

NEVADA IRRIGATION DISTRICT
BOARD OF DIRECTORS / JOINT POWERS AUTHORITY

MINUTES

July 22, 2015

The Board of Directors of the Nevada Irrigation District and the Nevada Irrigation District Joint Powers Authority convened in regular session at the District's main office located at 1036 W. Main Street, Grass Valley, on the 22nd day of July 2015 at 9:00 a.m.

Present were W. Scott Miller, President (Division III); Nancy Weber, Vice-President (Division I); John H. Drew (Division II), William Morebeck (Division IV), and Nick Wilcox (Division V), Directors.

Staff members present included Rem Scherzinger, General Manager; Tim Crough, Assistant General Manager; Gary King, Engineering Manager; Keane Sommers, Hydroelectric Manager; Karen Fassler, Human Resources Manager; Jeff Meith, District Counsel; and Lisa Francis Tassone, Board Secretary.

PUBLIC COMMENT – Regan

John Regan, South Yuba River Citizens League (SYRCL), expressed concern about a piece of legislation for an amendment authored by Representative LaMalfa that is being forwarded as part of the drought bill (HR 2898). This amendment would allow the purchase of 430 acres along the Bear River by the District for an undisclosed amount of tax and rate payer dollars. It is his understanding that this property is part of the Centennial Dam Project. There was no public discussion about the amendment and little in the public record. SYRCL and the community want the District to be transparent about discussions about the Centennial Dam. It is extremely disappointing that so many have not heard about this amendment before now. There are a number of questions that would come with the transfer of this property, for example, public access, land management responsibilities, costs, etc. He is asking the District to communicate information about this amendment to the public, and to urge Representative LaMalfa to rescind the amendment.

July 22, 2015

PUBLIC COMMENT – Eberhart

Allan Eberhart, resident on Garden Bar Road, congratulated Mr. Morebeck on his appointment to the District's Board of Directors.

Mr. Eberhart commented further on the LaMalfa amendment. He has a number of concerns about the amendment. The two parcels that the amendment would affect, owned by the Bureau of Land Management, are below Rollins Dam. These two parcels served a nexus with the District's Federal Energy Regulatory Commission (FERC) relicensing process regarding 4(e) conditions. If the District acquires these parcels, this would be bad public policy and there will be less than a level playing field. His other concern is that the Board does not know about the amendment. It would be helpful going forward that the entire Board be able to engage in these discussions and that the public be involved. This is a very important and critical issue. He thanked the Board for its consideration.

PUBLIC COMMENT – Rivenes

Don Rivenes, Sierra Foothills Audubon Society, stated that in 2007, the Bureau of Land Management issued a Resource Management Plan. Prior to any disposal of lands, a site specific analysis must determine that disposal would serve the public interest and the lands, and contain no significant biological and cultural or other values, etc. For all of these reasons, he feels it is inappropriate for Congress to insert itself in these decisions.

PUBLIC COMMENT – Woltz

Seth Woltz stated that he recently purchased property in Auburn, formerly the Green Family Vineyard. He is appealing to the Board to restore his ½ Miners Inch of water. When he purchased the property from the bank, the bank did not renew the water service, so the service was placed on a non-operating status. He is in need of water, and does not have a well that can water the vineyards. The vineyards are in jeopardy. He has worked with the District's Customer Service Department and was not successful in getting water restored.

President Miller asked Mr. Woltz to provide his contact information to Staff.

PUBLIC COMMENT – Graham

Steve Graham, owner of the Owl Grill and Saloon, stated that when he moved to the area, he was amazed that Grass Valley did not have an event downtown that actually celebrated the history of the area. Three years ago, an event was started called the Gold Rush Days. He encouraged the District to participate. The event this year is scheduled for October 10 and 11.

PUBLIC COMMENT – Wollan

Otis Wollan, Milk Ranch in Placer County, lives about 20 feet from the proposed high water mark of the Centennial Project. He distributed a handout to the Directors

July 22, 2015

regarding Parker Reservoir hydrology and climate change (a draft document that he authored). There are number of concerns he has about the Centennial Project. There will be a reduction of dormancies in the forest at those elevations. He is profiling the watershed at this time and will provide the District with as much information as possible. He would ask that the District do the same, so that everyone is well informed.

Mr. Wollan addressed the amendment by Representative LaMalfa. When something rises to the level of asking for legislation such as a large asset acquisition, etc. it would be his recommendation that the Board discuss these matters before action is taken.

MINUTES – July 8, 2015 Regular Meeting

Approved the minutes of the regular meeting on July 8, 2015. M/S/C Wilcox/Weber, unanimously approved

WARRANTS

Approved the following warrants: Yuba-Bear Revolving Fund Nos. 28828 through 28834, inclusive; General Fund Revolving Account Nos. 69303 through 69348, No. 69138 being void; Recreation Fund Nos. 5310 through 5311, inclusive; and Payroll Direct Deposit and Warrant Nos. 80063 through 80075 and V6111 through V6289, inclusive. M/S/C Wilcox/Weber, unanimously approved

POLICY – Smoke Free Workplace and Tobacco / E-Cigarette Use (Res. No. 2015-25)

Adopted Resolution No. 2015-25 (Establishing Policy for Administration – Smoke Free Workplace and Tobacco / E-Cigarette Use). M/S/C Wilcox/Weber, unanimously approved

WATER SERVICE RULES AND REGULATIONS – Water Conservation (Section 3.05)

Approved addition to Section 3.05 of the Water Service Rules and Regulations regarding Water Conservation. M/S/C Wilcox/Weber, unanimously approved

FUEL AND DIESEL GASOLINE CONTRACT – Addendum

Approved Addendum to existing contract with Hunt & Sons, Inc. that extends the terms and conditions for three years, ending July 31, 2018, for the District's Fuel and Diesel Gasoline Contract, and authorized the General Manager to execute the necessary documents. M/S/C Wilcox/Weber, unanimously approved

OCCUPANCY AGREEMENT – Wolf Creek Community Alliance

Approved Occupancy Agreement with Wolf Creek Community Alliance, and authorized the General Manager to execute the necessary documents. M/S/C Wilcox/Weber, unanimously approved

July 22, 2015

EMPLOYEE RELATIONS – Service Awards

The following Employees were recognized for their length of service with the District and were congratulated by their Department Manager or Supervisor prior to being presented with recognition awards:

<u>Employee</u>	<u>Title</u>	<u>Hire Date</u>
<u>35 Years</u>		
Lawrence Sorensen	Equipment Operator	05/12/1980
<u>30 Years</u>		
Mark Woods	Hydro Plant Operator I	05/06/1985
<u>25 Years</u>		
Kathryn Anderson	Buyer	04/09/1990
Dean Rutter	Hydro Utility Worker	05/13/1990
Kenneth Hart	Hydro Plant Operator II	06/04/1990
<u>20 Years</u>		
Steve Barney	Chief Water Treatment Operator	01/03/1995
Douglas Andrews	Maintenance Supervisor	05/08/1995
<u>15 Years</u>		
William Barker	Water Treatment Operator III	02/07/2000
<u>10 Years</u>		
Tim Crough	Assistant General Manager	01/24/2005
Todd Williams	Hydro Plant Operator I	03/07/2005
Andrew Rutter	Senior Welder	04/18/2005
Ed Barton	Equipment Mechanic Supervisor	06/09/2005
Thor Larsen	Sr. Operations Technician	06/21/2005

Adjourned the meeting at 9:46 a.m. to attend a ribbon cutting ceremony for the Wolf Creek Community Alliance Building, and reconvened at 9:56 a.m.

AUBURN PLAZA II WATERLINE EXTENSION – Conveyance Agreement

Director Weber pulled this item from the consent agenda because she had a question. She asked if conveyance agreements go through the Committee process.

Gary King, Engineering Manager, stated that conveyance agreements are standard agreements that the District has with developers. They are not presented to Committees.

Director Weber stated that there is no monetary amount in the agreement.

July 22, 2015

Mr. King explained that the developer will construct and install a facility at the developer's cost. The facilities are then turned over to the District.

Director Wilcox noted that the conveyance agreement obligates the developer to build the project to District specifications and allows the District to inspect and sign off on the project.

Approved Conveyance Agreement with Sandra R. Magnussen and Bernard L. Magnussen, Trustees of the Sandra and Bernard Magnussen 1993 Trust for the installation of approximately 556 feet of 8-inch pipe and all appurtenances to serve Placer County Assessor's Parcel No. 052-102-051. M/S/C Wilcox/Drew, unanimously approved

SECOND QUARTER FINANCIAL REPORT – For Quarter Ending June 30, 2015

Director Weber pulled this item from the consent agenda because she did not receive any material for this item.

Director Drew made a motion to receive and file the Second Quarter Financial Report for quarter ending June 30, 2015. Director Wilcox seconded the motion.

Motion passed on the following roll call vote:

Weber, Division I	Abstain
Drew, Division II	Aye
Miller, Division III	Aye
Division IV	Aye
Wilcox, Division V	Aye

Director Wilcox asked if Staff believes that revenues will in line with the budget. He noted that revenues are lagging for the first part of the year.

Tim Crough, Assistant General Manager, stated that some revenues from water sales have not yet materialized. Additionally, hydroelectric revenues are delayed. He believes that revenues will be on par with the annual budget.

AUDIT – 2014

Tim Crough, Assistant General Manager, introduced the District's auditors from Richardson & Company, Ingrid Shepline and Bob Simons. Ms. Shepline provided the following presentation:

Reports Issued:

- Audited Financial Statements
- Internal Control and Compliance Report
- Required Communications Letter
- Management Letter

July 22, 2015

Audit Results and Observations:

- Audit opinion unmodified (clean)
- Large number of adjustments needed
- Improvement over previous audit
- Recommendations carried over from 2013 audit

Discussion of Financial Statements:

- Debt repayments of \$2.4 million (page 28)
- Capital expenditures of \$12.2 million, with no new debt (page 26)
- Positive unrestricted net position (equity) of \$71 million (page 12)
- Designations according to Reserve Policy of \$33.5 million (page 31)
- Net loss of \$1.3 million for Water Division (page 14)
- Net income of \$14 million for Hydroelectric Division (page 14)

Report on Compliance and Internal Control:

Carry over comments from 2013 audit (*Ms. Sheipline noted that the audit for 2013 was not completed until October 2014, so Staff did not have much time to implement processes as a result of comments made in the 2013 audit.*)

Material Weaknesses:

- Capital asset reconciliations delayed
- Year-end closing procedures need to be improved
- Reporting of financial information to the Board
- Preparation of budget to actual comparisons from accounting system
- Physical inventory procedures and reporting
- Recreation Division cash handling weaknesses

Significant Deficiencies:

- Calculations for compliance with debt covenants need revision
- Accounts payable detail listing to be created from accounting system
- Anti-fraud and Whistleblower Policy needed (*Policy was adopted by the Board of Directors in March 2015*)
- Strategic Plan needs to be updated

Bob Simons provided the following presentation:

Required Communications Letter:

- Difficulties encountered
 - Improvement from last year's audit
 - Not all account analyses completed prior to start of audit fieldwork
 - Still large number of audit adjustments

Audit Adjustments:

- 47 adjustments identified (list attached to letter)
- 5 unadjusted audit differences (list attached to letter)
 - Determined to be immaterial

July 22, 2015

Management Letter:

- Other Recommendations:
 - Accounting policies and procedures to be developed
 - Construction in progress tracking
- New Pronouncements
 - Accrual of unfunded pension liability (approximately \$34 million) effective 2015
 - Accrual of net OPEB liability (approximately \$16 million) effective 2018

Director Weber expressed concern about the audit and the responsibilities of the Finance Manager for the District. She asked if a consultant needs to be hired to “pull this all together.”

Rem Scherzinger, General Manager, stated that the District has entered into a contract with a consultant to conduct an analysis and to assist with streamlining accounting, human resources and purchasing processes.

Mr. Scherzinger pointed out that the candidate pool for the position of Finance Manager includes candidates that have experience at the scale of which the District works.

Director Weber asked when the corrections listed in the audit will be made.

Mr. Scherzinger stated that a report can be made to the Board in the near future once a Finance Manager is hired.

Director Weber stated that a mini-Strategic Plan was done this year. She thinks that a consultant should be brought in to discuss a more detailed Strategic Plan.

Director Wilcox stated that he was on a sub-committee that helped select the auditors. He was very impressed with Richardson and Cos. background. He is hoping that the auditors can help streamline systems.

Ms. Shepline explained that the job of auditors is to point out areas. Auditors need to walk a fine line with regard to deciding processes, and that this work should be done by someone other than the auditors.

Accepted 2014 Audited Financial Statements, and authorized the Assistant General Manager to publish and file the Financial Statements. M/S/C Miller/Drew, unanimously approved

Ms. Shepline expressed her thanks to Mr. Crough and the Accounting Department Staff for their help with the audit.

John Tracy, member of the public, stated that there appears to be two issues: 1) the system, and 2) implementation of the system.

Ms. Shepline concurred.

July 22, 2015

Mr. Tracy stated that the District should look at a system that provides Staff the data that they need.

FRENCH LAKE ROAD PROJECT NO. 7034 – Easement Acquisition (Res. No. 2015-26)

Matthew Crowe, Senior Right-of-Way Agent, stated that the District would like to secure access rights for French Lake Road as it crosses a parcel of land owned by Sierra Pacific Industries (SPI) in eastern Nevada County. Staff has attempted to acquire these rights by negotiation with SPI. District Staff has discussed the proposed acquisition with the SPI staff, and they have indicated that they are unable and unwilling at this time to grant the easement. They have posed no other objections to the District's acquisition of this road. Since SPI has declined to grant the easement, the District is placed in the present circumstance of considering Resolution No. 2015-26 in order to proceed with the acquisition.

Resolution of Necessity - Required Findings:

- 1) The public interest and necessity require the Project.
- 2) The Project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury.
- 3) The property sought to be acquired is necessary for the Project.
- 4) The offer required by Section 7627.2 of the California Government Code has been made to the owner of record of the property to be acquired.

Mr. Crowe explained that French Road provides the only means for vehicular access to French Lake, which the District has owned and operated since 1926. French Lake is situated in the heart of the District's watershed, easterly and upstream of Bowman and Faucherie Reservoirs and south of Jackson Meadows Reservoir. District personnel depend on this road to operate facilities and to access District property and watershed lands at French Lake, all of which are integral to the District's water storage, delivery and hydroelectric systems, and to meet the Federal Energy Regulatory Commission (FERC) License requirements for the Yuba-Bear Project.

The objective of this Project is to secure deeded road easement rights for approximately 2,000 feet, crossing the subject lands owned by SPI. As described in the Staff Report for this item, under a settlement agreement between SPI and the United States of America (USA), the potential exists that SPI may have to transfer this land to the USA. Due to this circumstance, SPI is unwilling to voluntarily grant this easement, so as not to run afoul of its agreement obligations with the USA. The balance of French Lake Road crosses USA owned lands south and west of the SPI parcel.

The District holds an easement for nearly all of French Lake Road southwest of the subject, except for a few hundred feet across unpatented USA lands just west of the subject SPI land.

July 22, 2015

The subject segment of French Lake Road crosses the SPI parcel from Meadow Lake Road, a public county roadway, and extends about 2,000 feet to the west line of the SPI parcel. Again, this is the only route for the District to reach its French Lake facilities.

District Staff extended an offer to SPI on May 11, 2015, which SPI declined to accept or negotiate. The Notice of Intent was sent to SPI on July 2, 2015, to which the District received no response. In discussions with SPI staff, they recognize, and do not question the District's longstanding use of the road. They consider it essentially a prescriptive road easement. Further, they understand the District's interest to obtain a road easement deed to affirm these access rights. But for SPI's circumstance, SPI's indications would be willing to negotiate for and grant the easement. Given that they are not granting the easement, this acquisition is at an impasse.

President Miller opened the public hearing.

Hearing no testimony, President Miller closed the public hearing.

The Board Secretary stated that no additional correspondence has been received regarding this matter.

Adopted Resolution No. 2015-26 (Declaring the Necessity for and Authorizing the Initiation of Eminent Domain Proceedings to Acquire Real Property Interests Required to Support the Ongoing and Future Maintenance and Operations of Nevada Irrigation District's Water Storage Delivery and Hydroelectric Systems – on Nevada County Assessor Parcel Nos. 15-030-09 and 15-030-10, owned by Sierra Pacific Industries, a California Corporation). M/S/C Drew/Weber, unanimously approved

CENTENNIAL RESERVOIR AND POWER SUPPLY PROJECT – Environmental Consulting Services

Doug Roderick, Senior Engineer, stated that Staff sent out a Request for Proposals (RFP) to 10 consulting firms for an Environmental Impact Report (EIR) for the proposed Water Storage Project. Three proposals were submitted, and a selection committee reviewed each proposal based on evaluation criteria identified in the RFP. Proposal costs were not disclosed so that each proposal could be evaluated based on the professional merits of the team and the scope of the proposal.

The results were as follows:

Consultant	Proposal Only Points	Total Overall Points (includes costs)	Cost
AECOM	71.8	80.9	\$1,918,253
AES/Kennedy Jenks	58.0	78.0	\$872,355
HDR/ICF/ECORP	73.1	88.0	\$1,159,847

July 22, 2015

Staff recommends that since the lowest cost proposal was still ranked third even after points for costs were added, the benefits of the recommended consulting team's expertise and experience outweigh the benefits of utilizing the lowest overall proposal cost.

Discussion ensued regarding the budget for the consulting services. The work is estimated to take two years to complete. There are not enough funds in the 2015 Budget to complete the entire scope of work; however, he estimates that approximately \$250,000 could be used by the end of the year. The remaining costs can be addressed in the 2016 and 2017 Budgets.

The Administrative Practices Committee had expressed concern about ICF, the sub-consultant, due to past experience that was not positive.

Mr. Roderick stated that ICF will be conducting the greenhouse gas, soils geology and noise studies and HDR, Inc., the lead consultant, will handle the public meetings and comments.

Director Weber stated that ICF conducted the second EIR for the Lower Cascade Canal / Banner Cascade Pipeline Project. This was a very unpleasant time. The responses from ICF did not directly answer the comments submitted. It is crucial that the District works with honest environmental firms.

Director Drew stated that it is appropriate for Staff and the General Manager to inform ICF of the District's performance expectations.

Mr. Roderick stated that this discussion has taken place with HDR, Inc. and HDR will address the concerns accordingly.

Motion made by President Miller to award consulting contract to HDR, Inc., in the amount of \$1,159,847 for environmental consulting services for the Centennial Reservoir and Power Supply Project, and to authorize the General Manager to execute the necessary documents. Director Drew seconded the motion.

Director Wilcox noted that the subject areas that ICF will be dealing with are not likely to be the primary areas of controversy within the Centennial Reservoir and Power Supply Project. He personally has no problem with having ICF involved with the Project. Public involvement is very important in this Project. Tentatively, the Notice of Preparation is scheduled for December. He recommends that this be scheduled for mid-January, due to holidays and busy schedules in December. The District must maintain a very open and transparent process. Many of the issues raised, such as Mr. Wollan's comments, logically belong in the Notice of Preparation for the Project. These are fundamental issues and will have to be built in to the hydrology analysis.

Director Wilcox summarized Mr. Wollan's comments. The fundamental issue harkens back to climate change. If the hydrology is changing, an analysis of the Project must be

July 22, 2015

conducted in terms of a likely climate scenario. If a drier climate is forecasted, an analysis must be conducted regarding a potentially changed hydrology.

Director Weber stated that she believes “this Committee is meeting as an ad hoc Committee” and she does not believe there are any minutes.

Rem Scherzinger, General Manager, stated that there is no ad hoc Committee. The Project has been discussed with the Engineering Committee.

Director Weber asked if there are minutes from the Engineering Committee regarding this matter.

Mr. Scherzinger responded affirmatively.

Director Weber stated that she has not received any minutes from the Engineering Committee meetings for two years, and she has requested this many, many times. She was appalled to find out that the District is interfacing with Mr. LaMalfa. She considers this an end run. In honorable negotiations, the public needs to be involved. She had no idea this was going on, and she does not like being in this position. She would like to have input, and her input now, is that she would heavily oppose the LaMalfa amendment. Her disappointment is profound.

Director Wilcox addressed Director Weber’s concern about not receiving minutes. He suggested that all Committee meeting minutes be archived on the District’s website.

Director Weber stated that she wants to receive a hard copy of the minutes, once they are approved.

Otis Wollan, Milk Ranch in Placer County, expressed appreciation for Director Wilcox’s remarks. He will be submitting all of his comments by the end of September which is in a timeframe that will allow the comments to be addressed by the deadline of the Notice of Preparation. When conducting an EIR, alternatives need to be studied during this process. This Project is very complex; this is about additional storage. The Project would address the needs of the City of Lincoln in Placer County. There is additional storage potential at Rollins and French Reservoirs. There are a number of alternatives for storage that can solve the problem of increasing storage.

Director Drew stated that one of the misconceptions associated with this Project is to benefit the area of Lincoln and western Placer County area. The truth of the matter is that the Project frees up a tremendous amount of water to be sent over on the Deer Creek side, which serves the entire area in Nevada County.

Director Wilcox stated that the underlying point that he was trying to make at the presentations he gave to the Nevada County Democrats and to the Yuba Bear Watershed Council was that changing conditions are impacting the District’s water availability in a very serious way. The District is going to address in the EIR how to

“claw back” lost supply. Alternatives are going to be evaluated to determine how best to regain this lost supply.

Mike Pasner, customer on the Tarr Ditch, stated that the District is considering paying \$1.6 million for environmental consultants. He asked why the District has not conducted a thorough economic financial assessment of the Project before spending \$1.6 million.

Director Wilcox stated that in order to do a complete economic analysis of the Project, the Project has to be defined. A cost analysis cannot be done until environmental work is complete. The environmental analysis may require mitigation obligations which have a cost associated with them.

Cline Beck (sp?), member of the audience, commented on the supply. There is a question of demand and if the District can claw back on the demand, which means that supply does not need to be increased. This has to be analyzed before making a decision to build a reservoir.

Motion passed on the following roll call vote:

Weber, Division I	No
Drew, Division II	Aye
Miller, Division III	Aye
Division IV	Aye
Wilcox, Division V	Aye

NEWTOWN CANAL REHABILITATION PROJECT – Draft Environmental Impact Report
(Extension of Comment Period)

Rem Scherzinger, General Manager, stated that Staff has extended the comment period for the Draft Environmental Impact Report (EIR) pertaining to the Newtown Canal Rehabilitation Project. Correspondence that was sent to the property owners resulted in a misunderstanding regarding the time of the public hearing. The property owners contacted the District to inform Staff that they had unintentionally missed the public hearing. Staff feels it is appropriate to extend the comment period until July 27, 2015.

Director Weber stated that she has a copy of the letter and distributed copies to the Directors highlighting the confusion of when the public hearing was scheduled. The property owners felt that the hearing was going to be scheduled between 6:00 p.m. and 8:00 p.m. so did not appear for the last Board meeting.

Lorraine Webb, property owner in the Newtown area, stated that the neighbors in the Newtown area have been working with the District’s Board of Directors over a period of seven years with good faith negotiations to attempt to keep the canal open. From her perspective, and the perspective of many of her neighbors, this Board has bent over backwards to work on this matter. She knows that Director Weber and Rem Scherzinger have put in countless hours dealing with a couple of very difficult properties. She has no quarrel with any of that. There have been some violations of protocol (she referenced the letter that was sent on May 15, 2015 to the property

July 22, 2015

owners). She does not want to go into an antagonistic mode. In a letter that she wrote to the Board, she talked about taking some subtle action which is rather absurd. She has a tiny little acre in a beautiful little valley, and she is far from being "big folks." As in any big agency, what happens at the top level is not recognized at the ground level. At the Engineering Department level, there have been some violations of protocol, the May 15 letter being the most recent. Her greatest disappointment is what happened at the Board meeting where the Newtown neighbors were not present. The neighbors intended to be present. In the minutes of that meeting, the neighbors were characterized in that meeting as disinterested. The neighbors have been far from disinterested. They love the little valley they live in. At this time, there are thousands of dragonflies whose larvae eat mosquitos. This is a very balanced ecosystem that the neighbors care about deeply. It is heartbreaking that the opportunity to leave the ditch open has been lost. As the canal abandonment issue moves forward, she wants to be sure that the Engineering Department is held accountable. She asked if she should provide a comment at this time, and if it would hold the same weight compared to if she made the comment at the last Board meeting during the public hearing.

Jeff Meith, District Counsel, stated that the record is open, so any comments that would come during the extended period would have the same weight and must be given the same consideration.

Director Drew stated that the Board meetings have been conducted at 9:00 a.m. for the last 12 years. Many of those meetings Ms. Webb has attended at 9:00 a.m.

Ms. Webb pointed out that the neighbors have also attended a number of meetings in the evening.

Ms. Webb stated that she feels this process has been so lengthy, and everyone has had their patience tried. The neighbors are being characterized as disinterested at best. She would like it on the record that the neighbors are far from disinterested.

Director Drew noted that there are thousands that need water downstream of the Newtown area.

Director Wilcox concurred with Ms. Webb that there is some ambiguity in the letter. He does not blame anyone for the mistake. It is a clerical error. This has been addressed by extending the comment period, and he fully supports this action.

Chris Olander, property owner in the Newtown area, thanked the Board and Staff for the efforts made to the Newtown area neighbors. He is a concerned citizen, and would like to know what is occurring regarding the Project. He would have been at the Board meeting on July 8 at 9:00 a.m. if he had not been given misinformation from the District. He thanked Adrian Schneider, Senior Engineer, who apologized to Mr. Olander over the phone for the letter that was not clear. Mr. Olander also stated that Director Weber has been very valuable to him and his neighbors, and deserves an apology for any derogatory statements about her abilities and actions regarding her efforts concerning the Newtown Canal actions. She has been very helpful to the neighbors. He also

July 22, 2015

thanked Rem Scherzinger for meeting with the neighbors on July 20, 2015 and providing clarification on what will happen on the Project, and for extending the comment period.

Mr. Olander stated that his other issue is water conservation. A mature Douglas Fir tree at about six to eight feet in diameter holds between 15,000 and 25,000 gallons of water in its system (roots, trunk and needles). At his house, he has a tank that is six feet in diameter and seven feet tall. It has 1,400 gallons of water inside. If he were to stack 10 of these tanks on top of each other, the tanks would reach approximately 70 feet and hold 14,000 gallons of water. He would need 16 to 18 of these tanks to get the equal amount that is in an old growth Douglas Fir tree. There are still old growth Firs in the forest, and they create their own weather pattern, creating summer rain storms, etc. Water is being lost because all of these trees are being removed. He encouraged the District to conserve trees and to lobby against Sierra Pacific Industries for the protection of forests and to end clear cuts and reduce selective cutting to only 50 percent at most.

President Miller stated that he read the minutes from the July 8, 2015 meeting and there is no mention that the neighbors are disinterested.

President Wilcox stated that during that meeting he wanted the record to reflect that there were no neighbors present at this meeting.

Ms. Webb stated that this is what is most disappointing to her. The neighbors have been to so many meetings. To think it would be necessary to make a point that the neighbors were not present at the meeting is unfriendly. She does not understand why that happened.

Director Weber read a paragraph from the July 8, 2015 Board of Directors' meeting minutes:

Director Wilcox noted that none of the parties who are signatory to a comment letter dated July 6, 2015 are in attendance for the public hearing at this Board meeting. The letter raises both environmental issues and legal issues. The legal issue raised in the letter is whether or not rights can be prescribed against the District for seepage. The property owners say they do not want to go to court, but frankly, he would not mind going to court on this issue so that the matter can be settled.

Mr. Olander asked about how he can get in touch with the Wildlife Conservation Board concerning oak woodlands within the California Oak Woodland Conservation Act.

Mr. Scherzinger stated that this was mentioned in the EIR, and will be addressed as part of the Final EIR.

July 22, 2015

SONS IN RETIREMENT (SIR) – Presentation

Rem Scherzinger, General Manager, reported that he provided a presentation to the SIR group in Auburn, and discussed the District's history and projects that the District is undertaking. The meeting was well attended.

ANNUAL SAFETY BBQ

Rem Scherzinger, General Manager, reported that the Annual Safety BBQ was held on July 15. The employees have done a great job of maintaining the District's safety rating which saves on insurance costs. The BBQ was very well attended.

CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE – Meeting

Rem Scherzinger, General Manager, reported that he met with Tina Bartlett of the California Department of Fish and Wildlife to discuss the Hemphill Project and the land acquisition for the Centennial Reservoir and Powers Supply Project. He stated that the District would not move forward on the Hemphill Project until water rights issues are resolved, but will continue to operate the facility.

WATER RIGHTS – Pre-1914 Rights

Rem Scherzinger, General Manager, stated that there has been coverage in the news about pre-1914 water rights. There is a revision to the State Water Resources Control Board's pre-1914 orders. The District had one license that was captured in this order. The right was incorrectly identified. It is actually a riparian right to operate Combie Powerhouse South. The statement of use has now been removed from the order.

PLACER COUNTY – Attendance at Meetings

Director Morebeck reported that he will be attending a number of Municipal Advisory Committee meetings, the Placer County Farm Bureau meeting and the Placer County Agriculture Commission meeting.

KIWANIS CLUB – Presentation

Director Wilcox reported that he provided a presentation last week to the Grass Valley Kiwanis Club on water issues.

NEWTOWN ENCASEMENT PROJECT – Meeting with Neighbors

Director Weber reported that she attended a meeting scheduled by the General Manager with the Newtown Neighbors to discuss the Project.

ROLLINS RESERVOIR – Activity on the Weekends

Director Drew reported that Rollins Reservoir has been so busy on the weekend. It is heartening to see that degree of popularity at the District's recreation facilities.

July 22, 2015

PRESIDENT MILLER – Comment

President Miller expressed his feelings about his frustration when this Board attacks Staff and the General Manager. He is guilty of being personal on occasion, but he tries to avoid this behavior. But as professionals, the Board needs to think about the words. Points are being challenged about patterns of behavior. He is proud that Rem Scherzinger is the District's General Manager. To challenge Mr. Scherzinger's honor is disrespectful and unprofessional. He would ask this Board to maintain its composure. Everyone is trying to move forward together.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY (SDRMA) – Casting Ballot for Election of Board of Directors (Res. No. 2015-27)

Adopted Resolution No. 2015-27 (For the Election of Directors to the Special District Risk Management Authority Board of Directors) by casting a ballot selecting Robert Swan, Director/Vice President, Groveland Community Services District; Ed Gray, Director/President, Chino Valley Independent Fire District; and Sandy Seifert-Raffelson, District Clerk, Herlong Public Utility District. M/S/C Drew/Weber unanimously approved

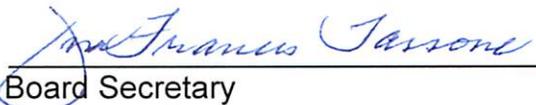
CLOSED SESSION was declared at 11:50 a.m. pursuant to Government Code Section 54956.8 to confer with Real Property Negotiators Scherzinger, Sommers, Sindt and/or Meith regarding price and terms of payment for acquisition and sale of rights in real property; properties subject to negotiations:

- South Yuba Canal, Chalk Bluff Canal, Deer Creek Powerhouse; flowage/wheeling rights in Drum Canal, Bear River Canal, Wise Canal, and South Canal (all owned by PG&E)
- Flowage Rights in Bowman-Spaulding Canal, Fall Creek Flume, Dutch Flat Flume, and Chicago Park Flume; right to storage in Rollins Reservoir (all owned by NID)

Persons with whom negotiations will be conducted: PG&E Management.

MEETING RECONVENED in regular session at 12:22 a.m.

MEETING ADJOURNED at 12:22 a.m. to reconvene in regular session on August 12, 2015, at 9:00 a.m. at the District's main office located at 1036 W. Main Street, Grass Valley, California.


Board Secretary

Attest a true record of actions had and taken at the above and foregoing meeting our presence thereat and our consent thereto.

July 22, 2015

Nancy V. Walden

Director
Division I

[Signature]

Division II

N. S. [Signature]

Division III

[Signature]

Division IV

Nick Wilcox

Division V