

**MINUTES of the REGULAR MEETING of the BOARD of DIRECTORS of
the
SOUTH FEATHER WATER & POWER AGENCY
Tuesday, June 28, 2005, 2:00 PM,
Agency Conference Room, 2310 Oro Quincy Hwy. Oroville, California**

DIRECTORS PRESENT: Jean Brown; Lou Cecchi; Jim Edwards; Dee Hunter;
Vivian Meyer.

DIRECTORS ABSENT: None

STAFF PRESENT: Michael Glaze, General Manager/Secretary;
Jennifer Jellison, Finance Division Manager;
Kathy Petersen, Power Division Manager;
Matt Colwell, Water Division Manager;
Patricia Sands, Accounting Specialist;
Jeff Meith, Legal Counsel.

STAFF ABSENT: Patricia Douglass, Administrative Assistant.

OTHERS PRESENT: Maurice Martinez; Hank Bailey.

CALL TO ORDER

President Hunter called the meeting to order at 2:00 p.m. and led the Pledge of Allegiance.

APPROVAL OF MINUTES

M/S/C (Cecchi/Brown) approving the Minutes of the Regular Meeting of May 24, 2005 as presented.

APPROVAL OF WARRANTS

M/S/C (Edwards/Brown) approving the total Water Division expenditures for the month of May 2005 in the amount of \$323,772.09 - Warrants #20182 through #20241 (#20119 void); and, the total Power Division expenditures for the month of May 2005 in the amount of \$293,935.07 - Warrants #61336 through #61394.

PUBLIC PARTICIPATION

None.

FINANCE DIVISION MANAGER'S REPORT

The Board reviewed a written report by Jennifer Jellison, Finance Division Manager, and Pat Sands, Accounting Specialist.

South Fork Relicensing Consulting Services

The Board was provided the Monthly Activity Report from Devine, Tarbell and Associates, Inc. (DTA) for the period of April 25 through May 29, 2005.

Sly Creek Recreation Area

The Board was provided an update through May 31, 2005 of collected campsite fees and the monthly billing from Northwest Park Management.

EWA 2004 Water Transfer

It was reported that DWR had been billed \$466,575 for water transferred at the end of 2004. Subsequently, however, DWR had notified Kathy Petersen, Power Division Manager, that because of the late spring rains, Lake Oroville had filled to the point specified in the agreement with the EWA that nullified the water transfer. Thus, no payments will be submitted by DWR.

ACWA/JPIA Insurance Renewals

The Agency's premium under the ACWA/JPIA's Workers' Compensation Program was reduced by 13%, effective January 1, 2005.

The policy with Delta Dental of California will renew July 1, 2005 at in-force rates.

The ACWA Disability Plan will renew July 1, 2005 at in-force rates.

The independent auditor will present his report for the year ending December 31, 2004 at the July Board meeting.

POWER DIVISION REPORT

The Board reviewed a written report by Kathy Petersen, Power Division Manager.

Operations

The Storage and Generation Report and Forbestown Precipitation Report for May were reviewed.

The effects of the late-season rainstorms were summarized: the spill from Little Grass Valley Reservoir in May was of sufficient size to be "channel altering" with some healthy geomorphologic movement. The second Little Grass Valley Reservoir spill on June 8 was significant, but not to the magnitude of the one in May.

Maintenance Projects

Lost Creek Dam Pipe Repair

Mitigation of the leaking pipe at the downstream toe of Lost Creek Dam was described. The pipe has been plugged and will be filled with grout as soon as approval is received from the Regional Water Quality Control Board.

Woodleaf Transformer

Work is underway to repair or replace most of the cooling fans on the replacement transformer that had been used at the Geysers Power Project.

General Information

Annual FERC Inspection

Five dams and all of the powerhouses were inspected on June 21 and 22 by FERC engineer Milada Pajaczkowski.

Retirement

After 25 years of employment with the Agency, Electrical Technician Gay Venson will retire on July 5th. Electrician Joe Romero will move into Mr. Venson's position.

WATER DIVISION REPORT

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

Distribution Operations

Water Division staff has been working on the new office construction, service installations, leak repairs, and irrigation and domestic distribution system betterments. The Foothill Boulevard pipeline extension for the new ISHI Middle School was completed, and the Bangor Siphon Tower was removed. Also, staff excavated under the clearwell-roof footing at Miners Ranch Treatment Plant to expose and opened the 36" inlet valve that had become inoperable. The valve will remain in the open position permanently, and a new valve will be installed in the clearwell floor at the 36"-pipe inlet later this year.

Water Treatment Operations

The photovoltaic solar system at Miners Ranch Treatment Plant generated electricity in excess of demand for the month of March.

Water Plant Production

All bacteriological requirements were met for the Miners Ranch Treatment Plant and Bangor Treatment Plant.

Treated Water Production: Miners Ranch – 137.4 MG; Bangor – 0.43 MG.

LEGAL COUNSEL - No report.

GENERAL MANAGER'S REPORT

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

Yuba County Water District Agreement

YCWD's board of directors approved the agreement with South Feather Water and Power Agency on May 27, 2005.

Strategic Planning for Future Power Marketing

Manager Glaze is requesting statements of qualifications from energy/financial advisory firms that could assist the Agency in developing a strategic plan for and negotiating the next-generation power purchase agreement for the South Feather Power Project.

Development Standards

Development Standards for Treated Water Systems, including detailed specifications guidelines for developers and a master conveyance agreement has been drafted and will soon be submitted for consideration by the Board's Policy Committee.

Relicensing Update

The Board was provided a progress report by Devine, Tarbell & Associates through May 29, 2005.

Annual Facilities Tour

Plans are complete and staff is ready for the tour on June 30, 2005.

DIRECTORS REPORTS

Vivian Meyer submitted a letter of resignation from the Northern California Water Association's board of directors. Manager Glaze said he would notify the association.

CEQA CONSULTANT SELECTION - PETITIONS FOR EXTENSION OF WATER RIGHTS PERMITS

South Feather Water and Power Agency (SFWPA) and Yuba County Water District (YCWD) each currently have pending before the State Water Resources Control Board (SWRCB) petitions for extensions of time for their respective water rights permits. The SWRCB is requiring the preparation of documentation under the California Quality Act (CEQA) for these petitions and any related changes in the water-rights permits that are the subjects of the petitions and the new agreement between SFWPA and YCWD. That agreement also specifies that SFWPA and YCWD will cooperate in the development of a single CEQA document for both of the petitions, and will equally share in the costs for preparing the CEQA document.

Manager Glaze explained the need for retaining the services of a CEQA consultant as soon as possible to ensure that the required work is completed prior to the SWRCB-imposed deadline of June 1, 2006. He presented a draft Request for Qualifications for

Board consideration that, if approved, would be sent to consultants known to have had experience with similar projects to initiate the consultant recruitment process.

M/S/C (Meyer/Brown) approving and authorizing publication of the Request for Qualifications for the Provision of CEQA Consultant Services for South Feather Water and Power Agency's and Yuba County Water District's Petitions for Extension of Water Rights Permits.

FORBESTOWN DITCH ANNEXATION POSTPONEMENT

Manager Glaze advised the Board that the newly-approved agreement with Yuba County Water District necessitates a reassessment of some of the Agency's operation practices and policies on the Forbestown Ditch system.

M/S/C (Brown/Edwards) approving postponement of all annexations requests for Forbestown Ditch service until the Board has established a strategic plan for implementing the provisions of the '05 Agreement with Yuba County Water District.

APPOINTMENT OF TREASURER

The Water Code of the State of California specifies that irrigation district have, as one of its officers, a treasurer. The Treasurer is appointed by and accountable directly to the Board, and has specific duties and responsibilities as specified at various locations in State law.

The Board reviewed a summary from attorney Lisa Grigg of the duties of irrigation district treasurers, and her concurrence with Manager Glaze's recommendation that the Finance Division Manager – the Agency's chief financial officer – be appointed Treasurer. Ms. Grigg stated, “[The Treasurer's] responsibilities...are those that require not only a strong financial background, but also a working knowledge of the District's finances and accounting. The Finance Manager is a logical choice because he or she has that knowledge and can make informed judgments to bring recommendations to the Board.”

M/S/C (Cecchi/Brown) appointing Jennifer Jellison, Finance Division Manager, as Treasurer of South Feather Water and Power Agency, subject to acquisition of an appropriate bond in the amount of \$100,000.

TERMINATION OF AGREEMENT WITH OPTIMAL WATER, INC.

On April 22, 2003 South Feather Water and Power Agency entered into a Professional Services Agreement with Optimal Water, Inc. with respect to marketing the Agency's conserved water. The then-president/CEO and the then-vice-president, both of whom were instrumental in preparing the “conserved water marketing program” produced for the Agency by Optimal Water, are no longer employed by Optimal Water.

Manager Glaze stated that without these two individuals, Optimal can no longer add value to the Agency's marketing efforts, and he recommended that the agreement be terminated.

M/S/C (Brown/Edwards) approving the termination of the Professional Services Agreement with Optimal Water Inc., as approved by the Board on April 22, 2003, and directing the General Manager to provide the written 30-day notice thereof, as specified in said Agreement.

CLOSED SESSION (convened by President Hunter at 3:15 p.m.).

Conference with Labor Negotiator (Govt. Code §54957.6)

Negotiator: Michael Glaze, General Manager

Employee Units: Hydropower Generation Employees Unit

ADJOURNMENT (open session reconvened at 3:24 p.m.)

President Hunter announced that the Board took no action during the closed session.

The meeting was adjourned at 3:25 p.m.

Michael C. Glaze, Secretary

Dee Hunter, President