

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

Tuesday, June 22, 2010, 2:00 P.M.,
Agency Board Room, 2310 Oro-Quincy Hwy. Oroville, California

DIRECTORS PRESENT: James Edwards, Dee Hunter, and Dennis Moreland.

DIRECTORS ABSENT: Lou Cecchi.

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

OTHERS PRESENT: Jean Brown; Dan Hunter.

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 May 25, 2010.

APPROVAL OF WARRANTS

M/S/C (Edwards/Lodigiani) approving the total Water Division expenditures for the month of May 2010 in the amount of \$1,145,840.19 – Warrants #25417 through #25440, #25486 through #25534, and #25555 through #25597; and, the total Power Division expenditures for the month of May 2010 in the amount of \$1,903,026.26 – Warrants #66360 through #66377, #66432 through #66453, and #66479 through #66525.

PUBLIC PARTICIPATION.

Jean Brown, former SFWPA director, expressed the opinion that North Yuba Water District's proposed Forbestown Ditch Replacement Project was a waste of money.

REGULATORY COMPLIANCE MANAGER'S REPORT

The Board reviewed a written report from Alex Brown, Regulatory Compliance Manager.

Recreation

Strawberry Campground Opens

Pre-operational inspections of infrastructure needs, camp cleanliness, and health and safety were conducted during the months of April and May. Inspections were performed by Alex Brown, John Davis and Scott Alcantara, with only minor issues, such as removal of a few downed tree limbs being found.

After inspections, operational needs were met, such as flushing and testing the water system. Denny Lewis opened and flushed both wells and pumps. Water quality samples were collected for testing by treatment plant operators Jim Coffelt and John Shipman. Both wells passed inspection.

Car Top Boat Lunch ready for use

Sly Creek reservoir is now touching the bottom of the car top boat launch, adjacent to Strawberry Campground, making it ready for use. At this reservoir level recreationist can use the site to launch canoes and other small watercraft. This scenic area provides opportunities for fishing, site seeing, etc.

Campground Upgrades

A slight modification to the existing vault toilet was made to improve the living condition of the campground host. On approval from Butte County Environmental Health, with technical input from John Franklin, the new vault lid was designed and fabricated by Charley McCauley. This slight upgrade allows the host to empty the contents of his RV wastewater tank without leaving the site.

Memorial Day Success

Strawberry campground was open the week prior to Memorial Day to allow the campground host a week to acclimate and become accustomed to his duties. The facility began to fill on Thursday at the beginning of Memorial Day weekend, and remained near capacity throughout the weekend. Campground occupancy has stayed at a steady 50% to 70% ever since.

Dam Safety and Security

Vulnerability Analysis

The security and vulnerability inspection of SFWPA critical infrastructure will be performed by the PG&E security team from June 23rd through June 25th.

Time Sensitivity Analysis

The Time Sensitivity Analysis for Little Grass Valley, Sly Creek, Lost Creek, and Miners Ranch Dam is nearing completion.

Slate Creek Stability Analysis

The Slate Creek Stability Analysis began this month with a meeting between project leader Nathan Rockwood of Mead and Hunt, and Agency representatives, Alex Brown and John Davis.

Dam Safety and Security Inspection

Dam Safety and security inspections are planned for the last week of May and through the third week of June. Inspections include the entire inventory of SFWPA's dams and appurtenant structures. Dams are inspected on the upstream and downstream faces to shoreline, the crests, groins and spillways. Inspections typically occur twice a year and as part of the FERC operations inspections which will take place this year on July 13-15.

POWER DIVISION MANAGER'S REPORT

The Board reviewed a written report from Kathy Zancanella, Power Division Manager, including water management and powerhouse operations through May, 2010, in a new format that provides a more comprehensive presentation from the previous. This new Power Division Summary Report, previously known as the Storage and Generation Report, has not been through a format or content change since 1981. The new report provides elevation information for Little Grass Valley and Sky Creek reservoirs, streamflow release information and powerhouse-generation data in a year-to-date format to enable visualization of how things change from month to month. The streamflow releases are currently only changed twice a year, but under the new license they will change much more frequently. The generation output also varies month to month with the availability of water in storage and demands on the electric system.

Directors also reviewed a July 2009-June 2010 precipitation chart provided by Mrs. Zancanella. The rainfall totals at the Forbestown office came close to the 85-year average. Releases from Little Grass Valley were increased to 440 cfs by June 8 in order to keep up with inflows, but once the heaviest runoff passed, the releases were reduced to 200 cfs. The Slate Creek tunnel gates have been closed and opened twice in the past month to regulate the Sly Creek reservoir levels to prevent the need to open the spill gates. The flashboards were installed at Lost Creek Dam on June 8.

Operations

Preparation for New PG&E Contract

Steve Wong provided PG&E with the necessary banking information so that when they begin to send payments under the new contract, the money will get to the right place.

Maintenance Projects

Sly Creek Dam Crest Modification Project

Permission to start work was finally obtained from FERC during the week of May 24. The Forest Service followed with its permits a week later, and on June 7, Teichert began to mobilize to begin construction.

Mrs. Zancanella provided a "slide show" to document the progress to date of the project.

Lake Haven Way Road Maintenance

Lake Haven Way (once known as Ponderosa Way) provides access to the section of Miners Ranch Canal between the two siphons that cross under Lake Oroville. In the past Power Division personnel have maintained this road by grading and brushing the native and gravel surfaced road. This road was due for grading again this year, and issues with a private property owner led to development of a road maintenance agreement that was approved by several of the property owners along the road (although not by the property owner who insisted on the agreement in the first place). Maintenance was originally planned to start May 25, but the late season rains delayed the start of work until the week of June 14.

General Information

PG&E Transmission Line Licenses

The two sections of transmission line that serve the upper three powerhouses, the Sly Creek 115 kV transmission line and the Woodleaf-Kanaka Junction 115 kV transmission line, went through relicensing at the same time as the South Feather Power Project (SFPP). Because there were no water-related issues with the transmission lines, the process was somewhat more streamlined than the process the SFPP is going through. On June 10, FERC issued the new licenses for the transmission lines to PG&E. The licenses specify a 30-year term subject to amendment once the term of the SFPP license is determined, so that in the future the transmission line and hydroelectric project licenses will again expire at the same time.

The FERC discussion of the license conditions is informative in how it deals with Forest Service's mandatory conditions that FERC staff disagreed with. FERC staff disagreed with three of the Forest Service mandatory conditions, but in each case, the discussion concluded with: "However, I [FERC Director of Energy Projects] have included this measure as part of the license because it is a mandatory section 4(e) condition."

Western Electricity Coordinating Council

Mrs. Zancanella attended the second WECC meeting of the year, June 1-3, in Seattle, and came away with a new to-do list of compliance activities. One of those is documentation of the "culture of compliance" within the Agency. Although the Agency strives for complete compliance with all laws, regulations, permit requirements, directives, etc., WECC looks for specific language in a policy document that states this when it conducts its audits. The Agency management team is preparing such a policy document for Board approval in the near future.

A self-certification of compliance with NERC and WECC standards applicable to generator owner/operators will be filed by Mrs. Zancanella during the first week of July.

MANAGER OF INFORMATION SYSTEM'S REPORT

Telephone Systems

Subject to Board approval of the supplemental budget appropriation item on this agenda, installation of the physical phone system will begin as soon after the approval as possible. The estimated setup timeline for the hardware is approximately one week. AT&T's current estimate puts completion of installation of the new phone lines at July 7, 2010. Arrangements have been made to accommodate the phone recording needs (the agreement with PG&E requires this capability as of July 1, 2010) until the new phone lines are installed.

Butte County Tax Rolls – Delinquency Abatement

The IT Department has begun identifying the delinquent accounts that will be sent to the Butte County Tax Rolls. As of June 16, letters have been sent to all parties involved with the identified properties. The list includes accounts with balances that are over 90 days past due. The process identified 39 properties that meet these criteria which totals \$7,643.49 in delinquent payments.

The letters specify a July 15 deadline for payment of the delinquent balance or the balances will be submitted to the Butte County Tax Roll. The Board will be presented with the final list at its July 27 meeting and asked to approve by resolution the assignment of the delinquencies to the tax roll.

2010 Facilities Tour

All departments are preparing for this year's tour. Approximately 40 guests are expected to attend. Because of the construction at Sly Creek Reservoir, the luncheon will not be able to be held at the Sly Creek Campground as has been done in the past. Fortunately, Director Cecchi has graciously offered the reception area at his winery for the lunch event.

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 March 28 through April 24, 2010 in the amount of \$3,705.98. The payments to HDR for their services, including this invoice, amount to \$5,077,004.

ACWA Health Benefits

The Agency uses the ACWA Health Benefits Authority for its dental and vision insurance coverage for employees. Because of actions that occurred almost ten years ago and the subsequent dissolution, consolidation and transfer of assets between different plans and trust funds, the Authority now has money available to disburse to its participants. The distribution of approximately \$5,800 to SFWPA will be received through premium holiday credits this year (one-time reduction in annual premium).

MRTP Electrical Costs

Each Spring PG&E formally performs an analysis of power used by MRTP compared with power generated by the solar plant. The analysis is then used to bill the Agency for the net cost for the power used by MRTP less the solar power generated at the plant. For the past two years the net charge to the Agency has been in the amount of approximately \$35,000 each year. For 2010, the cost is approximately \$16,500.

WATER DIVISION MANAGER'S REPORT

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

Water Distribution Operations

Water Division staff have been accomplishing normal water system operation and maintenance tasks. Ongoing projects include irrigation and domestic distribution system betterments, new service installations, and leak repairs.

Distribution crews under the supervision of Foreman John Franklin will complete the capital improvement project extending the distribution system along Highlands Boulevard and interconnecting Rockridge Drive. Approximately 500' of eight and six-inch C-900 mainline was installed to improve the distribution system and eliminate old galvanized service laterals. The project will improve water distribution in the area, allow for residential growth, eliminate potential costly service line failures, relocate an existing fire hydrant out of a residential driveway, and improve water service to five existing services.

Progress on the Agency's new hydrography program continues in its development. Electronic hardware, including the satellite receiving dish and computer, were recently installed. Tom Veurink did a professional job with manufacturing and mounting the dish.

The Agency irrigation system current releases are:

Forbestown Ditch	SF 14	=	14 cfs
	SFWPA	=	10 cfs
	NYWD	=	2 cfs
Bangor Canal	SF 25	=	8 cfs
Palermo Canal		=	12 cfs

Water Treatment Operations

A pilot filtration plant that is on loan from CDM has been installed as part of the MRTP expansion project. Multiple sensors and recording instruments are installed to evaluate pilot filter performance and designed to provide data from multiple parameters that will allow the Agency and CDM to optimize filter media configuration and chemical treatment.

The Miners Ranch water treatment plant volumes for 2010 continue to run well below average as a result of, among other factors, wetter-than-normal spring precipitation. The May monthly volume is at 62% of the recent five-year average, and the cumulative January-through-May volume is at 74% of the recent five-year average and continues to be the lowest of record (since 1981).

Solar Plant Production

The monthly MRTP power consumption was less than the solar power production by 15,600 KWH during the month of May. The 2009 PG&E "True-Up" billing (June '09 through May '10) was at \$16,500 – less than half of the prior-year costs of \$34,750.

GENERAL MANAGER'S REPORT

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

Amendment of 2005 Agreement With NYWD

At the Board's meeting this past April it approved an amendment to the 2005 Agreement with North Yuba Water District. The amendment was needed to accommodate continuation of the long-term water sale by NYWD to Yuba City, and to relieve SFWPA of its Agreement-specified responsibility to rebuild a portion of the Hell-for-Stout Flume on the Upper Forbestown Ditch.

Subsequently, at its meeting on May 20, the NYWD board of directors also approved the amendment, and a fully executed copy thereof is now on file in the Agency's office.

"Forbestown Ditch Replacement and Hydropower Project"

Mr. Glaze and Mrs. Zancanella will be attending an "Agency CEQA Scoping Meeting" for the "Forbestown Ditch Replacement and Hydropower Project" June 22, 2010. Directors were provided a copy of the published notice for the meeting explaining some of the assumptions being made about the project, together with a proposed-pipe-alignment map.

Commencement of New Power-Purchase Contract

Three agreements involving PG&E and the ISO are still not signed. Mr. Glaze complimented Kathy Zancanella for doing a good job prodding the responsible individuals at PG&E. He expressed confidence that these remaining documents will be fully executed prior to July 1, the commencement date of the new power-purchase agreement with PG&E. All other issues are well in hand and the transition from the present to the new agreement should be made relatively seamlessly, he opined.

DIRECTORS' REPORTS.

Director Edwards expressed his confidence in staff regarding management of the power project under the new agreement with PG&E.

SUPPLEMENTAL APPROPRIATION/BUDGET MODIFICATION – PHONE SYSTEM

Finance Division Manager Steve Wong reported that the 2009 Power Purchase Agreement with PG&E requires all telephone communications with PG&E to be recorded (PG&E's request), regardless of the reason or who places the call. The Agency's current phone system is over ten years old and does not have recording capabilities. Staff is proposing to replace the Agency's entire phone system by installing a new system utilizing current technology so that each end user would have a direct line, be able to initiate a call recording, plus other enhancements.

The approved 2010 budget included \$35,000 for this purpose (Project Management Account 2010-823): \$17,500 from Fund 6 (PG&E Power Division money approved for expenditure in the first half of 2010) and \$17,500 from Fund 7 (Joint Facilities Fund). An additional \$45,000 will be needed to fund the system needed to accomplish the required upgrade. The request is that the Board approve a budget amendment that would appropriate the necessary additional funds from Fund 7. Adequate funds will be available for this purpose, but approval of the supplemental

appropriation will defer meeting the reserve requirements for the fund, as specified in the 2005 Agreement with North Yuba Water District.

M/S/C (Lodigiani/Moreland) approving amendment of the 2010 budget by appropriating an additional \$45,000 from the Joint Facilities Fund for expenditure in the 7/1/10-12/31/10 period for the purchase of a new phone system (Project Management Account 2010-823) to comply with the terms of the 2009 Power Purchase Agreement with PG&E.

CLOSED SESSION (convened at 3:01 p.m.)

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

OPEN SESSION (convened at 3:53 p.m.)

Vice President Hunter announced that no action was taken by the board during the closed session.

ADJOURNMENT

President Cecchi adjourned the meeting at 3:53 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President