

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

August 20, 2002

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on August 20, 2002, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 8:00 p.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Jerry Nagaki	Duane L. Drydale
Larry White	Bruce Corn
Fred Schilling	

Also present were: Ray Waldo, Insurance Agent of Record; Jay Chamberlin, District Manager; and Michael W. Horton, Secretary and General Counsel.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice to the news media as to the time, date, and place of the meeting on August 13, 2002.

MINUTES. Minutes of the meeting of Directors held on June 25, 2002, had been mailed to each Director prior to the meeting. A motion was made by Director Schilling and seconded by Director Nagaki that the minutes be approved as submitted. The motion passed unanimously.

RESERVOIR STORAGE. Mr. Chamberlin reported that the reservoir storage as of August 20, 2002 is 173,632 acre feet and that the storage as of August 20, 2001 was 185,322 acre feet.

HYDRO INSURANCE REPORT. Ray Waldo gave a report on the insurance for the Hydro Projects which are up for renewal on September 1. He gave a handout illustrating proposed coverages for the Mitchell Butte Power Project for the period from September 1, 2002 through August 31, 2003. He went through the report item by item. He said that the flood insurance component did not increase nearly as much as was anticipated. The total quoted premium for the Mitchell Butte Hydro Project is \$20,050. He noted that terrorism is excluded but vandalism is covered. Mr. Waldo expressed his concern about the values of the assets being insured and recommended that an appraisal be done to ascertain those values. He explained the economic impact if the values for insurance purposes are too low in the event of a partial loss. President Corn asked if there was double coverage for liability as the Mitchell Butte Hydro Project insurance has

liability provisions in it as does the general liability policy for the Owyhee Irrigation District through Special Districts. Mr. Waldo acknowledged that there is some overlap in the policies but pointed out that the Special District's policy does not cover liability relating to the Mitchell Butte Hydro Project. Director Drydale asked about liability coverage for ditches which the District has a right-of-way for and Mr. Waldo stated that the general liability policy through Special Districts provides coverage. Director Drydale asked if the District would have to replace assets lost or damaged in order to obtain the replacement insurance proceeds under the policies. Mr. Waldo said that in order to recover replacement costs that the items would have to be replaced. If the items were not replaced, then the District could only receive the market value of the lost or damaged asset.

Mr. Waldo next presented a handout on insurance for the Dam and Tunnel Hydro Projects for the period from September 1, 2002, through August 31, 2003. The handout included three options with each option insuring different values under the flood policy component. He said that he has spoken with SELP about reducing the amount of flood coverage and they are agreeable to some type of reduction. He noted that they are not as willing to eliminate the flood insurance requirement as they had earlier said they might be since the flood insurance premium did not increase by the anticipated 400% but rather by 18%. Mr. Waldo said that Dave Stephens from SELP will be calling Mr. Chamberlin to inform him of what coverage SELP will require. Mr. Horton pointed out that SELP does not control the amount of flood insurance required for the Mitchell Butte Power Project, but only for the Dam and Tunnel Projects. He stated that even if SELP does not require flood insurance the Board of Directors needs to make an independent determination as to whether or not they deem flood insurance necessary and determine the extent of such coverage. Mr. Waldo explained coverage for equipment breakdown and noted that such breakdown would be covered in the event of a flood. The three options which he presented ranged from an annual premium of \$137,600 to an annual premium of \$167,154. Director Schilling noted that the Districts' receive double the amount of coverage for an additional \$10,000 between options 2 and 3. Mr. Waldo stated that a decision must be made now in order to have coverage in place by September 1. Mr. Horton stated that the Owyhee Irrigation District could make a decision on the insurance coverages for the Dam and Tunnel Projects and then the Joint Committee could ratify the decision at the next Joint Committee meeting. A motion was made by Director Schilling, seconded by Director Corn and unanimously carried authorizing the purchase of insurance coverage under option 3 for a total annual premium of \$167,154 for all three projects. The motion passed unanimously.

At 9:00 p.m., Ray Waldo left the meeting.

OWYHEE DAM POWER PROJECT.

Financial Report. Jay Chamberlin handed out financial reports for Owyhee Dam Power Project for the months of June and July which were prepared by Peter Nichols. The Directors reviewed the reports. The reports showed a net profit for the year-to-date for the period ending July 31, 2002, of \$440,345. President Corn noted that gross generation is up as compared to last year.

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

Nichols Accounting Group	\$ 293.00
Bledsoe & Bledsoe	1,610.00
Ore-Ida Utilities	282.03
AT&T (computer)	16.66
Malheur Bell (computer)	50.18
Stunz Law Firm	<u>377.37</u>

Total \$ 2,629.24

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

TUNNEL POWER PROJECT.

Financial Report. Jay Chamberlin handed out financial reports for the months of June and July for the Tunnel Power Project prepared by Peter Nichols. The Directors reviewed the reports. President Corn asked when the Tunnel was shut off and Mr. Chamberlin said August 1. The reports show the year-to-date net loss at the Tunnel at \$310,976. Mr. Chamberlin asked about Dam revenue being used to pay toward Tunnel obligations and he was advised that the SELP contracts require the revenue to be used for such purposes.

Mr. Chamberlin reported on a meeting he had with Randy Allphin at Idaho Power. The reason for the meeting was to determine maintenance responsibilities on switch gear for the Hydro Projects. During the meeting, Mr. Allphin made a comment that the Districts will have to open up their checkbooks and write Idaho Power a large check at the termination of the Power Sales Agreements. Mr. Horton stated that he spoke with Mr. Chamberlin shortly after the meeting and explained to him the fact that the contracts do not create a liability for the Districts, but rather act as a formula for calculating payments made by Idaho Power to the Districts. The consensus of the Board

herbicides. Mr. Horton suggested that the District obtain legal assistance from Stoel Rives in attempting to get the Oregon Administrative Rules modified. Mr. Chamberlin said that Oregon Water Resources Congress may be able to pursue that course with less cost to the District. A discussion was had with regard to screening the canal system during treatment. Mr. Chamberlin said that Bureau officials have advised him that they have a lot of expertise in such an area. Mr. Horton said that grant money is available for such projects. He advised a two-prong approach over the next two years. One will be working at the state level to get a more favorable writing of the Oregon Administrative Rules and the other would occur at the District level in devising effective fish screening devices. Mr. Chamberlin explained the treatment process in applying aquatic herbicides.

PIVOTS IN THE DISTRICT. Director Drydale asked if the installation of pivots throughout the District is having an impact on water deliveries. Mr. Chamberlin said that they have not. He attributes this to the limited number of pivots being installed. Mr. Chamberlin explained the problems farmers are having with the pivots in this area. Director Schilling asked if more pivots and sprinklers won't be going in with the proposed TMDLs. Mr. Chamberlin reported that a lot of people are wanting to put pipe in this year and he would like the District to purchase a large supply of pipe when prices are low and then resell it to the District patrons at that cost.

IDAHO POWER STATEMENT ERROR. Mr. Chamberlin said that Peter Nichols analyzed figures from Idaho Power and noted a discrepancy in the winter usage. The discrepancy was reported to Idaho Power which then re-analyzed the winter usage and acknowledged a \$17,000 discrepancy which will be reimbursed to the District.

OWYHEE POWER PROJECT HISTORY BOOK. Mr. Chamberlin said that Gene Stunz reported to him that the history book is 70% completed. He figures that it will be 150 pages long and will cost between \$10 and \$12 per copy. Mr. Stunz said that the book will be owned by the District.

LINERS AT DUMP SITE. Director White said that there is some seepage from the canal at the old dump site in Ontario where a liner was installed a few year ago. Mr. Chamberlin expressed his opinion that the slope of the canal in that area was not right for the type of liner installed. Mr. Chamberlin explained where the liner started and upon hearing the explanation, Director White said that water may be coming from the area just upstream from the liner. Mr. Chamberlin said that he would examine the situation.

APPRAISALS FOR INSURANCE PURPOSES. Mr. Horton reminded the Directors that Ray Waldo expressed concern with regard to the values used in obtaining insurance. Mr. Horton said that since Mr. Waldo recommended an appraisal that the Board should

authorize Mr. Chamberlin to obtain quotes from valuation companies. After discussion, it was the consensus of the Board to have Mr. Chamberlin obtain quotes from appraisers on their charges for performing appraisals on the hydro projects.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned by President Corn at 10:30 p.m.

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Respectfully submitted,

  
Secretary

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