

**MINUTES OF MEETING OF JOINT COMMITTEE  
OF THE OWYHEE PROJECT**

August 23, 2016

A meeting of the Joint Committee of the Owyhee Project was held at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, on August 23, 2016, at 7:00 p.m. Eric White, Chairman, presiding.

The following members of the Joint Committee were present:

Bruce Corn	Jerry Nagaki
Dan Tschida	Brett Nielson
Eric White	Ryan Criffield (South Board Alternate)

Also present were: Jay Chamberlin, Manager of the Hydro Projects; Harvey Manser, OID Assistant Manager; John Eells, South Board Manager; Michael W. Horton, Secretary and General Counsel; Frank Ausman, OID Alternate; Larry Meyer, *Argus Observer Newspaper*; J.L. Eldred, OID Watermaster; Ray Waldo, Insurance Agent; Mark Carpenter, OID Employee; Lanie Paquin, USBR Deputy Area Manager; and John Hobbs and Michael Kaplan, Oregon Department of Energy.

MEETING NOTICE. The meeting agenda showed that public notice of the meeting was given on August 16, 2016.

MINUTES. The minutes of the meeting of the Joint Committee held on July 19, 2016, were mailed to the Committee members prior to the meeting. A motion was made by Mr. Nielson, seconded by Mr. Corn, and unanimously carried approving the minutes.

TUNNEL #1 POWER PROJECT.

Tunnel #1 Financial Report. Mr. Chamberlin handed out a financial report for the Tunnel Power Plant which the Committee members reviewed.

Tunnel #1 Power Project Accounts Payable. The Committee members reviewed the accounts payable listed on the agenda for the Tunnel #1 Power Project. A motion was made by Mr. Nagaki, seconded by Mr. Nielson, and unanimously carried approving payment of the following accounts payable:

AT&T	\$49.00
FERC	12,478.04
Owyhee Irrigation District	15,816.49
Nichols Accounting	<u>325.00</u>
TOTAL	\$26,668.64

OWYHEE DAM POWER PROJECT.

Owyhee Dam Financial Report. Mr. Chamberlin handed out a financial report for the Owyhee Dam Power Project which the Committee members reviewed.

Owyhee Dam Accounts Payable. The Committee members reviewed the accounts payable listed on the agenda for the Owyhee Dam Power Project. A motion was made by Mr. Corn, seconded by Mr. Tschida, and unanimously carried approving payment of the following accounts payable:

Stunz, Fonda, Kiyuna & Horton, LLP	\$2,235.00
FERC	15,702.93
Oregon-Idaho Utilities	3.10
Owyhee Irrigation District	14,773.29
Nichols Accounting	<u>325.00</u>
TOTAL	\$33,039.32

TUNNEL POWER PROJECT SELP LOANS. Michael Kaplan, Director of the Oregon Department of Energy and John Hobbs, SELP Loan Officer, were introduced. Mr. Chamberlin explained that they were invited to the meeting to discuss the tunnel bond which has a maturity date of April 1, 2017. Mr. Horton explained the history on the tunnel construction and the financing the projects received through SELP. He explained that forbearance agreements were entered into with SELP in 1993 and 2004. He said the agreements provide for SELP to refrain from declaring the loan agreements in default so long as payments are made in accordance with the forbearance agreements. Mr. Horton said that the forbearance agreements were what set up the different payment accounts which the Committee members know as “buckets” which get funded prior to SELP receiving payments. John Hobbs explained that the SELP Program has a deficiency itself projected for 2022. Director Kaplan explained the political issues the Department of Energy is facing. John Hobbs noted that while the Owyhee Project put up revenue-only bonds to the Department of Energy, the Department of Energy then put out State of Oregon General Obligation Bonds which the state will have to pay. The need to continue discussions and negotiate a payment plan was discussed. Mr. Horton and Mr. Hobbs will begin discussions. Director Kaplan explained that they arrived in Nyssa just prior to the meeting and that they will be traveling back to Boise tonight and flying back to Salem in the morning. He expressed regret in not being able to educate himself further on the Owyhee Project. Mr. Chamberlin provided some history on the project and said that it would be helpful if Mr. Hobbs or some of the staff members of SELP could come over and view the project.

At 7:45 p.m., John Hobbs and Michael Kaplan left the meeting.

HYDRO INSURANCE. Ray Waldo made a presentation on hydro insurance. He said that SDAO now has a program available insuring hydro projects. He said the one problem with their program is that they cap income reimbursement at one million dollars. He said Energy

Insurance insured the projects last year and he received a quote from them identical to last year's cost. He said SDAO's quote is \$10,000 less than Energy Insurance's quote. Mr. Waldo made a recommendation that coverage be changed to SDAO. The matter was discussed and after discussion, a motion was made by Mr. Nielson, seconded by Mr. Corn, and unanimously carried that insurance coverage on the hydros be changed to SDAO.

At 8:00 p.m., Ray Waldo left the meeting.

REIMBURSEMENT TO OWYHEE IRRIGATION DISTRICT FOR HYDRO EXPENSES FOR 2014. Mr. Chamberlin said that OID failed to bill the Joint Committee for 2014 expenses and will be getting a bill out for 2014 and part of 2013.

JOHN KEYS PARTNERSHIP PROGRAM. Mr. Chamberlin thanked Dan Tschida for getting involved in the John Keys Program when the engineers were on site. Lanie Paquin, USBR Deputy Area Manager reported on the program and explained how important a program it is.

WATER TURN OFF DATE. The Committee members discussed setting a water turn off date. Mr. Corn said that he spoke with Monty Culbertson and Old Owyhee is willing to go along with the Joint Committee's decision on water shutoff. Mr. White said that the sugar company has put out notice as to when it will start gathering beets and given this fact, he would prefer that the turn off date be just a tentative date rather than a firm date. Mr. Eldred reported that on the OID system, demand has just started dropping off today. A turn off date was discussed. After discussion, a motion was made by Mr. Nielson to set September 30, at 11:59 a.m., as a tentative shut off date with the date to be revisited at next month's Committee meeting. The motion was seconded by Mr. Corn and discussed. After discussion, a vote on the motion was had. Mr. Nagaki, Mr. Criffield, and Mr. Nielsen voted in favor of the motion. Mr. Corn, Mr. Tschida, and Mr. White voted against the motion which failed on a vote of three to three. Mr. Tschida said that he would like to see a hard date of September 30 set and that it not be tentative. The matter was discussed and after discussion, Mr. Tschida made a motion to set September 30 as the water shut off date, including the pumping plants. The motion was seconded by Mr. Corn. A vote on the motion was had. Mr. Nagaki, Mr. Criffield, Mr. Corn, and Mr. Tschida voted in favor of the motion. Mr. White and Mr. Nielson voted against the motion, which passed on a vote of four to two.

PUMPING COSTS FOR 2017. Mr. Chamberlin and Mr. Eells reported on estimated pumping cost increases for next year.

NPDES PERMIT. Mr. Chamberlin said that the NPDES Permit for aquatic chemicals is out for public comment by Oregon DEQ. He said they are still waiting for comments to come in. He said that the Districts may need to hire a biologist to give an opinion as to why fish screening of the tunnel system is unworkable. Mr. Corn said that Oregon Water Resource Department may have funding for such a study available.

OWYHEE WATER RESERVATION UPDATE. Mr. Corn gave an update to the Committee on the Owyhee Water Reservation process. He said the Oregon Water Resource Commission will be voting next month on the matter.

WATER USAGE. Mr. Chamberlin handed out a spreadsheet on water usage. Mr. Manser went through the spreadsheet in detail explaining the entries and calculations. He said that according to the spreadsheet South Board got a little bit more water than it should have. Mr. Corn said this is pretty close for this size of an operation. Mr. Manser said that he would like to see the Districts continue to do these calculations so that if the project gets into a drought again, the process is not lost.

B2H POWER LINE UPDATE. Mr. Horton and Mr. Chamberlin reported on the B2H Power Line Project. They said that they have completed review of the Environmental Impact Study and have provided comments. They said the Bureau will be releasing the study for public comment sometime in the future.

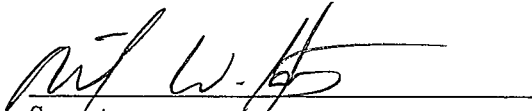
EXECUTIVE SESSION. Mr. Horton said an executive session is needed to confer with legal counsel pursuant to ORS 192.660(2)(1). At 8:45 p.m., Harvey Manser, J.L. Eldred, and Lanie Paquin left the meeting and the Joint Committee entered into executive session.

At 9:06 p.m., the committee returned to regular session. Harvey Manser, J.L. Eldred, and Lanie Paquin rejoined the meeting.

FIRE AT OWYHEE RESERVOIR. Mr. Chamberlin updated the Committee members on a fire at the Owyhee Reservoir. He said the campgrounds above the dam are still evacuated.

ADJOURNMENT. There being no further business, the meeting was adjourned at 9:10 p.m.

Respectfully submitted,

  
Secretary

APPROVED: \_\_\_\_\_

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

August 23, 2016

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on August 23, 2016, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa Oregon, at 9:17 p.m. Jerry Nagaki, President of the District, presiding.

The following Directors were present:

Jerry Nagaki	Bruce Corn
Dan Tschida	Eric White
Frank Ausman	

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Attorney; Harvey Manser, OID Assistant Manager; J.L. Eldred; OID Watermaster; Tyler Sweet, CPA; Mark Carpenter, OID Employee; and Lanie Paquin, USBR Deputy Area Manager.

MEETING NOTICE. The meeting agenda showed that public notice as to the meeting was given on August 16, 2016.

MINUTES. Minutes of the meeting of the Board of Directors held on July 19, 2016, were mailed to the Directors prior to the meeting. A motion was made by Director White, seconded by Director Tschida, and unanimously carried approving the minutes.

FINANCIAL REPORT. Tyler Sweet of Nichols Accounting presented the financial report for the District. The Directors reviewed the report as Mr. Sweet went through it. Mr. Sweet said that cash reserves look good. Director Corn asked about the District getting reimbursed for hydro expenses for 2014 and part of 2013. Mr. Chamberlin said he will investigate the matter further.

DISTRICT ACCOUNTS PAYABLE. Two lists of the District accounts payable for the month were included in the Directors' packets. The Directors reviewed the lists. A motion was made by Director Corn, seconded by Director White, and unanimously carried approving and ratifying payment of the accounts payable as presented.

MITCHELL BUTTE POWER PROJECT.

Financial Report. The financial report for the month for Mitchell Butte Power Project was in the Director's packets. The report was reviewed by the Directors. Director White asked if the District will get a dollar reduction in annual charges from Mitchell Butte this year. Mr. Chamberlin said that probably not as there is a unit that needs replaced.

Accounts Payable. The agenda for the meeting listed accounts payable for the Mitchell Butte Power Project. A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried approving payment of the following accounts payable:

AT&T	\$86.27
FERC	4,043.95
Verizon	50.08
Century Link	139.61
Owyhee Irrigation Dist.	15,526.92
Nichols Accounting Group	<u>110.00</u>
Total	\$19,956.83

At 9:30 p.m., Tyler Sweet left the meeting.

TWILIGHT PIPELINE PROJECT. Mark Carpenter handed out information and maps on the Twilight Pipeline Project. Mr. Carpenter said that material purchases have been funded through grants. He said advertising has gone out for bids on the materials. He said that August 30<sup>th</sup> is the deadline for the bids. Director Corn asked if farmers in the area of the project are committed to it and Mr. Carpenter said they are. The project was discussed with the discussion centering whether or not the District will contract out the work. Mr. Chamberlin said that District staff will be busy working on the Kingman Siphon and he is not sure that any work will be able to done on the Malheur Siphon project this fall. Mr. Chamberlin said that staff will also have ditching and cleaning to do. Mr. Carpenter said the District got an estimate on installation of the pipe at \$97,000. Mr. Chamberlin updated the Board on work which needs done on the Kingman Siphon. Discussion on contracting out the Twilight Pipeline installation continued. After discussion, a motion was made by Director Corn, seconded by Director Ausman, and unanimously carried that the District do a request for proposals for installation of the pipeline.

MALHEUR SIPHON. Mr. Chamberlin said that MWH Engineering dropped off a change order for \$9,713. He said that along with the change order was a letter offering to split the difference of the change order with the District. A billing on the amount necessary to close out the work by MWH Engineering is \$48,000 which is for the extra drilling which the District approved last month. Mr. Chamberlin said that MWH Engineering was presenting a change order for that work also.

Mr. Horton asked if Mr. Chamberlin had approached the Bureau of Reclamation yet with regard to a potential claim for design deficiency on the siphon since the District received a bad siphon in the 60's when the works were transferred based upon the 1939 USBR study showing the deficiency in the siphon as it was built in 1935. Lanie Paquin said the Bureau is willing to engage the District with regard to the issue. She said the Board needs to craft an "ask". She suggested that Mr. Chamberlin work with her in crafting the "ask". She said the Bureau is willing to share drawings and designs with the District.

Director Corn said that he and Director Ausman have been approached by Representative Bentz asking for a packet of information on the Malheur Siphon issues as he may seek funding from the state legislature for the repairs. It was the consensus of the Directors to pursue both potential avenues for repairs.

USBR TRIBAL IMPACT STUDY. Lanie Paquin said that she will look into available funding to update the Tribal Impact Study to the District as a result of the tribal water right settlement on the Owyhee River.

COUNTY BOAT RAMP. Lanie Paquin asked if the Board is still interested in getting the county boat ramp opened up. The consensus of the Board is that they are still interested. She said the Bureau is still looking at the possibility of having the ramp opened. Mr. Chamberlin said that the District is still working on getting the ramp fixed. Lanie Paquin said that the Bureau does recognize the work that the state has done at the State Park above the ramp. She said the Bureau is concerned with the road going up to the State Park from the Dam. Board members expressed their reasons for opening the county ramp.

NPDES PERMIT. Lanie Paquin said the Bureau has expertise with fish passage issues which may be available to the District.

COMMENTS ON USBR DNS. Lanie Paquin requested comments from the District on the proposed USBR DNS.

AQUATIC HERBICIDE. Mr. Chamberlin said that District staff had to treat the system one more time with chemical and as a result, there will be extra chemical costs.

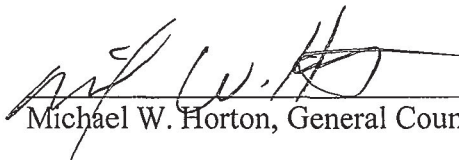
MITCHELL BUTTE LIABILITY INSURANCE. The District's insurance agent of record made a presentation on liability insurance at the Joint Committee meeting which occurred prior to this meeting. He recommended that the District switch insurers on Mitchell Butte to SDAO. A motion was made by Director White, seconded by Director Ausman, and unanimously carried authorizing the District to switch insurance on Mitchell Butte Power Project to SDAO.

MWH ENGINEERING BILL. Director Ausman made a motion to pay the amounts on the change orders from MWH with the District splitting the one change order cost with MWH Engineering. The motion was seconded by Director Corn and passed unanimously.

NYSSA RURAL FIRE SUBSTATION. Director Ausman gave an update on the proposed Nyssa Rural Fire Substation.

ADJOURNMENT. There being no further business to come before the Board, the meeting was adjourned at 10:53 p.m.

Respectfully submitted,

  
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Michael W. Horton, General Counsel

APPROVED: \_\_\_\_\_