

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

Tuesday, July 28, 2009, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

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

DIRECTORS ABSENT: Jim Edwards.

STAFF PRESENT: Scott Alcantara, Environmental and Safety Manager;
Steven Wong, Finance Division Manager;
Art Martinez, Information Systems Manager;
Matt Colwell, Water Division Manager;
Kathy Zancanella, Power Division Manager;
Jeffrey Meith, Legal Counsel;
Michael Glaze, General Manager.

OTHERS PRESENT: Jean Brown and Hank Bailey.

CALL TO ORDER

President Cecchi called the meeting to order at 2:03 p.m. and led the Pledge of Allegiance.

APPROVAL OF MINUTES

M/S/C (Moreland/Hunter) approving the Minutes of the regular monthly meeting of June 23, 2009.

APPROVAL OF WARRANTS

M/S/C (Hunter/Lodigiani) approving the total Water Division expenditures for the month of June 2009 in the amount of \$453,769.13 – Warrants #24257 through #24282, #24325 through #24360, and #24410 through #24459; and, the total Power Division expenditures for the month of June 2009 in the amount of \$647,099.23 – Warrants #65526 through #65545, #65472 through #65489, and #65586 through #65617.

PUBLIC PARTICIPATION – None.

POWER DIVISION MANAGER'S REPORT

Operations

The late spring storms helped keep the runoff going well into June, and the water levels at Little Grass Valley and Sly Creek reservoirs remained close to the maximum through the July 4th holiday weekend. The flow in Slate Creek has dropped close to the minimum flow requirement, so the diversion tunnel gates have been closed and all flows are being passed downstream.

Weather Forecast

The National Weather Service announced that El Niño has returned and is expected to last through this next winter, suggesting that it could be wetter than normal. The most recent El Niño happened in 2006, when the Forbestown rain gauge recorded almost 100 inches of rainfall, about 150% of normal.

Telemetry Upgrade Project

Mike Glaze, Matt Colwell, Art Martinez, Brian Howerton and Mrs. Zancanella met with Mark Heggli of Innovative Hydrology to review the preliminary design for upgrade of the reservoir and stream telemetry sites to the GOES satellite network. There are still some technical issues to work out, but implementation is expected to begin in 2010.

Maintenance Projects

Slate Creek Diversion Vegetation Removal

During the week of July 6, several Power Division crew members worked on removing willows and other vegetation that had become established in the sediments behind the diversion dam. They also installed new barrier poles on the concrete weir in front of the tunnel intake, and straightened others. Most of the barrier poles are significantly rusted and will need to be replaced within the

next couple of years. The downstream face of the dam was cleared of moss and other vegetation using a system of poles, scrapers and ropes.

Sly Creek "Soft Start"

Joe Romero, Marty Costa and Dorinda Matney have been working on a project that changes how load is picked up inside Sly Creek Powerhouse when the transmission and distribution lines are out of service and the equipment has to be run using the propane standby generator. At times in the past, when the station air compressor system started up, it overloaded the system by coming on at full load. Installing a "soft start" system allows the compressor to build up slowly, preventing disturbance of the other loads in the powerhouse.

Campground Maintenance Projects

The Sly Creek campgrounds have been receiving quite a bit of use this summer and, sometimes as a result of vandalism, a number of facilities have required maintenance. Henry Reeson has rebuilt the ADA accessible water pump at Strawberry campground, and the crew has re-secured the bear-proof garbage cans at the Sly Creek boat ramp. The Power Division boom truck was used to safely bring down a hazard limb over one of the campsites. A new concrete picnic table will be installed shortly, replacing a wooden table that has deteriorated.

General Information

EAP Exercise

The annual Emergency Action Plan for Dam Safety exercise was held the afternoon of July 8. This year's exercise included a security component, with Scott Alcantara, Environmental and Safety Manager, acting out the role of an intruder at one of the sites. John Shipman, Senior Treatment Operator, assisted with notifications to Woodleaf Operator Steve Owsley. The Butte County Sheriff's emergency dispatch center supervisor had been notified ahead of time that an exercise was scheduled for that day, so it also served as a training exercise for the 911 dispatchers on shift. One outcome of the exercise is a plan to install an additional intruder alarm at a site currently without one.

USGS Training

Brian Howerton and Kathy Zancanella attended a two-day class at CSU Sacramento on US Geological Survey hydrologic record development and measurements. The class was thorough in its coverage of the USGS requirements for data submittals and quality assurance. They were provided with training materials that will be passed along to the Agency's new hydrographer when that position is filled after the first of next year.

ENVIRONMENTAL AND SAFETY MANAGER'S REPORT

Scott Alcantara reported that since May 1, 2002 the Agency has been required by a State Water Resources Control Board permit to limit the amount of residual pesticide it discharges into the Feather River. A violation of these permit limits carries a minimum fine of \$3,000.

This permit requires the Agency to monitor and submit annual reports regarding the use of the aquatic pesticides in the Miners Ranch Canal. Until this year copper sulfate has been used as the primary aquatic pesticide. Copper sulfate is a very effective aquatic pesticide and has been used by the Agency for over 30 years. However, because of the chemistry of the Agency's source water, it is difficult to control the residual copper discharged to the Feather River and still effectively control the target pest in the Miners Ranch Canal. To this end, Mr. Alcantara began investigating other aquatic herbicides to find another product that would be just as effective, but with less potential for residual discharge into the Feather River.

The product found is called sodium carbonate peroxyhydrate. Like copper sulfate, it requires a State permit and approved monitoring program. However, the required monitoring program, unlike the program required for copper sulfate, can be completed by Agency staff. This alone will save approximately \$3,000 per year in contract laboratory costs. Also, unlike copper sulfate, sodium carbonate peroxyhydrate does not have State or Federal residual discharge limits, which eliminates the potential for fines based on discharge-limit violations.

The cost of using sodium carbonate peroxyhydrate is comparable to that of copper sulfate. Sodium carbonate peroxyhydrate is currently \$94 per 50# bag, and copper sulfate is \$125 for the same amount.

At the current application rate, approximately 2000# of sodium carbonate peroxyhydrate will be applied this year. This amount should decrease in the future as staff becomes more familiar with the product. In comparison, between 2002 and 2008 an average of 1450# of copper sulfate was applied per year, with a maximum of 3150# applied in 2003.

FINANCE DIVISION MANAGER'S REPORT

The Board reviewed a written report from Mr. Wong, including a breakdown of revenue and expenses for each of the irrigation system components.

South Feather Relicensing Consulting Services

Devine, Tarbell and Associates, Inc. (DTA), consultant for the South Feather Project relicensing have submitted invoices and reports covering their progress from April 26 through May 23, 2009 in the amount of \$9,435.32. The payments to DTA for their services to-date on this project amount to \$4,999,314. DTA is now also known as HDR Engineering Inc.

Water Account Refund

The Finance Division discovered a serious clerical input error dating back to September, 2005 over-charging one of our domestic water accounts by almost \$400 per month. The account is a multi-unit residential situation without an obvious comparative account in our system. The monthly billing amount has been corrected and the amount over-charged has been refunded. A review of all other Agency customers with similar coding classifications is being conducted to determine if similar errors were made.

State Budget and Cash Crisis

In spite of all the news reports, the Agency has received payments from the State for water service in the manner and timing we've been accustomed to. As reported in prior months, the estimate for property tax revenue has been adjusted based on the assumption that the State would take a portion of SFWPA's 2009 allocation. When the actual amount of the take is determined and communicated, the property tax revenue estimate will be adjusted again.

Finance Division Operations

We continue to review our accounting, budgeting and purchasing policies, procedures and practices as we move closer to July 1, 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.

For the past couple of weeks the distribution crew has been working on the installation of approximately 620' of 6" C900 PVC along Skyline Way. The project was necessary to eliminate an old galvanized 2" lateral that insufficiently served seven residences. The old lateral originated on La Mirada Avenue and meandered across residential properties. The new services were placed on the new mainline along Skyline Way and connected to each residence to restore improved water service.

Currently staff is focusing efforts to paint and re-roof the MRTP facilities.

<u>Irrigation system's current releases:</u>	Forbestown Ditch	SF 14	= 12 cfs
		SFWPA	= 12 cfs
		NYWD	= 12 cfs
	Bangor Canal	SF 25	= 15 cfs
	Palermo Canal		= 17 cfs

Water Treatment Operations

The 2009 cumulative MRTP water production through June is approximately 93% of the recent five-year average. The total monthly water production for June was at approximately 90% of the recent five-year average.

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

Solar Plant Production

The monthly power consumption at the treatment plant exceeded the solar power production by 32,100 KWH during the month of June.

GENERAL MANAGER'S REPORT

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

Possible Funding for Hydropower Expansion

Under the Recovery Act, the Department of Energy (DOE) is soliciting applications from hydropower industry members that propose to, in part, develop hydropower projects that would increase the quantity and value of hydropower generation. Part of the available funding is for projects under 50 MW and would provide for 50% of costs, including design, development, and construction. However, projects calling for new construction of dams or diversions will not be considered. Preference will be given to projects that can be completed without significant modifications to dams and reservoir operations and avoid regulatory delays. Strong preference will be given for projects that will produce significant new electric generation within two years of project completion.

SFWPA has an opportunity to build a project at Ponderosa Reservoir that might be given preference for this funding. The project would involve construction of a Miners Ranch Canal Powerhouse and a Ponderosa Spill Powerhouse.

The Canal Powerhouse would be located at the end of Ponderosa Tunnel, prior to the Miners Ranch Canal inlet and would use the existing tunnel from Ponderosa Reservoir for water delivery. This facility's tailrace would discharge directly into the Miners Ranch Canal, using water that is already being released from Ponderosa for delivery to Miners Ranch Treatment Plant and Kelly Ridge Powerhouse.

The Spill Powerhouse would also take water from the tunnel coming out of Ponderosa Reservoir that is presently being spilled into Lake Oroville when more water is coming into Ponderosa Reservoir than can be transported down the Miners Ranch Canal. It would be located at the high water line of Lake Oroville adjacent to Ponderosa Dam.

The feasibility of constructing this combined-facility project was investigated by Devine Tarbell and Associates (DTA) and presented for review by the Board of Directors on July 27, 2004. DTA estimated the generation potential for this project to be between 2.84 MW and 3.37 MW, depending on flow conditions into Ponderosa Reservoir. The estimated project cost in 2004 was \$7,754,000, with a benefit-to-cost ratio of 1.09 (without assistance as is being proposed by DOE)

Notice of this funding opportunity was issued on June 30th, and required a Letter of Intent to be issued by July 22nd, and a final application due August 20th. Because the Letter of Intent does not commit its author to filing an application, and because of the significant opportunity this might be for SFWPA, I directed Jim Lynch (HDR/DTA) to develop and send the Letter of Intent for the combined Canal Powerhouse and Spill Powerhouse, described above.

Directors were provided a copy of the Letter of Intent. Once all possible information is available, the Board's Hydropower Committee will be consulted regarding a recommendation for possible action by the Board regarding any approval of funding for the project.

Suspension of Prop 1A Part of Budget Deal

The Governor and legislative leaders struck a budget deal to close the state's \$26+ billion budget deficit, and are trying to sell it to their colleagues for the necessary vote by the Legislature. As promised by the Governor several months ago when voters rejected the slate of budget propositions that were recommended by the governor and legislature as part of the 2009-10 state budget, suspension of Prop 1A and borrowing from property tax revenues is part of the deal.

The last time the Legislature raided funds from local governments was in 2004. At least now a framework is in place as a result of Proposition 1A, passed that same year, that requires the funds to be repaid with interest within three years. Under Prop 1A, the state can borrow 8% from special districts, cities and counties. Notwithstanding this constitutional limit to borrowing local

property tax revenue, the state's legislative analyst previously suggested taking more than 25% from water and wastewater districts because they can raise rates to recoup the money. Nevertheless, the budget deal only involves a straight 8% across-the-board take.

Sponsorship for The Bounty of Oroville

Requests are frequently received for donations, scholarships, and sponsorships for very worthy causes within the community. Rarely, however, are any of them honored due to the fact that, as a public agency, SFWPA is limited on how its funds can be used. Other than for its own operational expenses, use of Agency funds to sponsor or support an event or cause is prohibited unless there is a direct nexus between the event or cause and the Agency's statutory purposes.

Also, given the relatively non-political and monopolistic nature of the Agency's functions and services, little money is spent each year on public relations. At least for the last 17 years the philosophy has been maintained that actions and service speak louder than paid advertising. And, for the most part, that public relations philosophy has resulted in a favorable reputation within the community of service.

An event was initiated a couple of years ago by the Chamber of Commerce – The Bounty of Oroville – that showcases local products, art, music, and services. Chief among the local products presented at this event are agricultural products grown within Agency boundaries as a result of the availability of the water provided by the Agency: olives and olive products, citrus, wine and other farm produce. Although the Agency has not previously been involved, this event has developed into a very popular and well attended affair.

Mr. Glaze authorized the expenditure of \$1,500 so that SFWPA can be one of the two "Title Sponsors" of the event. The reason for doing so is to communicate to the community and those who come to it for the event, that South Feather Water and Power Agency supports and appreciates its commercial agricultural customers and wants to encourage their growth and success. As a Title Sponsor, the Agency's name will be on promotional materials and in ads, and its logo will be on a banner at the event, with recognition in the event program and during event announcements. Within the Agency's community of service, this should be a very cost-effective public relations activity.

The Bounty of Oroville will be held on Sunday, September 20, 11:00 a.m. to 4:00 p.m., at Sank Park. Directors were encouraged to attend to be the "faces" of the Agency.

LAFCo Election Results

Last month's agenda included a run-off election for the LAFCo Non-Enterprise Commissioner. Subsequently, a sufficient number of districts (23) returned ballots for the election to qualify. Mark Sweany (CARD) won with 11 votes. Loren Gill (FRRPD) received six votes and Jerry Davis (833 Canal) received four. In the earlier LAFCo election, Loren Gill received the highest number of votes for Alternate Member, and so he will be seated to this position.

Annual Facilities Tour – June 25, 2009

Invitations were sent to 73 individuals (including SFWPA directors). Initially, 48 invitation acceptances were received ("RSVPs"), with 40 actually attending the event. Mr. Glaze thanked directors for being great hosts.

DIRECTORS' REPORTS

Director Hunter reported that she had received information that the new CEO of CalPERS was not qualified for the job and wanted the Agency to pull out of the retirement program. Mr. Glaze pointed out that, after being in the program for only one year, most employees would need to be in the program for another four years before the Agency's contributions would result in any retirement benefits for them. Nevertheless, he directed Steve Wong, Finance Division Manager, to research Director Hunter's information and prepare a report for the next board meeting.

Director Moreland reported that he had received a number of compliments on the recent Facilities Tour from guests who had attended.

Art Martinez, Manager of Information Systems, reminded directors of the upcoming annual meeting of the Butte County Special Districts Association.

RELICENSING BUDGET AMENDMENT

Payments to HDR Engineering (DTA) for consulting services have reached a total of just over \$4,993,000 since the relicensing project was initiated in 2002. The table below shows the status of current open tasks in the relicensing budget previously approved by the Board in July 2007.

Relicensing Budget Approved for HDR Engineering and Subconsultants (7/24/07)

<i>Task</i>	<i>Description</i>	<i>Authorized Budget</i>	<i>Unspent Budget</i>
16	Ongoing Studies	\$85,500	\$26,555
17	Continuing Agency Meetings	\$50,000	[\$2,419]
18	FERC Scoping	\$25,000	\$23,771
19	Additional Study Requests	\$50,000	\$15,310
20	CEQA	\$25,000	\$15,659
21	EPA Hearings/Alternative Measures	\$40,000	\$11
22	Misc. Support (2008)	\$70,000	\$127
Totals		\$345,000	\$79,014

It is presently anticipated that the total “unspent budget” of \$79,014 will be sufficient to complete the project, absent any unforeseen issues erupting. However, the descriptions of the open items are no longer applicable for concluding efforts, except for Item 20, “CEQA”. Jim Lynch of HDR Engineering is recommending that no additions be made to the budget, but that the unspent budget be moved into one task. Mr. Glaze affirmed his agreement with Mr. Lynch.

M/S/C (Hunter/Moreland) consolidating the unspent portion of the previously approved relicensing budget into a single task.

2010 WATER TRANSFER – SAN DIEGO COUNTY WATER AUTHORITY

During closed session in April, the Board directed that a 2010 water transfer agreement with San Diego County Water Authority be pursued, with provisions matching those negotiated for the failed transfer in 2009, but with provisions for a price increase in the event market prices go up in 2010 (with \$240/acre-foot being the floor) and negotiating accommodation agreements with both PG&E and NYWD. The resulting document is attached, and conforms to the terms authorized by the Board.

The transfer amount would be up to 10,000 acre-feet, as requested by SDCWA.

The transfer methodology would be the same as the transfer completed in 2008: water deposited from Ponderosa Reservoir into Lake Oroville during June, July and possibly August, then a 10,000 acre-foot draw-down below historical minimum pool of the combined storage in Little Grass Valley and Sly Creek reservoirs at the end of the year. As was the case then, the consent of DWR (refill criteria) and SWRCB (transfer permit) will have to be acquired in order for the 2010 transfer to move forward.

In addition to SDCWA being responsible for processing and compliance costs, the delivery price will be \$240/acre-foot or the price paid by the State’s drought water bank (if created on or before March 1, 2010), whichever is higher. Also, SDCWA will pay the first \$50/acre-foot of any “accommodation fee” that may be required by PG&E if generation at Kelly Ridge Powerhouse is reduced in 2011 due to DWR’s refill criteria. By the letter reviewed by the Board in June, SFWPA has asked PG&E to evaluate and advise as to what it thinks the potential impact might be in light of the new agreement between PG&E and SFWPA that will commence on July 1, 2010 (just prior to the physical transfer herein proposed). If PG&E’s answer exceeds \$80/acre-foot, SFWPA has the option of terminating the agreement. The agreement is also subject to the reasonable consent of North Yuba Water District.

M/S/C (Hunter/Moreland) authorizing the General Manager to execute the exclusive agreement with San Diego County Water Authority for a one-time transfer of up to 10,000 acre-feet of water in 2010.

GEOTECHNICAL CONSULTING SERVICES AGREEMENT

Power Division Manager Kathy Zancanella reported that the slope descending below the Miners Ranch Canal access road has eroded significantly in some areas, causing a loss of stable road surface such that some sections of the roadway are becoming dangerously narrow. Some of the problems have been caused by wave action from Lake Oroville when it has been at or near maximum storage, and some erosion is caused by rainwater running off the road itself and cutting into the decomposed granite that forms much of the bank. One of the worst sections of the road is upstream of the McCabe Creek Siphon, between the Lumpkin Road bridge crossing and the Station 5 spillway. The slopes here are so steep that a repair solution needs to be devised that is beyond the technical ability of Agency staff to design or install.

Cotton, Shires and Associates, Inc. (CSA) is a geotechnical consulting firm that provides services to PG&E. They were the geotechnical engineers on the Woodleaf Powerhouse Slide repair project in 2005-2006 and provided the design and layout of the soil nails, rock bolts and shotcrete for the slope repair. They were very responsive and professional while working with Agency personnel and the construction contractors on that project.

After visiting the sites of the Miners Ranch Canal road erosion problems on July 13, CSA submitted a proposal for a geological assessment of the eroding slopes and for a report that would include repair options with their estimated costs (directors reviewed copies of the proposal).

The cost for the first phase would not exceed \$37,500. Once the options they propose in this first phase are evaluated and prioritized, CSA would develop design drawings and specifications suitable for putting construction of the project out to bid (Phase II). Phase III (during project construction) would involve CSA providing construction observation and testing services.

The Agency's standard Consulting Services Agreement was adapted for this project and was reviewed by directors. Generally, it prescribes that the geotechnical services of Cotton, Shires and Associates would be used on an as-needed basis for this project through the three phases of work. Funding for this project was included in the Power Division's Non-routine Maintenance budget for repairs to the Miners Ranch Canal access road (\$150,000 was budgeted for this purpose for 2009).

M/S/C (Lodigiani/Hunter) approving the consulting services agreement with Cotton, Shires and Associates, Inc. to provide geotechnical services related to repairs to the Miners Ranch Canal Access Road, and authorizing the General Manager to execute same and initiate each phase thereof when and as necessary for the expedient completion of repairs, subject to subsequent-year budget approvals and appropriation of funds by the Board of Directors.

WATER DIVISION CAPITAL BUDGET AMENDMENT – TREATMENT PLANT ROOF/PAINTING

Manager Glaze reported that the approved 2009 Water Division Budget included painting and replacing roofs on two buildings at Miners Ranch Treatment Plant. The roofs are 25 years old, were damaged to the point of needing temporary repairs during the past two winters, and should be completely replaced prior to the next wet season.

In conjunction with recent routine maintenance of Agency buildings, attempts have been made to standardize the appearance of facilities by incorporating the green metal roofing and tan exterior paint or stucco that was used on the new Oroville office complex. Therefore, the MRTP roofs were to be replaced with the same green metal roofing. Unfortunately, the 2009 budget only included an additional \$6,000 in the Water Treatment Buildings/Grounds Maintenance for replacement of the MRTP roofs (for a total of \$9,000). This estimate was based on inaccurate estimates of the cost of the roofing material. In reality, the actual cost of the roofing material alone is \$26,800.

Because of the age and condition of the roofs, postponing this project is not recommended. Therefore, staff recommended that a pipe-replacement project on the Community Line be delayed one year, and the \$30,000 that had been budgeted for it be reassigned to the treatment plant project.

M/S/C (Hunter/Moreland) amending the 2009 Water Division Budget by transferring \$30,000 from 01-00-11471-2, Project No. 09-084, replacement of 1000' of Community Line pipe, and \$6,000 from 01-53-53370-2, Water Treatment Building/Grounds Maintenance, to 01-00-11167-3, Project No. 09-092, Re-roof and Paint MRTP Buildings.

DELINQUENT ACCOUNTS

Although the Agency's delinquent-account-collection process has been modified and greatly improved over the past several years, circumstances will always prevail that prevent the resolution of a few accounts. Every year there will be a number of accounts that are not responsive to even the best of efforts, even though service has been discontinued. These unresolved accounts usually result from a change in the ownership status of the property: death of the owners and unresolved distribution of the estate; abandonment of the residence; ongoing lawsuits; etc. This year there are 29 such accounts (compared to 23, 31, 35, 39, 55, 36, 26, 27 and 19 over last nine years, respectively).

As a public agency, SFWPA is able to collect delinquent accounts by placing them on the Butte County tax rolls. The cost for this service, levied by the Tax Collector, is 30¢ per parcel, for a total this year of \$8.70.

Directors reviewed a list of the 29 accounts and their individual total delinquencies. All but \$8,745 of delinquencies have been collected this year through routine procedures.

M/S/C (Hunter/Mooreland) Adopting Resolution 09-7-1, authorizing 29 accounts, for a total of \$8,745.24 plus fees, be added to the 2009-2010 Butte County tax roll.

OPEN SESSION (convened at 3:16 p.m.)

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

ADJOURNMENT

President Cecchi adjourned the meeting at 3:29 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President