



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

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**TO: Board of Directors**

**FROM: Michael Glaze, General Manager**

**DATE: June 22, 2005**

**RE: Forbestown Ditch Moratorium  
Agenda Item for 6/28/05 Board of Directors Meeting**

At last month's meeting, the Board approved the agreement with Yuba County Water District. Now that we know the YCWD Board has also approved it, the terms of the "'05 Agreement" – even those that do not go into effect until 2010 – necessitate a reassessment of some of our operational policies. As an enterprise special district, SFWPA must maintain operational strategies that ensure its long-term economic viability and optimal use of its valuable resources.

That new agreement contains provisions that will significantly alter the way the Forbestown Ditch is operated, and the value of the water diverted to it, after 2010. In summary:

- ❖ YCWD will assume ownership and all operational and fiscal responsibility for the Upper Forbestown Ditch (SF-14 to YCWD's Forbestown Treatment Plant);
- ❖ SFWPA will continue to own and operate the Lower Forbestown Ditch (everything below YCWD's treatment plant);
- ❖ SFWPA's present 3,720 AF allotment will continue and will be available upon demand and at a delivery rate of up to 11 CFS at the turnout to YCWD's treatment plant; and,
- ❖ SFWPA will be paid 100% of the power-generation revenue of any portion of the 3,720 AF allotment not used by SFWPA (all other power generation revenue is split 50-50 between the two agencies).

In January 2003, the Board affected a temporary moratorium on all new annexations for service on the Forbestown Ditch. Previously, the Agency had approved annexation requests for parcels along the Forbestown Ditch, and then had periodically updated the place-of-use boundary approved by the State Water Resources Control Board (SWRCB) to include parcels that had been annexed subsequent to the last place-of-use-boundary update. Because the Agency (named Oroville-Wyandotte Irrigation District at that time) and YCWD were evaluating a merger proposal, and as a result of difficulties with the SWRCB that had spawned from the last place-of-use amendment application, the Board decided to postpone new annexations along the Forbestown Ditch until the OWID/YCWD merger proposal could be resolved.

Although the Agency's Board officially withdrew the merger proposal in December 2003, now that the '05 Agreement is in place it's more than safe to say that the merger proposal is "resolved." So, should the moratorium on new annexations be lifted?

The provision of the '05 Agreement that specifies that SFWPA will be paid 100% of the power-generation revenue for any portion of the 3,720 AF allotment not used after 2010 necessitates a reassessment of the Agency's operational strategy for the Forbestown Ditch. After 2010, the 3,720-AF allotment will have a value to the Agency in excess of \$250/AF. Will the power-generation value of the water be the basis for the rate by which Forbestown Ditch customers are charged after 2010? Should the Agency investigate the possibility of providing customers alternate sources of water to maximize the revenue from power generation? If adding new customers to the Forbestown Ditch will decrease the residual allotment that can produce power-generation revenue, should a permanent moratorium on new annexations be imposed?

These are policy questions that cannot be answered quickly. Therefore, I am proposing that an ad hoc committee be appointed to begin this evaluation. In the meantime, however, I am recommending that the temporary moratorium on new annexations be extended and asking that the Board consider the following action:

**"I move that all annexation requests for Forbestown Ditch service be postponed until the Board has established a strategic plan for implementing the provisions of the '05 Agreement with Yuba County Water District."**