

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

Tuesday, January 23, 2007, 2:00 P.M.,  
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

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

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

**OTHERS PRESENT:** Jean Brown, director emerita; Hank Bailey; Robert Warka.

**CALL TO ORDER**

President Edwards called the meeting to order at 2:00 p.m. and led the pledge of allegiance.

**FERC RELICENSING UPDATE AND REVIEW OF DRAFT LICENSE APPLICATION**

Jim Lynch of Devine, Tarbell & Associates, lead relicensing consultant, and Scott Wilcox of Stillwater Sciences, lead environmental consultant, gave the board a status update on relicensing efforts to date, as well as procedural efforts that will occur after the application is filed. They also reviewed Exhibit D ("Economics and Financing") of the draft license application that has to be filed with FERC in March 2007. After the 90-minute presentation, directors indicated that there questions had been answered and that they were prepared to consider approving filing the application with FERC at the regular February meeting.

**APPROVAL OF MINUTES**

M/S/C (Hunter/Moreland) approving the Minutes of the Special Meeting on December 19, 2006, as presented.

**APPROVAL OF WARRANTS**

M/S/C (Cecchi/Moreland) approving: the total Water Division expenditures for the month of December 2006 in the amount of \$357,439.03 – Warrants #21462 through #21503; and, the total Power Division expenditures for the month of December 2006 in the amount of \$317,443.78 – Warrants #62956 through #62994.

**PUBLIC PARTICIPATION** – None.

**LEGAL COUNSEL'S REPORT**

Jeff Meith (Minasian, Meith, Soares, and Sexton) updated the board on a recent ruling affecting the State Water Resources Control Board's (SWRCB) imposition of annual fees. On January 17, 2007 the California Court of Appeal for the Third Appellate District issued its ruling in *California Farm Bureau Federation v. California State Water Resources Control Board*. While the ruling invalidated the SWRCB's rules regarding the method and amount of water right fee scheduling, it also found that the SWRCB could legally impose fees provided it followed the Court's guidelines on how to legally do so. The case temporarily settles the question as to whether SWRCB can legally charge annual fees on holders of water right permits and licenses. However, it leaves unsettled the amount SWRCB may lawfully charge. Although individuals and entities that paid water right fees over the last few years may be entitled to a refund as a result of the ruling, the amount that will be refunded is unknown.

**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 October 30, 2006 through November 26, 2006 in the amount of \$36,808.

### Sly Creek Power Generation

In January the Sly Creek annual generation for 2006 was calculated. The total Water Division Revenue earned from PG&E for Sly Creek power generation was \$369,149. The 2006 budget for revenue from this source was \$240,000.

### Property Tax Revenues

On January 4<sup>th</sup>, a check in the amount of \$225,978 was received from Butte County for the Agency's share of property tax revenues collected from July 1, 2006 through December 18, 2006. This brings the total 2006 property tax revenue to \$293,178, with the 2006 budget being \$225,000.

### 2006 Independent Audit

On January 10, 2007, Mrs. Slinkard met with Michelle Nelson from Mann, Urrutia, Nelson CPAs & Associates to discuss the 2006 Independent Audit. The preliminary audit work, which is primarily a review and test of internal accounting controls, is scheduled for February 6<sup>th</sup> and 7<sup>th</sup>. The bulk of the year-end audit work is scheduled to begin on March 20<sup>th</sup> and should take approximately one week. Mrs. Nelson's office telephone number was provided so directors can call her direct if they have questions or need information. Directors were also advised that Mrs. Nelson will be available to speak with them at the Agency's office during the scheduled dates for the audit.

## **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 normal operations. Ongoing projects include irrigation and domestic distribution system betterments; minor office enhancement projects, new service installations, and leak repairs.

He reported that during a recent inspection of the Bangor Canal, ditchtender Dennis Vincelet identified a failed section of the 30" siphon that spans nearly 2,500' across North Honcut Ravine. Directors saw pictures of how the siphon shifted downhill, pulling apart restrained pipe sections approximately 5" to nearly complete separation. The siphon was de-watered and the exposed joint was banded and welded.

The recent extreme cold weather caused approximately 20 after-hour customer-initiated call outs. Almost all were out of water due to frozen pipes.

### Water Treatment Operations

Directors reviewed pictures of treatment plant operators Rob Wilcox and Rex Carbah washing the backwash-water settling basin. It was explained that the filter backwash sludge is washed to the sludge-drying basin and eventually collected and hauled to a landfill in Yuba City. In 2006, the 1.8 billion gallons of treated water produced resulted in 34.5 tons of dry sludge accumulating from 613 filter backwashes.

### Water Plant Production –

The treated-water production for December was near normal compared to the preceding 5-year period. The cumulative annual production for this date is still below average at 97%.

### Solar Plant Production –

December MRTP energy consumption exceeded solar energy production by 40,500 kwh.

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

The Board reviewed a written report from Power Division Manager Kathryn Petersen, including storage, generation, and precipitation reports. She advised that, because of the recent cold and dry weather, rainfall for the year is at about 57% of average.

Ms. Petersen reported that a storm passing through the project area on December 26 brought rain and high winds, causing a failure of the transmission line that serves Sly Creek, Woodleaf and

Forbestown powerhouses. After PG&E re-energized the line, operators Nick Brandt and Steve Owsley were given approval to restart the powerhouses. However, when they started to load the Woodleaf and Forbestown units, the units began to make noises of distress, indicating frequency trouble. Nick and Steve immediately shut the units back down and notified PG&E. PG&E determined that due to conditions at Palermo Substation, SFPP units were in an "island" situation. Nick's and Steve's quick actions prevented the powerhouses from incurring damage by going into a possible over-speed condition. Electrician Joe Romero and Maintenance Foreman John Davis used this incident as an opportunity to provide a training session on line-relay operations for the entire crew.

#### Maintenance Projects

Smaller odd jobs, such as yard cleanup and correction of trouble tags, continue to occupy the maintenance crew's time. They are also conducting "auto-testing" which allows devices to be checked for correct operation without requiring the powerhouse to be shutdown. They conducted a "partial travel" test of the Woodleaf penstock butterfly valve on January 11, and all worked as it was supposed to.

#### Forbestown Diversion Intake Sediment Removal Project –

The area in front of the Forbestown Powerhouse Intake has filled in with sediment to the point that only the upper half of the intake is capable of withdrawing water from the reservoir. The automatic trash rake that has been budgeted for this intake will help, after installation, to clear some of the debris blocking the intake. However, the pile of sediment in front of the structure must still be addressed. The proposed solution is to use a clamshell or suction dredge mounted on a barge to remove the sediments and return the bottom of the reservoir to its original depth. The approximately 2,600 cubic yards of material will be loaded into dump trucks and hauled up the road about one mile to the spoil pile we first established for the 2002 Forbestown Diversion dredging job, and then used again last year to collect material from the Woodleaf rock slide. To do this work, permission is first needed from the Forest Service, Army Corps of Engineers, Regional Water Resources Control Board, and Department of Fish and Game. For that purpose, Ms. Petersen submitted permit application packages to all of the agencies on January 11. It was determined that this work qualified as a categorical exemption under CEQA because it is "maintenance dredging where the spoil is deposited in a spoil area authorized by all applicable state and federal agencies." Mr. Glaze filed a Notice of Exemption with Butte County on January 9, and it is subject to a 30-day comment period. Provided all the permits are obtained in time, the work will occur some time between November 1, 2007 and March 31, 2008.

#### General Information

##### Slate Creek Sediment Pass-Through Amendment –

Permission was received a few years ago from FERC and the various resources agencies to conduct sediment pass-through (SPT) operations at Slate Creek Diversion in an attempt to maintain the operability of the valves and intake structure. The conditions of that permission required that flows in Slate Creek had to be at least 1,000 cfs and ascending before attempting to pass through sediments. After three attempts at these flow levels (and higher), it was found that sediments were not really being mobilized to pass through the low-level valve. In the summer of 2005 about 500 cubic yards of material was excavated from in front of the valve, and another pass-through effort was attempted last winter. It had some success, but still did not move the quantities of material that was hoped for, probably because the amount of spill flow over the dam was greater than the flow through the valve. Working with Stillwater Sciences, permission was obtained from the State Water Resources Control Board to attempt the SPT at a lower flow amount, and on January 4, 2007 permission was received to conduct the SPT at a flow of 500 cfs, with the condition that flows of at least 1,000 cfs would occur within 30 hours to continue to mobilize sediments downstream. When the right combination of rainfall and runoff is next predicted, another SPT attempt at the new lower flow level will be attempted.

## **GENERAL MANAGER'S REPORT**

Michael Glaze reported that he, Jeff Meith, and Kathy Petersen met yesterday with five owners of property adjacent to Little Grass Valley Reservoir Homeowners Association regarding their objections to the Agency's boat-dock-permit policy. The original owners of these parcels, along with others in the area, were granted the right to build docks on the reservoir in return for granting a 50' access easement to the district along the high-water line of the reservoir. The present owners believe their right to construct docks supersedes the Agency's right to require a permit for the existing or future docks. The outcome of the meeting yesterday was that the property owners agreed to reconsider applying for a permit if the Agency would consider adding language to the permit acknowledging the owners' rights to build their docks. They were also told that if they elected to continue refusing to apply for the permit, the Agency would not take legal action to enforce the policy, but would also not waive the requirement, which might exacerbate their problem if they were cited by the Plumas County Sheriff's Department or sued because their dock was unsafe or was the cause involved in an accident or injury.

The Board also reviewed a written report from Mr. Glaze.

### Relicensing

Mr. Glaze reported that although the deadline for filing the Agency's license-renewal application with FERC is only two months away, the resource agencies canceled the four meetings that were planned for the second and third week of January with the explanation that they had not had time since the last meeting on December 14 to review and prepare sufficiently. A conference call will be conducted Friday, January 19 for the purpose of resolving water-year types (agreement is close and it is anticipated that this issue can be resolved with one more meeting). Future meetings are still scheduled to continue attempting to iron out differences regarding the resource-management measures that will be a component of the license application.

### Future Power-Purchase Agreement Discussions

At the December 7 meeting with PG&E representatives Kevin Goishi, Dave Landes, and Jeff Henderson, they were asked to explain several key elements of the pricing component of their proposal. Agency representatives explained to them that, until the monetary aspects of the proposed deal were clear, they would not be discussing the administrative, operational, or legal aspects of PG&E's draft agreement. Mr. Glaze reported that he had a phone conversation with Jeff Henderson on January 17 during which Mr. Henderson assured him that the requested pricing information would be delivered by the end of January. If that happens, the next meeting with PG&E representatives will probably occur in the second half of February.

### Butte County Special Districts Association

President Jim Edwards has been appointed to fill the remaining term on the BCSDA Executive Board that became vacant as a result of Jean Brown's retirement from the SFWPA Board of Directors.

### Website Information

Art Martinez, Manager of Information Systems, continues to update and upgrade the agency's website, including contact information for staff and directors. With security concerns in mind, directors were asked how much personal information they want to have available on the agency's website – e.g., home phone, home address, mailing address (if different), home fax, e-mail, etc.

### Adjustment of December Meeting

Because the regular meeting in December 2007 is on Christmas day, the February agenda will have an item that will permit action to change the December meeting from the 25<sup>th</sup> to the 18<sup>th</sup>.

## **DIRECTORS' REPORTS –**

Vivian Meyer requested an updated copy of the Directors' Resource Guide.

Dennis Moreland reported that he will be attending California Special Districts Association's Board Members' Training for two days later in the week.

Jim Edwards presented Lou Cecchi with an inscribed gavel commemorating the years he has served as president of the Board of Directors.

## POWER DIVISION SURPLUS EQUIPMENT

At last month's board meeting it was authorized that the following Power Division assets be declared surplus and sold on a sealed-bid basis: 1984 GMC ¾ ton van; 1999 Dodge Ram 4x4 pickup; 1999 Jeep Cherokee 4x4 SUV; and, 1986 720A Champion grader.

Mr. Glaze advised that Agency surplus equipment has historically been sold on a sealed-bid basis in conformance with Policy #435, "Disposal of Surplus Equipment/Property." However, staff is recommending using the internet to sell the items and predicting that doing so would result in a greater return to the Agency. The process for selling merchandise on Ebay was discussed with the Board. Mr. Glaze suggested that selling the equipment via the internet would be a worthwhile experiment, and if it is successful it would be followed with a proposed revision to Policy #435 to facilitate future sales of surplus assets in this manner.

M/S/C (Hunter/Meyer) granting approval for the Finance Division Manager to conduct an internet sale to dispose of Power Division's surplus 1984 GMC van, 1999 Dodge Ram pickup, 1999 Jeep Cherokee, and 1986 Champion grader.

## LA PORTE ROAD ANNEXATION #1-07 (APN 028-240-035)

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 25.41-acre parcel owned by John and Yvonne Stanton on La Porte Road, north of its intersection with Oro-Bangor Highway.

President Edwards 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 (Cecchi/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 (Cecchi/Hunter) adopting Resolution 07-1-1, approving annexation of APN 028-240-035, and making application for annexation to LAFCo.

## COMMITTEE APPOINTMENTS

The Board reviewed a memo from President Edwards wherein he explained and announced his committee appointments for 2007, in conformance with Policy #240.

### Standing Committees

Budget and Finance –	Directors Cecchi (chair) and Edwards;
Community Relations –	Directors Meyer (chair) and Moreland;
Personnel –	Directors Hunter (chair) and Meyer;
Claims –	Directors Moreland (chair) and Hunter;
Hydro –	Directors Cecchi (chair) and Edwards;
Policy –	Directors Meyer (chair) and Hunter.

### Ad Hoc Committees

Deferred Compensation Finance –	President Jim Edwards (chair); Treasurer Jennifer Slinkard; General Manager Michael Glaze; Power Division Manager Kathy Petersen; Electrical Machinist Henry Reeson; and, Maintenance Foreman Rick McCullough;
Forbestown Ditch Strategic Planning –	Directors Hunter (chair) and Moreland;
Power Marketing –	Directors Edwards (chair) and Cecchi.

**ADJOURNMENT**

The meeting was adjourned at 4:30 p.m.

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Michael C. Glaze, Secretary

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James Edwards, President