



Financial Affairs Committee
September 21, 2001

1. Participants

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| --Ron Jacobsma, FWUA | --George Senn, CVPWA |
| --Russell Harrington, WWD | --Alan Thompson, EBMUD |
| --Lee Emrick, Colusa Co WD | --Larry Bauman, BOR |
| --Lynn Hurley, SCVWD | --Patti Anders, PCWA |
| --Anthea Hansen, Del Puerto WD | --Mike Hagman, TCCA |
| --Ara Azhederian, SLWD (Call-in) | --Dennis Michum, GCID (Call-in) |
| --Chase Hurley, Panoche WD | --Jesus Reynoso, BOR |
| --Kathryn Kitchell, City of Roseville | |

2. Opening Business

The September 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. Anthea Hansen requested that the BOR provide a status report on its efforts to reconcile historical water delivery/payment data at the October FAC meeting.

The next Financial Affairs Committee meeting will be held on **October 19 at 9:30am in the ACWA Office Boardroom, 910 K Street, Sacramento.**

3. FAC Issues Matrix Status.

A. Capital Rate-setting Methodology. Larry Bauman reported that BOR is putting together draft water delivery data, in the Schedule A-12 format, which will more accurately represent realistic future water deliveries. This data would also include adjustments for past hydrology, although he commented that they have had difficulty securing historic BOR final water call declarations data. As a result, BOR will be setting up a conference call for the sub-team to discuss other historic hydrologic possibilities in lieu of the BOR water call declaration data. He also hopes to have a sub-team meeting on October 19th following the next FAC meeting to work on the issue. He said that the capital and deficit rate methodology issue is very important to the BOR, but other competing work (especially the 2002 water rates) caused this work to be delayed.

B. PUE Issues (current and post-2004). Chase Hurley reported that BOR is looking to reschedule the PUE/post 2004 meeting that was cancelled because of the September 11 terrorist attack . Chase is going to try and get the meeting rescheduled for October 18 that would allow the FAC members to attend the BOR 2004 Customer Budget Meeting that is also scheduled for the 18th (one day before the next FAC meeting). The idea is to minimize the amount of travel required of some of the FAC members.

C. Cost Recovery for CVPIA Programs and Activities. Larry reported that the BOR has completed its internal coordination and is ready to get this joint effort with the water contractors underway. Mike Finnegan will lead the effort for BOR and the following FAC water contractor representatives volunteered to work on the team: Lynn Hurley, Ara Azhderian, Anthea Hansen, Russell Harrington, Ron Jacobsma, Kathy Kitchell, and Brice Bledsoe. George will coordinate the effort until a water contractor representative leader can be chosen. It was mentioned that Brice had at one time volunteered for this position, but with his heavy workload it was not known if he would be able to accept the additional responsibility.

D. Water Marketing Rate Review and Analysis. Larry reported that the BOR is ready to reduce future estimated water marketing component costs by estimated non-permanent contract revenue. Specifically, BOR has agreed to reduce future estimated water marketing costs that are used to develop the water marketing rates by the average of the prior five years of receipts of revenues from the sale of non-permanent contract water. However, Larry also stated that before BOR would implement this change in the rate calculation process or respond to the CVPWA letters of November 30, 2000 or January 3, 2001 on this matter, that BOR needed to know whether or not these changes had to go out for a public review process before hand. He indicated that a standardized public review process should be developed to provide the public an opportunity to comment on changes resulting from our work on the various issues that affect the way the BOR does business. Ron suggested that we send a letter out to all CVP contractors explaining the results of our work and stressing that the proposed change is not a departure from current BOR policy. The FAC agreed that this letter should come from BOR and Larry said that BOR would draft such a letter as well as a policy statement and make it available to the FAC for comment. It was agreed that if any comments were received from CVP water contractors, the FAC team would be notified, but BOR would provide the response.

As for the estimated G&A costs, Larry reported that the BOR is still working on this issue (CVPWA's analysis indicated that previous year G&A budgets were considerably higher than actual G&A costs) and is hoping to have resolution prior to the finalization of the 2002 water rates.

E. Reclamation Water Accounting Program and JAD Session. Larry reported that JAVIS (BOR's contractor developing the water accounting program) is on schedule for a full go on October 1, 2001. It is anticipated that the water accounting program will be web-enabled by mid-October. JAVIS will be providing additional water contractor (and the Authorities) training during the week of October 15, but the exact dates have not yet been finalized. Ron commented that the Authorities need access to all their contractor accounts

and wanted to make sure that the system will allow such access. Larry commented that the new system will run parallel with the old system for the month of October, and if all goes well, the old system will no longer be utilized for current or future water delivery and revenue data.

4. **Forbearance Agreement Financial Issues.** Ron asked Larry about the status of the BOR response to the Friant letter regarding the forbearance agreement providing Sacramento River water to the Westlands WD. Larry said that the only information that he had to share was that John Davis' (MP-400) group is drafting this response.
5. **Reclamation Transfer Policy Change.** Ron asked Larry about the status of the BOR response to the recent CVPWA letter regarding proposed water transfer policy changes. Larry said that the only information that he had to share was that John Davis' (MP-400) group is drafting this response.
6. **FY 2004 Customer Budget Meetings.** Larry reported that Roger Pollock has a BOR Regional budget meeting tentatively scheduled for October 18. FOLLOWUP: Subsequent conversation with Roger disclosed that the meeting is scheduled for October 18th at 9:00 a.m. and will be held at the BOR offices on Cottage Way (in the Cafeteria conference room (C-1003) to avoid the security in the main building). He will have activity plans that identify reimbursable costs and other documents available for us within the next week or so.
7. **Interest-Based Problem Solving Training – Granlibakken: Comments and Feedback.** Those who attended and were present at the meeting had many positive things to say about the training session. It was suggested that the CVPWA draft a letter of thanks to the BOR for its efforts in obtaining a quality training program and quality instructors.
8. **Reports on Ongoing FAC Interest Issues:**
 - A. **Direct Funding Agreements.** Ron reported that the Friant Water Users Authority and the San Luis-Delta Mendota Canal Authority have received new service contract solicitations from Reclamation but the contracts were not in the form anticipated by the two Authorities. He said that time is short in order to cover the O&M deficiencies and defaults to the Authorities for this fiscal year. On an immediate basis, a service contract will most likely be entered into prior to the fiscal year end, with modification to the Transfer Agreements to follow. The status of the fiscal agency responsibilities will most likely evolve over the next few months and years, depending, to some extent, on how well the new BOR water accounting program works and is utilized by the water contractors.
 - B. **Folsom South Canal Capital Cost Deferral.** Alan Thompson reported that EBMUD and SMUD have had some discussions on how to proceed with the Folsom South Canal Capital Cost Deferral issue, but have not reached any conclusions. He commented that EBMUD and SMUD are also working on a proposal to present to BOR regarding O&M cost allocations associated with the Folsom South Canal.

C. **EBMUD Amendatory Water Service Contract.** Alan reported that EBMUD signed its amendatory contract with the BOR on July 20. He said that for the development of the 2002 rates the projected water deliveries for EBMUD in Schedule A-12 have been decreased from 150,000 AF per year to 21,300 AF. This change reflects the anticipated average deliveries to EBMUD under the terms of its Amendatory Contract. He commented that this change in projected water deliveries will affect the costs allocated to other M&I water contractors, and to a lesser extent, CVP Irrigation water contractors. Larry added that although the 2002 draft M&I water rates include the change in annual projected water deliveries to 21,300 A/F as Alan noted, the water supply deliveries used in the cost allocation have not been adjusted. It is anticipated that these changes will be completed and utilized in the final 2002 water rates. Alan further noted that the Capital Rate-setting methodology Matrix Issue will include a review of all contractors Schedule A-12's, and that the decision now to reduce EBMUD's projected future deliveries to 21,300 AF could be adjusted as a result of that effort.

George R. Senn
Finance Director