

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

**Tuesday, July 25, 2006, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California**

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

STAFF PRESENT: Kathy Petersen, Power Division Manager;
Jennifer Slinkard, Finance Division Manager;
Art Martinez, Manager of Information Systems;
Scott Alcantara, Environmental and Safety Manager;
Jeffrey A. Meith, Legal Counsel.

STAFF ABSENT: Michael Glaze, General Manager;
Matt Colwell, Water Division Manager.

OTHERS PRESENT: Dan Hunter; Maurice Martinez.

CALL TO ORDER

President Cecchi called the meeting to order at 2:p.m.

APPROVAL OF MINUTES

M/S/C (Hunter/Meyer) approving the Minutes of the Regular Meeting on June 27, 2006 and of the Special Meeting on July 11, 2006, as presented.

APPROVAL OF WARRANTS

M/S/C (Hunter/Edwards) approving: the total Water Division expenditures for the month of June 2006 in the amount of \$544,145.45 - Warrants #20925 through #20985; and, the total Power Division expenditures for the month of June 2006 in the amount of \$657,306.62 - Warrants #62442 through #62492.

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 Power Project relicensing, submitted its Monthly Activity Report for the period of May 1, 2006 through May 28, 2006 in the amount of \$47,091.50.

Sly Creek Recreation Area

Northwest Park Management (NPM) submitted its Monthly Activity Report for the period of June 1, 2006 through June 30, 2006. The total campground fees collected in May were \$11,565 and NPM's charge was \$7,129.

Surplus Water Revenue

Water Division Revenue from PG&E for Surplus Water has begun to pick up for 2006. Receipts were \$9,799.76 for April, and \$17,562.96 for May. The 2006 year-to-date revenue from this source is \$28,054.02.

Relicensing Report for YCWD

The Second Quarter 2006 Relicensing Report for Yuba County Water District (YCWD) is presently being developed. As specified in the May 2005 YCWD/SFWPA Agreement, that report will be submitted by July 31, 2006. This quarterly report will include a detailed list of all project expenses incurred between April 1 and June 30, 2006. All SFWPA directors will continue to receive a copy of the reports that are submitted to YCWD.

WATER DIVISION MANAGER'S REPORT

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

Distribution Operations

Mr. Colwell reported that Water Division staff has been accomplishing distribution-system maintenance and betterment projects including new office construction, service installations, leak repairs, assisting Power Division, and irrigation and domestic distribution system betterments.

The pipeline crew is currently working on a capital improvement project along Old Olive Highway, that includes the extension of 800 lf of 12" water line in the road right-of-way and abandoning a section of old steel line that runs cross-country and very close to (practically under) a residence. The improvement will eliminate any potential damage to the residence resulting from a failed water line, as well as better preparing the system in that area for future expansion.

Water Treatment Operations

Water Plant Production –

The MRTP production (system demand) for June was close to the average for the recent 5-year period. The cumulative annual production is 90% of average for this date. The maximum single-day demand was 11.1 mgd, being 76% of its rated capacity.

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

POWER DIVISION MANAGER'S REPORT

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

Operations

Once the hot weather began, generation at Woodleaf and Forbestown powerhouses was reduced in order to avoid overheating the Woodleaf transformer. Ms. Petersen is encouraging PG&E to consider funding the replacement of the transformer in 2007

Maintenance Projects

Lost Creek Dam Road –

John Davis and the crew have been expending considerable effort to improve the road to Lost Creek Dam. This culminated in an effort at placing new gravel on the road on July 12, which included a few truck drivers from the Water Division who hauled material from the top of Woodleaf penstock to Lost Creek Dam.

Woodleaf Slide –

PG&E representatives met with Ms. Petersen and Neil's Controlled Blasting (NCB) on July 10 in order to sort out NCB's request for additional compensation for the Woodleaf Slide Repair project. NCB contended that unexpected geologic conditions substantially slowed down their rock bolt drilling and grouting production rate, and requested a payment adjustment in the amount of \$172,288.42. After the records were reviewed it was concluded that justification was not present for the full amount of NCB's requested adjustment. However, it was agreed that an additional \$92,555.20 in compensation should be paid.

General Information

Lost Creek Dam Upstream Sonar/GPS Survey –

On June 29, consultants from DMJM+HARRIS facilitated a survey of the upstream face of Lost Creek Dam using a sonar device mounted below a boat. They are trying to develop as accurate a three-dimensional picture of the dam as possible, in order to determine the thickness of the various sections of the dam as they complete the engineering for replacing the crest structure. The work at Lost Creek started around 7 in the evening and continued to about 10:30. They started again at 6:00 the next morning. The odd hours were necessary in order to have the maximum possible number of satellites in the visible sky for GPS accuracy.

Little Grass Valley Proposed Downstream Trail –

One of the issues that the Forest Service has brought up during relicensing is its desire for the Agency (Licensee) to construct a trail downstream of Little Grass Valley Dam to provide access for whitewater kayakers and fishermen. On July 5, Ms. Petersen and Chris Crown met with

Forest Service representatives to map out the proposed trail alignment. This would be a primitive trail over very steep and rugged terrain.

GENERAL MANAGER'S REPORT

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

Environmental & Safety Manager Recruitment

Scott Alcantara came on board July 5 as the Agency's new Environmental and Safety Manager. Mr. Alcantara was introduced to and welcomed by directors. He talked about his first several weeks on the job, which included a surprise visit from CalOSHA. The OSHA was specifically interested in the process safety management plan at Miners Ranch Treatment Plant. But he also did a site tour and found no violations. Mr. Alcantara advised that he is working on on-going Water and Power Division projects, and finding that the Agency's safety program is in good shape.

Power Marketing

Jeff Meith and Mr. Glaze met with PG&E representatives on July 11 to discuss preliminary concepts about what a future power-purchase agreement might look like between the two organizations. The Agency's current agreement with PG&E runs through the middle of 2010, so efforts are beginning well in advance of the end of the present contract to explore whether the Agency should continue wholesaling its power to PG&E.

At the end of the four-hour meeting, the consensus opinion was that there are a sufficient number of mutual benefits that would likely be attendant in a future power-purchase agreement to warrant continuing negotiations. It was agreed that over the next month or two PG&E will develop a pricing proposal for Agency consideration. Once that is available for review, it will be easier to assess PG&E's commitment to a competitive and mutually profitable power-marketing partnership after 2010.

Special Districts Candidate Filing Period

Mr. Glaze advised directors that the last day for special districts candidates to file Declarations of Candidacy and their Statement of Qualifications with the Butte County Elections Department (is August 11).

Annual Facilities Tour

Mr. Glaze reported that, based on the reaction of the guests he visited with during the recent facilities tour, the tour went well and was well received. However, he asked directors for their input about ways to make the tour better in the future. Directors expressed their unanimous agreement that the tour was a success and worth doing in the future.

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 with no protests or opposition. But two weeks ago, SWRCB staff sent a letter requiring a report from the Agency justifying the requested 51,000 AF diversion for consumptive purposes.

Mr. Meith also discussed the recent meeting with PG&E representatives to discuss the potential for a future power-purchase agreement. He agreed that the meeting was positive and productive, but that the discussion involved general concepts – no details.

DIRECTORS' REPORTS

Directors Brown, Cecchi, and Hunter all reported that they had filed to run for re-election in November.

PONDEROSA WAY ASPHALT GRINDING AND ROAD WORK

Ms. Petersen reported that, at a recent annual coordination meeting, the Forest Service agreed that it was acceptable to remove the asphalt pavement on the upper section of Ponderosa Way, between the intersection with Lower Forbestown Road and where Ponderosa Way drops over the

canyon wall. This section has been patched innumerable times over the years, and there does not seem to be any reason for it to continue to remain paved.

Western Stabilization is one of the few companies in northern California that can grind the asphalt into reusable road material that can then be laid back down and graded into the surface. The company has given the Agency a bid of \$9,800 to do the work, which is expected to take one day.

A copy of the Agency's standard-form contract for the proposed work was reviewed by directors.

M/S/C (Meyer/Hunter) approving the contract with Western Stabilization for asphalt grinding, grading, and rolling work on Ponderosa Way.

Director Brown informed the Board that she believed this section of Ponderosa Way was paved to keep dust down during a dedication of the Penny Pines tree plantation which was attended by Nancy Reagan, wife of then-governor Ronald Reagan.

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."

DELINQUENT ACCOUNTS ADDED TO 2006-2007 TAXES

M/S/C (Edwards/Hunter) adopting Resolution 06-7-1, authorizing 26 accounts, for a total of \$5,121.26 plus fees, be added to the 2006-2007 Butte County tax roll.

ADJOURNMENT

The meeting was adjourned at 2:59 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President