

# COB Energy Facility Interconnection Project

"I'd like to tell you . . ."

2COBEF-013

JAN 26 2004

1. Please have your environmental studies look at:

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2. I need more information about:

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\_\_\_\_\_

3. I have these other comments:

13A

I Believe The environmental concerns Have Ben  
Addressed & Am in Favor of The Power Line Being  
Installed As proposed & Would Prefer COB energy  
Do not The construction Since They are going to  
Own it

Please put me on your project mailing list. (You are already on the mailing list, if you have received mailed notices.)

Name Leroy T. Buel

Address 2880 KANE

City KANON ST.

State OR

Zip 97603

Klamath Falls

Please mail your comments by February 13, 2004 to:  
Bonneville Power Administration  
Communications - DM -7  
PO. Box 14428  
Portland, OR 97293 -4428  
Or email them to: [comments@bpa.gov](mailto:comments@bpa.gov)

2COBEF-014  
JAN 26 2004

To the C.O.B. Council:

January 22, 2004

Please take a few minutes to read the attached two pages. We are against any new entity that wants to take water in this valley.

Our other concerns are in regards to the schools of Klamath County. Measure 30 wants more tax money and if they do not pass this measure we will have less money for the schools. Where are these children of workers building the C.O.B. and running it after it is built going to be going to school? I have not heard Klamath County addressing any issues of schools, roads or housing.

14A

14B

The town of Bonanza is not in position to support an influx of people. The water situation in the town is is always in a contested state between the town and the irrigation district. The Bonanza School is overcrowded now.

14A above

Please give some thought to these issues.

Sincerely,

Carson Merkley

Elizabeth Merkley

Carson and Elizabeth Merkley

7070 Teare Ln

Bonanza, Or 97623

541 545-1215

# Klamath Basin Water Crisis: A Lender's Point of View

Northwest Farm Credit Services serves Northern California and the four Northwest states. We have about \$41 million in loans outstanding in the Klamath Basin. Therefore, we are keenly aware of the impact of water reductions on our customers. A lot of discussion has taken place on the toll that the 2001 water cutoff took on farmers and ranchers. However, I would like to just spend a few minutes recapping the impact from a lender's point of view. I will also address the impact on this financial institution and the uncertainty that remains.

I can tell you that we are here today due to Federal financial assistance to help mitigate losses from the 2001 water shutoff. Without the assistance many farmers would have ended up in liquidation, either voluntarily or involuntarily. Should that have happened, the social, ecological, and economic consequences would have been catastrophic. Should it happen again, the results will be catastrophic. The value of land, specialized facilities, and other buildings will plunge to dry land values. Most growers "dodged the bullet" with financial assistance. However, agribusinesses and some farmers still sustained large losses, even with the financial assistance. I know because I saw the financial records.

My comments today make the assumption that we will have tough times ahead, but in due time we will have a viable farming community in the Klamath Basin. With that understanding, I would like to give you a brief recap of the five credit factors that we evaluate when making loans and the financial impact of a water cutoff or reduction in deliveries, without compensation. These five credit factors are character, capital, capacity, collateral and conditions. A discussion of the impact on farmers from this point of view is as follows:

**Character:** This is the individual's background, education, and willingness to pay bills on time, and farming ability. This credit factor has been significantly impacted due to added stress, inability to concentrate due to uncertainty, and increased time commitment to defend water rights. We have seen this stress manifest itself in anger, health problems and tension between neighbors.

**Capital:** Capital refers to the balance sheet of the customers. The strength of the balance sheet is one of the key factors in determining how much credit a lender can extend to a borrower. The Klamath Basin water crisis has generally adversely impacted the financial position of the farmers of the basin. This is due to loss on income, loss of opportunity to grow crops in 2001 (high potato prices), capital expenditures for wells and other adjustments to irrigation systems, farming further from home, cash contributions to fight the water battle and fewer buyers of commodities i.e. some potato sheds

shutting down after 2001.

It was not unusual to have loan requests of \$100 - 250,000 to drill and develop a well. Some were dry or had inadequate water thus this was a waste of resources. For others, this increased their debt/asset ratio, used cash reserves, and did not appreciably increase the value of the land. However, it may have given them a safety net for the future.

In addition, specialized assets i.e. potato equipment lost value due to the reduction in acreage.

Real estate values remain "shaky". Actually, our in-house appraisers have not seen a decline in land values in the Klamath Basin since 2001. However, they are quick to tell you that there is less demand for land without an alternate source of irrigation water. They will also tell you that following the cutoff of water in 2001 the real estate market stopped in its tracks for a few months. The perception of many buyers (mostly neighbors) is that the 2001 incident was a onetime event. However, should there be another cutoff, buyers will have been burned twice and the feeling is that there could be a substantial reduction in real estate values.

Should there be a total cutoff of water, the basins irrigated land, without wells, could fall dramatically to at or near dryland values. This would destroy the balance sheets of basin farmers as well taking away

their ability to generate income.

**Capacity:** Capacity is the ability to generate income to pay annual operating expenses, service debt payments, and provide a reasonable level of living for the family. This includes income for all sources, both on and off the farm. The water cutoff in 2001 changed this ability to repay due to not growing a normal crop and/or increasing expenses.

The water cutoff left the basin in a position of not knowing when the next "surprise" cutoff or reduction in water deliveries will occur. This has impacted the capacity or repayment ability of farmers as they have taken a more conservative approach to crop rotation. Many of our customers now plant fewer acres of row crops (potatoes and onions) due to the risk of having the water cutoff. In addition, tenant farmers now prefer land with secondary water sources. This adversely impacts the landlords without an alternative source of water.

**Collateral:** Collateral is the fourth credit factor and includes assets to repay and secure the loan. This may include a lien on crops, cattle, equipment, and real estate. A water shutoff would cause the value of collateral to fall to the point that customers may not be able to repay the loans from normal income or the sale of collateral. Remember, if real estate becomes dryland, the income capacity of the land will be limited to pasture or dry land grain, which typically is not



**Greg Williams**  
Northwest Farm Credit Services

profitable. If potatoes are grown the gross income may typically be \$2,700/acre and as a dry land farm the income may only be \$100/acre.

In other words, if land value drops by 80% many the land owners will not be able to either sell out or generate sufficient income to ever repay their loans. I witnessed similar situations in the early 80's and at that point people were desperate.

**Conditions:** Conditions are the terms under which the loan is approved. This may include the amount, collateral needed, interest rate, length of loan, and other requirements.

I am proud to say that Northwest Farm Credit Services has been able to continue to finance the farmers and ranchers of the Klamath Basin with no more attrition of our customers than normal. However, in some cases we have had to beef up our loan conditions in one or more of the following areas:

- Additional collateral
- Reduced budgets
- Farm Service Agency Guarantee
- Requiring a reevaluation of the budget should there be a water reduction.
- More frequent on-farm visits to monitor crop production.

We are approving these loans but we are not ignoring the increased risk. As a cooperative, we are committed to financing the farming community. Our directors and local advisors are farmers and ranchers and they understand this risk and realize that the Klamath Basin may be the first of many communities faced with extraordinary challenges.

Recognizing the challenges is one thing. Taking proactive measures to reduce or manage the added risk is another. Northwest Farm Credit Services is setting aside additional reserves for losses that could be sustained if there is a total cutoff or substantial reduction in the deliveries of water. Building these reserves adds to our cost of operation, but due to the economy of our size, about \$4 billion, we could manage a total disaster in the Klamath Basin. We are also using a FSA Guarantees, and most importantly, we are working closely with our customers to see that they too are recognizing the risk and taking appropriate steps to protect their own equity.

All of this takes time, effort and commitment of staff and management. As a lender in this environment we financially support organizations that are on the battlefield. We too get worn down but must remain positive to be successful. In fact, to better serve our customers, we are in the planning stages to lease a new office facility in Klamath Falls.

Everyday I see the stress and anxiety that my customers face, the drain on their financial position, and the toll on their health. To help bring stability to this basin, I encourage all in authority to arrive at a positive solution to assure that there will be adequate deliveries of water to the farming community. In the alternative, in those years when there is not adequate water, I encourage creative forms of compensation to help those adversely impacted to avoid excessive financial losses.

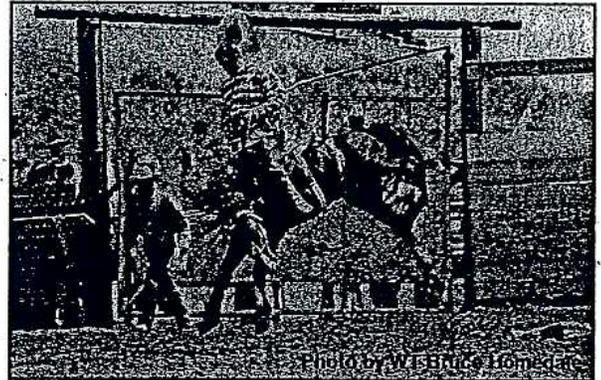
*submitted by Greg Williams, Branch Manager - Northwest Farm Credit Services-Klamath Falls. I have worked for this organization for 30 years, of which 23 years have been in Klamath Falls. In addition, I was raised on a cattle/hay ranch about 20 miles from here, near Bonanza, Oregon.*

2C0BEF-014

# **The WT Bruce**

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COB Energy Facility Interconnection Project

"I'd like to tell you . . ."

COB Energy Plant

1-22-04

2COBEFD15  
JAN 26 2004

1. Please have your environmental studies look at:

I have been opposed to this from the <sup>POWER</sup> go-go

15A where does the Proposed Power go to?

15B do local users get a Break on their Rates (32)

15C Put a Plant closer to the parties that get the Power

2. I need more information about:

15D ~~By~~ the influence of people the type of people this will bring in.

the <sup>Hookup</sup> Hookup Line is a joke

if this thing has to go more the <sup>Unique</sup> <sup>Plant</sup> plant closer to <sup>Capston</sup> Capston Jack.

3. I have these other comments:

15F if this and other plants go, how long will it be before <sup>employment</sup> employment interest

15G Blow cold water, powered plants?

Carl B. Stepp

Please put me on your project mailing list. (You are already on the mailing list, if you have received mailed notices.)

Name

Address

City



Carl Stepp  
5225 Harpold Rd.  
Bonanza, OR 97623

Zip

Please mail your comments by February 13, 2004 to:

Bonneville Power Administration

Communications - DM -7

PO. Box 14428

Portland, OR 97293 -4428

Or email them to: [comments@bpa.gov](mailto:comments@bpa.gov)

# COB Energy Facility Interconnection Project

"I'd like to tell you . . . "

2COBEF-016  
JAN 29 2004

1. Please have your environmental studies look at:

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2. I need more information about:

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3. I have these other comments:

6A

We feel that because the site for the new Power Plant is in agricultural and BLM land, it shouldn't be allowed to be put here. The people that live out in this area, should have first say about it. It is a beautiful area, and has a great deal of wildlife. It's also a quiet area. It will not be a plus for us now or in the future. It's mainly for other states. Don't we the people of Oregon matter - Plus there will always be the water problem here.

6B

Please put me on your project mailing list. (You are already on the mailing list, if you have received mailed notices.)

Name Jerry & Sandra Thompson  
Address PO Box 438 5126 Bly Mtn CTFF RD  
City Bonanza State OR, Zip 97623

Please mail your comments by February 13, 2004 to:  
Bonneville Power Administration  
Communications - DM -7  
PO. Box 14428  
Portland, OR 97293 -4428  
Or email them to: [comments@bpa.gov](mailto:comments@bpa.gov)