



SOUTH FEATHER WATER & POWER

TO: Board of Directors

FROM: Michael Glaze, General Manager

DATE: March 17, 2005

**RE: Assignment of Proceeds from Sale of ID1
Agenda Item for 3/22/05 Board of Directors Meeting**

Escrow closed in late December on the sale of the excess parcel that was previously used for treated-water storage purposes and commonly known as "ID1". The sale price was \$675,000 and we received \$618,658 after commissions, fees and expenses were paid.

With water-transfer proceeds the Board has consistently restricted them for funding our FERC relicensing efforts. I am recommending a similar assignment of the ID1-sale proceeds as follows:

"I move that the proceeds from the sale of the ID1 site be placed in a restricted account for the purpose of funding the construction of the Office Remodel/Expansion Project and for acquiring property to be used for treated-water storage purposes."

Because of the location of the ID1 site and the way the community has grown, its functionality diminished over time to the point that its benefit no longer justified keeping it in operation. However, we will need additional storage facilities in the near future, but at locations that will optimally service our growing distribution system (locations to be identified through the computer model that Matt Colwell and Chris Crown are presently developing).

In addition to the funds from the 2003 COPs in excess of what was needed for the solar project (already designated for the office remodel), the ID1 proceeds should be sufficient to complete the building and to purchase a parcel for storage purposes once locations are selected.