The following questions have been posed by Commissioners prior to the scheduled Work Session on June 16, 2022. Staff responses are included below.

<u>Leaburg Canal TBL & Strategic Assessment Update (KELLEY/KRENTZ)</u> We relicensed Leaburg/Walterville about 18 years ago for around $140m+/-. We sold bonds to cover that expense, but we were supposed to have revenue repay those bonds. Is the cost of servicing that remaining debt in the cost figures presented?

***RESPONSE**: The cost of servicing remaining debt is not included. That said, the debt obligation is common to all alternatives so doesn't alter the cost of any scenario. Cost of financing the project (such as interest payments on debt and dividend payments) have already been embodied in the project cost of capital and so, to avoid double counting, financing costs are not included as part of the project's incremental cash outflows. The costs presented in Table 2 represent initial capital investment only (ex. constructions costs, design, permitting, legal, property acquisition, etc.) and are not "all-in" costs. They do not include additional financial considerations, such as generation revenue, ongoing O&M, etc. Incremental revenues/costs (forward looking only) will be included in the Net Present Value (NPV) analysis that is currently underway. We may have preliminary NPV figures to present during the work session. However, they are still being reviewed and will need further evaluation and refinement.*

Staff has mentioned that FERC is also looking at some of the issues we have with Walterville. Should we also be looking at those alternatives and relevant costs at the same time as Leaburg?

***RESPONSE:** Ultimately, we will also need to consider the long-term viability of Walterville because the two projects are operated under the same FERC license. However, a Leaburg and a Walterville decision can be made independent of each other. Given the scope, complexity, current condition, and desired timeframe for a decision on Leaburg, we have focused our efforts on that project first. Our intent is to conduct a similar analysis for Walterville, following the Board's direction for Leaburg.*

In any scenario, some form of license proceeding, such as an amendment or license surrender, will be needed. This will trigger a "re-opening" of the Walterville license and need to designate a path for that project as well. If either return to service option is chosen, it is presumed that relicensing Leaburg for operation beyond 2040 will be needed to realize a return on that investment. In that case, we will still need to determine if relicensing Walterville as part of the Leaburg license makes sense.

If we reestablish the eight to eleven drainage pathways back to the river, will we have to acquire right of way, etc. and maintain those waterways in perpetuity? How will we cross Hwy 126 to accommodate those waterways?

***RESPONSE:** Property acquisitions will be required to re-establish drainage back to the river and perpetual maintenance requirements are a distinct possibility, although the extent of requirements will be negotiated as part of the process. Highway crossings are expected to be new culverts, some of which will need to be large box culverts.*

If we select Alternative 3, will we be able to supply water to the salmon hatchery as currently located?

***RESPONSE:** The Alternative 3 power plant is located approximately three-quarters of a mile east of the hatchery, so falls short of conveying water all the way to the hatchery. The hatchery would still need to extend a pipeline to cover that distance if they decided to continue reliance on the canal for water conveyance. That said, their continued reliance on the canal for hatchery water is risky, as it may be disrupted for operational reasons without advance notice.*

Based on current economics, what would the range of rate impacts be for each alternative today?

RESPONSE: *Rate impact has not yet been calculated because we are still running and refining the NPV analysis. Information on rate impact will be provided in August.*

With current inflation above 8%, why are we only using 2-3 % in our projections?

RESPONSE: *For planning purposes, construction will be inflated at 5% a year in the first 3 years and then 3% a year beyond that. EWEB's capital plan spans 10 years and overtime, as the Fed moves to manage inflation, we expect inflation to return to the 2-3% historic levels. On Wednesday, The Fed approved its largest rate hike since 1994, and has indicated that there will be further rate hikes later this year in a move to slow inflation closer to its 2% target. Finance reviews a number of benchmarks in determining inflation assumptions, most of which forecast inflation falling below 3% by the end of 2023. However, labor shortages, broken supply chains, and geo-political issues continue to create uncertainty in how quickly consumer prices return to normal and the 5% construction inflation assumption acknowledges that this process may take longer than the Fed anticipates.*

If Chinook are listed as endangered, and that impacts our ability to generate on the lower McKenzie, should we be considering a probability analysis and the relative economic effects on that designation?

RESPONSE: *It is difficult to project if the listing status of Willamette spring Chinook will change from Threatened to Endangered and, if so, what impact that will have on generation. If listing status changes, a new Biological Opinion will be triggered for all hydro projects within Chinook critical habitat, including Leaburg and Walterville, and new regulatory requirements are likely. We will include this as a qualitative uncertainty that impacts either RTS scenario.*

If we select Alternative 3, how will that affect our current FERC License? Will we be required to relicense the entire Leaburg/Walterville project?

RESPONSE: *Any substantial change from the current license will require an extensive license amendment, partial or full license surrender, or new license, all of which trigger regulatory review under various jurisdictions (ex. Endangered Species Act, Clean Water Act). All alternatives are a substantial change to the current license and some form of licensing proceeding will be needed. Even though a full facility renewal is consistent with our current license, the investment is significant enough to presume a license amendment (or some other mechanism, such as a new license) to extend the term of the license will be needed to ensure our ability to operate beyond the current license period. There are many options we can pursue relative to Walterville. For example, if we choose to decommission Leaburg, we could request the two projects be separated and then relicense Walterville alone. Once a path forward for Leaburg is chosen, we will explore regulatory options further.*