



SOUTH FEATHER WATER & POWER AGENCY

TO: Board of Directors

FROM: Michael Glaze, General Manager

DATE: November 16, 2007

**RE: Proposed Water Transfer - 2008
Agenda Item for 11/27/07 Board of Directors Meeting**

Since your last meeting I have had conversations with representatives of both Metropolitan Water District (MWD) and Palmdale Water District regarding the possibility of a 10,000 acre-foot water transfer in 2008. Although this item does not qualify for closed-session discussion, both MWD and Palmdale are asking for as much confidentiality as we can provide, I will provide copies to you of MWD's "Proposed Terms and Conditions for 2008 Options Contracts" and Palmdale's "Short-Term Water Purchase Letter of Intent" at the meeting. Both agencies are offering in excess of twice the price received from SFWPA's last water transfer.

Attached is a "Proposed Water Transfer Methodology" that Kathy Petersen and I prepared. Copies of this have been provided to MWD and Palmdale for information purposes, and the first paragraph thereof clearly specifies that it does not represent a "Term Sheet". However, in addition to this information, I would like to recommend terms and conditions at the meeting that, if approved, together would constitute a term sheet that could be used to further negotiate a 2008 water transfer agreement.

Once the issues, terms, and conditions are clear to all, I'd like the Board to consider the following action:

"I move approval of the Term Sheet for a 2008 Water Transfer and authorize the General Manager to negotiate the terms and conditions of same with a qualified buyer for subsequent Board consideration."