



Department of Energy
Western Area Power Administration
Sierra Nevada Customer Service Region
114 Parkshore Drive
Folsom, California 95630-4710

AUG 26 2008

To All Central Valley Project (CVP) Preference Customers:

On August 26, 2008, the Western Area Power Administration (Western) received written notification (enclosure) from the U.S. Bureau of Reclamation (Reclamation) of the Fiscal Year (FY) 2009 Restoration Fund Payment obligation for the power contractors of \$32,355,738. This increase over Reclamation's previous forecast of \$19.5 million is attributed to two factors: (1) the inclusion of an estimated \$4.3 million FY 2008 shortfall and (2) reduced water deliveries associated with water shortage projections similar to FY 2008.

Western will begin billing the power contractors on their September 2008 service month bills for the FY 2009 obligation. Power contractors can estimate their monthly obligation for FY 2009 bills by multiplying their Base Resource percentage by \$32,355,738 and then divide this result by twelve. Please note that this estimate does not include any adjustment for hourly exchange program participation in FY 2009. Western will track hourly exchange energy program participation on a monthly basis and will adjust Base Resource percentages for those customers that participated in the hourly exchange program during FY 2009 on their July/August 2009 bills.

Please note that some customers may continue to see adjustments on their FY 2009 bills for credits from their hourly exchange participation in FY 2008. Western will credit these amounts, to the degree possible; each month based on the customer's FY 2009 monthly obligations. For those customers who accumulate credits larger than their monthly FY 2008 charge, the credits will be carried over to later bills in FY 2009 until the credits are exhausted.

During the March to April 2009 time frame, Reclamation will determine if a mid-year adjustment is needed. If a mid-year adjustment is warranted, it will be discussed with the power customers when it is implemented.

We thank you for your continued cooperation. Should you have any questions regarding Reclamation's procedures and methodology associated with calculating the power contractors Restoration Fund obligation, please feel free to contact the Reclamation point of contact as indicated in the enclosure. Any questions regarding the collections associated with the Restoration Fund program please contact Ms. Melinda Grow at (916) 353-4443 or e-mail at grow@wapa.gov.

Sincerely,



Charles J. Faust
Rates Manager

Enclosure

cc:

Ms. Gail Trujillo-Bixby
U.S. Bureau of Reclamation
2800 Cottage Way
Sacramento, CA 95825

Ms. Kathleen D. Burks
U.S. Bureau of Reclamation
2800 Cottage Way
Sacramento, CA 95825



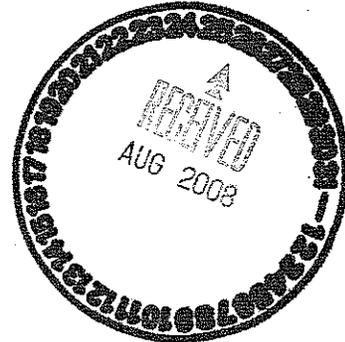
United States Department of the Interior

BUREAU OF RECLAMATION
Mid-Pacific Regional Office
2800 Cottage Way
Sacramento, California 95825-1898

IN REPLY
REFER TO:

MP-3600
FIN-4.00

AUG 26 2008



Ms. Sonja A. Anderson
Power Marketing Manager
Sacramento Area Office
Western Area Power Administration
114 Parkshore Drive
Folsom, California 95630-4710

Subject: Allocation of the Fiscal Year 2009 (FY09) Total Restoration Payments, Central Valley Project Improvement Act, Central Valley Project (CVP)

Dear Ms. Anderson:

This letter notifies Western Area Power Administration (WAPA) of the FY09 total allocation for restoration payments, including the CVP power contractors' assigned portion, pursuant to the Central Valley Project Improvement Act, Title XXXIV of Public Law 102-575. Consistent with the Bureau of Reclamation's projections for the CVP, and continuing Maximum Restoration Payment Policy, the total FY09 restoration payment allocated to power is \$28,014,185.

Due to an anticipated FY08 Maximum Restoration Payment Policy shortfall, power contractors will have an additional \$4,341,553 due in FY09. Reclamation will notify WAPA of the exact shortfall in October 2008.

The amount allocated to power is determined as follows:

Total Restoration Payments – Fiscal Year 2009	\$48,278,000
Projected Restoration Payments – Water	<u>\$20,263,815</u>
Restoration Payments – Power	\$28,014,185
Plus Fiscal Year 2008 Projected Shortfall	<u>\$ 4,341,553</u>
Total Restoration Payments – Power	<u>\$32,355,738</u>

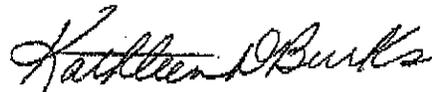
Subject: Allocation of the Fiscal Year 2009 Total Restoration Payments, Central Valley Project Improvement Act, Central Valley Project (CVP) 2

Projected restoration receipts are \$14,328,244 for Irrigation and \$5,935,571 for M&I. FY09 water shortage projections are similar to FY08. All projections are based on water deliveries for the 12-month period of July 2007 through June 2008.

Power's allocation of Restoration Receipts, including the FY08 projected shortfall, of \$32,355,738 must be transferred to Reclamation in FY09. In accordance with our letter dated April 21, 1995, a mid-year correction to power's allocation will be made on or about April 1, 2009.

Please contact Ms. Gail Trujillo-Bixby at 916-978-5263 or gtrujillobixby@mp.usbr.gov should you require additional information regarding the above calculations.

Sincerely,



Kathleen Burks
Manager, Financial Management Division

Enclosure (Projected FY 2009 Restoration Payments)

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8/11/08

Projected FY2009 Restoration Payments

	Acre-Feet	Rate	Rate	Projected Payments
		26%	73%	100.00%
		8/07/2008	10/08 - 7/09	
Restoration Payments (Water)				
Irrigation	1,594,791	\$9.79	\$9.06	\$14,328,744
M&I	300,378	\$17.57	\$18.15	\$5,935,571
Total Restoration Payments (Water)				\$20,265,815

Projected Deliveries

Jan	3%
Feb	4%
Mar	5%
Apr	8%
May	10%
Jun	15%
Jul	19%
Aug	19%
Sep	9%
Oct	4%
Nov	2%
Dec	2%
Total	100%

FY2007 thru FY2009 Total Restoration Payments needed in 1992 dollars
 less FY2007 Actual Payments (\$ 32,862,000 indexed /2)
 less FY2008 Projected Payments (\$ 51,321,000 indexed /3)
 less subtotal FY2007 & FY2008
 Total FY2009 Projected Restoration Payments in 1992 dollars

\$90,000,000 /1
 22,969,000 /1
 35,042,000 /1
 58,031,000 /1
 \$31,969,000 /1

Total FY2009 Projected Restoration Payments in FY2009 dollars
 less Projected Payments from Irrigation and M&I
 Balance needed from Power

\$48,278,000 /4
 20,263,815
 \$28,014,185

- /1 October 1992 price levels (rounded to thousands)
- /2 FY2007 price levels (1.4295 CPIU index factor)
- /3 FY2008 price levels (1.4646 CPIU index factor)
- /4 FY2009 price levels (1.5102 CPIU index factor)

Project Water sold and delivered 8/08 thru 7/09 generates almost all of FY2009 restoration payments projected from water. The above projection assumes restoration payments (receipts) are received and processed 2 months after deliveries are taken.