

Memorandum

Date: September 23, 2005

To: Honorable Michael R. Peevey
President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

From: Department of Water Resources

Subject: **Rulemaking 04-04-003 – Capacity Markets White Paper**

Consistent with the timeframe established for comments by the Chief Administrative Law Judge's Ruling dated August 25, 2005, the California Energy Resources Scheduling ("CERS") division of the Department of Water Resources submits this memorandum to address the above-referenced White Paper prepared by the Energy Division of the California Public Utilities Commission (the "Commission" or "CPUC"). The White Paper recommends that the Commission explore the creation of a functional capacity market. CERS is interested in how its contracts will be treated if a functional capacity market is developed. Interested parties should consider the need for a transition period during which existing firm Liquidated Damage energy contracts may participate as resources in any developing capacity market. CERS looks forward to participating in further discussions with the Commission and interested persons concerning the development of capacity markets in California.

If you have any questions or need additional information, please contact me at (916) 574-0339.



Viju Patel
Executive Manager, Power Systems
California Energy Resources Scheduling

cc: (See attached list.)

Honorable Geoffrey F. Brown, Commissioner
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Honorable Susan P. Kennedy, Commissioner
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Honorable Diane M. Grueneich, Commissioner
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Honorable John A. Bohn, Commissioner
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Honorable Angela Minkin
Chief Administrative Law Judge
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Honorable Mark S. Wetzell
Administrative Law Judge
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Mr. Sean Gallagher
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Mr. Jack Fulcher
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Service List Rulemaking 04-04-003 (via electronic mail)