

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

**Tuesday, February 23, 2010, 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: 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/Edwards) approving the Minutes of the regular monthly meeting of January 26, 2010, and the special meeting of February 5, 2010.

APPROVAL OF WARRANTS

M/S/C (Edwards/Hunter) approving the total Water Division expenditures for the month of January 2010 in the amount of \$347,205.57 – Warrants #25010 through #25031, #25073 through #25100, and #25110 through #25153; and, the total Power Division expenditures for the month of January 2010 in the amount of \$514,330.61 – Warrants #66063 through #66065, #66094 through #66118, and #66124 through #66168.

PUBLIC PARTICIPATION – Hank Bailey's question about treatment process filter media was answered.

LEGAL COUNSEL'S REPORT

Directors reviewed documents provided by Jeff Meith's office regarding current issues: an ACWA Legislative Committee Update; and, an order from the State Water Resources Control Board (SWRCB) denying the Agency's petition for reconsideration of SWRCB's water rights fees..

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. While the February snow survey showed above-average water content for this time of year, the Department of Water Resource's Bulletin 120 indicates that runoff expectations are currently 87% of average.

Maintenance Projects

Winter Outages

The Forbestown Powerhouse outage, which lasted February 1–12, went smoothly and the unit was released back to PG&E operations a couple hours early. More sediment than usual was found when the cooling water pit was cleaned out; this was due to the movement of material from Forbestown Diversion impoundment through the tunnel after last year's dredging operation and cleaning of the intake. This was expected, and future sediment movement should be less. The runner showed some signs of minor pitting and when the powerhouse is shutdown for a longer period next year the crew will make repairs. The Sly Creek annual outage will start on March 1.

Forbestown TSV

The turbine shutoff valve (TSV) at Forbestown powerhouse developed severe leakage over time and PG&E agreed it should be replaced. The replacement project was originally planned for completion this year, but delays in engineering and production of the valve and its controller

meant that the valve would not arrive in the US until April or May, too late to install before the summer, as the powerhouse will need to be shut down for six weeks to complete the installation. Therefore, PG&E agreed with SFWPA that this work will be deferred until January/February 2011. The valve is being built in Germany, and the factory reps have supplied photos of the progress. Factory testing of the valve will be done the week of March 22, and discussions are ongoing with PG&E regarding whether someone from South Feather should go to observe the testing and learn about operation and maintenance of the valve before it is shipped and installed next year.

Sly Creek Dam Crest Modification Project

The crest modification project has generated quite a bit of interest among California construction companies and 15 firms have signed Non-disclosure Agreements in order to receive the bid package. A pre-bid meeting was held on February 12 and was very well attended, with many firms bringing two or three representatives. After meeting at the Oroville office, the group traveled to the dam to ask further questions on-site.

The bid-due date is February 26. A Special Board Meeting was called for Monday, March 8, 2010, at 2:00 p.m. for review and approval consideration of the contract.

After award of the contract, the next activity will be a Potential Failure Modes Analysis session and development of a Temporary Construction Emergency Action Plan. This will take place on March 11 and will include the Independent Consultant, Facilitator, FERC, DSOD, AECOM and a representative of the selected contractor.

Communications Projects

Brian Howerton and Art Martinez will be involved in a number of significant projects this year as several aspects of the Power Division communications and information systems will be upgraded. Two projects were kicked-off the week of February 8.

Consultant Mark Heggli met with staff February 9 to review the plans for gauging station upgrades to the GOES satellite system. The necessary equipment has been identified and will be ordered in early March, and installation will begin at the beginning of July, with a projected completion date of October 1.

PG&E's microwave project team met with staff February 11 to kick off the engineering for the replacement of the four powerhouse microwave paths. These paths are being converted from analog to digital equipment.

Art and Brian are also working on installing a phone system with recording capability and installing a data processing gateway that will allow direct communication between the powerhouse meters and the ISO. Once the other work is done, Brian will be working with PG&E consultants to switch the SCADA system to a new software platform.

Miners Ranch Canal Access Road

Cotton Shires and Associates produced a project scope proposal for the second phase of work associated with repairs to the Miners Ranch Canal Access Road and Station 6 Sand Trap. In Phase 2, they propose large diameter exploratory borings to aid in interpretation of subsurface conditions and preparation of a Geotechnical Design Parameters Report. They will then develop the civil design drawings for the proposed repairs and produce specifications suitable for bid, permitting and construction purposes. Their original cost for this Phase 2 work was \$117,500; but after further discussions, the cost was reduced to \$100,000. As previously authorized, Mr. Glaze approved this subsequent phase of work.

General Information

WECC

The Western Electricity Coordinating Council, of which the Agency is a member, held a semi-annual Compliance User Group meeting in Salt Lake City February 2-4, which Mrs. Zancanella attended. This particular compliance organization only formalized mandatory compliance standards in 2007, and many of these standards are continuing to evolve through member input and feedback from the FERC. While many of the standards discussed at the meeting applied to electric transmission and distribution operating and control entities, there are enough standards applicable to generator owners and operators that necessitate the Agency being vigilant in

keeping up with the changes. The WECC has been granted authority by FERC to conduct audits and levy fines for non-compliance with the standards.

Climate Registry

The Agency has joined The Climate Registry, meeting another condition in the new PG&E contract. This means that beginning with 2010, emissions associated with power generation must be reported. While hydropower is generally considered a non-emitting form of energy, emissions associated with the fleet and other equipment will be tracked and reported by Scott Alcantara.

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's relicensing, have submitted invoices and reports for the periods of November 22 through December 26, 2009 and December 27 through January 30, 2010 in the amounts of \$4,672 and \$8,032 respectively. The payments to HDR for their services, including these invoices, amount to \$5,060,379.

Banking Services

Up to this point, the Agency's Water Division and Power Division banking needs have been adequately served by Tri-Counties Bank and Bank of America, respectively. With the conclusion of the Agency's 50-year power-purchase agreement with PG&E coming to an end on June 30, 2010, it will no longer be necessary to maintain the separate accounts. In late December 2009, the seven banks with branches in Oroville were contacted and provided with a package setting forth the financial services currently utilized by South Feather. The banks were invited to review the material and submit a proposal for providing equivalent services to the Agency subsequent to June 30, 2010.

The banks all responded, some with detailed, competitive packages; and some, for various reasons, presented a more limited package or declined to submit at all. Following a review of the responses, it was decided that the Agency's banking services be consolidated at Tri-Counties Bank (TCB). TCB has been providing the Agency with quality service and accessibility to current technology in the governmental banking business at minimal cost. None of the other responding banks could provide the Agency with equivalent services at a lower cost.

Consolidating the bank accounts will save the Agency approximately \$2,000 - \$3,000 per year, results in potentially greater investment earnings, simplifies the deposit and payables processing, and increases cash-flow flexibility.

Disposition of Trucks

As noted last month, the Agency is looking to dispose of a number of vehicles. As a test and trial, T-75, a 2000 Ford Ranger, will be sent to an auction service based in Sacramento. This service specializes in the disposal of surplus government vehicles. Before the truck can be delivered, a smog check certification must be performed, which has been completed, and it is necessary to repair a door-locking mechanism. It is anticipated the other three surplus vehicles will be placed on Craigslist.com within the next week. 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.

Financial Planning

The General Manager is meeting with the management team reviewing revenue and expense projections and long-term financial scenarios. Directors reviewed a plan for funding "Other Post-Employment Benefits."

ACWA/JPIA Retrospective Premium Adjustment

The Agency has its property, liability and workers compensation insurance coverage through ACWA/JPIA. In (circa) 2000, the ACWA/JPIA established the Retrospective Premium Adjustment (RPA) Stabilization Fund to minimize fluctuations in member premiums. Beginning in 2008, the ACWA/JPIA began refunding monies in excess of RPA Stabilization Fund requirements and the Agency received an initial refund of just over \$15,000. The refund paid to the Agency last year

was approximately \$125,000. A refund in the amount of \$69,261 was received recently for 2010. It should be noted that each agency's balance is maintained and calculated separately each year.

2009 Annual Audit

Work in preparation for the 2009 annual audit is underway. Field work is scheduled for March 9–11, 2010. The audit is again being performed by Mann Urrutia Nelson, CPAs.

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 work on dismantling and minor additions in preparation for Filter #3 upgrade.

On February 11 the Agency received a call from Butte County Sheriff's office at approximately 2:00 pm requesting the Bangor Canal be shut off and that the water be allowed to recede in order to investigate a discovered body. Directors were provided a copy of the newspaper article about the incident.

Missing man found dead in canal

Chico Enterprise-Record

Posted: 02/12/2010 12:50:18 AM PST

OROVILLE — The body of a 21-year-old Oroville man, whose relatives previously reported as missing, was discovered Thursday in a canal south of Miners Ranch Reservoir.

A resident discovered the body in the canal off the 5500 block of Old Olive Highway and phoned the Sheriff's Office at 1:10 p.m., according to a department press release.

The body of Jesus Ventura Jr. was lying in the canal. On Tuesday, Ventura's family reported him missing to Oroville police.

Ventura's death is still under investigation. The Sheriff's Office has no additional information at this time.

People with information are asked to call sheriff's detective Patrick Martin, 538-7671.

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	= 0 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

On February 12, Ray Bruun from California Department of Public Health toured the treated water facilities. The all-day annual inspection went very well and the resulting annual report is anticipated to be favorable regarding staffing, operations, and water quality, as in previous years.

At 73% of the recent five-year average, the total January water production for MRTP was representative of wet-month levels. The table at right shows the monthly minimum and maximum flow rates.

Solar Plant Production

The monthly MRTP power consumption exceeded the solar power production by 19,500 KWH during the month of January.

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 CEQA Initial-Study/Mitigated-Negative-Declaration documents, Notice of Intent, and Notice of Completion

forms were submitted to the State Clearinghouse on February 1st, which starts the public comment period on the Agency's Water Quality Certification process at the State Water Resources Control Board. The Notice of Intent was also made available to the Butte, Yuba and Plumas County clerks.

Interestingly, even though the DWR Oroville relicensing process started two years prior to the Agency's, DWR's Water Quality Certification is moving along in parallel with the Agency's.

Appointment of Hydrographer

The in-house recruitment process, in accordance with the Water Treatment and Distribution Employees Unit MOU, resulted in Eddie Paul being chosen for the new hydrographer position. Mr. Glaze explained that Eddie came to the Agency in January 2005, and has proven himself to be a valuable asset in all assignments he's been given. He described him as very mechanically minded – somewhat of a “jack of all trades” – and is well suited to be the Agency's first hydrographer.

Although the recruitment process has resulted in Eddie's selection for the position, his appointment will not be effective until July 12, 2010. In the meantime, however, in addition to his regular duties, he will begin receiving training and become involved with the team responsible for designing and installing the new gauging equipment.

Appointment of Information Services Specialist

At its December meeting, the Board approved a revision to an existing classification specification (position description) within the Clerical and Support Employees Unit (CSEU) to better fit present Agency needs regarding operation and maintenance of the geographical information system (GIS) database, and to provide Art Martinez assistance in the area of technical support and systems analysis.

The previously-named Information Systems Specialist (ISS) position was created in 2002 to provide IT assistance to Art, as well as to backfill the customer billing and accounting job duties that had been performed by retiring Ethel Scholey. The ISS position has remained vacant since 2006 and its billing/accounting responsibilities were spread amongst remaining clerical staff.

The Agency's GIS database and mapping functions have historically been the responsibility of the Assistant Engineer position, also in the CSEU, previously occupied by Christine Lewis, and then by Alex Brown after Mrs. Lewis moved out of the area. The Assistant Engineer position has been vacant since Mr. Brown was promoted to Regulatory Compliance Manager in August last year.

The staffing changes over the past three years have left two areas of responsibility unattended: GIS/mapping and IT assistance. Both of these areas are computer oriented and could be handled by one person with the appropriate training and experience. Modification of the ISS position description was done to facilitate recruitment of someone who could provide these needed services.

Christine Lewis, who previously worked for SFWPA as an Assistant Engineer, is now the lead trainer for a new Geospatial Workforce Training Program through the CSU, Chico Geographic Information Center (GIC). The Program is presently being offered at the Cleantech Innovation Center (old Spectra Physics Building near Oroville Airport). In conversations with Chris, she identified two “star” students that she thought would be suitable for our new ISS position. Both of them have IT backgrounds and are “very personable, smart, educated, employable ... well-rounded and can take on responsibility and grow a program.”

Art Martinez, Matt Colwell and I interviewed both of Chris' students. Both were well suited for the job, but the decision was made to offer the position to Leroy Christophersen. Following is a summary of Mr. Christophersen's work experience extracted from his resume.

Computers For Classrooms – August 2009 to October 2009 - Volunteer
Chico Unified School District – June 2004 to June 2009 – Safety and Loss Control Coordinator
Bolin Construction Companies – April 2000 to June 2004 – Safety and Human Resource Manager
California State Automobile Association (CSAA) - 1988 to April 2000 – Computer Support, Learning Coordinator, Human Resource, Insurance Underwriting, Customer Service, Touring, Cashiering

He will begin work on Monday, March 1.

DIRECTORS' REPORTS – None.

BOARD COMMITTEE APPOINTMENTS

Directors reviewed a memo from President Cecchi wherein he explained that Board policy (#240) specifies that the Board's President will publicly announce standing committee assignments at the regular January board meeting (the annual Board reorganization occurred this year in January, delaying committee appointment by one month). The policy-prescribed standing committees are Budget and Finance, Community Relations, Personnel, Claims, Hydro, and Policy.

The Deferred Compensation (employee retirement program) Finance Committee is not prescribed in policy as a standing committee but continues on an as-needed basis year after year. The Agency's deferred comp agreements specify the makeup of that committee as including employee and management representatives, together with one director. The purpose of the committee is to evaluate requests from employees for early disbursements of proceeds from their respective accounts, and meets very infrequently if not at all during the course of a given year (e.g., it was convened once in 2009).

In May 2005 the Board approved the agreement with Yuba County Water District (now North Yuba Water District) that contains provisions significantly altering the way the Forbestown Ditch will be operated, and the value of the water diverted to it, after this year. At its June 2005 meeting, the Board took action to postpone action on all requests for annexation involving Forbestown Ditch service "until the Board has established a strategic plan for implementing the provisions of the '05 Agreement with Yuba County Water District." Subsequently in that meeting, then-President Dee Hunter appointed Jim Edwards and Lou Cecchi to an ad hoc committee with staff to develop a Forbestown Ditch strategic plan for Board consideration. To date this committee has not met, primarily because it is waiting to develop a better understanding of the power-generating value that would be diverted to the Forbestown Ditch. Now that a valuation from consultants McDonald Partners is available, and an agreement for a future power-purchase agreement with PG&E has been approved, a meeting of this committee should be convened in the coming year to begin the planning process directed by the Board. Therefore, President Cecchi is continuing the formation of the Forbestown Ditch Strategic Planning Committee.

Directors reviewed the committee appointments President Cecchi made for 2010, as follows:

Budget and Finance Committee:	Director Jim Edwards, Chair President Lou Cecchi
Community Relations Committee:	Director Dennis Moreland, Chair Vice President Dee Hunter
Personnel Committee:	Vice President Dee Hunter, Chair Director Lou Lodigiani
Claims Committee:	Director Dennis Moreland, Chair Director Lou Lodigiani
Hydro Committee:	Director Jim Edwards, Chair President Lou Cecchi
Policy Committee:	Director Jim Edwards, Chair Vice President Dee Hunter
Deferred Compensation Finance Committee:	President Lou Cecchi Chair Steve Wong, Treasurer, Vice Chair Michael Glaze, General Manager Kathy Petersen, Power Division Manager Henry Reeson, Elect. Mach., Power Division Rick McCullough, Foreman, Water Division

AMENDMENT OF CONFLICT OF INTEREST POLICY (#120)

Chapter 7 of the Political Reform Act (Government Code §87000, *et seq*) deals with conflicts of interest and requires certain state and local officials and employees to fully disclose for public review their personal assets and income. Form 700, Statement of Economic Interests, is the prescribed format for said disclosures. Chapter 7 also requires every state and local government agency to adopt a unique conflict-of-interest code listing each position within the agency occupied by individuals who make or participate in making governmental decisions that could affect their personal economic interests.

South Feather Water and Power Agency adopted such a policy (General Policy #120) in 1991, and made necessary amendments thereto in 1995 and 1996.

Subsequent to the last amendment of Policy #120, two of the listed positions were eliminated, and several new positions were created that have responsibilities requiring decisions on behalf of the Agency that could potentially affect their personal economic interests.

Mr. Glaze recommended that the Board amend Policy #120, "Conflict of Interest," to reflect the elimination of the Business Manager and the Water Transmission and Distribution Superintendent positions, and to add the new positions whose responsibilities subject them to the requirements of the conflict-of-interest provisions of the Political Reform Act (Finance Division Manager, Manager of Information Systems, and Regulatory and Compliance Manager).

Directors reviewed his proposed amendments to Policy #120.

M/S/C (Edwards/Hunter) approving the amendments to Policy #120 as proposed by the General Manager.

COST-SHARING AGREEMENTS – PG&E

In 2004, in response to changes to the basic hydrologic criteria used in assessing Agency dams for compliance with Federal and State safety rules, the AECOM/DMJM Harris consulting team was retained by SFWPA to provide engineering investigation, analysis and design modifications to Sly Creek and Lost Creek dams. These are considered "high hazard" facilities under the governing criteria of both the California Division of Safety of Dams and FERC, requiring that they be evaluated for compliance with the guidelines when subjected to the probable maximum flood (PMF). The result of the initial assessment was the determination that both dams will require modifications in order to safely pass the anticipated PMF inflows.

In 2007, the consultants estimated the cost for the Lost Creek Dam crest modifications to be between \$12.5 and \$13.5 million. This project is scheduled for construction after 2010. However, the Sly Creek Dam crest modifications are scheduled for construction this year and the 2010 Power Division budget includes \$7,725,000 for this project.

Under the present contract with PG&E that expires on June 30, 2010, capital improvement projects such as these are 100% funded by PG&E. However, because construction of the first of the two will not be completed until after the present contract expires, and because the life expectancy of the completed projects is 70+ years beyond the end of the present contract, demanding that PG&E pay 100% of the cost would most likely be a futile exercise. Nevertheless, the Sly Creek project comes at a difficult time for SFWPA, just as it is beginning the new power-purchase contract with PG&E and before enough net revenue can be generated from the sale of power to cover project expenses.

Discussions have been ongoing with PG&E for about two years regarding this issue, and a tentative agreement has now been reached for funding both the Sly Creek Dam Crest Modification Project and the Lost Creek Dam Crest Modification Project. Directors reviewed the two agreements, which include the provision that PG&E will provide up-front funding for all of the project's costs, with SFWPA paying back its 60% share, plus interest, by July 31, 2015.

M/S/C (Hunter/Lodigiani) approving and authorizing the General Manager to execute the cost-sharing agreements with PG&E for the Sly Creek and the Lost Creek dam-crest modification projects.

ADJOURNMENT

President Cecchi adjourned the meeting at 2:59 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President