



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

---

TO: Finance Committee

FROM: Steve Wong, Finance Division Manager

DATE: March 5, 2010

RE: Financial Projections, 2010 - 2020

A projection of South Feather Water and Power Agency revenues and expenses through the year 2020 has been prepared and is attached.

### **Action Requested**

The projections include a modest rate reduction of ten cents per unit, from \$.64 to \$.54, beginning January 1, 2012. If the proposed rate reduction meets with your approval, a recommendation to the Board would be appropriate.

### **Background**

The 2010 Budget set forth the following four funds:

Fund 1 – General Fund;  
Fund 7 – SFPP Joint Facilities Fund;  
Fund 12- MRTP System Capacity Fund; and  
Fund 51-SFWPA Retiree Benefits Fund.

One of the major questions at the commencement of these discussions is the ability and timing of the distribution of funds from Fund 7, the SFPP Joint Facilities Fund. Generation and power prices for the South Feather Power Project (SFPP) have been tracked since this past summer of 2009 and with these calculations, revenue to the Fund is projected to be about \$1,800,000 per month. The 2005 Agreement (Agreement) with the North Yuba Water District (NYWD) provides first for the payment of normal operating and maintenance expenses for the project, repayment of re-licensing expenses incurred by SFWPA, payment of a minimal annual amount to SFWPA and NYWD, the creation of a 15% working capital reserve and the creation of a \$15,000,000 contingency reserve. Once these obligations are taken care of, then the remaining funds, or net power revenues, are distributed equally between the Agency and NYWD.

With that as a starting point, Financial Projections for the SFPP Joint Facilities Fund and the General Fund through the year 2020 were created. The Projections indicate a healthy financial picture for the Agency through 2015. Highlights incorporated into these projections for the next five years include the following:

1.) Since agreement with PG&E was reached last month to assist with paying for the dam crest modification projects and assuming the pending 2010 water transfer to San Diego County Water Authority takes place, it appears that net power revenues will be available as soon as the 2012 year. The Agreement provides for the analysis and distribution of funds to occur on or before March 31 of each year for the prior calendar year. Therefore the 2012 distribution will be the result of 2011 activity.

2.) A modest rate reduction of ten cents per unit is included in the General Fund projections beginning in 2012. The rate reduction is estimated to decrease revenues by approximately \$200,000 per year.

3.) Financing for the MRTP expansion is included at a total amount of \$18,000,000 with an interest rate of 4.75% over a twenty-year maturity schedule and repayment beginning in 2014.

4.) Annual \$1,000,000 contributions for Other Post-Employment Benefits (OPEB) are scheduled to begin in the 2015 year. Repayment to PG&E for 60% of the costs associated with the dam crest modification projects, an estimated \$12,000,000, will also occur in 2015.

The combination of repayment to PG&E for the dam crest modification projects costs, the debt service for the MRTP expansion and the annual contributions for OPEB taking place in the 2014-2015 period cause the 2016-2020 period to be more fragile financially although the projections continue to be positive.

South Feather Water & Power Agency																
General Fund																
Revenue and Expense Projections																
2011 Through 2020																
Description	2006 Actual	2007 Actual	2008 Actual	2009 Estimated	2010 Budget	2011 Projected	2012	2013	2014	2015	2016 Projected	2017	2018	2019	2020	2012-2020 Total
Gross Revenue	6,136,515	4,984,303	6,840,455	5,219,191	5,331,100	4,669,600	4,469,600	4,469,600	4,469,600	4,469,600	4,469,600	4,469,600	4,469,600	4,469,600	4,469,600	
Operating Expenses	(3,836,435)	(3,930,289)	(4,579,776)	(4,624,864)	(5,255,568)	(5,732,257)	(6,104,854)	(6,349,048)	(6,603,010)	(6,867,130)	(7,141,815)	(7,427,488)	(7,724,587)	(8,033,571)	(8,354,914)	
Relicensing	(633,504)	(423,412)	(242,483)	(125,000)	0	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000	0	0	0	0	0	
Capital Outlay	(707,293)	(315,596)	(151,068)	(209,000)	(627,100)	(100,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	
Sub-Total	959,283	315,006	1,867,128	260,327	(551,568)	(42,657)	(865,254)	(1,109,448)	(1,363,410)	(1,627,530)	(3,022,215)	(3,307,888)	(3,604,987)	(3,913,971)	(4,235,314)	
SFPP Joint Fac Fund Min Distrib						355,000	709,000	709,000	709,000	709,000	709,000	709,000	709,000	709,000	709,000	
SFPP Joint Fac Fund Add Distrib							1,553,000	5,790,000	5,176,000	5,308,000	0	6,611,000	6,168,000	6,034,000	7,144,000	
Sub-Total	959,283	315,006	1,867,128	260,327	(551,568)	312,343	1,396,746	5,389,552	4,521,590	4,389,470	(2,313,215)	4,012,112	3,272,013	2,829,029	3,617,686	27,114,983
Debt Service, Existing	(1,104,803)	(1,032,180)	(925,977)	(1,033,436)	(466,905)	(467,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(4,050,000)
Debt Service, Potential									(1,415,000)	(1,415,000)	(1,415,000)	(1,415,000)	(1,415,000)	(1,415,000)	(1,415,000)	(9,905,000)
System Capacity Charges					15,000	15,000	25,000	25,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000	1,625,000
OPEB Contributions										(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(6,000,000)
NET REVENUE OVER EXPENSES					(1,003,473)	(139,657)	971,746	4,964,552	2,881,590	1,749,470	(4,953,215)	1,372,112	632,013	189,029	977,686	8,784,983
<b>Notes, Assumptions, Comments:</b>																
General Fund Revenues remain constant, including Sly Creek Power Generation of \$1,200,000 per year (\$100,000/month).																
No Water Transfers except for San Diego County Water Authority.																
No increase in revenue from the sale of domestic or irrigation water, modest rate reduction of \$.10 per unit beginning in 2012.																
Operating expenditures increased by 6.5% in 2012 and 4% each year thereafter.																
Capital expenditures for 2012 on based on 4 year average of 2006 to 2009.																
Potential Debt Service is \$18,000,000 at 4.75% over 20 years.																
Revenue from System Capacity charges for 2014 on based on 10 year average of 2000 to 2009.																

SFPP Joint Facilities Fund  
Revenue and Expense Projections  
2008 - 2020

(Thousands of Dollars)	2008 Actual	2009 Budget	2010 Proposed	2011 Projected	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Operation	3,172	3,187	4,224	4,499	4,791	5,102	5,434	5,787	6,163	6,564	6,991	7,445	7,929
Routine Maintenance	944	1,056	1,137	1,208	1,284	1,364	1,449	1,540	1,636	1,738	1,847	1,962	2,085
Non-Routine Maint & Capital	3,554	2,692	4,670	3,550	2,000	3,500	3,500	14,000	2,000	3,500	4,000	2,000	2,000
Relicensing repayment	-	-	-	1,120	1,120	1,120	1,120	1,120	-	-	-	-	-
<b>Total</b>	<b>7,670</b>	<b>6,935</b>	<b>10,031</b>	<b>10,377</b>	<b>9,195</b>	<b>11,086</b>	<b>11,503</b>	<b>22,447</b>	<b>9,799</b>	<b>11,802</b>	<b>12,837</b>	<b>11,407</b>	<b>12,014</b>

Non-routine & capital projects

- 2010 Microwave & telecomm upgrades
- 2011 Forbestown TSV, LGV tunnel repair, WPH Transformer repayment(\$1,550)
- 2012 Recreation facility rehab
- 2013 Recreation facility rehab, valve modifications
- 2014 Recreation facility rehab, valve modifications
- 2015 Repayment to PG&E of 60% dam construction costs(\$12), Capital equip (\$2)
- 2016 Capital equipment replacement/purchase
- 2017 Rewind Forbestown Powerhouse
- 2018 Rewind Woodleaf Powerhouse
- 2019 Capital equipment replacement/purchase
- 2020 Capital equipment replacement/purchase

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Projected Gross Revenues	0	0	18,480	21,600	22,248	22,915	23,600	24,310	25,040	25,791	26,565	27,362	28,183
Projected Total Expenses			10,031	10,377	9,195	11,086	11,503	22,447	9,799	11,802	12,837	11,407	12,014
Net Revenues	0	0	8,449	11,223	13,053	11,829	12,097	1,863	15,241	13,989	13,728	15,955	16,169
Min Revenue Distribution SFWPA	0	0	0	355	709	709	709	709	709	709	709	709	709
Min Revenue Distribution NYWD	0	0	0	355	709	709	709	709	709	709	709	709	709
15% Operating Reserve	0	0	0	856	55	59	63	67	71	75	80	85	91
Contingency Reserve	0	0	8,449	6,551	0	0	0	378	530	159	161	162	164
Additional Rev Distribution SFWPA	0	0	-	-	1,553	5,790	5,176	5,308	0	6,611	6,168	6,034	7,144
Additional Rev Distribution NYWD	0	0	-	-	1,553	5,790	5,176	5,308	0	6,611	6,168	6,034	7,144

Notes and Assumptions:

Operation expenses increase by 6.5% per year and Routine Maintenance expenses by 6.25% per year..  
 Projected Gross Revenues of \$1,800,000 per month increased by 3.0% per year.  
 Contingency Reserve COLA of 5% in 2015 and 1% per year thereafter.