

# Memorandum

Date: August 6, 2002

To: Gary M. Cohen  
General Counsel  
California Public Utilities Commission

From: California Energy Resources Scheduling  
Department of Water Resources

Subject: Amended and Restated Addendum to Summary of Material Terms of Financing Documents

Attached hereto please find a proposed Amended and Restated Addendum to Summary of Material Terms of Financing Documents (the "Restated Addendum") for your consideration. The Restated Addendum amends and restates the Addendum to Summary of Material Terms (the "July Addendum") transmitted to you on July 16, 2002. The Restate Addendum supplements and amends the Summary of Material Terms of Financing Documents (the "Summary"), which was delivered to the Commission as an attachment to my memorandum to you, dated February 21, 2002. The Restated Addendum describes miscellaneous changes to be reflected in the proposed financing documents, including changes addressing issues identified during the Department's continuing discussions with the rating agencies reviewing the Bonds subsequent to the delivery of the July Addendum.

The most significant changes to the Financing Documents since the July Addendum relate to an increased "Minimum Operating Expense Available Balance" in the Operating Account established under the Indenture. This increase will enable the Department to obtain more favorable credit ratings than would be available if such Minimum Operating Expense Available Balance was not increased. A more favorable credit rating will have the effect of lowering the overall debt service costs, which will need to be included in the Department's revenue requirements going forward. In order for the Department to be able to fund the increased deposit in the Operating Account it will be necessary to increase the maximum amount of Bonds permitted to be issued and make the other changes in the terms of the Financing Documents described in the Restated Addendum.

For ease of reference we have attached a clean copy of the Restated Addendum, as well as a copy marked to show changes from the July Addendum.

Mr. Gary M. Cohen

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We respectfully request that the Commission, at its August 8, 2002 meeting, authorize its designee (its General Counsel) to issue whatever certificates, opinions, or similar documentation on the part of the Commission are necessary to verify the Department's compliance with the portions of Section 7.10 of the Rate Agreement that relate to the Summary of Material Terms, taking into account the revisions and additions to the Summary set forth in the Restated Addendum.

We appreciate the Commission's continuing cooperation and assistance. If you have any questions or need additional information, please call me at (916) 574-2733.

Peter S. Garris  
Deputy Director

Attachments

cc: Honorable Loretta Lynch, President  
California Public Utilities Commission  
505 Van Ness Avenue  
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Honorable Geoffrey Brown, Commissioner  
California Public Utilities Commission  
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Honorable Henry Duque, Commissioner  
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Honorable Michael Peevey, Commissioner  
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Honorable Carl Wood, Commissioner  
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