

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

**Tuesday, September 22, 2009, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California**

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

STAFF PRESENT: Jim Coffelt, Water Treatment Superintendent;
John Shipman, Senior Treatment Operator;
Art Martinez, Information Systems Manager;
Kathy Zancanella, Power Division 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; and Ben Swann and Joe Huang of CDM.

CALL TO ORDER

President Cecchi called the meeting to order at 2:00 p.m. and led the Pledge of Allegiance.

MRTP EXPANSION PROJECT – PRELIMINARY ENGINEERING AND FEASIBILITY REPORT

Water Division Manager Matt Colwell reported that Camp Dresser and Mckee Inc. (CDM) has completed the Preliminary Engineering and Feasibility Report for the Miners Ranch Water Treatment Plant Expansion Project. The report (copies provided to and reviewed by Directors) summarized CDM's findings and recommendations for future water treatment improvements and expansion.

This initial phase of the MRTP expansion project was commenced with a scope of work designed to provide a planning-level evaluation of current water treatment facilities and future water needs, and develop the most economical and efficient modernization and expansion improvements to meet future demands. CDM's response to SFWPA's request for proposals was selected out of a field of four engineering firms, and they were awarded the contract for this work in March 2008 at a cost of \$100,313.

Section 3 of the report provided a suggested implementation schedule for the next stages of the project: preliminary and detailed design; bid phase; construction phase; and, startup phase. The schedule proposed a three-year timeline for completing the project. If followed, the schedule would have the expanded treatment plant facilities completed, on line and ready to accommodate an anticipated regulatory change (Long Term 2 Enhanced Surface Water Treatment Rule with an October 2013 deadline) that may result in enhanced water treatment disinfection requirements. However, current water demands, future growth (or lack thereof) in residential development, available funding and financing considerations will all have the potential to modify any proposed schedule.

The next phase of this project will be a negotiated proposal from CDM or a formal request for proposals (RFP) for the preliminary design of the plant expansion (as described in the report) that will be presented for Board approval in the third quarter of 2010.

Mr. Colwell reported that the process of developing this report provided the opportunity to repair a significant malfunction at the treatment plant that has been a concern for the past year. Filter #3 has a broken underdrain system that could fail and prevent further use and result in an inability to meet maximum day demands. Fortunately, the 2009 peak-demand period passed with Filter #3 remaining in operation. However, it is too risky to assume that this filter will make it through the peak demand period of 2010. Therefore, Mr. Colwell encouraged the early implementation of the report's recommendations for the rebuilding of Filter #3 per the specifications that are anticipated for the final construction of the MRTP expansion project. The preliminary estimate of the cost of these improvements is \$300,000. He said that he would be coming back to the Board for approval to proceed with this repair and upgrade in the last quarter of 2009, as a 2010 budget item.

CDM's Ben Swann and Joe Huang were present and provided a summary of the report and its findings and conclusions, and also answered questions.

Mr. Colwell reported that Agency Management, MRTTP operators, electrical-control and mechanical technicians all participated in the development of this report. Treatment Superintendent Jim Coffelt and Senior Treatment Operator John Shipman were present and commended the report as having a solid base and providing a clear path forward for completion of the expansion project.

M/S/C (Edwards/Hunter) accepting the Preliminary Engineering and Feasibility Report for the Miners Ranch Water Treatment Plant Expansion Project prepared by CDM.

APPROVAL OF MINUTES

M/S/C (Moreland/Hunter) approving the Minutes of the regular monthly meeting of August 25, 2009.

APPROVAL OF WARRANTS

M/S/C (Hunter/Edwards) approving the total Water Division expenditures for the month of August 2009 in the amount of \$381,584.68 – Warrants #24481 through #24503 and #24573 through #24654; and, the total Power Division expenditures for the month of August 2009 in the amount of \$370,686.80 – Warrants #65639 through #65648 and #65689 through #65714 through #65748.

PUBLIC PARTICIPATION – None.

POWER DIVISION MANAGER'S REPORT

The Board reviewed a written report from Kathy Zancanella, Power Division Manager, including storage, generation and reservoir levels through the Labor Day holiday.

Operations

The storm that moved through the area on Monday, September 14, brought a little over 0.2 inch, bringing the season-to-date total to 0.26 inch.

Since the beginning of September, the draft from Little Grass Valley Reservoir has been set to 300 cfs to draw down the reservoir and bring water into Sly Creek Reservoir for continued generation through the fall. This is considered a "boatable" flow and whitewater kayakers have been boating the South Fork Feather River between Little Grass Valley and South Fork Diversion.

Maintenance Projects

Fall Outages

The fall outage season started September 14 when Kelly Ridge Powerhouse and Miners Ranch Conduit were taken out of service for annual maintenance. Projects at Kelly Ridge, in addition to annual relay testing and inspections, included replacement of components on the No. 1 cooling-water pump to eliminate oil leakage, and cleaning of the cooling water sump. The focus at Miners Ranch Conduit will be installing new wire and placing concrete on some large sections of the floor of the canal. The powerhouse and canal will be returned to service September 25.

From September 28-30, the Forbestown Powerhouse transformer bank will be cleared to replace bushings and to test the transformer. Hart Hi-Voltage will be serving as a subcontractor to PG&E on this work.

Forbestown Headquarters Roof

Water Division utility workers Eddie Paul and Tyler Fuller started installing the metal roof on the Forbestown Headquarters office building September 8 and had finished the back part of the building by the end of the first week.

Cotton Shires & Associates work

Two months ago a contract for geotechnical engineering work along the Miners Ranch Conduit access road was awarded by Board action to Cotton Shires & Associates, and they have now surveyed the area and are developing a proposal for repairs. The scope of work was expanded to include the Station 6 sand trap spillway, which has experienced historic rockfall and is now badly undercut. The Cotton Shires engineer and Mrs. Zancanella were present when the spill gate at the sand trap was opened on September 14 as part of the annual outage and determined that flows from the spill gate do not impact the side of the spillway that has been undercut. However, if concrete is lost in that area, the potential exists for future spills to erode the ground under the sand trap. The wall of the sand trap has also cracked and will require repair.

Sly Creek Crest Modification Update

The approval processes at DSOD and FERC are moving forward. The consulting team responded to a request for additional calculations by DSOD, and Mrs. Zancanella held a couple of conference calls with FERC staff regarding the environmental processes that had already been completed. Following this, FERC issued a Notice of Intent to prepare an environmental document subject to the NEPA regulations, requesting comments on the project. The Forest Service should respond at this time with any comments they have, as they have not yet submitted anything in writing on the project. FERC's San Francisco staff also gave approval to the concept of the mechanically-stabilized-earth (MSE) wall, although they still have a number of technical questions to be answered.

General Information

West Coast Hydro Group Meeting

On August 27, the West Coast Hydro Group held its annual operations and maintenance meeting at YCWA's office in Marysville. Representatives from hydro generators from around California met to discuss some of the challenges they had faced in the past year or so. Topics included vibration leading to component failure at a SMUD powerhouse, transformer failure and repair challenges at a Southern California Edison powerhouse, and installation of a new digital governor system at YCWA's Colgate Powerhouse. The group also discussed the recent Russian hydroelectric plant disaster and the types of preventative maintenance and testing that should be done to avoid a similar situation from happening in group-member powerhouses.

Micro-quakes

Three "micro-earthquakes" were registered in the Challenge area and one near Strawberry Valley during September 9-11. A magnitude 2.7 quake was felt at Forbestown Headquarters and Woodleaf Powerhouse on the afternoon of the 10th. The other quakes were too small to feel, but may indicate some shifting along a fault system in the area. Geologists who have worked for the Agency in the past were given a courtesy notice regarding the activity.

WATER DIVISION MANAGER'S REPORT

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

Distribution Operations

Mr. Colwell reported that he anticipates the 2009 irrigation season will end on October 9, 2008 in coordination with North Yuba Water District's end of its irrigation season. At that time the Forbestown Ditch operations will be redirected from distribution-system operation to maintenance activities.

Irrigation system's current releases:

Forbestown Ditch	SF 14	= 24 cfs
	SFWPA	= 12 cfs
	NYWD	= 12 cfs
Bangor Canal	SF 25	= 12 cfs
Palermo Canal		= 15 cfs

Water Treatment Operations

The 2009 cumulative MRTP water production through August is approximately 95% of the recent five-year average. The total monthly water production for August was also at approximately 95% of the recent five-year average.

It appears that the 2009 maximum-day demand occurred on June 29 at 10.1 mgd. This is approximately 70% of the maximum plant capacity and is considerably lower than past years' maximum-day demand.

Jim Coffelt, John Shipman and Matt Colwell participated in field trips to the Sacramento, Redding, and East Bay areas during the past month to view and evaluate other water treatment plant operations that have similar components to those being proposed by CDM for the plant expansion project. These trips have contributed to a better understanding and dialog between the consulting engineers and Agency staff.

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 exceeded the solar power production by 75,100 KWH during the month of August.

FINANCE DIVISION MANAGER'S REPORT

Mr. Wong was absent due to his attendance at the annual conference of the California Special Districts Association. The Board reviewed a written report from him.

South Feather Relicensing Consulting Services

HDR Engineering, Inc. (HDR), consultant for the South Feather Project relicensing has submitted invoices and reports covering their efforts from through June 27, 2009, and a more current invoice has not yet been received. The payments to HDR for their services on this project to-date amount to \$5,002,681.

Information Systems

Art Martinez and VistaNet, the Agency's IT consultants, initiated and have substantially completed the upgrade to a new server and backup unit. The upgrade increased the speed of internet connections, especially in the remote locations, and enhanced the security, file storage and backup of the Agency's information systems. Mr. Wong commended Mr. Martinez for his efforts throughout this project as a significant amount of work was required on weekends and after normal business hours. The disruption to office operations was minimal as a result of his efforts.

Employee Milestone

On September 10 a barbeque lunch was held to celebrate Pat Sand's 30 years with the Agency. Pat started her career with the Agency in 1979. She has participated in bringing over \$20 million in financing to SFWPA. Throughout her time with the Agency, Pat has handled virtually all aspects of SFWPA's administrative and business responsibilities and continues to be invaluable with her history, background and insight.

Finance Division Operations

Accounting, budgeting and purchasing policies, procedures and practices continue to be reviewed as the July 1, 2010 commencement date of the new power purchase agreement with PG&E gets closer.

GENERAL MANAGER'S REPORT

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

Relicensing

Because the relicensing of the Agency's hydropower project is under the jurisdiction of a federal agency (FERC), compliance with NEPA (National Environmental Policy Act) is required before the license can be approved. This was accomplished by FERC in its preparation of an EIS (environmental impact statement). However, notwithstanding the fact that the EIS is completed, the license cannot be issued until CEQA (California Environmental Quality Act) is also satisfied because of the requirement for a water quality permit (401 certification) from the SWRCB (State Water Resources Control Board). Where FERC was responsible for preparation of the EIS under NEPA, SFWPA is the lead agency for compliance with CEQA.

The Agency's consultant, HDR/DTA has started work on the Initial Study and Mitigated Negative Declaration for the 401 certification from the SWRCB. Under CEQA, the EIS prepared by FERC and be incorporated by reference into the required documents. It is anticipated that these documents will be ready for the required public review at the beginning of February 2010, and that they will be presented for approval by the SFWPA Board at its meeting in March. Thereafter, a 25

day appeal period begins, with issuance of the 401 certification possible as early as the middle of May 2010.

Bounty of Oroville

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.

This year SFWPA was one of the two “Title Sponsors” of the event, communicating to the community and event attendees 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 has been on promotional materials and in ads, and its logo was on a banner at the event, with recognition in the event program and during event announcements.

DIRECTORS’ REPORTS

Director Moreland reported that he attended the Bounty of Oroville and expressed the opinion that SFWPA’s sponsorship of the event was a good investment.

ADJOURNMENT

Vice President Hunter adjourned the meeting at 3:19 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President