



July 16, 2004
Meeting Summary of the
Financial Affairs Committee

1. Participants

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| --Brice Bledsoe, Contra Costa WD | --George Senn, CVPWA |
| --Frances Mizuno, SLDMWA | --Ron Jacobsma, FWUA |
| --Russell Harrington, Westlands WD | --Kathryn Kitchell, City of Roseville |
| --Dennis Michum, Glenn-Colusa ID | --Cheryl Pritchett, SCVWD |
| --Anthea Hansen, Del Puerto WD | --Richard Lou, EBMUD (Call-in) |
| --Eric Limas, Lower Tule River ID (Call-in) | --Larry Bauman, BOR |
| --Jesus Reynoso, BOR | --Bonnie Hood, BOR |
| --Deb Dietz, WAPA | --Jerry Toenyas, NCPA |

2. Opening Business

The July 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 with the addition of three items—Status of M&I Ratesetting Policy, Accounting for Excess Voluntary Payments, and Estimating September Water Deliveries for Reclamation year-end financial accruals. The June 18 minutes were approved as submitted. The next meeting will be held on August 13, at the ACWA Offices. The Capital/Deficit Rate Development issue team met immediately after the FAC meeting.

3. 2004 FAC Issues Matrix

A. Capital/Deficit Rate Development (Bauman/Bledsoe). Brice announced that the Capital/Deficit Ratesetting issue team would be meeting immediately following the FAC meeting. Reclamation would like to get the Capital/Deficit Rate Development process completed in time for the 2005 rates. **Action Item** – Larry to coordinate future meetings between the FAC issue team and Reclamation as necessary. The next meeting has been scheduled for August 13 following the FAC meeting.

B. Budget Workshops (Bauman). Larry reported that the 2007 Budget Activity Plans prepared by each of the area offices and the Regional office currently are available for review by his staff (Craig Stroh) to determine if the activities will be subject to reimbursability. He said the Activity Plans would soon be available on the Mid-Pacific Region Website. The Regional Budget Workshop will be held on October 5 and the area offices will be holding theirs around that time. **Action Item** - Larry to talk with Craig Muehlberg, acting Business

Resources Center Manager (and current Budget Officer) to set up a Budget-related meeting to discuss our concerns with the current contractor budget development/review participation process.

C. BOR-WORKS Water Accounting Program Development (Bauman). Larry said that Reclamation has hired two Oracle programmers to resolve the current reporting problems. Reclamation does not have a specific date for resolving the reporting problems, but hopes to have the program de-bugged within the next year. The Oracle programming contract will cost approximately \$350,000 and will be a reimbursable CVP water marketing expense. Reclamation considers this effort to still be part of the BOR-WORKS development and, as a result, the costs will be amortized over a five-year period, which will minimize rate impacts. **Action Item** – Larry to keep the FAC updated on progress toward resolving reporting problems.

D. Water Transfer Rate Policy Development (Bauman). Larry said that Donna Tegelman (MP-400) recently completed a draft of the 2004 CVP water transfer policy. The policy establishes guidance for establishing rates for water transfers. Efforts are underway to develop a long-term policy for water transfers. **Action Item** – Larry to get with Donna to set up a meeting with the CVP water contractors to develop a long-term water transfer rate policy, including how to credit incremental revenues that result from water transfers.

E. M&I Ratesetting Policy (Bauman). Larry said that BOR Management is taking steps to get the process going for completing the M&I Ratesetting Policy, but has not established a fixed schedule for finalization. He noted that policy finalization is not tied to long-term contract renewals.

F. Excess Voluntary Payments (Bauman). Larry discussed the proposed treatment for excess voluntary payments from M&I water contractors resulting from the retroactive removal of Sly Park and Sugar Pine Dam and Reservoir costs from the CVP cost pool. Currently, overpayments have been treated the same as water revenue and applied in accordance with the interim M&I ratesetting policy to expedite the 2003 final accountings. Applicable contractors will be notified in August 2004, by letter, of their options which, when exercised, will be included in the 2004 accounting (2006 water rates).

G. Scheduling September Water Deliveries (Bauman). Larry said that Reclamation needs estimates of August and September water deliveries as soon as possible to facilitate their year-end financial statement accruals. The September estimates should be submitted by no later than mid-September. Unless otherwise requested by a contractor, Reclamation will use the contractor's currently scheduled September 2004 deliveries. These deliveries are for financial statement accrual purposes only and will not affect the ultimate amounts received or owed by a contractor.

4. **2003 Final Accountings.** Reclamation extended the comment period by one week to allow the CVPWA FAC to complete its analysis. **Action Item** – FAC comments were submitted by the revised July 23 deadline. Reclamation has been asked to respond to comments at the August 13 FAC meeting.

5. **Post 2004 PUE Issues: FAC CAISO White Paper (Harrington).** A revised draft was circulated at the meeting. Essentially, the paper outlines Western's continuing need for use-of-receipts authority in order to meet funding requirements for existing and imminent PUE related costs. Western's use of receipts authority should be supplemented as necessary by obtaining limited use of receipts authority for Reclamation. The CVPWA has been successfully working with the Northern California Power Association (NCPA) to have language included in the 2005 Energy and Water Development Appropriations Bill that would provide use-of-receipts authority. Such language was included in the House version of the 2005 Energy and Water Appropriations Bill that was referred to the Senate. Western is confident that it will be granted use-of-receipts authority for 2005. The CVPWA will continue to work with NCPA to obtain permanent use-of-receipts authority for Western. **Action Items** – Debbie Dietz, Western, to make suggested changes based on the FAC discussion and Brice Bledsoe to finalize the white paper in preparation for presentation to the CVPWA BOD on August 10.
6. **Arroyo Pasajero (Harrington).** Russ reported that Phase I of the Arroyo Pasajero project will cost \$13 million, with \$4.75 million coming from Proposition 13 funds. The remainder, \$8.25 million will be allocated 45/55 between the State and the CVP. The CVP costs will be allocated to conveyance capital.
7. **CBDA CALFED Finance Options Report (Bledsoe).** Brice said that comments on the CALFED Finance Options Report are due back to Kate Hansel, CBDA deputy director, in mid-August. He said that a small group of FAC members (Brice, Ron, Ara, Russell, and George) have been meeting with CBDA staff to discuss the various segments of the report and to educate them on the technical aspects associated with federal appropriations/CVP funding, CVP cost allocation, cost reimbursability, and use of CVPIA Restoration Fund funds for CALFED projects. Brice proposed that FAC comments be transmitted under the CVPWA letterhead and emphasize that the CVP water and power contractors have been paying about \$30 million annually into the Restoration Fund since 1992 as their contribution to mitigating the CVP environmental damages, and that the CVPIA establishes the extent of our obligation for mitigation. **Action Item** – George to coordinate with the group to develop the FAC comments, and Brice to prepare a draft letter from the CVPWA to CBDA for Bob Stackhouse's signature by August 13.