



December 27, 2004

**SOUTH FEATHER**  
WATER & POWER

Ladies and Gentlemen:

The purpose of this letter is to notify you that South Feather Water and Power Agency proposes to add a charge to each customer's account that is receiving either irrigation or domestic water service from the Agency. The purpose of the charge is to recoup revenues that are being taken from the Agency as a result of the State of California's Budget Bailout Plan that has been passed by the California State Legislature pursuant to the request of Governor Arnold Schwarzenegger.

One of the sources of revenues available to the Agency to offset its costs of providing service is a portion of Butte County property taxes. The amount of these revenues paid to the Agency is approximately \$354,750 per fiscal year.

The State Budget adopted earlier this year by the State Legislature, and Proposition 1A that passed in the November election, resulted in 80% of the South Feather Water and Power Agency's property tax revenue being taken and utilized by the State for balancing its budget. For fiscal year 2004-05 and 2005-06 the Agency will lose a total of \$563,840.

The balancing of the Agency's Water Division budgets is dependent on the availability of revenues from taxes and the current rates for water service assume that 100% of the historic revenues received by it from taxes would be available.

Although the Agency will lose 80% of its property tax revenue for a period of two years, Proposition 1A gives the Agency constitutional protection that will prohibit such taking of tax revenues after the two-year period, and will restore to us thereafter the full amount of revenues we would otherwise have received absent the bailout.

The calculated amount of the charge to recover the estimated reduction in the Agency's available revenues will be \$4.10 per month per account. The revenues generated from this surcharge, as the revenues we originally received, will assist the Agency in providing the services needed to maintain account services for all of its customers and, therefore, the charge is being applied to all customers on a uniform basis.

In connection with the increase, the following information is provided:

1. The revenues derived from the increase will offset only those revenues lost by virtue of the State's Budget Bailout Plan. Revenues derived from the surcharge will only be used to offset the amount of tax losses incurred and will be deleted from the Agency's billing after 20 months. This fee or cost

represents each account's share of the fixed cost, including labor, material and other services needed to service each customer account receiving water service from the Agency and, therefore, is being applied on a uniform basis to all accounts. The fee is only being charged to active accounts. Therefore, it is only being charged to those accounts where service is actually being used by or is immediately available to the property to which the charge is applied.

2. The Agency has scheduled a public hearing on the proposed surcharge to be held as part of its regularly agendized Board meeting on February 22, 2005. You have a right to appear at that hearing and to protest and/or otherwise comment upon the proposed surcharge. You also have a right to submit a written protest prior to the hearing. Such written protest should be received by the Agency no later than February 16, 2005. Should written protests against the proposed fee be presented by a majority of the owners of properties who will incur the surcharge, then the Agency shall not impose the fee or surcharge as a per-customer charge, but will consider imposition of the fee as an increase on the existing commodity charges under the Agency's existing metered rates.

To be considered, your protest should be received no later than February 16, 2005, addressed as follows:

SOUTH FEATHER WATER AND POWER AGENCY  
P.O. Box 581  
Oroville, California 95965-0581

Please contact the undersigned if you have any questions with respect to this matter.

Sincerely,  
SOUTH FEATHER WATER & POWER AGENCY



Michael Glaze, General Manager