NOTICE TO

STATE WATER PROJECT CONTRACTORS

NUMBER: 07-07

DATE: OCT 3 2007

FROM: Ralph J. Jones
DEPUTY DIRECTOR, DEPARTMENT OF WATER RESOURCES

SUBJECT: Increase in 2007 Variable Billing Rate

This notice is to inform the State Water Project (SWP) Contractors of an increase in the 2007 variable invoicing rate. Starting with the August variable billings for deliveries made in July, the variable invoicing rate was increased from 32.11 mills/kwh to 34.00 mills/kwh. Furthermore, in late September, the Department of Water Resources (DWR) will invoice for January through June deliveries for the incremental difference of the variable rates.

The increase in the invoicing rate is to address higher SWP unit power costs than were originally anticipated when the invoicing rate was prepared. Some contributing factors to the higher mill-rate are: the impacts of lower hydrology on SWP deliveries and generation required an unexpected additional refill of Castaic Reservoir, and the Delta pumping restrictions.

DWR will continue to monitor and analyze the variable power costs and revenues on a monthly basis to determine if further adjustments (increase or decrease) are needed to the invoicing rate.

For your information, the initial variable rate used in 2007 Statements of Charges was based on 38.46 mills/kwh. In early 2007, the rate was revised to 32.11 mills/kwh based on updated projections.

If you have any questions or need additional information about this Program, please contact Pedro Villalobos, State Water Project Analysis Office, at (916) 653-5117.