

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

Tuesday, February 27, 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 Meith, Legal Counsel;
Michael Glaze, General Manager.

OTHERS PRESENT: Jean Brown, director emerita; Hank Bailey; Robert Warka; Jim Lynch, Devine Tarbell & Associates.

CALL TO ORDER

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

APPROVAL OF MINUTES

M/S/C (Hunter/Cecchi) approving the Minutes of the Regular Meeting on January 23, 2007, as presented.

APPROVAL OF WARRANTS

M/S/C (Hunter/Moreland) approving: the total Water Division expenditures for the month of January 2007 in the amount of \$419,153.02 – Warrants #21588 through #21646; and, the total Power Division expenditures for the month of January 2007 in the amount of \$613,731.95 – Warrants #63039 through #63102.

FERC RELICENSING UPDATE AND REVIEW OF DRAFT LICENSE APPLICATION

General Manager Michael Glaze reminded the board that the deadline for filing the application with FERC for a new South Feather Power Project license is April 1, 2007, but that the goal is to have the application ready to file on March 15 to ensure there are no last-minute problems. Therefore, unless a special meeting were called, the license application needs to be approved and filing authorized at this meeting to give the consulting team time to publish and print the multiple copies of the final multi-volume document that will be needed for the filing, not to mention those that will need to be provided to resource agencies and other interested parties who have requested copies (many of these will receive the documents via compact disk). Copies of the final application will also be available to directors who want one.

Jim Lynch of Devine, Tarbell & Associates, lead relicensing consultant, briefed the board on the minor changes that had been made to the FERC license application since his report to the board at the meeting in January. They consisted primarily of an addition to the proposed recreation conditions to provide flows for whitewater boaters over one weekend in the spring during above-normal-rainfall years below South Fork Diversion Dam and below Forbestown Diversion Dam.

M/S/C (Cecchi/Meyer) approving the application for a new license for the South Feather Power Project (Federal Energy Regulatory Commission Project No. 2088), authorizing the General Manager to execute the application, and authorizing that it be filed with FERC prior to April 1, 2007.

PUBLIC PARTICIPATION – Hank Bailey commented on another agency's relicensing website he had visited.

Jean Brown reported on comments she overheard by a long-time director of Lake Oroville Area Public Utility District wherein he said he had heard a rumor that SFWPA was going bankrupt.

FINANCE DIVISION MANAGER'S REPORT

The Board reviewed a written report from Jennifer Slinkard, Finance Division Manager, including a 2007 Summary Financial Report for both the Water and Power divisions, together with a consumption report on each of the Agency's water distribution systems.

She also reported on the outcome of the internet sale of three pieces of surplus Power Division Equipment. The total for all three pieces came to \$18,075. Michael Glaze estimated that this was easily twice the amount of revenue that would have been received had the traditional sealed-bid sale been conducted. Because this experiment proved to be so successful, he told the board he would draft a policy for its review that would make internet sales of surplus property the standard procedure hereafter.

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 November 27, 2006 through December 31, 2006 in the amount of \$88,201.

2006 Audit

On February 6th and 7th, Justin Williams, Jason Russell, and Dustin Cassady, from Mann, Urrutia, Nelson CPAs & Associates, were on site to perform the preliminary audit work for 2006. They performed tests on cash receipts, cash disbursements, and payroll. They also interviewed various staff members and asked many questions to gain an understanding of how the Agency's business works. The year-end audit work is still scheduled to begin on March 20th and should take approximately one week.

Direct Debit for Water Payments

South Feather is now offering customers the option to pay their water bills through direct debit of their bank accounts. This means that the balance due on their monthly statement will be automatically withdrawn from their bank account on the due date for that statement. If a customer wants to make direct-debit payments, they provide their bank account information and sign a form authorizing their payments be made automatically each month. This will continue until they choose to stop the service.

In order to accommodate this new service, many system changes were needed. The "Clearing House" module in Springbrook was set up, an upload process with Tri-Counties Bank was established, and several new procedures were implemented. Initially, the customer's bank information must be added to their Utility Billing account. This is a one-time set up for each customer that must be done prior to using the service. After each billing, an additional process must be run in the Clearing House module in order to create the direct debit batch. This process creates an export file that is submitted to the bank in order to process the automatic clearing house (ACH) transactions. The business day after this file is submitted to the bank, all customer accounts are debited for the transaction amounts and a deposit is automatically made into SFWPA's bank account for the total of all transactions processed.

This will create significant time savings for the Agency employee who processes payments. The amount of time that it takes to process each payment individually (typical process) definitely exceeds the amount of time it takes to process the direct-debit batches (new process). This also eliminates an employee having to taking these payments to the bank, and it also gets the money deposited into the Agency's bank account much sooner than if each payment had to be manually processed.

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; Power Division construction projects; new service installations; and, leak repairs.

Distribution system staff have been modifying and enhancing the distribution system on the old ID1 property. The modifications include the relocation and enhancement of the Riverview booster pumping plant and the installation of approximately 1,000' of new water main.

Bob Cherry has repaired the concrete apron at the north edge of the driveway entrance to the Kelly Ridge Powerhouse. He is currently working on constructing the new metal shop buildings at Forbestown HQ.

Water Treatment Operations

M RTP staff has been performing filter maintenance activities.

Water Plant Production

The treated water production at MRTP for January reflected the dry weather for the month and was near 111% of normal for the recent five-year period.

Solar Plant Production

January MRTP energy consumption exceeded solar energy production by 25,200 kWh.

POWER DIVISION MANAGER'S REPORT

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

Ms. Petersen reported that, based on the February 1 snow surveys, the Department of Water Resources is currently forecasting that the April-July unimpaired runoff will be 41% of average for the South Fork Feather River, and 45% of average for the entire Feather River drainage.

Following the second driest January since records began being kept at Forbestown, 10.25 inches of rain fell over the four-day period of February 8-11. With additional rain and snow coming, there may still be a chance to catch back up to "average" annual rainfall.

Slate Creek Sediment Pass-Through

A first attempt at a Slate Creek sediment pass-through (SPT) was planned for Friday morning, February 9, but during the previous night the flows increased from around 200 cfs to over 900 cfs, which would be too much to create a good scour. Over the weekend the flows increased to about 2,000 cfs, but by Monday they had dropped back to 700 cfs. Stillwater Sciences was alerted that the SPT would be conducted, and they notified the State Water Resources Control Board and sent two water quality staff to collect samples.

Because the SPT could not begin until after the first set of samples was collected, it did not get started until 2:15 pm. However, everything worked well and the SPT was stopped after an hour so that the water sampling would not have to continue after dark. With the flows at 700 cfs, significant cutting of the banks upstream of the reservoir outlet valve occurred, verifying that this process will work.

Weather for patterns will continue to be monitored to identify those that provide the correct hydrologic conditions, and attempts will be made to have the Stillwater team at Forbestown the night before an SPT event occurs so that it can run for a longer period of time. The hope is that a few more events can be conducted before the end of March.

Maintenance Projects

Forbestown Ditch Outlet Valve

Henry Reeson, Dorinda Matney, and Marty Costa have been working on the Howell-Bunger valve that releases water from the Woodleaf penstock to the Forbestown Ditch. The valve was not operating properly, and on tearing it down they found the gear mechanism had become wet and worn down. Mr. Reeson coordinated the re-machining of the parts, and the valve will be back in service the next time that YCWD needs water in the Forbestown Ditch.

Kelly Ridge Powerhouse Wall

A Water Division crew rebuilt the downstream wall of the Kelly Ridge Powerhouse yard, after it had been undermined by water releases from Oroville Dam and the powerhouse, and had begun to lean outward. FERC had noted this on last year's inspection, and was satisfied to see the work underway when they visited the powerhouse last week.

General Information

New Equipment

The new John Deere grader arrived at Power Division on January 24, replacing the Champion grader that had aged beyond reasonable repair, including the loss of a wheel last year. John Davis and Joe Gibson chose a piece of equipment with a tighter turning radius and narrower blade

than the old grader because it will work better on the mountain roads maintained by Power Division staff.

Potential Failure Modes Analyses – Miners Ranch and Ponderosa Dams

The FERC-required potential failure modes analyses for Miners Ranch and Ponderosa dams were conducted February 5-8. Participants in the field review, document review, and round-table sessions included representatives from FERC and DSOD; along with Richard Harlan, Rick Harlan and Wayne Edwards, the consulting and facilitation team; Alex Brown, John Davis, Scott Underhill, and Kathy Petersen. Denny Lewis, Steve Owsley, and Guy Mastelotto also participated in the roundtable discussions of failure modes, as did Paul Terrell, who was the Bechtel field engineer during original construction of the project.

2007 PG&E-Approved Budget

On January 24, PG&E advised that Power Division's 2007 budget request was approved, although the amount approved for the South Fork Project was slightly different from that which the Board approved at its October 2006 meeting. The Board approved a budget of \$6,999,000; PG&E approved a budget of \$7,129,000. The \$130,000 difference came from PG&E adding \$100,000 to the budget for design, engineering, and permits for the Sly Creek and Lost Creek PMF (probable maximum flood) dam crest modifications; and \$30,000 for permits to remove the sediment pile from in front of the Forbestown Tunnel intake. The Sly Creek budget did not change from the Board-approved \$398,000.

GENERAL MANAGER'S REPORT

The Board reviewed a written report from Mr. Glaze.

Future Power-Purchase Agreement Discussions

The pricing component of PG&E's proposal that has been pending for the past two months has been received. It is being reviewed by Agency consultants, McDonald Partners, and it is anticipated that a meeting to discuss it with PG&E representatives will occur within the next several weeks.

Methodist Church Annexation

LAFCo and the folks from the First United Methodist Church have resolved the matter of the unpaid fees. Mr. Glaze complimented Steve Lucas, LAFCo's Executive Director, for exercising creative administrative discretion to justify a reduction of the church's LAFCo fees from \$1,911 to \$369. Directors were provided a copy of a letter to Steve Lucas from the church's attorney, William Short, affirming that the \$369 has been paid. This will allow LAFCo to continue processing SFWPA's application for annexation of the church property on Acacia Avenue for domestic-water service purposes.

Annual Facilities Tour

The annual facilities tour has tentatively been scheduled for Thursday, June 28. The itinerary will most likely be the same as last year – initial orientation, Palermo Canal outlet at Oroville Dam, Miners Ranch Treatment Plant, Sly Creek Reservoir and campground, and Woodleaf Powerhouse. However, suggestions by directors for changes were encouraged.

Regional Issues

Directors were provided copies of Northern California Water Agency's quarterly *Conveyance*, containing NCWA's perspective on current regional water and environmental issues.

2007 Spring Conference – Association of California Water Agencies

ACWA's spring conference will be held in Sacramento on May 8-11. In addition to conference events, a CAPP (the association we belong to comprised of other PG&E partnership hydro-producing districts) dinner meeting will be held Wednesday evening, May 8, in conjunction with the conference.

DIRECTORS' REPORTS –

Dennis Moreland reported that he attended California Special Districts Association's Board Members' Training earlier in the month, together with AB1234-mandated ethics training taught by Michael Sexton.

Vivian Meyer asked legal counsel Jeff Meith to explain the recent Court of Appeals decision that the State Water Resources Control Board inappropriately calculated water-rights fees, which he did.

Lou Cecchi was congratulated for achieving 50 years of marriage to his first wife.

AMENDMENT OF HYDROPOWER GENERATION EMPLOYEES UNIT MOU

The present MOU with IBEW Local 1245 for the Hydropower Generation Employees Unit (HGEU) is for the four-year period ending December 31, 2007. Article 25.5, thereof, specifies that "annually negotiations shall reopen for one item."

IBEW shop steward Henry Reeson and business representative Jack Osburn initiated the meet-and-confer process for 2007 in October 2006. Their "opener" was a request to expand the "off season" during which employees are "entitled to one 'Bonus Day' per week of vacation taken", as specified in Article 16.8, copied below:

16.8 Any employee who is willing to schedule vacation during the "off season" (defined as May 1 through August 31) will be entitled to one "Bonus Day" per week of vacation taken. To qualify for the said Bonus Day, vacation time must be taken at the convenience of the Agency, and in full workweek increments (i.e. fractional bonus days will not be granted for vacations taken in increments less than full workweek increments.) An employee requesting a vacation schedule for the purpose of qualifying for a Bonus Day(s) shall advise their Division Manager of this at the time the request is submitted. [Added 1993, 2003]

After a third meeting earlier in the month (outages and schedules caused delays), the following amendment for Article 16.8, and a new Article 16.9 were tentatively agreed to.

16.8 An employee will be entitled to add one "Bonus Day" of vacation whenever a minimum of five vacation days are taken sequentially. An employee working a "9-80s" schedule will be entitled to add two Bonus Days of vacation whenever a minimum of nine vacation days are taken sequentially. Another Bonus Day of vacation may be taken for each five sequential days of vacation thereafter. Bonus Days may only be added to a vacation when such vacation and Bonus Day(s) are requested by the employee and subsequently approved in advance by the Division Manager. The Division Manager may approve said vacation and Bonus Day request when: (1) the request is received at least 30 days in advance of the commencement date of the vacation; and, (2) when such vacation is scheduled for a time that will not impact facility outages or other high-priority work requiring a maximum number of staff to be present (e.g., during storm season, special projects, etc.). Fractional bonus days will not be granted for vacations taken in increments less than five successive work days. [Added 1993. Amended 2003, 2007]

16.9 Approvals for vacations, including those with an added Bonus Day, may be rescinded by the Division Manager if conditions change that necessitate the employees involvement in outages, projects, or other high-priority work requiring a maximum number of staff to be present. In the event of a vacation approval being rescinded, the employee will be permitted to reschedule their vacation within a reasonable time and will not forfeit additional vacation accrual (see Article 16.5, above) when the maximum accrual is reached before the rescheduled vacation occurs. Decisions to rescind vacation approval will be made with reasonable consideration for the fiscal impact on the affected employee. [Added 2007]

The tentatively-agreed-to amendment of Article 16.8 and new Article 16.9 expand the period in which the "Bonus Day" can be added to vacation, incorporates the "9-80s" schedule, and provides more specific guidelines for when vacations can be scheduled to ensure that outages and other emergency or high-priority projects have adequate staff to move them along efficiently.

M/S/C (Hunter/Cecchi) approving the amendment of Article 16.8 and addition of Article 16.9 to the Memorandum of Understanding with IBEW Local 1245 for the Hydropower Generation Employees Unit, in conclusion of negotiations for 2007.

MEETING SCHEDULE CHANGE

M/S/C (Cecchi/Hunter) canceling the regular meeting of the Board of Directors in December 2007, and calling a special meeting at 2:00 p.m. on Tuesday,

December 18, 2007 in the Agency Board Room for the purpose of conducting the Agency's regular business for the month.

TEMPORARY SERVICE AGREEMENT – MOORETOWN RANCHERIA

In a letter dated October 26, 2004, and several times subsequently, Water Division Manager Matt Colwell provided Mooretown Rancheria representatives with detailed instructions about the need for easements before service would be provided to new homes that would be built in their newest subdivision (the same requirements imposed on all developers, in accordance with Agency Rules & Regulations). Further, these requirements were not new to the tribe given the fact that it had provided easements for Agency facilities within the first subdivision it built in 1996. Nevertheless, even though the subdivision was completed and construction of new homes had begun last summer, the tribe had taken no action by that time to secure the easements required for SFWPA to legally own and operate a domestic water distribution system on tribal property.

Finally, when the tribe was refused water service by the Agency for the homes it was building (due to the absence of easements), tribal representatives (Northern Circle Indian Housing Authority) initiated the process to acquire the needed easements. In response to Northern Circle's request, the SFWPA Board, in August 2006, authorized the execution of an Application for Right of Way to the U.S. Department of Interior, Bureau of Indian Affairs (BIA).

Last month the Agency received a letter from BIA (copies provided for directors) advising that its "realty staff has been unable to continue to work on the application and complete the technical review," and that a recommendation for right-of-way approval would not be available until the end of June 2007.

After learning of this serious delay by BIA and, therefore, the resulting further delay in the availability of water service from SFWPA, Northern Circle Indian Housing Authority asked the Agency to consider executing a temporary service agreement that would facilitate the provision of water service to their new homes (ready for occupancy next month) until the permanent easements are created by BIA. Jeff Meith's office has worked with Northern Circle's attorney to develop a mutually-acceptable temporary (one-year) service agreement for the Board's consideration (copies provided for directors).

Michael Glaze advised the Board that it had two options: (1) approve the temporary service agreement that would permit Mooretown's subdivision to begin receiving water service; or, (2) take no action, effectively denying water service until the necessary easements are granted by BIA, as has been required and known by the tribe since 2004.

Director Meyer expressed the opinion that Mooretown Rancheria should abide by the same requirements as any other developer. She stated that the temporary service agreement should not be approved because once the homes are occupied and receiving water service, terminating the service will be even more difficult if the easements are not secured within the one-year term of the agreement.

Jennifer Slinkard reminded directors that not approving the agreement would result in a delay in receiving water-sale revenue from the 50 homes in Mooretown's subdivision.

M/S/C (Hunter/Cecchi) authorizing for the General Manager to execute the Temporary Domestic Water Service Agreement with the Mooretown Rancheria of Maidu Indians of California for its residential housing Project No. MR0450.

Ayes: Cecchi, Edwards, Hunter, Moreland.
Noes: Meyer.

ADJOURNMENT

The meeting was adjourned at 3:25 p.m.

Michael C. Glaze, Secretary

James Edwards, President