

February 15, 2008

**NOTICE OF 2008 SUPPLEMENTAL
REVENUE REQUIREMENT DETERMINATION
(California Code of Regulations Title 23 Section 510 *et seq.*)**

The California Department of Water Resources ("the Department" or "DWR") hereby provides notice of its Determination of Supplemental Revenue Requirements for the period January 1, 2008 through and including December 31, 2008 ("Determination"). The Department has made this Determination in accordance with California Water Code, Division 27 (the "Act") and California Code of Regulations, Division 23, Chapter 4, Sections 510–517 (the "Regulations").

As part of the Determination, DWR has reduced its Revenue Requirement for the period January 1, 2008 through and including December 31, 2008 by \$630 million and has modified its projection of the amount of energy that it will deliver to bundled customers in 2008.

DWR submitted the 2008 Revised Revenue Requirement Determination on October 31, 2007. Subsequently, DWR entered into a modification of a long-term power contract with Calpine Energy Services, L.P. that replaces 1000 megawatts of 7x24 energy deliveries through 2009 with 180 megawatts of unit-contingent dispatchable capacity during 2008 and 2009. The Determination includes the restructured contract.

A detailed description of the changes to the Revenue Requirements for 2008 is found in Section B of the Determination posted on DWR's website (www.cers.water.ca.gov).

In reaching its Determination, the Department followed procedures consistent with those contained in the Act and the Regulations. The Department issued a proposed Determination on December 27, 2007. The deadline for submitting comments was January 17, 2008. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company submitted comments. The comments were considered by the Department prior to its Determination.