



AGENDA

IDAHO WATER RESOURCE BOARD

Finance Committee Meeting No. 1-23

Friday, January 13, 2023

2:00 p.m. (MT)

Brad Little

Governor

Jeff Raybould

Chairman

St. Anthony

At Large

Jo Ann Cole-Hansen

Secretary

Lewiston

At Large

Dale Van Stone

Hope

District 1

Albert Barker

Boise

District 2

Dean Stevenson

Paul

District 3

Peter Van Der Meulen

Hailey

At Large

Brian Olmstead

Twin Falls

At Large

Water Center
Conference Rooms 602 C&D / Online Zoom Meeting
322 E. Front St.
BOISE

Board Members & the Public may participate via Zoom

[Click here to join our Zoom Meeting](#)

Dial in Option: 1(253) 215-8782

Meeting ID: 899 6939 9578 Passcode: 220040

1. Introductions and Attendance
2. Regional Water Sustainability Priority List Requests*
3. Aging Infrastructure Grant Applications Round Two*
4. Raft River Recharge Group Loan*
5. Loans
 - a. King Hill Irrigation District*
 - b. Northside Canal Company*
6. Loan Program Policy Considerations
 - a. Refinance Policy*
 - b. Definition of Aging Infrastructure*
 - c. Time Limitation to Exercise Loan*
7. Other Items
8. Adjourn

Committee Members: Chair Jo Ann Cole-Hansen, Jeff Raybould, Dean Stevenson, and Dale Van Stone.

* Action Item: A vote regarding this item may be made this meeting. Identifying an item as an action item on the agenda does not require a vote to be taken on the item.

Americans with Disabilities

The meeting will be held in person and online. If you require special accommodations to attend, participate in, or understand the meeting, please make advance arrangements by contacting Department staff by email jennifer.strange@idwr.idaho.gov or by phone at (208) 287-4800.

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 Fax: (208) 287-6700 Website: idwr.idaho.gov/IWRB/

Memorandum



To: Idaho Water Resource Board
From: Neeley Miller, Planning & Projects Bureau
Date: January 11, 2023
Re: Regional Water Sustainability Priority List

Action: Recommendation to IWRB

Background

In July 2021 the IWRB adopted an initial Regional Water Sustainability Priority List to help guide the Idaho Water Resource Board's (IWRB's) spending for large, regional water sustainability projects from ARPA funds, state general funds, or other applicable sources. The IWRB also, in January 2022, adopted a threshold criteria indicating that for a project to be included on the Regional Water Sustainability Priority List it must "help achieve water supply sustainability on a regional, basin-wide, or state wide basis."

On October 26th the IWRB adopted criteria for the inclusion of projects on the Regional Water Sustainability Priority List. The criteria include a process for how projects can be added, types of information required to be submitted in requests, considerations for inclusion, and a process for removing projects from the list. At the October 26th meeting the IWRB also set a deadline of December 1 for requests to be submitted.

The IWRB received 15 requests to remain on or be added to the list. Staff has prepared an update to the list and will discuss it with the Committee.

Attachment(s):

Proposed Regional Water Sustainability Priority List updates

**IDAHO WATER RESOURCE BOARD
REGIONAL WATER SUSTAINABILITY PRIORITY LIST**

Project	Project Cost	Project Description	Project Information
American Falls Spillway Rehabilitation	\$23,170,000	Maintenance and Rehabilitation of Spillway and Dam Structures at American Falls Dam – Minidoka Project, Power County, Idaho and scheduled repairs through 2029, critical to the on-going operations.	IWRB District 4
Bear Lake Additional Storage	\$15,000,000	Various projects and easement acquisitions to increase Bear River channel capacity to carry flood flows downstream of Bear Lake and allow more water storage in Bear Lake.	IWRB District 4
Cloud seeding infrastructure in additional basins	\$8,000,000	Install cloud seeding generators and other equipment in basins IWRB selects without current program, potentially including the Bear, Raft, Goose Creek, Lemhi, Lost and others. Operations to be paid through Secondary Fund.	IWRB Districts 2, 3
Copper River Storage Project	\$5,520,000	To construct an irrigation storage pond along Roosevelt Ave., capturing water reserves from NMID system flows	IWRB District 2
Dworshak Pipeline	\$80,000,000	New water supply pipeline from Dworshak Dam to optimize hatchery production. Also includes hydropower plant on pipeline that would feed money back into WMA over time. Includes infrastructure & habitat improvements in Salmon and Clearwater Basins.	IWRB District 1
Fish Creek Dam Replacement phase one	\$22,131,000		IWRB District 3
Gooding Flood Control Project	\$12,500,000	Replace 5 bridges that are part of flood control structure; seeking \$100K for a scoping a design grant.	IWRB District 3
Lemhi Basin Aquifer Recharge	\$5,000,000	Construct infrastructure needed to develop aquifer recharge program in Lemhi Basin as called for in settlement agreement. Operations to be paid through secondary Fund	IWRB District 2

Commented [MN1]: Better fit for AIG; recommend removing from this list

Project	Project Cost	Project Description	Project Information
Lewiston Orchards Exchange Project	\$60,000,000	Construct remaining wells and other infrastructure to fully enact water exchange between Lewiston Orchards Irrigation District and Nez Perce Tribe.	
Lost Valley Reservoir Enlargement	\$50,000,000	Enlarge Lost Valley Reservoir by 20,000 AF. IWRB to own new reservoir space and allocate it out to various uses in Weiser River Basin.	<i>IWRB District 2</i>
Mountain Home Aquifer Water Supply	\$50,000,000	Offset use of declining Mountain Home Aquifer	<i>IWRB District 2</i>
Nampa WWTP Reuse Pipeline	\$12,000,000	To provide recycled water for the Phylliss canal	<i>IWRB District 2</i> Received \$3M from BOR WaterSMART; seeking up to additional \$9M from IWRB
New York Canal Lining	\$50,000,000	Line New York canal through Boise for public safety and water conservation	<i>IWRB District 2</i> a) IWRB Res. 31-2022 (9/16/22) awarded \$2,418,900 Aging Infrastructure grant b) ISWCC awarded \$514,000 WQPA grant (2022) c) BPBOC has applied for fed. funding
North Fremont Canal Systems Phase 5 Pipeline Project	\$19,769,000	Convert ditch to pipeline	<i>IWRB District 4</i>
Palouse Basin Aquifer Water Supply	\$73,000,000	Construct new water supply and pipeline to bring water into the Moscow area and reduce use of declining Palouse Basin Aquifer – Water Supply Project – Alternative 5. May need interstate agreement with Washington and City of Pullman.	<i>IWRB District 1</i>
Raft River Pipeline	\$49,000,000	Pipeline from Snake River to offset GW pumping in Raft River Basin – water right permit is issued.	<i>IWRB District 3</i>
Ridenbaugh Canal Modernization	\$9,637,000	Modernize the Ridenbaugh Canal diversion	<i>IWRB District 2</i>
System Improvements to Pioneer System	\$2,000,000	To improve water resource systems to be able to handle the variation of flow between night and day from the WWTP	<i>IWRB District 2</i>

Commented [MN2]: Received AIG; recommend removing from this list

Treasure Valley Water Supply Assessment Project	\$150,000	Assessment of tributary drains and shallow aquifer to address low flows near Middleton during the irrigation season	IWRB District 2 \$50K per year
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GRAND TOTAL REQUESTED	\$546,877,000		
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Projects Authorized & Underway			
Project	Project Cost	Project Description	Project Information
Mountain Home Air Force Base Water Supply	\$30,000,000	<ul style="list-style-type: none"> a) Provide a reliable long-term water supply for the Base from the Snake River to replace the Base's use of declining Mountain Home Aquifer. b) State to build pump station and pipeline at estimated cost of \$28M c) Federal Government to build water treatment plant at estimated cost of \$49M. 	<p><i>IWRB District 2</i></p> <ul style="list-style-type: none"> a) IWRB Res. 28-2022 (9/16/22) authorized \$5M from ARPA SFR Fund for initial design and contracting costs b) IWRB executed MOA w/ U.S. Air Force (Res. 27-2022, 9/16/22) c) IWRB will retain Snake River water rights to supply base d) IWRB will give the infrastructure to the Air Force e) Target completion date is January 2026
Anderson Ranch Reservoir Enlargement	\$83,300,000	<ul style="list-style-type: none"> a) Anticipated total cost of \$90 million (\$80 million non-federal). b) Goal: Full payment without reliance on bonding authority. c) Limitation: WIIN Act funds allow only up to 50% funding from federal sources. d) Utilize funds in Water Management Account for \$45 million of total funding (non-federal source). e) \$10 million (Federal WIIN Act) + \$35 million (COVID) + \$45 million (WMA current assets) = \$90M. f) Requires modified allocation of WMA funds. g) IWRB to allocate new reservoir space to various uses in Treasure Valley – water users to repay their proportionate share over time. 	<p><i>IWRB District 2</i></p> <p>IWRB Res. 26-2022 (9/16/22) authorized \$72.9M from ARPA SFR Fund for state share (in addition to \$1.2M IWRB contribution)</p>
Upper Valley ESPA Aquifer Enhancement	\$75,000,000	<ul style="list-style-type: none"> a) Goyne Sump injection well near Lake Walcott, recharge capacity 100 cfs b) Hamer Road 291-acre recharge basin near Egin Bench recharge site, potential recharge capacity 200 cfs 	<p><i>IWRB District 4</i></p> <ul style="list-style-type: none"> a) Goyne Sump: IWRB Res. 29-2022 (9/16/22) authorized \$3.38M from ARPA SFR Fund b) Hamer Rd.: IWRB Res. 30-2022 (9/16/22) authorized \$5M from ARPA SFR Fund
Priest Lake Water Management Project	\$5,000,000		<p><i>IWRB District 1</i></p> <p>Thorofare Completed in 2021; Outlet Dam to be completed 2024</p>

GRAND TOTAL UNDERWAY	\$193,000,000		
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Memorandum



To: Idaho Water Resource Board
From: Neeley Miller, Planning & Projects Bureau
Date: January 11, 2023
Re: Aging Infrastructure Grant Scoring/Ranking

Action: Recommendation of Aging Infrastructure Grant Funding Awards to IWRB

The application period for the IWRB's second round of aging infrastructure funding closed on December 9th. The IWRB received 36 grant applications requesting approximately \$28 million in funding.

Attached to this memo is a summary of staff scoring and ranking of the applications.

Attachment(s):

Aging Infrastructure Application Scoring for Round Two

Aging Infrastructure Applications for Round Two			
Entity	Funds Requested	Total Project Costs	
WRV Board of Control - diversion 45 rehab	309,000	1,030,024	
Falls Irrigation District - pump station rehab	2,000,000	9,095,000	
Cub River Irrigation Company - pump station project	1,000,000	5,951,000	
Nampa Meridian Irrigation District - modernize canal diversion	1,866,116	13,388,370	
Curran Ditch Users Association - pipeline project	16,100	70,000	
HFF Conant Creek - canal lining & automation	499,145	2,172,444	
Island Ward Canal Co - replace main diversion headgate & automation	11,945	47,781	
Northside Canal Co - canal lining	2,000,000	7,342,600	
King Hill Irrigation District - cold springs pipe project	828,501	2,773,364	
Twin Falls Canal Co - canal lining (Highline)	245,547	818,490	
Big Lost Irrigation District - canal lining	900,000	3,100,000	
Boise City Canal Co - Headgate modernization	122,000	366,000	
Hat Butte Mutual Canal Co - pipeline project	78,965	282,025	
Solenberger Ditch Co - headgate replace and relocation	3,000	9,000	
Sunnydell Irrigation District - diversion structure modernization	30,233	107,940	
Twin Falls Canal Co - measure box improvements (Rubicon)	44,037	146,791	
Burley Irrigation District - replace f waste structure	891,000	2,700,000	
Grindstone Butte Mutual Canal Co - canal lining	1,555,167	4,665,501	
Hayden Lake Irrigation District - replace and relocate main pipeline	1,720,000	6,180,000	
Boise Board of Control - canal lining segment 2	2,000,000	9,663,060	
Clover Irrigation Pump Co - system pressurization	871,871	2,642,035	
Fish Creek Irrigation District - dam reconstruction	2,000,000	22,130,885	
Goose Creek Flood Control District - dam remediation	671,700	2,015,101	
Middleton Mill Ditch Co - modernize/repair diversion	19,224	60,073	
Parks & Lewisville Irrigation Co - install scada, headgates, overshot gates	25,000	196,281	
Payette SWCD - replace agricultural drain	29,494	89,375	
Hiawatha Canal Users Association - headworks & turnout improvements	267,464	810,497	
Progressive Irrigation District - canal intake screen box	22,440	45,560	
AFRD2 - radial gate repair	40,000	135,051	
Idaho Irrigation District - headgate modernization and measurement	101,500	317,111	
City of Gooding - flood control project	2,000,000	8,958,240	
Lost Valley Reservoir Company - replace and enlarge dam	2,000,000	14,600,000	
Emmett Irrigation Distrct - hydro penstock replacement Black Canyon	1,400,000	3,600,000	
Burgess Canal and Irrigating Co - canal lining/piping	507,448	1,537,722	
Timber Dome Canal Co - monitoring system improvements	9,735	29,500	
Raft River Groundwater District - watershed project	2,000,000	20,983,933	
Total Funds Requested	28,086,632	148,060,754	

Grant Budget is \$12.5 million for round two

Score	City	County	District	Award	Dist	Total Awarded	Percent Of Total
86.67	Bellevue	Blaine	3	309,000	1	1,654,411	13.2%
85.67	Amer. Falls	Power	4	2,000,000	2	2,895,582	23.2%
84.33	Franklin	Franklin	4	1,000,000	3	4,405,684	35.2%
83.67	Nampa	Canyon	2	1,866,116	4	3,544,323	28.4%
80.33	Gooding	Gooding	3	16,100	Total	12,500,000	100.0%
79.67	Ashton	Fremont	4	499,145	Budget	12,500,000	
79.67	St. Anthony	Fremont	4	11,945	Diff	0	
79.67	Jerome	Jerome	3	2,000,000			
79.33	Glenns Ferry	Elmore	2	828,501			
79.00	Twin Falls	Twin Falls	3	245,547			
78.97	Mackay	Custer	3	900,000			
78.67	Boise	Ada	2	122,000			
78.67	Nampa	Canyon	2	78,965			
78.67	Blackfoot	Bingham	4	3,000			
78.33	Rexburg	Madison	4	30,233			
78.00	Twin Falls	Twin Falls	3	44,037			
77.67	Burley	Cassia	3	891,000			
77.33	Heyburn	Elmore	2				
77.33	Hayden	Kootenai	1	1,654,411			
76.57	Boise	Ada	2				
75.67	Buhl	Twin Falls	3				
74.00	Carey	Blaine	3				
73.67	Oakley	Cassia	3				
73.33	Middleton	Canyon	2				
73.00	Lewisville	Jefferson	4				
72.33	Payette	Payette	2				
72.00	Hailey	Blaine	3				
70.06	Ammon	Bonneville	4				
69.38	Shoshone	Lincoln	3				
69.33	Idaho Falls	Bonneville	4				
69.00	Gooding	Gooding	3				
68.33	Cambridge	Washington	2				
67.00	Emmet	Gem	2				
60.67	Rigby	Jefferson	4				
51.67	Arco	Butte	3				
0.00	Burley	Cassia	3	Not Aging Infrastructure; original score 83.67			
				12,500,000			

MEMO



To: Idaho Water Resource Board Finance Committee
From: Kala Golden
Date: January 5, 2023
Subject: Raft River Recharge Group—Loan Securities

REQUESTED ACTION: Approve the proposed loan securities

BACKGROUND

In November of 2021, the IWRB approved a loan application to the Raft River Recharge Group (Group) in the amount of \$14,111,000 at a rate of 4.75% for a 20-year loan term. The project aims to address declining groundwater in a Critical Ground Water Management area of the Raft River Basin. The proposed project will provide flood protection for the Raft River Basin, provide recharge to a designated CGWA aquifer, and provide a sustainable source of irrigation water for agricultural producers. The following is a summary of project funding:

Total Project Costs	<u>\$</u>	<u>48,602,082</u>	
USDA-NRCS Phase 2	\$	3,241,142	
USDA-NRCS Phase 3	\$	25,000,000	
RRRG (Cash)	\$	6,250,000	
	\$	14,110,940	Remaining Need

The IWRB approved this loan but referred it back to the Finance Committee for approval of the loan securities. The Group was directed by the IWRB to propose more suitable securities relative to the size of the loan request. The Group additionally requested the IWRB consider approval of a reduced rate under the IWRB's reduced rate incentives for projects that address Aging Infrastructure repair. The IWRB referred this request back to the Finance Committee, contingent upon the Committee's recommendation on a Program policy regarding the definition of Aging Infrastructure.

PROPOSED SECURITIES

The Group is proposing to formulate an irrigation district under Title 43 of the Idaho Code. This would provide a statutory mechanism for the collection of debt in the event of default on the loan.

- In accordance with the existing loan program criteria adopted in November of 2021, this would not require the Group to maintain a reserve fund equal to one annual payment.
- As a District, the applicant will be required to obtain an approval by election of its membership to incur debt.

If the Committee is satisfied that with the proposed measures to provide security on the loan, the applicant will immediately begin the process of formulating a District. Once the District has been formulated, adoption of a new resolution will be required, naming the formulated district as the approved applicant, and making any changes recommended by the Committee relative to the interest rate and loan conditions.

A brief presentation of the proposed loan securities will be given by the Group's Council at the Committee's January 13, 2023, meeting.

MEMO



To: Idaho Water Resource Board

From: Kala Golden

Date: January 3, 2023

Subject: King Hill Irrigation District – New Water Project Loan Application

REQUESTED ACTION: Approve loan request of \$500,000

1.0 INTRODUCTION

King Hill Irrigation District (District) is requesting a new loan in the amount of \$500,000 from the Idaho Water Resource Board (Board) to continue the next phase of projects to install new pipelines and replace aging canal system infrastructure (Project).

2.0 BACKGROUND

The District provides irrigation water for a total of 11,573 acres, serving 681 users across its service area in Elmore and Twin Falls counties. This Project is in the Cold Springs area near Hammett, Idaho and encompasses 10 users within the District, delivering water for approximately 610 acres of irrigated land. The District's delivery system was originally installed in 1904 and updated to a pump lift system in 1979 when a syphon crossing the Snake River failed. The District diverts water from the Malad River that is injected into the Snake River and then rediverted at multiple points downstream.

The District currently faces several challenges delivering water to the Project area, located at the end of a century old canal system with several miles of deteriorated concrete flumes, lined canal, and a concrete siphon. In addition to significant conveyance losses, the aging canal system serves a potential liability risk for the District as it runs just above sections of Interstate 84 and the Union Pacific Railroad.

3.0 PRIOR LOANS

- Approved September 2010 | IWRB loan \$300,000/10 YR for replacement of a 1200-foot siphon. The loan was paid timely, and in full.
- Approved November 2021 | IWRB loan \$1,500,000/15 YR for phase 1 of improvement projects. The District is currently drawing funds on this loan.

4.0 PROPOSED PROJECT

The Cold Springs area Project is the second phase of ongoing improvements across the district. Project work includes the conversion of approximately 6 miles of open canal that runs along Interstate 84 and the Union Pacific Railroad to closed pipe and the installation of a new diversion infrastructure. Engineering and technical support are being provided by the United States Department of Agriculture's Natural Resource Conservation Division (NRCS). Project permitting will be completed in early 2023, and the District will submit for bid on the project in late spring of 2023. The project is expected to be shovel ready by summer 2023 and complete in April of 2024.

5.0 BENEFITS

The Project will address necessary system improvements, eliminate risk to surrounding transportation infrastructure, and provide a reliable, long-term water supply for the users within the District's service area. It will help to protect valuable agricultural lands within the State of Idaho and provide an estimated 25% water savings by reducing conveyance losses, leaving more water in the Snake River for downstream uses.

6.0 FINANCIAL ANALYSIS

Summary of Project Costs

Total Project Cost	\$ 2,773,364
NRCS Grant (<i>secured</i>)	\$ 1,119,863
IWRB AI Grant (<i>applied</i>)	\$ 828,501
IPC EE Incentive (<i>secured</i>)	\$ 325,000
IWRB Loan	\$ 500,000

Debts

The only outstanding debt the District has is its existing IWRB loan. The District is still drawing on this loan, with construction in progress, to completed spring 2023. The payment on this loan is estimated to be approximately \$95,000.

Interest Rate

This loan application was received by staff on March 3, 2022. The district later requested that processing of the loan application be held until the IWRB had decided on its use of new funding allocated by legislature in 2022, as the District wished to consider potential funding opportunities for this project. Based on the current approved loan program criteria, this application should be assigned the January 1, 2022, Federal Prime Rate of 3.25%. This project qualifies for a reduced rate under the Aging Infrastructure incentives, equal to 2.3%

Payment Analysis

3-Year Average Revenues	3-Year Average Expenditures	3-Year Average Cash on Hand	Estimated Annual Payment	Term (Years)
\$1,607,000	\$1,403,000	\$205,000	\$39,800	15
			\$107,000	5

The District is requesting a 15-year loan term, however it is undetermined at this time, whether it will seek a bond election to increase the amount of its indebtedness or issue an interim note under Idaho §43-414, requiring the loan to be repaid within 5 years. The District will increase assessments accordingly to accommodate the loan payment.

7.0 WATER RIGHTS

Water Right	Source	Priority Date	Rate (CFS)	Beneficial Use
37-21535	Malad River	4/1/1909	70.00	Irrigation

8.0 SECURITY

As collateral for the loan, the Board is authorized to hold lien against the District's membership assessments.

9.0 CONCLUSION AND RECOMMENDATION

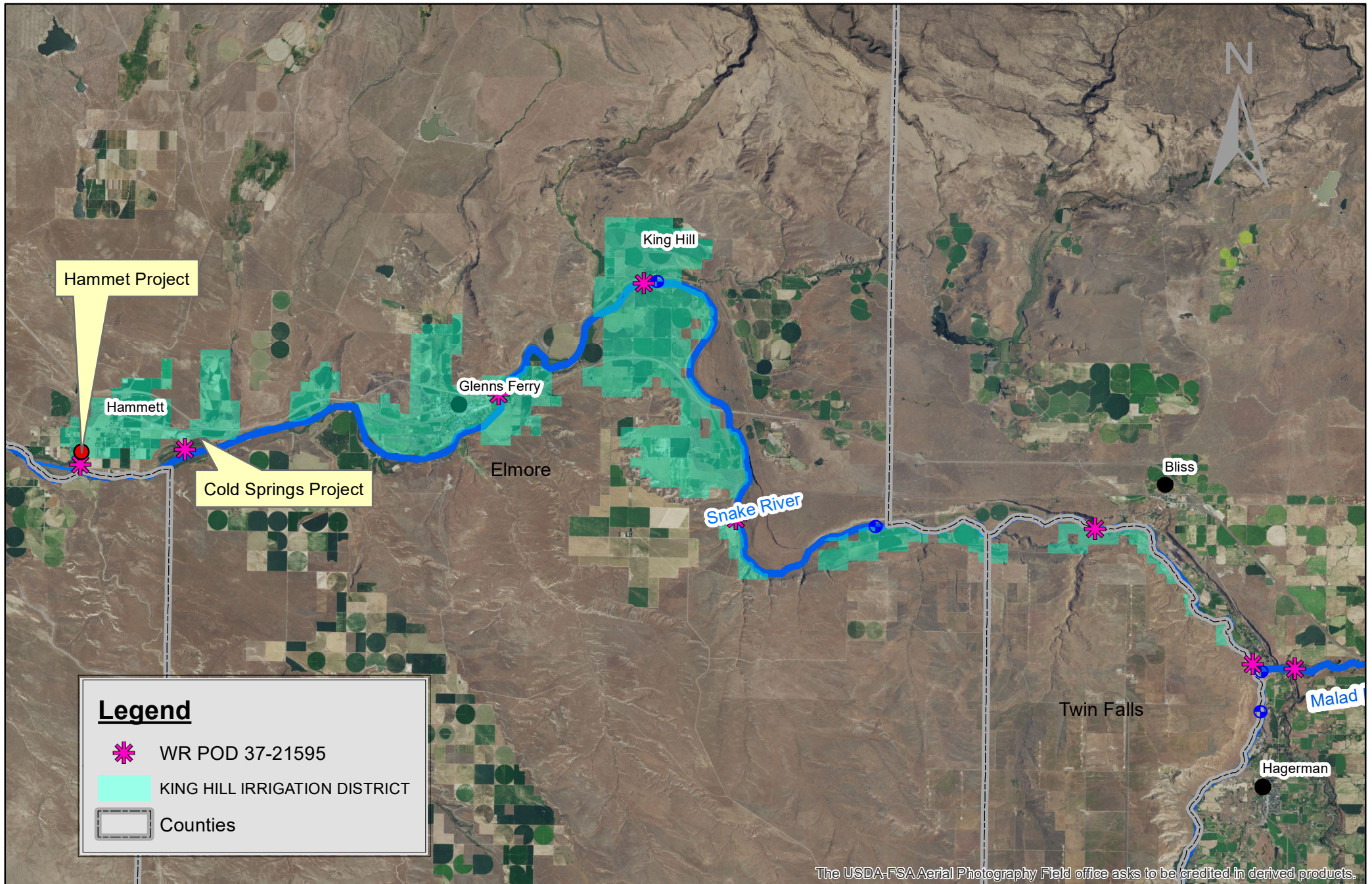
This loan will be used to repair and improve the District's century old delivery system. The applicant meets the qualification criteria, the proposed project is consistent with the goals established by the Board in the Idaho State Water Plan, and the project is technically and financially feasible. Staff recommend approval of the loan request, for the total amount of \$500,000.00

Attachments:

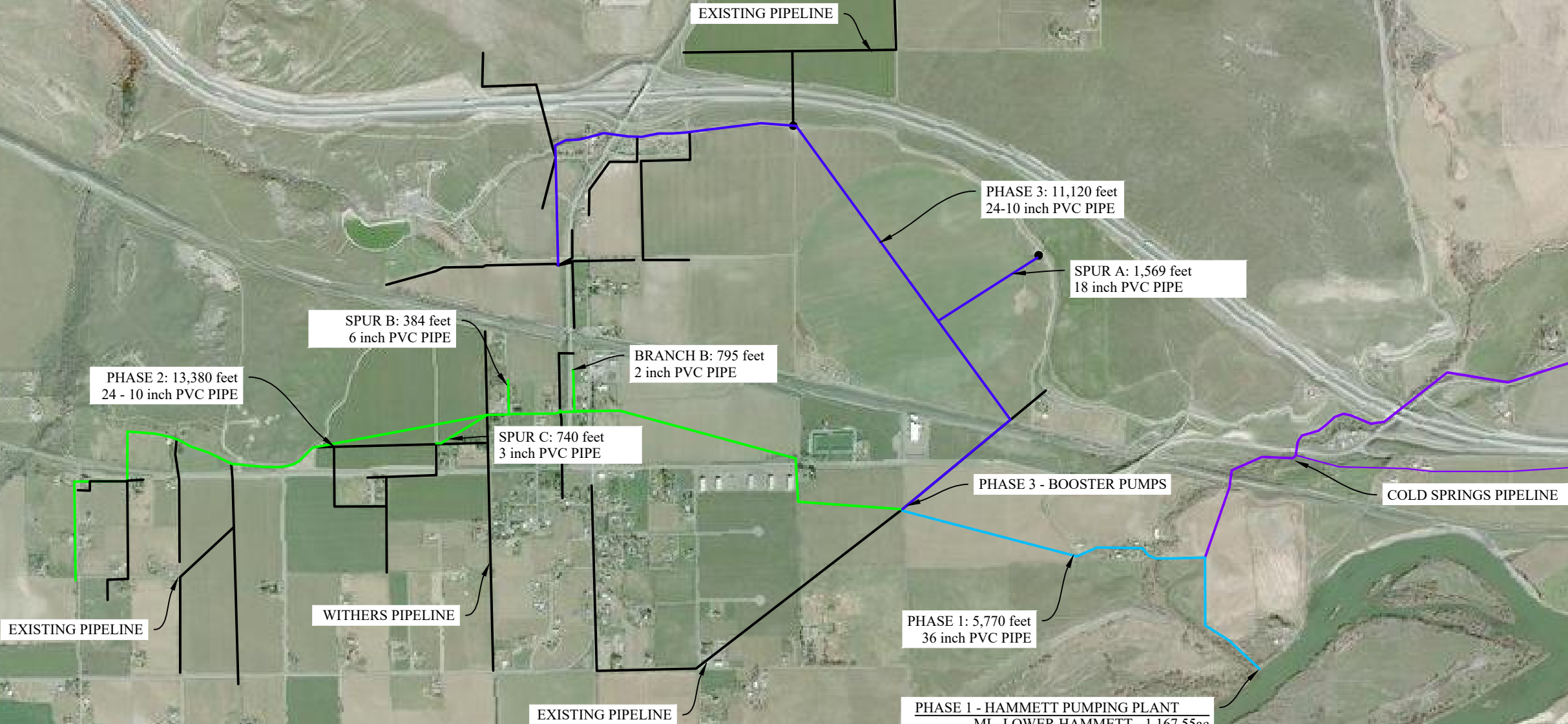
- KHID Map
- Draft Resolution

King Hill Irrigation District | Phase 2

IWRB Loan Application 2023- Cold Springs Project



DATE 04/19/2021



KING HILL IRRIGATION DISTRICT
PRELIMINARY HAMMET PUMPING STATION & PIPELINE - PLAN VIEW



United States
Department of
Agriculture

Natural Resources
Conservation Service

DESIGNED	D. MURDOCK	DATE	01/08/2021
DRAWN	D. MURDOCK		01/08/2021
CHECKED			
APPROVED			
APPROVER JAA	PROJECT JOB CLASS		

ELMORE SOIL & WATER CONSERVATION DISTRICT

ELMORE COUNTY, IDAHO

BEFORE THE IDAHO WATER RESOURCE BOARD

IN THE MATTER OF THE KING HILL IRRIGATION
DISTRICT LOAN REQUEST

RESOLUTION TO AUTHORIZE LOAN FUNDING
FOR COSTS RELATED TO REPLACEMENT OF
DELIVERY SYSTEM INFRASTRUCTURE

1 WHEREAS, King Hill Irrigation (District) submitted a loan application to the Idaho Water
2 Resource Board (IWRB) in the amount of \$500,000.00 to cover costs associated with its second phase of
3 improvements, installing new pipelines and replacing aging infrastructure of its delivery systems
4 (Project); and
5

6 WHEREAS, the District delivers water for approximately 11,573 acres of irrigated lands in Elmore
7 and Twin Falls counties; and
8

9 WHEREAS, the District's delivery system was originally installed in 1904, with some
10 improvements made in 1979; and
11

12 WHEREAS, to remain sustainable for future use and mitigate for potential liability risk, the
13 District will need to make considerable improvements to its aging infrastructure; and
14

15 WHEREAS, the total estimated cost for the Project is approximately \$2,773,364, and the District
16 has secured additional funding in the amount of \$2,273,364 from grants and energy savings incentives;
17 and
18

19 WHEREAS, the District is a qualified applicant, and the proposed Project is eligible for a loan
20 from the Board's Water Management Account; and
21

22 WHEREAS, the proposed Project is in the public interest and is in compliance with the State
23 Water Plan.
24

25 NOW THEREFORE BE IT RESOLVED that the IWRB approves a loan not to exceed \$500,000 from
26 the Water Management Account at 2.3 % interest with a 15-year repayment term.
27

28 NOW THEREFORE BE IT RESOLVED that should the district choose to issue an interim note for
29 the indebtedness of this loan, the loan will instead be subject to a 5-year repayment term.
30

31 NOW THEREFORE BE IT FURTHER RESOLVED that the IWRB provides authority to the Chairman
32 of the Idaho Water Resource Board, or his designee, to enter into contracts, to effectuate the loan, with
33 the District on behalf of the IWRB.
34

35 NOW THEREFORE BE IT FURTHER RESOLVED that this resolution and the approval of the loan are
36 subject to the following conditions:
37

- 38 1) The District shall comply with all applicable rules and regulations that apply to the proposed
39 Project.
40 2) Prior to the disbursement of any funds, the District shall comply with all statutory
41 requirements for incurring debt.
42 3) Prior to the disbursement of any funds, the District will provide acceptable security for the
43 loan to the IWRB, including its assessment income which the District collects from its
44 members.
45

DATED this 20th day of January, 2023.

JEFF RAYBOULD, Chairman
Idaho Water Resource Board

ATTEST _____
JO ANN COLE-HANSEN, Secretary

MEMO



To: Idaho Water Resource Board
From: Justin Ferguson
Date: December 27, 2022
Subject: North Side Canal Company– New Water Project Loan Application

REQUESTED ACTION: Approve loan request of \$7,300,000

1.0 INTRODUCTION

North Side Canal Company (NSCC) is requesting a new loan in the amount of \$7,300,000 from the Idaho Water Resource Board (IWRB) to reline the remaining portion of the existing main delivery canal infrastructure near Milner Dam (Project) and consolidate an existing loan with Northwest Farm Credit.

2.0 BACKGROUND

North Side Canal Company, established in 1905, provides water for 155,000 acres of irrigated lands through Jerome, Gooding, and Elmore counties. The concrete lining was initially constructed between 1908 & 1909 with efforts in recent years to repair the canal and avoid service interruptions for the 2,200 shareholders.

North Side Energy Company, established in 1991, is a wholly owned subsidiary of North Side Canal Company and is responsible for the ownership and operation of 3 hydroelectric plants with 2 additional plants as a partner with Ida-West Energy. The Head of the U plant was completed in 2015 and provides the company with an additional 1.28 megawatts of hydropower generation while also serving as the head of 3 lateral canals used to distribute irrigation water.

NSCC has also applied for an IWRB Aging Infrastructure Grant for \$2,000,000 to supplement the Project costs. The total length of canal to be relined will be determined based on the total amount awarded with a target length of 4,200 feet.

3.0 PRIOR LOANS

The North Side Canal Company has held loans with the Board before, most recently in 2016-2018 to reline an upstream section of this same canal. The current loan balance and annual payment are outlined under section 6.0.

4.0 PROPOSED PROJECT

Construction in the proposed 4,200' project area will be phased over multiple seasons beginning with the excavation of the existing concrete floor, sidewalls, and loose facial rock. Rock anchors, geotextile fabric, and PVC liner will be installed with a reinforcing grid attached. After the lining and reinforcement grid have been installed, the canal walls will be lined with shotcrete and a new concrete floor poured.

5.0 BENEFITS

The proposed Project and loan consolidation provide some key benefits for North Side and their shareholders. The repair and replacement of the aging canal infrastructure would significantly reduce conveyance water losses and prevent service interruptions for their 2,200 shareholders. The funds used to consolidate the outstanding loan from Northwest Farm Credit will allow North Side Canal to use the savings on existing operations and maintenance without raising shareholder assessments.

6.0 FINANCIAL ANALYSIS

The total construction Project costs are estimated to be \$6,812,600 with a contingency of \$530,000 for a total of \$7,342,600. North Side will contribute \$200,000 in kind services, \$142,600 in cash, and is requesting a loan from the IWRB in the amount of \$7,300,000 with \$2,300,000 reserved for loan consolidation from Northwest Farm Credit. The application requested a 30-year term however, the applicant has requested an amendment to a 20-year term based on aging infrastructure eligibility criteria.

NSCC has applied for grant funding under the IWRB's Aging Infrastructure Grants program for \$2,000,000. If awarded funding, NSCC intends to incorporate grant funds into project costs.

Revenue is assessed to the 2,200 shareholders at \$28.00 per share across 155,000 acres. As listed in the financial documents provided, the 3-year average for water users income was approximately \$5,505,483. Included in that figure are shareholder assessments, wheeling fees, and flow augmentation. Additionally, NSCC receives income from hydropower generation with a 3-year average of \$6,400,000

Conveyance - Managed Recharge	\$	450,000	*
Wheeling - GW Conversion	\$	200,000	*
Flow Augmentation (USBR)	\$	500,000	*
Hydropower Generation	\$	5,250,000	**

**Included in Water Users revenue*

***Included in Hydro Power revenue*

As of December 2022, current outstanding balances for NSCC include:

Debtor	Payment Amount	Current Balance	Remaining Term (Yrs)
Northwest Farm Credit Services	\$ 254,336	\$ 2,067,297	16*
Northwest Farm Credit Services	\$ 106,422	\$ 1,007,491	15
Idaho Water Resource Board	\$ 131,915	\$ 1,486,566	15
Total	\$ 492,673	\$ 4,561,354	

**Loan proposed to be consolidated*

The construction loan application was received by staff on December 16, 2022 while the application to refinance the loan from NWFC was received in September 2022. The two

applications have been combined such that the existing loan will be combined with the new project to meet eligibility requirements. As the construction project addresses aging infrastructure repair, NSCC is eligible for a reduced rate incentive of 4.38% calculated at 70% of the federal prime rate for quarter 4 of 2022 (6.25%)

Payment Analysis

Term (Years)	3-Year Average Annual Revenue	3-Year Average Expenditures	3-Year Average Cash on Hand	Estimated Annual Payment
20	\$10,847,845	\$6,807,721	\$3,365,458	\$586,900

7.0 WATER RIGHTS

Water Right	Source	Priority Date	Rate	Volume	Acreage	Beneficial Use
1-10576	Snake River	12/3/1984	1,200	-	-	Power Generation
1-5	Snake River	12/23/1915	300	-	158,200	Irrigation
1-16	Snake River	8/6/1920	832	-	158,200	Irrigation
1-210	Snake River	10/11/1900	400	-	158,200	Irrigation
1-212	Snake River	10/7/1905	2,250	-	158,200	Irrigation
1-213	Snake River	6/16/1908	350	-	158,200	Irrigation

8.0 SECURITY

As collateral for the loan, the Board is authorized to hold lien against the Company's facilities, infrastructure, and water rights. Based on the financial statements provided by the applicant, the proposed securities are sufficient and appropriate for the application.

9.0 CONCLUSION AND RECOMMENDATION



This loan will be used to consolidate an existing loan for the Head of the U project while also repairing and improving NSCC's original 1908 conveyance infrastructure used to deliver water across 155,000 acres in the Jerome, Gooding, and Elmore counties.

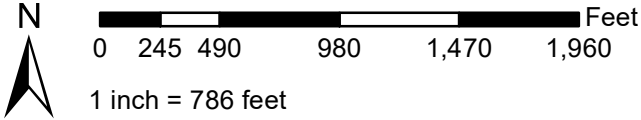
The applicant meets the qualification criteria, and the proposed project and consolidation are consistent with the goals established by the Board in the Idaho State Water Plan. Staff recommend approval of the loan request, for the total amount of \$7,300,000.00

Attachments: NSCC Map, Draft Resolution

North Side Canal Company - Milner Canal Relining Project



-  Milner Canal Relining Project
-  Milner Dam



BEFORE THE IDAHO WATER RESOURCE BOARD

IN THE MATTER OF THE NORTH SIDE CANAL
COMPANY LOAN REQUEST

RESOLUTION TO AUTHORIZE LOAN FUNDING
TO CONSOLIDATE EXISTING LOANS AND
REPAIR DELIVERY SYSTEM INFRASTRUCTURE

1 WHEREAS, the North Side Canal Company (Company) submitted a loan application to the Idaho
2 Water Resource Board (IWRB) in the amount of \$5,000,000.00 to cover costs for a project to repair
3 aging delivery system infrastructure (Project); and
4

5 WHEREAS, the North Side Energy Company (NSEC) submitted a loan application to the Idaho
6 Water Resource Board (IWRB) in the amount of \$2,300,000 to consolidate an existing loan used to
7 construct the Head of the U hydropower plant; and,
8

9 WHEREAS, the Company, located in Jerome County, delivers water for 155,000 acres and
10 approximately 2,200 shareholders in Elmore, Gooding, and Jerome counties; and
11

12 WHEREAS, the Company's delivery infrastructure was constructed in 1908 with improvements
13 being made most recently as 2017; and
14

15 WHEREAS, the Head of the U hydropower plant project was completed in 2014 and began
16 generating power for NSEC in 2015; and
17

18 WHEREAS, to remain sustainable for future use and conserve water the Company will need to
19 make repairs and improvements to its aging infrastructure; and
20

21 WHEREAS, total project costs are estimated to be \$7,342,600, of which the Company will cover
22 \$342,600, applied for an Aging Infrastructure grant for \$2,000,000, and is requesting a loan in the
23 amount of \$7,300,000 from the IWRB for project and loan consolidation costs; and
24

25 WHEREAS, in December of 2022 the Company passed a resolution to authorize Alan Hansten,
26 General Manager, to submit a loan application for funding for the Project; and
27

28 WHEREAS, the Company is a qualified applicant, and the proposed Project, combined with the
29 existing loan, is eligible for a loan from the IWRB's Water Management Account; and
30

31 WHEREAS, the proposed Project is in the public interest and is in compliance with the State
32 Water Plan.
33

34 NOW THEREFORE BE IT RESOLVED that the IWRB approves a loan not to exceed \$7,300,000
35 from the Water Management Account at 4.38% interest with a 20-year repayment term.
36

37 NOW THEREFORE BE IT FURTHER RESOLVED that the IWRB provides authority to the Chairman
38 of the Idaho Water Resource Board, or his designee, to enter into contracts, to effectuate the loan, with
39 the Company on behalf of the IWRB.
40

41 NOW THEREFORE BE IT FURTHER RESOLVED that this resolution and the approval of the loan are
42 subject to the following conditions:
43

- 44 1) The Company shall comply with all applicable rules and regulations that apply to the
45 proposed Project.
- 46 2) Prior to the disbursement of any funds, the Company shall comply with all statutory
47 requirements for incurring debt.
- 48 3) Prior to the disbursement of any funds, the Company will provide acceptable security for the
49 loan to the IWRB, including but not limited to its water rights and assessment income which
50 the Company collects from its members.

DATED this 20th day of January 2023.

JEFF RAYBOULD, Chairman
Idaho Water Resource Board

ATTEST _____
JO ANN COLE-HANSEN, Secretary

MEMO



To: Idaho Water Resource Board Finance Committee
From: Kala Golden
Date: January 4, 2023
Subject: Loan Program Policy Considerations

REQUESTED ACTION: Provide recommendation to the IWRB on updates to program policies

BACKGROUND

In November 2021, the Idaho Water Resource Board (IWRB) adopted several policy changes to its Loan Program (Program) guidelines and interest rate structure. Over the past year, there has been a sizable increase in the number and types of loan applications, due to the recent influx of state federal funding for infrastructure projects. As a result, staff have identified a number of program policy considerations for the Finance Committee's (Committee) review.

POLICY CONSIDERATIONS

Refinancing of Loans |

The objective of interest earned on water project loans is to support on-going program funding for new water projects.

- Under the existing Program criteria, interest rate modifications for IWRB loans may not be adjusted. An existing loan may be combined with a new loan, for a new project, and assigned an interest rate according to the date the completed new loan application was received. This policy was adopted to limit the practice of refinancing due the associated administrative responsibilities and the reduction in revolving funding to finance additional water projects.
- The IWRB does not currently have a policy on the refinancing of privately held loans for water projects. While refinancing a privately held loan generates new income from the interest earned, the IWRB may decide to prioritize financing new water projects with the program funds available.

Policy consideration: Should the IWRB allow the refinancing of privately held loans?

Example: In November of 2022, the Board reviewed a new loan application in the amount of \$2,300,000 from the North Side Energy Company (NSEC) for the refinancing of a privately held, variable rate loan with Northwest Farm Credit Services. The original loan was used for a project to replace water infrastructure and construct a new hydropower facility. The interest rate, based on the date this completed application was received, would be 4.75%, equal to the Federal Prime Rate on July 1, 2022, and the applicant has requested a 30-year loan term.

- Interest generated on this loan in the first 5 years of its term would equate to approximately \$528,000. Potential interest earned over the full 30-year term of the loan would be nearly

\$1.4 million.

- This loan application is being held, pending the Finance Committees recommendation on the refinancing of private loans. Depending on the outcome, North Side Canal Company (NSCC), the parent company for NSEC, is requesting to incorporate the funds requested under the NSEC loan request, into its current new loan request before the Committee for recommendation.

Definition of Aging Infrastructure |

In November of 2021 the IWRB adopted a policy for the Loan Program on reduced interest rate incentives for projects that address aging water infrastructure.

- The following definition of Aging Infrastructure was included in the Loan Program policy:

“...defined broadly as a project intended to address repair, maintenance, replacement, or improvements to existing infrastructure that supports water delivery, treatment, OR application of water.”

- The definition of Aging Infrastructure under the IWRB Aging Infrastructure Grant Programs is:

“any new project, or new phase of an improvement project intended to repair, maintain, replace, or improve existing infrastructure that supports irrigation water delivery, storage, drainage, treatment, and use of water for irrigation. Projects that are already completed or underway by the application deadline are not eligible for this funding opportunity. Additionally, for purposes of this grant program, the term ‘aging water infrastructure’ does not include municipal drinking or wastewater systems.”

Policy consideration: Should the IWRB modify the Loan Program’s definition of Aging Infrastructure to better align with the original intent for this incentive?

- The intent of the reduced interest rate incentive is to ensure the sustainability of long-term water delivery for existing water rights.
 - Many water systems with aged infrastructure may require restructuring of their water delivery or the installation of an entirely new system to support existing water deliveries that have become limited or difficult to operate due to the age and deterioration of the system.
 - New technologies have become available since most delivery systems were initially put in place.
 - It may be prudent to ensure the definition for this incentive does not limit projects that may wish to abandon old systems and install a new type of delivery systems that will deliver the same water rights with increased efficiency.
- Staff proposes the following modifications to the current definition for Aging Infrastructure as it relates to the loan program:

“...defined broadly as a project intended to address repair, maintenance, replacement, or improvements to **existing aged** infrastructure that supports **existing** water delivery, treatment, OR application of water.”

Time Limit to Exercise a Loan |

Given the current rates of inflation and unstable market conditions, costs for water projects remain high, with many projects experiencing significant challenges with cost overruns. With the recent inflow and competitive nature of new funding for infrastructure, at both state and federal levels, many applicants are applying for multiple funding opportunities in hopes of getting even a portion of their project costs covered. Coupled with the demand for this funding and recent employment shortages nationwide, this has created a backlog for many different organizations who provide water project funding; the time between the close of applications to the award of funding can be upwards of 6-9 months or more for some funding opportunities.

- The IWRB's Water Project Loan program provides competitive rates and comparably flexible lending options, which has incentivized many applicants to apply for a loan for the total amount of project costs, and then wait to draw on the loan until funding awards for other opportunities have been announced.
- Approval of these types of loans ties up Program funds that may not ultimately get used if more desirable funding types are awarded; funds that could otherwise support new projects.

Additionally, there is no criteria in place that defines how long a completed application may be held before being fully processed.

- Due to market instability and extended project timelines resulting from shortages either in materials or the availability of services for project development, applicants may opt to submit a completed application well ahead of project initiation to lock the current interest rates

Policy Consideration: *Should the IWRB set a time limit on how long an applicant has to exercise use of approved loan funds? How should the exercising of a loan be defined? Should the IWRB set a time limit on how long an application may be held?*

- Staff recommends that a completed loan application submitted to the IWRB may not be held for any longer than 90 days from the date the completed loan application was submitted. Applications not processed within the 90-day time period shall be considered closed, and new application must be submitted if the applicant still wishes to be considered for funding.
- Staff recommends that once a loan application is approved, the applicant has 1 year from the date of approval to act on the loan, unless otherwise granted by the board under consideration of extenuating circumstances.
- Staff recommends that "acting on the loan application" shall be defined as withdrawing funds on the approved loan based on eligible project costs.