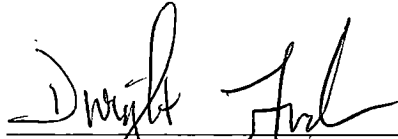


## PROPOSED ORDER

Based upon the foregoing Findings of Fact and Conclusions of Law, the Department proposes to issue an order to:

Extend the time to apply water to beneficial use under Permit G-18089 from October 1, 2018, to October 1, 2019.

DATED: August 28, 2018

  
Dwight French, Administrator,  
Water Right Services Division

*If you have any questions,  
please check the information  
box on the last page for the  
appropriate names and  
phone numbers.*

### Proposed Final Order Hearing Rights

1. Under the provisions of OAR 690-315-0100 and 690-315-0060, the applicant or any other person adversely affected or aggrieved by the proposed final order may submit a written protest to the proposed final order. The written protest must be received by the Water Resources Department no later than **October 12, 2018**, being 45 days from the date of publication of the proposed final order in the Department's weekly notice.
2. A written protest shall include:
  - a. The name, address and telephone number of the petitioner;
  - b. A description of the petitioner's interest in the proposed final order and if the protestant claims to represent the public interest, a precise statement of the public interest represented;
  - c. A detailed description of how the action proposed in the proposed final order would adversely affect or aggrieve the petitioner's interest;
  - d. A detailed description of how the proposed final order is in error or deficient and how to correct the alleged error or deficiency;
  - e. Any citation of legal authority supporting the petitioner, if known;
  - f. Proof of service of the protest upon the water right permit holder, if petitioner is other than the water right permit holder; and
  - g. The applicant or non-applicant protest fee required under ORS 536.050.
3. Within 60 days after the close of the period for requesting a contested case hearing, the Director shall:
  - a. Issue a final order on the extension request; or
  - b. Schedule a contested case hearing if a protest has been submitted, and:



**Oregon Water Resources Department  
Water Right Services Division**

**Application for Extension of Time**

In the Matter of the Application for an Extension of Time	)	PROPOSED
for Permit G-18040, Water Right Application G-15109, in	)	FINAL
the name of Interfor U.S. INC.	)	ORDER

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Permit Information

Application:	G-15109
Permit:	G-18089
Basin:	2B – Middle Willamette / Watermaster District 20
Date of Priority:	March 13, 2000
Source of Water:	Well #3 and Well #4 in Molalla River Basin
Purpose or Use:	Industrial Use
Maximum Rate:	0.111 cubic foot per second (cfs)

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***Please read this Proposed Final Order in its entirety.***

*In Summary, the Department proposes to:*

- Grant an extension of time to apply water to full beneficial use from October 1, 2018, to October 1, 2019<sup>1</sup>.

This Extension of Time request is being processed in accordance with Oregon Revised Statute 537.630 and 539.010(5), and Oregon Administrative Rule Chapter 690, Division 315.

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<sup>1</sup>Pursuant to ORS 537.630(5), upon the completion of beneficial use of water allowed under the permit, the permittee shall hire a certified water rights examiner to survey the appropriation. Within one year after the complete application of water to a beneficial use (or by the date allowed for the complete application of water to a beneficial use), the permittee shall submit a map of the survey and a new or revised claim of beneficial use as deemed appropriate by the Department.

## **ACRONYM QUICK REFERENCE**

Application – Application for Extension of Time  
Department – Oregon Department of Water Resources  
FOF – Finding of Fact  
PFO – Proposed Final Order  
Well #3 – CLAC 59797/61035  
cfs - cubic foot per second

## **AUTHORITY**

Generally, see ORS 537.630 and OAR Chapter 690 Division 315.

**ORS 537.630(2)** provides in pertinent part that the Oregon Water Resources Department (Department) for good cause shown shall order and allow an extension of time within which irrigation or other works shall be completed or the right perfected. In determining the extension, the Department shall give due weight to the considerations described under ORS 539.010(5) and to whether other governmental requirements relating to the project have significantly delayed completion of construction or perfection of the right.

**ORS 539.010(5)** instructs the Director to consider: the cost of the appropriation and application of the water to a beneficial purpose; the good faith of the appropriator; the market for water or power to be supplied; the present demands therefor; and the income or use that may be required to provide fair and reasonable returns upon the investment.

**OAR 690-315-0040** provides that in order to approve an application for an extension of time to complete construction or apply water to full beneficial use, the Department shall make the findings in OAR 690-315-0040(1) including a finding that there is “good cause” to approve the extension. OAR 690-315-0040(2)-(4) contains the factors that the Department must consider to make findings that support a “good cause” determination.

## **FINDINGS OF FACT**

1. On March 13, 2003, Permit G-15351 was issued by the Department. The permit authorized the use of up to 0.111 cfs of water from Well #3 in Molalla River Basin for industrial use. The permit specified complete application of water was to be made on or before October 1, 2007.
2. On September 27, 2013, an assignment from Interfor Pacific INC. to Interfor U.S. INC. was recorded in the records of the Water Resources Department.
3. On May 25, 2018, the Department approved Permit Amendment T-12746 (Special Order Volume 108, Page 384) authorizing an additional point of appropriation.
4. Two prior permit extensions have been granted for Permit G-18040. The most recent extension request resulted in the completion dates for construction and full application of water being extended from October 1, 2013, to October 1, 2018

5. On May 25, 2018, superseding Permit G-18040 was issued by the Department, to reflect the changes authorized under Permit Amendment T-12746. The permit authorizes the use of up to 0.111 cfs of water from Well #3 and Well #4 in the Molalla River Basin.
6. On June 19, 2018, the permit holder, Interfor U.S. INC, submitted an "Application for Extension of Time" (Application) to the Department, requesting the time to apply water to full beneficial use under the terms and conditions of Permit G-18040 be extended from October 1, 2018, to October 1, 2019.
7. On June 26, 2018, notification of the Application for Permit G-18040 was published in the Department's Public Notice. No public comments were received regarding the Application.
8. On August 7, 2018, superseding Permit G-18089 was issued by the Department to correct a scrivener's error in the description of the location of the points of appropriation and of the place of use.

**Review Criteria [OAR 690-315-0040]**

*In order to approve an Application for an Extension of Time to complete construction and/or apply water to full beneficial use pursuant to ORS 537.230 or 537.630, or to begin construction, pursuant to ORS 537.248, the Department must make the findings in OAR 690-315-0040(1)(a) – (d).*

**Complete Extension of Time Application [OAR 690-315-0040(1)(a)]**

9. On June 19, 2018, the Department received a completed Application and the fee specified in ORS 536.050 from the permit holder.

**Start of Construction [OAR 690-315-0040(1)(b) and 690-315-0040(5)]**

10. Construction of the well began prior to October 1, 2007, as specified in the permit as being the date to apply water to full beneficial use.
11. According to the well log received by the Department on January 12, 2004, construction of CLAC 59797 (Well 3) began May 29, 2003.

Based on Finding of Fact (FOF) 10, and 11, the Department has determined that the prosecution of the construction of the well began prior to October 1, 2007.

**Good Cause [OAR 690-315-0040(1)(d)]**

*The Department must find that there is "good cause" to approve the extension. In making a "good cause" finding, the Department shall consider the requirements set forth under OAR 690-315-0040(2).*

**Reasonable Diligence of the Appropriator [OAR 690-315-0040(2)(a)]**

*In order to make a finding of "good cause" to approve the extension, the Department shall*

*consider whether the applicant has demonstrated “reasonable diligence” in previous performance under the permit. OAR 690-315-0040(2)(a). In determining “reasonable diligence”, the Department shall consider, but is not limited to, the following factors: a) The amount of construction completed within the time allowed in the permit or previous extension; b) The amount of beneficial use made of the water during the permit or previous extension time limits; c) Water right holder conformance with the permit or previous extension conditions; and d) Financial investments made toward developing the beneficial use of water.*

**Amount of Construction [OAR 690-315-0040(3)(a)]**

*The amount of construction completed within the time allowed in the permit or previous extension.<sup>2</sup>*

12. Work was accomplished during the original development time frame under Permit G-18089 is as follows:
  - completed alteration of CLAC 59797 und CLAC 61035;
  - installed a pump; and
  - installed a flow meter.
13. During the most recent extension period, being from October 1, 2013, to October 1, 2018, the permit holder submitted Permit Amendment T-12746 requesting an additional point of appropriation under Permit G-15351. The Permit Amendment was approved on May 25, 2018. Upon approval of the Permit Amendment, the permit holder contacted the well construction contractor. The well construction contractor is unable to complete the construction of the newly authorized point of appropriation until after October 1, 2018.

Based on FOF 12 and 13, the Department has determined that the Application provides evidence of progress made towards completion of the water system, enough to qualify as the minimum necessary for the Department to find good cause and reasonable diligence towards complete application of water to a beneficial use.

**Compliance with Conditions [OAR 690-315-0040(3)(c)]**

*The water right permit holder’s conformance with the permit or previous extension conditions.*

14. The Department has considered the permit holder’s compliance with conditions, and has identified the following concern, the record does not show that a totalizing flow meter or other suitable measuring device has been installed on Well #4.

Based on FOF 14, the Department has determined that the permit holder has not demonstrated compliance with following permit condition as required by Permit G-18089:

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<sup>2</sup> “Actual Construction” is defined in OAR 690-315-0020(3)(d)(A)and(B) as physical work performed toward completion of the water system which demonstrates the water right permit holder’s good faith and intention to complete the project with reasonable diligence. Actual construction does not include planning a diversion system, formulating a business plan, securing financing, letting contracts, purchasing but not installing equipment, surveying, clearing land or planting crops.

- “Before water use may begin under this order, the water user shall install a totalizing flow meter, or, with prior approval of the Director, another suitable measuring device at each point of appropriation (new and existing).”

The Department recognizes that it is the intent of the permit holder to comply with all permit conditions at the time the conditions become applicable.

**Beneficial Use of Water [OAR 690-315-0040(3)(b)]**

*The amount of beneficial use made of the water during the permit time limits or previous extension conditions.*

15. A maximum rate of 0.062 cfs of water has been appropriated from Well #3 for industrial use. No water has been appropriated from Well #4 as it is not constructed.

Based on FOF 15, the Department has determined that beneficial use of water has been demonstrated from Well #3 under this permit as all permit conditions were satisfied by October 1, 2018.

**Financial Investments to Appropriate and Apply Water to a Beneficial Purpose [OAR 690-315-0040(2)(b),(3)(d),(4)(d)]**

16. An investment of approximately \$40,500, which is about 36 percent of the total projected cost for complete development of this project. An additional \$71,000 investment is needed for the completion of this project.

Based on FOF 16, the Department has determined that the permit holder had made an investment, which provides evidence of good cause and reasonable diligence towards the complete application of water to a beneficial use.

**Reasonable Diligence of the Appropriator [OAR 690-315-0040(2)(a)]**

The Application provides evidence that work has been accomplished towards completion of the water system; the permit holder has demonstrated compliance with permit conditions for Well #3, a financial investment has been made, and; beneficial use of water has been demonstrated from Well #3. The Department has determined the applicant has demonstrated reasonable diligence in previous performance under Permit G-18089.

**The Market and Present Demands for Water [OAR 690-315-0040(4)(a-f)]**

*The Department’s determinations of market and present demand for water or power to be supplied shall consider the requirements set forth under OAR 690-315-0040(4)(a-f). In accordance with OAR 690-315-0040(4), the Department shall consider, but is not limited to, the following factors when determining the market and the present demand for water or power to be supplied:*

- (a) *The amount of water available to satisfy other affected water rights and scenic waterway flows;*
- (b) *Special water use designations established since permit issuance, including but not*

*limited to state scenic waterways, federal wild and scenic rivers, serious water management problem areas or water quality limited sources established under 33 U.S.C. 1313(d);*

- *(c) The habitat needs of sensitive, threatened or endangered species, in consultation with the Oregon Department of Fish and Wildlife;*
- *(d) Economic investment in the project to date;*
- *(e) Other economic interests dependent on completion of the project; and*
- *(f) Other factors relevant to the determination of the market and present demands for water and power.*

**OAR 690-315-0040(4)(a)**

The amount of water available to satisfy other affected water rights and scenic waterway flows.

17. A review of the amount of water available to satisfy other affected water rights and scenic waterway flows was determined at the time of issuance of Permit G-15351; furthermore, water availability for other affected water rights and scenic waterway flows after the permit was issued is determined when an Application for a new water right is submitted.

**OAR 690-315-0040(4)(b)**

Special water use designations established since permit issuance, including but not limited to state scenic waterways, federal wild and scenic rivers, serious water management problem areas or water quality limited sources established under 33 U.S.C. 1313(d).

18. The points of appropriation for Permit G-18089, located within the Molalla River Basin, are not located within a limited or critical groundwater area.
19. Molalla River is not located within or above any state or federal scenic waterway.
20. The points of appropriation are in an area listed by the Department of Environmental Quality as a water quality limited stream.

**OAR 690-315-0040(4)(c)**

The habitat needs of sensitive, threatened or endangered species, in consultation with the Oregon Department of Fish and Wildlife.

21. Molalla River is located within an area ranked “moderate” for stream flow restoration needs as determined by the Department in consultation with the Oregon Department of Fish and Wildlife, and is located within a Sensitive, Threatened or Endangered Fish Species Area as identified by the Department in consultation with Oregon Department of Fish and Wildlife.

**OAR 690-315-0040(4)(d)**

Economic interests dependent on completion of the project.

22. An approximate total of \$40,500 has been invested in the project.



**OAR 690-315-0040(4)(e)**

Other economic interests dependent on completion of the project.

23. Economic interests dependent on completion of the project have been identified. The Applicant identified their stakeholders as having an economic interest dependent upon completion of the project.

**OAR 690-315-0040(4)(f)**

Other factors relevant to the determination of the market and present demand for water and power.

24. No other factors relevant to the determination of the market and present demand for water and power have been identified.

**Fair Return Upon Investment [OAR 690-315-0040(2)(f)]**

25. The use and income from the permitted water development will likely result in reasonable returns upon the investment made to date.

**Other Governmental Requirements [OAR 690-315-0040(2)(g)]**

26. Delay in the timely completion of the development of the project and/or timely application of water to full beneficial use was caused in part by a longer than expected time for the Department to complete the review of Permit Amendment T-12746 to authorize an additional point of appropriation under this permit. Construction of Well #4 could not proceed until it was approved.

**Unforeseen Events [OAR 690-315-0040(2)(h)]**

27. No unforeseen events were identified that contributed to the extended the length of time needed to fully develop and perfect Permit G-18089.

**Denial of the Extension Will Result in Undue Hardship [OAR 690-315-0040(2)(i)]**

28. A denial of the extension would result in undue hardship, and that there are no other reasonable alternatives exist for meeting water use needs. Potential production at the lumber mill may be reduced if the full rate of water authorized under this permit is unable to be developed.

**Good Faith of the Appropriator [OAR 690-315-0040(2)(c)]**

29. The Application provides evidence of good faith of the appropriator under Permit G-18089.

Based on FOF 10, through 16, and 22, the Department has determined that the applicant has shown good faith and reasonable diligence.

**Duration of Extension [OAR 690-315-0040(1)(c)]**

*Under OAR 690-315-0040(1)(c), in order to approve an extension of time for water use permits the Department must find that the time requested is reasonable and the applicant can complete the project within the time requested.*

30. As of June 19, 2018, the remaining work to be completed consists of constructing Well #4, connecting Well #4 to the water system, meeting all permit conditions, which include installing a totalizing flow meter on Well #4; and applying water to full beneficial use.

Given the amount of development left to occur, the Department has determined that the permit holder's request to have until October 1, 2019, to accomplish the application of water to beneficial use under the terms and conditions of Permit G-18040 is both reasonable and necessary.

**Good Cause [OAR 690-315-0040(1)(d)]**

*The Department must find that there is "good cause" to approve the extension. In making a "good cause" finding, the Department shall consider the requirements set forth under OAR 690-315-0040(2).*

The Department has considered the reasonable diligence and good faith of the appropriator, the cost to appropriate and apply water to a beneficial purpose, the market and present demands for water to be supplied, the financial investment made and fair and reasonable return upon the investment, the requirements of other governmental agencies, and unforeseen events over which the permit holder had no control, whether denial of the extension will result in undue hardship to the applicant and whether there are no other reasonable alternatives for meeting water use needs, any other factors relevant to a determination of good cause, and has determined that the applicant has shown that good cause exists for an extension of time to apply water to full beneficial use pursuant to OAR 690-315-0040(1)(d).

**CONCLUSIONS OF LAW**

1. The applicant has submitted a complete extension application form and the fee specified in ORS 536.050, as required by OAR 690-315-0040(1)(a).
2. The applicant has complied with the construction timeline requirements to begin construction as required by ORS 537.630, OAR 690-315-0040(1)(b) and OAR 690-315-0040(5).
3. Based on Finding of Facts 10 through 29, full application of water to beneficial use can be accomplished by October 1, 2019, as required by OAR 690-315-0040(1)(c).
4. The applicant can complete the project within the time period requested for the extension on the project.
5. The applicant has demonstrated good cause for the extension.