

AUG 24 2006

To All Central Valley Project (CVP) Preference Customers:

On August 8, 2006, the Western Area Power Administration (Western) received written notice (enclosed) from the U.S. Bureau of Reclamation (Reclamation) of the fiscal year (FY) 2007 Restoration Fund Payment obligation for the power contractors of \$6,550,050.

Western will begin billing the power contractors on their September 2006 service month bills for the FY07 obligation. Power contractors can estimate their monthly obligation for FY07 bills by multiplying their Base Resource percentage by \$6,550,050 and then divide by twelve. Please note that this estimate does not include any adjustment for FY07 hourly exchange program participation. Western is tracking 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 FY07 on their August 2007 bills.

Please note that some customers may continue to see adjustments on their FY07 bills for credits from their hourly exchange participation in FY06. Western will credit these amounts, to the degree possible, each month based on the customer's FY07 monthly obligation.

During the March to April 2007 time frame, Reclamation will determine if a mid-year adjustment is needed. If a mid-year adjustment is warranted, Western will provide this information to the power customers when it is implemented.

We thank you for your continued cooperation. Should you have any questions regarding any of the information in this letter, please call Ms. Melinda Grow at (916) 353-4443.

Sincerely,

  
Sean Sanderson  
Rates Manager

Enclosure

cc:

Mr. Les Ross  
U.S. Bureau of Reclamation  
2800 Cottage Way  
Sacramento, CA 95825

Mr. Craig Muehlberg  
U.S. Bureau of Reclamation  
2800 Cottage Way  
Sacramento, CA 95825

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# United States Department of the Interior

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

AUG 04 2006

IN REPLY  
REFER TO:  
MP-3600  
WTR-4.00

Code	Initial	Date
✓ 6000		
✓ 6100		
6200		
6400		
6001		

cc: MCGROW

Mr. Thomas R. Boyko  
Power Marketing Manager  
Sacramento Area Office  
Western Area Power Administration  
114 Parkshore Drive  
Folsom, California 95630-4710



Subject: Allocation of the Fiscal Year 2007 Total Restoration Payments, Central Valley Project Improvement Act, Central Valley Project

Dear Mr. Boyko:

This letter is to notify Western Area Power Administration of the amount of the fiscal year 2007 Total Restoration Payments allocation, including that portion assigned to the Central Valley Project (CVP) power contractors, pursuant to the Central Valley Project Improvement Act, Title XXXIV of Public Law 102-575. Consistent with Reclamation's hydrologic projections for the CVP, and continuing the Maximum Restoration Payment Policy, that portion of the Total Restoration Payments allocated to power for fiscal year 2007 is \$6,550,050.

The amount allocated to power is determined as follows:

Total Restoration Payments - Fiscal Year 2007	\$33,755,000
Projected Restoration Payments - Water	<u>27,204,950</u>
Restoration Payments - Power	<u>\$ 6,550,050</u>

Projected Restoration Payments - Water is based on expected receipts of \$18,469,976 from Irrigation and \$8,734,974 from M&I. This year's initial projection takes into consideration that in 6 out of the last 8 years there have been little (5%) or no Class 2 water deliveries. Any changes to this projection will be reflected in the mid-year correction to power's allocation. Power's allocation of Restoration Payments (\$6,550,050), needs to be transferred to Reclamation in fiscal year 2007. In accordance with our letter to you, dated April 21, 1995, a mid-year correction to power's allocation will be made on or about April 1, 2007.

Please contact Mr. Les Ross at (916)978-5386 (TDD:978-5608) should you require additional information regarding the above calculations.

Sincerely,

  
Katherine A. Thompson  
Regional Business Manager

Projected FY 2007 Restoration Payments

	acre-feet	Rate 28%	Rate 7.2%	Amount (\$)
Restoration Payments (Water)				
Irrigation	2,476,031	8.24	6.58	18,469,976
M&I	514,875	16.49	17.15	8,794,974
Total Restoration Payments (Water)				<u>27,204,950</u>

FY 2006 thru FY 2007 Total Restoration Payments Needed in 1992 dollars \$90,000,000 /1  
 less FY 2005 collections (\$ 46,336,000 Indexed /2) 35,042,000 /1  
 less FY 2006 projected collections (\$ 43,918,000 Indexed /3) 31,345,000 /1  
 less subtotal FY 2005 & FY 2006 66,387,000 /1  
 Total FY 2007 Restoration Payment Obligation in 1992 dollars \$23,613,000 /1

Total FY 2007 Restoration Payment Obligation in FY 2007 dollars \$33,755,000 /4  
 Less Amounts Projected from Irrigation and M&I 27,204,950  
 Balance Needed from Power \$6,550,050

- /1 October 1992 price levels (rounded to thousands)
- /2 FY 2005 price levels (1.3223 CPIU index factor)
- /3 FY 2006 price levels (1.4011 CPIU index factor)
- /4 FY 2007 price levels (1.4295 CPIU index factor)

Project Water sold and delivered 8/06 thru 7/07 generates almost all of FY 2007 Restoration Payments projected from water. The above projection assumes Restoration Payments are received and processed 2 months after deliveries are taken.

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