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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/jjt

