



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

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**TO:** Board of Directors

**FROM:** Michael Glaze, General Manager  
Steve Wong, Finance Division Manager

**DATE:** March 17, 2010

**RE:** Strategic Ten-Year Financial Plan for 2011-2020  
3/23/10 Board of Directors Meeting

The Board's Finance Committee (Directors Edwards Cecchi) met with the General Manager and Finance Division Manager on Thursday, March 11, 2010. Projected revenues and expenses through the year 2020 were discussed. The Projections for the South Feather Power Project Joint Facilities Fund and the General Fund that were reviewed and modified at that meeting are attached.

### **Proposed Action**

Adopt the Strategic Ten-Year Financial Plan for 2011-2020, including the proposed modifications to potable water rates in 2012, 2014 and 2017, annual contributions of \$1,000,000 per year towards the Other Post Employment Benefits (OPEB) liabilities beginning in 2015, and authorization to proceed with discussions to issue bonds to assist with financing the expansion of the Miners Ranch Treatment Plant.

### **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 (OPEB).

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.) With the PG&E agreement approved last month to assist with paying for the dam-crest-modification projects, 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.) **No funds from water transfers are included in these estimates.**
- 3.) Current Consumption rates for potable water are \$0.64 per unit for the first 100 units (10,000 cubic feet) and \$0.25 per unit after the first 100 units (over 10,000 cubic feet). The following rate adjustments are proposed and have been incorporated into the attached Projections. Each adjustment reduces General Fund revenues by approximately \$110,000 to \$180,000 per year, or an estimated \$465,000 per year after the three adjustments are in effect. The recommended action, below, does not affect these rate changes, only direction to staff to consider the proposal at the appropriate time. Jeff Meith will also need to provide direction regarding the impact of Proposition 218 on this proposal.

	First	After First
Per Unit Chg	100 Units	100 Units
Current	\$0.64	\$0.25
2012	\$0.53	\$0.28
2014	\$0.42	\$0.31
2017	\$0.35	\$0.35

- 4.) 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.
- 5.) 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.

Recommended action:

**“I move approval of the Strategic Ten-Year Financial Plan for 2011-2020, including, conceptually, modifications to potable water rates in 2012, 2014 and 2017, annual contributions of \$1,000,000 to Fund 51 for Other Post-Employment Benefits beginning in 2015, and the commencement of formal discussions to pursue financing for the expansion of the Miners Ranch Treatment Plant.”**

South Feather Water & Power Agency  
 General Fund  
 Revenue and Expense Projections  
 2011 Through 2020

Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2012-2020
	Actual	Actual	Actual	Estimated	Budget	Projected	Projected									
Gross Revenue	6,136,515	4,984,303	6,840,455	5,219,191	5,331,100	4,669,600	4,489,600	4,489,600	4,314,600	4,314,600	4,314,600	4,204,600	4,204,600	4,204,600	4,204,600	
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)	(845,254)	(1,089,448)	(1,518,410)	(1,782,530)	(3,177,215)	(3,572,888)	(3,869,987)	(4,178,971)	(4,500,314)	
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							353,000	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	216,746	5,409,552	4,366,590	4,234,470	(2,468,215)	3,747,112	3,007,013	2,564,029	3,352,686	24,429,983
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)	(208,254)	4,984,552	2,726,590	1,594,470	(5,108,215)	1,107,112	367,013	(75,971)	712,686	6,099,983
<b>Notes, Assumptions, Comments:</b>																
1.) General Fund Revenues remain constant, including Sly Creek Power Generation of \$1,200,000 per year (\$100,000/month).																
2.) No funds are anticipated from Water Transfers.																
3.) Operating expenditures increased by 6.5% in 2012 and 4% each year thereafter.																
4.) Capital expenditures for 2012 on based on 4 year average of 2006 to 2009.																
5.) Potential Debt Service is \$18,000,000 at 4.75% over 20 years.																
6.) Revenue from System Capacity charges for 2014 on based on 10 year average of 2000 to 2009.																
7.) Assumes potable water consumption remains constant with rate modifications in 2012, 2014 and 2017.																

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	16,080	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	6,049	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	6,049	8,951	0	0	0	378	530	159	161	162	164
Additional Rev Distribution SFWPA	0	0	-	-	353	5,790	5,176	5,308	0	6,611	6,168	6,034	7,144
Additional Rev Distribution NYWD	0	0	-	-	353	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.