



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

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**TO: Board of Directors**

**FROM: Michael Glaze, General Manager**

**DATE: April 19, 2005**

**RE: Slate Creek Water Sale  
Agenda Item for 4/26/05 Board of Directors Meeting**

Attached is a letter/agreement from PG&E proposing to compensate SFWPA for not diverting water from Slate Creek so it can flow to Bullards Bar Reservoir and be available for power generation at Colgate Powerhouse. This is essentially the same agreement as the Board approved in 2003 and 2004, except that the price proposed for the water is only \$1.27/AF (down from \$3.80 in 2003 and \$3.90 in 2004), and the price to offset the power that would otherwise have been generated at Sly Creek Powerhouse is \$1.50/AF (\$1.50 in 2003 and \$2.00 in 2004). Past water sales were based on both Sly Creek and Woodleaf powerhouses being available, so the price included a factor for the Woodleaf tailwater depression unit payments. Because this year's sale was set up due to Woodleaf being out of service for an extended period of time, that component of the payment was eliminated this year. We anticipate the bypassed amount will be in excess of 20,000 acre-feet, while past sales were for 10,000 acre-feet or less.

Similar agreements were approved in 1993, 1995, 1998-2000, 2003, and 2004.

Staff is recommending that the Board take the following action:

**"I move approval of the agreement with PG&E for delivery by South Feather Water and Power of excess water at Slate Creek Diversion for use by Yuba County Water Agency at Colgate Powerhouse."**



**Pacific Gas and  
Electric Company**

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Lead Director San Francisco, CA 94105  
Power Generation

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April 4, 2005

Mr. Michael C. Glaze, General Manager  
South Feather Water and Power Agency  
P.O. Box 581  
Oroville, CA 95965

Dear Mr. Glaze:

South Feather Water and Power Agency (SFWP) owns and operates the South Fork Project, FERC No. 2088, on the South Fork Feather River, Sly Creek, and Slate Creek. It holds water rights for direct diversion of up to 300 cfs from Slate Creek for power generation and consumptive uses and an additional 300 cfs for diversion to storage. In normal operations, SFWP diverts the flow of Slate Creek pursuant to its water right into Sly Creek for use through the South Fork Project.

Pursuant to the June 15, 1960, South Fork Project Power Purchase Contract between Pacific Gas and Electric Company (the Company) and SFWP, the Company purchases the electrical output from SFWP's South Fork Project. In addition, the Company purchases the electrical output of Yuba County Water Agency's (YCWA) Yuba River Development, FERC No. 2246 under the May 13, 1966, Yuba County Water Agency Power Purchase Contract. The Yuba River Development is located downstream of SFWP's Slate Creek Diversion and at times has the ability to utilize water released past SFWP's diversion for power generation at Colgate Powerhouse.

An unusual condition now exists in the South Fork Feather River and Yuba River watersheds. SFWP's Woodleaf Powerhouse is out of service for approximately one month due to a transformer problem. The Company's runoff forecast indicates that runoff on Sly Creek and South Fork Feather River will be sufficient to fill Sly Creek Reservoir. SFWP's Slate Creek water can only generate revenue for SFWP by utilizing it for generation at Sly Creek Powerhouse. In the alternative, this water could be used at Colgate Powerhouse to develop incrementally more energy. In recognition of this unusual condition and the benefits to be realized by the Company and SFWP, these parties intend to enter into an agreement (Agreement) whereby the Company agrees to pay SFWP for its water released at the Company request to Slate Creek below the diversion from March 22, 2005 through April 30, 2005.

For the purposes of this Agreement, the price paid to keep SFWP whole for the transferred water to YCWA's system shall be fixed at \$1.27 per acre-foot



Mr. Michael C. Glaze  
April 4, 2005  
Page 2

based on the energy surcharge that SFWP receives for energy production at Sly Creek. Additionally, the Company will pay an extra \$1.50 per acre-foot for the water eventually utilized for power production at Colgate Powerhouse for up to a maximum of 19,700 AF of water that would have otherwise have been used by SFWP pursuant to its water rights for power production at its South Fork Project.

The Company shall, in its sole judgment, make the determination of beneficial use of water released by SFWP under this Agreement for power production at Colgate Powerhouse. The Company shall consider opportunities for beneficial use of the Slate Creek water through the South Fork Project in its determination of amounts due SFWP.

The parties shall also keep each other advised of any plans or other factors that may affect the releases, schedules and payments contemplated in this Agreement. Either party shall have the right to discontinue releases under this Agreement at any time with written notice to the other party.

Measurement of water released below Slate Creek Diversion Dam shall be at SFWP's existing Slate Creek gage below the diversion. The amount of water deemed to have been otherwise available for use at South Fork Project shall be the gaged flow below Slate Creek Diversion less the instream flow release requirements, but not greater than 600 cubic feet per second. The \$1.27 per AF Sly Creek Power Purchase Contract portion of the payments described in this Agreement shall not be applicable to any amounts of water released at the Company's request that would have resulted in flows exceeding 840 cfs at Sly Creek Powerhouse. Prior to June 31, 2005, SFWP will provide the Company an invoice and supporting gage records for water released by SFWP under this Agreement. The Company reserves the right to audit the records submitted and make stream flow measurements and corrections as it determines appropriate to ensure accuracy of the invoice.

The Company and SFWP, by executing and performing this Agreement, do not intend and shall not be deemed to intend to dedicate to public use any of their property or water storage space, or hold themselves out to furnish like or similar services to any other person or entity. The Company shall at no time claim that any dedication has arisen as a result of this Agreement.

SFWP shall be solely responsible to obtain all permits and approvals necessary for this Agreement and shall indemnify and hold the Company



Mr. Michael C. Glaze  
April 4, 2005  
Page 3

harmless for any liability arising from the use of SFWP's water as proposed in this Agreement. This indemnification and hold harmless provision shall not apply to disallowance or denial of recovery of payments made by the Company under this Agreement by the California Public Utilities Commission.

This Agreement shall be governed by the terms and conditions of the South Fork Project Power Purchase Contract dated June 15, 1960, which shall not otherwise be modified or altered by this Agreement. This Agreement shall terminate August 31, 2005.

If the above described terms and conditions are acceptable to SFWP, please have both original copies of this letter agreement executed by a duly authorized representative of SFWP and return one copy to Kevin Goishi of my staff.

Sincerely,

KGoishi:dgs

ACCEPTED: SOUTH FEATHER WATER AND POWER AGENCY

By: \_\_\_\_\_ Date: \_\_\_\_\_  
President, Board of Directors

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Michael C. Glaze,  
Secretary, Board of Directors