

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

**Tuesday, April 22, 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:** Scott Alcantara, Environmental and Safety Manager;  
Steven Wong, Finance Division Manager;  
Art 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:** Dan Hunter.

**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/Moreland) approving the Minutes of the Meeting on March 22, 2008.

**APPROVAL OF WARRANTS**

M/S/C (Hunter/Moreland) approving: the total Water Division expenditures for the month of March 2008 in the amount of \$1,174,807.52 – Warrants #22768 through #22809 (#22768 void), #22858 through #22873, and #22883 through #22921; and, the total Power Division expenditures for the month of March 2008 in the amount of \$670,479.43 – Warrants #64148 through #641651, #64219 through #64233, and #64244 through #64282.

**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 28, 2008 through February 24, 2008 in the amount of \$17,268. Including this invoice, payments to DTA for their services on this project amount to \$4,867,072. The amount remaining available on this contract is \$219,444.

2007 Audit

The Agency's auditors, Mann, Urrutia, Nelson, CPAs, are scheduled for 2007 field work beginning Monday, April 21, 2008. They have already filed the Special Districts Financial Transactions Report with the State Controller. The report is on file with the Finance Division and is available upon request. The Board will be provided the Agency's Annual Financial Report for the year ended December 31, 2007 along with the Independent Auditor's Report as soon as it is available. Directors were encouraged to contact Mr. Wong or Erica Chuidian, the Agency's primary contact with Mann, Urrutia, Nelson, if they have questions or comments regarding the Agency's finances or audit.

Risk Transfer Workshop

Mr. Wong reported that he and Matt Colwell attended a four-hour Risk Transfer course conducted by ACWA/JPIA. The course discussed the constant exposure public water agencies have to significant losses, together with the possible mitigations and other steps that can be taken to minimize the possibilities of those types of losses.

### Water Transfer

The Agency received a \$50,000 payment from the State Water Contractors as a deposit for a one-time transfer of 10,000 acre-feet of water this year.

### PERS

The Board's Personnel Committee (Dee Hunter and Vivian Meyer) met for a briefing on the CalPERS actuarial valuations recently received. There was no interest on their part at this time to proceed into any program with a possible negative financial impact to the Agency. However, SFWPA employees continue to be very interested in the CalPERS retirement program. Questions are being asked and discussions are taking place amongst employees in order to design a package which they can agree on and that results in no negative financial impact to the Agency.

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

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

### Irrigation System Investigation

At the March meeting the Board heard concerns from members of the public (Mr. and Mrs. Prater and Julie Luhrs) regarding water operations and irrigation-water availability on the Lower Forbestown/Miller Hill Ditch system. At the direction of the General Manager and the Board, Mr. Colwell investigated the issues presented. He provided Directors with a visual explanation of the irrigation system and operations in the area and said that he met with Mr. and Mrs. Prater and that their concerns have been addressed. In the case of Julie Luhrs, her water application has been approved and water service is being provided.

### Distribution Operations

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

Water distribution crews have completed the initial phase of water system improvements for the Hillview Ridge Apartments occurring to the south of the office. The water mainline extension along Oro-Quincy Highway began immediately in front of the office and ran from the existing mainline east, approximately 460 feet, to the point where the Gilmore Lane new northerly extension will intersect with Oro-Quincy Highway.

Phase II of the mainline extension project will commence when the new Gilmore Lane sub-grade is completed by the developer's contractor. The total mainline extension project is estimated to cost the developer approximately \$125,000.

### Water Treatment Operations

Jim Coffelt took advantage of an opportunity provided by Big Valley Divers under contract with Power Division. The divers inspected the raw-water pump intake structure including pump screens and the pump platform footings. The inspection showed pump intake screens (approx 20" diameter) in variable conditions and made from either galvanized or stainless steel material. The galvanized screens were found to be severely corroded, and are now being replaced with stainless steel screens manufactured in house.

Treatment and distribution personnel have completed the cleaning, inspection and repair of the top liner cover at the ID2 treated water storage site (Oro-Garden Ranch Road). The hypolon cover is 28-years old and has exceeded its anticipated life expectancy. Five patch repairs were completed. The overall condition is functionally good with signs of weather damage.

Miners Ranch Water Treatment Plant production for March was approximately 116% of average. This is expected considering the lack of precipitation that has occurred.

## **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 April 1 runoff forecast, prepared by DWR, predicts 68% of average runoff for the South Fork Feather River. Based on the early April snow surveys, Sly Creek reservoir should fill, but Little Grass Valley reservoir may be about 10,000 acre-feet below maximum capacity.

The State Water Contractors called for the transfer water on April 15, and the permits for the temporary transfer are being processed by the State Water Resources Control Board. If all continues to go as planned, the transfer of water to Lake Oroville will commence in June.

#### Maintenance Projects

##### Sly Creek Powerhouse

Sly Creek Powerhouse was released for service on April 11 with repairs made to the shaft, exciter breaker, and various other components.

##### Woodleaf Powerhouse 115 kV Breaker Failure

Before Sly Creek was released, the crew found themselves again in repair mode, this time working on the 115 kV circuit breaker for Woodleaf Powerhouse. The closing connector rod broke on April 2, and the oil needed to be drained from the breaker tanks to inspect and make repairs. While the unit has been shutdown for the repairs, the crew has completed some of the work that was originally scheduled for the fall annual outage. This outage took the place in the schedule of the Forbestown Powerhouse outage, which has now been moved to the fall.

##### Road Work

The dry spring has allowed Joe Gibson, Gary Daley and Eddie Paul to plow open the roads to Lost Creek, South Fork and Slate Creek diversion dams. They are also busy grading the various access roads while the ground is still relatively moist.

#### General Information

##### Equipment Transfer

At last month's meeting the Board voted to transfer title of the surplused 1985 LMC 1500 ATV and Maxey trailer to the La Porte Volunteer Fire Department for rescue and emergency use in the Little Grass Valley and La Porte area. On April 3 the equipment was delivered to La Porte where General Manager Mike Glaze handed over keys to Chief Bill Shaw. The fire department's volunteers expressed great appreciation and discussed their plans for modification of the equipment to better facilitate winter rescues.

##### 2009 Budget

PG&E has requested the 2009-2010 budget be submitted by the end of the month. Directors reviewed a copy of the draft budget. The final budget will be submitted to the Board for approval once it has been negotiated with PG&E.

##### Ophir Elementary School Visit

Operations Foreman Scott Underhill and Ms. Petersen visited two sixth grade classes at Ophir Elementary School on April 11 at the invitation of teacher Kristen Wilson. The classes have been studying energy, and Mr. Underhill and Ms. Petersen used the micro-hydro demonstrator developed for last year's facilities tour to illustrate how hydropower works. The students were very responsive and asked many great questions.

#### **GENERAL MANAGER'S REPORT**

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

#### Facilities Tour

It was announced that this year's facilities tour will be held on Thursday, June 26. Art Martinez distributed forms to directors upon which they can list individuals they want invited to the tour.

#### AB 1234 Ethics Training

Scott Alcantera explained to directors that the required ethics training is now being provided on line. They were provided information about how to access the training.

#### Relicensing

The Agency's relicensing team is reviewing the preliminary mandatory conditions filed with FERC by the US Forest Service. Mr. Glaze met with the Agency's special counsel, Kristina Nygaard and John Whittaker, at their office in Washington, D.C. on April 16<sup>th</sup>, and participated from there via conference call with the rest of the relicensing team for the purpose of preparing a recommendation to the Board at its special closed session meeting on Monday, April 21.

#### Future Power-Purchase Agreement Discussions

A conference call with PG&E's Vice President of Procurement prior to the Board meeting. Mr. Glaze advised him that if there isn't substantive movement toward consensus regarding a future

power-purchase agreement between SFWPA and PG&E by May 27, he will be asking the Board for authorization to prepare and publish a request for proposals from other willing buyers of the Agency's power.

#### Water Transfer

Directors reviewed a letter received recently from the State Water Project Contractors Authority (SWPCA) wherein the Agency's water-transfer term sheet was accepted. Subsequent to receipt of the letter, a \$50,000 check was also received from the SWPCA to compensate SFWPA for its transfer-development costs. And, on April 15 confirmation was received from SWPCA that they are exercising the option to purchase the Agency's offered 10,000 AF of water.

**DIRECTORS' REPORTS** – None.

#### **CONTRACT TO COMPLETE INDEPENDENT CONSULTANT'S PART 12 REPORTS**

In June 2006 the Board approved a contract for Richard Harlan to serve as the Independent Consultant to conduct the 2007 Part 12 Dam Safety Inspections. Unfortunately, he passed away before the work was completed. In October 2006 a contract was also approved for Wayne Edwards to serve as facilitator for the Potential Failure Modes Analyses sessions that were held in conjunction with the Part 12 inspections. Mr. Edwards was chosen at the time because it was anticipated that he could perform as the independent consultant for the next five-year cycle of inspections and reports. He has been asked to help complete the unfinished reports for Little Grass Valley, Sly Creek and Lost Creek dams.

Mr. Edwards works closely with Faiz Makdisi of Geomatrix, and they are proposing to complete the unfinished Part 12 inspections and reports jointly. Their proposal was reviewed by directors. Because the current deadline for sending the reports to FERC is short, a Request for Proposals was not published. At the time Mr. Edwards was selected to serve as facilitator, proposals had been received from seven individuals and companies, all of whom were also qualified to serve as independent consultants.

While this work was not included in the 2008 budget, there are resources to cover this because a Slate Creek Sediment Pass-Through Project or Forbestown Valve Operation could not be conducted due to the low water conditions, and there is additional contingency budget in the Water Collection (56110.7) account that will be sufficient.

M/S/C (Hunter/Cecchi) approving of, and authorizing the General Manager to execute the contract with Geomatrix Consultants, Inc. to complete the 2007/2008 Independent Consultant's Dam Safety Inspections for Little Grass Valley, Sly Creek and Lost Creek dams in compliance with Federal Energy Regulatory Commission requirements.

#### **DEVELOPMENT AGREEMENT – HILLVIEW RIDGE APARTMENTS**

Directors reviewed a standard Development Agreement that has been executed by Caleb Roope, President of Pacific West Communities, Inc. (Eagle, Idaho), developer of the Hillview Ridge Apartment project that is under construction behind the Agency's Oroville headquarters.

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 Development Agreement describes the conditions by which the Agency will accept the project's water system into its maintained system.

The developers have satisfied all conditions necessary for the Board's consideration of the Development Agreement, including payment of plan-check fees.

M/S/C (Cecchi/Moreland) approving the Development Agreement with Pacific West Communities, Inc., 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 Gilmore Lane for the Hillview Ridge Apartment project, if it is

constructed in accordance with the approved plans and specifications thereof, and in a manner meeting the Agency's approval.

**CLOSED SESSION** (convened at 3:30 p.m.)

Conference with Labor Negotiator (Govt. code §54957.6). Agency-designated representatives: Michael Glaze and Jeffrey Meith. Employee Organizations: Water Treatment & Distribution Employees Unit; Hydropower Generation Employees Unit; Clerical and Support Employees Unit; and, Management and Professional Employees Unit.

**OPEN SESSION** (convened at 3:52 p.m.)

President Edwards announced that the Agency's designated representative was given direction, but that no action was taken by the Board during closed session.

**ADJOURNMENT**

President Edwards adjourned the meeting at 3:52 p.m.

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Michael C. Glaze, Secretary

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James Edwards, President