

STATE OF OREGON
COUNTY OF JOSEPHINE
CERTIFICATE OF WATER RIGHT

THIS CERTIFICATE ISSUED TO:

KARUNA PROPERTY LLC
3013 NE 9TH AVENUE
PORTLAND, OR 97212

confirms the right to use up to 0.1 CUBIC FEET PER SECOND (cfs) of the waters of the Oak Flat Creek and an Unnamed Stream tributary to the Illinois River for the HYDROELECTRIC PRODUCTION of up to 2.5 Theoretical Horsepower (thp).

This right was filed under application HE 606. The date of priority is JULY 10, 2013. The maximum amount of water to be diverted is 0.1 CFS. Between July 1 and October 31 use from Oak Flat Creek shall only occur if a minimum flow of 0.1 cfs remains in Oak Flat Creek below the diversion and a minimum flow of 0.05 cfs remains in the unnamed stream below its diversion.

The points of diversion are located: Oak Flat Cr - 1850 FEET NORTH AND 635 FEET EAST OF CORNER 4 HES 119 in the NW¼ NE¼ SECTION 8, Tax Lot 200; and Unnamed stream – 1100 FEET NORTH AND 925 FEET EAST OF CORNER 4 HES 119 in the NW¼ NE¼ SECTION 8, TAX LOT 200, both in TOWNSHIP 37 SOUTH, RANGE 9 WEST, W.M.

The authorized place of use is located: Tax Lot 201 of the SE ¼ NW ¼, SECTION 8, TOWNSHIP 37 SOUTH, RANGE 9 WEST, W.M.

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. All waters used shall be returned to Oak Flat Creek. This right is inferior in right and subsequent in time to any future appropriation of water for beneficial consumptive use.

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.

PROJECT DESCRIPTION

The project has two 2 ½ inch diameter pipelines that divert water from an unnamed stream and from Oak Flat Creek. The pipeline intakes shall have ODFW approved screens with a maximum mesh size opening of 3/32nds to prevent the entry of aquatic resources. From the intake at Oak Flat Creek a 660 foot 2 ½ inch diameter pipeline extends downstream where it enters a tee and combines with another 2 ½ inch pipeline, which originates 620 feet upstream at the intake of an unnamed stream, tributary to Oak Flat Creek . The combined flow remains in the 2 ½ inch pipeline for 1,250' before it narrows to a 2 inch pipeline for 110' and enters the powerhouse. A Harris Pelton wheel turbine (turbine) is used to power a 12 volt Delco generator. Approximately 1.7 kilowatts of electrical capacity is used on-site at the ranch. The water passes through the turbine to a small stilling basin; it then enters a 2 ½ inch pipe for approximately 350' before it returns to Oak Flat Creek. Project operation is year round, however between July 1st and October 31st use from Oak Flat Creek shall only occur if a minimum flow of 0.1 cfs remains in Oak Flat Creek below the diversion and a minimum flow of 0.05 cfs remains in the unnamed stream below its diversion.

WATER RIGHT CONDITIONS

The proposed 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 water right is effective from the date of issuance through December 31, 2034. It is to be exercised consistent with the conditions contained in the water right certificate and Oregon Revised Statute 540.610. This may be reauthorized under laws existing at that time.
3. The Owner shall construct and build the Project according to the maps, plans and specifications filed with and approved by the Department within two years of issuance of the water right or within any lawful extension thereof. The Project map will be incorporated into the water right certificate.
4. 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.
5. 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

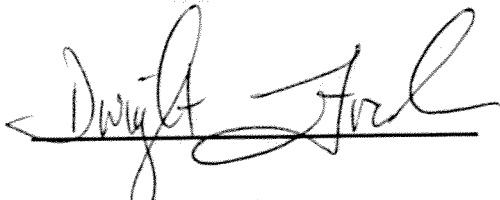
be made without written approval of the WRC. Any successor or assignee of any water right under any project acquired, constructed or operated by the Owner, whether by voluntary transfer approved by the WRC or sale upon foreclosure, execution or otherwise, shall be subject to all the terms and conditions 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. 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.

6. The Project must comply with the water quality standards stated in OAR Chapter 340, Division 41, ORS 468B.048, and Section 303 of the Clean Water Act. The Project must meet water quality requirements including numeric and narrative standards, protect beneficial uses, and not degrade existing water quality.
7. The water right holder shall install an intake screen approved by the Oregon Department of Fish and Wildlife (ODFW) with a maximum of 3/32nds mesh size opening to prevent aquatic resources from entering into the diversion pipes. The screen must be operated at all times that water is being diverted. The screen shall be maintained or replaced by the water right holder as necessary to ensure it operates as intended and in compliance with ODFW screening criteria.
8. The Project shall be designed to minimize visual, aesthetic and noise impacts.
9. 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).
10. If at any time, unanticipated circumstances or emergency situations arises in which fish or wildlife are being killed, harmed or endangered by any of the project facilities, or as the result of project operation, the operator shall immediately take appropriate action to prevent further loss. The operator shall, within 24 hours, notify the nearest office of the Oregon Department of Fish and Wildlife (ODFW) and comply with the measures required by ODFW to prevent additional injury or mortality. The owner shall subsequently restore any damaged fish and wildlife protection features of the project consistent with direction provided by ODFW.
11. The Owner shall allow the OWRD Director and authorized agents and employees of the ODEQ, ODFW, and OWRD free and unrestricted access upon reasonable notice, 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.

12. 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.
13. 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.
14. Use of water is governed by this water right. However, the operations of the Project by the Owner so far as those operations affect the use, storage and discharge from storage of waters affected by the Owner, shall at all times be controlled by such reasonable rules as the WRC may prescribe for the protection of life, health and property, and in the interest of the fullest practicable conservation and utilization of such waters for power purposes and for other beneficial public uses.
15. The Owner shall pay, upon receiving an invoice from OWRD, an annual fee to OWRD in the amount of \$15.00, (OAR 690-051-0400(6) and ORS 543A.415). This amount shall be due by the date specified on the invoice.
16. If, after completing construction of the Project, the Owner fails to use or operate the Project facilities for any period of five consecutive years, the water right shall be subject to termination by the OWRD. Upon a decision to terminate the hydroelectric use, the Owner shall comply with any decommissioning statutes and rules in effect at that time. (OAR 690-052).

Issued: April 1, 2014



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