

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

Tuesday, July 26, 2016, 2:00 P.M.,  
Agency Board Room, 2310 Oro-Quincy Hwy., Oroville, California

**DIRECTORS PRESENT:** Tod Hickman, Lou Lodigiani, Dennis Moreland, John Starr.

**DIRECTORS ABSENT:** Jim Edwards.

**STAFF PRESENT:** Rick McCullough, Foreman; John Shipman, Treatment Superintendent; Kyle Morgado, Water Resources Engineer; Shawn Hayse, Special Projects Manager; Dan Leon, Power Division Manager; Steve Wong, Finance Division Manager; Art Martinez, Manager of Information Systems; Dustin Cooper, Legal Counsel; Michael Glaze, General Manager.

**OTHERS PRESENT:** Bob White, Ron Fink, Tom Veurink, Jerry Jones, George Barber, Steve Onken, John Lucas, Betty Lucas, William Bynum.

**CALL TO ORDER**

President Lodigiani called the meeting to order at 2:00 p.m., and led the Pledge of Allegiance. He then announced that the special meeting closed session held earlier in the day had been adjourned until August 1, 2016, 9:00 a.m., in the board room at 2310 Oro-Quincy Highway, Oroville, California.

**APPROVAL OF MINUTES**

M/S/C (Moreland/Starr) approving the Minutes of the regular meeting of June 28, 2016.

**APPROVAL OF CHECKS AND WARRANTS**

In response to a question from Mr. Hickman regarding how many more payments were left on Merlot Marketing's contract, Mr. Wong speculated that there would probably be another payment similar to the one on this agenda's warrant list (\$10,300) and that it would most likely be the final payment.

M/S/C (Starr/Moreland) approving the total General Fund and Joint Facilities Operating Fund expenditures for the month of June 2016 in the amount of \$973,689.89; approving Power Division expenditures for the month of June 2016 in the amount of \$229,419.30; and, authorizing the transfer of \$2,500,000 from the General Fund to the TCB Accounts Payable and Payroll Fund for the payment of regular operating expenses.

**PUBLIC PARTICIPATION**

Steve Onken reported that retired employee Emilio Cabrera passed away earlier in the month.

Ron Fink restated previous objections to the way the minutes of the April board meeting were written and encouraged the board to reconsider Mr. Hickman's proposed amendments. He restated previous allegations that the Agency's records were inaccurate regarding parcels that qualified for service under the Railroad Commission.

George Barber, general manager of Paradise Irrigation District and an applicant for the Agency's forthcoming general manager vacancy, delivered a letter to directors offering his and PID's support for the Agency's new general manager.

**WATER DIVISION MANAGER'S REPORT**

The Board reviewed a written report from Mr. Colwell, who was on vacation.

Water Treatment Operations

M RTP treated water production for the month of June totaled 226 million gallons, which is 98% of average for the month. The 2016 January-through-June demand is at 103% of recent average.

All bacteriological requirements were met for the Miners Ranch & Bangor Treatment Plants.

### Urban Water Conservation

In May, the State Water Board adopted an emergency water conservation regulation that will be in effect from June 2016 through January 2017 and requires a conservation standard based upon SFWPA's specific water supply. It replaced the prior mandated-percentage water conservation standard of 36%. The new standard requires SFWPA to ensure a three-year supply, assuming three dry years similar to the 2012–15 hydrologic conditions. Based on these new standards, the resulting conservation standard for SFWPA is 0% conservation. This is consistent with public statements from the Agency throughout the drought period that its water rights, watershed production, and ample storage produce more than sufficient water supplies to meet current and future water consumption demands of Agency customers.

### Irrigation System

Operations have shifted from maintenance to providing irrigation water for the 2016 season.

The irrigation system's current releases are:

Forbestown Ditch	SF 14	=	22 cfs
	NYWD	=	15 cfs
	SFWPA @ WD 6	=	7 cfs
Bangor Canal	SF 25	=	12 cfs
Palermo Canal	SF 30	=	14 cfs

### Honcut Ditch / Natchez Creek Diversion

As of Friday, July 8, water was being shuttled through the Honcut Ditch to the four customers (five flat-rate accounts).

An executed permit from the California Department of Fish and Wildlife was received on July 1 and an Agency crew started work on Jul 6 (after the holiday). Rain-For-Rent had already been contacted and visited the site and provided a quote of \$8,500 for a month of operation. Fortunately, Agency equipment, personnel, and tools were able to successfully displace and stabilize the treacherous slope above the work site, and then cable and drag rocks to clear a path for a temporary pipe that permitted water to flow again. Therefore, Rain-For-Rent's proposal was rejected.

A permanent fix is currently being designed.

### M RTP Improvement Project

Agency personnel have been coordinating and providing information to the Overaa/Stantec team in support of the Phase II contract design. Significant team effort is being expended to finalize the design, equipment specifications, and construction drawings. Construction has begun on the backwash and solids handling facilities

### Jack Hill Pipeline Replacement

On July 18, Agency crews began the 2,500' of 6" pipeline replacement along Jack Hill Drive from Royal Oaks and continuing to High Rocks Court. The \$250,000 waterline replacement project is approved in the 2016 budget to replace compromised 40-year old 6" asbestos-cement pipe.

## **FINANCE DIVISION MANAGER'S REPORT**

The Board reviewed a written report from Mr. Wong, including financial statements for the year ended June 2016.

### South Feather Relicensing Consulting Services

No invoices have been submitted this month by HDR for relicensing consulting services. Total payments to HDR for relicensing services rendered through February 20, 2016 amount to \$5,140,760. The budget balance remaining under this agreement is \$8,885.

### Carpet Installation

New carpet was installed in the second-floor administrative offices the week of June 6, and in the first floor administrative offices the week of July 18. The Board Room was transformed into the Agency reception and customer service area during this time to mitigate any disruption to Agency business and customers. Art Martinez and Leroy Christophersen were commended for the outstanding job they did relocating work stations for everyone throughout the office in preparation for and upon conclusion of the new carpet installation.

### Miners Ranch Treatment Plant Improvement Project – Financing

On July 8, Mr. Colwell and Mr. Wong participated in a conference call with the MRTIP Improvement Project financing team for an initial review of the legal documents and the preliminary official statement for the project financing. And then on July 20, Mr. Glaze and Mr. Wong met with Kevin Civale, disclosure counsel with the firm of Stradling, Yocca, Carlson & Rauth, for training on Agency disclosure responsibilities under the Federal securities laws.

A Request for Proposals for Trustee services was issued July 11, with a submittal deadline of July 22. The trustee administers the bond proceeds and payments of the certificates. The next meeting of the financing team is scheduled for July 27.

### **POWER DIVISION MANAGER’S REPORT**

The Board reviewed a written report from Mr. Leon, including reservoir levels and powerhouse operations and power revenue for the year ended June 2016. The season-to-date rainfall total measured at Forbestown on July 20 was 70 inches, and the five-year average rainfall total for this time of year is 56 inches.

Water release from Little Grass Valley Reservoir (LGVR) to Sly Creek Reservoir (SCR) is currently being increased to 200 CFS. Releases from LGVR are being controlled to optimize generation efficiency, and avoid spillage of water past the powerhouses.

Powerhouse availability for June 2016 is summarized in the table below:

Powerhouse	Capacity MW	Availability Percent	Availability Hours	Generation Hours
Woodleaf	60.0	98.3	708	227
Forbestown	37.5	98.5	709	230
Kelly Ridge	11.0	100	720	527
Sly Creek	13.0	100	720	203

### FERC Facility Inspections

Water Resources Engineer Kyle Morgado and Maintenance Foreman John Davis joined FERC Inspector Jonathan Yip on July 11–14 to perform routine annual field inspections of the South Feather Power Project facilities. The inspections included Little Grass Valley and Sly Creek dams and spillways, the six diversion dams, all powerhouses, and Sly Creek penstock. Mr. Yip also met with Agency staff at the Power Division office to review FERC Supporting Technical Information Documents, Emergency Action Plans, and Dam Safety Surveillance Monitoring Reports. Following the inspections, FERC will be issuing the Agency a written report with recommendations for future repairs and maintenance.

### Little Grass Valley Dam Facilities Maintenance and Repairs

Several repairs were recently performed at the Little Grass Valley Dam structure. Corroded conduit, fixtures, and old wiring were replaced at the valve chamber to comply with FERC recommendations and meet current electrical codes. In addition, annual maintenance was performed on the 36-inch cone valve, and inspections were completed for the 36-inch butterfly valve and all air/vacuum relief valves.

At the access tunnel, rock, dirt, and debris was removed in an area where water seeps from the spillway when the reservoir level is above 5,037 feet. A small containment structure will be constructed to capture the seepage flow in response to FERC and DSOD requirements.

The existing malfunctioning thermal generator located at the standby generator house was replaced with a new unit, including new safety devices. Also, the deteriorated gas supply piping that was routed from the propane tank into the building was replaced with new supply piping and fittings.

### Additional Repair and Maintenance Projects

- All Powerhouses: Service and clean flow devices.
- Forbestown PH Main Transformer: Diagnose control panel overheating.
- Miners Ranch Canal: Inspect canal and clean intake screens. Fabricate personnel crossings.
- Power Division Vehicle Fleet: Perform ongoing repairs and maintenance.

- Power Division Yard: Inventory of equipment, and of old paint containers for disposal.
- Sly Creek Dam: Remove brush and trees from downstream face.
- Sly Creek Reservoir Access Road: Patch and pave holes on road surface.
- Sly Creek PH Valve Chamber: Refurbish electrical wiring and lighting.
- South Fork Diversion Dam: Perform inspections and clean intake screen.
- Station 2 and Station 8: Remove trash from trash racks.
- Strawberry Campground: Replace damaged picnic table.
- Woodleaf PH Access Road: Grade and smooth road surface.
- Woodleaf PH Cooling Water: Select replacement flow devices.

#### Fatality at Sly Creek Reservoir

On June 29, a 20-year old man drowned at Sly Creek Reservoir. According to Cal Fire, he had attempted to swim about 200 yards from one shore location to another, and then disappeared below the water surface about midway across. A report on the incident was filed with FERC and the Forest Service; neither agency is requiring SFWPA to make any operational changes as a result of the incident.

#### **SPECIAL PROJECTS MANAGER'S REPORT**

This month's work on the Lost Creek Dam Improvement Project has been centred on completing the downstream facing which includes the Class-1 finish, along with corrective work where it is required. The corrective work includes repair of defective concrete placed in Season 1 by removing and patching small areas of unsound concrete, and grout or epoxy injection to seal non-specified cold joints. SMCI successfully demonstrated these activities and were released to perform this work on July 5; however, this activity was suspended on July 11 as a result of a deficiency in SMCI's corrective action plan. This activity will resume once the plan is resubmitted and approved. Additionally, SMCI completed the remaining core samples in Monolith A. The report determined that the required minimum strength was attained and no significant deficiencies were identified.

#### Work Suspension

The FERC work suspension was released on July 5, conditioned on the successful implementation of the revised quality control inspection plan (QCIP) filed with FERC and DSOD.

#### Finance / Change Orders

A total of \$303,565 was disbursed this month: \$73,571 for design support and construction management, and \$228,750 to SMCI. Nineteen potential change orders remain under review, and no change orders were approved this month.

Table 1: Finance Summary

<b>Expense Category</b>	<b>Actual Costs to Date</b>	<b>Original Budget</b>	<b>Estimate at Completion</b>	<b>Estimate to Completion</b>	<b>Variance from Budget</b>
*Construction (SMCI)	\$ 12,579,567	\$ 19,626,090	\$ 19,793,990	\$ 7,214,423	\$ 167,900
**Engineering / Construction Mgt. (AECOM)	\$ 5,980,106	\$ 8,307,000	\$ 9,851,028	\$ 3,870,922	\$ 1,544,028
***Ancillary Expenses	\$ 458,847	\$ 356,000	\$ 574,000	\$ 115,153	\$ 218,000
<b>TOTAL</b>	<b>\$ 19,018,520</b>	<b>\$ 28,289,090</b>	<b>\$ 30,219,018</b>	<b>\$ 11,200,498</b>	<b>\$ 1,929,928</b>
	<i>Agency's Portion of the Total Estimated Project Cost at Completion (60%)</i>		<b>\$ 18,131,411</b>		

\*Includes escrowed retention

\*\*Includes engineering design work beginning in 2009. This budget category is based on a full three seasons of construction management.

\*\*\*All other project costs: batch plant power, materials testing, preliminary investigations, project fees, etc.

#### **GENERAL MANAGER'S REPORT**

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

#### Employee Transitions/Additions

The 2016 Budget included a new Hydro Operator-in-Training position in the Power Division, commencing in July, in advance of the upcoming retirement of a Hydro Roving Operator. This almost always results in a "trickle-up" process of transitions, promotions and new hires.

In this instance, Power Division Utility Worker Marc Teer was appointed to the new Hydro Operator-in-Training position and Water Division Utility Worker Cory Nevers was promoted to the position vacated by Mr. Teer. Mr. Nevers' vacated position was filled by Ted Travis who was hired from the City of Oroville where he had been an experienced Lead Worker in the City's Public Works Department.

#### Inventory of Railroad Commission Parcels

In April 1992, the Agency's board of directors conducted a special meeting workshop for the purpose of gaining a better understanding of the Railroad Commission's (RRC) decision authorizing the sale of the two predecessor private utilities to OWID. The RRC ordered that the parcels that had been served by the predecessor utilities but had not been included in OWID's boundaries be served a specified quantity of water at the same rate as district customers, even if they weren't taking water at the time of OWID's formation. They had a ten-year window – 1922 to 1932 – to develop their acreage and start using water.

A listing of the parcels known at that time to be qualified under the RRC decision ("the 1992 List") was provided at the workshop. This is the same list that Mr. Fink has recently referenced and questioned if the Agency still acknowledges the RRC status of those 222 parcels.

Art Martinez and Leroy Christophersen analyzed the 1992 List, comparing it to the Agency's current inventory of parcels identified as RRC, as well as others that are served under a different designation (i.e., original, annexed and surplus-water parcels). They checked each parcel on the List against Butte County's current parcel listings to ensure that changes to the parcel structure (subdivisions of parcels could have occurred since 1992) or numbering had not occurred. Once they were confident that they could accurately identify each parcel on the List, they then conducted a comparison with existing Agency databases.

While the 1992 List contained only 222 parcels, the Agency presently identifies 429 parcels as RRC (332 of which are customers). The additional 207 parcels are in the serviceable parcel inventory because Mr. Glaze has authorized their inclusion over the past 24 years, based on various evidences that they qualified under the RRC decision.

Of the 222 parcels on the 1992 list, only 12 could not be found in the Agency's Springbrook or GIS databases. None of these are on the Lower Forbestown Ditch operated by the Agency.

In response to a question from Mr. Fink, Mr. Glaze affirmed that no application for service from an RRC parcel on the Forbestown Ditch has been denied.

#### GM Recruitment Process

As reported over the past six months, the application period for the forthcoming General Manager vacancy ended on April 1. Twenty-three applications were received. Four of the applications were determined not to meet the basic recruitment criteria, and the remaining 19 were invited to participate in a writing project. Sixteen candidates completed and returned their essays by the deadline.

Evaluation of the essays resulted in the Recruitment Committee selecting eight applicants to move on to the initial interview process that occurred on June 14 and 15. The following senior Agency employees were on the interview panel:

Geno Higgins, Power Div. Oper. Foreman  
Dan Leon, Power Division Manager  
John Franklin, Water Division Foreman  
Cheri Richter, Accounting Specialist  
Art Martinez, IT Manager  
Superintendent

John Davis, Power Div. Maint. Foreman  
Rick McCullough, Water Div. Foreman  
Matt Colwell, Water Division Manager  
Steve Wong, Finance Division Manager  
John Shipman, Treatment

The panel's recommendations were considered by the Recruitment Committee (directors Edwards and Lodigiani) on June 27, at which time the Committee accepted the interview panel's recommendation as the two finalists to be interviewed by the whole board.

The board interviewed the two candidate finalists in a special meeting closed session this morning. Because only three directors were present, the special meeting was adjourned until August 1 at 9:00 a.m.

The goal for this adjourned closed session is to authorize the General Manager to enter into contract negotiations with the candidate selected by the board. It is anticipated that the final employment agreement with the selected candidate will be considered for approval by the board in open session at its regular meeting on August 23.

#### **DIRECTORS' REPORTS**

Mr. Lodigiani explained his recent absences being due to a vacation and surgery.

Mr. Hickman complimented staff on their temporary solution for getting water to the customers below Natchez Creek. He also made reference to property owners organizing to consolidate their service applications to reduce fees by grouping together.

Mr. Moreland complimented the recent facilities tour.

#### **DELINQUENT ACCOUNTS TO BE ADDED TO 2016-2017 TAXES**

Mr. Martinez reported that, although every effort has been made by Agency staff to contact the responsible parties, there are currently 11 accounts whose owners have not responded. Each of the 11 accounts has been terminated within the last year and, for most, no communication was received subsequent to the terminations. These unresolved accounts usually result from a change in the ownership status of the property; death of the owners and unresolved distribution of the estate; abandonment of the residence; ongoing lawsuits; etc.

As a public agency, SFWPA is able to collect delinquent accounts by placing them on the Butte County tax rolls. The cost for this service, levied by the Tax Collector, is 30¢ per parcel, for a total this year of \$3.30.

Directors reviewed a list of the 11 accounts and their individual total delinquencies.

Mr. Martinez reported that all but \$2,288 of this year's delinquencies have been paid through routine collection procedures, thanks to the diligent efforts of the office staff.

M/S/C (Lodigiani/Starr) adopting Resolution 16-7-1, authorizing 11 accounts, for a total of \$2,287.60 plus fees, be added to the 2016-2017 Butte County tax roll.

#### **PONDEROSA TUNNEL PROJECT CONTRACT – SHIMMICK CONSTRUCTION**

Mr. Hayse advised that, prior to the construction of Lake Oroville, Ponderosa Dam provided in-stream water releases for fish and other environmental purposes to the South Fork Feather River through two low-level outlets. After the Lake Oroville Project was completed, in-stream releases were no longer necessary and the valves were abandoned in place. During a 2013 annual inspection by the Division of Safety of Dams, it was determined that the valves must be refurbished and maintained to provide an emergency outlet for Ponderosa Reservoir in the unlikely event it must be drained. The valve chamber is located at the end of a 400' access tunnel within Ponderosa Dam. The tunnel is currently littered with log debris from Lake Oroville and requires traversing a partially submerged jagged rock floor.

The project had been divided into three phases: Phase 1 - reestablish access to the tunnel portal using the original alignment for the dam's construction; Phase 2 - remove approximately 30 cubic yards of log debris and pour a concrete floor to support access to the valve chamber for personnel and equipment; and, Phase 3 - perform required valve repairs on the two 36-inch Darling valves. Agency personnel completed Phase 1 in 2015, and will be performing the Phase 3 valve repairs. However, Phase 2 requires the expertise and resources of an outside contractor.

The Phase 2 work was issued for bid on July 21, 2015, anticipating the work would be performed during the fall of 2015. Three bids were received with a 124% spread between the bids. Shimmick Construction was the low bidder at \$350,000. Subsequently, operational requirements involving Ponderosa Reservoir forced the delay of the project, which was then further delayed due to inundation of the site by Lake Oroville. Shimmick agreed to a bid price increase of 3% to account for the increase in construction and labor costs since the original bid was prepared, which is consistent with regional construction price indexes.

Shimmick Construction is a well-known and respected firm with a successful record of performing more than \$6-billion worth of heavy civil construction in California.

The project is scheduled to begin September 1, with a completion date of September 30, 2016.

M/S/C (Hickman/Lodigiani) approving, and authorizing the General Manager to execute, the contract with Shimmick Construction Company Inc. in the amount of \$360,500 for the 2016 Ponderosa Tunnel Project (Phase 2).

**RECESS** (3:17 p.m.)

**CLOSED SESSION** (convened at 3:31 p.m.) –  
Conference with Legal Counsel: Anticipated Litigation (Government Code §54956.9(d)(4)), two potential cases.

**OPEN SESSION** (reconvened at 4:42 p.m.) – President Lodigiani announced that legal counsel was given direction during the closed session.

**ADJOURNMENT** (4:38 p.m.)

---

Michael C. Glaze, Secretary

---

Lou Lodigiani, President

THIS PAGE  
INTENTIONALLY  
LEFT BLANK