



Financial Affairs Committee
September 12, 2003

1. Participants

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| --Brice Bledsoe, Contra Costa WD | --Ron Jacobsma, FWUA |
| --Lynn Hurley, SCVWD | --Russell Harrington, Westlands WD |
| --Chase Hurley, Panoche WD | --Ara Azhderian, San Luis WD (Call-in) |
| --Mike Hagman, TCCA | --Jeff Phipps, NCPA |
| --Anthea Hansen, Del Puerto WD | --Cheryl Pritchett, SCVWD |
| --Alan Thompson, EBMUD (Call-in) | --Frances Mizuno, SLDMWA |
| --Dave Weisenberger, Banta Carbona ID | --Kathryn Kitchell, City of Roseville (Call-in) |
| --Mike Finnegan, USBR (Call-in) | --Larry Bauman, USBR |
| --Bonnie Hood, USBR | |

2. Opening Business

The September meeting was held at the Banta Carbona Irrigation District in Tracy, CA. The meeting began at 9:30 a.m. and concluded around 2:30 p.m. The next meeting will be held on November 14, 2003 at ACWA's Sacramento office. The agenda was reviewed and approved.

3. **FY2006 Customer Involvement Budget Workshops:** Mike Finnegan presented a brief background on the development of the budget workshop process that Reclamation has worked on with the FAC since 1998. Mike stated that the process needs to be upgraded and expectations validated between the various interest groups. ~~Twice~~ Annual meetings will be held as follows:

Fall Budget Workshop (Oct-Nov): Work on the most current out-year budget.

Spring Budget Workshop (Mar-May): Feedback on current budget execution.

Mike stated that Reclamation would like to schedule a meeting with the contractors to discuss their expectations as to how to improve the workshops. After this meeting, Reclamation would like to put out a policy letter to memorialize the process and set it in "stone". The FAC committee agreed to work with the Bureau on setting up a date in November for the joint budget workshop policy meeting.

Various members of the FAC brought up the following issues as starting points for Reclamation to improve the budget workshops. Mike Finnegan agreed to take the following suggestions into account and review them at the November meeting.

Frances Mizuno:

- (1) would like to see the Spring workshop focus on the budget to actuals of the current budget year. The actual expenditures never seem to be available, and if they are, they're hard to track back to the original budget line item.

Russell Harrington:

- (1) would like better information during the budget process on the reimbursability of individual line items.
- (2) Could the customers get activity plans for out-year budgets for Restoration Fund Projects? Jeff Phipps noted that these projects are incorporated in Reclamation's annual work plans, and that they will be available in the next couple of weeks. Mike Finnegan said that he would look into the availability of these plans and get back to Brice.

Ron Jacobsma:

- (1) Unconstrained Activity Plans- there is a lot of information to look at within the activity plans. The customers would like to see if the plans could be narrower in focus. Along with this focus, could Reclamation staff only focus on those projects that have a good chance of being funded? If not, a prioritization of activity plans (high priority/low priority) by Reclamation would help the customers as they review the long list of plans.
- (2) Could the activity plans state the pertinent Federal Authorization that allows for the funding? Currently, this information is not readily available.
- (3) The Activity Descriptions are very broad. Could the title/description be more specific?
- (4) Could the Bureau differentiate the programs that are in-lieu of Cal-Fed projects?

4. **DMC/CA Intertie Update.** Frances Mizuno briefed the group on the technical aspects of the potential intertie project between the Delta--Mendota Canal and the ~~San Luis Canal~~ California Aqueduct.

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|--------------------------|---|
| Location: | Milepost 7 on the Delta Mendota Canal |
| Pumping Capacity: | 400 cfs |
| Structure: | 8 pumps into 4 pipelines. Reverse Flow Capabilities |
| Design Completion: | January 1, 2004 |
| Construction Completion: | Nov. 1, 2004 |
| Contractor: | Lowest Responsible Bidder |
| Facility Ownership: | USBR |
| O&M Responsibilities: | SLDMWA |
| Estimated Total Cost: | \$10 Million |

Frances mentioned that the project has been put on a fast track since the NAPA discussions were initiated last month. The Tracy pumping plant currently has the capability to pump 4,600 cfs, yet the conveyance capacity in the DMC is only 4,200 cfs. This project would allow the Tracy pumping plant to run at capacity and then use the ~~San Luis Canal~~ California Aqueduct to convey the additional 400 cfs of water downstream. The State's cost to convey this water through the system would be passed on to South of Delta users. Frances said that is the 1st phase of a long-term project. The plan is to eventually increase the Tracy plant

permit to 5,100 cfs, and then enlarge the Intertie project by an additional 500 cfs.

Funding for the project looks as if it will come from participating water contractors ~~Distriets~~ through the Contributed Funds Act. Those participating water contractors ~~Distriets~~ would ~~receieve~~ be allocated their proportionate share of the costs of the Intertie project and their contribution would be used as a credit towards their share. Should the credit be greater than their proportionate share, the balance would be used toward their outstanding capital repayment obligation. ~~balance, while~~ The remainder of the project would be the obligation of those ~~all~~ other CVP contractors receiving benefit from the project. Larry Bauman stated that Reclamation is still ~~stih~~ working on determining the appropriate cost component pool for the project, as well as the appropriate cost recovery methodology to be used for allocating and prorating these ~~splitting~~ costs ~~between conveyance and conveyance pumping~~. He also stated that Reclamation has spent approximately one million dollars on the project to date, and those expenditures are currently ~~sitting~~ in a construction in progress account. After lengthy discussion, it was the consensus of the group that the FAC should stay involved in the project to oversee the financial implications of the project for all CVP water contractors. Ron Jacobsma also noted that annual O&M costs would need to be discussed further as part of the MOU between SLDMWA and FWUA

5. FAC Issues Matrix Status

A. **Capital Rate Setting and Cost Recovery.** Larry Bauman reported that Jesus Reynoso has updated the capital rate setting worksheets to include FY 2003 data. Four different A-12 schedules were sent out to the FAC workgroup for review. Reclamation would like to receive comments on the new A-12 schedules by the end of September in order to keep the process moving forward.

CVP/SWP Integration Proposal (Napa Meetings). Ron Jacobsma reported that the recent Napa meetings resulted in various proposed partnership arrangements between the Central Valley Project and the State Water Project. Both political and financial hurdles will need to be worked out in order for the negotiations to be considered successful. The Financial Affairs Committee will remain on top of these activities as the negotiated projects take shape.

B. **PUE Issues--Post 2004 O&M Sub-allocation.** Brice Bledsoe reported that the PUE O&M Cost Sub-Allocation workgroup participated in a conference call with Martin Bauer (BOR) and Barry Mortimeyer (BOR) on August 28, 2003, to review slight revisions that Reclamation had made to the final cost sub-allocation report. Martin explained that a few minor mathematical errors had been found in some of the formulas that had been developed by the workgroup, and that Reclamation management also had a few comments it wanted incorporated into the final report. The workgroup reviewed the revised spreadsheets that had been Emailed prior to the conference call and agreed with the changes. Reclamation will hold a public workshop on September 17 at 1:00 p.m. at its Cottage Way offices to discuss the final PUE cost sub-allocation report which is entitled "Methodology for the Calculation of the Sub-allocation of Power Operation and Maintenance (O&M) Costs—Standard Operating Procedure". It was reported that Western is moving forward with plans to fund the 2004-2006 PUE purchases to cover

shortfalls in project generation.

- C. **Cost Recovery for CVPIA Programs/Activities.** Larry Bauman reported ~~stated~~ that their target for completing the Mid-Pacific Region Business Practices Guidelines for CVPIA Program Accounting and Cost Recovery is ~~would be completed by~~ September 30, 2003. At that time, they will be put on Reclamation's website for public review. Jeff Phipps asked whether Reclamation has responded to the CVP Water Association letter regarding the use of Restoration Funds on Trinity River restoration activities. Larry was unable to respond ~~ed that he does not know~~, but he said that he would ~~ill check~~ follow-up ~~with Mike Finnegan~~ and let George Senn know when a response should be anticipated.
- D. **BOR WORKS Water Accounting Program Development and Training:** Larry Bauman reported ~~stated~~ that Reclamation is trying to schedule a training workshop with the Friant Water Users Authority in early October. Russ Harrington and Cheryl Pritchett both suggested to Reclamation that more work needs to be done within WORKS in order to fix various data discrepancy problems. It seems as though there is confusion for both contractors and Reclamation staff at the area offices. Larry reassured the group that internal Reclamation training remains a priority, and that hopefully the existing problems can be worked out in an expeditious manner.
6. **Update on 2004 CVP Water Rate Development:** Bonnie Hood stated that Reclamation would have the rates out for review by the October 1, 2004 deadline. Larry added that Reclamation welcomes contractor review of the rates and ~~He~~ didn't believe that ~~said that~~ there were ~~are no~~ any outstanding issues that would radically change the rates during the comment period.
7. **Potential CALFED User Fees:** Ron Jacobsma and Brice Bledsoe stated that Al Donner, a CVPWA Board member, is working on a letter to CALFED stating that to the extent user fees are implemented, these fees should be assessed to all beneficiaries of the project (recreation, environment, etc.). Additionally, CVP contractor contributions made to the CVPIA Restoration Fund should be counted as a credit against user fees otherwise assignable to CVP contractors before the CVP contractors are required to make any additional restoration/mitigation payments under CALFED. Al Donner will work with Bob Stackhouse to finalize the letter and send it to the CALFED staff. There was considerable discussion among the FAC membership that these user fees were just another way to extract money out of the CVP water customer base, and that we must maintain our stand that we have paid enormous amounts of money towards the project through CVPIA, and that other groups must now pay their proportionate share.
8. **Status of Historical PUE True Up:** Frances Mizuno reported that the SLDMWA has been working extensively with Reclamation to review the PUE true up from 1999-2002. The true up currently stands at \$5 million. Reclamation initially wanted the SLDMWA to pay the total amount due in full by Sept. 30, 2003. Any unpaid portion would then start accruing interest at ~~approximately~~ 2% per year. Reclamation recently informed the SLDMWA that the true-up was not complete and that it ~~didn't~~ need to finalize the accountings by the end of the current fiscal year. This ~~It~~ will allow the contractors time to review their final accountings (including the power true-up), and will ask that the \$5 million be repaid by Sept. 30, 2004.

9. **CVPIA 10-Year Progress Report:** Jeff Phipps reported that Reclamation has received a lot of comments regarding the Report, and that it plans to categorically aggregate the comments. The Department of Interior, Washington D.C. office plans to review the comments and then decide whether the Report should be revised. If changes are made, they will probably be to correct accuracy problems, not to revamp the report in its entirety. Jeff noted that the annual CVPIA reports would continue to be required. The annual reports are supposed to be two-fold--an operations report and a financial report. The operations report has been published in the past, but the financial report has not yet been published annually. The CVPWA will continue to work toward getting improved reporting going forward with the Annual Reports so that the CVP contractors can gauge the status of completion of the CVPIA program activities.
10. **Update on Arroyo Pasajero Detention Facility Feasibility Study:** Russ Harrington noted that the public comment period on the report closes September 29, 2003. The report presents two alternatives: West Bank Detention Basin and the Tulare Lake Basin Storage Site. The Westlands alternative is not mentioned in the study. Westlands will submit its formal comments before the deadline. Russ stated that there are still a lot of questions about the cost of the alternatives and who would fund the project. Ron asked if the CVP contractors still want to support the project even though it still has a benefit/cost ratio to the CVP of less than one? Ron agreed to talk with Carl Dealy, Reclamation's project representative, to get his opinion on where Reclamation stands on the project and how it intends to comment on the study.
11. **PUE Policy.** Frances Mizuno commented that Bob Stackhouse is working on a letter to Reclamation requesting that Reclamation establish a policy regarding the use of PUE on water transfers. Brice Bledsoe subsequently contacted Bob who noted that he expects the letter to be completed within the next couple of weeks.
12. **Water Transfer Policy Development.** Frances inquired regarding the development of a water transfer policy. Mike Finnegan will follow-up with John Davis and Susan Ramos to determine the status of this policy. Frances and Ron noted that Reclamation should get this policy in place as soon as possible.
13. **Tour of the Banta-Carbona Fish Screen Facility.** Dave Weisenberger, manager of the Banta-Carbona Irrigation District, provided the FAC members with a nice lunch and a tour of the District's new fish screen diversion facility. (Special thanks to Dave and the Banta-Carbona staff for their hospitality.)