ID Farm Bureau questions on Bear River
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As you can see in the attached fact sheet, Rocky Mountain Power's concepts go much beyond a single project and we are thinking forward to the next 100 years. Your very first question illustrates why the context is so important. The two relevant concepts for our discussion are: reserve power at Soda plant and opportunities for increased storage in Bear Lake.

The original plan was to start slowly and develop both opportunities as we waited for the Bear Lake water levels to recover over the years. Mother Nature provided an extremely wet year in 2017 with record-breaking increases in water level at Bear Lake. This was an opportunity we tried to capture. Rocky Mountain Power began by accelerating the acquisition of land rights in Gentile Valley in order to increase the maximum targeted flow in the river through that reach (note: make sure not to shorten that to "maximum flow," Mother Nature remains in charge of that). Many of the concerns people have about the concept appear related to the effort to get this done quickly this past year.

As we saw the water situation develop, we felt we couldn't in good conscience sit back and postpone the potential benefits that might be available. In retrospect, we would make the same efforts again in a similar situation. The expedited attempt to capture increased storage at Bear Lake didn't work out this year but we are proceeding with acquiring land rights in Gentile Valley and are busy preparing offers.

We believe strongly that our stewardship of the Bear Lake/Bear River system over the past century has been of great benefit to the entire region. In pursuing some operational changes, our primary goal is to improve on the work we already do.

One other bit of background: Rocky Mountain Power is a division of PacifiCorp, serving about 1 million customers in Utah, Idaho and Wyoming. Our sister division, Pacific Power, serves more than 800,000 customers in Oregon, Washington and northern California.

With that, to your questions:

1 – I'm told the Bear River Water Users Association offered to lease the property in the Gentile Valley along the Bear River for one year for $200 per acre but Rocky Mountain Power refused to sign off on the deal without an additional $11 million. Is that accurate?
Response: In order to be reliable for both spinning reserve at Soda and increased water storage available in Bear Lake, the land rights need to be permanent. Reserve power is an ongoing reliability requirement for customers, not a one-year need. Similarly, in order to provide reliable storage for water in Bear Lake, permanent land rights are needed; you can't get reliable storage with a one-year deal.

The efforts of the Bear River Water Users Association (which includes all irrigators who receive supplemental storage water from Bear Lake) to brainstorm ideas to help facilitate increased storage are appreciated and the final solution will require cooperation of all involved.

The characterization, "refused to sign off on the deal" misstates the company's true position. Without the ability to secure a permanent agreement, no formal deal was offered. And, as it turned out, there was simply not enough time to develop this concept to save the plentiful flows that were available this year in Bear River.

The $11 million dollar figure is the cost to PacifiCorp to store the additional water in Bear Lake. If the movement of this water out of Bear Lake is shifted from winter flood control releases to a future summer delivery, there is reduced generation of hydroelectric power for our customers. The $11 million dollar figure represents the cost (in the form of a lost opportunity) of holding this water and not generating with it during the winter as part of flood control preparations in advance of the coming Spring.

2 – Has the threat of eminent domain been used during negotiations with landowners in Gentile Valley?
Response: Because we initially expressed interest in acquiring land in fee simple within the historic flood plain of the Bear River, state law requires that an Advice of Rights be provided. This required notice explains that as a state-regulated utility, PacifiCorp has the right of eminent domain. Our property agents explained that we were required to provide this notice. Despite this, we have consistently stated throughout this project that our preference is to work with willing sellers. As of today, 26 out of 29 landowners have cooperated with appraisal inspections.

3 – Is it true that RMP's environmental coordination committee has no agriculture / landowner representation?
Response: The representation on the Bear River Environmental Coordination Committee (ECC) is not determined by PacifiCorp. During the renewal of the federal

licenses for the Bear River hydroelectric projects, any individual or organization can request intervener status with the Federal Energy Regulatory Commission (FERC). The members of the ECC chose to be interveners in the most recent process and are signatories to the Bear River Hydroelectric Project's Settlement Agreement, which resolved issues around relicensing of the hydro projects. This group is very focused on fishery and water quality issues in the Bear River and its tributaries.

While PacifiCorp communicated with agricultural interests during the federal license renewal, none elected to become interveners, and thus members of the ECC that was eventually organized in that process.

In other basins where PacifiCorp operates hydroelectric projects it is not unusual for local government and citizens to be interveners during relicensing and remain involved during ongoing implementation of those licenses.

4 – Effected landowners feel that RMP is using spinning reserve as a tactic to control irrigation water and wheel it to the Wasatch Front where it will fetch a much higher price. What is RMP's response to this assertion?
Response: There is no connection between the utilization of spinning reserve at the Soda plant and the movement of stored Bear Lake water downstream. Although we have discussed the concept of improving existing water storage capabilities in ways that would not require the construction of new dams and reservoirs on the Bear River, the company does not have the legal authority on its own to move water in the manner this rumor supposes. PacifiCorp's perpetual obligations to deliver irrigation water are incorporated in decades of water law in the Bear River Compact states (see response to Q. 5). We are fully committed to honoring all our irrigation contracts.

The connection between Bear Lake storage and spinning reserve is the channel capacity through the Gentile Valley.

In more recent history, PacifiCorp has operated the Soda hydroelectric plant below its full capability and has managed flood control releases from Bear Lake to 1,500 cubic feet per-second through the Gentile Valley. This management has benefitted owners of land in the Gentile Valley because they have been able to move more intensive agricultural operations into the historic flood plain of the river.

To use the Soda plant at its full capability for reserve power or generation emergencies, and be able to maintain a higher elevation in Bear Lake during wet years, the flow capacity through Gentile Valley must be increased to 2,600 cubic feet per-second as measured at the Soda gage below the hydro plant.

Spinning reserve at Soda plant and maintaining more storage in Bear Lake are separate projects that need the same flow capacity through Gentile Valley in order to be implemented.

5 – Does RMP believe it's within the scope of a public utility to create a reservoir in Bear Lake (obviously during high water periods) and wheel that water to Utah?
Response: Here's a quick history:

Permission to develop the Bear River project for irrigation, flood control and hydroelectric generation was granted by the U.S. Secretary of Interior on April 7, 1907. Diversion works and the Lifton pumping station at the north end of the lake were planned to store spring runoff, then gradually return the stored water into Bear River as needed for the irrigation season. A series of hydroelectric projects on the river were planned to generate electricity.

Construction began in 1909 by Telluride Power Company, which was consolidated into Utah Power & Light Co. in 1912. Interruptions caused by World War I delayed completion of all the hydroelectric projects until 1927. Utah Power acquired water rights from various owners during these years in exchange for perpetual contracts to deliver certain amounts of irrigation water using the storage and release facilities at Bear Lake.

Court decrees in 1920 and 1922 more clearly defined water rights in Utah and Idaho for irrigation and electric generation in the Bear Lake/Bear River system. In 1958, the Bear River Compact settled issues regarding the use of the Bear River among the states of Utah, Idaho and Wyoming. In subsequent years, operation of the system changed to primarily serve irrigation and flood control needs. The compact was revised in 1980. The water rights on Bear River continue to be administered by the state engineers of the compact states.

Renewal of federal licenses for the Bear River hydroelectric projects placed additional constraints on electric generation and added significant environmental responsibilities. The Cutler project license was renewed in April 1994. The Soda, Grace and Oneida projects were granted new licenses in December 2003.

In 1995, the company, irrigators and other entities interested in the lake, signed the Bear Lake Settlement Agreement, in which irrigators gave up two feet of lake storage to preserve lake elevation during times of drought. The agreement was achieved in

negotiations with parties concerned about the level of the lake during the preceding drought years.

In 1999 and 2000, the company signed further agreements with the Bear River Compact states reaffirming the utility's commitment to continue to operate the system according to recent historical practice: primarily for irrigation and flood control, with hydroelectric generation a secondary benefit. Utah Power became Rocky Mountain Power in 2006.

In summary, the water deliveries to irrigation companies in Idaho and Utah from the Bear River System are subject to a century of interstate water law among the three Bear River Compact states. The public benefits to this longstanding agreement are clear.

During several drought and flooding cycles over the past 100 years, the Bear Lake system has done precisely what it was designed to do: provide stored water to farmers when nature's supply was not sufficient; and to store peak runoff flows to minimize damage to downstream property. However, from 2000 to 2004, an unprecedented drought depleted water supplies and lowered Bear Lake's elevation. The parties to the Bear Lake Settlement Agreement moderated their water use, which extended the irrigation water supply for two years longer than without their mutual cooperation.

6 – Please explain the concept of spinning reserve and how it works in this situation. Is this strategy used in other water delivery systems?
Response: When generating units are rotating and ready to generate, this is called spinning reserve. A hydroelectric unit, when rotated with a low flow of water, can be ready to deliver energy on short notice. All U.S. electric utilities are required to have specific percentages of spinning reserve to maintain reliability standards in delivering energy to their customers. Hydroelectric plants are widely used for this purpose.

The Bear River hydroelectric developments have the capacity to assist with the delivery of variable renewable energy and respond with emergency power. This would consist of support in three forms:

- Spinning reserve at 2,600 cubic feet per-second as defined by our federal reliability requirements.
- Generation output to maintain transmission system balance as variable renewable energy and customer demand fluctuates daily.
- Emergency system stability support up to maximum flow of 2,600 cubic feet per-second for up to 12 hours. Plant flow is measured at the Soda USGS gage directly downstream of the plant.

The Oneida plant on the Bear River, downstream from the Soda and Grace plants, has been used to provide reserve power in support of variable renewable energy and in other emergencies for about five years under the current Federal Energy Regulatory Commission License for the Bear River Project.

Reserve power supply events are rare—generally only once or twice a year—in response to urgent needs or emergencies only. The Soda Development can also provide those spinning reserves, although the Bear River through Gentile Valley would need to be able to accommodate the potential increase in flows from running the Soda plant at its full capability.

Irrigation water deliveries would not be changed by the utilization of the Soda Plant for reserve power.

Spinning reserve events would not require the release of irrigation water from Bear Lake. Water held in Alexander Reservoir would be released during an emergency event to generate power. This water would be captured in Oneida Reservoir and the flow regulated below Oneida. A differential between inflow and outflow would then be created to refill Alexander. Depending on inflow into Alexander Reservoir, a 12 hour full generation response at Soda would draw the reservoir down less than 2 feet.

7 – Please explain the changing landscape in power production in this region where alternative energy is being adapted into the grid and coal is being phased out.
Response: Although the electric utility business is experiencing rapid changes, it's probably best to begin with what is not likely to change soon. One of the most important roles of an electric utility is to maintain a strict balance between the energy customers need and the output of generating plants. We like to say that electricity is perhaps the only product that has to be manufactured and delivered in the same instant the customer asks for it. Because electricity at the magnitude society uses today can't be effectively stored, generation output must be adjusted minute-to-minute according to customer demand. This balance has to be maintained, plus or minus 5 percent, every hour of every day in order for the generation and transmission systems to function.

Renewable energy sources have always been a part of PacifiCorp's resource mix. The company relied on hydroelectricity almost exclusively until the 1920s, and many of those plants still provide power to customers after a century of service. The Bear River System was the company's main source of electricity until about the 1930s, when coal-fueled power plants became the least expensive resource to meet the rapidly growing needs customers. This continued into the early 1980s. During this time, the company stayed abreast of developments in geothermal, solar and wind power technologies. In

1984, we built the nation's first geothermal power plant outside of California, near Milford, Utah, and it's still operating dependably today. Beginning in 1998, advances in wind turbine designs prompted the company to begin investing in wind power due to its declining costs and improved reliability. Since 2000, when the company needed to build new power plants again, all of them have been either natural gas or wind.

PacifiCorp's long-range planning is completely rewritten every other year. It looks at all available resources and their costs and risks, and compares this to forecasts for customer demand over a 20-year planning horizon. Extensive economic analysis guides the company in selecting the most prudent mix of resources for customers. This is an open process, involving state utility regulators, large customers, consumer advocates, and other interest groups.

State and federal tax incentives for wind and solar projects have become an important driver, not only in our company's plans for new generation projects, but for non-utility developers as well. The result has been the availability of large amounts of solar and wind power on utility systems throughout the West every day at very attractive prices. Just as significant, increased supplies of natural gas has caused prices to become much lower and more stable than before. Indications are these conditions will continue for the foreseeable future.

This has caused us to change the way we operate many of our power plants. Natural gas generating plants were designed to vary their output in response to changing demand and conditions on the electric grid. In addition, utilizing computerized control systems, we have found ways to vary the output of our coal units more than anyone thought possible. As a result, we are taking advantage of more renewable energy from areas throughout the Western U.S. to the great benefit of our customers, all the while keeping that balance between demand and supply, to ensure reliable service for all.

The Soda spinning reserve proposal will directly support these operational changes.

We watch technological developments very closely, and while utilities cannot do much to adopt truly experimental options, when new technologies are proven and shown to be cost-effective for customers, we are well positioned to take advantage of them.

8 – Landowners I've spoken with are skeptical about selling easements and then leasing them back from RMP in order to continue livestock ranching operations. They say RMP has a history of ending those leases which could put them out of business. What is your response to these concerns?

Response: PacifiCorp has a proven history of undertaking similar flood plain acquisition projects with willing landowners and achieving lasting benefits. In Bear Lake County, Idaho, we purchased flood plain lands to control flood liability. The company's Bear Lake operations and flood control lands total 2,787 acres. The majority of these lands are leased for grazing and meadow hay cutting. In Cache County, Utah, the company purchased 1,611 acres for flood liability control. Some of these lands now have conservation easements granted on them and some are leased out for agriculture. By comparison, the Gentile Valley proposal would involve about 900 acres.

We would need specific examples of issues they have encountered with cancelled lease agreements to address that comment. Did any of your sources offer a specific example?

Our original approach in Gentile Valley was to try to purchase the land and then enter into long-term lease-back agreements. Based on the input we received at public meetings, we have been working on describing the flowage rights we would like to acquire through an easement. Easements would not have a lease-back component as there wouldn't be any rights to convey through a lease.

During appraisal interviews, some landowners have expressed an interest in fee simple sales, so it is possible that we may write offers that will include both a fee simple purchase and an easement purchase option.