

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

Tuesday, May 26, 2009, 2:00 P.M.,  
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

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

**STAFF PRESENT:** Steven Wong, Finance Division Manager;  
Art Martinez, Information Systems Manager;  
Matt Colwell, Water Division Manager;  
Kathy Zancanella, Power Division Manager;  
Michael Glaze, General Manager.

**OTHERS PRESENT:** Jean Brown, Hank Bailey, Everett Smart and Dolly Smart.

**CALL TO ORDER**

President Cecchi 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 monthly meeting of April 28, 2009.

**APPROVAL OF WARRANTS**

M/S/C (Lodigiani/Hunter) approving the total Water Division expenditures for the month of April 2009 in the amount of \$476,871.11 – Warrants #24181 through #24235, #24026 through #24069, and #24127 through #24152; and, the total Power Division expenditures for the month of April 2009 in the amount of \$1,079,439.40 – Warrants #65412 through #65454, #65287 through #65330, and #65369 through #65394.

**PUBLIC PARTICIPATION**

Dolly Smart, residing at 351 Mt. Ida Road, stated that there was insufficient water in the creek running through her property to keep her pond full. She said that this was the first year this had happened. Mr. Colwell reported that Water Division crews had been applying special attention to leaks and seepage in the Palermo Canal upstream of Mrs. Smart's property resulting in less lost water. Mr. Glaze explained to Mrs. Smart that she would need to apply for a service if she wanted additional water for her pond, and directed Mr. Colwell to have an estimate for installing a service for Mrs. Smart prepared and communicated to her as soon as possible.

Hank Bailey questioned why PG&E was asking the California Public Utilities Commission to keep the terms of the power-purchase agreement between PG&E and SFWPA confidential. Mr. Glaze replied that PG&E did not want its competitors knowing the agreement's particulars.

**FINANCE DIVISION MANAGER'S REPORT**

Finance Division Manager Steve Wong verbally reported that revenue from domestic water sales is down 4% from last year. The Board reviewed a written report from Mr. Wong, including a breakdown of revenue v. expenses for each of the irrigation system components.

South Feather Relicensing Consulting Services

Devine, Tarbell and Associates, Inc. (DTA), consultant for the South Feather Power Project relicensing has not submitted a new invoice since the one last seen by the Board which covered work through February 28, 2009. The payments to DTA on this project to-date amount to \$4,976,850.

Butte County Property Tax Payment

The first major property tax payment was recently received from the County for the 2009 year in

the amount of \$201,660. Property tax revenue represents over 10% of the Agency's recurring Water Division revenue. The payment exceeds the amount received at this time in 2008 and the forecast for 2009 property tax revenue is that it will be in excess of the budgeted estimate. However, it is likely the State budget and fiscal problems will impact this revenue source to the Agency in the future.

#### Woodleaf TWD

PG&E sent a check in the amount of \$16,787 for Woodleaf tailwater-depression (TWD) activity, and another \$411 for electric energy generated from surplus water in March, 2009. It is anticipated that additional revenue will come from these sources before the year is over.

#### Springbrook Conference

Mr. Wong attended the annual Springbrook Software in Portland on May 5-8. Springbrook is the provider of the Agency's accounting and utility-billing software. This was his first time to attend this conference and he reported that it was informative and educational. He reported that he was able to visit with other Springbrook users, including a representative from Paradise Irrigation District and a few others from California.

### **POWER DIVISION MANAGER'S REPORT**

Power Division Manager Kathy Zancanella verbally reported that all campgrounds are open and the Lost Creek dam spill boards are in. The Board reviewed a written report from Mrs. Zancanella, including storage, generation and precipitation reports.

She reported that the rains that came at the beginning of May as the reservoirs were about to reach their maximum storage levels required Power Division crews to increase flow releases from Little Grass Valley Dam to 435 cfs and delay installation of the flashboards at Lost Creek Dam. The Sly Creek Dam spill gate was partially raised for four days to spill the inflows that exceeded the capacity of Sly Creek Powerhouse. The South Fork Diversion tunnel was closed for four days, spilling all of the Little Grass Valley releases down the South Fork Feather River. The rain gauge at Forbestown headquarters measured nearly eight inches from May 1 - 6, while the LaPorte gauge recorded over ten inches of rain. Peak spill flows at Slate Creek Diversion reached 2,200 cfs, but dropped quickly once the rains stopped. A small amount of spill continued at Lost Creek and Forbestown Diversion through May 18, primarily because PG&E had to operate the units to manage transmission congestion, which meant they were regulated up and down rather than being left at full load.

The spill conditions allowed the Agency to meet its obligation to provide a "flushing flow" at Lost Creek Dam. The FERC license specifies that a flow of between 390 and 740 cfs be released for 24 hours at least every four years. However, it was too late in the year to conduct sediment pass-through operations at Slate Creek.

#### Maintenance Projects

##### Ponderosa Dam Spill Gates

Jeffco Painting completed recoating the Ponderosa Dam spill gates on April 30, two weeks ahead of the deadline. Their work was of very good quality and they left the site looking clean. A seven-day cure time was required after completion of the painting prior to immersing the gates. However, the spills that occurred throughout the first half of May delayed closing the gates for summer operation.

##### Sly Creek Campground – New Restroom

During the week of April 27, Equipment Operator Joe Gibson and Utility Worker Gary Daley completed paving the approach to the new restroom that was installed last Fall after the campground was closed for the season. They also relocated the dumpster pad and barricade posts. The new facility was ready for public use when the campground opened May 1.

## General Information

### Quagga Mussels

PG&E advised the Agency of the new California Department of Fish and Game regulations regarding Quagga mussels. Quagga mussels are a relative of the zebra mussel and can cause considerable problems related to water delivery by clogging intakes and screens. The regulations state that any "person...local agency, district or authority that owns or manages a reservoir...where recreational, boating, or fishing activities are permitted..." must assess the vulnerability of the reservoir for the introduction of the non-native mussel species and develop a program designed to prevent introduction of the species. The species have been found in lakes Mead and Havasu and in seven Southern California reservoirs.

Mrs. Zancanella conducted a vulnerability assessment of Agency reservoirs based on calcium levels recorded during the relicensing of the South Feather Power Project. The U.S. Environmental Protection Agency set up ecoregional risk classifications based on calcium concentrations, and determined that waters with calcium concentrations of less than 12 mg/L were very low risk. In 2004, the calcium levels in Little Grass Valley reservoir ranged from 0.73 to 2.9 mg/L; the levels in Sly Creek were 0.83 to 3.4 mg/L; and in Ponderosa they were 3.2 to 4.0 mg/L. No statistics were available for Lost Creek, but levels should be in the same range as the other reservoirs since it has the same source water. Based on this evaluation, Agency reservoirs should be considered at low risk for introduction of the species.

While the risk is low, public education about the risks associated with transporting the mussels by moving boats between different waters seems prudent and is what PG&E is doing (at Lake Tahoe a more stringent boat inspection program has been initiated). The Fish and Game website provided downloadable brochures ready for printing and posting, and these have now been posted at each of the boat ramps at Little Grass Valley and Sly Creek reservoirs. The brochures instruct boaters to "clean, drain and dry" their boats between uses and give hints on where to look for the mussels on the boat, trailer and towing vehicle.

### NHA Conference

Mrs. Zancanella attended the annual National Hydropower Association conference in Washington, DC on May 11-13. Among the topics she found interesting were the discussions of energy planning being done at the national level. Unfortunately, as Congress lays out a renewable energy strategy, it is, for the most part, ignoring conventional hydro as a renewable form of energy and not fully addressing the transmission planning required to move the energy produced to where it will be needed. A big driver of energy policy is climate change and the direction of the future seems to be a "cap and trade" or "carbon tax" program in which low-emitting technologies are used to offset high-emitting energy technologies.

A related session was focused on greenhouse gas (GHG) emissions from reservoirs. All water bodies, including natural lakes and streams, emit some level of carbon dioxide and methane gasses, usually as a result of the decomposition of organic matter. To date, most studies have looked at the gross emissions from reservoirs, but not the net emissions, since some water bodies may serve as sinks that absorb GHG at certain times. What studies have found so far is that, within about ten years of construction, reservoir emissions mimic those of natural lakes and streams. Studies are continuing in this area – SMUD and DWR are looking at the issue in California because of Climate Registry requirements for reporting. DWR has hired Axys Technologies to do a net emissions study at Lake Oroville this summer.

The information she gathered at the conference was valuable and she said she gained a better understanding of the issues related to Agency facilities that will be subject to the renewable energy credits accounting system under the Western Renewable Energy Generation Information System (WREGIS). This is required in order to verify that PG&E is meeting its requirements under California's Renewables Portfolio Standards for 20% of retail sales procured from renewable sources by 2010.

## **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.

Distribution crews have spent a couple of weeks relocating domestic water mainline, services, and valves in a cooperative effort on a Butte County Safe Route to Schools Project along Lower Wyandotte and Monte Vista roads. The project will provide curb, gutter and sidewalk in the vicinity of Helen Wilcox Elementary School. The installation of a 48" concrete arch drainage pipeline creates the most conflict with existing utilities.

The Irrigation system's current releases are:

Forbestown Ditch	SF 14 = 11 cfs
	SFWPA = 8 cfs
	NYWD = 3 cfs
Bangor Canal	SF 25 = 11 cfs
Palermo Canal	= 12 cfs

Water Treatment Operations

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

The Agency's MRTP second quarter lab results for disinfection by-products are well below the California Department of Public Health Maximum Contaminant Level (MCL).

Total Trihalomethanes (TTHMs)	MCL = 80 ppm	MRTP = 19 ppm	By-product of drinking water chlorination	Some people who drink water containing trihalomethanes in excess of the MCL over many years may experience liver, kidney, or central nervous system problems, and may have an increased risk of getting cancer.
Haloacetic Acids (HAAs)	MCL = 60 ppm	MRTP = 19 ppm	By-product of drinking water disinfection	Some people who drink water containing haloacetic acids in excess of the MCL over many years may have an increased risk of getting cancer.

The 2009 cumulative MRTP water production through April is approximately 95% of the recent five-year average.

Solar Plant Production

The monthly solar power production exceeded consumption by 12,300 KWH, which will be credited to the annual-demand account with PG&E. There is enough data to indicate that the spring months provide the opportunity to produce power exceeding the MRTP power demands. The Agency's maximum and minimum monthly demand (water use) continues to decline even in the drought years.

**GENERAL MANAGER'S REPORT**

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

Power Purchase Agreement – PG&E

PG&E filed its application to the California Public Utilities Commission (PUC) on May 18 for approval of the power-purchase agreement the Board approved on April 28. The application included a request that the PUC issue its resolution approving the agreement no later than November 20, 2009 (the new agreement has a July 1, 2010 commencement date). The application was submitted with a request that the PUC treat it confidentially. Thus, details of the agreement are not included in the application that is available for public review. Directors were advised that a copy of PG&E's application (hard copy or .pdf attachment via email) would be provided to them upon request.

Davis-Grunsky Contract – DWR Recognition

Directors reviewed a letter from Lester Snow, DWR Director, expressing "appreciation for the long and successful relationship" SFWPA and DWR had "in conjunction with projects financed by the Davis-Grunsky Act of 1960." A plaque from DWR commending the Agency for its "diligent efforts ... in providing high quality recreation facilities at Little Grass Valley Reservoir ..." was displayed.

Suspension of Prop 1A Promised by Governor

Voters Tuesday rejected the slate of budget propositions that were proposed by the governor and legislature as part of the 2009-10 state budget. Now that the outcome of the election is known, local governments across the state are preparing for the loss of property tax revenue that will

result from the governor's promised suspension of Prop 1A and borrowing from property tax revenues to help close the state's massive budget deficit. The governor has proposed borrowing 8% of property tax revenue from local governments.

SFWPA will first be impacted by the borrowing in December, later this year. If the amount borrowed is only 8%, the hit on the Agency will be approximately \$28,000 in 2009, and \$45,000 in 2010 (assuming the borrowing continues for more than one fiscal year). However, the Agency's 2009 budget anticipated property tax revenue approximately \$50,000 less than what is now apparently the actual for the year, so the 8% hit will still leave an exceedence of approximately \$22,000 is actual property tax revenue over the budgeted amount.

#### CSDA Call for Nominations

SFWPA is a member of California Special Districts Association (CSDA). CSDA is governed by a board of directors comprised of three representatives each from six geographic regions throughout the state. The time commitment involves six board meetings and four to six committee meetings annually in Sacramento, plus attending two annual multi-day events.

Directors were informed that if one of them would like to have his/her name placed in nomination, action by the SFWPA board would be required. No director indicated an interest in being nominated.

#### **DIRECTORS' REPORTS**

Director Hunter reported on a recent visit she had with Maurice Martinez, long-time Agency customer and regular board-meeting attendee in years past.

Director Lodigiani reported on a facilities tour that Mr. Glaze took him on last month.

#### **INDEPENDENT AUDITOR'S REPORT**

In addition to the 2008 Independent Auditor's Report prepared by Mann, Urrutia, Nelson, CPAs & Associates (their last report in a 3-year contract), directors reviewed the auditor's statement of accounting standards, a letter regarding internal controls, and the Agency's response to the auditor's findings and recommendations. Mr. Wong summarized the content of the documents and answered questions by directors and those in the audience. Mr. Cecchi reported that the Board's Finance Committee (Directors Hunter and Cecchi) recommends approval of the report.

M/S/C (Hunter/Edwards) accepting the 2008 Independent Auditor's Report and Financial Statements for the Year Ended December 31, 2008, prepared by Mann, Urrutia, Nelson, CPAs & Associates.

Mr. Glaze reported that he had authorized paying a \$2,500 charge, over and above the contract amount, invoiced by the auditing firm for additional audit work required to substantiate a larger-than-anticipated Power Division inventory balance.

**RECESS** (3:10 p.m.)

**CLOSED SESSION** (convened at 3:22 p.m.)

Conference with Real Property Negotiators (Government Code §54956.8)

Property:	Surplus water.
Negotiating Party:	San Diego County Water Authority.
Agency Negotiators:	Michael Glaze.
Under Negotiation:	Price, quantity, conditions for transfer, and terms of payment.
Under Negotiation:	Price, conditions, and terms of payment.

**OPEN SESSION** (convened at 3:25 p.m.)

President Cecchi announced that no action was taken by the board during the closed session.

#### **ADJOURNMENT**

President Cecchi adjourned the meeting at 3:25 p.m.

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Michael C. Glaze, Secretary

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Louis F. Cecchi, President