

MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE OWYHEE IRRIGATION DISTRICT

November 16, 2010

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on November 16, 2010, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 10:00 a.m. Bruce Corn, President of the District, presiding.

The following Directors were present:

Dan Tschida	Jerry Nagaki
Frank Ausman	Bruce Corn

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, General Counsel; Harvey Manser, District Assistant Manger; Tom Zittercob, Hydro Operator; Scott Nichols, District Employee; and Kris Ward, District Employee.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice to the news media as to the time, date, and place of the meeting on November 10, 2010.

MINUTES. The minutes of the October 19, 2010, meeting of the Board of Directors were mailed to the Directors prior to the meeting. A motion was made by Director Tschida, seconded by Director Nagaki, and unanimously carried approving the minutes as mailed.

DISTRICT ACCOUNTS PAYABLE. The accounts payable for the District were reviewed and discussed by the Directors. Director Tschida asked if the portable pump purchased from Riverside should go under "Equipment Purchases" and Mr. Chamberlin said that it should. A motion was made by Director Ausman, seconded by Director Tschida, and unanimously carried approving payment of the accounts payable as presented.

EMPLOYEE PROPOSAL. Scott Nichols said that he is representing the Employee Group. He said that they have chosen option "A" which provides for a zero percent base wage increase with a possible 1% incentive pay increase, and the employees' share of the health insurance deductible being increased from \$250 per year to \$500 per year. He said that some of the employees wondered why the Board did not agree to moving the earned leave buyout to March instead of the first of the year. Mr. Chamberlin said that he thought that it was for budgeting reasons. He reminded the Board that employees are allowed to carry over 80 hours of earned leave each year then the employee has the opportunity to request a buyout of their vacation hours accumulated on the first pay period in January. Any hours over 80 hours not bought back are lost.

At 10:09 a.m., Bob Kemble, CPA, joined the meeting. Mr. Kemble was asked if there are any bookkeeping or financial burdens which would arise if the earned leave buyout date is moved to the

first pay period in March instead of the first pay period in January. Mr. Kemble said that there are not. Mr. Nichols explained that the reason the employees want to change this date is in order to have money available if there is a layoff during the winter. President Corn said that the Board will take the matter up later.

At 10:14 a.m., Scott Nichols left the meeting.

DISTRICT FINANCIAL REPORT. A financial report for the District was handed out by Bob Kemble and the Directors reviewed it. Mr. Kemble walked the Board through the report as they discussed it. Kris Ward said that the billing for excess water will be going out in the next week or two and the total billing is approximately \$60,000. Mr. Kemble went through the income to budget comparisons in the report. He noted that through the end of October, the District is under budget by about \$105,000.

MITCHELL BUTTE POWER PROJECT.

Generation Report. Mr. Chamberlin said that the generation report for the Mitchell Butte Power Project is in the Directors' packets. The Directors reviewed the report. Mr. Chamberlin said that he did receive a bill from Sunrise Engineering, which the Directors will see later. He said that billing is approximately \$18,000.

Accounts Payable. Mr. Chamberlin presented the following schedule of accounts payable for the Mitchell Butte Power Project:

AT&T	\$ 30.93
Qwest	119.55
OWRD	932.00
Stunz, Fonda, Kiyuna & Horton	1,001.75
Les Schwab Tire	28.67
Northwest Hydroelectric	<u>161.66</u>
Total	\$2,274.74

A motion was made by Director Tschida, seconded by Director Nagaki, and unanimously carried that the accounts payable for the Mitchell Butte Power Project, as presented, be paid.

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Kemble handed out a financial report for the Owyhee Dam Power Project for the period ending October 31, 2010. The Directors reviewed the report.

Owyhee Dam Power Project Accounts Payable. Mr. Chamberlin presented the following schedule of accounts payable for the Owyhee Dam Power Project:

Northwest Hydroelectric	\$161.67
U.S. Cellular	49.12
Qwest	48.37
OWRD	2,220.32
Les Schwab Tire	28.67
Nichols Accounting Group	303.00
Oregon-Idaho Utilities	.52
Stunz, Fonda, Kiyuna & Horton, LLP	<u>157.50</u>

Total \$2,969.17

A motion was made by Director Ausman, seconded by Director Tschida, and unanimously carried that the accounts payable, as presented, for the Owyhee Dam Power Project, be paid.

TUNNEL #1 POWER PROJECT.

Financial Report. Mr. Kemble handed out a financial report for the Tunnel #1 Power Project for the period ending October 31, 2010. The Directors reviewed the financial report.

Accounts Payable. Mr. Chamberlin presented the following schedule of accounts payable for the Tunnel #1 Power Project:

Oregon-Idaho Utilities	\$ 107.10
Les Schwab Tire	28.66
OWRD	3,758.09
M&W Market	15.57
Northwest Hydroelectric	161.67
Nichols Accounting Group	<u>383.00</u>

Total \$4,454.09

A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried that the accounts payable, as presented, for the Tunnel #1 Power Project, be paid.

DRAFT BUDGET FOR 2011. Mr. Kemble handed out a draft budget for the District for the year 2011. The draft budget was reviewed and discussed. Specific areas of discussion included health insurance costs, workers compensation costs, and PERS costs. Mr. Kemble said that the PERS number in the budget is a good number and not a projection.

At 10:50 a.m., Linda Rowe from SWCD joined the meeting.

Kris Ward said that there is about \$2,000 left in the gopher program. Mr. Chamberlin said that he thinks that it is funded pretty well.

AT 11:00 a.m., David Sparks, landowner, joined the meeting.

Equipment items included in the proposed budget were discussed. Mr. Chamberlin said that a new Nyssa backhoe is needed, along with new radio equipment, and a new mower. A discussion on necessary equipment was had. President Corn asked if it would be better to go more for spraying than weed beating given the prevalence of puncture vine. Mr. Manser said that the District needs to do both in his opinion. Discussion on the proposed budget wrapped up and Mr. Chamberlin said that he will check with the District's health insurance agent on possible savings by raising the health insurance deductible.

EMERSON DRAIN PROJECT. Linda Rowe said that she and Mr. Sparks are at the meeting to advise the Board about a technical assistance grant which they are pursuing to clean up the Emerson drain. She said that Mr. Sparks wants to do a meander in the drain and then have it connect into a settlement pond. Mr. Chamberlin said that the Emerson drain gets most of its water from Owyhee Ditch, though about 10% of the water does come from OID through the Shoestring Canal.

A handout was given illustrating the proposal and the Directors reviewed and discussed the proposal. Mr. Sparks said that the grant would require him to clean the settlement pond for ten years. He said that his plan is to clean it for the rest of his life. Ms. Rowe said that she wants the District to be aware of this project and wants to know if the District would move to try to stop the project. She said that the grant is only for an engineer to do the initial engineering. She said that she would like a letter of support from the District to be able to send in with the grant application. President Corn said that it looks like a win/win situation. Ms. Rowe said that there may be some landowner issues. The Board's consensus is that the proposed project sounds good at this point.

At 11:37 a.m., Mr. Sparks and Ms. Rowe left the meeting.

MITCHELL BUTTE REHAB. Mr. Zittercob said that the repaired unit was put back in before the end of the season and that it ran great through the end of the year. He said that there is a small repair which needs to be done to the trash rack. He said that the engineers from Sunrise were here last week analyzing flows. He said that it looks like a new more efficient unit can meet the additional generation requirements of the ARRA grant. Mr. Chamberlin said that the engineers will be here tomorrow to tie up loose ends to get the 30% engineering completed. Mr. Zittercob said that he is also trying to get the power plant certified as a green project.

Mr. Chamberlin said that he would like to have one or two Board members attend the meeting tomorrow. He said that the engineers may present a proposal of using two units instead of one and that this may increase costs. He said that the stimulus money grant is going well. He said that there is a deadline of December 2nd to get an application in to SELP for loan money. He said that if the loan looks viable, then the District would have to pay an application fee of between \$7,500 to \$10,000. He said that Sunrise Engineering staff have started filling out the application. He said that one of the issues with SELP is that they will not fund the construction and that some type of interim financing will be necessary. Mr. Horton said that the representative from the Oregon Department of Energy reassured him and Mr. Chamberlin that the District could be reimbursed from the ARRA money for the engineering fees.

President Corn said that it would probably be better to just continue this meeting tomorrow and that way more Board members could be present to meet with the engineers.

OWRC CONFERENCE. Mr. Chamberlin said that the OWRC conference is coming up. He asked if there were any Board members planning on attending and none of the Board members are able to attend.

EMPLOYEE PROPOSAL (Continued). Discussion continued on the employee proposal with regard to changing the date on earned leave. A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried adopting the following resolution:

RESOLVED that employees must use or be paid for vacation hours accumulated during the prior calendar year by the first pay period in March. Employees must notify the District office prior to March 1st of how many earned leave hours accumulated during the prior calendar year ending December 31, which they wish to be paid for, and any hours not so paid for which exceed 80 hours, are lost and cannot be carried over.

MEETING RECESS. At 12:20 p.m., President Corn declared the meeting in recess to be reconvened tomorrow, November 17, 2010, at 9:00 a.m., at the District's Nyssa office.

MEETING RECONVENED. At 9:02 a.m., on November 17, 2010, the meeting of the Board of Directors was reconvened. Directors Corn, Nagaki, and Ausman were present. Also present were Greg Houston and Chuck Shrader from Slayden Construction; Steve Godard, Joe Zhao, and Alden Robinson, from Sunrise Engineering; Tom Zittercob; Jay Chamberlin; and Michael W. Horton.

Introductions were made.

MITCHELL BUTTE REHAB. Mr. Alden said that he invited Slayden Construction representatives to provide information on the construction process and various alternatives to acquiring the services of a contractor. He said that the main priorities are that the method of delivery needs to be consistent with the funding and that the delivery needs to be done quickly so that the District can meet the ARRA schedule.

Mr. Godard said that Sunrise Engineering is one week away from having the 30% design and feasibility completed and turned over to the District. He said that the District's next decision will be moving towards the funding and equipment delivery. Mr. Houston said that a turbine order needs to be in about one year before it will be delivered. He said that in this case in order to meet the time deadlines, the order would need to be in by the end of the year. He said that there may be two to three manufacturers in the United States which can build turbines, but there is only one which can provide a generator.

Mr. Godard said that the plan would be to run the Mitchell Butte Power Plant through the 2011 irrigation season. He said that in October 2011, it will be important to have everything on the ground for the construction. The ability to meet the ARRA time lines was discussed.

Mr. Houston gave a history of the Slayden Construction Company. Chuck Shrader then explained the concepts on bidding requirements. Mr. Horton, President Corn, and Mr. Chamberlin updated the engineers and contractors on where the District is at on the overall project. Hurdles to overcome, including a power sales agreement and financing, were discussed.

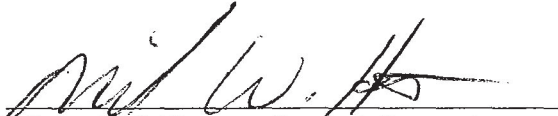
The very short time deadlines coming up in order to comply with the ARRA grant and the ability to acquire funds in order to have turbines at the Mitchell Butte Power Plant which will last for the life of the FERC license were discussed, along with the fact that this most likely constitutes an emergency. Mr. Shrader explained the difference between a design build procurement, versus a CMGC procurement, versus a competitive bid procurement. He noted that whatever procurement method the District uses, the District would need the ability to cancel the contract without penalty should funding fall through.

Dr. Zhao said that he is working on the cost estimate components of the 30% engineering which will be delivered to the District on November 22. A discussion was had on the next steps and it was determined that a Board meeting will be necessary as soon as the 30% engineering is delivered.

DATE AND TIME OF NEXT BOARD MEETING. It was the consensus of the Directors that the next Board meeting be held at Mr. Horton's office on November 23, 2010, at 1:00 p.m.

ADJOURNMENT. There being no further business to come before the Board, the meeting was adjourned at 10:34 p.m.

Respectfully submitted,


Michael W. Horton, General Counsel

APPROVED: _____