



Financial Affairs Committee
June 16, 2000

1. Opening Business

The meeting was held in the CVPWA Office Conference Room, 1521 "I" Street, Sacramento. The meeting began at 9:30 a.m. In keeping with the desire of the Financial Affairs Committee (FAC) to familiarize its members with more information relative to CVP facilities, the August meeting will be held at the Folsom Resources Center. A tour of the Dam and facilities will follow.

The next Financial Affairs Committee meeting will be held at **9:30 a.m. on July 21 in the CVPWA Conference Room, 1521 "I" Street, Sacramento.**

2. Reclamation Reports

--*Update on Water Accounting Program (RAIN)*. Mike Finnegan reported that the Joint Application Development (JAD) team has completed its review of the contractor's (JAVIS) WORKS Replacement Preliminary Design Document. All comments are in and they will be forwarded to the contractor. The consensus was that there is a lack of explanation as to how the program works. The Bureau has set up a meeting with JAVIS and the JAD team on June 30 to discuss the comments and the process to determine how best to proceed with contracting for the development of the water accounting program.

--*1999 Water Contractor Accountings*. Jim Bjornsen said that the Bureau is in the final stages of completing the 1999 Irrigation final accountings. He hopes to get the M&I accountings out to the contractors by June 23.

--*CVP Cost Allocation*. Mike Finnegan reported that the Cost Allocation Workshop was held at the Radisson Hotel on June 15. Three CVP cost allocation alternatives were presented—the existing allocation method, a GAO alternative, and the CVP water contractor's proposal. Following a discussion as to how the CVPIA-dedicated water would be allocated, and how the joint costs and water supply, power, and reimbursable F&W costs would be allocated under each of the alternatives, evaluation criteria were presented to describe the process the Bureau will use to select the preferred alternative. Any comments regarding the workshop should be forwarded to Craig Stroh by June 30.

A public meeting will be held in August to present the Bureau's evaluation of alternatives. A draft report will be released to the public in October that will include the preferred alternative and a public meeting will be held in October to obtain comments on the draft report and preferred alternative. A final report will be subsequently prepared that will address comments received from the public.

--*Project Use Energy True-up Adjustment*. Jim Bjornsen reported that the 1999 PUE true-up adjustment has been completed. As reported at the May FAC, WAPA has been having problems with its new accounting system and has not been able to complete its Financial Statements for the accounting period that ended September 30, 1999. Consequently, the Bureau completed the true-up using WAPA draft financial statements. Jim reported that the true-up resulted in a \$1.9 million credit

to the water users. The Bureau is exploring the possibility of doing a pre-end-of-year estimate of the PUE true up for 2000.

--*Reconciliation of Water Contractor's Accounts.* Jim Bjornsen reported that Del Puerto WD will be meeting with the Bureau on July 6 to discuss the problems it is having reconciling its payment records with the Bureau's accounting system records.

--*Computation of 2001 Capital Water Rates.* Mike Finnegan commented that the capital water rate setting meeting that was held on June 15 was very productive and that the Bureau would review and consider the FAC input to the 2001 capital rate setting process prior to the July FAC. He said that Larry Bauman will continue working with Lynn Hurley to evaluate the effects the proposed rate setting methodology will have on selected CVP water contractor's capital water rates and annual repayment amounts.

Mike explained that the proposed rate setting methodology is designed to do two things: (1) determine the amount that should be recovered each year; and (2) determine an appropriate rate to recover that amount. He said that A-12 will not be revised and will continue to be used to compute the annual amount owed by each contractor. However, a rolling, five-year average based on actual deliveries will be used in lieu of the current projected deliveries shown in A-12 to compute the rate to be used to recover the amount.

Ron Jacobsma encouraged the Bureau to run the numbers before making any changes. Ron said that the proposed methodology is only one alternative and it should be fully analyzed before making any changes. He suggested delaying the change for one more year to allow the water contractors to adequately analyze its effects on rates and on repayment.

3. **Direct Funding Agreement.** The FAC was updated relative to the solicitor's opinion and letter from the Bureau regarding provisions of the "Transfer" Agreements of the three Authorities wherein the fiscal agency provisions were determined to not be in compliance with Treasury regulations. The Bureau's letter stated that the Authority's had three days to turn over the fiscal agency funds to the Bureau. The Authority's have stated that would be impractical, wanted time to review the opinion, asked the Bureau to begin modification discussions and to seek legislation to provide a remedy. Should the fiscal agency provisions fail to be adequately resolved, including the Bureau financial backstop provisions, the Transfer agreements may be voided, leaving the O&M of the conveyance and conveyance pumping facilities up in the air.

4. **Budget Workshops**

--*Time/Process of Budget Development Activities (late Summer Activities).* Mike Finnegan said that letters advising the water contractors that the budget cycle begins next month have not yet gone out but will be sent out shortly. The letters will advise the contractors that activity plans will be available before the late summer budget workshop and that they are available upon request.

5. **Contract Renewal Update**

--Meetings are being held in Fresno.

6. **Other Issues**

--*Status of "Excess Capacity" Legislation.* Ron reported that the legislation is still moving forward. There is hope that it will be introduced this session, but it may slide to next year.

--*Tiered Pricing*. No discussion.