

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

Tuesday, March 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;
Jeffrey Meith, Legal Counsel;
Michael Glaze, General Manager.

OTHERS PRESENT: 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.

APPROVAL OF MINUTES

M/S/C (Hunter/Moreland) approving the Minutes of the Regular Meeting on February 27, 2007, as presented.

APPROVAL OF WARRANTS

M/S/C (Hunter/Cecchi) approving: the total Water Division expenditures for the month of February 2007 in the amount of \$523,218.98 – Warrants #21685 through #21725; and, the total Power Division expenditures for the month of February 2007 in the amount of \$361,741.54 – Warrants #63126 through #63169.

PUBLIC PARTICIPATION – Hank Bailey asked when irrigation season would begin. Water Division Manager Matt Colwell estimated the date would be May 7.

Robert Warka commented on the significant changes that have taken place around the headquarters property since he first began work for OWID.

FINANCE DIVISION MANAGER'S REPORT

Mrs. Slinkard advised directors that they should anticipate an agenda item for the next board meeting to permit interfund borrowing from the System Capacity Charges reserve account to the General Fund (as was done in 2005) for operation-and-maintenance expense purposes.

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.

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 January 1, 2007 through January 28, 2007 in the amount of \$27,979.

2006 Audit

On March 20th, Jason Russell and Dustin Cassady, from Mann, Urrutia, Nelson CPAs & Associates, arrived for the 2006 year-end audit work. At the auditors' request, staff prepared various reconciliation schedules prior to their arrival. The on-site audit work took less than one week. Work will begin on the Management's Discussion and Analysis as soon as the Financial Statements are complete. The audit report should be ready for presentation to the board at the May meeting.

Irrigation Account Deposits

For the second consecutive year irrigators are being required to pay deposits prior to activation of their accounts if they had been shut off for non-payment last year (i.e., if there has been an outstanding balance on their account since the end of the last irrigation season). There were 13 accounts that fell into this category, and the total amount of outstanding balances was \$7,642. The deposits were calculated based on an average balance of three month's water usage. Letters were sent to these customers in early March informing them of what would be required when they come in to turn on their water for the 2007 season.

Starting this year customers were given the option of not having to pay the deposit if they agree to sign up for the new Direct Debit program. These customers will not be required to pay the deposits in advance of turning on their water if they agree to have their current balance withdrawn from their bank account on a monthly basis.

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.

The Ridge Way Pipeline Project is slowly progressing through hard rock to near completion. Equipment operators have been excavating the new pipeline trench by hydro-hammering through prevalent Blue Diorite rock.

Currently the Palermo Canal is being fed from the Bangor Canal because the Palermo Canal section along Oakvale Avenue is being bypassed to accommodate extensive canal modifications through the Cottage Cove Subdivision. The Palermo Canal is being re-aligned through a dedicated 20-foot easement and enclosed in a 36" pipe in an 18' deep trench. Foreman Rick McCullough is inspecting the work being done by the developer's contractor.

A newly constructed split-level addition in the warehouse has significantly enhanced the functionality of the warehouse operations and provided for a new carpenter shop area. Bob Cherry and Tom Veurink developed and constructed the project, which was one of the capital projects in the 2007 budget.

Water Treatment Operations

The treated water production at MRTP for February was near normal for the recent 5-year period. The cumulative 2007 (Jan-Feb) water production is slightly above average due to higher than normal demand in January.

Solar Plant Production

February MRTP energy consumption exceeded solar energy production by 16,550 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 March 1 snow surveys, the Department of Water Resources is estimating that the South Fork Feather River will be at 59% of average, and the total watershed will be about 61% of average, measured at Oroville Dam.

The spill gates at Little Grass Valley Dam were closed on March 15, per the Division of Safety of Dams certificate, to capture all of the runoff possible. Only minimum required flow is currently being released.

2006 Water Use

The 2006 water use has been calculated in preparation for filing water-rights progress reports that document consumptive use. Total usage in 2006 for SFWPA was 17,924.6 acre-feet, and North Yuba Water District (formerly Yuba County Water District) used 6,825.5 acre-feet. This was the Agency's lowest use year since 1998, reflecting the leak reduction programs and the above-average precipitation that year.

Maintenance Projects

Forbestown Powerhouse – Annual Outage

The annual outage on Forbestown Powerhouse started March 19 and is expected to last two weeks. In addition to routine inspection and maintenance, a test crew from PG&E will take a look at the turbine shutoff valve seats and make recommendations for repairs or replacement. The crew will also be working on the pressure regulator valve.

Early Spring Jobs

With the quick change in weather, Joe Gibson and Gary Daley turned their attention from plowing snow to spraying weeds in the span of about a week. The Water Division crew, led by Bob Cherry, is starting on the building project at Forbestown headquarters.

General Information

Budget

The 2007 budget proposal is due to PG&E in April. A meeting of the Hydro Committee will be scheduled in mid-April to review and approve the proposed budget submittal. The budget proposal will also be part of Ms. Petersen's April board report.

Sly Creek and Lost Creek Dam Crest Modifications Project

Engineering for the modifications to Sly Creek and Lost Creek dams to handle the probable maximum flood continues. A summary of the work done to date, prepared by the consulting team, was provided for the board's review.

Commercial Pontoon Boat Tours at Little Grass Valley

Rich O'Rourke of La Porte has expressed interest in starting commercial pontoon boat tours at Little Grass Valley Reservoir. He is working with the Forest Service to obtain a Special Use Permit, and would launch at one of the existing public boat ramps. He wanted to know what requirements the Agency would impose for this kind of a commercial operation.

GENERAL MANAGER'S REPORT

The Board reviewed a written report from Mr. Glaze.

Relicensing

The application for a new license with FERC was filed on Friday, March 23. Nevertheless, discussions with the resource agencies regarding minimum flow requirements for the project will continue. Mr. Glaze reported on the outcome of two days of meetings held last week.

Future Power-Purchase Agreement Discussions

The pricing component of PG&E's proposal has been received and reviewed by the Agency's consultants, McDonald Partners. Michael and Sandra McDonald, Jeff Meith, Kathy Petersen, and Michael Glaze, together with the Ad Hoc Power Marketing Committee (Directors Cecchi and Edwards) met with PG&E representatives on Monday, March 26, to continue discussions regarding their proposal.

Mooretown Rancheria

The temporary service agreement the board authorized last month was subsequently executed by Tribal Chairman Gary Archuleta. In his letter transmitting the signed agreement he said, "Please thank the Board of Directors for their approval of the Temporary Service Agreement. We trust that the Bureau of Indian Affairs will complete the right-of-way application as expediently as possible."

Mr. Glaze advised the board that, if the permanent easement has not been received by February 27, 2008, SFWPA staff will proceed to terminate all water services in the new subdivision, with prior notification to the occupants of the homes, on the following day, unless directed otherwise by the board. It was the consensus of directors that a letter should be written to the tribe, after the June date by which the Bureau of Indian Affairs said the permanent easement would be available, reminding them of the agreement's one-year term, together with the service-termination consequences that would occur if the permanent easements are not provided.

Mr. Glaze advised that Chairman Archuleta executed an Offer of Dedication for the water system in the new phase of Mooretown's residential subdivision, allowing the new water-distribution facilities to be added into the Agency's maintained system. This was the final action needed for water service to commence.

Brown Act Amendment Proposal

Senate Local Government Committee Chair Gloria Negrete McLeod is proposing an amendment to the Brown Act (SB 343). Specifically, the bill would amend Government Code Section 54954.2 to read:

Notwithstanding any other provision of law, no action or discussion shall be undertaken on any item appearing on the posted agenda which is subject to discussion or consideration at a public meeting of the legislative body of the local agency unless all writings and documents included in an agenda packet prepared by a local agency or its employees or agents in connection with the item are made available to the public no later than the date the agency posts the agenda that includes that item of business.

Senator Negrete proposed the amendment after lobbyists representing the real estate industry requested a law that would prevent the planning staff of cities and counties from placing an item on a city council's or county board of supervisor's agenda (complying with the 72-hour notice requirement), but then continuing to work on the written report that the council or board would receive shortly before the meeting – too late for concerned citizens to evaluate and prepare responses.

Although targeted initially at cities and counties, special districts are also being included in the amendment's application. If passed and signed into law, it will require no additional effort on the part of SFWPA's staff. Except for information unknown to staff at the time the agenda is posted, all written reports and documents that are in agenda packets are posted to the Agency's website the same day, at least 72 hours prior to the board meeting.

The bill's author is presently considering how to handle those situations where information becomes available after the agenda's posting. Although infrequent, this happens often enough that a strict interpretation of the language quoted above would make it difficult to handle those last-minute situations.

North Yuba Water District

Effective March 16, the name of Yuba County Water District was changed by board action to North Yuba Water District. Tired of being confused with Yuba County Water Agency, the board decided to change the district's name to better reflect the geographical area of its service boundaries.

LAFCo Sphere of Influence Update

LAFCo wants to initiate an update of SFWPA's sphere of influence to avoid problems for pending and future developments that are outside our present sphere boundary (e.g., Stringtown Mountain). Because of new legislation, developments proposed after January 1, 2008 could possibly be delayed in their County processing until after an update is completed.

Mr. Glaze met with LAFCo Executive Director Steve Lucas on March 20 to discuss a possible timeline for the update and, tentatively, agreed to have the project finished by early in 2008. A service-expansion master plan for the update will need to be prepared by engineering staff over the next four to six months, and then an initial study will have to be done to comply with CEQA. Mr. Glaze speculated that he would come to the board near the end of this year with a recommendation to retain Jones & Stokes again to accomplish the CEQA processing (a project similar to the one they did last year for our water rights permit time extension).

DIRECTORS' REPORTS – None.

SPG SOLAR SOFTWARE LICENSE AGREEMENT

SPG Solar (previously known as Sun Power and Geothermal Energy) installed new internet-based monitoring software for the Miners Ranch solar system in early 2006. The Agency was then asked by SPG Solar to execute a software license agreement for the new system to ensure that its proprietary interests in the software were protected.

The software license agreement originally proposed by SPG shortly after the software was installed was a modified version of one it was using with private commercial and residential customers and, therefore, totally inappropriate for a public agency. Mr. Glaze's objections to it led to a lengthy and sluggish revision process.

Finally, after over a year of negotiations, Mr. Glaze stated that he was ready to recommend the agreement (included in the agenda packet distributed to directors prior to the meeting) for the board's approval. The software covered by the agreement was installed at no additional expense by SPG, and the agreement does not impose any new fees on the Agency (the \$15,000 specified in Section 4 was "included in the PV Systems contract" and paid at the time the solar project was built).

M/S/C (Cecchi/Hunter) approving the SunSpot Software and Hardware License Agreement with SPG Solar, Inc., and authorizing its execution by the General Manager.

PALERMO ROAD ANNEXATION #1-07 (Upkar Dhaliwal, et al)

The proposed annexation is for a parcel in the commercial center of Palermo known as the Raja Liquor Store. Previously, the store received its potable water from an on-site well.

Directors reviewed a copy of LAFCo's "Application Form" which provided a description of the proposed annexation. Also attached was a copy of the "Notice of Exemption" ("LAFCo Exhibit 4"). Unlike most previous annexations, because the subject parcel is fully developed it qualifies as "categorically exempt" under the California Environmental Quality Act (CEQA). Therefore, a public hearing to adopt a negative declaration is not needed.

M/S/C (Cecchi/Hunter) adopting Resolution 07-3-1, approving annexation of APN 026-144-030, and making application for annexation to LAFCo.

ASSIGNMENT OF SEIU LOCAL 1292 RIGHTS TO SEIU LOCAL 1021

SEIU Local 1292 was recognized approximately three years ago by the Agency as the exclusive representative of the five employees in the Clerical and Support Employees Unit. Local 1292 recently informed the Agency that it is being absorbed by Local 1021, as part of a reorganization of California locals. The union is reducing the number of locals in California by about half. Both locals concur with the change, and the Agency is being asked to affirm its acceptance of the assignment of representation responsibilities from Local 1292 to Local 1021.

M/S/C (Cecchi/Hunter) accepting the assignment of responsibilities from SEIU Local 1292 to SEIU Local 1021, and authorizing the General Manager to notify said locals of the Agency's concurrence.

ADJOURNMENT

The meeting was adjourned at 3:02 p.m.

Michael C. Glaze, Secretary

James Edwards, President