

House panel hears ways to finance water projects

Chairman: Everyone will be aggravated

By **DON JENKINS**
Capital Press

OLYMPIA — Washington lawmakers were presented Nov. 19 with a slate of ways to raise \$3 billion over 10 years for irrigation, flood-prevention and pollution-control projects, including repealing tax exemptions for farmers and ranchers.

The options were rolled out at a meeting of a House task force formed after a proposal earlier this year to fund water projects with a new property tax failed to win support.

Alternatives tendered by legislative staff members included new or increased

taxes on utilities, real estate transactions and property.

The task force's chairman, Rep. Richard DeBolt, R-Chehalis, cracked that there was something for everyone to dislike.

"I think when we did this, we wanted to thoroughly aggravate everyone, and I think we did a decent job with that," he joked.

State officials have identified billions of dollars worth of unfunded water projects.

The projects include \$4 billion for increasing Yakima Valley water supplies, \$500 million for controlling floods in Lewis and Grays Harbor counties, and \$3 million for reducing Puget Sound pollution.

Republican Sens. Jim Honeyford of Sunnyside and John Braun of Centralia proposed



Don Jenkins/Capital Press

The Chehalis River floods farmland Nov. 18 after a rainstorm rapidly drove up the river. State lawmakers are looking at ways to finance flood-control, irrigation and pollution-reduction projects.

during the 2015 session a flat, per-parcel fee of at least \$35 to finance the projects. Farmers with more than 5 acres would have paid \$90 a year.

Honeyford represents the

drought-vulnerable Yakima Valley, while Braun represents the drought-prone Chehalis River basin.

Their proposal failed to advance. "We heard the testimo-

ny. We need something else, so we're not considering that at this time," Honeyford said.

The task force, meeting for the last time before the 2016 session, didn't discuss the new options. Rep. David Taylor, R-Moxee, faulted the task force for not producing a proposal to other lawmakers. "The committee has failed to fulfill its obligation," he said.

DeBolt said lawmakers will continue discussing how to pay for water projects. He said the task force had too little time to make an informed recommendation and was just broaching a tough subject. "I wouldn't use the word 'failed.' I would use the words 'opened Pandora's box,'" he said.

The state could pay for water projects upfront by rais-

ing \$300 million a year for 10 years, or borrow \$300 million a year and pay it back over 35 years, according to legislative staff members.

A combination of taxes and fees would have to be imposed to raise \$300 million a year. The biggest potential funding source presented Nov. 19 was a "stormwater fee" of \$22.50 per single-family residence to raise \$195.9 million annually.

Farm income on wholesale transactions is exempt from business and occupation taxes. Repealing the exemption on gross incomes above \$200,000 a year would raise an estimated \$39.4 million a year, according to legislative staff. Farm chemicals can be purchased tax free. Repealing that exemption would raise an estimated \$66.3 million.

Irrigation districts modernize with hydropower

Hydropower turbines a component of piping and pressurization

By **MATEUSZ PERKOWSKI**
Capital Press

SISTERS, Ore. — A key part of Marc Thalacker's original job description was drying up the stream from which his irrigation district drew water.

Entirely drying up Whychus Creek in summer ensured growers within the Three Sisters Irrigation District got as much water as possible, but by the late 1990s, it was clear the practice was bound to come under regulatory scrutiny, said Thalacker, the district's manager.

Steelhead and bull trout were gaining federal protections as threatened species, and it appeared likely the district would face problems under the Endangered Species Act, he said.

"Why wait for the regulatory hammer when you can get out in front of it?" Thalacker said.

At the same time, the irrigation system was inefficient: Of the 35,000 acre feet of water diverted by the district, only 17,000 acre feet were delivered to farmers, he said. "The rest would seep into the ground through our leaky canals."

Since then, the district has replaced 50 miles of its 63 miles of canals with high-density plastic pipes. When the system is fully piped in about five years, the rate of water loss will fall to 10 percent, down from more than 50 percent with canals.

Farmers are now able to get more water while diverting less from the creek.

Piping provides additional benefits: The irrigation system is pressurized by gravity, which allows farmers to stop pumping and thus save electricity. Last year, the district also installed a hydropower turbine that generates more than 3 million kilowatt hours



Mateusz Perkowski/Capital Press

Marc Thalacker, manager of the Three Sisters Irrigation District in Sisters, Ore., explains the function of water pressure in turning a hydropower turbine to generate electricity. Government incentives, economic benefits and reduced regulatory hurdles have encouraged irrigation districts to undertake hydropower retrofits in recent years.

a year, or enough to power 75 homes.

Money generated from selling electricity will help pay off loans taken out for the piping project. Meanwhile, the district plans to install four smaller turbines next year as part of a demonstration project for growers and invest in a second large turbine by 2020.

While the \$2 million cost of the first turbine was heavily subsidized with grants from the U.S. Bureau of Reclamation and the Energy Trust of Oregon, a non-profit funded by state ratepayers, Thalacker expects such projects will one day pencil out financially on their own.

As Pacificorp and other major power utilities reduce their reliance on coal burning over the next decade, electricity rates are expected to rise and make such renewable energy projects economically feasible, he said.

"When we're burning a lot less coal, this will make a lot more sense," Thalacker said.

Three Sisters Irrigation District is one of seven districts in Oregon that have retrofitted their systems to generate hydropower, and another six are examining the possibility as part of broader

modernization efforts, said Jed Jorgensen, renewable energy program coordinator at the Energy Trust of Oregon non-profit.

"It is an idea that is just starting to take off," Jorgensen said.

Hydropower turbines are often associated with piping projects, particularly when a system doesn't have a sudden drop in elevation — in such cases, pipes are necessary to build enough pressure to power the turbine, he said. For a hydropower turbine to make sense, there has to be enough spare pressure in a system beyond what farmers need to eliminate pumps.

"You don't want hydropower to be in conflict with how farmers get their water," Jorgensen said.

Energy Trust of Oregon funds such hydropower retrofits that are on the verge of being financially viable but can't quite make it on their own, he said.

Even when the revenues from hydropower alone may not make a project attractive enough, districts and ditch companies are drawn to other advantages of irrigation modernization, such as reduced electricity use from pressurization, decreased costs for upkeeping canals and fewer environmental headaches, Jorgensen said.

"That water savings is

worth a lot of money and is a tremendous environmental benefit," he said.

Aside from economic factors, the technology is more accessible because recent legislation has removed regulatory barriers to installing hydropower turbines, said Dan Keppen, executive director of the Family Farm Alliance, a group that advocates for irrigators.

In 2013, two bills — House Resolutions 267 and 678 — were passed into law, which streamlined the federal government's approval of small hydropower facilities, Keppen said.

Previously, hydropower retrofits were lumped in with larger projects even though they modified existing irrigation systems and had no environmental impact, he said.

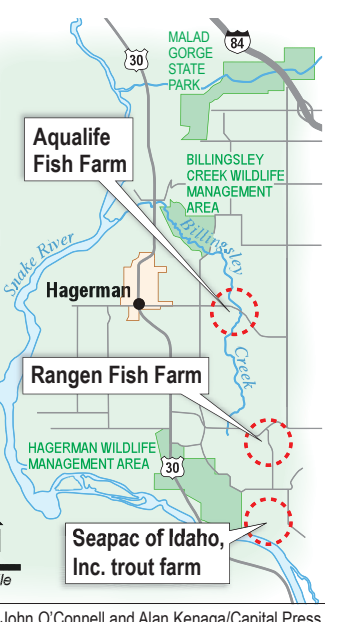
The time and expense of obtaining permitting was often greater than building the project itself, but now many of these impediments have been removed, Keppen said.

Irrigation systems across the West are often reliant on gravity, with water being pulled from behind a dam or distributed by flowing from higher to lower elevations, so they're already designed to accommodate hydropower, he said.

"You're going to have Mother Nature on your side," Keppen said.

Loan approval in Idaho water deal

The Idaho Water Resource Board has approved a \$3.2 million short-term loan to Idaho Groundwater Appropriators, Inc., to purchase the state-owned Aqualife fish hatchery as part of mitigation for a water call. The board bundled the funding in with an existing loan.



John O'Connell and Alan Kenaga/Capital Press

Loan approved for IGWA to purchase Hagerman trout farm

By **JOHN O'CONNELL**
Capital Press

BOISE — Idaho groundwater users may have to pay up to \$1.2 million more than they originally budgeted to purchase a Hagerman trout farm as part of a mitigation plan resolving the Rangen, Inc., water call.

On Nov. 19, the Idaho Water Resource Board approved a \$3.2 million short-term loan to Idaho Groundwater Appropriators, Inc. — equal to the appraised price of the state-owned Aqualife fish hatchery.

IGWA has agreed to purchase the hatchery to turn over to SeaPac of Idaho, which had been leasing Aqualife from the Idaho Department of Water Resources. In exchange, SeaPac is providing IGWA up to 10 cubic feet per second of pristine spring water from its Magic Springs facility to pipe to Rangen.

Idaho Department of Water Resources Director Gary Spackman ruled during the winter of 2013 junior well irrigators in the Eastern Snake Plain Aquifer owe Rangen the water to offset affects of their pumping on Rangen's spring flows.

Funds to purchase Aqualife will be wrapped into an existing loan the board made to help IGWA finance construction of the Rangen pipeline, bringing the total loan amount to \$7.2 million.

IGWA has until September of 2016 to repay the loan, providing time for the organization to find longterm financing and determine the appropriate length of repayment, said Lynn Carlquist, a Hazelton farmer who serves as chairman of the North Snake Groundwater District. IGWA has until the

end of the year to purchase Aqualife and transfer the title to SeaPac. The pipeline has been operational since last winter, and IGWA has been leasing Aqualife for SeaPac's use in the interim.

Carlquist explained a judge granted IGWA the right to incur \$15 million in debt about a year ago to resolve water calls, including Rangen, in the Hagerman area. Some of the funds are also available to resolve additional water calls that may be on the horizon downstream from Rangen on Billingsley Creek.

"Every time the groundwater pumpers turn around, someone else wants a piece of our hide," Carlquist said.

IGWA originally budgeted \$2 million of that total toward purchasing Aqualife and 17 acres of surrounding land. He said IGWA later increased its budget estimate to \$2.7 million when SeaPac indicated it would need 110 acres of surrounding land for biosecurity reasons.

Carlquist said IGWA believes the state's appraisal, conducted by LeMoyné Appraisal in August 2015, came in too high.

Water Board Chairman Roger Chase said the appraisal was done by leading experts and the board has no authority to accept less than an appraised amount.

IGWA Executive Director Lynn Tominaga said his organization has asked the appraiser to reconsider the amount, factoring in deed restrictions on land use and the water right.

IDWR Planning Bureau Chief Brian Patton said the board has asked its appraiser to revisit its estimate, with IGWA's issues in mind, and he should have an answer within a couple of weeks.




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Reputed owner(s)
Cynthia Moore
Cynthia Moore

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