



SOUTH FEATHER WATER & POWER AGENCY

TO: Board of Directors

FROM: Michael Glaze, General Manager

DATE: June 18, 2008

RE: General Information (regarding matters not scheduled on the agenda)
6/24/08 Board of Directors Meeting

Relicensing

For the first time in many months, I have almost nothing new to report, other than that FERC is processing its environmental review of the license application and has been in contact with Agency consultants regarding minor clarification of information items.

Power Marketing

Immediately after the Board's last meeting I received a call from PG&E's Marc Bommersbach advising that they were sending a new proposal before the week was over. That proposal was received on May 30.

Over the next week McDonald Partners, the Agency's power-marketing consultants, analyzed the proposal. Their evaluation was presented to the Ad Hoc Power Marketing Committee (Directors Edwards and Cecchi), Jeff Meith and I on June 5. The Committee's conclusion was that PG&E's May 30 proposal was a good one in the sense that it cut in half the difference between their April 22 proposal and the Committee's valuation of the project.

The Committee agreed that a counteroffer should be made, and I subsequently delivered that message to Mr. Bommersbach. I'll provide a detailed verbal report of the counteroffer at the meeting but, in summary, PG&E was advised that the Committee would recommend to the Board: (1) acceptance of the terms of the May 30 proposal, but for no more than a five-year term; or, (2) acceptance of a ten-year or longer term if the proposed energy price was increased by 1% and the annual fixed payment was increased by \$1.4 million.

A conference call between McDonald Partners, the Committee, Agency management, and PG&E representatives is scheduled for tomorrow, June 19, to discuss the Agency's counteroffer. The potential exists that: (1) agreement will be reached and we will be able to advise the Board of the terms by which the attorneys will begin drafting agreement language; or, (2) agreement will not be reached, in which case I will direct McDonald Partners to prepare a draft RFP for the Committee's consideration, as authorized by the Board last month.

Exploring Opportunities for Collective Power Marketing

As reported last month, a meeting has been set for July 1 during which CAPP members will meet with representatives of Northern California Power Authority to discuss the future of power marketing and to evaluate the pros and cons of creating a joint powers authority (JPA) of public hydropower-producing agencies like SFWPA, and how a JPA functions and serves its members through synergistic sharing of technical resources and connecting hydro resources to loads and markets. In addition to discussing scheduling and ISO requirements, legislative and regulatory issues affecting hydropower marketing, the group will also explore various paths of opportunity, the issue of CAPP members all having different license- and contract-end dates, political obstacles, and obvious next steps if there is interest in pursuing the matter. If members of the Board's Ad Hoc Power Marketing Committee would like to attend this meeting with me, please let me know.

Recruiting for Communication/Network Technician

Long-time Comm Tech Chuck Newman will be retiring at the end of July. With the goal of having his replacement on board for the last month of his SFWPA employment, Kathy Petersen, Art Martinez and I initiated a recruitment process several months ago. In response to advertisements published on the Agency web site, in the local newspaper, the Sacramento Bee, ACWA News, and several others, 39 applications were received. Interviews of the top six applicants were conducted on June 12, with Steve Wong, Art Martinez, Kathy Petersen, and John Davis joining me on the interview panel.

Recruiters always hope to have a deep pool of candidates from which to choose, but that deep pool often makes the final decision very difficult. Such was our blessing and our curse. Ultimately, however, I extended an offer of employment to Brian Howerton who is presently an Equipment Systems Specialist for C.S.U., Chico. In that position he is the lead technician responsible for administration of campus telecommunications infrastructure, data network, voicemail administration, and wireless systems. He has had 13 years of extensive and comprehensive experience in the telecommunications field in California.

Mr. Howerton will begin work on June 29, giving him the opportunity to shadow Chuck Newman for a month before Chuck retires on July 31. And, fortunately, Mr. Newman has agreed to continue as a contract employee thereafter in the event his expertise is needed while Brian is getting up to speed.

Water Marketing – Yuba City

The current water sale agreement between North Yuba Water District (NYWD) and the City of Yuba City expires in 2010. Thereafter, in accordance with the 2005 agreement between SFWPA and NYWD, the proceeds from any water transfer by either of the agencies becomes power project revenue. Therefore, Agency staff has become involved in negotiations for continuing that sale of water to Yuba City.

On June 3, Kathy Petersen and Matt Colwell joined me in a meeting with NYWD's General Manager, Bill Suppa, and Yuba City's Utilities Manager, Bill Lewis, to flush out issues to resolve so that an agreement can be drafted to facilitate a future water sale to Yuba City.

The meeting resulted in a framework being developed, with Yuba City needing to take the next step to develop a valuation proposal back to SFWPA and NYWD.