

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

Tuesday, November 25, 2008, 2:00 P.M.,  
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

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

**STAFF PRESENT:** Steven Wong, Finance Division Manager;  
Matt Colwell, Water Division Manager;  
Kathy Petersen, Power Division Manager;  
Jeffrey Meith, Legal Counsel;  
Michael Glaze, General Manager.

**OTHERS PRESENT:** Hank Bailey, Mike Koestler, and director-elect Lou Lodigiani.

**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 monthly meeting of October 28, 2008.

**APPROVAL OF WARRANTS**

M/S/C (Cecchi/Moreland) approving: the total Water Division expenditures for the month of October 2008 in the amount of \$532,241.55 – Warrants #23443 through #23472, #23522 through #23551, and #23575 through #23609; and, the total Power Division expenditures for the month of October 2008 in the amount of \$665,534.46 – Warrants #64739 through #64762, #64828 through #64846, and #64940 through #64990.

**PUBLIC PARTICIPATION**

Hank Bailey commented on the Draft Environmental Impact Study recently published by the Federal Regulatory Commission for the Agency's South Feather Power Project license application.

**POWER DIVISION MANAGER'S REPORT**

The Board reviewed a written report from Power Division Manager Kathryn Petersen, including storage and generation reports, as well as photographs of various projects crews have been working on.

Operations

Ms. Petersen noted that rainfall to date, measured at Forbestown Headquarters, is 7.72 inches, which is the same amount of precipitation that had fallen by the end of November last year. The rains have caused Little Grass Valley and Sly Creek reservoirs to accumulate storage above 60,000 acre-feet, so PG&E plans to generate with the project quite a bit in December in order to draw the reservoirs down to 50,000 acre-feet for the 2008 water transfer.

Maintenance Projects

Fall Outages

The Forbestown and Sly Creek outages have been deferred until 2009 so PG&E can use the system to move water in December. Woodleaf outage work, including installation of the new shaft seal and replacement of bearing cooling coils, was done in conjunction with the transformer replacement project.

Woodleaf Transformer and Circuit Breaker Replacement Project

Woodleaf Powerhouse is back in service. A slight delay occurred with getting the transformer

manufacturer on site to fill the transformer with oil and draw a vacuum. This was completed the weekend of November 15-16, and final work and testing continued during the following week.

#### Microwave Replacement Project

Global Tower Services, a subcontractor to PG&E, intended to begin work on the passive reflector at Pike County Peak on November 14. They are to form and pour a slab, after which they will install the reflector. However, they did not consider the slope on which they were working and, after finally visiting the site, discovered that the slab will need to be engineered, a process that could delay things another three weeks. In the meantime, Comm Tech Brian Howerton is working with PG&E to begin the cutover process from the 2 GHz band to the 6 GHz band. This requires that the SCADA and radios at each of the powerhouses be out of service for brief periods of time. Fortunately, timing this work while the project was shutdown for the Woodleaf transformer replacement resulted in no impact to generation.

#### Little Grass Valley Dam – Spillway Clearing

A combined Water and Power Division crew cleared over 2,000 cubic yards of accumulated rock and soil from the upstream approach channel to the spillway at Little Grass Valley Dam. They finished this job in one week, beating the weather that could have stopped the work. This task was identified as necessary by the independent consultants who performed the dam-safety inspections in 2007 and 2008.

#### Miners Ranch Canal – Gunite Repairs

A PG&E crew worked with Agency employees to repair a section of the wall of Miners Ranch Conduit that had slipped due to water working its way behind the wall. They placed new wire and gunite on a section of the wall near the Enterprise Bridge.

#### General Information

##### Draft Environmental Impact Statement (DEIS)

Ms. Petersen opined that, based on an operational review of the DEIS, there is little in the FERC staff's recommendations that would impact future project operations beyond Agency-proposed conditions. Some operational recommendations, however, go beyond what the license application had proposed and will require additional expenditures for equipment (particularly at stream gauge sites); plus additional documentation and record keeping will be necessary.

#### Request for Bids – Forbestown Diversion Sediment Removal Project

A Request for Bids (RFB) to remove sediment from in front of the Forbestown Powerhouse tunnel intake was sent to a list of 14 companies on November 13. A similar RFB was also sent out last winter, but the bids received at that time were much higher than the amount that had been budgeted for the project. A revised budget amount was added to the 2009 budget proposal submitted to PG&E, and the job is scheduled for completion by March 31, 2009. An agenda item for approval of a contract with the successful bidder should come to the Board in January.

### **WATER DIVISION MANAGER'S REPORT**

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

#### Distribution Operations

Water Division staff have been accomplishing water system maintenance and normal operations tasks. Ongoing projects include irrigation and domestic distribution system betterments, new service installations, leak repairs, and assisting Power Division on projects. Staff assisted Power Division to do patching maintenance on Miners Ranch Canal and excavation of Little Grass reservoir spillway.

The 2000-foot, 12-inch, system-capacity-funded Kelly Ridge interconnector pipeline project is near completion. The project which interconnects the Kelly Ridge area with an existing 12-inch mainline along Olive Highway will reduce the distribution system's flow constraints resulting in reduced pumping constrictions and reduced energy consumption and costs.

### Water Treatment Operations

The October MRTP production was near average for the recent 5-year period. The MRTP cumulative water production continues on an above-average trend with the potential to set a new maximum annual cumulative total, exceeding 1997.

### Solar Plant Production

Thursday night, October 30<sup>th</sup>, the MRTP photovoltaic system was vandalized. Thieves pulled out approximately one-third (2,000 feet) of the under-ground copper wire for the purpose of selling it as salvage. Coincidentally, the MRTP lead operator was on site checking the plant's status around 10 pm and unwittingly fouled the thieves' plan to haul the wire away. The next day the lead operator, while inspecting the system, found and reported the vandalism. The Sheriff's office was notified, as well as SPG (warranty administrator). SPG asked for the remainder of the system to be shut down until an inspection could be done. On November 7<sup>th</sup> the balance of the system was turned back on at 60% capacity. SPG estimates a cost of \$10,340 to repair the damage, and the General Manager has already authorized that work to be done as soon as possible.

Unlike most thefts of this nature, SFWPA will at least get the wire's salvage value (approximately \$1,000) due to the fact that the thieves were scared away and left the fruit of their labor lying on the ground.

## **FINANCE DIVISION MANAGER'S REPORT**

The Board reviewed a written report from Finance Division Manager Steve Wong.

### South Feather Relicensing Consulting Services

Devine, Tarbell and Associates, Inc. (DTA), consultant for the South Feather Project relicensing submitted an invoice and report for the period of September 29 through October 26, 2008 in the amount of \$767.86. Including this invoice, payments to DTA for their services on this project to-date amount to \$4,962,518.

### Payroll Software and Processing

Agreement was reached with ADP, the Agency's payroll processing provider, to convert to on-line payroll processing and enhanced payroll reporting. The conversion is tentatively scheduled for early Spring 2009.

### CalPERS 457

The CalPERS 457 Deferred Compensation program is now in place. Participation in the plan is voluntary and completely funded by employee contributions, with no required employer contribution. Agency participation in the CalPERS 457 program was requested by employees and is in addition to the existing deferred compensation plans with ICMA, Hartford, Lincoln and Nationwide.

### CalPERS

Over the past few months CalPERS has communicated with public agencies about the impact of the current economic struggles on employer rates and retiree benefits. The Agency has continued to receive assurances that retiree benefits are secure and that, in general, public agency employer rates for 2010-2011 should increase less than one percent, followed with the prediction of a less than five percent increase in the 2011-2012 year.

### Fixed Assets Accounting

Pat Sands has taken the lead in converting the Agency's fixed asset listings from spreadsheets to the Springbrook software system. Initial orientation is scheduled for next month.

### GASB 45

SFWPA's actuarial consultant for GASB 45, Demsey, Filliger & Associates, submitted its report to the Agency dated November 13, 2008. Staff is currently reviewing the valuation and anticipates having a report for the Board in the near future.

### 2009 Annual Audit

Interim field work by independent auditors, in preparation for the 2009 annual audit, is scheduled for December 3 and 4. This begins the third and final year of the audit contract with Mann, Urrutia, Nelson, CPAs.

## GENERAL MANAGER'S REPORT

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

### Relicensing

FERC has published its draft environmental impact statement (DEIS), and copies (hardcopy and CD) are available for review. Mr. Glaze stated that FERC staff took somewhat of a split-the-baby approach to identifying mitigations it thought were appropriate for the environmental issues being addressed. All of the conditions contained in SFWPA's application that represented consensus with the USFS and other resource agencies were accepted. Most of SFWPA's proposed alternatives to resource-agency mandatory conditions were identified as being preferable mitigations. Of special interest was the recommendation in the DEIS that Yuba County Water Agency's (YCWA) request for a reopener be denied (YCWA requested that SFWPA's license be reopened for further conditioning at the time that it commenced its own relicensing project, specifically regarding Slate Creek issues). Also appreciated was the DEIS' recommendation that there not be "any limitation on the quantity or temperature of water that can be discharged from the Kelly Ridge powerhouse...included in the license."

### Recruitment – Facilities Maintenance Worker

A three-week application period produced 233 applications for the new Facilities Maintenance Worker position the Board approved in September. Twenty-four applicants were interviewed on October 24. Todd Richie was the successful candidate, and began work on November 12. Given that the position's responsibilities incorporate three distinct areas of work – janitorial and building maintenance, landscape maintenance, and distribution systems maintenance and construction (as a field crew member), Mr. Richie was identified as the most comprehensively qualified and capable of handling all three areas of responsibility. He is an Oroville High School graduate, and has most recently been working as a tile setter in the Sacramento area.

### Community Line Domestic Water System Rehabilitation Project – Prop. 50 Grant

Many months ago this project was approved for Prop. 50 Grant funding. (The purpose of the project is to provide potable water to Community Line customers that currently have untreated water plumbed into their homes for domestic uses.) Since then, Department of Public Health (DPH) staff responsible for administering the funding and approving specific project plans seem to be creating excuses and dodges for the purpose of keeping grant funds for purposes other than those intended by the voters who approved the bond measures.

In September, after Alex Brown and Matt Colwell had responded to numerous phone calls and emails from DPH staff wherein their questions about the project were answered and all data requested was provided, a letter was received that demanded a written report be submitted by October 10 describing "how South Feather will ensure that at least 15 eligible parcels [presently using bottled water to comply with the Constructed Conveyance Rule] will participate in the project, including the legal basis for accomplishing this." A draft resolution-created policy was developed, with attorney Jeff Meith's assistance, prescribing the procedure that would be recommended to the Board by which existing bottled-water customers would be provided domestic-water service and taken off the bottled-water program. Presently, notwithstanding the ominous deadline imposed by DPH for the report's submittal, no response – approval or otherwise – has been received from DPH.

On November 18, another letter was received from DPH requesting SFWPA document its legal and administrative ability to build the project with its own forces. Constructing the project by "force account" was prescribed by the Agency in its grant application as a cost-saving measure, and was the basis upon which the cost estimate was prepared. At this late date DPH wants to know:

- (1) why the Agency is not subject to competitive bidding requirements;
- (2) why the use of the Agency's own resources is cost effective and comparable to competitive bidding;
- (3) how the Agency's record-keeping system will differentiate any work done on private property (not eligible for reimbursement from the grant); and,
- (4) that the Agency's cost-accounting system will ensure that Agency staff won't use grant funds inappropriately.

Further, DPH is now advising that:

- (1) plans and specifications will have to be prepared as if the project were being advertised for competitive bidding;
- (2) materials will have to be competitively bid even if force-account construction is approved; and,
- (3) a non-Agency ("third party") inspector or project manager will have to be hired (diverting grant proceeds from construction) to ensure "independent evaluation of time, equipment, and material, as well as to ensure compliance with plans, specifications, and all requirements."

Mr. Glaze expressed the opinion that, no matter how much effort is expended to demonstrate SFWPA's experience in cost-effectively constructing million-dollar projects of this very kind while complying with all labor compliance laws, DPH will ultimately impose conditions on the receipt of the grant funds – if the project is ever actually approved for reimbursement – that will make the Agency regret ever submitting the application. He advised the Board that, unless directed otherwise, he was advising SFWPA staff to stand down from any further efforts regarding the acquisition of Prop. 50 funds. There were no objections from directors.

He stated that extending domestic water service to the Community Line customers would continue to be a high priority, and that staff will continue the project's development so that it is ready for CEQA processing and eventual future funding from hydro-generation revenue.

#### Small Claims Court – Loyd v. SFWPA

The judge pro tem's ruling in this matter has yet to be published.

### **DIRECTORS' REPORTS**

Director Moreland reported that he and Manager Glaze would be having a meeting between representatives of the Feather River Recreation and Park District (FRRPD) to discuss the possibility of FRRPD developing a park around Lake Wyandotte.

### **WATER DIVISION BUDGET – 2009**

Finance Division Manager Steve Wong reported that the Board's Finance Committee (Directors Edwards Cecchi) reviewed staff's proposed Water Division budget for 2009 in detail with Agency staff on November 14, and is recommending its adoption without modification. A copy of the Committee's recommended budget was delivered to directors for their review prior to today's meeting.

Mr. Wong explained how the format of this budget document is different than what has been presented in the past and explained that it estimates an ending balance of funds on December 31, 2009 of \$1,494,774. Included in this amount is \$1,363,513 designated for System Capacity purposes and available for future projects, leaving a balance of \$131,261 in undesignated funds.

The 2009 revenue estimates assume another dry year. An average or wet year could increase operating revenues by approximately \$225,000. The 2008 Estimated Revenues include the proceeds from the 2008 Water Transfer, less \$200,000 for the Power Generation Impact Fee due to PG&E, plus the \$100,000 Option Payment money from San Diego County Water Authority for a water transfer in 2009.

The final payment of the 1995 Certificates of Participation is scheduled for 2009. Adequate funds have been maintained in the financing's Reserve Fund and will be used to make this final payment. These Reserve Fund monies are shown as a "Transfer In" for the 2009 revenues and will be used to pay the 2009 final debt service obligation.

This budget assumes a 3% cost-of-living adjustment for employees on January 1, 2009, and includes an amount for merit pay adjustments as well. Historically, employee benefits have been charged to the General Administration department. With this budget, the employee benefit costs are spread to all of the operating departments based on the projected distribution of labor.

M/S/C (Cecchi/Hunter) approving the 2009 Water Division Budget, with an Operating Budget amount of \$4,613,492 and a Capital Budget of \$619,100, as recommended by the Finance/Budget Committee, including appropriation of funds for equipment acquisitions and capital improvement projects.

### **WATER TRANSFER – SAN DIEGO COUNTY WATER AUTHORITY**

After receiving the Board's direction in closed session last month, attorneys Jeff Meith and Dustin Cooper, and Power Division Manager Kathy Petersen worked with General Manager Mike Glaze to develop a mutually acceptable agreement with San Diego County Water Authority (SDCWA) representatives for the transfer of up to 10,000 acre-feet of water in 2009. The resulting document was reviewed by directors, and conforms to the terms they previously authorized.

The proposed agreement specifies that SDCWA would have to pay SFWPA \$100,000 to initiate the processing of the 2009 transfer permit application. Regardless of whether or not a transfer gets regulatory approval, the \$100,000 is non-refundable.

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

The transfer methodology would be the same as the transfer completed earlier this year: 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. However, SDCWA will have to acquire the consent of DWR "and any other entity with jurisdiction, authority or control," in order for the 2009 transfer to move forward.

The delivery price in 2009 would be \$240/acre-foot (in addition to the initial \$100,000 deposit), and SDCWA would pay the first \$50 of the PG&E generation-impact fee.

M/S/C (Hunter/Cecchi) 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 2009.

#### **CYNTHIANN LANE ANNEXATION – WALKER-SETZER**

The subject annexation is for two existing residential parcels on Cynthiann Lane in the Palermo area. The annexation is proposed for the purpose of supplying irrigation water service to reduce demand on existing wells for landscape-irrigation and stock-watering purposes.

Directors reviewed a copy of LAFCo's "Application Form" which provided a description of the proposed annexation.

Because this annexation qualifies under the "general exemption rule" of the California Environmental Quality Act (CEQA), no public hearing or negative declaration is required, as previous annexations have.

M/S/C (Hunter/Moreland) adopting Resolution 08-11-1, approving annexation of APN 027-070-069 and 070, and making application for annexation to LAFCo.

#### **DIRECTOR VIVIAN MEYER – RETIREMENT**

President Edwards congratulated Vivian Meyer on her twelve years of service as a member of the Agency's Board of Directors and presented her with a crystal vase with her initial election date, her retirement date, and the logo of OWID and SFWPA etched thereon. This being her last official meeting as an SFWPA director, all of the directors and the General Manager expressed their appreciation for her devotion to service and commitment to the Agency and its employees over the past 12 years.

## CANCELLATION OF REGULAR DECEMBER BOARD MEETING

President Edwards announced that anticipated business for December was minimal and could wait until the regular January meeting of the Board. He canceled the regular December meeting and advised that a special meeting would be called in the event an issue developed that needed attention prior to January.

**RECESS** (called at 3:23 p.m.)

**CLOSED SESSION** (convened at 3:32 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 3:51 p.m.)

M/S/C (Hunter/Cecchi) approving the amendments to the Clerical and Support Employees Unit MOU as proposed by the General Manager, together with a 3% cost-of-living adjustment for all unit members effective January 1, 2009, plus a 10% increase in the top of each unit position's compensation range.

**ADJOURNMENT**

President Edwards adjourned the meeting at 3:52 p.m.

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Michael C. Glaze, Secretary

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James Edwards, President