

AFTER RECORDING RETURN TO:

PACIFICORP
Attn: Property Department
825 NE Multnomah, Suite 1700
Portland, Oregon 97232

Grantor: Michael Gundlach
Grantee: PacifiCorp
Legal: LOT 1 R & N SP BK 3/PG 353
Tax Parcel: 03100300023000

Groundwater Well Settlement Agreement, Covenant, and Release

This Groundwater Well Settlement Agreement, Covenant, and Release (the “**Agreement**”), including Addendum A and all Exhibits attached hereto, is by and between PacifiCorp, an Oregon corporation, dba PacifiCorp Energy (“**PacifiCorp**”), and Michael Gundlach (the “**Well Owner**”).

Background

- A. PacifiCorp owns the Condit Hydroelectric Project (the “**Project**”) located on the White Salmon River in Skamania and Klickitat counties, Washington. The Project includes a dam (Condit Dam) and a former reservoir site (Northwestern Lake). PacifiCorp operates the Project under license issued by the Federal Energy Regulatory Commission (“**FERC**”). FERC has authorized PacifiCorp to decommission and remove the Project.
- B. Well Owner owns that certain real property known as Skamania County, Washington Tax Lot 03100300023000 located near the Project (“**Well Owner’s Property**”). Well Owner’s Property includes a ground water well (the “**Well**”).
- C. On October 26, 2011, PacifiCorp breached Condit Dam and drained Northwestern Lake, all as authorized by FERC order. Well Owner has subsequently developed problems with the Well serving the Well Owner’s Property. Well Owner asserts that PacifiCorp’s breach of the dam and draining of the reservoir lowered the water table and adversely impacted the Well.
- D. Under the terms and conditions of this Agreement, PacifiCorp is willing to provide certain funding mitigation for impacts to the Well and Well Owner is willing to release PacifiCorp from any claim or liability associated with impacts to the Well.

Terms and Conditions

1. **Mitigation for Impacts to Well.** Subject to all of the terms and conditions of this Section 1, the Well Owner may elect one of two mutually exclusive options: A) to modify or re-drill the Well; or B) to obtain domestic water service from the City of White Salmon (the “**City**”). **Addendum A**, which is attached hereto and incorporated herein by this reference, memorializes which of these two options the Well Owner has elected to pursue (if a selection has been made at the time this Agreement is executed), and Addendum A also memorializes the magnitude of the reimbursement agreed to by the parties and any other case specific

details agreed to by the parties. Subject to the limits contained in this Agreement (including Addendum A), PacifiCorp will reimburse the actual, reasonable costs for one of the above two options in the amount specified in Addendum A (the “**Reimbursement**”). The Reimbursement shall be the lesser of options (A) or (B) above, as supported by reasonable estimates acceptable to PacifiCorp.

The Well Owner may retain a well drilling contractor licensed by the State of Washington (the “**Drilling Contractor**”) to modify or re-drill the Well as necessary to restore function. Alternatively, the Well Owner may obtain from the City a line extension and service “hook-up” sufficient to allow the Well Owner to obtain domestic water service from the City to the Well Owner’s Property. The activities and materials reasonably necessary to accomplish either of these options are referred to in this Agreement as the “**Work**.” The Work does not include: 1) ongoing cost to operate or maintain the modified or re-drilled Well; 2) ongoing costs to obtain or maintain domestic water service from the City; or 3) improvements that upgrade, expand the function, or increase capacity of the Well beyond the grade, function or capacity of the Well prior to breach of Condit Dam. The scope of work performed and the costs invoiced by the Drilling Contractor or the City (hereafter the “**Vendor**”) must be reasonable. PacifiCorp has no obligation under this Agreement to pay for any Work which is not reasonable in scope or cost. PacifiCorp has the right to have the scope of the work and the rates charged independently reviewed by its hydrologist, groundwater well professional, or other relevant expert. Upon reasonable notice to Well Owner, PacifiCorp or its representative may visit the well or new City water system site before, during and/or after the Work. PacifiCorp or its representative will be given access to inspect the well or new City water system and related equipment. This may involve making water level measurements and conducting a pumping yield test.

- 1.1 **Documents to be Provided to PacifiCorp.** Within one (1) year of the date of PacifiCorp’s execution of this Agreement, the Well Owner will provide PacifiCorp with: (A) a copy of the Vendor’s invoice for the Work; and (B) evidence that Well Owner has paid the Vendor the full amount due. These documents must be in a form reasonably acceptable to PacifiCorp. PacifiCorp has no obligation to pay for any portion of the Work that has not been documented (as required by this Section 1.1) within this one (1) year period.
- 1.2 **Payment.** Within sixty (60) days of PacifiCorp’s receipt of the documents required by Section 1.1, PacifiCorp will pay to the Well Owner the Reimbursement specified in Addendum A. PacifiCorp may, in its sole discretion, elect to: (A) accept a copy of the Vendor’s invoice in satisfaction of the document requirements of Section 1.1; and (B) discharge its above obligation to pay the Reimbursement specified in Addendum A by making such Reimbursement payment directly to the Vendor.
- 1.3 **Responsibility for the Work.** By agreeing to pay the Reimbursement specified in Addendum A, PacifiCorp is neither agreeing to be responsible for the Work nor in any way representing or warranting that the Work will satisfactorily restore the function of the Well or facilitate the supply of domestic water service from the City. PacifiCorp has no responsibility for the Well or the Work beyond making the payment required by

Section 1.2. Neither the Well Owner nor the Vendor is an agent or employee of PacifiCorp.

- 2. Release; Public Statements.** *The Parties acknowledge and agree that this Agreement is entered into in full settlement and resolution of a dispute regarding whether PacifiCorp has any obligation to Well Owner with regard to impacts to the Well. In consideration of the obligation undertaken by PacifiCorp under Section 1 of this Agreement, Well Owner releases PacifiCorp (and all related parties, including subsidiaries, affiliates, agents, employees, and successors in interest) from all claims, liabilities, and damages of any kind (whether known or unknown) which are related in any way to the impact of the Project decommissioning on the Well, or newly installed well or water service from the City. This release does not apply to claims that Well Owner may have against PacifiCorp in connection with enforcement of this Agreement. The terms of this release have been completely read and are fully understood and voluntarily accepted for the purpose of making a full and final compromise settlement of any and all claims (disputed or otherwise) arising from the impact of the Project decommissioning on the Well.* If Well Owner makes any public statement regarding the impact of Project decommissioning on the Well, Well Owner will affirmatively state that it has entered into an agreement with PacifiCorp settling all claims for impacts to the Well and that PacifiCorp has agreed to reimburse certain of the costs to modify the Well or obtain City water service.

3. Representations and Warranties.

3.1 Well Owner's Representations and Warranties. Well Owner represents and warrants to PacifiCorp as follows:

- (A) **Ownership.** Well Owner is the owner of Well Owner's Property, the Well and all associated improvements; no other person has any ownership interest in the Well Owner's Property or the Well.
- (B) **No Liens.** Well Owner has not created any encumbrances on or granted any rights in the Well.
- (C) **No Conflicts.** There are no agreements, court or administrative orders, or other limitations that would prevent Well Owner from entering into this Agreement and engaging in the activities and performing the obligations provided for herein.

3.2 PacifiCorp's Representations and Warranties. PacifiCorp represents and warrants to Well Owner as follows:

- (A) **No Conflicts.** There are no agreements, court or administrative orders, or other limitations that would prevent PacifiCorp from entering into this Agreement and engaging in the activities and performing the obligations provided for herein.

- 4. Well Owner's Successors in Interest; Recording.** The parties intend that the terms of this Agreement will be binding on the Well Owner's successors in interest to the Well Owner's

Property and that the release contained in Section 2 above will be treated as a covenant running with the land. Within ten (10) days of the full execution of this Agreement, PacifiCorp will record this Agreement with the relevant county office maintaining title records on the Well Owner's Property. The Well Owner hereby consents to PacifiCorp's recording (and if necessary re-recording) this Agreement. If there is any technical deficiency that prevents effective recording of this Agreement, the parties will cooperate to cure the deficiency such that this Agreement can be recorded no later than twenty (20) days following full execution of this Agreement. Prior to any transfer of the Well Owner's Property, the Well Owner will provide its successor in interest with actual written notice of this Agreement, the release contained in Section 2, and the fact that the release is binding on Well Owner's successors in interest.

5. **No Admission of Causation or Liability.** This Agreement is not an admission that PacifiCorp's actions in draining Northwestern Lake caused any impact on Well Owner's Property or the Well. PacifiCorp reserves any and all defenses against all claims.
6. **Notices.** Any notice or other communication required by this Agreement must be in writing and must be delivered personally or sent by certified or registered mail, or by express courier, postage prepaid, to the following addresses:

If to PacifiCorp:
PacifiCorp Property Management
825 NE Multnomah Street, Suite 1700
Portland, Oregon 97232

If to Well Owner:
Michael Gundlach
122 Upper Lakeview Road
White Salmon, WA 98672

A notice is considered as having been given (1) on the day of personal delivery, or (2) two days after the date of mailing.

6.1 **Payment Address.** Payment to Well Owner shall be made to the above address.

7. **Miscellaneous.**


- 7.1 **Choice of Law.** This Agreement is governed by the internal laws of Washington, without regard to its conflict-of-laws provisions.
- 7.2 **Entire Agreement; Modifications.** This Agreement (including Addendum A and any Exhibits hereto) constitutes the entire agreement between the parties pertaining to the impact of the Project decommissioning on Well Owner's Well and supersedes all prior and contemporaneous agreements, representations, and undertakings. No supplement, modification, or amendment of this Agreement will be binding unless it is in writing and signed by both parties.
- 7.3 **Waiver.** No waiver of any term of this Agreement constitutes a waiver of any other provision, whether similar or dissimilar. No waiver of any term constitutes a continuing waiver of that term. No waiver is binding unless signed in writing by the waiving party.

- 7.4 Severability.** If any term of this Agreement is for any reason invalid or unenforceable, the rest of this Agreement remains fully valid and enforceable, *except* that if the release of liability in Section 2 of this Agreement is found to be invalid, this Agreement will terminate and Well Owner will repay PacifiCorp any funds PacifiCorp has provided Well Owner or Vendor for the Work. This Section 7.4 will survive termination of this Agreement.
- 7.5 Binding Effect; Assignment.** This Agreement binds and inures to the benefit of both the parties and their successors and assigns. But the Agreement cannot be assigned without the prior written consent of the other party.
- 7.6 Headings.** The headings in this Agreement are for convenience of reference only and do not constitute a part of it. The headings do not affect its interpretation.
- 7.7 Interpretation.** Both parties have had the opportunity to negotiate this Agreement and to seek the advice of legal counsel prior to entering into this Agreement. The provisions of this Agreement shall not be construed against the drafter. Unless the context requires otherwise:
- (A) The term “including” contemplates “including but not limited to”.
 - (B) The phrase “Project decommissioning” contemplates all actions associated with the decommissioning and removal of the Project including breach of the dam, draining of the reservoir, sediment transport, re-contouring and re-vegetation of the former reservoir area, dam removal and any and all projects related to decommissioning including work on Northwestern Lake Bridge and the relocation of the City of White Salmon’s water transmission line.
 - (C) The term “City” includes any contractors or agents of the City of White Salmon involved in any way in a line extension or domestic water service “hook-up” between the City and Well Owner.
 - (D) The term “modify” when used with regard to the Well means to deepen or otherwise modify the existing Well. The term “re-drill” when used with regard to the Well means to drill a replacement well at a new location on the Well Site.
- 7.8 Counterparts.** This Agreement may be signed in counterparts, each one of which is considered an original, but all of which constitute one and the same instrument.
- 7.9 Waiver of Jury Trial.** *To the fullest extent permitted by law, the parties waive any right to a trial by jury respecting litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party further waives any right to consolidate any action in which a jury trial has been waived with any other action in which a jury trial cannot or has not been waived.*

Agreed:

PacifiCorp

Well Owner

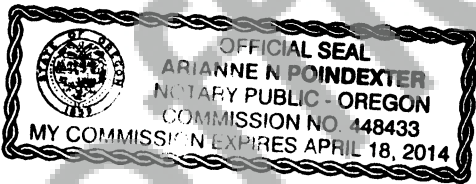

Mark Sturtevant,
Managing Director, Hydro Resources


Michael Gundlach

STATE OF OREGON)
COUNTY OF Multnomah) ss.

The foregoing instrument was acknowledged before me this 13 day of September
2012 by Mark Sturtevant representing PacifiCorp.


NOTARY PUBLIC



ADDENDUM A

to the Groundwater Well Settlement Agreement,
Covenant and Release between PacifiCorp and Michael Gundlach

1. This Addendum A is intended to supplement the terms and conditions of that certain Groundwater Well Settlement Agreement, Covenant and Release ("Agreement") between PacifiCorp and Michael Gundlach.

2. This Addendum A has been incorporated by reference as part of the Agreement (*see* Section 1 of Agreement). Unless otherwise specifically stated, all of the terms and conditions of the Agreement will apply to the interpretation and implementation of this Addendum A. Undefined terms with initial capitalization shall have the meaning assigned in the Agreement. The terms and condition of this Addendum A shall apply during the full term of the Agreement. Any modification of the terms of this Addendum A must be made in writing and signed by both Parties.

3. Section 1 of the Agreement provides that Well Owner may elect one of two mutually exclusive options: a) to modify or re-drill the Well; or b) to obtain domestic water service from the City. The Parties hereby acknowledge and agree that Well Owner has elected to retain a Drilling Contractor to modify or re-drill the Well. Well Owner will not change this selected option unless PacifiCorp has agreed in writing to such a change.

4. Subject to all of the requirements of the Agreement, the Parties have agreed that the Reimbursement referred to in Section 1 of the Agreement and required to be paid by PacifiCorp under Section 1.2 of the Agreement will be as follows:

(A) Reimbursement for Authorized Work.

- PacifiCorp will reimburse Well Owner twenty-nine thousand three hundred seventy-seven and 32/100 dollars (\$29,377.32) for the Work described on the Statement from Hansen Drilling dated August 22, 2012 (a copy of which is attached hereto as **Exhibit 1**).
- PacifiCorp will reimburse Well Owner six thousand three hundred one and 98/100 dollars (\$6,301.98) for the Work described on Estimate Invoice No. P7030 from Person Pump & Well Drilling dated August 20, 2012, (a copy of which is attached hereto as **Exhibit 2**).

(B) Reimbursement for Completed Work.

- PacifiCorp will reimburse Well Owner ten thousand three hundred fifty-seven and 60/100 dollars (\$10,357.60) for the Work described on the Statement from MK Drilling Co. dated December 20, 2011 (a copy of which is attached hereto as **Exhibit 3**).

- PacifiCorp will reimburse Well Owner one thousand three hundred eighty-five and 38/100 dollars (\$1,385.38) for the Work described on the Statement from MK Drilling Co. dated December 23, 2011 (a copy of which is attached hereto as **Exhibit 4**).


(C) No Further Reimbursement. Except as provided in Section 4(A) of this Addendum A, PacifiCorp will not be obligated under this or any other Agreement to contribute payment of any further costs related to modification or restoration of Well Owner's Well.

5. Well Owner has not yet made payment to Vendor Hansen Drilling or to Vendor Person Plumbing for the thirty five thousand six hundred seventy nine and 30/100 dollars (\$35,679.30) worth of Work addressed in Section 4(A) of Addendum A. The Parties acknowledge and agree that PacifiCorp has elected to accept copies of the Vendors' invoices for the Section 4(A) Work in satisfaction of the document requirements of Section 1.1 of the Agreement, and that PacifiCorp has elected to discharge its Reimbursement obligation under Section 4(A) by making payment of the Section 4(A) Reimbursement amounts directly to the Vendors. The Well Owner acknowledges and agrees that such payment by PacifiCorp directly to the Vendors will discharge PacifiCorp's duty to reimburse costs under Section 4(A) of Addendum A and that PacifiCorp will thereafter owe Well Owner no further compensation under Section 4(A) of Addendum A.

6. Well Owner has already paid Vendor MK Drilling for the eleven thousand seven hundred forty two and 98/100 dollars (\$11,742.98) worth of Work addressed in Section 4(B) of Addendum A. PacifiCorp will pay to the Well Owner the Reimbursement called for in Section 4(B) of Addendum A once all preconditions of Section 1.1 and Section 1.2 of the Agreement have been satisfied.

Agreed:

PacifiCorp


Mark Sturtevant,
Managing Director, Hydro Resources

Well Owner


Michael Gundlach

EXHIBIT 1
Statement from Hansen Drilling dated August 22, 2012

"Helping to Protect
Your Ground
Water Since 1918"

Estimated Contract
HANSEN DRILLING CO., INC.
6711 N.E. 58th Avenue
Vancouver, WA 98661-1499
(360) 694-6242 Fax (360) 737-3766
1 (888) 694-6240

Start Card # _____
fax _____
mobile _____
work _____

Name: Mike GUTHRIE Phone: res. 503 926 4427

Address: (mail) _____

Site: 132 OFFICE CAMPVIEW RD. WHITE SALMON, WA

Location: County SKAMIA T 3 N, R 10 E, Sec. 3

Permit Fee Payable to Dept. of Ecology \$ 200.00

Drilling: 3" diameter 120 est. depth @ \$ 23.92 per ft. \$ 2870.40

Optionals: 6" Minimum charge 349 \$ 23.92

A. Set-up	\$	
B. Drive shoe	\$	850.00
C. 6" Casing	\$	17.00 per ft. est. 461 ft. \$ 7832.00
D. 18 ft. surface seal	\$	600.00 add \$ 12.00 per ft. for additional, est. 18 ft. \$ 600.00
E. temporary casing if needed	\$	30.00 per ft. est. 20 ft. \$ 600.00
F. PVC well liner SCH. 40	\$	8.00 per ft. casing 20 ft. 20 ft. x 40 est. ft. \$
G. PVC slotted screen	\$	300.00 per 20 ft. length \$
H. Filter sand	\$	140.00 per sack est. sks \$
I. Stainless steel well screen	\$	1000.00 per 5 ft. length \$
Gravel pack if needed	\$	— casing cut \$ — blasting \$ — \$
J. Perforate casing in place	\$	1000.00 \$
K. Test pumping	\$	\$
L. Car for access if needed	\$	300.00 delivery, plus \$ 125.00 per day \$
M. Landing mats for soft ground	\$	40.00 each \$
N. Concentric overburden drilling add \$	\$	8.00 per ft. est. 340 ft. \$ 2720.00
plus \$	\$	750.00 for rotating shoe \$ 750.00
Resale #		Estimated Sales Tax 7.7 \$ 2106.32
Tax Parcel #		Estimated Total \$ 29,377.32

Quotes good for 30 days

As a Certified, Licensed/Bonded (Expiration Date January 1, 2013) Drilling Contractor, we agree to complete all work in compliance with regulations governing well construction.

Date: 8-22-12 Contractor: John Hansen

Terms: Full Payment Within 15 Days After Completion. 11.2% per month interest on late unpaid balances.

Contractor agrees to advise owner on set-back/regulations and accessibility for equipment.

*Exact location and access are sole responsibility of owner. Owner responsible for access for drilling equipment (from edge of county road to well location. Standby time charged at \$175.00 per hr. plus towing if needed.

NOTICE TO CUSTOMER

Hansen Drilling Co., Inc. is registered with the State of Washington, registration # HANSEDC047R, as a Specialty Contractor and has posted with the state a bond of \$4,000.00 for the purpose of carrying claims against the contractor for negligence or improper work or breach of contract in the conduct of the contractor's business. This bond may not be sufficient to cover a claim which might arise from the work done under your contract. If any supplier of materials used in your project or any employee of the contractor is not paid by the contractor on your job, your property may be liable to force payment. If you wish additional protection, you may request the contractor to provide you with original "lien release" documents from each supplier or subcontractor on your project. The contractor is required to provide you with further information about lien release documents if you request it. General information is also available from the Department of Labor and Industries. Contractor has the right and intent to file a labor and material lien against said property if not paid as outlined above.

*ACCEPTANCE: We agree that failure of the contractor to strike water or any specific quantity or quality of water shall in no way release us from payment for services rendered and material installed. The above prices and conditions are satisfactory and are hereby accepted. Payment will be made as outlined above. We agree that if contractor has to place this matter in the hands of an attorney for collection, or for the commencement of suit or action, including arbitration, we will pay contractor's reasonable attorney fees and all contractor's court and collection costs incurred, including lien recording fees, and title search costs. Owner is responsible for access from edge of county road to well site, any cost incurred will be added to billing.

Date: _____ Customer: _____

EXHIBIT 2
Estimate Invoice No. P7030 from Person Pump & Well Drilling dated August 20, 2012

Person Pump & Well Drilling Inc.

Person Pump & Well Drilling
1015 E. Broadway
Goldendale, WA 98620

Estimate	
Date	Invoice No.
8/20/2012	P7030

Name/Address	
Mike Gundlach 122 Upper Lakeview Rd White Salmon, WA 98672	
Customer Phone	
503-926-4407	

P.O. #

Description	Qty	Rate	Total
3HP 15GPM SUB PUMP 230V 1PH 3W	1	1,515.85	1,515.85T
3HP D/C/B	1	271.81	271.81T
1 1/4" GALV PIPE PER FT	441	2.94	1,296.54T
#6-3 W/GROUND FLAT PUMP WIRE PER FT	450	3.20	1,440.00T
#6 SPLICE KIT	1	9.00	9.00T
1 1/4" PITLESS ADAPTER & LID S-12	1	185.00	185.00T
1 1/4 D/I CK VAVLE	1	32.00	32.00T
ELEC PERMIT	1	59.50	59.50T
RIG LABOR & TRAVEL P ER HR	8	135.00	1,080.00T

We look forward to working with you! Please feel free to contact us with any questions you may have. Estimated prices are only valid for 30 days from date posted.

Sales Tax (7.0%)	\$412.28
Total	\$6,301.98

Phone #	Fax #	E-mail	Web Site
509-773-4085		personpumpanddrilling@gorge.net	www.personpumpanddrilling.com

