

Red Mountain South LID Informational Meeting
Minutes
April 20, 2009
Terra Blanca Winery
6:30 pm

Presenters:

Paul Harmsen, MacKay & Sposito
Derrick Smith, MacKay & Sposito
Scott Revell, Kennewick Irrigation District
Richard Evans, Kennewick Irrigation District

Introduction

Board President, John Jaksch, thanked everyone for coming and conveyed that the meeting was an update to the first meeting that was held in December.

Progress in the Past 120 Days

Scott Revell reported that MacKay & Sposito had taken the information gleaned from the December meeting, facilitated an additional meeting in January with grape growers, reviewed information from Washington State University's studies, and recalculated costs in order to refine the system performance and refine and reduce the estimated project costs.

Mr. Revell also reported that the water right process continues and that a positive meeting had been held with the Bureau of Reclamation in Yakima last week in order to simplify the permitting process.

Mr. Revell explained the process if a property owner had previously signed up to be in the LID and now wants out. A written protest form will need to be completed and mailed or delivered to the KID before the public hearing. If property is held jointly with a spouse, authorization needs to be signed by them also. The public hearing has not been scheduled as yet. Information regarding this matter is posted on KID's website. If anyone was uncertain if they were signed up for the LID, they could check with Mr. Revell after the meeting.

Overview of System Planning

Paul Harmsen presented a summary of the original system and costs from the December meeting. The previous system was designed for 30 inches/year, 4.6 gpm/acre, and serviced 3,125 acres. The cost was estimated at \$23.4 million.

From feedback received, participants agreed that the LID could accept less water than previously designed. They requested a greater range of repayment options and believed that the reliability of the system was critical. It was also requested that the costs to serve the higher elevations (above 1010 feet) be determined which would mean revising the service area.

Three delivery options were then presented; i.e. 30 inches/year, 18 inches/year and 12 inches/year. The system was designed to deliver at peak demand in August as follows:

- 7.7 inches/month (4.6 gpm/acre) = 30 inches/year
- 5.8 inches/month (3.5 gpm/acre) = 18 inches/year
- 3.8 inches/month (2.4 gpm/acre) = 12 inches/year

Using the above demands, the total LID cost would be as follows:

- 12 inches/acre/year (3.8 in/month) = \$4,600/wet acre
- 18 inches/acre/year (5.8 in/month) = \$5,300/wet acre
- 30 inches/acre/year (7.7 in/month) = \$7,500/wet acre

To meet the participants' requirements, MacKay & Sposito believe the best option would be 18 inches/acre/year because it would be a 15% higher cost over 12 inches/acre/year but would gain 50% more water. If 12 inches/acre/year were used, a private storage reservoir would be needed by each land owner at substantial cost. The 30 inches/acre/year would be a higher cost and would create more water than is needed for grapes.

Five service area options were then presented and estimated costs were calculated for each option to determine if costs increased. The five service options were:

- Up to 750 ft elevation
- Up to 880 ft elevation
- Up to 1010 ft elevation
- Including the top of the mountain
- Piping to the 1010 ft elevation which would provide capacity for all properties (2,670 acres).

MacKay & Sposito recommended a revised system that would keep the costs fairly constant to the 1010 ft elevation. This would include irrigating 2,670 acres and piping to the 1010 ft elevation. Properties above the 1010 ft elevation would need to extend the service with privately-owned pipes and pumps. This system would provide 5.8 inch/acre during the peak month (3.5 gpm). The pumps would be municipal grade pumps.

The total estimated construction cost for the recommended 18 inches/acre/year system would be \$14.4 million. The repayment costs were estimated with bond rates at 6% interest. This amount could change depending on the market. In addition, an annual power cost of \$75/wet acre and an annual operation and maintenance cost of \$70/wet acre were included in the following repayment schedule:

10-yr repayment	\$875/acre/year
15-yr repayment	\$698/acre/yea
20-yr repayment	\$613/acre/year
30-yr repayment	\$535/acre/year
40-yr repayment	\$502/acre/year

LID Formation Hearing

Richard Evans reported that in order to proceed with the LID a resolution has to be presented that affirms what the LID is for, defines the estimated costs, and defines the LID boundary. The one major function of the LID formation hearing is to hear all of the comments and make a decision on the boundaries. The KID does not intend to include anyone that does not want to be in the LID. Any cost adjustments are done at the final assessment roll hearing. Notices of the hearing date will be sent out along with maps and the draft resolution. The LID checklist will be posted on KID's website so participants can see where we are in the LID process.

Questions and Answers

Question: Will KID be sending out a request asking what participants' estimated wet acreage amount will be?

Answer: Yes. The KID will be sending a form in the mail to each interested participant to complete in order to make sure they are going to be assessed correctly.

Question: How will the KID handle property that isn't going to be planted for four years after the system is in place? Is the owner charged for infrastructure costs?

Answer: Yes. The statute requires that the participant be charged from the beginning.

Question: Is there an annual water assessment and does that include the O&M?

Answer: Yes. The total bill will consist of the loan repayment and the O&M. This system will not be served by KID's canal system and is not subject to the USBR loan payment or KID capital projects charge for canal repair.

Question: How long will it take to build the system and when will the assessments start?

Answer: There will probably be a 12-18 month process for water permitting and 9-12 months for construction. As soon as the system is constructed, assessments will start on the next assessment cycle.

Question: Will we have an opportunity to pay a whole or fraction of the repayment costs rather than pay the yearly assessment?

Answer: Participants will have 30-60 days after the final assessment roll hearing to pay the full amount without interest being charged. If a significant number of participants are going to be doing that, we need to know.

Mr. Revell stated that the KID has expended roughly \$110-120,000 in costs at this time. Those amounts will be included in the repayment assessments.

Question: Does everybody have to have the same repayment period?

ANSWER: Yes.

Mr. Revell asked the audience by show of hands how many participants wanted 25+ year pay, 20, or less years to pay off the LID. Different responses were given with no clear majority. The KID will include a repayment time preference on the mailing to the petitioners.

QUESTION: How realistic is the wet acre?

ANSWER: The initial assumption was that 100% of the parcels included in the LID are wet. It is going to require a detailed analysis to find out what each participant has. Anyone who comes in during the repayment period has to pay as if in the LID from day one. Nobody gets a break for coming in late per RCW. This is all predicated on water being available.

QUESTION: What if we are allotted more water than is needed or I don't plant right away?

ANSWER: The best mechanism to use is putting the water into the state water trust to prevent relinquishment if we don't know how much water is going on the ground. When a person is ready for water it can then be pulled from the trust account.

QUESTION: What about participants who live above the 1010 ft elevation? Can they get water?

ANSWER: Pipes have been sized to provide water but the pipes are not being extended past the 1010 ft elevation. Landowners will have to provide their own piping and pump from that point.

QUESTION: If this is a pressurized system, where will excess water go?

ANSWER: There will be controls to maintain the water flow. Because it will be a closed, on-demand system, there will not be any drainage or excess water spilled.

QUESTION: Is the system backflushed for winterizing or will there have to be a design completed for winterizing?

ANSWER: The water is drained. Drain valves, etc. are designed into the system. KID takes care of all winterization to the point of delivery. It is KID's responsibility to operate and maintain.

QUESTION: What is the expected life for this system?

ANSWER: The pipes are rated for a 100 year life span. The pump station's service life is 20+ years. However, there will need to be enough money in reserves to replace the pumps.

QUESTION: What if costs go up a great deal more once it's started?

ANSWER: If costs go up, the KID will have to raise assessments. This LID system requires the LID to pay the costs. The KID has tried to make a conservative estimate for power based on 2010 fees. There is a possibility

the power may be paid for by the Bureau of Reclamation as part of the electrification of the Chandler system.

QUESTION: When will the public hearing be held?

ANSWER: Possibly 45-60 days.

Mr. Revell then asked if the group was in agreement to proceed and most were in agreement. Based on the presentation and questions that were asked, the KID will be moving forward with the hearing. Mr. Evans requested that anyone who doesn't want to be included or is undecided to please let us know as soon as possible.

Jim Holmes gave a brief history of his involvement for the last 35 years and encouraged the group to continue in the effort to bring water to Red Mountain.

QUESTION: How many risers will each parcel receive?

ANSWER: Every parcel will receive one riser unless greater than 40 acres and will get one additional riser per 40 acres.

QUESTION: Can water be used for anything other than irrigation purposes?

ANSWER: This is unfiltered, raw Yakima water. It can only be used for irrigation purposes.

QUESTION: Has any testing been done to see if there are pesticides or 2-4D residues in the water?

ANSWER: No. The Department of Ecology would be good resource for that information as well as the Conservation District

With no other questions, the meeting was adjourned at 7:40 p.m.