

**DEPARTMENT OF WATER RESOURCES**

1416 NINTH STREET, P.O. BOX 942836  
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(916) 653-5791



AUG 25 2011

To: Distribution List

Assembly Bill 1X (Chapter 4, Statutes of 2001), among other things, established Section 27 of the California Water Code, authorized the Department of Water Resources (DWR) to enter into long-term contracts with power suppliers, authorized DWR to issue revenue bonds and required DWR to make quarterly and annual reports to the Governor and the Legislature regarding California Energy Resources Scheduling Division's (CERS) activities. The accompanying report contains results of operating activities with detail on remittance revenues, long-term power contract and administrative expenditures, and CERS' financial position as of March 31, 2011.

If you have any questions, please contact me at (916) 653-7007 or your staff may contact Gurdip Rehal, Acting Chief, Financial Management Office, at (916) 574-1299.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark W. Cowin".

Mark W. Cowin  
Director

Attachments

Distribution List

Electronic copy of one-page summary distributed to all members of the Legislature

Mr. Gregory P. Schmidt  
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Sacramento, California 95814

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Sacramento, California 95814

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Attention: Diane Anderson

Legislative Unit  
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Honorable John Laird  
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California Natural Resources Agency  
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**Report to the Legislature  
Assembly Bill X1 1, Chapter 4, Statutes of 2001  
Activities and Expenditures for Quarter Ended March 31, 2011**

Assembly Bill X1 1 (Chapter 4, Statutes of 2001), among other things, established Section 27 of the California Water Code, authorized the Department of Water Resources (DWR) to enter into long-term contracts with power generators, created the Power Supply Revenue Bond program and required DWR to make quarterly and annual reports to the Governor and the Legislature regarding California Energy Resources Scheduling Division's (CERS) activities.

CERS purchases power under the terms of its existing contracts, all of which were entered into prior to January 1, 2003. The scheduling, dispatch and certain other administrative functions for the existing contracts are managed by the investor owned utilities. CERS continues to have financial and legal responsibility for its contract portfolio and oversees repayment of the outstanding revenue bonds.

As required by Assembly Bill X1 1, this report provides historical information with respect to cash receipts, disbursements, bonds outstanding and cash balances for the quarter ended March 31, 2011. There are no unexpected trends, and cash balances at the end of this quarter met or exceeded amounts required by the Trust Indenture for the Power Supply Revenue Bonds. The report also compares CERS' 2011 fiscal year appropriated costs to budget for the quarter ended March 31, 2011, and demonstrates that CERS' expenditures are within budget.

This report is available on the DWR website at: <http://www.cers.water.ca.gov>

# **California Energy Resources Scheduling**

**A Division of  
California Department of Water Resources**

**Activities and Expenditures Report  
Quarter Ended March 31, 2011**

**(Provides Data as Required by Section 80250 of the California Water Code)**



# Activities and Expenditures Report

## For The Quarter Ended March 31, 2011

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# Activities and Expenditures Report

## Preface

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Pursuant to the reporting requirement in Section 80250 of the California Water Code, the following information reflects energy acquisition activities and expenditures incurred by the California Energy Resources Scheduling Division (CERS) of the Department of Water Resources (DWR) for quarter ended March 31, 2011. Included are all costs related to energy acquisition and administration.

CERS purchases power under the terms of its existing contracts, all of which were entered into prior to January 1, 2003. The scheduling, dispatch and certain other administrative functions for the existing contracts are managed by the investor owned utilities. CERS continues to have financial and legal responsibility for its contract portfolio and will oversee repayment of the revenue bonds.

The audited financial statements for the years ended June 30, 2010 and 2009, and the un-audited financial statements for the quarter ended March 31, 2011, prepared in accordance with generally accepted accounting principles, can be referenced at the following link: [http://www.cers.water.ca.gov/financial\\_bonds.cfm](http://www.cers.water.ca.gov/financial_bonds.cfm)

This report is available on the DWR website at [www.cers.water.ca.gov](http://www.cers.water.ca.gov).

# Cash Balances

## March 31, 2011

(in millions)

### Power Accounts\*

|  |    |              |
|--|----|--------------|
| Operating and Priority Contract Accounts | \$ | 1,365        |
| Operating Reserve Account                |    | 288          |
| Total Power Account Balances             | \$ | <u>1,653</u> |

### Bond Accounts

|                                |    |              |
|--------------------------------|----|--------------|
| Bond Charge Collection Account | \$ | 252          |
| Bond Charge Payment Account    |    | 795          |
| Debt Service Reserve Account   |    | 919          |
| Total Bond Account Balances    | \$ | <u>1,966</u> |

**Note:** All cash balances met the requirements of the Bond Indenture at quarter end and for each day during the quarter.

\*Power accounts balances include \$233 million as a result of the Sempra Settlement.

# Revenues from IOU Ratepayers

## Quarter Ended March 31, 2011

(in millions)

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|                              | <u>Pacific<br/>Gas &amp;<br/>Electric</u> | <u>San Diego<br/>Gas &amp;<br/>Electric</u> | <u>Southern<br/>California<br/>Edison</u> | <u>Total</u> |
|------------------------------|---|---|---|--------------|
| <u>Power Charges</u>         |   |   |   |              |
| Quarter Ended March 31, 2011 | \$ 86                                     | \$ 45                                       | \$ 186                                    | \$ 318       |
| <u>Bond Charges</u>          |   |   |   |              |
| Quarter Ended March 31, 2011 | \$ 86                                     | \$ 21                                       | \$ 92                                     | \$ 200       |

# DWR Contract Expenditures for the Benefit of Ratepayers

Quarter Ended March 31, 2011 (in millions)

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| <u>Utility</u>             | <u>Total Power<br/>Costs*</u> | <u>Total MWh</u> | <u>Total Gas<br/>Costs</u> | <u>Total MMBtu</u> |
|----------------------------|-------------------------------|------------------|----------------------------|--------------------|
| Pacific Gas & Electric     | \$ 66                         | 0.52             | \$ 0 **                    | (3.27)             |
| Southern California Edison | 168                           | 4.17             | 118                        | 18.93              |
| San Diego Gas & Electric   | 24                            | 0.52             | 16                         | 2.81               |
| <b>Total</b>               | <b>\$ 257</b>                 | <b>5.21</b>      | <b>\$ 134</b>              | <b>18.47</b>       |

\*Contract expenditures do not include the net costs of prior period refunds and adjustments or settlement revenues.

\*\*Due to hydrological conditions this year, DWR contract generation for PG&E was minimal in the first quarter 2011. As a result, surplus natural gas was sold, offsetting most of the cost of purchasing natural gas for PG&E.

# Power Revenue Bonds

## March 31, 2011

(in millions)

| Series                  | Initial Principal<br>Amount | March 31, 2011<br>Outstanding Principal<br>Amount | Interest Rate Mode |
|-------------------------|-----------------------------|---|--------------------|
| Initial Issues          |                             |   |                    |
| Series 2002A            | \$ 6,314                    | \$ 777  | Fixed              |
| Series 2002B            | 1,000                       | 25  | Variable           |
| Series 2002C            | 2,750                       | 923   | Variable           |
| Series 2002D            | 500                         |   |                    |
| Series 2002E (Taxable)  | 700                         |   |                    |
| Total                   | \$ 11,264                   |   |                    |
| Refunding Issues        |                             |   |                    |
| Series 2005F            | \$ 759                      | \$ 348  | Fixed              |
| Series 2005G            | 1,835                       | 173   | Fixed              |
| Series 2008H            | 1,007                       | 1,007   | Fixed              |
| Series 2008I            | 150                         |   |                    |
| Series 2008J            | 130                         |   |                    |
| Series 2008K            | 279                         | 279   | Fixed              |
| Series 2010L            | 2,993                       | 2,993   | Fixed              |
| Series 2010M            | 1,763                       | 1,763   | Fixed              |
| Total                   | \$ 8,916                    |   |                    |
| Total Bonds Outstanding |                             | \$ 8,287  |                    |

# Appropriated Costs

## Fiscal Year Ending June 30, 2011

(in millions)

|   | Annual Budget<br>for Fiscal Year<br>Ended<br>June 30, 2011 | Pro rated Budget<br>for nine months<br>Ended<br>March 31, 2011 | Actual<br>Expenditures<br>through<br>March 31, 2011 |
|---|--|--|---|
| Salaries, Benefits and Distributed Administrative Costs | \$ 7.2   | \$ 5.4   | \$ 5.1  |
| Consulting Companies and Personal Service Consultants   | 9.8  | 7.4  | 5.5   |
| Other Operating Expenses and Equipment                  | 1.8  | 1.4  | 1.1   |
| Subtotal  | <u>18.8</u>  | <u>14.1</u>  | <u>11.7</u>   |
| Allocation of State Wide Pro-Rata Costs                 | 7.2  | 5.4  | 5.4   |
| <b>TOTAL ADMINISTRATIVE COSTS</b>                       | <u><u>\$ 26.0</u></u>                                      | <u><u>\$ 19.5</u></u>  | <u><u>\$ 17.1</u></u>                               |