

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

Tuesday, January 26, 2010, 2:00 P.M.,  
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

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

**DIRECTORS ABSENT:** Lou Lodigiani.

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

**OTHERS PRESENT:** Hank Bailey and Jean Brown.

**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 December 22, 2009.

**APPROVAL OF WARRANTS**

M/S/C (Hunter/Edwards) approving the total Water Division expenditures for the month of December 2009 in the amount of \$388,723.71 – Warrants #24791 (void), #24799 through #24825, #24872 through #24900, and #24913 through #24962; and, the total Power Division expenditures for the month of December 2009 in the amount of \$479,360.12 – Warrants #65878 through #65897, #65937 through #65958, and #65977 through #66022.

**PUBLIC PARTICIPATION** – None.

**LEGAL COUNSEL'S REPORT**

Directors reviewed a December 18, 2009 letter from Paul Minasian regarding new water conservation requirements for urban water supply systems. Jeff Meith summarized the report and answered questions.

**POWER DIVISION MANAGER'S REPORT**

The Board reviewed a written report from Kathy Zancanella, Power Division Manager, including storage, generation and precipitation statistics through December. Current storm series are bringing totals closer to average. As the elevation in Lake Oroville dropped, scour cleaned out the area upstream and downstream of the Agency's old Enterprise Dam. Lake Oroville has since turned around and is refilling.

**2008 Water Transfer**

As reported last month, the water transfer to the State Water Contracting agencies was completed in 2008. When the reservoirs refilled in the spring of 2009, they did so at a time when Lake Oroville was not in flood operations, so the Agency's understanding of the DWR refill criteria was that it needed to release an additional 10,000 AF during the summer and fall to Lake Oroville and draw Little Grass Valley and Sly Creek down to 50,000 AF combined end-of-year storage again, repaying the Refill Impact Account. A letter describing the proposed operations was sent to DWR in April 2009. Because no response was received, DWR's agreement was implied. Accordingly, PG&E operated the project throughout 2009 to again draw the reservoirs to 50,000 AF and spill 10,000 AF over the amount proposed under PG&E's base-case operating plan.

During a conference call on January 14, 2010, DWR staff informed Mrs. Zancanella that their understanding of the agreement was that unless Lake Oroville went into flood operations the

Agency could not repay the Refill Impact Account. She countered that their interpretation conflicted with language that the repayment occur within 12 months from the time an impact was determined. She also noted that DWR had failed to inform the Agency that it disagreed with the operating plan submitted by the Agency in April 2009.

#### 2010 Water Transfer

The petitions for a transfer to San Diego County Water Authority in 2010 were filed with the State Water Resources Control Board on December 22, 2009. SWRCB staff notified Mrs. Zancanella that they are working on the petitions and that the next step will be the public notice and comment period.

#### Maintenance Projects

##### Winter Outages

PG&E requested that the outages scheduled for this spring be started sooner to take advantage of the low water conditions. The annual two-week outage on Forbestown Powerhouse will begin February 1 and the Sly Creek annual outage will start on March 1.

##### Sly Creek Dam Crest Modification Project

The current schedule provided by AECOM for the Sly Creek Dam crest modification project is as follows:

- January 22 - Advertise bid package
- February 11 or 12 – Hold pre-bid meeting and job walk
- February 26 – Receive bids
- March 12 – Award contract and Notice to Proceed, begin 60-day submittals
- May 15 – Start construction

Because the bids will be received after the regular February meeting, and the contract should be awarded before the regular March meeting, a special Board meeting will need to be held for approval of the contract award. Directors all agreed that they could be available for a special Board meeting on Monday, March 8.

#### General Information

##### WREGIS Registration

One of the requirements under the new PG&E contract is that Sly Creek and Kelly Ridge powerhouses be registered with the Western Renewable Energy Generation Information System (WREGIS), which is the mechanism for tracking the exchange of renewable energy credits. An online registration account has been set up and Mr. Glaze signed an Acceptance of Terms of Use Agreement, which was submitted along with a \$1,500 application fee. Once the submittals have been reviewed and accepted, the next step will be registration of the individual units and establishment of "Forward Certificate Transfers" within the system so that PG&E receives credit for the renewable energy produced by the powerhouses.

#### **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 Power Project relicensing has submitted an invoice and report for the period of October 25 through November 21, 2009 and November 22 through December 26, 2009 in the amounts of \$6,384 and \$4,672 respectively. The payments to HDR for their services, including these invoices, amount to \$5,052,347.

#### Customer Service

As directed by the General Manager, the Finance Division has commenced efforts to improve the customer service levels for the office and administrative functions of the Agency. The Finance Division team is in the process of reviewing all of its methods and activities from a customer service perspective. The team has exhibited a positive attitude through the process and is embracing the assignment on personal and professional levels.

New Trucks

Four new trucks have been ordered, all included in the 2010 Annual Budget, one for the General Manager, one for the Regulatory Compliance Manager, one to replace a Water Division Foreman’s vehicle and a replacement for a Ditchtender vehicle. The prices are all coming in under the adopted budget amounts.

Disposition of Trucks

Art Martinez is coordinating the disposition of four trucks previously declared as surplus by the Board. Within the next week, three surplus vehicles will be placed on Craigslist.com. The five-day advertisement period makes the vehicles available in a silent bid process. At the conclusion of the five day period the highest qualified bidder(s) will be notified. As a test and trial, a fourth surplus vehicle will be sent to an auction service based in Sacramento. This service specializes in the disposal of surplus government vehicles.

Finance Division Operations

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

**WATER DIVISION MANAGER’S REPORT**

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

Water Distribution Operations

In addition to the normal service installations, leak repairs, and ditch maintenance, the distribution crews have continued to perform isolation and pressure reducing valve maintenance activities. At this writing there have been no significant issues with the stormy weather on the ditch system, although the ditch tenders are patrolling the system and diligently discharging the excessive runoff. Significant manpower is dispatched to clear branches, debris, trees, and mudslides from the ditch system after the storms pass.

On Tuesday, January 12<sup>th</sup>, Rick McCullough (irrigation foreman) met with representatives from Butte County Resource Conservation District and the California Conservation Corp at Lake Wyandotte to address the illegal dumping of cars, boats, appliances and other junk that has been ongoing despite many efforts to prevent access to the area. The dumping is primarily occurring on adjacent parcels and has been an issue for the Agency and County Public Works. The RCD is pursuing a grant to facilitate cleanup and will be submitting the application within a couple of weeks after the scope of the problem is identified on multiple areas throughout the County.

The Irrigation system current releases are:	Forbestown Ditch	SF 14 = 0 cfs
		SFWPA = 0 cfs
		NYWD = 0 cfs
	Bangor Canal	SF 25 = 5 cfs
	Palermo Canal	= 1 cfs

The Palermo Canal is scheduled to be shut down January 26 through 29 to accommodate DWR’s utilization of a Remote Operated Vehicle to inspect the intake of the outlet works.

Water Treatment Operations

The MRTP Filter #3 rehabilitation project is ongoing. Mr. Colwell provided directors with a PowerPoint and video presentation about how the project is progressing and what should be anticipated when it is complete.

MRTP operators are anticipating and monitoring the increased turbidities in the raw water influent created by the January 17-21 storm.

The cumulative MRTP water production for calendar year 2009 is approximately 1.789 billion gallons of water (96% of the recent five-year average). The total monthly water production for December was near normal.

Solar Plant Production

The monthly MRTP power consumption exceeded the solar power production by 16,800 KWH during the month of December.

## GENERAL MANAGER'S REPORT

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

### Relicensing

Patricia Nelson, HDR's Manager of Environmental Services, has advised that the consulting team is on schedule to prepare a Final Initial Study/Mitigated Negative Declaration (IS/MND) and release it for public review on January 25, 2010. SFWPA is the lead agency for the CEQA process whose next steps include:

- 1) Consult with all responsible and trustee agencies: public; city and county agencies that have jurisdictions that include or border the project. This consultation is usually accomplished by posting a Notice of Intent to Adopt a Negative Declaration for the project for a comment period of between 20 days (minimum review time) and 30 days (normal review time). This is scheduled to be initiated on January 25, 2010.
- 2) Choose whether or not to hold a public hearing for the IS/MND during the review period. Although encouraged, public hearings are not required. Given that the environmental and operational matters have been addressed as part of the FERC relicensing, draft license, 4(e) and 10(j) processes, the necessity of a public hearing is questionable.
- 3) Submit a copy of the IS/MND with the State Clearinghouse as one or more state agencies (e.g., SWRCB and CDFG) will exercise jurisdiction over natural resources.
- 4) Prepare responses to agency and public comments and incorporate them into the final IS/MND document for SFWPA Board consideration and approval. Upon approval, a Notice of Determination is prepared and filed with the State Clearinghouse. This process is scheduled to occur between March 1, 2010 and March 29, 2010.

The SWRCB may issue the 401 Certificate within two weeks after the conclusion of an Appeal Period, which typically is 30 days after the Notice of Determination is filed. The 401 Certificate is expected to be issued by May 17, 2010.

### Annual Fee Increases

In accordance with Board policy, the Residential Meter/Backflow Fee, System Capacity Charges, Backflow Maintenance Charges, and Annexation Fees increased by 1.3%, and the service-termination fees increased by 3.0%, all on January 1, 2010.

The action regarding the Residential Meter/Backflow Fee occurred in September 2006 when the Board amended the Rules & Regulations as follows:

*...to replace the Standard Meter-Set Fee and the Radio-read Meter-Set Fee with a Residential Meter/Backflow fee of \$904 that will be charged whenever water service is requested for a parcel with an existing service line and meter set; that said fee will be payment in full for installation of a 5/8" residential radio-read meter and 3/4" backflow prevention device; and, that said fee be increased annually, commencing on January 1, 2008, in accordance with the Engineering News Record's National Construction Cost Index, subject to suspension on a year-by-year basis by the Board of Directors.*

In a 1999 resolution, the Board specified that System Capacity Charges, Backflow Maintenance Charges, and Annexation Fees would...

*...be increased on January 1 of each year in accordance with the Engineering News Record's National Construction Cost Index, subject to prior notification of the Board of Directors by Staff that said index conforms to anticipated changes in cost for such facilities.*

The 2009 National Construction Cost Index through December is 1.3%, which is a reasonable reflection of the increase in costs we have experienced over the past year.

In 2008, the Board specified that service-termination fees (the Shutoff Notice Service Fee and the Meter Lock Service Fee) would each increase annually "by the same percentage as the annual cost-of-living adjustment granted to the Agency's Water Treatment and Distribution Employees," which is 3% for 2010.

A schedule of each of these charges and fees are provided below, showing the 2009 and the new 2010 rates.

<b><i>RESIDENTIAL METER/BACKFLOW FEE</i></b>	
<u>2009 Fee</u>	<u>2010 Fee</u>
\$ 980	\$ 993

<b><i>BACKFLOW MAINTENANCE CHARGES</i></b>		
<u>Size</u>	<u>2009 Monthly Charge</u>	<u>2010 Monthly Charge</u>
¾"	\$4.85	\$4.85
1"	\$7.25	\$7.25
1½"	\$9.70	\$9.70
2"	\$10.90	\$10.90
3"	\$24.25	\$24.25
4"	\$29.08	\$29.08
6"	\$42.41	\$42.41
8"	\$51.30	\$51.30
10"	\$59.51	\$59.51

<b><i>SYSTEM CAPACITY CHARGES</i></b>		
<u>Meter Size</u>	<u>2009 Capacity Charge</u>	<u>2010 Capacity Charge</u>
⅝"	\$3,758	\$3,807
1"	\$9,391	\$9,513
1½"	\$18,784	\$19,028
2"	\$30,058	\$30,448
3"	\$60,104	\$60,885
4"	\$93,915	\$95,136
6"	\$187,831	\$190,272
8"	\$450,792	\$456,652
10"	\$713,753	\$723,031
12"	\$939,149	\$951,358

<b><i>ANNEXATION FEES</i></b>	
<u>2009 Fees</u>	<u>2010 Fees</u>
\$ 127 – processing (developed)	\$ 128 – processing (developed)
\$ 254 – processing (undeveloped)	\$ 257 – processing (undeveloped)
\$ 396/acre – annexation	\$ 401/acre – annexation
\$ 793/⅝" meter - annexation	\$ 803/⅝" meter - annexation
\$1,981/1" meter - annexation	\$2,007/1" meter - annexation
\$1,061/flat rate - annexation	\$1,075/flat rate - annexation
\$1,585/miner's inch - annexation	\$1,606/miner's inch - annexation

<b><i>SERVICE-TERMINATION FEES</i></b>	
<u>2009 Fees</u>	<u>2010 Fees</u>
\$ 28 – Shutoff Notice Service Fee	\$ 29 – Shutoff Notice Service Fee
\$ 52 – Meter Lock Service Fee	\$ 53 – Meter Lock Service Fee

Cost-Sharing Agreement – PG&E

As has been recently reported, discussions have been ongoing with PG&E for about two years regarding a cost-sharing agreement between SFWPA and PG&E for required upgrades to Lost Creek and Sly Creek dams. The tentative agreement reached for funding the Lost Creek Dam project (the Sly Creek Dam Crest Modification Project will be handled by a similar but separate agreement once the Lost Creek agreement is finalized), but the final document is still not ready for Board consideration. Mr. Glaze predicted it would be on the February agenda. In its present form, the project's expenses from January 1, 2009 forward will be split on a 60-40 basis, with SFWPA picking up the 60% share, and PG&E paying for 100% of all project costs that were incurred prior to January 1, 2009 (\$506,900).

The agreement also includes the provision that PG&E would provide up-front funding for all of the project's costs, with SFWPA paying back its 60% share, plus interest, by July 31, 2015.

### Customer Service

A concerted effort has been initiated to enhance Agency staff's focus on customer service. Ultimately, the goal is for SFWPA to have a well-established reputation within the community as the local public agency with the best customer service. The emphasis is described in the motto, "service beyond their expectations."

Actions being taken to improve customer relations are:

- Empowering staff at all levels to deal with most customer problems without having to refer to higher authority.
- Developing a formal system of tracking customer complaints.
- Meeting regularly with staff to challenge them to improve customer service.
- Training staff to deal with difficult customers.
- Acknowledging mistakes and apologizing for inconveniences.
- Recognizing and rewarding staff for outstanding customer service.
- Making customer-service goals a part of employees' performance appraisal process.
- Periodically measuring the customers experience through follow-up surveys.

Steve Wong, Art Martinez and Matt Colwell have embraced the new customer-service emphasis and are enthusiastically implementing and promoting it amongst their respective subordinates.

### Rewriting History

In an article in the local newspaper on January 14, Stu Shaner reprised several news articles from the years that the South Feather Power Project was under construction. He concluded with the following comments.

*Fifty years ago this coming July a great project was started on the South Fork of our Feather River ... [that] benefits the people of Oroville tremendously more than we probably know. ... it took a lot of foresight by many people who worked hard to make it happen. I suppose there is a plaque somewhere with their names on it, which leads me to the question. Is there a plaque to honor those who died building the project. [sic] If not, there needs to be. ... I know a few died on that project. I think one man drowned ... And I think I read of several men dying in a tunnel blast set off by a lightning strike, although I could be wrong.*

Having not heard of any fatalities during construction of the Agency's hydro project, Mr. Glaze asked Kathy Zancanella to do a little digging. She reviewed the contractor's (Bechtel) monthly progress reports and found no mention of any fatalities. The reports did note the lightning-caused premature Slate Creek tunnel explosion on November 12, 1960, but made no mention of fatalities or injuries.

Mrs. Zancanella also consulted with Paul Terrell, who was a Bechtel resident engineer on the project. He reviewed his personal daily logs and confirmed that there was one project fatality. On March 22, 1962 at about 1:30 a.m., "a rockfall from the left rib of the Rock Trap area of the Forbestown Tunnel killed Dee Moore and sent four others of his rock-bolting crew to the hospital with severe injuries. The fallen rock slab measured about six to eight feet thick and was estimated to be about six cubic yards in volume. The crew was doing final rock-bolting preparatory to final gunniting of selected areas."

### ACWA-JPIA Safety Award

The following report by Environmental and Safety Manager Scott Alcantara was provided to directors by Mr. Glaze:

*Early in 2009, a new quad-cab utility truck was purchased for the Water Division. Due to the size of this vehicle the standard apparatus used to safely carry the gas-powered rammer that all utility vehicles are equipped with could not be installed. Maintenance Technician Charlie McCauley was asked to construct a similar device that could be used on the new utility vehicle. The device he devised and built, not only met the requirements, but is superior in design and provides additional safety features not found in the standard apparatus.*

*Because the design was so innovative, Matt Colwell recommended that Charlie's design be submitted to the ACWA-JPIA's H.R. LaBounty Safety Award Program. This program is designed to promote safe workplace behavior and operations practices that could be a benefit to other Agencies like ours. I am pleased to report that, at the ACWA's 2009 Fall Conference held in December, Charlie's design received a LaBounty Safety Award.*

#### Oroville Economic Development Corporation Annual Dinner

Directors reviewed a letter from OEDCO announcing its annual dinner on Thursday, February 25, 2010. They were asked to advise Steve Wong if they were planning on attending so that he could purchase their ticket(s).

**DIRECTORS' REPORTS** – None.

#### **HYDROGRAPHER POSITION CREATION**

Directors reviewed a job description for a proposed new position: Hydrographer. (It has been previously reviewed by union representatives who expressed no objections.) This is the position that will be needed (as discussed with the Board at its meeting last April) to operate and maintain the Agency's new hydrologic monitoring system that has been designed by Innovative Hydrology and will be installed this year.

Last April the Board approved converting the existing stream-flow gauging stations to real-time data loggers that will report via a satellite communication system to a central computer where the data is stored and available for analysis by staff and system-modeling software. Not only will the real-time data allow for a better balancing of operations, it will be available to operators at PG&E's dispatch center, and will also provide more immediate advance warning of any event that would require activation of an emergency action plan. Further, once the system's satellite communication link and data retrieval software are in place, stream-flow monitoring/gauging stations can be added at strategic locations throughout the Water Division's irrigation system to also make the distribution process more balanced and efficient.

The proposed new position will be responsible for operating and maintaining the Agency's new hydrologic monitoring system. While working directly and cooperatively with the Power Division Manager and Regulatory Compliance Manager, this position would be a direct report of the Water Division Manager and be a part of the Water Treatment and Distribution Employees Unit.

Given the technical training that the position will involve and the level of operational independence the person in the position will have, the proposed compensation range is the same as that of the Maintenance Technician to make it comparatively equivalent. This range also bookends the range paid by Nevada Irrigation District for the same position.

Funding for the position (beginning after June) is in the 2010 budget, but approval of the position is being requested now so that the job can be posted as soon as possible for an in-house recruitment to give the successful applicant time for training.

M/S/C (Edwards/Hunter) approving the classification specification for the Hydrographer as a position within the Water Treatment and Distribution Employees Unit, including the proposed compensation range, and for the General Manager to fill the position as needed after July 1, 2010.

#### **INFORMATION SERVICES SPECIALIST – DESCRIPTION AMENDMENT**

Under the FERC dam safety program, an Independent Consultant reviews the safety of the South Feather Power Project dams every five years and makes recommendations to improve the understanding of factors that might affect performance of the dams. In 2007 and 2008 the Independent Consultants made the following recommendations:

##### Little Grass Valley Dam

- a. Review fault sources and ground motions and update, if necessary, the analysis of the dam's seismic stability.

- b. Assess the potential for fault rupture hazard at the dam through additional field investigation (e.g., geologic mapping). This suggestion was reasonable given the recent assessment of the Little Grass Valley fault as a conditionally active fault.

#### Miners Ranch Dam

- a. Identify any recent investigations by the California Department of Water Resources or others (e.g., academic studies or consulting work for other local agencies) into potential for fault offsets on the Cleveland Hill/Swain Ravine fault zone.
- b. Evaluate the peak ground acceleration (PGA) established from new (2007-2008) attenuation relationships considering a very close distance to the causative fault.
- c. If a new, higher PGA is established, evaluate the need for updated displacement analyses.
- d. Investigate the stability and deformation of the dam where the crest alignment changes abruptly (between Stations 11+90 and 16+15).

A Request for Proposals to perform the work recommended by the Independent Consultants was sent to 14 firms on November 12, 2009 and five consulting teams responded:

- AMEC Geomatrix,
- Blackburn/AECOM,
- Christensen Associates,
- Fugro WLA/HDR/DTA, and
- URS.

Scott Alcantara, Alex Brown and Kathy Zancanella reviewed the proposals that were received January 7, 2010, and came to the conclusion that the Christensen Associates team had the best combination of experience, work plan and cost for the project. The project will be phased so that no new dam stability analyses will be conducted unless the data collected regarding seismic hazards indicate that rupture hazards or ground motions at either dam have increased significantly since the analysis done by Harlan Miller Tait in 1988, or unless FERC or DSOD require further analysis after reviewing the report submitted at the end of the first phase of investigation.

A copy of the Consulting Services Agreement and a Non-Disclosure Agreement with Christensen Associates were reviewed by directors. The agreement is for a not-to-exceed price of \$118,888.

M/S/C (Hunter/Moreland) approving, and authorizing the General Manager to execute the Consulting Services Agreement and Non-disclosure Agreement with Christensen Associates, Inc., to provide seismic and geologic investigation services related to Little Grass Valley and Miners Ranch dams.

**RECESS** (3:23-3:28 p.m.)

**CLOSED SESSION** (convened at 3:28 p.m.)

Conference with Legal Counsel – Government Code §54956.9 (one potential case).

**OPEN SESSION** (convened at 3:44 p.m.)

#### **REIMBURSEMENT CLAIM – NORTH STATE DIVING**

M/S/C (Edwards/Moreland) authorizing the General Manager to execute and send the claim-rejection letter recommended by attorney Anthony Soares regarding North State Diving's reimbursement claim that was filed with the Agency on December 23, 2009.

#### **BOARD REORGANIZATION**

Manager Glaze reminded the Board that Water Code §21376 specifies:

*At its organization meeting the board shall elect a president from its members and appoint a secretary, who shall each hold office during the pleasure of the board.*

In addition to the two officers prescribed by the code, the Board has traditionally also elected a Vice President, although this practice is not mandated by statute or Agency policy.

M/S/C (Edwards/Moreland) electing Lou Cecchi as the Board's 2010 President, and Dee Hunter as the Board's 2010 Vice President; and, appointing the General Manager as Board Secretary and the Finance Division Manager as Treasurer, with the General Manager and Finance Division Manager to serve in these respective capacities until action is taken by the board for change.

**ADJOURNMENT**

President Cecchi adjourned the meeting at 3:46 p.m.

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Michael C. Glaze, Secretary

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Louis F. Cecchi, President