

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



November 9, 2007

Ms. Susan Leal
General Manager
San Francisco Public Utilities Commission
1155 Market Street, 4th Floor
San Francisco, California 94103

Dear Ms. Leal:

The California Department of Water Resources (CDWR) references the Power Purchase Agreement (PPA) by and between CDWR and the City and County of San Francisco (CCSF) dated December 30, 2002 for power supply from the San Francisco Peaking Project (Project). All capitalized terms used, but not otherwise defined herein, shall have the same meaning given to them in the PPA.

CDWR hereby withdraws its Notice of Termination of the PPA, dated October 23, 2007 and delivered to the San Francisco Public Utilities Commission. Accordingly, CDWR considers the PPA to be in full force and effect. Nothing herein constitutes a waiver of CDWR's rights as to any issue and CDWR expressly reserves all rights, objections, and claims it may otherwise have, including but not limited to CDWR's rights to terminate the PPA without recourse.

Please contact me at (916) 574-2733 in the event you wish to discuss this matter.

Sincerely,

Handwritten signature of Timothy J. Haines in black ink.

Timothy J. Haines
Deputy Director

cc: Mr. Jesse Blout
Economic Development Director
City Hall, Room 448
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4689

Mr. Tony Irons
Deputy General Manager
San Francisco Public Utilities Commission
1155 Market Street, 4th Floor
San Francisco, California 94103

Mr. Lester A. Snow
Director
Department of Water Resources
1416 9th Street
Sacramento, California 95814