



Financial Affairs Committee
May 24, 2002

1. Participants

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| --Ron Jacobsma, FWUA | --George Senn, CVPWA |
| --Russell Harrington, WWD | --Henry McLaughlin, City of Fresno |
| --Lynn Hurley, SCVWD | --Chase Hurley, Panoche WD |
| --Dennis Michum, GCID | --Mike Hagman, TCCA |
| --Jerry Toenyss, NCPA | --Larry Bauman, BOR |
| --Kathy Kitchell, Roseville | --Alan Thompson, EBMUD (Call-in) |
| --Ara Azhderian, San Luis WD (Call-in) | --Lee Emrick, Colusa Co WD (Call-in) |

2. Opening Business

The May meeting was held in the ACWA Office upstairs conference room, 910 K Street, Sacramento. The meeting began at 9:30 a.m. and concluded around 11:30 a.m. The agenda was reviewed and approved.

3. FAC Issues Matrix Status.

A. Capital Rate-setting and Cost-Recovery. Larry Bauman emphasized that Reclamation's top priority is to get the CFO Audit Impacts work done and as a consequence the Capital Rate-setting issue has been put on hold pending staff availability. He hopes to get back onto it in the near future.

B. PUE Issues--Post 2004 O&M Sub-allocation. Chase Hurley reported that the PUE Issues team met on May 14 and continued to raise questions relative to Reclamation's and Western's financial reporting. The team is continuing to go over the formulas that are being used to allocate current PUE costs and is starting to fine-tune formulas that were developed by the team to allocate costs that are expected to be incurred post 2004. Western and Reclamation agreed to have financial staff available for the next meeting to provide further clarification to some lingering questions posed by the team regarding costs. A sub-team will be meeting on June 6 to further refine potential formulas for use in Post 2004 operations. During the May 14 meeting it was mentioned that Power has not been allocated Water Marketing costs since 2001. George Senn talked with Craig Stroh, Reclamation, and found that only two line items of Water Marketing costs are no longer allocated to Power based on Reclamation policy—Water Contract Administration and Contract Renewals. Ron asked Larry to notify the FAC whenever such changes occur in the future. Larry agreed to keep us informed.

C. Cost Recovery for CVPIA Programs and Activities. Ron reported that the CVPIA Cost Recovery team met on May 1 and completed its initial screening of the various programs outlined in the CVPIA. The team developed a spreadsheet that shows the CVPIA programs, activities, and associated Reclamation cost authorities, and records whether the team agrees that the Programs/Activities:

- are authorized CVPIA Programs,
- should be expensed or capitalized,
- are reimbursable,
- are subject to further cost allocation.

The team obtained spreadsheets from Fish and Wildlife Service that show the sub-activities associated with 3406 (b)(1) the Anadromous Fish Restoration Program (AFRP) and 3406 (b)(1) (Other CVP Impacts) and the costs incurred under the sub-activities since FY1995. Team members volunteered to read through the annual work plans and accomplishment reports related to the 3406 (b)(1) AFRP, 3406 (b)(1) Other, 3406 (b)(23) Trinity River Flows, 3406 (b)(3) VAMP, and 3406 (d)(1,2,5) Refuge Water to determine if the sub-activities are included in the work plans and to determine if the sub-activities are accomplishing their objectives. They will be forwarding their comments to George who will pass them on to Reclamation so that they can have time to get the answers prior to our next team meeting.

Larry Bauman commented that Reclamation has done a lot of work without cost authorities but the costs can be tracked back to the program activities. Ron mentioned that he heard Reclamation and F&WS were putting together a ten-year summary of CVPIA accomplishments but he did not know when the summary would be completed. George agreed to find out about the summary and report back to the FAC.

D. Reclamation Water Accounting Program Development. Larry reported that Reclamation's new BOR WORKS water accounting program is on schedule. The Fresno Area Office will go on line on June 24. The WORKS manual has some problems, but it should be corrected soon. The Willows and Folsom Area Offices will go on line sometime in July. Reclamation will involve the water contractors after the area offices get up to speed. Copies of the WORKS manual will be provided to each of the Water Authorities. Reclamation wants to run the old water accounting system in parallel with the WORKS system for three months.

4. **CFO Audit Impacts.** Larry passed out copies of a draft letter that will be sent out to all water contractors outlining the CFO Audit issue and how Reclamation plans to recover the reclassified costs. The letters will have an attachment that will show each water contractor's share of the reclassified costs and an offsetting credit due the contractors for an adjustment of the Provision for Replacement expenses. This offset is separate from the CFO Audit cost issue but will be applied to reduce the financial impact of those costs. Ron suggested that the letter include language that allows the contractors to select a repayment option while retaining the right to challenge the reclassification of any costs and get any credits that are due. Russell Harrington asked how the water contractors could challenge the audit itself. Larry did not know, but agreed to find out what avenues are available.

5. **Spring Budget Workshop.** Larry reported that there would not be a Spring Budget Workshop this year because the person who prepares the budget documentation for the workshop is no longer with Reclamation. The workshops will be continued next year. Ron asked that Mike Finnegan put a letter together outlining why the budget workshop was not held and that Reclamation still feels the workshops are important and will continue.
6. **Water Transfer Issues.**
 - A. **Reclamation Water Transfer Policy.** Larry said that there is nothing new to report. The Financial Issues Team has not yet been reconvened.
7. **Firming Power Plant Proposal.** Lynn Hurley commented that the April 19 FAC minutes misstated Santa Clara Valley Water District's (SCVWD) position on the power plant proposal. The minutes stated that SCVWD had withdrawn its support of the firming plant. Lynn said that SCVWD continues to support the need for a firming plant, but does not support the funding of a lobbying effort to get authorization for a feasibility study included in next year's budget. There was nothing additional to report on this issue.
8. **Reports on Ongoing FAC Interest Issues.**
 - A. **Direct Funding Agreements.** Nothing new to report.
 - B. **Folsom South Canal Capital Cost Deferral/O&M Costs.** Nothing new to report.
 - C. **Arroyo Pasajero: Reimbursability of 1995 Flood Litigation Costs.** Nothing new to report.

George R. Senn
Finance Director