

**Water Resources Commission
Meeting
Salem, Oregon
February 25, 2009**

WRC Present

Jay Rasmussen
Mary Meloy
Ray Williams
Charlie Barlow
John Jackson
Jeanne LeJeune
John Roberts

Staff Present

Phil Ward
Brenda Bateman
Cindy Smith
Jerry Rodgers
Tracy Louden
Barry Norris
Doug Woodcock
Patricia McCarty

Others

Skye Root
Anita Winkler
Brad Taylor
Jerry Schmidt
Lisa Brown
Rick Kepler
Kim Grigsby
Greg Reinert
Sue Knapp
Lisa Brown

Ed Henricks
Gail Whitsett
Patrick Farrell
Helen Moore
Michelle Girts
Adam Sussman
Patrick Griffiths
Jan Houck
Laura Hicks
Dennis Doherty

Written material submitted at this meeting is part of the official record and on file at the Oregon Water Resources Department, 725 Summer St. NE, Salem, Oregon 97301-1271. Audiotapes of the meeting are on file at the same address.

Vice-Chair Rasmussen welcomed everyone to the meeting.

A. WRC Planning Working Group Update: January 2009 Stakeholder Meetings

Commissioner Rasmussen thanked Commissioners Meloy, LeJeune and Roberts for their work on their meetings and ideas regarding the Integrated Water Resources Strategy.

Brenda Bateman, Senior Policy Coordinator, briefed the Commission on the Planning Working Group’s meetings with stakeholders that were held in January 2009. The Planning Working Group is comprised of Commissioners Mary Meloy, John Roberts, and Jeanne LeJeune, who have been working with staff from the Department along with staff from the Department of Environmental Quality, to begin to define a process that could be employed in the development of Oregon’s integrated water resources strategy.

The goal of the three-member Working Group is “to ensure the orderly development of Oregon’s integrated water resources strategy, providing vision and oversight as well as policy guidance on both the strategic planning process and resulting product.”

On January 8-9, 2009, the Planning Work Group and staff met with stakeholders to brainstorm the “process” of developing a long-term, integrated water resources strategy for the State of Oregon. During the two-day period, they met with 32 people, some of them representing more than one organization, for a total of 41 organizations. The discussions were designed as informal, information-gathering sessions that lasted about one hour each. Below is a listing of Commissioners, staff, and stakeholders who participated in the process.

Internal Team

Water Resources Commissioner	Mary Meloy
Water Resources Commissioner	Jeanne LeJeune
Water Resources Commissioner	John Roberts
Water Resources Department Director	Phil Ward
Water Resources Department	Brenda Bateman
Water Resources Department	Ruben Ochoa
Water Resources Department Intern	Skye Root
Department of Environmental Quality	Jane Bacchieri, for Director Dick Pedersen
Department of Environmental Quality	Christine Svetkovich, for Director Dick Pedersen

Stakeholder Participants (by Organization)

American Planning Association – Oregon Chapter	Jeannine Rustad and Carla McClane
Association of Oregon Counties	Gil Riddell
Beef Northwest	Jim Welsh
Brooks Tree Farm	Kathy LaCompte
Cattlemen’s Association	Jim Welsh
Central Oregon Cities Organization (COCO)	Patrick Griffiths
City of Bend	Patrick Griffiths
City of Corvallis	Tom Penpraze
City of Portland	Lorna Stickel
Confederated Tribes of the Umatilla	Phil Donovan
Department of Land Conservation and Development	Rob Hallyburton
Deschutes Water Alliance	Patrick Griffiths
Lane County Realtors	Jim Welsh
League of Oregon Cities	Daniel Eisenbeis
Legislative Commission on Indian Services	Karen Quigley
Madison Farms	Kent Madison
Morrow County	Carla McClane
Network of Oregon Watershed Councils	John Moriarty
North Santiam Watershed Council	Liz Redon
Oak Lodge Water District	Dan Bradley
Oregon Association of Clean Water Agencies	Tom Penpraze
Oregon Association of Conservation Districts	Gary Whitney
Oregon Association of Nurseries	Jeff Stone
Oregon Business Council	Michelle Girts
Oregon Department of Energy	Mike Graine
Oregon Environmental Council	Steve Greenwood
Oregon Farm Bureau	Katie Fast
Oregon Solutions	Steve Greenwood
Oregon State Univ. – Institute for Water & Watersheds	Michael Campana
Oregon Trout	Joe Whitworth
Oregon Univ. System – Institute for Natural Resources	Gail Achterman
Oregon Water Resources Congress	Anita Winkler
Oregon Water Trust	David Pilz
Oregon Water Utility Council	Dan Bradley and Tom Penpraze
Regional Water Providers Consortium	Lorna Stickel
Santiam Water Control District	Larry Troisi
Special Districts Association of Oregon	Mark Landauer

State Grange
The Nature Conservancy
Water for Life
WaterWatch of Oregon

Jim Welsh
Leslie Bach
Helen Moore
John DeVoe

The Department has created a space on its website, where stakeholders can view background materials, find updates on the work conducted thus far, and provide additional feedback or ask questions. To find this page, please visit <http://www.wrd.state.or.us> and click on “Integrated Water Resources Planning.”

Commissioner Meloy said that the meetings were very informative. She said that it was one of the best and most interesting things she has been involved with since she has been in the Commission. She feels that they received a broad perspective on what people were thinking might be in an integrated strategy or what process should be used to bring one to life. She appreciated all the input that was given.

Commissioner Roberts said that after talking to the stakeholders, he noticed that each group was willing to assist in the development of an Integrated Water Resources Strategy, but noted that each group also had its own set of priorities that they wanted to see adopted in the final plan. He felt there was a lot of work to do in order to accommodate all of the diverse interests. He thought it was a very useful couple of days. He also said that now that we have the momentum started, we need to keep it going.

Commissioner LeJeune thanked all the participants for their participation and the quality of the information received. She commented that there was a lot of interest in the planning process and that there needs to be a “bottom up approach.” She felt that everyone wanted to participate in the process because they want to make Oregon a better place to live and do business. The Working Group needs to take the long-term view as it proceeds. She felt that before they move forward, the ground rules need to be determined and that there needs to be a thoughtful open process. They need to be able to think out of box and be creative about how they can get the work done even in difficult economic times. The Working Group is willing to keep the Integrated Water Resources Strategy planning process moving forward.

Commissioner Meloy also said that a goal of the Working Group is to meet with the Environmental Quality Commission (EQC) and bring them up to speed since the Department of Environmental Quality is a partner in this process.

Commissioner Williams thanked the Working Group for the good beginning and the passion they brought to this process.

Commissioner Jackson echoed Commissioner Williams comments. He commented that he was at the EQC’s last meeting, and noted that the two Commissions need to get together.

The Commission discussed the possibility of having a member of the Working Group and Department staff to meet with the EQC and the Board of Agriculture and make presentations regarding the Strategy.

Commissioner Rasmussen said that he appreciates the Working Group’s efforts in keeping the momentum going during the unusual budget times. Outlining continuing steps is important.

Director Ward commented that there was a bill moving through the Legislature (SB 193) with regards to the Water Resources Integrated Strategy. His suggestion to the Working Group would be to continue to work forward on the foundational levels so that the when there is a bill that allows us to move forward, we will be ready.

Commissioner Barlow commented that there needs to be a clearer definition of where we are today first. If everyone doesn't start at the same place, no one will end up at the finish line.

Jerry Schmidt, Oregon Ground Water Association (OGWA), commented that the OGWA was not a participant in these meetings. He commented that the OGWA wants to be active in this and give their input. He also suggested the Ground Water Advisory Committee be invited to participate.

Commissioner Rasmussen asked staff and the Working Group to create a schematic that would broadly lay out the framework of the Group.

Commissioner LeJeune summarized by saying that the Group felt that they need to learn from the past, use data wherever possible, be entrepreneurial in these unusual times and continue with the bottom up approach along with having local implementation.

B. Results of a 2008 Oregon Water Supply and Conservation Initiative Grant: Southern Willamette Valley Municipal Water Providers

Brad Taylor, Eugene Water and Electric Board, and Adam Sussman, GSI Water Solutions, discussed the results of the 2008 Oregon Water Supply and Conservation Initiative Grant that the Southern Willamette Valley Municipal Water Providers (SWMWP) received. The SWMWP includes: EWEB; Springfield Utility Board; and the cities of Creswell, Junction City, Veneta, Corvallis, and Monroe.

The Department awarded grants to 16 communities for use in their water supply planning efforts. The awards totaled \$200,000 and were given to communities that were taking a regional approach to meeting their current and future water needs. Applicants were eligible for up to \$20,000 per project and had to provide at least an additional 25 percent cost share. More than 30 applicants responded, requesting more than \$600,000 in total.

The SWMWP, led by Eugene Water and Electric Board (EWEB) requested help developing a plan to address technical and policy obstacles to using water stored in the U.S. Army Corps of Engineers (USACE) reservoirs in the Willamette Basin for municipal and industrial purposes.

SWMWP received a \$10,000 grant to conduct this study from the Oregon Water Resources Department's (OWRD) Oregon Water Supply and Conservation Initiative (OWSCI).

In 2008, SWMWP initiated a study report that explored whether a path exists for obtaining water from federal storage projects to meet future municipal water needs.

As part of this study, the SWMWP: 1) summarized the Willamette Basin Project history; 2) compiled and documented water supply needs for southern Willamette Basin water providers; 3) identified issues and barriers to obtaining federally stored water; and 4) developed options for moving forward. Throughout this process, SWMWP worked cooperatively with staff from the USACE, US Bureau of Reclamation (USBOR) and the Water Resources Department to compile and evaluate existing information, and to frame additional questions and issues that need to be resolved.

The SWMWP estimated had a near-term need for 500 to 1,000 acre-feet of stored water, and estimated a long-term need in 2050 of 11,000 to 30,000 acre-feet of stored water. The latter amount constitute between 0.7 and 1.8 percent of the total conservation storage pool in the reservoirs.

The SWMWP study identified three primary issues or barriers to use of water stored in the Willamette Basin Projects for municipal and industrial (M&I) purposes. These impediments were identified as: 1) the limitations in the State of Oregon water rights issued for the projects, 2) the anticipated pricing formula for M&I water, 3) and the necessity of identifying an entity to assume the role of contracting authority.

As previously described, the existing storage rights for the Willamette Basin Project authorize storage only for irrigation purposes. Water rights authorizing storage for M&I purposes will be necessary for water providers to obtain and use stored water for municipal purposes.

One potential source of water for future water supply in the Willamette Basin is the federal reservoirs that comprise the Willamette Basin Project. These reservoirs collectively store approximately 1.6 million acre-feet of water annually in 13 reservoirs. Nine of these reservoirs are in the southern Willamette Basin.

With the 2008 Biological Opinion now complete at the Federal level, much work remains to determine how much of the 1.6 million acre-feet in storage remains available for water supply, and what percent of that supply could be allocated to municipal and industrial needs. Additional issues could then be resolved, including a determination of the cost per acre foot. The grantees have an interest in continuing to work with the Water Resources Department and Federal agencies on these issues.

The Commission asked for an update on the Biological Opinion at the next meeting in June.

C. Klamath Basin Restoration and Hydropower Agreements

Suzanne Knapp, Governor's Office, gave an update on the Klamath Basin Restoration and Hydropower Agreements.

On November 13, 2008, the State of Oregon signed a negotiated Agreement in Principle (AIP) with PacifiCorp to remove the four lower hydroelectric dams on the Klamath River, and committed to work toward a Final Agreement by June 30, 2009. Preceding this AIP was the completion in January 2008 of a Proposed Klamath Basin Restoration Agreement, negotiated among 26 Parties, including basin interests, regional stakeholders, federal, state, and county governments, and tribes. The Klamath Basin Restoration Agreement (KBRA)

also includes agreements among claimants within the Klamath Basin Adjudication to resolve water rights claims. Together, these agreements aim to achieve sustainability of local and rural communities and economies in the basin as well as restoration of an entire river.

These two complex agreements are the result of more than six years of settlement negotiations with PacifiCorp in response to PacifiCorp's application to the Federal Energy Regulatory Commission for a new license to operate their 160 MW Klamath Hydroelectric Project for another 50 years. Four hydroelectric dams (Iron Gate, Copco I and Copco II in California, and J.C. Boyle in Oregon) constitute the Klamath Hydroelectric Project, which provides power to customers in a seven-state area (California, Oregon, Washington, Idaho, Utah, Montana, and Wyoming). Another non-hydro dam, Keno Dam below Upper Klamath Lake, is owned by PacifiCorp but operated by the Bureau of Reclamation for irrigation purposes. In 2006, when the current license expired, PacifiCorp announced it was willing to consider dam removal in lieu of relicensing, as long as service to its customers remained whole and the current capacity of energy was replaced. Settlement negotiations continued in parallel with the traditional relicensing proceedings for the next three years. During these settlement negotiations, the State of Oregon was represented by the Governor's Natural Resources Office and by key members of the State's Hydroelectric Application Review Team, including Water Resources Department staff and department attorneys.

The Klamath Hydropower Agreement in Principle (AIP) establishes a framework for resolution of the relicensing proceeding. A target date of 2020 was set for PacifiCorp to transfer the dams to a dam removal entity for timely removal. The Final Agreement will specify the rights, obligations, procedures, and schedules for implementing the approach to dam removal. The AIP is conditioned on the enactment of Federal and State legislation, as well as other contingencies and regulatory approvals.

Removal of the four dams on the Klamath River will improve water quality, enhance fisheries, provide access to 300 miles of historic habitat for salmonids, and restore the river to a more normative condition from headwaters to estuary. It will be the first and largest whole-basin restoration effort ever attempted in the nation, and possibly the world.

The Hydropower AIP commits the signatories to develop a Final Agreement by June 30, 2009. Efforts are underway to work out the details of the Final Agreement, and align agency statutory requirements and regulatory pathways with elements of the agreement and its implementation.

The Governor's Office is fully committed to achieving this historic outcome. And, with the support and assistance of the Water Resources Department and other agencies, these agreements provide promise for the Klamath Basin.

Lisa Brown, WaterWatch of Oregon, expressed concerns regarding the KBRA. She commented that WaterWatch is in opposition of the KBRA.

Helen Moore, Water for Life, stated that she strongly disagreed with the State's presentation.

Gail Whitsett, wife of Senator Doug Whitsett, commented on behalf of the citizens in Klamath County and part of Jackson County, on the opposition of dam removal.

D. Demonstration of the Oregon Water Supply and Conservation Initiative – On-Line

The Department recently completed its work on the 2008 Oregon Water Supply and Conservation Initiative.

Barry Norris, State Engineer, gave a demonstration of the Department's on-line water demand forecast, interactive spreadsheets and maps.

These new tools will help policymakers and the public with local planning efforts.

The materials from the Oregon Water Supply and Conservation can be located on the Department's website: http://www.wrd.state.or.us/OWRD/LAW/owsci_info.shtml.

The project webpage contains an overview and also, covers, in detail, the four project components:

1. water demand forecast
2. conservation opportunities
3. potential water storage sites
4. community planning grants.

E. Deschutes Basin Ground Water Mitigation Program: House Bill 3494 Report

Kyle Gorman, South Central Manager, provided an update on the Deschutes Ground Water Mitigation Program as required under House Bill 3494 (2005 Oregon Laws).

The Commission adopted the Deschutes Ground Water Mitigation Rules (OAR Chapter 690, Division 505) and the Deschutes Basin Mitigation Bank and Mitigation Credit Rules (OAR Chapter 690, Division 521) in September 2002. The rules implemented Senate Bill 1033 (1995, Legislative Assembly) codified as ORS 390.835 to provide for mitigation of impacts to scenic waterway flows and senior water rights, while allowing additional qualifying appropriations of ground water within the Deschutes Ground Water Study Area (OAR 690-505-0600).

House Bill 3494 (Chapter 669, 2005 Oregon Laws) directed the Department to report to the 75th Legislative Assembly, no later than January 31, 2009, on the implementation and operation of the Deschutes River Basin Ground Water Mitigation and Mitigation Bank Programs.

Patrick Griffiths, City of Bend, thanked the Department and staff for their efforts.

F. Reservation Request – Chapter 690, Division 512

Tom Paul, Deputy Director, and Bill Fujii, Senior Water Rights Coordinator, asked the Commission to authorize the initiation of a formal rulemaking process to modify the Malheur Lakes Basin Program.

On October 6, 2008, the Department received a request from Harney County for a reservation of 4,550 acre feet of unappropriated water for multipurpose storage for future economic development on Home Creek, tributary to the Catlow Valley in the Malheur Lakes Basin.

Pursuant to ORS 537.356, the Commission was asked to authorize the Department to initiate a formal rulemaking process to modify the Malheur Lakes Basin Program (OAR Chapter 690, Division 512) in response to the reservation.

Commissioner Jackson moved approval to authorize initiation of a formal rulemaking process to modify the Malheur Lakes Basin Program (OAR Chapter 690, Division 512) as requested by Harney County; seconded by Commissioner Williams. Voting for the motion: Commissioners Rasmussen, Barlow, Jackson, Williams, Meloy, LeJeune and Roberts. Voting against the motion: None.

**G. Impoundments Storing More Than 3,000,000 Gallons – Umpqua Basin:
Application R-87192, Cow Creek Bank of Umpqua Tribe of Indians**

Dwight French, Water Rights and Adjudication Administrator, and Tim Wallin, Water Rights Manager, briefed the Commission on a request for consideration of an application for a proposed storage project to impound more than 3,000,000 gallons of water (equivalent to 9.2 acre-feet (AF)).

Application R-87192 proposes to store more than 3,000,000 gallons within the Umpqua Basin. Under the Umpqua Basin Program (OAR 690-516-0020), the Commission shall review all applications proposing to impound more than 3,000,000 gallons of water prior to approval (and issuance of a permit). Under these rules, the Commission may establish additional minimum flows to support aquatic life or to minimize pollution.

Application R-87192, in the name of Cow Creek Band of Umpqua Tribe of Indians, within the Umpqua Basin, proposes the storage of 365.0 AF. The Department asked the Oregon Department of Fish and Wildlife (ODFW), and the Department of Environmental Quality (DEQ), whether they recommend any additional minimum flows to support aquatic life or minimize pollution in regards to the proposed impoundment.

ODFW and DEQ did not recommend any additional minimum flows in order to support aquatic life or minimize pollution.

The Department found that Application R-87192 may continue to be processed without the need for additional minimum flows to support aquatic life or minimize pollution.

Commissioner Meloy moved that the Commission direct the Water Rights Section to continue processing Application R-87192 without additional minimum flows to support aquatic life or minimize pollution; seconded by Commissioner Jackson. Voting for the motion: Commissioners Rasmussen, Barlow, Jackson, Williams, Meloy, LeJeune and Roberts. Voting against the motion: None.

H. Request for an Exception to the Willamette Basin Program by Hedges Creek Management #1 LLC, John L. Jersey II

Dwight French, Water Rights and Adjudication Administrator, and Tim Wallin, Water Rights Manager, briefed the Commission on a request for an exception to the Willamette Basin Program.

Under ORS 536.295, the Commission may, under certain circumstances, allow the Department to consider an application to appropriate water for a use not classified as an allowable use by the applicable basin program. Hedges Creek Management #1 LLC (John L. Jersey II, applicant) requested an exception to the Willamette Basin Program based on one or more criteria provided in the statute.

To grant an exception to a basin program under ORS 536.295, the Commission must find that the request meets at least one of the statutory criteria, and that the proposed use is consistent with the general policies of the applicable basin program. The applicant has demonstrated that the request does meet at least one of the statutory criteria, as the mitigated use will be nonconsumptive in nature, and that it is consistent with the general policies of the Willamette Basin Program.

Commissioner Barlow moved to grant the request for a basin-program exception given the proposed mitigation; seconded by Commissioner Roberts. Voting for the motion: Commissioners Rasmussen, Barlow, Jackson, Williams, Meloy, LeJeune and Roberts. Voting against the motion: None.

I. Adoption of a Climate Change Policy

Brenda Bateman, Senior Policy Coordinator, briefed the Commission on the adoption of a climate change policy.

Public and private sector activity around climate change adaptation has increased in Oregon, as more data become available about the likely impacts that climate change will have on the state's natural resources, native and invasive species, built environment, and human population.

The state has recently established a Climate Change Research Center, housed at Oregon State University and Directed by Dr. Phil Mote. The Department will have an opportunity to request applied climate change research from the Center, to further evaluate the likely impacts that Climate Change will have on Oregon's Water Resources.

The Department has undertaken a number of climate change initiatives during the past two years, in order to develop better data, to begin to develop a public policy toolbox that will help Oregon's water resources adapt, and that will continue to keep the Department linked to broader state-wide and nation-wide efforts.

As the Commission and Department move forward, developing scenarios and public policy options for the future of Oregon's water resources, climate change will play a significant role in these discussions.

The Commission discussed changes to the proposed policy including removal of the Whereas clauses and edits to the remaining text. The following is the policy they agreed on:

"Due to a changing climate, the Water Resources Commission reserves the right to review and modify this policy at any time."

Be It Resolved by the Oregon Water Resources Commission:

That Oregon's long-term water resources strategy should anticipate the potential effects of Climate Change on Oregon's water resources. Such a long-term strategy should directly increase the likelihood of fully achieving the co-equal goals of the Commission and the Department by:

- relying on the best available scientific data and research;
- monitoring the continuing effects on the amount of available water and the changing water needs of humans and natural systems;
- collaborating and leveraging other resources with Federal, state, local, and private partners who are also pursuing climate change mitigation and adaptation policies;
- ensuring adaptation and resiliency for Oregon's water resources and the natural function of the watersheds in which they reside;
- engaging other natural resource agency expertise as appropriate to develop and ensure an integrated approach to managing the state's water resources; and
- developing a policy toolbox that includes water conservation, streamflow enhancement, demand reduction, and water supply development, including natural and environmentally appropriate constructed storage.

Commissioner Williams moved approval of the Climate Change Policy as modified; seconded by Commissioner Roberts. Voting for the motion: Commissioners Rasmussen, Barlow, Jackson, Williams, Meloy, LeJeune and Roberts. Voting against the motion: None.

There being no further business, the meeting was adjourned.

Respectfully,

Cindy Smith
Commission Assistant

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Phil Ward
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Doug Woodcock
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Brenda Bateman
Barry Norris
Dwight French
Bob Rice

Others

Ed Henricks
Anita Winkler
Helen Moore
Kimberley Priestley
Dave Bielenberg
Patrick Griffiths
D. Johns
Niki Iverson
John Collins
Dan Bradley
Mark Landauer
Linda Modrell
David Pilz
Tom Penpraze

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J. Minutes

The minutes of the November 20 and 21, 2008, meeting and the December 5, 2008, teleconference, were offered to the Commission for consideration.

Commissioner Roberts moved to approve the November 20 - 21, 2008 minutes as submitted; seconded by Commissioner Barlow. Voting for the motion: Commissioners Rasmussen, Barlow, Jackson, Williams, Meloy, LeJeune and Roberts. Voting against the motion: None.

Commissioner Roberts moved to approve the December 5, 2008 teleconference minutes as submitted; seconded by Commissioner LeJeune. Voting for the motion: Commissioners Rasmussen, Barlow, Jackson, Williams, Meloy, LeJeune and Roberts. Voting against the motion: None.

K. Commission Comments

Commissioner Williams commented that local watershed and irrigation district board members are having extended conversations with the Tribes and the US Army Corps of Engineers. They are looking at alternative ways to bring new water into the Walla Walla River Valley on the Oregon side.

Commissioner Roberts commented that snow and rain are at two-thirds of normal levels in the southwest area of the state. The irrigation reservoirs are approximately 80 percent full, but need more rain and snow. He also said that he participated in the January 8 – 9, 2009, stakeholder meetings.

Commissioner LeJeune commented that she continues to watch what's going on in her region. She specifically mentioned the Tualatin Basin Water Supply Project in Washington County, and noted that there are several coastal communities are in need of upgrading their water treatment plants.

Since the last Commission meeting she has attended the following conferences: Oregon Water Resources Congress' Annual Conference in Hood River; the Oregon Water Utility Council's Legislative Summit; and the Oregon Business Council's Leadership Summit. She also stated that she participated in the January 8 – 9, 2009, stakeholder meetings.

Commissioner Barlow commented that the snowpack in the Owyhee is about average, but the Malheur is not so good. He noted that he continues to talk to Eastern Region Manager Ivan Gall to keep up on what is happening in Harney County regarding measurement.

Commissioner Jackson commented that he had been immersed in OWEB since he has taken on the role as one of their board members. He attended their board meeting in Salem. He said it is a very interesting process. The next OWEB meeting is in March. He also noted that he attended an OWEB regional review team meeting. He also attended an Environmental Quality Commission Meeting and talked to them about getting together with the Water Resources Commission. He also stated that ground water issues are still high priority in his area of Cornelius.

Commissioner Meloy commented that she is working with the Deschutes Water Alliance (DWA). She stated that the Deschutes County Commissioners have tentatively agreed to convene the DWA and formalize it. There will be a signing of the Memorandum of Understanding among the local government, Tribes, irrigation districts and private water companies and others. It will be a basin-wide water strategy that will be developed. She also commented and complimented the Department on the interactive tools that they had developed.

Commissioner Rasmussen commented that he had a number of conference calls with Brenda Bateman and Phil Ward on different issues. He also stated that he attended the Oregon Business Council's Roundtable. He commented that there needs to be a continued encouragement to the Oregon Business Council to work with the Department and Commission to further the Integrated Water Resources Strategy.

L. Director's Report

Director Ward reviewed his written report with the Commission and responded to their comments and questions.

Commissioner Rasmussen commented that he would like to have a Legislative/Budget update once a month. This can be done either by hard copy or by email.

M. Budget Update – Impact of Economic Conditions on Current and Future Biennia

Tracy Louden, Administrative Services Administrator, briefed the Commission on the Department's budget for current and future biennia.

The Office of Economic Analysis released January 16, 2009 an updated Economic and Revenue Forecast, which forecasts additional reductions in revenue for the current 2007-09 biennium and next biennium, 2009-11. These reductions in revenue indicate a deeper recession than anticipated in the December 2008 forecast. These economic challenges have an impact on the Department's current budget and the Governor's Budget for 2009-11.

The Governor's Recommended Budget (GRB). The Governor recommended two new investments in the Department's budget. From the General Fund, these investments include two full-time equivalents (FTE) for Package #102, "Developing and Communicating an Integrated Water Resources Strategy." Another Package (#108, Implementation/ Construction Grants), would invest \$2.5 million in lottery-backed bonds into the Umatilla Basin Aquifer Recovery Project, which is currently in the feasibility study stage with funds from the 2008 Legislative Session.

Additional recommendations in the GRB include the reduction of seven FTE, \$125,000 in ground water study funds, and \$50,000 in attorney general funds. All of these represent reductions in the Department's General Fund Budget for 2009-11.

The State's General Fund revenue forecast has experienced significant reductions during the last few months due to the current recession, which is not expected to turn around until mid-2009. The Governor and Legislative leadership are working to balance the state budget by the end of the fiscal year, June 30, 2009.

N. SB 1069 Grant Program – Adjustment from Ways and Means

Tracy Louden, Administrative Services Administrator, and Brenda Bateman, Senior Policy Coordinator, briefed the Commission on the status of the grant contracts and asked the Commission for input regarding distribution of funds.

The February 20, 2009 budget report showed that State's immediate revenue shortfall for the current biennium had increased from \$800,000,000 to \$855,000,000. On February 23, Department learned that, in all likelihood, the Legislature will reduce the Department's current resources by \$3.2 million. This includes a reduction in Grant Program funding from \$1.6 million to \$927,550, a 40 percent reduction of the funds allocated for distribution by the Commission at its December meeting.

In the Grant Program, six grant agreements have been signed by all parties. Seven grant agreements await action from the applicant; some of which are still being negotiated. Another nine grant agreements have been signed and returned by the applicant and are awaiting action by the State. All of the contracts include an adjustment or termination clause which includes being able to terminate the contract for lack of funds. No funds have been disbursed.

Staff recommended consideration of two funding options. The first option would fund all 22 grants and would apply an equitable reduction to all studies that could continue to have a viable study with a reduced funding level. The second option would fund the 14 High Priority studies and would apply an equitable reduction to these grants which could continue to have a viable study with a reduced funding level.

The Department contacted all grantees and asked for their input on these alternatives and received 19 responses from 22 grantees. Eighteen grantees were willing to receive funding at a reduced level under either option. One would likely decline funding if it were at a lower level. The grantees indicated that the scope of the studies would need to be modified.

The grantees who would not receive funding under the second option indicated they would generally not incur a financial hardship because no funds had been expended. However, there would be disappointment with the loss of the grant, as many had invested time and effort in the grant process. If funding were not received, some of these studies would move forward, and others would not, based upon their financial resources.

Commissioner Rasmussen indicated that it is unfortunate that the full amount of the grant funds will likely not be available, but that we are fortunate to have the grant program and to have the dilemma of which quality studies to fund.

Commissioner Williams asked what things the Department might do differently if the grant program was continued in future bienniums.

Director Ward indicated that with any new program it is important to review the program and identify lessons learned, and to work with our stakeholders looking forward.

Dave Bielenberg, East Valley Water District, supported funding the High Priority grants to get the biggest bang for the buck, but indicated that he could make use of funds under either alternative.

Patrick Griffiths, City of Bend, supported funding all grants to create the greatest number of partnerships and spread costs among different stakeholders.

Commissioner Williams asked about the accountability of studies with reduced funding; Tracy Loudon responded that grantees are required to submit quarterly and annual reports.

Commissioner Jackson indicated that his dilemma was whether to fund more studies that will develop more relationships or to cut back on the number of studies in order to get some studies closer to completion.

Commissioner LeJeune proposed that the Commission adopt a Statement of Principle on Grant Reductions.

Kimberley Priestley, WaterWatch, expressed her concerns with the Statement of Principle on Grant Reductions.

The following is the statement the Commission agreed on:

WRC Statement of Principle on Grant Reductions

The WRC supported then, and now, the process used to solicit projects under the auspices of SB 1069. The process was fair and transparent with sound technical review of the applications. We do not support any revised process for awarding these grants.

It is our preference that all projects selected for grants be funded at the dollar amount awarded in December 2008. However, in recognition of current fiscal constraints, the WRC supports an equitable reduction to those grantees who could continue to have viable projects with a reduced funding level. We also recognize that in order to accept a reduced level of funding, the Water Resources Department may need to re-negotiate specific tasks within a given project. Any grant funds not accepted will be reallocated to the remaining funded projects.

Time is of the essence to begin this planning / feasibility work and we look forward to the results of this work.

Commissioner LeJeune moved approval of Option 1 – WRC Statement of Principle on Grant Reductions with modifications; seconded by Commissioner Roberts. Voting for the motion: Commissioners Rasmussen, Barlow, Jackson, Williams, Meloy, LeJeune and Roberts. Voting against the motion: None.

O. Local Government Panel

The Commission invited a panel of members of the Association of Oregon Counties, League of Oregon Cities, Special Districts Association of Oregon and the Oregon Water Resources Congress to discuss their water-related agendas and issues for 2009. Panel members included: Benton County Commissioner Linda Modrell; Umatilla County Commissioner Dennis Doherty; Tom Penpraze, City of Corvallis; Mark Landauer, Special Districts Association of Oregon; and Anita Winkler, Oregon Water Resources Congress.

P. Public Comment

Lorna Stickel, Portland Water Bureau, provided brief comments.

Q. Other Issues

No other issues were discussed.

There being no further business, the meeting was adjourned.

Respectfully Submitted,

Cindy Smith
Commission Assistant