

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

Tuesday, August 28, 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:** 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:** Hank Bailey.

**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/Meyer) approving the Minutes of the Regular Meeting on July 24, 2007, as presented.

**APPROVAL OF WARRANTS**

M/S/C (Hunter/Moreland) approving: the total Water Division expenditures for the month of July 2007 in the amount of \$416,407.43 – Warrants #22212 through #22264; and, the total Power Division expenditures for the month of July 2007 in the amount of \$553,468.88 – Warrants #63558 through #63601.

**PUBLIC PARTICIPATION**

None.

**MANAGER OF INFORMATION SYSTEM'S REPORT**

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

Sly Creek Recreation Area

Northwest Park Management (NPM) submitted its Monthly Activity Report for the period of July 1 through August 4, 2007. The total campground fees collected in June were \$8,892, and the monthly NPM charge to the Agency is \$7,283, leaving a credit balance for SFWPA of \$1,699.

Employee Health Insurance Open Enrollment

The Open Enrollment period for employee health insurance for 2008 is September 17 through October 12, 2007. This is the only time during the year when employees are able to make changes to their health plans. The insurance cap for 2008 will be \$1,355.28 per month per employee. This is the amount that SFWPA will pay towards each employee's health insurance premium, and is based on the average of all available plans excluding the highest and lowest premiums.

The basic HMO plan premiums overall will increase an average of 7.39%, and the PERS Care and PERS Choice premiums will increase an average of 4.15%.

2007 Budget Update

Mr. Martinez explained that in Jenny Slinkard's absence, he had been directed by the General Manager to conduct a mid-year analysis of the budget, with projections through the end of the year. He reviewed revenue accounts to determine how much revenue could be anticipated for the remainder of the year. He also compared revenue and expense estimates with previous year's. He stated that this year's revenues were consistent with previous year's activities. Unfortunately, the year's unusually dry weather conditions have negatively impacted revenue sources. The budget anticipated a conservatively estimated \$240,000 from Woodleaf Powerhouses's tailwater

depression system (TWD). However, TWD produced only \$6,863 this year, with no additional revenue anticipated through the end of the year. Extremely dry conditions also had an effect on surplus-water revenue from PG&E. By August 1 last year \$90,000 of the budgeted \$165,000 surplus-water revenue had been received. This year, for the same period, only \$36,000 has been received. He stated that Power Division Manager Kathy Petersen projects that Sly Creek generation will also see a \$100,000 deficit.

Mr. Martinez listed the major upcoming expenses (not including daily maintenance and operations) as:

Debt Service due October 1: \$241,125  
JPIA (insurance premium) due September 1: \$65,916  
Repayment of Restricted funds before December 31: \$351,855

With revenue sources lower than anticipated and large expenses on the horizon, his recommendation to the Finance Division Manager was to cut expenses down to operational necessities only, and to cut capitol expenses.

Although though domestic and irrigation water sales dipped minimally compared to last year's sales, 2007 overall has done better than expected. These water sales should fund payroll, health insurance, and monthly base expenses until November. Based on this information, and after a meeting with Finance Division Jenny Slinkard (still on maternity leave), a plan was developed whereby the Interfund loans can be repaid by the due date of December 31.

Mr. Martinez predicted that, even with less-than-budgeted revenue, the Agency should perform well for the remainder of the year. Some capitol improvements may have to be delayed until next year, but finances should remain stable.

Mr. Glaze added that, notwithstanding the break-even predictions by Mr. Martinez, directors should be aware that the potential exists that additional interfund borrowing might be necessary, or at least extending the repayment period beyond the end of the year.

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

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

##### Operations

The draft from Little Grass Valley Reservoir was lowered to 6 cfs for the five-year dam inspection from August 3-6, and then returned to 130 cfs on August 7.

##### Maintenance Projects

###### Lost Creek Dam – Concrete Coring

A PowerPoint presentation was shown with photos of the coring project that occurred between July 25 and August 9. Ms. Petersen reported that the road across Lost Creek Dam was reopened to the public on August 10.

##### Vandalism Repairs

Ms. Petersen reported that vandals struck facilities at Ponderosa Dam and Sunset Hill about a week apart. At Ponderosa Dam they removed the bolts and broke the hasps on the control panels for the spill gates. They were not able to operate the gates because the power is left in the "off" position at the feeder breaker. The crew repaired the control boxes

At Sunset Hill, the vandals removed the louvers from the lower portions of the doors, stole a fire extinguisher and battery, and discharged another fire extinguisher outside, but did not damage any communication equipment. They also did quite a bit of damage to the CDF lookout tower and storage facility, and CDF sent an investigator to collect fingerprints. New steel plates were added to the doors.

General Information

Potential Failure Modes Analysis and Five-Year Part 12 Inspections

A potential failure modes analysis was conducted for Little Grass Valley Dam August 6-8, in conjunction with the five-year Part 12 inspection by the Agency's independent consultant, Richard Harlan. FERC and DSOD participated in the PFMA session, as well as in the inspections of Little Grass Valley, Sly Creek, and Lost Creek dams, and Sly Creek and Woodleaf penstocks and powerhouses. The PFMA session was facilitated by Wayne Edwards, who also facilitated the February PFMA sessions for Miners Ranch and Ponderosa dams. Rick Harlan and Paul Terrell again joined the team, as did John Davis, Denny Lewis, Scott Underhill, and Sannow Mam (a Power Division summer intern). Because of new rules at FERC regarding independent consultants, this is the last year Mr. Harlan will be conducting Agency inspections. Ms. Petersen expressed gratitude on behalf of the Agency for the 49 years of experience he has with the South Feather Power Project. She opined that Mr. Terrell's insights from his experience as the field engineer during construction were also invaluable.

**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

M RTP monthly treated water production for July was near normal for the recent five-year average. The cumulative 2007 (Jan-Jul) water production is also near average.

The table below presents disinfection byproducts (DBP) lab testing results for the third quarter. As anticipated, the values are well below any levels of concern. DBP are a concern where the source water has a high level of organic matter such as the Delta. The Agency's pristine water source has low levels of organic matter and the corresponding levels of Trihalomethanes and Haloacetic Acids within the distribution system are also very low. The State and Federal health agencies are very concerned with these byproducts and are proposing significant testing, monitoring, and reduction of these compounds. The very low levels of DBP in the Agency's system are a big advantage in future water system maintenance and operations costs. The values will be published in the annual Water Quality Report.

Table 1. Third Quarter Disinfection Byproducts Testing Results

TTHMs (Total Trihalomethanes)	MCL = 80 ppm (Maximum Contaminant Level)	M RTP = 12.2 ppm	By-product of drinking water chlorination	Some people who drink water containing trihalomethanes in excess of the MCL over many years may experience liver, kidney, or central nervous system problems, and may have an increased risk of getting cancer.
Haloacetic Acids	MCL = 60 ppm	M RTP = 9 ppm	By-product of drinking water disinfection	Some people who drink water containing haloacetic acids in excess of the MCL over many years may have an increased risk of getting cancer.

Solar Plant Production

Directors reviewed a graph comparing energy consumption and water production at Miners Ranch Treatment Plant.

**GENERAL MANAGER'S REPORT**

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

Relicensing

Now that the application has been filed with FERC (commencing the third-stage consultation phase of the project) and the consulting team has responded to comments and additional information requests from the various resource agencies and interested parties, the relicensing

process is in somewhat of an idling mode. FERC's John Mudre has indicated that they will initiate the formal environmental analysis process as early as September 1.

#### Future Power-Purchase Agreement Discussions

There have been no meetings with PG&E representatives since the last one on March 26. Late last week, a response was received from PG&E to the letter sent near the first of May in which comments were provided on the amended proposal received from PG&E in March. The Agency's consultants, McDonald Partners, are reviewing this latest response from PG&E.

#### LAFCo Filing Fees

In response to questions raised at last month's board meeting, Mr. Glaze provided directors copies of e-mail communications between himself and LAFCo's Executive Officer, Steve Lucas, regarding recent invoices from LAFCo for annexation-processing expenses beyond the initial deposit of \$2,000.

#### Fluoridation of Drinking Water

Mr. Glaze reported that earlier in the month the Fluoride Action Network (FAN) issued a press release calling for the end to water fluoridation and asking Congress to hold hearings on the issue. The statement was signed by over 600 individuals who claim to be professionals, including physicians, dentists, scientists and environmentalists. The American Dental Association, the U.S. Public Health Service, and the American Water Works Association, however, continue to support fluoridation "in a safe, effective, and reliable manner...that is subject to community acceptance through applicable local decision-making processes." Further, The U.S. Centers for Disease Control (CDC) has proclaimed water fluoridation "to be one of the top ten greatest public health achievements of the past century."

The FAN statement claims that fluoride levels of 4 mg/L or higher may pose certain health risks. The U.S. Environmental Protection Agency established the maximum level of fluoride in drinking water at 4 mg/L. In 2001 the CDC established a new "optimal level" for fluoride content to be in the range of 0.7 mg/L to 1.2 mg/L.

Fluoridation of drinking water in the United States has been occurring for more than 50 years. In 2000, the CDC estimated that 66% of the population receiving water from community systems had access to fluoridated water. Forty-three of the largest 50 U.S. cities inject fluoride into their treated water.

South Feather Water and Power does not fluoridate its water. And, because the Agency serves fewer than 10,000 connections, there is no requirement from the Department of Health Services to do so.

#### SEIU Acknowledges Decertification

As previously reported, Mr. Glaze sent a letter to Service Employees International Union, Local 1021 (SEIU) on May 30, 2007, which stated in part:

*...although I have not received official confirmation that SEIU has approved the decertification [as requested on April 11 by a unanimously signed petition of CSEU members], I am hereby authorizing that withholding SEIU union dues from unit members' paychecks be discontinued effective May 20, 2007. Further, I will be asking the Agency's Board of Directors to take action at its meeting on June 26, 2007 to confirm the decertification of SEIU Local 1021 as the exclusive representative of the Clerical and Support Employees Unit, thereby allowing unit members to seek alternate representation, or self representation, at the earliest feasible date thereafter.*

He provided directors with a copy of a letter received on August 13 in which SEIU "disclaims any further interest in representation of this unit" (SFWPA's Clerical and Support Employees Unit – CSEU), effective August 1, 2007."

#### **DIRECTORS' REPORTS**

None.

#### **CONVEYANCE AGREEMENT – HIGHLANDS PLACE P.U.D.**

Directors reviewed a standard Conveyance Agreement that had been executed by Perry Abadir (Danville, California), developer of Highlands Place Planned Unit Develop (PUD), an 18-lot residential subdivision on the south side of Oro Dam Boulevard, between Highlands Boulevard and Midway Drive (a parcel of land OWID once owned and sold as surplus to Ted Runge in 2001 for \$10,000).

Part A, Section 4.A of the Agency's Rules & Regulations specifies the following:

*After completion of plans and specifications...and prior to commencement of construction, the developer shall enter into a Conveyance Agreement with the Agency, approved by the Board of Directors, describing the conditions upon which the Agency will accept the developer's completed water system improvements.*

Water Division Manager Matt Colwell has approved the construction drawings for the project, and the Conveyance Agreement describes the conditions upon which the Agency will accept the project's water system into its maintained system.

Mr. Glaze affirmed that the developer has satisfied all conditions necessary for your consideration of the Conveyance Agreement, including payment of plan-check and inspection fees.

M/S/C (Cecchi/Hunter) approving the Conveyance Agreement with Perry Abadir, specifying the terms and conditions, together with those contained in the Agency's Rules and Regulations Governing Water Service, whereby the Agency is willing to accept, upon completion of the water distribution facilities within Highlands Place PUD, if it is constructed in accordance with the approved plans and specifications thereof, and in a manner meeting the Agency's approval.

#### **PALERMO ROAD ANNEXATION #3-07 (McGAHA)**

The subject annexation is for two lots between Palermo Road and Esperanza Avenue, situated 180' west of Palermo Honcut Highway. The property presently has a well, a shop building, and has a solid corrugated-metal fence along its frontage as if it has been used in the past as a junk or salvage yard.

Directors reviewed a copy of LAFCo's "Application Form" providing a description of the proposed annexation.

As the Agency's "chief planning official," Mr. Glaze stated that he is recommending that this annexation be certified as exempt from the requirement of the California Environmental Quality Act (CEQA). Title 14 of the Code of California Regulations (CCR), §15061(b)(3) states:

*(b) A project is exempt from CEQA if: (3) The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.*

The subject lots already have access to potable water (an onsite well), already have structures erected, have already been used for commercial purposes, and are already configured so that further divisions would not be permitted under the present zoning. The proposed annexation application, if approved by LAFCo, would only permit the extension of treated water service, an action that could not precipitate significant new environmental impacts beyond those already affected by past and present uses of these lots. Common sense provides, therefore, that this annexation should not be subject to CEQA.

Directors were provided a copy of a "Notice of Exemption" ("LAFCo Exhibit 4") that, if approved by the Board, would be filed with the County Clerk. The CEQA-prescribed form for the Notice of Exemption does not include the "General Rule Exemption" status category that was added to the attached form. Mr. Glaze stated that it seems prudent, however, to provide the public a means of knowing that a determination was made that the project was exempt from CEQA. Thus, he amended the form for that purpose.

M/S/C (Hunter/Cecchi) approving annexation of APN 027-080-007 and 014 and making application for annexation to LAFCo, and certifying that the project qualifies under

the 'general rule' specified in Title 14 CCR, Section 15061(b)(3) as being exempt from CEQA, having no possibility of causing a significant environmental effect.

**ADJOURNMENT**

The meeting was adjourned at 3:17 p.m.

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Michael C. Glaze, Secretary

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James Edwards, President