

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

Tuesday, October 27, 2009, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

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

DIRECTORS ABSENT: Lou Cecchi.

STAFF PRESENT: 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: Hank Bailey.

CALL TO ORDER

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

APPROVAL OF MINUTES

M/S/C (Moreland/Edwards) approving the Minutes of the regular monthly meeting of September 22, 2009.

APPROVAL OF WARRANTS

M/S/C (Edwards/Lodigiani) approving the total Water Division expenditures for the month of September 2009 in the amount of \$446,652.44 – Warrants #24655 through #24701 and #24739 through #24777; and, the total Power Division expenditures for the month of September 2009 in the amount of \$423,007.52 – Warrants #65749 through #65781 and #65805 through #65855 through #65748.

PUBLIC PARTICIPATION – Matt Colwell provided an explanation to Hank Bailey's questions about what triggered the end of irrigation season this year.

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's components.

South Feather Relicensing Consulting Services

HDR Engineering, Inc. (HDR), consultant for the South Feather Project relicensing has submitted an invoice and report for the period of August 2 through August 29, 2009 in the amount of \$18,005. The payments to HDR for their services on this project to-date amount to \$5,020,686.

Dental and Vision Plans

Dental and Vision insurance is provided to Agency employees through ACWA/JPIA. ACWA/JPIA has recently notified SFWPA that there will be an approximately 6.3% increase in the rates for dental coverage and a 1.5% increase for vision insurance, effective January 1, 2010. The additional annual cost to SFWPA will be just less than \$4,500.

Express Check Deposit

The Finance Division has implemented Express Check Deposit with Tri-Counties Bank. As previously reported, the TCB Express Check Deposit system speeds up check processing, reduces the number of physical trips to the bank, improves accountability of the check documents, and eliminates the maintenance problems regularly encountered with the previous check endorser.

Credit Card Processing

SFWPA has accepted credit cards for payments for some time now. Currently the credit cards can only be processed through one terminal located on the front counter. Art Martinez is in the process of making it possible for Finance Division staff to handle telephone credit card transactions at their desk.

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.

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 total accumulated precipitation at the Forbestown Headquarters gauge to date is 4.09". The October 13 storm brought rain accumulations of almost 3" at Forbestown and 6" at La Porte, and knocked out phone and internet service to the Forbestown office. Because Woodleaf Powerhouse was cleared for the annual outage, the draft at Lost Creek needed to be increased to about 25 cfs to avoid spilling over the flashboards.

On September 30, the draft from Little Grass Valley Reservoir was increased to 350 cfs to draw down the reservoir for winter. This information was posted on www.Dreamflows.com for the whitewater boating community, and boaters were observed launching at Little Grass Valley Dam. The flows were ramped down to about 75 cfs beginning October 12. Butte and Plumas counties reported that they had no calls for rescue or medical aid during the release period.

Maintenance Projects

Fall Outages

The Kelly Ridge Powerhouse and Miners Ranch Conduit annual outages went very well with no significant problems encountered. The crew cleaned and patched the canal and performed routine maintenance at Kelly Ridge.

A three-day outage was taken at Forbestown Powerhouse to replace and test the 115kV side bushings on the main transformer. Hart Hi-Voltage worked with Marty Costa, Dorinda Matney and Joe Romero on the installation and testing. During the outage, Henry Reeson was also able to make a necessary adjustment to the governor.

The annual outage at Woodleaf Powerhouse began October 12 and was returned to service on schedule. Magnaflux testing on the first day found a 2-inch crack on the outer edge of one of the buckets and a PG&E specialist was brought in to make the stainless steel weld repair. Henry Reeson has been focusing on adjusting the governor and Joe Romero and Marty Costa are testing relays and temperature and flow devices. The October 13 storm knocked out the 12kV standby service for several hours, putting the powerhouse in the black. Fortunately, Joe and Marty were able to wire in the portable CAT generator in order to run pumps and lights until the power was restored. One of the projects that will be investigated for the future is a stationary standby generator for Woodleaf similar to the one at Sly Creek Powerhouse.

Forbestown Headquarters Roof and Communications Room Expansion

Mrs. Zancanella commended Eddie Paul and Tyler Fuller for the work they did on the Forbestown office roof and for then jumping onto the construction of a new wall that allowed the communication room to be expanded outward by four feet. The expansion is needed to accommodate the new SCADA and microwave equipment that is being installed in parallel with the existing equipment. The new wall required painting, and Eddie kept on going down the hall, coating the old "institutional blue" walls with a brighter off-white.

Lost Creek Dam Access Road

Prior to the start of the outages, several crew members worked on brushing the alternate access road for Sly Creek that crosses Lost Creek Dam and follows the north side of Pinkard Creek. Joe Gibson and Gary Daley are now hauling in material and grading the road to improve its surface.

Clearing the edges of the road has made more obvious a bit of relatively modern rock art. The pictured carving is upstream from the dam, and is old enough that moss has begun to grow in the cut areas, but not so old that the rock that has been cut looks weathered. The carved area is about 4 inches high and 8 inches long.

WATER DIVISION MANAGER'S REPORT

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

Distribution Operations

The 2009 irrigation season has basically concluded and field operations are focusing on irrigation ditch maintenance. Currently the crew is brushing, clearing, and repairing flumes on the Upper Forbestown Ditch. There are a couple of large trees that require special considerations and caution for removal to prevent any further damage to flumes.

The reduced demand period has provided the opportunity for the Department of Water Resources to shut off flow to the Palermo Canal and inspect the outlet structure. The required shut down is anticipated for approximately three days to inspect the outlet works, including the 12" fixed cone dispersion valve. There is some uncertainty if an additional shutdown at a later date will be required for additional maintenance and repair.

<u>Irrigation system's current releases:</u>	Forbestown Ditch	SF 14	=	0 cfs
		SFWPA	=	0 cfs
		NYWD	=	0 cfs
	Bangor Canal	SF 25	=	7 cfs
	Palermo Canal		=	0 cfs

Mr. Cowell reported that there has been an increase in mandatory backflow installations on reactivated domestic water accounts that have been shut off for sixty days or more. This appears to mark a turn-around in home sales of long-term listings or foreclosed properties.

Water Treatment Operations

The distribution crew transported approximately 44 tons of backwash sludge to a landfill near Wheatland. This annual accumulation of fine filtered particulate appears to be normal.

The 2009 cumulative MRTP water production through September is approximately 96% of the recent five-year average. The total monthly water production for September was at about 100% of the recent five-year average.

Solar Plant Production

The monthly MRTP power consumption exceeded the solar power production by 69,900 KWH during the month of September.

GENERAL MANAGER'S REPORT

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

Relicensing

SFWPA's consulting team is continuing to develop the CEQA submittal for the State Water Resources Control Board's water quality permit application. Consultants are coordinating with the SWRCB since the SWRCB will use the SFWPA CEQA document as a basis to issue its 401 Water Quality Certificate for the new license. An internal draft Initial Study is due by November 13, 2009.

CPUC Approval of Power Purchase Agreement

As noted in Kathy Zancanella's staff report, the Public Utilities Commission has approved the power purchase agreement between SFWPA and PG&E that will become effective on July 1, 2010. A copy of that decision was provided to directors.

In preparation for operations under that new agreement, Mrs. Zancanella and Steve Wong have been monitoring generation output and doing "dry runs" preparing invoices to PG&E as if the agreement was already in effect. The goal is to ensure that kinks and wrinkles are worked out before the agreement's commencement date arrives.

Grand Jury Review

The Board reviewed a recent letter from the Butte County Grand Jury “inviting” Mr. Glaze to make a presentation regarding the Agency to its Districts and Commissions Committee. After this month’s Board meeting he will begin preparing a packet of information that will include the documents requested, together with additional information that will allow the Committee to have a complete understanding of the structure, operations and services of South Feather Water and Power Agency

Bounty of Oroville

This year SFWPA was one of the two “Title Sponsors” of the Bounty of Oroville, an annual event 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, wine and other farm produce. The purpose of the sponsorship was to communicate to the community that South Feather Water and Power Agency supports and appreciates its commercial agricultural customers and wants to encourage their growth and success.

Directors reviewed a letter from the Chamber of Commerce thanking the Agency for its sponsorship.

Obituary – Jack Osburn, I.B.E.W. Representative

Jack Osburn, retired I.B.E.W. representative for members of SFWPA’s Water Treatment and Distribution Employees Unit and Hydropower Generation Employees Unit, passed away at his home on October 5. He died of a heart attack.

Mr. Glaze recalled that Mr. Osburn had been the union representative for several years before he came to the Agency as general manager, and retired at the end of 2007. Although their respective roles placed them on opposite sides of the bargaining table, Mr. Glaze said that he appreciated the professional, responsible and courteous manner in which Mr. Osburn conducted union business. Wages and benefits improved significantly during the time that he was the employees’ agent.

Tsunami

At the Board meeting last month Mr. Glaze reported that he was going back down to American Samoa to provide management and leadership training for the American Samoa Power Authority’s (ASPA) management team. Originally, he and his wife were scheduled to leave on October 27, but postponed the trip one week to ensure that they didn’t miss the arrival of their new grandson (who actually arrived on October 24). Then, on Tuesday, October 29, a massive earthquake struck the South Pacific, generating a tsunami that hammered the south and west side of American Samoa, killing 34 people and destroying dozens of villages and hundreds of homes.

ASPA immediately went into an emergency response mode in an attempt to restore power, water and sewer services to the devastated areas of the island, necessitating an all-hands maximum output effort. Although the scheduled management training was canceled as a result of the tsunami, Mr. and Mrs. Glaze volunteered to go down and assist with disaster recovery. Mrs. Glaze worked in her capacity as a registered nurse at the LBJ Tropical Medical Center Hospital in the ER, and Mr. Glaze spent his time assisting ASPA’s CEO with various administrative jobs dealing primarily with securing power-generation units to replace the diesel-powered generation plant that the tsunami destroyed.

DIRECTORS’ REPORTS – None.

CONTRACT FOR FACILITATION SERVICES

Kathy Zancanella reported that one of the new requirements FERC has for major construction projects affecting dams is that a project-specific Potential Failure Modes Analysis (PFMA) be conducted that considers the changes made to the dam. Included within this requirement is the development of a temporary construction-specific emergency action plan (EAP). This usually requires a one-day session that is attended by a facilitator, the independent consultant, FERC, DSOD and representatives of the project owner, the engineering consultant, and the construction

contractor. The session is held after the project construction contract has been awarded and at least 60 days before start of construction. She stated that a facilitator needs to be retained for the EAP that will have to be developed for SFWPA's Sly Creek Dam crest modification project.

Wayne Edwards, SFWPA's independent consultant (who acted in the facilitator role during the Agency's 2007 PFMA sessions) was asked who else in the area could serve as an independent facilitator for a construction project of this nature, and he recommended Bill Rettberg with GEI Consultants. Directors reviewed Mr. Rettberg's proposal and resume, noting that he has recently done a number of construction PFMA's for PG&E and El Dorado Irrigation District.

A copy of the proposed Consulting Services Agreement by which Mr. Rettberg would be retained as this project's EAP facilitator was reviewed by the Board. This contract is for a not-to-exceed amount of \$4,000.

M/S/C (Edwards/Lodigiani) approving and authorizing the General Manager to execute the consulting services agreement with GEI Consultants to provide independent facilitation services related to the temporary construction-specific emergency action plan for the Sly Creek Dam crest modification project.

WATER DIVISION SURPLUS EQUIPMENT

Matt Colwell reported that this year Water Division has replaced two old utility trucks that now need to be declared surplus and sold. T-64, a 1995 Chevrolet 3500 two-wheel drive truck with 102,000 miles, was replaced with T-82, a new 2009 Ford F350 club cab. T-51, a 1991 Chevrolet 2500 two-wheel drive with 143,000 miles, was replaced with PD-79, a surplus Power Division 1996 Dodge 2500 four-wheel drive with 109,000 miles.

M/S/C (Lodigiani/Edwards) approving: (1) declaring T-51 and T-64 as surplus and removing them from the list of Water Division assets; and, (2) advertising T-51 and T-64 for sale on EBay and/or Craig's List and selling them to the highest bidder.

BCSDA – CALL FOR NOMINATIONS

The Board reviewed a letter received from Butte County Special Districts Association calling for nominations of representatives of enterprise and non-enterprise districts to stand for election to BCSDA's Executive Board. Presently Jim Edwards is President of the BCSDA Board whose term concludes at the end of 2009.

M/S/C (Hunter/Moreland) nominating Jim Edwards for election to the Butte County Special Districts Executive Board.

RECESS (called at 2:53 p.m.)

CLOSED SESSION (convened at 2:58 p.m.)

Conference with Labor Negotiators – Government Code §54957.6

Agency Negotiators: Michael Glaze, Steve Wong and Jeffrey Meith.

Employee Organizations: Clerical and Support Employees Unit, Hydropower Generation Employees Unit, Water Treatment and Distribution Employees Unit, and Management and Professional Employees Unit.

OPEN SESSION (convened at 3:09 p.m.)

Vice President Hunter announced that no action had been taken during the closed session.

ADJOURNMENT

Vice President Hunter adjourned the meeting at 3:09 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President