

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

Tuesday, September 26, 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;  
Matt Colwell, Water Division Manager;  
Jennifer Slinkard, Finance Division Manager;  
Scott Alcantara, Environmental and Safety Manager;  
Jeffrey A. Meith, Legal Counsel;  
Michael Glaze, General Manager.

OTHERS PRESENT: Hank Bailey; Robert Warka and Dennis Moreland, Division 2 and 3  
Board candidates, respectively.

#### 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/Edwards) approving the Minutes of the Regular Meeting on August 22,  
2006, as presented.

#### APPROVAL OF WARRANTS

M/S/C (Hunter/Edwards) approving: the total Water Division expenditures for the month  
of August 2006 in the amount of \$386,654.22 - Warrants #21034 through  
#21084; and, the total Power Division expenditures for the month of July 2006 in  
the amount of \$711,335.64 - Warrants #62621 through #62673.

#### PUBLIC PARTICIPATION

Hank Bailey complimented the Board of Directors and Finance Division Manager Jennifer Slinkard  
on their fiscal prudence.

#### 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 June 26, 2006 through July 30,  
2006 in the amount of \$87,185.48.

##### Sly Creek Recreation Area

Northwest Park Management (NPM) submitted its Monthly Activity Report for the period of July  
30, 2006 through September 2, 2006. The total campground fees collected in August were  
\$5,724 and NPM's charge was \$7,129.

##### ACWA Loan

In 1997 the Agency entered into an agreement with the Association of California Water Agencies  
(ACWA), where SFWPA (then OWID) advanced money to ACWA to fund the purchase of an  
office building. That agreement expired this year and the amount remaining on deposit as of  
January 1, 2006 was \$36,125.00. The choice was given by ACWA to roll that amount into another  
program or have it refunded. Mrs. Slinkard requested a refund in July and received a check from  
ACWA in September.

##### JPIA Rate Reduction

The ACWA Joint Powers Insurance Authority (JPIA) has announced a 10.2% decrease in its rate for the Liability Program, effective with the October 1, 2006 renewal. According to the JPIA, a number of factors contributed to this reduction, the most significant of which was the recent actuarial analysis of the projected loss rate – a reduction from \$2.28 per \$100 of payroll down to \$2.01. The projected increase in the JPIA's interest earnings rate from 4.0 to 4.5 percent was also mentioned as a contributing factor.

#### Water Rights Extension Petitions

At last month's board meeting, it was reported that PG&E had agreed to pay for 88% of the CEQA processing costs on the water rights extension petitions. In September, Water Division received PG&E's \$39,011.28 check for reimbursement of those expenses.

### 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.

Distribution crews under Foreman John Franklin's supervision installed approximately 900 feet of 12" mainline along Old Olive Highway near the intersection with Mt. Ida Road. The improvements were necessary to relocate six residential services and abandon a section of old and leaking steel pipe once used to convey water originating from the Minnie Gray Reservoir.

Distribution crews under Foreman Rick McCullough's supervision have been working aggressively to gain access along at least one bank side of all irrigation facilities. Years of trees and brush growth and residential encroachment have severely limited the ability for ditch tenders and maintenance crews to perform herbicide applications, mechanical cleaning, and ditch repairs.

#### Water Treatment Operations

##### Water Plant Production –

The treated-water production for August was normal compared to the preceding 5-year period. The cumulative annual production for this date is still below average at 94%. The maximum single-day demand was 9.8 MGD, compared to a plant capacity of 14.5 MGD.

##### Solar Plant Production –

July MRTTP energy consumption exceeded solar energy production by 95,100 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

A release of 300 cfs from Little Grass Valley reservoir began on August 24 and will run through September 6. It will then be dropped to minimum for work upstream of South Fork Diversion until September 20. The flows will be ramped back up to 300 cfs after the 20<sup>th</sup> and will remain at that level through October, or until the winter carry-over storage level is reached.

#### Woodleaf Fire

A 25-acre forest fire began Sunday, September 10 on the south side of the South Fork Feather River near its confluence with Lost Creek (just upstream from Woodleaf Powerhouse), when an ultra-light aircraft crashed. Both occupants of the plane were killed. The Forest Service used helicopters to draw water from Sly Creek Reservoir to fight the fire, and dropped in hand crews to build fire breaks. There are no roads that go into that particular part of the forest. The fire was contained by late Wednesday, September 13.

#### Maintenance Projects

##### Little Grass Valley Recreation Area Repairs

When the annual Davis-Grunsky inspection was completed on August 23, it was noted that the pathways at Little Grass Valley's Pancake Day-Use Area were in need of repairs, as the asphalt

had broken and the ground surface was worn away. Joe Gibson and Gary Daley rebuilt the pathways using base rock in time for the Labor Day holiday. The area will not be paved now, as the entire area will be rehabilitated as part of the new license conditions to make the area more accessible for disabled visitors.

Joe and Gary also completed repairs to the Forest Service's water system for the Little Beaver campground area on September 15. The system had developed significant leaks in a couple of locations that caused their water storage tank to empty.

#### Annual Outages

The fall outage season is underway. The planned two-week annual outage on Woodleaf began September 11, but has to be extended an additional week due to additional welding repairs on the runner and work on the penstock air vents. Kelly Ridge Powerhouse and Miners Ranch Conduit will be shut down on October 2. A Water Division crew will once again assist with the canal outage. The annual maintenance at Sly Creek and Forbestown powerhouses was completed last spring.

#### Sly Creek Disconnect Failure

On September 14, Roving Operator Nick Brandt noticed that the A-phase line side disconnect switch for the 115 kV circuit breaker was arcing. He shut down the powerhouse, which had been motoring (providing spinning reserve) and John Davis requested PG&E's maintenance department to inspect the switch, since this equipment is the link to their transmission line. Part of the contact portion in the receiving part of the disconnect has burned and separated from the rest of the metal, and will require replacement. At this time it is not known how long it will be until PG&E can find the replacement parts and make repairs. As long as Woodleaf is shutdown, Sly Creek would not normally be generating anyway. If Woodleaf is returned to service before repairs are completed, water may be bypassed through Sly Creek to run the downstream powerhouses.

#### General Information

##### Ponderosa Way Asphalt Removal

Earlier in the month, the paved upper section of Ponderosa Way was pulverized and re-graded into a new smooth natural surface in less than eight hours by Western Stabilization.

#### ENVIRONMENTAL & SAFETY MANAGER'S REPORT

Scott Alcantara addressed the Board to provide follow-up information about an OSHA inspection he had discussed at last month's meeting. He said that OSHA had targeted utility companies' and agencies' process safety management plans throughout northern California. He said that the physical inspection resulted in no citations. However, five citations were issued subsequent to the inspection for document violations, amounting to \$1,500. Subsequently, Mr. Alcantara appealed the citations and, after presenting supporting data to OSHA officials, got the citation amount reduced to \$150. The matter is now closed.

#### LEGAL COUNSEL'S REPORT

Jeff Meith reported that all of the State Water Resources Control Board's conditions have been met that were imposed on the Agency's petition for extension of time on its water rights permits.

A recent Third District Court of Appeals decision in a water rights case involving El Dorado Irrigation District and the State Water Resources Control Board reaffirmed the "first in time, first in right" concept, giving more strength to the position that older water rights are more senior.

#### GENERAL MANAGER'S REPORT

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

##### Assistant Engineer Recruitment

As had previously been reported, Chris Crown Lewis tendered her resignation last month, with September 20 being her last day.

In response to a 30-day ad that ran in the Oroville Mercury-Register and the Chico Enterprise, along with a one-time ad in ACWA's newsletter, three applications have been received, with two of those qualified to move on to the next phase of the recruiting process – interviews.

### Relicensing

As authorized by the Board at its July 11 special meeting, the Agency's relicensing consultant, DTA, distributed hardcopies of the Draft License Application (DLA) on July 27 to resource agencies and tribes, and made it available to other interested parties on the Agency's relicensing website. That distribution initiated a 90-day period during which resource agencies, tribes, and other interested parties may provide the Agency with written comments (October 25 is the deadline). Since then Mr. Glaze and consultants have continued to participate in the various workgroup meetings, attempting to resolve differences between the DLA's proposed resource-management measures and recommendations from the agencies and tribes.

### Office Remodel

Mr. Glaze estimated that the remodel of the old upstairs office area will be complete by early next month.

## **DIRECTORS' REPORTS**

Vivian Meyer referenced a letter from Maurice Martinez wherein he informed the Board that he would no longer be attending its meetings because of health constraints.

Dee Hunter reported on the CALAFCO Conference she attended recently in San Diego.

## **AMENDMENT OF RULES & REGULATIONS – RESIDENTIAL METER/BACKFLOW FEE**

Mr. Glaze reported that, presently, the Agency's Rules & Regulations specify a "Standard Meter-Set Fee" of \$85 and a "Radio-read Meter-Set Fee" of \$240. These apply whenever installation of a service is requested where an existing service line and cradle are ready to receive a meter, as in a new subdivision. He requesting that a single "Residential Meter/Backflow Fee" be established that covers all costs typically involved with a 5/8" residential meter/backflow installation, opining that this would save a significant amount of accounting effort presently being expended on job costing the backflow portion of these types of installations.

All new installations incorporate a radio-read meter and a backflow prevention device. Radio-read meter sets currently cost \$289, and the average cost to install a backflow device is \$615, including administrative costs associated with tracking and processing applications, for a total of \$904.

M/S/C (Edwards/Hunter) amending Part D of the Rules and Regulations to replace the Standard Meter-Set Fee and the Radio-read Meter-Set Fee with a Residential Meter/Backflow Fee of \$904 that will be charged whenever water service is requested for a parcel with an existing service line and meter set; that said fee will be payment in full for installation of a 5/8" residential radio-read meter and 3/4" backflow prevention device; and, that said fee be increased annually, commencing on January 1, 2008, in accordance with the Engineering News Record's National Construction Cost Index, subject to suspension on a year-by-year basis by the Board of Directors.

## **MOORETOWN RANCHERIA SUBDIVISION – ONE-YEAR MAINTENANCE SURETY**

Mr. Glaze advised the Board that last year the water system for a 50-lot residential subdivision was completed within the Mooretown Rancheria site adjacent to Lower Wyandotte Road. The Agency's Rules & Regulations and its Development Standards specify that, prior to acceptance of those facilities into the Agency's maintained system, the developer must provide a one-year maintenance surety equal to 25% of the construction cost of the project's water system. Earlier this month, Northern Circle Indian Housing Authority submitted its check in the amount of \$70,709 to be held by the Agency as that surety.

The Board reviewed an agreement executed by Northern Circle Indian Housing Authority (the project's "developer") authorizing SFWPA to hold the \$70,709 as the required surety. The Agency's attorney, Jeff Meith, as well as David Rapport, Northern Circle's attorney, had already approved the proposed agreement, and it is nearly a carbon copy of the one the Board approved in 2003 for the surety on the 16" mainline extension that was constructed by Mooretown Rancheria.

M/S/C (Hunter/Brown) authorizing the General Manager to execute the agreement with Northern Circle Indian Housing Authority whereby the one-year maintenance surety for the Mooretown Rancheria 50-unit subdivision (Project No. MR0450) would be satisfied by a retained deposit in the amount of \$70,709.

#### **EASEMENT ABANDONMENT – APN 028-340-013**

The Board reviewed a request from James and Dana Blanton for South Feather to abandon its interest in any easements affecting their property on Shady Oak Drive, off of Oro-Bangor Highway, near Bangor. Because the Agency maintains no facilities on the Blanton's property, Mr. Glaze recommended that the request be granted, stating that it would not impair the Agency's present or future operations.

M/S/C (Meyer/Edwards) adopting Resolution 06-9-1 to quitclaim all of the Agency's rights, title, and interest in easements and reservations across property owned by James and Dana Blanton (APN 028-340-013).

#### **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.

Earlier this month LAFCo advised that it would not process the application without a resolution from SFWPA's Board of Directors affirming its approval of the detachment.

M/S/C (Hunter/Edwards) adopting Resolution 06-9-2 making 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.

#### **END OF IRRIGATION SEASON**

Mr. Glaze reported that ditch-operations personnel have consulted with Yuba County Water District and with crop irrigators regarding their irrigation needs for the remainder of the season. Their resulting recommendation is that the season end on October 13.

Hank Bailey reaffirmed his objection to the end of the irrigation season, expressing the opinion that it should continue until wet weather arrives.

M/S/C (Brown/Edwards) approving the end of the 2006 irrigation season on October 13, 2006, and application of the monthly service charge of \$17.50 to all irrigation accounts whose service ends on that date.

#### **IMPLEMENTING SB 1087 – WATER SERVICE PRIORITY FOR AFFORDABLE HOUSING**

The Board reviewed a letter from legal counsel Michael Sexton. Mr. Sexton explained that SB 1087, codified in Government Code §65589.7, "imposes a requirement on water and sewer service providers to adopt written policies and procedures that grant priority to proposed development that includes housing affordable to lower income households." Mr. Sexton provided the Board with a draft resolution and policy that would satisfy the requirements of SB 1087.

M/S/C (Brown/Meyer) adopting Resolution 06-9-3, adopting General Policy No. 170, Providing Priority Service to Affordable Housing Projects.

#### POSITION NAME CHANGE – WATER RESOURCES ENGINEER

Mr. Glaze explained that he is presently recruiting a replacement for Chris Crown. Chris has been managing the Agency's global information system (GIS) for the last six years and is in the Assistant Engineer position within the Clerical and Support Employees Unit. That unit also has a Senior Engineer position (higher compensation range and professional training/experience requirements) that has not been occupied since 1998.

The strategy for replacing Chris has been to advertise the vacancy without emphasizing GIS singularly. Rather, the ads encourage applicants who are water resources engineers with GIS experience and skills. It is the hope that someone will be found who can both manage the GIS system as well as provide professional engineering assistance to both the Water and Power Division in the areas of water-system modeling, facilities planning and design, construction management, and environmental analysis and CEQA processing. The compensation range advertised included both that of the Assistant Engineer and the Senior Engineer position to permit placing the person hired in the position that best matches their qualifications.

While there is no need to change anything about the descriptions, responsibilities, or compensation ranges for the two positions, Mr. Glaze requested that the Senior Engineer position be renamed "Water Resources Engineer." He explained that the reason for this is two-fold: (1) Matt Colwell is the Water Division's senior engineer, and having a subordinate position named Senior Engineer is confusing; and, (2) Water Resources Engineer is now a more industry-accepted title for a professional engineer working for an agency like SFWPA or DWR.

He also advised the Board that SEIU Local 1292 representatives had been advised of the proposed name change and expressed no objections.

M/S/C (Edwards/Meyer) changing the title of the Senior Engineer position to Water Resources Engineer.

#### STRATEGIC FINANCIAL PLAN – WATER DIVISION – 2007-2012

The Board reviewed and discussed a report prepared by Mrs. Slinkard and Mr. Glaze that provided a financial forecast for 2007 through 2012, including consideration for debt-service compliance coverage, as well as increased power-sales revenue after the present power-purchase agreement with PG&E expires in 2010.

The report made the following recommendations:

- Fix domestic and irrigation water rates at their present value through 2010;
- Suspend the automatic annual escalator for monthly backflow maintenance charges;
- Reduce the domestic water rate to 30¢ per unit after 2010;
- Reduce the volumetric irrigation water rate to \$30 per acre-foot after 2010;
- Conform domestic and irrigation monthly service charges at \$15 after 2010;
- Eliminate the monthly backflow maintenance charge after 2010;
- Eliminate the oversized-meter charge discount for after-hours watering after 2010;
- Establish a net-revenue distribution policy after 2010, as proposed in the report.

The report recommended a net-revenue distribution policy that proposed the following allocations of year-end net revenues after 2010:

- 0.25% for a fire hydrant installation program;
- 1.5% for grants and/or low-interest loans to customers to retrofit old service lines;
- 2.5% for a backflow and radio-read meter retrofit program;
- 2.5% for a vehicle and equipment replacement program;
- 20.0% for treatment plant and storage enhancement and expansion;
- 10.0% for domestic distribution system rehabilitation;
- 32.5% for domestic distribution system expansion;
- 10.0% for irrigation system rehabilitation; and,
- 20.75% for an accumulating Water Division contingency reserve account.

Directors praised and expressed support for the proposals.

Whether to issue a press release to inform the public of the proposal was then discussed. Board candidate Robert Warka stated that he was pleased with the progress and improvements of the Agency over the years, and was concerned about its financial well-being because, as a retired employee, it provided him with his health insurance. But he expressed the opinion that the report's recommendations should not be publicized until after the election.

President Cecchi stated that he would abstain from any decision about a press release.

After further discussion, it was the Board's consensus that the General Manager issue a press release regarding the strategic financial plan's recommendations.

#### ADJOURNMENT

The meeting was adjourned at 4:06 p.m.

---

Michael C. Glaze, Secretary

---

Louis F. Cecchi, President