

**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.

DIRECTORS ABSENT: Vivian Meyer.

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

OTHERS PRESENT: Maurice Martinez; Ron Fink; Dale Storey (YCWD);
Debra Bumpus-Brown; Robert and Betty Bumpus.

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 June 28, 2005 as presented.

APPROVAL OF WARRANTS

M/S/C (Cecchi/Edwards) approving the total Water Division expenditures for the month of June 2005 in the amount of \$545,965.64 - Warrants #20242 through #20300; and, the total Power Division expenditures for the month of June 2005 in the amount of \$290,124.07 - Warrants #61423 through #61475.

PUBLIC PARTICIPATION

Ron Fink asked for clarification on the postponement of annexations to the Forbestown Ditch that was affected at the last regular meeting of the Board. It was provided, including the explanation that appointment of an ad hoc committee as recommended by the General Manager had not yet been made, and that none of the options identified in

the agenda information for the last regular meeting had yet been considered by the Board.

Robert Bumpus informed the Board that he and his wife had purchased a piece of property on Pleasant Valley Road in the Bangor area. He had been told by staff that he could not receive raw-water service from the Drobish Line unless he also had an alternative source of domestic water for the residence on the property. He explained that wells in the area were notorious for not producing good water and asked for a waiver to the requirement for an alternative source of domestic water. Manager Glaze explained that state and federal law mandated the alternative-water-source requirement and that the Board could not waive the requirement. He also advised that if they were to drill a well and then request raw-water service, they would have to show proof of easement across intervening private property between their parcel and the Agency's pipeline or ditch.

FINANCE DIVISION MANAGER'S REPORT

The Board reviewed a written report by Jennifer Jellison, Finance Division Manager.

South Fork Relicensing Consulting Services

The Board was provided the Monthly Activity Report from Devine, Tarbell and Associates, Inc. (DTA) for the period of May 30 through June 26, 2005.

Sly Creek Recreation Area

The Board was provided an update through June 30, 2005 of collected campsite fees and the monthly billing from Northwest Park Management.

EWA 2004 Water Transfer

Official notice has been received from the Department of Water Resources (DWR) that, because of the late spring rains, Lake Oroville had filled to the point specified in the agreement with the Environmental Water Account and that no payment would be made by DWR for the water transferred at the end of 2004.

Finance Division Update

Ms. Jellison described changes that are being made in Finance Division procedures to eliminate unnecessary manual data entry and duplicate processes. The changes are being implemented in the construction-in-progress tracking process and in the month-end accounts receivable reconciliation process.

Mid-Year Budget Analysis

Due to a very wet spring, revenue from the sale of water is down by approximately \$100,000, but Tailwater-Depression revenue is up by approximately \$44,000. Ms. Jellison will provide the General Manager with an analysis and recommendation for budget management through the remainder of the year, and then their combined recommendations will be submitted to the Board at the regular August meeting. It is

anticipated that some use of restricted reserve funds will have to be used, subject to restoration of those account balances over the next year or two.

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 June were reviewed.

Overheating problems with the new Woodleaf Powerhouse transformer has forced reductions in generation at Woodleaf and, therefore, Forbestown powerhouses since the hot weather began. PG&E's engineers are working on a solution.

Maintenance Projects

Lost Creek Dam Pipe Repair

Mitigation of the leaking pipe at the downstream toe of Lost Creek Dam has been completed as of July 7.

Other Projects

Various maintenance projects were described.

Slope stabilization plans for the rock topple at Woodleaf Powerhouse will soon be finished and bids will then be requested. A special meeting may have to be called around the first of September to award the stabilization contract.

General Information

Campground Information

A new sign has been prepared with input from the Forest Service that will provide a better source of information to campers about the status of campgrounds (open or closed). The sign will be installed at the intersection of LaPorte and Mullock roads.

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 service and over 200' of new 8" mainline was installed for the new Golden Hills Elementary School next to Helen Wilcox School on Autrey Lane.

Water Plant Production

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

Treated Water Production: Miners Ranch – 193.8 MG; Bangor – 0.60 MG.

LEGAL COUNSEL - No report.

GENERAL MANAGER'S REPORT

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

Strategic Planning for Future Power Marketing

Statements of qualifications have been received from two energy/financial consulting firms. The Hydro Committee will be meeting with each of them and then submitting a recommendation to the Board regarding possibly retaining one to assist the Agency in developing a strategic plan for, and negotiating the next-generation power purchase agreement for the South Feather Power Project.

MRTP Annexation to LOAPUD

Alan Brown, general manager of Lake Oroville Area Public Utility District recently advised Mr. Glaze that the Miners Ranch Treatment Plant property, although receiving sewer service from LOAPUD, had never been annexed into that district. For some reason, the two districts had entered into a year-to-year service agreement, terminable upon 60-days notice. LOAPUD is now asking that the MRTP site be annexed.

LAFCo Municipal Review

Consistent with new state law, Butte LAFCo has begun the process of preparing Municipal Service Reviews to assess the services and service providers within the county. The Board was provided a copy of Manager Glaze's responses to a survey prepared by LAFCo's consultant that will be used by LAFCo to make decisions regarding spheres of influence, service boundaries and other determinations.

Yuba County Water District Issues

The Board was updated on the status of YCWD's grant funded project to install 3½ miles of pipeline from the Costa Diversion on the Forbestown Ditch to YCWD's treatment plant in Forbestown. Mr. Glaze is working with YCWD staff and consulting engineer, Naser Batini (Bookman-Edmonston Engineering), in an attempt to get DWR's approval to modify the project so that the entire Forbestown Ditch from Costa Diversion to YCWD's treatment plan is replaced with pipe. This would involve increasing the pipe size, making the existing ditch the pipe alignment, and installing the pipe by SFWPA force account.

A copy of the Yuba County Grand Jury report regarding YCWD was provided for the Board's review.

The Board was informed that the YCWD board is split on almost all matters that comes before it, including payment of bills. Manager Glaze suggested that it might be prudent to require that YCWD deposit its share of the cost for the CEQA consultant

prior to SFWPA committing to a contract with the consultant for preparing the CEQA documentation required for the petition for extension of time for water rights permits pending before the State Water Resources Control Board. The deadline for responses to the Request for Qualifications from interested consultants is July 29.

Relicensing Update

The Board was provided a progress report by Devine, Tarbell & Associates through June 26, 2005.

DIRECTORS REPORTS

Jim Edwards discussed the facilities tour that was provided last week for the Kelly Ridge Social Club.

DWR AGREEMENT FOR MINERS RANCH CONDUIT STATION 3 REPAIRS

Power Division Manager Kathy Petersen reported that DWR initially denied responsibility for the cost of the Miners Ranch Conduit Station 3 spillway repairs, arguing that SFWPA's operation of the spillway had caused the damage. They were willing to pay for repairs to the access road, however. Nevertheless, DWR provided engineering estimates and a plan for the repairs.

Water Division Manager Matt Colwell developed an alternative design that reduced the cost of repairs significantly. In fact, both projects were completed for less than DWR estimated the road repair alone would cost.

Given the reduction in actual cost, Ms. Petersen's continued discussions with DWR staff resulted in a proposed agreement whereby DWR would be responsible for all expenses associated with the repair projects, except for the environmental and regulatory permits, which would be SFWPA's responsibility. The proposed agreement also specified that SFWPA would be responsible for ongoing maintenance and monitoring of mitigation plantings (after the willow plantings are completed by DWR).

Manager Glaze praised both Ms. Petersen and Mr. Colwell for their efforts in completing the projects so efficiently and economically, as well as Ms. Petersen's and legal counsel Jeff Meith's efforts in negotiating the proposed agreement with DWR.

M/S/C (Brown/Cecchi) approving the proposed Settlement Agreement between the State of California Department of Water Resources and South Feather Water and Power Agency regarding repair of damages to the Miner's Ranch Conduit Station 3 spillway structure and the access road near Station 290+00.

DEVELOPMENT STANDARDS – TREATED WATER SYSTEM

Manager Glaze presented Development Standards and amendments to the Rules and Regulations that had been reviewed and recommended by the Board's Policy Committee.

The proposed Development Standards and amendments to the Rules and Regulations provides a comprehensive policy that not only includes detailed specifications on all aspects of water-system improvements that a developer would be required to construct, but guidelines to assist developers and engineers in knowing how to expeditiously satisfy Agency requirements for getting water service, as well as a master conveyance agreement that is ultimately signed by a developer before building a project to ensure that all requirements are understood and satisfied before water service is requested. If adopted, the Development Standards would ensure that developments within the Agency could be expedited and, at the same time, protect the Agency from having to assume responsibility for substandard extensions of its water system.

The proposed amendments to the Rules and Regulations also contain a new policy for reimbursement agreements for mainline extensions.

M/S/C (Edwards/Brown) approving the amendments to Part A, Section 3 and Section 4 of the Rules & Regulations Governing Water Service, and adopting the Development Standards for Treated Water Systems, proposed by the General Manager and recommended by the Board's Policy Committee.

DEQLINQUENT ACCOUNTS ADDED TO TAXES

M/S/C (Cecchi/Edwards) adopting Resolution 05-7-1, authorizing 36 accounts, for a total of \$9,234.35 plus fees, be added to the 2005-2006 Butte County tax roll.

EXCESS CRIME INSURANCE POLICY IN LIEU OF TREASURER'S BOND

Legal Counsel Jeff Meith explained that state law has changed and now allows agencies like SFWPA to use its crime insurance in lieu of the bond that is required for the Treasurer.

M/S/C (Brown/Edwards) approving use of the Agency's memorandum of crime coverage and excess crime policy, provided under its insurance program with the Association of California Water Agencies' Joint Power Insurance Authority, in lieu of a bond for the Treasurer of the Agency in the amount of \$100,000 as prescribed by the Board.

ADJOURNMENT

The meeting was adjourned at 3:07 p.m.

Michael C. Glaze, Secretary

Dee Hunter, President