

August 6, 2003

**NOTICE OF SIGNIFICANT ADDITIONAL MATERIAL
IN PROPOSED DETERMINATION OF A REVENUE REQUIREMENT
(California Code of Regulations Title 23 Section 513)**

The California Department of Water Resources ("the Department" or "DWR") has received additional data concerning actual volumes and costs for the time period January through June 2003. Based on this data and further analysis, the Department is examining potential adjustments in the 2004 Proposed Determination of Revenue Requirements. The Department is also supplying to interested persons significant additional material upon which the Department intends to rely in making a 2004 Determination of Revenue Requirements. This supplemental information includes the following:

- a CD containing a detailed computer model supporting the 2004 Proposed Determination of Revenue Requirements, which has been updated to reflect actual volumes and costs through June 2003. The model contains detailed load profile information which California investor owned utilities ("IOUs") have indicated is confidential.
- an August 4, 2003 memorandum from Peter Garris, Deputy Director of the California Department of Water Resources, regarding the allocation of DWR's 2003 Supplemental Revenue Requirements Determination. The memorandum contains information pertaining to the amounts owed to DWR and unpaid by PG&E for the periods of January 19, 2001 through December 31, 2002 and January 1, through April 16, 2003.

The changes in the 2004 Proposed Determination due to the update of actual volume, revenue and cost information and the refinement of the amount owed and unpaid by PG&E is illustrated below.

TABLE A-1
SUMMARY OF THE DEPARTMENT'S 2004 POWER CHARGE REVENUE REQUIREMENT
AND POWER CHARGE ACCOUNTS ¹

Line	Description	Proposed 2004 Filing	Update to Proposed 2004 Filing	Difference
1	<i>Beginning Balance in Power Charge Accounts</i>			
2	Operating Account	748	742	6
3	Priority Contract Amount	-	-	-
4	Operating Reserve Account	630	630	-
5	Total Beginning Balance in Power Charge Accounts	1,378	1,372	6
6	<i>Power Charge Accounts Operating Revenues</i>			
7	Power Charge Revenues from Bundled Customers	4,652	4,662	(10)
8	Power Charge Revenues from Direct Access Customers	-	-	-
9	Extraordinary Receipts from Utilities	-	-	-
10	Other Power Sales	134	134	-
11	Interest Earnings on Fund Balances	31	30	0
12	Total Power Charge Accounts Operating Revenues	4,816	4,827	(10)
13	<i>Power Charge Accounts Operating Expenses</i>			
14	Administrative and General Expenses	59	59	-
15	Total Power Costs	4,794	4,794	-
16	Ancillary Services	-	-	-
17	Extraordinary Costs	71	71	-
18	Total Power Charge Accounts Operating Expenses	4,924	4,924	-
19	Net Operating Revenues	(108)	(98)	(10)
20	Net Transfers from/(to) Bond Charge Accounts	-	-	-
21	Total Net Revenues	(108)	(98)	(10)
22	Ending Aggregate Balance in Power Charge Accounts	1,270	1,274	(4)

The Department is also supplying to interested persons an updated Section H entitled "Reference Index of Material upon Which the Department Relied to Make Determination". This update is attached hereto and replaces the prior Section H in the Proposed Determination. It includes a unique number identifier system has been established to catalog all supporting reference materials for the DWR Rev Requirement. This number identifier system 1) indicates the specific Revenue Requirement review process in which the records are being submitted; 2) lists a unique number for each record; and 3) corresponds to the Revenue Requirement record filing system maintained at CERS for public review.

The unique number identifier system will enable interested persons to reference specific record numbers in their comments. Documents identified as DWR04pRR 13 through 55 constitute the significant additional material referenced by this notice. In addition to the CD and August 4, 2003 memorandum identified above, this supplemental information includes but is not limited to:

- Information pertaining to fuel procurement activities, including internal work-papers of DWR and detailed gas procurement information which the California investor owned utilities ("IOUs") have indicated is confidential.

- Information pertaining to the IOUs estimate of off-system sales revenue, including internal work-papers of DWR and other information which California investor owned utilities (“IOUs”) have indicated is confidential.
- DWR work-papers used in estimating the 2003 and 2004 gas hedging collateral requirements
- Information pertaining to the renegotiation of Long Term Power Contracts, including the press releases issued with each renegotiation, relevant settlement agreements and the principles guiding DWR’s renegotiations.
- The April 2003 Bureau of State Audit Report on the California Energy Market

A copy of this notice will be provided via electronic mail to every person who received notice of the Proposed 2004 Determination of Revenue Requirements. This notice will also be posted on the Department's web site (www.water.ca.gov). The supplemental information shall also be available for review at the California Energy Resources Scheduling Division (CERS) of DWR, which is located at 3310 El Camino Avenue in Sacramento, California. Interested persons will be granted access to this model subject to appropriate nondisclosure requirements.

Pursuant to California Code of Regulations Title 23, Section 515, comments on the proposed determination of revenue requirements and supplemental material upon which the Department intends to rely in making its determination must be received at either of the following addresses by 5:00 P.M. on August 14, 2003:

Mailing address: Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821-9001
Attention: Jeannie S. Lee, Esq.

E-mail address: jslee@water.ca.gov

Comments must also 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. The deadline for submitting comments in response to this notice is August 14, 2003.
- 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.

H. Annotated Reference Index of Materials Upon Which the Department Relied to Make Determinations

Volume	Record Number	Record Title
DWR04pRR	1	Index of Record of 2003 Revenue Requirement Reasonableness Determination, Submitted April 1, 2003 in PGE vs CDWR Case 02CS01631 Superior Court of California, County of Sacramento
DWR04pRR	2	Supplemental Determination of Revenue requirement for the Period January 1, 2003 through December 31, 2003 dated July 1, 2003,
DWR04pRR	3	Annotated Reference Index of Materials Upon Which the Department Relied to Make Determinations for the 2003 Supplemental Determination of Revenue requirement for the Period January 1, 2003 through December 31, 2003 dated July 1, 2003,
DWR04pRR	4	DWR Reconciliation of 2004Revenue Requirements Work-Paper
DWR04pRR	5	Pacific Gas and Electric Company's Comments on the California Department of Water Resources' Proposed Supplemental Determination of Revenue Requirements for the Period January 1, 2003 Through December 31, 2003, dated June 23, 2003
DWR04pRR	6	Southern California Edison Company's Comments on the California Department of Water Resources' Proposed Supplemental Determination of Revenue Requirements for the Period January 1, 2003 Through December 31, 2003, dated June 23, 2003
DWR04pRR	7	San Diego Gas and Electric Company's Comments on the California Department of Water Resources' Proposed Supplemental Determination of 2003 Revenue Requirement, dated June 23, 2003
DWR04pRR	8	CPUC Decision 02-11-074, November 21, 2002. "Order Granting Rehearing to Modify D.02-10-063". After reviewing the (several) applications for Rehearing and the responses, we are of the opinion that rehearing should be granted in order to exempt from the bond charge all residential sales up to 130% of baseline in all three service territories. Excluding the 130%, leads to an estimate that all other bundled consumption will pay a projected charge of between 0.7927 and 1.0732 cents per kWh in 2003 and between 0.7381 and 0.9141 cents per kWh in 2004.
DWR04pRR	9	CPUC Decision 02-12-082, December 30, 2002. "Order Granting Rehearing of Decision 02-11-074". The Rehearing decision Applies the Bond Charge to Residential Sales of Up to 130% of Baseline Usage in All Three Service Territories. The previous order had exempted residential sales of up to 130% of baseline.
DWR04pRR	10	CPUC Decision 03-02-036, February 13, 2003. "Order Denying Rehearing of Decision 02-12-082". This decision denies TURN's application for rehearing related to Commission decision(s) on the 130% of baseline issue in the bond charge proceeding.

Continued H. Annotated Reference Index of Materials Upon Which the Department Relied to Make Determinations

Volume	Record Number	Record Title
DWR04pRR	11	CONFIDENTIAL - PROSYM Output. Run 42 Proprietary Model and Confidential Data contained and not for public release - Protected under relevant Non Disclosure Agreements. NOT FOR PUBLIC RELEASE
DWR04pRR	12	CONFIDENTIAL - PROSYM Output Run 42 Sensitivity Case 1, Proprietary Model and Confidential Data contained and not for public release - Protected under relevant Non Disclosure Agreements. NOT FOR PUBLIC RELEASE
DWR04pRR	13	CONFIDENTIAL - PROSYM Output Run 42 Sensitivity Case 2, Proprietary Model and Confidential Data contained and not for public release - Protected under relevant Non Disclosure Agreements. NOT FOR PUBLIC RELEASE
Supplemental Material		
DWR04pRR	14	CONFIDENTIAL - Consultant's Financial Model version G3V27 and G3V28 Proprietary Model and Confidential Data contained and not for public release - Protected under relevant Non Disclosure Agreements. NOT FOR PUBLIC RELEASE
DWR04pRR	15	DWR Response to Comments and Data Requests in the DWR 2003 Supplemental CPUC Process
DWR04pRR	16	CPUC Resolution E-3825 dated July 10, 2003: Approval of PG&E gas tolling plan as modified
DWR04pRR	17	CPUC Resolution E-3833 dated July 10, 2003: Approval of SCE gas tolling plan as modified
DWR04pRR	18	CPUC Resolution E-3838 dated July 10, 2003: Approval of SGD&E gas tolling plan as modified
DWR04pRR	19	Preliminary Natural Gas Market Assessment: California Energy Commission staff report Dated May 27, 2003
DWR04pRR	20	CDWR Internal Memo Regarding Draft Fuels Protocols
DWR04pRR	21	CONFIDENTIAL - Work paper on 2004 Gas Collateral requirements - NOT FOR PUBLIC RELEASE
DWR04pRR	22	CONFIDENTIAL - Hedging Impact on Stress Case: Navigant Consulting memo dated April 15, 2003: Confidential document not for public release

Continued H. Annotated Reference Index of Materials Upon Which the Department Relied to Make Determinations

Volume	Record Number	Record Title
DWR04pRR	23	CONFIDENTIAL PG&E Gas Supply Plan for CDWR Tolling Agreements: Electric Advice Letter 2359-E – March 1, 2003 - NOT FOR PUBLIC RELEASE
DWR04pRR	24	CONFIDENTIAL - PG&E Gas Supply Plan for CDWR Tolling Agreements – Electric Advice Letter 2359-E-A – Supplemental Filing, March 25, 2003 Updated per Resolution E-3825 Updated July 21, 2003: NOT FOR PUBLIC RELEASE
DWR04pRR	25	CONFIDENTIAL - SCE Gas Supply Plan for CDWR Tolling Agreements - NOT FOR PUBLIC RELEASE
DWR04pRR	26	CONFIDENTIAL - SDG&E Gas Supply Plan for CDWR Tolling Agreements - NOT FOR PUBLIC RELEASE
DWR04pRR	27	Memo regarding DWR Data Response to Alliance Capital Management - Public Work Paper regarding Capacity Additional data May 21, 2003
DWR04pRR	28	Press Release For Renegotiated Contracts Dated 4/22/02 regarding Calpine, High Desert Power Project, Capitol Power, Cabazon, White Water Hill.
DWR04pRR	29	Press Release For Renegotiated Contracts Dated May 2, 2002 regarding CalPeak Power
DWR04pRR	30	Press Release For Renegotiated Contracts Dated August 27, 2002 regarding GWF
DWR04pRR	31	Press Release For Renegotiated Contracts Dated 11/11/2002 regarding Williams
DWR04pRR	32	Press Release For Renegotiated Contracts Dated December 23, 2002 regarding Clearwood Electric Company LLC, Wellhead Power LLC, and County of Santa Cruz
DWR04pRR	33	Press Release For Renegotiated Contracts Dated December 31, 2002 regarding Sunrise Power
DWR04pRR	34	Press Release For Contracts Dated January 14, 2003 regarding Kings River
DWR04pRR	35	Press Release For Renegotiated Contracts Dated 6/10/2003 regarding Allegheny Energy Supply Company
DWR04pRR	36	Press Release For Renegotiated Contracts Dated 6/26/2002 regarding El Paso
DWR04pRR	37	Press Release For Renegotiated Contracts Dated 7/11/2003 regarding Morgan Stanley
DWR04pRR	38	CDWR Preparation Guide for Update-to-Actuals
DWR04pRR	39	CONFIDENTIAL - Off System Sales Pricing work paper dated May 23, 2003 - NOT FOR PUBLIC RELEASE

Continued H. Annotated Reference Index of Materials Upon Which the Department Relied to Make Determinations

Volume	Record Number	Record Title
DWR04pRR	40	CONFIDENTIAL - SCE 2003 Electricity Sales Plan -NOT FOR PUBLIC RELEASE
DWR04pRR	41	2002 BSA Audit Report
DWR04pRR	42	Memorandum from Pete Garris, Deputy Director CERS, CDWR to CPUC Commissioner Brown regarding Allocation of 2003 Supplemental Revenue Requirement Determination, Dated August 4, 2003
DWR04pRR	43	Morgan Stanley Capital Group Renegotiated Long-term Contract with CDWR, Settlement Agreement, Confirmation Agreement
DWR04pRR	44	Allegheny Energy Supply Company Renegotiated Long-term Contract with CDWR, Settlement Agreement
DWR04pRR	45	Sunrise Power Company, LLC Settlement Agreement, and Confirmation Agreement
DWR04pRR	46	Wellhead Power LLC Settlement Agreement
DWR04pRR	47	Williams Energy Marketing & Trading Settlement Agreement, and Associated Renegotiation Documents
DWR04pRR	48	PG&E Energy Trading – Power Settlement Agreement
DWR04pRR	49	GWF Energy LLC Settlement Agreement
DWR04pRR	50	CalPeak Power LLC Settlement Agreement
DWR04pRR	51	CalPine Energy Services LP Settlement Agreement
DWR04pRR	52	Constellation Power Source /HDPP LLC Settlement Agreement
DWR04pRR	53	Colton Power LP Settlement Agreement
DWR04pRR	54	PG&E Data Request submitted during the APA Review Process of the 2004 Proposed Revenue Requirement, Dated July 29, 2003
DWR04pRR	55	Letter Response to PG&E from Andrew Ulmer, Dated July 31, 2003 Re: DWR 2004 Proposed Revenue Requirement Determination. This letter confirms the receipt of the Data Request submitted during the APA Review Process of the 2004 Proposed Revenue Requirement and confirms the scheduling of a Conference Call at the request of PG&E to Review Financial Model.