STATE OF CALIFORNIA -- THE RESOURCES AGENCY

ARNOLD SCHWARZENEGGER, *Governor*

DEPARTMENT OF WATER RESOURCES
CALIFORNIA ENERGY RESOURCES SCHEDULING
P.O. BOX 219001
3310 EL CAMINO AVENUE, SUITE 120
SACRAMENTO, CA 95821-9001
(916) 574-1291

DOCKET
04-AFC-1
DATE AUG 28 2006
RECD. SEP 1 2006

August 28, 2006

Ms. Barbara Hale
Assistant General Manager for Power
San Francisco Public Utilities Commission
City and County of San Francisco
1155 Market Street, 4th Floor
San Francisco, California 94103

Dear Ms. Hale:

The California Department of Water Resources ("CDWR") has received from the City and County of San Francisco, (the "City") the letter dated August 14, 2006 in which the City responded to various cost issues of concern to CDWR. CDWR appreciates receiving the documents and the information provided and is in the process of reviewing such. After CDWR has finished its review, it will notify you of any conclusions it has reached. If you should have further questions I can be contacted at (916) 574-0311.

Sincerely,

John Pacheco

John Pacheco, Chief
Negotiations & Contract Management

cc: Karen S Kubick
San Francisco Public Utilities Commission
1155 Market Street, 4th Floor
San Francisco, Ca. 94103

Tony Irons
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