

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

Tuesday, December 19, 2006, 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;
Art Martinez, Information Systems Manager;
Scott Alcantara, Environmental and Safety Manager;
Cheri Ruloph, Account Technician (left meeting at 2:05 p.m.);
Jeffrey A. Meith, Legal Counsel (left meeting at 2:30 p.m.);
Michael Glaze, General Manager.

OTHERS PRESENT: Jean Brown; Hank Bailey; Robert Warka.

CALL TO ORDER

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

OATH OF OFFICE

Cheri Ruloph, Account Technician and Notary Public, administered the oath of office for returning directors Dee Hunter and Lou Cecchi, and for newly elected director Dennis Moreland.

P.E.R.S. HEALTH BENEFITS PLAN FOR DIRECTORS

Mr. Glaze reported that in 1998 the Board adopted a policy (#280) permitting Agency directors to participate on a self-pay basis in the health-benefits plan provided employees. The resolution by which that policy was affected (No. 2-98-1) also specified that the Agency would pay "the full cost of his/her enrollment...in a health benefits plan...up to a maximum of sixteen dollars (\$16.00) per month..." He stated that it recently came to his attention that PERS began escalating the "Minimum Employer Contribution" in 2004 by increasing the monthly fee from \$16.00 to \$32.20, and it has gone up annually to this year's amount of \$64.60. The fee goes up to \$80.80 in 2007, \$97.00 in 2008, and then will be adjusted annually by the CalPERS Board of Administration to reflect any change in the medical care component of the Consumer Price Index.

Attorney Jeff Meith stated that raising the Minimum Employer Contribution for directors is a discretionary decision by the Board. He said that the Board can increase the Agency's contribution for directors if it wants to, but it's not obligated to.

It was the Board's consensus that the policy should remain as is and no action was taken.

APPROVAL OF MINUTES

M/S/C (Hunter/Edwards) approving the Minutes of the Regular Meeting on November 28, 2006, as presented.

APPROVAL OF WARRANTS

M/S/C (Hunter/Edwards) approving: the total Water Division expenditures for the month of November 2006 in the amount of \$369,553.03 – Warrants #21340 through #21381; and, the total Power Division expenditures for the month of November 2006 in the amount of \$463,702.48 – Warrants #62876 through #62917.

PUBLIC PARTICIPATION – Hank Bailey commented on inquiries Congressman Darrell Isa is making into the Federal Minerals Management Service.

FINANCE DIVISION MANAGER'S REPORT

The Board reviewed a written report from Jennifer Slinkard, Finance Division Manager, including a 2006 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 September 25, 2006 through October 29, 2006 in the amount of \$19,145.96.

Surplus Water Revenue

The amount paid by PG&E to SFWPA for surplus water for the month of September was \$23,483. The year-to-date surplus-water revenue is \$145,238.

Debit and Credit Card Processing for Payments

Mrs. Slinkard reported that in response to fairly frequent requests from customers, merchant point-of-sale card processing will begin being provided beginning in January 2007. Payments on water accounts will be accepted from Visa or MasterCard credit cards, debit, or check cards, American Express, and Discover cards at the counter or over the phone. This will enable customers who can't come to the office to make same-day payments and avoid incurring penalties on their accounts or potentially avoid having their water service disconnected.

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; minor office enhancement projects, new service installations, and leak repairs.

He reported that since 2003 the North Ditch, off of the Palermo Canal, has been operated under a temporary moratorium on new services due to capacity restrictions. Since that time staff has been taking available opportunities to improve the aged distribution system. The Board reviewed photographs depicting the enhancements recently completed on a section near Upper Palermo Road. Approximately 840' of ditch was excavated, shaped, and lined with shotcrete.

Staff has also constructed a new spill-relief structure on the Bald Hill Ditch off of the Bangor Canal. The relief structure provides a reliable method to spill rain and flood water accretions to a natural channel. This section of ditch had inadequate facilities to protect from a potential washout during moderate and heavy rain events.

Water Treatment Operations

An audit of the MRTTP Risk Management Plan for Highly Hazardous Chemicals (RMP) was conducted by Diane Bodine and Kim Burkle representing the U. S. Environmental Protection Agency on Wednesday, December 13. Also, included on the audit team were Mike Huerta, Tom Parker and John O'Neill from the Butte County Environmental Health. Their review found no issues with the current program and all required documentation is in order. There were no citations issued for non-compliance. Overall, the audit team was pleased with the level of knowledge and professionalism demonstrated by the treatment plant staff.

Water Plant Production –

The treated-water production for November was near normal compared to the preceding 5-year period. The cumulative annual production for this date is still below average at 97%.

Solar Plant Production –

October MRTTP energy consumption exceeded solar energy production by 41,100 kwh.

POWER DIVISION MANAGER'S REPORT

The Board reviewed a written report from Power Division Manager Kathryn Petersen, including storage, generation, and precipitation reports. She advised that the reservoirs reached their maximum drawdown points of 46,385 acre-feet in Little Grass Valley and 15,480 acre-feet in Sly Creek, and they should start refilling from this point on.

Maintenance Projects

Ms. Petersen reported that the annual outages are finished for the year, and Power Division personnel have been catching up on year-end projects. She commended each one by name and gave a brief description of the work they had been doing over the past month.

General Information

Wage Adjustments –

In early December, Jola Battershell received the Exhibit X wage information from IBEW. She discovered that some classifications had not been paid enough (the Roving Operators were apparently awarded a 3% increase by PG&E, but the Agency had not been notified) while other journeyman classifications had been overpaid by a penny or two an hour all year. She has calculated all of the corrections and these will be made to the first paycheck in January.

DWR EAP Update –

The Department of Water Resources held a meeting on December 5 to review its revised emergency-action-plan inundation mapping and notification flowcharts for Lake Oroville. They have created inundation maps for dams that had not previously been studied under failure scenarios, including the Bidwell Canyon Saddle Dam at Miners Ranch Reservoir. Ms. Petersen provided comments to them on the map, based on the studies she had conducted for Miners Ranch Dam.

GENERAL MANAGER'S REPORT

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

Relicensing

The draft license application (DLA) was distributed four months ago, per the Board's authorization, to regulatory agencies, tribes, and other interested parties. Comments from these entities were due October 25. A two-day meeting was held commencing on November 30 in Oroville to attempt to resolve the differences between written comments on the DLA and the Agency's draft responses, as well as to discuss water-year types. The dispute-resolution meeting is required by FERC. In addition to Agency representatives, attending the meeting were representatives of the U.S. Forest Service, the U.S. Fish and Wildlife Service, State Water Resources Control Board, State Department of Fish and Game, and American Whitewater. Some of the comments were not discussed due to lack of time, and those were then discussed at meetings scheduled on December 14 and 15. The relicensing team will now begin revising the Agency's draft response letters and issue a final letter based on the meetings to each commenter by mid-January. Each response letter will be included in the license application that will be filed with FERC in March 2007, focusing on any items that remain characterized as "agree in part" or "disagree."

Mr. Glaze distributed to directors a copy of the "Twentieth Workgroup Status Report" on the relicensing project.

Future Power-Purchase Agreement Discussions

A proposal was received from PG&E last month for a future power-purchase agreement to take effect July 2, 2010, after the present contract with PG&E expires. At a December 7 meeting with PG&E representatives Kevin Goishi, Dave Landes, and Jeff Henderson, they were asked to explain several key elements of the pricing component of their proposal. They were advised that until the monetary aspects of the proposed deal were clear, Agency representatives would not be discussing the administrative, operational, or legal aspects of their draft agreement.

After a positive and collaborative exchange of ideas and opinions, the PG&E team agreed to modify and clarify their proposal's pricing articles and provide those for Agency consideration shortly after the first of the new year.

Election Results – Yuba County Water District

Mr. Glaze reported that the November election brought two new directors to the YCWD Board of Directors. Don Ferguson was elected to the Division Four seat, replacing Dale Storey who did not run for re-election. John Jacobson defeated Peggy Mullins in the race for the Division Five seat.

Increase in Certain Rates and Charges

Mr. Glaze advised the Board that the Engineering News Records Construction Cost Index increased 3.2% during 2006. Therefore, subject to action by the Board to suspend the increase, the residential meter/backflow fee, annexation fees, system capacity charges, and backflow maintenance charges will increase by 3.2%, effective January 1, 2007.

Board Member Training

Information on the California Special Districts Association's upcoming board member training was given to new director Dennis Moreland.

DIRECTORS' REPORTS – Director Dennis Moreland reported on the three-day orientation provided to him by staff earlier in the month. He opined that his discussions and tour of facilities informed him that the Agency is in “good shape” and that it has “quality people” working for it. He stated that, during his tour of Water Division facilities, he observed a crew working with what he believed to be insufficient traffic-control signs. Matt Colwell provided a photograph of the project site and Scott Alcantara described the traffic-control measures in place and stated that the crew had deployed cones and signage in accordance or exceeding the requirements of the Manual of Uniform Traffic Control Devices. Mr. Alcantara provided additional information about the Agency's traffic-safety policy, employee training, and personal-protection equipment provided to employees.

POWER DIVISION SURPLUS EQUIPMENT

Kathy Petersen reported that Power Division has three vehicles and one piece of equipment that have either already been or will be replaced in the near future and, therefore, need to be declared surplus and sold. The equipment was described as follows.

1. 1984 GMC ¾ Ton Van, VIN# 1GTEG25FXE751886, with 74,889 miles. This was the Communications Technician's van, and has been out of service due to mechanical problems for more than a year. It was replaced with an SUV in late 2005.
2. 1999 Dodge Ram 4x4 Pickup, VIN# 1B7HF16ZOX5214336, with 111,496 miles. This has been a Roving Operator's truck, and it will be replaced in early 2007.
3. 1999 Jeep Cherokee 4x4 SUV, VIN# 1J4FF28S5XL615768, with 118,414 miles. This was the Operating Foreman's vehicle and was replaced last year.
4. 1986 Champion Grader #720A, VIN# 720A1871231751986. The grader became inoperable early in 2006, and a new grader is on order and will be delivered in January 2007.

M/S/C (Meyer/Hunter) declaring as surplus Power Division's 1984 GMC Van, 1999 Dodge Ram Pickup, 1999 Jeep Cherokee, and 1986 Champion Grader and authorizing the Finance Division Manager to advertise and sell them to the highest bidder on a sealed-bid basis.

ANNUAL BOARD REORGANIZATION

M/S/C (Cecchi/Hunter) electing Director Jim Edwards as President and Director Vivian Meyer as Vice President for 2007, and appointing the General Manager as Board Secretary and the Finance Division Manager as Treasurer for 2007.

ADJOURNMENT

The meeting was adjourned at 2:37 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President