at the drops from the Transmission Lines to the breakers. BPA, EWEB, and PacifiCorp requested a copy of a simple one-line drawing of the Trojan Switchyard showing ownership of Transmission Lines and where the ownership changes. Jerry agreed to get a simple one-line drawing and send it to the Co-Owners electronically.

Jerry agreed to contact other persons in PGE to find out more about compensation and/or fees that may normally be associated with two or more utilities sharing Switchyard facilities.

Based on Jerry's May 9, 2005 phone calls with BPA, EWEB, and PacifiCorp, it was confirmed that the Co-Owners did not have any problem with PGE starting construction of the Switchyard expansion on the current July 1, 2005 schedule.

As a reminder, the next regular conference call meeting is set for Wednesday, May 25, 2005 at 10:00 a.m.

JDR
Attachments
c: Stephen Quennoz Steve Nichols Jay Fischer Larry Rocha
Richard George
Co-Owner Representatives

Sherman,Bob - PGC

From: Jerry Reid [Jerry.Reid@pgn.com]
Sent: Tuesday, May 10, 2005 4:06 PM
To: Sherman,Bob - PGC; Ken Beeson; Ed.Burton@PacifiCorp.com
Cc: Jay Fischer; Kim Lehman; Steve Nichols
Subject: TOC Meeting Minutes & One-Line Drawing of Trojan Swyd

TOC 05-05-05 Swyd.doc

Trojan Swyd 1-Line Dwg.PDF

See Attached MSword file for 5/5/05 TOC Minutes and pdf file for a One-Line Drawing of Trojan Switchyard.

This attached drawing does not specifically show where the BPA & PGE ownership of the Transmission Lines ends & where Co-Owner's ownership of the hardware in the Switchyard begins. However, our Property Accounting department has told me that the Transmission Line Owner has ownership up to but not including the deadend insulator stack on the deadend tower. Based on this, the Co-Owners own these deadend insulator stacks, the deadend towers, the drops from the insulator stacks to the input of the breakers that connect the Transmission Lines to the Switchyard Buses, the Buses, and the other hardware in the Switchyard.

Jerry Reid
503-556-7013

NOTE:

NORMAL AND ALTERNATE STATION SERVICE WILL TRANSFER AUTOMATICALLY.

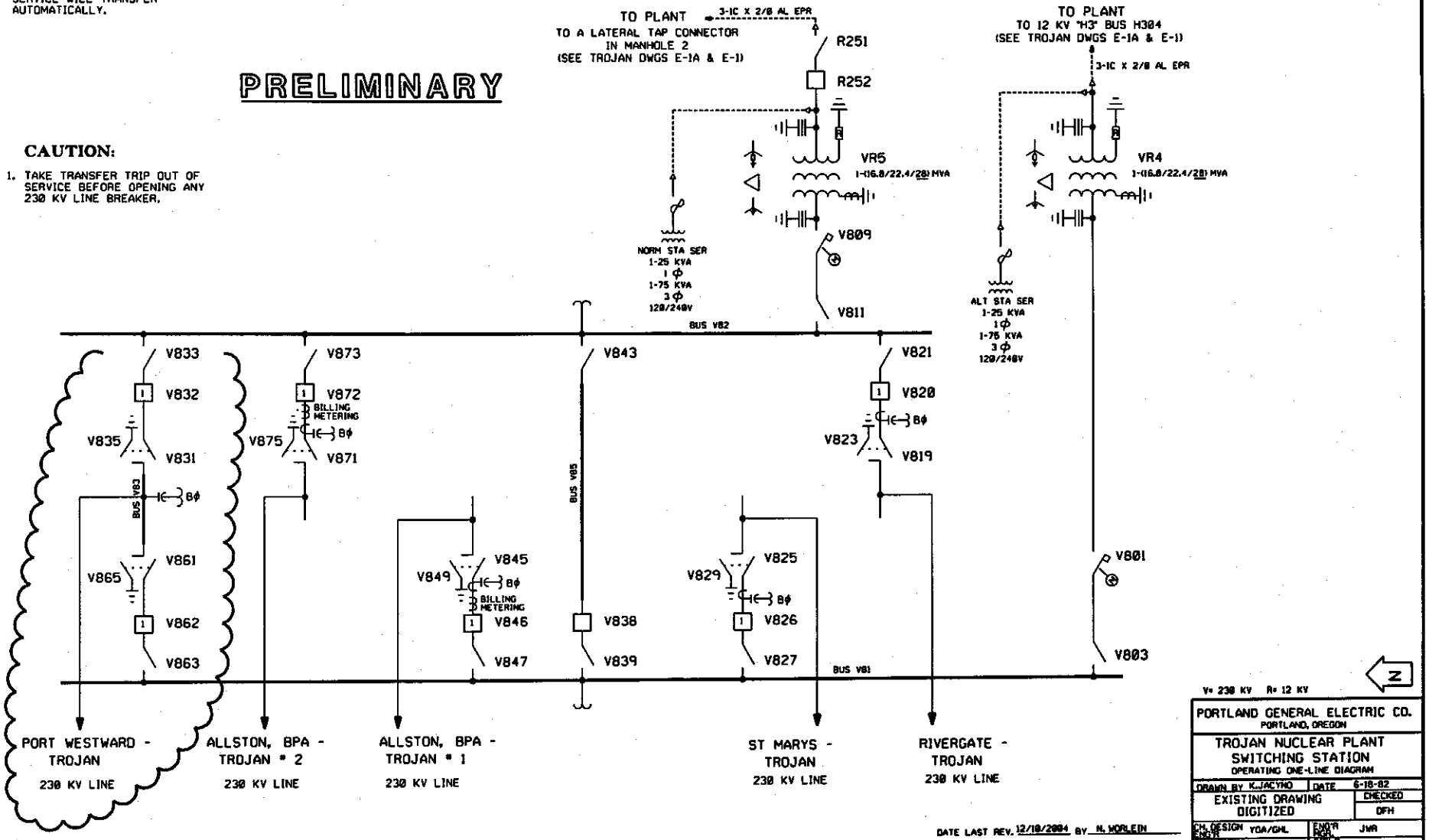
TROJAN NUCLEAR PLANT SWITCHING STATION

71760 COLUMBIA RIVER HIGHWAY, RAINIER, COLUMBIA COUNTY

PRELIMINARY

CAUTION:

1. TAKE TRANSFER TRIP OUT OF SERVICE BEFORE OPENING ANY 230 KV LINE BREAKER.



DATE LAST REV. 12/10/2004 BY N. WORLEIN

APPR. _____ APPR. _____

PORTLAND GENERAL ELECTRIC CO.
PORTLAND, OREGON

TROJAN NUCLEAR PLANT SWITCHING STATION
OPERATING ONE-LINE DIAGRAM

DRAWN BY K.JACYNO	DATE 6-18-82		
EXISTING DRAWING DIGITIZED		CHECKED DFH	
CH. DESIGN ENGR. YOA/GHL		ENGR APPR. JWR	
SYSTEM DISPATCHER REG		FIELD CHECK DMG	

TROJAN OPERATING COMMITTEE MEETING MINUTES
May 25, 2005

BPA
JUN 7 2005
RICHLAND

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid JReid	Ken Beeson	Bob Sherman
Jay Fischer		
Kevin Poirier	PacifiCorp	
Christine Farris		
Larry Rocha	Ed Burton	
Teresa Griffels		

1. The minutes of the April 21, 2005 meeting and the special May 4, 2005 meeting were approved without any changes.

2. The Trojan Part 50 License Termination was effective Monday, 5/23/2005. The NRC letter for License Termination accepted PGE's commitment to maintain $100M of nuclear liability insurance coverage for the ISFSI. In addition, the NRC letter also approved use of the revision to the Trojan Quality Assurance (QA) Program for Trojan ISFSI Part 72 storage activities. This QA Program change also required changes to the ISFSI Safety Analysis Report, Security Plan, Emergency Plan, and 40 ISFSI procedures. The QA Program revision and the procedure changes have been issued and the remaining licensing document changes are being processed.

3. The revisions to the Oregon Administrative Rules (OARs) for Trojan ISFSI stand-alone operations were approved by the EFSC on 4/8/2005 and became effective on 5/23/2005 concurrent with the Part 50 License Termination.

4. Trojan Part 50 staff reduction is continuing. Four (4) individuals are scheduled to leave May 31 and five (5) individuals are scheduled to leave on June 30. Three (3) Part 50 license staff individuals are being retained to oversee the prompt demolition of the Cooling Tower and buildings.

5. Jerry reviewed significant items related to the Plant decommissioning status (Attachment A).

   PGE continues with work on the prompt demolition of the Cooling Tower and major onsite buildings and other non-radiological projects.
   - Completed removal of the 230kv transmission lines between the Turbine Building and the Switchyard.
   - Bids are being evaluated from seven (7) companies for Cooling Tower demolition
   - Bids are due back on June 15 for demolition of the Turbine, Control, Auxiliary, Fuel, Administration and old Security Buildings.
   - Bids are being evaluated from two (2) companies for asbestos abatement in the 45' elevation of the Control Building.

- A bid package for removing titanium metal from the Main Condenser was issued to 15 companies on May 17 and bids are due back on June 22.
- PMRI completed demolition of the Sewerage Treatment Plant.
- PMRI will be re-mobilized for Demolition of the Oily Water Separator Structure that was awaiting Part 50 license termination.
- Contractor, J. H. Kelly, will be onsite this week to make changes to the potable water system.
- FM Global was onsite on May 19 to perform the annual fire insurance inspection and no issues were identified.

The liquidation contractor, GB Fixed Asset Solutions, completed onsite work on 5/19/2005 selling unneeded furniture, fixtures, equipment, etc. Some of these purchased items still need to be picked up by the buyers. These sales resulted in approximately $230,000.

PGE has submitted a License Change Amendment to the NRC to reduce the ISFSI Controlled Area Boundary from 300 meters to 200 meters. RP has taken measurements of actual radiation dose rates from the ISFSI cask array and this data shows that the Controlled Area Boundary may be reduced to 200 meters without approaching the limits. This proposed change requires prior NRC approval and revisions to the ISFSI Safety Analysis Report and Emergency Plan. When this change is implemented, it will allow PGE to cancel the Letter of Agreement with the State Land Department and the Railroad.

The Trojan ISFSI biennial Emergency Plan Exercise was conducted yesterday and all of the Objectives for the Exercise were met. Several items were identified that will improve ISFSI emergency preparedness.

6. Kevin Poirier and Christine Farris reported on budget performance through April (Attachments B, C, D, and E). Regarding the 2005 Operating Summary, Kevin explained that incurred expenditures were under budget by $36,660 for the year, primarily due to timing of individuals taking vacation.

   - Other decommissioning costs were under budget by $1.5 million for the year, primarily due to the receipt of a refund for 2004 Radwaste burial from US Ecology in the amount of $1,083,000.
   - Non-Rad decommissioning is under by $683k due to delay in beginning the demolition of the cooling tower and asbestos remediation work.
   - ISFSI Operations is under by $244k due to timing of support services and NRC/ODOE fees.
   - Partially offsetting these under runs is an accrual for remaining severance payments to be made in 2005. This is a timing variance only as the budget was spread more evenly.

   Non-Decommissioning costs were over budget by $1.2m primarily due to a change in methodology concerning the amortization of the interest portion of the USDOE D&D fee identified in this year's audit. Due to an auditor

recommendation, PGE accrued the remaining interest portion of the USDOE D&D fee in March (YTD April $1.5m over budget). Legal expense was under by $201k due to timing of work on the USDOE lawsuit regarding Yucca Mountain. A stay on the lawsuit is in effect until June.

7. The status of EWEB/BPA and PacifiCorp reviews of the PGE QuitClaim proposal (VPN-053-2004, dated 10/22/2004) was discussed. PGE is re-reviewing this proposal and other options are also being considered. If PGE decides to continue with the QuitClaim proposal, PGE will provide the previously requested valuation information to the Co-Owners for review.

8. The status of EWEB/BPA and PacifiCorp reviews of the PGE Water Rights proposal (VPN-053-2004, dated 10/22/2004) was discussed. Bob said that BPA concurs with this proposal. Ken stated that EWEB is in the process of obtaining concurrence from BPA and will try to signoff on the Permission Statement form this week. Ed said that PacifiCorp is still reviewing the documentation and they plan to signoff on the Permission Statement soon.

9. Followup items associated with the Trojan Switchyard expansion project were discussed. As requested by BPA, EWEB, and PacifiCorp during the May 4 TOC conference call, Jerry had E-Mailed a copy of a simple one-line drawing of the Trojan Switchyard to the Co-Owners. The Co-Owners indicated that they understand that the Co-Owners Switchyard ownership starts at the deadend insulator stacks where the 230kv transmission lines connect to the deadend towers.

   The construction of the Switchyard expansion is still scheduled to start in July 2005. Jerry has contacted other PGE departments to get their assistance in determining what compensation or fees are normal/customary when Substations or Switchyards contain equipment owned and shared by different companies. This information will help determine what, if any, compensation or fee should be paid to the Co-Owners in the future when Port Westward connects into the Co-Owned Trojan Switchyard facilities.

   Jerry encouraged the other Co-Owners to discuss the normal/customary compensation/fees with their own Substation or Switchyard departments. Ken indicated that he has done some checking and found that EWEB owns a couple of Substations or Switchyards and other companies have equipment that connects to their facilities. Ken indicated that there could be a minimal one-time payment for connection/use of (XX) percent of the Switchyard (% to be determined) and an annual payment of maybe several thousand dollars per year for ongoing O&M use, therefore, he did not think this compensation would be a lot of money. Ken also indicated that he would want PGE to take the lead in determining these payments. Ed also agreed that he didn't think that the connection or use fee would be very costly. Bob said that BPA had nothing to add. Jerry said that he will call for a special meeting as soon as he receives

the normal/customary compensation/fee information from the other PGE departments.

10. Ed shared some general information about the recent news announcement concerning the MidAmerican Energy Holdings Company's planned purchase of PacifiCorp. It was his understanding that MidAmerican Energy already owned a percentage of Quad Cities Nuclear Plant so getting this change approved by the NRC should be relatively easy. He also said that MidAmerican Energy and PacifiCorp would be making this submittal to the NRC.

11. The next conference call meeting was set for Tuesday, June 21, 2005 at 10:00 a.m.

JDR/kal
Attachments
c: Stephen Quennoz Steve Nichols Jay Fischer Larry Rocha
Richard George Kevin Poirier Christine Ferris Teresa Griffels
Co-Owner Representatives

TROJAN OPERATING COMMITTEE MEETING MINUTES
June 21, 2005

BPA
JUN 30 2005
RICHLAND

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid	Ken Beeson	Bob Sherman
Jay Fischer		
Kevin Poirier	PacifiCorp	
Christine Farris		
Steve Nichols	Ed Burton	

1. The minutes of the May 25, 2005 meeting were approved without any changes.

2. Jerry reviewed significant items related to the Plant decommissioning status (Attachment A).

   PGE continues with work on the prompt demolition of the Cooling Tower and major onsite buildings and other non-radiological projects.
   - Bids are being evaluated from seven (7) companies for Cooling Tower demolition.
   - Five (5) Bids were received on June 15 for demolition of the Turbine, Control, Auxiliary, Fuel, Administration and old Security Buildings and these bids are being evaluated.
   - Performance Abatement Services (PAS) has mobilized onsite and started asbestos abatement in the 45' elevation of the Control Building.
   - A bid package for removing titanium metal from the Main Condenser was issued May 17 and bids are due back on Wednesday, June 22.
   - PMRI has completed demolition of the Oily Water Separator Structure that was awaiting Part 50 license termination.
   - Contractor, JH Kelly, completed making changes to the Fire Protection System and Potable Water System.

   PGE has received the signed permission statements from EWEB and PacifiCorp for transfer of the Trojan Water Rights. These have been forwarded to the PGE Legal Department and the Application for Transfer of the Water Rights is being prepared. Bids from prompt demolition contractors indicate that we could save money by temporarily retaining a small portion of our Water Rights to support their work activities versus having the contractors haul water in. This would be temporary and when no longer needed these Water Rights could be transferred to Instream Lease.

   Now that the plan for TPG/Oregon Electric Utility Company to buy PGE from Enron has been terminated, Enron is preparing to issue and distribute new PGE common stock to their creditors. To support this plan, Trojan is working with Enron and the PGE Legal Department to prepare two submittals (one to NRC

and one to EFSC) to obtain the required reviews and approvals. Jerry also mentioned that PGE was reviewing a draft of PacifiCorp's submittal to the NRC, which is associated with the MidAmerican Energy Holdings purchase of PacifiCorp from Scottish Power.

Due to the Part 50 License Termination, the PGE-1061 Trojan Nuclear Plant Safety Analysis Report and License Termination Plan (PGE-1078) or TNP Decommissioning Plan has been converted into a historical document. Portions of this document will be used to create a new reduced scope Decommissioning Plan to cover the ongoing non-radiological decommissioning activities, such as prompt demolition of the Cooling Tower and Power Block Buildings. The Co-Owners will be provided a copy of this new Decommissioning Plan when it is completed.

Trojan Part 50 staff reduction is continuing. Four (4) individuals were laid off on May 31. Jerry said that he would be staying until September 30, 2005, therefore, he will retain the TOC Chairmanship position through at least August 2005. As mentioned before, three (3) Part 50 license staff individuals are being retained to oversee the prompt demolition of the Cooling Tower and buildings.

3. Kevin Poirier and Christine Farris reported on budget performance through May (Attachments B, C, D, and E). Regarding the 2005 Operating Summary, Kevin explained that incurred expenditures were under budget by $34,241 for the year, primarily due to timing of individuals taking vacation.

   - Other decommissioning costs were under budget by $1.64 million for the year, primarily due to the receipt of a refund for 2004 Radwaste burial from US Ecology in the amount of $1,083,000.
   - Non-Rad decommissioning is under by $811k due to delay in beginning the demolition of the cooling tower and asbestos remediation work.
   - ISFSI Operations is under by $89k due to timing of support services and NRC/ODOE fees.
   - Partially offsetting these under runs is an accrual for remaining severance payments to be made in 2005. This is a timing variance only as the budget was spread more evenly.

   Non-Decommissioning costs were over budget by $1.08 millon primarily due to a change in methodology concerning the amortization of the interest portion of the USDOE D&D fee identified in this year's audit. Due to an auditor recommendation, PGE accrued the remaining interest portion of the USDOE D&D fee in March (YTD May $1.5m over budget). Legal expense was under by $265k due to a reduction of work on the USDOE lawsuit regarding Yucca Mountain. A stay on the lawsuit is in effect until December, which should result in savings of approximately $700k in outside counsel fees.

4. Followup items associated with the Trojan Switchyard expansion project were discussed. Jerry has contacted other PGE departments to get their assistance in determining what compensation or fees are normal/customary when Substations or Switchyards contain equipment owned and shared by different companies. This information will help determine what, if any, compensation or fee should be paid to the Co-Owners in the future when Port Westward connects into the Co-Owned Trojan Switchyard facilities. Jerry said that he will call for a special meeting as soon as he receives the normal/customary compensation/fee information from the other PGE departments.

   The next conference call meeting was set for Wednesday, July 27, 2005 at 10:00 a.m.

JDR/kal
Attachments
c: Stephen Quennoz Steve Nichols Jay Fischer Larry Rocha
Richard George Kevin Poirier Christine Ferris Teresa Griffels
Co-Owner Representatives

NUCLEAR DIVISION MONTHLY REPORT

May 2005

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DECOMMISSIONING PLANNING

As-Built Packages

- Various drawings depicting the Potable Water, Wastewater Treatment, and Fire Protection Systems require updating to reflect ongoing modifications. Applicable drawings will continue to be updated at Trojan until the assumption of drawing control by Power Supply Engineering Services. Transfer of drawing control responsibility has been constrained by the relocation of computer server ND6.

Plant Modifications (Status)

- DPMR 2003-003, DCP 1, Potable Water System Modifications - Fieldwork is nearly complete. The remaining piping modification is constrained by asbestos removal from the Control Building.

Fire Protection

- Corporate Fire Protection personnel have assumed responsibility for surveillance and preventive/corrective maintenance activities for the Trojan Fire Protection System. The Pre-Fire Plan has been updated and issued.

- Capping sections of deactivated Fire Protection System piping that interfere with demolition of the Power Block is nearly complete. Removing the operators from the adjacent post-indicator valves will further reduce the risk of system damage during demolition. Modifications are expected to be complete in early June.

System Transfers

- Transfer of design references for the two remaining plant systems is essentially complete. Drawings for the Wastewater Treatment and Fire Protection Systems have been updated. These and other references have been assembled for transfer to the ISFSI Group. Final completion is pending their acceptance.

Preparation of Specifications

- A specification to remove asbestos containing materials (floor tile, structural steel fire-retardant coating and contaminated ceiling tile) from the Control Building lobby was developed and approved. Bids have been received and evaluated, and a contract has been placed with Performance Abatement Services. Work is scheduled to start June 13 and is to be completed by July 29.

- Clayton Group Services analyzed paint, coatings and sealant on the main condenser for asbestos, lead, and PCBs. Results of these analyses are being

included in an addendum to Specification TD-041, Titanium Purchase & Removal.

Personnel

- Personnel currently assigned to Decommissioning Planning have full-time cross-training assignments within PGE: Bobb Balch with the Information Technology Department; and Clint Olson with the Beaver Maintenance Department. Part-time assistance with drawing updates is provided by contract personnel.

NUCLEAR OVERSIGHT

Plant Support

- Nuclear Oversight (NO) performed the quality review of a number of procedure deletions associated with Trojan license termination.

- Bill Baker retired from PGE at the end of May, ending a great career at PGE.

Audits/Surveillance

- Nuclear Oversight is performing an assessment of the ISFSI Emergency Plan, including the biennial exercise. The assessment and report will be completed in June.

Corrective Actions

- No new CARs were initiated during May and there were no open CARs at the end of May.

- During May, no CAR actions went overdue. Year-to-date, no CAR actions have been overdue.

Corporate Support

- The Nuclear Oversight Manager continued in his dual role of managing both Nuclear Oversight and the Corporate Ethics and Compliance Program.

Independent Spent Fuel Storage Installation (ISFSI) Activities

- To support future ISFSI audit activities, the current ISFSI audit checklist questions were reviewed and a question revision effort continued.

DECOMMISSIONING

Cooling Tower Demolition (TD-039)

- Bids are currently being evaluated.
- Microwave Station on schedule to be deactivated no later than September 30.

Power Block Demolition (TD-040)

- Invitation for Bid was sent out to nine bidders on April 4.
- Addendum 1 was issued on May 3.
- Addendum 2 was issued on May 12.
- Three bidders have chosen not to bid.
- Bids are due back no later than June 15.
- Control Building 45' elevation asbestos removal is scheduled to start June 13.

Titanium Purchase and Removal Bid (TD-041)

- Invitation for Bid was sent out to 15 bidders on May 16.
- Two bidders have chosen not to bid.
- Bids are due back no later than June 22.

Oily Water Separator Decommissioning

- Oily Water Separator decommissioning was completed by PMRI on June 1.

Potable Water and Fire Protection Isolations

- JH Kelly is currently on site performing these isolations and modifications.

South Warehouse Concrete Blocks

- PMRI completed the crushing activity.
- PMRI used all of the material as fill in the Oily Water Separator.
- Project completed on June 1.

Asset Sale (Phase 3)

- Asset Sale completed on May 19.

Administration Building Communications Equipment

- Catherine DeVaul Trahin, PGE Property Services, is the project lead.
- Planning for the relocation of cell tower cables is in progress by Global Signal.
- Monti Electric is the contractor hired by Global Signal to perform the on-site work.
- Scheduled completion is unknown at this time.

Radiation Portal Monitor (RPM)

- Ludlum was selected as the vendor for our RPM.
- RPM was ordered the end of May on PO NISC000013.
- RPM ship date is July 8.

Cooling Tower Microwave Station

- John Vesik is the Port Westward Project contact.
- Ed Feeley is the Communications Department Project Manager.
- Scheduled to be deactivated no later than September 30.

RADIATION PROTECTION

Decommissioning Support

- Completed clean up of Trojan Central Building.
- Project complete.

Operational Surveys

- Project complete.

Radioactive Material Disposal

- Transferred the remaining sources to other licensees. Working to transfer a generally licensed Ni-63 source contained in an SF6 leak tester to the manufacturer.

Groundwater

- Project is complete.

Final Survey

- Project complete - license termination by NRC and EFSC rulemaking has been completed.

Miscellaneous

- Completed working on a calculation for reducing the diameter of the ISFSI controlled area based on actual radiation measurements.
- Observed Peregrine nest platform.
- Completed sale/donation of remaining radiation protection instrumentation to offsite personnel. Last of the material was shipped in May.
- Completed monthly drinking water sampling.
- Completed revision to corporate Radiation Protection Policy.
- Participated in the biennial ISFSI emergency exercise.
- Requested termination of the Trojan NPDES permit. Contacted Andy Bidwell of Environmental Services. Andy is drafting a letter to Oregon DEQ.

Monthly Performance Indicators

Category	Month	Year to Date	Goal
Contaminations (#)	0	0	------
Rad Pro Incidences	0	0	------
RW Volume/weight shipped (Direct burial)	0/0	0/0	------

PLANT SUPPORT

Licensing

Plant

- Received NRC approval of the Trojan Nuclear Plant Part 50 License Termination and it was effective on Monday, May 23, 2005. In addition, this NRC letter accepted PGE's commitment to maintain $100M of nuclear liability insurance coverage for the ISFSI.

- The revisions to the Oregon Administrative Rules (OARs) for Trojan ISFSI standalone operations were approved by the EFSC on April 8 and became effective on May 23 concurrent with the Part 50 License Termination. This resolved the need for prior ODOE approval of Trojan's proposed reductions in the REMP and RECP Programs requested in PGE Letter VPN-041-2004, dated August 12, 2004.

- During May, the following letters were submitted to offsite agencies:

  - Deletion of PGE-1063, TNP Supplement to Applicant's Environmental Report
  - Termination of Part 50 Memorandum of Understanding with Coast Guard
  - Termination of Part 50 Letter of Agreement with ODOT and Railroad
  - Termination of Part 50 Letter of Agreement with Columbia County
  - Termination of Part 50 Letter of Agreement with ODOT for Highway 30
  - Update of the NRC Service List for Correspondence Distribution
  - Environmental Services Request for DEQ to Terminate Trojan's NPDES Permit

- Continued to work on the proposal for the Trojan Co-Owners to Quitclaim to PGE their ownership, rights, and interest in all Trojan property and improvements west of the railroad tracks. As of the end of the month, this proposal is being discussed within PGE and other options are being considered.

- Continued to work on the proposal for the Trojan Co-Owners to give PGE permission to proceed with a transfer of the majority (83.7cfs) of Trojan's Water Right into instream lease, such that it is not forfeited due to non-use. The proposal also requests permission to transfer/sell a 5.4cfs portion to PGE's Port Westward Project. As of the end of the month, Trojan has received EWEB's signed Permission Statement, dated May 25, 2005, and PacifiCorp indicated that they would be signing it soon.

- During May, PGE provided additional information to the Trojan Co-Owners related to the expansion of the Trojan switchyard for Port Westward. Corporate PGE departments are researching what compensation or fees are normal/ customary when Substations or Switchyards contain equipment owned and shared by different companies. This information will help determine what, if

any, compensation or fee should be paid to the Co-Owners in the future when Port Westward connects into the Co-Owned Trojan Switchyard facilities.

ISFSI

- The Trojan Part 50 License Termination was effective May 23, 2005. The NRC letter for License Termination accepted PGE's commitment to maintain $100M of nuclear liability insurance coverage for the ISFSI. In addition, the NRC letter also approved use of the revision to the Trojan Quality Assurance (QA) Program for Trojan ISFSI Part 72 storage activities. This QA Program change also required changes to the ISFSI Safety Analysis Report, Security Plan, Emergency Plan, and 40 ISFSI procedures. The QA Program revision and the procedure changes have been issued and the remaining licensing document changes are being processed.

- The revisions to the Oregon Administrative Rules (OARs) for Trojan ISFSI standalone operations were approved by the EFSC on April 8, 2005 and became effective on May 23, 2005, concurrent with the Part 50 License Termination.

- Awaiting responses from Offsite Agencies for the following submittals as of the end of the month:

Submittal Description	VPN Letter #	Date	Concurrence Requested By
NRC: Reducing ISFSI Controlled Area Boundary from 300 meters to 200 meters	019-2005	5/23/05	Yes, No Date
ODOE: Evidence of Ability to Control Access to the ISFSI Controlled Area Boundary per OAR 345-026-0390(6)(a) (Adam is preparing Response)	015-2005	4/7/05	Yes, No Date

- Continued to work on back fitting the QA Records Index by adding Transportation ("T") codes to specific records to support printing out a "T" Code Report and placing it in the generic binder associated with the 34 binders containing the Spent Fuel Assembly and Debris records.

- Licensing continued to monitor Holtec's progress with resolving the issue caused by the revised definition of Damaged Fuel in the Holtec Transport Cask CoC. Based on the minor damage to Trojan fuel assemblies not stored in Failed Fuel Cans and their discussions with the NRC, Holtec has prepared a new amendment to their Part 71 Transport Cask SAR and CoC that states this Trojan fuel is considered to be Intact Fuel. This amendment has been submitted to the NRC for approval and the NRC completed their Acceptance Review on February 11, 2005. Holtec's discussions with the NRC indicate that the NRC will be sending Holtec a Request for Additional Information (RAI) and the RAI questions are not related to Trojan's fuel. Based on this pending RAI and Holtec's 30-day response, this new SAR Amendment and CoC could be issued in July 2005.

- To support the PGE lawsuit against the U.S. Department of Energy (USDOE), a list of hardcopy records has been prepared and these records have been moved into a separate lockable room on the first floor of the Central Building and the room is posted with "do not destroy" signs. These records will be retained until they are released by the PGE Legal Department.

Licensing Document Change Requests (LDCRs)

- During the month, five LDCRs were received, nine were approved, four were canceled or superseded, and none were closed (incorporated). At the end of the month, a total of 16 LDCRs were being processed.

Corrective Action Requests (CARs)

- No CARs were reviewed.

Commitment Tracking List (CTL)

- No CTL items were initiated and seven were closed. As of the date of this report, a total of 9 CTL items remained open and they are all ISFSI CTLs.

Part 50 Training Activities

- None during May 2005.

Purchasing Activities

- Processed the following purchase requisitions in the Masterpiece System:
  - TN00000052 (Supplement 1 to NISC000011) to Power Maintenance Resources, Inc. in the amount of $6,335 to remobilize due to license termination delay and to break up concrete to use as fill in oily water separator.
  - TN00000053 to Ludlum Measurements in the amount of $26,550 for a Gate Monitor System and the services of the field engineer.
  - TN00000054 (NISC000014) to Performance Abatement in the amount of $96,560 to remove asbestos containing material from the Trojan Control Building.

Administrative Services Activities

- Thirty-one (31) boxes of records have been retrieved from various Central Building cubicles. A review is being conducted to determine if they have been

filmed/scanned previously before prepping and scanning for retention. End of month status for these is:

- Four boxes of Performance Abatement Services Personnel Asbestos records and bid specs with supporting documentation have been completed.
- Three boxes of Purchase Orders have been completed.
- One box of Engineering documents was completed.
- Two boxes of Safety Training have been prepped.
- One box of Engineering documents has been prepped.

- One box (17 binders) of Groundwater Monitoring Well Sampling records was received. These records are a compilation of records for each Monitoring Well that was sampled and the records will be retained in this format for future retrievability. These documents are completed.

- One box of Purchasing-related documents was completed.

- Two boxes of "very confidential" records were received. This special scanning project is being coordinated with Corporate Records and prepping has been started.

- A review of all Radiation Protection calculations from 1990 to date was performed and one box of unfilmed calculations was scanned. A review of previous years of Radiation Protection calculations still needs to be done and four boxes of calculations from Radiation Protection are being kept for this reason. The TIS Calculation database will be updated during this review to reflect the current DeRec DocID for the calculations. One box of calculations was audited and needed calculations were prepped and scanned.

- Four binders of compiled NRC Form 4 confidential documents were completed during a quick-turnaround.

- Admin staff supported a Litigation Project with a total of 42 hours spent researching and retrieving documents.

- Repro Staff filed approximately 500 drawings that were discovered loose in unknown cubes following personnel moves.

- Admin and Repro Staff supported Demolition project:

  - 3 hours - copy 110 drawings for Titanium Spec
  - 1 hour - copy F50 Manual
  - 2 hours - retrieve and print from film – Specs pertaining to Concrete and Steel
  - 2 hours - retrieve documents and tech manuals

Staffing

- Staffing at the end of May:

	Regular	Contractor
Fuel Management	5	0
Decommissioning Projects	26	3
Other Projects	5	0
Corporate Support	3	1

Cost Control

	Budgeted	Actual	Variance
Capital			
Current	0	17,385	17,385
Year to Date	0	20,681	20,681
Operating			
Current	82,069	84,487	2,418
Year to Date	398,204	363,962	(34,242)
ISFSI Operations			
Current	154,615	309,428	154,813
Year to Date	829,812	740,130	(89,682)
Other Decommissioning			
Current	395,168	254,373	(140,795)
Year to Date	2,008,847	1,203,445	(805,402)
Nonrad Decommissioning			
Current	175,000	50,755	(124,245)
Year to Date	875,000	126,976	(748,024)

Steven B. Nichols

TROJAN OPERATING COMMITTEE MEETING MINUTES
July 5 and 7, 2005

BPA
AUG 1 2005
RICHLAND

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid	Ken Beeson	Bob Sherman
Steve Nichols		
Larry Rocha	PacifiCorp	
Frank Afranji		
Jack Todd	Ed Burton	
Kenny Dillon	Jamie Sims	
Richard George		
Jay Fischer*		

* 7/7/05 Meeting Only

These minutes cover the special Trojan Operating Committee (TOC) conference call Meetings that occurred on July 5 and July 7, 2005.

The Purpose of these special TOC Meetings was to present PGE's plans and options for compensation to the Co-Owners related to the planned Trojan Switchyard expansion needed to support the new PGE Port Westward Generating Plant. The issue of potential compensation to the Co-Owners for the Port Westward expansion tie-in to the existing Trojan Co-Owned Switchyard has been discussed in previous TOC meetings. The Switchyard expansion construction work is planned to start in 2005 and continue into 2006. The Co-Owners have previously agreed that the Co-Owners do not have any problem with PGE starting construction of the Switchyard expansion on the current July 2005 schedule.

On July 5, 2005, Jack Todd, Frank Afranji, and Kenny Dillon from the PGE Transmission Services Department (PGET) presented and explained the information in the attached Power Point Presentation titled, "Interconnection of Port Westward (Trojan Owners Group) Portland General Electric Transmission (PGET) July 7, 2005". The compensation proposed in the attached Presentation is considered to be normal/customary when adding additional equipment to a Switchyard owned by a different utility company.

Subsequent to discussion on various aspects of the Presentation, the Co-Owners indicated a preference for Payment Option No. 2, which would provide an annual payment from PGET to the Co-Owners based on 37.7% of the actual annual O&M costs for the Co-Owned portion of the expanded Switchyard. For example, if average historical Switchyard O&M actual costs are used, the 37.7% PGET annual payment to the Trojan Co-Owners would be approximately $2000.

In the July 5 meeting, Steve Nichols asked if replacement of expensive Switchyard components, such as breaker replacement or the planned replacement of the Circuit Switchers (approximately $495,000), would be considered O&M and included in the annual O&M costs to be shared by PGET? Or would this type of work be a capital cost that would be paid entirely by the Co-Owners. The Co-Owners agreed that this

question needs to be clarified to ensure that PGET and all Co-Owners have a common understanding of who would pay for this type of work. Jack Todd agreed to work with PGE's Property/Asset Accounting Department to get an answer and clarify this question and the July 7 meeting was scheduled to discuss the answer and clarification.

During the July 7 meeting, Jack Todd provided the following answer and clarification on how future O&M and Capital improvements for the existing Trojan Switchyard would be handled. Even though PGE has fully depreciated the Switchyard, capital and O&M Switchyard expenses would be handled no differently than usual practices going forward. PGE provides the FERC accounting to the C-Owners for all expenses incurred at Trojan. So, if in a given month, a portion of the expenses were capital and another portion would be O&M, PGE would provide the proper FERC accounts to the Co-Owners for both expenditures. In response to the above July 5 question, as to whether compensation should be provided for replacement of existing switchyard equipment such as the circuit switchers. After consulting with PGE engineers, PGET does not believe such replacement costs should be included in the compensation to the Co-Owners for the Port Westward interconnection. PGE bases this conclusion on the fact that Switchyard equipment is replaced on a standard time schedule and not on a usage basis. That is, PGET's use of the existing equipment for Port Westward does not change the retirement and replacement schedule for the existing equipment. Nor does it increase the costs for replacement of such equipment, as it is PGET's understanding that all the existing equipment utilized for the Port Westward interconnection would continue to be needed for Trojan until the end of the project, and subject to normal vintage replacement.

Of course, PGET intends to pay for installation and subsequent replacement of new switchyard equipment associated with the Port Westward interconnection, and is obligated to pay for any incremental additional O&M cost associated with the interconnection. PGET does not believe, however, that there is any additional incremental cost to the Co-Owners' O&M expense due to the interconnection of Port Westward. This is because PGET intends to perform all maintenance on the new equipment itself, and the Co-Owners' current maintenance requirements for the existing equipment will not change as a result of the Port Westward interconnection.

Additionally, Jack Todd clarified an answer to one of the Co-Owner's questions previously discussed in the July 5 meeting. Bob Sherman had asked a question in the July 5 meeting that used the following scenario: A problem or fault on the Port Westward portion of the system results in damage to the Co-Owned portion of the Switchyard. Who would pay for repairing the damage on the Co-Owned portion? Jack and Frank corrected and clarified their previous answer. They stated that, if this event occurred, PGET would be responsible for paying for the repairs to the damaged Co-Owned portion of the Trojan Switchyard.

In summary, at the end of the July 7, 2005 conference call, the Co-Owners (BPA, EWEB, PacifiCorp & Trojan Plant) agreed in principle with the proposed payment Option #2 in the attached Power Point Presentation. Option #2 provides for an

annual payment to the Co-Owners that will be based on 37.7% of the annual Switchyard O&M cost each year. Based on annual O&M historical average (~$5000/year), this total payment to the Co-Owners would be about $2000/year.

The next step is for PGET to send out a proposed legal Agreement for payment of the Option #2 compensation to the Co-Owners. This proposed Agreement will be sent to the Co-Owner's for their review and signature. The Co-Owner's indicated that they would have their lawyers review this Agreement before approval.

As a reminder, the next regular conference call meeting is set for Wednesday, August 10, 2005 at 10:00 a.m.

JDR
Attachment

c: Stephen Quennoz, Steve Nichols, Jay Fischer, Larry Rocha
Richard George, Frank Afranji, Jack Todd
Co-Owner Representatives

Interconnection of Port Westward (Trojan Owners Group)

Portland General Electric
Transmission (PGET)

July 7, 2005

Agenda

A. Discussion of Interconnection Costs

B. Discussion of Additional Maintenance Payment Options

- **OPTION 1:** One-time payment by PGET to owners

or

- **OPTION 2:** PGET would pay a portion of the actual annual O&M costs for remainder of joint ownership

A. Interconnection Costs

- To maintain appropriate accounting mechanics/records
- Cost to modify existing control house, communication and protection equipment

Total cost to modify equipment	$	136,162.00
PGE cost (based on 67.5%)	$	91,909.35
EWEB cost (based on 30.0%)	$	40,848.60
PAC cost (based on 2.5%)	$	3,404.05

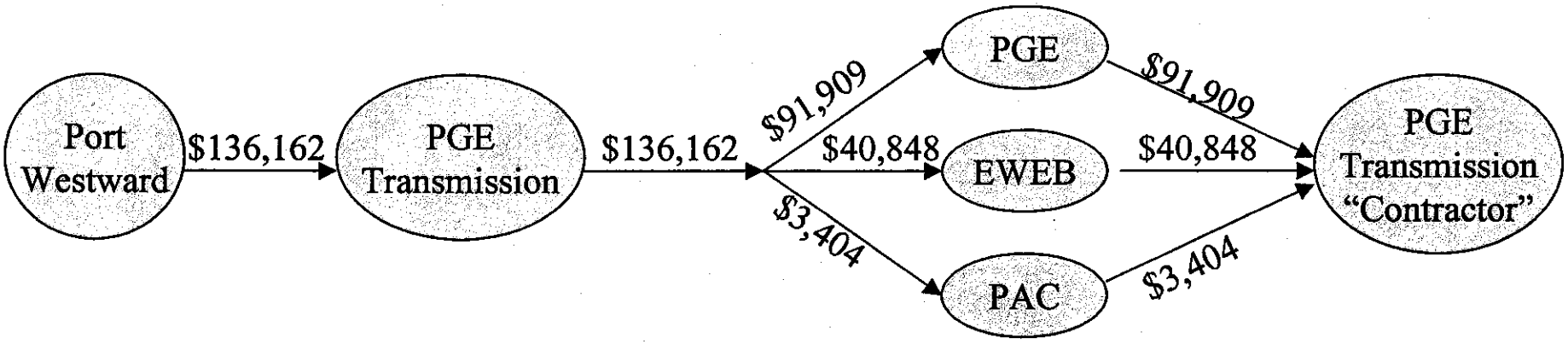
A. Interconnection Costs

- PGE Transmission Payment back to the owners to cover interconnection costs to existing facilities

Payment to PGE (based on 67.5%)	$ 91,909.35
Payment to EWEB (based on 30.0%)	$ 40,848.60
Payment to PAC (based on 2.5%)	$ 3,404.05

A. Interconnection Costs

- Net Cost to the owners for interconnection is $ 0
- Port Westward will pay cost associated with expansion of Switchyard and PGET will have ownership of all new equipment
- PGET will pay 100% of all O&M costs related to new equipment installed within Switchyard expansion



A. Interconnection Costs

- Breakdown of Interconnection Cost:

PGE Safety Watch	**$ 11,627**
Installation of temporary fence	
On-site safety watch for 30 days	

Connection to Existing Bus	**$ 9,994**
Crew Mobilization	
Establish bus outages and ground bus	
Remove existing end-cap, prep ends, weld	
Remove grounds, clear outage	
De-mobilize welder	

A. Interconnection Costs

- Continued: Breakdown of Interconnection Cost

Install Relays in Control House	**$ 112,427**
Pre-fab new rack faceplate	
Remove existing rack equipment, install relays, connect power and land leads	
Program and integrate into SCADA system	
Link communications to PGE Comm. System	
Test relays	
Energize line position and final testing	
Clean-up and demobilize electrical crew	

Connect Line to Bus	**$ 2,114**
Make final connections of incoming line to the bus	

B. Maintenance Payments

- Port Westward uses approximately 1130 amps of the 3000 amp capacity (37.7%)
- PGET would pay 37.7% of the average actual maintenance cost
- The joint owners would pay a share of the remaining 62.3% equal to their ownership percentage
  - PGE would pay 42.0% (67.5% of 62.3%)
  - EWEB would pay 18.7% (30.0% of 62.3%)
  - PAC would pay 1.6% (2.5% of 62.3%)

B. Maintenance Payments

(OPTION I: One-time payment by PGET to owners)

- PGET would make a one-time payment to the owners to cover a portion of future maintenance costs based on past actual O&M
- Average actual annual O&M Costs from 1998 – 2004 was $ 5,184.99
- Joint Trojan Ownership is expected to last 19 years

B. Maintenance Payments

(OPTION 1: One-time payment by PGET to owners)

Actual Annual O&M Charges to the joint owners (PGE, PAC, EWEB)

1998	$ 8,179.43
1999	$ 3,974.43
2000	$ 14,411.82
2001	$ 834.26
2002	$ 2,520.66
2003	$ 4,187.77
2004	$ 2,186.58
AVERAGE	**$ 5,184.99**

B. Maintenance Payments

(OPTION 1. One-time payment by PGET to owners)

- PGET's portion of the average would be 37.7% of $ 5,184.99 or **$ 1,953.01**
- The NPV of 19 annual payments would be $ 22,779 (discount rate of 5.44% - not adjusted)
- The payment to PGE would be **$ 15,375**
- The payment to EWEB would be **$ 6,834**
- The payment to PAC would be **$ 570**

B. Maintenance Payments
(OPTION 2: Portion of annual actual O&M costs)

- PGET would pay 37.7% of the actual annual maintenance cost for remainder of joint ownership
- The joint owners would pay a share of the remaining 62.3% equal to their ownership percentage
  - PGE would pay 42.0% (67.5% of 62.3%)
  - EWEB would pay 18.7% (30.0% of 62.3%)
  - PAC would pay 1.6% (2.5% of 62.3%)

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Wednesday, July 06, 2005 3:00 PM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: RE: Follow up to Tuesday's Call

Thanks for the quick response, Ed. I will send the appointment for 10:30 AM.

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

>>> "Burton, Ed" <Ed.Burton@PacifiCorp.com> 07/06/05 2:56 PM >>>
I believe we settled on 10:30 for the call tomorrow. I have a dental appt at 9:30 and I should be available by 10:30.

If 10:00 is the only time that works, however, proceed without me and I'll rely on Jamie.

Thanks

Ed Burton

-----Original Message-----
From: Jack Todd [mailto:Jack.Todd@pgn.com]
Sent: Wednesday, July 06, 2005 2:49 PM
To: rnsherman@bpa.gov; Ken.Beeson@EWEB.Eugene.OR.US; Burton, Ed; Sims, Jamie; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Follow up to Tuesday's Call

Gentlemen,
I spoke with Preston Martin about how future O&M and Capital improvements for the existing Trojan Switchyard would be handled. Preston explained that even though PGE has fully depreciated the switchyard, that capital and O&M would be handled no differently than usual practices going forward. He also explained that he provides the FERC accounting to the owners for all expenses incurred at Trojan. So,
if in a given month, a portion of the expenses were capital and another
portion would be O&M, he would provide the proper FERC accounts to the owners for both expenditures. How each owner handles the expenditures on its own books would be strictly up to each owner.

We have considered the question raised yesterday as to whether compensation should be provided for replacement of existing switchyard equipment such as the circuit switchers. After consulting with our engineers, we do not believe such replacement costs should be included

in the compensation to the owners for the interconnection. We base this conclusion on the fact that switchyard equipment is replaced on a standard time schedule and not on a usage basis. That is, PGE's use of the existing equipment for Port Westward does not change the retirement and replacement schedule for the existing equipment. Nor does it increase the costs for replacement of such equipment, as it is our understanding that all the existing equipment utilized for the Port Westward interconnection would continue to be needed for Trojan until the end of the project, and subject to normal vintage replacement.

Of course, PGET intends to pay for installation and subsequent replacement of new switchyard equipment associated with the Port Westward interconnection, and is obligated to pay for any incremental additional O&M cost associated with the interconnection. We do not believe, however, that there is any additional incremental cost to the owners' O&M expense due to the interconnection of Port Westward. This is because PGET intends to perform all maintenance on the new equipment itself, and the owners' current maintenance requirements for the existing equipment will not change as a result of the Port Westward interconnection.

The methodology we came up with for making a payment to the owners probably causes some of the confusion here. Although we determined a payment amount based on a proportional use of the switchyard multiplied by the O&M expense, we do not believe that this represents actual additional incremental O&M costs attributable to Port Westward. As we mentioned above, we believe that there are no such costs. We do, however, want to provide some equitable amount in good faith to the owners for use of the switchyard, and therefore offer to pick up 37.7% of the current and future O&M expenses for the switchyard.

We hope this helps to clarify our position on this and are happy to discuss any of the points raised here with you. We have attempted to structure this in an industry standard manner and hope that that hasn't led to any confusion. Thanks for the call on Tuesday and I will send out a separate appointment and call in information for Thursday's call. I hope 10:00 AM works for everyone. Let me know as soon as possible if that time doesn't work.

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Monday, August 08, 2005 9:26 AM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Draft Agreement with Updates

Trojan Switchyard agreement dr...

Gentlemen,

I have attached the latest draft of Agreement Regarding use by PGE of the Trojan Substation for Its Port Westward Project. The agreement has not changed from the last draft except for adding the correct FERC accounting from Preston. Our legal staff has determined that the agreement will not require SEC approval under PUHCA so this is the final draft from our end. Hopefully you can all have your legal staff review and discuss at your next scheduled meeting on August 10. Let me know if you have any questions.

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

AGREEMENT REGARDING USE BY PGE OF THE TROJAN SUBSTATION FOR ITS PORT WESTWARD PROJECT

THIS AGREEMENT REGARDING USE BY PGE OF THE TROJAN SUBSTATION FOR ITS PORT WESTWARD PROJECT ("Agreement") is among PORTLAND GENERAL ELECTRIC COMPANY, a corporation organized under the laws of Oregon ("PGE"); PACIFICORP, a corporation organized under the laws of Oregon ("PacifiCorp"), and the CITY OF EUGENE, a municipal corporation of the State of Oregon acting by and through the Eugene Water & Electric Board ("Eugene"), each individually referred to herein as a "Party" and collectively as "the Parties".

RECITALS

A. WHEREAS, on October 5, 1970, PGE, Eugene and Pacific Power & Light Company (a predecessor corporation of PacifiCorp) entered into that certain Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant. This agreement was supplemented on October 5, 1970 and subsequently amended in April 1999 (this agreement, as supplemented and amended, is hereinafter referred to as the "Owners Agreement");

B. WHEREAS, on or about January 26, 1993, the Operating Committee (as defined in the Owners Agreement) entered into an Operating Committee Agreement in which the Parties and Bonneville Power Administration (representing Eugene on the Operating Committee) agreed that notwithstanding that the Trojan Nuclear Plant Project (the "Project") was no longer generating electricity, the Owners Agreement would continue in effect until completion of decommissioning of the Project, and until all requirements of law are satisfied, accounts reconciled and closed, and any pending disputes are resolved;

C. WHEREAS, as provided in the Owners Agreement, the Trojan Substation is part of the Generating Plant, which is part of the Project and hence owned by the Parties as tenants in common;

D. WHEREAS, PGE is building a new gas fired generating project near Clatskanie, Oregon (hereinafter the "Port Westward Project"); and

E. WHEREAS, PGE wishes to interconnect the Port Westward Project into the Trojan Substation by building new facilities and utilizing certain existing facilities in and nearby the Trojan Substation.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises, consideration, and representations set forth below, the Parties agree as follows:

1. Definition of Terms. Unless otherwise specifically defined herein, all capitalized terms used herein are intended to have the meaning set forth in the Ownership Agreement. In the event of a conflict between the terms of this Agreement and the terms of the Owners Agreement, this Agreement shall govern with respect to the matters specifically agreed upon herein.

2. Construction of Additional Facilities; Use of Existing Facilities. The Parties agree that PGE may construct additional facilities at its own cost ("Additional Facilities") and utilize existing Project facilities ("Existing Facilities"), in and around the Trojan Substation, for the purposes of interconnecting and transmitting the energy from the Port Westward Project pursuant to the terms of Section 20 of the Owners Agreement. Accordingly, PGE shall make annual payments to the Parties in an amount equal to 37.7% of the yearly actual operations and maintenance costs (as provided in the Project's FERC 570, Maintenance of Station Equipment) as equitable compensation for the use of any Project real, personal or other property, except easements rights, and for any increase in operating, maintenance or other costs incurred by the Parties by reason of the construction and operation of such additional facilities. The Parties agree that the construction of Additional Facilities and the use of Existing Facilities by PGE pursuant to this Agreement do not interfere with the use or operation of the Project.

3. Upgrade of Existing Facilities. The Parties agree to upgrade any Existing Facilities as necessary to accommodate the interconnection of the Port Westward Project ("Upgrades"). PGE agrees to pay to the Parties all costs for the Upgrades and shall provide an initial payment of $181,814 to the Parties upon execution of this Agreement to cover the estimated cost for the Upgrades. In the event additional moneys are owed above this initial payment amount, PGE shall make such additional payments to the Parties in a commercially reasonable amount of time. The Parties agree that the Upgrades to the Existing Facilities do not interfere with the use or operation of the Project.

4. Ownership and Maintenance of Additional Facilities. The Parties agree that PGE shall own, operate and maintain at its own expense any facilities PGE constructs in accordance with this Agreement.

5. Accounting. As provided in Section 10 of the Owners Agreement, any payments made by PGE hereunder shall be paid to the Operating Trust Account.

6. Indemnification. PGE agrees to indemnify and hold harmless PacifiCorp and Eugene, their directors, officers, employees and agents (hereinafter collectively "Indemnitees") from any claims or damage to the Project arising out of or in any way connected with any act, omission, fault or negligence of PGE, its employees, agents, representatives or subcontractors of any tier, related to the use of Project real, personal, or other property by PGE for the Port Westward Project. PGE's

indemnity obligation under this article shall not extend to any liability to the extent caused by the negligence of any of the Indemnitees.

7. Consent to Exposure to Uninsured Loss. The Parties agree that reasonable arrangements have been made to cover any exposure to uninsured loss resulting from the use of the Project property or facilities for purposes of the Port Westward Project and in accordance with Section 20 hereby consent to any increase in such exposure.

8. Rights and Obligations under the Owners Agreement. Nothing herein shall be deemed to limit or diminish any Party's rights or obligations under the Owners Agreement with respect to Operating Costs (as defined in the Owners Agreement), claims, damages, liabilities or costs arising or attributable to the Project.

9. Miscellaneous

   a. Successors. This Agreement shall bind and inure to the benefit of, as circumstances may require, not only the immediate Parties hereto but their respective heirs, executors, administrators, personal representatives, successors in interest and assigns.

   b. No Agency, Joint Venture or Partnership. The Parties agree and acknowledge that this Agreement does not create any agency, joint venturer or partner relationship between them. Except as otherwise provided in the Owners Agreement, no Party is authorized to enter into any agreements or undertakings for or on behalf of any other Party or to hold itself out as an agent or representative of any other Party.

   c. Interpretation. This Agreement and the rights and obligations of each of the Parties hereunder shall be governed and construed in accordance with the laws of the State of Oregon. In the event any action is brought to enforce this Agreement, venue shall be in Columbia, County, Oregon, and each Party hereby irrevocably consents to the exclusive jurisdiction of the Oregon state courts. In construing this Agreement and where the context so requires, the singular includes the plural and all grammatical changes shall be implied to make the provisions hereof apply equally to corporations and to individuals. This Agreement has been submitted to the scrutiny of all Parties hereto, has been appropriately presented to the proper committee pursuant to the Owners Agreement, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight being given to its having been drafted by any Party hereto or such Party's counsel.

   d. Severability. It is not the intent of the Parties hereto to violate any applicable laws. If for any reason any provision of this Agreement does

violate any such laws or is not fully enforceable in accordance with the terms and provisions hereof, this Agreement shall nevertheless be limited or construed to comply with such laws and shall be enforced to the fullest extent permitted by such laws, and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

e. No Third Party Beneficiaries. PacifiCorp, PGE and Eugene are the only Parties to this Agreement and are the only Parties entitled to enforce the terms of this Agreement. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide any benefit or right not held by or made generally available to the public, whether directly, indirectly or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement. In no event shall any Party hereto be liable to any other Party hereto or to any third Party for any claim or damage incurred by a third Party.

f. Counterparts. This Agreement may be executed in several counterparts, all of which when taken together shall constitute one agreement binding on all Parties, notwithstanding that all Parties are not signatories to the same counterpart. Each copy of the Agreement so executed shall constitute an original.

g. Cooperation. The Parties each agree to cooperate fully and execute any and all supplementary documents and to take all additional actions as may be necessary or appropriate to give full force and effect to the terms and intent of this Agreement.

h. Payment of Fees and Expenses. Except as otherwise specifically provided herein, each Party to this Agreement will be responsible for, and will pay, all of its own fees and expenses, including those of its legal counsel and accountants, incurred in the negotiation, preparation, and consummation of this Agreement and the transactions and actions contemplated hereby.

i. Entire Agreement. The Recitals are true and correct and incorporated herein by this reference. This instrument, along with any exhibits and attachments or other documents affixed hereto or referred to herein, constitute the entire and exclusive agreement between the Parties relative to this Agreement. This Agreement, may be altered and/or revoked only by an instrument in writing signed by the Parties. The Parties hereby agree that all prior written and oral agreements, understandings and/or practices relative to this Agreement are superseded by this Agreement.

j. Regulatory Filing. The Parties agree that PGE may file this Agreement with the Federal Energy Regulatory Commission or the Nuclear Regulatory Commission if it is required to do so.

10. Effective Date. The effective date of this Agreement shall be the ___ day of _____, 2005. To the extent that this Agreement may have been executed following any effective dates set forth herein, said effective dates are hereby ratified, confirmed, and approved.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed this ____ day of _____, 2005.

PORTLAND GENERAL ELECTRIC COMPANY

By _____

THE CITY OF EUGENE,
Acting by and through the Eugene Water & Electric Board

By _____

PACIFICORP

By _____

APPROVED:

BONNEVILLE POWER ADMINISTRATION

By _____

Bob Sherman

TROJAN OPERATING COMMITTEE MEETING MINUTES
August 10, 2005

BPA
AUG 23 2005
RICHLAND

ATTENDEES:

PGE	EWEB	BPA
Jerry Reid JReid	Ken Beeson	Bob Sherman
Jay Fischer		
Kevin Poirier	PacifiCorp	
Christine Farris		
Larry Rocha	Ed Burton	
Teresa Griffels		

1. The minutes of the regular June 21 meeting and special meetings on July 5 and 7, 2005 were approved without any changes.

2. Jerry reviewed significant items related to the Plant decommissioning status (Attachment A).

   PGE continues with work on the prompt demolition of the Cooling Tower and major onsite buildings and other non-radiological projects.
   - PGE completed evaluating the seven (7) Bids for Cooling Tower demolition and is having detailed discussions with the selected vendor before processing paperwork for approval of the Purchase Order/Contract.
   - PGE completed evaluating the nine (9) Bids for removing/selling the titanium metal from the Main Condenser and is having detailed discussions with the selected vendor. The paperwork is currently being processed for approval of the Purchase Order/Contract.
   - Performance Abatement Services (PAS) has completed asbestos abatement in the 45' elevation of the Control Building.
   - A drive through radiation monitor is currently being installed inside the perimeter fence to scan trucks leaving the site with material and debris from the demolition of Power Block buildings.
   - Five (5) Bids were received on June 15 for demolition of the Turbine, Control, Auxiliary, Fuel, Administration and old Security Buildings and these bids are being evaluated. PGE expects to award this contract in September 2005.

   Trojan has been working with the PGE Legal Department and Port Westward staff to prepare the Application for Transfer of the Trojan Water Rights. A two-part Application has been prepared for submittal to the Oregon Water Resources Department and this draft Application is currently being reviewed by a Water Rights consultant. This experienced consultant will assist with getting the necessary approvals for these transfers.

   Enron continued with implementation of their plan to issue and distribute new PGE common stock to their creditors. To support this plan, Trojan worked with the PGE Legal Department and Enron and to prepare a submittal to the NRC

requesting NRC approval of an indirect transfer of the ISFSI License by October 2005.

3. Kevin Poirier and Christine Farris reported on budget performance through July (Attachments B, C, D, and E). Regarding the 2005 Operating Summary, Kevin explained that incurred expenditures were under budget by $24,797 for the year, primarily due to timing of individuals taking vacation.

   - Other decommissioning costs were under budget by $2.73 million for the year, primarily due to the receipt of a refund for 2004 Radwaste burial from US Ecology in the amount of $1,083,000.
   - Non-Rad decommissioning is under by $1,183k due to delay in beginning the demolition of the cooling tower and asbestos remediation work.
   - ISFSI Operations is under by $224k due to timing of support services and NRC/ODOE fees.
   - Staffing and miscellaneous support are under by $372k due to lower staffing levels than budgeted and timing of support services.
   - The accrual for remaining severance payments to be made in 2005, partially offsets these under runs. This timing variance is now down to $33k over budget.

   Non-Decommissioning costs were over budget by $1.08 million primarily due to a change in methodology concerning the amortization of the interest portion of the USDOE D&D fee identified in this year's audit. Due to an auditor recommendation, PGE accrued the remaining interest portion of the USDOE D&D fee in March (YTD July $1.4m over budget). Legal expense was under by $392k due to a reduction of work on the USDOE lawsuit regarding Yucca Mountain. A stay on the lawsuit is in effect until December, which should result in savings of approximately $700k in outside counsel fees.

   The 2006 Preliminary Budget package will be completed during August and issued to the Co-owners by the September 1 due date.

4. Followup items associated with the Trojan Switchyard expansion project for Port Westward were discussed. Two special TOC meetings on July 5 and July 7, 2005 were held. During these meetings PGE Transmission Services Department staff personnel presented their plans and options for compensation to the Co-Owners related to the planned Trojan Switchyard expansion needed to support the new PGE Port Westward Generating Plant. The Co-Owners agreed in principle with the annual O&M compensation Option No. 2 as their preferred option. Following these meetings, on July 22, 2005, PGE Transmission Services sent a preliminary draft Agreement and on August 8, 2005 the final draft Agreement to the Co-Owners for their review. The Co-Owners had several comments on the wording used in the Agreement. Jerry agreed to discuss these with the PGE Legal Department, which he did and responded to the Co-Owners via E-Mail on August 10, 2005. A copy of the final draft Agreement, dated August 8, 2005, is attached (Attachment F) to

these meeting minutes. The Co-Owners indicated that they agree in principle with the draft Agreement and are having their respective Legal Departments review it in preparation for signing it.

5. Jerry said that he would turning over the TOC Chairmanship position to Jay Fischer in August, 2005. Based on this, Jay will host the next TOC conference call meeting.

6. The next conference call meeting was set for Thursday, September 22, 2005 at 10:00 a.m.

JDR/kal
Attachments
c: Stephen Quennoz, Steve Nichols, Jay Fischer, Larry Rocha
Richard George, Kevin Poirier, Christine Ferris, Teresa Griffels
Co-Owner Representatives

Sherman,Bob - PGC

From: Jerry Reid [Jerry.Reid@pgn.com]
Sent: Wednesday, September 07, 2005 7:24 AM
To: Ken.Beeson@EWEB.Eugene.OR.US
Cc: Sherman,Bob - PGC; ed.burton@pacificorp.com
Subject: Re: Trojan Substation Compensation Agreement

Ken, Thanks for getting back to me with EWEB's comments. I forwarded them to PGE Transmission Services & Legal Depts to review & provide answers.

>>> "Ken D BEESON" <Ken.Beeson@EWEB.Eugene.OR.US> 09/02/05 10:33 AM
>>>
Jerry:

Re Proposed Trojan Sub Lease agreement

EWEB has completed some initial legal review of the proposed agreement and I also have received some comments back from our Engineering group and I want to pass that along to you.

I am out next week for some vacation and I'll be back in the office after 9/12. I don't expect we will have all our review finalized by 9/9; I will need to touch base with BPA after 9/12 and be sure we are in agreement on some of the detail.

Here is what I have at this point:

1. In section 2 (Construction, Use of Existing Facilities), we would expect that, in addition to FERC 570, PGE annual payments would also include 37.7% of yearly costs associated with FERC 562 and 582 (Substation Operation Expenses) and FERC 592 (Substation Maintenance).

We would also like to see 37.7% of any applicable administrative and general charges paid.

In similar EWEB contracts for our facilities, we also charge a share of a capital recover charge to recover an appopriate share of the investment. I'm not sure how that would apply given the age of this facility at Trojan.

It would be helpful to me in further review if your engineering group could supply us with the estimated value of these FERC accounts for this facility so we all have some idea of the value.

2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such

policies.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the indemnity commitment.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

The only remaining reservation is that we want to be sure as a co-owner that we are receiving fair and adequate value for this use of the facility. To that end, I want to complete my discussions with BPA and be sure they are OK with the approach outlined in the agreement.

Thanks, Ken

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
fax: 541.341.1889
e-mail: ken.beeson@eweb.eugene.or.us

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and delete the message and any attachments from your system. Thank you.

AGREEMENT REGARDING USE BY PGE OF THE TROJAN SUBSTATION FOR ITS PORT WESTWARD PROJECT

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RECITALS

A. WHEREAS, on October 5, 1970, PGE, Eugene and Pacific Power & Light Company (a predecessor corporation of PacifiCorp) entered into that certain Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant. This agreement was supplemented on October 5, 1970 and subsequently amended in April 1999 (this agreement, as supplemented and amended, is hereinafter referred to as the "Owners Agreement");

B. WHEREAS, on or about January 26, 1993, the Operating Committee (as defined in the Owners Agreement) entered into an Operating Committee Agreement in which the Parties and Bonneville Power Administration (representing Eugene on the Operating Committee) agreed that notwithstanding that the Trojan Nuclear Plant Project (the "Project") was no longer generating electricity, the Owners Agreement would continue in effect until completion of decommissioning of the Project, and until all requirements of law are satisfied, accounts reconciled and closed, and any pending disputes are resolved;

C. WHEREAS, as provided in the Owners Agreement, the Trojan Substation is part of the Generating Plant, which is part of the Project and hence owned by the Parties as tenants in common;

D. WHEREAS, PGE is building a new gas fired generating project near Clatskanie, Oregon (hereinafter the "Port Westward Project"); and

E. WHEREAS, PGE wishes to interconnect the Port Westward Project into the Trojan Substation by building new facilities and utilizing certain existing facilities in and nearby the Trojan Substation.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises, consideration, and representations set forth below, the Parties agree as follows:

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2. Construction of Additional Facilities; Use of Existing Facilities. The Parties agree that PGE may construct additional facilities at its own cost ("Additional Facilities") and utilize existing Project facilities ("Existing Facilities"), in and around the Trojan Substation, for the purposes of interconnecting and transmitting the energy from the Port Westward Project pursuant to the terms of Section 20 of the Owners Agreement. Accordingly, PGE shall make annual payments to the Parties in an amount equal to 37.7% of the yearly actual operations and maintenance costs ~~(as provided in the Project's FERC 570, Maintenance of Station Equipment)~~ as equitable compensation for the use of any Project real, personal or other property, except easements rights, and for any increase in operating, maintenance or other costs incurred by the Parties by reason of the construction and operation of such additional facilities. The Parties agree that the construction of Additional Facilities and the use of Existing Facilities by PGE pursuant to this Agreement do not interfere with the use or operation of the Project.

3. Upgrade of Existing Facilities. The Parties agree to upgrade any Existing Facilities as necessary to accommodate the interconnection of the Port Westward Project ("Upgrades"). PGE agrees to pay to the Parties all costs for the Upgrades and shall provide an initial payment of $181,814 to the Parties upon execution of this Agreement to cover the estimated cost for the Upgrades. In the event additional moneys are owed above this initial payment amount, PGE shall make such additional payments to the Parties in a commercially reasonable amount of time. The Parties agree that the Upgrades to the Existing Facilities do not interfere with the use or operation of the Project.

4. Ownership and Maintenance of Additional Facilities. The Parties agree that PGE shall own, operate and maintain at its own expense any facilities PGE constructs in accordance with this Agreement.

5. Accounting. As provided in Section 10 of the Owners Agreement, any payments made by PGE hereunder shall be paid to the Operating Trust Account.

6. Indemnification. PGE agrees to indemnify and hold harmless PacifiCorp and Eugene, their directors, officers, employees and agents (hereinafter collectively "Indemnitees") from any claims or damage to the Project arising out of or in any way connected with any act, omission, fault or negligence of PGE, its employees, agents, representatives or subcontractors of any tier, related to the use of Project real, personal, or other property by PGE for the Port Westward Project. PGE's

indemnity obligation under this article shall not extend to any liability to the extent caused by the negligence of any of the Indemnitees.

7. Consent to Exposure to Uninsured Loss. The Parties agree that reasonable arrangements have been made to cover any exposure to uninsured loss resulting from the use of the Project property or facilities for purposes of the Port Westward Project and in accordance with Section 20 of the Owners Agreement, hereby consent to any increase in such exposure.

8. Rights and Obligations under the Owners Agreement. Nothing herein shall be deemed to limit or diminish any Party's rights or obligations under the Owners Agreement with respect to Operating Costs (as defined in the Owners Agreement), claims, damages, liabilities or costs arising or attributable to the Project.

9. Miscellaneous

   a. Successors. This Agreement shall bind and inure to the benefit of, as circumstances may require, not only the immediate Parties hereto but their respective heirs, executors, administrators, personal representatives, successors in interest and assigns.

   b. No Agency, Joint Venture or Partnership. The Parties agree and acknowledge that this Agreement does not create any agency, joint venturer or partner relationship between them. Except as otherwise provided in the Owners Agreement, no Party is authorized to enter into any agreements or undertakings for or on behalf of any other Party or to hold itself out as an agent or representative of any other Party.

   c. Interpretation. This Agreement and the rights and obligations of each of the Parties hereunder shall be governed and construed in accordance with the laws of the State of Oregon. In the event any action is brought to enforce this Agreement, venue shall be in Columbia, County, Oregon, and each Party hereby irrevocably consents to the exclusive jurisdiction of the Oregon state courts. In construing this Agreement and where the context so requires, the singular includes the plural and all grammatical changes shall be implied to make the provisions hereof apply equally to corporations and to individuals. This Agreement has been submitted to the scrutiny of all Parties hereto, has been appropriately presented to the proper committee pursuant to the Owners Agreement, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight being given to its having been drafted by any Party hereto or such Party's counsel.

   d. Severability. It is not the intent of the Parties hereto to violate any applicable laws. If for any reason any provision of this Agreement does

violate any such laws or is not fully enforceable in accordance with the terms and provisions hereof, this Agreement shall nevertheless be limited or construed to comply with such laws and shall be enforced to the fullest extent permitted by such laws, and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

e. No Third Party Beneficiaries. PacifiCorp, PGE and Eugene are the only Parties to this Agreement and are the only Parties entitled to enforce the terms of this Agreement. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide any benefit or right not held by or made generally available to the public, whether directly, indirectly or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement. In no event shall any Party hereto be liable to any other Party hereto or to any third Party for any claim or damage incurred by a third Party.

f. Counterparts. This Agreement may be executed in several counterparts, all of which when taken together shall constitute one agreement binding on all Parties, notwithstanding that all Parties are not signatories to the same counterpart. Each copy of the Agreement so executed shall constitute an original.

g. Cooperation. The Parties each agree to cooperate fully and execute any and all supplementary documents and to take all additional actions as may be necessary or appropriate to give full force and effect to the terms and intent of this Agreement.

h. Payment of Fees and Expenses. Except as otherwise specifically provided herein, each Party to this Agreement will be responsible for, and will pay, all of its own fees and expenses, including those of its legal counsel and accountants, incurred in the negotiation, preparation, and consummation of this Agreement and the transactions and actions contemplated hereby.

i. Entire Agreement. The Recitals are true and correct and incorporated herein by this reference. This instrument, along with any exhibits and attachments or other documents affixed hereto or referred to herein, constitute the entire and exclusive agreement between the Parties relative to this Agreement. This Agreement, may be altered and/or revoked only by an instrument in writing signed by the Parties. The Parties hereby agree that all prior written and oral agreements, understandings and/or practices relative to this Agreement are superseded by this Agreement.

j. Regulatory Filing. The Parties agree that PGE may file this Agreement with the Federal Energy Regulatory Commission or the Nuclear Regulatory Commission if it is required to do so.

10. Effective Date. The effective date of this Agreement shall be the ___ day of _____, 2005. To the extent that this Agreement may have been executed following any effective dates set forth herein, said effective dates are hereby ratified, confirmed, and approved.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed this ____ day of _____, 2005.

PORTLAND GENERAL ELECTRIC COMPANY

By _____

THE CITY OF EUGENE,
Acting by and through the Eugene Water & Electric Board

By _____

PACIFICORP

By _____

APPROVED:

BONNEVILLE POWER ADMINISTRATION

By _____

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Friday, September 16, 2005 8:26 AM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Questions on Trojan Substation Compensation Agreement

Trojan Switchyard agreement dr...

Gentlemen,
We received some questions from Ken Beeson at EWEB (through Jerry Reid) concerning the Trojan Substation agreement. The answers are in bold below. Let me know if anyone has additional questions and I will copy everyone on the response. I have also attached the latest version of the draft agreement. Thank you.
Jack Todd
Transmission Services.

1. In section 2 (Construction, Use of Existing Facilities), we would expect that, in addition to FERC 570, PGE annual payments would also include 37.7% of yearly costs associated with FERC 562 and 582 (Substation Operation Expenses) and FERC 592 (Substation Maintenance).

In discussion with Preston Martin, he informed me that generally all O&M for the Trojan Substation would be budgeted and charged to FERC account 570. However, since there are other accounts where costs potentially could be charged, we have taken out the reference to any FERC account so there is no confusion. The agreement now says that the annual payments to the owners of 37.7% will be made for all O&M costs for the Trojan Substation. This way all costs related to the Trojan Substation will be split as agreed no matter what FERC account is used.

We would also like to see 37.7% of any applicable administrative and general charges paid.

This was not part of our offer. Such costs related the Trojan Substation are very minimal and the administration cost to split these costs out separately would not be cost effective.

In similar EWEB contracts for our facilities, we also charge a share of a capital recover charge to recover an appopriate share of the investment. I'm not sure how that would apply given the age of this facility at Trojan.

The payment by PGE in this agreement, while based on a percentage of O&M expenditures, is intended to be a proxy for "equitable compensation" for use of the substation under the Owners Agreement. Although there are actually no increased O&M costs as a result of use of the substation for Port Westward (since substation facilities are

retired based on a time-based, rather than use-based schedule) we felt that the chosen formula was an appropriate offer for equitable compensation. Also, due to the age of the facilities, it is our understanding that the asset has been fully depreciated by the various owners, so a capital recover charge would not be appropriate in this situation.

It would be helpful to me in further review if your engineering group could supply us with the estimated value of these FERC accounts for this facility so we all have some idea of the value.

According to Preston Martin, this information has already been provided to the owners through other reporting documents and the owners have full access to what is reported in the FERC accounts. The budgeted amount for 2006 is $21,283.

2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

Section 6 already contains a full indemnity that is not limited to PGE's negligence. Of course, PGE will not indemnify the other owners for their own negligence, so that specifically is carved out.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such policies.

PGE is self-insured up to two million dollars and we are certainly willing to provide EWEB with a certificate of our self-insurance. Given that we are self-insured, and as a policy matter, PGE does not name others as additional insureds.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the indemnity commitment.

See answer above. We do not intend to take out a specific insurance policy to cover the indemnity obligation under the agreement. In addition, we believe that the risks to EWEB under this contract are extremely low. EWEB is not interconnected in any way to the substation, nor does it have operational control or personnel at the substation. Any damage to the substation itself due to use for Port Westward is covered by the indemnity and PGE has all incentive to repair the damage to ensure Port Westward power can continue to be transmitted to load.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

Kronick,Geoffrey M - LC

From: Sandlin,Dana E - PGC
Sent: Friday, November 12, 2004 2:21 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Subject: Trojan - Notes from 11/9 Conference Call

Andy and Bob,

Here are my notes from Tuesday's conference call. The attendees were Geoff Kronick, Ken Beeson, Larry Cable, Tom Grim and myself.

The purpose of the call was to determine what it will take to get answers to the three issues: accelerated dismantlement, the quit claim deed, and the water rights issue.

1. Accelerated dismantlement (AD) - Ken stated that EWEB was ok with the AD as it mitigates risk. Ken will call Jerry Reid to brief him on the timing. Ken thought that it was a cash flow question for BPA.

Geoff stated that Bob, Andy/BPA was comfortable that the AD was not linked with the other issues. Geoff will try and set up a joint VP meeting to brief them of this issue. We plan to have our response in 2 weeks.

My sense is that everyone supported AD but it needed to be run by the VPS.

I told them that I had talked to Sid who had several projects going already but would try and squeeze in Trojan. I supported Geoff's suggestion on a joint VP meeting.

2 & 3. Quit claim and water rights are combined but could be uncoupled. Larry stated that no transfer would be made until fair market value (FMV) is received for what is transferred. The assets need to be protected.

Ken will draft up a response letter based on Larry's notes in one week. Ken will send it out for comments. We will agree to the quit claim and water rights as long as we are compensated for their FMV .

Obviously, they said a lot more than this but these were the highlights. Ken also read a response letter from PGE/Quennoz in which PGE declined EWEB's proposal. I am not sure what this was about but everyone else was familiar with the proposal.

Dana

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, November 10, 2004 5:32 PM
To: Majkut,Paul S - L
Cc: Bates,Julie A - LC; Roberts,Robb F - LC; Sandlin,Dana E - PGC; Rapacz,Andy - PGC; Sherman,Bob - PGC; Bleifuss,Edward L - DBE
Subject: FW: Trojan Decommissioning Prompt vs. Delayed

Importance: High

Attachments: Trojan Prompt vs Delayed Decommissioning.doc

DELIBERATIVE PROCESS PRIVILEGE
ATTORNEY CLIENT PRIVILEGE

Paul.

1. More to follow as this one develops this next week.

2. This is a very good "backgrounder/issue paper" attached below prepared by Bob Sherman in Richland about the PGE proposed "accelerated" decommissioning that was one of the three subjects of the conference call this afternoon with Larry Cable, Tom Grim (EWEB lawyers) Ken Beeson of EWEB, Dana Sandlin in Richland sitting in for Bob Sherman and Andy Rapacz. I asked Julie to sit in since although there may be some complexities here, it is a fairly straightforward matter in terms of what BPA is interested in receiving along with EWEB as "quid pro quo" for what PGE has requested.

3. PGE has "proposed" the accelerated decommissioning in an October 22, 2004 letter from Trojan Manager Steve Quennoz to Ken Beeson and Bob Sherman, the respective EWEB and BPA Trojan Operating Committee members. Jerry Reid (I call him the #2 Trojan Manager for PGE) called Ken Beeson earlier this week, anxious about a timely response to PGE's proposal.

4. Part of PGE's "hurry" for this item is that they have personnel on the site now to do the additional decommissioning now, but don't plan or wish to keep them very much longer.

5. This "issue" needs "internal" shopping among probably at least three Vice-Presidents if not more, as well as "rates staff" since as Bob notes in the two page "issue paper" attached below, this "accelerated" option would add $3 million (of expense) to the present rate case, and $10 million to the next rate period over current projections (2007 and 2008).

6. There are of course other "decision factors" set forth in Bob's "issue paper," like the fact that if you spend more money from the Trojan decommissioning fund now, there will be less in the account on which to accumulate additional earnings over time.

7. The other two "issues" mentioned in Steve Quennoz' October 22, 2004, letter are going to be "separated" into individual and discrete matters, and need not be on such an "expedited" time frame. The substance of our remarks today during the conference call on these latter two issues is set forth briefly below. As for the "accelerated" decommissioning, since the Richland office sees no problems at this time other than those identified in Bob's paper below, Ken Beeson indicated after today's conference call that he would take the initial "laboring oar" (with input from Larry Cable and from me as time permits in the next two days) in drafting a proposed "response" to Steve Quennoz's letter regarding this issue only.

Quit Claim of West Trojan Parcel

8. First is the request by PGE to have EWEB/BPA "quitclaim" our interests in a portion of the Trojan property "West" of the railroad tracks that PGE would like to sublease to an outside third party. PGE promises to "indemnify" BPA and EWEB for any additional liability (decommissioning) associated with this portion of the Trojan site so quitclaimed, but of course I am concerned (as is Larry Cable) that there needs to be something more in terms of "financial" assurance of PGE's ability to indemnify BPA and EWEB than PGE's "promise."

9. A related but perhaps less critical concern (or so I think) is PGE providing EWEB/BPA a 30% "portion" of

whatever the "West Trojan" parcel is worth. This is presumably appropriate since, under the final clause (Paragraph 24) of the 1970 Trojan Agreement, all assets are considered "Project Assets" and co-owned by all Trojan participants (PGE/EWEB/PP&L) until the "final liquidation of all salvage and remaining assets was to take place FOLLOWING the end of all decommissioning. At this time, the real property is to revert to PGE. (But now is not then!)

10. Second issue is the matter of the "water rights." Of the 89.5 cfs (cubic feet per second) which is I understand is a great deal of water, PGE proposes to retain 0.4 cfs for fire protection for the Trojan site (including the Independent Spent Fuel Storage Installation or ISFSI), obtain 8.0 cfs for themselves for their Port Westward Generation Project, and "preserve" the balance, presumably as "jointly held assets" of all Trojan Co-Owners.

11. Today we discussed that BPA/EWEB should receive 30% of the value of the 8.0 cfs PGE proposes to take for its own uses, and I opined that a trust account would be an appropriate place for such funds to be placed, with funds either used to offset BPA's yearly contributions to Trojan budget (including the ISFSI) or to be placed in an interest bearing trust account according to OFM guidelines, with "earnings" to offset the potential that the water rights may be worth more in the future than at the current time. Again, as in the case of the "West Trojan parcel" above, some valuation seems indicated.

12. To the degree possible, again because of #4 above, we hope to promote timely internal review and concurrence within BPA's affected offices of the first issue regarding "accelerated decommissioning," subject of course to the review processes alluded to at #5 above, and as are more fully detailed in Bob Sherman's briefing paper below on this issue.

13. My final thought, and one mentioned during the discussion today is that it may also be appropriate to suggest to PGE that our concerns are not merely with appropriate pro-rata allocation of currently realized revenues to EWEB/BPA, but perhaps even more compelling, PGE's retention of such revenues themselves in either a trust account or in the Trojan Decomissioning Fund in order to assure <u>their</u> future ability to meet their pro rata share of future anticipated Trojan-related costs.

Geoff K.

-----Original Message-----
From: Rapacz,Andy - PGC
Sent: Wednesday, November 10, 2004 12:55 PM
To: Bleifuss,Edward L - KKM
Cc: Kronick,Geoffrey M - LC; Sandlin,Dana E - PGC
Subject: FW: Trojan Decommissioning Prompt vs Delayed
Importance: High

I forgot to include the attachment. Sorry

Trojan Prompt vs Delayed Decom...

-----Original Message-----
From: Rapacz,Andy - PGC
Sent: Wednesday, November 10, 2004 12:21 PM
Subject: RE: Trojan Decommissioning Prompt vs Delayed
Importance: High

Ed,
Here's the briefing paper as promised. I labeled it draft at this point as I did/don't have time to review in detail to the point of suggesting edits. But a quick scan thru it leaves me thinking that Bob has done a real good job (thank you Bob!) of capturing the issues/story.

I wanted to get this to you because both Bob and I are gone for the rest of the week.

Thanks,

_ Andy

-----Original Message-----

From: Sherman,Bob - PGC
Sent: Tuesday, November 09, 2004 3:12 PM
To: Rapacz,Andy - PGC; Sandlin,Dana E - PGC
Subject: Trojan Decommissioning Prompt vs Delayed

Andy, Dana,

Attached is a draft of the "briefing paper" Andy requested

<< File: Trojan Prompt vs Delayed Decommissioning.doc >>

Robert N Sherman, PE
Nuclear Engineer
Bonneville Power Administration
509-372-5164
rnsherman@bpa.gov

<< OLE Object: Picture (Metafile) >>

DRAFT

Trojan Decommissioning
DOE Revised Spent Fuel Schedule Causes Revised Dismantlement Options
Prompt vs Delayed Dismantlement

BACKGROUND

- The current decommissioning schedule includes completion of radiological decommissioning activities in 2005 and dismantlement of the Trojan facility 2019. The dismantlement delay is necessary because the PGE and PacifiCorp decommissioning trusts were not fully funded at the time of the plant shutdown and it was anticipated that it would be necessary to borrow money to complete the radiological decommissioning. Therefore, it seemed prudent and cost effective to delay the remaining non-radiological decommissioning activities until the funds were at a level to support dismantlement.
- In July 2004 the DOE Office of Civilian Radioactive Waste Management published a revised Acceptance Priority Ranking & Annual Capacity Report.
    - The report indicates that DOE will delay the current schedule regarding acceptance of Trojan spent fuel.
    - The current Trojan decommissioning plan schedule can not be implemented due to the change in the DOE schedule
    - PGE will revise the Trojan decommissioning plan and schedule based on the new information form DOE
    - The DOE delay caused PGE to extend the current decommissioning schedule and extend operation of the ISFSI from 2018 to 2024
    - PGE has requested the co-owners to concur with the proposed prompt dismantlement plan discussed below
- In an effort to address the delay PGE developed and proposed two scenarios regarding demolition of the Trojan power plant buildings (cooling tower, administrative building, guardhouse, turbine building, control building, auxiliary building, fuel building, circulating water pump pit, and the containment building).
- The prompt demolition proposal completes building demolition in 2008
- The delayed demolition scenario extends building demolition from 2019 to 2024
- The cost, benefits and risk of each proposal is discussed below

COSTS

- Prompt
    - This option has a total going forward cost of $193,051,096 (nominal $)
    - The previously assumed (existing plan) has a total going forward cost of $203,332,204 (nominal $), However, this plan is no longer achievable
    - This option avoids annual building O&M costs ((~$60k/year nominal $)
    - This option includes demolition cost from 2005 through 2008 and then is zero until 2024
    - Net present value is estimated in the range of -$2 to -$5.8 million compared to the Delayed NPV depending on an interest rate of 4% or 7%.
    - This option adds ~ $3 million to the present rate case
    - This option adds ~ $10 million to the next rate period over current projections (2007 and 2008)

Trojan Decommissioning
DOE Revised Spent Fuel Schedule Causes Revised Dismantlement Options
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- Delayed
  - This option has a total going forward cost of $218,167,108 (nominal $)
    - includes annual costs for inspection and maintenance of the major structures and are estimated to cost from $15,000 to $20,000 per year
    - includes cooling tower maintenance and is expected to cost $22,000 per year

BENEFITS

- Prompt
  - Dismantlement costs will be known and will not escalate beyond 2008
  - Costs for majority of decommissioning borne by customers who obtained the benefit of the plant when it operated
  - Shared use of resources to support building demolition in conjunction with the remaining radiological decommissioning activities until the 10CFR50 license is terminated.
  - There is value in retaining experienced PGE staff for prompt dismantlement to manage demolition contractors
  - Elimination on ongoing expenses for inspection and maintenance of structures once they are dismantled
  - Increased environmental stewardship demonstrated by dismantlement activities in the near term
- Delayed
  - Lower short term costs

RISKS

- Potential risks associated with delayed dismantlement of the buildings include:
  - Uncertainty in Decommissioning Trust Fund earnings
  - Uncertainty in building demolition labor costs beyond escalation assumptions of 3.4% annually
  - Uncertainty in the increase in handling and disposition costs of hazardous material
    - Grease, oils, asbestos , lead, etc.
  - Uncertainty regarding decommissioning regulation changes
    - Regulatory changes that affect decommissioning continue to be made. It is more conservative to complete decommissioning activities under current regulations than to wait and face more burdensome and expensive regulations.
    - There is a risk of large cost increases associated with potential changes in the requirements for ultimate site release of material from the fuel and auxiliary building demolition. The material will either be salvaged or disposed of in an industrial landfill. If requirements change and the material must be treated as low-level radioactive waste, the cost of disposal could increase by a factor of 1,000 (e.g. from $65,000 to $65,000,000).
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DRAFT

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- The Prompt scenario is significantly less than the Delayed scenario in nominal dollars ($25 million less)
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RECOMMENDATION

- PGC/Richland staff recommends concurrence with the Co-Owners proposal to pursue prompt demolition for Trojan plant structures
  This is Bob's recommendation at this point, however is does not factor in the impacts to us financially. Dana is still gathering info on that, which we will have to look at next week. - Andy

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Sent: Tuesday, November 09, 2004 3:12 PM
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Trojan Prompt vs Delayed Decom...

Robert N Sherman, PE
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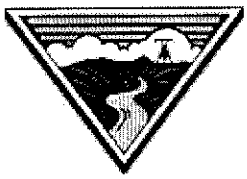

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AGENDA
TROJAN OPERATING COMMITTEE

September 23, 2004

1. Approval of July 15, 2004 Meeting Minutes – Jerry Reid

2. Plant Monthly Report – Jerry Reid

3. Proposed Leases (Training & Pebble Springs Whse Bldgs) – Jerry Reid

4. Budget Performance – Kevin Poirier/Christine Farris

5. Prompt Demolition of Cooling Tower & Power Block and Containment Bldgs– Steve Nichols/Kelly Cox

6. Next Meeting Date – Jerry Reid

September XX, 2004

VPN-XX-2004

Trojan Nuclear Plant

Mr. Ken Beeson
Eugene Water & Electric Board

Mr. Ed Burton
PacifiCorp

Mr. Robert Sherman
Bonneville Power Administration

Proposed Lease of Portions of the Trojan Site to
Columbia River Maritime Enterprises, LLC

Sirs:

The purpose of this letter is to obtain the concurrence of the Trojan Co-Owners regarding the proposed lease of portions of the Trojan site to Columbia River Maritime Enterprises, LLC. The leased portions of the property of concern include the Training Building and the Pebble Springs Warehouse. Columbia River Maritime Enterprises proposes to use these structures and portions of the site, including the Reflection Lake, to establish a training facility for Maritime Pilots and Tug Captains and a school for Homeland Port Security. The Maritime Pilot and Tug Captain training program would employ manned model ships and boats and make use of the Reflection Lake.

Columbia River Maritime Enterprises intends to do some remodeling in the Training Building to provide facilities such as dormitories, classrooms and meeting areas. Columbia River Maritime Enterprises access to the facilities will be along existing roadways. PGE will continue to maintain exclusion area authority over the entire site while the 10 CFR 50 License for the Trojan Nuclear Plant remains effective, (the ISFSI Controlled Area Boundary does not extend to these facilities or the Reflection Lake). PGE has concluded that the portions of the site to be used by Columbia River Maritime Enterprises were not radiologically affected by plant operations or decommissioning activities.

PGE considers the proposed use of these portions of the Trojan site and facilities to be acceptable and intends to enter into a lease agreement with Columbia River Maritime Enterprises for such purposes. PGE requests the concurrence of the Trojan Co-Owners in this proposal. A copy of the proposed lease agreement is attached.

Please signify concurrence by signing below and returning this document to Jerry Reid, Chairman of the Trojan Operating Committee. Jerry can be contacted at (503) 556- 6474 if you have any questions in this regard.

Sincerely,

Stephen M. Quennoz
Vice President, Generation

PacifiCorp Representative

_____ Date: _____
Ed Burton

EWEB Representative

_____ Date: _____
Ken Beeson

BPA Representative

_____ Date: _____
Robert Sherman

AGREEMENT OF LEASE

Date: October 1, 2004

Lessor: ***Portland General Electric Company*** ("Lessor")
an Oregon Corporation
121 S.W. Salmon Street
Portland, Oregon 97204

Lessee: ***Columbia River Maritime Enterprises, LLC*** ("Lessee")
an Oregon Limited Liability Company
12700 SW N Dakota Street, Suite 180-66
Portland, Oregon 97233

IN CONSIDERATION of the mutual entry into this Lease by the parties hereto, and for other good and valuable consideration, the current receipt, reasonable equivalence, sufficiency of which are hereby acknowledged by each party hereto, Lessor hereby leases the Premises (as defined below) to the Lessee and the Lessee hereby leases the Premises from Lessor, upon the following terms and conditions:

1. **Lease.** Lessor leases to Lessee, and Lessee leases from Lessor, that certain real property commonly known as the Pebble Springs Warehouse and yard, Reflecting Lake, and a specified portion of Building No. 2, (the "Premises") described on *Exhibit "A"* attached and incorporated in this Lease by this reference. The Premises are subject to the interests set forth in *Exhibit "B"* hereto. Lessee acknowledges the foregoing and accepts said letting and agrees to pay to the order of Lessor the monthly rentals provided herein for the full term of this Lease Agreement, at the times and in the manner provided herein. In addition to the terms and conditions set forth herein, Sublessee further agrees to observe and to be bound by the terms of the Agreements and regulatory authorities and security agencies referenced in *Exhibit "B"*. Except as may be otherwise provided herein, Lessor shall be entitled to each of the rights and remedies specified in the Agreements and regulations referenced in *Exhibit "B"*. Lessor shall also provide to Lessee access to the Premises through existing roadways and other points of entry on and through Lessor's adjacent property as Lessor may, from time to time designate. The obligations of Lessee are unconditionally and irrevocably guaranteed as provided in *Exhibit "C"* hereto.

1.1 Conditions to Lease.

1.1.1 **Lessor's Conditions.** This Lease and Lessor's obligation to lease the Premises are each subject to and contingent upon Lessor obtaining approval of the transaction contemplated in this Agreement from the Oregon Public Utility Commission ("PUC"), upon Lessor obtaining the consent of PacifiCorp and the Eugene Water & Electric Board, and further subject to and contingent upon Lessor obtaining approval of the transaction contemplated in this Agreement from HSBC Bank USA (fka Midland Bank, N.A.) as Trustee, and/or its successors and assigns, each on or before the 1st day of January, 2005, each upon terms and conditions acceptable to Lessor. If Lessor has not provided Lessee with evidence of the PUC's approval within such time, if Lessor has not provided Lessee with evidence of the consent of PacifiCorp and the Eugene Water & Electric Board, or if Lessor has not provided Lessee with evidence of the approval of HSBC Bank USA within such time, this Agreement shall terminate upon either party's written election given prior to the 1st day of February, 2005.

1.1.2 **Lessee's Conditions.** This Lease and Lessor's obligation to lease the Premises are each subject to and contingent upon Lessee obtaining financing in an amount not less than Two Million Dollars ($2,000,000.00) upon commercially reasonable terms on or before the 1st day of January, 2005. If Lessee has not provided Lessor with evidence of such financing having been obtained within such time, this Agreement shall terminate upon either party's written election given prior to the 1st day of February, 2005.

2. **Term.** The Premises are leased for a term (the "Term") commencing on the 1st day of February, 2005, and expiring at 11:59 p.m. on the 31st day of January, 2015.

2.1 Option to Renew.

2.1.1 **First Extension Term.** So long as Lessee and any Sublessee are not in default in the performance of this Lease, Lessee shall have the right and option to renew the Lease for one

additional ten (10) year term upon the same terms and conditions set forth in the Lease, except the Rental, and further provided that Lessee will no longer have any option to renew the Lease except as provided in Section 2.1.2 below. The ten (10) year extension term ("First Extension Term") shall commence on the first day following the expiration of the Term of the Lease and expiring on the 31st day of January, 2025. The Rental for the Extension Term shall be the fair market value for comparable Premises, as shall be determined by Lessor; provided, however, that in no event shall the Base Rent for the Extension Term be less that that in effect the last month of the initial Term nor shall such increase exceed ten percent (10%) of the Base Rent in effect during the last month of the initial Term. The option for the First Extension Term shall be exercised by delivery of written notice to Lessor not later than the 1st day of December, 2014, and not earlier than 1st day of August, 2014. This option shall terminate on the 1st day of December, 2014, unless this option is exercised in the manner provided herein at an earlier date or unless this Lease expires or is earlier terminated for any reason or in any manner.

2.1.2 **Second Extension Term.** Provided Lessee has exercised the option to renew the Lease pursuant to Section 2.1.1 above, and so long as Lessee and any Sublessee are not in default in the performance of this Lease, Lessee shall have the right and option to renew the Lease for a second additional ten (10) year term upon the same terms and conditions set forth in the Lease, except the Rental, and further provided that Lessee will no longer have any option to renew the Lease unless otherwise agreed by Lessor in writing. The ten (10) year extension term ("Second Extension Term") shall commence on the first day following the expiration of the First Extension Term of the Lease and expiring on the 31st day of January, 2034. The Rental for the Second Extension Term shall be the fair market value for comparable Premises, as shall be determined by Lessor; provided, however, that in no event shall the Base Rent for the Second Extension Term be less that that in effect the last month of the First Extension Term nor shall such increase exceed ten percent (10%) of the Base Rent in effect during the last month of the First Extension Term. The option for the Second Extension Term shall be exercised by delivery of written notice to Lessor not later than the 1st day of December, 2024, and not earlier than 1st day of August, 2024. This option shall terminate on the 1st day of December, 2024, unless this option is exercised in the manner provided herein at an earlier date or unless this Lease expires or is earlier terminated for any reason or in any manner.

2.1.3 Each option to renew shall be subject to and conditioned upon Lessor's determination, to Lessor's sole satisfaction, that Lessee has complied with all of the terms and provisions of the Lease. Each option to renew shall be further subject and conditioned upon the receipt by Lessor of a Release, Indemnification and Estoppel Agreement, in a form satisfactory to Lessor's attorney, executed on behalf of Lessor by any and all persons deemed necessary by Lessor's attorney. Each option to renew, if exercised by Lessee, shall at Lessor's sole option be void and of no further force or effect in the event Lessee or any Sublessee is in default of any of the provisions and conditions of the Lease, on the day the Extension Term was scheduled to commence. Notwithstanding the foregoing or anything to the contrary contained herein, Lessor shall have the right to terminate Lessee's option to renew by providing Lessee notice to that effect not less than one hundred twenty (120) days prior to the expiration of the Term or prior to the expiration of the First Extension Term.

2.2 **Right of First Opportunity.** So long as Lessee and any Sublessee are not in default in the performance of the Lease, should Lessor decide to sell the Premises, or any portion thereof, Lessor will notify Lessee of the availability and description of the property to be sold and the price and terms upon which the property can be acquired. Lessor will not sell any portion of the Premises to any person or entity other than Lessee during the thirty (30) day period immediately following notice of the opportunity to Lessee. If Lessee elects to acquire the Premises (or that portion of the Premises Lessor has decided to sell) and notifies Seller of such election in writing within such thirty (30) day period, Lessor shall not require Lessee to close the sale any earlier than that date which is sixty (60) days of the original notice to sale is received by Lessee. Lessee acknowledges and agrees that any proposed transfer of the Premises, or any portion thereof, will require the consent of the Public Utility Commission as well as each of the other entities listed in Exhibit "B" hereto and will be subject to and conditioned upon such consent. Notwithstanding the foregoing, neither the sale or transfer any of the assets of Lessor, or of a controlling interest in the stock of Lessor, nor the transfer of any interest in this Lease and/or the Premises, or any portion thereof, to or among any of the current owners of the Premises or to a person or entity now or hereafter affiliated with any of the current owners of the Premises or to the Bonneville Power Administration shall give rise to any rights on the part of Lessee pursuant to this provision.

3. **Minimum Rent & Possession.**

3.1 Rent. Subject to and conditioned upon the terms of Section 1.1 above, Lessee shall be entitled to the following:

3.1.1 The use and possession of that portion of the Premises known as the Pebble Springs Warehouse and yard (See *Exhibit "A"* hereto) on the 1st day of February, 2005, at which time Lessee covenants and agrees to pay to Lessor, promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, Two Thousand Five Hundred Dollars ($2,500.00) per month as Minimum Rent for the Premises from and after the 1st day of February, 2005.

3.1.2 The use and possession of the Western one-half (1/2) of that portion of the Premises known as Building No. 2 (See *Exhibit "A"* hereto) as determined by Lessor on the 1st day of August, 2005, at which time Lessee covenants and agrees to pay to Lessor, promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, Ten Thousand Eight Hundred Thirty Three and 34/100 Dollars ($10,833.34) per month as Minimum Rent for the Premises from and after the 1st day of August, 2005. Said sum includes the Two Thousand Five Hundred Dollars ($2,500.00) referenced in Section 3.1.1 above.

3.1.3 The use and possession of the remaining one-half (1/2) of that portion of the Premises known as Building No. 2 (See *Exhibit "A"* hereto), on the 1st day of February, 2006, at which time Lessee covenants and agrees to pay to Lessor, promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, Sixteen Thousand Six Hundred Sixty Six and 67/100 Dollars ($16.666.67) per month as Minimum Rent for the Premises from and after the 1st day of February, 2006. Said sum includes the Two Thousand Five Hundred Dollars ($2,500.00) referenced in Section 3.1.1 above and the Ten Thousand Eight Hundred Thirty Three and 34/100 Dollars ($10,833.34) referenced in Section 3.1.2 above.

3.1.3.1 Lessor will permit Lessee and its agents to have reasonable access to Building No. 2 prior to February, 2006, for the purpose of remodeling as Lessee may reasonably request. Any access or entry to Building No. 2 shall be approved in advance by Jay Buechler and Wes Waldron on behalf of Lessor, and shall be subject to the security concerns of Lessor and the terms of any additional documentation (including without limitation the execution and delivery to Lessor of Lessor's standard form Permit of Entry) and insurance coverage required by Lessor by Lessee and each of Lessee's agents) each in advance of any entry to Building No. 2. Notwithstanding the foregoing in no event shall Lessee commence any construction activities prior to Lessor receiving the consents required by Section 1.1 hereof.

3.1.3.2 In the event the remodeling of Building No. 2 is completed prior to February, 2006, Lessee shall have the right to request Lessor's consent for Lessee to occupy Building No. 2 at an earlier date, which consent shall not be unreasonably withheld by Lessor. In such event the increased Minimum rent due pursuant to Section 3.1.3 above shall be accelerated to comply with Lessor's actual date of possession of Building No. 2.

3.2 All Rent and Additional Rent shall be paid in advance, on the first day of each month during the Term. All amounts payable under Section 3.1 above, as well as all other amounts payable by Lessee to Lessor under the terms of this Lease, shall be paid at the office of Lessor set forth in Section 29, or at such other place as Lessor shall from time to time designate by notice to Lessee, in lawful money of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment. Payment may be made by mail to the office of Lessor.

3.3 It is intended that the Minimum Rent provided for in this section shall be an absolutely net return to Lessor throughout the Term, free of any expense, charge, or other deduction whatsoever, including all claims, demands, or setoffs of any nature whatsoever.

3.4 Lessee shall also pay without notice, except as may be provided in this Lease, and without abatement, deduction, or setoff, as additional rent, all sums, impositions, costs, and other payments which Lessee in any of the provisions of this Lease assumes or agrees to pay, and in the event of any nonpayment, Lessor shall have (in addition to all other rights and remedies) all the rights and remedies provided for in this Lease or by law in the case of nonpayment of the Minimum Rent.

3.5 On each fifth annual anniversary date of this Lease, Lessor shall increase the Minimum Rent as deemed appropriate by Lessor. Notwithstanding the foregoing such increase shall not exceed ten percent (10%) of the Minimum Rent then being charged pursuant to this Lease.

3.6 Under no circumstances shall Lessee and Lessee's employees, agents, and invitees use or cause to be used more than thirty (30) parking spaces at any given time.

4. **Use.**

4.1 Lessee shall use the Premises for the purpose of operating a marine training/educational facility (river pilot training, tug captain training, and marine homeland security training) for the exclusive use of Lessee and for no other purpose. Lessee acknowledges that neither Lessor nor any agent of Lessor has made any representations concerning the suitability of the Premises for the conduct of Lessee's business.

4.2 Lessee shall not use or occupy, or permit or suffer all or any part of the Premises to be used or occupied (1) for any unlawful or illegal business, use, or purpose, or (2) in any such manner to constitute a nuisance of any kind, or (3) for any purpose or in any way in violation of any certificate of occupancy, or of any Legal Requirements, including but not limited to Legal Requirements respecting Hazardous Substances, or (4) for any business, use, or purpose deemed disreputable by Lessor, or (5) in any manner or for any purpose deemed a threat to state, national or homeland security by Lessor or by the Oregon Office of Safety and Security/Homeland Security or the US Department of Homeland Security. The term Hazardous Substance means any hazardous, toxic, or dangerous substance, waste, or material that is the subject of environmental protection Legal Requirements, including but not limited to the items listed in the United States Department of Transportation Hazardous Materials Table (49 CFR §172.101) or designated as hazardous substances by the United States Environmental Protection Agency (40 CFR pt 302). Lessee acknowledges that the term Legal Requirements includes but is not limited to all environmental protection laws such as the *Comprehensive Environmental Response, Compensation and Liability Act* (42 USC §6901 *et seq.*), the *Federal Water Pollution Control Act* (33 USC §6901 *et seq.*), the *Federal Water Pollution Control Act* (33 USC §1257 *et seq.*), and the *Clean Air Act* (42 USC §2001 *et seq.*). Any dispute between Lessor and Lessee arising under the provisions of clause (4) of the preceding sentence shall be submitted to arbitration as provided in Section 31 below. Lessee further acknowledges that the term Legal Requirements also includes, but not by way of limitation, the *US Immigration and Nationality Act* (8 CFR) as well as all laws, regulations and guides regarding immigration and/or the presence of aliens and foreign nationals as promulgated by the Bureau of Citizenship and Immigration Services.

4.3 Lessee shall observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including but not limited to zoning variances, special exceptions, and nonconforming uses), privileges, franchises, and concessions that now apply to the Premises or that have been granted to or contracted for by Lessor or Lessee in connection with any existing or presently contemplated use of the Premises.

4.4 Lessee shall not suffer or permit the Premises or any portion to be used by the public at large, as such, without restriction or in such manner as might reasonably tend to impair Lessor's title to the Premises or any portion, or in such manner as might reasonably make possible a claim or claims of adverse usage, adverse possession, or prescription by the public, as such, or of implied dedication, of the Premises or any portion. Lessee acknowledges that Lessor does not consent, expressly or by implication, to the unrestricted use or possession of the whole or any portion of the Premises by the public, as such.

4.5 Lessor and Lessee agree that if and when any governmental or any other public authority requires the execution and delivery of any instrument to evidence or consummate the dedication of any street adjoining the Premises and/or if and when any governmental or any other public authority or any Lessor or any other public utility company requires the execution and delivery of any rights of way, easements, and grants in, over, and along any such streets or in, over, under, or through the Premises for the purpose of providing water, gas, steam, electricity, telephone, communications, storm and sanitary sewer, or any other necessary or desirable service or facility for the benefit of the Premises, then both parties, without cost to either party, will execute, acknowledge, and deliver any such instrument or document as may be required by Lessor.

4.6 Lessee, Lessee's expense, will apply for and obtain all necessary permits and approvals prior to dredging Reflection Lake and prior to constructing a boat launch and prior to engaging in any improvements on the Premises, including without limitation, requirements of the Oregon Division of State Lands and/or the Army Corps of Engineers. All plans for accomplishing the same shall be submitted to Lessor in advance for Lessor's consent and approval which may be withheld at Lessor's discretion.

4.7 No representation, express or implied, respecting any matter or thing relating to the Premises or this Lease, including, without limitation, the condition of the Premises, has been made to Lessee by Lessor other than as may be contained herein. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED,

ARE HEREBY DISCLAIMED, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE, HABITABILITY, OR THAT THE PREMISES ARE SUITABLE FOR LESSEE'S INTENTED COMMERCIAL PURPOSES.

5. **Utilities.** For so long as Lessee is not in default in the performance of this Lease, Lessor shall provide reasonable water, electricity, and sewer services to the extent available to Lessor. In addition to the foregoing Lessor shall maintain the existing fire suppression system (water) to Building No. 2; Lessee shall be responsible for maintaining the existing fire suppression system (water) within Building No. 2. Except as otherwise provided above, Lessee acknowledges and agrees that Lessor shall not have any obligation to provide any utilities or services nor does Lessor make any warranty or representation in any way associated with the ability of Lessee to obtain such utilities or services from third parties. Notwithstanding the foregoing Lessor shall not have any liability to Lessee or to any third party for the failure of Lessor to provide any of the foregoing utilities or services, specifically including, any failure of the fire protection system regardless of cause. Lessor represents that there is a Water Rights Certificate which is associated with the fee ownership of the underlying real property.

5.1 **Maintenance and Service Fee.** Lessor shall meter the electrical and water services and Lessee covenants and agrees to pay said sums to Lessor when due as Additional Rent, without deduction or setoff of any amount whatsoever. Except as otherwise specifically provided herein, Lessor shall have no obligation to repair or maintain the Premises or any Improvements. In addition, Lessee covenants and agrees to pay to Lessor as Additional Rent , promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, Two Hundred Eight Dollars ($208.00) per month for Maintenance and Services Fees from and after the 1st day of February, 2005. On each fifth annual anniversary date of this Lease, Lessor shall increase the Maintenance and Service Fee as deemed appropriate by Lessor. Notwithstanding the foregoing such increase shall not exceed fifteen percent (15%) of the Maintenance and Service Fee then being charged pursuant to this Lease.

6. **Liens.** Lessee shall have no power to do any act or to make any contract that may create or be the foundation for any lien, mortgage, or other encumbrance on the reversion or other estate of Lessor or on any interest of Lessor in the Premises. Lessee shall not suffer or permit any liens to attach to the interest of Lessee in this Lease or in all or any part the Premises by reason of any work, labor, services, or materials done for, or supplied to, or claimed to have been done for or supplied to, Lessee or anyone occupying or holding an interest in all or any part of the Premises through or under Lessee. If any such lien shall at any time be filed against the Premises, Lessee shall cause the same to be discharged of record within ten (10) days after the date of filing the same, by payment, deposit, or bond.

6.1 Nothing in this Lease shall be deemed to be, or be construed in any way as constituting, the consent or request of Lessor, express or implied, by inference or otherwise, to any person, firm, or corporation for the performance of any labor or the furnishing of any materials for any construction, rebuilding, alteration, or repair of or to the Premises, or as giving Lessee any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that might in any way give rise to the right to file any lien against Lessor's interest in the Premises or any portion thereof. Lessee is not intended to be an agent of Lessor for the construction of Improvements on the Premises. Lessor shall have the right to post and keep posted at all reasonable times on the Premises and on the Improvements any notices that Lessor shall be required to post for the protection of Lessor and of the Premises and of the Improvements from any such lien. The foregoing shall not be construed to diminish or vitiate any rights of Lessee in this Lease to construct, alter, or add to the Improvements.

7. **Taxes and Other Charges.**

7.1 Lessee shall pay and discharge, or cause to be paid and discharged, before any fine, penalty, interest, or cost may be added for nonpayment, all real estate taxes, personal property taxes, privilege taxes, excise taxes, business and occupation taxes, gross sales charges, assessments (including, but not limited to, assessments for public improvements or benefits), and all other governmental impositions and charges of every kind and nature whatsoever, whether or not now customary or within the contemplation of the parties and regardless of whether the same shall be extraordinary or ordinary, general, or special, unforeseen or foreseen, or similar or dissimilar to any of the foregoing which, at any time during the Term, shall be or become due and payable and which:

7.1.1 Shall be levied, assessed, or imposed against the Premises or the Improvements or any interest of Lessor or Lessee under this Lease; or

7.1.2 Shall be or become liens against the Premises or the Improvements or any interest of Lessor or Lessee under this Lease; or

7.1.3 Shall be levied, assessed, or imposed on or against Lessor by reason of any actual or asserted engagement by Lessor or Lessee, directly or indirectly, in any business, occupation, or other activity in connection with the Premises or the Improvements; or

7.1.4 Shall be levied, assessed, or imposed on or in connection with the ownership, leasing, operation, management, maintenance, repair, rebuilding, use, or occupancy of the Premises or the Improvements; under or by virtue of any present or future Legal Requirement, it being the intention of the parties that, insofar as the same may lawfully be done, Lessor shall be free from all such expenses and all such real estate taxes, personal property taxes, privilege taxes, excise taxes, business and occupation taxes, gross sales taxes, occupational license taxes, water charges, sewer charges, assessments, and all other governmental impositions and charges of every kind and nature whatsoever (all of such taxes, water charges, sewer charges, assessments, and other governmental impositions and charges that Lessee is obligated to pay being collectively called "Tax" or "Taxes"). The parties estimate that Lessee's obligation with respect to this Section 7 shall be approximately Eighteen Thousand Seven Hundred Seventy Seven Dollars ($18,777.00) for the first year of the Lease Term. The parties recognize and acknowledge that the Premises are currently centrally assessed for property tax purposes and that should that status change and the Premises become locally assessed in the future it is likely to result in a material change in the amount of Property Taxes.

7.2 Nothing contained in this Lease requires Lessee to pay any franchise, estate, inheritance, succession, capital levy, or transfer tax of Lessor, or any income, excess profits, or revenue tax, or any other tax, assessment, charge, or levy on the Rent payable by Lessee under this Lease; provided, however, that if at any time during the Term the methods of taxation prevailing at the commencement of the Term are altered so that in lieu of any Tax under this section there is levied, assessed, or imposed (1) a tax, assessment, levy, imposition, or charge, wholly or partially as a capital license fee measured by the Rent payable by Lessee under this Lease, then all such taxes, assessments, levies, impositions, or charges or the part so measured or based, shall be deemed to be included within the term Tax for the purposes of this Lease, to the extent that such Tax would be payable if the Premises were the only property of Lessor subject to such Tax, and Lessee shall pay and discharge the same as provided in respect to the payment of Taxes.

7.3 If by law any Tax is payable, or may at the option of the taxpayer be paid, in installments, Lessee may, whether or not interest shall accrue on the unpaid balance, pay the same, and any accrued interest on any unpaid balance, in installments as each installment becomes due and payable, but in any event before any fine, penalty, interest, or cost may be added for nonpayment of any installment or interest.

7.4 Any Tax relating to a fiscal period of the taxing authority, a part of which is within the Term and a part of which is before or after the Term, whether or not such Tax shall be assessed, levied, imposed, or become a lien on the Premises or the Improvements, or shall become payable, during the Term, shall be apportioned and adjusted between Lessor and Lessee so that Lessee shall pay only the portions that correspond with the portion of such fiscal periods included within the Term. With respect to any Tax for public improvements or benefits that by law is payable, or at the option of the taxpayer may be paid, in installments, Lessor shall pay the installments that become due and payable after the Term expires, and Lessee shall pay all such installments which become due and payable at any time during the Term.

7.5 Lessee covenants to furnish to Lessor, within thirty (30) days after the last date when any Tax must be paid by Lessee as provided in this section, official receipts, if such receipts are then available to Lessee, of the appropriate taxing authority, or other proof satisfactory to Lessor, evidencing payment.

7.6 Lessee shall have the right at Lessee's expense to contest or review the amount or validity of any Tax or to seek a reduction in the assessed valuation on which any Tax is based, by appropriate legal proceedings. Lessee may defer payment of such contested Tax on condition, however, that if such contested Tax is not paid beforehand and if such legal proceedings shall not operate to prevent the enforcement of the collection of the Tax so contested and shall not prevent the sale of the Premises or the Improvements to satisfy the same, then before instituting any such proceedings Lessee shall furnish to Lessor, if so required by the terms of its mortgage, a surety company bond, cash deposit, or other security reasonably satisfactory to Lessor, as security for the payment of such Tax, in an amount sufficient to pay such Tax, together with all interest and penalties in connection with such Tax and all charges that might be assessed against the Premises or the Improvements in the legal proceedings. Upon termination of such legal proceedings or at any time when Lessor shall determine the security to be insufficient for the

purpose, Lessee shall forthwith, on demand, deliver to Lessor additional security as is sufficient and necessary for the purpose, and on failure of Lessee so to do, the security originally deposited shall be applied to the payment, removal, and discharge of the Tax and the interest and penalties in connection with the Tax and the charges and costs accruing in such legal proceedings and the balance, if any, shall be paid to Lessee provided that there is then no uncured default under this Lease. In the event that such security shall be insufficient for this purpose, Lessee shall forthwith pay over to Lessor an amount sufficient, together with the security originally deposited, to pay the same. Lessee shall not be entitled to interest on any money deposited pursuant to this section.

7.7 Any contest as to the validity or amount of any Tax, or assessed valuation on which such Tax was computed or based, whether before or after payment, may be made by Lessee in the name of Lessor or of Lessee, or both, as Lessee shall determine, and Lessor agrees that it will, at Lessee's expense, cooperate with Lessee in any such contest to such extent as Lessee may reasonably request, it being understood, however, that Lessor shall not be subject to any liability for the payment of any costs or expenses in connection with any proceeding brought by Lessee, and Lessee covenants to indemnify and save Lessor harmless from any such costs or expenses. Lessee shall be entitled to any refund of any such Tax and penalties or interest that have been paid by Lessee or by Lessor and reimbursed to Lessor by Lessee.

7.8 The parties shall use reasonable efforts to see that all communications from the governmental authorities respecting Taxes are sent directly by such authorities to Lessor. Lessor shall forward any and all communications to Lessee within forty eight (48) hours of Lessor's receipt. The certificate, advice, receipt, or bill of the appropriate official designated by law to make or issue the same or to receive payment of any Tax or nonpayment of such Tax shall be prima facie evidence that such Tax is due and unpaid or has been paid at the time of the making or issuance of such certificate, advice, receipt, or bill.

8. **Insurance.**

8.1 During the Term, Lessor shall have no obligation whatsoever to maintain fire or casualty insurance of any kind on the Improvements or any personal property on the Premises for the benefit of Lessee, Guarantor, or any Sublessee. Lessee shall be responsible for insuring its business, all personal property and trade fixtures located on the Premises, and any alterations or Lessee improvements made to the Premises, including without limitation, any specialty (non-building standard) HVAC systems, fire and/or security systems, and computer/electronic/technology related items, and the like.

8.2 Lessee, at its expense, shall maintain at all times during the Term of this Lease public liability insurance in respect of the Premises and the conduct or operation of its business, with Lessor as additional insured, with Two Million Dollars ($2,000,000.00) minimum combined single-limit coverage, or its equivalent. All casualty insurance policies shall include contractual liability, severability of interest, and cross-liability endorsements. When Lessee conducts demolition or excavation work, the exclusions now customarily referred to as the X, C, and U exclusions shall be deleted from Lessee's liability insurance. Lessee shall deliver to Lessor and any additional named insured such fully paid-for policies or certificates of insurance, in a form satisfactory to Lessor, issued by the insurance company or its authorized agent, at least ten (10) days before the Commencement Date. Lessee shall procure and pay for renewals of such insurance from time to time before the expiration, and Lessee shall deliver to Lessor and any additional named insured such renewal policy or certificate at least thirty (30) days before the expiration of any existing policy. All insurance policies shall contain provisions whereby (1) losses shall be payable despite the negligence of any person having an insurable interest in the Premises; (2) the Proceeds will be paid in accordance with the terms of this Lease; and (3) the policies cannot be cancelled or modified unless Lessor and any additional named insured are given at least thirty (30) days' prior written notice of such cancellation or modification.

8.3 All insurance policies shall be written as primary policies to the extent of Lessee's indemnity obligations herein and shall not be contributing with or be in excess of the coverage that either Lessor or Lessee may carry. All such insurance policies shall be issued in the name of Lessee, with Lessor being included in the insurance policy definition of who is an additional insured, and shall be primary to any insurance available to Lessor.

8.4 All policies of insurance shall be issued by good, responsible companies, reasonably acceptable to Lessor and that are qualified to do business in the State of Oregon. Executed copies of such policies of insurance and certificates shall be delivered to Lessor within thirty (30) days after the Building is completed and thereafter within thirty (30) days before the expiration of the term of each such

policy. As often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Lessee in like manner and to like extent. All policies of insurance must contain a provision that the company writing the policy will give Lessor thirty (30) days' written notice in advance of any cancellation, substantial change of coverage, or the effective date of any reduction in amount of insurance.

8.5 The obligations of Lessee to carry the insurance provided for may be brought within the coverage of a so-called blanket policy or policies of insurance; provided, however:

8.5.1 That the coverage afforded will not be reduced or diminished by reason of the use of such blanket policy of insurance;

8.5.2 That the requirements set forth are otherwise satisfied; and

8.5.3 That, as to all insurance, Lessor shall be named as additional insured.

8.6 Lessee acknowledges and agrees that Lessor shall have the right, at Lessor's sole election, to self-insure with respect to the Property, the Premises, this Lease, and/or any aspect of Lessor's business. Lessor will not insure Lessee nor will it maintain insurance of any kind for the benefit of Lessee on any improvements paid for by Lessee or on Lessee's furniture or furnishings or on any fixtures, equipment, improvements or appurtenances of Lessee under this Lease and Lessor shall not be obligated to repair any damage thereto or replace the same.

8.7 Lessor may from time to time, but not more frequently than once every three years, require that the amount of public liability insurance to be maintained by Lessee under Section 9.2 be increased so that the amount adequately protects Lessor's interest based on amounts of coverage required of comparable Lessees in comparable buildings.

8.8 **Lessor Insurance.** Lessee acknowledges and agrees that Lessor shall have the right, at Lessor's sole election, to self-insure with respect to the Property, the Premises, this Lease, and/or any aspect of Lessor's business. Lessor will not insure Lessee nor will it maintain insurance of any kind for the benefit of Lessee on any improvements paid for by Lessee or on Lessee's furniture or furnishings or on any fixtures, equipment, improvements or appurtenances of Lessee under this Lease and Lessor shall not be obligated to repair any damage thereto or replace the same.

9. Lessor's Right to Perform Lessee's Covenants.

9.1 If Lessee at any time fails to pay any Tax in accordance with the provisions of this Lease or fails to make any other payment or perform any other act on its part to be made or performed, then Lessor, after ten (10) days' notice to Lessee (or without notice in case of an emergency) and without waiving or releasing Lessee from any obligation of Lessee contained in this Lease or from any default by Lessee and without waiving Lessor's right to take such action as may be permissible under this Lease as a result of such default, may (but shall be under no obligation to):

9.1.1 Pay any Tax payable by Lessee pursuant to the provisions of this Lease; or

9.1.2 Make any other payment or perform any other act on Lessee's part to be made or performed as provided in this Lease, and may enter the Premises and the Improvements for any such purpose, and take all such action, as may be necessary.

9.2 All sums so paid by Lessor and all costs and expenses incurred by Lessor, including reasonable attorney fees, in connection with the performance of any such act, together with, if Lessee does not pay the same within the thirty (30) day period after notice from Lessor, interest from the date of such payment or incurrence by Lessor of such cost and expense until paid, at the annual rate of twelve percent (12%), shall constitute Additional Rent payable by Lessee under this Lease and shall be paid by Lessee to Lessor on demand.

10. Compliance with Legal Requirements.

10.1 Throughout the Term, Lessee shall promptly comply with all Legal Requirements that may apply to the Premises or to the use or manner of uses of the Premises or the Improvements or the owners or users of the Improvements, whether or not the Legal Requirements affect the interior or exterior of the Improvements, necessitate structural changes or improvements, or interfere with the use and enjoyment of the Premises or the Improvements, and whether or not compliance with the Legal Requirements is required by reason of any condition, event, or circumstance existing before or after the Term commences. Lessee shall pay all costs of compliance with Legal Requirements, but Lessee shall have the right to cease occupation or use of, or to demolish or remove, all or any part of the Premises or the Improvements in lieu of compliance with any Legal Requirement that may require expenditures on behalf of Lessee for continued use or occupation of the Premises.

10.2 Lessee shall have the right, after prior written notice to Lessor, to contest by appropriate legal proceedings, diligently conducted in good faith, in the name of Lessee or Lessor or both, without cost or expense to Lessor, the validity or application of any Legal Requirement subject to the following:

10.2.1 If, by the terms of any Legal Requirement, compliance may legally be delayed pending the prosecution of any such proceeding without the incurrence of any lien, charge, or liability of any kind against all or any part of the Premises or the Improvements and without subjecting Lessee or Lessor to any liability, civil or criminal, for failure to comply, Lessee may delay compliance until the final determination of such proceeding; or

10.2.2 If any lien, charge, or civil liability would be incurred by reason of any such delay, Lessee nevertheless may contest the matter and delay compliance, provided that such delay would not subject Lessor to criminal liability or fine, and Lessee

10.2.2.1 Furnishes to Lessor security, reasonably satisfactory to Lessor, against any loss or injury by reason of such contest or delay, and

10.2.2.2 Prosecutes the contest with due diligence.

10.3 Lessor shall execute and deliver any appropriate papers that may be necessary or proper to permit Lessee to contest the validity or application of any Legal Requirement, provided all the requirements of this section have been satisfied by Lessee and Lessor will incur no cost.

10.4 **Compliance with ADA.** Lessee shall observe and comply with the ADA (defined below) as it applies to the Premises or the use or occupancy thereof by Lessee, including but not limited to the obligation to alter, maintain, repair, improve or restore the Premises, and all parts thereof structural and otherwise, in compliance and conformity with the ADA to the extent that the ADA applies to Lessee's use of the Premises. "ADA" shall mean the *Americans with Disabilities Act of 1990*, 42 U.S.C. § 12101 *et seq.* or comparable Oregon law (and related statutes and regulations) (collectively the "ADA"). Lessee acknowledges that Lessee may be required by the ADA to make improvements to the Premises to facilitate access for the disabled in connection with Lessee's improvement, alteration and use of the Premises, and/or as an employer, and all costs associated with such compliance shall be borne exclusively by Lessee. If Lessor determines that work outside of the Premises is appropriate under the ADA due to Lessee's use of the Premises, Lessor shall accomplish the same after consultation with Lessee, at the expense of Lessee.

11. **Repairs and Maintenance.** Lessee is familiar with the Premises and accepts the Premises "AS IS". Lessor shall have no obligation to repair or maintain the Premises or any Improvements. Lessor shall in no event be required to make any alterations, rebuildings, replacements, changes, additions, improvements, or repairs during the Term. Lessee, at Lessee's expense shall maintain in good working order and make all necessary repairs to the Premises and all Improvements, including without limitation the structures, roofs, plumbing, lights, and heat/ventilation/air conditioning. Lessor assigns to Lessee, without recourse, such rights, if any, as Lessor may have against any parties causing damage to the Improvements on the Premises to sue for and recover amounts expended by Lessee as a result of such damage. Lessee specifically acknowledges that Lessor will not be providing any security for the Premises for the benefit of Lessee. Lessee shall maintain the depth of the Reflecting Pond between three (3') feet and three and one half (3.5') feet.

12. **Alterations, Additions, and Improvements.** The term Modifications means any demolition, improvement, alteration, change, or addition, of, in, or to all or any part of the Premises or the Improvements. Modifications of any type or nature shall require the prior written consent of the Lessor shall be constructed in accordance with all applicable codes, laws, and regulations and employing Union labor. All salvage material in connection with any Modification that Lessee is permitted to make shall belong to Lessee. Lessee shall not make or suffer to be made any Modifications in, on or to the Premises or any part thereof without the prior written consent of Lessor, which consent may be withheld or issued subject to conditions, in Lessor's sole discretion. Lessor has given preliminary approval of the Plans and Specifications attached as Exhibit "D" hereto, subject to approval by all applicable governmental agencies, the issuance of proper permits, and any bonds required by Lessor.

12.1 Application to Lessor for Consent. When applying for any such consent as provided in Subsection 12 above, Lessee shall furnish complete plans and specifications for the desired Modifications, unless the cost thereof is less than Five Thousand Dollars ($5,000.00) and Lessor determines that such Modifications will not affect any structural, mechanical, electrical, plumbing or life safety systems. Subsequent to obtaining Lessor's consent and prior to commencement of construction of

the Modifications, Lessee shall deliver to Lessor a copy of the building permit and a copy of the executed construction contract covering the Modifications. Lessee shall pay to Lessor upon demand a review fee in the amount of five percent (5%) of the construction cost of the Modifications to compensate Lessor for the cost of review and approval of the plans and specifications and for additional administrative costs incurred in monitoring the construction of the Modifications. Notwithstanding the foregoing, said review fee shall not apply to any Modifications to the extent set forth in Exhibit "D" hereto. Any such review by and consent of Lessor shall not be deemed to constitute any warranty or representation by Lessor as to the adequacy, correctness, or completeness, compliance with laws, fitness for any purpose or otherwise, of said plans and specifications, or the Modifications.

12.2 **Construction.** If Lessor consents to the making of any Modifications, the same shall be made at Lessee's sole cost and expense, and if Lessor does not elect to construct the desired Modifications, Lessee shall engage the services of a contractor to make the same who has previously been approved in writing by Lessor to work on the Premises. Lessor may in its discretion require Lessee to obtain, at Lessee's expense, performance and/or completion bonds for any Modifications affecting the Premises. For Modifications affecting the Premise's structural, electrical, mechanical, plumbing or life safety systems, Lessee must use those approved contractors and/or subcontractors and suppliers designated by Lessor. Lessee shall provide, at its expense, such completion, performance and/or payments bonds as Lessor considers necessary with respect to such construction work. Lessee shall pay all costs of work no less frequently than monthly and shall cause release of any lien within ten (10) calendar days of filing. Lessee shall also require its contractor to maintain insurance in amounts and in such form as Lessor may require and to execute an agreement extending such warranties and other protections to Lessor as Lessor may require. Any construction, alteration, maintenance, repair, replacement, installation, removal or decoration undertaken by Lessee in connection with the Premises shall be completed in accordance with the plans and specifications approved by Lessor, shall be carried out in a good, workmanlike and prompt manner, shall comply with all applicable statutes, laws, ordinances, regulations, rules, orders and requirements of the authorities having jurisdiction thereof, and shall be subject to supervision by Lessor or its employees, agents or contractors; as-built plans and specifications shall be provided by Lessee to Lessor upon completion of work. Without Lessor's prior written consent Lessee shall not use any portion of the Common Areas in connection with the making of any Modifications. At Lessor's option, Lessor may elect to construct the Modifications desired by Lessee. If Lessor so elects, Lessee shall pay in advance of commencement of such Modifications to Lessor for any and all costs thereof (including, without limitation, the costs of design, labor, materials, equipment, a supervision fee of five percent (5%) of the total cost of construction of the Modifications) within ten (10) calendar days after receipt of Lessor's invoice. Notwithstanding the foregoing, said supervision fee shall not apply to any Modifications to the extent set forth in Exhibit "D" hereto. Failure of Lessee to pay the invoiced costs within such ten (10) calendar day period shall constitute a default under the terms of this Lease in like manner as failure to pay Gross Rent when due. In the event of any such failure of Lessee to pay such costs when due, Lessor shall thereby be entitled without cost, obligation or liability of any kind or in any amount whatsoever, to discontinue the construction of any Modifications. Should Lessor elect to exercise such right to discontinue construction, Lessee shall be and remain liable to Lessor for any and all portions of the Modifications completed or partially completed at the time of the discontinuing of construction and for any additional items of loss, expense or damage incurred by Lessor. If the Modifications which Lessee causes to be constructed result in Lessor being required to make any Modifications and/or improvements to other portions of the Premises in order to comply with any applicable statutes, laws, ordinances, regulations, rules, orders or requirements (e.g. ordinances intended to provide full access to disabled persons), then Lessee shall reimburse Lessor upon demand for all costs and expenses incurred by Lessor in making such Modifications and/or improvements.

12.3 **Cabling and Wiring.** Any cabling or wiring installed on or about the Premises (including the risers, plenum and telecommunications spaces) during the Term shall meet or exceed the requirements of the then current national and local electrical, fire and safety codes. In conjunction with the installation or modification of any cabling or wiring Lessee, at Lessee's risk and expense, shall remove and properly dispose of any abandoned cabling and wires, as defined by the National Electric Code, within the demised Premises (including the risers, plenum and telecommunications spaces). Upon the expiration or termination of this Lease, Lessee, at Lessee's risk and expense, shall promptly remove and properly dispose of any abandoned cabling and wires, as defined by the National Electric Code, within the demised Premises (including the risers, plenum and telecommunications spaces) unless excused in writing by Lessor. Failure of Lessee to promptly satisfy any obligation of Lessee pursuant to this Section shall

constitute a default hereunder and, in addition to any other remedy available to Lessor, Lessee shall forfeit such sums necessary or appropriate to remove and properly dispose of such cabling and wiring from Lessee's security deposit. To the extent insufficient funds exist in the security deposit or there is no security deposit Lessee shall remain liable to Lessor for such sums.

13. **Title to Improvements.** Any Improvements made by Lessee shall remain on and be surrendered with the Premises upon the expiration or sooner termination of the Term, except Lessee shall upon demand by Lessor at the expiration of this Lease or the termination of this Lease or of the right of possession of Lessee, at Lessee's sole cost and expense, forthwith and with all due diligence remove all or any portion of any Improvements made by Lessee which are designated by Lessor to be removed and repair and restore the Premises to their original condition, reasonable wear and tear excepted. Notwithstanding the foregoing, Lessee shall not be required to remove the Improvements to the extent noted on Exhibit "D-1" hereto. Title to Improvements shall be and remain in Lessee until the expiration of the Term, unless this Lease is terminated sooner as provided. Upon such expiration or sooner termination, title to the Improvements shall automatically pass to, vest in, and belong to Lessor without further action on the part of either party and without cost or charge to Lessor. During the Term, Lessee shall be entitled for all taxation purposes to claim cost recovery deductions and the like on the Improvements. The parties agree that all equipment and other personal property at any time acquired by Lessee and located on or about the Premises have been severed from the Premises by intention and agreement of the parties hereto and any lenders or others claiming an interest in the Premises or Lessor's adjacent land as personal property of Lessee or its assigns and, even though attached to or affixed to or installed upon or under the Premises, shall not be or become subject to any lien now or hereafter placed on the Premises or on any adjacent property of Lessor by Lessor or others claiming through or under it.

14. **No Waste.** Lessee shall not do or suffer any waste or damage, disfigurement, or injury to the Premises or the Improvements. Demolition of all or any part of the Improvements done in accordance with the requirements of Section 12 above shall not be considered prohibited by the terms of this section.

15. **Inspection and Access.**

15.1 **Early Access by Lessee.** At any commercially reasonable time, and from time to time, after the date of this Agreement and upon the consent of Lessor in each instance, Lessee and its representatives and consultants shall have commercially reasonable access to the Premises for purposes of inspecting and testing the Premises as Lessee desires, all of which may occur at any time PGE reasonably allows and subject to Lessor's security concerns and limitations. Lessor shall cooperate with Lessee in making such tests and studies. No soil tests or drilling shall be undertaken without first obtaining Lessor's written approval with respect to the agents retained to perform such work and the location and purpose of the tests or drilling. Lessee shall not interfere with or disturb the business operations of Lessor in any fashion. Lessee shall fully compensate Lessor for any physical damage to any property or any lien, encumbrance, or charge attributable to Lessee's activities pursuant to this paragraph. To the fullest extent allowable by law, Lessee shall indemnify, defend and hold Lessor harmless in connection with any damage to any property and/or other losses, liabilities, costs and expenses arising from Lessee and/or the activities of Lessee's employees, agents, representatives and invitees. Lessee will provide Lessor with copies of all reports, studies and analyses resulting from Lessee's investigation of the Premises promptly upon receipt of such materials by Lessee.

15.2 **Inspection and Access by Lessor.** Upon reasonable notice to Lessee and in the presence of an agent or employee of Lessee, Lessee shall permit Lessor, or the authorized representative of any of them to enter the Premises and the Improvements at all reasonable times during usual business hours for the purposes of inspecting the same and making any repairs or performing any work that Lessee has neglected or refused to make in accordance with the terms, covenants, and conditions of this Lease. Nothing in this Lease shall imply any duty or obligation on the part of Lessor to do any such work or to make any Improvements of any kind whatsoever to the Premises (including, but not limited to, repairs and other restoration work made necessary due to any fire, other casualty, or partial condemnation, irrespective of the sufficiency or availability of any fire or other insurance proceeds, or any award in condemnation, which may be payable). The performance of any work by Lessor shall not constitute a waiver of Lessee's default in failing to perform the same

15.2.1 During the progress of any work on the Premises or the Improvements performed by Lessor pursuant to the provisions in this section, Lessor may keep and store on the Premises all

necessary materials, tools, supplies, and equipment. Lessor shall not be liable for inconvenience, annoyance, disturbance, loss of business, or other damage of Lessee or any user by reason of making such repairs or performing any such work, or on account of bringing materials, tools, supplies, and equipment onto the Premises or into the Improvements during the course of the work and the obligations of Lessee under this Lease shall not be affected by the work.

15.2.2 Lessor shall have the right to enter on the Premises and the Improvements at all reasonable times during usual business hours for the purpose of showing the same to prospective purchasers of Lessor's interest and, at any time within two years before the Term expires, for the purpose of showing the same to prospective Lessees.

15.2.3 Except in the event of emergency repairs, all entry to the Premises by Lessor shall require at least 24 hours' advance notice to Lessee. In the event of any emergency repairs, Lessor shall use reasonable efforts to give Lessee the earliest possible notice of the same.

15.2.4 Notwithstanding the foregoing, Lessor reserves at all times the right to enter upon the Premises for any purpose deemed appropriate by Lessor in conjunction with the Exclusion Area referenced in *Exhibit "B"* hereto, and to erect, maintain, repair, rebuild, operate and patrol electric power transmission lines and signal or communication lines (above and below ground) of any type or nature, and all uses directly or indirectly necessary thereto, including without limitation, the right to install surface or subsurface mounted transformers, surface mounted connection boxes, meter cabinets and overhead service lines. Such uses shall include the erection of poles, towers, transmission structures, wires, cables, guys, supports and appurtenances and the protection thereof from fire and other hazards. Lessor shall also have the right to enter on the Premises and the Improvements at all reasonable times for the purpose of showing the same to representatives of any entity or agency noted in *Exhibit "B"* hereto.

15.2.5 Notwithstanding anything to the contrary contained herein, Lessor reserves at all times the right to enter upon the Premises and the Improvements at any time upon the request of the Oregon Office of Safety and Security/Homeland Security or the US Department of Homeland Security and/or other state or federal security agencies to allow access to representatives of such agencies at all times. Lessor shall not be liable to Lessee, or any Sublessee, or to any third party for any action taken by any governmental authority, public safety personnel, or any third party, nor shall Lessor be liable for any act or omission of Lessor that Lessor deems reasonable or appropriate to protect life or property under such circumstances.

16. Lessor's Exculpation and Indemnity.

16.1 Subject to interests set forth in Exhibit "B" hereto, Lessee is and shall be in exclusive control of the Premises and of the Improvements, and Lessor shall not in any event whatsoever be liable for any injury or damage to any property or to any person happening on, in, or about the Premises or the Improvements or any injury or damage to the Premises or the Improvements or to any property, whether belonging to Lessee or to any other person, caused by any failure of Lessor to provide any utilities or services, specifically including, any failure of the fire protection system regardless of cause, fire, breakage, leakage, defect, or bad condition in any part or portion of the Premises or of the Improvements, or from steam, gas, electricity, water, rain, or snow that may leak into, issue, or flow from any part of the Premises or the Improvements from the drains, pipes, or plumbing work of the same, or from the street, subsurface, or any place or quarter, or due to the use, misuse, or abuse of all or any of the Improvements or from any kind of injury that may arise from any other cause whatsoever on the Premises or in or on the Improvements, including defects in construction of the Improvements, latent or otherwise.

16.2 To the fullest extent permitted by law, Lessee shall indemnify, defend, and hold Lessor harmless against and from all liabilities, obligations, damages, penalties, claims, costs, charges, and expenses, including reasonable architect and attorney fees that may be imposed on or incurred by or asserted against Lessor by reason of any of the following occurrences during the Term:

16.2.1 Any work or thing done in, on, or about all or any part of the Premises or the Improvements by Lessee or any party other than Lessor;

16.2.2 Any use, nonuse, possession, occupation, condition, operation, maintenance, or management of all or any part of the Premises or the Improvements or any adjacent alley, sidewalk, curb, vault, passageway, or space;

16.2.3 Any negligence on the part of Lessee or any of its agents, contractors, servants, employees, sublessees, licensees, or invitees;

16.2.4 Any accident, injury, or damage to any person or property occurring in, on, or about the Premises or the Improvements; or

16.2.5 Any failure on the part of Lessee to perform or comply with any of the covenants, agreements, terms, provisions, conditions, or limitations contained in this Lease on its part to be performed or complied with.

16.3 The provisions of this Section shall survive the expiration or termination of this Lease or of Lessee's right of possession with respect to any claim, loss, damage, liability or cause of action accruing or occurring prior to such expiration termination, and shall remain fully enforceable thereafter. For all purposes under this Lease any deliberate action on the part of Lessor taken in good faith in the exercise of such persons' assigned duties and responsibilities shall not constitute negligence or willful misconduct. This indemnity shall survive the expiration or earlier termination of the term of the Lease or the termination of Lessee's right of possession and shall remain fully enforceable thereafter.

16.4 In case any action or proceeding is brought against Lessor by reason of any such claim, Lessee upon written notice from Lessor shall, at Lessee's expense, resist or defend such action or proceeding by counsel approved by Lessor in writing, which approval shall not be unreasonably withheld. Lessor shall not make any claim against Lessee with respect to any of such risks as to which Lessee has furnished Lessor with insurance policies or certificates of insurance evidencing coverage of such risks unless and until the insurer fails or refuses to defend and/or pay all or any part of a third-party claim.

17. Condemnation.

17.1 If all the Premises and the Improvements are taken or condemned, by right of eminent domain, by one of the agencies noted in *Exhibit "B"* hereto, or by purchase in lieu of condemnation, or if such portion of the Premises or the Improvements shall be so taken or condemned that the portion remaining is not sufficient and suitable, in Lessee's sole judgment, to permit the restoration of the Improvements following such taking or condemnation, then this Lease and the Term, at Lessee's option, shall cease and terminate as of the date on which the condemning authority takes possession (any taking or condemnation of the land described in this section being called a "Total Taking"), and the Minimum Rent and Additional Rent shall be apportioned and paid to the date of such total taking.

17.2 If this Lease expires and terminates as a result of a Total Taking, the rights and interests of the parties shall be determined as follows:

17.2.1 The total award or awards for the Total Taking shall be apportioned and paid in the following order of priority:

17.2.1.1 Lessor shall have the right to and shall be entitled to receive directly from the condemning authority, in its entirety and not subject to any trust, that portion of the award, which is defined and referred to as the "Land Award," and neither Lessee shall be entitled to receive any part of the Land Award. The term Land Award shall mean that portion of the award in condemnation or change of grade proceedings that Lessor determines represents the fair market value of the Premises, considered as vacant, unimproved but encumbered by this Lease and the sole purpose for which Lessee is entitled to use the Premises, the consequential damage to any part of the Premises that may not be taken, the diminution of the assemblage or plottage value of the Premises not so taken and all other elements and factors of damage to the Premises; but in all events such damage or valuation shall take into consideration that the Premises is encumbered by this Lease;

17.2.1.2 Lessee shall have the right to and shall be entitled to receive directly from the condemning authority, that portion of the award referred to as the "Leasehold Award." The term Leasehold Award shall mean that portion of the award in condemnation proceedings that represents the fair market value of Lessee's interest in the Improvements and the fair market value of Lessee's leasehold estate as so taken and, provided this Lease is not terminated as a result of such condemnation or taking, the consequential damages to any part of the Improvements.

17.2.1.3 It is the intent of the parties that the Land Award and Leasehold Award will equal the total amount of the awards respecting a total taking.

17.2.2 If the court or such other lawful authority as may be authorized to fix and determine the awards fails to fix and determine, separately and apart, the Land Award and the Leasehold Award, such awards shall be determined and fixed by written agreement mutually entered into by and among Lessor, Lessee, and if an agreement is not reached within twenty (20) days after the judgment or decree is entered in the proceedings, the controversy shall be resolved in the same court as the condemnation action is brought, in such proceedings as may be appropriate for adjudicating the controversy; and

17.2.3 If the condemning authority refuses or otherwise fails to deduct from the Leasehold Award any Rent or other money due from Lessee to Lessor and to pay same directly to Lessor,

then Lessee, shall execute and deliver to Lessor a written and acknowledged assignment of such amount payable out of such Leasehold Award, and if, nevertheless, the full amount of the Leasehold Award is paid to Lessee, the recipient shall hold in trust for Lessor and pay over to Lessor forthwith on the receipt of the award the amount or amounts so due.

17.3 If, during the Term, there is a taking or condemnation of the Premises or the Improvements that is not a total taking and not a temporary taking of the kind described below, or in the event of the change in the grade of the streets or avenues on which the Premises abuts, this Lease and the Term shall not cease or terminate but shall remain in full force and effect with respect to the portion of the Premises and of the Improvements not taken or condemned (any taking or condemnation or change of grade of the kind described in this Section being referred to as a "Partial Taking"), and in such event:

17.3.1 The total award or awards for the taking shall be apportioned and paid in the following order of priority:

17.3.1.1 Lessor shall have the right to and shall be entitled to receive directly from the condemning authority, in its entirety and not subject to any trust, that portion of the award that equals the Land Award, and neither Lessee shall be entitled to receive any part of the award; and

17.3.1.2 If at the time of such taking there is a mortgage held by a Lending Institution, then such Lending Institution, or, if there is no such mortgage, then Lessee, shall have the right to and shall be entitled to receive directly from the condemning authority the balance of the award, to be applied by the recipient as it shall deem appropriate.

17.4 In the event of a taking of all or a part of the Premises or the Improvements for temporary use, this Lease shall continue without change, as between Lessor and Lessee, and Lessee shall be entitled to the entire award made for such use; provided that Lessee shall be entitled to file and prosecute any claim against the condemnor for damages and to recover the same, for any negligent use, waste, or injury to the Premises or the Improvements throughout the balance of the then-current Term. The amount of damages so recovered shall belong to Lessee.

17.5 In the event of any dispute between Lessee and Lessor with respect to any issue of fact arising out of a taking mentioned in this section, such dispute shall be resolved by the same court in which the condemnation action is brought, in such proceedings as may be appropriate for the adjudicating the dispute.

18. Assignment and Subletting.

18.1 **Assignment and Subletting Prohibited.** Lessee shall not, either voluntarily or by operation of law, assign all or any part of Lessee's leasehold estate hereunder, permit the Premises to be occupied by anyone other than Lessee or Lessee's employees, sublet the Premises or any portion thereof, or encumber or pledge all or any portion of this Lease or Lessee's leasehold estate hereunder, without Lessor's express prior written consent in each and every instance, which consent may be withheld or issued subject to conditions, in Lessor's sole discretion. Any assignment, encumbrance, pledge, or Lease without Lessor's prior written consent shall be void and shall constitute a default hereunder. This provision shall apply to all mergers and changes in control of Lessee of any type or nature, each of which shall be deemed assignments for the purposes of this Section.

18.2 **No Release of Liability.** Regardless of Lessor's consent, no subletting or assignment shall release Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations to be performed by Lessee hereunder. The acceptance of rent by Lessor from any other person shall not be deemed to be a waiver by Lessor of any provision hereof. Consent to one assignment, encumbrance, pledge, or subletting shall not be deemed consent to any subsequent assignment, encumbrance, pledge, or subletting. If any assignee of Lessee or any successor of Lessee defaults in the performance of any of the terms hereof, Lessor may proceed directly against Lessee without the necessity of exhausting remedies against such assignee or successor. Lessor may consent to subsequent assignments, encumbrances, pledges, or subletting of this Lease or amendments or modifications to this Lease with assignees of Lessee, without notifying Lessee, or any successor of Lessee, and without obtaining its or their consent thereto, and such action shall not relieve Lessee of its liability under this Lease. If Lessee assigns this Lease, encumbers, pledges, or sublets all or a portion of the Premises, or requests the consent of Lessor to any assignment, encumbrance, pledge, or subletting, or if Lessee requests the consent of Lessor for any act that Lessee proposes to do, then Lessee shall pay Lessor's reasonable attorneys' fees incurred in connection therewith.

19. **Default; Remedies.**

19.1 The occurrence of any one or more of the following events of default constitutes a breach of this Lease by Lessee:

19.1.1 If Lessee defaults in the payment of Rent or Additional Rent due and payable by Lessee, and such default continues for ten (10) days after Lessor has given Lessee a notice specifying the same; or

19.1.2 If Lessee, whether by action or inaction, is in default of any of its obligations under this Lease (other than a default in the payment of Rent or Additional Rent by Lessee or specifically addressed below) and such default continues and is not remedied within thirty (30) days after Lessor has given Lessee a notice specifying the same, or, in the case of a default that can be cured but not within a period of thirty (30) days, if Lessee has not (1) commenced curing such default within such 30-day period; (2) notified Lessor of Lessee's intention and current ability to cure the default; and (3) continuously and diligently completes the cure of the default within an additional thirty (30) days thereafter.

19.1.3 A default under the terms of any Sublease shall, at the option of Lessor, constitute a default under the terms of this Lease. A default under the terms of this Lease shall, at the option of Lessor, constitute a default under the terms of any Sublease.

19.1.4 If Lessee shall file a petition in bankruptcy or be the subject of involuntary proceedings in bankruptcy not vacated within thirty (30) calendar days, or if a receiver or trustee shall be appointed of Lessee's property, or if Lessee shall make an assignment for the benefit of creditors, or if this Lease shall, by operation of law or otherwise, pass to any person or persons other than Lessee. For purposes of this Subsection 19.1.4, "Lessee" shall mean and include the Lessee named herein (or, if more than one person or entity constitutes Lessee, then by or against any such person or entity), any assignee or Sublessee, and any partner, co-Lessee, or guarantor in or of such Lessee or any assignee or Sublessee;

19.1.5 If this Lease or any estate of Lessee hereunder shall be levied upon under any attachment or execution and such attachment or execution is not vacated within ten (10) calendar days of the issuance of such attachment or execution;

19.1.6 If Lessee defaults under any other agreement with Lessor; or any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement in favor of any other creditor or person that may materially affect any of Lessee's property or Lessee's ability to perform this Lease; or a material adverse change occurs in Lessee's financial condition; or Lessor believes the prospect of payment or performance of the Lease by Lessee is impaired;

19.1.7 If any warranty, representation or statement made or furnished to Lessor by or on behalf of Lessee under this Lease is false or misleading in any material respect at the time made or furnished, or becomes false or misleading at any time thereafter; or

19.1.7 If any of the preceding events occurs with respect to any Guarantor or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of; or liability under any Guaranty of this Lease. Lessor at its option may but shall not be required to permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lessor, and in doing so, cure the event of default.

19.2 Upon the occurrence of an event of default, Lessor may exercise any one or more of the remedies set forth in this section or any other remedy available under applicable law or contained in this Lease:

19.2.1 Lessor or Lessor's agents and employees may immediately or at any time thereafter either by summary eviction proceedings or by any suitable action proceeding at law, may repossess the same, to the end that Lessor may have, hold, and enjoy the Premises. In no event shall Lessor take any action which may interrupt the service provided by Lessee to its customers. Lessee or its agents under all circumstances, until the summary eviction proceedings or other suitable action by Lessor is fully settled either by a court or by the parties, shall be allowed to continue to operate so that its services to its customers are not interrupted.

19.2.2 Lessor may relet the whole or any part of the Premises from time to time, either in the name of Lessor or otherwise, to such Lessees, for such terms ending before, on, or after the expiration date of the Lease Term, at such rentals and on such other conditions (including concessions and free rent) as Lessor may determine to be appropriate. To the extent allowed under Oregon law, Lessor shall have no obligation to relet all or any part of the Premises and shall not be liable for refusal to relet the Premises, or, in the event of such reletting, for refusal or failure to collect any rent due on such reletting; and any action of Lessor shall not operate to relieve Lessee of any liability under this Lease or

otherwise affect such liability. Lessor at its option may make such physical changes to the Premises as Lessor, in its sole discretion, considers advisable and necessary in connection with any such reletting or proposed reletting, without relieving Lessee of any liability under this Lease or otherwise affecting Lessee's liability.

19.2.3 After the completion of the proceeding in accordance with Section 19.2.1 above, whether or not Lessor retakes possession or relets the Premises, Lessor has the right to recover its damages, including without limitation all lost rentals, all legal expenses, all costs incurred by Lessor in restoring the Premises or otherwise preparing the Premises for reletting, and all costs incurred by Lessor in reletting the Premises.

19.2.4 To the extent permitted under Oregon law, Lessor may sue periodically for damages as they accrue without barring a later action for further damages. Lessor may in one action recover accrued damages plus damages attributable to the remaining Lease Term equal to the difference between the Rent reserved in this Lease for the balance of the Lease Term after the time of award, and the fair rental value of the Premises for the same period, discounted at the time of award at a reasonable rate not to exceed ten percent (10%) per annum. If Lessor has relet the Premises for the period that otherwise would have constituted all or part of the unexpired portion of the Term, the amount of rent reserved on such reletting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Premises so relet during the term of the reletting.

19.3 No failure by Lessor to insist on the strict performance of any agreement, term, covenant, or condition of this Lease or to exercise any right or remedy consequent upon a breach, and no acceptance of full or partial Rent during the continuance of any such breach, constitutes a waiver of any such breach or of such agreement, term, covenant, or condition. No agreement, term, covenant, or condition to be performed or complied with by Lessee, and no breach by Lessee, shall be waived, altered, or modified except by a written instrument executed by Lessor. No waiver of any breach shall affect or alter this Lease, but each and every agreement, term, covenant, and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach.

19.4 Lessor shall only be deemed to be in default under the terms of this Lease in the event Lessor shall fail to observe, keep or perform any covenant or agreement that is not observed, kept or performed by Lessor within thirty (30) calendar days after the receipt by Lessor of written notice from Lessee of such failure, which notice shall specifically set out the failure. Lessor shall not be considered in default so long as Lessor commences to cure the failure in a diligent manner and Lessor shall thereafter be allowed such additional time as reasonably necessary to correct the failure. Lessee specifically agrees to look solely to Lessor's interest in the Premises for the recovery of any personal judgment from Lessor, it being agreed that Lessor shall not be personally liable for any such judgment. Lessor shall be in default of this Lease if Lessor is in default of its original lease. Upon receipt of notice from any party that Lessor is in default of its original lease, Lessor shall within thirty (30) calendar days provide notice to Lessee of such default. Lessee shall have the right to make any payment or do any act to cure Lessor's default and shall have all the same rights of Lessor as described in Section 10 above.

19.5 In no event shall Lessor be liable to Lessee or to any Sublessee or to any third party for any lost or prospective profits or any other special, punitive, exemplary, consequential, incidental or indirect losses or damages (in tort, contract or otherwise) under or in respect of this Lease or for any failure or performance related hereto howsoever caused, whether or not arising from Lessor's sole, joint or concurrent negligence. To the extent any payment required to be made under this Lease is agreed by the parties to constitute liquidated damages, the parties acknowledge that the damages are difficult or impossible to determine and that such payment constitutes a reasonable approximation of such damages, and not a penalty. Lessee agrees that any action against any person or entity defined as Lessor in Section 39 (whether for breach of contract of a related strict liability or tort claim) by or on behalf of Lessee must be commenced within two (2) years after the cause of action has accrued. The obligations of Lessor under this Lease or any Sublease shall not be personally binding on, nor shall any resort be had to the private properties of, any of its trustees or board of directors and officers, as the case may be, the general partners thereof, or any beneficiaries, stockholders, employees, or agents of Lessor, or its property managers. It is expressly understood and agreed that any money judgment against Lessor resulting from any default of other claim arising under this Lease shall be satisfied only out of the rents, issues, profits, and other income actually received from the operation of the Premises from and after the accrual of said default or claim. No other real, personal or mixed property of Lessor, wherever situated, shall be subject to levy on any such judgment obtained against Lessor. If such income is insufficient for the payment of such judgment, neither Lessee nor any Sublessee shall institute any further action, suit, claim, or demand, in law or in equity, against Lessor for or on account of such deficiency. Lessee and each Sublessee each

hereby waive, to the fullest extent waivable under law, any right to satisfy said money judgment against Lessor except from income received by Lessor from or on behalf of Lessee from the Premises during the Term hereof.

19.6 Each right and remedy provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the party in question of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

19.7 In addition to any other remedies Lessor may have under this Lease, if any, damages or other sums payable hereunder by Lessee to Lessor are not paid within five (5) days after the date on which they are due, the same shall bear interest at a per annum rate equal to the rate of twelve percent (12%) per annum from and after the date on which such payment was due until paid in full; provided, however, that in no event shall such charge be greater than that permitted by applicable state law.

19.8 Lessor shall only be deemed to be in default under the terms of this Lease in the event Lessor shall fail to observe, keep or perform any covenant or agreement that is not observed, kept or performed by Lessor within thirty (30) calendar days after the receipt by Lessor of written notice from Lessee of such failure, which notice shall specifically set out the failure. Lessor shall not be considered in default so long as Lessor commences to cure the failure in a diligent manner and Lessor shall thereafter be allowed such additional time as reasonably necessary to correct the failure. Lessee specifically agrees to look solely to Lessor's interest in the Premises for the recovery of any personal judgment from Lessor, it being agreed that Lessor shall not be personally liable for any such judgment. Lessee agrees that Lessor shall in no event and under no circumstances be responsible for any consequential damages.

20. **No Abatement of Rent.**

20.1 Except as otherwise specifically provided in this Lease, no abatement, refund, diminution, or reduction of Rent or other compensation shall be claimed by or allowed to Lessee, or any person claiming under it, under any circumstances, whether for inconvenience, discomfort, interruption of business, or otherwise, arising from work on Improvements, by virtue or because of Legal Requirements, or the occurrence of any matters referred to herein with respect to casualty damage and condemnation, or for any other reason, cause, or occurrence.

20.2 Unless caused by Lessor, if any adjoining Building or structure encroaches on the Premises, no claim, demand, or objection of any kind shall be made by Lessee against Lessor by reason of such encroachments; no claim for abatement of Rent due under this Lease shall be made by reason of such encroachments or acts of, or in connection with, removal of the encroachments. The rights, liabilities, and obligations of the parties shall be the same as if there were no encroachments. In any related legal proceedings, the Premises may properly and without prejudice be described according to the description previously used without reference to any such encroachments. Lessor agrees to cooperate with Lessee in any proceedings sought by Lessee to remove such encroachments, provided such cooperation does not cause Lessor to incur any expense.

21. **Transfer of Interest by Lessor.** Lessor may sell, exchange, assign, transfer, convey, contribute, distribute, or otherwise dispose of all or any part of its interest (called "Lessor's Interest") in the Premises or this Lease (including but not limited to Lessor's reversion) provided the recipient of Lessor's Interest is bound by the terms of this Lease.

22. **Nonmerger.** There shall be no merger of this Lease, or of the leasehold estate created by this Lease, with the fee estate in the Premises by reason of the fact that this Lease, the leasehold estate created by this Lease, or any interest in this Lease or in any such leasehold estate, may be held, directly or indirectly, by or for the account of any person who shall own the fee estate in the Premises or any interest in such fee estate, and no such merger shall occur unless and until all persons at the time having an interest in the fee estate in the Premises and all persons having an interest in this Lease, or in the leasehold estate created by this Lease, shall join in a written instrument effecting such merger and shall duly record the same.

23. **Quiet Enjoyment.** Subject to acts of government and the provisions of this Lease, including without limitation the interests set forth in Exhibit "B" hereto, Lessee may peacefully have, hold and enjoy the Premises, subject to the other provisions hereof, provided that Lessee pays the Rent and performs all of Lessee's covenants and agreements herein contained, subject to any mortgage, master lease or other recorded documents having priority over this Lease and the documents and agencies set forth in *Exhibit "B"* hereto. Notwithstanding the foregoing, Lessor shall not be responsible or liable for the interference, disturbance, acts, or omissions of any third party, including without limitation, occupants of the Premises, nor shall Lessee be released from any of the obligations of this Lease because of such interference, disturbance, acts or omissions. It is understood and agreed that this covenant and any and all other covenants of Lessor contained in this Lease shall be binding upon Lessor and its successors only with respect to breaches occurring during their respective ownership of Lessor's interest hereunder.

24. **Surrender.**

24.1 Except as otherwise provided, Lessee, on the last day of the Term or upon the lawful demand of any agency or entity noted in *Exhibit "B"* hereto, shall surrender and deliver up the Premises to the possession and use of Lessor without fraud or delay, free and clear of all lettings and occupancies other than Leases then terminable at the option of Lessor or Leases to which Lessor shall have specifically consented, and free and clear of all liens and encumbrances other than those, if any, presently existing or created or suffered by Lessor, without any payment or allowance whatever by Lessor on account of any Improvements on the Premises.

24.2 When furnished by or at the expense of Lessee or any sublessee, the Improvements, furniture, fixtures, and equipment may be removed by Lessee at or before this Lease terminates, provided, however, that the removal will not injure the Premises or necessitate changes in or repairs to the same. Lessee shall pay or cause to be paid to Lessor the cost of repairing any damage arising from such removal and restoration of the Premises to their condition before such removal.

24.3 Any personal property of Lessee or any sublessee that shall remain on the Premises after the termination of this Lease and the removal of Lessee or such sublessee from the Premises may, at the option of Lessor, be deemed to have been abandoned by Lessee or such sublessee and may either be retained by Lessor as its property or be disposed of, without accountability, in such manner as Lessor may see fit, or if Lessor gives written notice to Lessee to such effect, such property shall be removed by Lessee at Lessee's sole cost and expense. If this Lease terminates early for any reason other than the default of Lessee then, anything to the contrary notwithstanding, Lessee or any sublessee shall have a reasonable time thereafter to remove its personal property.

24.4 Lessor shall not be responsible for any loss or damage occurring to any property owned by Lessee or any sublessee.

24.5 The provisions of this section shall survive any termination of this Lease.

25. **Invalidity of Particular Provisions.** If any term or provision of this Lease or the application of the Lease to any person or circumstances is, to any extent, invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

26. **No Representations.** Lessee acknowledges and agrees that Lessee has made its determination to lease the Premises based upon Lessee's inspection and investigation of the Premises, and is leasing the Premises "*AS IS*," without any representations and warranties by Lessor. Lessee specifically acknowledges that Lessor makes no representations or warranties regarding environmental matters. Lessee acknowledges that it has examined the Premises and that no representations as to the condition of the Premises have been made by Lessor or any agent or person acting for Lessor (except as expressly provided in this Lease). Lessee has, prior to the execution hereof, had the opportunity to conduct all tests and inspections deemed necessary or appropriate by Lessee with respect to the Premises and the suitability of the Premises for Lessee's intended use. Lessor shall have no liability because of, or as a result of, the existence of any law, regulation, or condition, either on the Premises or on adjacent land that might affect Lessee's intended use of the Property. Notwithstanding the foregoing, Lessee shall not be liable for any costs or required actions related to any cleanup or remedial action required by any governmental agency under any statute or regulation for any hazardous material on the Premises which existed prior to the date of possession by Lessee, and Lessor shall indemnify and hold Lessee harmless for any action or claim by any party for any such costs or actions.

27. **Subordination, Attornment and Estoppel Certificate.**

27.1 **Subordination.** This Lease shall be subject and subordinate to the lien, operation and effect of each of the following (each herein called a "Senior Instrument"): (i) each mortgage, deed of trust, ground lease and/or other similar lien instrument of encumbrance now or at any time hereafter during the Term covering any or all of the Premises or the remainder of the Property; (ii) each renewal, modification, consolidation, replacement or extension of any of such instruments. Such subordination shall be automatic and shall not require any action by either party hereto. Lessor shall also have the right to assign its interest in this Lease for security purposes to any Senior Holder. If in connection with providing any financing or refinancing for the property upon which any of the Premises is located, the proposed lender shall request modifications to this Lease as a condition of such financing, Lessee shall agree to such modifications, provided that such modifications do not materially increase the obligations, or materially and adversely affect the rights, of Lessee under this Lease. In the event of the enforcement by the Senior Holder of the remedies provided for by law or by such Senior Instrument, or in the event Lessor gives a deed-in-lieu-of-foreclosure to such Senior Holder, Lessee shall, upon request of any person or party succeeding to Lessor's interest as a result of such enforcement or termination, automatically become the Lessee of such successor-in-interest without change in the terms or other provisions of this Lease; provided, however, that such successor in interest shall not be bound by (a) any payment of rent or Additional Rent for more than one month in advance, (b) any amendment or modification of this Lease made without the written consent of such Senior Holder or such successor in interest, or (c) any defaults of Lessor under this Lease that remain uncured at the time such successor in interest obtains title to the Premises. In the event of any act or omission by Lessor by reason of which Lessee may claim the right to terminate this Lease or claim a defense or offset against the sums due Landlord hereunder, Lessee agrees not to exercise any such right until (i) Lessee has notified the Senior Holder of such act or omission by Lessor, and (ii) Lessee has given the Senior Holder a reasonable opportunity to cure such act or omission.

27.2 **Attornment.** Lessee shall, promptly at the request of the Lessor or the holder of any Senior Instrument (each herein called a "Senior Holder"), execute, acknowledge and deliver such further instrument or instruments evidencing such subordination as the Lessor or such Senior Holder deems reasonably necessary or desirable and (at such Senior Holder's request) attorning to such Senior Holder. Lessee further agrees that it will provide any such Senior Holder with any evidence required to show the authority of Lessee to execute any such subordination instrument or certificate and will, upon request, provide to such person or entity a copy of any notice Lessee gives or is required to give Lessor under this Lease.

27.3 **Estoppel Certificate.** Either party, within ten (10) days after a request from time to time made by the other party and without charge, shall give a certification in writing to any person, firm, or corporation reasonably specified by the requesting party stating (1) that this Lease is then in full force and effect and unmodified, or if modified, stating the modifications; (2) that Lessee is not in default in the payment of Rent to Lessor, or if in default, stating such default; (3) that as far as the maker of the certificate knows, neither party is in default in the performance or observance of any other covenant or condition to be performed or observed under this Lease, or if either party is in default, stating such default; (4) that as far as the maker of the certificate knows, no event has occurred that authorized, or with the lapse of time will authorize, the other party to terminate this Lease, or if such event has occurred, stating such event; (5) that as far as the maker of the certificate knows, neither party has any offsets, counterclaims, or defenses, or, if so, stating them; (6) the dates to which Rent have been paid; and (7) any other matters that may be reasonably requested by the requesting party.

27.4 **Modification for Lender/Purchaser.** If, in connection with a change in control of Lessor's stock or the sale of a substantial portion of Lessor's assets, or if, in connection with obtaining financing for Lessor, and/or for the Property upon which the Premises is located, or any portion thereof, any purchaser or lender shall request reasonable modification to this Lease as a condition to such acquisition and/or financing, Lessee shall not unreasonably withhold, delay or defer its consent thereto, provided such modifications do not adversely affect Lessee's rights hereunder with respect to essential terms such as the amount of the rent or Lessee's right to extend the Lease.

27.5 All documentation confirming the foregoing shall be in a form and content determined solely by Lessor.

28. **Force Majeure.** If the performance by either of the parties of their respective obligations under this Lease (excluding monetary obligations) is delayed or prevented in whole or in part by any Legal Requirement (and not attributable to an act or omission of the party), or by any acts of God, fire or other casualty, floods, storms, explosions, accidents, epidemics, war, civil disorders, strikes or other labor difficulties, shortage or failure of supply of materials, labor, fuel, power, equipment, supplies or transportation, or by any other cause not reasonably within the party's control, whether or not specifically mentioned, the party shall be excused, discharged, and released of performance to the extent such performance or obligation (excluding any monetary obligation) is so limited or prevented by such occurrence without liability of any kind.

29. **Notices.**

29.1 Any notice required or permitted by the terms of this Lease shall be deemed given if delivered personally to an officer of the party to be notified or sent by United States registered or certified mail, postage prepaid, return-receipt requested, and addressed as follows:

If to Lessor:	with copy to:
Portland General Electric Company Attn: Property Services Manager 1WTC0401, 121 SW Salmon Street Portland, Oregon 97204	Portland General Electric Company Attn: General Counsel 1WTC1301, 121 SW Salmon Street Portland, Oregon 97204
If to Lessee:	with copy to:
Columbia River Maritime Enterprises, LLC Attn: Andy Papachristopolous 12700 S.W. North Dakota Portland, OR 97223	_____ _____ _____ _____

or such other addresses as may be designated by either party by written notice to the other. Except as otherwise provided in this Lease, every notice, demand, request, or other communication shall be deemed to have been given or served on actual receipt.

29.2 Lessee shall immediately send to Lessor, in the manner prescribed above for giving notice, copies of all notices given by it to any mortgagee or received by it from such mortgagee, and copies of all notices that it receives with respect to the Premises or Improvements from any government authorities, fire regulatory agencies, and similarly constituted bodies, and copies of its responses to such notices.

29.3 Notwithstanding anything in this section to the contrary, any notice mailed to the last designated address of any person or party to which a notice may be or is required to be delivered pursuant to this Lease or this section shall not be deemed ineffective if actual delivery cannot be made due to a change of address of the person or party to which the notice is directed or the failure or refusal of such person or party to accept delivery of the notice.

30. **Arbitration and Appraisal.**

30.1 In any case in which it is provided by the terms of this Lease that any matter shall be determined by arbitration or appraisal, such arbitration or appraisal shall be conducted in the manner specified in this section.

30.2 The party desiring such arbitration or appraisal shall give written notice to that effect to the other party and shall in such notice appoint a disinterested person of recognized competence in the field involved as arbitrator or appraiser on its behalf. Within fifteen (15) days thereafter, the other party may by written notice to the original party appoint a second disinterested person of recognized competence in such field as arbitrator or appraiser on its behalf. The arbitrators thus appointed shall appoint a third disinterested person of recognized competence in such field, and the three arbitrators shall, as promptly as possible, determine such matter, provided, however, that

30.2.1 If the second arbitrator or appraiser is not appointed pursuant to the above procedure, then the first arbitrator or appraiser shall proceed to determine such matter; and

30.2.2 If the two arbitrators or appraisers appointed by the parties are unable to agree, within fifteen (15) days after the second arbitrator or appraiser is appointed, on the appointment of a third arbitrator or appraiser, they shall give written notice of such failure to agree to the parties and, if the parties fail to agree on the selection of the third arbitrator or appraiser within fifteen (15) days after the arbitrators or appraisers appointed by the parties give notice, then within ten (10) days thereafter either of the parties on written notice to the other party may request such appointment by the presiding judge of the Circuit Court of the County of the State of Oregon in which the Premises are located, or to any other court having jurisdiction and exercising functions similar to those now exercised by the court.

30.3 Lessor and Lessee shall each be entitled to present evidence and argument to the arbitrators. The determination of the majority of the arbitrators or appraisers, or of the sole arbitrator or appraiser, as the case may be, shall be conclusive on the parties, and judgment on the same may be entered in any court having jurisdiction over the parties. The arbitrators or appraisers or the sole arbitrator or appraiser, as the case may be, shall give written notice to the parties stating the arbitration determination, and shall furnish to each party a signed copy of such determination. Arbitration proceedings shall be conducted pursuant to ORS 33.210-33.340 and the rules of the American Arbitration Association, except as provided otherwise. If any such dispute involves a determination of value or of a fixed amount of money and if a majority of the arbitrators do not agree, then, instead of such arbitration, either party shall be entitled to seek a judicial determination of the matter in issue in a court of competent jurisdiction.

30.4 Each party shall pay the fees and expenses of the arbitrator or appraiser appointed by such party and one-half of the fees and expenses of the third arbitrator or appraiser, if any.

30.5 Anything contained in this Lease to the contrary notwithstanding, whenever Lessee is required to make any payment or to perform any act or thing at a specified time or within a specified time limit under the provisions of this Lease, and any such payment or performance is subject to arbitration under this section, such time or time limit, as the case may be, shall be extended by the period consumed by the institution, conduct, and prosecution to final conclusion of any arbitration or appraisal concerning or relating to such payment or performance.

31. **Costs and Attorney Fees.** In the event suit, action, arbitration or mediation is instituted in connection with this Lease, including but not limited to litigation or proceedings in Bankruptcy Court whether or not regarding issues which are unique to bankruptcy law, the losing party shall pay the prevailing party's reasonable attorneys' and paralegals' fees and court costs at and in preparation for any proceeding, whether at trial, appeal therefrom, on any petition for review, or in any arbitration or mediation. If Lessor prevails, to the extent that Lessor has been represented by Lessor's in-house legal counsel, Lessor's attorney fees shall be computed on the basis of those of a private attorney in downtown Portland, Oregon, who practices in a firm having as many attorneys as are employed by Lessor's in-house legal department, and who have experience comparable to Lessor's in-house counsel. If, upon the occurrence of a default by Lessee, Lessor consults with an attorney regarding the enforcement of its rights under this Lease or at law, Lessee shall pay all reasonable attorneys' fees and other related costs incurred by Lessor in connection therewith.

32. **Entire Agreement.** This Lease contains the entire agreement between the parties and, except as otherwise provided, can be changed, modified, amended, or terminated only by an instrument in writing executed by the parties. It is mutually acknowledged and agreed by Lessee and Lessor that there are no verbal agreements, representations, warranties, or other understandings affecting this Lease.

33. **Applicable Law.** This Lease shall be governed by, and construed in accordance with, the laws of the Oregon. In the event any action is brought to enforce this Agreement venue shall exclusively be in Columbia County, Oregon, and each party hereby unconditionally and irrevocably consents to the exclusive jurisdiction of the Oregon state courts.

34. **Interest on Rent Arrearages.** All arrearages in the payment of Rent that Lessee fails to pay within the ten (10) day period after notice from Lessor shall bear interest from the date due until paid, at the rate defined in Section 9 above.

35. **Brokerage.** Lessor and Lessee represent to each other that they have not employed any brokers in negotiating and consummating the transaction set forth in this Lease, but have negotiated directly with each other.

36. **Covenants to Bind and Benefit Parties.** The covenants and agreements contained in this Lease shall bind and inure to the benefit of Lessor, its successors and assigns, and Lessee, its successors and assigns.

37. **Captions and Table of Contents.** The captions of this Lease are for convenience and reference only, and in no way define, limit, or describe the scope or intent of this Lease or in any way affect this Lease. Any table of contents preceding this Lease but under the same cover is for the purpose of convenience and reference only, and is not to be deemed or construed in any way as part of this Lease, nor as supplemental or amendatory.

38. **Performance by Lessor.** All covenants to be performed by Lessee under this Lease shall be performed by Lessee at Lessee's sole cost and expense and without any abatement of rent. If Lessee shall fail to pay any sum of money owed to any party other than Lessor for which it is liable hereunder, or if Lessee shall fail to perform any other act on its part to be performed hereunder, Lessor, without waiving such default or any other right or remedy, may but shall not be obligated to, make any such payment or perform any such other act to be made or performed by Lessee. All sums so paid by Lessor and all necessary incidental costs, together with interest thereon at a per annum rate equal to the rate of twelve percent (12%) per annum from and after the date on which such payment was due until paid in full and shall be payable to Lessor on demand; provided, however, that in no event shall such charge be greater than that permitted by applicable state law.

39. **Definition of Lessor.** As used herein, the term "Lessor" means the person hereinabove named as such, and its successors and assigns (each of whom shall have the same rights, remedies, powers, authorities and privileges as it would have had, had it originally signed this Lease as the Lessor). No person holding Lessor's interest hereunder (whether or not such person is named as "Lessor" herein) shall have any liability hereunder after such person ceases to hold such interest. No Senior Holder not in possession of the Premises or the Property shall have any liability hereunder.

40. **Definition of "Lessee".** As used herein, the term "Lessee" means each person and/or entity hereinabove named as such and such person's heirs, personal representatives, successors and assigns, each of whom shall have the same obligations, liabilities, rights and privileges as it would have possessed had it originally executed this Lease as Lessee; provided, that no such right or privilege shall inure to the benefit of any assignee of Lessee, immediate or remote, unless the assignment to such assignee is made in accordance with the provisions of Section 18. Whenever two or more persons constitute Lessee, all such persons shall be jointly and severally liable for performing Lessee's obligations hereunder and each irrevocably waives, disclaims and relinquishes all claims against one another which each such party has or would otherwise have by virtue of payment of any sums to Lessor, specifically including but not limited to all rights of indemnity, subrogation, contribution or exoneration. To the extent the context of any provisions of this Lease makes if appropriate, including without limitation any representation, warranty or covenant, the word "Lessee" as used herein shall include all subsidiaries and affiliates of the Lessee. Notwithstanding the foregoing however, under no circumstances shall this Lease be construed to require Lessor to formally recognize or make any accommodation to any subsidiary or affiliate of Lessee.

41. **Consent.** Wherever in this Lease Lessee is required to obtain Lessor's consent, Lessee shall reimburse Lessor for all reasonable costs and expenses associated with processing any request for approval, regardless of whether such proposal is approved or denied, including, but not limited to, attorneys' fees for outside counsel. No consent required by Lessor under this Lease shall be granted unless in writing. Unless otherwise specifically set forth herein, consent by Lessor may be withheld or conditioned in the sole discretion of Lessor. Specifically, without limitation, Lessor's consent may be denied or conditioned upon Lessor's determination of the environmental aspects of the use of the property by Lessee and/or by the proposed assignee or sublessee. As a condition to any consent, Lessor may require that any other party or parties with a right of consent issue such consent on terms acceptable to Lessor. The consent or approval of Lessor to or of any act by Lessee requiring Lessor's consent or

approval shall not be deemed to waive or render unnecessary Lessor's consent to or approval of any subsequent similar acts by Lessee. In no event shall Lessee have the right to terminate this Lease, and in no event shall Lessor be liable for monetary damages, based on a claim that consent has been unreasonably withheld or conditioned or otherwise arising from the withholding or conditioning of consent.

42. **Communications.** The parties agree that all public communications concerning the Premises, e.g., press releases or information provided to the press, and all substantive discussions with public agencies having jurisdiction over the Premises, will be undertaken by Lessee only upon the prior written approval of Lessor as to the contents of the announcement and its release, which approval will not be unreasonably withheld.

43. **Authorization and Confidentiality.** Lessee shall treat all information provided by Lessor as the proprietary and confidential property of Lessor, to the fullest extent allowed by law. Except for published information or information ascertainable from public records, any confidential information furnished or disclosed by either Lessor or Lessee in this Lease will be held by the other in confidence and will not be divulged to any third party, except for a party's advisors and consultants, or as required by law. Lessor reserves the right at all times to disclose any information deemed necessary or appropriate by Lessor to satisfy any law, regulation, or governmental request.

44. **Lessor's Lien For Rent.** As an incentive to enter into this Lease and as an additional guaranty of performance, Lessee grants to Lessor a security interest in all trade fixtures, equipment, inventory, after-acquired property, accounts receivable and the proceeds from the sale of the same. This security interest shall apply to all trade fixtures, equipment, inventory, after-acquired property, accounts receivable and the proceeds from the sale of the same used in or about the Premises and/or used in Lessee's business. After-acquired property shall include, but not be limited to, property purchased with the proceeds of the sale of inventory, equipment, trade fixtures and/or any other property used in Lessee's business after the date of this Lease. Lessee shall execute all Uniform Commercial Code forms deemed necessary or appropriate by Lessor to effect the intent of this Section. Lessor agrees to subordinate the security interest granted herein to such conventional bank financing reasonably necessary for Lessee's purchase of trade fixtures, equipment and inventory. Lessor shall not be deemed to be subordinate to any bank financing unless such subordination is in writing and signed by Lessor. Bank financing shall mean money borrowed from a recognized lending institution and used for the express purpose of acquiring trade fixtures, inventory, and/or equipment used in Lessee's business. The foregoing lien rights shall be in addition to any such rights granted Lessor pursuant to ORS Chapter 87.

45. **Third Parties.** Nothing contained herein nor the transactions contemplated hereby, express or implied, shall be deemed to inure to the benefit of any person or entity not a party to this Lease, this Lease being intended solely for the benefit of Lessor and Lessee, nor shall it confer upon any such party or entity any right or remedy of any nature whatsoever.

46. **Survival.** The release and indemnity covenants of Lessee, the right of Lessor to enforce its remedies hereunder, the attorneys' fees provisions hereof, the provisions of Section 44 hereof, as well as all provisions of this Lease which contemplate performance after the expiration or termination hereof or the termination of Lessee's right to possession hereunder, shall survive any such expiration or termination.

47. **Recording.** Lessee shall not record this Lease or any memoranda hereof without the prior written consent of Lessor, and if such consent if forthcoming, Lessee shall pay all charges and taxes incident to such recording.

48. **Necessary Documents.** Each party at the request of any other party shall provide any information and execute, acknowledge and deliver any and all documents and instruments reasonably necessary to complete the protection contemplated by this Lease and to give full effect to this Lease.

49. **Authorization.** The execution, delivery, and performance of this Lease by Lessee, to the extent to be executed, delivered or performed by Lessee, have been duly authorized by all necessary action by Lessee; do not require the consent or approval of any other person, regulatory authority or governmental body; and do not conflict with, result in a violation of; or constitute a default under (a) any provision of its articles of incorporation or organization, or bylaws, or any agreement or other instrument binding upon

Lessee or (b) any law, governmental regulation, court decree, or order applicable to Lessee. Lessee agrees to furnish Lessor promptly upon request a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of Lessee to enter into this Lease.

50. **Good Faith.** The parties agree that the phrase "good faith" will mean honesty in fact and the observance of reasonable commercial standards of the trade as used in or applied by any mediator, arbitrator, or judge to the performance or enforcement of this Lease, including the rights and obligations of the parties hereunder.

51. **English Language.** This Agreement may be translated into one or more languages for the convenience of the parties or to comply with any law, however, in any controversy between the parties, the English language version of the Agreement shall be controlling.

52. **Rider.** If a Rider is attached to this Lease, the additional provisions contained therein shall constitute a part of this Lease. In the event there is a conflict between the body of the Lease and the Rider, the language of the Rider shall control.

53. **Guaranty.** The performance by Lessee of each and every obligation of Lessee under this Agreement, all related documents, all Exhibits hereto, shall be personally guaranteed in accordance with Exhibit "C" hereto.

54. **Statutory Warning.** "THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES."

The submission of this Lease for examination by or on behalf of Lessee does not constitute a reservation of or option for the Premises and this Lease becomes effective as a lease only upon execution and delivery thereof by Lessor and Lessee.

IN WITNESS WHEREOF, Lessee and Lessor have caused this Lease to be executed by their duly authorized officers as of the day and year first above written.

LESSOR:

PORTLAND GENERAL ELECTRIC COMPANY,
an Oregon Corporation

By: _____

Printed Name: Stephen Quennoz
Title: Vice President

LESSEE:

COLUMBIA RIVER MARITIME ENTERPRISES, LLC,
an Oregon Limited Liability Company

By: _____

Printed Name: Andy Papachristopolous
Title: Manager

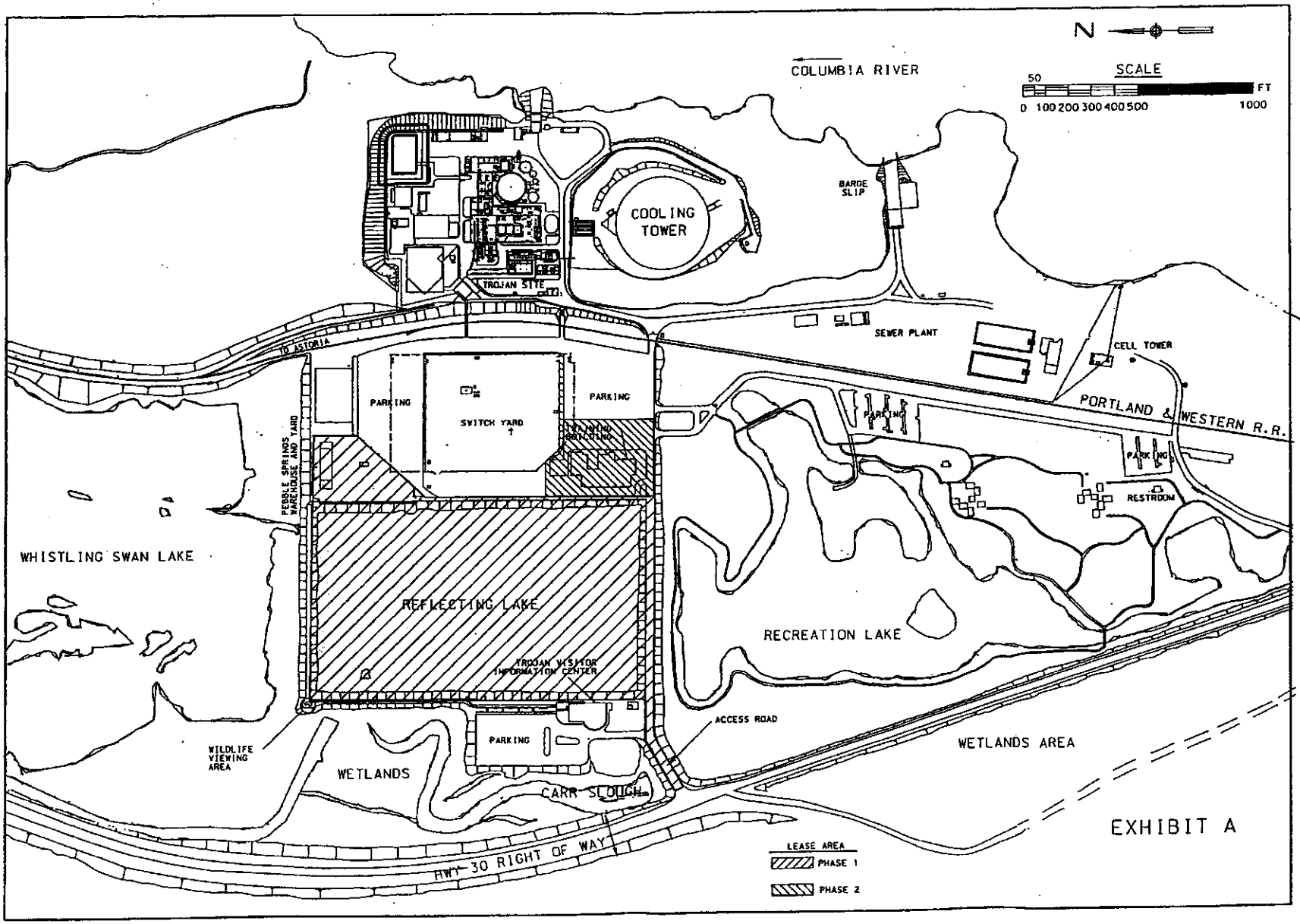
EXHIBIT "A"

Description of Premises

A portion of the Trojan Office Campus at 71760 Columbia River Highway, Rainer, Columbia County, Oregon consisting generally of the following:

1. Pebble Springs Warehouse consisting of a structure containing approximately Eight Thousand Three Hundred Sixteen (8,316) square feet of floor space and a surrounding yard comprising approximately Two and One-Half (2.5) Acres, more or less;
2. A portion of Building No. 2 consisting of a two- story structure containing approximately Fifty Three Thousand (53,000) square feet of floor space and a surrounding yard comprising approximately Two (2.0) Acres, more or less containing an asphalt parking lot with Fifty (50) spaces; and
3. Reflection Lake with dimensions of approximately One Thousand Four Hundred Feet by Nine Hundred Feet (1400' x 900') and containing approximately Twenty Eight (28) Acres more or less.

SEE ATTACHED SITE PLAN


N
COLUMBIA RIVER
SCALE
50
FT
0 100 200 300 400 500
1000
COOLING TOWER
BARGE SLIP
TROJAN SITE
SEWER PLANT
CELL TOWER
TO ASTORIA
PARKING
SWITCH YARD
PARKING
PARKING
PORTLAND & WESTERN R.R.
PARKING
PARKING
RESTROOM
PEBBLE SPRINGS WAREHOUSE AND YARD
WHISTLING SWAN LAKE
REFLECTING LAKE
RECREATION LAKE
TROJAN VISITOR INFORMATION CENTER
ACCESS ROAD
PARKING
WETLANDS AREA
WILDLIFE VIEWING AREA
WETLANDS
CARR SLOUGH
HWY 30 RIGHT OF WAY
LEASE AREA
PHASE 1
PHASE 2
EXHIBIT A

LESSOR:

PORTLAND GENERAL ELECTRIC COMPANY,
an Oregon Corporation

By: _____

Printed Name: Stephen Quennoz
Title: Vice President

LESSEE:

COLUMBIA RIVER MARITIME ENTERPRISES, LLC,
an Oregon Limited Liability Company

By: _____

Printed Name: Andy Papachristopolous
Title: Manager

EXHIBIT "B"

1. *Ownership Agreement.*

Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant, as amended, among PGE and Pacific Power and Light Company (now PacifiCorp) and the Eugene Water & Electric Board.

2. *Mortgage Indenture.*

Indenture of Mortgage and Deed of Trust dated July 1, 1945, as supplemented and amended from time to time, from Portland General Electric Company to HSBC Bank USA (f/k/a Midland Bank, N.A.), as Trustee, and/or its successor or assigns.

3. Governmental Agencies.

Public Utility Commission
Nuclear Regulatory Commission
Oregon Office of Energy
The Energy Facility Siting Council
Oregon Office of Safety and Security/Homeland Security
US Department of Homeland Security
US Coast Guard Marine Security

4. *Trojan Nuclear Plant*

Lessor operates and maintains the Trojan Nuclear Facility pursuant to the terms of that certain Agreement for Construction Ownership and Operation of the Trojan Nuclear Plant, dated October 5, 1970, as amended by that certain First Amendment to Agreement for Construction Ownership and Operation of the Trojan Nuclear Plant, dated April, 1999 (the "Trojan Agreement"). The Lease is and the Leased Site located at the Trojan facility are each subject to the Trojan Agreement as well as all licenses and permits and all rules and regulations of public authorities having jurisdiction over the Trojan facility.

The Leased Premises are part of an area surrounding the Trojan Nuclear Power Plant specifically designated as an EXCLUSION AREA. Lessor specifically retains, and shall retain in any Lease executed pursuant hereto, the control and authority to determine all activities INCLUDING EXCLUSION OR REMOVAL OF LESSEE, its employees, agents, invitees, and permittees, and LESSEES PROPERTY FROM THE EXCLUSION AREA. Lessor retains the absolute ability in its sole discretion to oust Lessees in order to comply with its legal and regulatory obligations. Lessees are further obligated to provide to each and every employee and agent suitable training and procedures for evacuation and Lessee will make Lessor's unfettered rights known to such employees and agents and shall require each of them to respond to the direction of Lessor's employees and agents or the Nuclear Regulatory Agency in the event of any emergency or need for evacuation. Lessees shall leave the area promptly upon direction by Lessor. Lessees shall, in every manner, cooperate with and facilitate the orderly evacuation of Lessees, its employees, agents, invitees, and permittees from the area. In the event Lessee's employees are subject to medical radiation exposure, Lessee shall provide information to Lessor promptly upon learning of such exposure. Lessee shall request employees to provide such information to Lessee. At Lessor's request, Lessees shall participate in evacuation drills or other training exercises. In the event the Premises are vacated at the direction of Lessor, the rent shall be abated proportionately during the vacation period depending upon the proportion of the Premises affected. Lessee shall be entitled to return to the Exclusion Area as soon as Lessor has reasonably determined that Lessor has complied with its legal and regulatory obligations.

Federal and State Regulations require that proposed modifications or new construction at Trojan, including activities not directly affecting the plant but within the Trojan plant site boundaries be subject to a determination of whether an environmental evaluation or prior approval from the regulatory authority are required. For example, structural modifications to the switchyard require that such a determination be

made. These determinations are made through implementation of Trojan Plant Procedure (TPP) 18-1, *10 CFR 50.59 and Other Regulatory Evaluations* and/or Trojan ISFSI Procedure (TIP) 05, *10 CFR 72.48 and Other Regulatory Evaluations* for the Trojan Plant and Trojan ISFSI, respectively. Routine maintenance and repair of existing facilities do not require making such a determination. Lessee shall notify Lessor prior to starting any new construction or making any modifications to the Premises, the site grounds, facilities or equipment. This shall specifically include without limitation all dredging or excavating activities.

LESSEE:

COLUMBIA RIVER MARITIME ENTERPRISES, LLC,
an Oregon Limited Liability Company

By: _____

Printed Name: Andy Papachristopolous
Title: Manager

EXHIBIT "C"
GUARANTY

In consideration of *Portland General Electric Company*, an Oregon Corporation ("Lessor") entering into a Lease with *Columbia River Maritime Enterprises, LLC*, an Oregon Limited Liability Company("Lessee"), dated as of the 1st day of October, 2004, and pertaining to certain property located at the Trojan Nuclear Facility (the "Lease"), and for other good and valuable consideration, the current receipt, reasonable equivalence, sufficiency of which are hereby acknowledged by each of the undersigned, the undersigned Guarantor unconditionally and irrevocably guarantees the performance by Lessee and any Sublessee of each and every obligation of Lessee under the Lease and any other obligation of Lessee, any Sublessee and/or each Guarantor to Lessor.

This Guaranty shall be continuing and shall terminate only upon the satisfaction by Lessee and each Guarantor of each and every one of their respective obligations under the Lease, any Sublease, this Guaranty, and any other obligation of Lessee and/or each Guarantor to Lessor in accordance with their terms. Guarantor acknowledges and agrees that Lessor may deal with Lessee and any other person or entity in any manner in which Lessor deems fit in connection with the Lease without any further notice to or consent from any Guarantor. Specifically, without limitation, Guarantor consents that it will not be necessary for Lessor, in order to enforce this Guaranty, to initiate an action or exhaust Lessor's legal remedies against Lessee, or any other person or entity, including without limitation, Guarantor. Guarantor consents that this Guaranty may be immediately enforced upon nonpayment when due of any amount payable to Lessor under the Lease or any other obligation of Lessee and/or each Guarantor to Lessor, or Lessee's failure to perform any other obligation under the Lease, or any other obligation of Lessee and/or any Guarantor to Lessor. Guarantor consents that Lessor from time to time may extend the time for performance or otherwise modify, alter, or change the Lease and/or any other obligation of Lessee and/or each Guarantor to Lessor, may extend the time for any payment and may receive and accept notes, checks, and other instruments for the payment of money made by or on behalf of Lessee and/or any Guarantor and extensions or renewals of such items without in any way releasing or discharging Guarantor from Guarantor's obligations under this Guaranty. This Guaranty shall not be released, extinguished, modified, or in any way affected by failure on the part of Lessor to enforce all the rights and remedies available to Lessor under this or any other Agreement between Lessor and Lessee, and/or any Guarantor.

Guarantor hereby waives presentment, protest, notice of default, demand for payment and all other suretyship defenses whatsoever with respect to any payment or obligation guaranteed under this Guaranty, and agrees to pay unconditionally upon demand all amounts due Lessor pursuant to the Lease and this Guaranty. Guarantor further waives all claims against Lessor, Lessee, and each other Guarantor. The obligations of Lessee and each Guarantor to Lessor are and shall remain joint and several and each Guarantor irrevocably waives, disclaims and relinquishes all claims against Lessee and one another which each such party has or would otherwise have by virtue of payment of any sums to Lessor, specifically including but not limited to all rights of indemnity, subrogation, contribution or exoneration. The bankruptcy of Lessee and/or any Guarantor shall not relieve any Guarantor of such Guarantor's obligations under this Guaranty.

In the event Lessor finds it necessary or appropriate to enforce any right under the Lease and/or this Guaranty, Lessor shall be entitled to attorney fees and costs in enforcing such rights in accordance with Section 31 of the Lease Agreement, in addition to any other relief to which Lessor may be entitled.

For the purposes of this Guaranty the term "Lessee" shall also include any SubLessee and/or any assignee of any interest of Lessee in the Lease.

This Guaranty shall inure to the benefit of Lessor, and Lessor's successors, heirs, personal representatives, and assigns. This Guaranty shall bind each Guarantor, jointly and severally, and their respective heirs, personal representatives, and assigns.

Guarantor: _____ Date: _____
Andy Papachristopolous

Address for Notices to Guarantor: Andy Papachristopolous 12700 SW N Dakota Street, Suite 180-66, Portland, Oregon 97233

EXHIBIT "D"
LESSEE'S PROPOSED MODIFICATIONS

See Attached

See Drawing No. F54-103
A 2.2
Dated 1-1588

EXHIBIT "D-1"

LESSEE'S MODIFICATIONS WHICH DO NOT NEED TO BE REMOVED UPON EXPIRATION OR TERMATION OF THE LEASE

LESSOR:

PORTLAND GENERAL ELECTRIC COMPANY,
an Oregon Corporation

By: _____

Printed Name: Stephen Quennoz
Title: Vice President

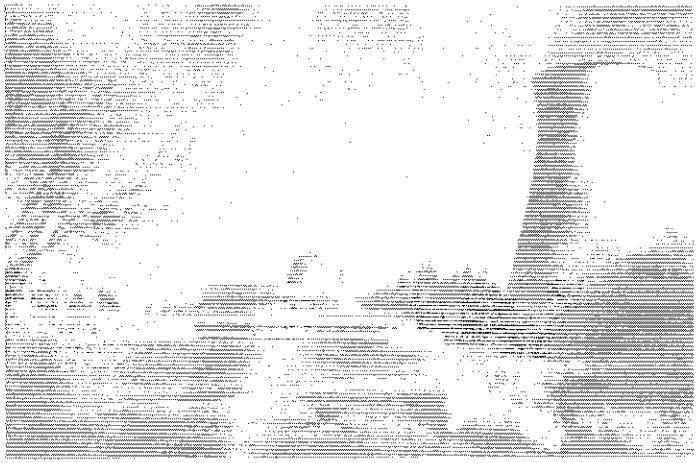
LESSEE:

COLUMBIA RIVER MARITIME ENTERPRISES, LLC,
an Oregon Limited Liability Company

By: _____

Printed Name: Andy Papachristopolous
Title: Manager

PROPOSED TROJAN CO-OWNER ACTIONS - TROJAN WEST QUITCLAIM AND WATER RIGHT TRANSFER



Presentation to Trojan Co-Owners - October 20, 2004

PROPOSED CO-OWNER ACTION

QUITCLAIM OF TROJAN WEST

- PGE requests Trojan Co-Owners quitclaim ownership interest in land and improvements located within the portion of the Trojan site west of the railroad tracks (Trojan West)

- In exchange, PGE would release the Co-Owners from further costs and/or liability associated with operation, maintenance, capital improvements, and/or demolition of the Trojan assets covered by the quitclaim action

PROPOSED CO-OWNER ACTION

TRANSFER OF WATER RIGHT

- PGE further requests Co-Owner concurrence with the proposed transfer of the Trojan site Water Right in an effort to preserve potential future uses

QUITCLAIM OF TROJAN WEST

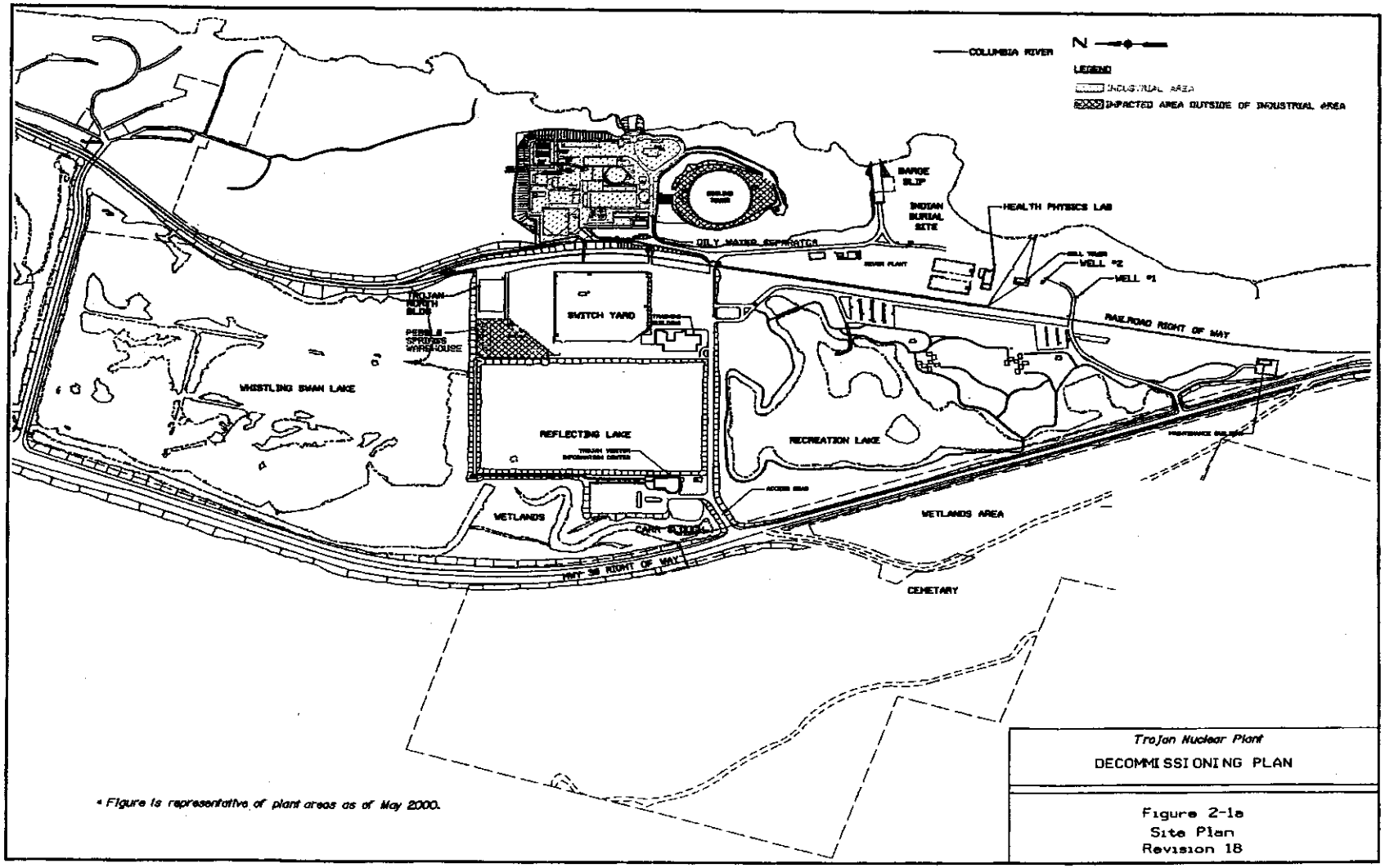
PURPOSE OF PROPOSED ACTION

- Clarify and simplify ownership/ responsibility for site given the extended nature of on-site fuel storage
- Provides PGE the full use of the land and facilities and facilitates PGE's planning and use of the Trojan site
  - Business Uses of site
  - Oregon State Park

TROJAN WEST - DESCRIPTION

- Land and improvements located within the portion of the Trojan site west of the railroad tracks
  - Land includes the real property underlying the Switchyard and the former Visitor Information Center
  - Improvements include the Trojan Switchyard, Training Building, North Building, Pebble Springs Warehouse, and Park facilities
  - Resolves any potential conflicting info *re* ownership of remaining areas in Trojan West

TROJAN WEST


COLUMBIA RIVER
N
LEGEND
INDUSTRIAL AREA
IMPACTED AREA OUTSIDE OF INDUSTRIAL AREA
BARGE SLIP
INDIAN BURIAL SITE
HEALTH PHYSICS LAB
OILY WATER SEPARATOR
WELL #2
WELL #1
RAILROAD RIGHT OF WAY
SWITCH YARD
TROJAN NORTH BLDG
WHISTLING SWAN LAKE
REFLECTING LAKE
RECREATION LAKE
WETLANDS
WETLANDS AREA
CANAL BLOCK
HWY 30 RIGHT OF WAY
CEMETERY
* Figure is representative of plant areas as of May 2000.
Trojan Nuclear Plant
DECOMMISSIONING PLAN
Figure 2-1a
Site Plan
Revision 18

QUITCLAIM OF TROJAN WEST

- Similar to "Trojan Park" quitclaim effort in 2000
  - In 2000, the Trojan Co-Owners indicated their willingness to "quitclaim" their ownership interest in the land and improvements outside the Trojan Industrial Area, stipulating that Co-Owner obligation for additional costs and/or liability would end upon execution of the quitclaim action
  - Because progress towards completing the Trojan Park Project was subsequently halted, this Co-Owner position was never finalized in a Quitclaim Deed and Bill of Sale and amendment to Co-Owners' Agreement

QUITCLAIM OF TROJAN WEST

- Quitclaim action at this time would only represent an acceleration of quitclaim already specified in "Deed and Bill of Sale" dated August 31, 1976, and is consistent with the Co-Owners' Trojan Operating Agreement

QUITCLAIM OF TROJAN WEST

- "Deed and Bill of Sale" dated August 31, 1976, stipulates that:
  - Upon "end of the project" as described in the Co-Owners' Agreement (Section 24), the real property conveyed in and by the Deed and Bill of Sale shall revert back to PGE
  - Such conveyance would be recorded by Co-Owner execution of quitclaim deeds conveying to PGE their respective interests in the Trojan site real property

QUITCLAIM OF TROJAN WEST

- "End of the project" as described in the Co-Owners' Agreement includes:
  - Meeting requirements of Federal, State, and Local Law relating to safe deactivation of plant
  - Completing decommissioning, including razing structures and disposing of debris

QUITCLAIM OF TROJAN WEST

- For Trojan West, the intent of "end of the project" as described in the Co-Owners' Agreement would be materially satisfied by the quitclaim action.
  - Activities meeting the requirements of Federal, State, and local law re safe deactivation of the nuclear plant are complete for Trojan West
  - With PGE's release of the Co-Owners from further costs and/or liability associated with Trojan West, the intent of "end of the project" as described in the Agreement would be materially satisfied.

QUITCLAIM OF TROJAN WEST

Costs vs Benefits

- Co-Owners reduce costs and liability risk by releasing ownership interests
  - O&M - Approx. $59K/yr*
  - Capital Improvements - Approx. $161K*
  - Decom/Demolition - Approx. $366K*

* All estimates are based on current planning and are presented in 2004 dollars

WATER RIGHT TRANSFER

- PGE requests Co-Owner concurrence with the proposed transfer of the Trojan site Water Right in an effort to preserve potential future Water Right uses

WATER RIGHT TRANSFER

- Once established, a water right must be used as provided in the right (i.e., at the capacity and purpose stated in the certificate) at least once every five years.

- After five consecutive years of non-use, the right is considered forfeited and is subject to cancellation.

WATER RIGHT TRANSFER

- ☒ The Trojan site no longer requires water use at the capacity and purpose stated in the Trojan Water Right
  - ☒ The Trojan Nuclear Plant is nearing the end of decommissioning
  - ☒ The design of the Trojan ISFSI uses passive air cooling

WATER RIGHT TRANSFER

- Therefore, unless action is taken with the intent to preserve the Water Right for other future uses, the Trojan Water Right will be forfeited due to non-use

WATER RIGHT TRANSFER

- The mechanism that would allow options for the future use (prevent the forfeiture of the Water Right due to non-use) of the Trojan Water Right involves transfer of the Water Right pursuant to Oregon Water Resources Department (OWRD) regulations.
  - ☒ Maintain 0.4 cfs for Trojan site use (fire suppression)
  - ☒ Transfer remaining capacity (89.1 cfs)
    - ☒ Direct transfer (e.g., use at Port Westward)
    - ☒ Instream Lease

WATER RIGHT TRANSFER

- The OWRD water code provides that a Water Right is attached to the land where it was established

- For this reason, an application for Water Right transfer is accompanied by notarized statements of consent from owners of the land (other than the applicant) to which the Water Right is attached

WATER RIGHT TRANSFER

- PGE will forward to the Co-Owners a Permission Statement for signature and notary documentation

SUMMARY

- **Action Items to Implement Quitclaim of Trojan West and Transfer of Water Right**
  - **PGE completes draft documents**
    - **Quitclaim Deed and Bill of Sale**
    - **Amendment to Co-Owners' Trojan Operating Agreement**
    - **Water Right Transfer Permission Statement**
  - **Goal to forward the above documents to Co-Owners by October 21, 2004**
  - **Co-Owner execution of signed documents requested by November 4, 2004**

PROPOSED CO-OWNER ACTION

QUITCLAIM OF TROJAN WEST

- PGE requests Trojan Co-Owners quitclaim ownership interest in land and improvements located within the portion of the Trojan site west of the railroad tracks (Trojan West)

- In exchange, PGE would release the Co-Owners from further costs and/or liability associated with operation, maintenance, capital improvements, and/or demolition of the Trojan assets covered by the quitclaim action

PROPOSED CO-OWNER ACTION

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QUITCLAIM OF TROJAN WEST

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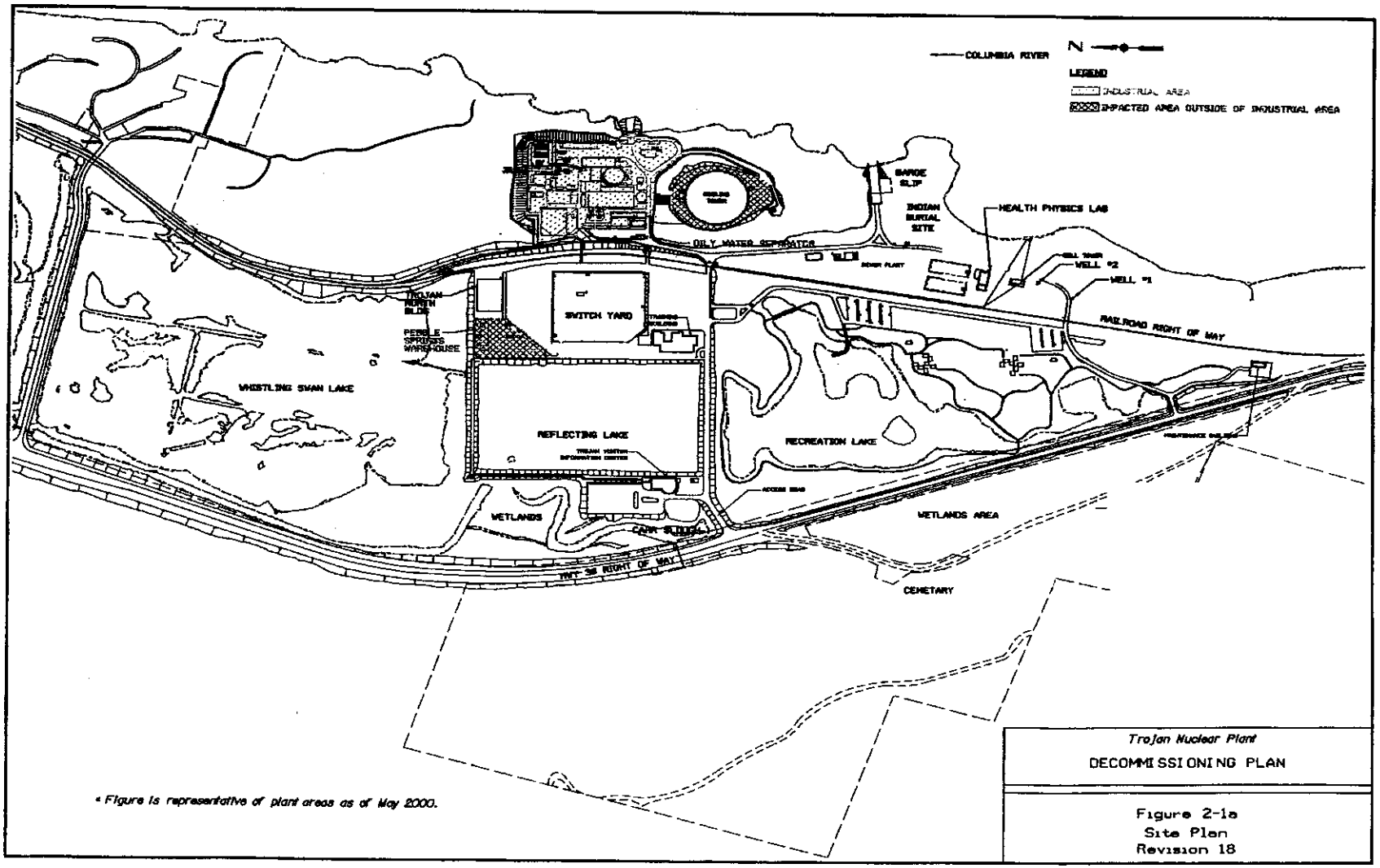
TROJAN WEST - DESCRIPTION

- **Land and improvements located within the portion of the Trojan site west of the railroad tracks**
  - **Land includes the real property underlying the Switchyard and the former Visitor Information Center**
  - **Improvements include the Trojan Switchyard, Training Building, North Building, Pebble Springs Warehouse, and Park facilities**
  - **Resolves any potential conflicting info *re* ownership of remaining areas in Trojan West**

TROJAN WEST



* Figure is representative of plant areas as of May 2000.

QUITCLAIM OF TROJAN WEST

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  - Because progress towards completing the Trojan Park Project was subsequently halted, this Co-Owner position was never finalized in a Quitclaim Deed and Bill of Sale and amendment to Co-Owners' Agreement

QUITCLAIM OF TROJAN WEST

- Quitclaim action at this time would only represent an acceleration of quitclaim already specified in "Deed and Bill of Sale" dated August 31, 1976, and is consistent with the Co-Owners' Trojan Operating Agreement

QUITCLAIM OF TROJAN WEST

- "Deed and Bill of Sale" dated August 31, 1976, stipulates that:
  - Upon "end of the project" as described in the Co-Owners' Agreement (Section 24), the real property conveyed in and by the Deed and Bill of Sale shall revert back to PGE
  - Such conveyance would be recorded by Co-Owner execution of quitclaim deeds conveying to PGE their respective interests in the Trojan site real property

QUITCLAIM OF TROJAN WEST

- "End of the project" as described in the Co-Owners' Agreement includes:
  - Meeting requirements of Federal, State, and Local Law relating to safe deactivation of plant
  - Completing decommissioning, including razing structures and disposing of debris

QUITCLAIM OF TROJAN WEST

- For Trojan West, the intent of "end of the project" as described in the Co-Owners' Agreement would be materially satisfied by the quitclaim action.
  - Activities meeting the requirements of Federal, State, and local law re safe deactivation of the nuclear plant are complete for Trojan West
  - With PGE's release of the Co-Owners from further costs and/or liability associated with Trojan West, the intent of "end of the project" as described in the Agreement would be materially satisfied.

QUITCLAIM OF TROJAN WEST

Costs vs Benefits

- Co-Owners reduce costs and liability risk by releasing ownership interests
  - O&M - $59K/yr* Approx.
  - Capital Improvements - Approx. $161K*
  - Decom/Demolition - Approx. $366K*

* All estimates are based on current planning and are presented in 2004 dollars

WATER RIGHT TRANSFER

- PGE requests Co-Owner concurrence with the proposed transfer of the Trojan site Water Right in an effort to preserve potential future Water Right uses

WATER RIGHT TRANSFER

- Once established, a water right must be used as provided in the right (i.e., at the capacity and purpose stated in the certificate) at least once every five years.

- After five consecutive years of non-use, the right is considered forfeited and is subject to cancellation.

WATER RIGHT TRANSFER

- The Trojan site no longer requires water use at the capacity and purpose stated in the Trojan Water Right
  - The Trojan Nuclear Plant is nearing the end of decommissioning
  - The design of the Trojan ISFSI uses passive air cooling

WATER RIGHT TRANSFER

- Therefore, unless action is taken with the intent to preserve the Water Right for other future uses, the Trojan Water Right will be forfeited due to non-use

WATER RIGHT TRANSFER

- The mechanism that would allow options for the future use (prevent the forfeiture of the Water Right due to non-use) of the Trojan Water Right involves transfer of the Water Right pursuant to Oregon Water Resources Department (OWRD) regulations.
  - ☒ Maintain 0.4 cfs for Trojan site use (fire suppression)
  - ☒ Transfer remaining capacity (89.1 cfs)
    - ☒ Direct transfer (e.g., use at Port Westward)
    - ☒ Instream Lease

WATER RIGHT TRANSFER

- The OWRD water code provides that a Water Right is attached to the land where it was established

- For this reason, an application for Water Right transfer is accompanied by notarized statements of consent from owners of the land (other than the applicant) to which the Water Right is attached

WATER RIGHT TRANSFER

- PGE will forward to the Co-Owners a Permission Statement for signature and notary documentation

SUMMARY

- **Action Items to Implement Quitclaim of Trojan West and Transfer of Water Right**
  - **PGE completes draft documents**
    - **Quitclaim Deed and Bill of Sale**
    - **Amendment to Co-Owners' Trojan Operating Agreement**
    - **Water Right Transfer Permission Statement**
  - **Goal to forward the above documents to Co-Owners by October 21, 2004**
  - **Co-Owner execution of signed documents requested by November 4, 2004**

Kronick,Geoffrey M - LC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 26, 2005 7:49 PM
To: Sherman,Bob - PGC
Cc: 'lcable@chbh.com'; Tom Grim
Subject: FW: 3 of 3 to Geoff Questions on Trojan Substation Compensation Agreement

Attachments: Trojan Switchyard agreement draft 9-15-05.doc

Trojan Switchyard agreement dr...

ATTORNEY CLIENT PRIVILEGE

Bob:

1. As a follow-up to the e-mail that I just routed you this evening, I wanted to make sure that this 09/15/05 "draft" above was the most recent one in terms of the concerns that I had articulated in my earlier e-mail tonight that regardless of what "methodology" we use that there is: (1) appropriate indemnity language and, (2) if the "O&M Methodology" is determined to be appropriate that, as per Larry Cable's e-mail of 08/16/05 (12:34 p.m.) "no precedent" language should be provided that indicates that no future PGE "proposed" uses of Trojan will necessarily be approved based on the same or a similar "O&M" allocation methodology.

2. I will be most interested in learning if the "valuation" that will be performed by the time of the next Trojan Operating Committee meeting reveals whether the existing Trojan Switchyard equipment and components have any value to Portland General Electric Transmission, and if so, what that value might be. Of course I understand, as indicated in an earlier message, that because of the "dated" nature of such equipment, and the length of time since last used (1993), that this Trojan Switchyard and equipment could be of minimal value. Yet I'm pleased at the idea that we are exploring this issue of "just compensation," in terms of evaluating the potential benefit to PGE of exclusive use of these "co-owned assets.)

3. I'm copying this instant e-mail, and the "attachment" and narrative below to Larry Cable and Tom Grim at Cable Houston (EWEB's Portland attorneys) since I'm not sure what they have seen recently from Ken Beeson.

Geoff K.
Direct Line (503) 230-5263

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
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(503) 230-4201
Facsimile (503) 230-7405
E-mail - gmkronick@bpa.gov

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-----Original Message-----
From: Sherman,Bob - PGC
Sent: Wednesday, September 28, 2005 10:12 AM
To: Kronick,Geoffrey M - LC
Subject: 3 of 3 to Geoff Questions on Trojan Substation Compensation Agreement

-----Original Message-----
From: Jack Todd [mailto:Jack.Todd@pgn.com]
Sent: Friday, September 16, 2005 8:26 AM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US;
Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Questions on Trojan Substation Compensation Agreement

Gentlemen,
We received some questions from Ken Beeson at EWEB (through Jerry Reid) concerning the Trojan Substation agreement. The answers are in bold below. Let me know if anyone has additional questions and I will copy everyone on the response. I have also attached the latest version of the draft agreement. Thank you.
Jack Todd
Transmission Services.

1. In section 2 (Construction, Use of Existing Facilities), we would

expect that, in addition to FERC 570, PGE annual payments would also include 37.7% of yearly costs associated with FERC 562 and 582 (Substation Operation Expenses) and FERC 592 (Substation Maintenance).

In discussion with Preston Martin, he informed me that generally all O&M for the Trojan Substation would be budgeted and charged to FERC account 570. However, since there are other accounts where costs potentially could be charged, we have taken out the reference to any FERC account so there is no confusion. The agreement now says that the annual payments to the owners of 37.7% will be made for all O&M costs for the Trojan Substation. This way all costs related to the Trojan Substation will be split as agreed no matter what FERC account is used.

We would also like to see 37.7% of any applicable administrative and general charges paid.

This was not part of our offer. Such costs related the Trojan Substation are very minimal and the administration cost to split these costs out separately would not be cost effective.

In similar EWEB contracts for our facilities, we also charge a share of a capital recover charge to recover an appopriate share of the investment. I'm not sure how that would apply given the age of this facility at Trojan.

The payment by PGE in this agreement, while based on a percentage of O&M expenditures, is intended to be a proxy for "equitable compensation" for use of the substation under the Owners Agreement. Although there are actually no increased O&M costs as a result of use of the substation for Port Westward (since substation facilities are retired based on a time-based, rather than use-based schedule) we felt that the chosen formula was an appropriate offer for equitable compensation. Also, due to the age of the facilities, it is our understanding that the asset has been fully depreciated by the various owners, so a capital recover charge would not be appropriate in this situation.

It would be helpful to me in further review if your engineering group could supply us with the estimated value of these FERC accounts for this facility so we all have some idea of the value.

According to Preston Martin, this information has already been provided to the owners through other reporting documents and the owners have full access to what is reported in the FERC accounts. The budgeted amount for 2006 is $21,283.

2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

Section 6 already contains a full indemnity that is not limited to PGE's negligence. Of course, PGE will not indemnify the other owners for their own negligence, so that specifically is carved out.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such policies.

PGE is self-insured up to two million dollars and we are certainly willing to provide EWEB with a certificate of our self-insurance. Given that we are self-insured, and as a policy matter, PGE does not name others as additional insureds.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the

indemnity commitment.

See answer above. We do not intend to take out a specific insurance policy to cover the indemnity obligation under the agreement. In addition, we believe that the risks to EWEB under this contract are extremely low. EWEB is not interconnected in any way to the substation, nor does it have operational control or personnel at the substation. Any damage to the substation itself due to use for Port Westward is covered by the indemnity and PGE has all incentive to repair the damage to ensure Port Westward power can continue to be transmitted to load.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

Sent: Tuesday, October 18, 2005 12:02 PM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

-----Original Message-----
From: Jerry Reid [mailto:Jerry.Reid@pgn.com]
Sent: Monday, September 26, 2005 2:51 PM
To: Ken.Beeson@EWEB.Eugene.OR.US; ed.burton@pacificorp.com
Cc: Sherman,Bob - PGC; Jay Fischer
Subject: Ed & Ken,

Ed & Ken,
Please read over the below TOC minutes (draft) that I put together for our discussion of the status of the reviews on the draft Swyd Compensation Agreement. Do you have any comments on this wording??

DRAFT MINUTES
Follow-up items associated with the Trojan Switchyard expansion project for Port Westward were discussed. The Co-Owners (PacifiCorp and EWEB) had previously provided comments and questions related to a draft of a Switchyard Compensation Agreement, dated 8/8/2005, that would provide compensation to the Co-Owners and allow Port Westward to expand and use the switchyard. As of 9/21/2005, PGE Transmission Services had provided responses to all of these comments and questions and also provided a new draft of the Compensation Agreement to the Co-Owners. The status of the Co-Owner's review of this new information was discussed. EWEB and PGE lawyers are discussing possible revisions to the draft Agreement, Section 6, wording related to indemnification from damages. Ken stated that EWEB wanted to discuss this proposed Agreement with BPA to ensure they were in agreement. Jerry requested that the Co-Owners finish their reviews and respond to PGE Transmission Services (Jack Todd) to let him know if the PGE answers were responsive to their questions and if they had any questions that they consider to be unresolved.

In addition, during the above discussion, both EWEB and PacifiCorp indicated that they would be willing to sell their ownership share of the Trojan Switchyard to PGE instead of establishing this proposed Compensation Agreement. This would not include all of the West of the Tracks property & buildings; it would only be the Co-Owned Land under the Switchyard and the Switchyard equipment and structures. They indicated that if PGE has any interest in owning the Switchyard, PGE and the Co-Owners should work together to determine a reasonable value for the purchase price.

Thanks

Jerry Reid
503-556-7013

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From: Sherman,Bob - PGC
Sent: Tuesday, October 18, 2005 12:02 PM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

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Sent: Monday, September 26, 2005 2:51 PM
To: Ken.Beeson@EWEB.Eugene.OR.US; ed.burton@pacificorp.com
Cc: Sherman,Bob - PGC; Jay Fischer
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Thanks

Jerry Reid
503-556-7013

Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 26, 2005 7:14 PM
To: Sherman,Bob - PGC
Cc: Rapacz,Andy - PGC; Bates,Julie A - LC
Subject: RE: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

Bob:

1. This e-mail below that you sent this morning seems somewhat cryptic to me and I don't think I understand what is being said below, particularly in terms of "PGE is looking for the co-owners to sign the proposed agreement that is on the table" and your observation that they (PGE) have already initiated Switchyard modifications.

Moreover, your mention earlier that PGE (or perhaps PGET) has advised that it has not "budgeted" (at least in 2005 and 2006) for any such compensation to minority "co-owners" that might be due upon "sale" of minority co-owner shares of the Trojan Switchyard and equipment located on that parcel is not (I hope) considered by PGE (or PGET) the "final word" on perhaps compensating the minority "co-owners" for their share of the Trojan Switchyard and related equipment. Could you read my "response" here and please clarify for me what I think is our current plan to explore how we will be compensated for PGET's exclusive use of the Trojan Switchyard?

2. I saw John Quinata's "response" of 9:55 a.m. this morning to your e-mail below indicating that he could give an "estimate" before the next Trojan Operating Committee meeting on 11/29/05 of the costs to PGE and thus some approximation of the value (if any) to PGET to have exclusive use of the existing facilties available at the Trojan Switchyard.

3. My sense of involving John Quinata's office is that consistent with Eugene Water & Electic Board's view (presumably expressed by Ken Beeson as well as EWEB's attorney Larry Cable) we (BPA) don't necessarily find the "proposed agreement" involving shared O&M costs with PGET (that was contained in the e-mail you routed to me on 8/16/05 at 1:46 p.m. via powerpoint presentation) acceptable.

4. That position was expressed (the first time) in Larry Cable's e-mail to me of 08/16/05 (12:34 p.m.) that I forwarded to you one minute later at 12:35 p.m. and that is set forth below here.

I think that EWEB and Bonneville should respond by saying that just paying 37% of the operating costs for the substation is not reasonable or highest value to EWEB and Bonneville. I ask that Tom [GRIM]}describe what is being paid for such facilities in other contexts we are aware of and I hope that Jeff [KRONICK] can get some input from Bonneville. When one party uses another party's substation to move power, I do not believe that just paying a percentage of the maintenance costs is necessarily a proper payment. This is complicated because the facilities are older and must be upgraded and such but, like the water,

the question in the context of salvage is what would a willing buyer pay a willing seller. In that context, what would PGE do if we said that we wanted actual compensation in some reasonable amount beyond payment of the maintenance costs. It is like the water because the appraisal done by PGE was based on asking potential buyers of water that already had enough water what they would pay. In this instance, would PGE build an all new facility if we said they needed to pay X amount to move power through our facilities or would they pay us something? I think they would pay us something and that, in and of itself, makes the price paid a price that PGE is supposed to be getting for everything of value at Trojan. Simple is elegant and maybe my approach is to simple but that seems the right approach to me under the Salvage provisions of the Ownership Agreement. However, this is a business decision and is probably very much up to Bonneville which is the immediate beneficiary of any payments by PGE as these payments will obviously lower the amount of money that Bonneville will otherwise have to pay. Finally, we need to be careful to establish how we value our thirty seven per cent of anything at Trojan that PGE or anyone else wants to buy or we will establish adverse precedents for future requests that may well come as the site is used for other purposes. Thanks to all and I look forward to views.

3. (a) Four notable points in Larry's e-mail above, or that can be developed from Larry Cable's e-mail. First Point Is BPA/EWEB being compensated appropriately for the fact that PGET is going to be using 100% of the Trojan Switchyard property and facilities for its own purposes but paying only a portion of O&M? If because of being outdated equipment or some other reason the existing Trojan Switchyard "equipment" is truly worth nothing to PGE in terms of costs that it would otherwise be required to incur in building a Switchyard and equipment for its Port Westward Plant than presumably (perhaps save for the land value) we have answered the question of appropriate compensation.

(b) Second Point. If there is salvage value in the future for any of the equipment at the Trojan Switchyard now, will it be diminished in value by PGE's ongoing and exclusive use for what is estimated by PGE to be the remaining 19 years of the Trojan Project? [See the slide presentation for the 19 year "period" that PGE uses.] In any event, assuming that there is some salvage value of the Switchyard equipment, we would do well to distinguish now (and presumably in contract as well) what specific equipment is co-owned at this point and what specific equipment is being "added" by PGET, so that when the Trojan Project does come to "an end," and Section 24 of the Operating Agreement applies, BPA will be assured of getting its appropriate allocated 30% of the "co-owned property, versus PGE merely succeeding to all that is left due to whatever ongoing use it may have at the time - e.g. Port Westward.

(c) Third Point. Larry's observation about establishing a "precedent" in terms of a methodology whereby PGE can use any and all Trojan equipment and property based on this same "contribution" to O&M theory. I think contract language indicating "no precedent" would be helpful to us in guarding against this "assumption" for any future proposed PGE uses.

(d) Fourth point. As Larry observes, this is largely a BPA business decision. Regardless of what "outcome" may obtain based either on the proposed "O&M allocation" methodology for the Trojan Switchyard, or something else based on the value of the existing structures and equipment to PGE (if any) I think that BPA will drive it, and if nothing else we should communicate election of what methodology and our thinking in advance to EWEB and have a unified approach and understanding in working through with PGE.

4. My hope is that we are at least proactive enough so that PGE does not "drive" through the current "shared O&M proposal," based on its benefits and time frame for Port Westward without BPA's and EWEB's concurrence. This is what I meant above in terms of "PGE looking to the co-owners to sign the proposal on the table" which as I understand, is the "shared O&M proposal."

5. In any event, and regardless of what "methodology" of compensation obtains, I would like to ensure that BPA (as well as EWEB) is indemnified for any PGE (or PGET) uses of that section of the Trojan site and equipment in any final agreement, and that we are at least conscious of any dimunition in future salvage value due to PGET's exclusive use of this portion of the Trojan site. Recall that Section 24 provides that PGE does get the real property back, yet it and all personalty (meaning other than realty) is valued and salvaged with EWEB's 30% share allocated to BPA at the "End of Project."

6. Bob, am I in "sync" with your thinking?

Geoff K.
X 5263

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Wednesday, October 26, 2005 8:06 AM
To: Kronick,Geoffrey M - LC; Combs,Chuck - LT
Cc: Rapacz,Andy - PGC; Quinata,John F - TOE
Subject: RE: Trojan Switchyard and Just Compensation

The next TOC meeting is November 29th. However, PGE has initiated switchyard modifications for the Port Westward addition. Therefore, I see no benefit to waiting until 11/29. PGE is going forward under the Ownership Agreement paragraph 20 "Additional Facilities" in that the parties shall grant the owners the right to use , add to and modify the Project facilities..... Therefore, I believe we should go forward as soon as practical. PGE is looking for the co-owners to sign the proposed agreement that is on the table.

Bob

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Monday, October 24, 2005 2:38 PM
To: Sherman,Bob - PGC; Combs,Chuck - LT
Cc: Rapacz,Andy - PGC; Quinata,John F - TOE
Subject: FW: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

Bob, when is a realistic date to communicate to John?

The next Trojan Operating Committee Meeting?

Later?

Please "Reply All."

Geoff K.

-----Original Message-----
From: Quinata,John F - TOE
Sent: Saturday, October 22, 2005 7:43 PM
To: Kronick,Geoffrey M - LC
Subject: RE: Trojan Switchyard and Just Compensation

Geoff
When do you need the estimate by?

John

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Friday, October 21, 2005 5:55 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Cc: Brost,Ed - PSE; Bates,Julie A - LC; Roberts,Robb F - LC; Combs,Chuck - LT; Jensen,Mary K - LT; Kronick,Geoffrey M - LC; Quinata,John F - TOE
Subject: RE: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

Bob:

1. I've talked to Chuck Combs (Acting Asst. General Counsel for LT in our office) and I think that Chuck is "okay" with us contacting TBL for a "ball park" estimate of the PGE Switchyard's value to PGE to guide our thinking in negotiating (with EWEB) the "sale" of EWEB (BPA's) 30% Co-Ownership interest in the Switchyard. My sense is that Chuck doesn't want to see us creating a large workload for anyone in the TBL, and again I would hope that we can merely receive a general range of potential value that would not involve extensive estimating by knowledgeable TBL staff. Again, I think that anything would be helpful at this point in terms of just "understanding and appreciating" what the existing Trojan switchyards might be worth to PGE for use in connection with their Port Westward generating facility.

2. In talking to Mary Jensen (Attorney in LT) in our office briefly as well just now, she noted that given ever-changing nature of transmission technology and equipment, it is often the case that transmission equipment

and fixtures can become "dated" quickly, such that they have little if any value in very short periods of time. Indeed, she cited the example of the transmission work done by/for Duke Energy Gray's Harbor on the CT project at Satsop (former WNP-3 site) that TBL had determined is literally worthless now for Duke Energy Gray's Harbor's successor in interest, even after just a few years. Notably, and as we all appreciate, the Trojan switchyard equipment has been "fallow" for a dozen years.

3. I'm going to copy this e-mail to John Quinata, Manager of Scheduling and Estimating in the TBL, in the hope that he can guide us to someone who could provide a very "quick" and general opinion regarding the value of the Trojan Switchyard and equipment for us in the context of what it would represent, if anything, in savings for PGE if PGE were required to build the current (but dated) facilities from scratch.

4. At least in this way I would hope we could have some assurance that the "payment relief" from PGE in and of itself (that would also presumably inure to BPA's/EWEB's benefit, is an appropriate measure of value for PGE's exclusive use (or near exclusive use) of the Trojan Switchyard for its Port Westward Generating Facility interconnection.

Geoff K.
X 5263

Geoffrey M. Kronick, Esq.
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From: Sherman,Bob - PGC
Sent: Friday, October 21, 2005 7:26 AM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Cc: Brost,Ed - PSE; Bates,Julie A - LC; Roberts,Robb F - LC
Subject: RE: Trojan Switchyard and Just Compensation

Geoff,

OK, do not hesitate, have TBL provide a free valuation of the switchyard within the appropriate time.

Bob

Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 26, 2005 7:49 PM
To: Sherman,Bob - PGC
Cc: 'lcable@chbh.com'; Tom Grim
Subject: FW: 3 of 3 to Geoff Questions on Trojan Substation Compensation Agreement

Trojan Switchyard agreement dr...

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2. I will be most interested in learning if the "valuation" that will be performed by the time of the next Trojan Operating Committee meeting reveals whether the existing Trojan Switchyard equipment and components have any value to Portland General Electric Transmission, and if so, what that value might be. Of course I understand, as indicated in an earlier message, that because of the "dated" nature of such equipment, and the length of time since last used (1993), that this Trojan Switchyard and equipment could be of minimal value. Yet I'm pleased at the idea that we are exploring this issue of "just compensation," in terms of evaluating the potential benefit to PGE of exclusive use of these "co-owned assets.)

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This was not part of our offer. Such costs related the Trojan Substation are very minimal and the administration cost to split these costs out separately would not be cost effective.

In similar EWEB contracts for our facilities, we also charge a share of a capital recover charge to recover an appopriate share of the investment. I'm not sure how that would apply given the age of this facility at Trojan.

The payment by PGE in this agreement, while based on a percentage of O&M expenditures, is intended to be a proxy for "equitable compensation" for use of the substation under the Owners Agreement. Although there are actually no increased O&M costs as a result of use of the substation for Port Westward (since substation facilities are retired based on a time-based, rather than use-based schedule) we felt that the chosen formula was an appropriate offer for equitable compensation. Also, due to the age of the facilities, it is our understanding that the asset has been fully depreciated by the various owners, so a capital recover charge would not be appropriate in this situation.

It would be helpful to me in further review if your engineering group could supply us with the estimated value of these FERC accounts for this facility so we all have some idea of the value.

According to Preston Martin, this information has already been provided to the owners through other reporting documents and the owners have full access to what is reported in the FERC accounts. The budgeted amount for 2006 is $21,283.

2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

Section 6 already contains a full indemnity that is not limited to PGE's negligence. Of course, PGE will not indemnify the other owners for their own negligence, so that specifically is carved out.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such policies.

PGE is self-insured up to two million dollars and we are certainly willing to provide EWEB with a certificate of our self-insurance. Given that we are self-insured, and as a policy matter, PGE does not name others as additional insureds.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the

indemnity commitment.

See answer above. We do not intend to take out a specific insurance policy to cover the indemnity obligation under the agreement. In addition, we believe that the risks to EWEB under this contract are extremely low. EWEB is not interconnected in any way to the substation, nor does it have operational control or personnel at the substation. Any damage to the substation itself due to use for Port Westward is covered by the indemnity and PGE has all incentive to repair the damage to ensure Port Westward power can continue to be transmitted to load.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

Sherman,Bob - PGC

From: Sherman,Bob - PGC
Sent: Friday, October 28, 2005 8:26 AM
To: Sherman,Bob - PGC
Subject: FW: Trojan Switchyard and Just Compensation

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Friday, October 28, 2005 8:26 AM
To: Kronick,Geoffrey M - LC
Cc: Rapacz,Andy - PGC; Bates,Julie A - LC
Subject: RE: Trojan Switchyard and Just Compensation

Geoff,

ATTORNEY CLIENT PRIVILEGE

I apologize if you perceive my message as cryptic. It was not meant to be. Let me try again,

1. PGE feels that the Trojan Project is not at an END. The spent fuel is still on the site and the operation of the ISFSI indicates the project is still in an operational phase. In addition, PGE is trying to abide by Section 20 of the Construction, Ownership and Operation Agreement by drafting the Port Westward Agreement to implement the elements of Section 20 regarding additional facilities to the original Trojan project. PGE has not offered to purchase the EWEB and PacifiCorp portions of the switchyard. The purchase proposal was initiated by EWEB and PacifiCorp. PGE has not responded to that proposal. PGE is going forward with the changes to the Trojan switchyard to accommodate the connection to Port Westward and would like the Parties to sign the proposed Port Westward Agreement to be in compliance with the Construction, Ownership and Operation agreement.

2. PGE has depreciated the switchyard facility to zero worth. This is a book-keeping technique and may not be representative of the market value or scrap value. Nevertheless, I assume $0.00 is where PGE will start any negotiations regarding switchyard value.

3. Keep in mind that there are site-restoration costs associated with the switchyard and are unavoidable in the future. In addition, there are unavoidable maintenance costs associated with serving the Trojan ISFSI from the switchyard. PGE is planning to share these unavoidable costs with EWEB and PacifiCorp.

4. An action to consolidate switchyard ownership (PGE purchase EWEB and PacifiCorp share) will include consideration of the above unavoidable costs. It may be possible that EWEB and PacifiCorp will owe PGE a settlement when the sale is complete depending on the estimated value of the switchyard and the projected maintenance costs. Another possibility is that it is an even trade, PGE sole ownership of the switchyard for EWEB and

PacifiCorp financial relief for the unavoidable costs without $ changing hands. In any case, the project will still need power to operate the ISFSI until the fuel is shipped offsite and any sale conditions or terms may have to include provisions for the ISFSI power need.

5. As far as finding the Port Westward agreement terms not acceptable, I guess the parties can continue to negotiate regarding what is acceptable. This path may lead to legal fees that are more costly than the switchyard. Ownership Agreement Section 20, Additional Facilities, provides for a facility modification, such as the switchyard addition, and if an agreement is not reached it may go to a Project Consultant for resolution.

6. Irregardless of what someone believes is equitable, there is precedent regarding the case such as this where one utility uses another utility's switchyard to access the grid without an encumbrance of a fee. This is common utility practice and EWEB said they use this practice in their business. This was explained early on to the TOC members and it was agreed that this was an acceptable practice. The EWEB representative(Ken Beesen) was on the TOC call. I guess we can always modify that particular industry practice and set a new precedent regarding how we do business. That is not up to me.

7. I am not sure what you mean when you use the term "PGET's exclusive use of this portion of the Trojan site". Keep in mind that is not complete or accurate. The project is using the switchyard in that the switchyard is the source of power for the ISFSI, ISFSI security, and ISFSI administration.

In response to your final question, I guess I would have to say that we are not in "sync" as I disagree with a portion of your characterization of the situation.

Bob

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 26, 2005 7:14 PM
To: Sherman,Bob - PGC
Cc: Rapacz,Andy - PGC; Bates,Julie A - LC
Subject: RE: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

Bob:

1. This e-mail below that you sent this morning seems somewhat cryptic to me and I don't think I understand what is being said below, particularly in terms of "PGE is looking for the co-owners to sign the proposed agreement that is on the table" and your observation that they (PGE) have already initiated Switchyard modifications.

Moreover, your mention earlier that PGE (or perhaps PGET) has advised that it has not "budgeted" (at least in 2005 and 2006) for any such compensation to minority "co-owners" that might be due upon "sale" of minority co-owner shares of the Trojan Switchyard and equipment located on that parcel is not (I hope) considered by PGE (or PGET) the "final word" on perhaps compensating the minority "co-owners" for their share of the Trojan Switchyard and related equipment. Could you read my "response" here and please clarify for me what I think is our current plan to explore how we will be compensated for PGET's exclusive use of the Trojan Switchyard?

2. I saw John Quinata's "response" of 9:55 a.m. this morning to your e-mail below indicating that he could give an "estimate" before the next Trojan Operating Committee meeting on 11/29/05 of the costs to PGE and thus some approximation of the value (if any) to PGET to have exclusive use of the existing facilties available at the Trojan Switchyard.

3. My sense of involving John Quinata's office is that consistent with Eugene Water & Electic Board's view (presumably expressed by Ken Beeson as well as EWEB's attorney Larry Cable) we (BPA) don't necessarily find the "proposed agreement" involving shared O&M costs with PGET (that was contained in the e-mail you routed to me on 8/16/05 at 1:46 p.m. via powerpoint presentation) acceptable.

4. That position was expressed (the first time) in Larry Cable's e-mail to me of 08/16/05 (12:34 p.m.) that I forwarded to you one minute later at 12:35 p.m. and that is set forth below here.

I think that EWEB and Bonneville should respond by saying that just paying 37% of the operating costs for the substation is not reasonable or highest value to EWEB and Bonneville. I ask that Tom [GRIM]}describe what is being paid for such facilities in other contexts we are aware of and I hope that Jeff [KRONICK] can get some input from Bonneville. When one party uses another party's substation to move power, I do not believe that just paying a percentage of the maintenance costs is necessarily a proper payment. This is complicated because the facilities are older and must be upgraded and such but, like the water, the question in the context of salvage is what would a willing buyer pay a willing seller. In that context, what would PGE do if we said that we wanted actual compensation in some reasonable amount beyond payment of the maintenance costs. It is like the water because the appraisal done by PGE was based on asking potential buyers of water that already had enough water what they would pay. In this instance, would PGE build an all new facility if we said they needed to pay X amount to move power through our facilities or would they pay us something? I think they would pay us something and that, in and of itself, makes the price paid a price that PGE is supposed to be getting for everything of value at Trojan. Simple is elegant and maybe my approach is to simple but that seems the right approach to me under the Salvage provisions of the Ownership Agreement. However, this is a business decision and is probably very much up to Bonneville which is the immediate beneficiary of any payments by PGE as these payments will obviously lower the amount of money that Bonneville will otherwise have to pay. Finally, we need to be careful to establish how we value our thirty seven per cent of anything at Trojan that PGE or anyone else wants to buy or we

will establish adverse precedents for future requests that may well come as the site is used for other purposes. Thanks to all and I look forward to views.

3. (a) Four notable points in Larry's e-mail above, or that can be developed from Larry Cable's e-mail. First Point Is BPA/EWEB being compensated appropriately for the fact that PGET is going to be using 100% of the Trojan Switchyard property and facilities for its own purposes but paying only a portion of O&M? If because of being outdated equipment or some other reason the existing Trojan Switchyard "equipment" is truly worth nothing to PGE in terms of costs that it would otherwise be required to incur in building a Switchyard and equipment for its Port Westward Plant than presumably (perhaps save for the land value) we have answered the question of appropriate compensation.

(b) Second Point. If there is salvage value in the future for any of the equipment at the Trojan Switchyard now, will it be diminished in value by PGE's ongoing and exclusive use for what is estimated by PGE to be the remaining 19 years of the Trojan Project? [See the slide presentation for the 19 year "period" that PGE uses.] In any event, assuming that there is some salvage value of the Switchyard equipment, we would do well to distinguish now (and presumably in contract as well) what specific equipment is co-owned at this point and what specific equipment is being "added" by PGET, so that when the Trojan Project does come to "an end," and Section 24 of the Operating Agreement applies, BPA will be assured of getting its appropriate allocated 30% of the "co-owned property, versus PGE merely succeeding to all that is left due to whatever ongoing use it may have at the time - e.g. Port Westward.

(c) Third Point. Larry's observation about establishing a "precedent" in terms of a methodology whereby PGE can use any and all Trojan equipment and property based on this same "contribution" to O&M theory. I think contract language indicating "no precedent" would be helpful to us in guarding against this "assumption" for any future proposed PGE uses.

(d) Fourth point. As Larry observes, this is largely a BPA business decision. Regardless of what "outcome" may obtain based either on the proposed "O&M allocation" methodology for the Trojan Switchyard, or something else based on the value of the existing structures and equipment to PGE (if any) I think that BPA will drive it, and if nothing else we should communicate election of what methodology and our thinking in advance to EWEB and have a unified approach and understanding in working through with PGE.

4. My hope is that we are at least proactive enough so that PGE does not "drive" through the current "shared O&M proposal," based on its benefits and time frame for Port Westward without BPA's and EWEB's concurrence. This is what I meant above in terms of "PGE looking to the co-owners to sign the proposal on the table" which as I understand, is the "shared O&M proposal."

5. In any event, and regardless of what "methodology" of compensation obtains, I would like to ensure that BPA (as well as EWEB) is indemnified

for any PGE (or PGET) uses of that section of the Trojan site and equipment in any final agreement, and that we are at least conscious of any dimunition in future salvage value due to PGET's exclusive use of this portion of the Trojan site. Recall that Section 24 provides that PGE does get the real property back, yet it and all personalty (meaning other than realty) is valued and salvaged with EWEB's 30% share allocated to BPA at the "End of Project."

6. Bob, am I in "sync" with your thinking?

Geoff K.
X 5263

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Wednesday, October 26, 2005 8:06 AM
To: Kronick,Geoffrey M - LC; Combs,Chuck - LT
Cc: Rapacz,Andy - PGC; Quinata,John F - TOE
Subject: RE: Trojan Switchyard and Just Compensation

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Sent: Monday, October 24, 2005 2:38 PM
To: Sherman,Bob - PGC; Combs,Chuck - LT
Cc: Rapacz,Andy - PGC; Quinata,John F - TOE
Subject: FW: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

Bob, when is a realistic date to communicate to John?

The next Trojan Operating Committee Meeting?

Later?

Please "Reply All."

Geoff K.

-----Original Message-----
From: Quinata,John F - TOE
Sent: Saturday, October 22, 2005 7:43 PM

PGE's exclusive use (or near exclusive use) of the Trojan Switchyard for its Port Westward Generating Facility interconnection.

Geoff K.
X 5263

Geoffrey M. Kronick, Esq.
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Cc: Rapacz,Andy - PGC
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When do you need the estimate by?

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1. I've talked to Chuck Combs (Acting Asst. General Counsel for LT in our office) and I think that Chuck is "okay" with us contacting TBL for a "ball park" estimate of the PGE Switchyard's value to PGE to guide our thinking in negotiating (with EWEB) the "sale" of EWEB (BPA's) 30% Co-Ownership interest in the Switchyard. My sense is that Chuck doesn't want to see us creating a large workload for anyone in the TBL, and again I would hope that we can merely receive a general range of potential value that would not involve extensive estimating by knowledgeable TBL staff. Again, I think that anything would be helpful at this point in terms of just "understanding and appreciating" what the existing Trojan switchyards might be worth to PGE for use in connection with their Port Westward generating

facility.

2. In talking to Mary Jensen (Attorney in LT) in our office briefly as well just now, she noted that given ever-changing nature of transmission technology and equipment, it is often the case that transmission equipment and fixtures can become "dated" quickly, such that they have little if any value in very short periods of time. Indeed, she cited the example of the transmission work done by/for Duke Energy Gray's Harbor on the CT project at Satsop (former WNP-3 site) that TBL had determined is literally worthless now for Duke Energy Gray's Harbor's successor in interest, even after just a few years. Notably, and as we all appreciate, the Trojan switchyard equipment has been "fallow" for a dozen years.

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Cc: Rapacz,Andy - PGC; Millar,Susan B - LT
Subject: RE: Trojan Switchyard and Just Compensation

Actually, you should work with Susan, since Al Paschke is the PGE AE and Susan is his attorney.

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From: Quinata,John F - TOE
Sent: Wednesday, October 26, 2005 9:54 AM
To: Sherman,Bob - PGC; Kronick,Geoffrey M - LC; Combs,Chuck - LT
Cc: Rapacz,Andy - PGC; Hoffman,Lorie S - TOE
Subject: RE: Trojan Switchyard and Just Compensation

So we'll complete the estimate before Nov. 29th.
Please contact Lorie if you have any questions. Thanks.

John

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Wednesday, October 26, 2005 8:06 AM
To: Kronick,Geoffrey M - LC; Combs,Chuck - LT
Cc: Rapacz,Andy - PGC; Quinata,John F - TOE
Subject: RE: Trojan Switchyard and Just Compensation

The next TOC meeting is November 29th. However, PGE has initiated switchyard modifications for the Port Westward addition. Therefore, I see no benefit to waiting until 11/29. PGE is going forward under the Ownership Agreement paragraph 20 "Additional Facilities" in that the parties shall grant the owners the right to use , add to and modify the Project facilities..... Therefore, I believe we should go forward as soon as practical. PGE is looking for the co-owners to sign the proposed agreement that is on the table.

Bob

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Monday, October 24, 2005 2:38 PM
To: Sherman,Bob - PGC; Combs,Chuck - LT
Cc: Rapacz,Andy - PGC; Quinata,John F - TOE
Subject: FW: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

Bob, when is a realistic date to communicate to John?

The next Trojan Operating Committee Meeting?

Later?

Please "Reply All."

Geoff K.

-----Original Message-----
From: Quinata,John F - TOE
Sent: Saturday, October 22, 2005 7:43 PM
To: Kronick,Geoffrey M - LC
Subject: RE: Trojan Switchyard and Just Compensation

Geoff
When do you need the estimate by?

John

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Friday, October 21, 2005 5:55 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Cc: Brost,Ed - PSE; Bates,Julie A - LC; Roberts,Robb F - LC; Combs,Chuck - LT; Jensen,Mary K - LT; Kronick,Geoffrey M - LC; Quinata,John F - TOE
Subject: RE: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

Bob:

1. I've talked to Chuck Combs (Acting Asst. General Counsel for LT in our office) and I think that Chuck is "okay" with us contacting TBL for a "ball park" estimate of the PGE Switchyard's value to PGE to guide our thinking in negotiating (with EWEB) the "sale" of EWEB (BPA's) 30% Co-Ownership interest in the Switchyard. My sense is that Chuck doesn't want to see us creating a large workload for anyone in the TBL, and again I would hope that we can merely receive a general range of potential value that would not involve extensive estimating by knowledgeable TBL staff. Again, I think that anything would be helpful at this point in terms of just "understanding and appreciating" what the existing Trojan switchyards might be worth to PGE for use in connection with their Port Westward generating facility.

2. In talking to Mary Jensen (Attorney in LT) in our office briefly as well just now, she noted that given ever-changing nature of transmission technology and equipment, it is often the case that transmission equipment and fixtures can become "dated" quickly, such that they have little if any value in very short periods of time. Indeed, she cited the example of the transmission work done by/for Duke Energy Gray's Harbor on the CT project at Satsop (former WNP-3 site) that TBL had determined is literally worthless now for Duke Energy Gray's Harbor's successor in interest, even

after just a few years. Notably, and as we all appreciate, the Trojan switchyard equipment has been "fallow" for a dozen years.

3. I'm going to copy this e-mail to John Quinata, Manager of Scheduling and Estimating in the TBL, in the hope that he can guide us to someone who could provide a very "quick" and general opinion regarding the value of the Trojan Switchyard and equipment for us in the context of what it would represent, if anything, in savings for PGE if PGE were required to build the current (but dated) facilities from scratch.

4. At least in this way I would hope we could have some assurance that the "payment relief" from PGE in and of itself (that would also presumably inure to BPA's/EWEB's benefit, is an appropriate measure of value for PGE's exclusive use (or near exclusive use) of the Trojan Switchyard for its Port Westward Generating Facility interconnection.

Geoff K.
X 5263

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
Portland, OR 97208-3621
(503) 230-4201
Facsimile (503) 230-7405
E-mail - gmkronick@bpa.gov

Please note that this electronic mail message, as well as its subject matter, may be protected by the attorney-client privilege, the Trade Secrets Act, or other privileges, and is not subject to disclosure. If you have received this electronic mail message in error, please contact Geoffrey M. Kronick - Attorney - Bonneville Power Administration, P O Box 3621, Portland, Oregon 97208-3621, Routing LC-7, (503) 230-4201, immediately. Please return the hard copy of the e-mail via U.S. Mail, and all mail expenses will be reimbursed. Any duplication, reproduction, or use of this e-mail, or the information contained therein, may violate applicable laws.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Friday, October 21, 2005 7:26 AM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Cc: Brost,Ed - PSE; Bates,Julie A - LC; Roberts,Robb F - LC

Subject: RE: Trojan Switchyard and Just Compensation

Geoff,

OK, do not hesitate, have TBL provide a free valuation of the switchyard within the appropriate time.

Bob

Sherman,Bob - PGC

From: Jerry Reid [Jerry.Reid@pgn.com]
Sent: Thursday, October 27, 2005 11:39 AM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com
Cc: Jay Fischer; Stephen Quennoz; Steve Nichols
Subject: Status of Preparing for a meeting to discuss PGE buy Swyd

Gentlemen,
I promised to get back to you this week on having a face to face meeting soon in Portland to discuss this topic.
This request has been discussed with the 2 responsible PGE Officers. PGE financial people are putting some information together for the Officers. This may be done this week & discussed with them soon.

I hope to have more info on a potential meeting date next week.

Jerry Reid
503-556-7013

Sherman,Bob - PGC

From: Larry Cable [lcable@chbh.com]
Sent: Wednesday, October 26, 2005 7:54 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC
Cc: Tom Grim
Subject: RE: FW: 3 of 3 to Geoff Questions on Trojan Substation Compensation Agreement

Thanks. I note you are working away late at night which I admire. Larry

-----Original Message-----
From: Kronick,Geoffrey M - LC [mailto:gmkronick@bpa.gov]
Sent: Wed Oct 26 19:51:31 2005
To: Sherman,Bob - PGC
Cc: Larry Cable; Tom Grim
Subject: FW: 3 of 3 to Geoff Questions on Trojan Substation Compensation Agreement

ATTORNEY CLIENT PRIVILEGE

Bob:

1. As a follow-up to the e-mail that I just routed you this evening, I wanted to make sure that this 09/15/05 "draft" above was the most recent one in terms of the concerns that I had articulated in my earlier e-mail tonight that regardless of what "methodology" we use that there is: (1) appropriate indemnity language and, (2) if the "O&M Methodology" is determined to be appropriate that, as per Larry Cable's e-mail of 08/16/05 (12:34 p.m.) "no precedent" language should be provided that indicates that no future PGE "proposed" uses of Trojan will necessarily be approved based on the same or a similar "O&M" allocation methodology.

2. I will be most interested in learning if the "valuation" that will be performed by the time of the next Trojan Operating Committee meeting reveals whether the existing Trojan Switchyard equipment and components have any value to Portland General Electric Transmission, and if so, what that value might be. Of course I understand, as indicated in an earlier message, that because of the "dated" nature of such equipment, and the length of time since last used (1993), that this Trojan Switchyard and equipment could be of minimal value. Yet I'm pleased at the idea that we are exploring this issue of "just compensation," in terms of evaluating the potential benefit to PGE of exclusive use of these "co-owned assets.)

3. I'm copying this instant e-mail, and the "attachment" and narrative below to Larry Cable and Tom Grim at Cable Houston (EWEB's Portland attorneys) since I'm not sure what they have seen recently from Ken Beeson.

Geoff K.
Direct Line (503) 230-5263

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-----Original Message-----
From: Sherman,Bob - PGC
Sent: Wednesday, September 28, 2005 10:12 AM
To: Kronick,Geoffrey M - LC
Subject: 3 of 3 to Geoff Questions on Trojan Substation Compensation Agreement

-----Original Message-----
From: Jack Todd [mailto:Jack.Todd@pgn.com]
Sent: Friday, September 16, 2005 8:26 AM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Questions on Trojan Substation Compensation Agreement

Gentlemen,
We received some questions from Ken Beeson at EWEB (through Jerry Reid) concerning the Trojan Substation agreement. The answers are in bold below. Let me know if anyone has additional questions and I will copy everyone on the response. I have also attached the latest version of the draft agreement. Thank you.
Jack Todd
Transmission Services.

1. In section 2 (Construction, Use of Existing Facilities), we would expect that, in addition to FERC 570, PGE annual payments would also include 37.7% of yearly costs associated with FERC 562 and 582 (Substation Operation Expenses) and FERC 592 (Substation Maintenance).

In discussion with Preston Martin, he informed me that generally all O&M for the Trojan Substation would be budgeted and charged to FERC account 570. However, since there are other accounts where costs potentially could be charged, we have taken out the reference to any FERC account so there is no confusion. The agreement now says that the annual payments to the owners of 37.7% will be made for all O&M costs for the Trojan Substation. This way all costs related to the Trojan Substation will be split as agreed no matter what FERC account is used.

We would also like to see 37.7% of any applicable administrative and general charges paid.

This was not part of our offer. Such costs related the Trojan Substation are very minimal and the administration cost to split these costs out separately would not be cost effective.

In similar EWEB contracts for our facilities, we also charge a share of a capital recover charge to recover an appopriate share of the investment. I'm not sure how that would apply given the age of this facility at Trojan.

The payment by PGE in this agreement, while based on a percentage of O&M expenditures, is intended to be a proxy for "equitable compensation" for use of the substation under the Owners Agreement. Although there are actually no increased O&M costs as a result of use of the substation for Port Westward (since substation facilities are retired based on a time-based, rather than use-based schedule) we felt that the chosen formula was an appropriate offer for equitable compensation. Also, due to the age of the facilities, it is our understanding that the asset has been fully depreciated by the various owners, so a capital recover charge would not be appropriate in this situation.

It would be helpful to me in further review if your engineering group could supply us with the estimated value of these FERC accounts for this facility so we all have some idea of the value.

According to Preston Martin, this information has already been provided to the owners through other reporting documents and the owners have full access to what is reported in the FERC accounts. The budgeted amount for 2006 is $21,283.

2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

Section 6 already contains a full indemnity that is not limited to PGE's negligence. Of course, PGE will not indemnify the other owners for their own negligence, so that specifically is carved out.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such

policies.

PGE is self-insured up to two million dollars and we are certainly willing to provide EWEB with a certificate of our self-insurance. Given that we are self-insured, and as a policy matter, PGE does not name others as additional insureds.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the indemnity commitment.

See answer above. We do not intend to take out a specific insurance policy to cover the indemnity obligation under the agreement. In addition, we believe that the risks to EWEB under this contract are extremely low. EWEB is not interconnected in any way to the substation, nor does it have operational control or personnel at the substation. Any damage to the substation itself due to use for Port Westward is covered by the indemnity and PGE has all incentive to repair the damage to ensure Port Westward power can continue to be transmitted to load.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 26, 2005 7:49 PM
To: Sherman,Bob - PGC
Cc: 'lcable@chbh.com'; Tom Grim
Subject: FW: 3 of 3 to Geoff Questions on Trojan Substation Compensation Agreement

Trojan Switchyard agreement dr...

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In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 26, 2005 7:14 PM
To: Sherman,Bob - PGC
Cc: Rapacz,Andy - PGC; Bates,Julie A - LC
Subject: RE: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

Bob:

1. This e-mail below that you sent this morning seems somewhat cryptic to me and I don't think I understand what is being said below, particularly in terms of "PGE is looking for the co-owners to sign the proposed agreement that is on the table" and your observation that they (PGE) have already initiated Switchyard modifications.

Moreover, your mention earlier that PGE (or perhaps PGET) has advised that it has not "budgeted" (at least in 2005 and 2006) for any such compensation to minority "co-owners" that might be due upon "sale" of minority co-owner shares of the Trojan Switchyard and equipment located on that parcel is not (I hope) considered by PGE (or PGET) the "final word" on perhaps compensating the minority "co-owners" for their share of the Trojan Switchyard and related equipment. Could you read my "response" here and please clarify for me what I think is our current plan to explore how we will be compensated for PGET's exclusive use of the Trojan Switchyard?

2. I saw John Quinata's "response" of 9:55 a.m. this morning to your e-mail below indicating that he could give an "estimate" before the next Trojan Operating Committee meeting on 11/29/05 of the costs to PGE and thus some approximation of the value (if any) to PGET to have exclusive use of the existing facilties available at the Trojan Switchyard.

3. My sense of involving John Quinata's office is that consistent with Eugene Water & Electic Board's view (presumably expressed by Ken Beeson as well as EWEB's attorney Larry Cable) we (BPA) don't necessarily find the "proposed agreement" involving shared O&M costs with PGET (that was contained in the e-mail you routed to me on 8/16/05 at 1:46 p.m. via powerpoint presentation) acceptable.

4. That position was expressed (the first time) in Larry Cable's e-mail to me of 08/16/05 (12:34 p.m.) that I forwarded to you one minute later at 12:35 p.m. and that is set forth below here.

I think that EWEB and Bonneville should respond by saying that just paying 37% of the operating costs for the substation is not reasonable or highest value to EWEB and Bonneville. I ask that Tom [GRIM]}describe what is being paid for such facilities in other contexts we are aware of and I hope that Jeff [KRONICK] can get some input from Bonneville. When one party uses another party's substation to move power, I do not believe that just paying a percentage of the maintenance costs is necessarily a proper payment. This is complicated because the facilities are older and must be upgraded and such but, like the water,

the question in the context of salvage is what would a willing buyer pay a willing seller. In that context, what would PGE do if we said that we wanted actual compensation in some reasonable amount beyond payment of the maintenance costs. It is like the water because the appraisal done by PGE was based on asking potential buyers of water that already had enough water what they would pay. In this instance, would PGE build an all new facility if we said they needed to pay X amount to move power through our facilities or would they pay us something? I think they would pay us something and that, in and of itself, makes the price paid a price that PGE is supposed to be getting for everything of value at Trojan. Simple is elegant and maybe my approach is to simple but that seems the right approach to me under the Salvage provisions of the Ownership Agreement. However, this is a business decision and is probably very much up to Bonneville which is the immediate beneficiary of any payments by PGE as these payments will obviously lower the amount of money that Bonneville will otherwise have to pay. Finally, we need to be careful to establish how we value our thirty seven per cent of anything at Trojan that PGE or anyone else wants to buy or we will establish adverse precedents for future requests that may well come as the site is used for other purposes. Thanks to all and I look forward to views.

3. (a) Four notable points in Larry's e-mail above, or that can be developed from Larry Cable's e-mail. First Point Is BPA/EWEB being compensated appropriately for the fact that PGET is going to be using 100% of the Trojan Switchyard property and facilities for its own purposes but paying only a portion of O&M? If because of being outdated equipment or some other reason the existing Trojan Switchyard "equipment" is truly worth nothing to PGE in terms of costs that it would otherwise be required to incur in building a Switchyard and equipment for its Port Westward Plant than presumably (perhaps save for the land value) we have answered the question of appropriate compensation.

(b) Second Point. If there is salvage value in the future for any of the equipment at the Trojan Switchyard now, will it be diminished in value by PGE's ongoing and exclusive use for what is estimated by PGE to be the remaining 19 years of the Trojan Project? [See the slide presentation for the 19 year "period" that PGE uses.] In any event, assuming that there is some salvage value of the Switchyard equipment, we would do well to distinguish now (and presumably in contract as well) what specific equipment is co-owned at this point and what specific equipment is being "added" by PGET, so that when the Trojan Project does come to "an end," and Section 24 of the Operating Agreement applies, BPA will be assured of getting its appropriate allocated 30% of the "co-owned property, versus PGE merely succeeding to all that is left due to whatever ongoing use it may have at the time - e.g. Port Westward.

(c) Third Point. Larry's observation about establishing a "precedent" in terms of a methodology whereby PGE can use any and all Trojan equipment and property based on this same "contribution" to O&M theory. I think contract language indicating "no precedent" would be helpful to us in guarding against this "assumption" for any future proposed PGE uses.

(d) Fourth point. As Larry observes, this is largely a BPA business decision. Regardless of what "outcome" may obtain based either on the proposed "O&M allocation" methodology for the Trojan Switchyard, or something else based on the value of the existing structures and equipment to PGE (if any) I think that BPA will drive it, and if nothing else we should communicate election of what methodology and our thinking in advance to EWEB and have a unified approach and understanding in working through with PGE.

4. My hope is that we are at least proactive enough so that PGE does not "drive" through the current "shared O&M proposal," based on its benefits and time frame for Port Westward without BPA's and EWEB's concurrence. This is what I meant above in terms of "PGE looking to the co-owners to sign the proposal on the table" which as I understand, is the "shared O&M proposal."

5. In any event, and regardless of what "methodology" of compensation obtains, I would like to ensure that BPA (as well as EWEB) is indemnified for any PGE (or PGET) uses of that section of the Trojan site and equipment in any final agreement, and that we are at least conscious of any dimunition in future salvage value due to PGET's exclusive use of this portion of the Trojan site. Recall that Section 24 provides that PGE does get the real property back, yet it and all personalty (meaning other than realty) is valued and salvaged with EWEB's 30% share allocated to BPA at the "End of Project."

6. Bob, am I in "sync" with your thinking?

Geoff K.
X 5263

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From: Sherman,Bob - PGC
Sent: Wednesday, October 26, 2005 8:06 AM
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Cc: Rapacz,Andy - PGC; Quinata,John F - TOE
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Subject: FW: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

Bob, when is a realistic date to communicate to John?

The next Trojan Operating Committee Meeting?

Later?

Please "Reply All."

Geoff K.

-----Original Message-----
From: Quinata,John F - TOE
Sent: Saturday, October 22, 2005 7:43 PM
To: Kronick,Geoffrey M - LC
Subject: RE: Trojan Switchyard and Just Compensation

Geoff
When do you need the estimate by?

John

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ATTORNEY CLIENT PRIVILEGE

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Geoff K.
X 5263

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From: Sherman,Bob - PGC
Sent: Friday, October 21, 2005 7:26 AM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Cc: Brost,Ed - PSE; Bates,Julie A - LC; Roberts,Robb F - LC
Subject: RE: Trojan Switchyard and Just Compensation

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Subject: Trojan Switchyard and Just Compensation

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RESPONSIVE COMMENTS REQUESTED.

Bob/Andy:

INTRODUCTION

1. I talked briefly to Tom Grim and Larry Cable (Cable Houston law firm) and EWEB's Portland attorneys this afternoon before calling Bob. I indicated to Bob that I would pass this instant message on. I've omitted two earlier messages that had been in this "chain" of e-mails, since this is the most current, and also responds to the e-mail below from Bob Sherman that he sent yesterday.

PGE PURCHASE OF OWNERSHIP SHARES VERSUS PROPOSED SWITCHYARD AGREEMENT

2. Larry Cable and I both share the perspective that inasmuch as PGE (albeit PGE Transmission) proposes to acquire the Trojan Switchyard for its exclusive use with its new Port Westward generating facility, that PGE should purchase Ownership shares of the Trojan Switchyard from EWEB and Pacificorp outright, versus the proposed Switchyard Compensation Agreement discussed below in Jerry Reid's (PGE)e-mail of September 26, 2005.

3. As Larry observed, for PGE (or PGE Transmission) to operate a switchyard for Post Westward from this "co-owned" property under the earlier discussed Switchyard Compensation Agreement seems inconsistent with the fact that at some date, presumably before PGE is done operating the Switchyard and the Port Westward generating facility connected thereto, all Trojan liabilities will be "covered" and neither BPA nor EWEB will have any interest in continuing involvement or "co-ownership" of the Switchyard. Moreover, the essential observation can be made that since PGE intends to monopolize this portion (the Switchyard) of the Trojan site for transmission of its own generation, why should co-ownership with EWEB and PacifiCorp continue?

JUST COMPENSATION

4. Section 24 - Project Agreement ("End of Project") contemplates that at the end of the project there will be a liquidation of all Project Assets.

More specifically, the language states -

"PGE shall sell for removal all saleable parts of the Project to the highest bidders; provided, however, that the Plant Real Property shall revert to PGE. After deducting all costs of ending the Project, including, without limiting the generality of the foregoing, the cost of decomissioning, razing all structures and disposing of the debris and meeting all requirements of Federal, state or local law relating to the safe deactivation of the plant, PGE shall close the appropriate trust account and, if there are net proceeds, distribute the value of the Plant Real Property as determined by agreement of all the Parties, or in the absence of such agreement, by the Project Consultant. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred."

5. The existing Switchyard, although arguably mere surplusage in terms of the transmission of electricity from the now-terminated Trojan Nuclear Plant, presumably provides some value to PGE in terms of existing transmission facilities that formerly serviced an 1100 Mw Nuclear Generating Station and that are now proposed to service a 650 Mw gas fired turbine (Port Westward.)

6. Granted that these transmission facilities have been "dormant" since Trojan operations were halted in 1992 (some 13 years), yet presumably that facilities are of greater value to PGE in terms of wheeling its Port Westward generation than would be the case if all Switchyard equipment and structures were salvaged and removed from the site, such that PGE would need to begin its Switchyard construction from "scratch."

7. Thus, if we assume that it would be more appropriate in the context of PGE's proposed interconnection and integration of its Port Westward generating facility for PGE to "buy out" EWEB's 30% interest and Pacificorp's 2% interest in the Trojan Switchyard, then the question becomes what is the value of (30%) of this Switchyard? (Recall that EWEB's "share" of such funds would ultimately inure to BPA, for potential investment against future Trojan-related costs, consistent with the scenario envisioned in Section 24 of the Trojan Project Agreement quoted at #4 above.)

8. I would suggest that BPA has such expertise in its Transmission Business line that it seems possible that we can obtain a more informed answer to this question above regarding what the 30% share of the (Trojan) Switchyard is worth to PGE. Ultimately, Section 24 of the Project Agreement contemplated that such "liquidation" value of the switchyard, both of the "salable parts" and the real property (at least in terms of the "value" of the real property being distributed to EWEB (BPA) and PacifiCorp for their fractional shares).

9. Other related issues would of course be: (1) assuring an equitable methodology for assessing cost of electric power to the Independent Spend Fuel Storage Installation (ISFSI) and apportioning to EWEB/BPA and Pacificorp; (2) indemnity of EWEB (BPA) and Pacificorp for any and all potential liabilities arising from PGE's use of the Switchyard property; (3) the issue of whether actual transfer (by quitclaim?) of the real property would be indicated, and (4) likely some prorata reduction to

overall O&M costs at Trojan reflecting PGE's monopolization of the Switchyard.

10. Comments and thoughts?

Geoff K.
(503) 230-5263 (direct line)

Cc: Chuck Combs - LT
John Quinata - TOE-Vancouver

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From: Sherman,Bob - PGC
Sent: Tuesday, October 18, 2005 12:02 PM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

-----Original Message-----
From: Jerry Reid [mailto:Jerry.Reid@pgn.com]
Sent: Monday, September 26, 2005 2:51 PM
To: Ken.Beeson@EWEB.Eugene.OR.US; ed.burton@pacificorp.com
Cc: Sherman,Bob - PGC; Jay Fischer
Subject: Ed & Ken,

Ed & Ken,
Please read over the below TOC minutes (draft) that I put together for our discussion of the status of the reviews on the draft Swyd Compensation Agreement. Do you have any comments on this wording??

DRAFT MINUTES
Follow-up items associated with the Trojan Switchyard expansion project for Port Westward were discussed. The Co-Owners (PacifiCorp and EWEB) had previously provided comments and questions related to a draft of a Switchyard Compensation Agreement, dated 8/8/2005, that would provide compensation to the Co-Owners and allow Port Westward to expand and use the switchyard. As of 9/21/2005, PGE Transmission Services had provided responses to all of these comments and questions and also provided a new draft of the Compensation Agreement to the Co-Owners. The status of the Co-Owner's review of this new information was discussed. EWEB and PGE lawyers are discussing possible revisions to the draft Agreement, Section 6, wording related to indemnification from damages. Ken stated that EWEB wanted to discuss this proposed Agreement with BPA to ensure they were in agreement. Jerry requested that the Co-Owners finish their reviews and respond to PGE Transmission Services (Jack Todd) to let him know if the PGE answers were responsive to their questions and if they had any questions that they consider to be unresolved.

In addition, during the above discussion, both EWEB and PacifiCorp indicated that they would be willing to sell their ownership share of the Trojan Switchyard to PGE instead of establishing this proposed Compensation Agreement. This would not include all of the West of the Tracks property & buildings; it would only be the Co-Owned Land under the Switchyard and the Switchyard equipment and structures. They indicated that if PGE has any interest in owning the Switchyard, PGE and the Co-Owners should work together to determine a reasonable value for the purchase price.

Thanks

Jerry Reid
503-556-7013

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Sherman,Bob - PGC

From: Rapacz,Andy - PGC
Sent: Thursday, October 20, 2005 1:16 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC
Subject: RE: Trojan Switchyard and Just Compensation

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I'm comfortable with a request to TBL.
- Andy

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Cc: Sherman,Bob - PGC; Majkut,Paul S - LC
Subject: FW: Trojan Switchyard Matter

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Andy:

I don't know if Bob had sent this along to you yet, it just arrived, but Ken Beeson (EWEBs) view appears to be similar to our view in terms of having our "interest" purchased by PGE. See Ken Beeson's #6 below.

My sense is that in contrast to the "water," that PGE obtained for use at Port Westward, we do have expertise here at BPA to advise us of what the Trojan "Switchyard" is worth to PGE, and might wish to proceed "apace" to solicit those opinions from John Quinata or somebody else in TBL.

Geoff K.

-----Original Message-----
From: Ken D BEESON [mailto:Ken.Beeson@eweb.eugene.or.us]
Sent: Thursday, October 20, 2005 12:33 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC; lcable@chbh.com
Subject: Trojan Switchyard Matter

Here are a couple of notes from the TOC call this morning re the switchyard.

1. PGE wants to get the facility agreement signed. They explained their "downtown managers" are reviewing EWEB request to have PGE purchase the facility but they have no money in 2005 or 2006 budget and it will take them some time to figure that out. They want to execute this other agreement in the interim.

2. Pacific is not ready to sign the facility agreement yet (need more legal review) and I also hear them supporting the PGE purchase idea.

3. I told them EWEB perspective is a) we don't want to sign long term facility agreement, and b) we want PGE to purchase for fair market value.

4. PGE maintains that section 24 isn't controlling here because they say "end of project" won't occur until decom is done (all fuel is gone from site)...

5. After discussion, we decided a) PGE will go away and reconsider request they purchase the facility; b) if they agree, then we need to determine valuation; and c) if they disagree, then we need to decide how to resolve.

6. From my perspective, I didn't leave open possibility for facility agreement; I think I was clear we want them to purchase.

7. I told them we would commit to staying focused on this and getting it resolved. To that end we agreed to meet in Portland in a few weeks in person to resolve issues.

8. They will have an answer in a week or so and then we will schedule the Portland meeting.

9. I have talked with Bob and we agree that EWEB and BPA ought to meet fairly soon and review the questions and agree on our approach and position.

10. I think the two questions are a) how do we respond if they don't want to sell right now, and b) if they agree to sell, how do we approach valuation.

I would suggest EWEB/BPA meet in Portland on this sometime next week (10/26 or 10/27) or the week after (11/1, 11/3, or 11/4).

Thanks

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
fax: 541.341.1889
e-mail: ken.beeson@eweb.eugene.or.us

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In addition, during the above discussion, both EWEB and PacifiCorp indicated that they would be willing to sell their ownership share of the Trojan Switchyard to PGE instead of establishing this proposed Compensation Agreement. This would not include all of the West of the Tracks property & buildings; it would only be the Co-Owned Land under the Switchyard and the Switchyard equipment and structures. They indicated that if PGE has any interest in owning the Switchyard, PGE and the Co-Owners should work together to determine a reasonable value for the purchase price.

Thanks

Jerry Reid
503-556-7013

Sherman,Bob - PGC

From: Ken D BEESON [Ken.Beeson@eweb.eugene.or.us]
Sent: Thursday, October 20, 2005 12:33 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC; lcable@chbh.com
Subject: Trojan Switchyard Matter

Here are a couple of notes from the TOC call this morning re the switchyard.

1. PGE wants to get the facility agreement signed. They explained their "downtown managers" are reviewing EWEB request to have PGE purchase the facility but they have no money in 2005 or 2006 budget and it will take them some time to figure that out. They want to execute this other agreement in the interim.

2. Pacific is not ready to sign the facility agreement yet (need more legal review) and I also hear them supporting the PGE purchase idea.

3. I told them EWEB perspective is a) we don't want to sign long term facility agreement, and b) we want PGE to purchase for fair market value.

4. PGE maintains that section 24 isn't controlling here because they say "end of project" won't occur until decom is done (all fuel is gone from site)...

5. After discussion, we decided a) PGE will go away and reconsider request they purchase the facility; b) if they agree, then we need to determine valuation; and c) if they disagree, then we need to decide how to resolve.

6. From my perspective, I didn't leave open possibility for facility agreement; I think I was clear we want them to purchase.

7. I told them we would commit to staying focused on this and getting it resolved. To that end we agreed to meet in Portland in a few weeks in person to resolve issues.

8. They will have an answer in a week or so and then we will schedule the Portland meeting.

9. I have talked with Bob and we agree that EWEB and BPA ought to meet fairly soon and review the questions and agree on our approach and position.

10. I think the two questions are a) how do we respond if they don't want to sell right now, and b) if they agree to sell, how do we approach valuation.

I would suggest EWEB/BPA meet in Portland on this sometime next week (10/26 or 10/27) or the week after (11/1, 11/3, or 11/4).

Thanks

Ken Beeson

Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
fax: 541.341.1889
e-mail: ken.beeson@eweb.eugene.or.us

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Sherman,Bob - PGC

From: Rapacz,Andy - PGC
Sent: Thursday, October 20, 2005 12:13 PM
To: Kronick,Geoffrey M - LC; Sherman,Bob - PGC
Cc: Roberts,Robb F - LC; Majkut,Paul S - LC; Bates,Julie A - LC; Andrews,Claudia R - KFW
Subject: RE: Trojan Switchyard and Just Compensation

Thanks Geoff.
Bob and I discussed this whole issue this morning. I think the purchase of ownership shares by PGE sounds reasonable.

How about making the compensation that PGE provides power to the Trojan site and ISFSI for the remaining life of those facilities! :-)
- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, October 19, 2005 6:41 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Cc: Roberts,Robb F - LC; Majkut,Paul S - LC; Bates,Julie A - LC; Andrews,Claudia R - KFW; 'Ken.Beeson@EWEB.Eugene.OR.US'; 'lcable@chbh.coml'; Quinata,John F - TOE; Combs,Chuck - LT
Subject: Trojan Switchyard and Just Compensation

ATTORNEY CLIENT PRIVILEGE

RESPONSIVE COMMENTS REQUESTED.

Bob/Andy:

INTRODUCTION

1. I talked briefly to Tom Grim and Larry Cable (Cable Houston law firm) and EWEB's Portland attorneys this afternoon before calling Bob. I indicated to Bob that I would pass this instant message on. I've omitted two earlier messages that had been in this "chain" of e-mails, since this is the most current, and also responds to the e-mail below from Bob Sherman that he sent yesterday.

PGE PURCHASE OF OWNERSHIP SHARES VERSUS PROPOSED SWITCHYARD AGREEMENT

2. Larry Cable and I both share the perspective that inasmuch as PGE (albeit PGE Transmission) proposes to acquire the Trojan Switchyard for its exclusive use with its new Port Westward generating facility, that PGE should purchase Ownership shares of the Trojan Switchyard from EWEB and Pacificorp outright, versus the proposed Switchyard Compensation Agreement discussed below in Jerry Reid's (PGE)e-mail of September 26, 2005.

3. As Larry observed, for PGE (or PGE Transmission) to operate a switchyard for Post Westward from this "co-owned" property under the earlier discussed Switchyard Compensation Agreement seems inconsistent with

the fact that at some date, presumably before PGE is done operating the Switchyard and the Port Westward generating facility connected thereto, all Trojan liabilities will be "covered" and neither BPA nor EWEB will have any interest in continuing involvement or "co-ownership" of the Switchyard. Moreover, the essential observation can be made that since PGE intends to monopolize this portion (the Switchyard) of the Trojan site for transmission of its own generation, why should co-ownership with EWEB and PacifiCorp continue?

JUST COMPENSATION

4. Section 24 - Project Agreement ("End of Project") contemplates that at the end of the project there will be a liquidation of all Project Assets. More specifically, the language states -

"PGE shall sell for removal all saleable parts of the Project to the highest bidders; provided, however, that the Plant Real Property shall revert to PGE. After deducting all costs of ending the Project, including, without limiting the generality of the foregoing, the cost of decomissioning, razing all structures and disposing of the debris and meeting all requirements of Federal, state or local law relating to the safe deactivation of the plant, PGE shall close the appropriate trust account and, if there are net proceeds, distribute the value of the Plant Real Property as determined by agreement of all the Parties, or in the absence of such agreement, by the Project Consultant. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred."

5. The existing Switchyard, although arguably mere surplusage in terms of the transmission of electricity from the now-terminated Trojan Nuclear Plant, presumably provides some value to PGE in terms of existing transmission facilities that formerly serviced an 1100 Mw Nuclear Generating Station and that are now proposed to service a 650 Mw gas fired turbine (Port Westward.)

6. Granted that these transmission facilities have been "dormant" since Trojan operations were halted in 1992 (some 13 years), yet presumably that facilities are of greater value to PGE in terms of wheeling its Port Westward generation than would be the case if all Switchyard equipment and structures were salvaged and removed from the site, such that PGE would need to begin its Switchyard construction from "scratch."

7. Thus, if we assume that it would be more appropriate in the context of PGE's proposed interconnection and integration of its Port Westward generating facility for PGE to "buy out" EWEB's 30% interest and Pacificorp's 2% interest in the Trojan Switchyard, then the question becomes what is the value of (30%) of this Switchyard? (Recall that EWEB's "share" of such funds would ultimately inure to BPA, for potential investment against future Trojan-related costs, consistent with the scenario envisioned in Section 24 of the Trojan Project Agreement quoted at #4 above.)

8. I would suggest that BPA has such expertise in its Transmission Business line that it seems possible that we can obtain a more informed answer to this question above regarding what the 30% share of the (Trojan)

Switchyard is worth to PGE. Ultimately, Section 24 of the Project Agreement contemplated that such "liquidation" value of the switchyard, both of the "salable parts" and the real property (at least in terms of the "value" of the real property being distributed to EWEB (BPA) and PacifiCorp for their fractional shares).

9. Other related issues would of course be: (1) assuring an equitable methodology for assessing cost of electric power to the Independent Spend Fuel Storage Installation (ISFSI) and apportioning to EWEB/BPA and Pacificorp; (2) indemnity of EWEB (BPA) and Pacificorp for any and all potential liabilities arising from PGE's use of the Switchyard property; (3) the issue of whether actual transfer (by quitclaim?) of the real property would be indicated, and (4) likely some prorata reduction to overall O&M costs at Trojan reflecting PGE's monopolization of the Switchyard.

10. Comments and thoughts?

Geoff K.
(503) 230-5263 (direct line)

Cc: Chuck Combs - LT
John Quinata - TOE-Vancouver

Geoffrey M. Kronick, Esq.
Office of General Counsel - Routing LC-7
Bonneville Power Administration
P O Box 3621
Portland, OR 97208-3621
(503) 230-4201
Facsimile (503) 230-7405
E-mail - gmkronick@bpa.gov

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-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, October 18, 2005 12:02 PM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

-----Original Message-----
From: Jerry Reid [mailto:Jerry.Reid@pgn.com]
Sent: Monday, September 26, 2005 2:51 PM
To: Ken.Beeson@EWEB.Eugene.OR.US; ed.burton@pacificorp.com
Cc: Sherman,Bob - PGC; Jay Fischer
Subject: Ed & Ken,

Ed & Ken,
Please read over the below TOC minutes (draft) that I put together for our discussion of the status of the reviews on the draft Swyd Compensation Agreement. Do you have any comments on this wording??

DRAFT MINUTES
Follow-up items associated with the Trojan Switchyard expansion project for Port Westward were discussed. The Co-Owners (PacifiCorp and EWEB) had previously provided comments and questions related to a draft of a Switchyard Compensation Agreement, dated 8/8/2005, that would provide compensation to the Co-Owners and allow Port Westward to expand and use the switchyard. As of 9/21/2005, PGE Transmission Services had provided responses to all of these comments and questions and also provided a new draft of the Compensation Agreement to the Co-Owners. The status of the Co-Owner's review of this new information was discussed. EWEB and PGE lawyers are discussing possible revisions to the draft Agreement, Section 6, wording related to indemnification from damages. Ken stated that EWEB wanted to discuss this proposed Agreement with BPA to ensure they were in agreement. Jerry requested that the Co-Owners finish their reviews and respond to PGE Transmission Services (Jack Todd) to let him know if the PGE answers were responsive to their questions and if they had any questions that they consider to be unresolved.

In addition, during the above discussion, both EWEB and PacifiCorp indicated that they would be willing to sell their ownership share of the Trojan Switchyard to PGE instead of establishing this proposed Compensation Agreement. This would not include all of the West of the Tracks property & buildings; it would only be the Co-Owned Land under the Switchyard and the Switchyard equipment and structures. They indicated that if PGE has any interest in owning the Switchyard, PGE and the Co-Owners should work together to determine a reasonable value for the purchase price.

Thanks

Jerry Reid
503-556-7013

Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, September 27, 2005 6:45 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

ATTORNEY CLIENT PRIVILEGE.

This does seem less "challenging" than attempting to figure out if PGE's construction budget is "right on," or determining potential future value of the property.

Biggest question I can think of right off is - what happens to the funds paid to EWEB? Does it go into an account for BPA or EWEB or what?

I'd like to see the "answers" to the questions that Jerry Reid talks about below, just to know everything that EWEB knows, and also we still have the issue of wanting BPA to be indemnified just the same way that EWEB is indemnified, unless it seems clear to us that EWEB's indemnity is passed on to and would include BPA.

I haven't heard anything back from Al Paschke or any TBL people about the parallel line "effects" of PGE's line to Port Westward, and if they don't want to be timely about this I guess we should just move ahead.

Geoff K.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, September 27, 2005 11:53 AM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: FW: Ed & Ken,

Geoff, Andy,

It appears that EWEB and PacifiCorp have proposed another option to the PGE switchyard agreement to add capability for Port Westward. They are willing to sell their interest in the Trojan switchyard. I am for it.
See the last paragraph below.

Geoff - Any problems with that?

Bob

-----Original Message-----
From: Jerry Reid [mailto:Jerry.Reid@pgn.com]
Sent: Monday, September 26, 2005 2:51 PM
To: Ken.Beeson@EWEB.Eugene.OR.US; ed.burton@pacificorp.com
Cc: Sherman,Bob - PGC; Jay Fischer
Subject: Ed & Ken,

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Thanks

Jerry Reid
503-556-7013

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Wednesday, September 21, 2005 2:15 PM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Response to EWEB Questions

Gentlemen,
Please see the response below to questions posed by Ken Beeson of EWEB. The answers are in bold but I'm realizing that the bold may not show up on other parties e-mail system. I can't think of another way to differentiate the answers so they stand out. Hopefully, these responses add some clarity. Let me know if you have additional questions.
Thanks

1. I read your revision to section 2 (Construction, Use of Existing Facilities) to mean that the annual payment from PGE would be 37.7% of all operation and maintenance costs associated with the station including any applicable A&G.

PGET's proposal was to pay 37.7% of the O&M for the Trojan Substation. If this is not clear, we can put a sentence in Section 2 of the agreement that states "payment does not include A&G costs".

2. Can you provide your list of applicable FERC accounts?

PGE would record all activity to 570 - if others were used, they would show up in the monthly report and the partners would be able to verify that they received 37.7%. It won't show up because Preston's group manually creates the monthly report and puts all activity into one account (570). To answer, Ken's question, though, the FERC accounts that relate to the Substation are:

560 Operation supervision and engineering
561 Load dispatching
562 Station expenses
566 Miscellaneous transmission expenses

568 Maintenance supervision and engineering
569 Maintenance of structures
570 Maintenance of station equipment
573 Maintenance of miscellaneous transmission plant

3. Also, could you provide an estimate of the annual payment (Regarding the annual payment as well as my request for applicable FERC accounts, I'm trying to get some perspective; I have some idea what EWEB charges for comparable situations.).

The budgeted amounts I have for O&M from 2006 through 2011 are below. PGET would pay 37.7% of the actual cost but the budget will give you an idea of what the payment might look like.

2006 - $22,457
2007 - $6,282
2008 - $7,951
2009 - $6,534
2010 - $6,984
2011 - $19,589

4. I will need to see revisions to the indemnification section (Section 6) that I requested in the 9/2 e-mail.

PGET attorney, Rich George, will contact EWEB's attorney to discuss the suggested revision. (done 9/16--awaiting response).

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Wednesday, September 21, 2005 8:32 AM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Response to PAC Questions

Gentlemen,
This is a response (in bold) to a couple questions submitted by Ed Burton at PacifiCorp. I will send out the response to EWEB's latest questions in a separate e-mail. Thanks.

1. If the Trojan Plant Co-owners want to dispose of the switchyard, does
the proposed agreement create an encumbrance we cannot get out of?

PGE doesn't believe that the proposed Agreement creates an encumbrance that the Co-Owners cannot get out of. The proposed Agreement implements Article 20 of the Owners Agreement with respect to use of existing facilities and construction of new ones. PGE is, as an entity, of course still subject to the terms of the Owners Agreement with respect to disposition of assets (e.g., Section 24). Also, if the Co-Owners sold the Swyd to a new Owner, the proposed Agreement can be assigned (pursuant to Section 22 of the Owners Agreement) and revised to show that the new Owner would be receiving the annual O&M payment.

2. Port Westward should outlive Trojan. Should the prospect of Trojan's
ultimate dissolution be addressed in the agreement?

PGE doesn't believe that this needs to be addressed in the Agreement because the Owner's Agreement adequately covers this for the End of the Project. Per the Owner's Agreement Section 24, End of the Project, the Plant Real Property (that includes the land under Swyd) shall revert to PGE. Presumably PGE would acquire the Swyd facility hardware at that time, as provided in Section 24. Section 24 also addresses the End of Project settlement of accounts by saying that: "PGE shall close the appropriate trust account and, if there are net proceeds, distribute to each Party its Ownership Share of such proceeds, including the value of the Plant Real Property as determined by agreement of all the Parties....."

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

Sherman,Bob - PGC

From: Ken D BEESON [Ken.Beeson@eweb.eugene.or.us]
Sent: Friday, September 16, 2005 1:47 PM
To: Sherman,Bob - PGC; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jack.Todd@pgn.com; Jerry.Reid@pgn.com; Larry.Rocha@pgn.com; Steve.Nichols@pgn.com
Cc: Frank.Afranji@pgn.com; Kenny.Dillon@pgn.com; Preston.Martin@pgn.com; Richard.George@pgn.com
Subject: Re: Questions on Trojan Substation Compensation Agreement

Jack:

Thanks for sending out the revised draft agreement. After reviewing it, I still have some questions and comments.

1. I read your revision to section 2 (Construction, Use of Existing Facilities) to mean that the annual payment from PGE would be 37.7% of all operation and maintenance costs associated with the station including any applicable A&G.

2. Can you provide your list of applicable FERC accounts?

3. Also, could you provide an estimate of the annual payment (Regarding the annual payment as well as my request for applicable FERC accounts, I'm trying to get some perspective; I have some idea what EWEB charges for comparable situations.).

4. I will need to see revisions to the indemnification section (Section 6) that I requested in the 9/2 e-mail.

Thanks, Ken

>>> "Jack Todd" <Jack.Todd@pgn.com> 09/16/05 8:26 AM >>>
Gentlemen,
We received some questions from Ken Beeson at EWEB (through Jerry Reid) concerning the Trojan Substation agreement. The answers are in bold below. Let me know if anyone has additional questions and I will copy everyone on the response. I have also attached the latest version of the draft agreement. Thank you.
Jack Todd
Transmission Services.

1. In section 2 (Construction, Use of Existing Facilities), we would expect that, in addition to FERC 570, PGE annual payments would also include 37.7% of yearly costs associated with FERC 562 and 582 (Substation Operation Expenses) and FERC 592 (Substation Maintenance).

In discussion with Preston Martin, he informed me that generally all O&M for the Trojan Substation would be budgeted and charged to FERC account 570. However, since there are other accounts where costs

potentially could be charged, we have taken out the reference to any FERC account so there is no confusion. The agreement now says that the annual payments to the owners of 37.7% will be made for all O&M costs for the Trojan Substation. This way all costs related to the Trojan Substation will be split as agreed no matter what FERC account is used.

We would also like to see 37.7% of any applicable administrative and general charges paid.

This was not part of our offer. Such costs related the Trojan Substation are very minimal and the administration cost to split these costs out separately would not be cost effective.

In similar EWEB contracts for our facilities, we also charge a share of a capital recover charge to recover an appopriate share of the investment. I'm not sure how that would apply given the age of this facility at Trojan.

The payment by PGE in this agreement, while based on a percentage of O&M expenditures, is intended to be a proxy for "equitable compensation" for use of the substation under the Owners Agreement. Although there are actually no increased O&M costs as a result of use of the substation for Port Westward (since substation facilities are retired based on a time-based, rather than use-based schedule) we felt that the chosen formula was an appropriate offer for equitable compensation. Also, due to the age of the facilities, it is our understanding that the asset has been fully depreciated by the various owners, so a capital recover charge would not be appropriate in this situation.

It would be helpful to me in further review if your engineering group could supply us with the estimated value of these FERC accounts for this facility so we all have some idea of the value.

According to Preston Martin, this information has already been provided to the owners through other reporting documents and the owners have full access to what is reported in the FERC accounts. The budgeted amount for 2006 is $21,283.

2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

Section 6 already contains a full indemnity that is not limited to PGE's negligence. Of course, PGE will not indemnify the other owners for their own negligence, so that specifically is carved out.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such policies.

PGE is self-insured up to two million dollars and we are certainly willing to provide EWEB with a certificate of our self-insurance. Given

that we are self-insured, and as a policy matter, PGE does not name others as additional insureds.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the indemnity commitment.

See answer above. We do not intend to take out a specific insurance policy to cover the indemnity obligation under the agreement. In addition, we believe that the risks to EWEB under this contract are extremely low. EWEB is not interconnected in any way to the substation, nor does it have operational control or personnel at the substation. Any damage to the substation itself due to use for Port Westward is covered by the indemnity and PGE has all incentive to repair the damage to ensure Port Westward power can continue to be transmitted to load.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Friday, September 16, 2005 8:26 AM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Questions on Trojan Substation Compensation Agreement

Trojan Switchyard agreement dr...

Gentlemen,
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retired based on a time-based, rather than use-based schedule) we felt that the chosen formula was an appropriate offer for equitable compensation. Also, due to the age of the facilities, it is our understanding that the asset has been fully depreciated by the various owners, so a capital recover charge would not be appropriate in this situation.

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2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

Section 6 already contains a full indemnity that is not limited to PGE's negligence. Of course, PGE will not indemnify the other owners for their own negligence, so that specifically is carved out.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such policies.

PGE is self-insured up to two million dollars and we are certainly willing to provide EWEB with a certificate of our self-insurance. Given that we are self-insured, and as a policy matter, PGE does not name others as additional insureds.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the indemnity commitment.

See answer above. We do not intend to take out a specific insurance policy to cover the indemnity obligation under the agreement. In addition, we believe that the risks to EWEB under this contract are extremely low. EWEB is not interconnected in any way to the substation, nor does it have operational control or personnel at the substation. Any damage to the substation itself due to use for Port Westward is covered by the indemnity and PGE has all incentive to repair the damage to ensure Port Westward power can continue to be transmitted to load.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

Sherman,Bob - PGC

From: Rapacz,Andy - PGC
Sent: Friday, September 16, 2005 9:30 AM
To: Sherman,Bob - PGC
Subject: FW: A Tale of Trojan and Transmission

FYI. I think there'll be more to come on this

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, September 14, 2005 2:52 PM
To: Millar,Susan B - LT; Paschke,Al - TM; Combs,Chuck - LT
Cc: Majkut,Paul S - LC
Subject: A Tale of Trojan and Transmission

ATTORNEY CLIENT PRIVILEGE

Introduction

1. Last year, prior to his retirement, Cliff Perigo and I spoke about the then current Portland General Electric ("PGE") proceeding before the Oregon Public Utility Commission; the Docket UM-1121 in which the Texas Pacific Group proposed to acquire PGE from the Enron bankruptcy. Although Cliff couldn't identify any particular "focus areas" in that case of immediate concern to the Transmission Business Line ("TBL"), he did share an anecdote with me about "discussions" with PGE concerning **the impact of its new "Port Westward" 635 Mw gas-fired combustion turbine ("CT") in Clatskanie, Oregon on existing BPA transmission.**

2. Cliff noted that PGE and TBL has shared some discussions about the impact of the proposed new line that PGE intended to build to integrate the new Port Westward project. My understanding is that these discussions concerned, at least in part, how PGE and BPA might jointly plan and/or construct in ways that would minimize impacts on BPA's parallel transmission paths in the same area.

3. Cliff shared with me that a "sensitivity" analysis prepared by PGE indicated minimal potential impacts on TBL transmission, but that TBL staff found such analysis "less than persuasive." Cliff also shared that PGE's discussions with TBL regarding "joint" methods of addressing transmission impacts ceased not long thereafter. Of course there had been no resolution regarding TBL's concerns, and certainly no contract nor memorandum of understanding regarding how such transmission impacts might be addressed.

Trojan Substation

4. Although the Trojan Nuclear Plant ceased operations in 1992, the Trojan Nuclear Project continues as a jointly owned project of PGE (owner-operator with a 68% share), Eugene Water & Electric Board ("EWEB") (30% share owner) and PacifiCorp (2% share owner). EWEB's 30% share of the Trojan Project's output was assigned to BPA and financed through Net-Billing Agreements with participant public utilities, and BPA of course remains contractually obligated to pay EWEB's 30% pro-rata share of all Trojan costs.

Ultimately, as per the Trojan Project Agreement, when all liabilities relating to site clean up and removal of spent nuclear fuel are discharged - again based on pro-rata shares of ownership rights rate ownership shares and BPA's "assumption" of EWEB's 30% pro-rata share of all Trojan costs -- the remaining lands, fixtures, facilities, water rights and similar "assets" are to be liquidated. Each respective project owner (and/or what we might generically call "their assignees" in the case of EWEB) thereafter receiving a pro-rata share of the remaining liquidated assets.

5. Because of the suitability of the substation located on the Trojan site, formerly used for intergration of the generation from that 1130 Mw nuclear resource, PGE has now proposed to the Trojan Operating Committee members (including BPA) that the substation be "upgraded" by all the Trojan owners. PGE also has indicated that it will pay certain amounts of compensation for the costs of such upgrades to the other co-owners (which in the case of EWEB really means BPA because of item 4 above) as

well as an amount (percentage) of O&M costs for the newly upgraded substation.

Action Items

6. Not only will PBL want TBL to opine as to whether the amounts of costs PGE indicates for construction are reasonable (so as to determine if the offered compensation is reasonable) but I'm curious if TBL has any continuing concerns about the "potential impacts on BPA parallel transmission paths" matter indicated above at item 4. If not, then, assuming TBL can confirm that the "estimated costs" of the PGE substation upgrade, and other matters such as indemnity for both EWEB and BPA can be arranged within PBL, then I assume that PBL will wish to go forward and execute this "agreement," with PGE.

7. **Thus, if TBL has any concerns about the impact of the line from Trojan substation to Port Westward at Clatskanie, in terms of impact on other TBL transmission or any other issues, my hope is that you advise me ASAP.**

Geoff K
x 5263

Geoffrey M. Kronick, Esq.

Office of General Counsel - Routing LC-7

Bonneville Power Administration

P O Box 3621

Portland, OR 97208-3621

(503) 230-4201

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Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Thursday, September 15, 2005 12:27 PM
To: Millar,Susan B - LT; Combs,Chuck - LT
Cc: Majkut,Paul S - LC; Sherman,Bob - PGC
Subject: FW: A Tale of Trojan and Transmission

ATTORNEY CLIENT PRIVILEGE

1. Bob and I need to talk about my item #6 below, but I thought it should be passed on to you lest I mischaracterize anything. As per Chuck's earlier message, I am not sending this on to Al Paschke since he wanted Susan to have time to examine the issue before initiating any more communications with the AE. Bob's message is, however, not immediately relevant to the issue of potential TBL "impacts" on BPA parallel transmission paths that I advised you about in my e-mail of yesterday.

2. My review of the contract draft proposed by PGE leaves me confused since it contemplates an initial payment by PGE, and that later payments, if indicated, would be made in a commercially reasonable amount of time. Yet the Agreement "draft" recites that the Parties agree to upgrade any existing facilities. **Bob** - My sense is that if no "affirmative action" by anyone but PGE is required that some explicit language indicating this might be of comfort to BPA.

3. Bob, could you please advise all of us via return e-mail mail if and when this matter is to be considered at a Trojan Operating Commitee meeting, just to give us some time frame on this?

Thanks.

Geoff K.

From: Sherman,Bob - PGC
Sent: Thursday, September 15, 2005 7:35 AM
To: Kronick,Geoffrey M - LC
Subject: RE: A Tale of Trojan and Transmission

Geoff,

To be clear, your statement included in #6 below - PGE has now proposed to the Trojan Operating Committee members (including BPA) that the substation be "upgraded" by all the Trojan owners... is a little misleading, in that, PGE does not expect the co-owners to pay for the addition to the substation. PGE is going to pay the entire amount of the addition of adding Port Westward. It will be a pass-through deal.

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, September 14, 2005 2:52 PM
To: Millar,Susan B - LT; Paschke,Al - TM; Combs,Chuck - LT
Cc: Majkut,Paul S - LC
Subject: A Tale of Trojan and Transmission

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Introduction

1. Last year, prior to his retirement, Cliff Perigo and I spoke about the then current Portland General Electric ("PGE") proceeding before the Oregon Public Utility Commission; the Docket UM-1121 in which the Texas Pacific Group proposed

to acquire PGE from the Enron bankruptcy. Although Cliff couldn't identify any particular "focus areas" in that case of immediate concern to the Transmission Business Line ("TBL"), he did share an anecdote with me about "discussions" with PGE concerning **the impact of its new "Port Westward" 635 Mw gas-fired combustion turbine ("CT") in Clatskanie, Oregon on existing BPA transmission.**

2. Cliff noted that PGE and TBL has shared some discussions about the impact of the proposed new line that PGE intended to build to integrate the new Port Westward project. My understanding is that these discussions concerned, at least in part, how PGE and BPA might jointly plan and/or construct in ways that would minimize impacts on BPA's parallel transmission paths in the same area.

3. Cliff shared with me that a "sensitivity" analysis prepared by PGE indicated minimal potential impacts on TBL transmission, but that TBL staff found such analysis "less than persuasive." Cliff also shared that PGE's discussions with TBL regarding "joint" methods of addressing transmission impacts ceased not long thereafter. Of course there had been no resolution regarding TBL's concerns, and certainly no contract nor memorandum of understanding regarding how such transmission impacts might be addressed.

Trojan Substation

4. Although the Trojan Nuclear Plant ceased operations in 1992, the Trojan Nuclear Project continues as a jointly owned project of PGE (owner-operator with a 68% share), Eugene Water & Electric Board ("EWEB") (30% share owner) and PacifiCorp (2% share owner). EWEB's 30% share of the Trojan Project's output was assigned to BPA and financed through Net-Billing Agreements with participant public utilities, and BPA of course remains contractually obligated to pay EWEB's 30% pro-rata share of all Trojan costs.

Ultimately, as per the Trojan Project Agreement, when all liabilities relating to site clean up and removal of spent nuclear fuel are discharged - again based on pro-rata shares of ownership rights rate ownership shares and BPA's "assumption" of EWEB's 30% pro-rata share of all Trojan costs -- the remaining lands, fixtures, facilities, water rights and similar "assets" are to be liquidated. Each respective project owner (and/or what we might generically call "their assignees" in the case of EWEB) thereafter receiving a pro-rata share of the remaining liquidated assets.

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Geoff K
x 5263

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Sent: Wednesday, September 14, 2005 2:52 PM
To: Millar,Susan B - LT; Paschke,Al - TM; Combs,Chuck - LT
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Geoff K
x 5263

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Sherman,Bob - PGC

From: Rapacz,Andy - PGC
Sent: Thursday, September 08, 2005 1:52 PM
To: Kronick,Geoffrey M - LC
Cc: Sherman,Bob - PGC
Subject: RE: Trojan Substation Compensation Agreement

I did find your e-mails humorous (but absolutely true!), and that thought did occur to me that "Geoff is really looking out for us here!"

[hopefully attorneys don't charge for fighting over us as clients! :-)

- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Thursday, September 08, 2005 1:46 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Subject: RE: Trojan Substation Compensation Agreement

ATTORNEY CLIENT PRIVILEGE

1. I didn't mean to sound so "ferocious" (or pompous) in the exchange of e-mails with Chuck Combs, it's just that he hadn't read the entire "colloquy" of e-mails sent to him beginning at the bottom with Ken Beeson's message to Bob Sherman and Bob's subsequent messages, and thus Chuck wasn't getting the point that this was not a PGE request to TBL for substation expansion.

2. It should make you feel good, however, that attorneys are fighting over you as clients.
"No, they're mine," "No, they're mine," etc.

Geoff K.

-----Original Message-----
From: Rapacz,Andy - PGC
Sent: Thursday, September 08, 2005 11:37 AM
To: Kronick,Geoffrey M - LC; Combs,Chuck - LT; Paschke,Al - TM; Majkut,Paul S - LC; Roach,Randy A - L
Cc: Millar,Susan B - LT
Subject: RE: Trojan Substation Compensation Agreement

Thanks Geoff.
Bob and I had talked the other day about finding out from TBL what might be considered standard practice in the industry for sharing the use of a substation and appropriate compensation, per your # 5-a below.
- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, September 07, 2005 7:45 PM
To: Combs,Chuck - LT; Paschke,Al - TM; Majkut,Paul S - LC; Roach,Randy A
- L
Cc: Millar,Susan B - LT; Rapacz,Andy - PGC
Subject: RE: Trojan Substation Compensation Agreement

Chuck, Al, et al

ATTORNEY CLIENT PRIVILEGE

1. This is a matter involving Non-Federal Generation (PGC) within the PBL.

2. The costs involve net-billing obligations and BPA's assumption of EWEB's 30% share of the output and the costs of the Trojan Nuclear Plant. Thus, at least in terms of direct payment, this does not involve transmission rates.

3. Certainly I would be happy to share information about this matter with the TBL AE, and anybody else at BPA, so long as they are not under a misimpression that this involves, at least at this point, any service request to the TBL, or TBL building any "upgrades" at BPA-owned or PGE-owned transmission facilities. As indicated in Bob Sherman's e-mail below, this involves "PGE adding a bay for Port Westward to the Trojan substation which is co-owned by EWEB, PGE and whatever Pacificorp is called now."

4. So far as I understand, PGE intends to build its own line from the Trojan substation near Rainier, Oregon to PGE's new Port Westward 650 Mw gas-fired combustine turbine located near Clatskanie, Oregon. Since Trojan is down and has been for a good many years, presumably the exiting infrastructure at the Trojan substation is sufficient, at least as concerns the substation itself, to handle Port Westward's 650 Mw "resource contribution," and then some.

5. Notably, however, it may be helpful in guiding BPA's acceptance/rejection of PGE's proposed "upgrade" and "cost sharing" to obtain information from TBL and use their expertise to determine the reasonablness of the underlying cost representations provided by PGE. To the degree that Susan or any LT attorney can help facilitate this "evaluation" it would certainly be appreciated.

5. Since BPA pays all costs for EWEB under the terms of the BPA/EWEB Trojan net billing and assignment agreements, BPA will need to determine (as well as EWEB) if it agrees to PGE's cost sharing proposal among the "co-owners" of Trojan.

6. Similarly, as Ken Beeson (EWEB) indicates below at the very bottom, assuming that BPA concurs with what appears to be EWEB's tentative agreement with the PGE proposal - it will still be necessary for both EWEB and BPA to consider the value indicated by PGE in terms of payment.

"The only remaining reservation is that we want to be sure as a co-owner that we are receiving fair and adequate value for this use of the facility. To that end, I want to complete my discussions with BPA and be sure they are OK with the approach outlined in the agreement.

7. Ken's "discussions" with BPA will occur on or about September 12, 2005 when he returns from vacation.

Geoff K.
X 5263

-----Original Message-----
From: Combs,Chuck - LT
Sent: Wednesday, September 07, 2005 6:18 PM
To: Kronick,Geoffrey M - LC; Paschke,Al - TM; Majkut,Paul S - LC; Roach,Randy A - L
Cc: Millar,Susan B - LT; Rapacz,Andy - PGC
Subject: RE: Trojan Substation Compensation Agreement

Ok. I spoke too quickly. I think we need to sort out what is PBL stuff and what is TBL. Presumably, if any of these costs are recovered through transmission rates, TBL has an interest.

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, September 07, 2005 6:08 PM
To: Combs,Chuck - LT; Paschke,Al - TM; Majkut,Paul S - LC; Roach,Randy A - L
Cc: Millar,Susan B - LT; Rapacz,Andy - PGC
Subject: RE: Trojan Substation Compensation Agreement

ATTORNEY CLIENT PRIVILEGE

I disagree. I have worked exclusively with the Richland office, EWEB and their attorneys on all aspects of Trojan costs for several years, in multiple forums. This is not a "conventional" request for transmission but implicates costs being shared by BPA (through the net-billing agreement with EWEB) and liquidation of assets that are jointly owned by EWEB, PGE, and Pacificorp.

I don't have time to bring anybody up to speed on this, and I think that at best the TBL interest in this matter is collateral. It would take little digging on Susan's part to appreciate this, but if you insist, have at it. I will be around to straighten it out and give the LT section guidance when you get in over your heads.

Geoff K.
X 5263

-----Original Message-----
From: Combs,Chuck - LT
Sent: Wednesday, September 07, 2005 5:58 PM
To: Kronick,Geoffrey M - LC; Paschke,Al - TM; Majkut,Paul S - LC
Cc: Millar,Susan B - LT
Subject: RE: Trojan Substation Compensation Agreement

Geoff, this is a transmission request. Susan reviews transmission requests. She will work with you, but it is her job to review these requests.

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, September 07, 2005 5:56 PM
To: Combs,Chuck - LT; Paschke,Al - TM; Majkut,Paul S - LC
Cc: Millar,Susan B - LT; Sherman,Bob - PGC; Rapacz,Andy - PGC
Subject: RE: Trojan Substation Compensation Agreement

ATTORNEY CLIENT PRIVILEGES

I disagree. All Trojan matters are related to Non-Federal Generation and should be left to those who understand Trojan, not to LT attorneys who understand little if anything about nuclear or the underlying contractual basis (net-billing and assignment with EWEB) of this Non-Federal resource.

Geoff K.

-----Original Message-----
From: Combs,Chuck - LT
Sent: Wednesday, September 07, 2005 5:51 PM
To: Paschke,Al - TM
Cc: Kronick,Geoffrey M - LC; Millar,Susan B - LT; Sherman,Bob - PGC
Subject: RE: Trojan Substation Compensation Agreement

Susan, not Geoff, should be the reviewing attorney on this.

-----Original Message-----
From: Paschke,Al - TM
Sent: Tuesday, September 06, 2005 12:16 PM
To: King,Robert D - TOC; Johnson,Kelly G - TOC
Cc: Millar,Susan B - LT; Combs,Chuck - LT; Gillman,Richard A - TM; Timberman,Toni L - TM
Subject: FW: Trojan Substation Compensation Agreement

Bob/Kelly: Do you know who in TBL, if anyone, is knowledgeable regarding the proposed work described below? Thanks.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, September 06, 2005 10:24 AM
To: Paschke,Al - TM
Subject: FW: Trojan Substation Compensation Agreement

Al,

Are you aware of the proposed modification to the Trojan substation regarding the proposed addition of the line to Port

Westward? I will include you in future communications unless you have another source of information or do not need this type of information, your choice.

Bob

-----Original Message-----
From: Oster,Dennis M - TMC
Sent: Tuesday, September 06, 2005 9:01 AM
To: Sherman,Bob - PGC; Kronick,Geoffrey M - LC
Subject: RE: Trojan Substation Compensation Agreement

Nope. Al Paschke is the TBL AE for PGE.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Friday, September 02, 2005 3:17 PM
To: Kronick,Geoffrey M - LC; Oster,Dennis M - TMC
Subject: FW: Trojan Substation Compensation Agreement

Dennis, Geoff,

Dennis, are you the TBL AE for PGE/Trojan? I think I should be cutting you in on this stuff. If not, can you tell me who is the AE?

This e-mail has to do with the agreement regarding PGE adding a bay for Port Westward to the Trojan substation which is co-owned by EWEB, PGE and whatever Pacificorp is called now.

Geoff, The indemnification and liability stuff, Item 2 in the e-mail, is what I had asked PGE about from the start. I agree we should all (co-owners) have the same provision as Ken wants for EWEB, yes?

-----Original Message-----
From: Ken D BEESON [mailto:Ken.Beeson@eweb.eugene.or.us]
Sent: Friday, September 02, 2005 10:33 AM
To: Jerry.Reid@pgn.com
Cc: Sherman,Bob - PGC; ed.burton@pacificorp.com
Subject: Trojan Substation Compensation Agreement

Jerry:

Re Proposed Trojan Sub Lease agreement

EWEB has completed some initial legal review of the proposed agreement and I also have received some comments back from our Engineering group and I want to pass that along to you.

I am out next week for some vacation and I'll be back in the office after 9/12. I don't expect we will have all our review finalized by 9/9; I will need to touch base with BPA after 9/12 and be sure we are in agreement on some of the detail.

Here is what I have at this point:

1. In section 2 (Construction, Use of Existing Facilities), we would expect that, in addition to FERC 570, PGE annual payments would also include 37.7% of yearly costs associated with FERC 562 and 582 (Substation Operation Expenses) and FERC 592 (Substation Maintenance).

We would also like to see 37.7% of any applicable administrative and general charges paid.

In similar EWEB contracts for our facilities, we also charge a share of a capital recover charge to recover an appopriate share of the investment. I'm not sure how that would apply given the age of this facility at Trojan.

It would be helpful to me in further review if your engineering group could supply us with the estimated value of these FERC accounts for this facility so we all have some idea of the value.

2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such policies.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the indemnity commitment.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

The only remaining reservation is that we want to be sure as a co-owner that we are receiving fair and adequate value for this use of the facility. To that end, I want to complete my discussions with BPA and be sure they are OK with the approach outlined in the agreement.

Thanks, Ken

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
fax: 541.341.1889
e-mail: ken.beeson@eweb.eugene.or.us

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Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Thursday, September 08, 2005 1:46 PM
To: Rapacz,Andy - PGC; Sherman,Bob - PGC
Subject: RE: Trojan Substation Compensation Agreement

ATTORNEY CLIENT PRIVILEGE

1. I didn't mean to sound so "ferocious" (or pompous) in the exchange of e-mails with Chuck Combs, it's just that he hadn't read the entire "colloquy" of e-mails sent to him beginning at the bottom with Ken Beeson's message to Bob Sherman and Bob's subsequent messages, and thus Chuck wasn't getting the point that this was not a PGE request to TBL for substation expansion.

2. It should make you feel good, however, that attorneys are fighting over you as clients.
"No, they're mine," "No, they're mine," etc.

Geoff K.

-----Original Message-----
From: Rapacz,Andy - PGC
Sent: Thursday, September 08, 2005 11:37 AM
To: Kronick,Geoffrey M - LC; Combs,Chuck - LT; Paschke,Al - TM; Majkut,Paul S - LC; Roach,Randy A - L
Cc: Millar,Susan B - LT
Subject: RE: Trojan Substation Compensation Agreement

Thanks Geoff.
Bob and I had talked the other day about finding out from TBL what might be considered standard practice in the industry for sharing the use of a substation and appropriate compensation, per your # 5-a below.
- Andy

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, September 07, 2005 7:45 PM
To: Combs,Chuck - LT; Paschke,Al - TM; Majkut,Paul S - LC; Roach,Randy A - L
Cc: Millar,Susan B - LT; Rapacz,Andy - PGC
Subject: RE: Trojan Substation Compensation Agreement

Chuck, Al, et al

ATTORNEY CLIENT PRIVILEGE

1. This is a matter involving Non-Federal Generation (PGC) within the PBL.

2. The costs involve net-billing obligations and BPA's assumption of

EWEB's 30% share of the output and the costs of the Trojan Nuclear Plant. Thus, at least in terms of direct payment, this does not involve transmission rates.

3. Certainly I would be happy to share information about this matter with the TBL AE, and anybody else at BPA, so long as they are not under a misimpression that this involves, at least at this point, any service request to the TBL, or TBL building any "upgrades" at BPA-owned or PGE-owned transmission facilities. As indicated in Bob Sherman's e-mail below, this involves "PGE adding a bay for Port Westward to the Trojan substation which is co-owned by EWEB, PGE and whatever Pacificorp is called now."

4. So far as I understand, PGE intends to build its own line from the Trojan substation near Rainier, Oregon to PGE's new Port Westward 650 Mw gas-fired combustine turbine located near Clatskanie, Oregon. Since Trojan is down and has been for a good many years, presumably the exiting infrastructure at the Trojan substation is sufficient, at least as concerns the substation itself, to handle Port Westward's 650 Mw "resource contribution," and then some.

5. Notably, however, it may be helpful in guiding BPA's acceptance/rejection of PGE's proposed "upgrade" and "cost sharing" to obtain information from TBL and use their expertise to determine the reasonablness of the underlying cost representations provided by PGE. To the degree that Susan or any LT attorney can help facilitate this "evaluation" it would certainly be appreciated.

5. Since BPA pays all costs for EWEB under the terms of the BPA/EWEB Trojan net billing and assignment agreements, BPA will need to determine (as well as EWEB) if it agrees to PGE's cost sharing proposal among the "co-owners" of Trojan.

6. Similarly, as Ken Beeson (EWEB) indicates below at the very bottom, assuming that BPA concurs with what appears to be EWEB's tentative agreement with the PGE proposal - it will still be necessary for both EWEB and BPA to consider the value indicated by PGE in terms of payment.

"The only remaining reservation is that we want to be sure as a co-owner that we are receiving fair and adequate value for this use of the facility. To that end, I want to complete my discussions with BPA and be sure they are OK with the approach outlined in the agreement.

7. Ken's "discussions" with BPA will occur on or about September 12, 2005 when he returns from vacation.

Geoff K.
X 5263

-----Original Message-----
From: Combs,Chuck - LT
Sent: Wednesday, September 07, 2005 6:18 PM
To: Kronick,Geoffrey M - LC; Paschke,Al - TM; Majkut,Paul S - LC; Roach,Randy A - L

Cc: Millar,Susan B - LT; Rapacz,Andy - PGC
Subject: RE: Trojan Substation Compensation Agreement

Ok. I spoke too quickly. I think we need to sort out what is PBL stuff and what is TBL. Presumably, if any of these costs are recovered through transmission rates, TBL has an interest.

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, September 07, 2005 6:08 PM
To: Combs,Chuck - LT; Paschke,Al - TM; Majkut,Paul S - LC; Roach,Randy A - L
Cc: Millar,Susan B - LT; Rapacz,Andy - PGC
Subject: RE: Trojan Substation Compensation Agreement

ATTORNEY CLIENT PRIVILEGE

I disagree. I have worked exclusively with the Richland office, EWEB and their attorneys on all aspects of Trojan costs for several years, in multiple forums. This is not a "conventional" request for transmission but implicates costs being shared by BPA (through the net-billing agreement with EWEB) and liquidation of assets that are jointly owned by EWEB, PGE, and Pacificorp.

I don't have time to bring anybody up to speed on this, and I think that at best the TBL interest in this matter is collateral. It would take little digging on Susan's part to appreciate this, but if you insist, have at it. I will be around to straighten it out and give the LT section guidance when you get in over your heads.

Geoff K.
X 5263

-----Original Message-----
From: Combs,Chuck - LT
Sent: Wednesday, September 07, 2005 5:58 PM
To: Kronick,Geoffrey M - LC; Paschke,Al - TM; Majkut,Paul S - LC
Cc: Millar,Susan B - LT
Subject: RE: Trojan Substation Compensation Agreement

Geoff, this is a transmission request. Susan reviews transmission requests. She will work with you, but it is her job to review these requests.

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Wednesday, September 07, 2005 5:56 PM
To: Combs,Chuck - LT; Paschke,Al - TM; Majkut,Paul S - LC
Cc: Millar,Susan B - LT; Sherman,Bob - PGC; Rapacz,Andy - PGC
Subject: RE: Trojan Substation Compensation Agreement

ATTORNEY CLIENT PRIVILEGES

I disagree. All Trojan matters are related to Non-Federal Generation and should be left to those who understand Trojan, not to LT attorneys who understand little if anything about nuclear or the underlying contractual basis (net-billing and assignment with EWEB) of this Non-Federal resource.

Geoff K.

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To: Paschke,Al - TM
Cc: Kronick,Geoffrey M - LC; Millar,Susan B - LT; Sherman,Bob - PGC
Subject: RE: Trojan Substation Compensation Agreement

Susan, not Geoff, should be the reviewing attorney on this.

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From: Paschke,Al - TM
Sent: Tuesday, September 06, 2005 12:16 PM
To: King,Robert D - TOC; Johnson,Kelly G - TOC
Cc: Millar,Susan B - LT; Combs,Chuck - LT; Gillman,Richard A - TM; Timberman,Toni L - TM
Subject: FW: Trojan Substation Compensation Agreement

Bob/Kelly: Do you know who in TBL, if anyone, is knowledgeable regarding the proposed work described below? Thanks.

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Subject: FW: Trojan Substation Compensation Agreement

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Bob

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Sent: Tuesday, September 06, 2005 9:01 AM
To: Sherman,Bob - PGC; Kronick,Geoffrey M - LC
Subject: RE: Trojan Substation Compensation Agreement

Nope. Al Paschke is the TBL AE for PGE.

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This e-mail has to do with the agreement regarding PGE adding a bay for Port Westward to the Trojan substation which is co-owned by EWEB, PGE and whatever Pacificorp is called now.

Geoff, The indemnification and liability stuff, Item 2 in the e-mail, is what I had asked PGE about from the start. I agree we should all (co-owners) have the same provision as Ken wants for EWEB, yes?

-----Original Message-----
From: Ken D BEESON [mailto:Ken.Beeson@eweb.eugene.or.us]
Sent: Friday, September 02, 2005 10:33 AM
To: Jerry.Reid@pgn.com
Cc: Sherman,Bob - PGC; ed.burton@pacificorp.com
Subject: Trojan Substation Compensation Agreement

Jerry:

Re Proposed Trojan Sub Lease agreement

EWEB has completed some initial legal review of the proposed agreement and I also have received some comments back from our Engineering group and I want to pass that along to you.

I am out next week for some vacation and I'll be back in the office after 9/12. I don't expect we will have all our review finalized by 9/9; I will need to touch base with BPA after 9/12 and be sure we are in agreement on some of the detail.

Here is what I have at this point:

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We would also like to see 37.7% of any applicable administrative and general charges paid.

In similar EWEB contracts for our facilities, we also charge a share of a capital recover charge to recover an appopriate share of the investment. I'm not sure how that would apply given the age of this facility at Trojan.

It would be helpful to me in further review if your engineering group could

supply us with the estimated value of these FERC accounts for this facility so we all have some idea of the value.

2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such policies.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the indemnity commitment.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

The only remaining reservation is that we want to be sure as a co-owner that we are receiving fair and adequate value for this use of the facility. To that end, I want to complete my discussions with BPA and be sure they are OK with the approach outlined in the agreement.

Thanks, Ken

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
fax: 541.341.1889
e-mail: ken.beeson@eweb.eugene.or.us

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Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Thursday, September 08, 2005 10:21 AM
To: Johnson,Kelly G - TOC
Cc: Millar,Susan B - LT; Combs,Chuck - LT; Sherman,Bob - PGC; Majkut,Paul S - LC
Subject: RE: Trojan Substation Compensation Agreement

Thanks.

Geoff K.
X 5263

-----Original Message-----
From: Johnson,Kelly G - TOC
Sent: Thursday, September 08, 2005 10:19 AM
To: Kronick,Geoffrey M - LC
Subject: FW: Trojan Substation Compensation Agreement

See below. I tried to tell them none of this was TBL stuff, just EWEB asking for our opinion to help them out. I was not aware of the full extent of PBL's involvement or that you guys ultimately foot the bill. I'd be glad to help determine if PGE's costs seem reasonable and fair. Keep in mind, these costs can be very situational dependant and we certainly do not have much knowledge of the present situation at Trojan substation.

Kelly

-----Original Message-----
From: Johnson,Kelly G - TOC
Sent: Tuesday, September 06, 2005 12:23 PM
To: Paschke,Al - TM; King,Robert D - TOC
Cc: Millar,Susan B - LT; Combs,Chuck - LT; Gillman,Richard A - TM; Timberman,Toni L - TM
Subject: RE: Trojan Substation Compensation Agreement

In reading this, it appears that Ken Beeson of EWEB just wants our opinion/advice on the situation in general from EWEB's perspective and whether they are getting a fair shake. Otherwise, we have no stake in this at all.

For what he may be looking for, there could be several components to look at - financial, legal, technical etc. The EWEB account team would be in the best position to review this in the interest of looking out for EWEB so to speak.

Kelly

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Cc: Millar,Susan B - LT; Combs,Chuck - LT; Gillman,Richard A - TM; Timberman,Toni L - TM
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Nope. Al Paschke is the TBL AE for PGE.

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Re Proposed Trojan Sub Lease agreement

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We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such policies.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the indemnity commitment.

In your review of this, if there are detailed questions from a legal perspective, I would refer your legal group to Larry Cable or Tom Grim at Cable Huston.

3. I will work to complete our review with BPA as expeditiously as possible after 9/12. I think, other than what I've mentioned above, we are generally OK with the agreement.

The only remaining reservation is that we want to be sure as a co-owner that we are receiving fair and adequate value for this use of the facility. To that end, I want to complete my discussions with BPA and be sure they are OK with the approach outlined in the agreement.

Thanks, Ken

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
fax: 541.341.1889
e-mail: ken.beeson@eweb.eugene.or.us

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received this communication in error, please notify us immediately by e-mail
and delete the message and any attachments from your system. Thank you.

Sherman,Bob - PGC

From: Jerry Reid [Jerry.Reid@pgn.com]
Sent: Wednesday, September 07, 2005 7:24 AM
To: Ken.Beeson@EWEB.Eugene.OR.US
Cc: Sherman,Bob - PGC; ed.burton@pacificorp.com
Subject: Re: Trojan Substation Compensation Agreement

Ken, Thanks for getting back to me with EWEB's comments. I forwarded them to PGE Transmission Services & Legal Depts to review & provide answers.

>>> "Ken D BEESON" <Ken.Beeson@EWEB.Eugene.OR.US> 09/02/05 10:33 AM >>>
Jerry:

Re Proposed Trojan Sub Lease agreement

EWEB has completed some initial legal review of the proposed agreement and I also have received some comments back from our Engineering group and I want to pass that along to you.

I am out next week for some vacation and I'll be back in the office after 9/12. I don't expect we will have all our review finalized by 9/9; I will need to touch base with BPA after 9/12 and be sure we are in agreement on some of the detail.

Here is what I have at this point:

1. In section 2 (Construction, Use of Existing Facilities), we would expect that, in addition to FERC 570, PGE annual payments would also include 37.7% of yearly costs associated with FERC 562 and 582 (Substation Operation Expenses) and FERC 592 (Substation Maintenance).

We would also like to see 37.7% of any applicable administrative and general charges paid.

In similar EWEB contracts for our facilities, we also charge a share of a capital recover charge to recover an appopriate share of the investment. I'm not sure how that would apply given the age of this facility at Trojan.

It would be helpful to me in further review if your engineering group could supply us with the estimated value of these FERC accounts for this facility so we all have some idea of the value.

2. Section 6 (Indemnification): EWEB wants this section (and any related parts of the agreement) revised so that EWEB is provided with full indemnity for any damages resulting from PGE's use of these facilities regardless of of whether the damage resulted from the negligence of PGE.

We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such

policies.

Generally, in addition to full indemnification, we want insurance to protect us from any claims that PGE might not be able to pay under the indemnity commitment.

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Thanks, Ken

Ken Beeson
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Sherman,Bob - PGC

From: Paschke,Al - TM
Sent: Tuesday, September 06, 2005 12:12 PM
To: Sherman,Bob - PGC
Subject: RE: Trojan Substation Compensation Agreement

OK, thanks. I was not aware of this work.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, September 06, 2005 10:24 AM
To: Paschke,Al - TM
Subject: FW: Trojan Substation Compensation Agreement

Al,

Are you aware of the proposed modification to the Trojan substation regarding the proposed addition of the line to Port Westward? I will include you in future communications unless you have another source of information or do not need this type of information, your choice.

Bob

-----Original Message-----
From: Oster,Dennis M - TMC
Sent: Tuesday, September 06, 2005 9:01 AM
To: Sherman,Bob - PGC; Kronick,Geoffrey M - LC
Subject: RE: Trojan Substation Compensation Agreement

Nope. Al Paschke is the TBL AE for PGE.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Friday, September 02, 2005 3:17 PM
To: Kronick,Geoffrey M - LC; Oster,Dennis M - TMC
Subject: FW: Trojan Substation Compensation Agreement

Dennis, Geoff,

Dennis, are you the TBL AE for PGE/Trojan? I think I should be cutting you in on this stuff. If not, can you tell me who is the AE?

This e-mail has to do with the agreement regarding PGE adding a bay for Port Westward to the Trojan substation which is co-owned by EWEB, PGE and whatever Pacificorp is called now.

Geoff, The indemnification and liability stuff, Item 2 in the e-mail, is what I had asked PGE about from the start. I agree we should all (co-owners) have the same provision as Ken wants for EWEB, yes?

-----Original Message-----
From: Ken D BEESON [mailto:Ken.Beeson@eweb.eugene.or.us]
Sent: Friday, September 02, 2005 10:33 AM
To: Jerry.Reid@pgn.com
Cc: Sherman,Bob - PGC; ed.burton@pacificorp.com
Subject: Trojan Substation Compensation Agreement

Jerry:

Re Proposed Trojan Sub Lease agreement

EWEB has completed some initial legal review of the proposed agreement and I also have received some comments back from our Engineering group and I want to pass that along to you.

I am out next week for some vacation and I'll be back in the office after 9/12. I don't expect we will have all our review finalized by 9/9; I will need to touch base with BPA after 9/12 and be sure we are in agreement on some of the detail.

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We also want PGE to provide adequate insurance to protect EWEB from any claims and that EWEB is named as an additional insured on any such policies.

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Thanks, Ken

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
Eugene, OR 97440
phone: 541.341.3772
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e-mail: ken.beeson@eweb.eugene.or.us

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Sherman,Bob - PGC

From: Ken D BEESON [Ken.Beeson@eweb.eugene.or.us]
Sent: Friday, September 02, 2005 10:33 AM
To: Jerry.Reid@pgn.com
Cc: Sherman,Bob - PGC; ed.burton@pacificorp.com
Subject: Trojan Substation Compensation Agreement

Jerry:

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Thanks, Ken

Ken Beeson
Energy Resource Projects Manager
Eugene Water & Electric Board
P.O. Box 10148
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Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, August 30, 2005 12:48 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Subject: RE: Trojan Substation Agreement

ATTORNEY CLIENT PRIVILEGE

I'm pretty swamped just now with matters and need to perhaps talk with all of you about what is "priority" just now.

Perhaps we could set up a phone call for late in the week?

Geoff K.

From: Sherman,Bob - PGC
Sent: Tuesday, August 30, 2005 12:16 PM
To: Kronick,Geoffrey M - LC
Subject: RE: Trojan Substation Agreement
Importance: High

Geoff,

So where are we on this Substation Agreement for linking the PGE Port Westward plant to the Trojan Substation? PGE is calling and wants to get going on this. Is BPA going to sign? Ken Beeson says PGE is doing what EWEB does. Why is this any different? Is BPA going to start paying to interconnect to each utility now? Does this set a precedent since it is different than the usual practice?

See the message form Ken below note the words in red

From: Ken D BEESON [mailto:Ken.Beeson@eweb.eugene.or.us]

Sent: Tuesday, August 16, 2005 1:30 PM

To: Kronick,Geoffrey M - LC; lcable@chbh.com; Tgrim@chbh.com

Subject: Re: Trojan Substation Agreement

Here are a couple of things to consider...

- this matter has been in front of the TOC for several months. PGE developed this proposal in part because I told them there ought to be compensation for use of the facilities. Although they might have come to that conclusion on their own, they didn't initiate it.

- I am interested in comparable situations and what is being charged and what the basis for the

charge is.

- I have reviewed here at EWEB how we approach this situation; we have several examples with several different utilities and our general approach (leaving aside the question of "what is the correct way") has been similar to the PGE proposal... I have a call into the engineering manager and will revisit the question...

Bob

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Tuesday, August 16, 2005 12:35 PM
To: Sherman,Bob - PGC
Subject: FW: Trojan Substation Agreement

ATTORNEY CLIENT PRIVILEGE

Bob, hot off the press from Larry Cable. Same issue that I had.

Geoff K.

From: Larry Cable [mailto:lcable@chbh.com]
Sent: Tuesday, August 16, 2005 12:34 PM
To: ken.beeson@eweb.eugene.or.us; Kronick,Geoffrey M - LC; Tom Grim
Subject: Trojan Substation Agreement

I let my response on this slip a little. But here are my views. I think that EWEB and Bonneville should respond by saying that just paying 37% of the operating costs for the substation is not reasonable or highest value to EWEB and Bonneville. I ask that Tom describe what is being paid for such facilities in other contexts we are aware of and I hope that Jeff can get some input from Bonneville. When one party uses another party's substation to move power, I do not believe that just paying a percentage of the maintenance costs is necessarily a proper payment. This is complicated because the facilities are older and must be upgraded and such but, like the water, the question in the context of salvage is what would a willing buyer pay a willing seller. In that context, what would PGE do if we said that we wanted actual compensation in some reasonable amount beyond payment of the maintenance costs. It is like the water because the appraisal done by PGE was based on asking potential buyers of water that already had enough water what they would pay. In this instance, would PGE build an all new facility if we said they needed to pay X amount to move power through our facilities or would they pay us something? I think they would pay us something and that, in and of itself, makes the price paid a price that PGE is supposed to be getting for everything of value at Trojan. Simple is elegant and maybe my approach is to simple but that seems the right approach to me under the Salvage provisions of the Ownership Agreement. However, this is a business decision and is probably very much up to Bonneville which is the immediate beneficiary of any payments by PGE as these payments will obviously lower the amount of money that Bonneville will otherwise have to pay. Finally, we need to be careful to establish how we value our thirty seven per cent of anything at Trojan that PGE or anyone else wants to buy or we will establish adverse precedents for future requests that may well come as the site is used for other purposes. Thanks to all and I look forward to views.

Sherman,Bob - PGC

From: Burton, Ed [Ed.Burton@PacifiCorp.com]
Sent: Friday, August 19, 2005 8:16 PM
To: Jerry Reid
Cc: Ken.Beeson@eweb.eugene.or.us; Sherman,Bob - PGC; Sims, Jamie
Subject: Trojan Switchyard Questions

Jerry,

Questions to ponder/explore:

1. If the Trojan Plant Co-owners want to dispose of the switchyard, does the proposed agreement create an encumbrance we cannot get out of?

2. Port Westward should outlive Trojan. Should the prospect of Trojan's ultimate dissolution be addressed in the agreement?

I will be out until 6-Sep. Please copy Jamie Sims on any response. Thanks

Ed

Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, August 16, 2005 1:32 PM
To: Sherman,Bob - PGC
Subject: FW: Trojan Substation Agreement

ATTORNEY CLIENT PRIVILEGE

Ken Beeson's thoughts.

GK

-----Original Message-----
From: Ken D BEESON [mailto:Ken.Beeson@eweb.eugene.or.us]
Sent: Tuesday, August 16, 2005 1:30 PM
To: Kronick,Geoffrey M - LC; lcable@chbh.com; Tgrim@chbh.com
Subject: Re: Trojan Substation Agreement

Here are a couple of things to consider...

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- I am interested in comparable situations and what is being charged and what the basis for the charge is.

- I have reviewed here at EWEB how we approach this situation; we have several examples with several different utilities and our general approach (leaving aside the question of "what is the correct way") has been similar to the PGE proposal... I have a call into the engineering manager and will revisit the question...

- Although I have told PGE that their proposed approach on this is OK, I will be glad to ask them to reconsider if that is the EWEB - BPA consensus on this after we review...

so I think we should all talk in the next few days and decide how we want to approach this. In the last TOC meeting, we all told PGE that the agrement was "being reviewed by counsel"; PGE would like us to have that review complete and be ready to sign by mid-September.

Thanks, Ken

>>> "Larry Cable" <lcable@chbh.com> 08/16/05 12:34 PM >>>
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Sherman,Bob - PGC

From: Kronick,Geoffrey M - LC
Sent: Tuesday, August 16, 2005 12:35 PM
To: Sherman,Bob - PGC
Subject: FW: Trojan Substation Agreement

ATTORNEY CLIENT PRIVILEGE

Bob, hot off the press from Larry Cable. Same issue that I had.

Geoff K.

From: Larry Cable [mailto:lcable@chbh.com]
Sent: Tuesday, August 16, 2005 12:34 PM
To: ken.beeson@eweb.eugene.or.us; Kronick,Geoffrey M - LC; Tom Grim
Subject: Trojan Substation Agreement

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Sherman,Bob - PGC

From: Jerry Reid [Jerry.Reid@pgn.com]
Sent: Wednesday, August 10, 2005 1:05 PM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com
Cc: Jack Todd; Jay Fischer; Larry Rocha; Richard George; Stephen Quennoz; Steve Nichols
Subject: Trojan Substation Compensation Agreement Comments

TOC Members,
In response to your TOC Meeting comments on the Trojan Substation Compensation Agreement, I have discussed this with PGE Legal & have the following feedback for your consideration:

1. Why does the Agreement use the term "Trojan Substation" vs "Trojan Switchyard"?
The word "substation" is used in this Agreement because it is the term used in the Owner's Agreement (refer to Owner's Agreement, page 3, Item 1.(e), definition of Generating Plant).

2. Why does the Agreement use the word "Approved" for BPA's signature? Concurrence might be better.
The word "Approved" for BPA's signature is used because this was the "word" used in the April 1999, First Amendment to the Owner's Agreement. This First Amendment to the Owner's Agreement is similar to the Subject Agreement because the "Parties" (PGE, PacifiCorp & EWEB) are the same and BPA was signing for their approval of the changes.

3. From Ed Burton right after TOC Meeting today: A minor comment regarding Section 7. I think "... in accordance with Section 20 hereby ...." should read "... in accordance with Section 20 of the Owners Agreement hereby ...."
Good Comment, Ed. I have discussed this with PGE Legal & this change will be incorporated.

Please make every effort to have this reviewed, comments resolved, and signed by September 9, 2005, which is approximately two weeks before the next TOC Meeting. Call or E-Mail me at any time with your comments. Let me know when your company is ready to sign & I will make sure that our Legal Dept gives you have the latest version of this Agreement.

Jerry Reid
503-556-7013

Sherman,Bob - PGC

From: Jerry Reid [Jerry.Reid@pgn.com]
Sent: Tuesday, August 09, 2005 10:16 AM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com
Cc: Jack Todd; Jay Fischer
Subject: Re: Trojan Swyd Draft Agreement with Updates

Please review this final draft of the Swyd Compensation Agreement sent to you yesterday by Jack Todd from PGE Transmission Services Dept. Let me know today if you have any questions about this Agreement and, if necessary, I will try to get Jack Todd to join our phone call meeting tomorrow.

Jerry Reid
503-556-7013

>>> Jack Todd 08/08/05 9:26 AM >>>
Gentlemen,
I have attached the latest draft of Agreement Regarding use by PGE of the Trojan Substation for Its Port Westward Project. The agreement has not changed from the last draft except for adding the correct FERC accounting from Preston. Our legal staff has determined that the agreement will not require SEC approval under PUHCA so this is the final draft from our end. Hopefully you can all have your legal staff review and discuss at your next scheduled meeting on August 10. Let me know if you have any questions.

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Monday, August 08, 2005 9:26 AM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Draft Agreement with Updates

Trojan Switchyard agreement dr...

Gentlemen,

I have attached the latest draft of Agreement Regarding use by PGE of the Trojan Substation for Its Port Westward Project. The agreement has not changed from the last draft except for adding the correct FERC accounting from Preston. Our legal staff has determined that the agreement will not require SEC approval under PUHCA so this is the final draft from our end. Hopefully you can all have your legal staff review and discuss at your next scheduled meeting on August 10. Let me know if you have any questions.

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Transmission Services
Portland General Electric Co.
503-464-8457

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Friday, July 22, 2005 3:41 PM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George; Steve McCarrel
Subject: Draft Agreement

Trojan Switchyard agreement dr...

Gentlemen,

I apologize for not getting a draft agreement out to you earlier. There is still some legal review that needs to take place. The legal folks are still examining the possibility that this may require SEC approval under PUHCA and may need to make changes to the agreement pursuant to that analysis.

In Section 2, Construction of Additional Facilities; Use of Existing Facilities, there is reference highlighted in yellow that needs Preston's input. Preston is out on vacation until August 1 and I was not able to get this from him before he left.

You will also note under Section 3, Upgrade of Existing Facilities, that the initial payment is higher than what was quoted in the presentation. The figure we quoted was not loaded and so the new figure represents all the loadings. This is the pass through amount so it probably doesn't matter to you but I wanted to explain the why there was a difference.

I hope having this agreement before your next scheduled meeting will help. We will try to get the last items in question handled as soon as possible and get a newer draft out to you. Thanks for you patience.

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Wednesday, July 06, 2005 2:49 PM
To: Sherman,Bob - PGC; Ken.Beeson@EWEB.Eugene.OR.US; Ed.Burton@PacifiCorp.com; Jamie.Sims@PacifiCorp.com; Jerry Reid; Larry Rocha; Steve Nichols
Cc: Frank Afranji; Kenny Dillon; Preston Martin; Richard George
Subject: Follow up to Tuesday's Call

Gentlemen,
I spoke with Preston Martin about how future O&M and Capital improvements for the existing Trojan Switchyard would be handled. Preston explained that even though PGE has fully depreciated the switchyard, that capital and O&M would be handled no differently than usual practices going forward. He also explained that he provides the FERC accounting to the owners for all expenses incurred at Trojan. So, if in a given month, a portion of the expenses were capital and another portion would be O&M, he would provide the proper FERC accounts to the owners for both expenditures. How each owner handles the expenditures on its own books would be strictly up to each owner.

We have considered the question raised yesterday as to whether compensation should be provided for replacement of existing switchyard equipment such as the circuit switchers. After consulting with our engineers, we do not believe such replacement costs should be included in the compensation to the owners for the interconnection. We base this conclusion on the fact that switchyard equipment is replaced on a standard time schedule and not on a usage basis. That is, PGE's use of the existing equipment for Port Westward does not change the retirement and replacement schedule for the existing equipment. Nor does it increase the costs for replacement of such equipment, as it is our understanding that all the existing equipment utilized for the Port Westward interconnection would continue to be needed for Trojan until the end of the project, and subject to normal vintage replacement.

Of course, PGET intends to pay for installation and subsequent replacement of new switchyard equipment associated with the Port Westward interconnection, and is obligated to pay for any incremental additional O&M cost associated with the interconnection. We do not believe, however, that there is any additional incremental cost to the owners' O&M expense due to the interconnection of Port Westward. This is because PGET intends to perform all maintenance on the new equipment itself, and the owners' current maintenance requirements for the existing equipment will not change as a result of the Port Westward interconnection.

The methodology we came up with for making a payment to the owners probably causes some of the confusion here. Although we determined a payment amount based on a proportional use of the switchyard multiplied by the O&M expense, we do not believe that this represents actual additional incremental O&M costs attributable to Port Westward. As we mentioned above, we believe that there are no such costs. We do, however, want to provide some equitable amount in good faith to the owners for use of the switchyard, and therefore offer to pick up 37.7%

of the current and future O&M expenses for the switchyard.

We hope this helps to clarify our position on this and are happy to discuss any of the points raised here with you. We have attempted to structure this in an industry standard manner and hope that that hasn't led to any confusion. Thanks for the call on Tuesday and I will send out a separate appointment and call in information for Thursday's call. I hope 10:00 AM works for everyone. Let me know as soon as possible if that time doesn't work.

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

Sherman,Bob - PGC

From: Jack Todd [Jack.Todd@pgn.com]
Sent: Thursday, June 30, 2005 9:59 AM
To: Sherman,Bob - PGC; Ken.Beeson@eweb.eugene.or.us; Ed.Burton@PacifiCorp.com; Jerry Reid
Cc: Frank Afranji; Kenny Dillon; Richard George
Subject: Trojan Switchyard Expansion Special TOC Meeting - July 5

Trojan Owners Switchyard.ppt

Gentlemen,

Thank you for agreeing to meet with us via conference call on Tuesday, July 5 at 2:00 PM. We look forward to discussing the Trojan Switchyard expansion project with you. I have included the call-in information below:

Dial In Number: 503-464-2220
Pass Code Number: 1126

PGE Transmission has asked Rich George, our attorney, to sit in on the call. We felt it would be advantageous for him to listen to the discussion since he will be responsible for drafting the contract. If any of the other parties feel they would like legal representation on the call, please feel free to have them on the call. There is room for seven outside calls to join us so if we need more connections, let me know.

Hosting the call from PGE Transmission will be:

Frank Afranji, Director, Transmission & Reliability Services
Kenny Dillon, Transmission Planning Engineer
Jack Todd, Transmission Contracts

I have attached the Power Point presentation. The presentation will be more effective if you have it up on your computer or a hard copy with you during the call. Thanks again for meeting with us.

Jack Todd
Transmission Services
Portland General Electric Co.
503-464-8457

Sherman,Bob - PGC

From: Jerry Reid [Jerry.Reid@pgn.com]
Sent: Wednesday, June 29, 2005 11:33 AM
To: Sherman,Bob - PGC; Ken.Beeson@eweb.eugene.or.us; Ed.Burton@PacifiCorp.com
Cc: Frank Afranji; Jack Todd; Jay Fischer; Kim Lehman; Larry Rocha; Richard George; Steve Nichols
Subject: Special TOC Meeting on July 5 to discuss Compensation forTrojan Swyd Expansion

Gentlemen,
Based on your availability, I have scheduled a TOC Conference Call Meeting to discuss Compensation for the Trojan Swyd Expansion related to PGE's Port Westward Plant on the following date/time:

Date: Tuesday July 5
Time: 2:00 - 3:00pm

Let me know right away if this Date/Time is no longer good for you.
Thanks,

Jerry Reid
503-556-7013

Sherman,Bob - PGC

From: Sherman,Bob - PGC
Sent: Tuesday, October 18, 2005 12:02 PM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

Geoff,

PGE would like to know if BPA has any issues with the expansion of the Trojan switchyard as they are moving ahead with it. Since Al Paschke has not raised any issues I assume we will give our approval. We have a TOC call this Thursday and they will be asking for an answer.

Bob

-----Original Message-----
From: Kronick,Geoffrey M - LC
Sent: Tuesday, September 27, 2005 6:45 PM
To: Sherman,Bob - PGC; Rapacz,Andy - PGC
Subject: RE: Ed & Ken,

ATTORNEY CLIENT PRIVILEGE.

This does seem less "challenging" than attempting to figure out if PGE's construction budget is "right on," or determining potential future value of the property.

Biggest question I can think of right off is - what happens to the funds paid to EWEB? Does it go into an account for BPA or EWEB or what?

I'd like to see the "answers" to the questions that Jerry Reid talks about below, just to know everything that EWEB knows, and also we still have the issue of wanting BPA to be indemnified just the same way that EWEB is indemnified, unless it seems clear to us that EWEB's indemnity is passed on to and would include BPA.

I haven't heard anything back from Al Paschke or any TBL people about the parallel line "effects" of PGE's line to Port Westward, and if they don't want to be timely about this I guess we should just move ahead.

Geoff K.

-----Original Message-----
From: Sherman,Bob - PGC
Sent: Tuesday, September 27, 2005 11:53 AM
To: Kronick,Geoffrey M - LC; Rapacz,Andy - PGC
Subject: FW: Ed & Ken,

Geoff, Andy,

It appears that EWEB and PacifiCorp have proposed another option to the PGE switchyard agreement to add capability for Port Westward. They are willing to sell their interest in the Trojan switchyard. I am for it.
See the last paragraph below.

Geoff - Any problems with that?

Bob

-----Original Message-----
From: Jerry Reid [mailto:Jerry.Reid@pgn.com]
Sent: Monday, September 26, 2005 2:51 PM
To: Ken.Beeson@EWEB.Eugene.OR.US; ed.burton@pacificorp.com
Cc: Sherman,Bob - PGC; Jay Fischer
Subject: Ed & Ken,

Ed & Ken,
Please read over the below TOC minutes (draft) that I put together for our discussion of the status of the reviews on the draft Swyd Compensation Agreement. Do you have any comments on this wording??

DRAFT MINUTES
Follow-up items associated with the Trojan Switchyard expansion project for Port Westward were discussed. The Co-Owners (PacifiCorp and EWEB) had previously provided comments and questions related to a draft of a Switchyard Compensation Agreement, dated 8/8/2005, that would provide compensation to the Co-Owners and allow Port Westward to expand and use the switchyard. As of 9/21/2005, PGE Transmission Services had provided responses to all of these comments and questions and also provided a new draft of the Compensation Agreement to the Co-Owners. The status of the Co-Owner's review of this new information was discussed. EWEB and PGE lawyers are discussing possible revisions to the draft Agreement, Section 6, wording related to indemnification from damages. Ken stated that EWEB wanted to discuss this proposed Agreement with BPA to ensure they were in agreement. Jerry requested that the Co-Owners finish their reviews and respond to PGE Transmission Services (Jack Todd) to let him know if the PGE answers were responsive to their questions and if they had any questions that they consider to be unresolved.

In addition, during the above discussion, both EWEB and PacifiCorp indicated that they would be willing to sell their ownership share of the Trojan Switchyard to PGE instead of establishing this proposed Compensation Agreement. This would not include all of the West of the Tracks property & buildings; it would only be the Co-Owned Land under the Switchyard and the Switchyard equipment and structures. They indicated that if PGE has any interest in owning the Switchyard, PGE and the Co-Owners should work together to determine a reasonable value for the purchase price.

Thanks

Jerry Reid
503-556-7013