

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

**Tuesday, June 27, 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.

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

**OTHERS PRESENT:** Maurice Martinez; Steve Norman, Davis Hammon & Company.

**CALL TO ORDER**

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

**INDEPENDENT AUDITOR'S ANNUAL REPORT**

Steve Norman of Davis Hammon and Company presented his firm's Financial Statements and Independent Auditor's Report for the year ended December 31, 2005. Mr. Norman stated that the audit resulted in an "unqualified" opinion that the Agency's accounting and reporting practices are in conformance with accounting principles generally accepted in the United States, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

After Mr. Norman's presentation and report, Mr. Glaze provided the Board with a "mini-assessment" of the Agency's financial health. His report answered questions contained in the handout Director Meyer distributed at the Board's previous meeting. The handout was entitled, "How does the Board Judge the Financial Health of the District?", and contained a list of "red flags" that implied the existence of financial problems in a district where the statements are true. It was from a seminar Director Meyer had recently attended entitled, "Board's Role in Finance and Fiscal Accountability." Mr. Glaze compared each red-flag indicator to factual data about SFWPA's finances and policies.

M/S/C (Edwards/Hunter) accepting the 2005 Independent Auditor's Report and Financial Statements for the Year Ended December 31, 2005, prepared by Davis Hammon and Company.

**APPROVAL OF MINUTES**

M/S/C (Brown/Meyer) approving the Minutes of the Regular Meeting on May 23, 2006 and of the Special Meeting on May 30, 2006 as presented.

**APPROVAL OF WARRANTS**

M/S/C (Brown/Edwards) approving: the total Water Division expenditures for the month of May 2006 in the amount of \$468,987.96 - Warrants #20876 through #20924; and, the total Power Division expenditures for the month of May 2006 in the amount of \$618,114.69 - Warrants #62362 through #62413.

**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 27, 2006 through April 30, 2006 in the amount of \$68,476.64.

#### Woodleaf Generation Enhancement

The tailwater depression (TWD) system at the Woodleaf Powerhouse was responsible for an additional 7,722,855 KWH in April and 2,890,617 in May. This resulted in the Agency earning \$291,151.63 and \$84,536.09, respectively, for those two months.

#### Sly Creek Recreation Area

Northwest Park Management (NPM) submitted its Monthly Activity Report for the period of May 1, 2006 through May 31, 2006. The total campground fees collected in May were \$5,247.00 and NPM's charge was \$7,129.24.

#### Surplus Equipment

After advertising three pieces of surplus equipment in the Oroville Mercury Register, a 1994 GMC Sierra with a failed transmission was sold for \$410, a 1992 Ford Ranger with a failed transmission went for \$300, and a Lincoln Mod 250 Wirematic Welder sold for \$300. The two trucks and the welder were all paid for and picked up in early June.

#### ACWA/JPIA Workers' Compensation Program

The ACWA/JPIA's Workers' Compensation Program will renew on July 1, 2006. The JPIA's Executive Committee approved a 10% reduction in the rates to be charged for each of the payroll classifications. The Agency will see the decreased rates on its September 30<sup>th</sup>, 2006 bill.

#### ACWA/JPIA 2006 Dental Plan Renewal

ACWA/JPIA announced that the contract with Delta Dental of California has been renewed for another year, effective July 1, 2006. The Delta Premier/DPO Plan and the Delta PMI plan will both renew at in-force rates. All benefits remain the same as currently in force with a slight enhancement to the sealant policy. The Agency's current monthly premium is \$4,487.00.

#### ACWA/JPIA 2006 Disability Plan Renewal

The ACWA Disability Plan will renew for one year, effective July 1, 2006, with a reduction to current rates. The Short Term Disability rates will decrease by 10% and the Long Term Disability rates will decrease by 15%. Currently, these benefits are offered through the Standard Insurance Company.

### **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 has been accomplishing water distribution system maintenance and betterment projects including new office construction, service installations, leak repairs, assisting Power Division, and irrigation and domestic distribution system betterments.

Under the supervision of Jim Coffelt, staff successfully upgraded the treatment-plant flow controllers from the 25-years-old analog technology to a modern, more accurate and useful digital signal. Plant flow and chlorine is now set through the programmable-logic controller. These technical enhancements have continued to significantly improve operations and control of the water treatment process.

The Agency sub-contracted with Devin Tarbell & Associates (DTA, SFWPA's relicensing consultant) for Assistant Engineer Chris Crown to utilize her GIS/GPS experience in assisting DTA and PG&E on mapping power-transmission lines in the Stanislaus River Watershed.

#### Water Treatment Operations

##### Water Plant Production –

The MRTP production (system demand) for May was 93% of average for the recent 5-year period. The cumulative annual production is 84% of average for this date.

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

##### Solar Plant Production –

May's MRTP energy consumption exceed solar energy production by 16,200 kwh.

## **POWER DIVISION MANAGER'S REPORT**

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

### Operations

Annual precipitation total through June 20 was 97.17 inches.

Flashboards were installed at Lost Creek Dam on June 19. Consultants will be conducting an underwater scan of the upstream face of the dam on June 27-28.

### Maintenance Projects

#### Dam and Road Work –

Crews have been clearing vegetation from the dams in preparation for the FERC inspection. They have also been working to get the roads in shape for the summer, and Gary Daley from the Water Division has been assisting Joe Gibson with the road grading work. The Forest Service has some repair projects on Ponderosa Way that they would like the Agency to do for them, and for which they will reimburse. There is also quite a bit of work to do on the road to South Fork Diversion in order to bring the road up to the Forest Service standard for handling runoff from rain and snowmelt. Power Division's grader broke down last winter while plowing snow, so a rental grader is being used for the summer work.

#### South Fork Diversion Dam –

North State Diving is assisting a Power Division crew in making repairs to the hydraulic lines that serve the 60" gate valve at South Fork Diversion Dam. This work was started a year ago, but high flows prevented its resumption until this week.

### General Information

#### Campgrounds –

By mid-June all of the recreation facilities at Little Grass Valley were opened except for those on the peninsula. The Forest Supervisor issued a closure notice for Wyandotte Campground due to the bald eagles choosing a nesting site there; and the Tooms boat launch, RV campground area, and Peninsula Tent Campground also remain closed.

#### FERC Inspection –

The annual Operations Inspection was conducted June 19-22, and included inspection of all South Feather Power Project dams and powerhouses by FERC engineer Milada Pajaczkowski. No significant problems have been noted to date.

## **LEGAL COUNSEL'S REPORT**

Jeff Meith updated the Board on the status of the water rights time-extension petition. All conditions imposed by the State Water Resources Control Board have been completed: extension request filing; filing and acceptance of the conservation plan; approval of the agreement with Yuba County Water District; assignment of permits 11516 and 11518 to Yuba County Water District; and, conclusion of CEQA processing on the permit extension request.

## **GENERAL MANAGER'S REPORT**

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

### Environmental & Safety Manager Recruitment

The management team interviewed seven applicants on May 24 and 25. Although there were many very qualified candidates, it was the unanimous recommendation that Scott Alcantara be offered the position. Subsequently, Mr. Alcantara accepted the position and will begin work on July 5.

Mr. Alcantara was previously employed as a Compliance Specialist for Calpine Corporation-Sutter Energy Projects in Yuba City, and prior to that for Citizens Utilities (now Cal-American Water) in Santa Rosa. In addition to having experience in both water treatment/distribution and power generation, he is also a state-certified D3 water distribution operator and a T3 water treatment operator. Although all of the interviewed candidates were well qualified in the fields of

environmental and safety regulatory compliance, only Mr. Alcantara had a background in water and power.

#### Relicensing

The Board was provided a project status report from DTA's Jim Lynch through the end of May.

#### Power Marketing

Although there have been no meetings with PG&E representatives since the ACWA conference in May, they have been investigating financing opportunities for the dam-crest/spillway modifications that will be needed to accommodate the latest PMF (probable-maximum flood) statistics. PG&E is required to fund those FERC-required improvements under the terms of the current power-purchase agreement and they are evaluating financing opportunities that would be enhanced if they continued to purchase Agency power after the end of that agreement in 2010.

#### Surplus Water Agreements

Applications for surplus water have been received from and approved earlier this year for the following:

Pacific Coast Producers (from the Palermo Canal);  
Young Life (from the Forbestown Ditch); and,  
Moline Goff (from the Bangor Canal system).

During the past month a surplus-water agreement for Bob Hammett was completed for 2,700 miners inches from the Bangor Canal. 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.

#### Special Districts Candidate Filing Period

The County Registrar of Voters (Candace Grubbs) has published the calendar of events for the November 7, 2006 consolidated general election, with July 17 through August 11 being the filing period for special districts candidates. During this window of time, Declarations of Candidacy, along with the Candidate's Statement of Qualifications, may be obtained from and filed with the County Elections Office at 25 County Center Drive.

#### Annual Facilities Tour

The Board was provided a copy of the itinerary for the tour on Wednesday, June 28. Invitations were sent to 72 people, and 30 to 35 are expected to attend.

### **DIRECTORS' REPORTS**

Director Brown advised that she will miss the Board meeting in August.

### **CONTRACT FOR 2007 PART 12D INSPECTIONS AND PFMA ANALYSES REPORTS**

The Board was advised by Ms. Petersen that the Federal Energy Regulatory Commission requires all licensees to hire an independent consultant every five years to conduct an evaluation of the safety of any dams that are classified as high hazard potential dams, or which store more than 2,000 acre-feet. This is known as the Part 12 Dam Safety Inspection, and Agency facilities are due for inspection again in 2007. In 2002 FERC also added a requirement that a Potential Failure Modes Analysis (PFMA) be done for these dams. The PFMA sessions for Sly Creek and Lost Creek dams were conducted in 2002; and now the analysis is due for Little Grass Valley, Ponderosa, and Miners Ranch dams.

Ms. Petersen recommend that the work be performed by Richard Harlan, a civil and geotechnical engineer with several decades of experience with the South Feather Power Project. His proposal, reviewed by the Board, contained an estimated budget of \$158,000, which Ms. Petersen included in the Agency's 2007 budget request to PG&E.

M/S/C (Brown/Hunter) approving the contract with Richard Harlan to conduct the 2007 Part 12 Dam Safety Inspections and Potential Failure Modes Analyses and to prepare the reports for submittal to the Federal Energy Regulatory Commission..

### **CONSOLIDATION WITH STATEWIDE GENERAL ELECTION**

Mr. Glaze informed the Board that, as required in the past, the Agency must submit to the Butte

County Elections Department a resolution requesting the County consolidate the Agency's election with the Statewide General Election (November 7, 2006). This same request has been made for the general elections since 1994.

M/S/C (Edwards/Meyer) adopting Resolution 06-6-1, "Calling for a General District Election and Request for Consolidation."

#### **AMENDMENT OF RULES & REGULATIONS – BACKFLOW MAINTENANCE CHARGES**

Mr. Glaze advised that the Agency's Rules and Regulations Governing Water Service specifies a monthly "backflow maintenance charge" for sizes ¾ through 6-inch devices, as follows: ¾" - \$4.72; 1" - \$7.07; 1½" - \$9.46; 2" - \$10.63; 3" - \$23.63; 4" - \$28.34; and, 6" - \$41.35.

Subsequent to adoption of these values, services have been installed needing both 8" and 10" backflow prevention devices. Therefore, a monthly maintenance charge for these larger devices needs to be approved by the Board. Staff recommended \$50 and \$58, respectively, for 8" and 10" devices, maintaining the trend differential for the existing sizes.

M/S/C (Brown/Hunter) amending the Backflow Maintenance Charge schedule in Part D of the Rules and Regulations to include a monthly charge of \$50.00 for 8" devices, and \$58.00 for 10" devices.

#### **CONVEYANCE AGREEMENT – WESTELLE ESTATES**

The Board reviewed a standard Conveyance Agreement that had been executed by JNK Corporation, developers of Westelle Estates, a residential subdivision at the end of Westelle Drive, east of Brookdale Drive.

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 affirmed that he had approved the construction drawings for the project. Mr. Glaze stated that the Conveyance Agreement describes the conditions upon which the Agency will accept the project's water system into its maintained system, and that the developer has satisfied all conditions necessary for the Board to consider approving the Agreement.

M/S/C (Brown/Hunter) approving the Conveyance Agreement with JNK Corporation, specifying the terms and conditions, together with those contained in the Agency's Rules and Regulations Governing Water Service, whereby the Agency will accept, upon completion of the water distribution facilities within Westelle Estates subdivision, if it is constructed in accordance with the approved plans and specifications thereof, and in a manner meeting the Agency's approval.

#### **ACCEPTANCE OF FACILITIES – ISHI HILLS MIDDLE SCHOOL**

Mr. Glaze advised that the Oroville City Elementary School District (OESCD) has completed construction of the water system for its Ishi Hills Middle School on the east side of Foothill Boulevard, north of its intersection with Olive Highway. In conformance with the Agency's Rules and Regulations, Part A, Section 4E, they have offered to convey and transfer the water distribution facilities to the Agency (a copy of the offer was reviewed by the Board). They are providing a one-year maintenance bond in the amount of \$19,200 (25% of \$76,800 water-system construction cost), as required by the Rules and Regulations.

M/S/C (Brown/Hunter) adopting Resolution 06-6-3, accepting the water distribution facilities installed by Oroville City Elementary School District for the Ishi Hills Middle School into the Agency's maintained system..

#### **REIMBURSEMENT AGREEMENT – ISHI HILLS MIDDLE SCHOOL MAINLINE INTERCONNECTION**

Mr. Glaze advised that the Oroville City Elementary School District (OESCD) was required to fund an interconnection of Agency water mains to facilitate adequate fire-flow for the new school site on Foothill Boulevard. The project – constructed by SFWPA forces – connected an existing main at the school frontage to one at the intersection of Foothill Boulevard and Hildale Avenue. The total project cost was \$98,204.

Part A, Section 3c of the Agency's Rules and Regulations authorizes reimbursement agreements for property owners who extend water mains that have the potential of benefiting other property owners.

“When a parcel owner...extends [a] main, other parcels that front on the extended main will be eligible to take service therefrom. When other such parcels have the opportunity to take service from such an extended main, it is reasonable that the parcel owner...that extended the main be reimbursed a portion of their cost within a [maximum of ten years].

Five undeveloped parcels have frontage along Foothill Boulevard and the new mainline interconnection. The Board reviewed a proposed reimbursement agreement which provided a detail of the potential development of each of those parcels, as estimated on the basis of the number of equivalent residential units that could be built on them, given their size, zoning, and general plan designation. Using the total development potential of all five of those parcels together with the school property as 100%, the future apportionment of the interconnection's cost for reimbursement purposes would be as follows:

Assessor's Parcel Number (APN)	Potential Equivalent Residential Units	Proportionate Benefit	Proportionate Cost
013-290-024	22	9.2%	\$9,040
013-290-026	100	41.8%	\$41,089
013-290-027	86	36.0%	\$35,337
013-300-083	3	1.3%	\$1,233
068-230-040	25	10.5%	\$10,272
068-280-011	3	1.3%	\$1,233

(APN 013-290-024 is the Ishi Hills Middle School property.)

The board of education for OCESD has reviewed and approved the proposed reimbursement agreement, and it conforms to Agency policy and is in a form that has been approved by legal counsel.

M/S/C (Brown/Edwards) adopting Resolution 06-6-2, approving a reimbursement agreement with Oroville City Elementary School District for the Ishi Hills Middle School mainline interconnection project.

**ADJOURNMENT**

The meeting was adjourned at 3:43 p.m.

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Michael C. Glaze, Secretary

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Louis F. Cecchi, President