

STATE OF OREGON
COUNTY OF UMATILLA
CERTIFICATE OF WATER RIGHT

THIS CERTIFICATE ISSUED TO:

CITY OF PENDLETON
500 SW DORION AVE
PENDLETON OR 97801

confirms the right to use up to 13.5 CUBIC FEET PER SECOND of the waters of the UMATILLA RIVER including: a STREAM FROM SPRINGS NEAR THORN HOLLOW, SHAPLISH SPRINGS, LONG HAIR SPRING AND SQUAW CREEK SPRING, THREE SIMONS SPRINGS, and the waters of the NORTH FORK UMATILLA RIVER, tributary of the UMATILLA RIVER, for HYDROELECTRIC PRODUCTION OF 385 THEORETICAL HORSEPOWER.

The use of water for hydroelectric purposes shall be in conjunction with water used under the rights of The City of Pendleton for municipal purposes, as evidenced by Certificates 85846, 85849, 85850, 85851, 85852, 85853, and 86028. Use of water shall be limited to periods when the water user's water rights under the above certificates are put to beneficial use without waste. The amount of water used shall not be greater than the quantity of water diverted to satisfy the authorized specific use under the above certificates. The use of water shall be limited by rate, duty, season and any other limitations of the above certificates. ORS 543.765(5)(b) and (c).

The point of diversion is located:

297 FEET SOUTH AND 679 FEET EAST OF THE N1/4 CORNER OF SECTION 12, being within the NW ¼ NE ¼, SECTION 12, TOWNSHIP 2 NORTH, RANGE 32 EAST, W.M.

NOTICE OF RIGHT TO PETITION FOR RECONSIDERATION OR JUDICIAL REVIEW

This is an order in other than a contested case. This order is subject to judicial review under ORS 183.484 and ORS 536.075. Any petition for judicial review must be filed within the 60-day time period specified by ORS 183.484(2). Pursuant to ORS 183.484, ORS 536.075 and OAR 137-004-0080, you may petition for judicial review and 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. In addition, under ORS 537.260 any person with an application, permit or water right certificate subsequent in priority may jointly or severally contest the issuance of the certificate within three months after issuance of the certificate.

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 authorized place of use is at the Aquifer Storage and Recovery wells located:

BYERS WELL #1: 600 FEET NORTH AND 200 FEET WEST FROM THE SE CORNER, being within the SE ¼ SE ¼ of SECTION 2, TOWNSHIP 2 NORTH, RANGE 32 EAST, W.M.

STILLMAN WELL #5: 350 FEET NORTH AND 875 FEET EAST FROM THE SW CORNER, being within the SW ¼ SW ¼ of SECTION 2, TOWNSHIP 2 NORTH, RANGE 32 EAST, W.M.

WELL #14: 1495 FEET SOUTH AND 834 FEET WEST FROM NE CORNER, being within the SE ¼ NE ¼ of SECTION 7, TOWNSHIP 2 NORTH, RANGE 32 EAST, W.M.

HOSPITAL WELL #4: within the NW ¼ NE ¼ of SECTION 9, TOWNSHIP 2 NORTH, RANGE 32 EAST, W.M.

PRISON WELL #8: 1640 FEET SOUTH AND 47 FEET WEST FROM N1/4 CORNER, being within the SE ¼ NW ¼ of SECTION 9, TOWNSHIP 2 NORTH, RANGE 32 EAST, W.M.

PROJECT DESCRIPTION

Water is diverted from the Umatilla River at the City of Pendleton's intake facility and transported via a pipe approximately a half-mile to its water treatment plant, where it undergoes filtration. During winter months, when there is higher flow in the Umatilla River and customer demand is low, excess filtered water is stored underground in existing wells to be recovered during the summer when demand is high. This process is called Aquifer Storage & Recovery (ASR). The project generates energy during the storage part of the process, as a combination of regenerative drives and micro-turbines, depending upon the well, will be operated as the water flows down the well column. The City of Pendleton's ASR program is permitted by the Oregon Water Resources Department under ASR Limited License # 006.

WATER RIGHT CONDITIONS

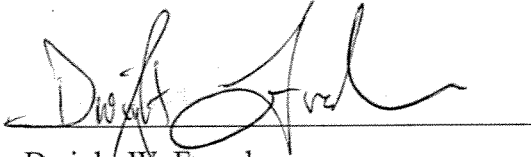
Upon review of the application, Oregon Water Resources Department (OWRD) finds that the Project, with the conditions set forth below is consistent with the public interest. The Project is well adapted to the development and utilization of the water power involved.

1. The water right holder shall comply with all statutes and rules applicable to the Project.
2. The water right holder shall construct and build the Project according to the maps, plans and specifications filed with the application within five years of issuance of this water right certificate or by any lawful extension thereof. ORS 543.765 (10)
3. The water right holder shall construct, operate and maintain all fish screens, bypass devices and fish passages as required by the Oregon Department of Fish and Wildlife. ORS 543.765(5)(a)

4. The water right holder shall allow the OWRD Director and authorized agents and employees of the Oregon Department of Environmental Quality, Oregon Department of Fish and Wildlife (ODFW), and OWRD 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.
5. This certificate shall be invalidated upon a change in the point of diversion of the water right for the Intake for the City of Pendleton. ORS 543.765(5)(g).
6. The Water Resources Department shall conduct a review of this certificate upon approval of any changes or adjustments made to the water user's existing water rights to determine if a revised certificate should be issued. ORS 543.765(5) (h).
7. The right to use water under this certificate is invalidated if the Federal Energy Regulatory Commission exemption related to the certificate is canceled or invalidated. ORS 543.765 (i).
8. This certificate does not have its own priority date. The Department shall not regulate for or against this certificate. This certificate does not grant a right to divert water for hydroelectric purposes other than in conjunction with the water right as used under Certificates 85846, 85849, 85850, 85851, 85852, 85853, and 86028. ORS 543.765 (6) and (7).
9. This certificate is subject to review by the Department 50 years after the date of issuance pursuant to ORS 543.765(9).
10. The water right holder shall pay, upon receiving an invoice from OWRD, an annual fee to OWRD under ORS 543.078. This amount shall be due by the date specified on the invoice. ORS 543.765 (11) and (12)
11. If at any time, unanticipated circumstances or emergency situations arise in which fish or wildlife are being killed, harmed or endangered by any of the project facilities the City of Pendleton shall immediately take appropriate action to prevent further loss. The City of Pendleton shall notify the nearest ODFW office within 24 hours and shall comply with measures required by ODFW to prevent additional injury or mortality.

12. Failure to comply with any of the provisions of this water right may result in action including, but not limited to, restrictions on the use, civil penalties, or cancellation of the water right.

Issued January 11, 2013

A handwritten signature in black ink, appearing to read "Dwight French", written over a horizontal line.

Dwight W. French
Water Right Services Administrator, for
Phillip C. Ward, Director
Oregon Water Resources Department

Recorded in State Record of Water Right Certificates 87887