

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

**Tuesday, July 24, 2007, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California**

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

DIRECTORS ABSENT: James Edwards.

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

OTHERS PRESENT: Jim Lynch, Devine Tarbell & Associates, Inc. (DTA); Jean Brown,
director emirita; Bob Warka; Hank Bailey.

CALL TO ORDER

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

APPROVAL OF MINUTES

M/S/C (Cecchi/Hunter) approving the Minutes of the Regular Meeting on June 26, 2007,
as presented.

APPROVAL OF WARRANTS

M/S/C (Hunter/Moreland) approving: the total Water Division expenditures for the month
of June 2007 in the amount of \$442,725.94 – Warrants #22089 through #22134;
and, the total Power Division expenditures for the month of June 2007 in the
amount of \$476,835.44 – Warrants #63472 through #63516.

FERC RELICENSING UPDATE AND BUDGET AMENDMENT

The Board reviewed a letter from DTA's Jim Lynch, that provided a "summary of work progress,
anticipated future schedule, and...a request for additional funding." General Manager Glaze
advised directors that the Hydro Committee (Directors Cecchi and Edwards) had reviewed the
letter and request for additional funding and, although concerned about the ever increasing cost of
the relicensing project, directed that it be sent on to the Board for consideration.

Jim Lynch summarized the current status of the relicensing process (which is current with the
FERC schedule), the anticipated future schedule, and the basis for the estimates comprising his
request for future funding. The seven new relicensing budget tasks he proposed mirror the steps
going forward with FERC, with the requested funds covering the next two years.

M/S/C (Hunter/Cecchi) approving amendment of the FERC Relicensing budget and
request for additional funding as presented by Jim Lynch of DTA.

PUBLIC PARTICIPATION

Hank Bailey requested clarification of why the Public Participation item was at the beginning of the
agenda. Mr. Glaze responded.

MANAGER OF INFORMATION SYSTEM'S REPORT

The Board reviewed a written report from Art Martinez, Manager of Information Systems.

Butte County Property Tax Program

Mr. Martinez explained that a component of the Agency's delinquency abatement program is the
option of adding delinquent accounts to Butte County's tax rolls. These accounts are added only
after extensive notification to affected property owner(s). This year 27 accounts need to be added
to the tax rolls. These 27 accounts, attached to 25 parcels, have a combined total delinquent

balance of \$5,725.07. In a continuing attempt to reduce the number of accounts that must be added to taxes each year, the meters will be removed from accounts that have been shut off in the past for failure to pay off delinquencies (eliminating the monthly accrual of fees that would result in a perpetual escalation of the delinquent balance for a service not in use).

Sly Creek Recreation Area

Northwest Park Management (NPM) submitted its Monthly Activity Report for the period of June 1 through June 30, 2007 (\$1,080.24). The total campground fees collected in June were \$6,203.00, and the monthly NPM charge to the Agency is \$7,283.24, leaving a balance for SFWPA of \$1,080.24.

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.

Water Treatment Operations

He stated that the maximum single day demand during any given year occurs frequently in July. This held true in 2006 and is likely to occur again in 2007. As of this date, both years' maximum day demands have been 11.8 million gallons per day, which is 82% of the treatment plant capacity. The data shows a day-to-day variability that is strongly correlated with temperatures, with additional variability that is less predictable. In fact, it appears that a weekly variability occurs where the demand is higher on Mondays. Operational variability is also present in the data. The 2007 peak demand includes additional system "catch up" demand from a prior-day plant malfunction that depleted some storage. Compounding the variables creates a potential system demand that could force the treatment plant to temporarily be at or near capacity. Management and staff are currently working towards a plant expansion that will provide the necessary capacity to meet future demands in an economical and safe manner.

M RTP monthly treated water production for June was slightly below normal. The cumulative 2007 (Jan-Jun) water production is near average.

Solar Plant Production

May MRTP energy consumption exceeded solar energy production by 50,400 kWh.

POWER DIVISION MANAGER'S REPORT

The Board reviewed a written report from Power Division Manager Kathryn Petersen, including storage, generation, and precipitation reports (0.3" of rainfall earlier in July).

Operations

The draft from Little Grass Valley Reservoir was increased to 130 cfs on June 27, and the reservoir is on a steady drawdown to its end-of-September target elevation of 5,022 feet.

With the hotter weather in July, Woodleaf Powerhouse has been restricted by 5–10 MW to avoid overheating the transformer. PG&E is supposed to be continuing to work on engineering a replacement transformer for Woodleaf, and it is budgeted for change-out in 2008.

Maintenance Projects

Lost Creek Dam – Concrete Coring

Consultants continue the investigation into the concrete properties of Lost Creek Dam. They will be taking core samples July 23 – August 10 to verify (or discount) the results of the non-destructive testing that occurred last year. They will use an electric drill to obtain 4-inch diameter cores, and will refill the holes with grout. Setup for the operation will start on July 19, and the road across Lost Creek Dam will be closed the entire period, including weekends. The Forest Service, CDF, and Soper-Wheeler have been notified of the road closure, as have the residents who live nearby.

Forbestown Headquarters – Truck Barn Expansion

The primary construction on the truck barn expansion project is finished. Praise goes to Bob Cherry, Tom Veurink, Eddie Paul, Rick Broderson, Tyler Fuller, and Bill McNulty, all of whom

participated in the construction project. The roll-up doors and interior walls will be completed at a later date.

General Information

2008 Budget

PG&E scheduled a meeting for July 17 to review the 2008 budget that was submitted to them in early May. A number of adjustments were discussed, increasing amounts for some items and decreasing or eliminating others (the transformer for Woodleaf Powerhouse is still in the budget, but the microwave system is still being rejected by PG&E). The final amounts will be brought to the Board for approval this fall.

GENERAL MANAGER'S REPORT

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

Future Power-Purchase Agreement Discussions

There have been no meetings with PG&E representatives since the last one on March 26. Mr. Glaze reported that, although he has had phone conversations with PG&E's Jeff Henderson, a response to the Agency letter sent around the first of May has not yet been received, and is not anticipated for another 30 days.

Tyler Fuller Promotes to Utility Worker

Tyler Fuller was recently promoted from Laborer to Utility Worker. He began working for the Agency on January 10, 2005, and was immediately assigned to work with Bob Cherry and Eddy Paul on constructing the office addition and remodel. When that project was completed, Tyler began gaining experience in the field on water-system projects. Mr. Glaze stated that he has caught on quickly, recently acquired his Class B commercial driver license, and is respected by colleagues as a hard worker.

Annual Facilities Tour

Out of 63 invitations sent, 30 invitees participated in the annual facilities tour (in addition to staff and directors). Cheri Ruloph and Art Martinez put together a great continental breakfast; Jola Battershell, Guy Mastelotto, Dorinda Matney, Sannow Mam, and Steve Owsley replicated the sumptuous barbecue that has not come to be expected; and, Matt Colwell, Kathy Petersen, Jim Coffelt, John Shipman, Jerry Gentry, Gino Higgins, John Davis, and Scott Underhill represented the Agency well in the presentations they made.

Glowing comments were received at the end of the day from guests regarding all they saw, heard, and ate. Following are a couple of examples.

From Donna and Jim Marikas – Your facility tour was powerful. All of you were so proficient in your fields. We were very, very impressed. Not many realize what it takes for us to have good water. The day was fun, informative and a real eye opener. The food and company was great too.

From Dustin and Christine Cooper – It is quite clear to us that SFW&PA is well run with qualified and competent management & staff.

DIRECTORS' REPORTS

None.

DELINQUENT ACCOUNTS ADDED TO 2007-2008 TAXES

Although the Agency's delinquent account collection process has been modified and greatly improved over the past several years, General Manager Glaze opined that circumstances will always prevail that prevent a few accounts from being resolved. Every year there will be a number of accounts that are not responsive to staff's best efforts, even though service has been discontinued. These unresolved accounts usually result from a change in the ownership status of the property: death of the owners and unresolved distribution of the estate; abandonment of the residence; ongoing lawsuits; etc. This year there are 27 such accounts (compared to 23, 31, 35, 39, 55, 36, and 26 over last seven years, respectively).

As a public agency, SFWPA is able to collect delinquent accounts by placing them on the Butte County tax rolls. The cost for this service, levied by the Tax Collector, is 30¢ per parcel, for a total

this year of \$7.50.

The Board reviewed a list of the 27 accounts and their individual total delinquencies. The good news here is that we have been able to collect all but \$5,725 of our delinquencies this year through routine collection procedures.

M/S/C (Cecchi/Hunter) adopting Resolution 07-7-1 authorizing 27 accounts, for a total of \$5,725.07 plus fees, to be added to the 2007-2008 Butte County tax roll.

ADJOURNMENT

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

Michael C. Glaze, Secretary

James Edwards, President