

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

**Tuesday, May 23, 2006, 2:00 PM,
Agency Board 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 Slinkard, Finance Division Manager;
Kathy Petersen, Power Division Manager;
Matt Colwell, Water Division Manager;
Jeff Meith, Legal Counsel.

OTHERS PRESENT: Maurice Martinez.

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 April 25, 2006 as presented.

APPROVAL OF WARRANTS

M/S/C (Brown/Edwards) approving: the total Water Division expenditures for the month of April 2006 in the amount of \$498,513.27 - Warrants #20812 through #20875; and, the total Power Division expenditures for the month of April 2006 in the amount of \$534,098.25 - Warrants #62270 through #62302.

PUBLIC PARTICIPATION – None.

FINANCE DIVISION MANAGER'S REPORT

The Board reviewed a written report from Jennifer Slinkard, Finance Division Manager, including a 2006 Summary Financial Report for both the Water and Power divisions, together with a consumption report on each of the Agency's water distribution systems.

South Feather Relicensing Consulting Services

Devine, Tarbell and Associates, Inc. (DTA), consultant for the South Feather Project relicensing submitted its Monthly Activity Report for the period of March 1, 2006 through March 31, 2006 in the amount of \$124,692.55. The March invoice is included in the May warrants and will be paid on May 23, 2006.

Springbrook Upgrade

During the week of April 24th through 28th the Springbrook software system was successfully upgraded to the latest version available on all modules. During this upgrade the Inventory Control (IC) system was integrated with the General Ledger (G/L). This will significantly reduce duplicate entry of data related to inventory and will also eliminate the variance that always exists between the IC system and the G/L system. This integration drastically decreases the possibility of accidentally not charging customers for inventory used on jobs.

Additionally, the purchase-order module in Springbrook has also now been implemented. This allows the initial information entered onto the purchase order to flow directly through to accounts payable, inventory control, and to the general ledger. Using the purchase-order module not only reduces the duplication of effort previously noted, but also eliminates the need for multiple paper copies that the old system used to rely on.

2005 Financial Audit

Davis Hammon & Co. was on site April 25th through May 4th to perform the fieldwork portion of the 2005 Audit. They completed all fieldwork and are now working on the draft Financial Statements. The Financial Statements are scheduled for completion by the end of June.

Tailwater Depression (Woodleaf Powerhouse) Revenue

Mrs. Slinkard informed the Board that the TWD system produced \$291,000 in revenue for the month of April, bringing the total TWD revenue through April to \$793,000.

WATER DIVISION MANAGER'S REPORT

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

Operations

Mr. Colwell reported that Water Division staff was engaged in routine system maintenance, office-expansion construction, service installations, leak repairs, and assistance to the Power Division during the month of March.

Water Division staff also assisted the Power Division in completing Miners Ranch Canal Station 5 sediment-trap and outlet-works repairs. The repairs consisted of backfilling the erosion with "tunnel muck", placing wire mesh and shotcrete topping.

In the Bangor area, excessive creek flows washed out a section of the Miller Hill Ditch. Repairs included importing "tunnel muck", reshaping the ditch, and shotcrete topping.

Under the supervision of Jim Coffelt, the Bangor tank was drained, cleaned and inspected. The tank and coating appears to be in good condition. Seven locations where minor corrosion occurred were cleaned and recoated. This tank maintenance program performed by Agency staff has eliminated the need for contract divers at a greater expense.

Water Treatment Operations

Water Plant Production –

The MRTP production (system demand) for April was 56% of average for the recent 5-year period. The cumulative annual production is 74% of average for this date. Although April production appears to be the lowest since plant startup, current efforts to assure measurement accuracy may result in some adjustments to the historical data.

Bacteriological requirements were met for the Miners Ranch Treatment Plant, Bangor Treatment Plant, and Sly Creek campground.

Solar Plant Production –

Solar-energy production exceeded the plant demand by 4,500 kwh in April. SPG Solar notified MRTP operators that monitoring indicated a potential problem with the solar plant. Investigation revealed that a faulty power inverter was reducing the power production. The manufacturer repaired the Zantrex inverter under warranty and the problem appears to be solved.

POWER DIVISION MANAGER'S REPORT

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

Operations

Little Grass Valley is drafting around 580 cfs, and about 300 cfs is being allowed to flow through Slate Creek Tunnel. Attempts are being made to regulate Sly Creek to minimize spill there and at Lost Creek. Forbestown Diversion and Ponderosa are still spilling, and closing of the spill gates at Ponderosa has been delayed until PG&E stops running the powerhouses 24 hours per day. In the meantime, the tailwater-depression system continues to operate and generate revenue at Woodleaf Powerhouse.

Lost Creek Whitewater Boating Flow Study –

On April 29 operations at Lost Creek were set up to provide flows of 150 cfs downstream of the dam for the final whitewater boating flow study of the relicensing project. The group of boaters who attempted the first descent made it down the stream safely in about nine hours, but felt the run would have little attraction for any but the most extreme boaters due to the difficulty and number of portages required.

Maintenance Projects

Road Work –

The winter storms left project roads in poor condition, and Agency crews have been busy clearing slides and grading the roads for summer travel. They also opened the roads to Lost Creek, Slate Creek and South Fork Diversion, removing the last of the snowdrifts. The road to Little Grass Valley Dam has also been opened by Plumas County.

Bat Exclusion Work –

One of the issues identified during the relicensing studies was the use of some of the South Feather Power Project's facilities by bats for roosting. While the bats roosting under the intake structures behind the grizzlies create no problems, keeping them out of the attics and roof areas of the facilities is desirable. Therefore, Sierra Bat Exclusion of Sonora was engaged to remove bats from structures at Sly Creek (campground pump house), Lost Creek (intake structure), Woodleaf penstock (SF-14 valve house and penstock valve house), Forbestown Diversion (intake structure), and Ponderosa (intake structure and Station 7 electrical control building). The Department of Fish and Game was notified of the work, which was completed at facilities that had been identified as maternity colonies before the critical season began (May 15).

Woodleaf Powerhouse Slope Stabilization Project –

On May 15, 13 months after the hillside above Woodleaf Powerhouse slid down, the project to stabilize the slope was completed. Neil's Controlled Blasting installed 98 soil nails and 84 rock bolts, and covered 7,685 square feet of the slope with shotcrete. They have billed us for about \$1,193,400 for the job, and we have not yet seen the final PG&E bills.

Drains installed at various levels of the slope produced up to 300 gpm during the wettest periods this past winter, and are still producing about 40 gpm. A measuring weir was installed in the drainage channel to provide the means to continue monitoring drain performance.

GENERAL MANAGER'S REPORT

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

Power Marketing

As directed by the Hydro Committee subsequent to its conference call last month with consultants Michael and Sandra McDonald, an invitation was extended to PG&E to submit a detailed proposal for a new post-2010 power-purchase contract. While at the ACWA conference last week in Monterey, Mr. Glaze met with PG&E representatives Kevin Goishi, Frank Derosa, and David Landes. They are the new-contract negotiating team PG&E has assembled in response to said invitation. The purpose of the meeting was to discuss initial concepts and answer their questions so they can begin the process of developing a proposal. A first draft may be ready for the Hydro Committee's review in July or August.

Water Marketing

Representatives from Santa Clara Valley Irrigation District (\$181 million annual operations budget and \$207 million annual capital budget) met with Mr. Colwell and Mr. Glaze on Friday, May 19 to explore the possibility of SCVID purchasing "conserved" water from SFWPA. The Board conceptually approved the conserved water marketing program several years ago wherein "pre-1914" (designation for a senior water right) water conserved from sealing ditches could be sold on a long-term basis. The program also involves the concept that a portion of the purchase price of the conserved water would be the up-front capital needed to fund the ditch-sealing projects.

CEQA Processing – Water Rights Permit Extension

This is a project being done in cooperation with Yuba County Water District to satisfy the requirement of the State Water Resources Control Board. The Agency's consultant, Jones & Stokes, has completed the draft initial study/mitigated negative declaration for the proposed permit extensions, and the 30-day public review/comment period ended on Monday, May 22.

A special meeting will be held on Tuesday, May 30 (2:00 p.m.) for the Board to review written comments that were received and to conduct a public hearing for any additional verbal comments. Once all comments have been received and evaluated, the Board will consider adopting the mitigated negative declaration.

Office Addition/Remodel

Now that American Technologies has finished removing all asbestos-containing material from the old upstairs office, Agency personnel have returned to complete the final phase of the construction/remodel project. The new trusses have been installed, with roofing and interior rehabilitation the next phase.

Annual Facilities Tour

The annual facilities tour is scheduled for Wednesday, June 28. The itinerary will include the Palermo Canal outlet at Oroville Dam, Miners Ranch Treatment Plant, Sly Creek Reservoir and Campground, and Woodleaf Powerhouse.

Surplus Water Agreements

In addition to the applications for surplus water that have been received from and approved for Pacific Coast Producers (from the Palermo Canal) and Young Life (from the Forbestown Ditch) already this year, a surplus-water agreement for Moline Goff (from the Bangor Canal system) was completed during the past month. These are all long-term surplus-water customers and the agreements are carbon copies of previous years. These agreements have been approved in conformance with Policy #480.

Environmental & Safety Manager Recruitment

The application period for the vacant ESM position ended on April 24 with 25 applications being received. Subsequently, the top 11 candidates were invited to respond to a writing project. They each received the following directions:

Your assignment is to describe how you integrate theory and reality in complying with regulations. Consider a hypothetical hazardous waste abatement situation wherein 95% compliance can be achieved at a cost of \$10,000. However, because of conflicting regulations, 100% compliance will cost the Agency \$150,000. What is your approach to dealing with situations like this? What experience have you had with a similar situation? As the Agency's ESM, how will you deal with conflicts between your loyalty to the Agency and your desire to comply with regulatory law? What professional and ethical issues will a situation like this force you to consider?

Ten of the 11 applicants responded, and after evaluating their essays on the basis of responsiveness, critical thinking skills, writing style, spelling, grammar, and presentation, seven were selected to be given personal interviews by the Management Team on May 24th and 25th.

The new ESM is expected to be employed around the middle of June.

Water Rates Compared

Thermalito Irrigation District is considering increasing its water rates. The tables below compare SFWPA's rates with TID's current and proposed new rates.

Monthly Service Charge

<i>Meter Size</i>	<i>SFWPA</i>	<i>TID</i>	
		<i>Current</i>	<i>Proposed</i>
<i>5/8"</i>	\$15.00	\$17.60	\$22.47
<i>1"</i>	\$21.00	\$20.02	\$25.56
<i>1½"</i>	\$31.00	\$25.52	\$29.09
<i>2"</i>	\$35.50	\$31.68	\$36.12
<i>3"</i>	\$65.00	\$71.50	\$81.51
<i>4"</i>	\$87.50	\$93.50	\$106.59
<i>6"</i>	\$120.00	\$165.00	\$188.10

Rates Of Use

<i>Units Consumed</i>	<i>SFWPA</i>	<i>TID</i>	
		<i>Current</i>	<i>Proposed</i>
First 100	\$0.64/unit	\$0.46/unit	\$0.52/unit
After 100	\$0.25/unit	\$0.46/unit	\$0.52/unit

(one unit is 100 cubic feet, or 748 gallons)

Multi-Family Residential Unit Service Charge

<i>SFWPA</i>	<i>TID</i>	
	<i>Current</i>	<i>Proposed</i>
\$7.90/unit	\$14.00/unit	\$15.96/unit

System Capacity Charges (New Meter Installation Rates)

<i>Meter Size</i>	<i>SFWPA</i>	<i>TID</i>	
		<i>Current</i>	<i>Proposed</i>
5/8"	\$3,358	\$5,680 - \$6,160	\$8,680 - \$9,160
1"	\$8,391	\$7,159 - \$7,639	\$11,559 - \$12,039
1½"	\$16,784	\$9,929 - \$10,408	\$16,587 - \$17,066
2"	\$26,857	\$18,828 - \$19,308	\$34,038 - \$34,518
3"	\$53,703	\$30,598 - \$31,077	\$54,662 - \$55,141
4"	\$83,913	\$44,878 - \$45,357	\$81,726 - \$82,205
6"	\$167,828	\$73,438 - \$73,917	\$135,955 - \$136,434

DIRECTORS' REPORTS

Director Brown reported on her recent attendance at the Association of California Water Agencies' Conference. Director Meyer reported on her recent attendance at the California Special District Association's Governance Academy session on the "Board's Role in Finance and Fiscal Accountability."

CHING MAINLINE EXTENSION

The Board reviewed a Conveyance Agreement that had been executed by Brian and Julie Ching, owners of property on Limelight Way. To provide the necessary fire flow and hydrant that the County is requiring as a condition of approval for a two-parcel subdivision of APN 068-040-075, Drs. Ching must extend an 8" water main from Beverly Drive across their property to its frontage on Limelight Way. Part A, Section 4.A of the Agency's Rules & Regulations specifies the following:

After completion of plans and specifications...and prior to commencement of construction, the developer shall enter into a Conveyance Agreement with the Agency, approved by the Board of Directors, describing the conditions upon which the Agency will accept the developer's completed water system improvements.

Water Division Manager Matt Colwell has approved the construction drawings for the referenced project, and the Conveyance Agreement describes the conditions upon which the Agency will accept the project's water system into its maintained system.

The property owners have satisfied all conditions contained in the Conveyance Agreement that preclude commencement of construction, except for approval of the Agreement by the Board.

M/S/C (Brown/Hunter) approving of the Conveyance Agreement with Brian and Julie Ching, specifying the terms and conditions, together with those contained in the Agency's Rules and Regulations Governing Water Service, whereby the Agency is willing to accept upon completion of the mainline extension across APN 068-040-075, if is constructed in accordance with the approved plans and specifications thereof, and in a manner meeting the Agency's approval.

COMMERCIAL WAY ANNEXATION #1-06 – Lee Kender

The Board reviewed an initial study, a Notice of Preparation of Negative Declaration, and a draft LAFCo Application form prepared by Mr. Glaze for annexation of a 1.01-acre parcel owned by Lee Kender on Commercial Way, south of its intersection with Ophir Road.

President Cecchi opened a public hearing on the initial study of potential environmental impacts and the recommendation by staff for a negative declaration. There were no public comments and the hearing was closed.

M/S/C (Edwards/Hunter) on the basis of the initial study of environmental impact, the information presented at the hearing today, comments received on the proposal and our own knowledge and independent research, and given that there is no substantial evidence in light of the whole record that the proposed annexation may have a significant environmental effect, adopting the Negative Declaration, finding that the proposed annexation could not have a significant effect on the environment.

M/S/C (Meyer/Brown) adopting Resolution 06-5-1, approving annexation of APN 078-090-005, and making application for annexation to LAFCo.

ADJOURNMENT

The meeting was adjourned at 3:25 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President