

May 21, 1999

**To:** Board of Directors (Executive Committee--Action)

**From:** General Manager \_\_\_\_\_

**Submitted by:** Debra C. Man, Chief  
Planning and Resources \_\_\_\_\_

**Subject:** Authorize Payment of Association of California Water Agencies \$5,000 Special Assessment for Hydroelectric Divestiture Activities

## RECOMMENDATION

It is recommended that the Board authorize payment to the Association of California Water Agencies for supplemental assessments of up to \$5,000 total for activities related to the Pacific Gas and Electric hydroelectric facility divestiture.

## REPORT

As a consequence of the deregulation of California's electric generation market, Pacific Gas and Electric (PG&E) has proposed divesting its California hydroelectric and related water management facilities from its regulated utility to its unregulated subsidiary, U.S. Generating Company. These facilities include 68 power houses and 136,000 acres of land in several watersheds. The divestiture has ramifications for how associated water resources are managed, could directly impact a number of local water agencies, and may involve the CALFED process as well. The Association of California Water Agencies (ACWA) has actively participated in the fast moving regulatory and legislative activities on behalf of its member agencies.

ACWA did not anticipate or budget for this activity in its 1999 budget and is asking interested members to pay a supplemental assessment of up to \$5,000 with an initial payment of \$2,500. The final amount will be dependent on the amount of ACWA activity needed and the number of members who participate. Continued participation by ACWA in the process and Metropolitan involvement in the ACWA Work Group is desirable because of the potential impacts to CALFED, to the State Water Project's power costs, and to the general impacts on electric restructuring.

The \$5,000 for the supplemental organization assessment exceeds the authority granted to Department Heads by the Administrative Code §11202, which provides "... so long as any increase does not exceed 10 percent of the previous annual dues or \$3,000, whichever is less." Accordingly, staff recommends Board authorization to pay the ACWA special assessment up to a maximum of \$5,000.