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DOCKET	
07-AFC-3	
DATE	<u>SEP 26 2008</u>
RECD.	<u>SEP 26 2008</u>

September 26, 2008

File No. 030137-0012

VIA FEDEX

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 07-AFC-3
1516 Ninth Street, MS-4
Sacramento, California 95814-5512


Re: CPV Sentinel Energy Project: Docket No. 07-AFC-3

Dear Sir/Madam:

Pursuant to California Code of Regulations, title 20, sections 1209, 1209.5, and 1210, enclosed herewith for filing please find a letter from the Desert Water Agency to John Kessler re extraction fee and water supply.

Please note that the enclosed submittal was also filed today via electronic mail to your attention.

Very truly yours,



Paul E. Kihm
Senior Paralegal

Enclosure

cc: CEC 07-AFC-3 Proof of Service List (w/encl. via e-mail)
Michael J. Carroll, Esq. (w/ encl.)

F. Thomas Kieley, III
President
Ronald E. Starrs
Vice President
F. Gillar Boyd, Jr.
Secretary/Treasurer
Patricia G. Oygar
Craig A. Ewing

David K. Luker
General Manager
Chief Engineer
Best, Best & Krieger
General Counsel
Krieger & Stewart
Consulting Engineers



Desert Water Agency
1200 Gene Autry Trail South
P.O. Box 1710
Palm Springs, CA 92263-1710
Telephone 760 323-4971
Fax 760 325-6505
www.dwa.org

September 17, 2008

John Kessler, Project Manager
California Energy Commission
1516 Ninth Street
Sacramento, California 95814

RE: CPV SENTINEL LLC ENERGY PROJECT – APPLICATION NO. 07-AFC-3

Dear Mr. Kessler:

At the CEC workshop for the CPV Sentinel Project on September 3, you inquired the extent to which CPV Sentinel's payment of an extraction fee, equal to the Replenishment Assessment, was likely to increase the future amounts of water that Desert Water Agency would import via its State Water Contract. I wish to follow up on this point.

The extraction fee would result in new revenues to DWA, and the only purpose to which those revenues would be applied would be the acquisition of replenishment water from the State Water Project. We believe that the revenues could be used to purchase surplus water when and as such water supplies become available. Surplus waters are typically available in years in which the total supply of water exceeds contractor demands and during flood conditions on various river systems such as the Yuba River. Although the frequency of occurrence of these conditions is difficult to predict, it is known that such conditions will occur. We believe that the revenues from the extraction fee could be accumulated over time and then applied to purchase such supplies when and as they occur. The extraction fee would be \$72/AF of production by CPV Sentinel this fiscal year and would increase substantially in the future.

We estimate that by accumulating these revenues and applying them to purchase surplus waters would yield between one-half and one full acre-foot of new water for each acre-foot of water pumped by CPV Sentinel. This amount represents an estimate only, but you indicated that such an estimate would be helpful to the CEC's consideration of the CPV application for certification.

Sincerely,

DESERT WATER AGENCY

David K. Luker
General Manager-Chief Engineer

DKL/jlt

**STATE OF CALIFORNIA
ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION**

In the Matter of:) Docket No. 07-AFC-3
)
Application for Certification,)
for the CPV SENTINEL ENERGY PROJECT) **ELECTRONIC PROOF OF SERVICE**
) **LIST**
)
) (July 24, 2008]
)
_____)

Transmission via electronic mail and by depositing one original signed document with FedEx overnight mail delivery service at Costa Mesa, California with delivery fees thereon fully prepaid and addressed to the following:

DOCKET UNIT

CALIFORNIA ENERGY COMMISSION

Attn: DOCKET NO. 07-AFC-3
1516 Ninth Street, MS-15
Sacramento, California 95814-5512
docket@energy.state.ca.us

Transmission via electronic mail addressed to the following:

APPLICANT

Mark Turner

Project Manager
CPV Sentinel, LLC
55 Second Street, Suite 525
San Francisco, California 94105
mturner@cpv.com

Dale Shileikis

Vice President
URS Corporation
221 Main Street, Suite 600
San Francisco, CA 94105-1917
dale_shileikis@urscorp.com

CPV SENTINEL ENERGY PROJECT
CEC Docket No. 07-AFC-3

Kathy Rushmore

URS Corporation
221 Main Street, Suite 600
San Francisco, CA 94105-1917
Kathy_Rushmore@URSCorp.com

INTERESTED AGENCIES

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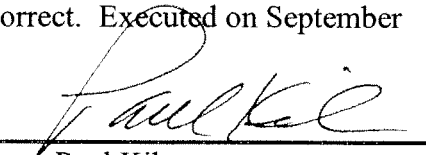
DECLARATION OF SERVICE

I, Paul Kihm, declare that on September 26, 2008, I deposited a copy of the attached:

LETTER FROM DESERT WATER AGENCY TO JOHN KESSLER

with FedEx overnight mail delivery service at Costa Mesa, California with delivery fees thereon fully prepaid and addressed to the California Energy Commission. I further declare that transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service List above.

I declare under penalty of perjury that the foregoing is true and correct. Executed on September 26, 2008, at Costa Mesa, California.



Paul Kihm