

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

Tuesday, September 23, 2008, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

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

STAFF PRESENT: Steven Wong, Finance Division Manager;
Art Martinez, Manager of Information Systems;
Matt Colwell, Water Division Manager;
Kathy Petersen, Power Division Manager;
Anthony Soares, Legal Counsel;
Michael Glaze, General Manager.

OTHERS PRESENT: Jean Brown, Hank Bailey, Mike Kessler, Lou Lodigiani, and George Menas.

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 (Cecchi/Hunter) approving the Minutes of the regular monthly meeting of August 26, 2008.

APPROVAL OF WARRANTS

M/S/C (Hunter/Moreland) approving: the total Water Division expenditures for the month of August 2008 in the amount of \$485,794.50 – Warrants #23253 through #23258, #23306 through #23334, and #23381 through #23423; and, the total Power Division expenditures for the month of August 2008 in the amount of \$544,463.11 – Warrants #64566 through #64581, #64634 through #64654, and #64672 through #64718.

PUBLIC PARTICIPATION – None.

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 end of September target elevation at Little Grass Valley reservoir of 5,022 feet will be met, maintaining water on the boat ramps in compliance with the Davis-Grunsky contract.

In October, the draft from Little Grass Valley Reservoir will be increased to draw down the reservoir for winter, and to allow access to the spillway channel upstream of the dam so that the crew can clean rock slides out of the approach channel. The flow will be ramped up to 350 cfs by the afternoon of October 2, and will be ramped down to minimum flow around October 21. A letter describing the proposed operations has been sent to property owners at Little Grass Valley to let them know why the reservoir will be drawn down about 7.5 feet more by the end of the month than in the past few years.

Maintenance Projects

Fall Outage Plans

The fall outage season starts October 13 when the Woodleaf Step-up Transformer replacement project begins. That outage is expected to last six weeks, and PG&E crews will take the lead on the project. Kelly Ridge Powerhouse and Miners Ranch Conduit will also be taken out of service on October 13 for annual maintenance, and that work will be done by SFWPA Power and Water Division personnel. Outages at Forbestown and Sly Creek powerhouses will also be completed in conjunction with the Woodleaf outage.

Forbestown Diversion Trash Rake

The trash rake installation project is nearing completion. The monorail structure is in place and the electrical control work is nearly finished. However, thieves recently stole the festoon electrical cable, necessitating reordering and waiting for delivery.

Forbestown Headquarters Welding Shop Extension

With the structural work on the trash rake completed, Bob Cherry and other members of the crew are resuming work on the welding shop extension at Forbestown Headquarters. In preparation for pouring the concrete foundation, they have removed the layer of asphalt in that part of the yard and are identifying and capping as necessary old lines that are no longer in use.

General Information

FERC Inspection

On September 2-4, FERC conducted the annual inspection of the power facilities, including the powerhouses, penstocks and Little Grass Valley, Sly Creek, Lost Creek, Ponderosa and Miners Ranch dams. A new engineer has been assigned to the South Feather Project and quite a bit of time was spent orienting him to the facilities.

EAP Face-to-Face Meeting

On September 18, SFWPA and PG&E co-hosted an annual meeting with the Plumas and Butte County emergency response agencies to review the dam safety emergency actions plans for the North and South forks of the Feather River.

Thefts

Thieves continue to break in to the yard at Forbestown Headquarters to steal scrap metal and fuel.

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 an invoice and report for the period of June 30 through August 31, 2008 in the amount of \$18,295.78. This invoice and report includes activity by Stillwater Sciences working as a subcontractor to DTA. Including these invoices, payments to DTA for their services on this project to-date amount to \$4,960,909.

Temporary Service Fee

Agency staff has recently received numerous requests for temporary resumption of service at locations where the water service was previously terminated. These requests have typically involved foreclosure situations where a residential property has been vacant for more than 60 days, there is no Agency-approved backflow device installed at the meter, the mortgage holder is processing a potential sale, and an inspection of the on-site water system is required before escrow can close. Agency rules and regulations require backflow protection be installed if a service has not been active for more than 60 days before service can be resumed. To facilitate these due-diligence inspections in advance of close of escrow and the subsequent funding of the backflow installation by the new buyer, a procedure is being developed whereby a time-and-materials fee is charged to pay for an Agency backflow technician to turn on the water service and remain on-site during the inspection and testing to ensure the protection of the domestic water distribution system, and then locking off the service at the conclusion of the inspection.

Annual Budget

Work has begun on the 2009 Water Division budget. It is anticipated that it will be ready for presentation to the Board at its November meeting.

WATER DIVISION MANAGER'S REPORT

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

Distribution Operations

SFWPA has been providing support to CalFire by allowing unlimited access to the Agency's easterly-most fire hydrant at the corner of Olive Highway and Old Olive Highway. It is estimated that approximately 1,000 units of water (748,000 gallons) have been extracted for fire suppression.

It is anticipated that the 2008 irrigation season will be concluded on October 15, 2008 in coordination with the North Yuba Water District end-of-irrigation. At that time the Forbestown Ditch operations will be redirected from distribution-system operation to maintenance activities.

The Kelly Ridge Mainline Interconnector Project is planned to begin later this month or early October. The project consists of approximately 2,000' of 12" transmission mainline that will interconnect the mainline from MRTP/ Million Gallon Tank (MGT) to an existing mainline in Olive Highway. This project will increase the pumping efficiency at MRTP by reducing the required pumping head to move water to the MGT and reducing the need for supplemental pump operations during peak demand periods. This project will also provide a looped mainline feed to the lower half of the MGT service area which experiences significant capacity limitations during peak demand periods. The total project budget is estimated at \$123,000 (\$40,000 labor and \$83,000 materials and equipment) and will be funded from dedicated system capacity funds, as budgeted.

Water Treatment Operations

Mr. Colwell speculated that June's 10.5 MGD maximum daily demand at MRTP was the apex for the 2008 season and that, as in August, peak demand will be less for the remainder of the season. June's peak is approximately 72% of the 14.4 MGD plant capacity, and is considerably less than respective peak demands in recent years. The August MRTP production was near average.

The completed installation of three new flow meters has changed and enhanced the measuring of MRTP raw water flows from intake pumps. The flow measurements appear to have improved accuracies and provided a more steady output signal. The outputs are utilized to pace chemical feed rates and will make switching from conventional to in-line (winter to summer) plant operations easier.

All bacteriological requirements were met for the Miners Ranch Treatment Plant, Bangor Treatment Plant, Strawberry Campground and Sly Creek Campground.

GENERAL MANAGER'S REPORT

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

Relicensing

FERC continues its environmental review processing of the license application with no findings or conclusions yet published. However, FERC has issued a "notification of updated relicensing schedule" that identified the following two "milestones": notice of availability of draft environmental impact statement (EIS) on October 14, 2008; and, notice of availability of final EIS on May 12, 2009. Given that the Agency's current license expires on March 31, 2009, FERC will have to issue a temporary extension of the license to accommodate its updated schedule.

State Budget Deal – No Prop 1A Borrowing

The three month budget impasse has come to an end as legislative leaders came to a compromise budget deal on Tuesday, September 16. The deal closed the \$15.2 billion budget deficit without a tax increase and without any borrowing, including Proposition 1A (borrowing from local government coffers).

Future Water-Transfer Planning

According to DWR, statewide precipitation from February through July 2008 was 45% of average – the fourth driest in 114 years on record. State reservoirs are severely low, with Folsom at 31% of capacity, Shasta at 34% and San Luis at 13%. By the end of the water year, Lake Oroville will reach its lowest carryover storage since the drought of 1977. Preliminary data shows the 2009 water year will likely be dry and, in order for reservoir levels to recover, the state would need to receive 95% of average precipitation next year.

DWR will announce its initial allocation for 2009 on December 1 and it is expected to be in the 10-15% range – the lowest initial allocation since 1993. With fears of a continued drought prevalent, and predictions of a catastrophic water crisis in the state as early as 2009, SFWPA is being courted by several thirsty water agencies south of the Delta. On August 20, Mr. Glaze met with representatives of Dudley Ridge Water District, Lost Hills Water District, and Bel Ridge Water Storage District who are looking for a long-term water transfer deal. On September 18, Jim Edwards, Matt Colwell, and Kathy Petersen joined him in a meeting with representatives of San Diego County Water Authority who are interested in a one-year deal for 2009, as well as a long-

term transfer contract. On September 26 he will be meeting with Palmdale Water District representatives who are also looking to secure long-term commitments from water suppliers.

On September 4, DWR announced that it is creating a 2009 Drought Water Bank to facilitate water transfers and to help mitigate water shortages in a potential third dry year. Mr. Glaze stated that, while creation of the water bank to mitigate the current and quickly escalating water crisis in the state seems reasonable and laudatory, his experience over the past eight months of attempting to get DWR to facilitate, or even just cooperate with SFWPA in its recent transfer of water to the State Water Contractors buyers group creates significant doubt that the initiative will have much chance of success. Without some relief in DWR's refill criteria attached to its approval of the transfer just completed, it would be nearly impossible for SFWPA to get approval for another transfer in 2009.

2008 Water Transfer Complete

The State Water Project Contractors Authority has been invoiced \$1.7 million for the recently completed transfer of 10,000 acre-feet of water, together with the initial amount owed to PG&E to offset its generation impact resulting from accommodating the transfer. Remittance is due by October 11, 2008.

DIRECTORS' REPORTS – President Edwards reported on the water-transfer meetings in which he has recently participated with management staff.

GASB 45 ACTUARIAL SERVICES

Steve Wong advised the Board that beginning with the FY 2008 the Agency is required to implement Governmental Accounting Standards Board (GASB) Statements 45, which reports the outstanding and future liabilities of its Other (than pension) Post-Employment Benefits (OPEB). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. Government employers required to comply with GASB 45 include all states, towns, education boards, water districts, mosquito districts, public schools and all other government entities that offer OPEB and report under GASB.

In order to report these liabilities, an actuarial study must be completed. Mr. Wong compiled a list of actuarial consultants using CalPERS, the California Society of Municipal Finance Officers and other sources. Thirteen Requests for Proposal (RFP) were distributed in late July to those on the list. The deadline for responding to the Agency's RFP was August 28, 2008, and five proposals were received in response to the RFP.

Mr. Wong provided directors with a scoring summary of the five proposals received, upon which he assigned the highest ranking to Demsey, Filliger & Associates (DFA). DFA quoted the lowest cost to the Agency and has provided similar services to other local governmental entities in our area. Mr. Wong checked four of the DFA references and found them all to be very favorable.

Directors reviewed copies of the RFP and the proposal submitted by Demsey, Filliger & Associates.

M/S/C (Hunter/Moreland) accepting the proposal from Demsey, Filliger & Associates for GASB 45 actuarial services, and approving a supplemental appropriation of \$6,500 to account 01-56-56208-0, G/A-Legal & Consulting.

VEHICLE REPLACEMENT

Water Division's 2008 Capital Budget includes \$18,000 for a compact extended-cab pickup for use by a meter reader. The pickup presently driven by Ray Travis (T-72) is a 1997 Sonoma with 87,000 miles. Staff recommendation was to purchase a new vehicle for Ray Travis, and transfer T-72 for use at Miners Ranch Treatment Plant, replacing two older pickups – T-66 and T-67 (two 1996 Ranger pickups with 153,500 and 145,000 miles, respectively) – both of which used to be meter-reader vehicles.

Bids for a new Chevrolet Colorado or Ford Ranger were received, as follows:

Oroville Ford	\$14,963.74
Gridley Country Ford	\$15,071.84
Hobbie Chevrolet	\$19,370.38

M/S/C (Cecchi/Hunter) approving: (1) declaring T-66 and T-67, 1996 Ranger pickups, as surplus and removing them from the list of Water Division assets; (2) advertising T-66 and T-67 for sale on-line and selling them to the highest bidder; and, (3) purchasing a 2009 Ranger pickup from Oroville Ford at a price of \$14,963.74.

CALPERS 457 PLAN

Earlier this year the Board approved a contract with the California Public Employees' Retirement System (CalPERS) for a defined benefit retirement program for Agency employees. SFWPA employees have expressed interest in having CalPERS' 457 Deferred Compensation Plan available for their participation on a voluntary basis.

The CalPERS 457 plan would provide an additional tax-deferred retirement savings option for employees, with no additional expense to the Agency, in addition to existing plans with Nationwide Insurance, ICMA (International City Managers Association), Hartford Insurance and Lincoln National.

M/S/C (Hunter/Moreland) adopting Resolution 08-9-1, authorizing adoption of the California Public Employees' Deferred Compensation Plan and authorizing the General Manager to execute the Employer Adoption Agreement adopting the California Public Employees' Deferred Compensation Plan for the benefit of South Feather Water and Power Agency employees.

EASEMENT ABANDONMENT

A request has been received from Jeanne Iacono Martin for South Feather to abandon its interest in an abandoned irrigation ditch and associated rights affecting her property on Oro-Quincy Highway. Because the Agency has abandoned all use of the old ditch crossing Ms. Martin's property, granting the request would not impair present or future operations.

M/S/C (Cecchi/Hunter) adopting Resolution 08-9-2 to quitclaim the Agency's rights, title, and interest in any facilities and easements across property owned by Jeanne Iacono Martin (APN 068-150-028 and 068-160-007).

FACILITIES MAINTENANCE WORKER POSITION

Rather than recruit for a new laborer or utility worker to replace the utility worker recently terminated, Mr. Glaze proposed that a new position be created to assume responsibility for janitorial, building and landscape maintenance of both Water and Power Division facilities. These services are presently being provided via outside contract at a cumulative cost of \$1,680 monthly. Additionally, the person in this position would be available to work on a crew (e.g., flagger, laborer) whenever a project necessitated more crew members than would normally be available, or when a regular crew member was unexpectedly absent. Because of the skill and experience prerequisites needed for the position in the area of landscape maintenance, he recommended that its wage range be comparable to meter readers and utility workers.

Had the termination not been necessitated, the Agency would have continued through the end of 2008 with a wage and overhead liability of just over \$5,600 monthly for that utility worker position. The new position – with a starting wage at the beginning of the range – will create a monthly wage and overhead liability for the Agency of just over \$4,500. That \$1,100 difference, plus the savings in the contract services, results in a net monthly gain of \$2,780 (the overall gain will actually be greater due to the fact that approximately 20% of this position's time will be charged to the Power Division).

Directors reviewed the proposed classification specification and were advised by Mr. Glaze that it had been approved by union representatives.

M/S/C (Meyer/Hunter) approving the classification specification for the Facilities Maintenance Worker position, and approving its addition to the Water Treatment and Distribution Employees Unit, and appropriation of funds for recruitment and appointment of the position.

ADJOURNMENT

President Edwards adjourned the meeting at 3:47 p.m.

Michael C. Glaze, Secretary

James Edwards, President