

Overland Ditch and Reservoir Company



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Presidents Annual Review – 2011

Dear Shareholders,

I hope this holiday season finds you all prosperous and healthy and ready for what looks to be an interesting 2012. The annual meeting of the company will be held on Monday, February 13th, 2012 at the Redlands Mesa Grange Hall commencing at 7pm. Please mark your calendars and plan on attending as there are important issues to discuss. If you are unable to attend, please provide your proxy such that a quorum is assembled to conduct business.

Irrigation season 2011:

The 2011 irrigation season was exceptional, by all accounts. The epic snowpack in the Overland Basin provided ample water for a late season run into early September. Our ditch managers, Bob Church and Bill Stahl, worked very hard to maintain stable delivery flows throughout the season and are to be commended for their efforts.

Several shareholders this year made inquiries about the possibility of reducing the ditch flow and extending the water run a little longer into the fall. In order to function efficiently, the distribution system on Redlands Mesa requires minimum input flows of 40-43 cfs measured at the Leroux Creek satellite measuring station. Below this flow, the distribution boxes on Redlands become inefficient, water measurement is inaccurate, and the small splits of water get eaten up by evaporative and shrinkage losses. Many of the modern farming irrigation systems you see around Redlands Mesa require certain pressures to work optimally. The length of the water run is also highly dependent on the availability of early basin snow pack, timing of reservoir filling, timing of the start of the reservoir draw down (later the better), and to a lesser extent the presence or absence of summer rain events that may augment additional ditch flows. Until such time as we have more reservoir storage, or can predict the weather with greater accuracy...it unlikely this situation will change. The satellite flow data kept by the State Engineer for the last several years reveals that our target flows were consistent with prior years. Getting the water down in the early spring is very important, but remains a huge juggling act that is largely controlled by a combination of the weather and ability to equipment on the ditch in the early spring. At our last meeting, the board and the management team agreed to focus extra time and effort on this issue for the upcoming 2012 season.

Maintenance/Improvements: We were fortunate this year to have no major infrastructure issues during the water season. At the beginning of the season the board replaced the aging John Deere skidder with a used Clarke model at a cost of \$15,000. This unit is a bit bigger than we would like.. but used versions of our old JD model were simply not available in the marketplace and our old unit simply wore out. According to Bob and Bill, the new unit has functioned well. In 2012 we need to replace the winch cable, recalibrate the chains, and do some minor repairs. It is equipment and therefore something is always in need of repair.

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In 2011 the company unexpectedly received a 50% cost sharing grant from the Bureau of Reclamation Grant for the purposes of repairing an unstable section of ditch and installing a new measuring flume and a second satellite measuring station located at the Oak Mesa (Patterson) Flume located at the lower portion of the upper ditch. Following an extensive repair last fall this section remained stable throughout the summer. The board elected to go ahead with the flume/satellite installation, but put the ditch instability project on hold until a further re-evaluation in the fall of 2012. A new 8 foot flume and associated satellite housing structure was installed. The automated measuring equipment and satellite relay will be installed in the spring. (Many thanks to Steve Tuck (water commissioner) for finding us a “free” satellite housing structure.) In order to prevent ice damage to the new flume, an 18 inch, gated drain structure was installed in front of the flume to keep water away from the structure and hopefully prevent ice damage to the structure. Addition of this measurement tool will allow ditch managers to assess flows without having to make a 4 hour round trip by ATV to read the flume. Anticipated cost to the company is about \$5000 plus satellite costs of \$50 per month during the irrigation season.

The company contracted with Eric Fritchman this year to do fall maintenance. The complete ditch was cleaned and a number of chronic issues repaired that we have been intending to do for some years. Many agree that the ditch is in very good shape, maybe the best ever. Let's hope the winter is kind to the structure.

Water Administration (State) Water commissioners Steve Tuck and Paul Schmucker have reported that they were quite happy with the administration of the ditch this past year. As noted in last year's annual report, the company and the State have been using a new strategy to manage the various “calls” on our water that emerge usually in July of an average year. This strategy has saved the company an enormous amount of maintenance money as the “undershots” have largely been abandoned in favor of turning call water down either West Hubbard or West Terror diversions. Steve Tuck is asking that a small, simple measuring device be placed at the West Hubbard drainage this spring to make the measurement more accurate.

Stock Water availability has come up as an issue this fall. Although the Overland has a Stock Water decree on Leroux Creek, many of you may not be aware that stock water decrees are only available to the company during the non-irrigation season which runs from November 1 to April 1 of the following year. This becomes a problem when the Overland water is depleted in early September. Animal owners that do not own “late” project water, or have not made arrangements to “lease” such water are forced to use expensive domestic water for stock purposes. In years past, the Leroux Creek Water Users have made water available during this time as a generous neighborly transaction. Understand they are under no obligation to do that. Be advised, that if you are an animal owner that either does not own late project water, or has not made arrangements to “lease” such water, there is no obligation for the company to provide you with stock water until November 1st. I encourage you to bring your questions to the annual meeting.

Reservoir Expansion: Despite a year of epic work on the part of Bruce Marvin (engineer) and your president, the project remains mired in the Federal regulatory process. About this time last year, the company began formal meetings with the Corps of Engineers to start the documentation process to apply for a “404” permit. This is the most comprehensive and difficult permit to obtain as it requires compliance with the Clean Water Act, The Endangered Species Act, NEEPA and a portfolio of other “acts” buried in the regulations at every level. The

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company has had to “prove up”, at every level our efficiency, (both on farm and the transmission system) and our management of the water resource at all levels. In addition an extensive analysis of the environmental impacts of the project to all things both living and dead have to be documented with a professional grade document that will be reviewed by perhaps 10 agencies at some point. The two most difficult areas are the impacts to the 2600 square feet of wetlands (FENS) surrounding the reservoir and the impacts to fisheries of lower Cow Creek. We have not even begun to consider construction drawings, final costs etc. My view is that if we can get through this Federal “404” Permitting phase, the remaining permits will be fairly easy. I would say the absolute earliest any construction effort could be accomplished would be the fall of 2014. The company has spent roughly \$125,000 (combination of loans, grants, and out of pocket expenses) over the course of the last seven years to get where we are today. I’m going to be asking the shareholders at the annual meeting to provide some input on future direction for the project. There is some disagreement among the board on the proposed future of the project. Once the “404” permit is issued..the company has 10 years to complete the project.

Ditch Management: The Overland has been very fortunate to have Bob Church be involved with the company for more than ten years. Bob has been a board member, president, and more recently the Ditch Manager for the company for a number of years. He has tirelessly kept things working and has not had a major maintenance failure during his tenure. Bob has decided to retire this year and take a well needed rest. We owe him a great debt of gratitude for his years of service. Finding a good ditch manager for seasonal work is difficult. After some arm twisting.. Doug Christner has agreed to take the job for the 2012 season. With his knowledge of the Redlands Mesa system and the capable help of Bill Stahl. Bryan Klasseen and David Kuntz... I think Doug can learn the ropes in short order. Understand this is a difficult and often thankless job..particularly in the spring as things get rolling. We all need to work together as a company to keep a quality maintenance staff safe and working efficiently. It takes a few years to learn this system.

Financial: The Company is in good shape financially. The operations came in on budget for the year. We will be setting the budget at the next board meeting, but I anticipate a similar budget for 2012 with some increases for permitting costs, engineering, and possibly a cost share requirement for the Bureau of Reclamation grant, depending on what happens with the stabilization project.

I would personally like to thank the board members and particularly Debbie Christner for the service this year. Its been a pleasure to be your president.

The board seats of Debbie Gray and Gerry Adams are up for re- election this year.

Sincerely

Philip Ceriani , President

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