

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

December 17, 2002

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on December 17, 2002, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 10:35 a.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

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

Also present were: Frank Ausman, Director Elect; Gene Stunz, Assistant Secretary; Jay Chamberlin, District Manager; and Michael W. Horton, Secretary and General Counsel.

RESERVOIR STORAGE. Mr. Chamberlin reported that the reservoir storage as of December 17, 2002 is 103,950 acre feet and the storage as of December 17, 2001 was 94,303 acre feet.

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 11, 2002.

MINUTES. Minutes of the meeting of Directors held on November 26, 2002, had been mailed to each Director prior to the meeting. Director White noted that the minutes did not reflect that Director Nagaki was present at the meeting. Mr. Horton corrected the minutes. After correction, a motion was made by Director Schilling and seconded by Director Drydale, and unanimously carried approving the minutes as corrected.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Mr. Chamberlin handed out financial reports for the Mitchell Butte Power Project for the months ending October 31 and November 30, 2002 which were prepared by Nichols Accounting Group. The reports were reviewed by the Directors. The report for the period ending November 30 shows a calendar-year net profit of \$94,332.20. President Corn asked if there were sufficient funds available to make the December bond payment. Mr. Chamberlin stated that there are just enough funds to make a payment to U.S. Bank and that the payment to the Irrigation District will be postponed. He said that the payment

to U.S. Bank may have already been made. Mr. Horton stated that Dave Stevens at SELP raised the issue of possibly refinancing the bonds which bear a fairly high rate of interest. Mr. Horton stated that he reviewed the Power Sales Contracts with Idaho Power and if the bonds were paid off the contract could be interpreted in such a way that the power payments would be reduced. Mr. Horton said that an alternative to paying off the bonds may be to get the bond holders to agree to a lesser interest rate. Mr. Stunz stated that this may not be possible as U.S. Bank has most likely resold all of the bonds. The Board consensus was to have District staff check with U.S. Bank on the status of the bonds.

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

Nichols Accounting Group	228.00
AT&T	19.86
Talk America	15.12
Malheur Bell	130.72
Stunz, Fonda law firm	51.00
Owyhee Irrigation-reimburse	<u>8,135.85</u>
Total	\$ 8,580.55

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

At 10:45 p.m., Ray Waldo joined the meeting.

OWYHEE DAM POWER PROJECT.

Financial Reports. Mr. Chamberlin handed out financial reports for the Owyhee Dam Power Project for the periods ending October 31, and November 30, 2002, which were prepared by Nichols Accounting Group. The financial reports were reviewed by the Directors. Mr. Chamberlin explained the financial reimbursement from the Hydro Electric Project back to the District. Director White questioned the Nichols Accounting Group's disclaimer in its financial statements. Mr. Chamberlin said that Mr. Nichols will attend next month's meeting and have an explanation with regard to the disclaimers. On the division of Hydro Electric proceeds, Director Drydale noted that the South Board of Control will receive 1/3 and OID will receive 2/3. He further said that out of OID's 2/3 share, Owyhee Ditch will receive 11% of the proceeds. The financial report for the Owyhee Dam Power Project shows a net profit for the year-to-date as of November 30, 2002 of \$763,172.93.

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

Ore-Ida Utilities	267.28
Nichols Accounting Group	293.00
Stunz, Fonda law firm	119.00
Owyhee Irrigation	21,144.14
Directors fees and mileage	<u>117.00</u>
Total	\$ 22,403.02

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

TUNNEL POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the Tunnel Power Project for the period ending November 30, 2002 which had been prepared by Nichols Accounting Group. The Directors reviewed the report. The report shows a net loss for the year to date ending November 30, 2002 of \$864,980.87.

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

Ore-Ida Utilities	197.15
Nichols Accounting Group	345.00
Malheur Bell	50.11
AT&T	15.61
OID-reimbursement	<u>19,257.11</u>
Total	\$ 19,864.98

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

INSURANCE UPDATE. Ray Waldo, of Field Waldo Insurance Agencies, Inc., the District's insurance agent of record handed out copies of renewal notices for the District and the Joint Committee to each of the Directors. He went through the notices item by item. Mr. Waldo said that he reviewed the schedules of property and vehicles with Kris Ward. Mr. Waldo went over the amount of coverages. President Corn asked if coverage on mobile equipment such as the excavator is adequate. Mr. Chamberlin and

Mr. Waldo stated that the scheduled amounts for those items are their market value and not replacement costs.

Mr. Waldo said that the liability coverage for OID and the Joint Committee covers officers which would include Mr. Horton and Mr. Stunz as secretary and assistant secretary. The coverage also covers Mr. Chamberlin as manager.

Mr. Waldo explained the problems he had with Special Districts dropping the Joint Committee as an insured and getting it back on the policy. Mr. Waldo said that he added the Joint Committee as an additional insured to the Power Committee's policy. Mr. Stunz questioned putting the Power Committee on as the insured as the Power Committee has a very limited role. A discussion was had with regard to the Joint Committee and Power Committee and after discussion, it was determined that Mr. Waldo and Mr. Horton would work on getting the correct names on the policies. Mr. Waldo stated that the premium for Owyhee Irrigation District went down slightly from last year. The total annual premium is \$66,397.00. Mr. Waldo attributed the reduction in premium to the District having good claims experience. The annual premium for the Joint Committee is \$4,903.00.

Mr. Chamberlin said that he has received a proposal on appraising the hydros for insurance purposes. The total cost is \$9,700.00 which would include appraising the transmission and power lines. Mr. Waldo noted that such lines are not currently covered under the insurance policy. Mr. Waldo explained the risk to the District in the event of a partial loss if the District is under insured. He said that the school district goes through an evaluation process every five years. Mr. Stunz asked if Mr. Waldo could get something from the insurance company saying they would accept this appraiser's values in the event of a loss. Mr. Waldo said that he would attempt to do so.

At 11:45 a.m., Ray Waldo left the meeting.

UPCOMING DUCK VALLEY MEETING. Mr. Horton stated that a meeting has been scheduled for January 16 with the State of Oregon and the federal negotiating team. He stated that he and Mr. Chamberlin would be attending and that he would prefer that President Corn attend the meeting. Mr. Stunz stated that it is important for the Board members to get involved.

OWRC MEETING. Mr. Chamberlin agreed with Mr. Stunz about having the Board members be more actively involved. Mr. Chamberlin reported on the OWRC meeting which he and Mr. Horton attended.

RECESS: at 12:14 p.m., President Corn declared the meeting in recess.

RECONVENE: at 1:04 p.m., the meeting reconvened. The same Directors and individuals present when the meeting recessed were present when it was reconvened.

MOSS CONTROL. Mr. Horton stated that at the OWRC meeting he met with the DEQ representative who worked with the District in it obtaining its NPDES permit. The permit requires the District to come up with a plan to screen for fish during treatment periods. The permit then gives the District another year to implement the plan. He said that when he spoke with the DEQ representative, a suggestion was made that the District have a biologist do a report on the impact to the source fishery from which any fish entering the canal would come from and determine the necessity of screening devices. The Board consensus was to have the staff gather data which the District may already have on fish studies and check with the Bureau.

SECURITY MEASURES AT DAM. Mr. Chamberlin said that he had been cleared to go to a meeting in Denver on security measures to be implemented at the Dam. He said that at the last minute, the federal authorities did not allow him to go. He said that he will be seeking reimbursement of the airfare from the Bureau. He expressed his frustration about not being informed about the incident which occurred at Oxbow Dam last year. He said that as part of the overall security, he would like to look at the delivery works for the system as a possible way to stop vandalism. He said that this would be a good time to begin limiting access to some of the District sites. Mr. Chamberlin reported on areas within the District which are subject to vandalism.

STATE WATER RIGHT APPLICATION. Mr. Chamberlin said that NMFS has agreed to the Bureau's proposed mitigation for bringing in the additional 1,600 acres under the contract with the Bureau. Mr. Horton stated that things are not yet finalized. A determination of the amount to be paid for construction charges for the acres must be made. After that, the District will have to decide whether or not it still wants to bring the acres in and then the process must go back to the State of Oregon for issuance of the water permits and eventually certificates. Director Drydale asked if South Board increases its acreage if the makeup and votes of the Joint Committee will be changed. Mr. Horton stated that he would review the repayment contract and report back.