



IDAHO WATER RESOURCE BOARD

MINUTES OF MEETING NO. 11-08

L. "Butch" Otter
Governor

Burley Inn
September 12, 2008

Jerry R. Rigby
Chairman
Rexburg
At Large

Chairman Rigby called meeting 11-08 to order at 8:30 a.m., welcomed guests and requested roll call.

Terry T. Uhling
Vice Chairman
Boise
District 2

Agenda Item No. 1, Roll Call

Board Members

Bob Graham
Secretary
Bonners Ferry
At Large

Jerry Rigby, Chairman
Gary Chamberlain
Chuck Cuddy
Terry Uhling

Vic Armacost
Claude Storer
Bob Graham
Leonard Beck

**Charles "Chuck"
Cuddy**
Orofino
District 1

Staff Members and Guests Attending

Patsy McGourty, Admin. Asst.
Hal Anderson, Administrator
Cynthia Bridge Clark, Engineer

Brian Patton, Bureau Chief
Dave Tuthill, Director

Leonard Beck
Burley
District 3

Guests

John Chatburn, Governor's Office
John Williams, BPA
Peter Anderson, Trout Unlimited

Lynn Tominaga, IGWA
Kevin Lewis, Idaho Rivers United
Jon Bowling, Idaho Power Company

L. Claude Storer
Idaho Falls
District 4

**Gary M.
Chamberlain**
Challis
At Large

Agenda Item No. 2, Agenda and Approval of Minutes

Chairman Rigby asked if there were any changes to the agenda. Mr. Anderson did not know of any additions to the agenda. Mr. Armacost asked for a briefing on the Minidoka and Teton studies. Chairman Rigby suggested adding that to old business.

**Lawrence "Vic"
Armacost**
New Meadows
At Large

Chairman Rigby asked if everyone had a chance to review the minutes to meeting No. 10-08. Mr. Chamberlain moved that the minutes be approved. Mr.

Storer seconded. Mr. Graham noted an error on page 4 in the bottom paragraph \$100 should be changed to \$100,000. With that correction, Chairman Rigby called for a voice vote. All were in favor. Minutes were approved.

Agenda Item No. 3, Public Comment

Chairman Rigby asked if there were any public comments. There were none.

Agenda Item No. 4, IWRB Hydropower Status Report

Mr. Patton presented the report stating that since Dworshak came on line 161 million kWh of power have been generated and sold to Bonneville Power. Since Pristine Springs has been acquired power plant No. 1 has produced 307,408 kWh and power plant No. 2 has produced 514,000 kWh and sold to Idaho power. He presented energy sales rates for Dworshak at \$.049 per kWh; and noted that each hydropower plant at Pristine Springs has a separate energy sales contract with Idaho Power. Both rates and terms are identical. The rate for July was \$.064 kWh.

The 2008 Revenues for Dworshak over expenses to date are \$149,690. Total revenues for Pristine Springs Plants are going into a repair and replacement fund. Rental monies and interest earnings are also going into the repair and replacement fund. No limit has been set by the Board. The Dworshak repair and replacement fund is nearing the total limit that the Board had previously set. Mr. Chamberlain stated that the Board needs to decide if they need two repair and replacement funds at some time in the future. There was discussion about the power generation contract with Bonneville Power Administration for the Pristine Springs hydropower plants. A 30-year Power and Sales Agreement is in place with 22 years remaining.

Agenda Item No. 5, IWRB Financial Program

a. Status Report

Mr. Patton discussed the financial program status report. He stated that \$67,821 is currently available. \$14.9 million is committed for various projects. \$10 million is still shown as loan principal outstanding since the final agreement has not been signed for the Pristine Springs transaction. When all agreements are final this amount will be shown as loan principal outstanding. These funds will come back to the Board when the loan is repaid; the money to be used for other projects.

Mr. Patton discussed the cash flows. He noted that the Mores Creek Rim Ranches Water District had repaid a loan for arsenic removal. The Valley View Estates Water Association had repaid a loan of \$53,100 for a new water storage tank. The Harbor View Water and Sewer District had completed both their projects for a new water storage tank and the expansion of their water treatment plant. The Challis Irrigation Company had completed their river gate project.

Mr. Patton stood for questions about future ability to make loans adding that the Board should be able to make some loans in about six months. He stated that cash flows are estimates. He added that loan inquiries are still coming in for both large and small projects. Applicants are being told about the delay in considering their requests. Large projects can be handled through the revenue bonding process.

Mr. Uhling asked staff to remind the Board of the balance in the loan fund that the Board had agreed to keep some minimum balance in the fund. Mr. Chamberlain suggested using excess Dworshak funds to replace loan funds. There was discussion about emergency requests and how they would be met if loan funds were too low. Mr. Patton noted that a certain amount of funds needs to be maintained for the Dworshak bonds.

b. Restructuring Existing Loan Portfolio

Mr. Anderson stated that at the last Board meeting Mr. Jim Wrigley had proposed some restructuring of the Board's loan portfolio. Mr. Wrigley was present and again addressed the Board. He presented various options including bundling the portfolio and moving it to the State Treasurer's bond bank. He added the Treasurer's program doesn't come to market very often. The next alternative is investors who are interested in purchasing some of the Board loans. Small Board loans that have water rights as security were presented to some investors along with the Pristine Springs loan which is not totally complete. Some investors were interested in the \$10 million Pristine Springs loan. Others were interested in a few of the smaller loans.

Mr. Wrigley met for about three hours with investors acquainting them with the Board's authority and other issues. The revenues flowing back as repayment for the Pristine Springs loan are secured by liens. Agreements could be made with investors allowing the Board to hold the water rights used as security in the case of any default. Mr. Wrigley will be meeting in the future with the Director, staff and investors to discuss the water right securities. Chairman Rigby responded that the Board would want the right of repurchase in this loan strategy in the case of default. There was discussion about the terms of selling these loans to investors. Mr. Wrigley answered questions. A new process for Board loans could provide the necessary package for selling loans to investors. Chairman Rigby stated that he does not want the Board to become "just the bank." The Board's interest in making loans to Idaho entities needs to be preserved. Any agreements need to reflect the Board's rights to reassume any loans. Mr. Armacost noted that applicants have always been able to pay loans early. Mr. Wrigley stated that these entitlements would be preserved.

Mr. Wrigley said he would meet with the State Treasurer about bundling the Board loans for sale through the state. Timing is an element in this process. Mr. Chamberlain encouraged going through the State Treasurer. There was further discussion and Mr. Wrigley answered more questions. Mr. Wrigley agreed to keep meeting with investors and get back to the Board as soon as possible.

c. CREP Update

Mr. Patton presented the CREP report. As of September 2nd the department has approved 29,801 acres into the program. FSA has approved 19,126 acres which is 600 acres less than the last report. Mr. Graham asked if the last report could be added to the current report for comparison. He

would like to see the trend because this is a very important program. Mr. Chamberlain said it might be good to see which counties were losing acres. Mr. Patton said he didn't think the 19,126 would be maintained. He estimated between 16 and 19 thousand acres would be the total. Mr. Armacost asked what the timetable was for these dedicated funds to be used. Mr. Patton responded that staff have been discussing this with FSA. Penalties are being paid for acres dropping out. Mr. Chamberlain added that based on commodity prices, these figures could increase. There was further discussion about funding of this program.

d. W-Canal Recharge Project Update

Mr. Patton stated that construction has been proceeding with three injection wells and three monitoring wells left to be completed soon. Mr. Beck asked to be notified to attend the test run of this project. The UIC permit will be issued in the near future. Mr. Patton added that the permit will require intensive monitoring for this project. DEQ has been involved in water quality testing.

e. Minidoka Enlargement

Mr. Anderson stated that the Board toured the Minidoka Dam yesterday. Staff have completed the contract with the Bureau of Reclamation to study the feasibility of enlarging the dam. BOR representatives and Mr. Patten will be meeting next week to finalize the first work order under this contract. If it is discovered that the project cannot be completed for the amount stated, the Board can terminate the process. The highest priority tasks will be done first. The study should be completed in 18 months. A resolution requiring funding needs the Board's consideration.

Mr. Uhling moved that the Minidoka Enlargement resolution be approved. Mr. Chamberlain seconded. Mr. Beck encouraged staff to expedite this process to reduce costs for the irrigation districts involved. He thanked the Board for going out to see the dam yesterday. Mr. Armacost was concerned about oversight of increased costs. Mr. Anderson noted that update reports would be made at each Board meeting to keep the Board informed. Mr. Cuddy stated that the Board needs to be aware of how the costs on this project would be allocated - to the federal government or the state.

Mr. Beck asked the Director if he had had any inquiries about the costs of enlarging Minidoka Dam. The Director noted that costs may seem high; however, both the federal and state governments have responsibilities. Prices will rise in the future. The potential benefits could outweigh the costs. The Director stated that although it has taken time to create the agreement, the project could not be started until October 1. He stated that the BOR was surprised about the level of interest by department staff. There was some discussion about the resolution including the Teton study; however, Mr. Uhling did not feel that was a problem. The Chairman called for a roll call vote.

Roll Call Vote:

Mr. Cuddy: Aye; Mr. Armacost: Aye; Mr. Storer: Aye; Mr. Beck: Aye; Mr. Chamberlain: Aye; Mr. Graham: Aye; Mr. Uhling: Aye; Chairman Rigby: Aye. 8 Ayes. Motion Passed.

The Chairman called for a short break.

f. **FMC Storage Contract Update**

Mr. Anderson stated that the Board purchased FMC storage space in Palisades reservoir by previous resolution. The Bureau of Reclamation will incur environmental compliance and administrative costs associated with the appraising acquisition in the amount of \$4,000. These costs are in addition to the original approved expenditure of \$3.5 million. The resolution before the Board today authorizes the expenditure of \$4,000.

Mr. Uhling moved to approve the FMC resolution authorizing \$4,000 for environmental costs. Mr. Chamberlain seconded. Chairman Rigby called for a roll call vote.

Roll Call Vote:

Mr. Cuddy: Aye; Mr. Armacost: Aye; Mr. Storer: Aye; Mr. Beck: Aye; Mr. Chamberlain: Aye; Mr. Graham: Aye; Mr. Uhling: Aye; Chairman Rigby: Aye. 8 Ayes. Motion Passed.

g. **Eastern Idaho Water Rights Coalition, Fall Recharge**

Mr. Anderson stated that the department has been approached by the Eastern Idaho Water Rights Coalition headed up by Mr. Stan Clark. Director Tuthill had met with the group yesterday. The Director stated there is a limitation to spring recharge so fall recharge is being considered. He referred to a graph that showed the chance of refill for Water District 01. The question is whether some water should be used for fall recharge since the chance of refill next year is 60-70%. The coalition is proposing a pilot project to study what would happen to fall recharge water. This year would be a good opportunity to study several questions. The Director referred to a preliminary proposal prepared by Dr. Gary Johnson, Idaho Water Resources Research Institute. Dr. Johnson is proposing to spend \$11,382 to find out more about fall recharge. The water would go through the Committee of Nine Rental Pool and be consistent with their rules. If recharge isn't approved this year, then it could be done next year. The request before the Board today adds leasing stored water for recharge purposes. Mr. Anderson stated the previous funding was for the Board's natural flow water.

Mr. Uhling asked if the use of these funds was for the purpose the Legislature intended. Mr. Anderson responded that it was. Director Tuthill answered Board member's questions about the recharge project including water leasing, water sources and water right protection.

Mr. Uhling moved to adopt the resolution for Managed Recharge Operations in Water District 01. Mr. Beck seconded. There was further discussion and questions. Chairman Rigby called for a roll call vote.

Roll Call Vote:

Mr. Cuddy: Aye; Mr. Armacost: Aye; Mr. Storer: Aye; Mr. Beck: Aye; Mr. Chamberlain: Aye; Mr. Graham: Aye; Mr. Uhling: Aye; Chairman Rigby: Aye. 8 Ayes. Motion Passed

Agenda Item No. 6, Planning Activities

a. ESPA Comprehensive Aquifer Management Plan Update

Mr. Patton presented an update on the ESPA CAMP process. At the work session yesterday, Mr. Bartsch from CDR Associates presented a detailed update to the Board. The next CAMP meeting will be held September 25 in Pocatello. After that the Board will have a conference call on Oct. 6 to discuss the outcome.

b. Progress Report on Treasure Valley and Rathdrum Prairie CAMP

Mr. Patton stated that the Legislature had funded \$20 million to study all the aquifers in the State beginning with Treasure Valley and Rathdrum Prairie. Three new positions have been established. Two new employees have been hired. Staff have begun initial scoping in both the Treasure Valley and Rathdrum Prairie. Staff are determining what studies can be accomplished in the short term and requests for proposals are being developed to support them.

Mr. Uhling noted that there have been a lot of studies completed for the Treasure Valley and he didn't want to see duplicated efforts. He also asked about the timing in the adjudication. Director Tuthill responded that all adjudication recommendations for the basin have been made. Most objections have been solved. Hearings have recently been conducted. He thought within one year objections would be resolved in most of the cases. The Director thought the basin planning was timed well for the adjudication.

Mr. Patton responded to duplication of study efforts by saying that any and all studies already completed would be integrated into the new CAMP process. Mr. Anderson outlined cooperative efforts and noted some areas that need more hydrologic studies. There are data gaps. Several options are available to form the plan. Mr. Uhling asked for future update reports on this effort.

Chairman Rigby asked for an update on the Rathdrum Prairie and what the board needs to do. Mr. Patton responded that staff have met with key stakeholders and counterparts in Washington. The Board may want to appoint representatives to be involved in this process. Chairman Rigby appointed Bob Graham and Chuck Cuddy to serve on the Rathdrum Prairie Committee.

Mr. Armacost stated that he thought that local people might have a hard time understanding the difference between the adjudication and the aquifer planning effort. The Director responded that the adjudication hearing with the court will start in the Rathdrum Prairie and be done quickly. The Board's aquifer study will take longer and they will both be completed about the same time. The Director answered questions about the planned adjudication process and possible objections by Indian tribes.

Chairman Rigby appointed Vic Armacost and Terry Uhling to serve as the Treasure Valley Committee to be included in aquifer planning activities.

Chairman Rigby asked if the Planning and Technical Division was fully staffed. Mr. Anderson responded that one Economist position remains to be filled. Staff will provide updated reports at each Board meeting.

c. **State Water Plan Sub-Committee Update**

Mr. Anderson asked if the chairman of the State Water Plan Sub-Committee would like to comment. Mr. Chamberlain noted the committee had met several times and more meetings are scheduled in October. The draft plan is progressing nicely.

d. **Storage Sub-Committee Update**

Mr. Patton discussed the status memo that was presented to the first meeting of the Storage Sub-Committee. A contract has been executed for the Minidoka Enlargement. All projects mentioned in the memo except Lost Valley are being considered. The Storage Sub-Committee will meet immediately following the Board meeting today.

Agenda Item No. 7, Idaho MOA Update

Mr. Anderson presented the memo explaining the Memorandum of Agreement with the Corps of Engineers, the Bureau of Reclamation and Bonneville Power Administration. This agreement concerns the Water Transactions Program operated by the department. This MOA is a new program providing funding to the State of Idaho in the amount of \$65 million to several different agencies.

Mr. Patton discussed the \$7 million being provided to the Board for projects to benefit salmon and steelhead within the State of Idaho. One of the projects is an enhanced water transactions program in the Upper Lemhi for salmon recovery. This will be a complimentary program in addition to the water transactions program already operated by the Board. The memo sets out that the funds will come to a state agency – either the department or the Office of Species Conservation. This has not been officially decided. Agreements are being drafted. Mr. Patton answered Board member's questions.

The contract with the Board will have to be a joint contract with the Board and the department because there are personnel dollars involved in addition to the project costs according to Mr. Patton. Mr. Chamberlain encouraged staff to find real water savings in these transactions. In response to a question, Mr. Patton stated when the settlement was proposed; the state suggested a list of projects for funding consideration. No action is needed by the Board today. Mr. Patton noted a contract will be developed for Board signature in the future. Chairman Rigby asked Mr. Williams from Bonneville Power Administration for comments.

Mr. Williams stated the MOA is a work in progress with several state agencies including Fish and Game, Water Resources and the Office of Species Conservation. He stated the BPA has entered into agreements with Indian tribes. The State of Oregon is still challenging the agreement and has not signed on. Mr. Williams stated this is not a buyout.

Mr. Anderson added that this program will operate similar to the Water Transactions Program. Projects will be selected and brought to the Board for funding. Mr. Graham asked if the list of projects had to be approved by BPA in the future. Mr. Anderson stated that on the Columbia Basin a list of projects had to be submitted to a technical committee to make sure they were consistent with other efforts. Staff will work with the Office of Species Conservation on projects if they are the contractual agency.

Agenda Item No. 8, Director's Report

Director Tuthill stated that the on-line claims taking for the North Idaho Adjudication is up and will be operating soon. Payments will also be taken on-line. This technology will be used in the future for other on-line applications and payments. Staff are ready to begin the process.

The Director reported that the Zero Based Budgeting Process has been completed. This process identified that the department needs the seven positions back that were lost last year. The Director stated he would ask the Governor to consider adding those back into the budget. The Zero Based Budgeting Process also resulted in one Bureau Chief position being eliminated and adding a new Web Master position to work with Bob McLaughlin, Public Information Officer. The budget was filed on August 29 for the coming year.

The Surface Water Coalition call decision by the Director was issued last Friday and incorporates the former Director's decision and the Judge's decision. Terms were redefined and methods of computation were proposed. This decision is appealable to the District Court in two separate parts. Director Tuthill expects these to be appealed. A hearing will be held in the fall or next year on these technical issues.

The A & B hearing will be heard on December 8 by Justice Schroeder. Judge Melanson is hearing the appeal in District Court on the Thousand Springs call. The Blue Lakes call has also been appealed. The Director stated that Eastern Snake Plain's calls are a major issue being worked on by the department.

Director Tuthill discussed the ups and downs of the springs in the lower Snake Basin. He showed several maps. He explained the springs have been going down since the 1950's. He discussed the trend line since the 50's. The map data was from the USGS. From January until June the flows declined and the up part is July through October. The Director thought that the lows would occur when the ground water was pumped. He showed several maps of different springs and their trend of decline. From year to year the decline is from January to July. What is seen is the impact of surface diversions coming in increasing the springs. This is masking the ground water diversions. He stated what is needed to increase the spring flows is to look at all users.

Agenda Item No. 9, Old Business

Mr. Anderson stated this is the time for Board members to address past issues. Mr. Armacost stated that staff are talking with the Bureau of Reclamation about a study at Teton. He suggested

that staff consider other agencies or companies in addition to the Bureau of Reclamation. Mr. Anderson responded that staff have initiated discussion with the BOR and staff do have concerns about the amount of resources the bureau may have to offer this effort. Staff are determining what tasks should be done and by whom. The strategy is to only move ahead with the BOR on 50-50 matches on funding. Work items would be identified and the cost associated with them. A Memorandum of Agreement is being developed. The Chairman asked if the bureau would insist on doing the work. He noted that if they don't, other engineering firms could be considered for less cost. Chairman Rigby stated that staff should let the bureau know that other firms may be considered. Mr. Armacost thought the staff should have the flexibility to consider less expensive solutions.

Agenda Item No. 10, Other Items Board Members May Wish to Present

Mr. Graham asked about the November meeting dates. The work session is scheduled for Nov. 5th and the meeting on Nov. 6. Mr. Uhling added that a Storage Committee meeting could be set immediately following the work session on the 5th.

Chairman Rigby thanked Mr. and Mrs. Beck for the wonderful dinner they hosted the previous evening. Mr. Storer asked about energy conservation and reducing the work week. Director Tuthill noted that the Governor has been promoting reducing greenhouse gas emissions. The department has approved schedule changes for employees to allow them to be in car pools. Some employees are working 4 day weeks.

Mr. Beck thanked the Board for coming to Burley and touring the Minidoka Dam.

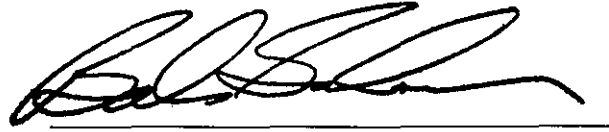
Agenda Item No. 11, Next Meeting and Adjourn

Mr. Anderson stated Oct. 6 and 29th are placeholders for the Board to discuss the outcome of the ESPA CAMP meetings in the next two weeks. A teleconference meeting will be held on October 6 before the State Water Plan Meeting. The next full Board meeting is November 5 and 6. The Board needs to set a date certain for the January 2009 meeting. The Idaho Water Users Meeting is set for January 20 through 22. The Board set the meeting for a Thursday afternoon work session January 22 and the Board meeting for January 23. Mr. Anderson stated a new 2009 calendar will be available at the November meeting to set dates for spring 2009. He added if other meetings need to be added to the calendar, to let him know.

Mr. Uhling asked which Board members were due for reappointment. Mr. Armacost, Mr. Storer, Mr. Beck and Mr. Uhling have appointments that will expire the end of 2008. Mr. Anderson asked Board members to submit information to the Governor's office requesting reappointment. Mr. Storer said he likely would not request reappointment although he had not decided. Mr. Chatburn suggested expediting this process since the Governor's office would decide before January 1.

Mr. Chamberlain moved to adjourn the meeting and Mr. Uhling seconded. All were in favor. Meeting adjourned.

Dated this 12th day of November, 2008.



Secretary



Patsy McGourty, Administrative Assistant II

Board Actions:

1. Mr. Uhling moved that the **Minidoka Enlargement** resolution be approved. Mr. Chamberlain seconded. The Chairman called for a roll call vote.

Roll Call Vote:

Mr. Cuddy: Aye; Mr. Armacost: Aye; Mr. Storer: Aye; Mr. Beck: Aye; Mr. Chamberlain: Aye; Mr. Graham: Aye; Mr. Uhling: Aye; Chairman Rigby: Aye. 8 Ayes. Motion Passed.

2. Mr. Uhling moved to approve the **FMC** resolution authorizing \$4,000 for environmental costs. Mr. Chamberlain seconded. Chairman Rigby called for a roll call vote.

Roll Call Vote:

Mr. Cuddy: Aye; Mr. Armacost: Aye; Mr. Storer: Aye; Mr. Beck: Aye; Mr. Chamberlain: Aye; Mr. Graham: Aye; Mr. Uhling: Aye; Chairman Rigby: Aye. 8 Ayes. Motion Passed.

3. Mr. Uhling moved to adopt the resolution for **Managed Recharge Operations** in Water District 01. Mr. Beck seconded. Chairman Rigby called for a roll call vote.

Roll Call Vote:

Mr. Cuddy: Aye; Mr. Armacost: Aye; Mr. Storer: Aye; Mr. Beck: Aye; Mr. Chamberlain: Aye; Mr. Graham: Aye; Mr. Uhling: Aye; Chairman Rigby: Aye. 8 Ayes. Motion Passed