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April 13, 2004

Mr. Steve Nevares
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San Francisco, CA 94177

Facsimile 415-973-7892

Re: Decommissioning Issues – South Cow Creek power plant

Dear Mr. Nevares,

Thank you for keeping us informed on PG&E's evaluation of the South Cow Creek power plant as it relates to re-licensing and/or de-commissioning.

It appears to me that many of the various agencies that you are working with do not appreciate the benefits of the project as currently licensed and the potential negative implications of a de-commissioning or a more restrictive license.

You told me that the project would not be feasible to operate under a new license from FERC because the agencies would require a minimum bypass of water at the PG&E diversion from 4 CFS to an amount significantly higher, as well as other restrictions. You indicated that this would cause the plant to shut down completely in the summer months and the plant total output would decrease substantially. You also stated that a new license would require PG&E to provide for additional capital improvements such as an improved fish ladder.

We do understand and appreciate PG&E's position. If the new FERC license will in fact have bypass restrictions as discussed above, power operation would be marginal at best.

As we discussed yesterday, and at the April 1st meeting, there are other issues that appear to be overlooked by the agencies and potentially PG&E relative to the feasibility of de-commissioning.

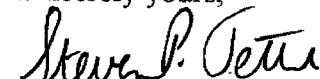
1. Wild Oak Ranch impacts:
 - i. Biological Impact – Hooten Gulch - For almost 100 years Hooten Gulch has had flowing water from the tail of the power plant. Several species of flora and fauna have become dependent on the flow.

- ii. No power plant - When we acquired the Wagoner Ranch in 1998, our purchase price included a substantial allocation for the 100KW power plant that is in operation today. Obviously the 100 KW plant would be rendered useless and become a substantial loss to us if the South Cow Creek power project is decommissioned or re-licensed with added restrictions.
 - iii. Biological Impact – New Diversion – If the project were decommissioned or re-licensed with added restrictions, another diversion would most likely be constructed in South Cow Creek at a point approximately 300 feet north of the current diversion. This area is located on South Cow Creek where the majority of the fall and spring salmon spawn. It also appears that South Cow Creek has eroded down by more than 10 feet over the years. If the historic ditch were reused, a very large new diversion of South Cow Creek would be required to be constructed in order to serve the Abbott water rights. The potential impacts related to any change that would affect the historical flow of South Cow Creek would be most concerning to all parties, fish included.
2. Abbot Ditch impacts- Please refer to the letter dated April 8, 2004 from Art Abbott and Virgil Farrell. The minimum bypass at the PG&E diversion is most assuredly the reason South Cow Creek has been flowing continuously since 1907.
 3. Historical purpose and uses- When Erastus Wagoner sold the power plant land to Edward Smith in 1907 (PG&E), it was for the sole purpose of “generation and transmission of electricity” pursuant to the indenture. If decommissioned, what will happen to the land, transmission lines and power plant?

As we discussed, there may be other legal and environmental issues that have not been addressed here. We just wanted you and the agencies to be made aware of some basic concerns from those of us that live and work in the project area.

Please continue to keep us posted on your evaluations.

Sincerely yours,


Steven P. Tetrick

Cc: Jim Canaday, State Water Resource Control Board, Division of Water Rights
Facsimile 916-341-5400

April 8, 2004

Mr. Steve Nevares
PG&E Kilarc-Cow Creek Project Manager
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Dear Mr. Nevares,

The purpose of this letter is to notify you and the agencies that we are concerned with the potential impacts of a de-commissioning of the South Cow Creek power project.

As you are aware, the Abbott ditch obtains its water from Diversion 73 as described in Schedule 2 of the August 25, 1969 Decree. This diversion spans Hooten Gulch and captures the tail water from the project. This diversion was constructed in the early 1900's in a joint effort in order to facilitate our riparian rights and provide continuous flow on South Cow Creek near Diversion 73. Our riparian rights are pre-1914. The right holders of the Abbott Ditch have utilized these rights for over 130 years. If the project were de-commissioned, at minimum, a new diversion would be required to be constructed in South Cow Creek in order to serve our water rights.

It is our understanding that our diversion prior to 1907 was out of South Cow Creek north of Diversion 73 about 300 ft. on the Wagoner ranch. Presently at that location, South Cow Creek has eroded down by over 10 feet and the ditch would not be feasible to modify. Also the majority of the salmon that spawn in South Cow Creek do so in this area.

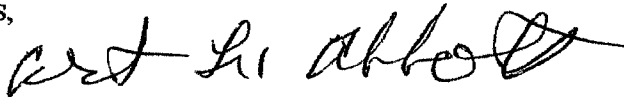
You and the agencies should be aware, that prior to the construction of the South Cow Creek power project and Diversion 73 in 1907, South Cow Creek was dry during many summer months after the Abbot Ditch took its 13.13 CFS water right. Since the construction of Diversion 73 and the power project, there has been continuous water flow in South Cow Creek.

It seems to us that the power project has been beneficial for everyone including the fish over the last century.

Depending on the decision of PG&E and the agencies, we may need to retain counsel in order to protect our interests. Please continue to keep us informed on your decision.

Sincerely yours,

Art Abbott



Bud Farrell

Dick Jones



Cc: Steve Tetrick
Jim Canaday, State Water Resource Control Board, Division of Water Rights