



Minutes

KID Board of Directors Special Meeting
Carl W. Petersen Board Room
Thursday, January 8, 2015, 7:00 p.m.

President Rathbun called the meeting to order at 7:00 p.m. Mr. Freeman called roll.

Directors Present:

Kirk Rathbun, President
Gene Huffman, Vice President
Patrick McGuire, Director
David McKenzie, Director
Dean Dennis, Director

Staff Present:

Chuck Freeman, District Manager
Colleen Storms, District Treasurer
Seth Defoe, Planning Manager
Jason McShane, Engineering/Operations Manager

Other Persons Present: Special Counsel, P. Stephen DiJulio, Attorney for Red Mountain South LID, Foster Pepper PLLC
ChaRae Kent, CCR, RPR, Kent Reporting

PUBLIC HEARING: The attached transcript is provided in lieu of minutes

Attest:

Witness:


Kirk Rathbun, Board President
Approved April 7, 2015


Chuck Freeman, District Manager

KENNEWICK IRRIGATION DISTRICT

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In Re:)
)
Red Mountain South LID No. 192)
Final Assessment Roll Hearing)

SPECIAL MEETING OF THE KID BOARD OF DIRECTORS

TIME: 7:00 p.m., Thursday, January 8, 2015
TAKEN AT: 12 West Kennewick Avenue
Kennewick, Washington
CALLED BY: Kennewick Irrigation District
REPORTED BY: ChaRae Kent, CCR, RPR
License No. 2408

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APPEARANCES

FOR THE KENNEWICK IRRIGATION DISTRICT:

- MR. STEVE DEJULIO - Special Counsel
- MR. KIRK RATHBUN - President
- MR. CHARLES FREEMAN
- MR. PAT MCGUIRE
- MR. DAVID MCKENZIE
- MR. GENE A. HUFFMAN
- MR. DEAN DENNIS
- MS. COLLEEN STORMS - District Treasurer
- MS. LINDA ROSENBAUM - Real Property Manager
- MR. SETH DEFOE - Planning Manager
- MR. JASON MCSHANE - Engineering/Operations
- MR. PAUL CROSS - RH2 Engineering

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1 BE IT REMEMBERED that on Thursday, January 8, 2015
2 at 7:00 p.m., at the Kennewick Irrigation District,
3 12 West Kennewick Avenue, Kennewick, Washington, the
4 Special Meeting of the KID Board of Directors was taken
5 before ChaRae Kent, Certified Court Reporter and
6 Registered Professional Reporter. The following
7 proceedings took place:

8 PRESIDENT RATHBUN: We will call the meeting to
9 order. We'll make a few opening comments within the
10 hearing.

11 I am Kirk Rathbun, President of the KID Board, and
12 presenting officer this evening.

13 The time has arrived for the final assessment roll
14 hearing on Local Improvement District No. 192. The
15 hearing will now come to order. All written protests or
16 objections concerning final assessments in this Local
17 Improvement District should by now have been filed with
18 the KID. Any of the property owners in LID No. 192, or
19 persons authorized to represent such a property owner,
20 will be given an opportunity to be heard, if they have
21 filed a written protest.

22 This is a quasi-judicial proceeding. On one side is
23 the LID and on the other are any of the protesting
24 properties. The KID Board of Directors sits as a board of
25 equalization.

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1 Is there any property owner or representative who
2 objects to the participation of any of these board members
3 in these proceedings for whatever reason? Meaning any one
4 of us five board members. Is there anyone in the audience
5 that objects to any one of us sitting here in our judicial
6 capacity?

7 (No response.)

8 PRESIDENT RATHBUN: Okay. The purpose of this
9 hearing is to afford individual property owners an
10 opportunity to present evidence and information to the
11 Board and to explain the reasons for any objections they
12 may have to their own individual proposed assessment.

13 The Board wants to hear whatever pertinent
14 information or evidence you may wish to present concerning
15 the amount of your final assessment. And no formal rules
16 of evidence will control these proceedings; although, all
17 testimony must be under oath.

18 The purpose of this hearing is not to answer or
19 discuss questions about whether or not the LID is good or
20 bad. The Board will not be answering your questions or
21 engaging in discussions or debates with members of the
22 audience. Instead, this hearing is to allow you, the
23 property owners, final opportunity to present evidence or
24 information to the Board about your property before action
25 is taken on the assessment roll. Questions about the

1 amounts of individual assessments will be noted and may be
2 responded to by the Board.

3 We want to assure you that everyone here who has
4 filed a protest will have the opportunity to address the
5 Board about his or her final assessment. Only after
6 considering your comments and evidence, the Board will
7 take action on the assessment roll.

8 If you expect to testify, please stand, if you can,
9 and raise your right hand. We'll ask you to state your
10 name, spell your name and state your address.

11 MR. DEJULIO: I think, Mr. President, that will be
12 when they will be appearing to -- if they appear in
13 protest. So, at this time, any witness who is expecting
14 to testify should stand and be sworn by the court
15 reporter.

16 PRESIDENT RATHBUN: So if there is anyone here who
17 has filed a protest and would like to speak at the
18 hearing, you need to stand and we will swear you in now.

19 MR. DEJULIO: That includes the KID witnesses. All
20 KID witnesses, which will be engineers, district manager,
21 Seth.

22 THE REPORTER: Do you solemnly swear to tell the
23 truth, the whole truth and nothing but the truth so help
24 you God?

25 (In unison): I do.

1 PRESIDENT RATHBUN: The Board will first hear from
2 the LID. Any prospective party will have an opportunity
3 to cross-examine any of the KID witnesses during the
4 hearing of their protest. Mr. Steve DeJulio, special
5 counsel to the LID, will introduce the presentation.

6 MR. DEJULIO: Thank you, Mr. President, Members of
7 the Board. Again, I'm Steve DeJulio, special counsel for
8 the LID, and I say the LID because I'm counsel to the LID
9 and not technically KID in these proceedings.

10 This is a quasi-judicial proceeding. The Board sits
11 as a Board of equalization, as the president stated, and
12 is here to hear the evidence regarding the assessments for
13 the Red Mountain LID, LID number 192.

14 Local improvement districts are of ancient lineage
15 and are a financing tool to have the costs of public
16 improvements, such as the Red Mountain irrigation system,
17 spread to the properties that are specially benefitted by
18 those improvements, and not to the public or to the
19 general rate payers of the irrigation district.

20 This is a particularly specific LID in that, as a
21 result of the evidence you will hear in this matter,
22 indicates KID, at the behest of many of the property
23 owners in the Red Mountain area, sought additional water
24 availability for their increasingly valuable lands if
25 water is available for vineyard purposes. And, as a

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1 result, in the property owners petition, KID proceeded
2 forward to consider the formation of an LID and to conduct
3 a public hearing, which it did in -- as you'll hear from
4 the record in this matter -- July, August and September of
5 2009, and forming the resolution -- forming the LID by
6 resolution 2009-26, creating the process and moving
7 forward.

8 Again, somewhat unusually, all of the properties
9 within this LID specifically opted in. Under Washington
10 law, unless an ag property owner waives the exemption, no
11 ag lands can be forced to pay an LID assessment. Here
12 every parcel of property signed a waiver of that specific
13 statutory exemption and, of course, those waivers are
14 recorded and on file with Benton County.

15 Therefore, the only issue before the Board tonight is
16 whether the capital costs of the improvements bringing the
17 irrigation water is a special benefit to the properties
18 within the LID. And as the evidence will show in this
19 case, the assessments are spread only against the
20 irrigable lands within these parcels and the assessment
21 roll shows accordingly.

22 The evidence will show that the total cost of the
23 improvements is \$19,214,552 or \$10,764 per acre of water
24 that was made available as a result of KID's agreement
25 with the parties to the Acquavella litigation to free up

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1 additional water rights from the Yakima River for this
2 project.

3 The evidence will also show that as a result of
4 efforts by KID and the financing of this project, the
5 interest rate, in the event that property owners elect to
6 pay by an installment method, will be a very low 2.93
7 percent. Most LIDs in the state of Washington are 6 and a
8 half or higher because of the substantial difference in
9 the risks associated with local improvement district
10 financing.

11 And at this time, as the evidence will show, KID is
12 actually going to be holding that LID debt as a result of
13 its ability, following the sale of the Red Mountain
14 properties that it owns, to have the ability to carry that
15 debt on its own account, as opposed to having to go to the
16 additional expense of selling bonds for this financing.

17 As a reminder, this is a hearing on assessments
18 against the properties in Red Mountain LID and only those
19 property owners or representatives of those property
20 owners are to be heard. And as a reminder as to what the
21 president said, in order to be heard in protest of an
22 assessment, you must have filed a written protest or file
23 a written protest now in order for this matter -- for you
24 to be heard. We'll ask one more time before the end of
25 the LID presentation to remind you.

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1 The LID's presentation this evening will begin with
2 Chuck Freeman, the district manager who will review some
3 of the history and background for the Red Mountain LID.

4 You'll next hear from Paul Cross of RH2 Engineering
5 who will discuss the project, the project components, the
6 extensive permitting that was required for this, as well
7 as the construction aspects of the LID.

8 Seth Defoe, the planning manager for KID, will then
9 testify regarding the foundation, the background for the
10 property owners within the LID coming to KID for this
11 project and the diminishing ground water supplies in this
12 area, and the evidence regarding wells can no longer be a
13 reliable source of irrigation water for many of these
14 properties.

15 And last, Colleen Storms, district treasurer, will
16 discuss the notice leading to this LID, certain aspects
17 regarding land valuation with and without water, the
18 actual LID cost, the assessment process and the ability to
19 pay all at once or in installments over 25 years.

20 So with that background in mind, I'll turn the matter
21 over to Mr. Freeman.

22 MR. FREEMAN: So, if you can follow along. If you
23 don't have a copy of the presentation, they're out in the
24 lobby.

25 For many years, recently from the '80s to 2007, KID

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1 has been approached by various property owners on Red
2 Mountain requesting KID to look for ways to provide water
3 to that area. On December 8th of 2008 KID held a Red
4 Mountain LID informational meeting at Terra Blanca where
5 the Board president at that time, KID staff, and the
6 predesign team from, at that time, MacKay and Sposito and
7 Tom Tebb from Washington Department of Ecology were in
8 attendance. Approximately 128 people attended that
9 meeting.

10 In January 27th of '09 KID staff met with
11 Red Mountain properties again who were interested in
12 creating an LID and approximately 20 attendees
13 participated.

14 February 3rd of 2009 Red Mountain South LID
15 Engineering Services contract approved for preliminary
16 design work with MacKay.

17 April 20th of 2009 Red Mountain South LID meeting was
18 hosted. Again 39 people attended.

19 July 21st, 2009, was the first public hearing by KID
20 to consider comments, objections and protests to the
21 proposed LID. The hearing continued to August 18, 2009,
22 where testimony was received and a presentation by a
23 future LID member, Jim Holmes, gave a presentation on land
24 value history and economic outlook for Red Mountain
25 wineries and vineyards with and without water.

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1 August 18th, hearing continued. It was continued
2 that day to September 1st, 2009.

3 And then again on September the 1st, 2009, the Board
4 did not receive, at or before the hearing, protests
5 against the establishment of the LID. The Board allowed
6 interested parties to opt in or out of the proposed LID.
7 And at that time the public hearing was closed.

8 Next slide.

9 September 25, 2009, Resolution 2009-26 was approved
10 creating LID 192 for the construction, acquisition,
11 operation and maintenance in basis of assessment, total
12 assessable units shall be irrigated acres estimated to be
13 1,785 acres, payment of cost of construction and
14 acquisition, and preliminary estimated assessment roll.

15 Then August 16, 2011, RH2, who you'll be hearing from
16 tonight, was awarded the design of the Red Mountain
17 irrigation system.

18 August 29, 2011, a special KID Board of directors
19 meeting at Terra Blanca Winery. The agenda was to provide
20 LID members with an update and to receive their feedback.
21 The Board did receive public comment, presentations
22 regarding the history of the project, a financial report
23 regarding cost increase and the introduction of the design
24 firm RH2 Engineering

25 September 6, 2011, Board of Directors create a Red

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1 Mountain design committee that includes two LID members.

2 These are the dates of the design committee. We met
3 several times. Twice in '11. 2011 and 2012 they started
4 meeting. In 2013 they continued to meet until 9/19 of '13
5 was the last meeting.

6 So Special Board of Directors meetings where they met
7 and received public comment on LID 192. As I said
8 previously, 8/29/11 at Terra Blanca Winery. 6/4/12 at
9 Terra Blanca Winery. Project report was at 30% design.
10 At this meeting LID members present voted on continuing
11 the project with updated cost estimate at that time of
12 \$16,289,000.

13 1/28 of '13 at Kiona Winery. Project report,
14 60 percent design updated cost estimate of \$20,177,000 and
15 a status report.

16 So the Red Mountain LID water right funding and
17 history. So a big component of this was the water right.
18 A lot of meetings went on behind the scenes with the
19 parties to the settlement agreement to allow this project
20 to happen.

21 June 29th of 2010 KID approved a memorandum of
22 understanding between the US Department of Interior Bureau
23 of Reclamation, Washington State Department of Ecology and
24 Department of Fish and wildlife for Red Mountain AVA pump
25 project additional point of diversion for the KID at Kiona

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1 to serve this area.

2 April 19, 2011, KID approves \$10 Million Washington
3 Department of Ecology grant and receivables agreement for
4 the Red Mountain AVA pump project.

5 May 3, 2011, KID approves an amendment to the KID
6 water right settlement agreement allowing the additional
7 point of diversion at Kiona.

8 May 1, 2012, KID approves a Shrub Steppe Mitigation
9 Agreement with Washington Department of Fish and Wildlife.

10 December 17, 2012, Resolution 2012-38 authorizes an
11 interfund construction period loan from the internal
12 realty reserve fund to the Red Mountain South Capital
13 Project Fund in an amount not to exceed \$6.5 million for
14 up to a 3-year term at 1.8 percent interest.

15 July 8, 2013, KID and the Bureau of Reclamation sign
16 application to enter into the water right -- into the
17 Washington State Trust Water Right Program.

18 June 5, 2014, Report of Examination is issued for the
19 Trust Water Right Change Purpose of Use.

20 And then on January 6, 2015, due to the 0 percent
21 interest on the \$10 million ecology state funds, the final
22 interest rate you'll hear more about tonight is 2.93
23 percent.

24 And, at this time, Paul Cross from RH2 Engineering
25 will go over the construction activities on the mountain.

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1 MR. CROSS: Thanks, Chuck.

2 So the Red Mountain South LID project, as Chuck
3 mentioned, started out with design criteria of 1,785
4 irrigable acres, as limited by the settlement agreement.
5 That included a diversion on the Yakima River at property
6 owned by Kennewick Irrigation District.

7 The capacity of the intake structure is 14 cubic feet
8 per second withdrawn.

9 And the acreage is -- in place of use -- is based
10 upon the lands that are formed in the LID in September
11 2009.

12 The water duty for each acre, irrigable acre of land
13 is one and half acre feet per year per acre.

14 And the maximum withdrawal rate for each acre of
15 irrigable acre of land is 3.5 gallons per minute per acre.

16 The system is designed to provide pressure used water
17 to elevation 1070. Note that there are lands that are
18 higher than 1070 within the LID and it will be those land
19 owners' responsibility to pressurize the water above
20 elevation 1070.

21 This is a map of the parcels that are contained
22 within the LID as it was formed.

23 A profile of the project, again, shows that there are
24 pumps in the Yakima River that pump water up from about
25 elevation 560 and pump water up to a buried concrete

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1 reservoir 400,000 gallons into size at elevation 810.
2 Approximately 70 percent of the lands within the LID are
3 below and will be served by the 810 reservoir pressure
4 zone. At that point, there's also a lift station that
5 will lift water up out of that buried concrete reservoir
6 into an above ground steel 100,000 gallon reservoir at
7 elevation 1070. And from that point, a portion of the
8 lands will be gravity served out of that 1070 reservoir.
9 And the private systems above 1070 will have to be
10 connected to that pipeline and pump on their own accord up
11 to the elevations required for their properties.

12 So, from a system component standpoint, there's about
13 15 miles of distribution system. Most of the pipeline is
14 C900 or C905 PVC pipe. There is a portion of the pipeline
15 close to the intake and along Demoss Road that's ductile
16 iron pipe due to the higher pressure in that vicinity.

17 The Kiona intake has variable frequency drive motors
18 on all of the pumps that divert water out of the intake
19 structure with an additional pump and motor for
20 redundancy.

21 As I described, there was two enclosed reservoirs
22 that are part of the property -- a mostly buried 400,000
23 concrete reservoir, and a 100,000 gallon steel reservoir
24 that's above ground.

25 One component at the Kiona intake that will be

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1 additional value to the property owners is that there are
2 filtration units at that tank that will take siltation out
3 of the water down to about 100 microns. So that was an
4 additional cost to the project, but will add significant
5 value for the landowners.

6 The entire system is controlled and monitored with a
7 SCADA system, which is basically a computer system that
8 will monitor and control the system.

9 Individual meters will be monitored and data
10 collected out of them through a WiSi meter reading system.

11 As was alluded, there were a significant number of
12 permits that were required for this project. I think 18
13 of them altogether that included local, state, federal and
14 bureau permits to accomplish this.

15 Again, the Yakima River has got endangered species in
16 it in this location, so it was a significant effort to
17 make sure that the facilities that were designed would not
18 impact the endangered species.

19 Easements and pipelines. I think we ended up
20 obtaining about 130 easements for the property along the
21 15 miles of pipeline. So it required a significant amount
22 of coordination with the landowners involved. For those
23 of you in the room, we appreciate your help on that. It's
24 great to have it accomplished, but it was a significant
25 effort to get it done. And Judy was responsible for much

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1 of that effort. So now in the waning days of her
2 employment, she should be recognized for that.

3 So here's some pictures of some of the pipeline work
4 that went on. In the upper left-hand corner we had four
5 crossings of the state highway. The state highway did not
6 allow us to open cut roads, so we had to, basically, push
7 a conduit underneath the road and then slip line that with
8 the laterals.

9 In other areas long the road we were able to use,
10 again, PVC pipe and some of the ductile iron pipe.

11 Kiona intake and the booster pump station at the
12 Yakima River. Again, per the settlement agreement, this
13 was the established point of diversion. But it was not an
14 easy site to construct. You can see in the upper part
15 here (witness indicated) we removed tens of thousands of
16 rock, yards of rock to get down to construct this. It was
17 a significant amount of effort that required blasting and
18 rock chiselling and heavy equipment to haul much of this
19 material out.

20 Once we established our cofferdam and got into the
21 river, you can see that there was a significant effort
22 building a cofferdam in this area and building the intake
23 structure. This, in the upper right-hand corner shows you
24 from the Riverside or standing on the cofferdam what the
25 actual intake structure looks like and the fish screen.

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1 Here's a finished version of the 1070 reservoir.
2 Again, above-ground steel tank with safety access and
3 antennas for the SCADA system. We didn't have power at
4 this site so we used solar power to power the radio and
5 the communications.

6 The project was separated out into seven different
7 construction contracts. There was an original contract to
8 do much of the earthwork at Kiona that was constructed by
9 Rotschy Construction. That allowed us to get a head start
10 on the site before the fish windows -- or while the fish
11 windows allowed us to be constructing that close to the
12 river.

13 The second contract we let was for the intake
14 structure and pump station with Pacific Crest
15 Construction. That project is mostly done right now.
16 There's a few things like paving the access roads and
17 others that will happen in the spring. But we didn't get
18 it all done before snow flies.

19 The 15 miles of pipeline was split up into three
20 different schedules. Again, contractor Rotschy
21 Construction, Tapani Construction and Sharpe & Preszler
22 were bid and awarded those contracts.

23 After those contracts were complete, we started
24 construction of the 810 reservoir and booster pump
25 station. Again, Tapani was the low bidder on that

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1 contract. And then P.O.W. of Tri-Cities here had the
2 contract to do the 1070 reservoir.

3 Of those seven contracts, six of them ended up being
4 completed under the contract amount; in other words, like
5 negative change orders.

6 The Kiona intake structure has 1.7 percent changes in
7 it. So all in all the combination of the contracts ended
8 up being completed for under the contract amount.

9 Turn it over to Seth.

10 MR. DEFOE: Seth Defoe, planning manager at KID. I
11 was just going to give a brief discussion on the core need
12 for the LID, which is getting water up on Red Mountain.

13 As many of you know, the Yakima Basin is intensively
14 developed in agriculture, probably the most intensively
15 developed in terms of water resources in the state of
16 Washington. We have a rich history of agriculture going
17 back more than a century here. With that, much of the
18 surface water has already been allocated for well over a
19 century. And many of you are also probably aware of the
20 Acquavella adjudication, which is nearing 40 years, to
21 sort through the surface water rights claims in the Basin.

22 As you also probably know, because of that, in the
23 Yakima Basin it's very difficult to get any new water
24 rights. Surface water rights haven't been issued for
25 years, neither have new groundwater permits, other than

1 maybe a few exempt wells.

2 The wells being served on Red Mountain would be
3 included in that so there was a need to find another way
4 to get water to expand the wine growing region up there on
5 Red Mountain.

6 The way things currently stand by not giving out new
7 water rights in the Basin, the only way you can really get
8 it is through transfers or through mitigation. There's
9 various levels of mitigation that the State allows to do
10 that. So KID was able to step in -- and Chuck went
11 through that extensive negotiations KID went through to
12 change a portion of our diversion to the Kiona site.

13 That previous slide, one of the things that the State
14 Department of Ecology is doing in terms of addressing the
15 ground water system in the Yakima Basin was commissioning
16 some studies of that to kind of see -- determine the
17 connection between surface and groundwater, and they have
18 found that there is some connection between the two.

19 And if you go to the next slide, this report does
20 mention that the Columbia River basalt aquifer units tend
21 to be declining in the area, including, specifically, the
22 area near Red Mountain.

23 And so -- next slide.

24 So as an example of that, Hedges Winery --
25 apparently, one of their wells, their main well ran dry

1 last year, one year before the system was to come online.
2 So there's definite need for this surface water. And
3 since there was limited options to get additional water to
4 Red Mountain, this is a very good way to do that is just
5 using a portion of KID's right that was moved to this
6 diversion point.

7 MS. STORMS: Hi, Colleen Storms, KID treasurer.

8 And I was going to talk about the LID notices. And
9 hopefully you recall receiving all of these. June 2nd of
10 2014 KID sent out an advance notice letter. We didn't
11 have this date set at that time, but we wanted to let you
12 know that there would be this opportunity to present any
13 challenge or protest to the assessment and that that might
14 require you to engage services of an appraiser. So we
15 gave you several months here to do that. And then the
16 hearing was set and the letters regarding the hearing date
17 of January 8th went out on December 10th to all property
18 holders. We go with the County assessor's record of
19 property holders at the time. We check that right at that
20 time.

21 And we've had about four or five pieces of mail
22 returned and we re-sent those out or contacted those
23 people to get the correct address. So hopefully everybody
24 that needed to be notified received it that way.

25 Then we also, on December 9th, the 16th and again

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1 January 2nd, we had an ad in the legal notice section of
2 the Tri-City Herald also alerting about this meeting.

3 One of the things that KID has looked at is the sales
4 data on Red Mountain land. And if you have followed this
5 at all, there have been some large sales and some small
6 sales. And so we looked in 2010 our Board considered some
7 questions about the values of the land. And as KID was
8 considering the possibility of selling or holding our own
9 lands. And so you can see here some of the sales data
10 for -- and I was looking at land only, not the building
11 value, not winery values. But good production quality
12 land.

13 In 2006 to 2010 our consultant, the sales data that
14 came out supported an average of \$36,400 an acre. And
15 2006 to 2010 sales data, when you added good and moderate
16 production quality, supported a value of \$26,000 an acre.
17 These were ag potential lands. At the time, three Red
18 Mountain properties were currently for sale for an average
19 of \$42,500 an acre at that time.

20 And then next slide. There was sales data that we
21 found after 2010 and we have some of the assessor's
22 worksheets. So the low price, the lowest price that we
23 had was two 5-acre tracts that sold for approximately
24 \$11,000 an acre. They were 40 percent irrigable within
25 our LID and they did not yet have any water development on

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1 them.

2 And then the sales documentation on larger parcels --
3 and you know if you are familiar with any of the lands out
4 there, that there's a great deal of difference in the
5 sales value even within the AVA. And so we found several
6 \$35,200 an acre for 65 percent irrigable. \$51,150 an acre
7 for 100 percent irrigable.

8 For the County assessor's calculation, one
9 established vineyard, 20 percent of which was currently
10 irrigated ag land, sold for \$46,140 an acre.

11 So I think there's some clear value to the water and
12 the ability to use it for grape growing.

13 The next slide is a little difficult to read on the
14 slide, so that is one of the handouts that you have that
15 has the financial information.

16 Do you have that two page one?

17 And what this is is this is the final budget. You
18 know, there's, of course, like retainage and things coming
19 in. But we were able to correctly estimate those final
20 costs. And so the final development budget was
21 \$19,214,552.

22 The facilities construction -- and we're calling
23 facilities the intake station and the reservoirs --
24 totalled \$8,497,826.

25 The pipeline construction, \$4,264,232.

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1 Engineering: Design, survey, construction, things
2 like testing during construction, \$4,138,314.

3 Easements, permits and fees, \$76,165.

4 The Shrub Steppe Mitigation, the payment to WDFW was
5 \$500,000. It's a cost related to being able to do this
6 development.

7 The construction period interest at that 1.8 percent
8 rate was \$117,000.

9 The start-up operations and replacement reserve -- so
10 the largest component that could go out could be replaced
11 immediately without having to change our assessment --
12 \$175,000 has been set aside for that operations and
13 replacement reserve.

14 The legal services total was \$176,783.

15 All of these costs, too, I want to mention, these are
16 the costs that were incurred after the LID was formed.
17 KID carried all the costs from pre -- the types of
18 consulting and things that we did prior to the 2009
19 formation of the LID. KID paid those.

20 Other professional services, \$167,287.

21 Project management by KID staff, \$141,945. And that
22 includes also meeting costs. You know, all the specific
23 costs to the project.

24 And then financing costs. Part of an LID is that you
25 have to set aside a guarantee fund to make sure payments

1 can be made in case a significant number of people were
2 not able to make their payments. So that is set aside at
3 the beginning, and part of the borrowing of the LID, and
4 remains there until the end of the project. So those are
5 the guaranteed funds on the DOE note, which is Department
6 of Ecology, is \$500,000. And the guarantee fund on the
7 KID loan or note would be \$460,000. So that's what these
8 are. Those are reserves for future payments.

9 Any questions on the budget?

10 (No response.)

11 MS. STORMS: Okay. Board, you've heard this before.
12 60-day prepayment period without interest. And it's going
13 a little bit more than 60 days. If the Board passes the
14 resolution at our next meeting, depending on the results
15 tonight, that would be January 20th. You can pay without
16 interest if you want to pay in full up through 3/31 of
17 '15. So March 31st.

18 If you don't pay by March 31st, interest clock will
19 start running but you can prepay at any time in the 25
20 years. There's no limit on prepayment. That's how LIDs
21 work in the state of Washington. So it's one of reasons
22 that interest rates are higher because bond buyers want
23 the guaranteed period of time and with an LID they don't
24 get that guarantee.

25 So if you have a 25-year repayment schedule, payments

1 will be semi-annual at the same due dates as our annual
2 OMR charges. So that's April 30th and October 31st.

3 And the first payment on this, on the construction
4 amount, is going to be due October 31st, 2015. So there
5 won't be a payment on the construction note in April. It
6 will start in October because of the start of the
7 interest.

8 Then early payoff is allowed at anytime. As I said,
9 there's no penalty for early payoff. You would just pay
10 whatever interest you owe to that point.

11 And we do not require payoff if ownership changes.
12 We see, at least in town, banks will often require payoff
13 if the ownership changes. But we don't require it through
14 the LID.

15 And then your financing option then is the per acre
16 cost, \$10,764. And I just put a note here in January of
17 '13 our high estimate was \$11,304. So it was about 5
18 percent lower than what we anticipated at the peak.

19 You have the option to pay in full without interest
20 by 3/31. And then the financing terms are here, 25 years,
21 semi-annual payments with an interest rate of 2.93. And
22 that's a fixed rate through the 25 years.

23 So per acre, the annual debt service per acre is
24 \$610.34 and then I just showed you what half of that is.

25 So do we have questions? And anybody on the KID team

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1 is more than willing to answer questions. So if you have
2 questions for engineering, water rights, anything?

3 (No response.)

4 MR. DEJULIO: Ms. Storms, could you see if there's
5 any written protests out there.

6 MS. ROSENBAUM: There are none.

7 MS. STORMS: So we don't have any written protests.

8 I did not get any e-mails. Does anybody believe they
9 e-mailed one or mailed one in that we haven't received or
10 brought out?

11 (No response.)

12 MR. DEJULIO: Mr. President, it is now 7:45. Is
13 there anyone who wishes to be heard in protest regarding a
14 property's assessment? And if so, they should file a
15 written protest now.

16 (No response.)

17 MR. DEJULIO: With that, Mr. President, without any
18 protests having been filed, the LID has nothing further to
19 present at this time.

20 PRESIDENT RATHBUN: Okay. Does any of the other
21 Board members have any questions for the LID or one of the
22 presenters?

23 MR. MCKENZIE: None.

24 PRESIDENT RATHBUN: Okay. So I believe we are ready
25 to, at this point, entertain a motion.

1 MR. DEJULIO: First to close the hearing.

2 PRESIDENT RATHBUN: Okay. Entertain a motion to
3 close the hearing.

4 MR. HUFFMAN: I'll move that we close the hearing for
5 Red Mountain LID.

6 PRESIDENT RATHBUN: Okay. And a second?

7 MR. DENNIS: I second.

8 PRESIDENT RATHBUN: It's been moved and seconded that
9 we close this hearing. All those in favor say aye.

10 (In unison): Aye.

11 PRESIDENT RATHBUN: All those opposed?

12 (No response.)

13 PRESIDENT RATHBUN: Okay. The hearing is closed.

14 And, at this time, I would entertain a motion to
15 confirm the final assessment roll and direct the
16 preparation of a resolution by special counsel for the
17 January 20th KID meeting.

18 MR. MCKENZIE: So moved.

19 MR. HUFFMAN: Second.

20 PRESIDENT RATHBUN: It's been moved and seconded that
21 we ask special counsel to prepare a resolution.

22 All those in favor say aye.

23 (In unison): Aye.

24 PRESIDENT RATHBUN: All those opposed?

25 (No response.)

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1 MR. DEJULIO: Mr. President, just so before the
2 meeting is concluded, just as a clarification, this is a
3 quasi-judicial proceeding. This does not conclude the
4 proceedings. We will prepare, for the Board's
5 consideration, a form of resolution, including findings
6 and conclusions for the Board's consideration. And that
7 will, of course, be included in the agenda packet and
8 subject to public notice prior to the January 20th meeting
9 of the Board. And the final confirmation of the
10 assessments will then be confirmed upon the adoption by
11 the Board of that resolution, whether at the January 20th
12 meeting or otherwise.

13 As a reminder regarding the process, as outlined by
14 Ms. Storms, following the confirmation of the assessment
15 roll, the District will send out to all properties a
16 notice of the final assessment and the schedule that
17 Ms. Storms outlined regarding the opportunity to pay all
18 or any part of the assessment. And then, at the end of
19 that, interest begins to run on the assessment. And, as
20 Ms. Storms indicated, installments will be available for
21 the purpose of paying the principal and interest on the
22 LID obligation.

23 That's all we have at this time, Mr. President.
24 Thank you.

25 PRESIDENT RATHBUN: Okay. Thank you.

1 MR. MCGUIRE: I have a quick question. I apologize,
2 Kirk.

3 PRESIDENT RATHBUN: Go ahead.

4 MR. MCGUIRE: I don't know who would answer the
5 question, but the assessment charge is per acre of
6 irrigated land or acre of water?

7 MR. DEJULIO: Well, let's have somebody who can
8 testify under oath testify to that.

9 MR. FREEMAN: Per irrigable acre.

10 MR. MCGUIRE: Thank you.

11 PRESIDENT RATHBUN: Any other questions from the
12 Board?

13 (No response.)

14 PRESIDENT RATHBUN: Okay. Seeing none, it appears we
15 are at the conclusion of this hearing process. I would
16 entertain a motion to adjourn the hearing.

17 MR. DENNIS: I make a motion we adjourn.

18 MR. HUFFMAN: Second.

19 PRESIDENT RATHBUN: It's been moved and second we
20 adjourn this hearing. All those in favor say aye.

21 (In unison): Aye.

22 PRESIDENT RATHBUN: All those opposed?

23 (No response.)

24 PRESIDENT RATHBUN: The hearing is adjourned.
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(CONCLUDED AT 7:52 P.M.)

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\$	10th [1] - 22:17 12 [2] - 1:12, 3:3 128 [1] - 10:8 130 [1] - 16:20 14 [1] - 14:7 15 [3] - 15:13, 16:21, 19:19 16 [1] - 11:15 16th [1] - 22:25 17 [1] - 13:10 18 [2] - 10:21, 16:12 18th [1] - 11:1 19 [1] - 13:2 192 [6] - 1:4, 3:14, 3:18, 6:13, 11:10, 12:7 1st [2] - 11:2, 11:3	3/31 [2] - 26:16, 27:20 30% [1] - 12:9 30th [1] - 27:2 31st [4] - 26:17, 26:18, 27:2, 27:4 39 [1] - 10:18 3rd [1] - 10:14	accomplish [1] - 16:14 accomplished [1] - 16:24 accord [1] - 15:10 accordingly [1] - 7:21 account [1] - 8:15 Acquavella [2] - 7:25, 20:20 acquisition [2] - 11:10, 11:14 acre [2] - 7:23, 14:12, 14:13, 14:14, 14:15, 23:14, 23:16, 23:19, 23:24, 24:6, 24:10, 27:15, 27:23, 31:5, 31:6, 31:9 acreage [1] - 14:9 acres [3] - 11:12, 11:13, 14:4 action [2] - 4:24, 5:7 activities [1] - 13:25 actual [2] - 9:18, 17:25 ad [1] - 23:1 add [1] - 16:4 added [1] - 23:15 additional [10] - 6:23, 8:1, 8:16, 12:25, 13:6, 15:19, 16:1, 16:4, 18:24, 22:3 address [3] - 5:4, 5:10, 22:23 addressing [1] - 21:14 adjourn [3] - 31:16, 31:17, 31:20 adjourned [1] - 31:24 adjudication [1] - 20:20 administer [1] - 33:9 adoption [1] - 30:10 advance [1] - 22:10 affirmations [1] - 33:9 affixed [1] - 33:19 afford [1] - 4:9 ag [4] - 7:10, 7:11, 23:17, 24:10 agenda [2] - 11:19, 30:7 agreement [6] - 7:24, 12:19, 13:3, 13:6, 14:4, 17:12 Agreement [1] - 13:9 agriculture [2] - 20:14, 20:16 ahead [1] - 31:3 air [2] - 18:5, 18:6 alerting [1] - 23:2 allocated [1] - 20:18 allow [3] - 4:22, 12:19, 17:6	allowed [4] - 11:5, 19:9, 19:11, 27:8 allowing [1] - 13:6 allows [1] - 21:9 alluded [1] - 16:11 altogether [1] - 16:13 amendment [1] - 13:5 amount [7] - 4:15, 13:13, 16:21, 17:17, 20:4, 20:8, 27:4 amounts [1] - 5:1 ancient [1] - 6:14 annual [4] - 27:1, 27:21, 27:23 answer [3] - 4:18, 28:1, 31:4 answering [1] - 4:20 answers [1] - 33:13 antennas [1] - 19:3 anticipated [1] - 27:18 anytime [1] - 27:8 apologize [1] - 31:1 appear [1] - 5:12 APPEARANCES [1] - 2:1 appearing [1] - 5:12 application [1] - 13:16 appraiser [1] - 22:14 appreciate [1] - 16:23 approached [1] - 10:1 approved [3] - 10:15, 11:9, 12:21 approves [3] - 13:2, 13:5, 13:8 April [4] - 10:17, 13:2, 27:2, 27:5 aquifer [1] - 21:20 area [10] - 6:23, 9:12, 10:3, 13:1, 17:22, 18:1, 18:13, 21:21, 21:22 areas [1] - 17:9 arrived [1] - 3:13 aside [3] - 25:12, 25:25, 26:2 aspects [2] - 9:7, 9:16 assessable [1] - 11:12 assessment [2] - 3:13, 4:12, 4:15, 4:25, 5:5, 5:7, 7:11, 7:20, 8:22, 9:18, 11:11, 11:14, 22:13, 25:11, 28:14, 29:15, 30:14, 30:16, 30:18, 30:19, 31:5 Assessment [1] - 1:5 assessments [6] - 3:16, 5:1, 6:12, 7:19, 8:17, 30:10 assessor's [3] - 22:18,				
\$10 [2] - 13:2, 13:21 \$10,764 [2] - 7:23, 27:16 \$11,000 [1] - 23:24 \$11,304 [1] - 27:17 \$117,000 [1] - 25:8 \$141,945 [1] - 25:21 \$16,289,000 [1] - 12:12 \$167,287 [1] - 25:20 \$175,000 [1] - 25:12 \$176,783 [1] - 25:14 \$19,214,552 [2] - 7:23, 24:21 \$20,177,000 [1] - 12:14 \$26,000 [1] - 23:16 \$35,200 [1] - 24:6 \$36,400 [1] - 23:14 \$4,138,314 [1] - 25:2 \$4,264,232 [1] - 24:25 \$42,500 [1] - 23:19 \$46,140 [1] - 24:10 \$460,000 [1] - 26:7 \$500,000 [2] - 25:5, 26:6 \$51,150 [1] - 24:6 \$610.34 [1] - 27:24 \$76,165 [1] - 25:3 \$8,497,826 [1] - 24:24	2 2.93 [3] - 8:6, 13:22, 27:21 20 [2] - 10:12, 24:9 2006 [2] - 23:13, 23:15 2007 [1] - 9:25 2008 [1] - 10:3 2009 [10] - 7:5, 10:14, 10:17, 10:19, 10:21, 11:2, 11:3, 11:9, 14:11, 25:18 2009-26 [2] - 7:6, 11:9 2010 [5] - 12:21, 23:6, 23:13, 23:15, 23:21 2011 [6] - 11:15, 11:18, 11:25, 12:3, 13:2, 13:5 2012 [3] - 12:3, 13:8, 13:10 2012-38 [1] - 13:10 2013 [2] - 12:4, 13:15 2014 [2] - 13:18, 22:10 2015 [6] - 1:11, 3:1, 13:20, 27:4, 33:20 20th [5] - 10:17, 26:15, 29:17, 30:8, 30:11 21st [1] - 10:19 2408 [2] - 1:15, 33:23 25 [5] - 9:19, 11:9, 26:19, 27:20, 27:22 25-year [1] - 26:25 27th [1] - 10:10 29 [1] - 11:18 29th [1] - 12:21 2nd [2] - 22:9, 23:1	4 40 [2] - 20:20, 23:24 400,000 [3] - 15:1, 15:22, 18:17	5 5 [2] - 13:18, 27:17 5-acre [1] - 23:23 5.28.010 [1] - 33:8 560 [1] - 14:25	6 6 [3] - 8:7, 11:25, 13:20 6.5 [1] - 13:13 6/4/12 [1] - 12:8 60 [2] - 12:14, 26:13 60-day [1] - 26:12 65 [1] - 24:6	7 70 [1] - 15:2 7:00 [2] - 1:11, 3:2 7:45 [1] - 28:12 7:52 [1] - 32:1	8 8 [3] - 1:11, 3:1, 13:15 8/29/11 [1] - 12:8 810 [4] - 15:1, 15:3, 18:15, 19:24 8th [2] - 10:3, 22:17	9 9/19 [1] - 12:4 9th [1] - 22:25	A ability [4] - 8:13, 8:14, 9:18, 24:12 able [5] - 17:9, 21:10, 24:19, 25:5, 26:2 above-ground [2] - 18:23, 19:2 access [2] - 19:2, 19:16
0 0 [1] - 13:20	3 3 [1] - 13:5 3-year [1] - 13:14 3.5 [1] - 14:15							
1 1 [1] - 13:8 1,785 [2] - 11:13, 14:3 1.7 [1] - 20:6 1.8 [2] - 13:14, 25:7 1/28 [1] - 12:13 100 [2] - 16:3, 24:7 100,000 [2] - 15:6, 15:23 1070 [10] - 14:17, 14:18, 14:20, 15:7, 15:8, 15:9, 18:15, 18:22, 19:1, 20:2								

ChaRae Kent, CCR, RPR

Kent Reporting * (509) 627-2244

<p>23:21, 24:8 associated [1] - 8:9 assure [1] - 5:3 AT [2] - 1:12, 32:1 attendance [1] - 10:8 attended [2] - 10:8, 10:18 attendees [1] - 10:12 attorney [1] - 33:16 audience [2] - 4:4, 4:22 August [5] - 7:4, 10:21, 11:1, 11:15, 11:18 authorized [1] - 3:19 authorizes [2] - 13:10, 33:9 AVA [3] - 12:24, 13:4, 24:5 availability [1] - 6:24 available [3] - 6:25, 7:24, 30:20 Avenue [2] - 1:12, 3:3 average [2] - 23:14, 23:18 awarded [2] - 11:16, 19:22 aware [1] - 20:19 aye [6] - 29:9, 29:10, 29:22, 29:23, 31:20, 31:21</p>	<p>bidder [1] - 19:25 big [1] - 12:17 bit [1] - 26:13 Blanca [4] - 10:4, 11:19, 12:8, 12:9 blasting [1] - 17:17 blow [1] - 18:6 BOARD [1] - 1:8 board [3] - 3:24, 4:2, 4:4 Board [30] - 3:4, 3:11, 3:24, 4:11, 4:13, 4:20, 4:24, 5:2, 5:5, 5:6, 6:1, 6:7, 6:10, 6:11, 7:15, 10:5, 11:3, 11:5, 11:18, 11:21, 11:25, 12:6, 23:6, 26:11, 26:13, 28:21, 30:9, 30:11, 31:12, 33:6 Board's [2] - 30:4, 30:6 bond [1] - 26:22 bonds [1] - 8:16 booster [4] - 17:11, 18:13, 18:15, 19:24 borrowing [1] - 26:3 brief [1] - 20:11 bringing [1] - 7:16 brought [1] - 28:10 budget [3] - 24:17, 24:20, 26:9 building [3] - 17:22, 23:10 built [3] - 18:8, 18:13, 18:18 Bureau [2] - 12:22, 13:15 bureau [1] - 16:14 buried [4] - 14:25, 15:5, 15:22, 18:17 burst [1] - 18:6 buyers [1] - 26:22 BY [2] - 1:14, 1:15</p>	<p>century [2] - 20:17, 20:19 certain [1] - 9:16 Certified [2] - 3:5, 33:5 certify [2] - 33:4, 33:15 challenge [1] - 22:13 change [3] - 20:5, 21:12, 25:11 Change [1] - 13:19 changes [3] - 20:6, 27:11, 27:13 CHARAE [1] - 33:22 ChaRae [3] - 1:15, 3:5, 33:4 charge [1] - 31:5 charges [1] - 27:2 CHARLES [1] - 2:4 check [1] - 22:19 chiselling [1] - 17:18 Chuck [4] - 9:2, 14:1, 14:2, 21:10 Cities [1] - 20:1 City [1] - 23:2 claims [1] - 20:21 clarification [1] - 30:2 clean [2] - 18:5, 18:7 clear [1] - 24:11 clock [1] - 26:18 close [6] - 15:15, 19:11, 29:1, 29:3, 29:4, 29:9 closed [2] - 11:7, 29:13 cofferdam [3] - 17:20, 17:22, 17:24 collected [1] - 16:10 COLLEEN [1] - 2:6 Colleen [2] - 9:15, 22:7 Columbia [1] - 21:20 combination [1] - 20:7 coming [2] - 9:10, 24:18 comment [2] - 11:21, 12:7 comments [3] - 3:9, 5:6, 10:20 commissioning [1] - 21:15 committee [2] - 12:1, 12:2 communications [1] - 19:5 complete [1] - 19:23 completed [2] - 20:4, 20:8 component [4] - 12:17, 15:12, 15:25,</p>	<p>25:10 components [1] - 9:5 computer [1] - 16:7 concerning [2] - 3:16, 4:14 conclude [1] - 30:3 CONCLUDED [1] - 32:1 concluded [1] - 30:2 conclusion [1] - 31:15 conclusions [1] - 30:6 concrete [5] - 14:25, 15:5, 15:23, 18:17, 18:23 conduct [1] - 7:2 conduit [1] - 17:7 confirm [1] - 29:15 confirmation [2] - 30:9, 30:14 confirmed [1] - 30:10 connected [2] - 15:10, 18:24 connection [2] - 21:17, 21:18 consider [2] - 7:2, 10:20 consideration [2] - 30:5, 30:6 considered [1] - 23:6 considering [2] - 5:6, 23:8 construct [2] - 17:14, 17:16 constructed [2] - 18:12, 19:8 constructing [1] - 19:11 construction [15] - 9:7, 11:10, 11:13, 13:11, 13:25, 18:18, 19:7, 19:24, 24:22, 24:25, 25:1, 25:2, 25:7, 27:3, 27:5 Construction [4] - 19:9, 19:15, 19:21 consultant [1] - 23:13 consulting [1] - 25:18 contacted [1] - 22:22 contained [1] - 14:21 continued [4] - 10:21, 11:1, 12:4 continuing [1] - 12:10 contract [7] - 10:15, 19:7, 19:13, 20:1, 20:2, 20:4, 20:8 contractor [1] - 19:20 contracts [5] - 19:7, 19:22, 19:23, 20:3, 20:7 control [2] - 4:16, 16:8</p>	<p>controlled [1] - 16:6 coordination [1] - 16:22 copy [1] - 9:23 core [1] - 20:11 corner [2] - 17:4, 17:23 correct [2] - 22:23, 33:12 correctly [1] - 24:19 cost [9] - 7:22, 9:18, 11:13, 11:23, 12:11, 12:14, 16:4, 25:5, 27:16 costs [9] - 6:15, 7:16, 24:20, 25:15, 25:16, 25:17, 25:22, 25:23, 25:24 Counsel [1] - 2:3 counsel [7] - 6:5, 6:7, 6:8, 29:16, 29:21, 33:14, 33:16 COUNTY [1] - 33:3 County [3] - 7:14, 22:18, 24:8 course [3] - 7:13, 24:18, 30:7 Court [2] - 3:5, 33:5 court [1] - 5:14 create [1] - 11:25 creating [3] - 7:6, 10:12, 11:10 Crest [1] - 19:14 criteria [1] - 14:3 cross [1] - 6:3 Cross [2] - 9:4, 13:24 CROSS [2] - 2:8, 14:1 CROSS-examine [1] - 6:3 crossings [1] - 17:5 cubic [1] - 14:7 cut [1] - 17:6</p>
B	C			D
<p>backfilled [2] - 18:13, 18:19 background [3] - 9:3, 9:9, 9:20 bad [1] - 4:20 banks [1] - 27:12 basalt [1] - 21:20 based [1] - 14:9 Basin [5] - 20:13, 20:21, 20:23, 21:7, 21:15 basis [1] - 11:11 BE [1] - 3:1 began [1] - 18:18 begin [1] - 9:1 beginning [1] - 26:3 begins [1] - 30:19 behest [1] - 6:22 behind [1] - 12:18 below [1] - 15:3 benefit [1] - 7:17 benefitted [1] - 6:17 Benton [1] - 7:14 between [3] - 12:22, 21:17, 21:18 bid [1] - 19:22</p>	<p>C900 [1] - 15:14 C905 [1] - 15:14 calculation [1] - 24:8 CALLED [1] - 1:14 cans [1] - 18:20 capacity [2] - 4:6, 14:7 capital [1] - 7:16 Capital [1] - 13:12 carried [1] - 25:17 carry [1] - 8:14 case [2] - 7:19, 26:1 CCR [4] - 1:15, 33:19, 33:22, 33:23</p>			<p>data [6] - 16:9, 23:4, 23:9, 23:13, 23:15, 23:20 date [3] - 22:11, 22:16, 33:7 dates [2] - 12:2, 27:1 DAVID [1] - 2:5 days [2] - 17:1, 26:13 deal [1] - 24:4 DEAN [1] - 2:6 debates [1] - 4:21 debt [3] - 8:12, 8:15, 27:23 December [4] - 10:3, 13:10, 22:17, 22:25</p>

ChaRae Kent, CCR, RPR
Kent Reporting * (509) 627-2244

<p>declining [1] - 21:21</p> <p>definite [1] - 22:2</p> <p>Defoe [2] - 9:8, 20:10</p> <p>DEFOE [2] - 2:7, 20:10</p> <p>DEJULIO [10] - 2:3, 5:11, 5:19, 6:6, 28:4, 28:12, 28:17, 29:1, 30:1, 31:7</p> <p>DeJulio [2] - 6:4, 6:7</p> <p>Demoss [1] - 15:15</p> <p>DENNIS [3] - 2:6, 29:7, 31:17</p> <p>Department [8] - 10:7, 12:22, 12:23, 12:24, 13:3, 13:9, 21:14, 26:5</p> <p>described [1] - 15:21</p> <p>design [9] - 10:16, 11:16, 11:23, 12:1, 12:2, 12:9, 12:14, 14:3, 25:1</p> <p>designed [3] - 14:16, 16:17, 18:2</p> <p>determine [1] - 21:16</p> <p>developed [2] - 20:14, 20:15</p> <p>development [3] - 23:25, 24:20, 25:6</p> <p>diameter [1] - 18:9</p> <p>difference [2] - 8:8, 24:4</p> <p>different [2] - 19:6, 19:20</p> <p>difficult [2] - 20:23, 24:13</p> <p>diminishing [1] - 9:11</p> <p>direct [1] - 29:15</p> <p>directors [1] - 11:18</p> <p>DIRECTORS [1] - 1:8</p> <p>Directors [5] - 3:4, 3:24, 11:25, 12:6, 33:7</p> <p>discuss [3] - 4:19, 9:5, 9:16</p> <p>discussion [1] - 20:11</p> <p>discussions [1] - 4:21</p> <p>distribution [1] - 15:13</p> <p>district [5] - 5:20, 6:19, 8:9, 9:2, 9:15</p> <p>DISTRICKT [2] - 1:1, 2:2</p> <p>District [7] - 1:14, 2:6, 3:2, 3:14, 3:17, 14:6, 30:15</p> <p>districts [1] - 6:14</p> <p>diversion [6] - 12:25, 13:7, 14:5, 17:13, 21:12, 22:6</p> <p>divert [1] - 15:18</p>	<p>documentation [1] - 24:2</p> <p>DOE [1] - 26:5</p> <p>done [3] - 16:25, 19:15, 19:18</p> <p>down [5] - 16:3, 17:16, 18:1, 18:11</p> <p>drive [1] - 15:17</p> <p>dry [1] - 21:25</p> <p>ductile [2] - 15:15, 17:10</p> <p>due [4] - 13:20, 15:16, 27:1, 27:4</p> <p>duly [1] - 33:8</p> <p>during [2] - 6:3, 25:2</p> <p>duty [1] - 14:12</p>	<p>entertain [4] - 28:25, 29:2, 29:14, 31:16</p> <p>entire [1] - 16:6</p> <p>equalization [2] - 3:25, 6:11</p> <p>equipment [1] - 17:18</p> <p>established [3] - 17:13, 17:20, 24:9</p> <p>establishment [1] - 11:5</p> <p>estimate [4] - 12:11, 12:14, 24:19, 27:17</p> <p>estimated [2] - 11:12, 11:14</p> <p>evening [2] - 3:12, 9:1</p> <p>event [1] - 8:5</p> <p>evidence [12] - 4:10, 4:14, 4:16, 4:23, 5:6, 6:12, 6:21, 7:18, 7:22, 8:3, 8:11, 9:12</p> <p>examination [1] - 33:10</p> <p>Examination [1] - 13:18</p> <p>examine [1] - 6:3</p> <p>example [1] - 21:24</p> <p>exceed [1] - 13:13</p> <p>excuse [1] - 18:11</p> <p>exempt [1] - 21:1</p> <p>exemption [2] - 7:10, 7:13</p> <p>expand [1] - 21:4</p> <p>expect [1] - 5:8</p> <p>expecting [1] - 5:13</p> <p>expense [1] - 8:16</p> <p>explain [1] - 4:11</p> <p>extensive [2] - 9:6, 21:11</p>	<p>4:15, 4:23, 5:5, 13:21, 24:17, 24:19, 24:20, 29:15, 30:9, 30:16</p> <p>Final [1] - 1:5</p> <p>financial [2] - 11:22, 24:15</p> <p>financially [1] - 33:17</p> <p>financing [7] - 6:15, 8:4, 8:10, 8:16, 25:24, 27:15, 27:20</p> <p>findings [1] - 30:5</p> <p>finished [1] - 19:1</p> <p>firm [1] - 11:24</p> <p>first [5] - 6:1, 10:19, 27:3, 29:1, 33:8</p> <p>fish [3] - 17:25, 19:10</p> <p>Fish [2] - 12:24, 13:9</p> <p>Fisheries [1] - 18:4</p> <p>five [2] - 4:4, 22:21</p> <p>fixed [1] - 27:22</p> <p>flies [1] - 19:18</p> <p>follow [1] - 9:22</p> <p>followed [1] - 23:4</p> <p>following [3] - 3:6, 8:13, 30:14</p> <p>FOR [1] - 2:2</p> <p>forced [1] - 7:11</p> <p>form [1] - 30:5</p> <p>formal [1] - 4:15</p> <p>formation [2] - 7:2, 25:19</p> <p>formed [3] - 14:10, 14:22, 25:16</p> <p>forming [2] - 7:5</p> <p>forth [1] - 33:7</p> <p>forward [2] - 7:2, 7:7</p> <p>foundation [2] - 9:9, 18:23</p> <p>four [2] - 17:4, 22:21</p> <p>FRANKLIN [1] - 33:3</p> <p>free [1] - 7:25</p> <p>FREEMAN [3] - 2:4, 9:22, 31:9</p> <p>Freeman [2] - 9:2, 9:21</p> <p>frequency [1] - 15:17</p> <p>full [2] - 26:16, 27:19</p> <p>fund [3] - 13:12, 25:25, 26:6</p> <p>Fund [1] - 13:13</p> <p>funding [1] - 12:16</p> <p>funds [2] - 13:21, 26:5</p> <p>future [2] - 10:23, 26:8</p>	<p>15:1</p> <p>GENE [1] - 2:5</p> <p>general [1] - 6:19</p> <p>given [1] - 3:20</p> <p>God [1] - 5:24</p> <p>grant [1] - 13:3</p> <p>grape [1] - 24:12</p> <p>gravity [1] - 15:8</p> <p>great [2] - 16:24, 24:4</p> <p>ground [6] - 9:11, 15:6, 15:24, 18:23, 19:2, 21:15</p> <p>groundwater [2] - 20:25, 21:17</p> <p>growing [2] - 21:4, 24:12</p> <p>guarantee [3] - 25:25, 26:6, 26:24</p> <p>guaranteed [2] - 26:5, 26:23</p>
	E			H
<p>e-mailed [1] - 28:9</p> <p>e-mails [1] - 28:8</p> <p>early [2] - 27:8, 27:9</p> <p>earthwork [1] - 19:8</p> <p>easements [3] - 16:19, 16:20, 25:3</p> <p>easy [1] - 17:14</p> <p>ecology [1] - 13:21</p> <p>Ecology [5] - 10:7, 12:23, 13:3, 21:14, 26:6</p> <p>economic [1] - 10:24</p> <p>effort [5] - 16:16, 16:25, 17:1, 17:17, 17:21</p> <p>efforts [1] - 8:4</p> <p>elect [1] - 8:5</p> <p>elevation [7] - 14:17, 14:20, 14:25, 15:1, 15:7, 18:21, 18:22</p> <p>elevations [1] - 15:11</p> <p>employee [1] - 33:16</p> <p>employment [1] - 17:2</p> <p>enclosed [1] - 15:21</p> <p>end [3] - 8:24, 26:4, 30:18</p> <p>endangered [3] - 16:15, 16:18, 18:3</p> <p>ended [3] - 16:19, 20:3, 20:7</p> <p>engage [1] - 22:14</p> <p>engaging [1] - 4:21</p> <p>Engineering [5] - 2:8, 9:4, 10:15, 11:24, 13:24</p> <p>engineering [2] - 25:1, 28:2</p> <p>Engineering/Operations [1] - 2:8</p> <p>engineers [1] - 5:20</p> <p>enter [1] - 13:16</p>				<p>half [3] - 8:8, 14:13, 27:24</p> <p>hand [4] - 5:9, 17:4, 17:23, 33:18</p> <p>handouts [1] - 24:14</p> <p>haul [1] - 17:18</p> <p>head [1] - 19:9</p> <p>hear [7] - 4:13, 6:1, 6:12, 6:21, 7:3, 9:4, 13:22</p> <p>heard [6] - 3:20, 8:20, 8:21, 8:24, 26:11, 28:13</p> <p>Hearing [1] - 1:5</p> <p>hearing [27] - 3:10, 3:14, 3:15, 4:9, 4:18, 4:22, 5:18, 6:4, 7:3, 8:17, 10:19, 10:21, 11:1, 11:4, 11:7, 11:15, 22:16, 29:1, 29:3, 29:4, 29:9, 29:13, 31:15, 31:16, 31:20, 31:24</p> <p>heavy [1] - 17:18</p> <p>Hedges [1] - 21:24</p> <p>held [1] - 10:3</p> <p>help [2] - 5:23, 16:23</p> <p>Herald [1] - 23:2</p> <p>herein [1] - 33:7</p> <p>hereunto [1] - 33:18</p> <p>Hi [1] - 22:7</p> <p>high [1] - 27:17</p> <p>higher [4] - 8:8, 14:18, 15:16, 26:22</p> <p>highway [2] - 17:5</p> <p>history [5] - 9:3, 10:24, 11:22, 12:17,</p>
		F		
		<p>facilities [3] - 16:17, 24:22, 24:23</p> <p>familiar [1] - 24:3</p> <p>favor [3] - 29:9, 29:22, 31:20</p> <p>February [1] - 10:14</p> <p>federal [1] - 16:13</p> <p>feedback [1] - 11:20</p> <p>fees [1] - 25:3</p> <p>feet [2] - 14:7, 14:13</p> <p>few [3] - 3:9, 19:16, 21:1</p> <p>file [3] - 7:14, 8:22, 28:14</p> <p>filed [6] - 3:17, 3:21, 5:4, 5:17, 8:22, 28:18</p> <p>filtration [1] - 16:2</p> <p>final [12] - 3:13, 3:16,</p>		
			G	
			<p>gallon [3] - 15:6, 15:23, 18:17</p> <p>gallons [2] - 14:15,</p>	

ChaRae Kent, CCR, RPR

Kent Reporting * (509) 627-2244

<p>20:16 holders [2] - 22:18, 22:19 holding [2] - 8:12, 23:8 Holmes [1] - 10:23 hopefully [2] - 22:9, 22:23 hosted [1] - 10:18 HUFFMAN [4] - 2:5, 29:4, 29:19, 31:18</p>	<p>interested [3] - 10:11, 11:6, 33:17 interfund [1] - 13:11 Interior [1] - 12:22 internal [1] - 13:11 introduce [1] - 6:5 introduction [1] - 11:23 involved [1] - 16:22 iron [2] - 15:16, 17:10 irrigable [8] - 7:20, 14:4, 14:12, 14:15, 23:24, 24:6, 24:7, 31:9 irrigated [3] - 11:12, 24:10, 31:6 irrigation [5] - 6:16, 6:19, 7:17, 9:13, 11:17 IRRIGATION [2] - 1:1, 2:2 Irrigation [3] - 1:14, 3:2, 14:6 issue [1] - 7:15 issued [2] - 13:18, 20:24 IT [1] - 3:1</p>	<p>9:8, 9:10, 9:25, 10:2, 10:3, 10:5, 10:10, 10:19, 11:18, 12:21, 12:25, 13:2, 13:5, 13:8, 13:15, 20:10, 21:10, 21:11, 22:7, 22:10, 23:3, 23:7, 25:17, 25:19, 25:21, 26:7, 27:25, 29:17, 33:6 KID's [2] - 7:24, 22:5 kind [1] - 21:16 Kiona [9] - 12:13, 12:25, 13:7, 15:17, 15:25, 17:11, 19:8, 20:6, 21:12 Kirk [2] - 3:11, 31:2 KIRK [1] - 2:3</p>	<p>14:10, 14:18, 14:22, 15:2, 20:12, 22:8, 23:25, 25:16, 25:19, 25:24, 26:3, 26:23, 27:14, 28:18, 28:21, 29:5, 30:22 LID's [1] - 9:1 LIDs [2] - 8:7, 26:20 lift [3] - 15:4, 15:5, 18:21 limit [1] - 26:20 limited [2] - 14:4, 22:3 LINDA [1] - 2:7 line [1] - 17:7 lineage [1] - 6:14 litigation [1] - 7:25 loan [2] - 13:11, 26:7 lobby [1] - 9:24 Local [2] - 3:14, 3:16 local [3] - 6:14, 8:9, 16:13 location [1] - 16:16 look [1] - 10:2 looked [2] - 23:3, 23:6 looking [1] - 23:10 looks [1] - 17:25 low [3] - 8:6, 19:25, 23:22 lower [1] - 27:18 lowest [1] - 23:22</p>	<p>MCSHANE [1] - 2:8 meaning [1] - 4:3 meet [2] - 12:4, 18:3 MEETING [1] - 1:8 Meeting [2] - 3:4, 33:6 meeting [15] - 3:8, 10:4, 10:9, 10:17, 11:19, 12:4, 12:5, 12:10, 23:2, 25:22, 26:14, 29:17, 30:2, 30:8, 30:12 meetings [2] - 12:6, 12:18 member [1] - 10:23 Members [1] - 6:6 members [7] - 4:2, 4:4, 4:21, 11:20, 12:1, 12:10, 28:21 memorandum [1] - 12:21 mention [2] - 21:20, 25:15 mentioned [1] - 14:3 met [3] - 10:10, 12:2, 12:6 meter [1] - 16:10 meters [1] - 16:9 method [1] - 8:6 microns [1] - 16:3 midpoint [1] - 18:16 might [1] - 22:13 miles [3] - 15:13, 16:21, 19:19 Million [1] - 13:2 million [2] - 13:13, 13:21 mind [1] - 9:20 minute [1] - 14:15 mitigation [2] - 21:8, 21:9 Mitigation [2] - 13:8, 25:4 moderate [1] - 23:15 monitor [1] - 16:8 monitored [2] - 16:6, 16:9 months [1] - 22:15 most [3] - 8:7, 15:13, 20:14 mostly [2] - 15:22, 19:15 motion [5] - 28:25, 29:2, 29:14, 31:16, 31:17 motor [1] - 15:19 motors [1] - 15:17 Mountain [28] - 1:4, 6:13, 6:16, 6:23, 8:13, 8:18, 9:3, 10:2, 10:4, 10:11, 10:14,</p>
I				
<p>immediately [1] - 25:11 impact [1] - 16:18 Improvement [2] - 3:14, 3:17 improvement [2] - 6:14, 8:9 improvements [4] - 6:16, 6:18, 7:16, 7:23 IN [1] - 33:18 included [4] - 14:5, 16:13, 21:3, 30:7 includes [3] - 5:19, 12:1, 25:22 including [3] - 21:21, 30:5, 33:13 increase [1] - 11:23 increasingly [1] - 6:24 incurred [1] - 25:16 indicated [4] - 17:15, 18:1, 18:10, 30:20 indicates [1] - 6:22 individual [4] - 4:9, 4:12, 5:1, 16:9 information [4] - 4:10, 4:14, 4:24, 24:15 informational [1] - 10:4 installment [1] - 8:6 installments [2] - 9:19, 30:20 instead [1] - 4:22 intake [12] - 14:7, 15:15, 15:17, 15:18, 15:25, 17:11, 17:22, 17:25, 18:8, 19:13, 20:6, 24:23 intensively [2] - 20:13, 20:14 interest [15] - 8:5, 13:14, 13:21, 13:22, 25:7, 26:12, 26:16, 26:18, 26:22, 27:7, 27:10, 27:19, 27:21, 30:19, 30:21</p>				
	J			
	<p>January [11] - 1:11, 3:1, 10:10, 13:20, 22:17, 23:1, 26:15, 27:16, 29:17, 30:8, 30:11 JASON [1] - 2:8 Jim [1] - 10:23 judicial [4] - 3:22, 4:5, 6:10, 30:3 Judy [1] - 16:25 July [3] - 7:4, 10:19, 13:15 June [3] - 12:21, 13:18, 22:9</p>			
		L		
		<p>lake [1] - 18:11 land [11] - 9:17, 10:23, 14:12, 14:15, 14:18, 23:4, 23:7, 23:10, 23:12, 24:10, 31:6 landowners [2] - 16:5, 16:22 lands [10] - 6:24, 7:11, 7:20, 14:10, 14:17, 15:2, 15:8, 23:9, 23:17, 24:3 large [2] - 18:9, 23:5 larger [1] - 24:2 largest [1] - 25:10 last [3] - 9:15, 12:5, 22:1 laterals [1] - 17:8 law [1] - 7:10 leading [1] - 9:16 least [1] - 27:12 left [1] - 17:4 left-hand [1] - 17:4 legal [2] - 23:1, 25:14 letter [1] - 22:10 letters [1] - 22:16 level [2] - 18:11, 18:12 levels [1] - 21:9 License [1] - 1:15 LID [57] - 1:4, 3:18, 3:23, 4:19, 6:2, 6:5, 6:8, 6:13, 6:20, 7:2, 7:5, 7:9, 7:11, 7:18, 8:12, 8:18, 8:25, 9:3, 9:7, 9:10, 9:16, 9:18, 10:4, 10:12, 10:14, 10:17, 10:21, 10:23, 11:5, 11:6, 11:10, 11:20, 12:1, 12:7, 12:10, 12:16, 14:2,</p>		
			M	
			<p>MacKay [2] - 10:6, 10:16 mail [1] - 22:21 mailed [2] - 28:9 mails [1] - 28:8 main [1] - 21:25 maintenance [1] - 11:11 management [1] - 25:21 manager [4] - 5:20, 9:2, 9:8, 20:10 Manager [2] - 2:7, 2:7 map [1] - 14:21 March [2] - 26:17, 26:18 Marine [1] - 18:4 material [1] - 17:19 matter [4] - 6:21, 7:4, 8:23, 9:20 maximum [1] - 14:14 McGUIRE [3] - 31:1, 31:4, 31:10 MCGUIRE [1] - 2:4 McKENZIE [2] - 28:23, 29:18 MCKENZIE [1] - 2:5</p>	

ChaRae Kent, CCR, RPR

Kent Reporting * (509) 627-2244

10:17, 10:24, 11:16, 12:1, 12:16, 12:24, 13:4, 13:12, 14:2, 20:12, 21:2, 21:5, 21:22, 22:4, 23:4, 23:18, 29:5 mountain [1] - 13:25 move [1] - 29:4 moved [5] - 22:5, 29:8, 29:18, 29:20, 31:19 moving [1] - 7:6 MR [33] - 2:3, 2:3, 2:4, 2:4, 2:5, 2:5, 2:6, 2:7, 2:8, 2:8, 5:11, 5:19, 6:6, 9:22, 14:1, 20:10, 28:4, 28:12, 28:17, 28:23, 29:1, 29:4, 29:7, 29:18, 29:19, 30:1, 31:1, 31:4, 31:7, 31:9, 31:10, 31:17, 31:18 MS [6] - 2:6, 2:7, 22:7, 26:11, 28:6, 28:7 must [2] - 4:17, 8:22	O oath [2] - 4:17, 31:8 oaths [1] - 33:9 objections [4] - 3:16, 4:11, 10:20, 33:13 objects [2] - 4:2, 4:5 obligation [1] - 30:22 obtaining [1] - 16:20 October [3] - 27:2, 27:4, 27:6 OF [4] - 1:8, 33:2, 33:3 officer [1] - 3:12 often [1] - 27:12 OMR [1] - 27:2 once [2] - 9:19, 17:20 one [17] - 3:22, 4:3, 4:5, 8:24, 14:13, 15:25, 21:13, 21:25, 22:1, 23:3, 24:8, 24:14, 24:16, 26:21, 28:9, 28:21 online [1] - 22:1 open [1] - 17:6 opening [1] - 3:9 operation [1] - 11:11 operations [2] - 25:9, 25:12 opportunity [7] - 3:20, 4:10, 4:23, 5:4, 6:2, 22:12, 30:17 opposed [4] - 8:15, 29:11, 29:24, 31:22 opt [1] - 11:6 opted [1] - 7:9 option [2] - 27:15, 27:19 options [1] - 22:3 order [5] - 3:9, 3:15, 8:21, 8:23, 18:5 orders [1] - 20:5 original [1] - 19:7 otherwise [1] - 30:12 outcome [1] - 33:17 outlined [2] - 30:13, 30:17 outlook [1] - 10:24 owe [1] - 27:10 own [4] - 4:12, 8:15, 15:10, 23:8 owned [1] - 14:6 owner [3] - 3:19, 4:1, 7:10 owners [11] - 3:18, 4:9, 4:23, 6:23, 7:1, 8:5, 8:19, 8:20, 9:10, 10:1, 16:1 owners' [1] - 14:19 ownership [2] - 27:11, 27:13	owns [1] - 8:14 P p.m [2] - 1:11, 3:2 P.M [1] - 32:1 P.O.W [1] - 20:1 Pacific [1] - 19:14 packet [1] - 30:7 page [1] - 24:16 paid [1] - 25:19 parcel [1] - 7:12 parcels [3] - 7:20, 14:21, 24:2 part [5] - 15:22, 17:14, 25:24, 26:3, 30:18 participated [1] - 10:13 participation [1] - 4:2 particularly [1] - 6:20 parties [4] - 7:25, 11:6, 12:19, 33:16 party [1] - 6:2 Pasco [1] - 33:6 passes [1] - 26:13 PAT [1] - 2:4 Paul [2] - 9:4, 13:24 PAUL [1] - 2:8 paving [1] - 19:16 pay [9] - 7:11, 8:6, 9:19, 26:15, 26:16, 26:18, 27:9, 27:19, 30:17 payers [1] - 6:19 paying [1] - 30:21 payment [4] - 11:13, 25:4, 27:3, 27:5 payments [5] - 25:25, 26:2, 26:8, 26:25, 27:21 payoff [4] - 27:8, 27:9, 27:11, 27:12 peak [1] - 27:18 penalty [1] - 27:9 people [4] - 10:8, 10:18, 22:23, 26:1 per [12] - 7:23, 14:8, 14:13, 14:15, 17:12, 27:15, 27:23, 31:5, 31:9 percent [13] - 8:7, 12:14, 13:14, 13:20, 13:23, 15:2, 20:6, 23:24, 24:6, 24:7, 24:9, 25:7, 27:18 period [4] - 13:11, 25:7, 26:12, 26:23 permits [4] - 16:12, 16:14, 20:25, 25:3 permitting [1] - 9:6	persons [1] - 3:19 pertinent [1] - 4:13 petition [1] - 7:1 pictures [1] - 17:3 pieces [1] - 22:21 pipe [4] - 15:14, 15:16, 17:10 pipeline [8] - 15:10, 15:13, 15:14, 16:21, 17:3, 18:24, 19:19, 24:25 pipelines [1] - 16:19 pipes [1] - 18:9 place [2] - 3:7, 14:9 planning [2] - 9:8, 20:10 Planning [1] - 2:7 point [8] - 12:25, 13:7, 15:4, 15:7, 17:13, 22:6, 27:10, 28:25 portion [4] - 15:7, 15:14, 21:12, 22:5 possibility [1] - 23:8 potential [1] - 23:17 power [3] - 19:3, 19:4 pre [1] - 25:17 predesign [1] - 10:6 preliminary [2] - 10:15, 11:14 preparation [1] - 29:16 prepare [2] - 29:21, 30:4 prepay [1] - 26:19 prepayment [2] - 26:12, 26:20 present [6] - 4:10, 4:14, 4:23, 12:10, 22:12, 28:19 presentation [6] - 6:5, 8:25, 9:1, 9:23, 10:22, 10:23 presentations [1] - 11:21 presenters [1] - 28:22 presenting [1] - 3:12 President [3] - 2:3, 3:11, 5:11 president [9] - 6:6, 6:11, 8:21, 10:5, 28:12, 28:17, 29:8, 30:1, 30:23 PRESIDENT [19] - 3:8, 4:8, 5:16, 6:1, 28:20, 28:24, 29:2, 29:6, 29:11, 29:13, 29:20, 29:24, 30:25, 31:3, 31:11, 31:14, 31:19, 31:22, 31:24 pressure [3] - 14:16, 15:3, 15:16	pressurize [1] - 14:19 Preszler [1] - 19:21 previous [1] - 21:13 previously [1] - 12:8 price [2] - 23:22 principal [1] - 30:21 private [1] - 15:9 proceeded [1] - 7:1 proceeding [3] - 3:22, 6:10, 30:3 proceedings [5] - 3:7, 4:3, 4:16, 6:9, 30:4 process [4] - 7:6, 9:18, 30:13, 31:15 production [2] - 23:11, 23:16 professional [1] - 25:20 Professional [1] - 3:6 profile [1] - 14:23 Program [1] - 13:17 project [21] - 8:2, 8:4, 9:5, 9:11, 11:22, 12:9, 12:11, 12:13, 12:19, 12:25, 13:4, 14:2, 14:23, 16:4, 16:12, 19:6, 19:15, 25:21, 25:23, 26:4 Project [1] - 13:13 properties [11] - 3:24, 6:17, 7:8, 7:17, 8:14, 8:18, 9:14, 10:11, 15:11, 23:18, 30:15 Property [1] - 2:7 property [21] - 3:18, 3:19, 4:1, 4:9, 4:23, 4:24, 6:22, 7:1, 7:10, 7:12, 8:5, 8:19, 9:10, 10:1, 14:5, 15:22, 16:1, 16:20, 22:17, 22:19 property's [1] - 28:14 proposed [3] - 4:12, 10:21, 11:6 prospective [1] - 6:2 protest [11] - 3:21, 5:4, 5:13, 5:17, 6:4, 8:21, 8:22, 8:23, 22:13, 28:13, 28:15 protesting [1] - 3:23 protests [6] - 3:15, 10:20, 11:4, 28:5, 28:7, 28:18 provide [3] - 10:2, 11:19, 14:16 public [8] - 6:15, 6:18, 7:3, 10:19, 11:7, 11:21, 12:7, 30:8 pump [13] - 12:24,
N name [2] - 5:10 National [1] - 18:3 near [1] - 21:22 nearing [1] - 20:20 need [4] - 5:18, 20:11, 21:3, 22:2 needed [1] - 22:24 negative [1] - 20:5 negotiations [1] - 21:11 new [3] - 20:23, 20:25, 21:6 next [8] - 9:4, 11:8, 18:21, 21:19, 21:23, 23:20, 24:13, 26:14 NO [1] - 33:23 none [3] - 28:6, 28:23, 31:14 note [5] - 14:17, 26:5, 26:7, 27:5, 27:16 noted [1] - 5:1 nothing [2] - 5:23, 28:18 notice [5] - 9:16, 22:10, 23:1, 30:8, 30:16 notices [1] - 22:8 notified [1] - 22:24 number [4] - 6:13, 16:11, 26:1, 33:19				

ChaRae Kent, CCR, RPR

Kent Reporting * (509) 627-2244

<p>13:4, 14:24, 14:25, 15:10, 15:19, 17:11, 18:13, 18:15, 18:19, 18:20, 19:14, 19:24</p> <p>pumps [3] - 14:24, 15:18, 18:10</p> <p>Purpose [1] - 13:19</p> <p>purpose [3] - 4:8, 4:18, 30:21</p> <p>purposes [1] - 6:25</p> <p>pursuant [1] - 33:8</p> <p>push [1] - 17:6</p> <p>put [1] - 27:16</p> <p>PVC [2] - 15:14, 17:10</p>	<p>reasons [2] - 4:11, 26:21</p> <p>receivables [1] - 13:3</p> <p>receive [3] - 11:4, 11:20, 11:21</p> <p>received [4] - 10:22, 12:7, 22:24, 28:9</p> <p>receiving [1] - 22:9</p> <p>recently [1] - 9:25</p> <p>Reclamation [2] - 12:23, 13:15</p> <p>recognized [1] - 17:2</p> <p>record [3] - 7:4, 22:18, 33:12</p> <p>recorded [1] - 7:14</p> <p>Red [28] - 1:4, 6:13, 6:16, 6:23, 8:13, 8:18, 9:3, 10:1, 10:3, 10:11, 10:14, 10:17, 10:24, 11:16, 11:25, 12:16, 12:24, 13:4, 13:12, 14:2, 20:12, 21:2, 21:5, 21:22, 22:4, 23:4, 23:17, 29:5</p> <p>redundancy [1] - 15:20</p> <p>regarding [10] - 6:12, 9:9, 9:12, 9:17, 11:22, 11:23, 22:16, 28:13, 30:13, 30:17</p> <p>region [1] - 21:4</p> <p>Registered [1] - 3:6</p> <p>related [1] - 25:5</p> <p>relative [1] - 33:15</p> <p>reliable [1] - 9:13</p> <p>remains [1] - 26:4</p> <p>REMEMBERED [1] - 3:1</p> <p>remind [1] - 8:25</p> <p>reminder [3] - 8:17, 8:20, 30:13</p> <p>removed [1] - 17:15</p> <p>repayment [1] - 26:25</p> <p>replaced [1] - 25:10</p> <p>replacement [2] - 25:9, 25:13</p> <p>report [5] - 11:22, 12:9, 12:13, 12:15, 21:19</p> <p>Report [1] - 13:18</p> <p>REPORTED [1] - 1:15</p> <p>reported [1] - 33:6</p> <p>Reporter [3] - 3:5, 3:6, 33:5</p> <p>reporter [1] - 5:15</p> <p>REPORTER [1] - 5:22</p> <p>represent [1] - 3:19</p> <p>representative [1] - 4:1</p>	<p>representatives [1] - 8:19</p> <p>requesting [1] - 10:2</p> <p>require [4] - 22:14, 27:11, 27:12, 27:13</p> <p>required [5] - 9:6, 15:11, 16:12, 16:21, 17:17</p> <p>requirements [1] - 18:3</p> <p>reserve [3] - 13:12, 25:9, 25:13</p> <p>reserves [1] - 26:8</p> <p>reservoir [14] - 15:1, 15:3, 15:5, 15:6, 15:8, 15:23, 18:16, 18:17, 18:21, 18:22, 19:1, 19:24, 20:2</p> <p>reservoirs [2] - 15:21, 24:23</p> <p>residing [1] - 33:5</p> <p>resolution [7] - 7:5, 7:6, 26:14, 29:16, 29:21, 30:5, 30:11</p> <p>Resolution [2] - 11:9, 13:10</p> <p>resources [1] - 20:15</p> <p>responded [1] - 5:2</p> <p>response [9] - 4:7, 26:10, 28:3, 28:11, 28:16, 29:12, 29:25, 31:13, 31:23</p> <p>responsibility [1] - 14:19</p> <p>responsible [1] - 16:25</p> <p>result [5] - 6:21, 7:1, 7:24, 8:3, 8:12</p> <p>results [1] - 26:14</p> <p>retainage [1] - 24:18</p> <p>returned [1] - 22:22</p> <p>review [1] - 9:2</p> <p>RH2 [5] - 2:8, 9:4, 11:15, 11:24, 13:24</p> <p>rich [1] - 20:16</p> <p>right-hand [1] - 17:23</p> <p>rights [6] - 8:1, 20:21, 20:24, 21:7, 28:2</p> <p>ring [1] - 18:23</p> <p>risks [1] - 8:9</p> <p>river [3] - 17:21, 18:12, 19:12</p> <p>River [8] - 8:1, 14:5, 14:24, 16:15, 17:12, 21:20</p> <p>Riverside [1] - 17:24</p> <p>Road [1] - 15:15</p> <p>road [2] - 17:7, 17:9</p> <p>roads [2] - 17:6, 19:16</p> <p>rock [3] - 17:16, 17:18</p>	<p>Roll [1] - 1:5</p> <p>roll [7] - 3:13, 4:25, 5:7, 7:21, 11:14, 29:15, 30:15</p> <p>room [1] - 16:23</p> <p>ROSENBAUM [2] - 2:7, 28:6</p> <p>Rotschy [2] - 19:9, 19:20</p> <p>RPR [2] - 1:15, 33:22</p> <p>rules [1] - 4:15</p> <p>run [1] - 30:19</p> <p>running [1] - 26:19</p>	<p>33:7, 33:18</p> <p>SETH [1] - 2:7</p> <p>Seth [4] - 5:21, 9:8, 20:9, 20:10</p> <p>settlement [4] - 12:19, 13:6, 14:4, 17:12</p> <p>seven [2] - 19:6, 20:3</p> <p>several [3] - 12:3, 22:15, 24:5</p> <p>shafts [1] - 18:10</p> <p>shall [1] - 11:12</p> <p>Sharpe [1] - 19:21</p> <p>shorthand [1] - 33:10</p> <p>show [4] - 7:18, 7:22, 8:3, 8:11</p> <p>showed [1] - 27:24</p> <p>shows [3] - 7:21, 14:23, 17:23</p> <p>Shrub [2] - 13:8, 25:4</p> <p>side [1] - 3:22</p> <p>sign [1] - 13:15</p> <p>signed [1] - 7:12</p> <p>significant [3] - 16:4, 16:11, 16:16, 16:21, 16:24, 17:17, 17:21, 26:1</p> <p>siltation [1] - 16:2</p> <p>site [4] - 17:14, 19:4, 19:10, 21:12</p> <p>sits [2] - 3:24, 6:10</p> <p>sitting [1] - 4:5</p> <p>six [1] - 20:3</p> <p>size [1] - 15:1</p> <p>slide [8] - 11:8, 18:11, 21:13, 21:19, 21:23, 23:20, 24:13, 24:14</p> <p>slip [1] - 17:7</p> <p>small [1] - 23:5</p> <p>snow [1] - 19:18</p> <p>solar [1] - 19:4</p> <p>sold [2] - 23:23, 24:10</p> <p>solemnly [1] - 5:22</p> <p>somewhat [1] - 7:8</p> <p>sort [1] - 20:21</p> <p>sought [1] - 6:23</p> <p>source [1] - 9:13</p> <p>South [5] - 1:4, 10:14, 10:17, 13:12, 14:2</p> <p>special [6] - 6:4, 6:7, 7:17, 11:18, 29:16, 29:21</p> <p>SPECIAL [1] - 1:8</p> <p>Special [4] - 2:3, 3:4, 12:6, 33:6</p> <p>specially [1] - 6:17</p> <p>species [3] - 16:15, 16:18, 18:3</p> <p>specific [3] - 6:20, 7:12, 25:22</p>
Q			S	
<p>quality [2] - 23:11, 23:16</p> <p>quasi [3] - 3:22, 6:10, 30:3</p> <p>quasi-judicial [3] - 3:22, 6:10, 30:3</p> <p>questions [11] - 4:19, 4:20, 4:25, 23:7, 26:9, 27:25, 28:1, 28:2, 28:21, 31:11, 33:13</p> <p>quick [1] - 31:1</p>				
R				
<p>radio [1] - 19:4</p> <p>raise [1] - 5:9</p> <p>ran [1] - 21:25</p> <p>rate [7] - 6:19, 8:5, 13:22, 14:14, 25:8, 27:21, 27:22</p> <p>rates [1] - 26:22</p> <p>Rathbun [1] - 3:11</p> <p>RATHBUN [21] - 2:3, 3:8, 4:8, 5:16, 6:1, 28:20, 28:24, 29:2, 29:6, 29:8, 29:11, 29:13, 29:20, 29:24, 30:25, 31:3, 31:11, 31:14, 31:19, 31:22, 31:24</p> <p>RCW [1] - 33:8</p> <p>re [2] - 18:21, 22:22</p> <p>Re [1] - 1:3</p> <p>re-lift [1] - 18:21</p> <p>re-sent [1] - 22:22</p> <p>read [1] - 24:13</p> <p>reading [1] - 16:10</p> <p>ready [1] - 28:24</p> <p>Real [1] - 2:7</p> <p>really [1] - 21:7</p> <p>realty [1] - 13:12</p> <p>reason [1] - 4:3</p>				

ChaRae Kent, CCR, RPR

Kent Reporting * (509) 627-2244

<p>specifically [2] - 7:9, 21:21</p> <p>spell [1] - 5:10</p> <p>split [1] - 19:19</p> <p>Sposito [1] - 10:6</p> <p>spread [2] - 6:17, 7:19</p> <p>spring [1] - 19:17</p> <p>ss [1] - 33:2</p> <p>staff [3] - 10:5, 10:10, 25:21</p> <p>stand [4] - 5:8, 5:14, 5:18, 21:6</p> <p>standing [1] - 17:24</p> <p>standpoint [1] - 15:12</p> <p>start [5] - 19:9, 25:9, 26:19, 27:6</p> <p>start-up [1] - 25:9</p> <p>started [3] - 12:3, 14:3, 19:23</p> <p>STATE [1] - 33:2</p> <p>State [5] - 12:23, 13:17, 21:9, 21:13, 33:19</p> <p>state [9] - 5:9, 5:10, 8:7, 13:21, 16:13, 17:5, 20:15, 26:21</p> <p>station [7] - 15:4, 17:11, 18:13, 18:15, 19:14, 19:25, 24:23</p> <p>status [1] - 12:15</p> <p>statutory [1] - 7:13</p> <p>steel [4] - 15:6, 15:23, 18:22, 19:2</p> <p>step [1] - 21:10</p> <p>Steppe [2] - 13:8, 25:4</p> <p>Steve [2] - 6:4, 6:7</p> <p>STEVE [1] - 2:3</p> <p>storms [4] - 28:4, 30:14, 30:17, 30:20</p> <p>STORMS [4] - 2:6, 22:7, 26:11, 28:7</p> <p>Storms [2] - 9:15, 22:7</p> <p>structure [7] - 14:7, 15:19, 17:23, 17:25, 18:8, 19:14, 20:6</p> <p>studies [1] - 21:16</p> <p>subject [1] - 30:8</p> <p>substantial [1] - 8:8</p> <p>supplies [1] - 9:11</p> <p>supported [2] - 23:14, 23:16</p> <p>surface [5] - 20:18, 20:21, 20:24, 21:17, 22:2</p> <p>survey [1] - 25:1</p> <p>swear [2] - 5:18, 5:22</p> <p>sworn [2] - 5:14, 33:8</p> <p>system [14] - 6:16, 11:17, 14:16, 15:12, 15:13, 16:6, 16:7,</p>	<p>16:8, 16:10, 18:6, 19:3, 21:15, 22:1</p> <p>systems [2] - 15:9, 18:24</p>	<p>T</p> <p>TAKEN [1] - 1:12</p> <p>tank [3] - 16:2, 18:23, 19:2</p> <p>Tapani [2] - 19:21, 19:25</p> <p>team [2] - 10:6, 27:25</p> <p>Tebb [1] - 10:7</p> <p>technically [1] - 6:9</p> <p>tend [1] - 21:20</p> <p>tens [1] - 17:15</p> <p>term [1] - 13:14</p> <p>terms [3] - 20:15, 21:14, 27:20</p> <p>Terra [4] - 10:4, 11:19, 12:8, 12:9</p> <p>testify [5] - 5:8, 5:14, 9:9, 31:8</p> <p>testimony [3] - 4:17, 10:22, 33:12</p> <p>testing [1] - 25:2</p> <p>THE [3] - 1:8, 2:2, 5:22</p> <p>thereafter [1] - 33:11</p> <p>therefore [1] - 7:15</p> <p>thousands [1] - 17:15</p> <p>three [2] - 19:19, 23:17</p> <p>Thursday [2] - 1:11, 3:1</p> <p>TIME [1] - 1:11</p> <p>together [1] - 18:25</p> <p>Tom [1] - 10:7</p> <p>tonight [4] - 7:15, 11:16, 13:22, 26:15</p> <p>took [1] - 3:7</p> <p>tool [1] - 6:15</p> <p>top [1] - 18:14</p> <p>total [3] - 7:22, 11:11, 25:14</p> <p>totalled [1] - 24:24</p> <p>town [1] - 27:12</p> <p>tracts [1] - 23:23</p> <p>transcribed [1] - 33:11</p> <p>transfers [1] - 21:8</p> <p>Treasurer [1] - 2:6</p> <p>treasurer [2] - 9:15, 22:7</p> <p>Tri [2] - 20:1, 23:2</p> <p>Tri-Cities [1] - 20:1</p> <p>Tri-City [1] - 23:2</p> <p>true [1] - 33:11</p> <p>Trust [2] - 13:17, 13:19</p>	<p>truth [3] - 5:23</p> <p>tubes [1] - 18:14</p> <p>turbine [2] - 18:10, 18:19</p> <p>turn [2] - 9:20, 20:9</p> <p>twice [1] - 12:3</p> <p>two [5] - 12:1, 15:21, 21:18, 23:23, 24:16</p> <p>types [1] - 25:17</p>	<p>U</p> <p>under [6] - 4:17, 7:9, 18:18, 20:4, 20:8, 31:8</p> <p>underneath [1] - 17:7</p> <p>undersigned [1] - 33:5</p> <p>unison [4] - 5:25, 29:10, 29:23, 31:21</p> <p>units [3] - 11:12, 16:2, 21:20</p> <p>unless [1] - 7:10</p> <p>unusually [1] - 7:8</p> <p>up [14] - 7:25, 13:14, 14:24, 14:25, 15:5, 15:10, 16:19, 19:19, 20:3, 20:8, 20:12, 21:4, 25:9, 26:16</p> <p>update [1] - 11:20</p> <p>updated [2] - 12:11, 12:14</p> <p>upper [3] - 17:4, 17:14, 17:23</p> <p>US [1] - 12:22</p>	<p>waivers [1] - 7:13</p> <p>waives [1] - 7:10</p> <p>waning [1] - 17:1</p> <p>wants [1] - 4:13</p> <p>Washington [13] - 1:13, 3:3, 7:9, 8:7, 10:7, 12:23, 13:2, 13:9, 13:17, 20:16, 26:21, 33:5, 33:19</p> <p>WASHINGTON [1] - 33:2</p> <p>Water [2] - 13:17, 13:19</p> <p>water [40] - 6:23, 6:25, 7:17, 7:23, 8:1, 9:11, 9:13, 9:17, 10:2, 10:25, 12:16, 12:17, 13:6, 13:16, 14:12, 14:16, 14:19, 14:24, 14:25, 15:5, 15:18, 16:3, 18:2, 18:20, 20:12, 20:15, 20:18, 20:21, 20:23, 20:24, 21:4, 21:7, 21:15, 22:2, 22:3, 23:25, 24:11, 28:2, 31:6</p> <p>ways [1] - 10:2</p> <p>WDFW [1] - 25:4</p> <p>wells [4] - 9:12, 21:1, 21:2, 21:25</p> <p>West [2] - 1:12, 3:3</p> <p>WHEREOF [1] - 33:18</p> <p>whole [2] - 5:23, 18:12</p> <p>wildlife [1] - 12:24</p> <p>Wildlife [1] - 13:9</p> <p>willing [1] - 28:1</p> <p>windows [2] - 19:10, 19:11</p> <p>wine [1] - 21:4</p> <p>wineries [1] - 10:25</p> <p>winery [1] - 23:11</p> <p>Winery [5] - 11:19, 12:8, 12:9, 12:13, 21:24</p> <p>wish [1] - 4:14</p> <p>wishes [1] - 28:13</p> <p>WiSi [1] - 16:10</p> <p>withdrawal [1] - 14:14</p> <p>withdrawn [1] - 14:8</p> <p>WITNESS [1] - 33:18</p> <p>witness [2] - 5:13, 17:15</p> <p>witnesses [5] - 5:19, 5:20, 6:3, 33:7, 33:12</p> <p>words [1] - 20:4</p> <p>worksheets [1] - 23:22</p> <p>written [7] - 3:15, 3:21, 8:22, 8:23,</p>	<p>28:5, 28:7, 28:15</p>
				<p>Y</p> <p>Yakima [8] - 8:1, 14:5, 14:24, 16:15, 17:12, 20:13, 20:23, 21:15</p> <p>yards [1] - 17:16</p> <p>year [3] - 14:13, 22:1</p> <p>years [7] - 9:19, 9:25, 20:20, 20:25, 26:20, 27:20, 27:22</p>		
				<p>Z</p> <p>zone [1] - 15:4</p>		

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