

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

August 16, 2005

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on August 16, 2005, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 7:03 p.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Jerry Nagaki  
Bruce Corn  
Larry White

Fred Schilling  
Frank Ausman

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

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 10, 2005.

MINUTES. The minutes of the regular meeting of Directors held on July 26, 2005, were mailed to the Directors prior to the meeting. Director White noted a needed correction to the minutes in that the motion to purchase an ATV was passed unanimously by the Directors, yet the minutes fail to state this. The minutes were corrected. A motion was made by Director Nagaki, seconded by Director Schilling, and unanimously carried approving the minutes as corrected.

HYDRO INSURANCE. Ray Waldo said that it is time for the hydro insurance policies to renew. He passed around handouts which show the liability insurance proposal and the property insurance proposal to be effective September 1, 2005. Mr. Waldo went through the proposals as the Directors reviewed them. The proposal for the liability insurance which is offered through Chubb Group of Insurance Companies shows a total annual premium of \$42,093.00. Mr. Waldo said that this is more than last year's premium but that the actual rate is down and the reason for the increase is because the rate is based upon the kilowatt hours produced by the hydro plants in the previous year. He said that last year's premium was \$32,512.68.

Mr. Waldo stated that the liability insurance proposal is for all three hydro projects. President Corn stated that Mitchell Butte is owned separately and asked if the Owyhee Irrigation District is covered. Mr. Waldo said that the Owyhee Irrigation District is covered. He said that the policies are in the name of the Joint Committee and that one of the named insured is the

Owyhee Irrigation District. A discussion was had with regard to changing the primary insured on the Mitchell Butte policy to the Owyhee Irrigation District. Mr. Waldo said that he believes that this can be done without additional cost. He will check into the matter. Mr. Horton asked if there is any way to estimate the possible future rate increases as insurance is one of the larger expenses which the Districts incur. Mr. Waldo said there is not.

On the property insurance proposal, Mr. Waldo stated that there has been a premium decrease from last year. He said that there was a 4% asset increase factor which he hopes will keep the insured value of the project closer to its actual market value. Mr. Waldo said that the total annual premium is \$102,113 as compared to \$109,000 last year. Mr. Waldo said that in the event that there is a machinery breakdown, the Districts must wait 30 days before the business interruption coverage kicks in. He said that the property insurance proposal is through Lloyds Underwriters which is the same as last year. He said that prior to last year, Chubb wrote the property insurance. He said that with Chubb, the business interruption coverage waiting period was only 25 days. Mr. Waldo said that he spoke with Mr. Chamberlin and that there is the potential for the Districts to lose \$180,000 in lost revenue in five days at the Tunnel if it were to go down. He said that the premium savings between Chubb and Lloyds is \$40,000 per year so that the potential lost revenue is made up in five years.

Mr. Waldo said that since the Lloyds' policy is not based upon a commission that he must have a written fee agreement with the insured. He presented an agreement which is the same as last year's agreement with the exception of Field-Waldo's fee. Field-Waldo's fee in this agreement is \$20,000 as compared to \$25,000 last year. Mr. Waldo said that the fee was calculated as being equal to the commission which his firm would have otherwise received.

EXECUTIVE SESSION TO DISCUSS POTENTIAL LITIGATION. Mr. Chamberlin said that an executive session is needed to discuss potential litigation involving the recent ditch breaks. Mr. Horton said that the executive session is authorized pursuant to ORS 192.660(1)(h). A motion was made by Director Schilling, seconded by Director White, and unanimously carried that the Board enter executive session. The Board entered executive session at 7:35 p.m.

At 7:47 p.m., the Board returned to regular session.

HYDRO INSURANCE. A motion was made by Director Ausman, seconded by Director Nagaki, and unanimously carried accepting the property insurance proposal and the liability insurance proposal presented by Mr. Waldo and further accepting the fee agreement presented by Field-Waldo Insurance and authorizing Mr. Chamberlin to sign the agreement on behalf of the Joint Committee and Owyhee Irrigation District.

At 7:49 p.m., Ray Waldo left the meeting.

OWYHEE IRRIGATION DISTRICT BILLS. Mr. Chamberlin presented a check register report showing the Owyhee Irrigation District bills. The Directors reviewed the report. A motion

was made by Director Schilling, seconded by Director Nagaki, and unanimously carried ratifying and authorizing payment of the bills as presented.

OWYHEE DAM POWER PROJECT.

Financial Report. Jay Chamberlin handed out a financial report prepared by Peter Nichols on the Owyhee Dam Power Project for the period ending July 31, 2005. The Directors reviewed the report. President Corn asked if the bond payment account is now fully funded. Mr. Horton said that he believes that it is and that a letter agreement from the Oregon Department of Energy, which addresses the account, has been received.

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

Nichols Accounting Group	\$303.00
Oregon-Idaho Utilities	210.13
Malheur Bell	45.84
Stunz, Fonda, et al	<u>1,060.08</u>
Total	\$1,619.05

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

TUNNEL #1 POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report prepared by Peter Nichols on the Tunnel #1 Power Project for the period ending July 31, 2005. The Directors reviewed the report.

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

Nichols Accounting Group	\$1,626.00
Oregon-Idaho Utilities	<u>156.67</u>
Total	\$1,782.67

A motion was made by Director Ausman and was seconded by Director White that the accounts payable for the month, as listed in the agenda, be paid. President Corn asked Mr. Chamberlin if the agenda reflects all of the bills for the month or if there have been bills which have come in from the time the agenda was mailed out relating to the June breakdown. Mr. Chamberlin said that there have not been any more bills to come in. A vote was had on the motion which passed unanimously.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Jay Chamberlin handed out a financial report prepared by Peter Nichols on the Mitchell Butte Power Project for the period ending July 31, 2005. The Directors reviewed the report. President Corn asked if there will be enough money to make the final Mitchell Butte bond payment. Mr. Chamberlin said that he thinks there will be enough money. Director White said that the line loss figure seems high as compared to last year's figure when less electricity was generated. He said that he has yet to receive a satisfactory explanation as to why this is so.

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

Nichols Accounting Group	\$233.00
AT&T	24.55
Stunz, Fonda, et al	19.00
Malheur Bell	<u>121.55</u>
Total	\$398.10

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

USBR REQUEST ON RIBBON CUTTING. Mr. Chamberlin said that the USBR Commissioner will be coming to Vale in the future to acknowledge some grant money which has come in. Mr. Chamberlin said that Jerry Gregg, the Regional Director for the Bureau of Reclamation asked him if the Owyhee Irrigation District Board of Directors would like to have the Commissioner have a ribbon cutting for winter releases. Mr. Chamberlin said that he informed Mr. Gregg that he did not think that the Board would support this. He said that he told Mr. Gregg that he would bring the matter up to the Board. The consensus of the Board is that it does not support a ribbon cutting.

IDAHO POWER NEGOTIATIONS. Mr. Horton said that a negotiating team consisting of himself, Mr. Chamberlin, Peter Nichols, Director Ausman, and Director Nagaki recently met with representatives from Idaho Power. He said that negotiations are going well but that he does not wish to disclose the specifics of the negotiations in an open forum. Directors Nagaki and Director Ausman both agreed that they felt that the negotiations were going well.

EXECUTIVE SESSION. Mr. Chamberlin said that an executive session is necessary to discuss potential litigation on the Districts' NPDES permit. Mr. Horton said that the executive session is authorized pursuant to ORS 192.660(1)(h). A motion was made by Director Ausman, seconded by Director Nagaki, and unanimously carried authorizing the Board to enter into executive session. At 8:00 p.m., the Board entered executive session.

At 8:11 p.m., the Board returned to regular session.

DIRECTOR ELECTIONS. Mr. Chamberlin said that he has received a few questions as to the eligibility of individuals to serve on the Board of Directors. He said that the question is whether or not an individual who does not own land within a division of the District can serve as a Director from that division if the individual is a shareholder of a corporation which owns land within that division. He said that he put the question to Mr. Horton. Mr. Horton said that an individual who is an Oregon resident and is a shareholder of a corporation which owns land within a division of the District can serve as a Director for that division.

Mr. Horton stated that Director Ausman's and Director White's positions are up for reelection this fall. He said that openings for those positions will be published in the *Argus Observer* on August 26. A discussion on Director election and the need for the Directors to explain the process to District patrons was had. Director Schilling stated that he is still an Oregon resident and owns land within the division of the District which he represents. He said that he is planning on changing his state of residency some time in the future and he will let the secretary of the District know as soon as that occurs. Mr. Horton said that in that event, there will be a vacancy on the Board which is to be filled by the appointment of an individual selected by the remaining Directors. Mr. Horton said that the appointed individual will serve out the remainder of Director Schilling's term if the vacancy becomes open within 60 days of the November election.

LONG BOOM. Mr. Chamberlin said that a representative from CAT came out and inspected the damaged excavator. Mr. Chamberlin said that from the inspection, it appears as if the engine, side panel, boom, stick, windshield, side window, undercarriage, and hydraulic pump are all damaged. He said that the representative did not give a cost estimate yet. Mr. Chamberlin said that the District has \$75,000 of replacement insurance on the machine. The Directors all agreed that it sounds as if the excavator will be totaled.

Mr. Chamberlin said that he would like to update the equipment needs list for the District later this year. He said that he is looking at the need for weedbeaters and a bulldozer. He said that both weedbeaters are down right now. He said that spraying the weeds did not go well this year because of the weather and other factors. Director White asked if the District had manpower available if the money which would be spent on purchasing new weedbeaters would be better spent on chemical control of the weeds. Mr. Chamberlin said that is a possibility but that the environmental issues and additional spray equipment costs would have to be looked at. Director Ausman asked if the spraying of weeds could be contracted out. Mr. Chamberlin said that idea has some potential. He said that he will look into it.

President Corn said that it appears as if the District is reaching a critical point on replacing equipment again. Mr. Chamberlin said that he believes that the Districts' weakest link is in its excavators and bulldozers. Director Schilling said that it is an ongoing cycle to replace equipment but that somehow that cycle must be maintained. President Corn stated that perhaps the Mitchell Butte Project can eventually generate excess revenue which may help to purchase equipment.

DEAD OX PUMPING PLANT. Mr. Chamberlin said that a storm event shut down power throughout the District. He said that both pumping plants went down. He said that Dead Ox

Pumping Plant went down completely. He said that Riverside Equipment came out yesterday morning and determined that a large coil on the small pump known as "peewee" is worn out. Mr. Chamberlin said that at the end of the year, the District will need to look at all of the coils at Dead Ox. He said that the plant also needs to be rewired. He said that an estimate on the rewiring which the district received a few years back was \$20,000 to \$30,000. Director Nagaki asked if this quote was to replace components or just to rewire the plant. Mr. Chamberlin said that he believes that it was just for rewiring but he is unsure. Director Nagaki said that he is curious about the cost of completely changing out all of the panels at Dead Ox since the District can no longer get many of the components for the panels. Mr. Chamberlin said that the Dunaway Plant has been running well. He said that there is a motor at Dead Ox that will need to be gone through at the end of the season.

STORAGE REPORT. Included in the agenda was a storage report. The storage report shows reservoir storage on August 10, 2005, of 507,641 a.f. and on August 10, 2004, of 201,714 a.f.

ATV FOR DAM. Director Schilling asked if the ATV has been purchased for the Dam. Mr. Chamberlin said that he has given the purchase order but that the machine has to be ordered in.

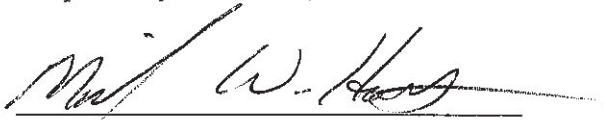
DATE AND TIME OF NEXT BOARD MEETING. Mr. Chamberlin said that he has a conflict on September 20 which would be the date of the next regular Board meeting. He asked if the meeting could be moved to September 27. The Directors agreed that the meeting could be moved and President Corn stated that the meeting must be scheduled for 8:00 p.m., if it is just to be an OID meeting.

EXCAVATOR. A discussion was had on seeking bids for a replacement excavator. A motion was made by Director Nagaki, seconded by Director White, and unanimously carried authorizing Mr. Chamberlin to solicit bids for a new excavator.

DAM 75 YEAR CELEBRATION. Mr. Chamberlin said that when he spoke with Jerry Gregg at the Bureau of Reclamation, Mr. Gregg was very excited about the Bureau helping out with the celebration.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 8:54 p.m.

Respectfully submitted,

  
Secretary

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