

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

October 21, 2003

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on October 21, 2003, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 7:37 p.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Bruce Corn	Fred Schilling
<i>lamm</i> Frank White	Frank Ausman

Also present were: 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 October 15, 2003.

RESERVOIR STORAGE. Mr. Chamberlin reported that the reservoir storage as of October 21, 2003 is 15,968 acre feet and the storage as of October 21, 2002 was 73,268 acre feet.

MINUTES. Minutes of the meeting of Directors held on September 30, 2003 had been mailed to each Director prior to the meeting. A motion was made by Director Schilling, seconded by Director Ausman, and unanimously carried approving the minutes as mailed.

At 7:41 p.m., Director Jerry Nagaki joined the meeting.

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the month of September which was prepared by Nichols Accounting Group. The report was reviewed by the Directors. The report shows a net profit for the month of \$106,949.08 and a net profit for the year of \$440,773.96.

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

Nichols Accounting Group	297.00
Stunz Fonda Law firm	265.50
Ore-Ida Utilities	217.08
US Cellular	39.08
AT&T	19.75
Malheur Bell	<u>49.62</u>
Total	\$888.03

A motion was made by Director White and seconded by Director Ausman 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 month of September which was prepared by Nichols Accounting Group. The report was reviewed by the Directors. The report shows a net loss for the month of \$129,440.31 and a net loss for the year of \$1,227,994.81.

Accounts Payable. Mr. Chamberlin presented the following schedule of accounts payable:

Ore-Ida Utilities	161.48
Nichols Accounting Group	<u>295.00</u>
Total	\$456.48

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

MITCHELL BUTTE POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the month of September which was prepared by Nichols Accounting Group. The report was reviewed by the Directors. The report shows a net profit for the month of \$1,667.32 and a net loss for the year of \$13,926.10. President Corn asked which reserves would be tapped in order to make the bond payment of approximately \$300,000 in December. Mr. Chamberlin said that on December 1, a payment is due on the bond in the sum of \$319,747.50. He said that there is also a payment owed to Owyhee Irrigation District but since there are not sufficient funds available at this time, that payment will not be made. He said that there is \$259,000 in a Mitchell Butte reserve account. He said that he spoke with John Ross who informed him that the

money was set aside upon the building of the project and is available for Mitchell Butte expenses. He said that there is also \$96,000 in the Mitchell Butte O&M Account. Mr. Chamberlin suggested leaving some money in that account. Mr. Chamberlin said that money could be pulled from the Environmental Issues Fund which has approximately \$150,000 in it. President Corn expressed his concern about next year even though it looks as though the payment for this year can be made.

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

Malheur Bell	129.12
Nichols Accounting Group	<u>234.00</u>
Total	\$363.12

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

BUDGET. Mr. Chamberlin said that he does not yet have a draft of the budget prepared. He said that Kris Ward's husband had an accident and that she has been out of the office caring for him which has slowed down a lot of the office work. He said that he hopes to mail out a draft of the budget to the Directors prior to next month's meeting. He said he anticipates holding the line on the assessment if he can. He said that he will have to fine tune it with regard to the Mitchell Butte bond payments. There was a discussion among the Board members whether or not to raise the assessment a small amount rather than holding the line and then having to raise it by a substantial amount in a few years. Mr. Chamberlin said that there will be a big pumping plant bill because of the need to run the pumps a lot this year. Director Schilling asked how the District did in its expenditures this year in relation to the budget. Mr. Chamberlin said that the District is over budget some but he is not sure how much. Director Schilling said that he anticipates a \$.50 per acre increase in the assessment. He said it is needed to keep the District operating rather than trying to cut back even further. Director Nagaki agreed with this approach. Director White said that he hates to see the assessment go up but he said that the bills must be paid. Mr. Chamberlin said that in rough numbers, a \$.50 per acre increase in the assessment would generate approximately \$35,000 for the District. Director Ausman said that from a farmer's standpoint, expenses can not continue to rise while incomes remain stagnant.



He said that the farmers have no ability to raise the prices of their products while operating costs continue to rise. Mr. Chamberlin said that he could prepare two different budgets, one with the \$.50 per acre assessment increase factored in and another without. President Corn asked what was the latest date on which the assessment can be set and still come within the notice of equalization requirements. Mr. Horton said that he would investigate that issue and report back to the Board.

NEEDED MAINTENANCE ITEMS AT OWYHEE DAM POWER PLANT. Mr. Chamberlin said that when they went to shut down the Dam Power Plant, the brake would not come on. He said that it appears that a wicket gate may be the cause. This will be inspected this fall and there will most likely be costs involved. Mr. Chamberlin said that there was also some trouble with a disconnect switch which is owned by Idaho Power Company. Idaho Power came in today and put in new equipment along with replacing the disconnect switch. Mr. Chamberlin said there is another switch owned by the District which needs repaired.

AMENDMENT OF BOND AGREEMENTS WITH SELP. Mr. Horton reported that he and Mr. Chamberlin received a draft agreement from SELP which sets out the terms agreed to on amending the Bond Payment Agreements on the dam, tunnel, and power line. Mr. Horton flow charted out the payments as required under the amendment and the flowchart was handed out to the Directors. Mr. Horton review it with the Directors. He said that Pete Nichols has also been given a copy of the agreement and the flowchart and is in the process of reviewing them. Mr. Horton said that he, Jay Chamberlin, and Pete Nichols will meet in the near future and finalize the agreement with SELP.

OWYHEE SUB-BASIN PLAN. Mr. Chamberlin reported that the Northwest Planning Council is financing a sub-basin plan. He said that Duck Valley tribe is in charge of how the money is being spent. He said that the tribe is spending money on items which the rest of the members within the sub-basin group do not agree with. He said that the Owyhee Watershed Council is holding up the process at this time and may pull out of the sub-basin plan completely.

DUCK VALLEY TRIBES' IDAHO ADJUDICATION. Mr. Horton said that he recently received a copy of a draft agreement which the State of Idaho put together in settling the Duck Valley Tribes' water rights on the Owyhee River in Idaho. He said that there is a meeting scheduled between the tribes and the State of Idaho and the State of Idaho would like the District to have a representative come to that meeting. Mr. Horton said that he has spoke with Reid Marbut and provided him with a copy of the

draft agreement. He said that the tribes may not want the District or the State of Oregon to be present at the meeting and the Idaho representatives have indicated that if this is in fact the case, a future meeting with the District and the State of Oregon representatives involved will be needed.

OWRC CONFERENCE ON OREGON WATER LAW. Mr. Chamberlin said that he attended a recent OWRC conference which updated managers on recent legislative changes. He said that one thing that he learned is that Senator Ferrioli put in a substantial amount of work and research before deciding to kill the Ownership Bill before the Oregon Legislature. He said that he feels that it is important to show support to Senator Ferrioli and to also have a legislative tour and luncheon to invite Senator Ferrioli and representative Butler to tour the District. Mr. Chamberlin said that he has scheduled November 10 for the tour and has invited OWRC's state lobbyist and Bob McDonald, the Bureau of Reclamation's Regional Director. He said that he will also invite the press for a roundtable discussion and anticipates having the discussion and luncheon at the Boulevard Grange.

Mr. Chamberlin said that another thing which he learned at the conference was the need for the District to adopt some environmental compliance guidelines in order to protect the water quality within the District. He says that this would help insure that the water is not contaminated by one user before it gets to the downstream user. He said that he would like to have policies in place so that everyone knows that they are being treated equally.

AUDIT REPORT. Mr. Chamberlin reported that Mr. Bledsoe is ill and will attend next month's meeting to review the audit.

PROJECT ACTIVITIES AND ISSUES. Mr. Chamberlin provided a list of the proposed pipeline projects and explained a couple of them. Director Schilling said that he noticed that the ditching was being started on the south end of the District and it was his understanding that it was going to be started in Ontario. Mr. Chamberlin said that because the Dead Ox Pumping Plant stayed on later, that it was too wet to start on the north end first.

Mr. Chamberlin said that over the winter, fencing will be installed at Tunnel Canyon and the Glory Hole in order to help prevent vandalism. He said that Tom Zittercob has been seeing increased signs of vandalism at the Mitchell Butte Power Plant.



Mr. Chamberlin reported that he has conducted dam tender interviews. In addition, he is conducting interviews for an office assistant position. He said that the position will most likely be for a three to four day work week initially and then possibly cut back to two days a week. Director White gave an update on his wife's condition.

Mr. Chamberlin said that he completed an inspection on the North Canal. He said that the concrete liner at mile 36.7 is starting to push out a bit on one side. He is worried that water may get back behind the liner on that side. He is having a 50 foot by 5 foot section replaced. He says that he feels that this is only a temporary repair which may last for a couple of years.

PUMPING PLANTS. Mr. Chamberlin reported that regular fall maintenance will be done at the Dunaway Plant. He said that one unit at the Dead Ox Plant needs a motor repaired and he estimates the cost at \$3,500 to \$5,000.

RING GATE. President Corn asked about the anticipated ring gate work. Mr. Chamberlin said that because of the current financial situation, he has not yet started the work. Instead, he has had Mr. Zittercob put a work plan together. He said that Mr. Zittercob has worked quite hard in examining the ring gate and putting a work plan together. He said that it appears the seal may not have ever pulled away from the ring gate but was in fact adjusted out at the time it was installed. Mr. Zittercob's plan puts the replacement of gears and guides as the number one priority. President Corn asked where gears might be manufactured. Mr. Chamberlin said that Mr. Zittercob has located a project that had a similar piece of equipment replaced and he is contacting them to see who the manufacturer was. Mr. Chamberlin said that he is attempting to get the engineer who originally said that the seal needs replaced back for an inspection so that his initial determination can be gone through and either corrected or justified.

DIRECTORS' ELECTIONS. Mr. Horton stated that deadline for filing nomination petitions for the two Director positions up for election has passed. Only one petition was received for each position. Each of the petitions contained at least ten signatures of eligible District patrons. A petition for Division No. 1 nominates Fred Schilling. A petition for Division No. 3 nominates Bruce Corn. Mr. Horton said that Oregon statutes provide that if only one nominating petition is submitted for a division, that the Board is to name the person nominated in the petition as the duly elected Director without


an election. A motion was made by Director Ausman and seconded by Director White naming Fred Schilling as a duly elected Director for Division No. 1 and Bruce Corn as a duly elected Director for Division No. 3, each to a three-year term commencing January 2, 2004. The motion passed unanimously.

EXECUTIVE SESSION. Mr. Horton said that an executive session is needed in order to discuss a Notice of Intent to Sue pursuant to ORS 192.660(1)(h). A motion was made by Director Schilling, seconded by Director Nagaki, and unanimously carried authorizing the Board to enter executive session at 9:53 p.m.

At 10:17 p.m, the Board returned to regular session.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 10:20 p.m.

Respectfully submitted,

  
Secretary

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