

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

August 26, 2010

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on August 26, 2010, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 1:00 p.m. Bruce Corn, President of the District, presiding.

The following Directors were present:

Dan Tschida	Jerry Nagaki
Frank Ausman	Eric White
Bruce Corn	

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, General Counsel; Harvey Manser, District Assistant Manger; Tom Zittercob, Hydro Operator; Peter Nichols, CPA; Stephen Godard and Joe Zhao, Sunrise Engineering; Ted Sorenson, Sorenson Engineering; and Dennis Daugherty, Riverside Electric.

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 20, 2010.

MINUTES. The minutes of the July 20, 2010, meeting of the Board of Directors were mailed to the Directors prior to the meeting. A motion was made by Director White, seconded by Director Tschida, and unanimously carried approving the minutes as mailed.

DISTRICT FINANCIAL REPORT. Peter Nichols presented a financial report for the District which he went through as the Directors reviewed it. Included in the report was a budget to actual comparison which was reviewed and discussed. Harvey Manser said that there should be about a \$25,000 savings on chemical costs. He said that there will be carryover chemical for next year.

DISTRICT ACCOUNTS PAYABLE. The accounts payable for the District were reviewed and discussed by the Directors. A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried approving payment of the accounts payable as presented.

MITCHELL BUTTE POWER PROJECT.

Financial Report. President Corn noted that the financial report for the Mitchell Butte Power Plant is in the Directors' packets. The Directors reviewed the report.

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

Q-West	\$ 338.31
AT&T	5.02
FERC	8,354.34
Riverside Inc.	1,853.74
Fastenal	133.89
Waldo Insurance	18,319.57
Brian Richins	1,900.00
Northwest Hydro	45.00
Nichols Accounting	<u>75.00</u>
Total	\$31,024.87

A motion was made by Director Tschida and seconded by Director Nagaki that that the accounts for the month, as listed in the agenda, be paid. A vote was had on the motion which passed unanimously.

TUNNEL #1 POWER PROJECT.

Financial Report. Mr. Nichols handed out a financial report for the Tunnel #1 Power Project as of July 31, 2010. Mr. Nichols went through the report while the Directors reviewed it. President Corn asked if the Directors can get a chart of arrears on the bond payments. Mr. Nichols said that he is working on including that in the report.

Accounts Payable. Mr. Chamberlin presented the following schedule of accounts payable for the Tunnel #1 Power Project:

AT&T	\$ 105.76
FERC	21,440.46
Waldo Insurance	90,648.03
Brian Richins	1,900.00
Northwest Hydro	45.00
Nichols Accounting Group	<u>383.00</u>
Total	\$114,522.25

A motion was made by Director Ausman, seconded by Director Nagaki, and unanimously carried that the accounts payable for the Tunnel #1 Power Project be paid as presented.

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Nichols handed out a financial report for the Owyhee Dam Power Project as of July 31, 2010. Mr. Nichols went through the report while the Directors reviewed it. Mr. Nichols said that the FERC billing sent out by FERC was correct this year and that is the first year they have gotten it right.

Owyhee Dam Hydro Accounts Payable. Mr. Chamberlin presented a schedule of accounts payable for the Owyhee Dam Power Project. The Directors reviewed the list. The accounts payable for the project are as follows:

AT&T	\$ 22.78
FERC	26,170.04
Stunz, Fonda, Kiyuna & Horton, LLP	336.00
Northwest Hydro	45.00
Brian Richins	1,900.00
U.S. Cellular	100.73
Nichols Accounting	<u>303.00</u>

Total \$45,933.19

A motion was made by Director Nagaki, seconded by Director Ausman, and unanimously carried authorizing payment of the accounts payable for the Owyhee Dam Power Project as presented.

At 1:27 p.m., Stephen Godard and Joe Zhao left the meeting.

MITCHELL BUTTE REHAB. Jay Chamberlin said that since the last Board meeting, he and Mr. Horton were contacted by representatives from the Oregon Department of Energy who said that there is stimulus money available for such a project in the amount of \$1,000,000. Mr. Chamberlin explained that there are tight timing requirements and strings attached to receiving the money, but that the money would be a grant and would not have to be paid back. The grant requires that equipment purchases with grant money be American made. Mr. Daugherty said that the generators currently at Mitchell Butte Power Plant require high maintenance and are not real efficient. He said that he has been working with Ted Sorenson on projects similar to the Mitchell Butte Power Plant. Mr. Sorenson said that he has designed 28 small hydro projects and he owns seven of them himself. He said that he and Mr. Daugherty would be willing to help the District in any way they can. Mr. Daugherty said that he could build a turbine similar to the Japanese made turbine for approximately \$200,000 more than the cost of the Japanese made turbine. He said that he just completed a project that has a similar footprint to the Mitchell Butte Power Plant.

At 1:34 p.m., Stephen Godard and Joe Zhao rejoined the meeting.

Mr. Nichols said that since the power rates at Mitchell Butte have dropped, the plant is generating gross revenue of approximately \$119,000 per year. He said that if the District were to replace the current turbines with a turbine increasing gross generation by 20% and obtaining a 20-year loan at between 4% and 6% interest, the District could service such a loan in an amount between \$273,000 to \$1,000,000 depending upon how much of the gross generation the Board would want to obligate towards loan repayment each year. President Corn said that the District needs to focus on how to make it work. Mr. Horton explained the process for obtaining funding for the Mitchell Butte Power Plant upgrade which includes selecting an engineering firm to assist in putting together a design and proposal for the upgrade. Mr. Chamberlin said that he met with a representative from Idaho Power to explain to him the potential upgrade and possibility of amending the Power Sales

Agreement. Mr. Horton presented a proposed Resolution on letting out a request for qualifications for engineering services. A motion was made by Director Ausman, seconded by Director Nagaki, and unanimously carried adopting the following resolution:

RESOLVED, that a request for proposals for Engineering Services for Mitchell Butte Power Plant turbine efficiency upgrade be let out; and

FURTHER RESOLVED, that in screening and selecting an engineer, the District shall consider each candidate's:

- (a) Specialized experience, capabilities and technical competence that may be demonstrated by the proposed approach and methodology to meet the project requirements;
- (b) Resources available to perform the work and the proportion of the candidate staff's time that would be spent on the project, including any specialized services, within the applicable time limits;
- (c) Record for past performance, including but not limited to price and cost data from previous projects, quality of work, ability to meet schedules, costs control and contract administration;
- (d) Availability to project locale;
- (e) Familiarity with the project locale; and
- (f) Proposed project management techniques.

At 1:57 p.m., Dennis Daugherty and Ted Sorenson left the meeting and Ray Waldo joined the meeting.

AUDIT REPORT. President Corn reminded the Directors that the audit was presented at last month's meeting. A motion was made by Director White, seconded by Director Ausman, and unanimously carried approving the audit as presented.

MITCHELL BUTTE REHAB (Continued): Stephen Godard said that his company could provide the District a number of services and he gave a handout which the Directors reviewed. He said that the District would most likely want to get a 30% design to have a good estimate of total project costs. He estimated the engineering costs to get to a 30% design at \$50,000 to \$60,000.

At 2:05 p.m., Stephen Godard and Joe Zhao left the meeting.

INSURANCE REVIEW. Mr. Waldo said that he provided an estimate last month on the property insurance premium. He said that the actual cost is down by \$2,000. He said that investigation on the Mitchell Butte turbine going out is still going on by the insurance company. He

said that he believes the company will cover the loss and the District has a deductible of \$25,000. He said that the policy covers lost revenue and repair costs. He said that he is still working on getting a quote on insuring the Mitchell Butte Power Plant and the District's pumping stations through Special Districts. Mr. Horton explained that if the District obtains the stimulus money grant through the Department of Energy, there is an insurance certificate requirement and he explained the insurance requirement. Mr. Waldo said that the District has adequate insurance to meet the stimulus grant insurance requirement.

At 2:15 p.m., Ray Waldo left the meeting and the District Employee Group joined the meeting.

EMPLOYEE GROUP. The Employee Group said that they are here to see what the Board has to say about the proposal which they presented to the Board in writing at last month's meeting. President Corn said that the Board appreciates the employees' efforts and that the Board is currently looking at the proposal. He said that the employees need to realize that budgets are tight. He said that the Board has not taken the matter up yet as a Board. Mr. Chamberlin said that employee health insurance costs went up slightly in July. He said that state PERS is a huge concern and it may be a big hit on the District next year. A discussion with the Employee Group on their proposal was had. Mr. Nichols said that he will call PERS to see if they have an estimate on how much it may be going up. Mr. Chamberlin said that he put together a spreadsheet on what the proposal may cost the District in the Directors' packets. President Corn asked if the Board could meet in October on this. A discussion was had and after discussion, it was determined that the Board will get back to the Employee Group in September or October. Mr. Stam of the Employee Group said that the District staff is down quite a few bodies and that they are asking for some raise. He then said that there is a picnic tomorrow night at the Ontario shop at 6:00 p.m., which the Directors are invited to.

At 2:25 p.m., the Employee Group left the meeting.

CHEVRON GAS LINE LICENSE AGREEMENT. Mr. Chamberlin said that USBR has a licence agreement with Chevron for where their pipeline crosses the District's delivery system. He said that USBR is wanting to renew the license for the crossing. The matter was discussed. Mr. Chamberlin said that the District does have a permit fee. A motion was made by Director Nagaki, seconded by Director White, and unanimously carried approving the proposed Chevron gas line crossing renewal.

EXCESS WATER. Mr. Chamberlin said that he would like the Board to ratify authorizing excess water. A motion was made by Director Ausman and was seconded by Director Tschida approving and ratifying the authorization of delivery of excess water within the District for the season. Mr. Chamberlin said that he contacted South Board and they did not have a problem with it. Director White said that it has been hard to keep things wet this year. Mr. Chamberlin said that the new District computer system has improved the water accounting records. The requirement for water users to sign a written request if they want excess water was discussed. Mr. Chamberlin said that he has also instructed ditchriders to note if water users do not want excess water. A vote was had on the motion, which passed unanimously.

DUNAWAY TOWER LEASE. Mr. Horton said that at last month's meeting Mr. Chamberlin was authorized to negotiate a contract with Wtechlink, which is a company wanting to put a relay dish on the tower at Dunaway Pumping Plant in order to connect Nyssa School computers to Adrian School computers. Mr. Horton said that the contract has been negotiated and that the District will receive \$600 per year. A motion was made by Director White and was seconded by Director Nagaki authorizing the President to sign the tower lease. Director White said that the money could be earmarked to go to the Owyhee Field Day. He then amended his motion to include this and Mr. Nagaki seconded it. The motion passed unanimously.

EXTENDED WARRANTY ON BACKHOE. Mr. Chamberlin said that District staff have checked on an extended warranty for the backhoe which was recently purchased. He said that the cost would be \$3,830 for an extended warranty which would last through February 2014, or 5,000 hours. Director White said that the Board needs to know what the warranty will cover. Mr. Chamberlin said that he will get the details and provide information to the Board next month.

WEEDBEATER. Director Ausman said that one of the District's weedbeaters needs to be replaced and he would like to see an analysis done of running weedbeaters versus spraying. Mr. Manser said that the weedbeaters do more and Director Ausman said that the District then needs to spend money on weedbeaters instead of chemicals. President Corn said that the problem is the puncture vine. Director White noted that South Board of Control hires out spraying. The matter was discussed and Mr. Manser said that the District is trying to cut chemical costs.

RECESS. President Corn declared the meeting in recess at 2:54 p.m., with the meeting to reconvene at the Small Hydro Project at Arena Valley in Idaho at 3:20 p.m. Whereas the meeting was recessed at 2:54 p.m.

MEETING RECONVENED. At 3:20 p.m., the meeting was reconvened at the Small Hydro Project in Arena Valley, Idaho.

HYDRO VISIT. The Directors visited and viewed the Small Hydro Project at Arena Valley, Idaho which Dennis Daugherty installed.

STIMULUS GRANT LETTER OF INTENT. Mr. Chamberlin said that the Oregon Department of Energy would like a letter of intent from the District stating that the Board intends to apply for the stimulus money grant funds. A motion was made by Director White, seconded by Director Nagaki, and unanimously carried authorizing Mr. Chamberlin to write a letter of intent to the Oregon Department of Energy stating that the District intends on seeking the grant funds for the rehabilitation of the Mitchell Butte Power Plant.

MEETING RECESS. President Corn said that the meeting will now be recessed to be reconvened at 12:00 p.m., on Monday, August 30, 2010, at the Twilight Café in Nyssa, Oregon. At 4:42 p.m., President Corn declared the meeting in recess.

MEETING RECONVENED. On August 30, 2010, at 12:07 p.m., President Corn declared the meeting reconvened. All of the Board members were present, with Director Tschida joining the

meeting at 12:09 p.m. Also present were Tom Zittercob, Harvey Manser, Jay Chamberlin, Peter Nichols, and Michael Horton.

MITCHELL BUTTE REHAB (Continued). Mr. Chamberlin said that he spoke to the Oregon Department of Energy about the letter of intent which he sent in. Director White asked about using the grant for other projects. The matter was discussed. Mr. Chamberlin said that the insurance company investigator will be coming out on the Mitchell Butte Power Plant unit going down.

Discussion on getting a new turbine for the Mitchell Butte Power Plant was discussed further. The available tax credits and the ability to sell those credits were discussed. Mr. Nichols said that in his calculations, it looks as if the District could finance up to \$1,000,000. Mr. Chamberlin said that the District needs to go in with a good machine. President Corn said talks with Idaho Power need to start right away. He asked if the District should have a second penstock in the RFP as an alternative. The consensus of the Board is to have a committee of the Board consisting of Eric White and Frank Ausman meet with Idaho Power with Dan Tschida as an alternate.

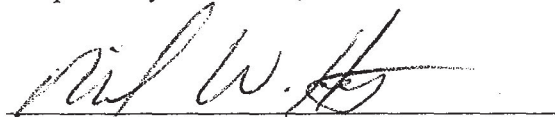
Mr. Nichols said that approximately \$120,000 has been borrowed from the District for the Mitchell Butte Power Plant and that probably \$225,000 is the amount still owed when interest is factored in.

WATER TURN-OFF DATE. Mr. Manser asked when the water will be shut off. President Corn said that he thought that the Joint Committee had tentatively decided on October 8 as the shutoff date. He said that word needs to get out to the water users early. Mr. Chamberlin said that he can include notice with the water cards.

TUNNEL BOND PAYMENTS. Mr. Nichols said that that the District is about three months behind on the scheduled payments to the Oregon Department of Energy on the Tunnel bond.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 1:20 p.m.

Respectfully submitted,



Michael W. Horton, General Counsel

APPROVED: _____