SFPUC
WATER
WASTEWATER
POWER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 Market St., 4th Floor, San Francisco, CA 94103 • Tel. (415) 554-0725 • Fax (415) 554-1854 • TTY (415) 554.3488

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August 14, 2006

Mr. Tim Haines
Deputy Director
California Department of Water Resources
California Energy Resources Scheduling
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821-9001

Dear Mr. Haines:

This letter provides the responses to the issues raised by you and your staff when we met. I found our dialogue constructive and hope this written response to your inquiries serves to further our understanding.

1. Acquisition cost of "In-City" land

You will find attached a copy of the San Francisco Administrative Code governing the transfer of property between City Departments. The transfer of land from the Municipal Railway to the SFPUC for the use of the In-City portion of the SFERP is governed by this code. We are in the process of updating the appraisal.

The SFERP will continue to provide a reliability benefit to ratepayers even after the contract has ended. The City sees the cost of the land as a legitimate project cost.

The original basis of the power purchase agreement was a 10 year contract. A reduction in term would be for the State's convenience. The City agrees that after the term of the power purchase agreement, the land will continue to have value, either as the site of the power plant, or put to some other use.

2. Mechanical Chillers

The water usage for the mechanical chillers is a maximum of 80 gpm on a hot day; the average demand will be 24 gpm. The annual consumption by the chiller cooling tower is projected to be 17 acre-feet (5.6 million gallons).

As you requested, installation costs for various alternative methods of cooling for both sites with net output on a hot day and average day are shown on the next page.

Oversize Document(s)

1. MAP(S) #_____

Document too large to scan.

2. PICTURE(S) #_____

For more information contact:

California Energy Commission
Docket Unit
1516 9th Street, MS-4
Sacramento, CA 965814-5512

Telephone (916) 654-5076
docket@energy.state.ca.us