

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

Tuesday, October 23, 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; Dan Hunter; Robert Warka; James Higgins.

CALL TO ORDER

President Edwards called the meeting to order at 2:02 p.m. and led the pledge of allegiance.

APPROVAL OF MINUTES

M/S/C (Cecchi/Hunter) approving the Minutes of the Regular Meeting on September 25, 2007, as presented.

APPROVAL OF WARRANTS

M/S/C (Cecchi/Hunter) approving: the total Water Division expenditures for the month of September 2007 in the amount of \$334,646.34 – Warrants #22362 through #22413; and, the total Power Division expenditures for the month of September 2007 in the amount of \$508,395.52 – Warrants #63705 through #63770.

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 September 2 through September 30, 2007. The total campground fees collected in September were \$1,206, and the monthly NPM charge to the Agency is \$7,283. The Agency's bill this month is \$6,077. This ends the service year for this contract.

Surplus Water Revenue

In October the July and August data on Water Division Revenue earned from PG&E for Surplus Water was received. July's earned amount is \$27,098, and the revenue for August was \$28,605. The 2007 year-to-date revenue from this source is \$91,648, and the entire 2007 budget is \$165,000.

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. Staff is concentrating efforts on the irrigation system to clear brush, trees, vines, and maintain and regain access along the ditch banks.

Water Treatment Operations

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

M RTP staff, with the assistance distribution crews, has transported 69 tons of filter backwash sludge to the Ostrom landfill. The sludge is the accumulation of the past year's solid particulate captured in the water filtration process. The past year's accumulation is significantly (30% estimate) more than the proceeding years tonnage without any apparent reason.

POWER DIVISION MANAGER'S REPORT

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

Operations

The first snowfall was received at Sly Creek Powerhouse on October 5, and small storms have continued to move through the area throughout the month. The current prediction from the National Weather Service is for somewhat above normal precipitation for the north part of the state, with something close to average elsewhere, due to a La Niña weather pattern.

The drawdown of Little Grass Valley Reservoir began on October 4, with releases of 300 cfs. This flow is scheduled to continue through October 17, after which the flow will be ramped down to minimum. The releases to draw down the reservoir have attracted a large number of whitewater enthusiasts who are boating the river between Little Grass Valley and South Fork Diversion.

Maintenance Projects

Sly Creek Powerhouse Annual Outage

With the successful completion of the two-week outage to Kelly Ridge Powerhouse and Miners Ranch canal, the crew has moved to Sly Creek Powerhouse for a two-week outage there. The diving team from Big Valley Divers worked with the crew the first day of the outage to clean debris and barnacles from the stop log gates to allow a full seal when the gates were closed. This allowed the crew to access the scroll case for inspection. On the second day of the outage, the crew determined that the turbine runner is hitting against the draft tube, and the unit has an elliptical rotation. PG&E plans to send someone to perform tests to determine the cause of the elliptical rotation of the shaft. The powerhouse is now scheduled to return to service October 20, because PG&E's distribution line department has an outage scheduled for the day the unit was supposed to be tested.

Lost Creek Dam Foundation Coring

The rock foundation coring project was completed September 28. The driller indicated that he found good hard rock all the way down, so this hopefully reduces the concern of scour potential under probable-maximum-flood-level spill conditions. The photo at right shows some of the rock that came out of the third hole drilled, while the photo below shows the drilling setup.

Lost Creek Dam Bridge Deck Repairs

Gary Daley and Eddie Paul from Water Division have been assisting Joe Gibson and Denny Lewis with replacement of the boards on the Lost Creek Dam bridge deck. Because the schedule for completion of the dam crest modification project is uncertain, the existing deck requires maintenance to remain sound for a few more years. Gary and Eddie also set more than 25 new property boundary monuments along the shore of Little Grass Valley reservoir.

LEGAL COUNSEL'S REPORT

Directors reviewed a letter prepared by attorney David J. Steffenson providing information about the voter initiative entitled the "California Property Owners and Farmland Protection Act" (CPOFPA). Jeff Meith provided a verbal overview of the letter that describes how the CPOFPA would make it more difficult and expensive for local agencies to acquire property for water systems and facilities, and in some cases prohibit the use of eminent domain for such acquisitions.

GENERAL MANAGER'S REPORT

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

Relicensing

The engagement letter with D.C. law firm Winston & Strawn was executed as directed at the last board meeting. Subsequently, Winston & Strawn attorneys, Kris Nygaard and John Whittaker, were updated by Jeff Meith, Jim Lynch (DTA), Kathy Petersen and Mike Glaze via a conference call on October 8. The purpose of this call, and a subsequent trip on October 16 by Jim Lynch to Winston & Strawn's D.C. office, was to get Ms. Nygaard and Mr. Whittaker up to speed, answer their questions, and discuss strategy in the event the resource agencies' preliminary "4e" conditions force us into asking for an evidentiary hearing before an administrative law judge. Once FERC issues its Ready-for-Environmental-Assessment (REA) notice, those agencies have 60 days in which to file their preliminary 4es. If the decision thereafter is to pursue an evidentiary hearing, the Agency then has 45 days in which to do so. Because that's an extremely short amount of time to put together a case of this complexity, ensuring that Ms. Nygaard and Mr. Whittaker have a good understanding of the Agency's project and the potentially disputed relicensing issues in advance of that 45-day window is absolutely necessary. Notwithstanding the Agency's due diligence in this regard, Mr. Glaze stated that he is also emphasizing to them that he wants to know in advance of any decisions to pursue an evidentiary hearing what costs and risks are involved.

Future Power-Purchase Agreement Discussions

On August 23 PG&E's response was received to the letter sent by the Agency around the first of May wherein were provided on the amended proposal received from PG&E in March. On September 7, the ad hoc Power Marketing Committee (directors Cecchi and Edwards) joined Kathy Petersen and Mike Glaze for a conference call with Jeff Meith and Michael and Sandra McDonald (power marketing consultants). The McDonalds provided an assessment of the proposal contained in PG&E's latest response. Thereafter, Mike Glaze called PG&E's Jeff Henderson and verbally explained where the committee thought their proposal could be enhanced so that it could be submitted to the Board for consideration. His response indicated that a mutually acceptable conceptual blueprint for a future power-purchase agreement is close. Mr. Glaze stated that he is anticipating a formal response from Mr. Henderson shortly.

Recruiting for a Finance Division Manager

The application phase of the recruitment process for Jenny Slinkard's replacement had a deadline of October 22. Fifteen applications have been received. Eleven of those will move on to the next phase of the recruitment process. Of those 11, all of four-year degrees in finance, accounting, or business administration; three have advanced degrees; and, six are CPAs. Mr. Glaze stated that he anticipates the process will be complete and the successful applicant will be on board by January 2, 2008.

Little Grass Valley Property Owners' Complaints

Mr. Glaze advised directors that some property owners around Little Grass Valley Reservoir are complaining about Plumas County enforcement of a code that prohibits vehicular access below the high-water line of the reservoir. He explained that Agency staff has not asked the Deputy Sheriff to issue tickets to people using their vehicles below the high-water line. Kathy Petersen, at the deputy's request, has only prepared small signs that cite the provision of the subject Plumas County Code (10-2.02). Mr. Glaze has left a message with Plumas County Counsel inviting a discussion about the matter.

DIRECTORS' REPORTS

Director Dennis Moreland summarized a conversation he had recently with Butte County Supervisor Bill Connelly regarding efforts by a committee of property owners in Palermo to get a sewer system installed for their community. Mr. Moreland asked that the matter be placed on the next agenda for discussion and that Mr. Connelly be invited to attend.

AMENDMENT TO BCSDA BYLAWS

Directors reviewed a memo from Butte county Special Districts Association transmitting the Association's bylaws with proposed amendments annotated, together with a "ballot" for SFWPA, as a BCSDA member, to express its acceptance or rejection of the proposal. Mr. Glaze explained that the proposed amendment primarily involves allowing the management staff of member districts to serve on the Association's executive board.

M/S/C (Hunter/Moreland) authorizing the General Manager to cast the Agency's vote to accept the proposed amendments to the bylaws of the Butte County Special Districts Association.

INDEPENDENT CONTRACTOR AGREEMENT – JENNIFER SLINKARD

Now that Jennifer Slinkard is no longer the Agency's Finance Division Manager, Mr. Glaze explained that he and staff would like to have the opportunity to utilize her expertise and experience to assist with various projects (e.g., budget, audit, orientation for the new Finance Division Manager, etc.). He anticipated that her assistance would amount to more than 20 hours through the end of the year, and no more than eight hours for orientation of her replacement in January 2008.

Jeff Meith's office prepared the attached Independent Contractor Agreement, and Jenny has executed it.

M/S/C (Hunter/Cecchi) approving the Agreement Between South Feather Water and Power Agency and Independent Contractor for Finance, Budget and Audit Services with Jennifer Slinkard, and authorization for the General Manager to execute same.

ADJOURNMENT

President Edwards opened the meeting to the public and immediately adjourned it at 2:50 P.M.

Michael C. Glaze, Secretary

James Edwards, President