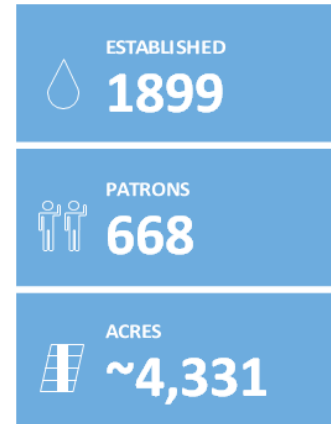




WINTER NEWSLETTER January 2017

Swalley is 118 years old this year. As the snow piles up, we are reflecting on the past and planning for the future. 2016 was a busy and productive year for Swalley. The District hired a new general manager, built a state-of-the-art fish ladder, was awarded over \$250,000 in grant money for planning and engineering, replaced several pieces of old equipment and infrastructure, ramped up efforts to battle noxious weeds, launched a new website, and completed a full System Improvement Plan. Completing the System Improvement Plan was a monumental effort that will now serve as our guide and blueprint for protecting your water rights, piping our canals, and pressurizing your irrigation deliveries over time.



With pressing urbanization issues, growing environmental responsibilities, regulations, and lawsuits, public safety liability around canals, and an obligation and expectation to conserve water to protect the Deschutes River, Swalley and its patrons must embrace the long-view and be proactive with piping if we are to remain in business. Canal-piping projects, on-farm irrigation improvements, private delivery improvements, and instream leasing are all tools that we will be utilizing as we look to the future. With change come opportunities for better protecting our water rights, creating a more efficient, reliable water delivery system, protecting the environment, and helping our customers save on pumping costs. We believe that by converting our canals to a 100%, fully piped and pressurized delivery system, we will be in business for the next 118 years.

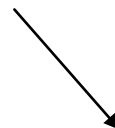
The new System Improvement Plan lays out a phased approach for eventually piping all our canals and therefore improving the dependability and security of your water supply for generations to come. The plan can be obtained at the district office or found online at: <http://www.swalley.com/system-improvement-plan-sip>

As we pursue state, federal, and other grant dollars in 2017 to implement our System Improvement Plan and pipe our canals, we would like to hear from you. You can call, write, or drop in at any time. Our board meetings are the third Wednesday of each month at 9am, and always open to the public. We want your voice to be heard as we modernize our infrastructure.

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2017 Assessments & Budget

The District has an approved budget for 2017. While there will be a slight increase in the base account fees this year, the District will not be rounding assessment acreages up as we have in the past. The overall result is that some customers may see either a slight reduction or very minor increase in their annual 2017 assessment. Keeping costs down is an everyday task that we take very seriously at Swalley, and we thank you for your support.

New Website & Other Advances

To save on costs, we are shifting to a digital newsletter and website communications platform. With the exception of our annual January newsletter and yearly billing, we will now be posting all news, events, and updates to our new website at: www.swalley.com

The new website keeps track of stock water runs, turn-on and off dates, provides access to live flow meter data, meetings, plans, rules and regulations, and is a general news and resource hub. The website will be updated weekly. In 2017 we will also be implementing a new water accounting software which will enable our customers to pay by credit card. While we are excited about these changes, the Pay by Credit Card option will not be available until later in the year.

2017 Water Deliveries & How the Oregon Spotted Frog Could Affect You

Districts involved in the Oregon Spotted Frog lawsuit, dependent on stored water from reservoirs where frog habitat exists, may experience delivery shortages in 2017. Swalley



Oregon Spotted Frog

is NOT one of these districts. Swalley has avoided environmental lawsuits partially due to our progressive efforts in piping our canals and our track record with conserving water. Swalley holds the most senior water rights on the Deschutes River and we are not dependent on reservoirs for our water supply. While most Swalley customers should not experience any shortages in 2017, those Swalley customers served off of Central Oregon Irrigation

District (COID) infrastructure may experience shortages and possibly rotations. COID delivery rates in 2017 are anticipated to be the same as 2016, and any rotations or changes, including irrigation start dates, will likely be determined by COID in early March and posted to their website at: www.coid.org

Our New Fish Ladder

For more than 100 years, redband trout have lived as separate populations upstream and downstream of the North Canal Diversion Dam along the Deschutes River in Bend where Swalley diverts its water for you. By the 2017 irrigation season, our new fish ladder is going to change that and allow the trout to mingle.

According to biologists and Ryan Houston, executive director for the Upper Deschutes Watershed Council, "...they [redband trout and other species] need to intermix and interbreed to maintain good, healthy populations." As a community-based environmental project, the districts and agencies responded.

The Oregon Watershed Enhancement Board awarded a \$689,000 grant for the project that is costing approximately \$1.6 million. The Oregon Department of Fish and Wildlife gave \$602,000 to the project, and Swalley, Central Oregon and North Unit Irrigation Districts are splitting the remaining \$378,000 in addition to managing the project. Project construction has been going on since late last summer and is nearly complete. The deep snow, ice, and cold have slowed us down some, but the project is now set for commissioning in late-January (weather permitting!). Tours of the new facility can be scheduled upon request this upcoming irrigation season.



Water for \$ale! Water to Lease?

The District has a limited amount of water for sale in 2017. The price is \$2,000 an acre. First-come, first served. Contact the office if you are interested in learning more.

Finally, for those eligible to lease their water in-stream, we have included in this mailing our Annual Water Leasing Program Flyer. For more information or to sign up, contact Kathy at (541) 388-0658 before **February 17, 2017**. Earlier notification is encouraged to allow time to prepare the documents.