



**BOARD MEETING MINUTES
WEDNESDAY, JANUARY 15, 2014**

The Board of Directors of the Farmers Irrigation District met on Wednesday, January 15, 2014, at the District office for the purpose of conducting its annual meeting and monthly business. Those in attendance were directors Don Chandler, Tim Annala, Pete Siragusa, Erick von Lubken and Bill Munk; District Manager, Jer Camarata; Project Manager, Jerry Bryan; Office Manager, June Brock and Attorney, Jeff Baker. Also in attendance was guest LeRoy Nickerson and Julie O'Shea.

Chairman Don Chandler called the annual meeting to order at 12:00 p.m.

ANNUAL BUSINESS:

Directors Don Chandler, Tim Annala, Pete Siragusa, Erick von Lubken and Bill Munk took official oaths of office.

Don Chandler opened the nominations for Chairman.

A motion was made by Tim Annala to nominate Don Chandler for Chairman. Erick von Lubken seconded the motion. It was moved by Tim Annala and seconded by Erick von Lubken to close the nominations and cast a unanimous ballot for Don Chandler as Chairman. The unanimous ballot was cast with Tim Annala, Bill Munk, Pete Siragusa and Erick von Lubken voting aye.

Chairman Don Chandler opened the nominations for Vice-Chairman.

A motion was made by Tim Annala to nominate Erick von Lubken for Vice-Chairman. Pete Siragusa seconded the motion. It was moved by Tim Annala and seconded by Pete Siragusa to close the nominations and cast a unanimous ballot for Erick von Lubken as Vice-Chairman. The unanimous ballot was cast with Don Chandler, Bill Munk, Pete Siragusa and Tim Annala voting aye.

Chairman Don Chandler opened the nomination for Secretary.

A motion was made by Erick von Lubken to nominate Pete Siragusa for Secretary-Treasurer. Tim Annala seconded the motion. It was moved by Erick von Lubken and seconded by Tim Annala to close the nominations and cast a unanimous ballot for Pete Siragusa as Secretary-Treasurer. The unanimous ballot was cast with Don Chandler, Tim Annala, Bill Munk and Erick von Lubken voting aye.

BUDGET COMMITTEE:

The budget committee members will remain the same.

DEPOSIT OF FUNDS:

A motion was made by Erick von Lubken and seconded by Tim Annala to adopt Resolution 01-14 appointing Columbia State Bank as the District's depository for 2014 with additional funds to be held at Oregon State Treasury, Local Government Investment Pool. The Board of Directors, Manager, and Water Rights Specialist are authorized to sign on the accounts with two signatures required, one of which must be from a director. The Financial Administrator is authorized as Custodian of Records and will make Local Government Pool account transactions per established guidelines. The motion passed with Don Chandler, Tim Annala, Bill Munk, Pete Siragusa and Erick von Lubken in favor.

REGULAR MEETING DATES:

A motion was made by Tim Annala and seconded by Erick von Lubken to adopt Resolution 02-14 setting the regular meeting days for 2014 on the third Wednesday of each month according to the following schedule:

January through December—12:00 p.m.

Any necessary changes to the schedule will be posted via public notice.

All meetings will be held at the District office located at 1985 Country Club Road, Hood River, Oregon. The motion passed with Don Chandler, Tim Annala, Bill Munk, Pete Siragusa and Erick von Lubken in favor.

ANNUAL BOARD MEETING DATE:

A motion was made by Erick von Lubken and seconded by Tim Annala to adopt Resolution 03-14 establishing January 21, 2015, at 12:00 p.m. as the date of the Year 2015 Annual Board Meeting. The meeting will be held at the District office located at 1985 Country Club Road, Hood River, Oregon. The motion passed with Don Chandler, Tim Annala, Bill Munk, Pete Siragusa and Erick von Lubken in favor.

BILLING AND COLLECTION OF CHARGES:

It was moved by Tim Annala and seconded by Erick von Lubken to adopt Resolution 04-14 citing the specific manners in which the District will charge for required funds. The motion passed with Don Chandler, Tim Annala, Bill Munk, Pete Siragusa and Erick von Lubken in favor.

AGENT OF RECORD:

It was moved by Tim Annala and seconded by Erick von Lubken to designate Julie Hammond of Brown & Brown as Agent of Record for the District's General Liability Coverage. Special Districts Insurance Services (SDIS) will remain the insurer for the District's health, vehicle and property coverage. The motion passed with Don Chandler, Tim Annala, Bill Munk, Pete Siragusa and Erick von Lubken in favor.

ATTORNEY OF RECORD:

It was moved by Erick von Lubken and seconded by Pete Siragusa to designate Jeff Baker of Annala, Carey and Baker as Attorney of Record for the District. The motion passed with Don Chandler, Tim Annala, Bill Munk, Pete Siragusa and Erick von Lubken in favor.

AUDITOR OF RECORD:

It was moved by Erick von Lubken and seconded by Tim Annala to designate Arens & Associates as Auditor of Record for the District. The motion passed with Don Chandler, Tim Annala, Bill Munk, Pete Siragusa and Erick von Lubken in favor.

ENGINEER OF RECORD:

The Engineer of Record will be determined at the February 2014 board meeting.

MONTHLY BUSINESS:

Chairman Don Chandler called the monthly meeting to order at 12:08 p.m.

The minutes of the December 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 January 2014 were presented and discussed. It was moved by Erick von Lubken and seconded by Tim Annala to approve the bills in the amount of \$64,993.49. The motion passed with all in favor.

BUSINESS FROM THE FLOOR: FCA Report – Julie O’Shea informed the board that FCA had received funding from the Moore Foundation. All is going well at FCA with their main focus being on sales and marketing. Julie is hoping that screen production costs can be reduced as much as 40%, which could lead to greater sales in states such as Idaho, Montana, and Wyoming. This research is ongoing. Oregon has strict ESA rules regarding screen installations, and it is much easier to operate in states such as ID, MT, WY where permitting processes can be swifter. This gave segue into Julie showing a video from a 3 cfs screen that was installed at Deep Creek, Crystal Lakes Hatchery in northern Montana. The video was recorded during 20 degree below zero weather conditions for over a week, the water continued flowing through the screen with no frazzle ice or build-up and the owner was extremely satisfied. See attached web-link to watch the video: <http://www.youtube.com/watch?v=qXd7fkMIupg>
FCA holds the possibility of receiving grant funds from the Energy Trust of Oregon and the Bonneville Environmental Foundation in coming months. FCA is also building a miniature scale model of a working Farmers Screen for marketing, sales, and presentation purposes. Julie thanked the board for their ongoing support of FCA.

CORRESPONDENCE: 2013 Significant Events and Accomplishments – Jer provided the board with a quick year-end summary of events and accomplishments (see attached).

REPORTS AND DISCUSSION:

a) A/R report – Jer reported that the District has received \$238,361.42 in payments since the December Board meeting, the district has collected 58% in accounts receivable versus 55% last year. 1 lien has been satisfied.

Hydro report – Hydro production for the month of December was projected at 3M kWh, with an actual production of 2,092,113 kWh. Hydro revenue was projected at \$191,430 with actual revenue of \$134,463.80. The District’s end of month balance for December was \$1,299,758.35. Dry conditions persist, which will affect winter production estimates.

b) Manager's Report – Jer reported that both pipelines, Farmers Canal and Lowline are up to full flow and working well. Jer also provided the board with a snow pack report (see attached). Jer and the crew are very concerned with the lack of snow pack and rain to date, studying the weather patterns daily, and working on the best possible strategy to begin safely storing reservoir water early and prepare for a drought year. The earliest the reservoir valves have ever been closed is January, 31. This year will likely be a record. 1990 and 2005 weather patterns are similar to what we are seeing now.

Year-end Hydro Report – In December the District produced 2.09 million kWh closing the year at a total approximate production of 22 million kWh. This was a favorable final production number considering 2013 being a semi drought year, extended construction shut down time, as well as additional down time due to sub-zero freeze-out temperatures and a 10,500 CFS flood. Our historic 5-year annual average is nearly 23 million kWh, (see attached).

Jer also reported that he sold 2,000 RECs at \$1.40 each for a total of \$2,800.

Insurance Update – Jer received a quote from Julie Hammond for Flood Insurance “contents only” for Plant 2. \$500,000 worth of coverage for \$948 per year. The board agreed that this was a good option and to pursue coverage. Also, Julie and Jer are looking into credit card (ID theft) coverage for the District. We are currently covered, but Jer wants to make sure that existing coverage is adequate and that the District has a solid plan in place. By way of policy, the District will not be storing any private, credit card information as a way to reduce this potential liability.

Special District Insurance Services (SDIS) is again looking into coverage for Hydro Business Interruption (BI) now that SDIS is aware of the mass amount of small-scale hydro facilities that need this coverage. Jer will be attending the 2014 SDAO annual conference in Seaside February 7-9.

LFPF Farmers Canal Construction Project Status Update and Closeout – The Project Manager, Jerry Bryan, gave the board an update. Schedules A, C, E and G are now fully piped. The budgeted amount for the Low Line and Farmers Canal Project was \$5.9 million; actual cost is \$6.01 million. The project on the whole went very well, but some issues arose on Schedule E along the Nikersen property. This reach of property is a known groundwater area and it also appears that ADS might have a quality control issue with its gaskets; all possible causes for many pipe joints to leak in this reach. Crestline inspected all elbows and joints throughout this project reach and repaired any problems or potential problems according to industry standards with a permanent weld repair technique. At the previous board meeting, Pete Siragusa asked if FID would be liable for the pipe repair charges. Jerry explained that, thanks to Crestline and ADS, there would be no charge to the district for any of the pipe repair work. It is highly unlikely that any other contractor would have been so gracious to the district. ADS will cover the materials cost for pipe repair, and Crestline is providing all the necessary equipment and labor. It was noted that once the pipe leaks were discovered, Crestline installed a pump system to pump water out of a cut-off trench at the toe of the canal bank, and, from this trench, water was pumped back into the pipe so as to avoid any water flowing onto Nick Walrod's property.

As a result of a now 100% efficient pipe in the upper reaches of the canal, the Schedule B canal now flows more fully than has been previously possible, and a canal leak along the Daum's reach was exacerbated such that 120 feet of additional parallel pipe had to be placed to eliminate the leak.

The District has installed new telemetry flow meters and depth sensors that are accessed via cell phones and an internet based website. These sensors allow the district to monitor pipe flow efficiency so as to confirm on a moment-to-moment basis that there are no pipe leaks.

At this time, the Board asked if Mr. Nickerson had questions or comments. LeRoy voiced his concerns to the board regarding the issue of “water on his property,” stating that during shutdown and pipe installation there was no water on his property and that everything dried up but that water reappeared on his property when water flowed in the pipe. Jerry confirmed that leaks were discovered in the pipe as discussed previously and reiterated that every pipe joint along LeRoy's property has been excavated, inspected, and repaired everywhere the pipe was found to be leaking or anywhere it appeared the pipe might have the potential to leak. Jerry asked LeRoy if when the ditch was shut off for construction and there was no rain if LeRoy's property was dry. Leroy said "yes." Jerry also asked if during the cold snap when temperatures were down around 5 degrees Fahrenheit if LeRoy's property was dry. LeRoy replied that the amount of water was less. Jerry pointed out that the pipe was off during the extreme cold weather. LeRoy reported that water was apparent on his property during the heavy rainstorms around the Thanksgiving holiday. LeRoy estimated that the water stood at a depth of approximately 1¼ inches. It was noted that the district's pipe was shut down during these rain storms but that Crestline, nevertheless, had to ramp up their pumps to handle the excess rain water flowing into the cut-off trench.

At this point, LeRoy expressed his hope that the district would ensure that the pipe has no leaks. LeRoy was assured that the district is very committed to ensuring that there are no leaks as the benefits of a leak-free pipe are very valuable to the district. At this point, Chairman Chandler explained that the district will take a “wait and see” approach. Springs and groundwater are well known in this vicinity, and that could be part of the problem, but first the district and Crestline will ensure that all leaks are repaired. Crestline will produce a final report affirming that all leaks have been repaired, and the district will continuously monitor and inspect the new pipeline to ensure that no leaks are present.

On Tuesday, January 14th, Jer, Jerry and Don met with David Ulbricht a financial advisor for Baird Finances. David would like to be the financial advisor for the District regarding funding procurement for the Turgo unit for Plant 2. To date the District has secured funds from ETO, but time is of the essence and we need to engage funding soon as to not lose funding from ETO. At this time Jer asked Jerry to give an update on the Turgo project. Jerry gave a snapshot of the Turgo proposal to Bill Munk as he was not at the many other Turgo presentations at prior board meetings. It was explained that this proposal is on the heels of over 20 months now of research and project development. The District has some secured funding in place, but would like to engage David Ulbricht of Baird Financial to be the District's financial advisor for the procurement of funds for the Turgo Unit. Much discussion ensued.

At this time it was moved by Erick von Lubken and seconded by Tim Annala to move into Contract Review Board session. The motion passed with all in favor.

LOCAL CONTRACT REVIEW BOARD

The Local Contract Review Board (LCRB) convened to review Resolution 05-14, “Joint Resolution of the Board of Directors and Local Public Contract Review Board Allowing Procurement for Gilkes Impulse Turgo Turbine-Generator.” The LCRB reviewed the proposed resolution and heard from project manager, Jerry Bryan, regarding the rationale for utilizing a sole-source procurement methodology to purchase the Gilkes Impulse Turgo Turbine-Generator. In particular, the Board reviewed findings presented by Bryan that an exemption from competitive bidding requirements was proper in this instance because of the improved efficiency, value engineering, and special knowledge/expertise that Gilkes possesses with this Impulse Turgo Turbine-Generator that make it uniquely qualified to address the problems facing the District's operation of Hydroelectric Plant No. 2. Mr. Bryan informed the LCRB that the Gilkes Turgo unit is uniquely designed to address the variable flow and volcanoclastic sediment that characterizes the irrigation water present in the Farmers' system. Bryan also presented

independent verification that Gilkes Turgo units are able to operate at high efficiency in this sort of challenging environment, whereas the turbines currently in use at Plant No. 2 are in need of regular costly maintenance and upkeep. The LCRB was presented with evidence that the Gilkes Turgo unit will all substantially reduce these significant ongoing maintenance expenses and, as a result, generate cost savings to the District. The LCRB noted that the Gilkes Turgo unit's ability to operate over Plant No. 2's wide and varying flow range and to withstand the aggressive, sediment laden water, was intensively researched, investigated and ultimately chosen by District staff to be the overwhelmingly correct choice for the Plant No. 2 repowering project.

The LCRB also heard from the District's legal counsel that the Gilkes Turgo Turbine-Generator was, under the present circumstances, a proper item for sole-source procurement because of the unique nature of its application, and because this is a one-time acquisition designed to address distinct operational circumstances at Plant No. 2 that are not replicated elsewhere in the District.

Based on the foregoing rationale and factual findings, the LCRB concluded that the combination of the operational efficiencies, hands-on engineering support in design, construction, installation, operation and maintenance presented by the Gilkes Impulse Turgo Turbine-Generator made it an appropriate item for a sole-source procurement under Oregon law.

On the motion of Erick von Lubken, as seconded by Tim Annala, the LCRB unanimously approved the Findings of Fact and Conclusions presented in Resolution 05-14 regarding sole-source procurement, and recommended that this resolution be passed by the District Board.

It was moved by Tim Annala and seconded by Pete Siragusa to move out of contract review board session. The motion passed with all in favor.

It was moved by Tim Annala and seconded by Peter Siragusa to accept the contact Review Board recommendations and adopt Resolution 05-14. The motion passed with all in favor.

It was moved by Erick von Lubken and seconded by Pete Siragusa to engage David Ulbricht of Baird Finances to be financial advisor for the procurement of funds for the Gilkes Turgo and, pending an agreeable interest rate, authorize Jer to enter into the Gilkes contract. The motion passed with all in favor.

LEGAL: None

OTHER BUSINESS: None

ADJOURNMENT:

There being no further business, Chairman Don Chandler adjourned at 2:06 p.m.

Signed: _____
Peter Siragusa, Secretary

Attest: _____
Don Chandler, Chairman