



BOARD MEETING MINUTES

WEDNESDAY, OCTOBER 16, 2013

The Board of Directors of the Farmers Irrigation District met on Wednesday, October 16, 2013, at the district office for the purpose of conducting its regular monthly and budget committee business. Those in attendance were directors Don Chandler, Tim Annala, Rich Hanners, Pete Siragusa and Erick von Lubken; District Manager, Jer Camarata; Project Manager, Jerry Bryan; Administrative Assistant, June Brock; Attorney, Jeff Baker and Insurance Agent of Record, Julie Hammond. Budget Committee members Bob Benton, Kevin Asia, Randy Franz, and Andy Von Flotow were also in attendance along with Meri Stratton and Scott Reynier.

Chairman Don Chandler called the meeting to order at 11:00 a.m.

BUDGET COMMITTEE WORK SESSION

A budget committee work session took place from 11:00 a.m. until 12:42 p.m. At the commencement of the meeting it was moved by Randy Franz and seconded by Bob Benton to elect Kevin Asai as Budget Chairman. The motion passed with all in favor. Jer gave the budget committee a summary of major projects completed to date. These projects included the completion of the Low Line Pipeline, power plant electrical and mechanical maintenance, dam maintenance, pump-station maintenance, system inspections, and the commencement of the Large Pipe Facilities Project on Farmers Canal schedules A, C, D, E and G. The board members and budget committee reviewed the draft 2014 budget as-presented and discussed the facets of debt service, insurance, hydro revenue, efficiencies, payroll, benefits, and O&M rate increases. Andy von Flotow asked if it was possible to review a ten year budget inclusive of Hydro Revenue. Jer replied yes, and noted that rates are contractually certain until 2025 per the District’s current PPA. Chairman Chandler asked Project Manager, Jerry Bryan to present the Plant 2 Re-Power project report. Much discussion ensued. There was general acceptance and praise of the proposed budget in its balanced form. It was moved by Andy von Flotow and seconded by Randy Franz to recommend to the Farmers Irrigation District Board that the 2014 Budget be adopted as presented. The motion passed with all in favor and the budget committee work session was adjourned.



The board returned to regular board session. It was then moved by Erick von Lubken and seconded by Tim Annala to accept the budget committee's recommendation and adopt the 2014 budget as presented. The motion passed with all in favor. Budget Committee members then excused themselves from the balance of the board meeting and a short break ensued.

Chairman Don Chandler called the regular meeting of the board back to order at 12:57 p.m.

MONTHLY BUSINESS:

The minutes of the September 18, 2013 board meeting were presented and discussed. It was moved by Erick von Lubken and seconded by Pete Siragusa to approve the minutes as presented. The motion passed with all in favor.

The O&M bills for the month of October 2013 were presented and discussed. It was moved by Erick von Lubken and seconded by Tim Annala to approve the bills in the amount of \$58,629.82. The motion passed with all in favor.

LPFP Disbursement #8 was presented (see attached). It was moved by Erick von Lubken and seconded by Rich Hanners to approve payments in the amount of \$234,326.15. The motion passed with all in favor.

LPFP Farmers Canal Project - Jer requested authorization from the Board to make interim payments to project contractors and vendors as soon as expenditures have been approved by engineering, suppliers, the project manager, DEQ, and the funds have been successfully transferred into the District's account. Such action will help ensure that our contractors and vendors are timely compensated (as opposed to waiting until future board meetings), and this action will also help proactively mitigate against potential construction delays/overruns. Jerry Bryan reported that there were going to be some substantial overruns on fill-material and engineering, but that he was very pleased with the quality of the project. It was moved by Erick von Lubken and seconded by Rich Hanners to approve authorization of interim payments. The motion passed with all in favor.

BUSINESS FROM THE FLOOR:

Insurance Update – Insurance Broker, Julie Hammond presented estimated insurance quote options from SDAO and GCube Renewable Energy Insurance (see attached) along with District insurance claims over the past 26 years. Much discussion ensued regarding deductibles, rates, premiums, business interruption, infrastructure, earthquake, fire and the perils of uninsured property. The board asked Julie to investigate the premiums/cost of dam coverage and further refine options. Julie committed to working with staff and will strive to provide the Board with additional insurance quotes prior to the



December board meeting, and then propose such alternatives at the December meeting. The Board thanked Julie for her presentation and diligent work on the matter.

CORRESPONDENCE:

Memorandum(s) of Understanding were received from:

Eliot Small User Group, Post Canyon Assoc., Fukui User Group, NW Hutson Corner Co-op, Mt. View Irrigation Assoc., Jeanette West User Group, Larch Court Water Assoc., Hood View Water Users Assoc., Eliot Woods Users, Group, Schull Dr. Irrigation Assoc., Grandview Cooperative

It was moved by Pete Siragusa and seconded by Rich Hanners to accept the MOU's as presented. The motion passed with all in favor.

REPORTS AND DISCUSSION:

a) A/R Report – Jer reported that the district has received \$3,714.72 in payments since the September board meeting. The A/R balance is at 93% versus 95% last year. Two liens have been satisfied.

b) Hydro Production – September's production was projected at 650,000 kWh. Actual production was 1.3 million kWh. Hydro revenue for September was projected at \$41,476. Actual revenue was \$85,056.

c) Manager's Report – Jer reported that the Hood River is flowing around 545 cfs. The substantial rainfall that hit the Hood River valley near the beginning of October put the District on Debris/Mud-Flow alert. The Farmers Canal was turned-out and protected at the headgate as a precautionary measure. In all, the storm had very little effect on the District's system and even provided an opportunity to get started on project construction a day early. Plant 3 is still running thanks to Low Line being in pipe. Jer mentioned that this is one of the only times in our history that we have been able to undergo a massive construction project while concurrently making power. Jer thanked and applauded the crew for their willingness to handle the extra logistics involved. Winterization of the District's system will commence after construction projects have been completed, on or around the first couple weeks of November. Large Pipe Facilities Project – Farmers Canal is well underway with the hopes of turning water back in November 1st. Project Manager, Jerry Bryan gave a detailed report of the Farmers Canal project which included a discussion of significant cost overruns due to excessive rock located at Schedule A (massive rock and soft sediment sub-excavation) and the need for extra bedding materials for all schedules, concrete walls at Forebay 2, and a concrete lining for the headgate tunnel. The project update report led to another discussion of the Plant 2 Re-Powering Project whereby Jerry informed the board that the District has received a formal proposal from Gilkes. Jerry recapped P2's Francis units' low efficiencies, production numbers, cavitation problems, annual rebuilding of runners, complex programmable logic, and endless maintenance issues. Jerry said that there is still some more preliminary analysis work to do,



but staff would likely be asking for a decision on the Re-Power Project in coming months once pricing and funding mechanisms become more certain.

Rich Hanners asked if it was possible to see comparison figures from other Gilkes installations. Andy von Flotow replied that each installation is unique and comparisons could only be obtained by using the District's previous flow and production numbers and the Gilkes estimated production numbers. Jerry reported that the District has applied for an Energy Trust of Oregon (ETO) grant and has already asked Evergreen Energy to conduct a third-party project analysis. Preliminary feedback suggests that Evergreen's findings are very favorable. District staff will be visiting a Turgo installation in Northern California in the near future. Addressing board member Pete Siragusa's request last month, staff ran several scenarios regarding the Net Present Value (NPV) of various options over a ten year horizon:

- A self-funded Turgo results in a negative NPV of \$240,000.
- An ETO \$750,000 renewable incentive funding package results in a positive NPV of over \$300,000.
- An ETO \$750,000 renewable incentive plus the possible sale of a portion of summertime hydro rights results in a positive NPV funding package of several million dollars.
- The "do nothing" scenario results in a 2 million dollar loss.

d) Jer informed the board that the new water accounting program from ACS is nearly complete. ACS will be working with District staff to finalize data migration the last week in October with the goal of producing the annual billing during the first weeks in November.

e) The District is in the process of converting to a direct deposit payroll service effective November 2013. It was moved by Erick von Lubken and seconded by Rich Hanners to move the payroll day from every other Monday to every other Wednesday (page 15 of Personnel Policy) to accommodate the new process. The motion passed with all in favor.



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LEGAL:

a) Attorney, Jeff Baker is working on CRB documents for the P2 Re-Power Project.

b) Election: Division 1 – Bill Munk submitted a valid petition for the position of Director for Division 1. No other petitions were received.

Election: Division 4 – Tim Annala submitted a valid petition for the position of Director for Division 4. No other petitions were received.

OTHER BUSINESS:

ADJOURNMENT: There being no other business, the meeting was adjourned at 2:33 p.m.

Signed: _____ Rich Hanners, Secretary

Attest: _____ Don Chandler, Chairman