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ELEVENTH SUPPLEMENTAL TRUST INDENTURE

among

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

TREASURER OF THE STATE OF CALIFORNIA, as TRUSTEE

and

U.S. BANK NATIONAL ASSOCIATION, as CO-TRUSTEE

authorizing

POWER SUPPLY REVENUE BONDS  
SERIES 2011N

Dated as of August 1, 2011

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## ELEVENTH SUPPLEMENTAL TRUST INDENTURE

authorizing

### POWER SUPPLY REVENUE BONDS, SERIES 2011N

This ELEVENTH SUPPLEMENTAL TRUST INDENTURE (the “Eleventh Supplemental Indenture”) is dated as of August 1, 2011, among the STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES (the “Department”), existing pursuant to Article 1 (commencing with Section 120) of Chapter 2 of Division 1 of the California Water Code, the TREASURER OF THE STATE OF CALIFORNIA, as Trustee (the “Trustee”) and U.S. BANK NATIONAL ASSOCIATION, as Co-Trustee (the “Co-Trustee”).

In consideration of the mutual agreements contained in this Eleventh Supplemental Indenture and other good and valuable consideration, the receipt of which is hereby acknowledged, the Department, the Trustee and the Co-Trustee agree as set forth herein.

## ARTICLE I

### DEFINITIONS AND STATUTORY AUTHORITY

1.01. **Supplemental Indenture; Department.** This Eleventh Supplemental Indenture supplements and amends the Trust Indenture dated as of October 1, 2002, as amended by the Second Supplemental Trust Indenture dated as of November 1, 2002, and the Ninth Supplemental Trust Indenture dated as of May 1, 2010, each among the Department, the Trustee and the Co-Trustee (as the same may be further amended, the “Master Indenture” and, collectively with this Eleventh Supplemental Indenture, the “Indenture”), and is entered into pursuant to and in accordance with Article VIII of the Master Indenture and the Act.

1.02. **Definitions.** (a) Except as set forth in subsection (b) of this Section, all terms which are defined in Section 101 of the Master Indenture shall have the same meanings for purposes of this Eleventh Supplemental Indenture.

(b) In this Eleventh Supplemental Indenture:

“**Beneficial Owner**” means, for any Series 2011N Bond which is held by a Securities Depository or its nominee, the beneficial owner of such Bond as reflected in the records of such Securities Depository.

“**Code**” means the Internal Revenue Code of 1986 (Title 26 of the United States Code) and any applicable regulations thereunder, as amended.

“**DTC**” means The Depository Trust Company, New York, New York, or its successors.

“**Record Date**” has the meaning given to such term in Section 2.04(c) hereof.

“**Refunded Bonds**” means, collectively, the Series 2002A Refunded Bonds and the Variable Rate Refunded Bonds.

“**Securities Depository**” means DTC as the Securities Depository appointed pursuant to Section 2.04(f) hereof, or any substitute Securities Depository, or any successor to DTC or any substitute Securities Depository.

“**Series 2002A Escrow Fund**” means the escrow fund established with the Trustee for the purpose of paying the Redemption Price of the Series 2002A Refunded Bonds.

“**Series 2002A Refunded Bonds**” means the Department’s Power Supply Revenue Bonds Series 2002A bearing the interest rates and maturing in the years and in the refunded principal amounts shown in Appendix B hereto.

“**Series 2011N Bonds**” means the Power Supply Revenue Bonds, Series 2011N, authorized by Section 2.01 hereof.

“**Variable Rate Refunded Bonds**” means the Department’s Power Supply Revenue Bonds Series 2002B and Series 2002C of the Subseries and maturing in the years and in the refunded principal amounts shown in Appendix B hereto.

## ARTICLE II

### AUTHORIZATION AND DETAILS OF SERIES 2011N BONDS

2.01. **Principal Amount, Designation and Series.** Pursuant to the provisions of the Master Indenture, one Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of \$959,565,000 and with the following designation: Power Supply Revenue Bonds, Series 2011N.

2.02. **Purposes.** The purposes for which the Series 2011N Bonds are issued are to refund the Refunded Bonds and to pay Costs of the Department incurred in connection with the issuance of the Series 2011N Bonds and the redemption of the Refunded Bonds and the execution and delivery of the related Financing Documents, as provided by Section 2.03 hereof.

2.03. **Application of Proceeds of Series 2011N Bonds and Other Available Moneys.** (a) The net proceeds of the Series 2011N Bonds (\$1,114,250,567.81) shall be applied as follows:

(i) The amount of \$165,533,041.25, a portion of the proceeds of the Series 2011N Bonds, shall be deposited in the Series 2002A Escrow Fund and, together with the amounts transferred from the Bond Charge Payment Account pursuant to paragraphs (b) and (c) below, applied to pay, or to purchase Defeasance Securities the proceeds of which will pay, the Redemption Price of the Series 2002A Refunded Bonds on the Redemption Date thereof and all interest payable on the Series 2002A Refunded Bonds on or prior to such Redemption Date.

(ii) The amount of \$947,600,000, a portion of the proceeds of the Series 2011N Bonds, shall be deposited in the Bond Charge Payment Account and, together with moneys currently held in the Bond Charge Payment Account, applied to the payment of the Redemption Price of the Variable Rate Refunded Bonds on the Redemption Date thereof or to reimburse the provider of any Enhancement Facility for amounts advanced under the Enhancement Facilities securing the Variable Rate Refunded Bonds for the payment of the Redemption Price of the Variable Rate Refunded Bonds on the Redemption Date thereof.

(iii) The balance of the proceeds of the Series 2011N Bonds (\$1,117,526.56) shall be deposited in the Operating Account, or otherwise if directed by an Authorized Officer, to pay Costs of the Department incurred in connection with the issuance of the Refunding Bonds, the execution and delivery of the related Financing Documents and the redemption of the Refunded Bonds not provided for above.

(b) \$2,717,330.00 currently held in the Bond Charge Payment Account shall be transferred to the Series 2002A Escrow Fund and applied to pay, or to purchase Defeasance Securities the proceeds of which will pay, the Redemption Price of the Series 2002A Refunded Bonds on the Redemption Date thereof and all interest payable on the Series 2002A Refunded Bonds on or prior to such Redemption Date.

(c) All moneys deposited in the Series 2002A Escrow Fund in accordance with clause (i) of paragraph (a) and paragraph (b) above shall be applied by the Trustee to pay, or to purchase Defeasance Securities the proceeds of which will pay, the Redemption Price of and accrued interest on the Series 2002A Refunded Bonds on May 1, 2012 and until so applied such moneys are irrevocably pledged to and shall be held in trust for the payment of the Redemption Price of the Series 2002A Refunded Bonds and all interest payable on the Series 2002A Refunded Bonds on or prior to such Redemption Date.

(d) All moneys deposited in the Bond Charge Payment Account in accordance with clause (ii) of paragraph (a) above shall be applied by the Trustee and Paying Agent to reimburse the providers of the Enhancement Facilities securing the Variable Rate Refunded Bonds for amounts advanced under such Enhancement Facilities to pay the Redemption Price of and accrued interest on the Variable Rate Refunded Bonds on September 1, 2011 and, until so applied, such moneys shall be held in trust hereunder; provided that in the event that any such provider shall fail to advance moneys under such Enhancement Facilities in accordance with their terms, such moneys shall, at the direction of the Department, be applied to the payment of the Redemption Price of the related Variable Rate Refunded Bonds.

2.04. **Details of Series 2011N Bonds.** (a) Date, Maturities and Interest. The Series 2011N Bonds shall be dated and shall bear interest from August 31, 2011, and shall mature on the dates and in the amounts, and shall bear interest at the rates per annum payable semi-annually on each May 1 and November 1 commencing November 1, 2011, as follows:

<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$ 16,965,000	3.00%
2013	137,825,000	5.00
2015	9,195,000	2.00
2015	29,395,000	5.00
2018	47,960,000	4.00
2018	48,645,000	5.00
2019	34,505,000	5.00
2020	9,425,000	3.00
2020	27,750,000	4.00
2020	377,050,000	5.00
2021	8,345,000	4.00
2021	212,505,000	5.00

(b) Denominations and Numbering. The Series 2011N Bonds shall be issued in the form of fully registered Bonds in the denomination of \$5,000 or any integral multiple of \$5,000. Unless an Authorized Officer shall otherwise direct, the Series 2011N Bonds shall be numbered consecutively from one upward, and shall bear a prefix indicating the Series designation.

(c) Payment of Principal and Interest. Principal of each Series 2011N Bond shall be payable at the office of the Paying Agent designated for such purpose, upon presentation and surrender of such Series 2011N Bond.

The Registrar shall indicate on the Series 2011N Bonds the date of their authentication as provided in Section 2.05 hereof. Interest on the Series 2011N Bonds shall be payable from the interest payment date next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an interest payment date, in which case from such date if interest has been paid to such date; provided, however, that interest shall be payable on the Series 2011N Bonds from August 31, 2011, if the date of authentication is prior to the first interest payment date therefor. Interest on the Series 2011N Bonds shall be payable on the interest payment dates therefor to the registered Owner as of the close of business on the fifteenth (15) day (whether or not a Business Day) next preceding the respective interest payment date (the "Record Date"), such interest to be paid by the Paying Agent by check mailed to the registered Owner at such Owner's address as it appears on the books of registry required to be kept by the Department at the office of the Registrar pursuant to the Indenture or by wire transfer of immediately available funds to the account specified by the Owner of at least \$1,000,000 aggregate principal amount of Series 2011N Bonds in a written direction received by

the Paying Agent at its office designated for such purpose on or prior to the applicable Record Date. Any such direction shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Paying Agent.

The principal of and interest on the Series 2011N Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other paying agent or paying agents as permitted by the Master Indenture.

The foregoing provisions of this subsection (c) shall be subject to the provisions of subsection (g) of this Section.

The principal of and premium, if any, and interest on the Series 2011N Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

Interest on overdue principal of and, to the extent lawful, on overdue premium and interest on the Series 2011N Bonds will be payable at the respective rates on such Series 2011N Bonds. Payment of defaulted interest will be made to the Owners of record on the fifth (5<sup>th</sup>) day (or if such day is not a Business Day, then the next preceding Business Day) immediately preceding the payment thereof.

(d) Optional Redemption. Series 2011N Bonds are not subject to optional redemption prior to maturity.

(e) Registrar and Paying Agent. The Trustee is hereby appointed as the initial Registrar and initial Paying Agent for the Series 2011N Bonds. The Department may appoint additional or different Paying Agents and a different Registrar for the Series 2011N Bonds as provided in the Master Indenture and, if so, references herein to the Paying Agent and Registrar shall be deemed also to include such additional Paying Agents or Registrar, as the case may be.

(f) Securities Depository. The Series 2011N Bonds when initially issued shall be registered in the name of Cede & Co., as nominee of DTC, in the form of one or more fully registered Bonds for each maturity of the Series 2011N Bonds. DTC is hereby appointed initial Securities Depository for the Series 2011N Bonds, subject to the provisions of subsection (g) of this Section. So long as DTC or its nominee, as Securities Depository, is the registered owner of Series 2011N Bonds, individual purchases of beneficial ownership interests in such Series 2011N Bonds may be made only in book-entry form by or through DTC participants, and purchasers of such beneficial ownership interest in Series 2011N Bonds will not receive physical delivery of bond certificates representing the beneficial ownership interests purchased.

So long as DTC or its nominee, as Securities Depository, is the registered owner of Series 2011N Bonds, payments of principal of and premium, if any, and interest on such Series 2011N Bonds will be made by wire transfer to DTC or its nominee, or otherwise as may be agreed upon by the Department, the Trustee, the Paying Agent and DTC. Transfers of principal, premium, if any, and interest payments to DTC participants will be the responsibility of DTC. Transfers of such payments to Beneficial Owners of Series 2011N Bonds by DTC

participants will be the responsibility of such participants and other nominees of such Beneficial Owners.

So long as DTC or its nominee, as Securities Depository, is the registered owner of Series 2011N Bonds, the Department shall send, or cause the Registrar to send, or take timely action to permit the Registrar to send, to DTC any notice required to be given to registered owners of Series 2011N Bonds pursuant to the Indenture, in the manner and at the times prescribed by the Indenture, except as may be agreed upon by the Department, the Registrar, the Trustee (if applicable) and DTC.

Neither the Department nor any Fiduciary shall have any responsibility or obligation to the DTC participants, Beneficial Owners or other nominees of such Beneficial Owners for (1) sending transaction statements; (2) maintaining, supervising or reviewing, or the accuracy of, any records maintained by DTC or any DTC participant or other nominees of such Beneficial Owners; (3) payment or the timeliness of payment by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owner, of any amount due in respect of the principal of or interest on Series 2011N Bonds; (4) delivery or timely delivery by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owners, of any notice or other communication which is required or permitted under the terms of the Indenture to be given to holders or owners of Series 2011N Bonds; or (5) any action taken by DTC or its nominee as the registered owner of the Series 2011N Bonds.

Notwithstanding any other provisions of this Eleventh Supplemental Indenture to the contrary, the Department, the Trustee, the Co-Trustee, the Registrar and any Paying Agent shall be entitled to treat and consider the person in whose name each Series 2011N Bond is registered in the books of registry as the absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal and interest on the Series 2011N Bonds only to or upon the order of the respective Owners, as shown in the books of registry as provided in this Eleventh Supplemental Indenture, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Department's obligations with respect to payment of and interest on the Series 2011N Bonds to the extent of the sum or sums so paid.

Notwithstanding any other provisions of this Eleventh Supplemental Indenture to the contrary, so long as any Series 2011N Bond is registered in the name of Cede & Co., as nominee of DTC, procedures with respect to the transfer of ownership of, and payment of principal of, and interest on such Series 2011N Bond, shall be in accordance with arrangements among DTC, the Department, the Paying Agent and, if applicable, the Trustee.

Payments by the DTC participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC participant and not of DTC, the Trustee, the Registrar, the Paying

Agent or the Department, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Department may establish a record date for purposes of notification of and consents from participants of DTC in connection with any amendment or proposed amendment of the Indenture or otherwise.

Provisions similar to those contained in this subsection (f) may be made by the Department in connection with the appointment by the Department of a substitute Securities Depository, or in the event of a successor to any Securities Depository.

Authorized Officers are hereby authorized to enter into such representations and agreements as they deem necessary and appropriate in furtherance of the provisions of this subsection (f).

(g) Replacement Bonds. The Department shall issue Series 2011N Bond certificates (the "Replacement Bonds") directly to the Beneficial Owners of the Series 2011N Bonds, or their nominees, in the event that DTC or any subsequent Securities Depository determines to discontinue providing its services with respect to such Series 2011N Bonds, at any time by giving notice to the Department, and the Department fails to appoint another qualified Securities Depository to replace DTC or such subsequent Securities Depository. In addition, the Department also shall issue Replacement Bonds directly to the Beneficial Owners of the Series 2011N Bonds, or their nominees, in the event the Department discontinues use of any Securities Depository, and does not designate a replacement Securities Depository, at any time upon determination by the Department, in its sole discretion and without the consent of any other person, that Beneficial Owners of the Series 2011N Bonds shall be able to obtain certificated Series 2011N Bonds.

**2.05. Form of Series 2011N Bonds and Registrar's Certificate of Authentication.** Subject to the provisions of the Master Indenture, the form of the Series 2011N Bonds, form of assignment, and the Registrar's Certificate of Authentication shall be in substantially the form set forth in **Appendix A** hereto, with necessary or appropriate variations, omissions and insertions as are incidental to their series, numbers, denominations, maturities, interest rate or rates, registration provisions, status of interest to owners thereof for federal income tax purposes, and other details thereof and of their form or as are otherwise permitted or required by law or by the Indenture, including this Eleventh Supplemental Indenture. Any portion of the text of any Series 2011N Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of such Bond. Series 2011N Bonds may be typewritten, printed, engraved, lithographed or otherwise reproduced.

## ARTICLE III

### MISCELLANEOUS

**3.01. Tax Covenant.** (a) The Department shall not take or omit to take any action which would cause interest on any Series 2011N Bond to be included in the gross income of any Owner thereof for Federal income tax purposes by reason of subsection (b) of Section 103

of the Code. Without limiting the generality of the foregoing, no part of the proceeds of the Series 2011N Bonds or any other funds of the Department shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Series 2011N Bond to be an “arbitrage bond” as defined in Section 148 of the Code and to be subject to treatment under subsection (b)(2) of Section 103 of the Code as an obligation not described in subsection (a) of said section. The Department shall pay to the United States any amounts that are necessary for the purpose of compliance with the provisions of Section 148 of the Code. The provisions of this subsection (a) shall survive the defeasance and payment of the Series 2011N Bonds.

(b) Notwithstanding any other provision of the Indenture to the contrary, upon the Department’s failure to observe, or refusal to comply with, the above covenant in paragraph (a), the Owners, or the Trustee acting on their behalf, shall be entitled only to the right of specific performance of such covenant, to the extent permitted under Article X of the Indenture, and shall not be entitled to any of the other rights and remedies provided under Article X of the Master Indenture.

**3.02. Certain Findings and Determinations.** The Department hereby finds and determines:

(a) The Master Indenture has not been amended, supplemented, or repealed since the adoption thereof except by the First Supplemental Trust Indenture dated as of October 1, 2002, the Second Supplemental Trust Indenture dated as of November 1, 2002, the Third Supplemental Trust Indenture dated as of October 1, 2002, the Fourth Supplemental Trust Indenture dated as of December 1, 2005, the Fifth Supplemental Indenture dated as of March 1, 2008, the Sixth Supplemental Indenture dated as of April 1, 2008, the Seventh Supplemental Indenture dated as of April 15, 2008, the Eighth Supplemental Trust Indenture dated as of May 1, 2008, the Ninth Supplemental Trust Indenture dated May 1, 2010, the Tenth Supplemental Trust Indenture dated as of October 1, 2010, the Amendment to the First Supplemental Trust Indenture dated as of November 1, 2010, and this Eleventh Supplemental Indenture. This Eleventh Supplemental Indenture supplements the Master Indenture as heretofore supplemented, constitutes and is a “Supplemental Indenture” within the meaning of such quoted term as defined and used in the Master Indenture, and is adopted under and pursuant to the Master Indenture.

(b) The Series 2011N Bonds constitute and are “Bonds” within the meaning of the quoted word as defined and used in the Indenture.

(c) The Trust Estate is not encumbered by any lien or charge thereon or pledge thereof, other than the lien and charge thereon and pledge thereof securing the existing Outstanding Notes and the related Credit and Security Agreement.

(d) There does not exist an “Event of Default” within the meaning of such quoted term as defined in Section 1001 of the Indenture, nor does there exist any condition which, after the giving of notice or the passage of time, or both, would constitute such an “Event of Default.”

(e) \$154,790,000 aggregate principal amount of the Series 2011N Bonds, representing the portion of the Series 2011N Bonds being issued to refund the Series 2002A Refunded Bonds which currently bear interest at a fixed rate, are being issued in order to obtain a lower interest rate in accordance with Section 80130(d)(1)(A) of the California Water Code (the “Water Code”) and \$804,775,000 aggregate principal amount of the Series 2011N Bonds, representing the portion of the Series 2011N Bonds being issued to refund the Variable Rate Refunded Bonds, are being issued in accordance with Section 80130(d)(1)(B) of the Water Code.

3.03. **Authorized Officers; Further Authority.** The Authorized Officers are hereby authorized to execute and deliver such documents and certifications as may be necessary to give effect to this Eleventh Supplemental Indenture and the transactions contemplated hereby.

3.04. **Effective Date.** This Eleventh Supplemental Indenture shall be fully effective in accordance with its terms upon its execution and delivery by the Department, the Trustee and the Co-Trustee.

3.05. **Determination of Department.** This Eleventh Supplemental Indenture shall constitute a written determination of the Department under and pursuant to the Act.

[Signature Page Follows]

**State of California Department of Water Resources  
Power Supply Revenue Bonds \$959,565,000 Series 2011N**

IN WITNESS WHEREOF, the parties have caused this Eleventh Supplemental Indenture to be duly executed, all as of the date first above written.

CALIFORNIA DEPARTMENT OF WATER  
RESOURCES

By: \_\_\_\_\_

Mark W. Cowin  
Director

TREASURER OF THE STATE OF  
CALIFORNIA, as Trustee

By: \_\_\_\_\_

Deputy Treasurer  
For California State Treasurer Bill Lockyer

U.S. BANK NATIONAL ASSOCIATION,  
as Co-Trustee

By: \_\_\_\_\_

Chii Ling Lei  
Vice President & Account Manager

[Signature Page of Eleventh Supplemental Indenture]

**State of California Department of Water Resources  
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Director

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CALIFORNIA, as Trustee

By: \_\_\_\_\_  
Deputy Treasurer  
For California State Treasurer Bill Lockyer

U.S. BANK NATIONAL ASSOCIATION,  
as Co-Trustee

By: \_\_\_\_\_  
Chii Ling Lei  
Vice President & Account Manager

[Signature Page of Eleventh Supplemental Indenture]

**State of California Department of Water Resources  
Power Supply Revenue Bonds \$959,565,000 Series 2011N**

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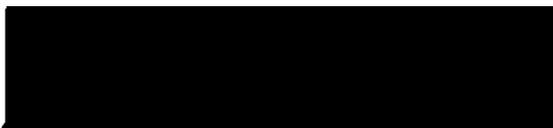
CALIFORNIA DEPARTMENT OF WATER  
RESOURCES

By: \_\_\_\_\_  
Mark W. Cowin  
Director

TREASURER OF THE STATE OF  
CALIFORNIA, as Trustee

By: \_\_\_\_\_  
Deputy Treasurer  
For California State Treasurer Bill Lockyer

U.S. BANK NATIONAL ASSOCIATION,  
as Co-Trustee

By:  \_\_\_\_\_  
Chii Ling Lei  
Vice President & Account Manager

[Signature Page of Eleventh Supplemental Indenture]

**APPENDIX A**  
**Form of Series 2011N Bonds**

[Until such time as the Series 2011N Bonds are no longer restricted to being registered in the registration books kept by the Department at the office of the Registrar in the name of a Securities Depository, each Series 2011N Bond shall contain or have endorsed thereon the following legends:

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK, (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID WITHOUT SURRENDER HEREOF TO THE PAYING AGENT. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF DTC (A) TO THE TRUSTEE OR OTHER REGISTRAR FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE TRUSTEE OR OTHER PAYING AGENT FOR PAYMENT OF PRINCIPAL AND ANY BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, CEDE & CO., AS NOMINEE OF DTC, HAS AN INTEREST HEREIN.]

No. 2011N - \_\_\_\_\_ \$ \_\_\_\_\_

**STATE OF CALIFORNIA**

**DEPARTMENT OF WATER RESOURCES**

**Power Supply Revenue Bonds, Series 2011N**

<u>Bond Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP</u>
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May 1, \_\_\_\_\_

Registered Owner: CEDE & CO.

Principal Amount: \_\_\_\_\_ Dollars

The STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES (the "Department") acknowledges itself indebted to, and for value received hereby promises to pay, but solely from the Trust Estate and not otherwise, to the registered owner or registered assigns, the Principal Amount specified above on the Maturity Date specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, upon presentation and surrender at the office of the Paying Agent designated for such purpose, and to pay to the Registered Owner hereof interest on such Principal Amount in like coin or currency and at the rate of interest per annum specified above. Interest on this Bond shall be payable from the May 1 or November 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a May 1 or November 1, in which case from such date if interest has been paid to such date; provided, however, that such interest shall be payable on this Bond from the Bond Date specified above if the date of authentication is prior to the first interest payment date therefor. Interest on this Bond shall be payable semi-annually on May 1 and November 1 in each year commencing November 1, 2011, in each case to the registered owner as of the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding the calendar month in which the interest payment date occurs (the "Record Date"), such interest to be paid by the Paying Agent by check mailed to the registered owner at such Owner's address as it appears on the books of registry required to be kept by the Department at the office of the Registrar pursuant to the Indenture or by wire transfer of immediately available funds to the account specified by the Owner of at least \$1,000,000 aggregate principal amount of Series 2011N Bonds hereafter referred to in a written direction received by the Paying Agent at its office designated for such purpose on or prior to the Record Date. Interest on overdue principal of and, to the extent lawful, on overdue premium and interest shall be paid as provided by the Eleventh Supplemental Indenture hereafter referred to. If any payment on this Bond is due on a day other than a Business Day, payment will be made on the next Business Day, and no interest will accrue as a result.

This Bond is one of a duly authorized issue of bonds of the Department designated as its "Bonds" issued and to be issued in various series under and pursuant to Division 27 (commencing with Section 80000) of the California Water Code, as amended (the "Act"), and under and pursuant to a Trust Indenture dated as of October 1, 2002, as amended by a Second Supplemental Trust Indenture dated as of November 1, 2002, and a Ninth Supplemental Trust Indenture dated as of May 1, 2010 (the "Master Indenture"), among the Department, the Treasurer of the State of California, as Trustee (including its successors, the "Trustee"), and U.S. Bank National Association, as Co-Trustee (including its successors, the "Co-Trustee"), authorizing and securing the Department's Power Supply Revenue Bonds, and a Eleventh Supplemental Trust Indenture dated as of August 1, 2011 (the "Eleventh Supplemental Indenture") among the Department, the Trustee and the Co-Trustee. The Master Indenture and the Eleventh Supplemental Indenture, as the same may be amended, are herein collectively called the "Indenture". Capitalized terms used herein and not otherwise defined herein shall have the meanings provided in the Indenture.

This Bond is one of a series of Bonds of various maturities designated as "Power Supply Revenue Bonds, Series 2011N" (the "Series 2011N Bonds") issued in the aggregate principal amount of \$959,565,000 under the Indenture. Copies of the Indenture are on file at the office of the Department and at the offices of the Trustee and Co-Trustee designated for such

purpose. The Trustee is also the initial Registrar and initial Paying Agent for the Series 2011N Bonds. The Department may appoint additional or different Paying Agents and a different Registrar for the Series 2011N Bonds as provided in the Indenture and, if so, references herein to the Paying Agent and Registrar shall be deemed also to include such additional Paying Agents or Registrar, as the case may be.

The Bonds are payable as to principal and interest solely from and are equally and ratably secured solely by the Trust Estate, subject to the provisions of the Indenture permitting the application of such Trust Estate to the purposes and on the terms and conditions set forth in the Indenture, including, without limitation, the prior application of Power Charge Revenues to the payment of Operating Expenses, the prior application of Bond Charge Revenues to the payment of Priority Contract Costs, Outstanding Notes and related costs of the Department, and the application of Bond Charge Revenues to the payment of certain costs on a parity with the Bonds. The principal of and interest on the Bonds shall not be payable from the general funds of the Department nor shall the Bonds constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the property or upon any of the income, receipts or revenues of the Department, except the Trust Estate.

Reference is hereby made to the Indenture, and to all of the provisions of which any holder of this Series 2011N Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the pledge and covenants securing the Bonds, including this Series 2011N Bond; the Revenues and other moneys and securities constituting the Trust Estate pledged to the payment of the principal of and interest on the Bonds; the nature and extent and manner of enforcement of the pledge thereunder; the conditions upon which the Indenture may be amended or supplemented with or without the consent of the Owners of the Bonds; the rights and remedies of the Owner hereof with respect hereto and thereto, including the limitations therein contained upon the right of an Owner hereof to institute any suit, action or proceeding in equity or at law with respect hereto and thereto; the rights, duties and obligations of the Department, the Trustee and the Co-Trustee hereunder and thereunder; the terms and provisions upon which the pledges and covenants made therein may be discharged at or prior to the maturity of this Series 2011N Bond, and the Series 2011N Bond thereafter no longer be secured by the Indenture or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Trustee or Paying Agent sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

As provided in the Indenture, Bonds may be issued from time to time pursuant to Supplemental Indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Indenture. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

This Series 2011N Bond is transferable, as provided in the Indenture, only upon the books of registry of the Department kept for that purpose at the above-mentioned office of the Registrar by the Owner hereof in person, or by his attorney duly authorized in writing, upon

surrender of the Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or his duly authorized attorney, and thereupon a new registered Series 2011N Bond or Bonds, and in the same aggregate principal amount, Series, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Department and each Fiduciary may deem and treat the Person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Department nor any Fiduciary shall be affected by any notice to the contrary.

THE PRINCIPAL OF THE SERIES 2011N BONDS MAY NOT BE DECLARED DUE AND PAYABLE BEFORE THE MATURITY THEREOF AS A RESULT OF AN EVENT OF DEFAULT UNDER THE INDENTURE.

The Act provides that neither the person executing the determination to issue Bonds nor any person executing the Series 2011N Bonds shall be personally liable or be subject to any personal liability or accountability by reason of the issuance thereof.

Pursuant to Section 80200(e) of the California Water Code, the Department, as agent for the State of California, does hereby pledge to and agree with the holder of this Bond that while this Bond remains outstanding and not fully performed or discharged, the rights, powers, duties and existence of the Department and the California Public Utilities Commission shall not be diminished or impaired in any manner that will affect adversely the interests or rights of the holders of this Bond.

Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof is pledged to the payment of the principal of or interest on this Bond.

It is hereby certified and recited that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issuance of the Series 2011N Bonds, together with all other indebtedness of the Department, is within every debt and other limit prescribed by the laws of the State of California.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Registrar of the Registrar's Certificate of Authentication hereon.

**IN WITNESS WHEREOF, THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES** has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of an Authorized Officer and attested by the facsimile signature of another Authorized Officer.

STATE OF CALIFORNIA  
DEPARTMENT OF WATER RESOURCES

By: \_\_\_\_\_  
Authorized Officer

Attest:

\_\_\_\_\_  
Authorized Officer

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

TREASURER OF THE STATE OF CALIFORNIA  
Registrar

By: \_\_\_\_\_  
Authorized Officer

Date of Authentication:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

---

Please insert Social Security or  
Taxpayer Identification Number of Transferee

/ \_\_\_\_\_ /

---

(Please print or typewrite name and address, including zip code of Transferee)

---

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

---

attorney to register the transfer of the within Bond on the books kept for registration thereof,  
with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

---

NOTICE: Signature(s) must be guaranteed  
by a member or participant of a signature  
program.

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NOTICE: The signature above must  
correspond with the name of the Owner as  
it appears upon the front of this Bond in  
every particular, without alteration or  
enlargement or change whatsoever.

## APPENDIX B

### REFUNDED BONDS

Series Designation	Maturity Date	Redemption Date	CUSIP* 13066Y	Outstanding Par Amount	Redemption Par Amount
2002 Series A	5/1/2013**	5/1/2012	DP1	\$ 24,055,000	\$ 24,055,000
2002 Series A	5/1/2013***	5/1/2012	DQ9	25,180,000	25,180,000
2002 Series A	5/1/2013****	5/1/2012	RT8	100,000,000	100,000,000
2002 Series A	5/1/2013*****	5/1/2012	CA5	9,365,000	9,365,000
2002 Series B-6	5/1/2022	9/1/2011	AF6	25,000,000	25,000,000
2002 Series C-1	5/1/2022	9/1/2011	AG4	79,200,000	79,200,000
2002 Series C-4	5/1/2022	9/1/2011	AK5	246,900,000	246,900,000
2002 Series C-7	5/1/2022	9/1/2011	AN9	246,800,000	246,800,000
2002 Series C-9	5/1/2022	9/1/2011	AQ2	100,000,000	100,000,000
2002 Series C-10	5/1/2022	9/1/2011	AR0	15,400,000	15,400,000
2002 Series C-11	5/1/2022	9/1/2011	AS8	59,600,000	59,600,000
2002 Series C-13	5/1/2022	9/1/2011	AU3	95,800,000	95,800,000
2002 Series C-14	5/1/2022	9/1/2011	AV1	58,100,000	58,100,000
2002 Series C-17	5/1/2022	9/1/2011	AY5	20,800,000	20,800,000

\* CUSIP numbers have been assigned by an organization not affiliated with the Department of Water Resources or the Trustee, Co-Trustee, Registrar and Paying Agent and are included solely for the convenience of the bondholders. Neither the Department of Water Resources nor the Trustee, Co-Trustee, Registrar and Paying Agent shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness on the bonds or as indicated in this notice.

\*\* bearing interest at the rate of 4.000%.

\*\*\* bearing interest at the rate of 5.000%.

\*\*\*\* bearing interest at the rate of 5.500%.

\*\*\*\*\* bearing interest at the rate of 4.600%.