



Financial Affairs Committee
October 19, 2001

1. Participants

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| --Ron Jacobsma, FWUA | --George Senn, CVPWA |
| --Russell Harrington, WWD | --Alan Thompson, EBMUD |
| --Lynn Hurley, SCVWD (Call-in) | --Anthea Hansen, Del Puerto WD |
| --Mike Hagman, TCCA | --Ara Azhederian, SLWD (Call-in) |
| --Tona Mederios, SLDMWA (Call-in) | --Jim Bjornsen, BOR |
| --Mike Finnegan, BOR | --Mark Oosterman, SMUD |
| --Chase Hurley, Panoche WD | --Jesus Reynoso, BOR |
| --Kathryn Kitchell, City of Roseville | --Henry McLaughlin, City of Fresno (Call-in) |

2. Opening Business

The October meeting was held in the ACWA Office Boardroom, 910 K Street, Sacramento. The meeting began at 9:30 a.m. and concluded at 11:30 a.m. The agenda was reviewed and approved as submitted. Mike Finnegan requested another issue be placed on the agenda— Cost Replacement Accounting.

The next Financial Affairs Committee meeting will be held on **November 16 at 9:30am in the ACWA Office Boardroom, 910 K Street, Sacramento.** There will also be a summary Financial Affairs Committee meeting on November 27, in conjunction with the ACWA Conference in San Diego, to brief interested CVPWA Board members, members at large, and others on the issues we have addressed during the year.

3. FAC Issues Matrix Status.

A. Capital Rate-setting and Cost-Recovery. Mike reported that little progress has been made since the last FAC meeting. He said Reclamation is waiting for computer modeling runs to be completed that will enable it to update the delivery data in Schedule A-12 to more accurately represent realistic future water deliveries. He said that the modeling work should be completed soon. Lynn Hurley pointed out that EBMUD had recently signed an amendatory contract with Reclamation that effectively reduced its A-12 deliveries considerably and that Westlands WD had recently requested its M&I deliveries in A-12 be reduced. She asked whether Reclamation was going to change A-12 on a piecemeal basis or do it all at once as part of the Capital Rate-Setting and Cost-Recovery issue. Mike said that once A-12 is adjusted to more accurately reflect future water deliveries it will not be changed except for adjustments that are necessitated by future events. He commented that the

EBMUD A-12 change was made as part of the contracting process—it was not done piecemeal. Russell Harrington commented that the Westlands request is more clerical in nature than policy in that the objective is to reduce its future M&I deliveries and increase its irrigation deliveries by the same amount to reflect a more accurate delivery picture. Mike said as part of the Capital Rate-Setting and Cost-Recovery issue process procedures will be put in place to allow for adjustments in the future as necessary.

B. PUE Issues (current and post-2004). Chase Hurley briefed the group on what transpired during the PUE Issues/O&M Sub-allocation Workshop held at the Reclamation Offices on Thursday October 18. Chase reported that the issue will be worked using interest-based problem solving techniques and that a Reclamation/FAC team had been put together to get the process started. Martin Bauer will lead the Reclamation effort assisted by Jesus Reynoso. Chase Hurley and Ed Roman will co-lead the FAC effort assisted by Ron Jacobsma, Lynn Hurley, Russell Harrington, Ara Azhderian, Kathy Kitchell, and George Senn. The group committed to completing the PUE work by October 31, 2002. The next team meeting was set for November 15 at the Reclamation offices on El Camino Ave, Sacramento.

C. Cost Recovery for CVPIA Programs and Activities. Mike Finnegan reported that internal coordination and research into Reclamation policy on cost recovery for CVPIA Programs and Activities has been completed and he is now ready to engage CVP water and power users to work through the issue. Mike will lead the effort for Reclamation and Brice Bledsoe will lead the effort for the FAC with assistance from Lynn Hurley, Ara Azhderian, Anthea Hansen, Russell Harrington, Mark Oosterman, Ron Jacobsma, and Kathy Kitchell. It was agreed that Mike, Brice, Ron, Mark, and Lynn would meet as soon as possible to scope out the issue. A meeting of the full team was scheduled for November 15.

D. Water Marketing Rate Review and Analysis. Jim Bjornsen reported that the Water Marketing Rate Review and Analysis team has essentially completed its work. He commented however that Reclamation is still looking into the G&A issue. He said that over \$3 million in G&A costs have been projected for 2002--half of which are considered non-reimbursable. He said that during the past few years there had been no actual G&A expenditures, yet they continued to be included in the rates. He said that Reclamation would adjust excess G&A budgeted expenses out of the 2002 rates. Jim reminded the group that comments regarding the 2002 water rates are due by November 30, 2001.

E. Reclamation Water Accounting Program and JAD Session. Jim Bjornsen reported that the BOR-WORKS water accounting program has undergone extensive in-house testing and will soon be available for use by the CVP water contractors. He said that usability testing on the Web-enabled portion of the system would begin on October 26 at 9:30 a.m. at the JAVIS Offices in Sacramento. Ron Jacobsma, Tona Mederios, Anthea Hansen, Ara Azhderian, and Toni Armendariz offered to participate in this testing. Jim said that his staff is currently loading 2001 water delivery and accounting data into the system and should be done by November 2. The Reclamation Area Offices will provide BOR-WORKS web-enabled training to Authority personnel and interested water contractors on November 9. The training sessions will be held in Fresno, Folsom, and Willows and will run for 2 hours (2

or 3 times per day depending on turnout). Mike said that letters would be sent to all CVP water contractors instructing them how to establish their Web-enabled water user accounts. As soon as the letters are received back from the water contractors the water user accounts will be activated. Mike commented that the water accounting system would be linked to the Reclamation financial information home page on the Internet as well as other related sites. He encouraged the group to check out the system and related Internet links and provide comments to make it better.

4. **Forbearance Agreement and Water Transfer Financial Issues.** Ron reported that Bob Stackhouse is working with John Davis from the Reclamation Regional Office to put together a workshop to discuss the forbearance agreement and transfer “policies” of Reclamation for the CVP. A preliminary date of November 13, 2001 has been scheduled for a workshop in Fresno.
5. **FY 2004 Customer Budget Meetings.** Ron reported that the Mid-Pacific Regional Office held its FY2004 O&M Budget Workshop on October 18. He said that it was a very informative session and that Roger Pollock and his staff did an excellent job providing us with the budgetary information that we asked for. He mentioned that the South Central California Area Office would be conducting its O&M budget workshop on Wednesday, October 24 in the Fresno Office.
6. **Cost Replacement Accounting.** Mike reported that in the past there has been a provision for replacement costs to be included in the projected O&M costs used to calculate the O&M rates. He said that his staff had determined that the replacement cost is duplicative and it will be removed from the 2002 and future rate calculations. It wasn’t a large amount, but every little bit counts when it come to water rates.
7. **Historical CVP Water Delivery/Payment Reconciliation.** Jim Bjornsen reported that the historical water delivery/payment accountings have been reconciled through 1985 and post 1995. It is the historical accountings during the ten-year period between 1985 and 1995 that have been the subject of a prolonged, protracted reconciliation effort. Of the 850 accounts to be reviewed during that period, Reclamation has completed 450. The others are not currently being actively pursued because of other pressing work. Jim is not satisfied with the progress but assured us that it still is a high-priority item with Reclamation and it will get done as soon as staff can get back on it.
8. **Reports on Ongoing FAC Interest Issues:**
 - A. **Direct Funding Agreements.** Ron reported that the Authorities continue to meet with Reclamation on the service contracts and modification to the Transfer Agreement.
 - B. **Folsom South Canal Capital Cost Deferral.** Alan Thompson reported that EBMUD and SMUD continue to discuss how to proceed with the Folsom South Canal Capital Cost Deferral issue, but have not reached any conclusions. He said that EBMUD and SMUD are working on a proposal to present to BOR regarding O&M cost allocations associated with the Folsom South Canal.

Prepared By:

George R. Senn
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