

**SWALLEY IRRIGATION DISTRICT MAIN CANAL PIPELINE AND PONDEROSA
HYDROELECTRIC PROJECT SUMMARY
Ribbon Cutting Ceremony
May 26, 2010**

What is Swalley Irrigation District?

The district is a local government entity providing irrigation water to 655 patrons having 4,306 acres of water right, located from Bend northward between Highways 20 and 97. The district has been in existence, originally as the Deschutes Reclamation and Irrigation Company, since 1899. Swalley infrastructure consists of a 12.1 mile main Canal and 16 miles of irrigation laterals. Now a small hydroplant is part of the district infrastructure. Swalley's water right is one of the oldest on the Deschutes River making its supply of water quite reliable. The district has a 3 member board of directors and 4 employees.

What is the Project?

The project was originally conceived of in 2004, planning and engineering design began soon thereafter and construction on the pipeline began in 2007. The project is now complete and consists of the following components: modifications to the state of the art 2004 fish screen at the North Canal Diversion Dam to keep damaging pumice, as well as fish, in the river, from entering the pipeline and the hydro plant; a headworks debris cover to keep large debris out of the pipeline/hydroplant; 5.1 miles of 54", 48" and 36", made in America pipe, replacing that portion of the 1899-1923 vintage Main Canal from the dam to the hydro plant; and a .75 megawatt in-canal hydroelectric plant at the end of the pipeline. There is 200 feet of fall from the diversion dam to the hydroplant creating 148 feet of head or 64 psi pressure under full operating conditions. Hydroelectric production was added as an approved use of Swalley's existing water right by the Oregon Water Resources Department. The forebay at the hydroplant has a custom sleeve valve which allows the water to be channeled directly into the canal at anytime the hydroplant should shut down. The canal does not discharge into the river.

The district has an interconnection agreement with Pacificorp. Transmission facilities and lines have been completed by Pacificorp, up to the project. Swalley has a power sales contract with Pacificorp. The contract is the standard UM 1129 contract requiring utilities to purchase 1 MW or less at PIURPA avoided cost prices. The price schedule has been set by the PUC, beginning at about 7 cents per kilowatt hour.

What are the benefits to the public and Swalley patrons?

As a result of the piping of a very old canal, 28 cubic feet per second, or 18 million gallons a day, of water is conserved – no longer seeps into the ground- and has been placed back into the Deschutes River permanently with an 1899 water right. This enhances flows for fish and improves water quality. This is the largest single contribution of conserved water by an irrigation district into the Deschutes River, ever. As for the hydroplant, it is producing clean, renewable energy to meet the needs of an equivalent of 375 households. No state or federal agencies reported any impact to the

environment from the hydroelectric project. The district is contributing to the cost of a fish ladder at the diversion dam pursuant to an agreement with the Oregon Department of Fish and Wildlife.

Benefits to Swalley patrons include water pressure for those 52 turnouts on the pipeline itself, better control of the water by district staff, and eventually , net hydroelectric revenue to the district. Safety concerns are reduced when water is delivered through a pipe rather than open canal.

Blazing new paths

The Ponderosa hydroplant is the first hydroplant built by an irrigation district in over 20 years in the State of Oregon under all new rules from the federal level down to the local level. The last such plant to be built was Central Oregon Irrigation District's hydroplant built in 1989. After that the power rate for purchase declined considerably and only came back up in the last 5 years making such projects feasible again. As a result, Swalley was the first district in the state to go through the Federal Energy Regulatory Commission process for an in-canal hydroelectric plant exemption from FERC rules. The district was the first to go through the Oregon Water Resources Department process for adding hydro power to an existing water right. The district was the first to go through Oregon Department of Fish and Wildlife requirements for a fish ladder at the dam as a result of the in-canal hydroplant 5 miles away from the fish screened diversion. The district was the second to go through the new Deschutes County land use approval and building permit process for an in-canal hydroplant. The district has been a new experience for Pacificorp in dealing with an irrigation district small hydro project.

Last but not least, Swalley was the plaintiff in federal court asserting the right of irrigation districts with a canal within a federal right of way to pipe their open canal. The district had to go to court after construction started which caused a one year hiatus in the project, adding to costs. Swalley won that case which paves the way for other such irrigation districts in the northwest to consider piping and hydro projects.

Project Cost and Funding Partners

The pipeline and hydroelectric project cost \$15.5 million. The district was fortunate to have many funding partners. Approx \$10 million of the funding came from non federal partners and \$5.5 million from federal partners. The district's two federal funding partners are the US Bureau of Reclamation and the Oregon Department of Environmental Quality, both utilizing federal American Recovery and Reinvestment Act funds. The non- federal partners included the Deschutes River Conservancy, Oregon Watershed Enhancement Board, the National Fish and Wildlife Foundation, the North Rim Foundation, Energy Trust of Oregon (ETO) and the Oregon Department of Energy (ODOE). The district also has \$2 million in loans that will be paid down with ETO funds and an ODOE Business Energy Tax Credit payment when received.

District representatives, contractors, suppliers, and attorneys involved with the project

Four district managers have been carrying the torch on this project since 2004: Todd Griffiths, Charles Brown, Jan Lee and Suzanne Butterfield. Past and present board members Gary Blake, Andy Tillman, Bob Dickey, Kevin Crew and Helen Eastwood have all guided the project.

The pipeline engineer is Jon Burgi of David Evans and Associates of Bend, ably assisted by Thomas Headley. The pipeline contractors are Todd Weekly of Weekly Brothers of Idleyld Park, Oregon(Phase 1 pipeline) and Ron Robinson and Greg Goss of Jack Robinson and Sons (Phase 2-4 of the pipeline) of Bend. The hydroplant engineer is Dick Haapala CH2MHILL of Yakima. Tthe powerhouse contractor was again Todd Weekly. The engineer overseeing on-site hydroplant construction was David Prull of ClearWater Engineering. The supplier of the turbine generator was Rob James of Canyon Hydro in Deming Washington. The electrical contractors were Kronesberg Electric, and BAT Electric. The Owners Representative overseeing completion of the entire project was Brady Fuller, CH2MHILL, of Bend.

District Operations and Maintenance Field Supervisor Karl Konklin delivered water all throughout the project period, assisted with the construction process, and is now a hydroplant operator as well. Kathy Ferguson has been the office manager since 2005 and handles all bookkeeping on the project and soothing the patrons.

Attorneys involved with the project include Neil Bryant, Mark Reinecke and Paul Taylor of Bryant, Lovlein and Jarvis in Bend; Dan Israel who handled the federal court case on the right to pipe; Tom Nelson who helped the district negotiate a power purchase agreement with Pacificorp; and David Filippi of Stoel Rvies who helped the district negotiate the fish passage agreement with ODFW.

Thankyou

The district thanks all those who helped this project become a reality including the City of Bend who was an early proponent and supporter of the project. The Deschutes Basin is a special place where the cities, counties, irrigation districts, the Deschutes River Conservancy and many other partners are working diligently together to make more of these kinds of projects a reality.

Finally we thank the Swalley patrons who lived through the entire process, had their irrigation water disrupted numerous times, and showed understanding that there have to be some sacrifices to propel an organization forward into a new era of efficiency and sustainability.

PRESS RELEASE

FROM: SWALLEY IRRIGATION DISTRICT, 64672 COOK AVE., SUITE 1, TUMALO

DATE OF RELEASE: MAY 20, 2010

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ANNOUNCEMENT OF RIBBON CUTTING CEREMONY TO CELEBRATE COMPLETION OF 5 MILE MAIN CANAL PIPELINE AND IN CANAL HYDROELECTRIC PLANT

Swalley Irrigation District has completed a 5 mile pipeline and a .75 Megawatt in-canal hydropower plant, which is certified operational as of April 2010. A ribbon cutting ceremony to celebrate this major achievement will be held Wednesday morning, May 26 at the hydroelectric plant site, by invitation only. All media are invited. Please contact the district by Monday, May 24 to reserve a seat on the bus.

Swalley Irrigation District is a local government entity providing irrigation water through its 1899 water right, oldest on the Deschutes River, to 655 water users on 4,300 acres of land with water rights. District lands are located from Bend northward primarily between Highways 20 and 97.

The project engineering began in 2004 and construction has spanned 5 years. A lawsuit filed in federal court by Swalley Irrigation District, due to some landowner opposition, in 2004, to determine whether irrigation districts with a federal right of way deeded canal had a right to pipe those open canals, was won by the district in 2008, and upheld by the Court of Appeals in 2009.

The piping of 5 miles of the district's 12 mile main canal, which dates back to 1899, has resulted in 18 million gallons a day of conserved water being able to be placed back permanently instream in the Deschutes River to enhance flows for fish and improve water quality. This is the single largest contribution of conserved water by an irrigation district to the Deschutes River, ever. Clean, renewable energy is being provided to the equivalent of 375 homes through a consummated power purchase agreement with Pacificorp. Swalley Irrigation District is the first irrigation district in 20 years in the state of Oregon to build a hydroelectric plant in its canal, with its existing water right, rather than building a hydroelectric plant on a river. There are no detrimental environmental impacts from this type of energy production. The district has broken new ground that will assist other irrigation districts in pursuing small in-canal hydro energy production.