

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

August 16, 2011

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 16, 2011, at 7:37 p.m. Frank Ausman, Chairman, presiding.

The following members of the Joint Committee were present:

Jerry Nagaki	Eric White (OID Alternate)
Frank Ausman	Bruce Corn

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; Harvey Manser, OID Assistant Manager; Tom Zittercob, Hydro Electric Manager; Ray Waldo, Insurance Agent; and Ed Tabor and Tom Elliot, Oregon Department of Energy/SELP.

MEETING NOTICE. Mr. Chamberlin said that the meeting notice was sent out on August 10, 2011, 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 May 24, 2011, were mailed to the Committee members prior to the meeting. A motion was made by Mr. Corn, seconded by Mr. Nagaki, and unanimously carried approving the minutes as mailed.

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, 2011. The report was reviewed by the Committee members.

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

Qwest	\$ 92.99
Granger Engineering	1,166.43
Stunz, Fonda, Kiyuna & Horton	1,140.73

Oregon Dept Energy	300.00
Northwest Hydroelectric	41.67
Bolens Control House	334.43
Verizon Wireless	60.21
McDevitt & Miller	146.87
Les Schwab Tire	<u>94.60</u>
Total	\$3,377.93

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, 2011. The report was reviewed by the Committee members. Mr. Zittercob said that the Tunnel Power Plant is generating 6.4 megawatts right now. Mr. Corn said that the month of July was an all-time record for generation for the Power Plant.

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. Corn, seconded by Mr. Nagaki, and unanimously carried approving payment of the following accounts payable:

McDevitt & Miller	\$ 146.88
Granger Engineering	1,166.42
Les Schwab Tire	94.60
Oregon Dept Energy	300.00
Dept Consumer & Business	224.00
Northwest Hydroelectric	41.66
Nichols Accounting	<u>325.00</u>
Total	\$2,298.56

OREGON DEPARTMENT OF ENERGY/SELP. Tom Elliot and Ed Tabor from the Oregon Department of Energy/SELP said that they are on their annual tour through Eastern Oregon and were passing through. They said that they are happy to see the accounts with SELP getting caught back up. Ed Tabor said that the business energy tax credits were severely cut back by the Oregon legislature. He then gave an update on changes within the Department of Energy. He said that Jeff Kato is no longer with the department. Tom Elliot said that he did some charts and projections and that it appears that the Tunnel Plant will do better than it did in 2006. Ed Tabor said that the state of Oregon makes bond payments even if the District funds do not come in. Tom Elliot said that the interest rates for the Tunnel and the line bond have dropped as of April 2011. Mr. Horton explained that the lower interest rates will not kick in until the District catches up the delayed payments accruing prior to April 2011. He said the proposed bond amendments received from the Department of Energy have been

revised and the one for the line bond has been signed and submitted to the Department of Energy. He said that he has yet to hear back on whether or not the amended agreement has been signed. Mr. Horton said that the Tunnel Bond Amendment is waiting for the District and SELP CPAs to calculate the applicable monthly payment which should happen once the delayed payments are caught up to April 2011. Mr. Corn asked if SELP has money available for other projects and Mr. Elliot said that it does.

INSURANCE ON HYDRO PROJECTS. Ray Waldo, Insurance Agent, gave a presentation on the insurance for the hydros. He passed around handouts as he explained that the hydro insurances are up for annual renewal. He said that the renewal process this year required much more detail on values. He said that Tom Zittercob helped with estimating replacement cost values for insurance purposes. Mr. Waldo explained that the policy is a replacement value policy. He said that it appeared as if the values being used the last few years were quite low. He said that the new values went up by 23% on the hydro equipment. He said that they went from \$24,000,000 to \$31,300,750.

Mr. Waldo said that on the liability side, Lloyds of London is now moving into that market with much lower rates. He said that the liability insurance quote from Lloyds will be less overall than with the other company in the previous year. Mr. Waldo explained the current coverages and his agent of record fee. The total premiums for liability and replacement costs are as follows:

Tunnel Power Plant	\$77,349.06
Dam Power Plant	45,003.09
Mitchell Butte Power Plant	18,282.51

Mr. Waldo said that there was a savings of \$37,000 by moving the policies over. He explained that the premiums are based on generation and that even with the increased generation, the reduction on the liability side of the policies by moving to Lloyds of London has allowed the premiums to go down. He said that estimates were done on the generation and that they could be subject to an audit adjustment. Mr. Waldo said that he is comfortable recommending Lloyds of London since they have been providing the insurance on the equipment for the project for a number of years now. He said that he gave both companies the same generation numbers and that Lloyds of London company came in much lower. Mr. Waldo said that the policy renews September 1. A motion was made by Mr. Corn, seconded by Mr. White, and unanimously carried accepting the proposal presented by Mr. Waldo to acquire equipment and liability insurance on the terms set out in the proposal. Mr. Manser asked that for budgeting purposes, that the insurance amount for the hydros can be decreased by \$14,000 and Mr. Waldo said that is correct.

At 8:14 p.m., Mr. Waldo left the meeting.

OWYHEE HYDRO LLC ATTORNEY FEES. Mr. Chamberlin said that at the last meeting, the question was asked as to whether or not the attorney fees incurred in the Owyhee Hydro LLC FERC filing are done coming in. He said that Mr. Miller had an additional small bill and the matter was discussed. Mr. Horton said that there will most likely be some additional billing as FERC ultimately makes a decision.

HYDRO REPORT. Tom Zittercob gave a report on the power plants. He said that they are running and that he anticipates a little more maintenance on the Tunnel Power Plant this off season. He said that he was planning to tear down the Dam Power Plant unit this off season, but since the road into the Power Plant is out, he will wait another year. Mr. Corn asked if the temperature increase with the unit is still there and Mr. Zittercob said that it is, but it is a minor increase and it is not a big worry. He said that his big worry is the wicket gates. He said that at some point, the wicket gates will need to be replaced. He said that he is not sure what the cost would be on new wicket gates and that the ones currently installed may last another twenty years. He explained the workings of the wicket gates and said that he has been on a ten-year tear down schedule on the Dam Plant. He said that the wicket gates would not be as big of a concern if there was a butterfly valve in the Dam Power Plant. Mr. White asked if a butterfly valve could be put in. Mr. Chamberlin said that there is no room for one.

Mr. Corn asked how the blades are on the Tunnel Power Plant. Mr. Zittercob said that he will not know until the off season. He said that the circuit breaker problem has been addressed. He said that the planned work on the Tunnel Power Plant this off season includes the crane at the plant, the air compressor, fire extinguisher, and an unloading valve. He explained issues with the unloading valve. Mr. Zittercob said that there were no outages in the power plants during the month of July. He said that the Dam and Tunnel units ran pretty much full out during the month.

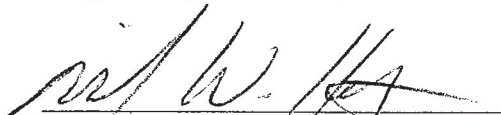
JUDGE REDDEN BIOLOGICAL OPINION RULING. Mr. Chamberlin said that there is information in the Committee members' packets regarding Judge Redden's most recent ruling on the Federal Government's Biological Opinion for the Columbia River. He said that Judge Redden has given the Federal Government through 2013 to revise its opinion.

TENTATIVE WATER SHUTOFF DATE. Mr. Chamberlin said that there is currently 604,000 acre feet of water in storage. He said that inflows are still high for this time of year. He then asked if the Joint Committee desires to have the water run longer than October 15. Mr. Chamberlin suggested October 21 or October 28 as a tentative turnoff date. The matter was discussed. Mr. Corn said that it will depend upon the fall. Mr. Keester said that it will depend upon demand in his area. He said that the 21st of October would not be a problem. The crops throughout the project and water needs were discussed. Mr. Keester said that he would prefer that the water remain on until at least the 21st of October. The matter was discussed further and after discussion, a motion was made by Mr. White, seconded by Mr. Nagaki, and unanimously carried setting the tentative water shutoff date for the project for October 21.

RADIO REPEATER. Mr. Keester asked Mr. Chamberlin what the South Board's share of the costs on the radio repeater will be. Mr. Chamberlin said that he thinks the total cost will be about \$25,000 and that South Board's share will be their proportional amount as with other hydro costs.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 8:47 p.m.

Respectfully submitted,


Secretary

APPROVED: _____