

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

December 20, 2005

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on December 20, 2005, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 10:03 a.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Curt Sisson
Bruce Corn

Frank Ausman

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Secretary and General Counsel; Tom Zittercob, Hydro Electric Supervisor; Kirt Bledsoe, CPA; Lance Phillips and Mark Carpenter from Malheur Soil and Conservation District; and Larry Sullivan, an Attorney for Owyhee Ditch Company.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice to the news media as to the time, date, and place of the meeting on December 13, 2005.

MINUTES. The minutes of the regular meeting of Directors held on November 15, 2005, were mailed to the Directors prior to the meeting. President Corn stated that the reference to the "damaged CAT" should be changed to the "damaged excavator" to avoid confusion and that the reference to purchasing a new dozer should reflect that the dozer to be purchased will be a used dozer. A motion was made by Director Ausman, seconded by Director Sisson, and unanimously carried correcting the minutes as noted by President Corn and approving them as corrected.

At 10:06 a.m., Director Larry White and Mike Blackaby, Secretary of Owyhee Ditch Company, joined the meeting.

2005 AUDIT. Kirt Bledsoe went through the audit which the Directors had received at a previous meeting. At 10:09 a.m., Mike Barlow, Oregon Water Resources Department Commissioner, and Director Jerry Nagaki joined the meeting. President Corn noted corrections in items which need to be checked by Mr. Bledsoe in the audit. Specifically the divisions for Director White and Director Schilling were incorrect; Mr. Stunz was listed as secretary and Mr. Horton as assistant secretary which is inaccurate; the dates on page 27 relating to power contract dates are incorrect; on page 27, after the word "Owyhee Dam" the words "Power Project" need to come out; and the schedule of future payments listed on page 21 need to be rechecked. A motion was made by Director Nagaki and was seconded by Director Ausman approving the audit subject to the noted corrections being made. The motion passed unanimously. Mr. Bledsoe said that he will make the corrections and at 10:19 a.m., he left the meeting.

MALHEUR COUNTY SOIL AND WATER CONSERVATION DISTRICT

PRESENTATION. Lance Phillips of Malheur SWCD addressed the Board. He said that he wanted to update the Board on SWCD's actions throughout the previous year. He said that OID has invested in their engineer who has helped with the grant on the sediment ponds which has come in. He then gave an update on those sediment ponds stating that construction will likely begin this spring. He said that if the first pond does not work out, that the program will be flexible and the District will be able to terminate the program. He said that if the ponds work, it will be a positive thing and will make the District a leader among Irrigation Districts in the state. Mark Carpenter said that by doing the sediment ponds, the District will be helping with the TMDL issue.

Mr. Phillips said that for every dollar put in by the District for the engineer, the dollars have yielded a four to one benefit. He said that the Districts' investment in the engineer will be applied toward the Districts' required in kind contributions under the system analysis. Mr. Phillips said that having OID seek a grant on having a system analysis done is helping to kick start the county and potential congressional money in putting together a county-wide comprehensive plan. Mark Carpenter, engineer, said that Idaho Power also wants to be involved in the planning process. He said that having the plan in place will allow problem areas within the District to be identified and allow the Board to make decisions by allowing it to look at the big picture instead of individual problem areas. He gave an example of having laterals piped on a piece-meal basis. He said that the overall plan will allow maps to be overlaid so that piping, laterals, available power, and District boundaries can all be looked at by having the digital maps integrated. Mr. Phillips said that the funding for the grant will come from OWEB and they have a lot of money available. Commissioner Mike Barlow gave an example of how the comprehensive plan will help with regard to drains and working with the Road District.

Mark Carpenter, the engineer, updated the Board on what he has worked on within the District during the last year. He said that he has helped on twelve different projects within the District and advised the Board to call upon him anytime his services are needed.

Mr. Horton asked if Army Corp of Engineers' 404 permits will be needed to clean the sediment ponds once they are constructed and asked if those ponds do not work, how long the District would have to continue maintaining them. Mr. Phillips said that Malheur SWCD is engineering the ponds and that they will clarify all of their requirements before construction is begun. He said that this will include checking with the Army Corp of Engineers on the necessary permitting. He said that he will communicate that information to Mr. Chamberlin. Mr. Phillips said that the District is required to monitor the ponds for a minimum of three years under the grant but that if they do not work out, the District should be able to get an exclusion or exemption from that requirement.

Director Ausman said that his main concern with the sediment ponds is the District's ability to maintain them and the cost of maintaining them. A discussion was had on how much sediment may come out of those ponds and Mr. Ausman said that this needs to be taken into

consideration. Mr. Chamberlin said that some of the material coming out of the ponds could be used to rebuild the Shoestring Canal in places. Mr. Phillips said that there has been monitoring done on the amount of sediment in the Shoestring Canal and that his agency does have some idea of the anticipated amount of sediment.

At 10:55 a.m., Commissioner Barlow, Mr. Phillips, and Mr. Carpenter left the meeting.

OWYHEE DITCH COMPANY. Mike Blackaby and Larry Sullivan addressed the Board with regard to Owyhee Ditch Company becoming a governmental entity. They said that in doing so, there are contracts with OID and they want to be able to reassure Owyhee Ditch Company shareholders that those contracts will be honored in the event Owyhee Ditch Company does become a governmental entity. Mr. Blackaby said that the name of the new entity will be Old Owyhee Ditch Improvement District. He said that this is primarily being done to be able to get into the Special District's insurance program. Mr. Sullivan said that this process will take a long time as all of the shareholders of Owyhee Ditch Company and mortgage holders of those shareholders must approve the change. Mr. Sullivan said that if unanimous approval is not obtained, the issue can be forced through court filings.

At 11:00 a.m., Butch Mautz, OID patron, joined the meeting.

Mr. Blackaby said that the Board of Directors of the Owyhee Ditch Company would like to have the Board of Directors of OID adopt a resolution stating that the contracts between the two entities will be honored in the event of a conversion to a governmental entity. A discussion was had. After discussion, a motion was made by Director White, seconded by Director Sisson, and unanimously carried adopting the following resolution:

RESOLVED, that in the event Owyhee Ditch Company is properly and legally reorganized as Old Owyhee Ditch Improvement District, Owyhee Irrigation District will recognize Old Owyhee Ditch Improvement District as a successor in interest to Owyhee Ditch Company in its existing contracts with Owyhee Irrigation District.

Mr. Blackaby said that the Board of Directors of the Owyhee Ditch Company would like to have a joint meeting of both Boards of Directors to discuss issues facing both Boards. President Corn said that he would like to have Owyhee Ditch Company Board members come to a meeting of the OID Board members. Mr. Chamberlin said that perhaps a formal arrangement between the two entities could be worked out. He said that he is concerned that the TMDL issue could hurt the good working relationship which the entities have had the last few years. Mr. Blackaby said that he believes that Owyhee Ditch Company should pay part of Mr. Chamberlin's salary for the representation that he has given their entity at local, state, and national meetings.

At 11:12 a.m., Larry Sullivan and Mike Blackaby left the meeting.

MAUTZ PROPOSED CANAL CROSSING. Mr. Chamberlin introduced Butch Mautz who recently purchased Esplin's feed lot and is requesting a crossing of the North Canal to access a portion of the lot. Mr. Mautz presented maps of the proposed crossing and went through them with the Directors. Mr. Chamberlin said that Mr. Mautz is currently working with the Bureau of Reclamation on the crossing as they must approve of it. Mr. Mautz said that it is his understanding that if anything goes wrong with the bridge, it will be his responsibility. He said that the crossing will be similar to the one at Beef Northwest. Mr. Chamberlin said that the District will most likely require the bridge and road to be designed in such a way as to have the road drainage go into a pond which Mr. Mautz is constructing. Mr. Mautz said that the ponds will be at least 100 feet from the canal. Mr. Chamberlin said that he does not believe that the bridge, once constructed, will affect the District. A discussion on the construction of the bridge and accessing the ground on the other side of the canal during construction was had. At 11:36 a.m., Mr. Mautz left the meeting.

HYDRO ELECTRIC MANAGER UPDATE. Tom Zittercob, Hydro Electric Manager, updated the Board on repairs and maintenance on the Hydro Projects. Mr. Zittercob said that the District has gotten a new lower unit for Unit #1 at Mitchell Butte. He said that six guide veins were broken and some wicket gates were skewed sideways. He said that the cost will be \$38,000 for the materials and that there will be additional labor costs and other associated costs on top of that. He said that the unit will not be run at the beginning of the season and that some modifications will need to be done at the Mitchell Butte Power Plant in order to allow the plant to run with just one unit installed. He said that the power plant may be down for a couple of days when the other unit is reinstalled. Mr. Zittercob said that he has been informed that it will take 18 to 20 weeks for the unit to be repaired. Director Ausman asked if a different unit could be purchased and installed. Mr. Zittercob said that a new power house would be needed to do so.

Mr. Zittercob said that he looked into installing a turbine at the Dam to harness the winter flows. He said that he estimates that such a power plant could generate between \$500 to \$600 per day of income which most likely does not justify such a plant construction. A discussion on the matter was had. Mr. Chamberlin said that the winter releases have caused a lot of ice buildup around the Dam Plant. He said that the bypasses were opened up on the jet flows and that doing so will not hurt anything. He said that something needs to be done on a more permanent basis. Mr. Zittercob said that he has written up one RFP for ring gate repairs, though it does not look like the water levels will allow any of the repair work to be done. He said that the Dam Plant is ready to run. He would like to buy two more battery chargers at a cost of \$3,000 each. He said that the current battery charger is rattling and that he would like to have a spare. He said that there is a four to six week delivery time once the battery chargers are ordered. A discussion on the battery chargers was had. A motion was made by Director Ausman and seconded by Director Sisson authorizing the purchase of two battery chargers. The motion passed unanimously.

OWYHEE IRRIGATION DISTRICT BILLS. Mr. Chamberlin presented a check registry report showing the Owyhee Irrigation District bills. The Directors reviewed the report. President Corn asked how the District's gopher trapping program went. Mr. Chamberlin said that the District is continuing the program. He said that other districts are following OID's lead with

regard to such a program. He said that OID is going beyond what other districts around the state are doing. A motion was made by Director Nagaki, seconded by Director White, and unanimously carried ratifying and authorizing payment of the bills as presented.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the Mitchell Butte Power Project for the month ending November 30, 2005, which was prepared by Peter Nichols of the Nichols Accounting Group. The Directors reviewed the report. President Corn asked if the final bond payment was made. Mr. Chamberlin said that it was and that \$90,000 is left in the account. Mr. Zittercob said that Mitchell Butte Power Plant was only down for a half an hour the whole season.

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

AT&T	\$27.96
Nichols Accounting Group	233.00
Malheur Bell	<u>131.81</u>
Total	\$392.77

A motion was made by Director White and was seconded by Director Nagaki that the accounts, as listed in the agenda, be paid. The motion passed unanimously.

TUNNEL #1 POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the Tunnel #1 Power Project for the month ending November 30, 2005, which was prepared by Peter Nichols of the Nichols Accounting Group. The Directors reviewed the report. President Corn noted that a page normally supplied with the report is missing.

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

Nichols Accounting Group	\$383.00
Dept of Consumer & Business	96.20
AT&T	3.66
Oregon-Idaho Utilities	<u>156.67</u>
Total	\$639.53

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

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the Owyhee Dam Power Project for the month ending November 30, 2005, which was prepared by Peter Nichols of the Nichols Accounting Group. The Directors reviewed the report.

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

Nichols Accounting Group	\$303.00
AT&T	.40
Oregon-Idaho Utilities	210.13
US Cellular	44.23
Stunz, Fonda, Kiyuna & Horton	<u>900.91</u>
Total	\$1,458.67

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

IDAHO POWER NEGOTIATIONS. Mr. Horton stated that Stoel Rives, LLP, a law firm in Portland has been contacted with regard to representing the Joint Committee in reviewing any power contracts before they are entered into. Mr. Horton said that Stoel Rives has represented Idaho Power on unrelated matters in the past and that OID's consent is needed in order to represent the District in this matter. A motion was made by Director Ausman, seconded by Director White, and unanimously carried, authorizing Mr. Horton to sign a consent letter on behalf of the District. Mr. Horton said that a draft contract has been received from Idaho Power electronically but that the format of the draft contract is illegible and that the Idaho Power representative will be out of town until December 28. Mr. Horton said that a legible copy of the proposed contract will be requested when the Idaho Power representative gets back.

EQUIPMENT UPDATE. Mr. Chamberlin said that a used 1985 or 1975 D6-C bulldozer has been purchased along with a detachable trailer. He said that the dozer cost \$23,500 and the trailer cost \$10,500. President Corn said that another used dozer will need to be purchased in the spring after the others have been sold. He said that Mr. Chamberlin also needs to get prices on a roll bar for the old dozer which the District is keeping.

Mr. Chamberlin gave an update on the damaged excavator. President Corn said that he would like to see the undercarriages on the newer dozers regularly maintained. Mr. Chamberlin

said that four pickups were recently purchased for \$34,000 and the District received \$15,000 out of its old trucks which were sold.

SNOW AND STORAGE REPORT. Mr. Chamberlin presented a handout which shows reservoir storage at 394,327 acre feet as of December 19, 2005. He said that the snow pack is 82% of average in the Owyhee Basin. He said that he needs to get with the principals of the River Cleaning Channel Group.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 5:06 p.m.

Respectfully submitted,


Secretary

APPROVED: _____