

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

May 21, 2002

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on May 21, 2002, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 7:49 p.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Jerry Nagaki
Larry White

Duane L. Drydale
Bruce Corn

Also present were: Jay Chamberlin, District Manager; Tom Zittercob, Hydroelectric Supervisor; Michael W. Horton, Secretary and General Counsel; and Gene Stunz, Assistant Secretary.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice on May 14, 2002, to the news media as to the time, date, and place of the meeting.

TOM ZITTERCOB, HYDROELECTRIC SUPERVISOR REPORT. Tom Zittercob, Hydroelectric Supervisor brought a wicket gate and a damaged shaft to the meeting and passed it around to the Directors and explained the problems with it. He said that the gate and shaft were out of one of the units at Mitchell Butte Power Plant which he discussed at last month's meeting. He reported that Riverside Electric has completed the work on the unit and that now the unit is making more power than it ever has before. The efficiency of unit one is up as compared to previous years and as compared to unit two.

Mr. Zittercob said that the District is looking at expensive maintenance costs on the units the next time they are pulled which he estimates will occur in four to five years. He said that the District has no spare gates or runners and that it may take one to two years to get parts. He said that the District would then need to look at acquiring a new lower turbine or a rebuild of the ones they have. He said that the turbine housing and wicket gates will all need to be rebuilt in five years. He would like the District to put together a plan to address the maintenance items which will be needed in five years. Mr. Chamberlin reported that the cost of just rebuilding the wicket gates and shafts was \$40,000. Mr. Zittercob estimated that the District has \$100,000 invested to redo the machine. Mr. Stunz reminded the Directors that when the bonds are paid off in five years that the income on the Idaho Power contracts will be reduced substantially. He said that income may not be available

at that time to pay for the required maintenance. The rates being paid on the Dam and Tunnel Power Plants are locked in until the FERC license runs out. The Board authorized Mr. Horton and Peter Nichols to put together an analysis on the potential income from the Mitchell Butte Power Plant after the bonds are paid off.

Mr. Zittercob reported that a speedboard when out at the power plant and the plant was down Sunday through Friday. He is happy with the power plant now that it is back running. He reported that the amps being produced by the power plant are starting to peak.

At 8:25 p.m., Tom Zittercob left the meeting.

MINUTES. Minutes of meeting of Directors held on April 16, 2002, had been mailed to each Director prior to the meeting. A motion was made by Director White and seconded by Director Nagaki that the minutes be approved as mailed. The motion passed unanimously.

RESERVOIR STORAGE. Mr. Chamberlin reported that the reservoir storage as of May 21, 2002 is 405,216 acre feet and that the storage as of May 21, 2001 was 437,975 acre feet.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the period ending April 30, 2002 which was prepared by Nichols Accounting Group. The report shows a net loss for the month of April of \$39,278.93 and a net loss for the year-to-date of \$126,519.37. Mr. Stunz said that the reason the Mitchell Butte Power Plant was installed was because an outside group had filed for a water right to build a hydro plant on that site with the Federal Energy Regulatory Commission. The District then decided to go ahead with the power plant project itself as a way of protecting the District's water rights.

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

NWFF Environmental	\$ 260.00
Riverside Electric, Inc.	40,536.73
Riverside Electric, Inc.	172.80
Talk America	15.79
AT&T	62.15
Malheur Bell	137.37
Nichols Accounting Group	<u>228.00</u>
Total	\$ 41,412.84

A discussion was had with regard to the fact that there are two power production units at the Mitchell Butte Power Plant and parts could be scavenged off of one of the units to keep the other one running. It was noted that the Plant is only at full capacity two months out of the year. Director Drydale asked about the bill from NWFF. Mr. Chamberlin stated that it was for battery disposal. President Corn noted that electrical generation income is up even though the power plants were started a week later than last year.

A motion was made by Director Nagaki and seconded by Director White that the accounts payable for the month of May as listed in the agenda, be paid. President Corn asked if the payment to Riverside Electric would take care of the final payment for the wicket gate repairs and Mr. Chamberlin said that it would. The motion passed unanimously.

PROPOSED GOPHER DISTRICT. Mr. Chamberlin said that Keith Langley asked if the District would be interested in forming a Gopher Control District. Director Drydale said that the patrons would not stand for a \$10.00 assessment for gopher eradication. The purchase and operation of a gopher gun was discussed.

HEALTH INSURANCE INCREASE. Mr. Chamberlin reported that health insurance premiums are increasing by 21%. He asked if it was the Board's intention to pay for Mr. Ross's insurance premium increase and the consensus of the Directors was to do so.

OWYHEE DITCH COMPANY CANAL BREAK. Jay Chamberlin said that the District helped the Owyhee Ditch Company repair their canal break. He agreed to provide man power and equipment for the repairs in exchange for reimbursement of 25% of the equipment rate and fuel costs and full payment of OID employees' overtime pay. The total amount which was owed by the Owyhee Ditch Company was \$14,251.05. He received a letter from the Owyhee Ditch Company stating that they felt the charges were too low and enclosed with the letter was a check in the sum of \$22,026.14. Director Drydale said that it is good for the District to help out because if the District ever needs help, the Ditch Company can provide it. Mr. Chamberlin explained the break and repairs made to the canal. He said it was a good opportunity to assess his crew in an emergency-type situation. He was very happy with the job they did. He said it also gave him an opportunity to assess the District's equipment. President Corn said he went around and looked at the OID project areas and noted the fragility of the system.

Jay Chamberlin advised the Directors of maintenance concerns throughout the project. He explained the installation of an air pressure release valve at the Kingman siphon. He also said that there is deterioration inside some of the siphons. He said that

there is a grouting company which can apply a coating inside pipes. Mr. Stunz advised the Directors about a project he was involved in which utilized a grouting process and it did not work out very well. Mr. Chamberlin said that he would like to photo and video the problem areas and see how they are holding up.

President Corn asked if the large siphons have problems also. Mr. Chamberlin reported that they are in not too bad of shape. He said the steel is holding up well but the concrete has been affected by the alkali soil. Mr. Chamberlin reported that ring gates need to be checked with regard to future repairs. President Corn said that the Board needs an inventory of the necessary repairs and then a repair priority schedule can be adopted.

B&M EQUIPMENT BUILDING. Mr. Horton reported that he and Mr. Chamberlin were authorized at the last meeting to make an offer to the bankruptcy trustee to purchase the building. When he called to schedule a time to meet with the trustee, he was informed that the trustee had abandoned the property. The realtor then informed him that they had an owner who may be interested in selling the property and Mr. Horton and Mr. Chamberlin made an offer to that new owner on the same terms the offer was to be made to the bankruptcy trustee. That offer has been tendered to the owner of the property who will be quitclaiming it to the lien-holders who will then become the sellers. The property tax situation with regard to the property was discussed. Mr. Horton was authorized to investigate the availability of a purchase agreement with DEQ which could be used to purchase the property at a sheriff's sale.


AQUATIC HERBICIDE. Mr. Chamberlin reported that the MAO with DEQ is in place. He has also received information for a permit but that will take 60 to 65 days. In the meantime, chemical application has been made under the MAO. He said that a representative from DEQ came out and inspected the system with regard to putting together the permit.

NEEDED EQUIPMENT. Director Drydale pointed out that as the farm economy declines, the District will have more and more problems with tumble weeds. Mr. Chamberlin said that one more sprayer is needed. Mr. Drydale said that the District could use another weed beater. President Corn advised Mr. Chamberlin on a weed beater he saw listed for sale. Mr. Chamberlin agreed that another weed beater is needed because "You can't be where you need to be when you need to be there." Mr. Chamberlin said that two more twelve-yard trucks are needed as is a one-ton service truck for Dave Krause. He said that he has held off buying Dennis a truck. Government auctions are coming up in June or July and he has decided to purchase a service truck instead of getting Dennis a truck and the cost may be more than \$8,000.

MALHEUR BUTTE DEVELOPMENT. Mr. Chamberlin then reported that the District is having vandalism problems at Malheur Butte. A developer's proposal to develop the Butte was discussed. Mr. Chamberlin said that he has spoken with the developer on the telephone and advised him of the District's right of way. The consensus of the Board is that the proposed development would hinder the District in its operation of the canal system in that area.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned by President Corn at 10:00 p.m.

Respectfully submitted,



Secretary

APPROVED: _____