AGREEMENT IN PRINCIPLE

The signatories to this Agreement in Principle intend to work with the parties to the Klamath Hydroelectric Settlement Agreement (KHSA) to develop amendments to the KHSA that would facilitate the removal of four main-stem Klamath River hydroelectric facilities—Copco No. 1, Copco No. 2, J.C. Boyle, and Iron Gate—through the existing authority of the Federal Energy Regulatory Commission (FERC) under the Federal Power Act.

The KHSA and two related agreements—the Klamath Basin Restoration Agreement (KBRA) and the Upper Klamath Basin Comprehensive Agreement (UKBCA)—were developed to resolve long-standing, complex, and intractable conflicts over natural resources in the Klamath Basin. These agreements, however, require congressional authorization to be fully implemented as contemplated. To date, Congress has not enacted authorizing legislation. As a result, the KBRA expired on December 31, 2015. The KHSA and UKBCA did not expire and remain in effect.

In light of the foregoing, the four principal parties to the KHSA—the United States through the Departments of the Interior (DOI) and Commerce, the States of California and Oregon, and PacifiCorp—have agreed to develop and pursue an administrative path at FERC for facilities removal that preserves the benefits of the KHSA without the need for congressional legislation. To achieve this result, limited amendments to the KHSA are necessary. This Agreement in Principle outlines the process contemplated by the signatories for developing these amendments.

Just as importantly, the States of California and Oregon and the Departments of the Interior and Commerce intend this Agreement in Principle to be the first step toward a comprehensive solution for resource conflicts throughout the Klamath Basin. To that end, the States of California and Oregon and the Departments of the Interior and Commerce will continue working with Klamath Basin stakeholders on a basin-wide approach to ensure a sustainable future for the Basin's tribes, agricultural communities, and communities reliant on the salmon fishery. The United States will proceed in these endeavors consistent with its trust responsibility to the tribes in the Klamath Basin.

Through this Agreement in Principle, the signatories agree:

- The KHSA has not terminated; however, concurrent with this Agreement in Principle, the four principal parties are issuing a statement concurring with the Klamath Water Users Association's notice of potential termination event given the failure of Congress to enact legislation and initiating a meet and confer process under Section 8.11.3 of the KHSA. To maintain the commitments of the

KHSA, all parties to the KHSA will benefit from a timely process to meet and confer regarding possible ways to resolve the potential termination event under Section 8.11.3.

- Through this process, the signatories intend to work collaboratively to negotiate amendments to the KHSA to provide for removal of the four facilities through the FERC process while maintaining the benefits of the KHSA, including but not limited to facilities removal by the 2020 target date; proceeding with the transfer of the Keno facility to DOI; maintaining existing state cost caps in the KHSA; continuation of the interim measures (KHSA Appendices B, C and D); and liability protections for PacifiCorp, its customers, and the States of California and Oregon that are comparable to the Federal legislation contemplated by the original KHSA.

- A key action necessary to move forward with facilities removal is involvement of a non-Federal entity that will accept the transfer of the FERC license for the J.C. Boyle, Copco No. 1, Copco No. 2, and Iron Gate facilities from PacifiCorp for the purpose of decommissioning, and that will apply for FERC approval of the surrender of the license and decommissioning plan for those facilities. PacifiCorp will not effectuate the formation of this entity. The signatories anticipate that this entity will become a party to the amended KHSA.

- To maintain customer benefits as provided in the KHSA, PacifiCorp will continue operating and maintaining the facilities until facilities removal begins.

- The signatories will in good faith negotiate amendments to the KHSA consistent with this Agreement in Principle.

- This Agreement in Principle will not be construed as an admission against interest, or be used in any legal or regulatory proceeding, by or against a signatory.

- This Agreement in Principle is subject to the requirements of the Anti-Deficiency Act, 31 U.S.C. §§ 1341-1519, similar requirements of state law, the availability of appropriated funds, and any other governmental authorizations contemplated in the KHSA. Nothing in this Agreement in Principle is intended or will be construed to require the obligation, appropriation, or expenditure of any money from the U.S. Treasury or a state fund.

- This Agreement in Principle is non-binding and not otherwise legally enforceable. It imposes no enforceable obligations on the signatories and does not grant any rights.

- Nothing in this Agreement in Principle is intended or may be construed to predetermine the outcome of any regulatory approval or other action by an agency of the United States, the State of California, or the State of Oregon.

- This Agreement in Principle may be executed in counterparts, with separate signature pages, to be effective as of the latest signature date.

- The target date for signing an amended KHSA is February 29, 2016.

Signed this 2nd day of February 2016.

U.S. Department of the Interior

Sally Jewell
Secretary of the Interior

- This Agreement in Principle may be executed in counterparts, with separate signature pages, to be effective as of the latest signature date.

- The target date for signing an amended KHSA is February 29, 2016.

Signed this 2nd day of February, 2016.

U.S. Department of the Interior

By: _____
Sally Jewell
Secretary of the Interior

U.S. Department of Commerce

By: _____
Kathryn D. Sullivan, Ph.D.
Under Secretary of Commerce
for Oceans and Atmosphere

State of California

By: _____
John Laird
Secretary for Natural Resources

State of Oregon

By: _____
Governor Kate Brown

PacifiCorp d/b/a Pacific Power

By: _____
Stefan A. Bird
President & CEO

- This Agreement in Principle may be executed in counterparts, with separate signature pages, to be effective as of the latest signature date.

- The target date for signing an amended KHSA is February 29, 2016.

Signed this 2nd day of February 2016.

State of Oregon

Kate Brown

Kate Brown
Governor

- This Agreement in Principle may be executed in counterparts, with separate signature pages, to be effective as of the latest signature date.

- The target date for signing an amended KHSA is February 29, 2016.

Signed this 2nd day of February 2016.

State of California

John Laird
Secretary for Natural Resources

- This Agreement in Principle may be executed in counterparts, with separate signature pages, to be effective as of the latest signature date.

- The target date for signing an amended KHSA is February 29, 2016.

Signed this 2nd day of February 2016.

PacificCorp d/b/a Pacific Power

Stefan A. Bird
President & CEO