

SOUTH FEATHER WATER & POWER AGENCY

RATH MOSELEY, GENERAL MANAGER

2310 ORO-QUINCY HIGHWAY
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November 4, 2019

North Yuba Water District
8691 La Porte Road
Brownsville, CA 95919

Re: Response to Dr. Lon House Report

Dear Mr. Maupin:

This letter is in response to your letter on behalf of North Yuba Water District dated September 27, 2019 transmitting a "Water & Energy Consulting Report" prepared by Dr. Lon House. In your letter you allege that South Feather Water & Power Agency has "discrepancies in operations and accounting that fall outside of the 2005 agreement" and request "insight and justification for the anomalies".

South Feather Water & Power Agency is troubled that North Yuba Water District would stand by the very obviously poor workmanship and flawed work product of Dr. House. The report that your District has evidently accepted as accurate contains fundamental misunderstandings of accounting principles and the terms of the 2005 Agreement. Its conclusions are blatantly incorrect.

As a result of your District's allegations Agency staff has undertaken its own internal audit of payments made to North Yuba Water District and has concluded that the Agency has very likely inadvertently overpaid your District under the terms of 2005 Agreement. While preliminary, the amount of overpayment is potentially significant, and we may need to meet and confer to discuss how to reconcile the overpayment in the coming months and years to make the Agency whole.

Given the foregoing and the divergent opinions on this topic, the Agency proposes that our two agencies agree to mutually retain and fund a qualified, neutral forensic accounting firm to review payments made under the 2005 Agreement and to offer a written opinion as to whether an under- or overpayment has been made by the Agency since 2010.

Both our agencies would have equal access to the staff and work product produced by the accounting firm. Neither of our agencies would be bound by the conclusions reached in the accounting report and both districts would retain any and all legal rights, defenses, claims, counterclaims, etc. if dispute resolution became necessary following the report.

I also wish to remind you that the Agency reached out to you on May 29, 2019 and did not receive a response. On July 24, 2019; I visited your district office unannounced to request opportunity for a direct Board Member to Board Member discussion on topics of interest or concern to our agencies. The Agency has not received a formal response to these requests other than a verbal "The board is not interested to meet at this time".

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The Agency feels strongly that our longstanding relationship would benefit from occasional face-to-face dialog. Discussion would be particularly useful before making accusations, in writing, such as your September 27, 2019 correspondence that charges this Agency of “discrepancies” and “anomalies” in contract performance. Common courtesy and the terms of the 2005 Agreement require good faith and fair dealing.

Please contact me at your earliest convenience so that we may discuss the logistics of retaining a forensic accounting firm, discussed above.

Sincerely,
South Feather Water and Power Agency

A handwritten signature in black ink, appearing to read 'Rath Moseley'. The signature is fluid and cursive, written in a professional style.

Rath Moseley, General Manager