

**MINUTES of the REGULAR MEETING of the BOARD of DIRECTORS of
SOUTH FEATHER WATER & POWER AGENCY**

Tuesday, January 24, 2006, 2:00 PM,
Agency Conference Room, 2310 Oro-Quincy Hwy. Oroville, California

DIRECTORS PRESENT: Jean Brown; Lou Cecchi; Jim Edwards; Dee Hunter; Vivian Meyer.

DIRECTORS ABSENT: None.

STAFF PRESENT: Michael Glaze, General Manager/Secretary;
Jennifer Jellison, Finance Division Manager;
Kathy Petersen, Power Division Manager;
Matt Colwell, Water Division Manager;
Art Martinez, Information Systems Manager;
Jeff Meith, Legal Counsel.

OTHERS PRESENT: Maurice Martinez; Richard Mullins (resident of YCWD).

CALL TO ORDER

President Cecchi called the meeting to order at 2:00 p.m. and led the Pledge of Allegiance.

APPROVAL OF MINUTES

M/S/C (Hunter/Brown) approving the Minutes of the Regular Meeting of December 27, 2005 as presented.

APPROVAL OF WARRANTS

M/S/C (Hunter/Edwards) approving: the total Water Division expenditures for the month of December 2005 in the amount of \$769,832.54 - Warrants #20594 through #20641; and, the total Power Division expenditures for the month of December 2005 in the amount of \$816,455.43 - Warrants #61947 through #61972.

PUBLIC PARTICIPATION – None.

FINANCE DIVISION MANAGER'S REPORT

The Board reviewed a written report by Jennifer Jellison, Finance Division Manager, including a 2005 Summary Financial Report for both the Water and Power Division, together with a consumption report on each of the Agency's water distribution systems. Director Meyer stated that the name of "Building Expansion/Reservoir Acquisition" reserve fund was confusing because its funds were being used only for the building expansion. It was agreed that, although the Board previously designated the funds to be used for either the building expansion or reservoir acquisition, the name of the fund on Ms. Jellison's summary financial report should be shortened to "Building Expansion".

South Fork Relicensing Consulting Services

The Board was provided the Monthly Activity Report from Devine, Tarbell and Associates, Inc. (DTA) for the period of November 28 through December 31, 2006.

Relicensing Expense Report for Yuba County Water District (YCWD)

The 2005 Fourth Quarter Relicensing Report for YCWD, detailing all project expenses during that period, will be completed prior to January 31, 2006 as required in the May 2005 YCWD/SFWPA Agreement.

Patty Douglass Retires

The Board was advised that Administrative Assistant Patty Douglass tendered her notice of retirement earlier in the month, with her last day of employment being January 20, 2006. She began work for the Agency on September 6, 1994.

2005 Financial Audit

Steve Norman and Kerry Webber of Davis Hammon & Co. were on site to perform the 2005 preliminary audit work on December 15th and 16th. They prepared all general confirmations, updated internal control procedures, completed the disbursements test and completed the final fieldwork information and request schedule. Mr. Norman returned on January 3, 2006 to perform the inventory physical test counts with Warehouse Technician Dawn Cook. The final fieldwork is tentatively scheduled to begin on April 24, 2006.

Financial Analysis Update

Domestic and irrigation water sales revenue was down in 2005 (\$2,582,683) from the previous year (\$2,903,661).

POWER DIVISION MANAGER'S REPORT

The Board reviewed a written report by Power Division Manager Kathryn Petersen, including storage, generation and precipitation reports.

Operations

Ms. Petersen reported that, at 33.55 inches of rainfall, this was the third wettest December on record for the Forbestown gauge (behind 1996 and 1955). Storms have continued to move through the area fairly regularly, and Little Grass Valley and the upper elevations of the watershed are finally getting snow. Little Grass Valley is continuing to be drafted at a rate of 300 cfs in order to make room for future runoff. The Slate Creek Diversion intake gates are closed and all flows are being released to the North Fork Yuba River since Sly Creek Reservoir does not need the Slate Creek inflow.

New Year's Eve Storm

The powerful storm that moved through California on December 30-31 brought 11 inches of rainfall within 48 hours. All of the reservoirs except Sly Creek and Miners Ranch spilled, with a peak of 7,762 cfs of spill at Ponderosa at noon on the 31st. Woodleaf and Forbestown powerhouses both tripped off-line with causes related to high flows and debris. Forbestown was returned to service January 1 and Woodleaf went back on line January 3. There were also a number of slides along the facility access roads, and several members of the Power Division crew worked the holiday weekend to reopen the roads and return the powerhouses to service.

Maintenance Projects

Much of the crews' time this past month has been spent dealing with weather-related repair projects and facility maintenance. Water Division crews have been assisting with reconstructing sections of road along the Miners Ranch Canal.

Outages

The crew is also preparing for the six-week outage that will be starting February 6. They will be pulling the wicket gates at Forbestown Powerhouse and sending them out for re-machining, and will be adjusting the shift ring that controls the turbine. They will also be completing the annual maintenance outages at Sly Creek and Woodleaf powerhouses at the same time. Two maintenance employees from Yuba County Water Agency will be assisting with the work at Forbestown Powerhouse.

Woodleaf Slope Improvement Project

Despite the wet weather, work has continued to progress quickly at Woodleaf Powerhouse. Director Jim Edwards again assisted (as a PG&E employee) when it came time to de-energize the 12 kV line that crosses the powerhouse yard, in anticipation of bringing in a crane from which the upper rock bolts will be installed.

General Information

Sly Creek Campground Management

After reviewing the performance of our campground management service during the past couple of years, Ms. Petersen and Mr. Glaze decided that it was time again to seek competitive bids for management of the Sly Creek recreation facilities. Four companies were identified (including Northwest Park Management) that provide campground management services in northern California. These will receive a request for bids to be distributed within the next week. After review of the bids received, a recommendation will be brought back for Board consideration.

WATER DIVISION MANAGER'S REPORT

The Board reviewed a written report by Matt Colwell, Water Division Manager.

Operations

Mr. Colwell reported that, in addition to routine system maintenance, office-expansion construction, service installations and leak repairs, Water Division staff assisted the Power Division at Woodleaf Powerhouse and Miners Ranch Canal.

New fire hydrants and a 12" water service – including a 10" backflow and a 4" meter – was installed at the new 85-room Feather Falls Casino Hotel.

The recent New Year's storm event forced Miners Ranch Treatment Plant personnel to operate the plant on a 24-hour basis in anticipation of the high turbidity in MR Canal and reservoir. Throughout the storm all treated water standards were met. Irrigation and distribution crews responded to frequent callouts for high water throughout the district. There were multiple downed trees and canal bank repairs.

On December 27th a leak-repair crew was dispatched to assist YCWD in fixing an emergency repair of an 8" mainline in Brownsville.

Radio-Read Meter Installations

Mr. Colwell advised that, unless directed otherwise by the Board, he was going to begin including a radio-read meter (AMR) in all new service installations. A new meter installation with manual-read register presently costs \$85, with AMRs costing \$240 each. Using AMRs exclusively for new services will facilitate the Agency's migration to a more efficient method of meter reading. The anticipated benefits include fewer errors from transposing meter readings, maintaining the current meter reader work force as new services increase, and increased safety and health benefits resulting from fewer injuries to meter readers.

No objections were expressed by the Board.

New Services and Leaks

In the month of December 2005, seven new meters and backflow devices were installed. Three service line leaks (no mainline leaks) were repaired.

Solar Plant Production

The December 2005 MRTP energy demand exceeded the solar plant production by 24,000 KWH.

Water Plant Production

MRTP production (system demand) for December 2005 is below average for the recent five-year period. The 2005 cumulative production is 90% of average. Bacteriological requirements were met for the Miners Ranch Treatment Plant and Bangor Treatment Plant.

GENERAL MANAGER'S REPORT

The Board reviewed a written report by Michael Glaze, General Manager.

CEQA Processing – Petitions for Extension of Water Rights Permits

A notice to proceed has been issued to Jones & Stokes, environmental-review consultants for the first phase of CEQA processing needed to secure approval by the State Water Resources Control Board (SWRCB) of the Agency's petitions for extension of water rights permits.

The first phase is extremely important because it will involve working with SWRCB staff to develop a consensus regarding the potential environmental effects of the "project". This early consultation will help to ensure that the consultants' work does not include unnecessary elements to fully document the potential effects of extending the time periods for the subject water rights permits. Mr. Glaze stated that one of the primary reasons he recommended Jones & Stokes for the project was the firm's familiarity with SWRCB staff and their procedures/policies.

The estimated cost for this first phase of work is \$18,104, to be split equally with Yuba County Water District, per agreement.

Development Trends

The agreement recently approved between the County, Thermalito Irrigation District, Lake Oroville Public Utility District, SFWPA and LAFCo, together with the arrival of new County Development Services Director Tim Snelling, are resulting in a positive approach to assisting and processing development in the Oroville area. For the first time in many years the County, LAFCo and the water and sewer districts are working cooperatively to ensure that developers understand what will be required for them to get their projects processed and approved in a timely manner, as well as cooperation for satisfying CEQA requirements in a coordinated and cost effective manner.

Mr. Glaze reported that he attended a meeting earlier this month with Mr. Snelling and County development-processing staff, LAFCo, LOAPUD and three developers of projects proposed for the Kelly Ridge area. If these projects are built, they would add more than 700 rooftops to that area, and a major sewer trunk line would be constructed from the Stringtown Mountain project down through the Old Olive Highway and Mt. Ida Road area, providing opportunity for many other properties to also develop.

This section of our community is obviously a future-growth area and this collaborative process will hopefully result in a comprehensive approach to resolving traffic, air quality, drainage, and sewer and water issues. Mr. Glaze stated that South Feather Water and Power Agency is well prepared to meet the challenge of servicing this significant growth potential within its service area.

Meeting Schedule for 2006

The Board was advised that its regular meeting date next November falls on the 28th, the week after Thanksgiving, and the one in December is the 26th, the day after Christmas. Directors agreed that they would like the proposal to change the December meeting date placed on the next month's agenda.

NCWA Annual Meeting

The Board was advised that the annual meeting of the Northern California Water Association will be held on Thursday, February 18th, 2:00 p.m. at the Bonanza Inn in Yuba City. NCWA Executive Director David Guy announced recently that "this year's annual meeting will be a celebration of agriculture and fish and wildlife in the Sacramento Valley and will feature dynamic presentations by renowned author and historian Dr. Kevin Starr and California Department of Fish and Game Director Ryan Broddrick."

OEDCo Annual Dinner

The Board was advised that the Oroville Economic Development Corporation's annual dinner will be held Thursday, February 23, 7:00 p.m. at the Southside Community Center. The theme for this year's event is the "Oroville Centennial", and will again include the "State of the City" address by Mayor Gordon Andoe.

Ethics Training

AB 1234 specifies that directors of special districts governing boards must complete two hours of ethics training by January 2007, and every two years thereafter. The Board will continue to be apprised of the time and location of available training sessions so directors can fulfill this obligation prior to the deadline.

Relicensing Update

Mr. Glaze and the relicensing consultants have begun the process of meeting with various relicensing workgroups to review the organization of the reports, specifically the sections on the findings of material facts and proposed resource-management measures.

The Botanical/Wildlife Workgroup met for the first time on January 11. Participants in the meeting with Mr. Glaze included Kathy Brown (USFWS), Gabriel Gorbet (Greenville Rancheria), Beth Lawson (SWRCB), Jim Lynch (DTA), MaryLisa Lynch, Lori Powers (CDFG), Patsy Seek (Konkow Valley Band on Maidu), Forrest Sullivan (PG&E), Mike Taylor and Cindy Roberts (USFS), and Scott Wilcox (Stillwater Sciences).

The participants of this workgroup said they did not have any major concerns or suggested modifications to the reports, though some workgroup members wanted to review the reports some more. Those still reviewing the report are expected to be providing detailed comments shortly.

Major decisions/action items resulting from the meeting were:

- 1) Licensee will address technical comments provided by workgroup members in the next version of the reports, which will be contained in the draft license application (DLA) scheduled to be issued in July 2006.
- 2) If workgroup members have any suggested "major" changes to the the proposed botanical and wildlife resource-management measures, they will be providing them to Jim Lynch by January 31. The workgroup will meet again on February 15 with the goal of finalizing the report to the best of its ability.

The Non-Flow Related Recreation/Land Use/Aesthetics/Air Quality Workgroup met for the second time on January 12. Participating with Mr. Glaze were Shayna Carney, Trisha Christofferson, Mike Taylor, Deb Schoenberg (USFS), and Matt Paquette and Jim Lynch (DTA).

At an earlier meeting on December 21 the workgroup reviewed the technical content of the Report on Recreational Resources, and agreed this did not need to be repeated. Workgroup members said they did not have any major concerns regarding the reports on land use, aesthetics and air reports, but would review them some more.

DIRECTORS' REPORTS

Director Edwards complimented staff on the work at Woodleaf Powerhouse to repair the damage from the rock slide last year.

Committee Appointments

President Cecchi announced the following committee appointments:

Standing Committees

Budget and Finance –	Directors Cecchi (chair) and Edwards;
Community Relations –	Directors Hunter (chair) and Brown;
Personnel –	Directors Brown (chair) and Meyer;
Claims –	Directors Meyer (chair) and Hunter;
Hydro –	Directors Edwards (chair) and Edwards;
Policy –	Directors Meyer (chair) and Brown

Ad Hoc Committees

Deferred Compensation Finance –	Treasurer Jennifer Jellison (chair), Director Jean Brown, General Manager Michael Glaze, Power Division Manager Kathy Petersen, Electrical Machinist Norm Williams and Maintenance Foreman Rick McCullough;
Forbestown Ditch Planning –	Directors Brown (chair) and Edwards;
Energy Marketing –	Directors Meyer (chair) and Brown.

LOT LINE ADJUSTMENT – LAKE WYANDOTTE PROPERTY

At the Board's meeting on June 19, 2003, a letter from Robert Taylor was reviewed wherein he proposed purchasing the sliver of the Agency's Lake Wyandotte parcel lying on the opposite side of Hurleton Road from the lake. It was the Board's consensus then that the piece of the Agency's parcel desired by Mr. Taylor along the frontage of a parcel he already owned (APN 072-250-003) served no useful purpose for the Agency, and Mr. Glaze was directed to advise Mr. Taylor that his offer of \$1,000 plus all costs to affect the necessary lot-line adjustment was acceptable. Adding the piece to Mr. Taylor's parcel would allow that parcel to have frontage along the Hurleton Road public right of way.

A check was received recently from Mr. Taylor in the amount of \$1,200 and a letter explaining that, due to the amount of time that had elapsed since his initial offer, he was increasing the amount he was willing to pay and advising that his engineers would soon be forwarding documents for Agency execution to affect the transfer.

M/S/C (Hunter/Edwards) adopting Resolution No. 06-1-1 declaring as surplus and not needed for Agency purposes that portion of the Agency's parcel lying on the northwest side of Hurleton Road adjacent to the southeasterly boundary of APN 075-250-003, and authorizing the President and Secretary to execute the necessary instruments of conveyance to Robert M. Taylor in exchange for his payment of \$1,200..

Ayes – Directors Brown, Edwards, Hunter and Meyer.

Noes – none.
Abstained – Director Cecchi.

ADJOURNMENT

The meeting was adjourned at 2:49 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President