

SIERRA LAKES COUNTY WATER DISTRICT

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September 8, 2008

To: See Distribution

Re: Summary and Follow-Up for the Meeting with State Water Resources Control Board
Complaint Unit on September 2, 2008

At 11:00a.m. on the subject date the following personnel met in the Sierra Lakes Board room:

Laura Lavallee, of the State Board
Chuck Rich, of the State Board
Martin Bern, Sierra Lakes Director
Bill Quesnel, Sierra Lakes Operations Manager
Elizabeth Ewens, of Ellison, Schneider & Harris
Wade Freedle, Sierra Lakes Director

Al Le Bel's Complaint

The immediate subject of the meeting was the water rights complaint filed by Al Le Bel on May 16, 2008. The substance of Mr. Le Bel's complaint was that the District had failed to release waters flowing into the lakes during the period July 1st through September 30th in a timely manner. The language of Mr. Le Bel's complaint seemed to imply that releases should be on a simultaneous basis. Laura Lavallee's initial statement in this regard was that simultaneous releases were not required under the terms of our permit. Our limitation in terms of timing is a thirty day window for release of any inflows. We then reviewed our present practice and Ms. Lavallee indicated that it was sufficient to meet the terms of our permit. She requested a follow-up letter directed to her attention summarizing our system of measurement, calculation, and release of the subject waters for the summer of 2008 as soon as possible. She indicated that if Mr. Le Bel is satisfied with the process the complaint will be concluded and removed from the record.

Direct Diversion

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The State Board representatives indicated that we had a far more substantial problem with the concept known as direct diversion. To place this concept in perspective, there are two types of circumstances governing the withdrawal of water from a surface supply. The first is when a reservoir fills during a specified period and then remains completely static for the balance of the year. Extracting water from this type of reservoir is defined as a storage permit. When there is a creek, river, lakes, or any other type of water body that is experiencing flow, then the concept of extracting water from that source is known as direct diversion. Both of these concepts can be contained in the same permit. And in fact they should have been contained in our original application for water supply filed in 1964. However, the concept of direct diversion was not included in our permit and consequently anytime we pump water from the lakes when there is flow in or out of the lakes constitutes a direct diversion and we are then operating outside of the limits of our permit.

Since we are required by our system configuration to pump water everyday we are violating the terms of our permit whenever there is any flow in or out of the lakes. The remedy for this situation is to amend our permit to allow year round direct diversion. The State staff indicated this could probably be achieved with a minimum of administrative effort and in a relatively short time frame.

However, between June 14 and August 31 the American River is fully appropriated and consequently no further water can be taken by anyone including Sierra Lakes. There is an out. PCWA releases unappropriated water from their middle fork dams to generate electricity. If we can buy the rights to enough water in those releases to cover our diversions between June 14 and August 31 we would be within all of the terms of our revised permit (revised to allow year round direct diversion).

We agreed with the State staff that their proposal was our best option in regard to securing our water supply rights and developed an action plan to achieve same as soon as possible.

Follow-Up Action Item List

1. Laura Lavallee is to prepare a summary letter of the discussions and decisions in the meeting and distribute to all participants.
2. Bill Quesnel will schedule and execute the water from the dam release protocol to test the hydrological connection between the lakes and the North Fork of the American River.
3. Wade Freedle will contact Andy Fecko of PCWA to discuss the purchase of water release rights between June 14 and August 31.

Summary

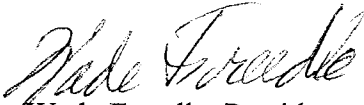
All in all it was a very successful meeting. Laura and Chuck could not have been more helpful and informative. They stressed that their objective was a workable solution with a minimum of time and administrative effort. They complimented us on the meeting agenda and background material brochure that we had prepare and stated that with the

SWRCB Meeting of 9/2/08

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exception of direct diversion we were operating within all of the parameters of our license.

Sincerely;



Wade Freedle, President
Board of Directors

WF:ds

Distribution List:

Martin Bern, Sierra Lakes Director
Bill Quesnel, Sierra Lakes Operations Manager
Elizabeth Ewens, of Ellison, Schneider & Harris
Wade Freedle, Sierra Lakes Director

Cc: Board of Directors