

NEVADA IRRIGATION DISTRICT

BOARD OF DIRECTORS

MINUTES

March 24, 2010

The Board of Directors of the Nevada Irrigation District convened in regular session at the District's main office located at 1036 W. Main Street, Grass Valley, on the 24th day of March, 2010 at 9:00 a.m.

Present were W. Scott Miller, President; Nancy Weber, Vice-President; John H. Drew, Jim Bachman and Nick Wilcox, Directors.

Staff members present included Ron Nelson, General Manager; Tim Crough, Assistant General Manager; Don Wight, Operations Manager; John Kirk, Maintenance Manager; Gary King, Chief Engineer; Yvonne DuBose, Human Resources Manager; Anthony Soares, District Counsel; and Lisa Francis Tassone, Board Secretary.

MINUTES – March 10, 2010 Meeting

**Approved the Minutes of the Board of Directors' meeting of March 10, 2010, as submitted. M/S/C Weber/Drew**

EMPLOYEE RELATIONS – Paul Retirement (Res. No. 2010-15)

**Adopted Resolution 2010-15 (Resolution of Appreciation upon Retirement – Joseph W. Paul) after 6 years of service to the District. M/S/C Weber/Drew**

POLICY: Administrative Policies – Recruitment and Hiring and Equal Employment Opportunity Program (Res. No. 2010-16)

Ron Nelson, General Manager, requested that this matter be pulled from the agenda and brought back to a future meeting.

SADDLEBACK NORTH WATER GROUP (SNWG) – Formation of Water Association

Don Wight, Operations Manager, requested that this matter be pulled from the agenda and brought back to a future meeting.

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WARRANTS

**Approved the following warrants: Yuba-Bear Revolving Fund Nos. 22571 through 22607, inclusive; General Fund Revolving Account Nos. 49599 through 49746, inclusive; Recreation Fund Nos. 2231 through 2277; and Payroll Direct Deposit and Warrant Nos. 53374 through 53551. M/S/C Weber/Miller**

SURPLUS WATER - 2010

Don Wight, Operations Manager, stated that the District has a March snow survey, and based on this survey, Staff feels that the District has adequate water supplies for those patrons that normally purchase surplus water inside the District. Additionally, Pacific Gas & Electric Company (PG&E), under the supplemental agreement, has informed the District that there will be 10,000 acre feet available for sale at the Wise Powerhouse, which would allow the District to sell to the South Sutter Water District. There may be additional water, but Staff will not know this until after the April snow survey.

Director Weber asked if the water sold to South Sutter Water District will be sold at outside District rates.

Mr. Wight answered in the affirmative. He stated that there is an agreement with PG&E for supplemental water. PG&E has a water right that allows the District to sell the water to South Sutter Water District. There are restrictions under the supplemental agreement about where the District can purchase the water and where the water can go. The District purchases the water from PG&E at a "very good" rate, and the water is sold to South Sutter Water District at outside District rates (approximately \$18 per acre foot).

Director Weber asked if the District is committed to selling the water to South Sutter Water District at that price until 2013.

Mr. Wight stated that the price that the District sells the water for is the outside District rate that is set by the Nevada Irrigation District's Board of Directors.

Director Bachman asked if South Sutter Water District purchases the water out of the Bear River or the Auburn Ravine.

Mr. Wight explained that the water is taken from the Wise Powerhouse and put into the Auburn Ravine where it leaves the District at the District's Highway 65 gauging station. This is where the sale is made to South Sutter Water District.

**Director Drew made a motion to approve the sale of surplus water to South Sutter Water District. Director Weber seconded the motion.**

**Motion passed on the following roll call vote:**

<b>Division I</b>	<b>Aye</b>
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<b>Division II</b>	<b>Aye</b>
<b>Division III</b>	<b>Aye</b>
<b>Division IV</b>	<b>Aye</b>
<b>Division V</b>	<b>No</b>

Director Wilcox stated that he has addressed this matter in past years, and continues to have reservations about the “whole arrangement.”

**Declared that the District’s surplus water be available to the District’s interior exclusions and to the Department of Fish & Game – Spenceville Wildlife Refuge Area. M/S/C Drew/Weber**

STRATEGIC PLAN: Objectives 1 (Expand Water Services), 3 (Asset Management System) and 7 (Reliable Delivery System)

Tim Crough, Assistant General Manager, explained that Staff is presenting the first set of Strategic Plan Objectives with criteria for the 2010/2011 Strategic Plan process. The Board met with Christie Struckman, Consultant, last fall and the Board prioritized 23 objectives (four objectives were deleted). The goal is to present two to three Objectives per month, so that criteria are established for each Objective within one year.

Proposed criteria for Objective 1 is as follows (additions are in *italics*):

STRATEGIC GOAL: Water Management & Operations	
1.0	<b>OBJECTIVE: Expand Water Services</b> <b>Proactively expand water services to existing and new customers within service territory.</b>
<b>EVALUATION CRITERIA FOR 2010/2011:</b>	
1.1	<b>Assess Needs</b>
1.1.1	Review progress/status and reprioritize, if necessary, the Community Investment Program projects on a quarterly basis
1.1.2	Complete Needs Assessment by June 2011
1.1.2.1	Define Needs Assessment by June 2010
1.1.3	Evaluate developer projects for District/Regional benefit prior to approval of Improvement Plans
1.1.4	List each distribution system and identify areas where looping the system would improve reliability/quality of service; update annually.
1.1.5	Document potential projects on GIS map
1.2	<b>Analysis</b>
1.2.1	Prioritize list of upcoming projects to finance for budget prep
1.2.2	Create 10-year budget review for raw water projects similar to treated water projects; prioritize as necessary

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1.2.3	Review easements to ensure they are finalized before improvement plans are accepted, and double check before final acceptance of project	
1.2.4	Review and quantify conservation benefits and regulatory requirements – project by project	
1.2.5	Evaluate all projects for District/Regional benefit quarterly	
1.3	Action	
1.3.1	Create a finance plan for expansion of Treatment Plants Time table triggered by Master Plan and demands	
1.3.2	<i>Define specific financial resource for extending waterlines</i>	
1.4	Education/Public Outreach	
1.4.1	Continue education of conservation techniques	
1.4.2	Report annually of accepted extensions	

Director Weber asked about the Needs Assessment.

Shannon Bradley, Business Coordinator, explained that a time frame has been identified (June 2010). She stated that a definition of a needs assessment is necessary before efforts are made to develop the Assessment.

Director Weber expressed concern that the Board discussed water marketing earlier this year, and to discuss marketing water out of the area without a Needs Assessment for property owners within the District would be a “big mistake.”

In response to Director Weber’s question regarding the definition of Improvement Plans, Ms. Bradley stated that Improvement Plans are the Plans a developer (property owner) submits when they are extending a waterline. When Plans are submitted, District Staff coordinates with the property owner’s Engineer to ensure that the Plans meet the specifications and standards of the District.

Director Weber stated that if Objective 1 (Expand Water Services) is the primary Objective and the District does not have a “solid mechanism” for funding the program, she thinks there is “a hole here.” She suggested adding under Criteria No. 1.3.2: Define specific financial resource for extending waterlines. Possibilities may include water marketing, setting aside a portion of tax revenues, grants, etc. She recognizes that the District has a tight Budget, but if the District can sell enough treated water, this can help support agriculture. She stated that by extending waterlines aggressively, the District will add new customers, and generate more revenue.

Proposed criteria for Objective 3 is as follows (additions are in *italics*):

STRATEGIC GOAL: Asset Management	
3.0	<b>OBJECTIVE: Management System for Assets</b> <b>Design, develop, implement, evaluate and improve a management system for maintaining, replacing, expanding, consolidating and protecting existing assets.</b>

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<b>EVALUATION CRITERIA FOR 2010/2011:</b>		<b>√ = MET</b>
3.1	Complete Phase II of Raw Water Master Plan by September 2010.	
3.2	Develop a comprehensive Treated Water Master Plan by 2012.	
3.3	<b>Watershed Management Plan:</b>	
3.3.1	Design a Water Management Plan (including Hydro and Recreation) with regional opportunities and new conservation techniques explored by 2013.	
3.3.2	Create a Watershed Management Plan that includes relevant partnerships and regional opportunities.	
3.4	Complete analysis of old/obsolete infrastructure and review recommendations with the M&RM Committee by June 2011.	
3.5	<b>Capital Asset Management System:</b>	
3.5.1	Define and approve requirements with required funding for CAMS by September 2010.	
3.5.2	Develop system by June 2011.	
3.5.3	Complete inventory, asset matrix and populate CAMS by April 2011.	
3.5.4	Design, develop and implement GIS system for problem identification by December 2010.	
3.5.5	Develop and implement maintenance processes using CAMS by April 2012.	
3.5.6	Train appropriate staff on CAMS usage by July 2012.	
3.5.7	End of life redundant tracking systems by January 2013.	
3.6	<b>Non-Prop 218 Fees and Charges</b>	
3.6.1	Update all non-Prop 218 fees, including capacity fees, annually by January 1st.	
3.6.2	Update Capacity Charge Study by September 2012.	
3.7	<b>Water Rate Structure:</b>	
3.7.1	Review, revamp and update water rate structure that covers O&M expenditures and pipeline replacement costs by September 2010.	
3.7.2	Obtain Board ratification of rate structure that covers O&M expenditures and pipeline replacement costs by December 2010 <i>in accordance with Proposition 218.</i>	
3.8	<b>Complete staff development:</b>	
3.8.1	For Watershed Management personnel by 2011.	
3.8.2	For appropriate Maintenance, Purchasing and technical personnel by June 2011	

Director Weber asked Mr. Crough to define 'Water Management Plan.'

Mr. Crough explained that the Water Management Plan should read as Watershed Management Plan. The Plan includes the District's water delivery, hydroelectric, recreation, and any other areas the District manages. The Plan is intended to be all encompassing, rather than just a Plan for treated water, etc. The proposed criteria

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include the development of the Watershed Management Plan, so that conservation, solar energy, other forms of recreation, other utilizations of the District's land and other resources can be comprehensively planned for.

Director Weber expressed concern about the properties the District has but does not need. She asked where this would be included in the Strategic Plan. Further, she suggested that the goals be combined into one Objective (i.e. several Objectives are categorized under Asset Management).

Mr. Crough stated that he will meet with Ms. Struckman to discuss refining the Strategic Plan process.

Director Wilcox asked if the criteria address all of the potential requirements of the State legislation relating to conservation, etc.

Mr. Crough stated that from the standpoint of Objective 3, the State requirements are addressed somewhat. There are other Objectives that handle the requirements more specifically (i.e. Objective 7 and Objective 11).

President Miller referenced Criteria No. 3.7.2. He is concerned with the way the criteria is worded with regard to Proposition 218.

Mr. Crough agreed that modifications should be made to Criteria No. 3.7.2 (adding in accordance to Proposition 218).

Director Weber asked Mr. Crough to elaborate on the Capital Management Asset System.

Mr. Crough explained that all of the District's capital assets (pipelines, buildings, structures, etc.) would be coordinated with the District's database from a funding standpoint, a depreciation standpoint, a location standpoint, and an age and repair standpoint that would allow the consolidation of all of this data into one management system. For example, when a work order is completed on a facility, the information will be available in the same data base as the depreciation information the Accounting Staff utilizes. Currently, there are several separate databases, and when there is a change made to one database, the change is not being made to the other databases. The goal will be to integrate the information so that the District has a comprehensive capital asset management system that all departments can use.

Proposed criteria for Objective 7 is as follows (additions are in *italics*):

STRATEGIC GOAL: Water Management and Operations	
7.0	OBJECTIVE: Delivery System <b>Ensure and maintain reliability and efficiency in the District's delivery system.</b>
<b>EVALUATION CRITERIA FOR 2010/2011:</b> ✓ = MET	

7.1	Complete 90% of annual scheduled maintenance on delivery system per the maintenance schedule.	
7.1.1	Publish annual maintenance schedule by March 2010	
7.2	Identify chronic repair areas for replacement by March 2011	
7.2.1	<i>Develop a canal encasement strategy</i>	
7.3	Continue to develop and improve GIS system to indicate items such as age of distribution system, type of pipe and problem areas in the distribution system on an annual basis.	
7.4	Training for district staff as appropriate. Evaluated annually	
7.5	Ensure customer feedback to the maintenance process:	
7.5.1	Analyze customer complaints quarterly to identify trends.	
7.5.2	Analyze claims quarterly to identify trends.	
7.5.3	Analyze employee feedback to the maintenance process	
7.5.4	Develop and improve on-line and paper feedback by March 2011	
7.6	Communicate maintenance needs to the budget process annually, by September	

Director Weber asked if a canal encasement program would fit into this Objective.

Tim Nunnink, Maintenance Superintendent, stated that canal encasement was not addressed specifically. However, the Maintenance Department's practice of shotcreting the canal promotes conservation.

Director Weber stated that for several years, there has been discussion about having a plan that indicates which canals will be encased, and which canals would remain open.

Mr. Nunnink stated that when an inventory is done on the system, part of the planning process would be to identify the areas that need shotcreting. From a maintenance perspective, he knows where the problem areas are. A much more involved approach would be to evaluate the raw water system to determine where efforts to shotcrete need to be made.

Director Weber stated that she is suggesting "pipes" not shotcreting. The District should have an overall plan. She suggested adding to Criteria 7.2: Develop a canal encasement strategy.

Mr. Nunnink pointed out that canal encasements are included in the District's Raw Water Master Plan.

Director Wilcox stated that Phase II of the Raw Water Master Plan is supposed to provide a list of areas that may need encasement. During discussions at the Engineering Committee, it is clear that the problem areas are within the branches of the system and not so much on the trunks of the system. The small canals lose huge amounts of water compared to the larger canals.

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Director Drew stated that the Raw Water Master Plan should work in conjunction with this Strategic Plan Objective.

Director Weber thanked Staff for the work that was done on the three Strategic Plan Objectives.

Mr. Crough pointed out to the Board that Ms. Struckman has taken the liberty of combining and rewording Objective No. 2: Complete and implement NID's Strategic Plan and design, develop and implement a process for financial planning in alignment with NID's Strategic Plan. He stated that he wants to make sure the Board has no objections to this modification.

**Adopted criteria for the District's Strategic Plan, Objectives 1 (Expand Water Services), 3 (Asset Management System) and 7 (Reliable Delivery System), as amended. M/S/C Weber/Drew**

PURCHASE OF NEW VEHICLES – Water Division

John Kirk, Maintenance Manager, stated that during the Budget preparation for 2010, the Operations Department budgeted for seven replacement vehicles, and the Maintenance Department budgeted for one replacement vehicle. The vehicles were purchased through the California Multiple Award Schedule (CMAS) which resulted in a significant savings. The following represents the details of the vehicle purchases:

	2010 <u>Budget Amount</u>	<u>Cost Delivered</u>
<u>OPERATIONS</u>		
(6) ½-Ton 4WD Pickups	\$165,000.00	\$121,657.50
(1) ¾-Ton 4WD Pickup	<u>\$35,500.00</u>	<u>\$36,988.76</u>
Total	\$200,500.00	\$158,646.26
Over / <Under> Budget:		
<\$41,853.74>		
<u>MAINTENANCE</u>		
(1) 1 -Ton 4WD Dump-truck	<u>\$60,000.00</u>	<u>\$43,386.39</u>
Total	\$60,000.00	\$43,386.39
Over / <Under> Budget:		
<\$16,613.61>		
TOTAL DISTRICT BUDGETED AMOUNT		\$260,500.00
TOTAL DISTRICT BUDGET IMPACT		\$202,032.65
Over / <Under> Budget:		
<\$58,467.35>		

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Mr. Kirk stated that Downtown Ford in Sacramento had the lowest contract amount and all of the vehicles will be purchased from this dealership.

**Approved purchase of seven vehicles for the Operations Department and one vehicle for the Maintenance Department in the amount of \$202,032.65. M/S/C Drew/Wilcox**

AGREEMENTS: Scotts Flat Power Purchase Agreement

Don Wight, Operations Manager, explained that the current power purchase agreement at Scotts Flat expires May 31, 2010. The proposed agreement is an agreement similar to the agreement the District entered into with the Combie North Powerhouse and the Combie South Powerhouse. The Water and Hydroelectric Operations Committee advanced a recommendation to approve the agreement for Scotts Flat with a ten year time frame (options included a 10 year, 15 year or 20 year agreement).

Mr. Wight referenced page 3 of the Power Purchase Agreement that reflects the rates the District will receive for the various timeframes. Based on the current Qualifying Facility (QF) Agreement for Scotts Flat, the gross revenue is \$.0670 per kilowatt hour. The new Agreement increases revenue and revenue will escalate over the term of the Agreement.

Director Wilcox asked if the District entered into a 15 year Agreement for the Combie North Powerhouse.

Mr. Wight stated that the District entered into a 15 year Agreement for the Combie North Powerhouse and a 10 year Agreement for the Combie South Powerhouse.

Director Wilcox stated that the whole idea was to stagger the terms of the Agreements so that the District receives the benefit of price increases without being locked into a rate for an excessive period of time.

Director Wilcox asked if there are any other plants that are coming up for renewal that would be subject to a similar power purchase agreement.

Mr. Wight explained that the other plants are part of the District's Yuba-Bear Project, and therefore too large to qualify for a power purchase agreement of this type.

Director Weber pointed out that page 2 of the letter from McDonald Partners, Inc. was not included in the agenda packet. She asked what the recommendations of McDonald Partners, Inc. are regarding the Scotts Flat Power Purchase Agreement

Mr. Wight referenced the first paragraph in the letter: ". . . fixed price contract you are taking to the Board will generate more revenue and certainly provide a lot more certainty than the QF arrangement."

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Director Weber referenced the third paragraph: "This does, however, raise the question we posed in Attachment II regarding whether the price chart in the agreement should be updated to reflect current prices. . ." She stated that the Board does not have Attachment II.

Mr. Wight stated that Staff had discussions with PG&E. The agreement has already been approved by the Public Utilities Commission. No alterations can be made to the agreement, nor can negotiations take place.

Director Weber asked what the price chart was that should be updated to reflect current prices.

Mr. Wight stated that the chart he referenced earlier on page 3 is the chart McDonald Partners, Inc. is referring to. The chart is updated annually and the prices are available for the period of the Agreement.

Director Weber stated that she is glad the District is utilizing a consultant to review the power purchase agreements.

Director Bachman expressed concern about the letter from McDonald Partners, Inc. indicating that prices in the agreement are about \$130,000 less on a present value basis. He does not understand this because the District will be receiving a 10 percent increase.

Mr. Wight stated that this letter was prepared after reviewing the Combie South Power Purchase Agreement. There is potentially more generation at Combie South based on a water year.

**Approved Small Renewable Generator Power Purchase Agreement for the Scotts Flat Power House, to expire in ten years. M/S/C Wilcox/Bachman**

LAKE VERA PIPELINE REPLACEMENT PROJECT – Preliminary Review & Initial Study (Res. No. 2010-17)

Keane Sommers, Associate Engineer, presented the Preliminary Review and Initial Study for the Lake Vera Pipeline Replacement Project. Foothill Associates prepared the Initial Study and the Mitigated Negative Declaration for the Project.

*Purpose of the Project:*

- Replace an aging pipeline
- Reduce maintenance
- Avoid operational issues

*Project Description:*

- Realignment
- 3,840 feet of 8-inch waterline
- New intake on the Cement Hill Canal

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- Berm maintenance
- Sediment filter

Mr. Sommers referenced a map indicating the existing and proposed alignment. At Misty Meadows Lane, the plan is to come down Misty Meadows Lane to Lake Vera Purdon Road, and come up Mandolin Way. In the existing alignment there are ponds, and Mr. Sommers stated that it would not be feasible to install the waterline through the ponds. The customers that currently have service will continue to be served by private service laterals.

President Miller asked if property owners on Mandolin Way would become new customers.

Mr. Sommers explained that the District will continue to serve existing customers; however, there is capacity in this waterline to serve new customers.

Director Drew asked if parcels are receiving both treated and raw water.

Mr. Sommers answered in the affirmative.

Director Weber stated that as a property owner in the area, she was told that when the waterline extension was installed, her neighborhood would lose raw water. There is a three acre organic farm in the area, and the neighbors worked hard to keep the raw water. In the last few years, they were told the Lake Vera line would be replaced, and that her neighborhood would be able to have both treated and raw water.

Director Drew stated that he knows there has been discussion in the past regarding dual services. He asked how that fits, and if the District is “all right with policy.”

Tim Burns addressed the Board on behalf of his father Robert Burns who is a property owner in the area. He knows there are parcels that have access to treated water but have not hooked up because of “certain” problems. The main source for drinking water is wells. They do have raw water and because of their acreage, they depend on the raw water. He stated that the property owners hope to be able to depend on being served raw water in the future.

Director Drew clarified that he has no problem with property owners receiving both raw and treated water. He knows there are policies in place, and he would like to ensure the District is staying within the policies.

Director Wilcox asked if the section of the original pipeline from Mandolin Way up to New Rome Road will be abandoned.

Mr. Sommers confirmed that this section of pipeline will be abandoned in place.

Director Weber stated that there are property owners in the area who want water.

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Mr. Sommers agreed and property owners have expressed interest in connecting to the waterline to receive raw water service. At this time, there is a freeze for water service on this pipeline, so there is no access, unless they are currently purchasing water.

Director Drew asked what the District will do if the line is abandoned, and there are property owners in that area that will want water in the future.

In addition, Director Wilcox asked if that section of pipeline could be maintained as a service lateral.

Mr. Sommers stated that the pipeline is not laid out for this purpose, but it would be possible to add this to the Project.

While Mr. Sommers was reviewing photographs of the alignment, Director Drew asked why the alignment is on one side of the road, and then back to the other side a short distance later.

Mr. Sommers explained that the treated water pipeline is on the left hand shoulder, so the raw water line is being installed on the other side.

Director Bachman asked what the required separation is between treated and raw water lines.

Mr. Sommers stated that he believes the required distance is 10 feet horizontally.

*Budget:*

- Estimated at \$700,000
- Included in 2016 Budget

*California Environmental Quality Act (CEQA) Status:*

- Construction budget cut when CEQA was well under way
- In the future:
  - Minor changes may require an Addendum (No recirculation required)
  - Substantial changes may require a subsequent Mitigated Negative Declaration (Recirculation required)

Director Bachman asked what the status is on easements.

Mr. Sommers stated that a number of easements need to be acquired. Currently, the District has easements for the sections under the existing roads. The cross country sections of the pipeline, even though the Project will be constructed in the existing alignment, will require new easements because the existing easements are only two feet wide and 18 inches deep. This is not workable.

*Public Outreach:*

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- Notification by mail during initial stages of design
- Discussions with individual property owners during field investigation
- Telephone conversations
- Public meeting during the evening of September 9, 2009
- Notice published in The Union newspaper on February 22, 2010
- Documents submitted to the State Clearinghouse
- Notice of Intent posted at Nevada County Clerk's Office
- Notification by mail of Public Hearing to property owners within 300 feet of the Project

*Key Mitigation Measures:*

- Air Quality
- Biological resources (nesting birds and raptors, California horned lizard, elderberry shrubs, red/yellow legged frogs, trees)
- Cultural resources
- Geology and soils
- Hazards and Hazardous Materials
- Noise

*Additional Condition:*

- Prior to construction, a representative of the local Maidu tribe, the Division Director, and an archaeologist will walk the pipeline alignment to ensure no significant artifacts are present

President Miller stated that Director Drew raises an interesting point with regard to the abandonment of the section of pipeline and asked if the abandonment is addressed in the Initial Study. The criteria with recirculation had to do with substantial changes versus non-substantial changes. It appears to him that the abandonment issue would be a substantial change if the abandonment is not addressed in the Initial Study.

Mr. Sommers stated that the Study addresses the abandonment of the pipeline in its entirety, indicating that the pipe will be left behind and the impact that may have from an environmental standpoint. He does not believe that one section was addressed indicating significance relative to the rest of the abandonment.

Director Wilcox asked if that section of pipe is currently delivering water.

Mr. Sommers stated that water will continue to be served to customers, but from a different delivery location.

Director Wilcox stated that if the pipeline were to be maintained, from an environmental standpoint, as status quo, this would not constitute a change in the environment by continuing to deliver water from that pipe. He does not see how this would cause an issue with CEQA.

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Director Drew stated that rather than abandoning the pipeline, the pipeline should be taken out of service. He asked Mr. Sommers what the size is of this section of the pipeline.

Mr. Sommers explained that the existing pipeline is 4-inches in diameter.

Director Weber provided some history. She has no direct benefit from this Project, but she is a part of the neighborhood. Before her neighborhood received treated water, a raw water pipeline traveled down New Rome Road. The pipeline leaked so badly, that the property owners on New Rome Road hardly ever received water. When the treated waterline was installed, the raw water line on New Rome Road was abandoned up to the intersection of Lake Vera Purdon Road. She has received a request for service on New Rome Road, and another on part of the line that would be abandoned in this Project. A needs assessment should be conducted to determine who needs water. She realizes this would increase the cost of the Project.

Director Drew stated that he is not in favor of giving up a facility when it is already in the ground, in place and capable of providing service.

Mr. Sommers stated that he is not sure this section of the pipeline is capable of providing service. It needs to be repaired and replaced.

President Miller opened the public hearing.

*Tim Burns, representing his father Robert Burns who is a property owner in the Project area, stated that in the past, he has walked the line. He is not sure what sections have been replaced, but the pipe has been degrading from year to year. He thinks that some of the sections are so old that they are succumbing to roots. He has observed that some sections are exposed above ground, and a number of "sticks stuck in holes." The ground was still being saturated. The capacity has decreased each year in his neighborhood, and they have alternated days of receiving water because of the decreased capacity. Historically, decreased capacity was not an issue. He encouraged the Board to approve the Project.*

The Board Secretary confirmed that no correspondence was received by the District on this matter.

President Miller closed the public hearing.

Mr. Sommers stated that no input was received based on the circulation of the Preliminary Review and Initial Study.

Director Weber asked where the nearest well to the pipeline is located.

Mr. Sommers stated that he can look into this and report back to Director Weber.

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Director Weber stated that to conduct adequate studies, the District needs to know where the wells are located. There is a potential for the wells to be effected, especially from a pipeline that leaks this much. She spent time placing telephone calls on March 23, 2010 because she wanted to be sure that if the District would be utilizing a different alignment (which she thought was the case), that the District did not enter into culturally sensitive areas. She read the following into the record from the Lake Vera/Round Mountain Neighborhood Plan developed in 1995 (available from the Nevada County Planning Department):

The Gold Rush – However, the discovery of gold in California brought profound changes to the Lake Vera-Round Mountain Area. Immigrants arrived in great numbers, all searching for gold along the rivers, creeks and streams. Rock Creek and Brush Creek were worked extensively for placer gold, primarily in 60 foot square claims. These areas were to produce millions of dollars of gold. The nearby areas of Selby Flat and Selby Hill were also relatively heavily populated. Selby Flat boasted a hotel, a boarding house, a blacksmith shop and other services. In the early 1850's, the population of Selby Flat was almost the same as that of Nevada City and was considered a candidate for the county seat. Selby Flat had a small school that was later damaged and fell into disuse. One of the branches of the Emigrant Trail went from Blue Tent to Selby Flat and on to Nevada City via the gap by Sugarloaf Mountain. Today, nothing remains of the town of Selby Flat save for a few root cellars, ditches and foundations.

Director Weber stated that when she first moved to this area 19 years ago, a couple of nights each week, there were cars with their headlights on in the meadow showing bottle collectors "digging away." The area is culturally sensitive, but if the District is staying within the current alignment, the District would be in "good shape."

Mr. Sommers stated that the alignment is shifting from the existing alignment under the road ways.

Director Weber recognized that this shift of the alignment is not in a culturally sensitive area.

Mr. Sommers stated that as part of the Preliminary Review and Initial Study for the Project, an archaeologist has walked the entire alignment and did not find anything of potential effect in the area.

**Adopted Resolution No. 2010-17 (Adopting a Mitigated Negative Declaration and Approve the Project and Mitigation Monitoring and Reporting Program for the Lake Vera Pipeline Replacement Project). M/S/C Drew/Wilcox**

Director Weber reiterated that wells need to be studied and recognized on District projects.

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LOWER CASCADE CANAL / BANNER CASCADE PIPELINE PROJECT – Public Hearing (Res. No. 2010-18)

Matthew Crowe, Senior Right-of-Way Agent, reviewed what the Board is being asked to consider:

*Resolution of Necessity (RON) Findings:*

- 1) Public interest and necessity require construction of 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 interests sought to be acquired are necessary for the project
- 4) A written offer was made to compensate owner for easement(s) acquisition

Brian Powell, Senior Associate Engineer and Project Manager, provided the following information related to the Project:

*Proposed Project Overview:*

- Goal – To relieve Lower Cascade Canal pressure and provide reliable supply to Loma Rica and E. George Treatment Plants
- Means – Connect raw water pipeline to end of Cascade lower bench; replace Clipper Creek Siphon, install pipeline on Wings of Morning Drive, Banner Lava Cap Road, Idaho Maryland Road and Lee Lane to Loma Rica Water Treatment Plant, then continuing across Nevada County Airport, Madrone Forest Drive, Red Gate Road, Banner Lava Cap Road to E. George Water Treatment Plant
- Design – Proposed pipeline alignment mostly within existing roadways minimizes costs, minimizes environmental impact, provides treated water access for parcel owners, allows for the installation of fire hydrants along the entire 5.5 mile path and requires 65 right-of-way easement acquisitions

*Public Meetings:*

- July 24, 2008 – Public Workshop for 10 percent design
- September 16, 2008 – Invitation Letter to meet for one-on-one meeting
- January 15, 2009 – Public Workshop for 50 percent design
- May 19, 2009 – Public Workshop for 80 percent design
- September 10, 2009 – Invitation Letter to meet and discuss Mitigation Monitoring and Reporting Program specification

*Parcel:*

- +/- 2.58 Acres (Whole Parcel)

*Required Easement:*

- +/- 0.12 Acres (Easement Area)

*Easement Acquisition Review:*

- September 9, 2009 – Appraisal inspection conducted
- September 22, 2009 – First written offer presented to property owner

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- October 28, 2009 – Acquisition agent reported owners had abandoned the property
- February 18, 2010 – Title reconveyed to the bank; trustee's deed of sale recorded; property listed for sale in February
- February 25, 2010 – Amended title report reflects reconveyance from bank to US Department of Veterans Affairs
- March 8, 2010 – First written offer, Notice of Intent and notice of Resolution of Necessity hearing received by bank
- March 11, 2010 – Acquisition package and notices provided to listing agents to forward to seller/owner
- March 18, 2010 – Acquisition package returned from bank; received amended title report; phone calls placed to US Department of Veterans Affairs

*Current Acquisition Status:*

- US Secretary of Veterans Affairs has authority to accept District's offer
- Telephone calls placed to US Department of Veterans Affairs have not been returned
- May need to file a complaint with the courts to receive order of possession
- Project review leads Staff to recommend that the Board of Directors consider adopting a Resolution of Necessity for the proposed easement affecting Assessor's Parcel No. 37-260-37

President Miller opened the public hearing.

Hearing no testimony, President Miller closed the public hearing.

The Board Secretary confirmed that no correspondence was received by the District on this matter.

Ron Nelson, General Manager, asked if Staff is working with the California Veterans' Administration or the United States Veterans' Administration.

Mr. Crowe explained that Staff contacted the California Veterans' Administration, and they were unable to track the property. He stated that presumably the property is owned by the United States Veterans' Administration.

**Adopted Resolution No. 2010-18 (Declaring Necessity and Authorizing Eminent Domain Proceedings for the Acquisition of Real Property for a Public Project Known as the Lower Cascade Canal / Banner Cascade Pipeline Project on Nevada County Assessor's Parcel No. 37-260-37, owned by BAC Home Loans Servicing).  
M/S/C Bachman/Drew**

CEMENT HILL WATER SUPPLY PROJECT – Easement Acquisition

Matthew Crowe, Senior Right-of-Way Agent, stated that Staff is seeking authorization by the Board for the General Manager to accept an easement for a parcel within the Cement Hill Water Supply Project. Based on an independent appraisal, an offer was

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tendered to the property owners for \$53,200 on December 4, 2009. The easement area is approximately .57 acres. The owners signed the easement and the right-of-way agreement on January 25, 2010. In 2003, Resolution 2003-50 was adopted authorizing the General Manager to accept and authorize payment of right-of-way acquisitions not to exceed \$30,000. Acquisitions in excess of \$30,000 require Board approval.

President Miller asked why the District offered so much for such a small piece of property.

Mr. Crowe stated that the acquisition will encumber over 1/5 of this property along three sides in areas not currently encumbered. This portion of the Project alignment is located between the Nevada City Airport and Cement Hill, as part of the cross country route to connect the main trunk line for the Cement Hill Water Supply Project.

Director Drew stated that the cost of the property has to do with the degree of encumbrance.

**Approved purchase in the amount of \$53,350 for right-of-way within the Cement Hill Water Supply Project, and authorized the General Manager to accept a permanent easement on Nevada County Assessor's Parcel No. 04-060-49. M/S/C Drew/Weber**

CEMENT HILL WATER SUPPLY PROJECT – Public Hearing (Res. No. 2010-19)

Matthew Crowe, Senior Right-of-Way Agent, stated that this matter was continued from the February 24, 2010 Board of Directors' meeting. In order to ensure the process has been followed appropriately and the necessary considerations have been reviewed, District Counsel has taken the lead in communicating with the property owners and guiding Staff in this effort.

Anthony Soares, District Counsel, provided the Board an update on the status of the matter and options for the Board to consider. There has been substantial activity since February 24, 2010. Staff has met with the owners of the property, there has been a telephone conference with the principals and their appraisers, he has had a number of telephone calls with Kriss Halpern, and there has been an exchange of letters and e-mails. With regard to progress, he cannot report very much. On the issue of location of the tank site, the owner's position is that they do not want the tank on their property, but if the tank is on their property, they want it in the northeast corner. On the issue of consent for a second tank placement, the owner's position is "maybe, if you pay us enough." The owner feels that what is being offered now is "ridiculously low." On the issue of consent to enter on to the property, the owner is willing to allow entry for purposes of mapping and planning for a new tank site. They have refused entry to start construction on the Project.

Mr. Soares stated that the one area where consensus has been reached is that of trying mediation as an alternative dispute resolution mechanism. The parties have agreed to mediate the dispute, which will be a global mediation addressing all issues relating to

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Cement Hill and also addressing the remaining compensation issue pertaining to the 1994 easement acquisition. Tentatively, the mediator is scheduled to be retired Judge Cicely Bond from the Sacramento Superior Court. Tentative dates are being scheduled for May 6, 7 and 12, 2010. The parties have agreed that the valuation date for the 1994 acquisition matter will be August 16, 1994. Essentially, on the two critical issues, no agreement has been reached to place a second tank without having to go through additional eminent domain proceedings in the future, and no agreement has been reached regarding access to keep the Project on schedule.

Mr. Soares stated that he provided Mr. Halpern notice that the hearing from February 24, 2010 would be continued to March 24, 2010. Mr. Halpern indicated that he would not be able to be present but that he might submit a written explanation of the owner's position. At this time, the District has not received this correspondence.

Mr. Soares stated that there has been a considerable amount of investigation by Staff regarding the feasibility in the cost of relocating the tank site on the Mull property, and Staff has looked into the feasibility and availability of alternative tank sites on adjoining parcels, not owned by the Mull Family or the LLC.

Mr. Soares stated that no changes have been made to the Resolution of Necessity since this matter was presented on February 24, 2010. The Board will need to consider whether there is substantial evidence to support findings that the public use and necessity require the project, that the project has been planned and located to be most compatible with the greatest public good and the least private harm, and whether this property is necessary for the project. If the Board decides there is substantial evidence supporting these findings and if the Board is inclined to proceed with eminent domain and condemnation, the Board would vote in favor of the Resolution. If the Board finds that there is not substantial evidence to support the findings, or if the Board does not want to move forward with condemnation, then the Board would vote no on the Resolution. He noted that the Resolution requires four votes in order to pass, not a simple majority.

Mr. Soares stated that mediation and adoption of a Resolution of Necessity are not mutually exclusive. It would be entirely consistent for the Board to adopt the Resolution of Necessity to authorize the condemnation process, and at the same time for the District to pursue alternatives such as mediation to try to resolve matters.

Director Drew asked if there is anything that comes out of mediation that would become binding.

Mr. Soares stated that the way mediation is typically handled, in particular with public agencies, is that everyone is made aware that the mediation team does not have the final authority to approve anything. The Board would have the ultimate say. Mediation is entirely voluntary, and the mediator will not impose a resolution on either side. If the mediator attempted to do so, neither side is bound to accept the resolution. Mediators

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tend not to suggest resolutions unless discussions progress to a point the mediators think a resolution might be of help. The mediator's role is to facilitate discussions.

Director Bachman asked if it was not feasible to relocate the tank to the northeast side of the property.

Doug Roderick, Senior Associate Engineer and Project Manager, informed the Board that Staff met with the property owners and Andy Cassano (Nevada City Engineering, Inc.) on February 25, 2010 to discuss alternative tank sites. One option discussed was to relocate the tank site to the eastern edge of the property because this would be the least impactful to their potential use of the property. Originally, during that meeting, the property owners wanted Staff to review two options. In a later conversation with regard to other issues of right-of-way, they asked Staff to focus on only one access option.

Mr. Roderick stated that if the tank site is relocated, an addendum will be necessary to the California Environmental Quality Act (CEQA) document because that location was not investigated. Also, a new geo-technical survey, a new appraisal and some additional engineering costs amount to approximately \$216,000. A contingency of 15 percent has been included for the construction so the construction component is approximately \$167,000.

Director Weber asked if the new tank site would be visible from Highway 20.

Mr. Roderick stated that the visibility would not be much different from the original tank site.

Director Weber asked if the new tank site would have less of an impact to property owners.

Mr. Roderick stated that there is a parcel located on one side of the new tank site, but there are trees in the area that would help screen the tank.

Director Weber stated that when she met with Staff and the property owners on February 25, 2010, there was discussion about a six week period of time before the Board takes any action on this matter, and only four weeks have elapsed. She feels that it is a matter of honor that six weeks be allowed before any Board action is taken based on this verbal agreement.

Director Drew stated that he remembers that the Board wanted to allow enough time to accomplish what was necessary, and to bring the matter back in two weeks.

Director Wilcox asked if the Resolution of Necessity adopted by the Board would have a dampening or encouraging effect on the mediation.

Mr. Soares stated that this is ultimately Mr. Halpern's call. Mr. Soares tends to think that the Resolution is necessary in order to have a meaningful mediation. What he had

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hoped was that issues could be worked out pre-mediation, such as the right of entry and the second tank site. What he found is that the owners want to reserve all issues or “bargaining chips” for mediation. Mr. Soares’ sense is that if that is the way the process is going to proceed, then the District ought to also position itself in the strongest way possible for mediation.

Director Wilcox stated that it disturbs him that Mr. Halpern is “doubling back on himself.”

Director Wilcox pointed out that \$216,000 is “a lot” of money. He asked who ultimately would pay this cost.

Mr. Roderick stated that the tank site and the piping are related to transmission of water, so these costs would be paid for with capacity fees.

Mr. Soares asked Mr. Roderick to speak to sites on adjoining parcels.

Mr. Roderick reported that there are parcels that meet the elevation requirement that could be utilized by the District to make the Project work. The properties to the north are small parcels within an existing residential area - a subdivision. This did not seem to be a reasonable location for a tank site. With regard to parcels to the east, the 14 acre parcel has a residence, and Staff had no response from the property owner of the 16 acre parcel. Other parcels would require additional cost on top of the estimated \$216,000. The farther the tank site is relocated to the east, the farther the tank site is from the Project and the more the cost increases. Installing the pipelines through the Mull property is the best option.

President Miller opened the public hearing.

*Norm Stout, Cement Hill area resident*, stated that he is terribly impressed by the Board and Staff’s efforts to solve “this problem.” Tremendous attention has been paid to the property owners. The law is intended as a defense, not as a weapon. He thinks the Board should follow District Counsel’s advice and adopt the Resolution of Necessity to commence eminent domain proceedings, and asked the Board not to forget that 241 property owners may lose treated water for one year because of a further delay.

President Miller closed the public hearing.

**Director Drew made a motion to adopt Resolution No. 2010-19 (Declaring Necessity and Authorizing Eminent Domain Proceedings for the Acquisition of Real Property for a Public Project Known as the Cement Hill Water Supply Project on Nevada County Assessor’s Parcel No. 36-020-49, owned by Nevada City Sugarloaf Properties, LLC and Archibald Mull). President Miller seconded the motion.**

**Motion passed on the following roll call vote:**

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<b>Division I</b>	<b>No</b>
<b>Division II</b>	<b>Aye</b>
<b>Division III</b>	<b>Aye</b>
<b>Division IV</b>	<b>Aye</b>
<b>Division V</b>	<b>Aye</b>

Director Weber stated that she voted no because she would like to honor the six week agreement with the property owners.

#### REGIONAL WATER SUPPLY PROJECT – Amendment to Contract with ECO:LOGIC

Ron Nelson, General Manager, reported that in the fall of 2009 there was a discussion about the Regional Water Supply Project – the treatment plant in Placer County. The District needed to add an additional study to ECO:LOGIC’s contract that would take into account another alternative – the Ophir Water Treatment Plant. The amendment is in the amount of \$150,000. Per District policy, the General Manager can approve up to \$150,000 for change orders. This project came in at \$150,322. He is now reporting back to the Board that the District did sign the amendment to ECO:LOGIC’s contract.

Director Weber asked if the cost is reimbursable by the City of Lincoln.

Mr. Nelson answered in the affirmative.

Director Weber reminded the Board that the City of Lincoln is “in tight times.” She feels that the City should put money into an account that the District can draw against. She thinks the “well is going to go dry there” and the District is going to be left with the bill.

#### WATER LEGISLATION – Update on Option 4

Ron Nelson, General Manager, reported that one of the pieces of the water legislation instructed agencies in California to achieve 20 percent reduction in treated water use by year 2020. There were three options that were embedded in the legislation and the Department of Water Resources was given the authority to develop a fourth option in collaboration with interested parties. There have been a number of hearings and testimony has been made by the Association of California Water Agencies (ACWA). He believes that Option 4 may be adopted within 30 days. He confessed that the fourth option may not be significantly different from the other three options.

#### FEDERAL ENERGY REGULATORY COMMISSION (FERC) – Relicensing Update

Ron Nelson, General Manager, reported that on March 30, 2010, a meeting with interested parties will occur to discuss the District’s relicensing efforts. The meeting will provide a review of the initial study reports and the information will be highly technical. The meeting will take place in Auburn at the Holiday Inn at 9:00 a.m.

President Miller stated that Mr. Nelson had an important meeting with Randy Livingston, PG&E, to discuss the District’s future relationship with PG&E once the District’s Yuba-

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Bear Project is relicensed. He asked when the next meeting is scheduled of this importance.

Mr. Nelson stated that Mr. Livingston has not been involved in any of the direct negotiations. The next detailed meeting regarding the District's ongoing relationship with PG&E is next week. He will provide the schedule to the Board as soon as possible.

President Miller expressed concern that PG&E might charge the District for conveyance.

Mr. Nelson pointed out that the District has shared 45 years of a wonderful relationship with PG&E. The relationship has been important to both parties, and this will take the parties through the negotiation process.

President Miller stated that he will continue to advocate that the District entertain enhanced risk.

Director Weber asked at what point the District is going to take a "hard look" at what can be done after 2013.

Mr. Nelson stated that discussions will be advanced with the Board within the next 30 days.

#### ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) – Spring Conference

Director Weber stated that the ACWA Spring Conference will be held on May 4 – 7, 2010 in Monterey. She will not be able to attend, but she pointed out to the Board that there is one session titled Agricultural Water Measurement and Volumetric Pricing to Implement SBx77. This information would be useful to the District, and she encouraged another Board member to attend.

Director Wilcox stated that he is strongly considering attending and would be happy to attend this session.

Ron Nelson, General Manager, stated that he will be attending the conference. The District will be hosting a California Association of California Power Producing Agencies (CAPPA) meeting. This involves those agencies that have power production and are aligned with PG&E. There will be a series of presentations and updates from each of the members.

CLOSED SESSION was declared at 11:20 a.m. pursuant to Government Code 54957.6 to provide direction to the District's designated bargaining representatives – Nelson, Crough, Owens, DuBose and Meith – regarding 2010 salary/benefit/working conditions.

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CLOSED SESSION was declared at 11:20 a.m. to discuss existing litigation with District Counsel pursuant to Government Code Section 54956.9; the name of the case is Robbins vs. Nevada Irrigation District, County Superior Court Case No. 75530.

MEETING RECONVENED in regular session at 11:46 a.m.

MEETING ADJOURNED at 11:46 a.m. to reconvene in regular session on April 14, 2010, at 9:00 a.m. at the District's main office located at 1036 W. Main Street, Grass Valley, California.

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Board Secretary

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

Director  
Division I

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Division II

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Division III

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Division IV

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Division V

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