



SOUTH FEATHER WATER & POWER AGENCY

TO: Board of Directors

FROM: Michael Glaze, General Manager

DATE: January 15, 2008

RE: General Information (regarding matters not scheduled on the agenda)
1/22/08 Board of Directors Meeting

Relicensing

Kathy and I met with U.S. Forest Service (USFS) and Fish & Game (F&G) staff on December 18. They made a PowerPoint presentation for the purpose of explaining their proposal for in-stream flows. For comparison purposes, the license application filed with FERC by the Agency early in 2007 proposed in-stream flows that would result in an average annual 3% loss of water for generation purposes. The USFS/F&G proposal would result in a 6.8% (their estimate using the Agency's model) loss of water for generation purposes. The presentation contained no mitigation targets or scientific justification for the proposed flow increases. Additionally, USFS and F&G representatives are proposing that the Agency install a fish screen in Lost Creek Reservoir at the diversion to Woodleaf Powerhouse.

Although the presentation was submitted with a take-it-or-leave-it attitude, Agency consultants are reviewing the information presented to evaluate the impact the proposal would likely have on the Agency in terms of lost generation. Once complete, USFS and F&G representatives will be invited back to the table for the purpose of discussing possible alternatives that could be mutually satisfactory. We sincerely hope they will be open to further discussion before FERC issues its "Ready for Environmental Assessment" notice, which it has advised will happen in February.

The good news is that the USFS and F&G have affirmed that all other measures proposed in the Agency's license application are acceptable to them.

Future Power-Purchase Agreement Discussions

As I reported at your meeting on December 18, PG&E representative Jeff Henderson emailed me on December 14 and stated that he did not know when he would be able to respond to the Agency's counteroffer made last September due to PG&E's "need for greater and more-detailed analysis" of contract costs and revenues. I responded by telling Mr. Henderson that PG&E had already had sufficient time to gather necessary data for its analysis and that the delay in negotiations was unacceptable. Mr. Henderson was also advised that the exclusive-negotiations relationship that the Agency had honored with PG&E since negotiations began would be terminated on February 1.

On January 7, I received a voice-mail message from Mr. Henderson promising that he would have a response to us "before February 1."

Annual Fee Increases

In accordance with Board policy, the Residential Meter/Backflow Fee, System Capacity Charges, Backflow Maintenance Charges, and Annexation Fees will increase by 2.6% on January 1, 2008.

The action regarding the Residential Meter/Backflow Fee occurred In September 2006 when the Board amended the Rules & Regulations as follows:

...to replace the Standard Meter-Set Fee and the Radio-read Meter-Set Fee with a Residential Meter/Bacflow fee of \$904 that will be charged whenever water service is requested for a parcel with an existing service line and meter set; that said fee will be payment in full for installation of a 5/8" residential radio-read meter and 3/4" backflow prevention device; and, that said fee be increased annually, commencing on January 1, 2008, in accordance with the Engineering News Record's National Construction Cost Index, subject to suspension on a year-by-year basis by the Board of Directors.

In a 1999 resolution, the Board specified that System Capacity Charges, Backflow Maintenance Charges, and Annexation Fees would...

...be increased on January 1 of each year in accordance with the Engineering News Record's National Construction Cost Index, subject to prior notification of the Board of Directors by Staff that said index conforms to anticipated changes in cost for such facilities.

The 2007 National Construction Cost Index through December is 2.6%, which is a reasonable reflection of the increase in costs we have experienced over the past year.

A schedule of each of these charges and fee are provided below, showing the 2007 and the new 2008 rates.

<i>RESIDENTIAL METER/BACKFLOW FEE</i>	
<u>2006 Fee</u>	<u>2008 Fee</u>
\$904	\$928

BACKFLOW MAINTENANCE CHARGES		
<u>Size</u>	<u>2007 Monthly Charge</u>	<u>2008 Monthly Charge</u>
¾"	\$4.72	\$4.85
1"	\$7.07	\$7.25
1½"	\$9.46	\$9.70
2"	\$10.63	\$10.90
3"	\$23.63	\$24.25
4"	\$28.34	\$29.08
6"	\$41.34	\$42.41
8"	\$50.00	\$51.30
10"	\$58.00	\$59.51

SYSTEM CAPACITY CHARGES (MRTP)		
<u>Meter Size</u>	<u>2007 Capacity Charge</u>	<u>2008 Capacity Charge</u>
5/8"	\$3,465	\$3,555
1"	\$8,659	\$8,884
1½"	\$17,321	\$17,771
2"	\$27,716	\$28,437
3"	\$55,422	\$56,863
4"	\$86,599	\$88,850
6"	\$173,198	\$177,702
8"	\$415,675	\$426,482
10"	\$658,151	\$675,263
12"	\$865,989	\$888,504

ANNEXATION FEES	
<u>2007 Fees</u>	<u>2008 Fees</u>
\$124 – processing (developed)	\$127 – processing (developed)
\$247 – processing (undeveloped)	\$247 – processing (undeveloped)
\$365/acre – annexation	\$374/acre - annexation
\$731/5/8" meter - annexation	\$750/5/8" meter - annexation
\$1,827/1" meter - annexation	\$1,874/1" meter - annexation
\$978/flat rate - annexation	\$1,004/flat rate - annexation
\$1,462/miner's inch - annexation	\$1,500/miner's inch - annexation

SFWPA Financing Corporation Meeting

According to the bylaws of the South Feather Water and Power Agency Financing Corporation, the Board of Directors of the Corporation (being the same as the Board of Directors of SFWPA) is scheduled to have its annual meeting on the date of the first regularly scheduled meeting of the Board of Directors of SFWPA – the fourth Tuesday of January. The agenda and item reports for this meeting are attached but bound separately. The corporation's meeting is scheduled to begin at 2:30 p.m., so it would be in order for you at that time, or shortly thereafter, to adjourn the Agency's meeting, convene the corporation's meeting and

conduct its business, then adjourn the corporation's meeting and reconvene the Agency's meeting and attend to the unfinished business on its agenda.

Governor Declares Fiscal State of Emergency

Directors expressed concern at the last meeting that the predicted declaration by the Governor of a fiscal state of emergency was a harbinger of another round of property tax revenue taking by the State. CSDA's e-News for the week of January 7 contained the following paragraph.

Governor to Present State of the State Address

The governor will present his State of the State address Tuesday at 3:30 before both houses of the Legislature. This Thursday, he will release his 2008/09 proposed state budget and declare a fiscal state of emergency, calling for a special session of the Legislature to address the budget crisis. **This declaration is not the declaration he is required to issue under Proposition 1A** *[emphasis added]*. CSDA will be staying on top of any updates pertaining to Prop 1A and will keep members posted as information becomes available.

There was no further explanation as to the difference in declarations, but I'm sure more information will be forthcoming.

A subsequent ACWA "Communications Outreach Advisory" about the emergency declaration contained the following statement: "The fiscal woes could ignite a new battle over local property tax revenues, which have been tapped in the past years to fill holes in the state budget."

Management Training

After returning from providing the American Samoa Power Authority (ASPA) management team with a week of training, I decided that it would be good for SFWPA's management team to work its way through the information developed for ASPA. So, rather than replicating the same intensive format, we're going to meet for 1½ hours each week for 10 – 12 weeks. The topics that will be covered are summarized below:

- Identifying Personal Working Styles
- Understanding and Overcoming the Five Dysfunctions of a Team
 - Absence of Trust
 - Fear of Conflict
 - Lack of Commitment
 - Avoidance of Accountability
 - Inattention to Results
- Leaders are Different
- Effective Managers and Supervisors
 - Maturity Stages
 - Seeing Employees' Potential and Developing It
 - Time Management
 - Delegation and Assignment Methodologies
 - Risk Management through Effective Decision Making
- Communication and Management
 - Listening Well
 - Managing the Grapevine

- Communicating Upwards
- Managing Staff Meetings
- Personnel Management and Supervision
- Staff Infections and Their Treatment
- Productivity, Efficiency, and Morale
 - Motivating Employees
 - Engaging People in the Workplace
 - Improving Morale
 - Supervision
 - Discipline Techniques
 - Communication
 - Recognition
 - Effective Performance Appraisals
 - Managing Conflicts
 - Between Employees
 - Between You and Others
 - Conflict Prevention
 - Identifying and Controlling Harassment
- Strategic Planning
 - Identifying Values
 - Establishing Realistic Goals and Objectives
 - Developing a Strategic Plan
- Policy Development and Implementation
- Community Relations
 - Effective Board/Management Relations and Communication
 - Improving Public/Customer Relations and Communication
- Ethics and Conflicts of Interest