

October 26, 2010

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

The California Department of Water Resources ("Department" or "DWR") hereby provides notice of its revised determination of revenue requirements for the period January 1, 2011 through and including December 31, 2011. The Department has made this determination of revenue requirements in accordance with California Water Code, Division 27 (the "Act") and California Code of Regulations, Division 23, Chapter 4, Sections 510–517 (the "Regulations").

The Department has determined that its cash basis revenue requirement for 2011 is \$1.369 billion, consisting of \$0.509 billion in Power Charges and \$0.860 billion in Bond Charges.

In reaching its revenue requirements determination, the Department followed procedures consistent with those contained in the Act and the Regulations. The Department has reviewed certain matters relating to its August 5, 2010 Determination, including, but not limited to, operating results of the Electric Power Fund as of September 30, 2010 (the August 5, 2010 Determination incorporated preliminary actual operating results through May 2010); and an updated gas price forecast.

On October 18, 2010, the Department issued its Proposed Revised Determination of Revenue Requirements for 2011. The Department provided interested persons with quantitative results from its PROMOD market simulation and Financial Model, subject to applicable non-disclosure requirements. Interested persons were advised to submit comments no later than October 25, 2010. The Department did not receive any comments on the proposed revisions to the 2011 Revenue Requirement and this revised 2011 Determination remains unchanged from the Proposed 2011 Determination of October 18, 2010.

The Department may propose further revisions to its revenue requirements for 2011 given the potential for significant or material changes in the California energy market including changes in forecasted fuel costs, novation of some of its power contracts and many other events that may materially affect the realized or projected financial performance of the power charge or the bond charge accounts. In such event, the Department will inform the Commission of such material changes and will revise its revenue requirements accordingly.

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 submitted a request for notice by U.S. Mail. This notice is also posted on the Department's web-site.

DWR will consider any request for reconsideration of the determination of revenue requirements only if the request satisfies the requirements of Section 515 of Title 23 of the California Code of Regulations, which are summarized below. To be considered, requests for reconsideration must be received at either of the following addresses by 5:00 P.M. on November 9, 2010:

Mailing address: Department of Water Resources
California Energy Resources Scheduling Division
2033 Howe Avenue, Suite 220
Sacramento, CA 94825
Attention: Russell C. Mills
E-mail address: millsr@water.ca.gov

Requests for reconsideration must satisfy the following requirements, as specified in Section 515 of Title 23 of the California Code of 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.

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.