

NOTICE TO STATE WATER PROJECT CONTRACTORS**Date:** 'JAN 30 2013**Number:** 13-06**Subject:** 2013 Off Aqueduct Power Facilities Minimum Invoice 13-013-O-Revised**From:**

A handwritten signature in blue ink, which appears to read "Robert B. Clarke", is written over a horizontal line. Below the line, the name "Carl A. Torgersen" is printed in a bold, black, sans-serif font.

Deputy Director
Department of Water Resources

Some Contractors have requested clarifying information on DWR's 2013 Off Aqueduct Power Facilities Minimum Invoice 13-013-O-Revised.

DWR front loaded a fraction of Contractors' Off Aqueduct Power Facilities Minimum charges (\$25.89MM) in the first 6 months of 2013, rather than dividing them evenly over 12 months of 2013. This was done in order to divest DWR's 30 year interest in Unit 4 of the Reid Gardner Power Plant. Our contract with Nevada Energy terminates in July 2013 and in order to receive our termination refund we need sufficient funds to complete the divestiture, currently scheduled for July 26, 2013. According to the requirements of the Long-Term Water Supply Contracts, contractors must pay the revised Invoice as required. If contractors take exception to this revised Invoice, they can protest the charges as outlined in the Contract.

To address contractor concerns, representatives of DWR and Metropolitan met on January 25, 2013 to discuss potential solutions to address this issue. The outcome of this discussion generated the following understanding:

1. This is an extraordinary circumstance of needing enough cash by July to complete the divestiture of the Reid Gardner Power Plant; and,
2. The traditional 12 month billing cycle won't collect enough cash to complete divestiture in July; and,
3. The proposed "6-month payment plan" won't set a precedent for future OAP billings.

I trust this understanding will help address contractors' concerns.