

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

**Tuesday, October 25, 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;
Jeff Meith, Legal Counsel.

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/Edwards) approving the Minutes of the Regular Meeting of September 27, 2005 as presented.

APPROVAL OF WARRANTS

M/S/C (Edwards/Cecchi) approving: the total Water Division expenditures for the month of September 2005 in the amount of \$632,502.34 - Warrants #20431 through #20489; and, the total Power Division expenditures for the month of September 2005 in the amount of \$296,063.80 - Warrants #61677 through #61742.

PUBLIC PARTICIPATION

Hank Bailey complimented Water Division Manager Matt Colwell for affecting the end of the irrigation season on the Forbestown Ditch precisely on October 14, the day approved by the Board. He also asked if the Bangor Canal was dewatered for the winter and was advised that it carried water all year to keep the Bangor Treatment Plant supplied.

Maurice Martinez complained that the warrant list now being provided for Board review did not contain enough information. Finance Division Manager Jennifer Jellison offered copies of a detailed warrant list produced by the Springbrook accounting software that could be included in the agenda packet of any director who wanted more information that was being provided in the summary. Hank Bailey expressed his satisfaction with the present report. Based on comments from directors Jean Brown and Vivian Meyer, President Hunter directed that the current summary warrant list be continued for at least the next six months. A decision could be made at that time to

modify the report. None of the directors expressed an interest in receiving the more detailed printout.

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 September 1 through September 30, 2005.

Sly Creek Recreation Area

The Board was provided an update through September 30, 2005 of collected campsite fees and the monthly billing from Northwest Park Management. The total net cost for 2005 for Northwest Park Management's services is \$4,852.65.

ACWA/JPIA 2006 Vision Insurance Renewal

Effective January 1, 2006 the Vision Service Plan premium for employees will decrease by 3.2%.

Human Resource Training

Ms. Jellison attended an ACWA/JPIA seminar entitled "Drugs and Alcohol: Reasonable Suspicion".

2006 Water Division Budget

Budget requests for 2006 from management employees are due at the end of the month. The Springbrook budget module will be used to develop the coming year's budget, with revenues and expenditures being budgeted on a monthly rather than an annual basis (as in the past) to permit better comparison of actual to budgeted amounts early in the year.

Financial Analysis Update

Monitoring and scrutinizing all Water Division O&M spending requests is ongoing in order to ensure that the Agency is in compliance with the 2003 COP revenue covenant. As of September, the year-to-date revenue in the Water Division is 91.74% of that received for the same period in 2004.

POWER DIVISION MANAGER'S REPORT

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

Operations

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

Whitewater Boating-Flow Study

On October 15 and 16, flows were provided below South Fork Diversion and Forbestown Diversion in order for the relicensing consulting team and a group of expert kayakers to conduct boating-flow studies for the relicensing project. The river below South Fork Diversion Dam to

Golden Trout Crossing was boated at approximately 220 and 400 cfs flows by a group of four kayakers. The reach between Forbestown Diversion and Ponderosa Reservoir was boated at approximately 225 and 280 cfs by seven kayakers the first day and five kayakers the second day.

Directors expressed concern about the Agency's liability if kayakers injure themselves. Legal counsel Jeff Meith stated that a public agency has immunities from such injuries because the kayakers are participating in a recreational activity that is inherently dangerous and that is outside the Agency's developed facilities.

Maintenance Projects

Annual Outages

The annual outage of Forbestown Powerhouse was conducted from October 10-19. Work on the turbine shutoff valve resulted in lowered leakage rates and allows the powerhouse to be shut down remotely rather than having to either have an operator present during shutdown or leave the unit motoring when generation is not needed. When an attempt was made to return Forbestown Powerhouse to service after the outage it was discovered that the pressure-relief-valve linkage was not operating. The tunnel and penstock have been drained and it is estimated that the powerhouse will be down for another two weeks to repair the linkage.

The Woodleaf Powerhouse outage has been canceled this fall for the repair of the rockslide adjacent to that facility during the first week of November.

General Information

Ongoing Evaluations of Lost Creek Dam

On October 12-13 a team consisting of DMJM+Harris, Olson Engineering and Ropeworks personnel conducted non-destructive testing of the downstream face of Lost Creek Dam. Two types of tests were conducted: 1) tomography; and 2) spectral analysis of surface waves (SASW). The SASW allowed testing the dam's concrete quality in the first 2 feet of the downstream face, while the tomography should allow high-quality imaging of the interior of the dam, showing the location of cracks, debonded joints, etc. The results from the tests are expected in a couple of months. This information will then feed into the analysis of the structure's ability to handle the crest modifications, including new spill gates and bridge deck.

Emergency Action Plans

Assistant Engineer Chris Crown (GIS expert) and Ms. Petersen have been working on the five-year comprehensive update to the emergency action plans for potential failures of Little Grass Valley, Sly Creek, Lost Creek and Miners Ranch dams. Ms. Petersen will conduct EAP training for management and supervisory staff on November 2, and the revised plans will be sent to the federal, state and local emergency response agencies that same week. Tabletop and functional exercises with the agencies will be conducted in early 2006.

WATER DIVISION MANAGER'S REPORT

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

Distribution Operations

Water Division staff have been accomplishing distribution system maintenance and betterment projects including new office construction, service installations, leak repairs, and irrigation and domestic distribution system betterments.

Operators at Miners Ranch Treatment Plant (MRTP) have sand blasted and coated the sediment basin flocculent control drive to reduce the rate of corrosion.

New Services and Leaks

In the month of September, five new meters and backflow devices were installed. Two service line leaks and three mainline leaks were repaired.

Water Treatment Operations

Solar Plant Production

The September MRTP energy demand exceeded the solar plant production by 59,700 KWH. Mr. Colwell is working with Sun Power & Geothermal Energy to get better real-time generation data to assist in the analysis of solar production efficiency.

Water Plant Production

MRTP production (system demand) for September is slightly below average for the recent 5-year period. The 2005 cumulative production through August is 88% of average. Bacteriological requirements were met for the Miners Ranch Treatment Plant, Bangor Treatment Plant, Sly Creek and Strawberry Campground.

GENERAL MANAGER'S REPORT

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

LAFCo Municipal Services Review

The administrative draft of LAFCo's Municipal Services Review for water and wastewater agencies in the county has been distributed for review and feedback. The chapter regarding South Feather Water and Power Agency expressed only one negative determination: "the Agency is in noncompliance with Government Code Section 53901." That same determination was included in the reports for Lake Oroville Area Public Utility District, Thermalito Irrigation District and Paradise Irrigation District. Mr. Glaze stated that he has never been advised that an enterprise special district – governed by an elected board of directors and required to provide the public with copies of all financial documents, not just budgets – must "file a copy of its annual budget with the County Auditor."

Legal counsel Mike Sexton reviewed the legal citation and confirmed that the Agency is required to file its budget with the county auditor. Mr. Glaze stated that, based on counsel's opinion, the Agency will begin sending copies of Agency budgets to the County Auditor in conformance with Government Code §53901. Finance Division Manager Jennifer Jellison stated that when she took the 2005 budgets to the county auditor's office she was questioned why the budgets were being delivered. The auditor's staff was also not aware of the requirement.

Governor Signs "Local Government Sunshine Bill"

Governor Schwarzenegger has signed Assembly Bill 1234. The bill was introduced to provide reforms in the areas of director compensation and ethics training for local governments – cities, counties and special districts. AB 1234 allegedly will provide more transparency to local governments and accountability to the public. It takes effect on January 1, 2006 and contains three key provisions that pertain to special district board members in the following ways: ethics training; rules for compensation; and, guidelines for reimbursing expenses.

Ethics Training – All directors and any board-designated employee will be required to take at least two hours of ethics training every two years (new directors will have one year to complete the training). The courses will cover laws relating to personal financial gain, claiming prerequisites of office (gifts, travel, gifting public funds, etc.), government transparency (financial interest disclosure, Brown Act), and fair process (due process, incompatible offices, competitive bidding, recusion from decisions affecting family, etc.).

SFWPA's director-compensation policy is not impacted by AB 1234 because the fixed monthly fee paid Agency directors for attending board and committee meetings, conferences and educational activities is accepted under AB 1234.

AB 1234 specifies that districts have a written policy specifying the types of occurrences that qualify a director to receive reimbursement for travel, meals, lodging and other actual and necessary expenses. Agency Policy #432, "Expenditure Reimbursement", adopted by the Board on September 28, 2004 is already in compliance with AB 1234.

Cooperative Environmental Review Agreement

The agenda for the regular November Board meeting will contain an item whereby the Board can consider approving an agreement between the County, LAFCo, TID, SFWPA and LOAPUD that will specify the process by which developments will comply with CEQA.

For some time the County has been refusing to accept development applications when projects involve property that has to be annexed to a special district providing water or sewer service – the County wanted the annexation completed before it would consider the application. Unfortunately, annexations trigger CEQA, and CEQA requires analysis of the entire project (traffic, growth-inducing impacts, etc.), not just the impact on the special district's utility infrastructure.

Although SFWPA has never processed an annexation for property on which a large development was proposed prior to development plans being submitted to the County, presently a development is being proposed that includes a parcel not presently annexed to the Agency.

If the proposed agreement is approved, it would allow developers to have their projects processed by the County prior to annexing to one of the utility-providing districts, with the County being the lead agency for CEQA purposes, and special districts being able to process annexation applications after that work is complete.

CEQA Consultant Contract for Petition to Extend Water Rights Permits

Manager Glaze informed the Board that, subsequent to the September Board meeting, the Yuba County Water District board of directors unanimously approved the consultant services agreement with Jones & Stokes.

Relicensing Update

The Board reviewed a status report through August 28, 2005 from Devine, Tarbell & Associates.

DIRECTORS' REPORTS

Director Cecchi described his recent vacation to Italy.

Director Brown expressed her appreciation for the information provided by staff to directors in preparation for each board meeting. She recounted how differently information was presented and meetings were conducted prior to 1993.

POWER HOUSE HILL ROAD ANNEXATION #1-05 (Jacobs)

The Board reviewed an initial study, a Notice of Preparation of Negative Declaration, and a draft LAFCo Application form prepared by Manager Glaze for annexation of two parcels with a combined area of 18.34 acres owned by Sanford Jacobs on Power House Hill Road.

President Hunter opened a public hearing on the initial study of potential environment impacts and the recommendation by staff for a negative declaration. There were no public comments and the hearing was closed.

M/S/C (Cecchi/Meyer) on the basis of the initial study of environmental impact, the information presented at the hearing today, comments received on the proposal and directors' own knowledge and independent research, and given that there is no substantial evidence in light of the whole record that the proposed annexation may have a significant environmental effect, adopting the Negative Declaration, finding that the proposed annexation could not have a significant effect on the environment.

M/S/C (Cecchi/Meyer) adopting Resolution 05-10-1, approving annexation of APN 036-530-028 and 029, and making application for annexation to LAFCo.

ACACIA AVENUE ANNEXATION #1-05 (First United Methodist Church)

The Board reviewed an initial study, a Notice of Preparation of Negative Declaration, and a draft LAFCo Application form prepared by Manager Glaze for annexation of a 6.67-acre parcel owned by the First United Methodist Church on Acacia Avenue in the City of Oroville.

President Hunter opened a public hearing on the initial study of potential environment impacts and the recommendation by staff for a negative declaration. There were no public comments and the hearing was closed.

M/S/C (Edwards/Cecchi) on the basis of the initial study of environmental impact, the information presented at the hearing today, comments received on the proposal and directors' own knowledge and independent research, and given that there is no substantial evidence in light of the whole record that the proposed annexation may have a significant environmental effect, adopting the Negative Declaration,

finding that the proposed annexation could not have a significant effect on the environment.

M/S/C (Edwards/Meyer) adopting Resolution 05-10-2, approving annexation of APN 033-390-014, and making application for annexation to LAFCo.

ACCEPTANCE OF EASEMENT FOR WOODLEAF ROCK SLOPE IMPROVEMENT PROJECT

Power Division Manager Kathy Petersen reported that one of the consequences of the rock slide at Woodleaf Powerhouse was the loss of the lower two poles supporting the 2.4 kV power line and communication line that are constructed along the penstock to the valve chamber, and that provide power and controls to the Forbestown Ditch. With PG&E's concurrence, it was determined that the best long-term solution to provide power to the top of the penstock was to construct a "shoo-fly" pole line that crosses the slope above the slide area. The alignment of the line, however, takes it across property owned by CHY Company, so an easement for the poles and wire is needed.

The Board reviewed the easement that CHY Company executed and that legal counsel Jeff Meith had reviewed and approved.

M/S/C (Meyer/Brown) adopting Resolution 05-10-3, accepting the easement grant deed executed by CHY Company in favor of South Feather Water and Power Agency across a portion of APN 073-200-005, in Section 33, T.20 N., R.7 E., Butte County.

ABANDONMENT OF EASEMENT (APN 026-060-008)

Mr. Glaze presented the Board with a request from James and Kathy Ray that the Agency abandon its interest in any easements affecting their property on the north side of Messina Avenue, east of Lincoln Boulevard in Palermo. He affirmed that the Agency maintains no irrigation or domestic water facilities across the Ray's property and that granting the request would not impair the Agency's future operations.

M/S/C (Meyer/Edwards) adopting Resolution 05-10-4 to quitclaim all of the Agency's rights, title and interests in easements and reservations across property owned by James and Kathy Ray (APN 026-060-008).

CLOSED SESSION (convened by President Hunter at 3:42 p.m.)

Conference with Labor Negotiator (Govt. Code §54957.6)

Negotiator: Michael Glaze, General Manager
Employee Units: 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 3:50 p.m. President Hunter stated that the Agency's real property and labor negotiator was advised.

ADJOURNMENT

The meeting was adjourned at 3:51 p.m.

Michael C. Glaze, Secretary

Dee Hunter, President