

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

Tuesday, December 22, 2009, 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.

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 (Lodigiani/Moreland) approving the Minutes of the regular monthly meeting of November 24, 2009.

APPROVAL OF WARRANTS

M/S/C (Moreland/Edwards) approving the total Water Division expenditures for the month of November 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 November 2009 in the amount of \$479,360.12 – Warrants #65878 through #65897, #65937 through #65958, and #65977 through #66022.

PUBLIC PARTICIPATION – Hank Bailey made general comments about the State's water crisis.

WATER DIVISION MANAGER'S REPORT

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

Water Distribution Operations

Distribution crews have been concentrating on isolation and pressure-reducing valve (PRV) maintenance activities. The Kelly Ridge distribution system has historically been problematic and recent efforts have identified undocumented and inadvertently closed valves. The Agency operates and maintains 18 pressure-reducing stations and maintenance activities include upgrading the control-valve plumbing and rebuilding the valve body diaphragm assemblies.

The Irrigation system current releases are:	Forbestown Ditch	SF 14 = 8 cfs
		SFWPA = 0 cfs
		NYWD = 8 cfs
	Bangor Canal	SF 25 = 8 cfs
	Palermo Canal	= 2 cfs

NYWD is experiencing an unseasonably high demand as a result of purported leaks caused by recent freezing temperatures.

Water Treatment Operations

The 2009 cumulative MRTP water production through November is approximately 96% of the recent five-year average. The total monthly water production for November was slightly above average.

POWER DIVISION MANAGER'S REPORT

The Board reviewed a written report from Kathy Zancanella, Power Division Manager, including storage, generation and precipitation statistics through November.

Operations

The storage in Little Grass Valley and Sly Creek reservoirs reached a combined total of 50,000 acre-feet and at least 10,000 acre-feet in excess of normal was spilled at Ponderosa Dam to Lake Oroville as of December 11. This completed repaying the refill impact account to DWR for the 2008 water transfer. The release at Little Grass Valley was reduced to minimum on December 8.

The cold spell that began December 6 brought snow and ice to the hydroelectric project, but caused no serious problems. The Quincy-La Porte Road gate has been closed by Plumas County and access to Little Grass Valley is now by tracked snow vehicle only.

Maintenance Projects

Switchyard Cranks

The disconnect switches that are used to isolate equipment in the powerhouse switchyards are operated using hand cranks at the base of the metal bus work. Over time the bearings and worm gears in the crank mechanisms have become worn, so electrical machinists Jerry Littleton and Bob Cherry are in the process of rebuilding each of the mechanisms.

Ponderosa Dam Spill Gates

The crew replaced the old wire cables that operate the spill gates with new cables during early December, in response to a recommendation by the DSOD and FERC inspectors. The cables at Little Grass Valley were similarly replaced last year. Because the Sly Creek Dam spill gate will be replaced with a new type of gate in 2010, the old cables are adequate for another year.

Sly Creek Dam – Relocation of Reservoir Telemetry

In preparation for the dam-crest modification project, the crew is installing a new orifice line along the left upstream side of the dam. The reservoir telemetry equipment will be located in the same building as the controls for the new spill gate, and now that the reservoir is at its lowest point for the year, it is a good opportunity to install the line into the deepest part of the impoundment.

General Information

Request for Proposals – Seismic and Geologic Investigations

The Request for Proposals for seismic and geologic investigations at Little Grass Valley and Miners Ranch dams has generated a fair amount of interest, based on the number of phone calls received, and at least three firms have scheduled site visits. Responses are due January 7, 2010 and a recommendation for award of the consulting services contract should be presented for Board consideration at the January meeting.

Sly Creek Dam Crest Modification Project

Copies of the project plans, prepared by AECOM, were made available for review by directors.

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 September 27 through October 24, 2009 in the amount of \$12,575. The payments to HDR for their services on this project to-date amount to \$5,041,291.

PERS

The Agency's current CalPERS contribution rate is 11.420% of payroll. Notification has been received that the rate will increase to 12.052% on July 1, 2010. The financial impact that will be caused by the increase is approximately \$28,650 annually for all employees. The rate effective on July 1, 2011 is projected to be 13.4% resulting in annual costs increasing by approximately \$90,000. At this time the July 1, 2011 rate is only an estimate and will be finalized and published next year at this time.

Annual Audit

The independent auditors from Mann, Urrutia, Nelson CPAs conducted interim field work for the 2009 annual audit on December 8 and 9, 2009. The verbal report at the conclusion of the interim field work disclosed no major findings or matters requiring further discussion at that time. Mr. Wong complimented Pat Sands and Debby Cunningham for their efforts in accumulating the records to document the tested transactions.

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.

LEGAL COUNSEL'S REPORT

Jeff Meith discussed newly adopted statutes establishing water conservation rules. He also discussed upcoming hearings by the Water Resources Control Board to comply with the requirements of Senate Bill No. 1 "to develop flow criteria for the Delta ecosystem necessary to protect public trust resources." He noted the importance of the hearings and the fact that they will play a role in subsequent proceedings to discuss sources of water, but he also provided a number of reasons why he is recommending that the Agency not file a Notice of Intent to Appear and not submit evidence at this hearings.

GENERAL MANAGER'S REPORT

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

Relicensing

Mr. Glaze reported that he and Kathy Zancanella reviewed and commented on the draft CEQA Initial Study prepared by SFWPA's consulting team. The State Water Resources Control Board will use this document as a basis to issue its 401 Water Quality Certificate for the new license. After a preliminary review by Jeff Parks of the SWRCB, it will soon be ready for public review and comment.

ACWA/JPIA Award

Once again SFWPA has been honored by the ACWA Joint Power Insurance Authority "for achieving a low ratio of 'Paid Claims and Case Reserves' to 'Deposit Premiums' for both workers compensation and property insurance programs. Copies of the recently-received award certificates were reviewed by directors.

Cost-Sharing Agreement – 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 next 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 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). The Agency has submitted its final "word-smithing" revisions for PG&E's consideration, and the agreement is close to being ready for Board consideration. 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.

Annual Safety Dinner

Approximately 20 years ago, OWID began to realize it needed to make employee safety a higher priority. This probably came as a result of new laws and OSHA regulations promulgated at that time. Several programs were initiated to focus the attention of employees on the importance of working safely, including a "safety buck" each month for employees who did not have a lost-time injury, and a dinner at the end of the year at which the safety records of the Water Division and Power Division resulted in one of the divisions "winning" that year's safety award. Some employees recall that the first dinner was initiated after the District received a reimbursement from its workers compensation insurance carrier as a result of a low "mod" rate for the year, and put the dinner on to express appreciation to employees for their efforts regarding safety.

Safety bucks and dinners have long since been replaced as the Agency's method of increasing employee safety awareness by a more comprehensive program of safety training, providing appropriate safety equipment, and regulatory compliance coordinated and managed by a full-time Environmental and Safety Manager. Nevertheless, the safety buck and annual dinner have become part of the Agency's culture and are even codified in two of the MOUs with bargaining units.

Through the years the annual dinner has experienced numerous makeovers in an effort to encourage attendance and make it relevant and enjoyable. While it always involves a social hour and subsequent dinner, it has been remodeled from year to year by the addition of motivational speakers, comedians, DJs, and/or prizes. In recent years, a committee of employees took on the job of organizing and putting on the event, and management employees were relegated to a less involved role.

After the most recent dinner, a meeting was held to discuss the pros and cons of the event, and what its future should be. In attendance were those who had been on the dinner's organizational committee this past year, shop stewards, and members of the management team. At the end of the hour-long discussion, Mr. Glaze proposed, and there was general agreement, that the future scope, format and purpose of the event should change along the following lines.

The 2010 event will be an Employee Appreciation Dinner, rather than a Safety Dinner. The inter-divisional competition about safety has actually resulted in some divisiveness between Power and Water division employees, and may have even caused some accidents or potential accidents to go unreported to improve a particular division's chances of winning that year's recognition. Naming the dinner "Safety" does nothing to enhance safe working conditions in comparison to the full-time efforts of the Agency through the year to ensure a safe working environment for employees. The benefit for the Agency in providing the dinner is actually the opportunity to recognize employees for their hard work, efficiency and customer service during the previous year. This is the focus the event will have in the future, and safety will be attended to in other, more appropriate ways during, rather than at the end of the year.

While there will continue to be a committee of representative employees who will assist in planning the event's social aspects, the management team will reassume responsibility for its implementation, with the General Manager being the event leader and master of ceremonies. The 2010 Employee Appreciation Dinner will be held at the Gold Country Casino on Friday, December 10.

There were no objections by directors to the proposed changes.

DIRECTORS' REPORTS – None.

DESIGN AGREEMENT – MRTP FILTER NO.3 UNDERDRAIN SYSTEM REHABILITATION

The final Preliminary Feasibility and Engineering Report for expanding Miners Ranch Treatment Plant (MRTP), prepared by CDM, was reviewed and accepted as complete by the Board at its meeting in September. The report summarized CDM's findings and recommendations for future water treatment improvements and expansion at MRTP, including the need to immediately rehabilitate the underdrain system of Filter No. 3, in advance of the proposed expansion project. Performance of the filter in terms of water quality and production capacity is being hindered by the loss of media through the existing PVC underdrain system. This rehabilitation work needs to be completed before May 2010 to ensure the viability of the treatment plant to meet the higher seasonal demands that will commence at that time.

In November, Mr. Glaze directed CDM to prepare a proposal for designing the Filter No. 3 underdrain repairs and providing on-site consulting during the rehabilitation work that would be done by SFWPA personnel. In response thereto, CDM prepared a Scope of Services and project budget, which were presented to and reviewed by directors.

M/S/C (Edwards/Hunter) approving, and authorizing the General Manager to execute, the consulting services agreement with CDM, Inc., for the design of the MRTP Filter No. 3 underdrain system emergency rehabilitation project.

INFORMATION SERVICES SPECIALIST – DESCRIPTION AMENDMENT

Mr. Glaze explained that the purpose of this item is to revise 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 providing the Manager of Information Systems (Art Martinez) assistance in the area of technical support and systems analysis.

The Information Systems Specialist (ISS) position was created in 2002 to provide IT assistance to the Manager of Information Systems, as well as to backfill the customer billing and accounting job duties that had been performed by then-retiring computer operator Ethel Scholey. The ISS position was staffed through October 2006, at which time the incumbent was terminated. Since then the ISS position has remained vacant and its billing/accounting responsibilities were spread amongst remaining clerical staff, with a new Clerk/Receptionist hired several months thereafter to pick up the excess work load.

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 is now vacant as a result of Mr. Brown's recent promotion to Regulatory Compliance Manager.

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. Mr. Glaze stated that he did not have anyone in mind for the job, but that he would like to modify the ISS position description now to facilitate recruitment of someone shortly after the first of the year who could provide these needed services.

Directors reviewed a proposed amended ISS classification specification, with the name changed to "Information Systems Specialist", the original billing and accounting responsibilities removed, and with the GIS and mapping responsibilities from the Assistant Engineer position added. It also includes a reduced compensation range. Given the more focused and technical responsibilities now proposed for the ISS position, and in comparison with the knowledge, skills and abilities required for the Computer Operator II position (2010 compensation range = \$22.42 - \$33.19), the recommendation was that the 2010 ISS compensation range be adjusted down to midway between Computer Operator I (\$18.68 - \$27.66) and the present ISS range (\$24.59 - \$37.05), resulting in a range of \$21.63 – \$32.36.

The 2010 budget includes funding for an Assistant Engineer position (approximately \$98,800). If the amended ISS position can be filled at the beginning rate of the proposed range (\$21.63), the budget impact would only be \$67,500 if the new ISS started on January 2. In all likelihood, however, the new ISS will probably not begin working until February or in March, reducing even further the budget impact for 2010.

There are some recruitment opportunities that Mr. Glaze is presently reviewing. Christine Lewis, who previously worked for SFWPA as an Assistant Engineer, is presently the lead trainer for a new Geospatial Workforce Training Program through CSU Chico's Geographic Information Center (GIC). The Program is presently being offered at the Cleantech Innovation Center (old Spectra Physics Building near Oroville Airport). It is funded through the Private Industry Council and is free to selected candidates who are unemployed, or who have had a significant reduction of hours due to the economic downturn. Classes run four days per week for four months and include 120 hours of paid internship beginning halfway through the program. The GIC has selected candidates who also have three or more years of industry experience and would benefit from the addition of GIS skills.

The possibility exists that one of Christine Lewis' "star" students might be suitable for the new ISS position. She advises that she has a couple of students that have IT backgrounds and are "very personable, smart, educated, employable ... well-rounded and can take on responsibility and grow a program." Also being explored is an 18-month-long program where one of her students is hired and half the salary is paid by the Department of Labor.

M/S/C (Hunter/Moreland) approving the General Manager's proposed amendments to the classification specification for the Information Services Specialist position, including changing the position name to Information Systems Specialist.

SLY CREEK DAM CREST MODIFICATION – SOPER COMPANY AGREEMENT

As was discussed at last month's board meeting, Power Division Manager Kathy Zancanella has been negotiating an agreement with Soper Company for material for the Sly Creek Dam Crest Modification project. The tentative agreement that has now been reached will provide 20,000 cubic yards of material from the borrow site at a price of \$10 per cubic yard. The agreement also specifies reshaping the site and installing infrastructure to minimize future erosion from runoff. Additionally, five years of post-project site monitoring will ensure that the installed measures work.

The draft agreement proposed by Soper Company was reviewed by directors and legal counsel.

M/S/C (Edwards/Hunter) approving, and authorizing the General Manager to execute, the 'Agreement to Supply Fill Material in Place' with Soper Company for material for the Sly Creek Dam crest modification project.

P.G. & E. NON-DISCLOSURE AGREEMENT

In the past, the Agency has received operating information from PG&E, including electric system diagrams, written standards covering maintenance and operating procedures, and proprietary water management forecasts. PG&E now requests that this type of information sharing be kept confidential and has provided the attached Non-Disclosure Agreement for the Agency's approval. Jeff Meith has reviewed and provided his comments on the agreement, which have been accepted by PG&E's legal staff.

M/S/C (Edwards/Hunter) approving, and authorizing the General Manager to execute, the Non-Disclosure Agreement with Pacific Gas and Electric Company.

NORTH YUBA WATER DISTRICT – AMENDMENT OF 2005 AGREEMENT

Directors reviewed a proposed amendment to the 2005 Agreement between SFWPA and North Yuba Water District (NYWD, previously Yuba County Water District). It is needed to accommodate continuation of the long-term water sales by NYWD to Yuba City, and to relieve SFWPA of its responsibility (specified in the 2005 Agreement) to rebuild a portion of the Hell-for-Stout Flume on the Upper Forbestown Ditch.

NYWD has been selling 4,500 acre-feet of water to Yuba City for many years. This 4,500 acre-feet of water was allocated to NYWD in the original 1959 three-party agreement between OWID,

PG&E and Yuba County Water District (YCWD) for delivery out of Miners Ranch Reservoir, down the Bangor Canal to storage or irrigation facilities that YCWD was supposed to construct but, ultimately, never did. Although contested by OWID for many years, YCWD ultimately prevailed before the State Water Resources Control Board (with OWID's support, eventually) in getting a permit for the transfer of this block of water to Yuba City. The water-sale agreement between YCWD (now NYWD) and Yuba City is about to expire and they are negotiating to extend it for an additional 30-year term.

The 2005 SFWPA/NYWD Agreement specifies that, after June 30, 2010, all proceeds from the transfer of water out of the South Feather Power Project will be considered Project revenue, just like revenue from the sale of electricity. Because the future sale of water to Yuba City will benefit NYWD and SFWPA equally as Project revenue, NYWD wants the quantity transferred to Yuba City not to be charged against NYWD as if it were taking it for irrigation purposes, as the 2005 Agreement presently specifies. Summarily, in the future, if NYWD needs to take more than its present 3,700 acre-feet allotment at SF-14 for consumptive purposes, the proposed amendment would allow it to take and pay for its second and third tier allotments as if the amount being transferred to Yuba City was not being transferred.

As a separate issue, but also under the 2005 Agreement, SFWPA is required to replace all non-pressure-treated wood in the Hell-for-Stout Flume with pressure-treated wood prior to January 1, 2011, when NYWD assumes ownership and maintenance responsibility for the Upper Forbestown Ditch. As was discussed at the Board's last meeting, that flume still has many years of functional life remaining, and NYWD would like to relieve SFWPA of its responsibility to rebuild the flume in exchange for being able to apply SFWPA's 75% share of the estimated replacement cost (\$45,660) as a credit against NYWD's outstanding and future ditch maintenance costs. NYWD's present unpaid balance (as of 10/31/09) is \$29,691.

M/S/C (Lodigiani/Hunter) approving, and authorizing President Cecchi to execute the proposed amendment to the 2005 Agreement between South Feather Water and Power Agency and North Yuba Water District.

ANNUAL NEGOTIATIONS – WATER TREATMENT & DISTRIBUTION EMPLOYEES UNIT

Mr. Glaze advised that negotiations with the Water Treatment and Distribution Employees Unit (WTDEU) are now complete for 2010 and ready for Board consideration.

The current WTDEU MOU runs through 2010, and already includes a 3% COLA on January 1, 2010.

In 2009 the other three bargaining units received increases in the top-of-range rates as follows:

- (1) Wage ranges and evaluation-based merit increases were implemented for the HGEU in 2009 which reduced the beginning rate for each position by 20% below the PG&E-parity rate, but increased the top-of-range rate by 10% over parity.
- (2) The 5% increase in the top-of-range rate that went into effect in January 2008 for Management and Professional Employees Unit (MPEU) members, but was rescinded when PERS was added in July 2008, was restored by the Board at the beginning of 2009.
- (3) Clerical and Support Employees Unit members received a 10% increase in the top-of-range rate in 2009.

The WTDEU is now asking that the 5% reduction in the top-of-range rate they agreed to when PERS was added in July 2008 be restored, as was done last year for MPEU members.

M/S/C (Hunter/Edwards) in conclusion of negotiations for 2010 and effective January 1, 2010, approving the reinstatement of the 5% reduction in the top-of-range rate agreed to by the Water Treatment and Distribution Employees Unit when PERS was added in July 2008.

ADJOURNMENT

President Cecchi adjourned the meeting at 3:17 p.m.

Michael C. Glaze, Secretary

Louis F. Cecchi, President