

SWALLEY IRRIGATION DISTRICT
Spring 2010 newsletter
May 20, 2010

Patrons invited to May 26 Ribbon Cutting Ceremony

On May 26 the district is having a ribbon cutting ceremony to celebrate the completion of the 5 mile pipeline and hydroelectric project. This is your project and Swalley patrons are cordially invited to attend the ceremony. We request that any patron who wishes to attend, please call the office right away at 388-0658 to reserve your spot on the bus and get details. Attendees will gather at 10:30 at the staging area and board a bus for a short ride to the hydroplant. It will conclude by noon.

Irrigation Season 2010

Irrigation season began early April and is now at 100% flow per the district's water right. If you have any concerns about your water delivery from Swalley please do not hesitate to call the office at 388-0658, or Karl Conklin, Field Supervisor at 410-8681 or Kelly Lohman, ditchrider, at 410-8682. We look forward to a good irrigation season as the 5 miles of main canal pipeline is now complete. Private ditches or pipelines serving multiple water users beyond the Swalley headgate can be a problem for the water user and the district if the private system is clogged with vegetation, tree roots, or is not properly engineered. Please know that the district has no legal authority to get involved past the district headgate, on private property. It is the district's legal obligation to deliver to the district headgates, an equal amount of water to all water users from the water right available to the district.

Revisions to District Assessment policy

The board of directors has made some changes to the district Assessment policy to encourage payment of the assessment on time, April 1 of each year. The amount of time given before late fees are charged and the time period for other consequences for continued non payment has been shortened. Please go to www.swalley.com and click on Policies, and go to Assessment Policy, for the revised policy adopted April 14, 2010.

Five mile Main Canal Pipeline and in-canal Hydroelectric project is now complete

Project design began in 2004 and construction is now complete as of this newsletter. It has been a very big project for a small district and we appreciate our patron's patience all the while. It is not easy for patrons, district staff or board to step outside of what we have been used to and have faith that a multi year, multimillion dollar project (financed primarily with grants) will be completed within budget constraints, will function properly, will have patron and public benefits and will have been a good long term investment in district infrastructure.

Swalley's pipeline and hydro project and its resulting public benefits has been praised in Washington DC by the Commissioner of the Bureau of Reclamation and has been the subject of local television and newspaper coverage. A number of tours of the hydroplant are being given to groups who have not seen an in-canal hydroelectric plant, including the State Water Commission. The project's public benefits of conserved water (18 million gallons a day) resulting in improved middle Deschutes River water quality , and production of clean, renewable energy (enough for 375 homes) are greeted with enthusiasm by many. But in the final analysis the project must bring benefit to Swalley's patrons to have been worth it. The hydro plant will not produce net revenue to the district for a few years yet, but over time it will. Now that construction is complete, a first order of business is to get a new Business Energy Tax Credit (BETC) partner to replace a local bank that had to back out of that role. Once we get that private sector partner, it will receive tax credits in exchange for providing, essentially, a grant to Swalley for use in paying down a loan needed for the pipeline/hydroplant. Once those BETC funds are in place, net hydroelectric revenue for the district can be looked forward to, within a few years.

The hydroplant has been tested, had good results, and has been operational since April 22. All agreements are in place with Pacificorp to buy the energy from the district. Stockwater runs will resume when the irrigation season is over and will occur every four weeks.

Again the district thanks you for your patience during 4 years of construction. If you have any questions about the pipeline and hydroplant construction or financing feel free to contact the district.

Interagency Relationships

The district participates in a number of interagency efforts with the primary purpose of ensuring district water rights remain secure and to accomplish other important objectives by working with others. Some of these interagency efforts are: the Deschutes Basin Board of Control, established in 2002 and is a legal entity representing all seven irrigation districts, currently is spending much effort on the US Fish and Wildlife Service required Habitat Conservation Plan for steelhead and bull trout and perhaps other species in the Deschutes Basin where irrigation districts are to minimize and mitigate their actions so as not to harm these species; the Deschutes Water Alliance, an informal association of government entities to include Deschutes, Crook and Jefferson counties, all the cities and irrigation districts within those counties, the Confederated Tribes of Warm Springs, Deschutes River Conservancy and others, whose primary purpose is to work together on broad water basin planning and to bring more state and federal funds into the Deschutes Basin for water management projects benefiting everyone; the Oregon Department of Agriculture's Irrigation Water Management committee whose goal is to coordinate and disseminate on- farm water and energy conservation programs to all irrigators in the Deschutes Basin, and ; working with the City of Bend on an interagency agreement regarding land use, infrastructure and water needs of both entities.

2010 SWALLEY ASSESSMENT INCREASE

At the December 9 meeting of the District Board of Directors the board voted to increase the Assessment by 5% in 2010. You will receive your assessment statement in January as usual. (The 2009 assessment was lower than the 2008 assessment). The 2010 budget was also cut 25% compared to the 2009 budget. Both of these actions are necessary for the following major reason.

The district pipeline and small hydroelectric project will be completed before water season begins this spring. One million dollar piece of the financing of this \$14 million project has been temporarily disrupted when a local bank who was to provide the district with \$984,000 after the hydro plant goes on line, in exchange for a Business Energy Tax Credit (BETC) of a larger amount, had to pull out of their partnership with Swalley. The BETC is a program of the Oregon Department of Energy (ODOE). Until the district can find a replacement partner, a 12 year loan of \$1.2 million had to be taken out. The 2010 debt service on that loan and one other 20 year loan, takes all hydroelectric plant net revenue and some of the district's general fund. Once a replacement BETC partner is found the district will pay down the \$1.2 million loan, shortening the life of the 12 year loan to 2-3 years. Finding a new BETC partner is district management's highest priority.

The district will invite an ODOE staff person to come to the Swalley annual meeting to be set for February. He will explain how Swalley patrons (probably no more than 10 due to the administrative work required) could also become BETC partners to Swalley, lowering your Oregon state taxes.

In the first half of 2010 the district will develop a 5 year Financial Plan. The district will hold several workshops on the plan to receive your input, then adopt the plan to guide district financial decisions. It will be reviewed annually.

VACANCY ON THE BOARD OF DIRECTORS

Gary Blake announced at the December 9 Board meeting that he will need to vacate his position on the Board of Directors early in the new year. Oregon statute provides that an irrigation district board of directors can appoint an eligible landowner from anywhere in the district to serve until the annual meeting next following an election to fill the vacancy. Then the electors of the district elect a successor to replace the appointed director who shall take office at the annual meeting next following the election and shall serve the remainder of the term of the director who originally vacated the office. So in this case the Board would appoint a landowner in the district to fill the vacant seat until (annual meeting) January, 2011. If that appointed board member wanted to run for election he or she would do so, along with any other interested eligible landowner, in November 2010 and the winner of that election would serve until the annual meeting (January) 2012 .If you are interested in serving on the Swalley board of directors please call the

office at 388-0658 by January 20 and ask to speak to the manager. You would be scheduled for an interview by the other 2 board members, Kevin Crew and Bob Dickey. It is anticipated that the Board would complete the interviews and make a selection at the February Board meeting.

INSTREAM WATER RIGHT LEASING FOR 2010

At the November 10 Board meeting the Board decided that 2010 policy on instream leasing of water rights by Swalley patrons would be very similar to 2009 and is as follows. The only Swalley patrons that will be allowed to instream lease their water rights are: landowners with water rights entering their fifth year of non-use ('at risk water") and landowners with direct diversion (from the river) water rights.

This decision was made because the District needs to have a year of operating experience with the newly completed pipeline and reduced district water right, to ensure there is adequate water with which to operate the system. (Committing conserved water back in to the Deschutes River, made possible by piping some of the canal, was a requirement in order to receive grants for the project).

ANNUAL MEETING

The district will hold an annual meeting with the patrons in February. A postcard will be sent out in January with the date, time and location. This will be a comprehensive meeting addressing all of the District's important issues and there will be plenty of time for Q and A, and to listen to your suggestions. Please call the District if there are topics that you definitely want addressed.

STATUS OF PIPELINE AND SMALL HYDROELECTRIC PROJECT

The project is proceeding on time and within budget. The 1/3 mile of new pipeline that remained to be installed at North Canal Diversion Dam across 3rd Street and across Butler Market Road to tie in to the 5 miles of new pipe behind M Jacobs furniture store, is wrapping up as of this writing. Weekly Brothers contractors is building the powerhouse for the .75 megawatt in- canal hydroelectric plant and will start work in January. The hydro plant is on course to produce electricity for sale to Pacific Power and revenue to Swalley as of April 2010.

District offices will close December 24 at noon through January 1.
Visit the Swalley website for current events, www.swalley.com
Swalley phone number is 388-0658.

Happy New Year to all of our valued patrons.

Respectfully,
Suzanne Butterfield
General Manager