



*June 18, 2004*  
*Meeting Summary of the*  
*Financial Affairs Committee*

**1. Participants**

- |                                     |                                    |
|-------------------------------------|------------------------------------|
| --Brice Bledsoe, Contra Costa WD    | --Ron Jacobsma, FWUA (call-in)     |
| --George Senn, CVPWA                | --Russell Harrington, Westlands WD |
| --Robert Stackhouse, CVPWA          | --Cheryl Pritchett, SCVWD          |
| --Anthea Hansen, Del Puerto WD      | --Alan Thompson, EBMUD             |
| --Dennis Michum, Glenn-Colusa ID    | --Lee Emrick, Colusa County WD     |
| --Ed Roman, SMUD                    | --Mike Hagman, TCCA                |
| --Kathy Kitchell, City of Roseville | --Deb Dietz, WAPA                  |

**2. Opening Business**

The June meeting was held at the ACWA Offices, 910 K Street in Sacramento. The meeting began at 9:30 and concluded about 11:30. The agenda was reviewed and approved. Two items were added to the agenda: 2003 Final Accountings and Arroyo Pasajero. The May 21 minutes were approved as submitted. The next meeting will be held on July 16, at the ACWA Offices, subject to Reclamation staff availability.

**3. FAC Meeting Summaries.** Brice noted that the FAC minutes function as a meeting summary and not as a verbatim transcript of the meeting. To avoid confusion, the monthly write-ups will be referred to as FAC Meeting Summaries. In the future, the process for reviewing the Meeting Summaries will be as follows:

- George will draft the Summary ASAP after the FAC meeting and will forward them to Brice for his initial review.
- The edited Meeting Summary then will be forwarded to each of the FAC members who attended the FAC meeting for their review. The members will be given one day to propose changes. Whenever possible, this process will be completed prior to the Meeting Summary being included in the CVP Water Association Board of Directors' package.
- The FAC Meeting Summary will be sent out to the entire FAC membership along with the agenda for the upcoming meeting. Substantive comments related to the prior Meeting Summary will be included in the Meeting Summary for the current meeting.

4. **2004 FAC Issues Matrix (Reclamation Staff were not present at the FAC meeting—Brice made a few comments based on prior conversations with Larry Bauman and Jesus Reynoso).**

A. **Capital/Deficit Rate Development (Bauman/Bledsoe).** Brice said that there has been no activity on this item since the last FAC meeting. Reclamation staff has been busy on other pressing matters, but hopes to get the Capital/Deficit Rate Development process completed in time for the 2005 rates. **Action Item** – Larry Bauman to coordinate a meeting between FAC subcommittee and Reclamation.

B. **Budget Workshops (Senn).** George reported that he had talked to the acting Business Resources Manager (Mark Ventuleth) regarding a meeting to discuss our concerns with the current contractor participation in the budget process. Mark said that a new manager will be appointed shortly and he would prefer to schedule a meeting when the new manager is in place. **Action Item** - Larry Bauman is to set up a Budget-related meeting to discuss our concerns with the current contractor budget development/review participation process. We have requested that such a meeting be held in conjunction with the meeting on Capital/Deficit Rate Development.

C. **BOR-WORKS Water Accounting Program Development (Bledsoe).** Brice said that Reclamation has hired an Oracle contractor to resolve the programming problems and get the program where it needs to be. These programming fixes are needed in order for Reclamation to generate the water delivery reports for fiscal year 2003 that are reviewed by the contractors for accuracy as part of the 2003 annual accountings and 2005 rate development process. Reclamation does not have a specific date for resolving the reporting problems, but has accelerated other tasks related to the development of the 2005 water rates in order to keep the overall process on track, including (as noted below) the development of the annual contractor accountings. **Action Item** – Larry Bauman to keep the FAC updated on progress toward resolving reporting problems.

D. **Water Transfer Rate Policy Development (Stackhouse).** Bob said that the CVP Water Association had sent a letter to Reclamation expressing the water contractors' frustration that Reclamation has not yet developed a water rate policy to guide 2004 CVP water transfers. Several contractors are in the process of making transfers but cannot complete the transactions without water transfer rate policy guidance. Some contractors already have made transfers absent a water rate transfer policy. Stackhouse said that he has heard informally that the policy will be the higher of the two contractor rates, with the transferring party responsible for payment to Reclamation. The question as to how the incremental revenues and costs will be accounted for is still unclear. Ron asked how water transfers from CVP exchange contractors would be handled under the informal rate policy. It was the consensus of the FAC that the 2004 water transfer rate policy be finalized ASAP and that a long-term policy be developed in the near future. **Action Item** – Stackhouse to maintain contact with Donna Tegelman to determine status of Reclamation's development of a letter to the contractors outlining the current status of the development of water transfer policy and status of the draft policy itself.

E. **2003 Final Accountings.** Brice said that Reclamation would be sending out the annual contractor net position statements soon for contractor review. He said that it is important that the contractors respond promptly if errors are detected so that they can be corrected in time for the 2005 rates. Subsequent to the FAC meeting, it was noted that the draft 2003 contractor accountings have been posted on Reclamation's website for downloading and review.

5. **Post 2004 PUE Issues: FAC CAISO White Paper (Harrington).** Russ discussed the draft CVP PUE Energy Costs white paper that was sent out to the FAC membership prior to the FAC meeting. **It was noted several areas of the white paper need to be updated for recent events and that the appendix needs to be edited to make it more concise.** **Action Items** – Final edits by the FAC should be sent to Russ for incorporation into the final draft. Deb Dietz is to provide latest numbers and freshen up the draft relating to most recent WAPA input, and Russ will send the final draft back out to the FAC membership for a final read and discussion at the July FAC meeting. Once finalized, the white paper will be used to brief management regarding PUE funding issues in an effort to put in place a long-term solution.
  
6. **CBDA CALFED Finance Options Report.** Brice said that a small group of FAC members (Brice, Ron, Mike, Russ, Lynn, Bob and George) met with Kate Hansel, Deputy Director, CBDA, on June 14 to discuss CVP contractors' perspective and concerns regarding to Federal/CVP water user financing of CALFED programs as outlined in the recently released CALFED Finance Options Report. The goal of our meeting was threefold:
  - One, we wanted to gain an understanding of the line item funding source/cost allocation terms used in the report (i.e. what does the allocation of costs to the CVP mean? Are the CVP cost allocation methodologies understood? Etc.).
  - Two, we wanted to explain some of the technical aspects of funding/cost allocation problems that might be expected as they relate to the federal appropriations process, the use of CVPIA funds, and how costs may be included in the water rates.
  - Three, we wanted to develop a relationship with the CBDA staff where we could become involved in discussing and providing the federal perspective to the financing options going forward. Kate admitted that she did not have a good understanding of CVP financing and would be glad to use the FAC as a resource for future input.

Kate encouraged the FAC to review the 364-page Finance Options Report that was issued on May 10 and provide comments to her by July 15. Brice Bledsoe, Russ Harrington, Lynn Hurley, Mike Hagman, Jeff Phipps, possibly someone from SMUD, volunteered to review the document and provide comments to George by July 9 for incorporation into a CVP Water Association letter to the CBDA Deputy Director. **Action Item** – George to coordinate with the group to develop a draft letter to CBDA by July 13 and Brice will get in contact with Steve Hatchet and Laura King Moon to develop a working relationship with them.

7. **Arroyo Pasajero.** Bob reported that he informally was told that Reclamation is not going to object to DWR's implementation of Phase I of the Arroyo Pasajero project. Reclamation has no appropriations for the activity, but will seek future appropriations. There is no flood control authority in the San Luis Unit authorizing legislation, so the project would be considered a conveyance project. He said that we would be working with Reclamation to get the federal contractors share of these costs as non-reimbursable (probably by getting them authorized as flood control costs) in any future appropriations. He said that DWR and Reclamation are negotiating how the costs will be shared and when the negotiation letter is completed, he will obtain a copy for our review.