

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

February 26, 2002

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on February 26, 2002, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 10:34 a.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Duane L. Drydale	Fred Schilling
Larry White	Bruce Corn

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Secretary and General Counsel; and Ray Waldo, Insurance Agent of Record.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice on February 25, 2002, to the news media, namely the Ontario Argus Observer and Radio Station KSRV, as to the time, date and place of the meeting.

RESERVOIR STORAGE. Mr. Chamberlin reported that the reservoir storage as of February 26, 2002 is 156,430 acre feet and that the storage as of February 26, 2001 was 290,752 acre feet.

MINUTES. Minutes of the meeting of Directors held on January 22, 2002, had been mailed to each Director prior to the meeting. A motion was made by Director Drydale and seconded by Director White that the minutes be approved as submitted. The motion passed unanimously.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report prepared by Nichols Accounting Group for the Mitchell Butte Power Project for the period ending January 31, 2002. A copy of the report is attached to these minutes. The Directors reviewed the report.

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

Don's Lumber	71.13
Graybar	64.16
TML LLC	219.63

Columbia Paint and Coating	178.80
Riverside Inc.	29,153.59
Nichols Accounting Group	222.00
AT&T	17.95
Malheur Bell	<u>130.66</u>

Total \$ 30,057.92

President Corn asked if the bills on the penstock were the final bills. Mr. Chamberlin stated that they are not because not all of the labor bills are in yet. He estimated the final cost on the penstock repairs including the labor, would be approximately \$50,000. A discussion was had with regard to paying for the labor and still having sufficient funds in the bond payment account. Mr. Chamberlin stated that all of the penstock repair work is completed except for the installation of a ground mat. A motion was made by Director Schilling and seconded by Director Drydale that the accounts payable for the month of February as listed in the agenda, be paid. President Corn asked about the billing from TML for \$219.63. Mr. Chamberlin looked up the invoice and stated that it was for maintenance items. The motion passed unanimously.

INSURANCE REPORT. Ray Waldo, the District's insurance agent of record, gave an update on the District's general liability insurance policy which renewed on January 1, 2002. Mr. Waldo worked with Mr. Chamberlin in getting an applicable policy through Special Districts. Special Districts offered the best policy at the least cost. Mr. Waldo went through valuations of properties which were used in obtaining the insurance. Director Schilling asked if the pumping plants are covered under the policy and Mr. Waldo stated that they are not and historically, they have not been insured. He stated that vandalism and terrorism are covered this year but that next year terrorism will not be covered. A division of expenses on the pumping plants with Owyhee Ditch Company was discussed. Director Drydale noted that not all of the Dam buildings are owned 100% by OID as the Owyhee Ditch Company has an interest in some of them.

Mr. Horton asked if coverage for errors and omissions of officers and Directors is included in this policy and Mr. Waldo stated that it is. The overall coverage provided under the policy was explained by Mr. Waldo. He noted that this policy costs 7% more than it did last year but that he checked with other companies and this rate is much lower than the other companies can provide. Mr. Waldo stated that he is concerned about the hydro insurance at the Dam which will be up for renewal in September. The current insurer has taken some big hits with the Trade Center incident and Enron's bankruptcy. At 11:01 a.m., Ray Waldo left the meeting.

BOARD OF EQUALIZATION. At 11:02 a.m., Herald Medler and Robert Davie, District patrons joined the meeting and President Corn announced that this meeting of the Board of Directors of Owyhee Irrigation District is the time and place for the Board to sit as a Board of Equalization for the purpose of reviewing and correcting its list of water charges. Mr. Horton read the Notice of Equalization which had been published in the Argus Observer on February 15, 2002. President Corn stated that the assessments will increase to \$34.50 per acre for operation and maintenance, delinquencies and collection, reserves, and administration expenses. President Corn opened the meeting to public comment. Mr. Davie stated that he does not believe that the District should raise the assessments so much because the local farms are hurting financially. President Corn informed Mr. Davie that the reason for the increase is charges which the District is incurring outside of the Board's control. Those include moss control increases, electricity costs for the pumping plants, and increased insurance costs. Mr. Corn stated that part of the increase is to cover a three-year wage and benefit plan with the employees. Mr. Chamberlin explained the pumping plant power increases along with the fixed costs of the District. At 1:14 a.m., President Corn closed the meeting to public comment and Mr. Medler and Mr. Davie left the meeting. A motion was made by Director Drydale and seconded by Director White that the Board declare the list of water charges equalized and approved. The motion passed unanimously.

DRAINAGE DISTRICT MEETINGS. Mr. Chamberlin reported on a meeting of the Nyssa Arcadia Drainage District which he recently attended. At the meeting, the Drainage District expressed their concern with OID water which is put into their drainage system from the Shoestring. The Drainage District would like to have the incoming water tested and those testing points were discussed at the Drainage District's meeting. Mr. Chamberlin made a recommendation to proceed with the testing. He stated that at the Drainage District meeting, Dirk Deboer suggested putting in settling areas along bends in the Shoestring and Mr. Chamberlin advised him that he would give the idea some thought. Mr. Chamberlin stated that he will come back to the Board of Directors with maps and ideas once he gives the idea more thought.

President Corn stated that there should be some grant funds available for water quality improvement. Mr. Chamberlin stated that according to the Bureau, there is \$20,000 available to the District for water conservation work. Mr. Chamberlin said that he is considering using those funds for weir modifications.

RRA CONTRACT AMENDMENT. Mr. Chamberlin stated that he received a letter from the Bureau of Reclamation with proposed contract changes which relate to the adoption of the RRA

amendments to the contract. He presented the letter to Mr. Horton who stated that he would review the proposed changes and either modify the agreement or advise the President to sign the agreement. Mr. Horton stated that Board action is not necessary since the Board passed a resolution at the last meeting authorizing the contract amendment.

DUCK VALLEY. Mr. Chamberlin stated that the Bureau of Reclamation has asked him and Mr. Horton to attend a meeting at the Bureau office in Boise on March 7 to discuss a draft settlement proposal between the Department of the Interior and the Duck Valley Indian tribes. Mr. Chamberlin was informed that the only way to object to the draft proposal is through the Bureau and according to the Bureau, the draft proposal would have little impact on the Owyhee Project's water situation. Mr. Chamberlin stated that he is unsure of what exactly is contained in the proposal.

MOSS CONTROL CHEMICALS. Mr. Chamberlin stated that Oregon DEQ recently met with Oregon Water Resources Congress. At that meeting, DEQ proposed to extend the MAO for another two years rather than issuing permits allowing chemical to be applied. The reason for the delay is that DEQ does not have enough staffing to begin a permitting process. Mr. Chamberlin stated that the District may have to do fish screening on its canals if game fish are included in the new MAO.

At 11:45 a.m., Tom Zittercob, Hydro-electric Supervisor joined the meeting.

Mr. Chamberlin stated that there is grant money available to do fish screening. The ability to do screening was discussed. Mr. Chamberlin stated that DEQ did imply that when permits are issued, that they may be done on an individual and regional basis. Mr. Chamberlin reminded the Board that the District has committed \$10,000 towards obtaining the MAO through OWRC for this year.

HYDRO REPORT. Tom Zittercob reported that the Mitchell Butte Power Plant is ready to run. He stated that testing has been done and has come back good other than oil samples from a transformer at the Dam Power Plant which is showing signs of potentially going bad. He stated that he would give a full report at the Joint Committee meeting later in the day.

At 11:55 a.m., President Corn recessed the meeting.

At 1:22 p.m., the meeting was reconvened. The same individuals present at the meeting when it went into recess were present and President Corn reconvened the meeting.

OLD TRANSFORMER AT DUNAWAY PUMPING PLANT. Mr. Chamberlin said that there is an old transformer at the District's shop at the Dunaway Pumping Plant. The PCB levels in the transformer were too high for a salvage company to take the transformer away when two others were taken. He has been in contact with an Oregon company which has the ability to take the contaminated oil out of the transformer at an estimated cost of \$7,500. Director Schilling asked if the costs include taking away the transformer shell or just disposing of the oil. Mr. Chamberlin stated he thinks that it is just to dispose of the oil but he will check and see if the price includes flushing the shell and getting the residual contamination out. Mr. Zittercob stated that the sooner the oil is gotten rid of, the less cost will be incurred by the District. He stated that the transformer shell could then be sold as scrap. A motion was made by Director Drydale and seconded by Director Schilling authorizing the District Manager to proceed with the disposal. The motion passed unanimously.

B&M EQUIPMENT BUILDING PURCHASE. Mr. Chamberlin stated that the District's counter-counter offer has been accepted by the bankruptcy trustee. Kruck Environmental Services has been contacted with regard to performing an environmental assessment. They have laid out proposed sites for testing and have offered to reduce their testing costs if the District helps with the digging of the test holes. Mr. Chamberlin reported that he visited with a former employee of B&M Equipment with regard to the potential contamination at the site. He also checked and the land is not within the City and is not hooked up to City water or sewer. The potential of hooking up to the City in the future was discussed. The heating of the building was also discussed. Mr. Chamberlin explained Kruck Environmental Services' proposal to do the testing and a motion was made by Director Drydale, seconded by Director White, and unanimously carried authorizing the District to retain Kruck Environmental Services to perform the testing.

TUNNEL #1 INSPECTION. Mr. Chamberlin reported that Tunnel #1 was inspected using 4-wheelers. Areas within the tunnel which need to be monitored in the future were cataloged and numbered. There is an old hole where concrete popped out and is now being grouted. He stated that there are a couple of shrink cracks in the tunnel but there are no fresh cracks showing up. He has implemented procedures to do inspections at the tunnel every five years. Director Drydale asked about the cost and time required to re-pipe the irrigation works through the tunnel. Mr. Zittercob stated that it would be very expensive and the possibility of re-piping was discussed.

Mr. Chamberlin and Mr. Zittercob had a conversation with regard to installing additional alarms on the irrigation gates to give earlier warnings of a gate malfunction.

SNIVELY SIPHON INSPECTION. Mr. Chamberlin reported that the Snively Siphon was inspected. The inspection revealed that big rocks are falling down into the flume and tearing up the bottom of the siphon. He stated that 12 to 15 yards of material needs to be removed above the concrete flume. He stated that next year, personnel will need to get into the siphon and clear away the rocks. He stated that the other two siphons within the District will be inspected prior to the water coming on. He said that perhaps fencing may help to prevent rocks from getting in. Other needed repairs throughout the District were discussed. Mr. Chamberlin stated that perhaps a field trip will be necessary at a later meeting to show the Board the areas of needed work.

DEAD OX PUMPING PLANT. Mr. Chamberlin stated that while the stator and rotor were being rewound at Riverside Electric on one of the motors from the Dead Ox Pumping Plant, he had Riverside test one of the other motors and it tested bad and needs a new rotor. The motor tested is one of the motors that runs a pump and the estimated cost is \$20,000. The Board consensus was to have the motor repaired now rather than to try to run it this season as it is and have it break down in the middle of the irrigation season. The potential safety hazard which it creates will also be taken care of. Mr. Chamberlin recommended that the other motors at Dead Ox Pumping Plant eventually be rewound also.

MANAGER REPORT. Mr. Chamberlin stated that the City of Ontario is addressing its sewer problem within Caynon #2. The City will be boring under the District's canal and installing a line. The line is to be set 9 feet deep and will also run along the District's easement. Above the line, the City will gravel and maintain a road. Mr. Chamberlin said that the District needs to make sure that the City does not interfere with the District's operation and maintenance practices.

DIRECTORS' COMMENTS. Director Drydale asked if the City had ever responded to the letter the District wrote to it with regard to the City storm water. Mr. Horton stated that it had not. Siphons throughout the District, fencing, and a catwalk at the glory hole were discussed. Director White asked Mr. Chamberlin if there is any way to get financial help to make structural changes throughout the District. Mr. Chamberlin said that there are funds available if the structural changes result in water conservation and if the District provides in kind services. Though there are a number of funds available for the installation of fish screens, there are not a lot of funds available for rehabilitation work. Maintenance items throughout the District were discussed.

STATEMENT OF CASH. Mr. Chamberlin presented the following summary of the cash (or equivalent) on hand January 22, 2002.

Mitchell Butte Bonds (9.675%)	259,000.00
Local Government Pool - USBR Reserve	300,000.00

LGIP - Equipment Reserve	156,500.00
LGIP - O & M Fund	1,471,032.72
U.S. Bank - Checking Account	32,977.04
LGIP - Environmental Reserve	137,000.00

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned by President Corn at 4:03 p.m.

Respectfully submitted,



Secretary

APPROVED: _____