



## ***SOUTH FEATHER WATER & POWER AGENCY***

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**TO: Board of Directors**

**FROM: Michael Glaze, General Manager**

**DATE: May 21, 2008**

**RE: Power Marketing Request for Proposals  
Agenda Item for 5/27/08 Board of Directors Meeting**

As I reported last month, President Jim Edwards and I had a conference call with PG&E representatives the morning of the Board's last meeting (April 22). A few minutes before the call started, we received a new proposal from PG&E that became the focal point of the conference. Unfortunately, all we could do was listen to their explanation of the proposal and ask a few questions due to the fact that we were seeing it for the first time.

Subsequent to the phone call, however, the Agency's power-marketing consultants, Michael and Sandra McDonald, reviewed the new proposal. Their assessment was that, while the new proposal appeared to be a slight improvement over the one received in August 2007, it was still not providing adequate value for ancillary services, resource adequacy, renewable value, and peak energy during the July-December time period.

I directed Mr. McDonald to communicate his (our) concerns to PG&E. Subsequently, in a phone conversation with PG&E's Mark Bommersbach (Jeff Henderson's replacement from the Procurement Division), Dave Landes, and Kevin Goishi, they agreed to think it over and come back with a revised proposal. In response to their questions of what the Agency thought a reasonable offer would be for the various components, Mr. McDonald correctly advised them that, for this iteration, the Agency wanted PG&E to listen to its concerns and then respond with a revised proposal.

At a meeting of the PG&E-partnership districts (CAPP) in Monterey on May 6, I talked with Messrs. Bommersbach, Landes and Goishi, and Gary Jeung of PG&E's Procurement Division, about the need to move our negotiations along. I informed them that I would be asking the Board for permission to develop and publish a Request for Proposals on May 27 if they were not responsive by then to our request for a revised proposal.

At this writing, notwithstanding a recent phone conversation wherein Mark Bommersbach indicated they needed more time, there has been very little from PG&E that demonstrates its eagerness for a deal, or its ability to close the deal.

Because the clock is ticking down on the present power-purchase contract with PG&E (expires June 30, 2010), and given the very positive responses to our informal inquiries we've received from other market

players, PG&E's continued foot dragging and equivocating, and the changing market value of Agency assets, I'm recommending that a Request for Proposals be prepared and that we initiate the process of soliciting proposals from the various entities in the power market who are eager to get an opportunity to do business with SFWPA.

The action I'm requesting is:

**"I move authorization for the General Manager to prepare and publish, subject to approval by the Ad Hoc Power Marketing Committee, a Request for Proposals for purchasing SFWPA hydropower."**