

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

August 21, 2012

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 21, 2012, at 7:30 p.m. Frank Ausman, Chairman, presiding.

The following members of the Joint Committee were present:

Frank Ausman
Eric White
Dan Tschida
Jerry Nagaki (who joined the meeting at 7:34 p.m.)
Rick Smith (South Board Alternate)
Dennis Turner
Bruce Corn, (OID Alternate who stepped down when Jerry Nagaki joined the meeting)

Also present were: Jay Chamberlin, Manager of the Hydro Projects; Michael W. Horton, Attorney and Secretary of the Joint Committee; Ron Keester, South Board Manager; Tom Zittercob, Hydro Manager; Harvey Manser, OID Assistant Manager; and Ray Waldo, Insurance Agent.

MEETING NOTICE. The agenda noted that a notice was sent out on August 13, 2012, to the media as to the time, date, and place of the meeting.

MINUTES. The minutes of the meeting of the Joint Committee held on March 6, 2012, were mailed to the Committee members prior to this meeting. A motion was made by Mr. Tschida, seconded by Mr. Corn, and unanimously carried approving the minutes as mailed.

INSURANCE ON HYDRO PROJECTS. Ray Waldo, insurance agent, gave a presentation on insurance for the hydros. He passed around handouts as he explained that the hydro insurances are up for annual renewal. He said that the hydros have \$6,000,000 of coverage.

Jerry Nagaki joined the meeting at 7:34 p.m.

Mr. Waldo explained that the coverage is through Lloyds of London and the proposed annual combined premium for all three power plants is \$135,547.27. He said that this amount includes his commission, which includes a three percent increase for his commission. Mr. Waldo explained that the billings get broken down between the hydro facilities based upon their proportionate share. Insurance coverage was discussed. After

discussion, a motion was made by Mr. Turner, seconded by Mr. White, and unanimously carried authorizing renewal of the insurance policies as presented by Ray Waldo.

Ray Waldo left the meeting at 7:43 p.m.

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the Owyhee Dam Power Project prepared by Nichols Accounting Group for the period ending July 31, 2012. The report was reviewed by the Committee members. Mr. White asked about the vehicle expense showing on the report. Mr. Chamberlin explained that the road to the Dam Power Plant was put back in and that tires and a transmission were tore up during the installation process. He said that the expenses only reflect the tire cost. Mr. Turner asked about the road material used in putting the road back in. Mr. Chamberlin explained that local gravel was used. The road to the Dam Power Plant was discussed. Mr. Zittercob explained that the material put in was very clean material and there was no river discoloration. A lengthy discussion was had on future road options.

OWYHEE DAM ACCOUNTS PAYABLE. The Committee members reviewed the accounts payable for the Owyhee Dam Power Plant. A motion was made by Mr. White, seconded by Mr. Turner, and unanimously carried approving payment of the following accounts payable:

Owyhee Irrigation District	\$617.89
AT&T	70.71
Oregon-Idaho Utilities	325.00
Century Link	45.00
Commercial Tires	2,562.80
Les Schwab Tires	4,754.28
Stunz, Fonda, Kiyuna & Horton	175.00
North West Hydroelectric	48.33
FERC	26,247.34
Nichols Accounting Group	<u>325.00</u>
Total	\$35,014.77

TUNNEL POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the Tunnel #1 Power Project prepared by Nichols Accounting Group for the period ending July 31, 2012. The report was reviewed by the Committee members. Mr. Zittercob said that there have been four power outages this season. He estimated that lost production totaled around seven to eight hours. He said that three of the outages were Idaho Power issues. The other was a circuit switch which required the Tunnel Power Plant to be shut down

while the switch was replaced. Mr. Chamberlin explained the new policy implemented by Idaho Power on outages. He said that they now check lines on startups and they now take over an hour before the power plants can come back on following an outage. Crops and water demands on the lower ends of the system were discussed. Aquatic weed control was discussed.

TUNNEL #1 POWER PROJECT ACCOUNTS PAYABLE. The Committee members reviewed the accounts payable for the Tunnel #1 Power Project. A motion was made by Mr. White, seconded by Mr. Nagaki, and unanimously carried approving payment of the following accounts payable:

FERC	\$21,585.91
North West Hydroelectric	48.34
Oregon Idaho Utilities	112.28
Nichols Accounting Group	<u>325.00</u>
Total	\$22,071.53

OWYHEE HYDRO LLC. Mr. Chamberlin said that a gentleman representing Owyhee Hydro LLC which has a FERC permit to do a study on a possible pumpback storage project met with him. Mr. Chamberlin said that the LLC is a small group and in his opinion, it does not seem like they have much of an organization. He recommends the Committee continue to take a wait and see approach on the matter.

IDAHO POWER INTERGRATED RESOURCE PLAN. Mr. Chamberlin explained that he is on an advisory committee to Idaho Power. He said that Idaho Power just hit an all-time record power demand peak. He reported on a recent meeting of the advisory committee.

BOARDMAN TO HEMINGWAY TRANSMISSION LINE UPDATE. Mr. Horton and Mr. Chamberlin gave an update on the proposed Boardman to Hemingway Idaho Power Transmission Line.

WILDFIRES IN WATERSHED. Mr. Chamberlin said that he is planning on flying the watershed to see what areas have been burned in the recent wildfires and how the aftermath of the fires might effect runoff.

WATER SHUTOFF DATE. The Committee members discussed setting a shutoff date for the water for the season. Mr. White said that the project needs to carry over as much water as possible. Shutoff dates were discussed. After discussion, a motion was made by Mr. Tschida, seconded by Mr. White, and unanimously carried setting October 12, 2012 as the shutoff date for the water with the project managers having discretion to shut off on an earlier date depending upon weather conditions and water user demands.

SCADA COMPUTER SYSTEMS FOR POWER PLANTS. Mr. Zittercob handed out a list of needed software and computer upgrades for the power plants. He explained why the upgrades are needed. He estimates the total cost at approximately \$35,000. He explained that this estimate is for all three power plants and that the Joint Committee's portion would be two thirds of the cost. Mr. Tschida said that he would like to be sure that the systems are up and running before the water comes on. The proposed upgrades were discussed along with the timing of installation. After discussion, a motion was made by Mr. Tschida, seconded by Mr. Nagaki, and unanimously carried authorizing Mr. Zittercob to make the upgrades and purchase the proposed software and computers.

HYDRO REPORT. Mr. Zittercob reported on the power plants. He said that the plants have been running really well. He explained that the Tunnel Power Plant went to 65% gate today. He said that if current weather conditions persist, that in about ten days he will have to go down to 50% gate then approximately seven days thereafter, the Tunnel Power Plant will be shut off for the season. He said that the Tunnel Power Plant is currently making approximately 2.3 megawatts.


Mr. Zittercob said that the wicket gates for the Dam Power Plant are to be here the first of October. He said that the work on the Dam Power Plant is scheduled to start the first of November.

JET FLOW VALVE PENSTOCKS. Mr. Chamberlin explained that USBR has been wanting coatings done on the jet flow penstocks. He said that this has been an item in USBR reports the last four years. He said that it is not a category one item yet. He said that he was going to get a request for proposals out for the coatings. He said that he has not drafted an RFP yet. He said that for budgeting purposes, he has an estimate of \$56,000 for the coatings. Mr. Keester said that the South Board may have other coating work that needs done and that perhaps the work can be combined by one contractor. Mr. Chamberlin said that he will explore the matter further.

TRI-STATE MEETING. Mr. Keester said that there is a Tri-state meeting coming up at which aquatic weed control chemicals will be discussed.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 9:35 p.m.

Respectfully submitted,


Secretary

APPROVED: _____

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

August 21, 2012

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on August 21, 2012, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 9:38 p.m. Bruce Corn, President of the District, presiding.

The following Directors were present:

Bruce Corn	Dan Tschida
Jerry Nagaki	Eric White
Frank Ausman	

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Attorney; and Harvey Manser, Assistant Manager.

MEETING NOTICE. The meeting agenda showed that notice to the news media as to the time, date, and place of the meeting was given on August 13, 2012.

MINUTES. The minutes of the July 24, 2012, 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 Ausman, and unanimously carried approving the minutes as mailed.

DISTRICT FINANCIAL REPORT. Mr. Chamberlin handed out the financial report for Owyhee Irrigation District for the month ending July 31, 2012. The report was prepared by Nichols Accounting Group. The Directors reviewed the report. Director Tschida asked about the gopher program and noted that there are more gophers this year due to the mild winter. Mr. Chamberlin said that there is still money in the gopher program. Mr. Manser noted an error on the report with regard to the Fletcher Gulch Grant reimbursement. He said that he will speak to Nichols Accounting about the error. Director White noted that the Ontario shop expense discrepancy error is still there. Mr. Chamberlin said that he will get the discrepancy error reported to Nichols Accounting.

OWYHEE IRRIGATION DISTRICT ACCOUNTS PAYABLE. A list of the District's accounts payable was in the Directors' packets. The list was reviewed and discussed. A motion was made by Director Tschida, seconded by Director White, and unanimously carried approving payment of the Owyhee Irrigation District bills.

MITCHELL BUTTE POWER PROJECT.

Generation Report. The generation report for Mitchell Butte Power Project was included in the Directors' packets. The Directors reviewed the report.

Accounts Payable. The agenda for the meeting listed the following accounts payable for the Mitchell Butte Power Project:

FERC	\$8,387.74
North West Hydroelectric	48.33
Century Link	144.44
Nichols Accounting Group	<u>110.00</u>
Total	\$8,690.51

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

NEWELL PIPELINE PROJECT. Mr. Chamberlin said that he will probably be putting a bid out for part of the construction this month. He said that the District may be short on the cost of the pipe by about \$25,000 using money from the OWEB Grant. This amount can be carried over for reimbursement for the next grant cycle.

WATER TRANSFERS. Mr. Chamberlin said that OWEB has changed its position with regard to its grants. He said that OWEB is now requiring that water transfers be done before the grants for on-farm improvements are awarded. He said as a result of this change, he had a meeting with an Oregon Water Resource Department staff member who has helped with the transfers. He said in working through these transfers they have found other issues which may slow things up.

NPDES PERMIT. Mr. Chamberlin said that the new proposed NPDES permits have fish screening issues in them. He said that it looks like if the District uses certain products, the staff will have to keep all fish out of the system and do water sampling. He said that there is a hearing on the proposed permits tomorrow. He said that he will be submitting written comments.

CATTLE ON LARSON FARMS. Mr. Chamberlin said that he has looked at the situation at Larson Farms and has talked to Zion Bank. He said that the bank has informed him that they have nothing to do with it so he has been trying to talk to the bankruptcy trustee. Director Tschida reported on a situation between the owner of the cattle and the District patrons who came to last month's Board meeting.

MALHEUR RIVER DRAIN STUDY. Mr. Manser said that the District got a grant with Warm Springs and Vale Irrigation Districts to do studies as to how much return water they are getting, but that the studies are also looking at the quality of the return flow water. Mr. Manser reported on water sample reports. Mr. Chamberlin said that a DEQ representative told him that the study shows that water quality is trending to cleaner in this area in the last fifty years.

MANAGER REPORT. Mr. Chamberlin said that he is looking ahead to next year on cleaning silt out of the corners of the middle section of the North Canal.

DIRECTOR COMMENTS. Director Tschida said that he is concerned with an individual who is talking fill out of a mountain side in his area that could impact the canal system.

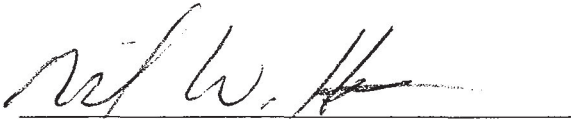
PUMPING PLANTS. Mr. Chamberlin reported on the O&M planned for the pumping plants this winter.

BULGE ON IN STREAM STORAGE. Mr. Chamberlin said that he has been looking at draws on the lower end of the system where water could be temporarily stored.

DISTRICT STAFFING. A discussion on District staffing was had.

ADJOURNMENT. There being no further business to come before the Board, the meeting was adjourned at 10:40 p.m.

Respectfully submitted,



Michael W. Horton, General Counsel

APPROVED: _____