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# Facsimile Cover Sheet

**To: Stafford Lehr**  
**Company: California Fish & Game**  
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**From: Michael D. Elmer**  
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**Date: 08/11/95**

**Pages including this  
cover page: 3**

## Comments:

**For your information see attached letter concerning a site meeting to be held at Sayles Flat intake area 1 pm on August 17, 1995. For further details contact Bob Jessen of USFS.**

**SAYLES HYDRO ASSOCIATES****11100 N.E. 8th Street, Suite 550****Bellevue, WA 98004-4441****Telephone: 206/453-9800****Telefax: 206/455-3977**

August 9, 1995

Mr. Robert W. Jessen  
Forest Service Representative  
United States Department of Agriculture  
Forest Service (USFS)  
Placerville Ranger Station  
4260 Eight Mile Road  
Camino, CA 95709

Subject: Sayles Flat Hydroelectric Project

Dear Sir:

For the last several years, Sayles Hydro Associates (SHA), has been trying to find a power purchase contract for the Sayles Flat Hydroelectric Project, which would allow project completion. Following the reinstatement of the FERC license, it was believed that, even though the Project had lost its SO4 contract with PG&E, eventually the power market would improve to the point that a new contract would be obtained which would make the project feasible. SHA even pursued (unsuccessfully) litigation with PG&E to try and get the SO4 contract back. In 1993 SHA entered into an arrangement with Consolidated Hydro Inc. (CHI) to try and find a way to get the project operational and to complete all of the required license article requirements.

After two years of unsuccessfully attempting to obtain a power purchase contract for the project, both CHI and SHA have concluded that no utility will offer a contract which will allow the project to be completed. Based on the analyses performed by SHA and CHI, the project would need a power purchase contract with a levelized rate of approximately \$0.06 per kWh. Presently, short run avoided rates are about \$0.02 per kWh and the rates are not expected to escalate for the next 5 to 10 years appreciably. Much of the requirement for a power purchase rate of \$0.06 per kWh is due to completion activities necessary to satisfy the USFS imposed license requirements and other regulatory requirements, as well as the need to complete the basic project.

SHA intends to surrender the FERC license within the next 60 days. SHA has no tangible assets or cash other than various pieces of the project equipment. A subsidiary of CHI has a security interest in all of said assets and equipment.

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In consideration of releasing said equipment to the subsidiary of CHI, CHI has offered to remove the turbine and generator equipment, remove the transformer, and remove the most exposed penstock in exchange for performing the following on-site work provided it can be performed this year.

1. Remove the transmission line.
2. Following removal of the power equipment and transformer, collapse powerhouse and bury (using stockpiled materials).
3. Remove stockpiled material from Old Lincoln Road.
4. Remove exposed penstock and break down and bury exposed thrust blocks.
5. Fill in exposed excavations along lower penstock route (below stream crossing).
6. Collapse and bury intake, remove flap gate.
7. Clean up all materials left behind in construction staging area.

SHA agrees to forfeit the performance bond under the USFS special use permit. USFS may use bond cash amount for final site restoration.

SHA proposes an agency meeting with all involved agencies and the FERC as soon as possible to discuss the site clean up related issues. We would like to propose a meeting date of August 17, 1995. Please feel free to call either myself or Mike Elmer if you have any questions.

Yours truly,

By: Sayles Hydro Associates

By: Mounsea Investment Corporation a General Partner

By:   
Its: President

By: KVA West, Inc. at General Partner

By:   
Its: President