

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

**Tuesday, March 25, 2008, 2:00 P.M.,  
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California**

**DIRECTORS PRESENT:** James Edwards, Lou Cecchi, Dee Hunter, Vivian Meyer, and Dennis Moreland.

**STAFF PRESENT:** Steven Wong, Finance Division Manager  
Matt Colwell, Water Division Manager;  
Kathy Petersen, Power Division Manager;  
Jeffrey Meith, Legal Counsel;  
Michael Glaze, General Manager.

**OTHERS PRESENT:** Hank Bailey; Jean Brown; Julie Luhrs; Rick McCullough, SFWPA Irrigation Foreman.

**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 Meeting on February 26, 2008.

**APPROVAL OF WARRANTS**

M/S/C (Cecchi/Hunter) approving: the total Water Division expenditures for the month of February 2008 in the amount of \$446,990.53 – Warrants #22696 through #22730, and #22810 through #22857; and, the total Power Division expenditures for the month of February 2008 in the amount of \$858,028.47 – Warrants #64029 through #64061, #64118 through #64147, and #64166 through #64218.

**PUBLIC PARTICIPATION** – None.

**FINANCE DIVISION MANAGER'S REPORT**

The Board reviewed a written report from Finance Division Manager Steve Wong.

South Feather Relicensing Consulting Services

Devine, Tarbell and Associates, Inc. (DTA), consultant for the South Feather Power Project relicensing submitted its invoice and activity report for the period of January 1 through January 27, 2008 in the amount of \$3,868.76. Including this invoice, payments to DTA for their services on this project amount to \$4,849,804.

Disposition of Power Division Vehicles

Two Power Division vehicles were sold. Power Division Truck #82 was a "junked" and surplus vehicle offered to SFWPA employees on a sealed bid basis with a minimum bid of \$500. The

truck was awarded to Eddy Paul with a bid of \$525. Power Division Pickup #86 was sold on Ebay for \$1,900 to a couple from out of the area. Art Martinez coordinated the Ebay auction and sale activity for the Agency.

#### Art Work in the Lobby

The opportunity to display art in the lobby area was expanded recently to include Agency employees, community art groups, and the education community. The art currently on display in the lobby was produced by meter reader Shirley Simmons and roving operator Guy Mastelotto. Directors were encouraged to inform their artist acquaintances of the display opportunity.

#### PERS

As approved by the Board last year, actuarial valuations were requested from the California Public Employees Retirement System (CalPERS). Valuations were requested for three scenarios – 2% at 60, 2% at 55, and 3% at 60 – in order to provide a framework regarding the costs and options available to the Agency. The CalPERS valuations have now been received. In the near future the actuarial valuations will be forwarded to the Board's Personnel Committee for review and discussion.

#### Property Insurance

The invoice for the renewal of insurance on the Agency's property and vehicles for the period of April 1, 2008 to April 1, 2009 has been received. The basic coverage amounts for buildings and equipment have been raised to match the estimated increases in construction costs. A limited amount of coverage for damage from earthquakes and floods has been added. This renewal reflects a decrease in the rates charged for building, other structures, equipment, and personal property. There is no change in the rates for mobile equipment and vehicles. In summary, the Agency's payment for property and equipment insurance will be approximately 9% less than last year's premium payment.

#### Statement of Economic Interests

All of the Agency's Board members and designated employees have filed the 2007 Form 700 – the Fair Political Practices Commission's Statement of Economic Interests.

#### Hillview Ridge

A payment of \$127,080 was received on March 14, 2008 from the Hillview Ridge developers for the construction of water mains that will serve the residential apartment project that is under construction behind Agency headquarters.

### **WATER DIVISION MANAGER'S REPORT**

The Board reviewed a written report from Matt Colwell, Water Division Manager.

#### Distribution Operations

Water Division staff has been accomplishing water system maintenance and normal operations tasks. Ongoing projects include irrigation and domestic distribution system betterments, new service installations, and leak repairs.

Mr. Colwell described a project to expand the distribution system near the Kelly Ridge Million Gallon Tank (MGT) and the MGT cleaning, inspection and repair project. The project included modifying the distribution system operations to isolate and drain the MGT, clean and inspect the

interior of the tank, and then repair and re-seal any corrosion that was identified. Over the approximately 38-year life span of the MGT, nearly 400 small corrosion repairs have been completed, with approximately 60 repairs completed in 2008. Overall, the tank appears to be in satisfactory condition with no immediate structural or operational concerns.

#### Water Treatment Operations

During the past month the 5<sup>th</sup> grade class from Chico Country Day School visited MRTP. The students (and parents) were presented with a hands-on experience that identified where local water supplies originate and how it is delivered to the tap. Approximately 52 students, nine parents, and two teachers (including Mrs. Colwell) were shuttled in three groups throughout the MRTP. The operators presented professional information and received many compliments on the overall presentations.

Monthly MRTP treated-water production for February was near average.

#### **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 March 1 runoff forecast, prepared by DWR, predicts 91% of average runoff for the South Fork Feather River. However, on the basis of the snow surveys conducted in the South Feather watersheds at the end of February, a few more storms will be needed to completely fill Little Grass Valley and Sly Creek reservoirs.

Throughout much of the Sly Creek outage, 80 cfs of water was bypassed to be able to operate Woodleaf and Forbestown powerhouses a few hours each day. PG&E increased that bypass to 160 cfs on March 6 because they believe that generation at the downstream powerhouses was of high value, since peak and off-peak power prices are high this month. South Feather's operations concern has been that the water might be of equal or higher value if left in storage until next summer, and Ms. Petersen expressed this concern to PG&E on more than one occasion. With the return of Sly Creek Powerhouse to service and the start of the Forbestown Powerhouse annual outage on March 24, there will no longer be a need to bypass water.

#### Maintenance Projects

##### Sly Creek Powerhouse Shaft Alignment

Start-up testing for Sly Creek Powerhouse is scheduled for Monday, March 17. The reassembly of the powerhouse has gone well as the crew has readjusted the mechanical components to fit the realigned and centered shaft. Measurements made while reassembling things determined that the lower guide bearing bracket needed to be moved to center the bearing on the shaft, and the upper guide bearing had to be sent to Kingsbury to be re-turned as it had become oblong in shape.

The Power Division crew has put in many long and arduous hours tearing the unit apart, finding and fixing the problem, and reassembling everything.

#### General Information

##### New Equipment

A new Tucker Terra Sno-Cat was delivered to Power Division on March 4. The new equipment has controls similar to a 4-wheel drive truck, and includes a plowing blade and winch. A new trailer was purchased along with the Tucker.

#### Passing

Ms. Petersen reported that Richard Harlan, the long-time independent engineering consultant for the Agency's power facilities, passed away on March 7 following a battle with cancer. Mr. Harlan was one of the original Bechtel engineers who designed and monitored the construction of the dams, and provided invaluable background information when the potential failure modes analyses were conducted for FERC in the past few years. His son Rick will work with staff to complete the inspection reports left unfinished at his father's death.

#### GENERAL MANAGER'S REPORT

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

#### Relicensing

The Agency's relicensing team met with representatives of the Forest Service (USFS), Fish and Game (F&G), and State Water Resources Control Board (SWRCB) on March 7 to hear their response to the Agency's January 31 in-stream flow proposal. The January 31 proposal (which would result in an estimated 4.4% loss of generation capacity compared to the current license conditions) was a response to the USFS/F&G proposal on December 19 that would result in an estimated 6.8% loss of generation capacity for the South Feather Power Project. At the March 7 meeting, USFS and F&G presented a take-it-or-leave-it revised in-stream flow proposal that brought the predicted loss in generation capacity down to an estimated 5.8%.

Mr. Glaze and Kathy Petersen met with USFS representatives on March 13 to discuss the recreation measures in the Agency's license application. The application's recreation measures were developed and agreed to over a two-year period and involved significant time and expense on the part of Agency consultants and USFS recreation staff. At the March 13, USFS representatives reneged on the deal and produced language for a new recreation measure. Essentially, the new measure throws out all the schedules for facilities' repairs, replacements, and upgrades that had previously been negotiated and agreed to, and mandates a whole new master plan and subsequent site-specific plans.

The Agency's relicensing team again met with representatives of USFS and SWRCB on March 14 to discuss the remainder of the preliminary mandatory conditions that USFS will be proposing. Of most significance was the condition for performing additional fish population testing at Sly Creek and Lost Creek reservoirs, and the installation of a barrier to prevent fish entrainment at Woodleaf Powerhouse. These discussions resulted in the possibility that USFS will agree to a wild-trout stocking mitigation that would eliminate the need for the population testing and fish screen.

The resource agencies have until April 14 to submit to FERC their preliminary-condition requests. Mr. Glaze stated that, given his experience with the resource agencies' inability to honor their commitments and agreements, he is not yet prepared to make a recommendation on the question of whether the Agency should begin preparations for an appeal. He said that April 15 will be dedicated to evaluating all of the preliminary conditions submitted and developing a recommendation that will need to be explained to the Board at a special meeting on April 18. All of the directors stated that they could be available at 2:00 p.m. on April 18 for a special meeting.

### Future Power-Purchase Agreement Discussions

The only contact with PG&E during the past month was a phone conversation between Mike McDonald (the Agency's power-marketing consultant) and PG&E's Jeff Henderson, and a phone message to Mr. Glaze from Jeff Henderson. Both communiqués provided minimal insight into the reason(s) for PG&E's delay in returning to the negotiating table, but contained a prediction that some form of response would be submitted by the end of March.

### State Budget Update

A copy of an article from the CSDA *e-NEWS* was reviewed by directors in which the latest on the state budget and rumored property tax shift were discussed.

### LAFCo Vacancy

Directors reviewed a public notice from LAFCo informing that it is accepting applications for the Public Member and Public Member Alternate positions on the commission.

### Surplus Water Agreements

An application for surplus water has been received from and approved for Pacific Coast Producers (from the Palermo Canal). This is a long-term surplus-water customer and the agreement is a carbon copy of previous years. It has been approved in conformance with Policy #480.

An application was received from Gerald Nuijen for surplus water from the Miller Hill Ditch. His request was denied because of difficulties ditch tenders have had in serving existing Agency customers on that system. Mr. Nuijen was provided surplus water from 2004 through last year.

**DIRECTORS' REPORTS** – Director Hunter introduced Ralph and Florence Prater, owner's of property in the vicinity of Darby Road. Mr. and Mrs. Prater explained to the Board that their property had historically benefited from Robinson Ravine water, but that since the Agency had reconstructed its diversion the flow in Robinson Ravine had been curtailed. Manager Glaze directed Water Division Manager Colwell to meet with the Prater's to better understand their concerns.

### **COST SHARING AGREEMENT – WOODLEAF POWERHOUSE TRANSFORMER**

In 2005, the original transformer at Woodleaf Powerhouse (WPH) failed. To minimize down time, PG&E performed an emergency replacement using an existing used transformer. Although the replacement transformer's specifications indicated it would be functional at WPH, it resulted in a loss of inefficiency totaling 10 MW of generation. Because of the loss of generation at WPH and related restrictions at Forbestown Powerhouse, PG&E agreed that the transformer should be replaced with a new one. Additionally, the 115 kV circuit breaker at WPH is original equipment and, though it is not presently showing any signs of failure, it has survived beyond its 40-years life expectancy. Replacing it with a gas circuit breaker will preclude its certain failure in the not too distant future, and will also eliminate the risk associated with the potential for an oil spill reaching the river if there were to be a catastrophic failure of this existing oil-filled circuit breaker.

Because the end of the present power-purchase agreement is only two years away, and the life expectancy of a new transformer and gas circuit breaker are significantly longer, PG&E proposed that it should pay only 20% of the estimated \$3.1 million replacement cost. Ultimately, through negotiations with General Manager Glaze, PG&E agreed to increase its cost participation to 50%.

Directors reviewed a draft letter agreement from Randy Livingston, PG&E's Vice President, Power Generation, detailing the terms of the cost-sharing proposal. Specified therein was the provision that SFWPA would reimburse PG&E for its 50% of the replacement cost within the first year after the expiration of the existing power contract with PG&E.

Attorney Jeff Meith discussed existing contract language regarding funding responsibilities for capital repairs and improvements.

M/S/C (Hunter/Cecchi) authorizing the General Manager to sign the March 25, 2008 Woodleaf Generator Step-Up Transformer Bank & Circuit Breaker Replacement cost Sharing Agreement, subject to its execution by a PG&E representative.

#### **T-MOBILE USA, INC. CONTRACT**

In November 2007, T-Mobile USA, Inc., informed South Feather and PG&E that it had been awarded the right to use the 2.1 GHz microwave band for wireless communications technologies, per FCC rules, and that they desired to use the Sunset Hill-Chico path in order to provide service to Chico-area customers. Because SFWPA and PG&E hold primary licensee status on the path, T-Mobile is required to pay the cost of converting the Agency's microwave system to a different frequency. To that end, T-Mobile's and PG&E's engineers have reviewed the existing equipment and developed a list of equipment that will need to be changed out (in this case to the 6 GHz frequency). PG&E proposes taking the lead on the equipment-replacement project.

When T-Mobile begins operations on the Sunset Hill-Chico path, it will create interference with the other 2.1 GHz paths to Forbestown Headquarters, Kelly Ridge, Woodleaf and Sly Creek powerhouses, requiring that those paths also be converted to 6 GHz. Because South Feather holds only secondary licensee status on those paths, the costs of conversion will not be covered by T-Mobile, so PG&E has also agreed to pay to upgrade that equipment this year. This is a budget adjustment PG&E made subsequent to the Board approving the 2008 Power Division budget.

M/S/C (Moreland/Hunter) approving the Voluntary Relocation Agreement for Point-to-Point Fixed Service (Sunset Hill to Chico Substation) negotiated between T-Mobile USA, Inc., PG&E, and South Feather Water and Power Agency, and authorizing the General Manager to execute said Agreement subject to concurrence of counsel of the Agreement's final form.

#### **PRE-ENGINEERING AND FEASIBILITY STUDY – MRTP EXPANSION PROJECT**

At the Board's meeting in November 2007, Directors authorized publication of a Request for Proposals from consulting engineering firms for a Pre-Engineering and Feasibility Study to initiate the Miners Ranch Treatment Plant Expansion Project. Subsequently, the following four firms responded with proposals (Directors reviewed copies of each proposal):

Black & Veatch Corporation (\$184,716);  
Camp Dresser & McKee, Inc. (CDM) (\$100,313);  
HydroScience Engineers (\$58,275); and,  
RBF Consulting (\$145,000).

To facilitate an objective evaluation of the proposals, General Manager Glaze developed a

methodology that assigned points to various technical criteria, comprising 75% of the total score possible. The proposed cost for each firm was scored in comparison to the lowest proposed cost, with the resulting score comprising 25% of the total evaluation score possible. Directors reviewed a copy of the evaluation methodology.

General Manager Glaze and Water Division Manager Colwell, in consultation with MRTTP staff, independently evaluated each proposal. Ultimately, both assigned their highest score to CDM, agreeing that CDM's proposal was the most responsive, reasonably priced, and provided the best approach to evaluating alternatives and proposing pragmatic solutions.

Mr. Glaze outlined CDM's 55-year history, during which it has designed more than 1,500 water-treatment plants around the world, ranging in capacity from a few MGD to over 1,200 MGD (by comparison, the MRTTP expansion will result in approximately 24 MGD of treatment capacity). Of the four firms, CDM has the most experience in Northern California (36 projects in the past 20 years), has the most experience with projects similar to Miners Ranch Treatment Plant, and has the most experience working with public agencies like SFWPA. CDM's project team is comprised of engineers and technical professionals from its Sacramento and Walnut Creek offices, representing a vast amount of project-specific experience. CDM demonstrated a realistic and comprehensive understanding of the project, proposed realistic time estimates for each of the major segments of the work plan as well as a realistic projection of staffing needs, and proposed a significant amount of supervision by the firm's project manager. Mr. Glaze opined that, although CDM's cost proposal was not the lowest, its projection of staffing needs was more realistic, suggesting that the lowest-cost proposer was underestimating the scope of work and would not have been able to dedicate adequate resources to ensure a comprehensive report.

M/S/C (Cecchi/Hunter) accepting CDM's proposal for preparing a Pre-Engineering and Feasibility Study for the Miners Ranch Treatment Plant Expansion Project, and authorizing the General Manager to execute an agreement for consulting services with CDM for said proposed study.

#### **DRAW FROM LINE OF CREDIT**

At the Board's meeting last month, Resolution 08-2-1 was adopted which authorized the establishment of a \$1 million line of credit with Tri-Counties Bank. The Line of Credit is now in place and available to the Agency.

Finance Division Manager Wong explained that available Water Division cash, including the funds reserved for System Capacity, is approximately \$1,750,000. The Agency's anticipated cash needs over the next few weeks, including payments for debt service, the property insurance renewal, payroll, and miscellaneous checks is estimated to be \$1,050,000.

He recommended a draw of \$500,000 from the Line of Credit be authorized at this time. Existing cash on hand, plus the \$500,000 draw will be sufficient to meet anticipated cash disbursements in the near term. A balance approximately equal to the funds reserved for System Capacity Expansion will remain invested in the Local Agency Investment Fund (LAIF).

M/S/C (Hunter/Cecchi) authorizing the Finance Division Manager/Treasurer to affect a \$500,000 draw from the Tri-Counties Bank line of credit.

### **ACCEPTANCE OF MOORETOWN RANCHERIA EASEMENT**

As reported last month, the Bureau of Indian Affairs executed the required easement to satisfy the terms of the Agency's temporary service agreement with Mooretown Rancheria for their most recent residential subdivision project (No. MR0450). Before the easement can be recorded it must be accepted by the Board of Directors.

M/S/C (Cecchi/Hunter) adoption of Resolution 08-3-1, accepting an easement from the United States Department of the Interior's Bureau of Indian Affairs within the Mooretown Rancheria of Maidu Indians and its Residential Subdivision Project No. MR0450.

### **DISPOSAL OF POWER DIVISION SURPLUS EQUIPMENT**

A 2008 Tucker Terra Snow Cat and 2000XL trailer were delivered to Power Division on March 4, replacing the LMC 1500 All-terrain Vehicle and Maxey Trailer FT-14-2 purchased in 1985. The original purchase price of the 1985 equipment was \$45,580, and the equipment has been fully depreciated.

The Power Division Hydro Clerk's Sharp XQ-380 electric typewriter was replaced in December 2007 after it ceased to function properly. The typewriter was purchased in 1986 at a cost of \$948.70 and it has also been fully depreciated. Since it no longer functions, it needs to be disposed of as junk.

M/S/C (Meyer/Moreland) approving: (1) declaring the LMC 1500 All Terrain Vehicle, Maxey Trailer FT-14-2, and the Sharp XQ-380 typewriter as surplus and removed from the list of Power Division assets; and, (2) transference of title to the LMC 1500 All Terrain Vehicle and Maxey Trailer FT-14-2 to the La Porte Fire Protection District in exchange for its proposal to use the equipment for winter search-and-rescue purposes within the Agency's FERC project boundaries, and for the Sharp XQ-380 typewriter to be disposed of as junk.

### **ADJOURNMENT**

President Edwards adjourned the meeting at 4:49 p.m.

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Michael C. Glaze, Secretary

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James Edwards, President