

**Klamath Cogeneration Project
Revised Retirement Cost Estimate (2007 Dollars)**

Cost Estimate Component	Estimated Cost
Preliminary Work	
Cut and cap lines, remove fences and gates, drain tanks, evacuate sludge	\$52,760
Site Grading	
Backfill, topsoil application, seeding	\$205,931
Underground Utility Removal	
Remove firewater, sewer and gas lines, ductbank, vaults, tanks	\$70,326
Concrete Wrecking	
Slab on grade, foundations, superstructure	\$178,938
Building Wrecking	
Turbine generator building, control room and electrical equipment room, future warehouse and maintenance shop, water treatment building, cooling tower chemical building, fire protection pump house building, etc.	\$229,834
Steel Wrecking	
Superstructure and interiors	\$384,282
Thermal Protection and Liners Wrecking	
Pond liner and insulation	\$14,503
Equipment Wrecking	
Combustion turbine generators, inlet evaporative coolers, fuel heaters, HRSGs, turbine exhaust stacks, steam turbine generator, water-cooled surface condenser, feed water pumps, condensate pumps, miscellaneous pumps, air compressors, standby auxiliary boiler, gas metering station, raw water tank, demineralized water tank, condensate tank	\$311,055
Mechanical Wrecking	
Cooling water, gas, steam, raw water and fresh water piping	\$275,299
Electrical Wrecking	
Transformers, wiring, MCC, towers	\$86,178
Load and Haul	
Load and haul debris and scrap steel, tipping fees	\$618,555
General Costs	
Permits, mobilization, engineering, overhead, utility disconnects	\$530,901
Subtotal	\$2,958,562
Performance Bond	\$29,586
Gross Cost	\$2,988,148
Administration and Project Management (10%)	\$298,815
Future Developments Contingency (20%)	\$597,630
Environmental Assessment and Remediation	\$500,000
TOTAL WITH ODOE CONTINGENCIES	\$4,384,593
TOTAL ROUNDED TO NEAREST \$1,000	\$4,385,000

EXHIBIT A
PAGE 1 OF 1

June 26, 2008

STATE OF OREGON

COUNTY OF

KLAMATH

CERTIFICATE OF WATER RIGHT

This Is to Certify, That WEYERHAEUSER COMPANY

of P. O. Box 9, Klamath Falls, State of Oregon, 97601, has made proof to the satisfaction of the Water Resources Director, of a right to the use of the waters of Well No. 6

a tributary of Klamath River for the purpose of manufacturing including restroom and lunch room facilities

under Permit No. G-7537 and that said right to the use of said waters has been perfected in accordance with the laws of Oregon; that the priority of the right hereby confirmed dates from February 22, 1977

that the amount of water to which such right is entitled and hereby confirmed, for the purposes aforesaid, is limited to an amount actually beneficially used for said purposes, and shall not exceed 1.34 cubic feet per second

or its equivalent in case of rotation, measured at the point of diversion from the well. The well is located in the Lot 3 (NW 1/4 NE 1/4), Section 24, T. 39 S., R. 8 E., W. M., 700 feet South and 1970 feet West from the NE Corner, Section 24

The amount of water used for irrigation, together with the amount secured under any other right existing for the same lands, shall be limited to ----- of one cubic foot per second per acre,

and shall conform to such reasonable rotation system as may be ordered by the proper state officer.

A description of the place of use under the right hereby confirmed, and to which such right is appurtenant, is as follows:

- NE 1/4 SW 1/4
- SW 1/4 SW 1/4
- SE 1/4 SW 1/4
- NE 1/4 SE 1/4
- NW 1/4 SE 1/4
- SW 1/4 SE 1/4
- Lot 1 (SE 1/4 SE 1/4)
- Section 13
- Lot 3 (NE 1/4 NE 1/4)
- Lot 3 (NW 1/4 NE 1/4)
- Lot 2 (NE 1/4 NW 1/4)
- Section 24

The right to the use of the water for the purposes aforesaid is restricted to the lands or place of use herein described.

WITNESS the signature of the Water Resources Director, affixed

this date, October 5, 1979

[Signature] Water Resources Director

EXHIBIT B PAGE 1 OF 1

THOMAS H. NELSON & ASSOCIATES
ATTORNEYS AT LAW

THOMAS H. NELSON
NELSON@THNELSON.COM
DIRECT: 503/230-7734

September 10, 2004

Via First Class Mail

Philip C. Ward, Acting Director
Water Resources Department
725 Summer St NE, Suite A
Salem, OR 97301-1271

Re: OAR 690-380-2340: Water Use Change

Dear Director Ward:

I am writing on behalf of Collins Products ("Collins"), which owns and operates a mill in Klamath Falls; as a part of that endeavor, Collins owns and operates a well commonly referred to as "Well No. 6" that is operated under the authority of Water Right Certificate No. 48602 issued on October 5, 1979. The water from the well earlier had been used to provide make-up water for boilers owned and operated by Collins' predecessor, the Weyerhaeuser Company, as well as for lunchroom and restroom facilities. The maximum water right was set at 1.34 cubic feet per second.

In the late 1990s Weyerhaeuser and then Collins decided that it would be advantageous to replace the mill's existing boilers with a steam sale-and-purchase agreement, with the steam to come from a cogeneration plant located on land that Collins would lease to the plant's owner, the City of Klamath Falls. Consequently, the City and Collins entered into a number of agreements providing for Collins to provide make-up water to the cogeneration plant in return for steam and other consideration. Earlier, representatives of the City pursued the possibility of the City's obtaining its own Well No. 6 water right for the cogeneration plant; however, after giving the matter some thought, Collins has concluded that these arrangements could best be accomplished by Collins providing notice of a change of water use pursuant to OAR 690-380-2340. This would obviate the need for the City's own water right.

In accordance with OAR 690-380-2340, the following information is provided:

- (a) The name and mailing address of the person using water under the water right is:

Collins Products
P.O. Box 16
6410 Highway 66
Klamath Falls, OR 97601

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SALEM, OREGON

The name and mailing address of the person operating the facilities used to generate steam from the water provided by Well No. 6 is:

City of Klamath Falls
500 Klamath Avenue
Klamath Falls, OR 97601

- (b) The Water Right Certificate No. is 48602.
- (c) The holder of the original permit and consequent water right was Weyerhaeuser Company, which operated the site as a mill. Weyerhaeuser sold its interest in the mill to Collins Products in 1996. The site is located on the west bank of the Klamath River approximately three miles west of the junction of U.S. Highway 97 and State Highway 66, as more fully described in Certificate No. 48602.
- (d) The quantity of water diverted to satisfy the authorized specific use under the original water right is 1.32 cubic feet per second.
- (e) The water was initially used in part as make-up water for boilers owned by Weyerhaeuser and then by Collins. Since that time Collins has leased a portion of its mill site to the City of Klamath Falls, upon which site the City has constructed a cogeneration plant. Collins is providing water to the cogeneration plant pursuant to a Steam Sales Agreement with the City. The water will be used as make-up water by the City's cogeneration plant.

Finally, I have reviewed water use records from Well No. 6 and have determined that there has been consistent use of that water over the past ten years.

We look forward to working with the Department on this issue. Please let me know if you have any questions.

Very truly yours,


Thomas H. Nelson

cc: Collins Products



Oregon

Theodore R. Kulongoski, Governor

Water Resources Department
North Mall Office Building
725 Summer Street NE, Suite A
Salem, OR 97301-1266
503-986-0900
FAX 503-986-0904

May 25, 2006

Thomas H. Nelson
825 NE Multnomah, Suite 925
Portland, OR 97232-2150

Re: Specific to General Industrial Notification – Collins Products

Dear Mr. Nelson:

We have received your letter of September 10, 2004, notifying the Department of the change from the specific industrial use of “manufacturing including restroom and lunch room facilities” to general industrial use under Certificate 48602. We apologize for the delay in responding to your letter.

The requirements for making the change are established under ORS 540.520(9) and OAR 690-380-2340. Your letter appears to include all of the information required under the statutes and rules. We will file your notification in our water right records.

The statutes and rules do not include a process for Department review and approval of notifications of specific to general industrial changes. Any issues associated with eligibility and compliance will be addressed by the watermaster during normal distribution and regulation activities.

Please do not hesitate to contact me at 503-986-0881 or Douglas.M.Parrow@wrp.state.or.us if you have any questions.

Sincerely,

Douglas M. Parrow
Transfer Program Coordinator

cc: Collins Products
Vern Church, District 17 Watermaster
Application File G-7806

