

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

Tuesday, August 22, 2006, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

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

DIRECTORS ABSENT: Jean Brown.

STAFF PRESENT: Kathy Petersen, Power Division Manager;
Matt Colwell, Water Division Manager;
Jennifer Slinkard, Finance Division Manager;
Art Martinez, Manager of Information Systems;
Jeffrey A. Meith, Legal Counsel;
Michael Glaze, General Manager.

OTHERS PRESENT: Hank Bailey.

CALL TO ORDER

President Cecchi called the meeting to order at 2:p.m. and led the pledge of allegiance.

APPROVAL OF MINUTES

M/S/C (Hunter/Edwards) approving the Minutes of the Regular Meeting on July 25, 2006, as presented.

APPROVAL OF WARRANTS

M/S/C (Hunter/Edwards) approving: the total Water Division expenditures for the month of July 2006 in the amount of \$518,045.53 - Warrants #20986 through #21032; and, the total Power Division expenditures for the month of July 2006 in the amount of \$294,227.75 - Warrants #62531 through #62573.

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 29, 2006 through June 25, 2006 in the amount of \$46,076.87.

Sly Creek Recreation Area

Northwest Park Management (NPM) submitted its Monthly Activity Report for the period of July 1, 2006 through July 31, 2006. The total campground fees collected in July were \$9,099 and NPM's charge was \$7,129.

Water Rights Extension Petitions

Jones and Stokes Associates, consultant for the CEQA portion of the Water Rights Extension Petitions, submitted all invoices for work performed on this project though the end of July. The total amount incurred on this project was \$44,331.00. Copies of all invoices and a summary of total expenditures were sent to both YCWD and PG&E, along with a request for reimbursement from both.

Per the May 2005 agreement between SFWPA and YCWD, YCWD is responsible for one-half of all costs incurred for preparation of this document. Therefore, YCWD is responsible for \$22,165.50 of the expenses.

Last November a letter was sent requesting that PG&E pay 88% of the total costs incurred for this project. On August 11, 2006, PG&E was sent a bill for \$39,011.28. Mrs. Slinkard informed directors that she had just received confirmation from PG&E that it would pay its 88% share.

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.

Mr. Colwell provided directors with a copy of an e-mail from customers Ralph and Betty Beasley (6406 Jack Hill Drive) who complimented employees Scott Dehoff, Tyler Fuller, and Chuck Olsgard for their prompt response to an emergency call and the professional manner in which they made the necessary repairs.

Water Treatment Operations

Water Plant Production –

The extended hot period experienced in July caused a significant increase in demand at MRTP. The treated-water production for July was at 108% of normal for the preceding 5-year period. The cumulative annual production for this date is still below average at 94%. The maximum single-day demand was 11.3 MGD, compared to a plant capacity of 14.5 MGD. This is fairly representative of the current peak value operations where MRTP is pushed to 78% of its rated plant capacity.

Staff is presently experiencing some difficulty measuring and reporting the chlorine residual of the filter backwash water discharged into the reservoir. This discharge is monitored and reported to the Central Valley Regional Water Quality Control Board on a monthly basis as part of the National Pollutant Discharge Elimination System (NPDES) Permit. The June 18th reading of the measured chlorine was 0.08 mg/l and the plant's discharge requirement limit is 0.02 mg/l. This reading was questioned by the CVRWQCB. Subsequent discussions revealed that the CVRWQCB is mandated by legislation to impose a penalty of \$3000 for the non-compliant discharge ("Mandatory Maximum Penalty").

Mr. Colwell expressed confidence that the problem is associated with a combination of interrelated issues ranging from a weak dechlorinating reagent to analytical methods and background metals interfering with measurements. Readings are being obtained from instrumentation that cannot be expected to be that accurate. Until the actual cause is determined, staff is manually dechlorinating and discharging backwash water into the reservoir to ensure that compliance is met.

Solar Plant Production –

July MRTP energy consumption exceeded solar energy production by 105,900 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

Ponderosa Dam spill gate testing –

On August 10 conditions were replicated to produce a harmonic condition that John Davis and the FERC inspector noticed on June 20 when the reservoir was spilling over the top of the gates by a few inches. At that initial observation, it was noted that the north gate appeared to be bowing and vibrating in a cyclic manner, and that this continued for about half an hour until the water reached a certain elevation over the top of the gate. To guard against potential structural damage, the south gate was lifted by six inches so that spill would flow under the gates until a structural engineer could evaluate the condition.

The Division of Safety of Dams sent two engineers to observe the test on August 10, one of them having considerable expertise in structural vibration evaluations. As the reservoir elevation rose, harmonic cycles in both gates reappeared, with the wave motion and duration varying at the different reservoir elevations. The preliminary recommendation of the engineers is that attempts be made to modify the top of the spill gates somewhat to force flows to miss the downstream gate

girder, and that all welds be inspected for signs of fatigue.

Maintenance Projects

South Fork Diversion Dam –

Henry Reeson and a team from North State Diving recently replaced the hydraulic lines to the 60-inch sluice gate at South Fork Diversion Dam. This gate had been inoperable for about a year when the old lines broke. Henry had installed all of the new piping that he could above the water surface last fall, but had to wait until the flows in the river dropped enough for divers to work safely to complete the job. He and Norm Williams are now working on repairs and hydraulic line replacement at Slate Creek Diversion Dam.

Miners Ranch Canal –

Jerry Littleton has been constructing new work platforms along Miners Ranch Canal. He is replacing the old wooden platforms with steel, so they should last much longer and require less maintenance in the future.

Road Work –

Joe Gibson and Gary Daley have continued their road repair projects. This past month they worked on the road to South Fork Diversion, repairing much of last winter's damage. They replaced culverts on the roads to the Sucker Run gauging station and to the Lost Creek downstream gauge.

General Information

Staff recently celebrated Jola Battershell's 25-year anniversary in the Power Division.

LEGAL COUNSEL'S REPORT

The Board reviewed a letter from the Minasian Law Firm regarding a recent California Supreme Court decision ("Bighorn-Desert View Water Agency v. Virjil") affirming that a public agency's water rates and charges for ongoing water deliveries are "property-related" fees and charges and, therefore, are subject to Proposition 218. Jeff Meith answered directors' questions regarding the impacts of this decision on SFWPA.

GENERAL MANAGER'S REPORT

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

Assistant Engineer Recruitment

Mr. Glaze informed directors that Chris Crown Lewis has tendered her resignation, effective September 20. The following excerpt from her resignation letter explains her decision.

As you know, I have been recently married and plan to relocate to Auburn. To stay at SFWPA would require three hours of commuting each day which is not feasible in the long term. Once in Auburn, I will be opening a GIS consulting practice and taking the opportunity to pursue additional geospatial-oriented education and training objectives relevant to water, hydroelectric and public health/humanitarian applications.

He stated that replacing Chris will be difficult, due in large part to her single-handed effort of transforming the Agency's GIS system into a functional tool that has saved thousands of dollars in relicensing expense for work that would otherwise had to have been done by consultants. More importantly, he added, Chris is just simply a great person who is loved by all her fellow employees. She will be missed very much after she leaves.

Efforts will begin before the week is over to advertise the availability of her position and to begin the process of recruiting her replacement.

November Election

The filing period has ended for candidates for the board seats up for election in November. All three incumbents – Jean Brown, Lou Cecchi, and Dee Hunter – filed to run for re-election. Dee Hunter's seat was uncontested and she will return to the Board for another four years. Dennis Moreland filed as a candidate for Division 3 to run against Jean Brown, and Robert Warka filed as a candidate for Division 5 to run against Lou Cecchi.

Beginning with this agenda through the regular meeting in October, the two new candidates will receive the same information directors receive (absent any closed-session information) so they can be informed of the ongoing business and activities of the Agency.

Papua New Guinea Hydro

Mr. Glaze overviewed his recent two-week trip to Kudjip, Papua New Guinea, during which he had the opportunity to visit a 75 kW hydro plant providing power to the hospital mission at which he and his wife were working.

DIRECTORS' REPORTS – None.

2005 URBAN WATER MANAGEMENT PLAN

To fulfill the requirements of the California Urban Water Management Planning Act every urban water supplier that services more than 3,000 customers or supplies more than 3,000 acre-feet annually must adopt an Urban Water Management Plan and review and update the plan at least once every five years. This long-range planning document focuses on current and projected water supplies, reasonable and practical beneficial uses, conservation, and demand management measures. The Plan is developed in accordance with California Water Code, Division 6, Part 2.6 (Urban Water Management Planning). The Board reviewed the draft 2005 update of SFWPA's Urban Water Management Plan (UWMP).

Mr. Colwell discussed the plan and answered directors' questions.

President Cecchi opened a public hearing to receive comments on the plan at 2:44 p.m. No one from the audience spoke, and the public hearing was closed.

M/S/C (Meyer/Hunter) adopting Resolution 06-8-1 and the 2005 Urban Water Management Plan, and authorizing and directing the General Manager to file the plan with the California Department of Water Resources within ten days .

ACCEPTANCE OF EASEMENTS - CHING

Mr. Glaze reminded the Board that it had approved a Conveyance Agreement with Brian and Julie Ching at the regular meeting in May for an 8" mainline they extended from Beverly Drive, across their property to its frontage on Limelight Way. The new water main, that has now been satisfactorily completed, was required by the County to provide the necessary fire flow and hydrant for a two-parcel subdivision developed by the Chings. Now that the project is finished, easements for the new mainline have been conveyed to the Agency and need acceptance by the Board.

M/S/C (Hunter/Edwards) adopting Resolution 06-8-2, accepting an easement from Brian and Julie Ching across their property identified as APN 068-040-075, and adopting Resolution 06-8-3, accepting an easement from Robert and Phyllis Ching across their property identified as APN 068-040-076.

AMENDMENT OF INVESTMENT POLICY

The Board reviewed a draft amendment of Policy #470, "Investments", prepared by attorney Jeff Meith to bring the Agency's investment policy into conformance with changes in State law made in 2004. The proposed amendments were summarized as follows:

1. The narrative of the policy, with changes as necessary, will be reviewed and reauthorized annually by the Board;
2. The Board will annually reauthorize the Treasurer to make investments of Agency funds in accordance with the policy;
3. The Treasurer, as Depositor, makes quarterly reports on the status of funds;
4. The Treasurer, as the delegated Investment Officer, makes monthly reports on investment transactions (i.e., sale of securities, purchase of new investments, etc.) occurring in the preceding month.
5. The Treasurer, as custodian of funds, agendizes and makes an annual presentation on the investment policy, and recommended changes thereto.

M/S/C (Edwards/Hunter) approving the proposed amendments to Policy #470 to clarify reporting requirements and to conform the policy with changes in the law.

DETACHMENT FROM AGENCY FOR LOT-LINE ADJUSTMENT

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 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. Adding the piece to Mr. Taylor's parcel would allow that parcel to have frontage along the Hurleton Road public right of way.

At the Board's meeting last January, a resolution (06-1-1) was adopted declaring the sliver of land adjacent to Hurleton Road as surplus and that it was not needed for Agency purposes, and authorizing that the parcel be sold to Mr. Taylor.

Subsequently, Mr. Taylor learned that he could not complete his lot-line adjustment to add the parcel to his property because it had a different tax-area code. His only solution was to go through a LAFCo application process to detach the parcel from the Agency's jurisdiction so that it matches his larger parcel. Such an application requires the Agency to initiate the application to LAFCo.

M/S/C (Hunter/Edwards) approving the application to LAFCo to detach from the Agency that parcel lying on the northwest side of Hurleton Road adjacent to the southeasterly boundary of APN 075-250-003, and declaring this action to be categorically exempt under CEQA.

APPLICATION FOR RIGHT OF WAY – MOORETOWN RANCHERIA

The Mooretown Rancheria has built a second subdivision and is getting ready to begin construction of homes on the new lots. Before the water system that has been built in the subdivision can be placed in service, easements have to be conveyed by the Rancheria to the Agency. The tribe must go through the Bureau of Indian Affairs (BIA) to have the easements conveyed, a process that is very bureaucratic and time-consuming.

Part of the process involves SFWPA submitting an Application for Right-of-Way to the BIA. Although it has been at least a year since the project began, the tribe has only now asked to submit the application.

A copy of the application in its present form was reviewed by Directors. Mr. Glaze advised the Board that, although Jeff Meith has reviewed and approved the application, it may still need some minor adjustments before being executed.

M/S/C (Edwards/Hunter) authorizing the General Manager to execute the Application for Right of Way to the U.S. Department of Interior, Bureau of Indian Affairs, when he and legal counsel are satisfied with its form.

ADJOURNMENT

The meeting was adjourned at 2:58 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President