

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

Tuesday, May 22, 2007, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

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

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

OTHERS PRESENT: Hank Bailey; Robert Warka; Dan Hunter; Michelle Nelson; Jason Russell.

CALL TO ORDER

President Edwards called the meeting to order at 1:58 p.m. and led the pledge of allegiance.

ADDITION TO EMPLOYEE 457 AND 401(a) RETIREMENT PLANS

Prior to 2003 the Agency's retirement program for its employees was comprised of two deferred compensation plans through ICMA and National Deferred, respectively. Both of these plans were/are (they are both still in place and available to employees) similar to each other in their investment opportunities and the ability of employees to direct where they want their personal contributions and those from the Agency to be invested. But neither of these plans provided a local broker/representative that was available to provide investment advice and planning for our employees. Believing that wise management of each employee's deferred compensation retirement plan necessitated expertise in financial investing, a plan was sought that would better assist employees in optimizing their retirement fund opportunities.

A relationship was ultimately established with the Oroville office of A.G. Edwards & Sons, Inc. and subsequently (October 2003) the Hartford Insurance Company's 457 and 401(a) retirement plans were added as a third option for employees. While the A.G. Edwards/Hartford plan was similar to the original two, it was different in that the A.G. Edwards brokerage firm and its local agents were available as-needed to employees on a one-on-one, no-additional-fee basis to provide assistance and to discuss personal financial and retirement planning issues.

Marc Miller and Jim Moll of the local A.G. Edwards & Sons office recently proposed adding Lincoln American Legacy's 457 and 401(a) retirement plans as a companion plan to the other plan choices available to employees. Their recommendation was based on the fact that Lincoln's fees are almost half of Hartford's, and they believe that Lincoln offers "superior fund choices." Msrs. Miller and Moll explained their proposal to employees and, after doing so, they reported that they "had a very positive response about implementing the Lincoln" plan option. Subsequently, employee representatives affirmed that all Hartford-plan participants were in favor of the addition.

There is no added expense to the Agency, and participation in the Lincoln retirement plan would be a voluntary additional investment opportunity for employees.

M/S/C (Cecchi/Hunter) authorizing the Lincoln American Legacy 457(b) and 401(a) deferred compensation retirement plans be offered to Agency employees.

INDEPENDENT AUDITOR'S REPORT

Directors were provided copies of and reviewed the Statement on Auditing Standards No. 61, the Management Report, and the 2006 Independent Auditor's Report prepared by Mann, Urrutia, Nelson, CPAs & Associates (their first report in a 3-year contract). The reports had also been reviewed by the Board's Finance Committee (Directors Edwards and Cecchi) and were submitted to the Board with its approval.

Michelle Nelson and Jason Russell from Mann, Urrutia, Nelson, CPAs & Associates were present and summarized their firm's report and answered questions from directors and the public.

M/S/C (Hunter/Cecchi) accepting the Independent Auditor's Report and Financial Statements for the Year Ended December 31, 2006, prepared by Mann, Urrutia, Nelson, CPAs & Associates.

APPROVAL OF MINUTES

M/S/C (Hunter/Moreland) approving the Minutes of the Regular Meeting on April 24, 2007, as presented.

APPROVAL OF WARRANTS

M/S/C (Cecchi/Hunter) approving: the total Water Division expenditures for the month of April 2007 in the amount of \$421,443.57 – Warrants #21898 through #21951; and, the total Power Division expenditures for the month of April 2007 in the amount of \$601,560.52 – Warrants #63302 through #63348.

PUBLIC PARTICIPATION – None.

MANAGER OF INFORMATION SYSTEM'S REPORT

Directors viewed pictures of Casey Slinkard, recently-born son of Jennifer Slinkard, Finance Division Manager. The Board also reviewed a written report from Art Martinez, Manager of Information Systems, 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 February 26, 2007 through March 25, 2007 in the amount of \$42,709.

Woodleaf Generation Enhancement

As reported last month by Jennifer Slinkard, the February and March data on revenue earned from the tailwater depression (TWD) system at the Woodleaf Powerhouse, respectively, totaled \$6,863. Payment of this amount has been received from PG&E.

Property Tax Revenue Received

Half of the year's property tax revenue has been received in the amount of \$175,064.

POWER DIVISION MANAGER'S REPORT

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

Operations

PG&E has been operating the powerhouses for up to ten hours/day to meet higher energy demands, and Sly Creek Reservoir has begun to drop in elevation slightly. It is unlikely that either Little Grass Valley or Sly Creek will fill this year. All spillway gates are now closed and flashboards were installed at Lost Creek Dam on May 3.

Maintenance Projects

Forbestown Headquarters – Truck Barn Expansion

Bob Cherry and Tom Veurink, assisted by various Power Division employees, continue to work on the extension of the truck barn. The retaining wall is finished and will be backfilled in the next couple of days, and the doorways between the old and new sections have been constructed.

Routine and On-Going Maintenance

Henry Reeson overhauled the governor oil pump at Woodleaf Powerhouse, and Dorinda Matney overhauled the gate hoist motors at Ponderosa Dam. Joe Gibson and Gary Daley sprayed the low elevation areas for star thistle and skeleton weed, and graded Ponderosa Way. Denny Lewis and Dorinda have been making repairs to facilities at Sly Creek and Strawberry Campgrounds.

General Information

Budget

After the meeting of the Hydro Committee on May 7, the budget submitted to PG&E was modified slightly to include the Sly Creek and Lost Creek dam crest modifications for the probable maximum flood. The total 2008 budget submitted for the South Feather Project was \$8,938,000

and the budget for Sly Creek was \$487,000.

Personnel

An apprentice electrical machinist position is currently posted for bidding; this position will be filled by someone from the Water Division in mid-June. A Chico State intern will also be hired for the summer to put all of the hydroelectric system drawings into electronic format and to separate current drawings from those that need to be archived.

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.

Mr. Colwell reported that the contractor (Dunn Construction) installing the Palermo Canal pipeline project through the Cottage Cove subdivision has satisfactorily completed its installation. The project is designed to flow the maximum demands required by the Agency and to significantly reduce the potential hazards associated with residential development near the Agency's open-channel facilities. This project is typical of ongoing Agency efforts to accommodate future development in and around existing facilities and still meet the needs of irrigation customers.

Water Division crews are currently working on the Drobish irrigation pipeline replacement project, which consists of abandoning the old, very problematic 10" steel line and installing new 12" PVC in the Grimy Gulch Road right of way. Replacement was approached as a three-phased project consisting of a total replacement of the approximate 3500' over the 2006-2008 budgets. However, trenching is proceeding more efficiently (few rocks and boulders) than anticipated and currently the plan is for the project to be completed in 2007, within budget.

Water Treatment Operations

The treated water production at MRTP for April was "slightly" above normal. The cumulative 2007 (January through April) water production is approximately 5% above average.

Solar Plant Production

March MRTP energy consumption exceeded solar energy production by 1,500 kWh.

GENERAL MANAGER'S REPORT

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

Relicensing

Agency staff (Glaze and Petersen) and consultants (DTA and Stillwater Sciences) continue to meet with resource agency staff to resolve issues regarding what the minimum flow requirements will be for the project. Since the Board's last meeting there have been four meetings in Sacramento, with the next scheduled meetings to be on May 24 and 25. The reaches still under discussion are Little Grass Valley Reservoir, Slate Creek, and South Fork Diversion. The Agency relicensing team hopes to progress downstream in the forthcoming discussions and be concluded by the week of June 11 when FERC is scheduled to conduct its site visit and local scoping meetings.

Future Power-Purchase Agreement Discussions

There have been no meetings with PG&E representatives since the last one on March 26. However, McDonald Partners finalized an assessment of PG&E's latest proposal and they, Jeff Meith, and Mike Glaze prepared a written response that was sent last week. The Board's ad hoc Power Marketing Committee (Directors Cecchi and Edwards) is participating in these discussions.

Surplus Water Agreements

An application for surplus water has been received from and approved for Betty Vassar, Successor Manager of Canyon Oak Properties (managed by Moline Goff until her recent death). Ms. Goff was a long-term surplus-water customer and the new agreement with her daughter is a carbon copy of previous years. It has been approved in conformance with Policy #480.

BCSDA General Membership Meeting

Directors were informed of a general membership meeting of the Butte County Special District Association (BCSDA) to be held on Tuesday, June 5. The guest speaker will be Tim Snellings, Director of the Butte County Development Services Department, whose topic will be the Butte County General Plan 2030. No directors indicated that they would be attending.

Annual Facilities Tour

Invitations will be sent out next week for the June 28 annual facilities tour. Presently on the invitation list are:

Roger and Nancy Bailey	Ronald McElroy
Scott Brown, VistaNet Inc.	Marc Miller, Pres., Chamber of Commerce
Paul Collin, P.G.& E.	Steven & Rachel Martinez
Walter Cotter, General Manager, BVID	Dale & Valerie Marsh, Tile Artisans
Robert Cox, Cox Construction	Michelle Nelson, Mann, Urrutia, Nelson CPAs
Dennis & Geri Day	Rick Petree, Project Manager, P.G.& E.
Carl & Connie Hagan, AFC	James Reade, Dept. of Health Services
William Hamilton, Director, N.Y.W.D.	Pat Reeson
Norm MacKenzie	Jim Malcuit
Nick Markevich, Watershed Coord., P.G.& E.	Jeanette Revelli, Power Contracts, P.G.& E.
Jacqueline Matthews, C.R.W.Q.C.B.	Sam & Donna Ruloph
Robert & Jan Sharp	Brian Slinkard
Ted Soderstrom, D.W.R.	

North Yuba Water District

Mr. Glaze reported that he will be attending the regular monthly meeting of the North Yuba Water District on May 17 to give its board of directors an update on the status of relicensing and future power marketing.

DIRECTORS' REPORTS – Jim Edwards expressed his appreciation for the manner in which the power-marketing efforts are being handled.

PROPOSED AMENDMENT OF RULES AND REGULATIONS – PROJECT APPROVALS

As was discussed during last month's board meeting, staff and legal counsel recommended a minor addition to the Rules & Regulations to ensure that developers and their engineers understand the purpose for the Agency reviewing their project plans.

The Policy Committee (Directors Hunter and Meyer) reviewed the attached proposed amendment of the Rules & Regulations, copies of which were also provided to and reviewed by the entire Board.

M/S/C (Hunter/Meyer) approving the proposed amendment to the Rules & Regulations' Part A, Section 3B, explaining the purpose for review of private development plans and inspection of construction by Agency personnel.

EASEMENT ABANDONMENT – APN 069-530-033/034/036

Manager Glaze reported that a request has been received from Mark A. Habib for South Feather to abandon its interest in an easement granted to OWID in 1961 affecting his property on Heritage Road at its intersection with Riverview Drive. Because the Agency maintains no facilities within the limits of the old easement, granting the request would not impair the Agency's present or future operations.

M/S/C (Cecchi/Hunter) adopting Resolution 07-5-1 to quitclaim the Agency's rights, title and interest in the right of way and easment across property owned by Mark A. Habib (APN 069-520-033, 034, and 036) conveyed by Katherine Agnes Osborne to Oroville-Wyandotte Irrigation District by deed recorded in the Butte County Recorder's Office at Book 1104 and Page 321.

ADJOURNMENT

The meeting was adjourned at 3:04 p.m.

Michael C. Glaze, Secretary

James Edwards, President