

STATE OF OREGON
COUNTY OF JACKSON
CERTIFICATE OF WATER RIGHT

THIS CERTIFICATE ISSUED TO:

DAVID & PATTY JACOBS
1731 MILL CREEK DRIVE
PROSPECT OR 97536

confirms the right to use the waters of SKOOKUM CREEK, A TRIBUTARY TO ROGUE RIVER, for HYDROELECTRIC PRODUCTION of 99.4 THEORETICAL HORSEPOWER.

This time-limited certificate is issued under application HE 578. The date of priority is APRIL 26, 2007. The amount of water to be diverted is 2.5 CUBIC FOOT PER SECOND (cfs).

The point of diversion is located: Tax Lot 2900, SW ¼ NE ¼, Section 11, Township 33 South, Range 2 East W.M.

The authorized place of use is located:

Tax Lot 2900
SW ¼ NE ¼,
Section 11
TOWNSHIP 33 SOUTH, RANGE 2 EAST, W.M.,

This water right is inferior in right and subsequent in time to any future appropriation of water upstream for beneficial consumptive uses. The use of water is limited to the amount that the generation facilities can utilize efficiently, and shall not exceed the specifications noted in the water right.

Appeal Rights

This is a final order in other than contested case. This order is subject to judicial review under ORS 183.484. Any petition for judicial review must be filed within the 60 day time period specified by ORS 183.484(2). Pursuant to ORS 536.075 and OAR 137-004-0080 you may either petition for judicial review or petition the Director for reconsideration of this order. A petition for reconsideration may be granted or denied by the Director, and if no action is taken within 60 days following the date the petition was filed, the petition shall be deemed denied.

This statement of judicial review rights does not create a right to judicial review of this order, if judicial review is otherwise precluded by law.

The project will divert water through a 8 inch diameter metal pipe from Skookum Creek as water is available. The pipeline will be approximately 1,130 feet long, providing approximately 350 feet of head from the point that the water is diverted to the place where the water is used. The pipeline will roughly parallel the creek: terminating at a Pelton type turbine and 80 Kilowatt (Kw), 480 variable alternating current, three-phase, 1200 revolution per minute, 60 cycle induction industrial generator that will be sent through switchgear into a transmission line that connects to an electric meter. From the meter, the power lines will be connected to existing overhead power lines. This project should allow for the development of up to 99.4 theoretical horsepower of energy for sale to a public utility.

WATER RIGHT CONDITIONS

Upon a review of the application and input received from state and federal agencies and private citizens, OWRD finds that the Project, with the conditions set forth below, will not violate the standards expressed in Oregon Administrative Rules (OAR) 690-051-0160 through 0270, and is consistent with the public interest. No other application has been filed in competition with this application. The Project is well adapted to the development and utilization of the water power involved.

The use of water is subject to the following express conditions:

1. The Owner shall comply with all statutes and rules applicable to the Project.
2. The Applicant shall pay, upon receiving an invoice from OWRD, an annual fee in the amount of \$39.88, (under ORS 543.300). This amount shall be due by the date specified on the invoice.
3. This certificate is effective from the date of issuance through December 31, 2027, and may be reauthorized under laws existing at that time.
4. Upon a decision to terminate the hydroelectric use for more than five years, the Owner shall comply with the decommissioning standards under OAR 690-52. On termination of the water right, the right to use water shall revert to the public.
5. The Owner shall construct and build the Project according to the maps, plans and specifications filed with and approved by the OWRD, and within the time fixed by the water right or by any lawful extension thereof. The Project map will be incorporated into the water right certificate.
6. The Owner will maintain the Project, and each part thereof, in good order and repair and in efficient operation, for the development and transmission of electricity to its reasonable

capacity; shall make all necessary renewals and replacements as required; and shall maintain and operate the Project, and all parts thereof, conformably to the rules of the WRC not inconsistent with Oregon Revised Statutes (ORS) 543.010 to 543.610.

7. The Owner shall complete construction of the Project within two years of the date the water right is issued.
8. No voluntary transfer of the water right or of any property acquired, constructed or operated pursuant to the water right issued under ORS 543.010 to 543.610 shall be made without written approval of the Water Resources Department. Any successor or assignee of any water right under any project acquired, constructed or operated by the Owner, whether by voluntary transfer approved by the Department or sale upon foreclosure, execution or otherwise, shall be subject to all the terms and conditions of the water right and of the provisions of ORS 543.010 to 543.610 to the same extent as though the successor or assignee was the original Owner there-under. Any mortgage, deed of trust, or other lien suffered or created upon any such project shall be subject and subordinate to all the terms and conditions of ORS 543.010 to 543.610. However, the provisions of this section shall not apply to any transfer, voluntary or involuntary, to the state or any municipal corporation thereof, and upon such transfer the water right shall terminate .
9. The Project must meet the water quality standards stated in OAR Chapter 340, Division 41. No significant temperature-related problems have been identified nor are they expected given the proposed Project facilities, operation is limited to fall, winter, and spring. However, to protect from any significant future temperature-related adverse impacts to aquatic organisms, any future modifications of vegetation surrounding Project waters should be carefully evaluated. The water right holder shall consult with ODEQ prior to undertaking any activity that directly or indirectly results in removal of canopy vegetation adjacent to Project waterways. Waterways include, but are not necessarily limited to bypass reaches, siltation/forebay ponds, open-channel diversions, and above ground pipes. Return flows, from the turbine, will be discharged on a spillway prior to returning to the stream to prevent erosion and other potential water quality impact.
10. Notwithstanding any specific conditions established by this water right, the water right holder must comply with all water quality standards adopted by the Environmental Quality Commission pursuant to state and federal law, ORS 468B.048 and Section 303 of the Clean Water Act.
11. A wedge wire screen that conforms to Oregon Department of Fish and Wildlife criteria shall be placed on the intake pipe prior to the project becoming operable. This screen shall be maintained or replaced by the owners as necessary to ensure it operates as it is intended throughout the projects operation. For salmonid fry up to 59mm in length, screen openings shall not exceed 0.125 inch in the narrowest direction. Screens may be constructed of any rigid corrosion resistant material (I.e. perforated, woven or barlike)

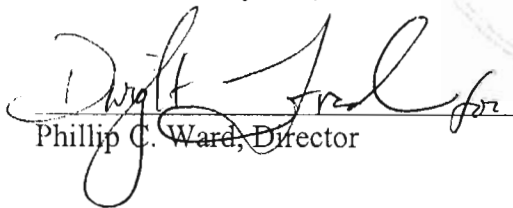
that presents a smooth uniform surface. At the diversion intake the screen face shall be parallel to the water flow aligned with the adjacent bankline.

12. The Project shall be designed to minimize visual, aesthetic, and noise impacts.
13. Although there are no known cultural sites within the Project area, if any cultural material is discovered during Project construction, all activities should stop and an archaeologist contacted to assess the discovery. It is a Class B misdemeanor to impact an archaeological site (ORS 358.905-955) and a Class C felony to impact Indian Burials (ORS 97-740-990).
14. The Owner shall allow the OWRD Director and authorized agents and employees of the Oregon Department of Environmental Quality, Oregon Department of Fish and Wildlife, and Oregon Water Resources Department free and unrestricted access in, through, and across the Project in the performance of their official duties, and shall allow free access to all reports, accounts, records, and other data relating to said Project.
15. The Owner shall be liable for all damages occasioned to the persons or property of others by the construction, operation, or maintenance of the Project facilities, and in no event will the State of Oregon be liable therefore.
16. Issuance of the water right does not absolve the Owner from compliance with the requirements and enforcement of the requirements under other applicable local, state, and federal laws. The Owner is made aware that permits may be required from the United State Army Corps of Engineers under Section 404 of the Clean Water Act, or from the Division of State Lands for removal and fill of material.

This certificate is issued to correctly identify the point of diversion and the place of use and supersedes water right certificate number 83606.

WITNESS signature of the Water Resources Director,

Affixed February 25, 2008


Phillip C. Ward, Director

Recorded in State Record of Water Right Certificates numbered 83894