
SOUTH FEATHER WATER & POWER

PURSUANT TO THE REQUIREMENTS OF
STATEMENTS ON AUDITING STANDARDS (SAS) NO. 61

FOR THE YEAR ENDED
DECEMBER 31, 2006

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
2515 VENTURE OAKS WAY, SUITE 135
SACRAMENTO, CA 95833



April 5, 2007

To the Board of Directors
South Feather Water & Power Agency
Oroville, California

We have audited the financial statements of the South Feather Water & Power Agency for the year ended December 31, 2006, and have issued our report thereon dated April 5, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 3, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the South Feather Water & Power Agency. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the South Feather Water & Power Agency are described in Note 1 to the financial statements. No new significant accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2006. We noted no transactions entered into by the South Feather Water & Power Agency during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the depreciation of fixed assets.

During the course of our audit, we evaluated the key factors and assumptions used by management to develop these estimates and determined that they are reasonable in relation to the Agency's financial statements taken as a whole.

PRINCIPALS

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the South Feather Water & Power Agency's financial reporting process. In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the South Feather Water & Power Agency, either individually or in the aggregate, indicate matters that could have a significant effect on the South Feather Water & Power Agency's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Directors and management of the South Feather Water & Power Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Mann, Urrutia, Nelson CPAs". The signature is written in a cursive, flowing style.

Mann, Urrutia, Nelson CPAs