

**MINUTES of the REGULAR MEETING of the BOARD of DIRECTORS of
the
SOUTH FEATHER WATER & POWER AGENCY
Tuesday, August 23, 2005, 2:00 PM,
Agency Conference Room, 2310 Oro Quincy Hwy. Oroville, California**

DIRECTORS PRESENT: Jean Brown; Lou Cecchi (arrived at 2:09 p.m.); 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;
Jeff Meith, Legal Counsel.

OTHERS PRESENT: Maurice Martinez; Ron Fink; Hank Bailey; Tom Barnard (DMJM+HARRIS); Steve Norman (Davis Hammon & Company).

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 (Brown/Edwards) approving the Minutes of the Regular Meeting of July 26, 2005 as presented.

AYES Directors Brown, Edwards, Hunter, Meyer.

ASBSENT Director Cecchi.

APPROVAL OF WARRANTS

M/S/C (Cecchi/Edwards) approving the total Water Division expenditures for the month of July 2005 in the amount of \$369,386.05 - Warrants #20301 through #20360; and, the total Power Division expenditures for the month of July 2005 in the amount of \$440,312.07 - Warrants #61510 through #61558.

AYES Directors Brown, Edwards, Hunter, Meyer.

ASBSENT Director Cecchi.

There was discussion about replacement of the detailed list of warrants with a summary list. Finance Division Manager Jennifer Jellison advised that the Finance Committee had requested a reduction in the amount of detailed information previously included in agenda packets. Director Meyer asked if the summary could be expanded to provide a brief explanation for each warrant listed, and Ms. Jellison stated she would add that information for the next meeting.

PUBLIC PRICIPATION

Hank Bailey submitted a letter to the Board requesting that the date to end this irrigation season on the Forbestown Ditch not precede October 31, 2005.

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 June 27 through July 31, 2005.

Sly Creek Recreation Area

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

Finance Division Update

Changes are continuing to be made to the Finance Division procedures in order to increase efficiency and reduce waste in the office. The amount of financial data in each month's Board report is being reduced at the request of the Finance Committee (Directors Cecchi and Hunter).

POWER DIVISION MANAGER'S REPORT

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

Operations

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

Forbestown Diversion Valve Operation

On August 17 the 60" valve at Forbestown Diversion Dam was operated for the first time since the late 1980s. Reoperation of the valve required securing permits because of the potential release of sediment that had accumulated in that period of time behind the valve.

Maintenance Projects

Slate Creek Excavation Work

Amendments to existing permits have been received to allow mechanically removing up to 500 cy of material in front of the intake to the Slate Creek Diversion Tunnel. The purpose of the project is to permit inspection of and necessary repairs to the intake grizzly.

Sly Creek Dam Crest Monuments

Personnel have installed survey monuments along the downstream edge of the dam crest and at control points adjacent to the dam at the request of surveyor John Christofferson (GDA) to facilitate his monitoring of horizontal and vertical movement of Sly Creek Dam.

General Information

National Energy Policy Bill Passed

Ms. Petersen discussed new federal legislation that provides minor reforms to the hydro relicensing process, and provides incentives to build additional hydroelectric facilities.

Davis-Grunsky Inspection at Little Grass Valley Reservoir

The Department of Water Resources conducted its annual inspection of the recreation facilities at Little Grass Valley Reservoir on August 11. The facilities were in good shape with only minor repair items noted.

WATER DIVISION MANAGER'S REPORT

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

Distribution Operations

Water Division staff has been working on system maintenance, the new office construction, service installations, leak repairs, and irrigation and domestic distribution system betterments.

Water Plant Production

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

Treated Water Production: Miners Ranch – 297.1 MG; Bangor – 1.0 MG.

GENERAL MANAGER'S REPORT

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

Strategic Planning for Future Power Marketing

The Hydro Committee (Directors Edwards and Cecchi) has conducted interviews of two firms that are qualified to provide the Agency with energy/financial advice and assist in developing a strategic plan for marketing the Agency's power after the present contract with PG&E expires.

MRTP Annexation to LOAPUD

For cost-containment purposes, this project has been placed on hold until 2006.

LAFCo Municipal Services Review

LAFCo's consultant has scheduled an on-site visit as part of their work to develop a Municipal Services Review report to LAFCo for water agencies in the county.

Yuba County Water District Issues

No additional information has been received in the past month regarding efforts by YCWD's engineer, Naser Batini (Bookman Edmonston), to modify the design of the Forbestown Ditch pipeline project so that the pipe size can be increased and placed within the existing ditch's alignment.

CEQA Processing – Petition for Extension of Time for Water Rights Permits

Statements of Qualifications have been received from three qualified environmental consulting firms, with Jones and Stokes being ranked highest. The YCWD Board has concurred with the ranking and Manager Glaze is presently negotiating a professional services contract for the needed work. He recommended that before the contract is executed, a deposit for half the contract amount should be received from YCWD to ensure that their half of the expenses will be available for payment when invoiced by Jones and Stokes.

Relicensing Update

The Board was provided a progress report by Devine, Tarbell & Associates through July 31, 2005. It was the Board's consensus that an "executive summary" of the update in the agenda packet would be preferable to the lengthy and detailed report that is presently being included.

Employee Safety Award

Utility Worker Gary Daley received a cash award recently from the ACWA Joint Power Insurance Authority for a safety suggestion he made. Copies of an article from the JPIA's newsletter describing the award were provided for directors.

Surplus Water Agreements

A surplus water agreement was approved for Troy Scarberry (annual renewal) at 17674 Ponderosa Way and for Elden Fowler (new) at 17635 Ponderosa Way, both receiving service from the Forbestown Ditch.

DIRECTORS' REPORTS

Vivian Meyer noted that Administrative Assistant Patricia Douglass was not present. Manager Glaze advised that Mrs. Douglass will no longer be taking minutes at Board meetings so that she will have more time for other office responsibilities. He said that he is now writing the minutes.

Lou Cecchi reported on the Hydro Committee's interview of energy marketing consultants. He said that he and Director Edwards both gave McDonald Partners the highest rating and directed Manager Glaze to negotiate a professional services agreement with them for Board consideration.

Jim Edwards said that several owners of property adjacent to Little Grass Valley Reservoir discussed with him their irritation that they were refused permission to access Agency property below the reservoir's high-water line with four-wheel drive vehicles for boat launching purposes. Vivian Meyer stated that she also had received a phone call from Burt Townsend regarding the same issue. Kathy Petersen advised the Board that the Plumas National Forest is requiring that the Agency not allow access below the reservoir's high-water line. All directors indicated their concurrence with the existing policy. Attorney Jeff Meith advised the Board that he has received a letter from a Sacramento attorney representing a group of property owners who are objecting to the boat-dock permit policy.

DAM CREST MODIFICATIONS FOR PROBABLY MAXIMUM FLOOD CONDITIONS

Power Division Manager Kathy Petersen introduced Tom Barnard with DMJM+HARRIS who updated the Board with a PowerPoint presentation on the status of plans for modifying the crests of Sly Creek, Lost Creek and Ponderosa dams to accommodate the probable maximum flood. So far, expenditures in 2004 and 2005 total \$118,294 to perform the preliminary investigations of potential mitigation solutions, performing an analysis of the probably maximum precipitation for Ponderosa Dam, performing a laser scan of the downstream face of Lost Creek Dam, developing the conceptual design for Sly Creek and Lost Creek dams, and meeting with FERC, the State Division of Safety of Dams and PG&E.

A budget for the next phase of work was provided for the Board to provide the "30% design" for Sly Creek and lost Creek dams, and the conceptual design for Ponderosa Dam.

M/S/C (Edwards/Cecchi) approving the Power Division Manager's authorization of the scope of work and budget submitted by DMJM+HARRIS to complete the 30% design for Sly Creek and Lost Creek dams, and the conceptual design for Ponderosa Dam, with additional expenditures not to exceed \$785,000 in 2005.

INDEPENDENT AUDITOR'S ANNUAL REPORT

Steve Norman of Davis Hammon and Company gave a presentation of the Financial Statements and Independent Auditor's Report for the year ended December 31, 2004. Mr. Norman stated that his firm's audit resulted in an "unqualified" opinion that the Agency's accounting and reporting practices are in conformance with accounting principles generally accepted in the United States, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

M/S/C (Brown/Edwards) accepting the 2004 Independent Auditor's Report and Financial Statements for the Year Ended December 31, 2004, prepared by Davis Hammon and Company.

ACWA REGION 2 ELECTION OF OFFICERS

The Board was provided a memo from the Association of California Water Agencies explaining the election for Region 2 officers for the 2006-2007 term, including a ballot containing the names of nominees for the available positions on the board. After a brief discussion, no action was taken.

INTERFUND LOAN APPROVAL

Manager Glaze explained that a mid-year analysis of Water Division finances concluded that the Agency will be out of compliance with debt-service requirements for annual net revenue in 2005 unless significant efforts are made to cut spending. To mitigate that probability, Water Division staff has been advised that purchase orders will not be approved for anything that is not critical and essential for continued operations. Further, all purchase orders for which vendors have not made delivery have been canceled.

The primary reasons for the shortfall in revenue are: negation of the EWA Water Transfer and significantly less local water sales than anticipated, both due to an unusually wet spring and early summer. There are sufficient reserves to make up for this unanticipated loss of revenue, although those reserves are in restricted accounts. The General Manager and Finance Division Manager recommended borrowing from the System Capacity Charges account in 2005, with repayment of the borrowed funds no later than 2006.

M/S/C (Brown/Edwards) adopting Resolution 05-8-1, authorizing interfund borrowing from the System Capacity Charges account, with a monthly report thereof prepared for the Board's review.

CLOSED SESSION (Convened by President Hunter at 4:00 p.m.)

Conference with Labor Negotiator (Govt. Code §54957.6)

Negotiator: Michael Glaze, General Manager

Employee Units: Hydropower Generation and Water Treatment and Distribution

Conference with Real Property Negotiator (Govt. Code §54956.9)

Property: Surplus Water

Negotiation Party: Municipal Water District of Orange County

Under Negotiation: Price, quantity, refill requirements, conditions for transfer and terms of payment.

OPEN SESSION

The open session was reconvened at 4:36 p.m. President Hunter advised that the Agency's real property and labor negotiator was advised.

RATIFICATION OF TENTATIVE AGREEMENT WITH HYDROPOWER GENERATION EMPLOYEES UNIT

M/S/C (Cecchi, Meyer) approving the tentative agreement between the Board's labor negotiator and IBEW Local 1245 to amend the Memorandum of Understanding for the Hydropower Generation Employees Unit in conclusion of annual negotiations for 2005 and 2006.

ADJOURNMENT

The meeting was adjourned at 4:37 p.m.

Michael C. Glaze, Secretary

Dee Hunter, President