

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

January 21, 2003

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on January 21, 2003, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 10:36 a.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Fred Schilling	Frank Ausman
Bruce Corn	Jerry Nagaki
Larry White	

Also present were: Jay Chamberlin, District Manager; Peter Nichols, CPA; and Michael W. Horton, Secretary and General Counsel.

RESERVOIR STORAGE. Mr. Chamberlin reported that the reservoir storage as of January 21, 2003 is 127,259 acre feet and the storage as of January 21, 2002 was 128,132 acre feet.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice to the news media as to the time, date, and place of the meeting on January 13, 2003.

MINUTES. Minutes of the meeting of Directors held on December 17, 2002, had been mailed to each Director prior to the meeting. A motion was made by Director Nagaki, seconded by Director Schilling, and unanimously carried approving the minutes as mailed.

NEW BOARD MEMBER. Mr. Horton stated that Frank Ausman needs to be sworn in as a new Director. Accordingly, Mr. Horton administered the oath of office to Mr. Ausman.

At 10:39 a.m., Tom Zittercob joined the meeting.

REORGANIZATION. Mr. Horton stated that this, the first meeting in January 2003, is the time for the reorganization of the Board.

ELECTION OF PRESIDENT. President Corn opened nominations for the election of the President of the District for the ensuing year. Director Schilling nominated Bruce Corn. Director Ausman seconded the nomination. A motion was made by Director White and seconded by Director Ausman that nominations be closed and a

unanimous ballot cast for the election of Bruce Corn as President of the District for the ensuing year. The motion passed unanimously.

ELECTION OF VICE-PRESIDENT. President Corn opened the nominations for the election of a Vice-President of the District to serve during the ensuing year. Director Nagaki nominated Director White. The nomination was seconded by Director Schilling. A motion was made by Director Schilling and seconded by Director Ausman that nominations be closed and a unanimous ballot cast for the election of Larry White as Vice-President of the District for the ensuing year. The motion passed unanimously.

DESIGNATION OF MEMBERS TO SERVE ON THE JOINT COMMITTEE. President Corn stated that the next order of business is the designation of four members of the Board of Directors to serve as members on the Joint Committee. A general discussion was had. A motion was made by President Corn and seconded by Director Nagaki that Directors Nagaki, Schilling, Corn, and White be named as representatives to the Joint Committee and that Director Ausman be an alternate to serve at any meeting of the Joint Committee when any of the designated members are not present. The motion passed unanimously.

MONTHLY MEETING DATE. It was noted that the regular Board meetings presently take place on the Tuesday following the third Monday of each month. A motion was made by Director Schilling and seconded by Director White that there be no change in monthly meeting dates for the ensuing year. The motion passed unanimously.

2003 ASSESSMENTS. The Directors noted that the Board has approved a budget for the operation and maintenance of the District for 2003 using the rate of \$35.00 per irrigable acre. They noted that there will be no construction charge obligation in 2003. They also noted that the assessment for the year 2002 was a total of \$34.50 per acre. A motion was made by Director White, seconded by Director Nagaki, and carried unanimously that the following resolution be adopted:

BE IT RESOLVED, that the Owyhee Irrigation District does hereby assess for the year 2003 the sum of \$35.00 per irrigable acre for operation and maintenance, delinquencies and collection, reserves, and administrative expenses, and the sum of \$10.95 per acre foot for each acre foot of excess water. The assessment for operation and maintenance, delinquencies and collection, reserves, and administrative expenses shall be payable on or before April 15, 2003, and the assessment for excess water shall be payable on or before December 15, 2003, and any assessments not paid on the due date shall be considered delinquent; and

BE IT FURTHER RESOLVED, that the Owyhee Irrigation District does hereby assess an interest charge of 1½% per month or fraction thereof, as required by Oregon law, on all of the aforementioned assessments which are not paid when due, it being understood that payments made after they are past due must include the full 1½% interest for the month in which payment is made regardless of the date of the month on which payment is made; and

BE IT FURTHER RESOLVED, that the Board shall sit as a Board of Equalization for the purposes of reviewing and correcting its list of water charges and apportioning the charges made thereunder for the 2003 irrigation season at 11:00 a.m. on February 18, 2003, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP and Michael W. Horton shall be directed to cause notice of the equalization meeting to be published.

BE IT FURTHER RESOLVED:

1. The charges assessed for operation and maintenance, delinquencies and collection, reserves, and administrative expenses represent the actual cost of providing the service of delivering water to water users.

2. The service of delivery of water to individual water users is provided by the Owyhee Irrigation District only on the specific request of individual water users.

APPOINTMENT OF SECRETARY AND LEGAL COUNSEL. Mr. Horton offered his and his firm's services to the District for an annual retainer to be paid for routine services in the sum of \$13,200.00, payable in monthly installments of \$1,100.00 and with a charge for services rendered which are not covered by the retainer at the rate of \$108.00 per hour. A motion was made by Director Schilling and seconded by Director Nagaki that Michael W. Horton be appointed Secretary and Legal Counsel for the District for the year 2003; that his law firm be appointed attorneys for the year 2003 for an annual retainer to be paid for routine services in the sum of \$13,200.00, payable in monthly installments of \$1,100.00; that out-of-pocket expenses be paid by the District in addition to the said retainer; and setting compensation at the rate of \$108.00 per hour for services rendered which are not covered by the retainer. The motion passed unanimously.

Mr. Horton explained the statutory scheme for the signing of checks and the current practice as to how checks are signed. The Board's consensus was that it would be impractical to stay within the statutory scheme and that the current method which was established many years ago is still the preferred method. Mr. Horton suggested that Mr. Chamberlin talk to the Water Resources

Congress about presenting a bill to change that statutory framework.

APPOINTMENT OF AUDITOR. President Corn announced that the next item of business is the selection of an auditor for the District. A motion was made by Director White and seconded by Director Schilling that Bledsoe & Bledsoe be auditor for the District during the year 2003 for the 2002 audit. The motion passed unanimously.

INSURANCE AGENT OF RECORD. President Corn stated that the next item of business is consideration of the District's insurance agent of record. A motion was made by Director Ausman and seconded by Director Nagaki that Ray Waldo and Field-Waldo Insurance be appointed as the District's insurance agent of record. The motion passed unanimously.

DEPOSITORIES. Discussion was held concerning the depositories of the funds of the Owyhee Irrigation District. Mr. Chamberlin recommended that the District continue with the present depositories. A motion was made by Director Nagaki, seconded by Director White and carried unanimously that Klammath 1st Federal Bank, Nyssa Branch; U.S. Bank, Nyssa Branch; and the Local Government Investment Pool as administered by the State Treasurer of Oregon, shall be designated as the official depositories of the funds of the District, and that the same may be withdrawn from the said depositories on checks or advices signed by any two of the following: Fred S. Schilling, Frank Ausman, Bruce Corn, Jerry Nagaki, and Larry White, Directors of the District; Jay Chamberlin, Project Manager; and Michael W. Horton, Secretary; provided, however, that funds may be transferred electronically from bank accounts of the District to the Local Government Investment Pool, or from the Local Government Investment Pool to bank accounts of the District, by direction given by Jay Chamberlin.

REGISTERED AGENT. Michael W. Horton reported that Gene Stunz is currently the designated agent for the District. A motion was made by Director White and seconded by Director Nagaki that Gene Stunz be designated the District's registered agent. The motion passed unanimously.

APPOINTMENT OF PROJECT MANAGER. Mr. Horton stated that the contract with Mr. Chamberlin runs through September 2004. A motion was made by Director Schilling and seconded by Director Nagaki that Mr. Chamberlin be retained as Project Manager of the District. The motion passed unanimously.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Peter Nichols presented a financial report for the Mitchell Butte Power Project for the period ending

December 31, 2002. Mr. Chamberlin said that some of the Board members have concerns about the disclaimers on the front of the financial report. Mr. Nichols stated that the disclaimers are there to prevent a non-director third party from relying entirely on the financial report in making a decision with regard to the operation. He said that the disclaimers are a way to alert any third parties that they need to check with other sources of information before making a decision. He said that the Board of Directors have the ability to check with those other sources. He said that some of the information not included in the monthly financial reports are changes in cash flow and footnotes to the financial report. He said that these items are included in the annual audit. Mr. Nichols said that the District has made a decision not to include all of those items in the monthly financial statements because of the additional costs. Mr. Nichols said that this District provides good reporting to his firm as accountants and to the auditors and that the Board member's comfort level should be quite high. President Corn suggested that Frank Ausman, being a new Director, should receive a copy of last year's audit report. Mr. Nichols then proceeded through the financial report item by item. The report shows a net income for the Mitchell Butte Power Project for the calendar year ending December 31, 2002 of \$77,171.97. Mr. Nichols reminded the Directors that the District will need to come up with approximately \$344,000.00 in December next year for the U.S. Bank bond payments and that finances may be quite tight if the water situation does not turn around. Mr. Zittercob noted that the District lost one week of generation as compared to the previous year. He said that the water was managed very conservatively this year. President Corn noted that the water was also shut off a week earlier than the prior year.

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

U.S. Bank	\$1,432.50
Nichols Accounting Group	228.00
Talk America	15.03
Malheur Bell	130.98
AT&T	<u>2.30</u>
Total	\$ 1,808.81

A motion was made by Director White and seconded by Director Schilling that the accounts payable for the month of January, as listed in the agenda, be paid. The motion passed unanimously.

MITCHELL BUTTE BONDS. President Corn stated that he, Mr. Horton, and Mr. Chamberlin met with SELP representatives when they visited Portland last week on the Duck Valley matters. President Corn asked Mr. Horton to report on the meeting with

SELP personnel. Mr. Horton stated that SELP approached them about refinancing the Mitchell Butte bonds through their office. Dave Stevens at SELP said that funds are available to be loaned at 4.75% interest. Mr. Horton said that the current interest rate on the bonds is approximately 9.7%. The bonds are scheduled to pay out in December 2005 but they became callable without penalty on December 31, 1999. Mr. Horton explained that in order to call the bonds and issue new financing instruments in their place, several hurdles must be overcome. Mr. Horton said that the Power Sales Agreement with Idaho Power would have to be examined to determine whether or not power rates would be reduced as a result of the refinancing. Mr. Horton further said that an election of the District patrons in order to refinance the bonds may be necessary. President Corn noted that the money saved could help to pay for some of the work needed at Mitchell Butte before the power revenues drop. Mr. Nichols roughly estimated the interest savings at \$100,000.00. Mr. Chamberlin presented a fax he just received from SELP which shows the estimated savings at \$55,000.00. Mr. Horton recommended that the District hire bond counsel to look at the potential hurdles and solutions thereto to refinancing. A motion was made by Director White, seconded by Director Nagaki, and unanimously carried authorizing Mr. Horton and the District staff to further investigate the refinancing and to enter into negotiations with SELP and Idaho Power if necessary. The motion passed unanimously.

VEHICLE FOR HYDROELECTRIC SUPERVISOR. Mr. Chamberlin said that Mr. Zittercob is in need of a new work vehicle. He said that Mr. Zittercob feels there was a misunderstanding between he and John Ross with regard to his personal use of such work vehicle. Mr. Zittercob thought that he could use the vehicle for personal use at the time he was hired. The Board of Directors did not understand that to be the case. Mr. Chamberlin said that when the hydroelectric units are down, a lot of money is lost. He asked the Board to decide whether or not Mr. Zittercob can have a vehicle for personal use and what type of vehicle should be purchased. President Corn asked Mr. Zittercob if he felt that Mr. Ross promised him personal use of the vehicle without disclosing that promise to the Board. Mr. Zittercob stated that is his belief. He said that he has been with the District for approximately 14 years. He said that it is difficult to swap communication equipment out of his personal vehicle and into his work vehicle. He said that if he were to use the work vehicle for personal use, he would buy his own gas. He further stated that the dam tenders have not been helping out as much as they could with regard to the Power Plants. He said that the current dam tender anticipates retiring after this season. He said that he understand that the security proposals being put forth by the Bureau may require two people to enter the hydros instead of one. Mr. Chamberlin said that for safety reasons the District should consider sending in more than just one person. Mr. Chamberlin said that there needs to be a backup operator for the hydros. He said when a new dam tender is hired he will spell out these responsibilities to that new person. He hopes to have job

descriptions in place which will clearly spell this out at that time.

Mr. Zittercob said that he is running out of things to do on the hydros. He said that he is looking for a supervisor role. He is not looking for an increase in his salary. He just wants some parameters to be set out and made clear. President Corn expressed his opinion that Mr. Zittercob has done an excellent job with the Power Plants for the District. Director Schilling suggested getting protocol and job descriptions written out. President Corn said that he would like to give further consideration to Mr. Zittercob taking on a more supervisory role. President Corn asked Mr. Zittercob if he thought that he could manage people effectively and Mr. Zittercob said that he thought he could. Mr. Chamberlin said that he and Mr. Zittercob will continue to work through these issues. President Corn said that job descriptions need to be developed.

RECESS. At 12:17 p.m., President Corn declared the meeting in recess.

MEETING RECONVENED. At 2:47 p.m., President Corn declared the meeting reconvened. All of the Board members were present. Also present was Jay Chamberlin, Tom Zittercob, and Michael W. Horton.

VEHICLE FOR HYDROELECTRIC SUPERVISOR. The discussion on a vehicle for the hydroelectric supervisor was continued. The type of vehicle needed was discussed. Director Schilling stated that if a new vehicle is purchased, the budget would have to be redone in order to plug in a fifth vehicle to be purchased. A discussion on other vehicles needed in the District and the employees needing them was had. Mr. Chamberlin said that he would like to take action in the next couple of months. Mr. Chamberlin said that a 2001 Dodge one-ton pickup was purchased for use as a service truck. President Corn said that he went with Mr. Chamberlin when the pickup was purchased. President Corn noted that the cost of a vehicle for Mr. Zittercob should be paid proportionately out of the hydro project and this matter needs to be brought to the attention of the Joint Committee. The potential cost for a vehicle for Mr. Zittercob was discussed. After discussion, a motion was made by Director Ausman, seconded by Director White, and unanimously carried authorizing the purchase of a vehicle for Mr. Zittercob for an amount not to exceed \$20,000.00.

A discussion was had with regard to the additional four pickups needed by the District. Mr. Chamberlin said that the service pickup which was purchased cost \$25,100.00 and that this amount slightly exceeded the authority given to him at the last Board meeting. A motion was made by Director Schilling, seconded by Director Nagaki, and unanimously carried authorizing Mr. Chamberlin to purchase up to four more pickups for a total amount

not to exceed \$36,000.00 and approving and ratifying the purchase of the service pickup. Mr. Chamberlin said that he would revisit the pickup purchases at a later date and Director Schilling expressed his disbelief that Mr. Chamberlin will be able to find four serviceable pickups for under \$36,000.00. Director Schilling said that he expects Mr. Chamberlin to come back to the Board seeking additional funds for the pickups.

PERSONAL USE OF VEHICLE BY HYDROELECTRIC SUPERVISOR. Mr. Chamberlin said that when the Districts are generating power, Mr. Zittercob should be on call 24 hours a day. Mr. Chamberlin said that on his vehicle, he pays mileage for personal use of that vehicle at the state rate for use outside of the Treasure Valley. President Corn stated that everyone understands the limits of the valley being Boise to the East, Weiser to the North, Marsing to the South, and Brogan to the West. Mr. Zittercob said that his wife would not be using the work vehicle. Personal use of the vehicle was further discussed. After discussion, it was the Board consensus that Mr. Chamberlin and Mr. Zittercob will work together to allow Mr. Zittercob to have personal use of a vehicle on the same terms as Mr. Chamberlin has personal use of a vehicle.

UPCOMING BOARD MEMBER TRAINING. Mr. Chamberlin said that OWRC is having a training session for District Board members on January 23rd. He said that Director Ausman will be attending and Mr. Chamberlin invited other Board members to attend. A discussion was had on the importance of Board members attending meetings throughout the state involving water issues. Mr. Chamberlin reported on training and workshops which District employees have recently attended and will be attending.

STATE WATER RIGHT APPLICATION. Mr. Horton said that he and Mr. Chamberlin along with John Ross and Carla Palmer will be meeting with the Bureau of Reclamation shortly to hammer out the details of the final steps necessary to finalize the water rights issue. Mr. Horton said that one of the items which has been of concern to him is the Board's legal authority to authorize the winter releases as a mitigation option for the additional acres coming in. Mr. Horton said that he spoke with Mr. Stunz about the matter and he shares the same concerns. Mr. Horton said that he has visited with Reed Marbut from Oregon Water Resources Department and he has addressed such concerns. Mr. Horton said that the additional acres being brought in will have a later priority date than other acres within the District. He said that he and Mr. Marbut have agreed that the amount of water designated for winter releases must be designated as coming in under the new water certificates which are being issued and have the same priority date as those newly certificated acres. This means that in the event there is a water shortage, that those acres and the winter releases will be the first to be shut off. Mr. Marbut said that the Board would have no liability to District patrons

if this approach were taken. He said that it would be in compliance with Oregon law. Mr. Marbut said the only people who could grumble about the winter releases would be those patrons who benefit from the additional acres coming in and the only way the District could get those acres in was by agreeing to the winter releases. Mr. Horton said that when he next meets with the Bureau of Reclamation representatives that he will bring all of this to the attention of the Bureau and make them understand that any leases entered into with regard to the winter releases must be tied to the newly issued water certificates. He said that after the meeting with the Bureau, he will have someone from Oregon Water Resources Department get involved to make sure any leases entered into with regard to the winter releases are in compliance with Oregon Water law. The Board of Directors agreed with this approach.

HYDRO INSURANCE ISSUES. Mr. Chamberlin said that the Districts received a refund of \$9,000.00 on their hydro insurance. Mr. Chamberlin further said that he received a quote from the appraiser of \$10,000.00 to do an appraisal of the Hydro Projects. Mr. Horton said that Mr. Waldo received a letter from the insurance company not guaranteeing that they would accept the appraiser's report. Director Ausman suggested that Mr. Zittercob could provide a fairly reliable appraisal at no cost to the District. The Board consensus was to have Mr. Zittercob put together an appraisal of the Hydroelectric Project.

POTENTIAL SHORT WATER YEAR. Mr. Chamberlin said that since the District is looking at a very tight water year that he has asked Owyhee Ditch Company to call for their water on a weekly basis. Mr. Zittercob said that the Dam Plant can operate at between 180 to 220 cfs. Director Schilling re-emphasized the Board's long standing position that the water users come first and the Hydro Project comes second. Mr. Chamberlin said that is what he wanted to hear. Director Schilling said that the Board cannot get caught up in the amount of money which the hydros can make. Irrigation must come first.

RECOMMENDATIONS OF THE JOINT COMMITTEE. Mr. Horton stated that the actions of the Joint Committee need to be ratified. A motion was made by Director Nagaki, seconded by Director White, and carried unanimously that the recommendations adopted by the Joint Committee at its meeting on January 21, 2003 pertaining to the following items be approved and the officers of the Owyhee Irrigation District be directed to execute the documents necessary to carry out the recommendations of the Joint Committee, and further, that the staff, including the Project Manager of the Hydro Project, be directed to carry out the steps necessary to perform under the motions adopted by the Joint Committee: 1) authorizing the payment of accounts payable.

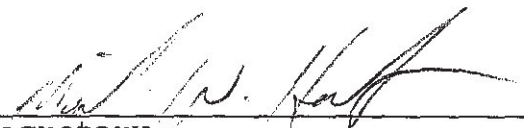
DISTRICT POLICIES. Director White asked when the District policies will be finalized. Mr. Chamberlin said that Mr. Horton has put together an initial draft of the policies and has given it to him to review. Mr. Chamberlin said that he will be reviewing the draft in the next few weeks and then he and Mr. Horton will work on it further and then submit it to the Directors for their review and comment at the next Board meeting.

INTERNAL COMMITTEES. President Corn said that there are a number of upcoming meetings which need Board involvement. He is thinking of having committee assignments to make certain Board members responsible for attending certain meetings. He gave an example of needing a member to be on the Owyhee Watershed Council.

PERSONNEL POLICIES. Director Ausman expressed his concern with what he heard from Tom Zittercob as to the lack of cooperation with the dam tenders. Mr. Chamberlin said that he will be conducting employee reviews in February and will bring up a new protocol with the dam tenders. He said that at the OWRC meeting, that Special Districts suggested holding off until they come out with newly proposed personnel policies before putting new personnel policies in place.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned by President Corn at 4:20 p.m.

Respectfully submitted,


Secretary

APPROVED: _____