

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

Tuesday, December 18, 2007, 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: 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, Jean Brown, and Steve Wong.

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 Regular Meeting on November 27, 2007, including the correction that Director Mooreland, rather than Director Cecchi, seconded the motion to approve the Miners Ranch Treatment Plant Expansion Project's Pre-engineering and Feasibility Study.

APPROVAL OF WARRANTS

M/S/C (Cecchi/Hunter) approving: the total Water Division expenditures for the month of November 2007 in the amount of \$354,440.62 – Warrants #22452 through #22497, #22529 through #22541, and #22454 through #22595; and, the total Power Division expenditures for the month of November 2007 in the amount of \$332,289.65 – Warrants #63797 through #63815, #63869 through #63874, and #63893 through #63930.

PUBLIC PARTICIPATION

Hank Bailey complimented Water Division Manager Matt Colwell and explained his impression of the professional nature of the RFP for the Miners Ranch Treatment Plant Expansion Project's Pre-engineering and Feasibility Study approved by the Board at its last meeting.

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; new service installations; and, leak repairs.

Distribution crews recently completed installing 300' of 8" PVC pipeline from the Kelly Ridge Water Tank to the existing distribution system on Royal Oaks Drive. The new pipeline is an additional inlet/outlet for the one-million-gallon tank and will enhance the pumping plant operations located at Miners Ranch Treatment Plant, and will also enhance the water feed to the distribution system during high demands. The project is in conjunction with an additional pipeline to be completed in 2008 that will alleviate distribution system capacity constraints that create low pressure problems during high demand periods

Water Treatment Operations

MRTTP monthly treated water production for November was 127% of average for the recent five-year average. The cumulative 2007 (January-November) water production is average.

Mr. Colwell reported on the results of the 2007 fourth quarter laboratory testing for chlorination by-

products in water produced at Miners Ranch Treatment Plant. Total trihalomethanes were at 13.4 parts per million (maximum contaminant level [MCL] allowed is 80 parts per million [ppm]), and haloacetic acids (MCL = 60 ppm) were measured at 16 ppm.

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 combined storage in Little Grass Valley and Sly Creek has reached the end-of-year target of 60,000 acre-feet. Flows from Little Grass Valley were increased to 85 cfs for three weeks to move water into Sly Creek Reservoir for generation downstream (bypassing Sly Creek Powerhouse), but have now been returned to minimum flow. Diversions from Slate Creek started on December 10, as flows have been close to 20 cfs for at least a week.

Maintenance Projects

Sly Creek Powerhouse Staff Alignment -

The maintenance crew has nearly completed the tear-down of Sly Creek Powerhouse in preparation for alignment of the shaft, and technicians from PG&E should be arriving the week of December 17 with the instrumentation to assist in the alignment process. Sly Creek Powerhouse will remain out of service through mid-January while repairs are made and the unit is reassembled.

McCabe and Powell Creek Siphon Inspections and Repairs -

Alex Brown, John Davis, and Kathy Petersen took advantage of the low Lake Oroville water level to conduct an inspection of the siphon sections of the Miners Ranch Conduit. Both siphons were constructed with valves at the lowest point that at one time could be hydraulically operated to drain the siphons. However, 45 years of submersion has caused the controls to rot and/or rust away and mud to enter the controls, leaving the valves inoperable. Over time, the valves have drifted slightly open, and a small amount of water is leaking from each valve. Because there is no reason for these valves to be operated in the future, flanges are being installed over them to prevent further leakage.

MANAGER OF INFORMATION SYSTEM'S REPORT

The Board reviewed a written report from Art Martinez, Manager of Information Systems.

Surplus Water – PG&E

Surplus water revenue for October has been estimated by PG&E to be \$22,241, bringing total surplus-water revenues to \$141,627 for the year.

Annual Audits

Erica Chuidian and Dustin Cassady from Mann, Urrutia, Nelson, CPA's and Associates were onsite November 27 and 28 to perform their preliminary audit. They reviewed and updated the Agency's internal control measures including the results of the suggestions which were made last year. They completed the distributions tests, confirmations, and completed their final fieldwork in those two days. Based on discussions with staff, there appears to have been nothing identified as unusual. The final review is anticipated for the week of April 21, 2008.

GENERAL MANAGER'S REPORT

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

Relicensing

Mr. Glaze reported that he and Kathy Petersen will be meeting with Forest Service and Fish & Game representatives on December 18 and 19.

Future Power-Purchase Agreement Discussions

PG&E representative Jeff Henderson emailed Mr. Glaze on December 14 and stated that he did not know when he would be able to respond to the Agency's counteroffer made last September due to their "need for greater and more-detailed analysis" of contract costs and revenues. Mr. Glaze stated that he responded by telling Mr. Henderson that PG&E had already had sufficient time to gather necessary data for its analysis and that the delay in negotiations was unacceptable. He advised Mr. Henderson that the exclusive-negotiations relationship that the Agency had honored with PG&E since negotiations began would be terminated on February 1. All directors agreed that the termination date of February 1 was reasonable.

Management Training for American Samoa Power Authority

Mr. Glaze described his recent trip to American Samoa to provide four days of training for the management team of the American Power Authority.

DIRECTORS' REPORTS

Director Meyer discussed the recent news that Governor Schwarzenegger had declared a fiscal state of emergency and called a special legislative session to discuss ways to resolve the State's red ink. Legal Counsel Meith affirmed that the Governor's action would permit the legislature – with a 2/3 vote – to "borrow" property tax revenue from special districts like SFWPA. Mr. Glaze stated that a temporary increase in water rates would be necessary to bridge the revenue deficit if the State again takes the Agency's property tax revenue.

BOARD REORGANIZATION

Manager Glaze reminded the Board that Water Code §21376 specifies:

At its organization meeting the board shall elect a president from its members and appoint a secretary, who shall each hold office during the pleasure of the board.

In addition to the two officers prescribed by the code, the Board has traditionally also elected a Vice President, although this practice is not mandated by statute or Agency policy.

M/S/C (Meyer/Hunter) electing Jim Edwards as the Board's 2008 President, and Vivian Meyer as the Board's 2008 Vice President.

FINANCE DIVISION MANAGER'S EMPLOYMENT AGREEMENT

Eighteen applications for the vacant Finance Division Manager position were received in response to advertisement efforts and 13 were sufficiently qualified to move on to the second-phase writing project. By the writing assignment's November 5 deadline, eight of the 13 submitted responses. Six of those were then invited to participate in the phase-three interview process which was conducted on November 19. All of the six interviewees had the prerequisite academic qualification, two with advanced degrees, all had both accounting and management experience relevant to the public sector, and three were CPAs. Kathy Petersen, Matt Colwell, Scott Alcantara, and Art Martinez assisted Michael Glaze in the interview process.

The consensus of the interview panel was that Steve Wong was the superior candidate interviewed. His undergraduate degree from CSU, Sacramento, was in Business Administration (Accounting), and he earned a Masters of Public Administration degree from Golden Gate University.

Mr. Wong is presently the owner and operator of Togo's/Baskin-Robbins stores in Chico. And, prior to going into business for himself, he worked for 14 years as the Finance Director for the City of Chico.

M/S/C (Cecchi/Hunter) approving the Agreement for Employment of Finance Division Manager for W. Steven Wong, effective January 2, 2008.

Mr. Wong expressed his appreciation for the opportunity to join the Agency's management team.

BOARD REORGANIZATION - CONTINUED

M/S/C (Hunter/Meyer) appointing the General Manager as Board Secretary for 2008, and the Finance Division Manager as Treasurer for 2008.

Director Cecchi left the meeting at 2:46 p.m.

CLOSED SESSION (convened at 2:49 p.m.)

Conference with Labor Negotiator (Govt. code §54957.6). Agency-designated representatives: Michael Glaze and Jeffrey Meith. Employee Organizations: Clerical & Support Employees Unit;

Water Treatment & Distribution Employees Unit; Hydropower Generation Employees Unit; and, Management & Professional Employees Unit.

OPEN SESSION (convened at 3:56 p.m.)

President Edwards announced that, by an affirmative vote of all directors present, the Board approved a 3% cost-of-living adjustment for members of the Clerical and Support Employees Unit.

ADJOURNMENT

President Edwards opened the meeting to the public and immediately adjourned it at 3:01 p.m.

Michael C. Glaze, Secretary

James Edwards, President