

October 10, 2007

**NOTICE OF PROPOSED REVISION
OF DETERMINATION OF A REVENUE REQUIREMENT
(California Code of Regulations Title 23 Section 510 *et seq.*)**

Pursuant to Section 516(c) of Title 23 of the California Code of Regulations (“the Regulations”), the California Department of Water Resources (“DWR” or “the Department”) hereby provides notice that it intends to determine a revised just and reasonable revenue requirement for 2008 that together with any moneys on deposit in the Electric Power Fund, is sufficient to provide the amounts necessary to pay obligations authorized by Division 27 of the Water Code (commencing at Section 80000).

Additional materials on which the Department intends to rely in determining a revised revenue requirement primarily consist of the following:

- (1) Preliminary actual operating results through September 30, 2007. Preliminary actual operating results are reflected in the Department’s beginning account balances for the 2008 Revenue Requirement Period as well as projections underlying this Proposed Revised 2008 Determination
- (2) An update to the 2008 gas price projections, hedging estimates and related assumptions.
- (3) Updated modeling assumptions and operational considerations provided by the IOUs are incorporated into the PROMOD IV market simulation model.

A detailed description of the changes to the revenue requirements for 2008 is found in Section B of the Proposed Revised 2008 Determination of Revenue Requirements found on the Department’s website (www.cers.water.ca.gov).

The Department is also noticing additional material upon which it intends to rely in revising its determination of revenue requirements. This additional material is identified in the proposed revised determination. Please note that some of the additional materials contain confidential information.

Availability. A copy of the proposed revised determination is available for review at www.cers.water.ca.gov and at the California Energy Resources Scheduling Division (CERS) of DWR, which is located at 3310 El Camino Avenue in Sacramento, California. The proposed revised determination includes the amount of the proposed revenue requirement, a written explanation of the assumptions and methodologies underlying the proposed determination, and reference to the material upon which DWR intends to rely to support the revised determination if, as and when it is made. Such material is available for review at CERS at the above address.

This notice is being provided via electronic mail to those persons who received the original notice by electronic mail and by U.S. Mail to every person who has filed a request for notice. This notice is also posted on the Department's web site (www.cers.water.ca.gov).

Pursuant to Section 510 *et seq.* of the Regulations, the Department has established a comment period up to and until October 24, 2007 for interested persons to submit comments on the proposed revised determination of revenue requirements and additional material upon which the Department intends to rely in making its revised determination. To be considered comments must be received at either of the following addresses by 5:00 P.M. on October 24, 2007:

Mailing address: Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821-9001
Attention: Mr. James E. Olson
E-mail address: jolson@water.ca.gov

Comments must also satisfy the following requirements, as specified in Section 515 of the Regulations:

- A comment must be in typewritten form and must be clear and permanently legible.
- A comment must identify the determination that is the subject of the comment by referencing the deadline for submitting comments. The deadline for submitting comments in response to this notice is October 24, 2007.
- A comment must be signed. Comments submitted on behalf of a business or organization must be signed by a person authorized to comment on behalf of the business or organization, must include the name and title of the signatory, the date of signing, the signatory's business address, and the signatory's business telephone number. Comments submitted through electronic mail will be considered by DWR only if an original, signed copy of the comment is received by DWR within three working days after the receipt of the electronic-mail comment.
- A signature on submitted testimony certifies that the signer has read the document and knows its contents; that to the signer's best knowledge, information, and belief, formed after diligent inquiry, the facts are true as stated; that any legal contentions are warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law; that the testimony is not tendered for any improper purpose; and that the signer has full power and authority to sign the document.

- No documents or records submitted as testimony which purport to be statements of fact shall be considered by DWR unless the documents or records have been certified under penalty of perjury by the person preparing or in charge of preparing them as being true and correct.

Issuance of Revised Determination/Requests for Reconsideration. After considering comments timely received and otherwise in conformance with the requirements of Section 515 of the Regulations, DWR will issue a revised determination on the record by posting the revised determination on its website and mailing or electronically mailing a notice of posting as required by Section 516(a) of the Regulations. Pursuant to the Regulations, a determination revised in accordance with Section 516(c) of the Regulations shall not be subject to requests for reconsideration.