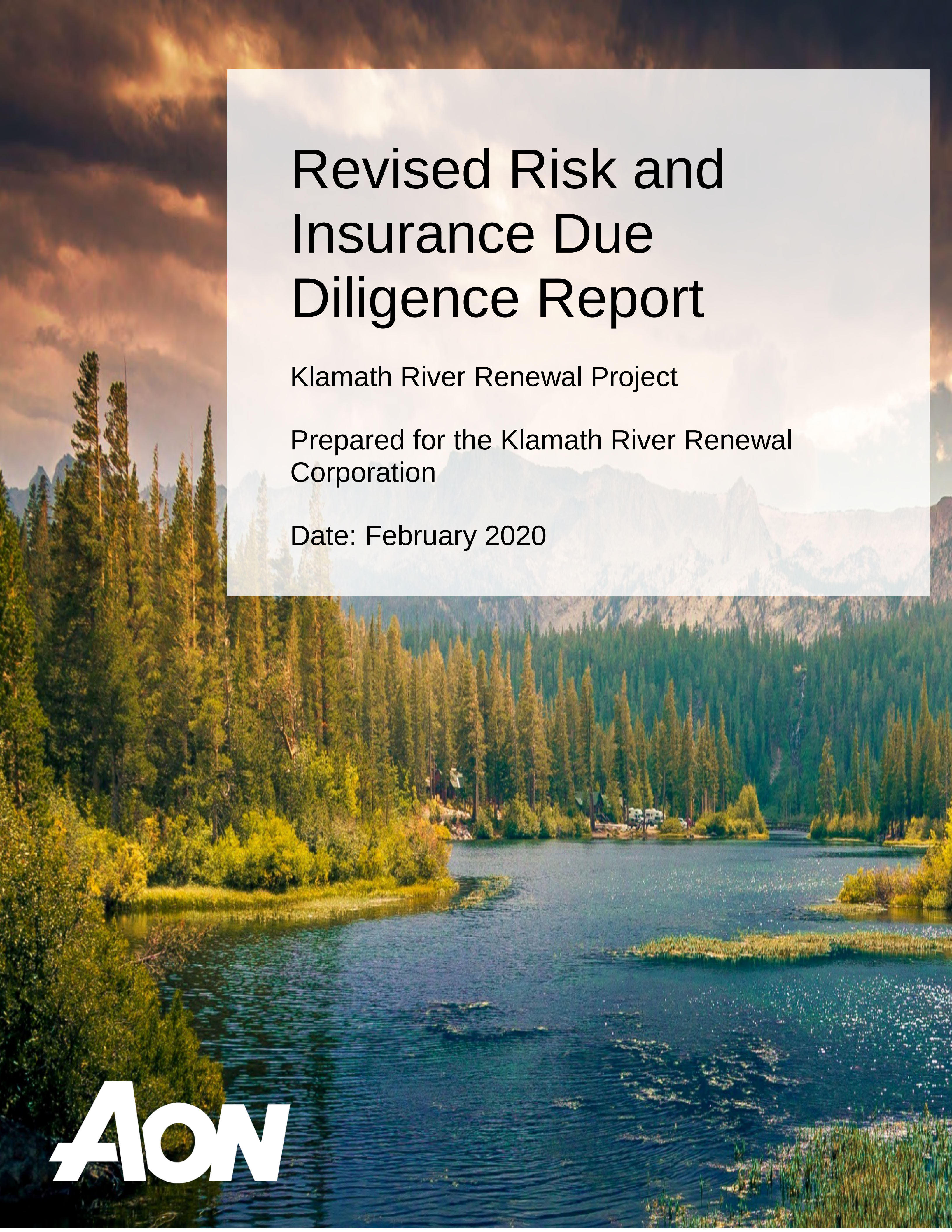
ATTACHMENT L



Revised Risk and Insurance Due Diligence Report

Klamath River Renewal Project

Prepared for the Klamath River Renewal Corporation

Date: February 2020

AON

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Reliance Statement

This report is prepared for the Klamath River Renewal Corporation (KRRC or Client) in respect to the procurement of the Klamath River Renewal Project (Project). It may be relied on by the following parties (Parties):

- Klamath River Renewal Corporation
- The State of California
- The State of Oregon

We confirm that the Parties may rely upon this report in connection with and for the purpose of:

- The provision or underwriting (as the case may be) of financial accommodation, equity, debt or hybrid investment, leasing finance or residual value guarantees to facilitate the Project
- Pre or post financial close debt financing or sale, transfer or assignment of the above financial accommodation, equity or debt investment, hybrids issues, including the issue of a disclosure document to finance the Project, leasing finance, residual value guarantees or underwriting positions which occurs within 12 months of financial close (together, the Financing)
- FERC license transfer to Klamath River Renewal Corporation

We confirm that the Parties are permitted to extract parts of the report to be inserted into any information memorandum and/or disclosure document (IM) used in connection with any Financing of the Project or any part of it, provided that:

- A full copy of the report is made available to each recipient of the IM
- Each extract is a complete and accurate transcription of the relevant part of the report
- It is clearly stated in the IM that the extract is an extract from the report
- It is clearly stated in the IM that the recipients may not rely upon the extract but only rely on the full Report and then subject to any limitations or disclaimers in the report

We also confirm that we are prepared to answer queries with respect to this report raised by any of the Parties or potential Financiers or underwriters in any syndication or sell down process, which may arise in the six-month period following financial close of the Project. We further confirm that we are prepared to answer queries with respect to this report raised by FERC, the State of California, or the State of Oregon which may arise in the six-month period following FERC license transfer.

For the purposes of this reliance statement, Financiers means each person who provides or participates in financing including:

a) Each arranger, underwriter, note holder or participant in the facilities related to the Financing and any agent or trustee (including any security trustee or security agent) acting for any of them
b) Each working capital facility provider
c) Each interest rate, foreign exchange or other hedge counterparty
d) Each person who provides Financing as a lessor under a financing or operating lease or as a residual value guarantor on or post financial close including each arranger, underwriter, dealer, participant or note holder in the Leasing Arrangements related to the financing or any agent or trustee acting for any of them
e) Any credit support provider to a borrower under a financing

in each case as at financial close; and

- Each and any person who becomes a substitute, transferee or assignee of any of the persons referred to in (a), (b) and (e) within 12 months of financial close.

This report is based upon the information that the Client and its representatives have provided. The Client is responsible for the accuracy and completeness of the information, and we accept no responsibility arising from the Client's failure to provide complete and accurate information.

Executive Summary

This report has been produced by Aon at the request of the Klamath River Renewal Corporation for the benefit of the KRRC and related parties (collectively referred to as the “Stakeholders”), involved in the Project. KRRC engaged Aon for certain Insurance Advisory services (“Insurance Services). This report is provided for the benefit of all Stakeholders and may be relied upon by the Stakeholders.

This report summarizes the Insurance Services and provides certain recommendations based upon those Insurance Services including but not limited to:

- Risk Assessment including analytics and risk modelling which is set forth in Appendix C of Aon’s July 2019 Risk & Insurance Due Diligence Report:
  - The analytic and risk modelling reveals that the total exposure (general liability, errors and omissions, haul away auto, and workers compensation) at a 99.5% confidence level is $120.61M.
  - As seen in Appendix C, dam failure presents the greatest risk. At a 99.5% confidence level, the total estimated cost associated with a dam failure is $119.97M.
  - Wildfire does not present a significant risk and at a 99.99% confidence level the exposure is estimated to be no greater than $6.26M.
  - The revised insurance program outlined by Aon will provide greatest value for money; sufficient limits; and, based upon advice of the Hawkins, Delafield and Wood firm, the coverage and indemnity necessary to cover these risks.

- Risk Assessment including Project Risk Register:
  - Working in conjunction with AECOM and the Stakeholders, Aon has attempted to identify all of the potential causes of loss.
  - Based upon the original Project Agreement[1], Aon identified which party “owns’ the risk and the risk mitigation tools available.
  - For those risks where insurance is “potentially available”, the determination for whether insurance is available is based upon the facts associated with the loss (assumes that the loss is not otherwise excluded) and the damages being claimed.

- Risk Assessment including Project Insurance Program:
  - The Definite Plan made several insurance recommendations, including but not limited to:
    - A general liability only owner-controlled insurance program (OCIP)
    - KRRC, Kiewit, and all contractors procuring their own workers compensation insurance program
    - Builder’s Risk /Inland Marine limit based upon 100% of the replacement value of any salvaged material or property and procured by KRRC
    - Professional Liability to be purchased by Kiewit with limits as high as 20%- 40% of the construction value.

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[1] It is Aon’s understanding that the scope of work under the original Project Agreement has been split between Kiewit Infrastructure West (Kiewit) for civil work and HGS, LLC (HGS) for restoration work.

- Given the current insurance marketplace, Aon concludes that certain changes to the original Project Insurance Program should be allowed to create the greatest value for money and provide the sufficient protections to the Project and the Stakeholders:

Kiewit Insurances

- ➢ Allow Kiewit to use its corporate insurance program for the general liability and umbrella liability coverage with dedicated project limits of $200M which will renew annually;
- ➢ Allow Kiewit to use its corporate insurance for the auto and workers compensation coverage;
- ➢ Builder's Risk/Inland Marine limit based upon the probable maximum loss ("PML") vs. replacement value and to be procured by Project Co/Kiewit. By utilizing the PML, the limit will account for the increased value in the roads, bridges and other project improvements;
- ➢ Allow Kiewit to use its corporate insurance program for the professional liability with dedicated project limits of $25M which will renew annually. This will provide the same protections as a project specific placement while eliminating the costs associated with a project specific placement.
- ➢ Watercraft and Aircraft Liability with $5M limits for each of the exposure, except helicopters which should be $10M: watercraft, aircraft, helicopters, and drones to the extent there is exposure. The watercraft liability and aircraft liability should be scheduled on the excess policy. However, if the drones are under 10 kg, use of the general liability is permissible.

HGS Insurance

- ➢ Allow HGS to use its corporate insurance program for the general liability and umbrella liability coverage with dedicated project limits of $75M which will renew annually.
- ➢ Allow HGS to use its corporate insurance for the auto and workers compensation coverage
- ➢ Professional Liability Limits of $15M and allow HGS to use its corporate program to satisfy this requirement if it can provide dedicated project specific limits.
- ➢ Watercraft and Aircraft Liability with $5M limits for each of the exposure, except helicopters which should be $10M: watercraft, aircraft, helicopters, and drones to the extent there is exposure. The watercraft liability and aircraft liability should be scheduled on the excess policy. However, if the drones are under 10 kg, use of the general liability is permissible.

KRRC Insurance

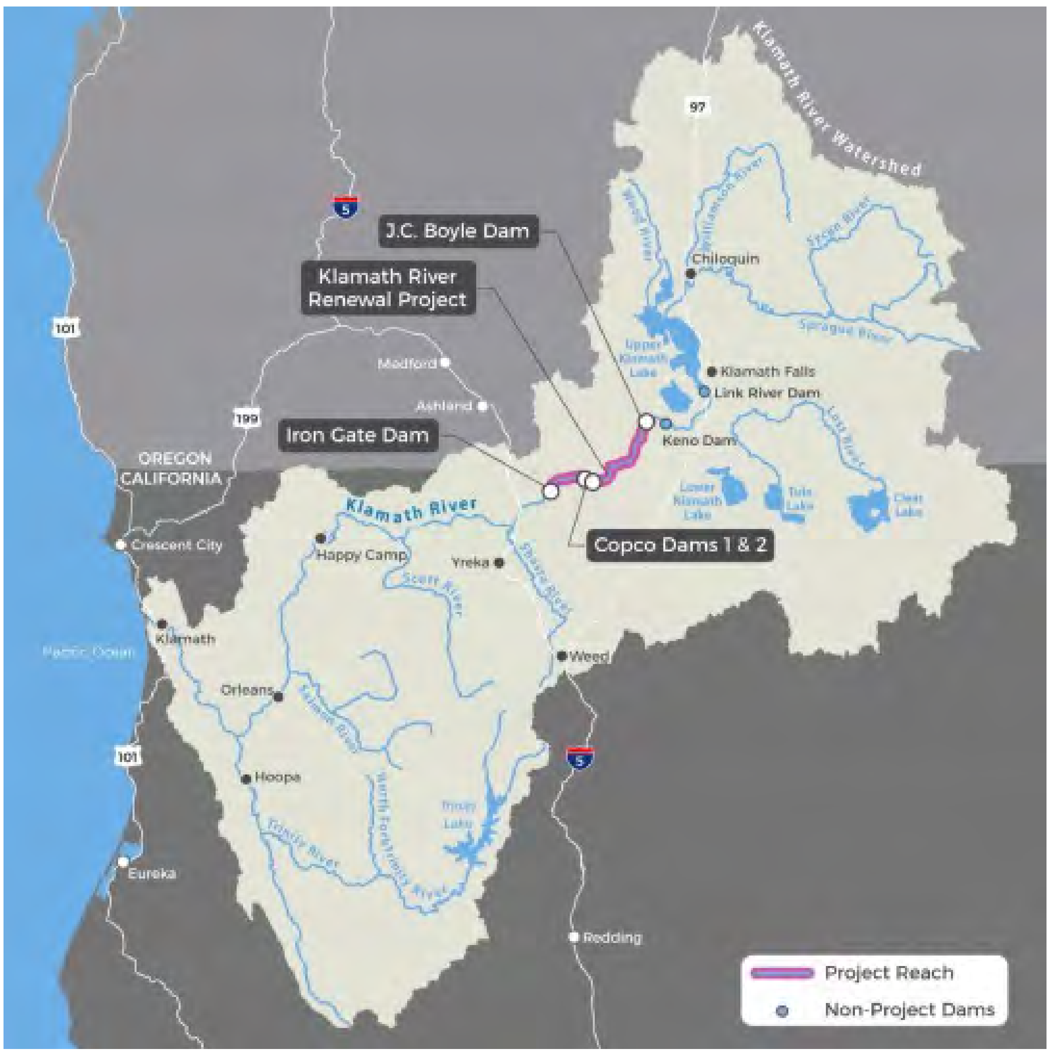
- ➢ General Liability Owner's Interest Policy with limits of $50M.
- ➢ Contractor's Pollution Liability and Pollution Legal Liability with linked limits of $50M and procured by KRRC.

It must be clearly understood that, at this time, no project insurances have been bound and no insurance premium costs have been incurred. KRRC does maintain its corporate insurance program, which was renewed on June 30, 2019. The project insurances will be placed prior to Project Implementation Work.

Project Overview

The Klamath River Renewal Project (the "Project") comprises the removal of four dams on the Klamath River – J.C. Boyle, Copco 1, Copco 2, and Iron Gate, along with appurtenant structures. The Project is intended to restore the natural, free-flowing condition and restore volitional fish passage through river miles 193.1 to 234.1. In addition to the deconstruction activities, the Project Company will be responsible for remediating and restoring the reservoir sites, minimizing adverse impacts downstream, ensuring project completion with available funds, and avoiding damages and liabilities to PacifiCorp, the States, and third parties. The estimated cost of the progressive design-build contract is estimated to be $237.6M million. The estimated cost of project oversight, liability transfer, environmental compliance, technical support, construction management, mitigation measures and monitoring and reporting is estimated to be $133.3M with a contingency of $62.8M.

Project Map



Method of Approach

The review and commentary on insurance and risk management issues are based on the review of project documentation. This documentation includes the Definite Plan and other data as provided by the Klamath River Renewal Corporation and its advisors.

Specifically, Aon has reviewed the following documents:

- Klamath Hydroelectric Settlement Agreement dated February 18, 2010, Amended April 6, 2016 and November 30, 2016 ("KHSA")
- Definite Plan dated June 2018 and July 2, 2019
- Request for Proposal dated December 21, 2018
- Project Agreement dated April 24, 2019
- Operations & Maintenance Agreement dated September 20, 2017
- FERC Board of Consultants Letter Report No. 1 and KRRC Response Letter dated December 12, 2018

Risks that have been identified through the review of the above documentation and through consultation with Stakeholders, have been discussed and matched with solutions utilizing the following approach:

Aon has utilized its Project Enterprise Risk Assessment (PERA) approach in its analysis of the risks on the Project. PERA is a proprietary enterprise risk management solution which is tailored to complex construction projects. The PERA methodology involves the following:

- Risk Identification
- Map to potential risk solutions, including transfer by insurance, transfer by contract, transfer by alternative method, and risk controls
- Certain proposed solutions, if possible, could be vetted through meetings with various Stakeholders in order to test the integrity of the solution

This method will also attempt to address risks outside of the usual hazard quadrant and will provide the Stakeholders with a project wide "risk matrix" that includes identified risks and potential solutions. Some solutions may not involve transferring risk to insurance carriers, and Aon will discuss with Stakeholders techniques for implementing these solutions.

Aon's risk matrices were then compared to the Aecom risk register to ensure that all risks were identified and properly classified. The combined risk matrix/risk register were then used to conduct the risk analytic and modelling and quantify the potential risk. This allowed Aon to determine the appropriate levels of insurance and avoid over insuring the project, which would not have delivered good value for money. Aecom utilized the combined risk matrix/risk register to produce a roll-up contingency estimate.

Project Risk Commentary

Below Aon has provided a summary of critical risk clauses within the Definite Plan and the Project Agreement.

Key Project Risks

The following discussion of project risks explores the risks that were highlighted by Stakeholders during the February 19, 2019 risk workshop held at the Aon San Francisco office. The risks raised by Stakeholders were then quantified and analyzed by Aon Global Risk Consulting (AGRC) to provide estimates of the risk of potential losses by line of coverage and by risk. Below is a summary of potential losses by line of coverage:

Confidence Level	Years/Event	GL	E&O	Haul Away–AL	Workers Comp	Total Before Insurance
	Average Loss	$6.19	$0.53	$1.15	$3.72	$11.58
	CAT Loss	$62.12	$10.62	$3.78	$12.37	$70.50
10%		$0.26	$0.00	$0.39	$1.95	$3.62
20%		$0.39	$0.00	$0.54	$2.26	$4.21
30%		$0.53	$0.00	$0.67	$2.53	$4.74
40%		$0.70	$0.00	$0.80	$2.78	$5.31
50%	2	$0.93	$0.00	$0.94	$3.05	$6.04
60%	2.5	$1.34	$0.00	$1.11	$3.36	$7.09
70%	3.3	$2.26	$0.00	$1.31	$3.77	$9.19
80%	5	$6.64	$0.00	$1.59	$4.40	$13.45
90%	10	$16.93	$0.00	$2.09	$5.90	$24.48
95%	20	$29.01	$0.00	$2.62	$8.04	$36.19
99%	100	$67.92	$18.04	$4.28	$14.48	$78.72
99.38%	161	$109.38	$25.71	$4.89	$17.05	$120.61
99.5%	200	$125.98	$28.87	$5.27	$18.19	$135.36
99.90%	1,000	$254.81	$69.71	$8.97	$28.27	$264.49
99.95%	2,000	$303.28	$106.86	$11.75	$33.35	$308.11
99.99%	10,000	$394.77	$195.56	$21.18	$46.28	$404.89

For the Aon Risk Modeling Report, see Appendix C of the Risk and Insurance Due Diligence Report.

Wildfire

Wildfire is the is one exposure that has risen to the top of the list for casualty insurers. Though the amount of work associated with disconnecting the electrical transmission lines from the hydroelectric dams is small in comparison to the overall project it is and will most certainly become a major concern from an underwriting perspective. Unfortunately, starting with the San Diego brush fires to the recent fires in Southern California and most certainly Northern California, wildfire has now reached catastrophic stature in the industry and will become a driving force in the ability to place general liability coverage. Based on an analysis by KRRC's attorneys, of the three potential theories of liability for wildfire damage – negligence, trespass by fire, and inverse condemnation – inverse condemnation would not apply to KRRC as it is not an investor-owned regulated utility. Additionally, PacifiCorp maintains all operational risk until the dams are disconnected from the power grid (decommissioned). Consequently, KRRC or the Project Company would only be liable for damages due to negligence and trespass by fire and general liability policies should cover most potential claims for property damage and bodily injury. However, as KRRC's attorneys note, punitive damages cannot be covered by insurance under California law. According to the analysis done by Aon, the potential liability exposure from wildfire is relatively low with losses estimated to be $6.26M at a 99.99% confidence level. This is primarily due to the rural nature of the project area and PacifiCorp's historic wildfire losses.

Downstream Sediment Deposits

The potential for a negative impact on downstream water quality is of significant concern, especially if there are issues related to contamination of the sediments. There could also be a negative impact at the point at the Klamath empties into the ocean. Much of this risk should be covered by the pollution legal liability coverage.

Dam Failure

The product of the annual probability of dam failure from a particular failure mode and the magnitude of the resulting consequences. Statistically, over 50% of dam failures in the U.S. can be linked to geologic and geotechnical problems. Professional liability underwriters view any dam work substantially more challenging because of the potential for catastrophic loss. According to the analysis by Aon, the potential liability exposure from dam failure is somewhat significant, with projected losses estimated to be $119.97M at a 99.5% confidence level. However, PacifiCorp is responsible for all operational risks until decommissioning. Consequently, KRRC's exposure is limited to post-decommissioning through dewatering, a period which is estimated to be less than a year.

Failure of the Substation

Damage to the substation during the period between license surrender by PacifiCorp and decommissioning could add significant costs to the project as substations not easily replaced. Also, should there be substation failure, there could be negative impacts to the environment. The potential losses from substation failure can arise from any time after the project starts to the last date of power generation. Aon estimates that losses at a 99.5% confidence level would be $20.79M. However, KRRC and/or ProjectCo/Kiewit would only be responsible for losses arising out of damage caused by the deconstruction of the dam, not the operational exposure.

Hatchery Failure or Fish Kill

If the water intake is compromised, there is the risk of losing endangered species. Additionally, there is a risk of loss through KRRC or contractor negligence that causes the hatchery work to fail. Aon estimates that losses at a 99.5% confidence level would be $113.71M. However, per the KHSA, California Department of Fish and Wildlife ("DFW") will have continued responsibility for operation of the hatcheries. As such, any losses associated with operational exposure would not fall to KRRC.

Discovery of Tribal Cultural Resources

There is a good chance that during the decommissioning and facilities removal, a contractor will discover tribal cultural resources. If that occurs, work may have to stop while until an investigation can be Conducted which could prolong the construction period; depending on where in the facilities removal cycle process the discovery occurs, there may be a need for work not originally within the scope of work to ensure embankments are stable. This would be considered an uncontrollable circumstance.

Yreka Water Supply Pipeline Move

There is risk that KRRC or contractor negligence may cause the Yreka water supply pipeline to fail or fail to operate properly. Key inputs to understanding the liability implications of this risk would be the duration of the failure and the water usage by the citizens of Yreka. Aon estimates the losses at a 99.5% confidence level would be $49.49M.

Uncontrollable Circumstances

As defined in the Project Agreement, the Uncontrollable Circumstances are intended to ensure that project risks are transferred to the party best capable of managing, mitigating or transferring each risk. The Uncontrollable Circumstances are comprehensive and have the KRRC retaining risks that are typically retained by Owners on large, complex infrastructure projects. These risks are typically either in the relative control of the KRRC, such as errors, omissions, or insufficiencies in information provided on behalf of the KRRC; are uninsurable, such as labor disputes or strikes affecting specific trades at a regional or national level; or would be considered acts of God, such as earthquakes, fires, tornadoes, or floods. Having the KRRC carry responsibility for these foreseen events allows the Project Company to reduce some of the contingencies that they would otherwise be carrying in their bids.

Definite Plan and KHSA Appendix L Insurance Requirements

Corporate Program

The KHSA does not have any requirements for a corporate program.

The Definite Plan has the following requirements:

KRRC was to procure a corporate insurance program which is intended to address KRRC's general risks as a business entity and include the following coverages:

- $1,000,000 Commercial General Liability policy which is supplemented by a $5,000,000 Umbrella policy
- $10,000,000 Directors and Officers policy that protects the KRRC's board members
- Worker's Compensation and Employer's Liability policy with a $1,000,000 limit for the KRRC employee(s)

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Commercial Automobile policy with $1,000,000 in limits

· Commercial Property policy that covers the KRRC's scheduled property

KRRC's corporate insurance program was to name PacifiCorp, the State of Oregon, the State of California, and their respective officers, agents, employees, and members as additional insureds in accordance with the requirements of the Amended KHSA.

Project Insurance Program

The KHSA provides that DRE agrees to follow, or to contract with a contractor(s) that will follow, the consolidated insurance program approach so the DRE, or the contractor(s) that it contracts with, will purchase the General Liability insurance and Worker's Compensation insurance for all the contractors involved in Facilities Removal. The Definite Plan provides that the Project Insurance Program will be an "owner-controlled insurance program" or OCIP for purposes of securing certain project coverages. Under an OCIP, the owner establishes a Commercial General Liability and Umbrella insurance program in which contractors and subcontractors enroll for coverage, rather than requiring each contractor or subcontractor to procure insurance independently.

Policy Type	Definite Plan – Appendix A	KHSA	Aon Commentary
General Liability	Limits of $2M occ. / $4M prod. comp ops /$4m general aggregate Policy to cover KRRC, the dam removal contractor and all eligible subcontractors for their work at the Project. The goal was to provide a comprehensive, seamless, and efficient insurance program which: (1) precludes insurers from denying coverage based upon other available coverage; (2) removal of cross-litigation costs caused by multi-party losses on a construction project; (3) allows the project sponsor/owner to control and design the coverage it intends to procure and the costs of coverage.	No limits specified. Policy to cover third-party property damage and third-party bodily injury that occurs from activity performed at the dam deconstruction site.	Neither the Definite Plan nor the KHSA address allowable deductibles and/or self-insured retentions. KRRC should not have to pay for any SIRs or deductibles associated with this coverage The rationale for switching from a CCIP to allowing for the use of the corporate programs of Kiewit and HGS is explained later in this document. Our recommendation is that the products completed operations cover be maintained through the statute of repose or the period within which to file a lawsuit.

Policy Type	Definite Plan – Appendix A	KHSA	Aon Commentary
Umbrella/Excess Liability as part of the CCIP	Limits of $200M This policy is to follow form to the CGL and will cover all enrolled parties, which is an added value for smaller contractors who cannot afford these limits.	To provide excess coverage for general liability and auto liability	As set forth in the revised GL comments and later in Aon's Risk and Insurance Commentary, the use of corporate programs delivers the greatest value for money while providing sufficient coverage for KRRC and the Stakeholders. The general liability, auto liability and employer's liability policies are to be listed on the schedule of underlying coverage. It is recommended that the aircraft liability and the marine liability be listed on the schedule of underlying coverage too.
Worker's Compensation/Employer's Liability	Limits: **Workers Comp** – applicable statutory requirements **Employer's Liability** - $1M Requires all contractors and subcontractors to procure this coverage separate and apart from the CIP. The reasoning for not covering under an CIP is because the coverage is statutory.	Includes requirement for USL&H To provide coverage for injuries that occur on the dam deconstruction site to individual workers.	Neither the Definite Plan nor the KHSA address allowable deductibles and/or self-insured retentions. There are no statutory prohibitions to including the worker's compensation and employer's liability in the CCIP. As set forth in the revised GL comments and later in Aon's Risk and Insurance Commentary, the use of corporate programs delivers the greatest value for money while providing sufficient coverage for KRRC and the Stakeholders.
Commercial Auto Liability	$1M CSL per accident for bodily injury and property damage. Required of all contractors and subcontractors for all owned, leased, and non-owed vehicles used in connection with the work.	To provide coverage for third-party property damage and third-party bodily injury for the auto fleet used related to the construction activities.	Given the exposure, Aon would recommend at least $5M in coverage for Kiewit and HSG, LLC and then allow Kiewit and HSG, LLC to determine the appropriate limits for its subcontractors but not less than $2M. Auto to include MCS 90 and CA 9948.

Policy Type	Definite Plan – Appendix A	KHSA	Aon Commentary
Builder's Risk/Inland Marine or Commercial Property	Applies a slightly unconventional analysis to the limit. 100% of the replacement value of any salvaged material or property Will be purchased by KRRC as a project specific property cover.	To provide property coverage for damage to any equipment or components of the dam that will be restored or salvaged;	This coverage should only be required from Kiewit and not from RES for reasons explained later in this report. Neither the Definite Plan nor the Project Agreement address allowable deductibles and/or self-insured retentions. As explained in greater detail in Aon's Risk and Insurance Commentary, we believe there are greater advantages to having Kiewit procure the builder's risk coverage.
Contractor's Pollution Liability ("CPL") and Fixed Site Pollution Liability	CPL Limit - $100M PLL Limit - $100M KRRC to procure both policies. The CPL will cover all contractors and subcontractors at the project site. The PLL go into effect when KRRC acquires title to the dam facilities and should be written with the same insurers as the CPL to address any pre-existing environmental damages.	CPL will provide third-party coverage for clean-up and remediation costs, bodily injury, property damage (including natural resources damages, loss of use and diminution in value) and legal defense expenses, as a result of pollution conditions arising from operations performed by or on behalf of the contractor.	Neither the Definite Plan nor the Project Agreement address allowable deductibles and/or self-insured retentions. Aon further recommends that the CPL/PLL be a combined policy with limits of $50M. Based upon our actuarial analysis, $50M in limit should be sufficient to cover the potential pollution risk. However, Aon is pricing an additional $50M in coverage so KRRC can consider the cost/benefit tradeoff of additional insurance.

Policy Type	Definite Plan – Appendix A	KHSA	Aon Commentary
Professional Liability/ Errors and Omissions	Limits up to $25M This coverage will be required under the terms of KRRC's design contract procurement, whether on a stand- alone basis or as part of a design-build procurement. It will go into effect when KRRC retains the design professional. Coverage limits may be as high as 20% - 40% of the construction value.	To provide coverage to protect an insured if their client is financially harmed from the rendering of their professional services or advice (including lack thereof) and for which the insured is held legally liable	Discussions have been had with Kiewit about their corporate program, and they have demonstrated that they have the same types and kinds of coverages as a CPPI. As such, it is permissible for Kiewit to use their corporate program if they can provide dedicated, project-specific limits which they have agreed to do. HGS can either use their corporate program with dedicated, project-specific limits, or they will be purchasing a project specific policy. Aon agrees that the Project Company and all design professionals should carry professional liability coverage. Limits of 20% - 40% of the construction values could raise red flags for the insurers and raise the overall cost of coverage.
Watercraft and Aircraft Liability	The Definite Plan does not require these insurances	The KHSA does not require these insurances	If no other aircraft are being used, drones can often be scheduled on the general liability policy if they are below 10 kg. It is recommended that the watercraft and aircraft liability policies be scheduled on the umbrella/excess policy(ies).

Other Obligations under Definite Plant and KHSA

Each of these polices shall name PacifiCorp, the State of Oregon, the State of California, and their respective officers, agents, employees, and members as additional insureds. KRRC will provide certificates of insurance evidencing that policies of insurance providing such provisions, coverages, and limits as set forth above to PacifiCorp and the States before any contract for dam removal is effective and before dam removal work begins and/or Facilities Removal Work begins. The Definite Plan adds the following requirement:

ADDITIONAL INSURED: PacifiCorp, the State of Oregon, the State of California, and their respective officers, employees and agents are Additional Insureds for the CONTRACTOR's activities to be performed under this Contract. Coverage is primary and non-contributory with any other insurance and self-insurance.

Specialty Corporate Indemnitor

Appendix L to the KHSA requires KRRC to identify and contract with a specialty corporate indemnitor (a Liability Transfer Corporation, or LTC) to protect the States or Oregon, California and PacifiCorp from potential liability that may be uninsurable or underinsured. The LTC can be structured contractually, through third-party indemnities or with potentially with additional special insurance products. The LTC may perform portions of the Project and will assume responsibility for various project risks, both during project execution and post-project.

Aon's Risk and Insurance Commentary

Builder's Risk

The unique deconstruction nature of the project leads to a challenge in identifying to adequate coverage requirements for the builder's risk policy. Builder's risk insurance is typically purchased to protect an asset that is increasing in value as the project continues whereas the Klamath River Renewal Project will be primarily focused on the removal of assets. For example, if a covered peril were to occur that causes substantial damage to the existing assets, such as a fire, the builder's risk would not necessarily step in to cover the costs of removal of the damaged assets as dam removal is a key aspect of the Project scope.

The current requirements in the Project Agreement require that the builder's risk policy cover the full value of any salvage material or property at the Project Site. Considerations for the recommended limits for the builder's risk policy should include the values of the road improvements, the Yreka water supply work, recreational facilities, and the revegetation work.

Additionally, the current requirements in the Project Agreement have KRRC procuring the builder's risk policy. In assessing the efficiency of KRRC taking this approach to the builder's risk policy, there may be some concern that insurance markets may not necessarily be interested in participating on the project. Our recommendation is to require Kiewit to purchase the builder's risk coverage. By doing so, KRRC and the other stakeholders should be able to take advantage of Kiewit's bargaining leverage with its insurers. This should provide more efficiency in terms of pricing for the project as well as fulsomeness of coverage if the project can be scheduled on the Kiewit's master builder's risk policy.

If KRRC does procure the builder's risk policy, KRRC should consider how it the deductibles should be paid. There should be some, if not all, of the deductible responsibility assigned to the Kiewit or contractor who caused the damage.

General Liability and Worker's Compensation/Employer's Liability Program Structure

While there are many exposures associated with this project, such as lowering the water level in the river so Kiewit will work in dry conditions versus wet, there is one exposure that has risen to the top of the list and that is the wildfire exposure. Though the amount of work associated with disconnecting the electrical transmission lines from the hydroelectric dams is small in comparison to the overall project it is and will most certainly become a major concern from an underwriting perspective. Unfortunately, starting with the San Diego brush fires to the recent fires in Southern California and most certainly Northern California, wildfire has now reached catastrophic stature in the industry and will become a driving force in the ability to place coverage for contractors and projects alike where there is exposure to wildfire. However, as evidenced in the PacifiCorp's analysis of CALFIRE data sources vs. Tier Designation, the wildfire exposure is minimal.

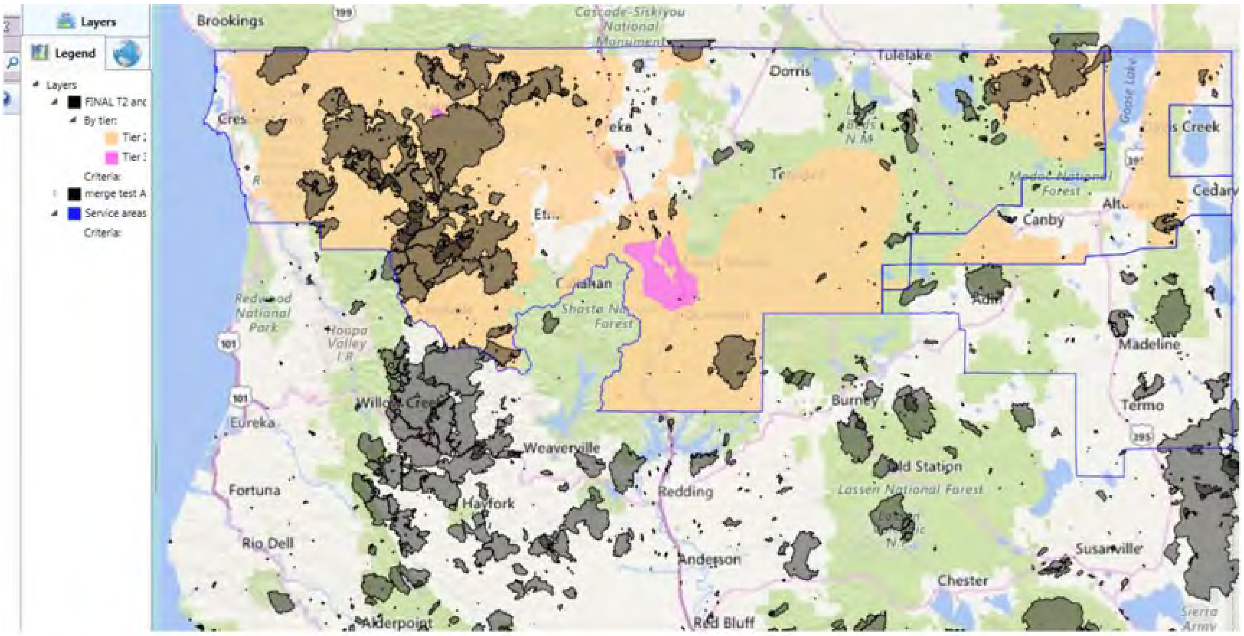

Figure 8 Comparison of Historic Fires (Fire Perimeters) versus Tier Designation

From a casualty or third-party liability, inclusive of worker's compensation/employer's liability, perspective there are three ways to approach this project risk. The project can be insured utilizing: 1) an Owner Controlled Insurance Program or OCIP, 2) a Contractor Controlled Insurance Program or CCIP or 3) the use of the Kiewit and HGS' corporate policies. Each of these approaches are valid ways in which to insure the risks associated with the Project and all three have proven to work over time. Neither one of these ways is necessarily the right or wrong way to approach insuring the Project. Each method has advantages and disadvantages from a KRRC perspective, which will be explored in detail below.

Controlled Insurance Programs Generally:

To understand why controlled insurance programs ("CIPs") are often chosen to insure a project, one must look to how insurance law has developed over the years.

The commercial general liability insuring agreement reads as follows:

> We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply.
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> This insurance applies to "bodily injury" and "property damage" only if:
>
> **(1)** The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory";
>
> **(2)** The "bodily injury" or "property damage" occurs during the policy

period;

As such, for there to be coverage under the policy, the insured must prove:

1. That there was an “occurrence”;
2. That there was “bodily injury” or “property damage” caused by the “occurrence”;
3. That the “bodily injury” or “property damage” resulted in “damages”;
4. That the insured is legal obligated to pay those damages;
5. That the “occurrence” took place in the “coverage territory”; and
6. That the “bodily injury” or property damage” occurred during the policy period.

The ‘legally obligated’ wording raises two legal issues: (1) joint and several liability and (2) anti-indemnity. California is a modified joint and several state which means that a defendant can be held 100% responsible for economic damages and severally liable for noneconomic damages. Oregon, with the exception of environmental torts, follows the rule of several liability only unless part of the judgment is uncollectible and then it may be reallocated. As for anti-indemnity, California Civil Code §2782 states that neither public nor private owner can force subcontractor to indemnify or insure another party for that other party’s “active negligence or willful misconduct,” for defects in the project’s design provided to the subcontractor, or for claims arising out of the scope of the subcontractor’s work. Oregon Revised Statute §30.140 prohibits intermediate indemnity, which is when the subcontractor assumes responsibility for the other’s negligence in whole or in part.

Given these differences in law and the potential for KRRC to be sued in California or Oregon, this creates uncertainties as to whether KRRC is protected under the contractors’ and subcontractors’ insurance policies. A controlled insurance policy eliminates these uncertainties, to a certain extent, by having all parties insured under a single policy. The CIP will respond to claims against all enrolled contractors thereby eliminating the need for apportionment of fault and indemnification.

The “occurrence” requirement raises issues with respect to trigger of coverage and how the primary policies in effect will be exhausted. California is a continuous trigger state for environmental claims and there is a split in authority for construction defect, but the rulings are trending toward a continuous trigger. Oregon is an “injury-in-fact” state which means that coverage exists under every policy that is in effect during the time periods in which damage to property actually occurs. Since both “triggers” can implicate multiple policies, one must now look to how California and Oregon apply the “exhaustion of coverage” principle. In California, certain courts have adopted a horizontal exhaustion position, but the Supreme Court has yet to rule on the issue. Oregon has yet to rule on the issue. Horizontal exhaustion is the principle that all primary policies that could respond to a loss must be exhausted before each joint tortfeasor’s excess policies can be tapped for defense and indemnity.

Trigger and exhaustion are moot when a CIP is placed because all enrolled contractors are insured under a single policy and the policy is for the term of the project.

Owner Controlled Insurance Program

Advantages

1) Control of coverage for both general liability and worker’s compensation, although worker’s compensation is not currently contemplated under the current OCIP.
2) Assurance all contractors working on the project will be insured and insured with the same coverage as all other contractors, consistency of coverage.
3) Project risks are addressed all in a single policy without the concern for a market renewal.
4) Complies with current Federal Regulators understanding of how the project will be insured.

Disadvantages

1) Financial obligations for the risk and losses under the program, (i.e. deductible payments) both during and after the completion of the project.
2) Project insurance costs (i.e. economies of scale)
3) Underwriter focused attention to the risks associated with this single project.

Though an Owner Controlled Insurance Program has certain advantages around control of coverage and limits, it does bring with it the financial obligation that potentially could happen post dissolution of KRRC. This financial obligation is a variable that could pose problems based on the structure of the OCIP. The greater concern is the issue of wildfire coverage and the ability to obtain a program with this coverage. Currently unknown to Aon is whether PacifiCorp's current liability program contains wildfire or excludes it. PacifiCorp may also maintain a separate wildfire only liability program and being an insured party in this program may cause problems in the placement of a dedicated project liability program, as carriers may go over line and not be able to support an OCIP. If we are ultimately required to place a GL only OCIP for this project, we would endeavor to place such coverage including wildfire and would attempt to eliminate any deductible obligations for KRRC post dissolution.

Contractor Controlled Insurance Program

Advantages

1) Relieves KRRC of the financial obligations for the risks and losses associated with the project.
2) Control of coverage can still be established via contract with the Project Company, (i.e. types of policies and coverage terms – certain coverages have to be included in the CCIP)
3) Project Insurance Costs – Project Company will likely have more influence in the marketplace due to the scale of its insurance program vs. that of a single KRRC placement.
4) Project risks are addressed all in a single policy without the concern for a market renewal.

Disadvantages

1) Underwriter focused attention to the risks associated with this single project. However, if the Project Company has a rolling CIP, it will not be as highly scrutinized.

A CCIP has advantages that may serve this project better than an OCIP. Foremost, it takes away the financial obligations with the potential to be slightly more expansive in coverage. Similar to the OCIP approach, the CCIP would address the project risk without the need for a market renewal eliminating the worry of a renewal and underwriters changing view to possibly insuring the project. While the CCIP approach will bring attention to the project and the associated risks, the Project Company will likely seek coverage from its current corporate insurer and have greater bargaining power. If the Project Company has a rolling CIP program, the project will likely get rolled into the program with little scrutiny.

Project Company's Practice Program

Advantages

1) Relieves KRRC of the financial obligations for the risks and losses associated with the project.
2) Control of coverage can still be established via contract with the Project Company, (i.e. types of policies and coverage terms – certain coverages have to be included in their practice program)
3) Project Insurance Costs – Project Company probably has greater bargaining power in the marketplace due to its economy of scale vs. a single KRRC placement.
4) Dedicated project-specific limits which are annually renewing
5) Avoids CIP costs

Disadvantages

1) Project Company's insurance is subject to renewal every year which may have impact on pricing and coverage.

2) Reliance on Project Company's ability to manage subcontractors insurance and potential lack of consistent coverage.
3) Insurer unlikely to add KRRC as an insured on the policy, thus requiring an Owner's Interest policy.

The Project Company's Practice Program approach has the advantage that this project would just be one of many that the contractor has and would not necessarily receive the same direct underwriting scrutiny that would be done on a project specific basis, either OCIP or CCIP. One potential source of uncertainty in this approach is that the Project Company and its subcontractors will have to deal with their respective insurance renewals and possible changing market conditions during the Project Implementation Work. However, if they are contractual obligated to provide the required limits and coverages then KRRC has that to rely on but with the caveat that the terms required may not be able to be met in year 3 of the program as an example. The other concern is how the legal issues are addressed if there are multiple parties at fault with multiple policies

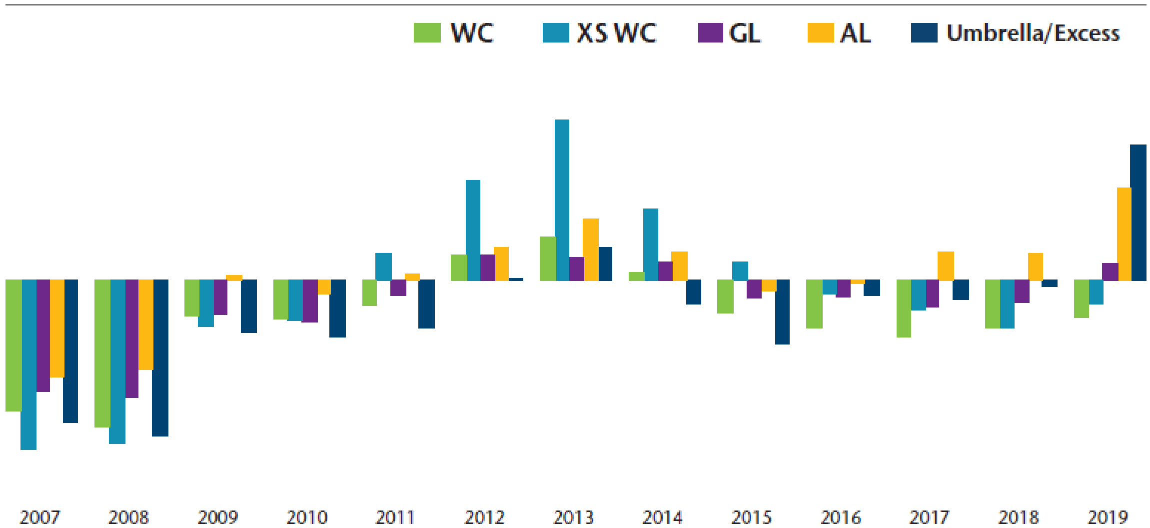
Owners Interest Liability Program

If a Project Company directed program is selected an option to consider would be to purchase a dedicated "Owners Interest" only liability program that would protect KRRC in the event KRRC is held legally liable for a loss that arises out of its sole negligence or willful misconduct. Though most liability will be driven through the Project Company's operations, such a policy would provide coverage for the unknown or unintended loss. Limits for an Owners Interest program should be evaluated based on how much direct involvement KRRC staff will have in overseeing the project.

Recommendation

As mentioned previously all three approaches to insuring the project will work. It is just deciding which one will work best for KRRC and the successful restoration of the Klamath River and which delivers the greatest value for money. Since the original recommendation, insurance rates have increased significantly:

Exhibit 1
Average Rate Change 2007-2019



Additionally, carriers have significantly reduced the limits that they are willing to offer and narrowed the terms and conditions of their policies.

As such, it is important to assess which insurance approach delivers the greatest value for money while affording the best coverage; that is by allowing Kiewit and HGS to use their corporate insurance programs and requiring project specific limits that are annually renewing; and by having KRRC purchase an owner's interest policy and naming the key Stakeholders as additional insureds.

Auto Liability

We recommend that KRRC consider requiring higher limits ($10M) of Kiewit and HGS and allow Kiewit and HGS to determine the appropriate limit for its subcontractors, but not less than $2M. We further suggest that Kiewit and HGS schedule the auto liability on their umbrella/excess policies, if possible.

Contractors Pollution Liability and Fixed Site Pollution Liability

While similar questions, as those posed in the casualty analysis, can be asked for the pollution cover, the difference is that neither Kiewit nor HGS will not take ownership of the site. As such, the responsibility for procuring fixed site pollution liability ("PLL") cover falls to KRRC. Therefore, we agree that KRRC should procure both the Contractor's Pollution Liability ("CPL") and the PLL cover and would seek to place at least the primary layer of both policies, and preferably the entire tower, with the same insurer. Environmental claims during the course of construction often fall to both the CPL and PLL (site pollution) and can result in additional complications when two or more insurers are involved. Additionally, it may ultimately be more advantageous for the two policies to have linked limits, as currently the policies have two separate $100 million towers specified. As Aon continues to analyze the risks and exposures of the Project, the two separate towers may be over-insuring of the Project, when perhaps a single $50 million may be adequate. However, we will offer pricing for up to $100M.

If Kiewit is willing to do so, KRRC should work with Kiewit to use Kiewit's leverage in the insurance marketplace to negotiate coverage, terms and pricing.

We do recommend that KRRC be permitted to collect any deductible/SIRs from the Project Company or contractor who causes the loss.

Professional Liability Structure

Given the size of the project and the inherent, potential risk of a catastrophic loss resulting from the negligent rendering of professional services, the structure of the professional liability coverage will be critical to the success of the project. Aon has reviewed Kiewit's corporate program and it contains the same types and kinds of coverages that would be in a project specific Contractors Protective Professional Indemnity (CPPI). As such, use of Kiewit's corporate program is permissible as long as there are dedicated, project specific limits.

It would be permissible for HGS to use its corporate program if it can provide dedicated, project specific limits and meets all of the contractual requirements. If it cannot do so, it should be required to buy a project specific policy.

Risk Register

As discussed in the key project risks section of this report, there was a meeting in February 2019 with the States, PacifiCorp, KRRC and its consultants in which the group identified a variety of project risks. Aecom and Aon created a project risk register which incorporated the discussions from that meeting as well as the risks set forth in the Project Agreement. The Risk Register is attached as Appendix D to the July 2019 report. The Risk Register has since been updated and certain risks have been "retired" because the risk has been eliminated or transferred to Kiewit or HGS.

The original risk register is divided into 3 specific sections: risks that are insurable, risks that are potentially insurable, and risks that are uninsurable. It is important to understand that coverage is extremely fact dependent and coverage cannot be guaranteed if the facts reveal that the cause is excluded or that there is some other type of limitation. In breaking the risks into insurable, potentially insurable and uninsurable, Aon has assumed that the insured has complied with all provisions of the policy and that the claim is not otherwise excluded.

For the potentially insurable risks, the facts and alleged damages become even more important in determining coverage. Builder's Risk and Property insurance is what is commonly referred to as a "first-party" coverage, which that the damage must be incurred by the named (or other) insureds. Additionally, for the delay in startup or contractor's continuing expense coverage to be triggered, there must be a loss caused by a peril not otherwise excluded. For the general liability insurance (3rd party coverage), as discussed in controlled insurance program section, there are 5 key factors that go into determining whether there is coverage for the loss. However, there are two key obligations under a general liability policy: defense and indemnification. The duty to defend is broader than the duty to indemnify (pay the damages). As such, often times a carrier will have a defense obligation but as the facts develop, may not have an indemnification obligation. The environmental (1st and 3rd party) and professional coverages (1st and 3rd party) have the same two duties and are also very fact dependent.

Conclusion

Aon has outlined certain recommendations with respect to the insurance program in Appendix A based upon the following factors: (1) a program that delivers the best value for money; (2) the legal advice of Hawkins, Delafield and Wood firm; and (3) the representations of Kiewit and HGS. Those recommendations are as follows.

1. Kiewit and HGS will be permitted to use their corporate general liability, auto liability and workers compensation insurance programs. With respect the general liability coverage, both Kiewit and HGS will be required to provide project specific limits that renew on an annual basis.

2. KRRC will purchase an owner's interest general liability program that covers its independent liability and any vicarious liability assigned to it.

3. Kiewit will procure the Builder's Risk coverage because of its purchasing power and market relationships.

4. Kiewit and HGS will be permitted to use their corporate professional liability insurance programs as it complies with all of the required specifications.

5. KRRC will purchase the Contractor's Pollution Liability and Site Pollution Liability policies.

Appendix A – Aon Proposed Insurance Plan

Insurance		Limit of Liability	Retention/Deductible		Comments
Policy Type	Recommended Procuring Entity	Aon's Recommendations	Project Agreement Requirements	Aon's Recommended Approach	Relevant Notes
Builder's Risk	Kiewit only for the work it will be performing	Builders risk limit to be subject to a Probable Maximum Loss analysis	No Requirements related to Retentions	The AOP deductible should be no higher than $1M Earthquake will have a percentage deductible Flood will have a percentage deductible	There will be multiple sublimits associated with the Project and those sublimits are being evaluated
General Liability	Kiewit, HGS and KRRC and all subcontractors	**Kiewit and HGS (separate policies)**: $2M occurrence / $4M products completed operations / $4M general aggregate **KRRC:** $1M occurrence / $2M products completed operations / $4M general aggregate **Subcontractors**: As required by Kiewit and HGS	No Requirements related to Retentions	A deductible or SIR not greater than $1M for Kiewit and HGS, individually Subcontractors as determined by Kiewit and HGS	Kiewit and HGS will be permitted to use their corporate programs if they can provide dedicated, project specific limits.
Workers Compensation/ Employers Liability	Kiewit, HGS and KRRC and all subcontractors	WC – Statutory Employers Liability- $1M/$1M/$1M	No Requirements related to Retentions	N/A	All parties will use their corporate policies
Excess Liability	Kiewit, HGS and KRRC and all subcontractors	**Kiewit** to provide $200M in project specific limits **HGS** to provide $75M in project specific limits **KRRC** to procure an owner's interest policy with limits of $50,000,000 (but will price $100M)	N/A	Underlying coverage	This should be a follow form policy and should have the following coverages scheduled on the policy: general liability, auto liability and employers liability. It is also recommended that the aircraft liability and watercraft liability be scheduled on this policy.
Commercial Automobile Liability	Kiewit, HGS and KRRC and all subcontractors	$5,000,000 CSL except subcontractors who shall carry $2,000,000 CSL	No Requirements related to Retentions	N/A	All parties will use their corporate policies. In addition to MCS 90 and CA 9948
Contractor's Pollution Liability/Pollution Legal Liability	KRRC	$50M	No Requirements related to Retentions	Not greater than $1M	This will be a combined CPL/PLL policy and an option for $100M in coverage will be explored.

Professional Liability	Kiewit HSG	**Kiewit:** $25,000,000 per claim and in the aggregate **HSG:** $15,000,000 per claim and in the aggregate		No Requirements related to Retentions	Not greater than $1M	Kiewit's corporate program is sufficient as long as they provide dedicated, project specific limits. HSG's corporate program is sufficient as long as they provide dedicated project specific limits. If they cannot do so, then they will need to procure a project specific policy.
Watercraft and Aircraft Liability	Kiewit	$5,000,000 per occurrence and in the aggregate for watercraft, aircraft and drones $10,000,000 per occurrence and in the aggregate for helicopters	Still exploring exposure	No Requirements related to Retentions	TBD	TBD

Appendix B – KRRC's Insurance Budget

Line of Coverage	Coverage Description	Limits	Retentions	Estimated Premium	Cost Period
Builder's Risk	Covers damage to property in the Construction Period	Subject to a Probable Maximum Loss	Not greater than $1M	Included in Kiewit's GMP	Term
KRRC's Owner's Interest Policy	Covers3rd party bodily injury and property damage, and injured employees in the course of their employment	$50M [2]	Not greater than $1M	$2,600,000	Term
Commercial Automobile Liability	Covers liability from use of autos	$5,000,000 combined single limit	Not greater than $1M	$0 (Corporate program)	Annual
Contractor's Pollution Liability/Pollution Legal Liability	Covers liability arising from hazardous materials	$50,000,000 linked limits [3]	Not greater than $1M	$1,200,000	Term
Professional Liability	Covers liability arising out of design errors	Kiewit: $25,000,000 per claim and project aggregate HGS: $15,000,000 per claim and project aggregate	Not greater than $1M	Included in Kiewit's GMP $700,000 for HGS	Term
Watercraft and Aircraft Liability	Covers liability from use of watercraft or aircraft	Depending on exposure	Not greater than $1M	Included in Kiewit and HGS' GMP	Term
Total Estimated Annual Premium during Construction Period (2020 Dollars)				**$4,500,000**	

[2] Aon will price an additional $50M in limit for KRRC's consideration.

[3] Aon will price an additional $50M in limit for KRRC's consideration.