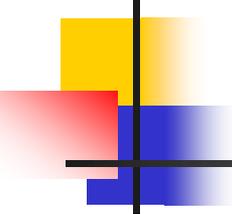


CALIFORNIA ENERGY RESOURCES SCHEDULING DIVISION (CERS)

CERS Overview and Long-Term Energy Contracts Summary

February 2010



CERS History

Winter 2000-2001

Spot market prices skyrocket to \$2,000 a megawatt hour while averaging about \$400 per MWh – nearly 10 times the cost of power at the same time in the previous year.

Debt grows for California's investor-owned utilities (IOUs) as purchased power costs exceed what they are able to recoup from ratepayers. Suppliers refuse to sell to IOUs over credit concerns.

Large amounts of generators off-line resulting in statewide rotating blackouts.

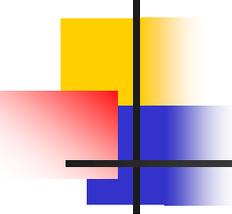
Governor Issues Emergency Proclamation

On January 17, 2001, the Governor issues an Emergency Proclamation directing the Department of Water Resources (DWR) to purchase power on behalf of the State's IOU customers.

DWR created a new division within DWR, the California Energy Resources Scheduling (CERS) division, that immediately began purchasing power. During the summer of 2001 alone, CERS had purchased 17,000 megawatts of electricity, enough power to supply about 17 million homes and businesses. By the end of 2001, CERS spent nearly \$11 billion to keep the power flowing in California.

Long-Term Power Contracts

To reduce its daily exposure to the volatile spot energy market, CERS entered into various long-term contracts to lock in more stable, predictable prices. The contracts also resulted in an injection in new power supplies by providing a guaranteed revenue source needed to finance more than 5,000 megawatts of newly built power plants. In total, the Department entered into 58 long-term agreements in 2001 and 2002 at a cost of \$42 billion.



CERS History – Cont.

Power Markets Stabilize - Reliability Restored

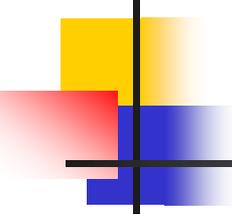
The average spot market price of electricity fell from \$355 per megawatt hour in January 2001 to \$72 a megawatt hour just five months later. There were no power interruptions in the summers of 2001 or 2002.

CERS concluded its daily power purchases operation on January 1, 2003, successfully returning that responsibility to the utilities who were able to improve their credit standing during DWR's nearly two years as California's principal power buyer.

CERS currently manages its financial and legal responsibilities for its long-term contracts as well as its responsibility to repay its bond debt.

Contracts Renegotiated

By the end of 2003, CERS had successfully renegotiated 35 of its original 58 agreements – saving more than \$7.5 billion in contract costs. CERS will continue to seek greater ratepayer value from the contracts when opportunities to improve contract conditions arise.



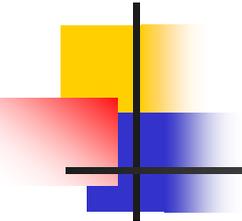
Remaining Role

CERS Today

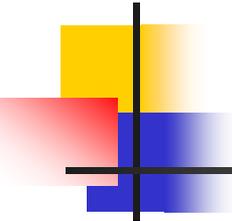
The utilities currently act as CERS' agent in managing and dispatching the energy associated with the long-term contracts. Absent full assignment of the contracts to the utilities, CERS fulfills its financial and legal responsibilities for the contracts by auditing the utilities' performance to ensure accurate billing and supplier compliance with contract terms, as well as reviewing and approving utility gas supply plans and financial hedging for those contracts with gas tolling arrangements.

CERS also services \$11.2 billion in bonds that were sold in October and November 2002 to pay for its power purchases. Bond proceeds were used to repay \$6.5 billion to the General Fund, retire a \$3.4 billion short-term loan, and to maintain adequate reserve levels. CERS produces an annual Revenue Requirement – filed with the California Public Utilities Commission – that specifies the contract and bond-related expenses that must be recovered from the utility customers, and actively monitors and reports on its revenue flows and operating balances in compliance with its financial duties related to the bonds.

The task of effectively managing the State's portfolio of contracts and bond financing is significant to maintaining reliability in California's energy supplies while holding down costs for ratepayers. Both of these complex and critical responsibilities will continue until the last of the contracts expires in 2015 and the bond debt is completely retired in 2022.



Long-Term Contracts Summary

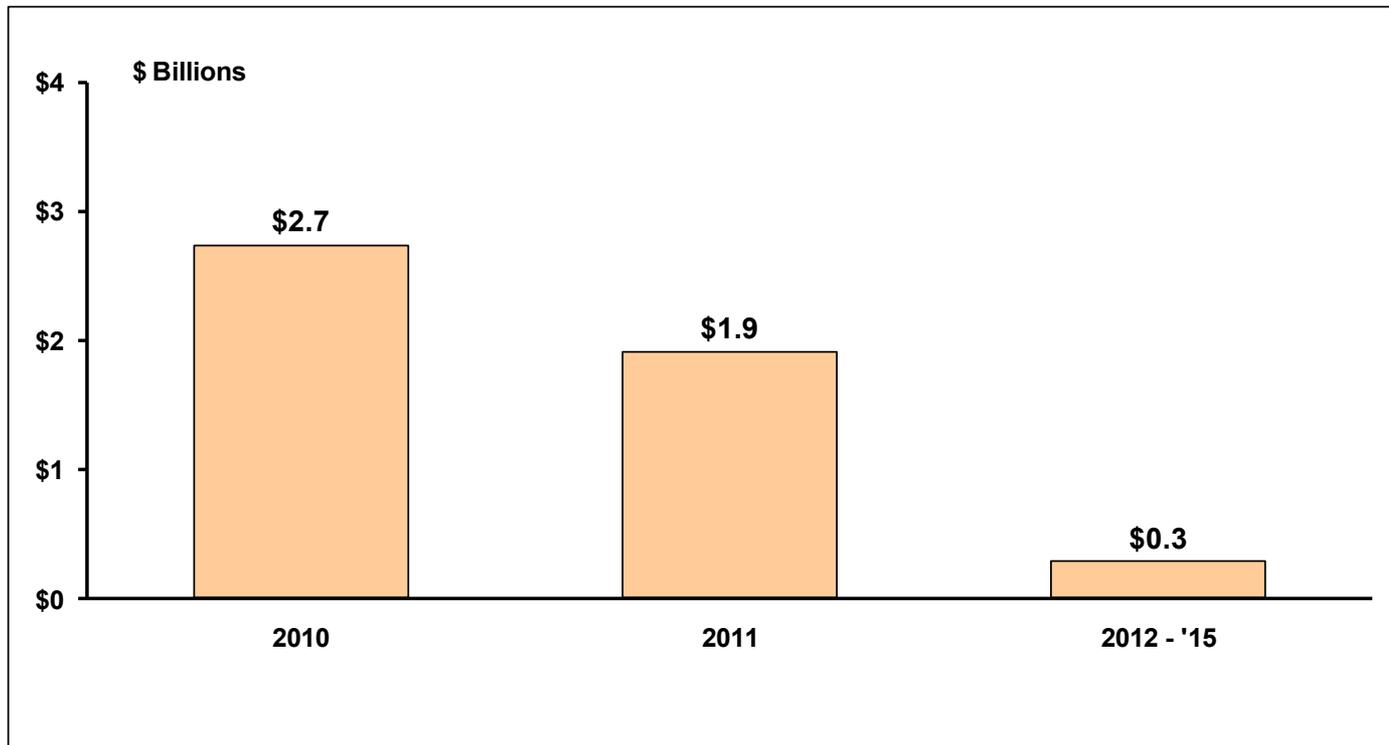


Long-Term Contracts Summary

- **Number of Original agreements: 58**
- **Original portfolio projected cost: \$42.5 billion**
- **Agreements Renegotiated: 35**
- **Number of original counter-parties: 30** – Allegheny, Alliance Colton, BPA, CalPeak, Calpine, Capitol, Clearwood, Constellation, High Desert, Coral, Dynegy, El Paso, GWF, Intercom, Kings River, PG&E Energy Trading, PacifiCorp, Pinnacle West, Mirant, Morgan Stanley, Primary Power (Imperial Valley), PX Block Forward, San Francisco, Santa Cruz, Sempra, Soledad, Sunrise, Whitewater Energy, Williams, Wellhead.
- **Number of counter-parties with renegotiated contracts: 19** -- Calpine, High Desert, Constellation, Whitewater Energy, Capitol Power, CalPeak, GWF, Colton Power, Mountain View Power Partners (formerly PG&E Trading contract), Williams, Clearwood, Wellhead, County of Santa Cruz, Sunrise Power, Goldman Sachs (formerly Allegheny contract), Soledad, El Paso, Morgan Stanley, Mirant.
- **Cost reductions through renegotiations: Approximately \$7.5 billion**
- **Agreements expired: 29**
- **Agreements terminated: 4**
- **Number of agreements remaining (from original 58): 25**
- **Current projected portfolio cost (2010-2015): \$4.9 billion**
DWR's long-term contracts are available at www.cers.water.ca.gov.

Remaining Cost of Contract Portfolio

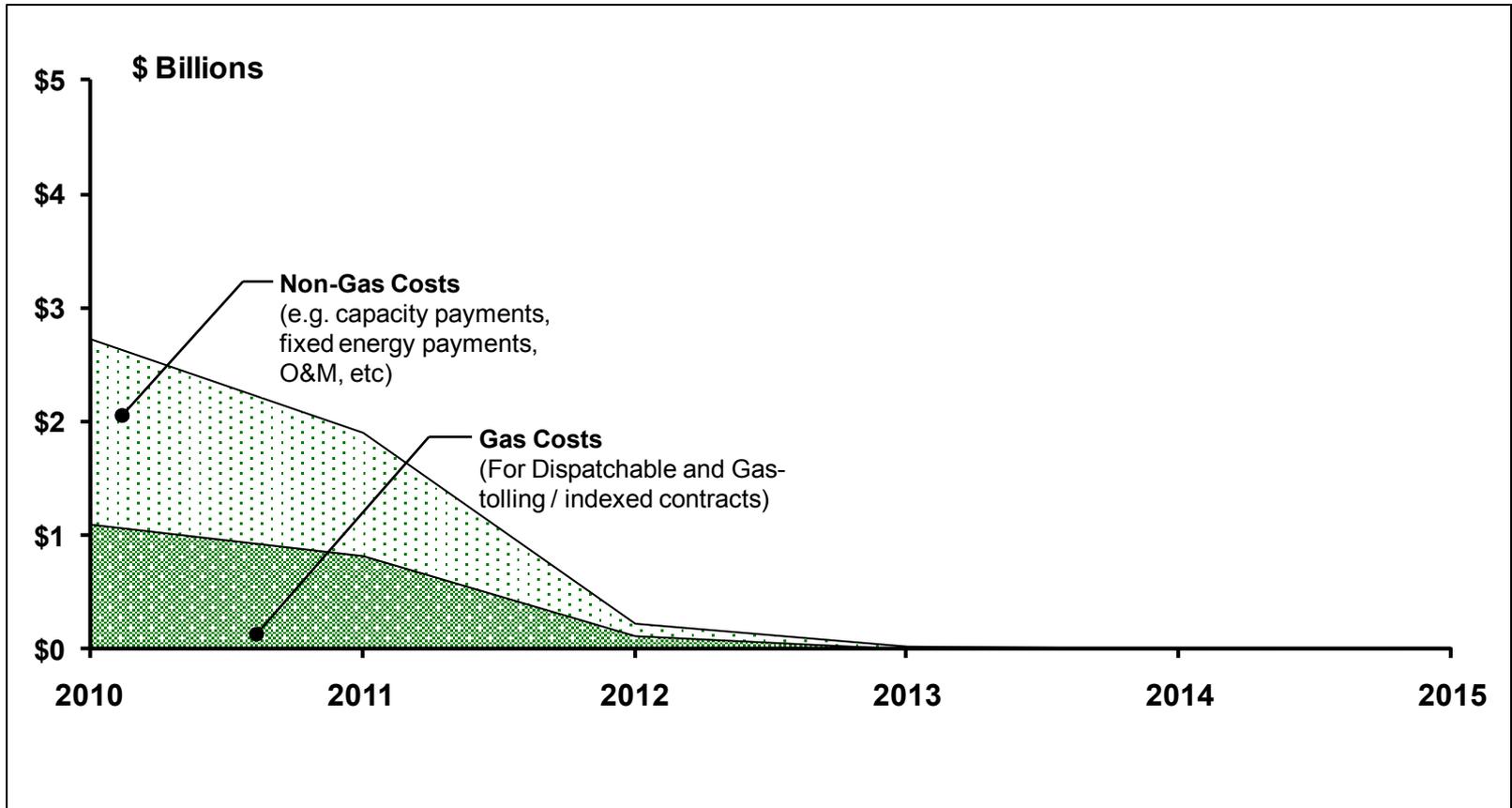
The remaining cost for the portfolio of contracts, from 2010 through 2015, is approximately \$4.9 billion dollars.



Note: Annual projections may vary due to updates to gas price forecasts, contract utilization, and other assumptions.

Breakout of Contract Costs

Of the remaining \$4.9 Billion, \$2.1 Billion (42%) is cost of natural gas



Note: Data from CDWR-CERS revenue requirement model (PM16).

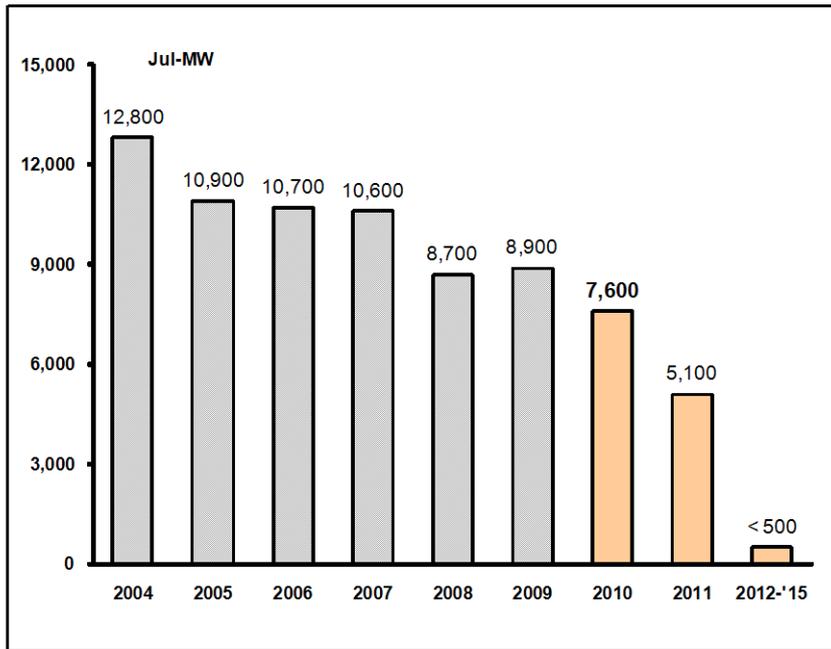
(*) Annual projections may vary due to updates to gas price forecasts, contract utilization, and other assumptions.

Excludes Williams Gas Supply Contract, revenue from surplus energy sales, bond charges, reserves, and other costs.

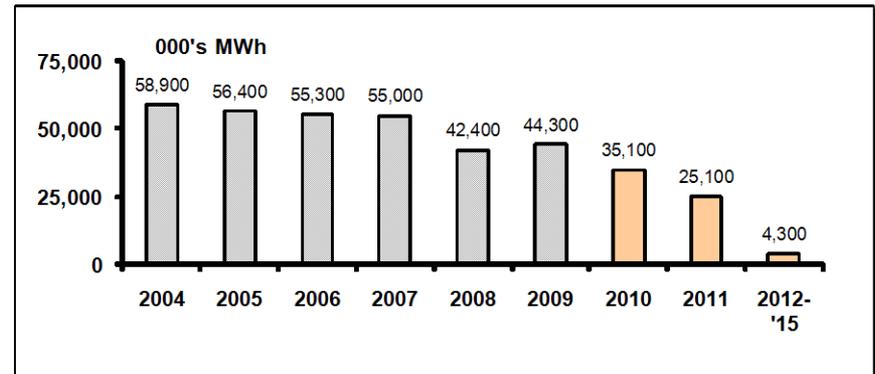
Long-Term Contracts Capacity and Energy

The long-term contracts portfolio peaked in 2004 at 12,800 megawatts, remained above 10,000 megawatts through 2007, and then significantly drops off after 2010.

Contract Capacity (MW)



Contract Energy (MWh)



	% of Annual Energy								
	'04	'05	'06	'07	'08	'09	'10	'11	'12-'15
Must-Take	87%	81%	82%	83%	80%	76%	70%	76%	29%
Dispatchable	12%	18%	17%	17%	19%	23%	29%	22%	57%
Renewable	1%	1%	1%	1%	1%	1%	1%	2%	13%

(%s may not add to 100% due to rounding)

NOTES:

Includes all renegotiated contracts to-date.

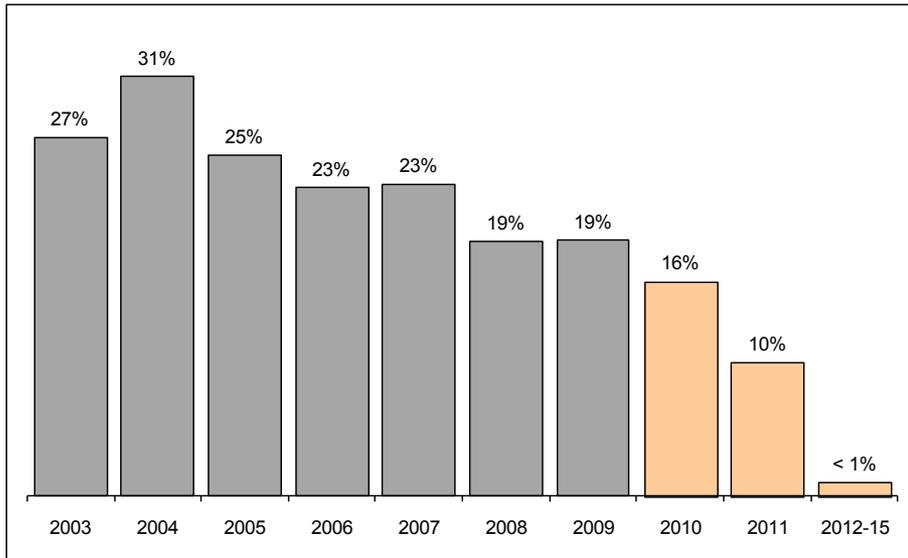
Summary of Contract Portfolio by Contract Type

Contract Types	Contracts by IOU Allocation (Contracts in Effect 2009)		
	PG&E	SCE	SDG&E
Market Resources (Fixed Price & Quantity)		Goldman Sachs (formally Alleghany)	JP Morgan - Product B&C (formally Williams)
		JP Morgan Gas Supply Contract (formally Williams)	JP Morgan Gas Supply Contract (formally Williams)
Portfolio of Resources (May also be provided from market)	Coral	Sempa	
	Iberdrola (formally Pacificorp)		
Unit Specific Resources (Dispatchable, except 3 wind contracts)	Calpeak (Panoche)	Colton Power	Calpeak (Border)
	Calpeak (Vaca-Dixon)	High Desert	Calpeak (El Cajon)
	Calpine 2 (Reneg.)	Mountainview Wind (formally PG&E ET)	Calpeak (Enterprise)
	Calpine 3	JP Morgan - Product D (formally Williams)	Sunrise
	CCSF		Shell Wind Energy (formally WhtWtr. Cabazon)
	GWF		Shell Wind Energy (formally WhtWtr. Hill)
	KRCD		
	Wellhead (Fresno)		
	Wellhead (Gates)		
	Wellhead (Panoche)		

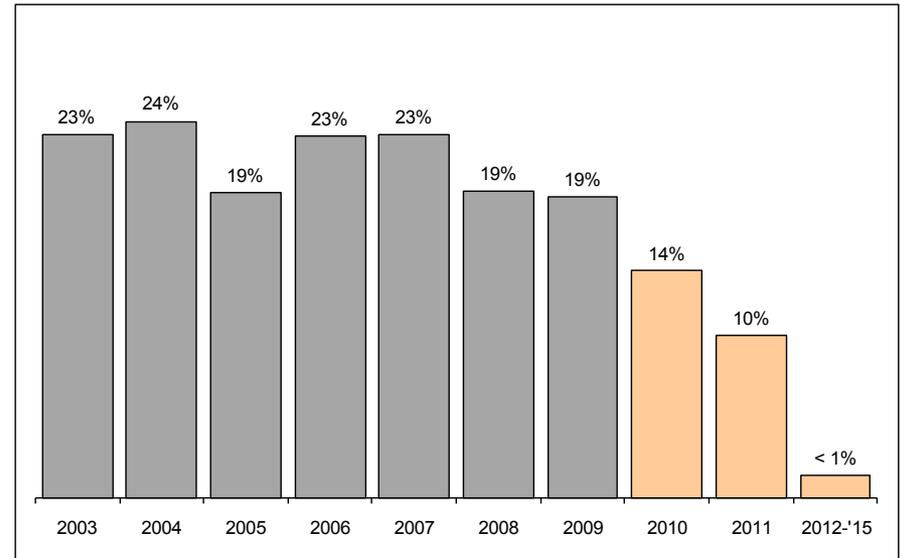
Long-Term Contracts as a Percent of IOU Annual Peak Capacity and Energy Demand

In 2004, DWR covered 31% of the three utilities peak demand and 24% of their energy requirements.

Peak Demand

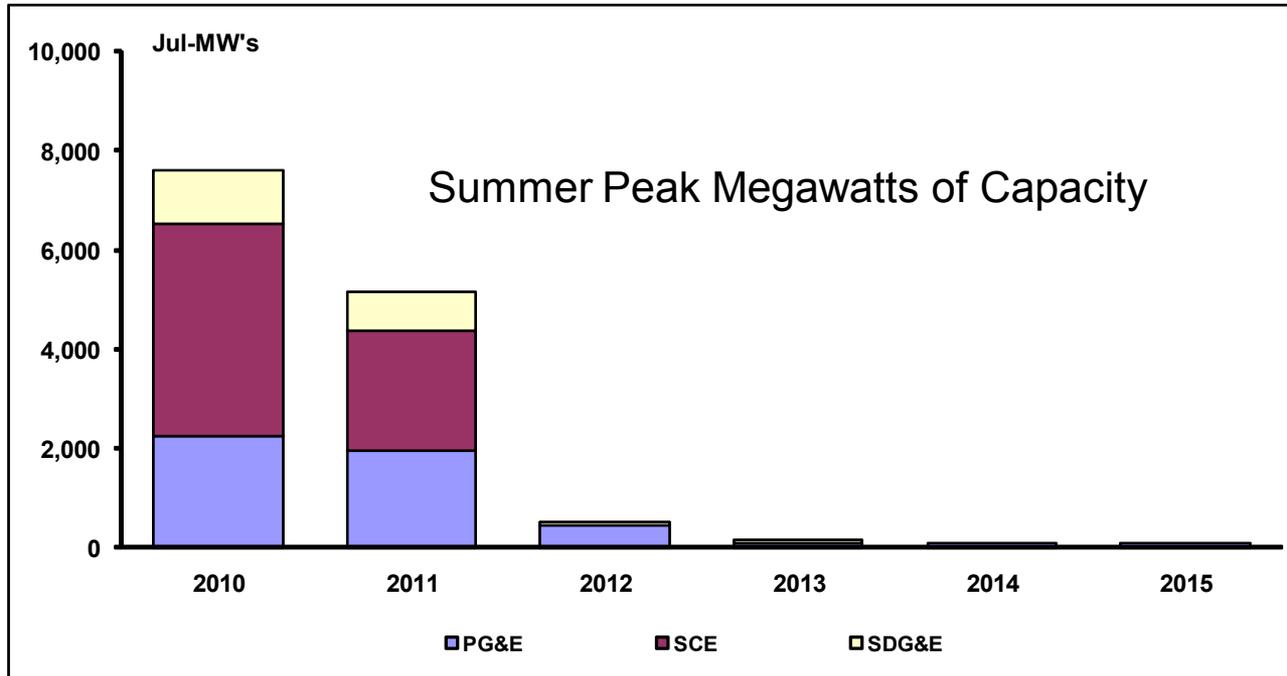


Annual Energy



Note: Historical percentages (2003-2007) are approximate and are based on a DWR analysis of publicly available information from Investor Owned Utilities (PG&E, SCE, and SDG&E). Projected percentages are based upon DWR's October 27, 2009 Revenue Requirement (PM-16) filed at the California Public Utilities Commission (CPUC) and as-available California Energy Commission (CEC) projections of IOU load requirements.

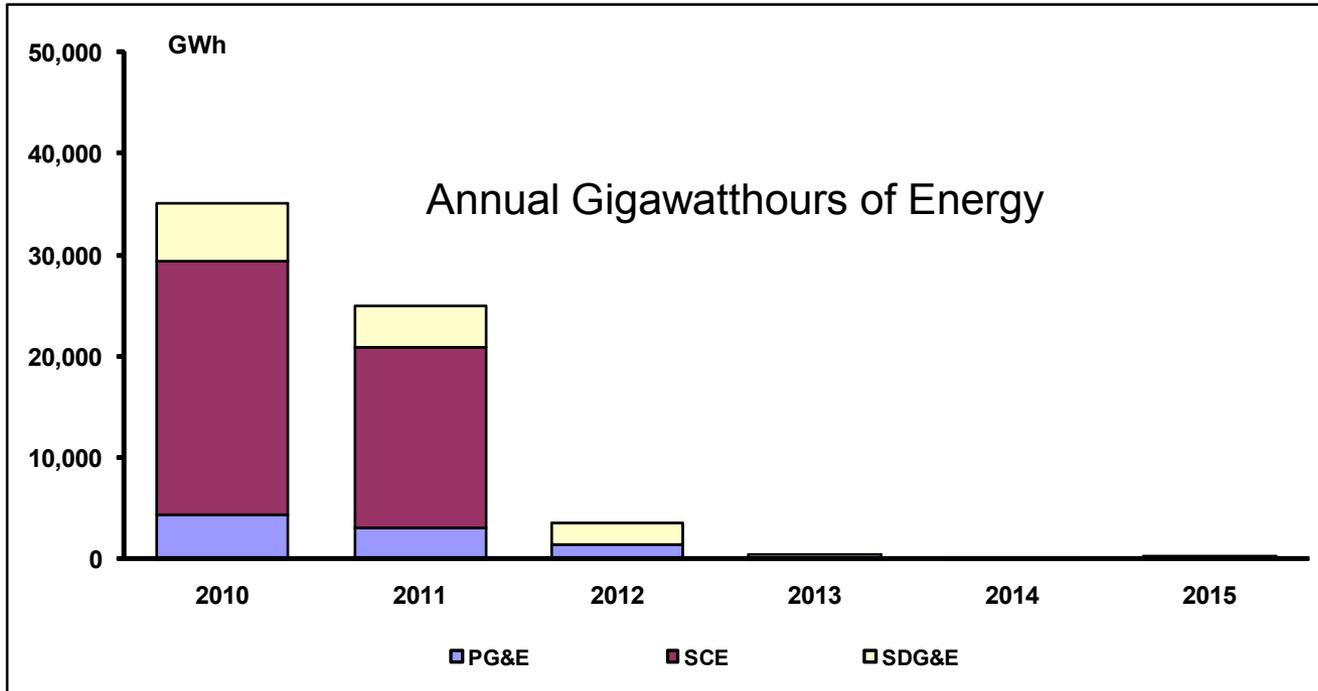
Contract Allocation Among IOUs



Contract Capacity (Jul-MW)	2010	2011	2012	2013	2014	2015
PG&E	2,250	1,950	450	100	100	100
SCE	4,280	2,430	0	0	0	0
SDG&E	1,080	760	60	60	0	0
TOTAL	7,610	5,140	510	160	100	100

Data: CDWR-CERS revenue requirement model (PM16).

Contract Allocation Among IOUs

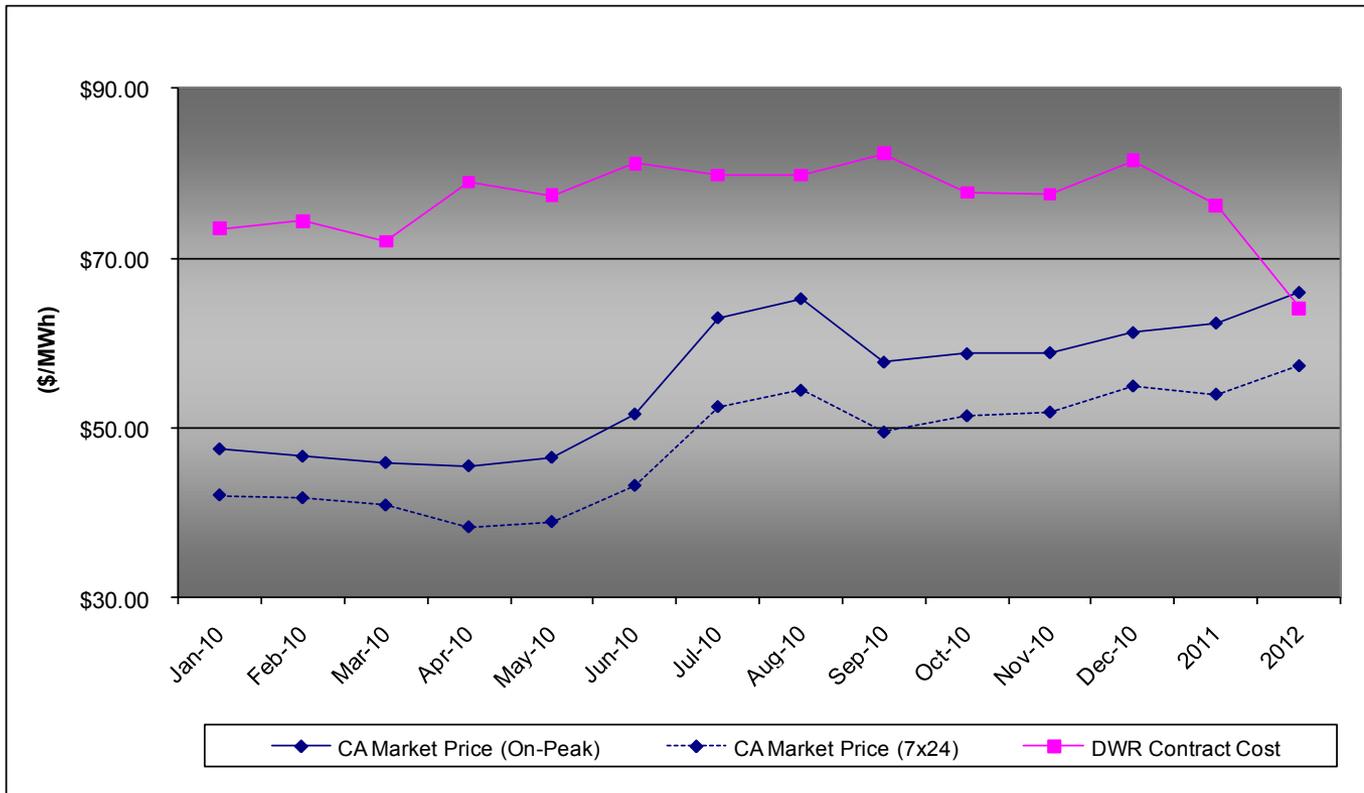


Contract Energy (GWh)	2010	2011	2012	2013	2014	2015
PG&E	4,400	3,100	1,400	100	100	200
SCE	24,900	17,800	0	0	0	0
SDG&E	5,800	4,100	2,200	300	0	0
TOTAL	35,100	25,000	3,600	400	100	200

Data: CDWR-CERS revenue requirement model (PM16).

Cost of the Contract Portfolio

Cost of the portfolio of energy contracts compared to the current electricity forward market as of November 20, 2009.

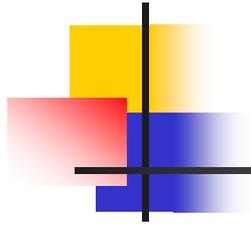


Note: DWR Contract Cost (\$/MWh) is "All-In" expected total cost of DWR Contracts divided by expected generation (MWh). CA Market Price is the simple weighted average of NP15 and SP15 Peak and Off-Peak energy forward prices.

Expiration Dates of the Remaining Contracts

Contracts in Effect 2010 (Year-end expiration unless otherwise noted)						
2003	2010	2011	2012	2013	2014	2015
Constellation Power <small>(Prod 1 expired Jun-'03, Prod 2 expired Oct-'03)</small> Goldman Sachs Group <small>(NP-15 product)</small> Intercom <small>(Expired Aug-'03)</small> Primary Power	Colton Power <small>(Oct-'10)</small> JP Morgan <small>(formally Williams) (Product B,C,D, & Gas Supply Contract)</small>	Calpeak(s) <small>(2 projects Oct-'11, 3 projects Dec-'11)</small> Calpine 3 <small>(Jul-'11)</small> Goldman Sachs <small>(formally Allegheny)</small> GWF <small>(Phase 1 & 2)</small> High Desert <small>(Mar-'11)</small> Mountainview Wind <small>(formally PG&E ET) (Sept-'11)</small> Iberdrola <small>(formally Pacificorp) (Jun-'11)</small> Sempra <small>(Sept-'11)</small> Wellhead(s) <small>3 projects (Oct-'11)</small>	Coral <small>(Jun-'12)</small> GWF Ph3 <small>(Oct-'12)</small> Sunrise <small>(Jun-'12)</small> Calpine 2 <small>(renew. w / 3- Yr option)</small>	Shell Wind Energy <small>(2 Contracts, formally WhtWtr. Cabazon & Hill)</small>	No Contracts Expire	Kings River <small>(Sept-'15)</small>
2004						
Dynegy						
2005						
El Paso						
Morgan Stanley						
2006						
Calpine 4 <small>(San Jose)</small>						
Soledad						
2007						
Williams <small>(Product A)</small>						
2008						
None						
2009						
Calpine 1						
Contract MW's Expiring** (non-coincident)						
4,590	1,450	4,670	1,520	100	0	100

(**) MW's shown were available during all or part of the calendar year that will not be available the following year. Contract MW's expiring are non-coincident and not cumulative due to expiration date and annual MW's may vary.



Summary Results of Renegotiations

Summary Results

Since 2002, CDWR has reduced its portfolio costs by \$7.5 billion through renegotiating contracts with 19 of its original 30 counter-parties. There are three contracts under their original terms.

Number of Counterparties with Contracts under Renegotiated Terms		Savings (\$' Millions)	Counterparties with Contract under Original Terms	Counterparties with Expired Contracts	Contracts Terminated
1	Calpine	\$2,900	Coral	BPA	Capitol Power ³
2&3	High Desert / Constellation Power ¹	\$560	Iberdrola (formally PacifiCorp)	Calpine 4	Clearwood ⁴
4	Shell Wind Energy ² (formerly Whitewater Energy Corp)	\$38	Sempra	Constellation Power ¹	Santa Cruz County ⁵
5	Capitol Power ³	\$6.3		Intercom	Soledad ⁶
6	CalPeak	\$71		Dynegy	
7	Soledad	\$1.7		El Paso	
8	GWF	\$215		Mirant	
9	Colton Power (formerly Alliance contract)	\$14.6		Morgan Stanley	
10	Mountainview (formerly PG&E ET Wind contract)	\$2.8		Pinnacle West	
11	JP Morgan (formerly Williams)	\$1,373		Primary Power	
12	Clearwood	\$28		PX Block Forward	
13	Wellhead	\$8.2			
14	Santa Cruz County ⁵	\$1.8			
15	Sunrise	\$121			
16	Goldman Sachs Group (formerly Allegheny contract)	\$836			
17	El Paso	\$125			
18	Morgan Stanley	\$40			
19	Mirant	\$87.5			
20	Calpine 2	\$1,022			
Total Savings (\$'s Millions)		\$7,452			

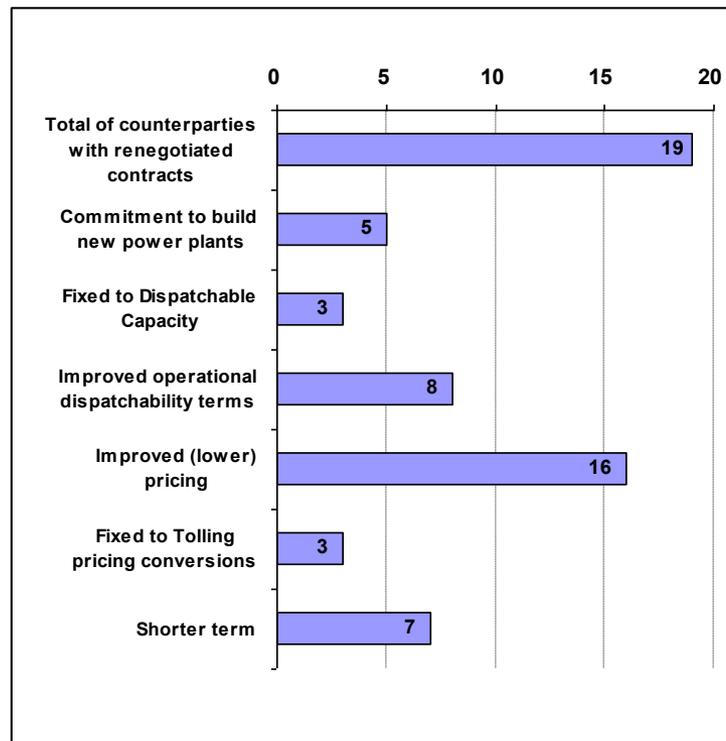
Notes:

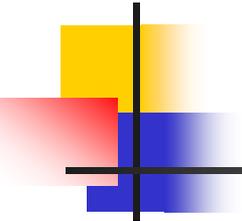
(1) Constellation Power Systems contract, Product 1 expired Jun-'03 and Product 2 expired Oct-'03; (2) Shell Wind Energy consists of two wind projects, formerly Whitewater Hill and Cabazon; (3) Capitol Power terminated in Nov '02; (4) Clearwood terminated in Jan '07; (5) Santa Cruz County terminated in Jan. '04; (6) Soledad terminated Jan-31, 2006.

Summary Results - cont.

Renegotiations have resulted in improved reliability and contract savings of \$7.5 billion (a 17.5% reduction from the initial projection of \$42.5 billion). Improved reliability is the result of securing generator commitment to build new power plants. Savings are based on improved contract terms, such as lower pricing and shorter terms, and increased dispatchability.

CDWR Improvement in Contract Terms due to Renegotiations

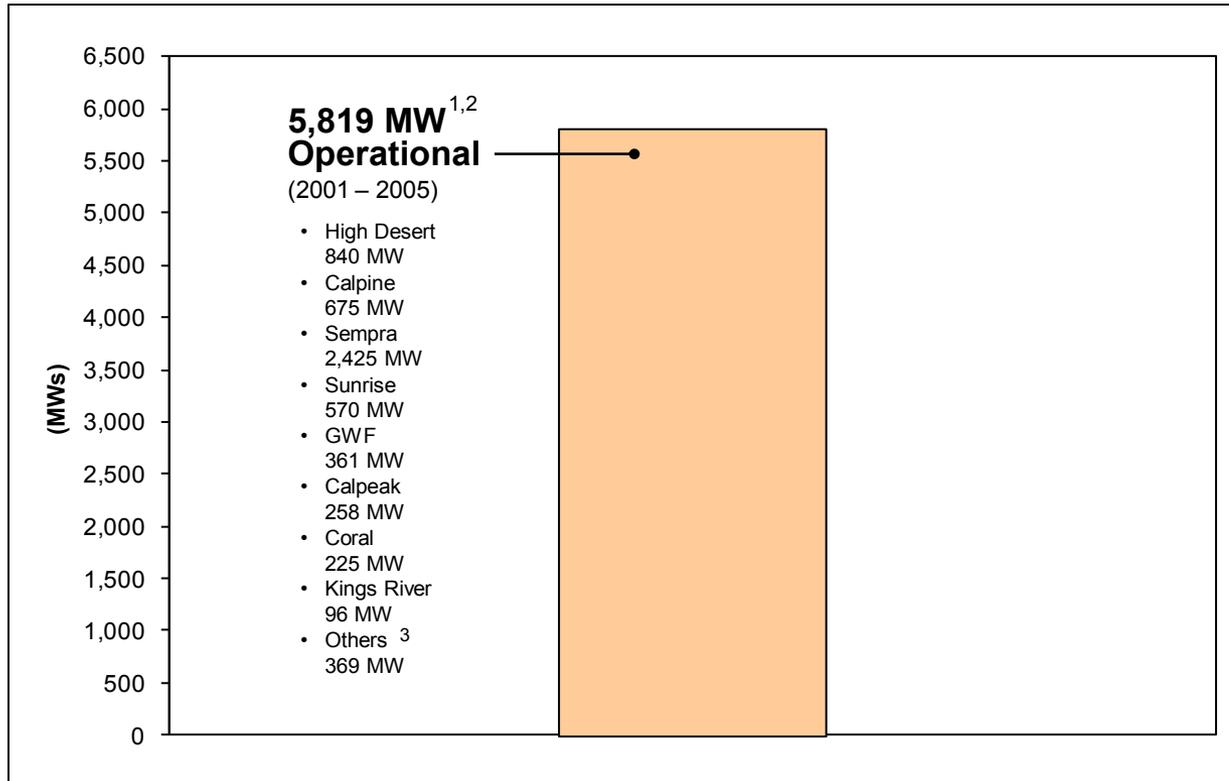




New Power Plants Supported by CDWR Long-Term Contracts

New Power Plants

Supporting CDWR contracts, 37 new power plants totaling over 5,800 megawatts have become operational since 2001.



Notes:

(1) Includes 1,875 MW of operational out-of-state projects built by Sempra (Mesquite Ph-1, Ph-II, and Mexicali).

(2) City & County of San Francisco (180 MW) was not developed.

(3) Other projects include: Colton Power (2), Mountain View, Shell Wind Energy (2), and Wellhead (3).