

**TRI-DAM PROJECT
MINUTES OF THE JOINT BOARD
OF DIRECTORS REGULAR MEETING**

November 17, 2011
Manteca, California

The Joint Board of Directors of the Oakdale Irrigation District and the South San Joaquin Irrigation District met in joint session at the office of the South San Joaquin Irrigation District located in Manteca, California on the above date for the purpose of conducting business of the TRI DAM PROJECT, pursuant to the Resolution adopted by each of the respective Districts on July 29, 1955.

The regular meeting was called to order at 9:00 A.M. by Chairman Holbrook.

OID DIRECTORS

JACK ALPERS
FRANK CLARK
HERMAN DOORNENBAL
AL BAIROS, JR.
STEVE WEBB

SSJID DIRECTORS

DALE KUIL
BOB HOLMES
JOHN HOLBROOK
RALPH ROOS
DAVE KAMPER

DIRECTORS PRESENT:

DIRECTORS ABSENT:

STEVE WEBB (*excused at 12:15pm*)

ALSO PRESENT:

Dan Pope, General Manager and Secretary, Tri-Dam Project; Kathy Cook, Chief Financial Officer, OID; Rick Dodge, Finance Manager, Tri-Dam Project; Genna Modrell, Financial Assistant, Tri-Dam Project; Steve Emrick, General Counsel, SSJID; Bere Lindley, Chief Financial Officer, SSJID

PUBLIC COMMENT

None

DIRECTOR COMMENTS

None

ITEM #1 REVIEW and APPROVE MINUTES

Chairman Holbrook presented the October 20, 2011 Minutes of the Regular Board meeting. Director Holmes noted the correct start time should be A.M. instead of P.M. Director Holbrook noted a typo on page 2 regarding Tulloch 3rd unit. It should read 79.8% complete rather than 89.8% Director Kuil moved to approve the October 20, 2011 Minutes

of the Regular Board meeting of the Joint Board of Directors with noted corrections. The motion was seconded by Director Bairos. The motion passed unanimously.

ITEM #2 FINANCIAL MATTERS

- a) Review and Approve the Financial Statements**
- b) Review and Approve the Statement of Obligations**

Finance Manager Dodge reviewed the financial statement reports and the statement of obligations with the Directors and responded to questions.

Director Bairos moved to approve the financial statements and statement of obligations. The motion was seconded by Director Kamper. The motion passed unanimously.

ITEM #3 DISCUSSION & REVIEW – MERLE HOLMAN

Mr. Holman was introduced to the Board to present the requests he made to Tri-Dam in his letters dated September 2, 2011 and November 8, 2011. Mr. Holman provided each of the Directors a binder of documents he felt was related to his request. Mr. Holman was accompanied by Ms. Susan Andrus, Mr. Frank Walters, and Mr. Leonard Lester. Mr. Holman referred the Board to the presentation binders he provided. Mr. Holman then presented a history of the 2001 application and referral to the Federal Regulatory Commission (FERC) for his original proposed project. Mr. Holman then directed the discussion back to the 1996 agreement with the Board regarding lot line adjustments and free permits. Mr. Holman stated, at that time, Lake Tulloch Shores-Units 1 and 2 subdivisions were being developed with homes authorized by FERC to extend over the reservoir. He then indicated that prior to 1979, there were no regulations on the reservoir. He stated the irrigation districts originally purchased easements in 1952 and did not complete the purchase of easements and properties until 1957. Mr. Holman indicated that, in his opinion, the Districts chose to purchase flowage easements rather than land due to budget constraints. Mr. Holman stated FERC then mandated that Tri-Dam prepare a Reservoir Management Plan. FERC then gave the Districts the authority to issue minor permits for certain activities but did not authorize the permitting of structures over the water without FERC approval. Tri-Dam certainly could make recommendations. Mr. Holman then returned to the discussion of the processing of his 2001 application, wherein he advised that Mr. Felte refused to process the application for free and he paid, but due to delays associated with the processing and FERC approval, the County permit expired. Mr. Holman then corrected the date in the first paragraph of the memorandum in section 4 and said that the year should be 2001. Mr. Holman indicated, when asked about the status of that Tri-Dam permit, that he did not sign the permit. He wanted Mr. Felte and Tri-Dam to agree to limited authority, however, Mr. Felte disagreed. Mr. Holman believes that there should be support for his new project and directed the Board to that section of the presentation binder. He also presented the plan that was previously filed in 2001 and approved by FERC.

Director Clark asked if he had signed the 2001 permit. Mr. Holman again affirmed that he had not. Director Doornenbal asked him if he had reapplied for a County permit and Mr. Holman indicated that he has.

Chairman Holbrook then asked Mr. Holman to take a few moments and provide the Board with a synopsis of what he would like from the Board. Mr. Holman referred to section 14 of the handout. Director Clark asked Mr. Holman to clearly advise the Board what he was seeking. Mr. Holman indicated that it is fully contained within section 12 of his presentation binder.

Frank Walter stated, in his opinion, Tri-Dam should have purchased the land and not a flowage easement. Mr. Walter also referred to the Davis-Grunsky Act. He believed the State of California gave Tri-Dam funds to develop recreation projects for public use. Discussion ensued about the property owned by California Fish & Game, leased to Tuolumne County and operated by concessionaire at South Shore. Director Webb stated there is other public land managed by the Bureau of Land Management on the Calaveras side and is available for public access.

Director Webb also advised that if one was to check the historical records, when the Districts first developed the reservoir, the property was dry cattle land. The level of development that now exists was not foreseen, therefore, the Districts purchased the flowage easements not as a budgetary consideration but as a means of continuing to allow the ranching families to make use of the pasture land for grazing.

Director Bairos indicated that he would like time to study the materials and have the matter brought back to the Board for discussion and possible action. Staff will prepare a report for the Board.

Director Doornenbal asked Mr. Holman what likelihood there would be of the County approving the project, if the Board elected to proceed with alternative #1 in his letters. Mr. Holman asked the Board to re-read alternative #1. He is asking for a letter of unconditional support and that he does not expect to be advised that it is contingent upon revisions to the Shoreline Management Plan. Mr. Holman then asked how to obtain a copy of the Shoreline Management Plan. General Manager Pope responded and said that it is available online. Tri-Dam will also transmit a hard copy to Mr. Holman.

Director Alpers then asked Mr. Holman to clarify his intent relative to alternative #3 in his letters. He stated it appeared to be a threat of sorts. Mr. Holman indicated that it is a promise. Mr. Walter then reaffirmed his request that Tri-Dam purchase the Holman property.

Ms. Andrus asked for a timeline for when the matter return for the Board's consideration. General Manager Pope stated it would not be on the agenda calendar prior to January and more likely February 2012.

Director Doornenbal then asked if the proposed purchase price was based upon appraisals. Ms. Andrus indicated they had an offer to purchase the property in 2008 for \$5 million from Granite Bay but the deal fell through. Nothing has been able to be developed due to high turnover within the Planning Department. She further indicated that no current appraisal has been done.

Director Webb concurred that the matter be brought back for discussion and action.

ITEM #4 RESOLUTION TDP 2011-07 AUTHORIZE BANK ACCOUNT SIGNATORIES

Resolution TDP 2011-07 was presented to the Directors adding Ron Berry, Operations Supervisor as the second check signer to the Project bank accounts. Director Kamper moved to approve Ron Berry as a check signer. Director Webb seconded the motion. The motion passed unanimously.

ITEM #5 REPORT OF TULLOCH 3RD UNIT

a) Review and Discussion of MWH Progress Report

Mr. Geoff McCavitt reviewed the monthly progress for the 3rd unit. The total work completed through the end of September was 82.2%. The approved schedule continues to show the contractor is expected to complete all contract work by April 1, 2012. The current cost to complete forecast continues to show potential additional costs for Proven overhead and MWH resulting from the extension of the scheduled work into 2012 caused by the construction of the water exclusion device. Significant work in September included concrete placement of the powerhouse roof deck, installation of powerhouse piping, and installation of electrical cable tray and conduits.

Mr. McCavitt stated MWH has analyzed the routing of higher flows out of the spillway through the spillway channel and over the new roadway and the potential for some of the spillway flows to travel down the road way to the new powerhouse. The analysis used scenarios with one spillway gate fully open, two gates fully open, and all gates fully open. The higher flows are expected to continue over the road crossing and remain in the spill channel. MWH is working on a comprehensive start up and commissioning plan.

The Board asked questions regarding water quality requirements and monitoring. Mr. McCavitt stated the contractor is in compliance with the permit requirements. The environmental monitor is performing regular, manual sampling that corroborates the validity of the pH monitors in the reservoir. Required water quality reporting to agencies is being performed.

GM Pope stated construction cost forecasts that are related to Tri Dam were updated.

b) Review and Discussion of Ewing Construction Services (ECS) Report

Mr. Dave Ewing, ECS reviewed his report with the Board. He continues to focus on safety, environmental issues, and schedule analysis for Tri Dam. MWH and Tri-Dam are focusing on the development of start up and commissioning testing which is critical. Some concurrent activities are scheduled to be performed in the same areas at the same time and need to be better coordinated by the contractor. The contractor will need to take extra care to protect the installed equipment in the powerhouse while other construction activities are taking place.

ITEM #6 GENERATION & MARKET OPTIONS - PRESENTATION BY VINCE VELASQUEZ, SHELL ENERGY NORTH AMERICA

Mr. Vince Velasquez, Shell Energy North America, provided a power point handout and gave a presentation to inform the Board regarding Shell's forecast for power prices in 2012, the expected demand for longer term agreements for renewable energy, Shell's performance in 2011 regarding the performance of its contractual requirements, and the potential for Tri Dam to consider selling some generation in forward markets as another revenue source. Shell anticipates down pressure on electric generation prices due to continued lower natural gas prices, continued low growth in load, and reduced demand in 2012. The carbon cap and trade rules will be implemented beginning in 2013 and could provide upward pressure on hydro prices.

ITEM #7 REVIEW 2012 DRAFT BUDGET

Finance Manager Dodge provided a handout and reviewed the 2012 draft budget with the Directors. Directors will review and are requested to provide any comments, questions or proposed changes to the Tri Dam Project Advisory Committee for discussion at the December meeting.

The final proposed budget is planned to be presented to the Board at the regular December meeting.

ITEM #8 REVIEW AND APPROVE COMMUNICATION SITE CONTRACTS

General Manager Pope informed the Board it has tenants at its communication sites at Strawberry Peak and Mt. Elizabeth. These sites are on U.S. Forest Service land and Tri-Dam pays an annual lease for both sites. The tenant's fees are intended to cover the cost of electric power and a prorated share of the space. The contracts for the Board's consideration are for the Tuolumne Utilities District and the Northern California Power Authority. The general manager reviewed the terms of the contracts. Director Holmes moved to approve both contracts and authorize the general manager to execute the necessary documents. Director Doornenbal seconded the motion. Motion passed unanimously.

ITEM #9 REVIEW AND APPROVE PURCHASE/CONTRACT AUTHORIZATIONS

GM Pope reviewed the submitted purchase requests with the Board and responded to questions.

a) Item 2011.11.01 2012 Stream-Gaging Program

b) Item 2011.11.02 Martech Mechanical - hand carried.

General Manager Pope explained this matter arose after the agenda was completed, but it was of an urgent nature and needed to be performed prior to the next regularly scheduled meeting.

Director Bairos moved to include the item as a matter of urgent need. Director Kamper seconded the motion. Motion passed unanimously.

Director Alpers moved to approve Items 9a and 9b. Director Holmes seconded the motion. Motion passed unanimously.

ITEM #10 FISHBIO PRESENTATION

GM Pope briefly reviewed the October report submitted by FISHBIO and responded to director's questions. The Board discussed the recent press release regarding the US Bureau of Reclamation reducing flows in Stanislaus River recently and exposing a large number of salmon redds.

ITEM #11 GENERATION AND POWER MARKETING REPORT

Donnells Powerhouse has been out of service for annual scheduled maintenance and is expected to be returned to service on November 18th. Tri Dam staff has performed

exceptionally well during the maintenance outages for Sand Bar, Beardsley, and Donnells Powerhouse. Average peak power prices have reached the low \$40s/MWh during October. Generation output is still expected to be above average through the remainder of the year.

ITEM #12 PROJECT STAFF REPORTS

GM Pope briefly reviewed the highlights of the staff reports and responded to director comments and questions.

ITEM #14 CLOSED SESSION

- a. Conference with legal counsel – 4 cases
- b. Potential Litigation (1) Case

The Board took no action in closed session.

ADJOURNMENT

Director Clark moved to adjourn the Tri Dam Project Board of Directors meeting. Director Kuil seconded the motion. Motion passed unanimously. The meeting was adjourned at 12:57 P.M.

The next Regular Board meeting is scheduled for December 15, 2011 at the Oakdale Irrigation District in Oakdale, California.

ATTEST:

Dan Pope
Executive Secretary
Tri-Dam Project