



*February 18, 2005
Meeting Summary of the
Financial Affairs Committee*

1. Participants

- Bob Stackhouse, CVPWA
- Russell Harrington, Westlands WD
- Jesus Reynoso, BOR
- Mike Hagman, FWA
- Alan Thompson, EBMUD
- Ara Azhderian, SLDMWA
- Anthea Hansen, Del Puerto WD
- Lynn Hurley, Santa Clara Valley WD
- Brice Bledsoe, Contra Costa WD (call-in)

2. Opening Business

The February meeting was held at the ACWA Offices, 910 K Street in Sacramento. The meeting began at 9:30 a.m. and concluded at approximately 11:45. The agenda was reviewed and approved with one addition: discussion of Reclamation's response to Contractor comments on 2005 draft water rates. The January 14 FAC meeting summary was approved as presented. The next meeting will be held on March 18 from 9:30-12:00 a.m. at the ACWA Offices.

3. 2004 FAC Issues Matrix

A. Capital/Deficit Rate Development. Jesus stated that there will be a meeting on the afternoon of February 23 to discuss the capital rate issue. He added that the "informational piece" on prospective 2005 capital rates under the 5-year rolling average methodology will be ready in 2-3 days, which was characterized as a "method change". Jesus also announced that a minimum of 20% of contract entitlement will be applied to those Contractors who have 5-year rolling average historical deliveries less than this amount. The Sugar Pine and Sly Park adjustments are included in the 2005 capital rate calculations, but the impending M&I negotiated settlement will not be included until 2006.

B. Budget Workshops – Refining Customer Participation. Jesus confirmed that the budget review process meeting will take place on February 23. Copies of the meeting agenda were made available.

C. BOR-WORKS Water Accounting Program Development. Jesus stated that the independent IT contractors that Reclamation has hired to correct WORKS reporting problems are progressing on schedule. Lynn Hurley said that she's concerned about the fact that the Fresno

Area Office has sent delivery and revenue data for Santa Clara Valley WD on an Excel spreadsheet as opposed to a WORKS report. Lynn is concerned that the spreadsheet data may not accurately reflect the data in the WORKS system. Several other Contractors also voiced concerns with data integrity in the WORKS system. Russell Harrington and Brice Bledsoe suggested that the WORKS issues represent a long-standing program, which require decisive action to solve in the near future. A meeting in the Fresno Area Office was recommended, which would include Fresno Area Office staff, MP Region staff, at least one of the independent IT programmers, and Contractor representatives. The specific purpose of this meeting is to get everyone in the same room at the same time to develop conclusive solutions to the WORKS data entry/data integrity issues in the Fresno Area Office. Jesus said that he would inform Larry Bauman of this meeting request. **Action Item** - Anthea Hansen to coordinate and consolidate a list of Contractor comments from Westlands WD, Santa Clara Valley WD, and the Friant Water Authority for submission to Reclamation staff.

D. Water Transfer Policy Development. Bob Stackhouse stated that he wants a transfer rate policy document by the start of the new water year. Ara added that he is trying to schedule a meeting with Reclamation staff to develop a manual for supporting procedures for the transfer policy. Ara said that Donna Tegelman sent him an e-mail which included the statement that “it was premature that incremental rate revenue would be credited to specific facilities”. Per Ara, Donna Tegelman has sent copies of the draft transfer policy document to Larry Bauman for his review.

E. Historical Advance Payment Account Reconciliation. Jesus stated 441 of 790 reconciliations are now complete. Jim Bjornsen has completed about 100 since he started. Fildres Quirante is the Reclamation staff member in charge of this project.

F. Security Cost Reimbursability. Jesus said that he had nothing new to report on this topic. Bob Stackhouse mentioned that Reclamation was developing a report on this topic for submission to Congress discussing why these costs should be reimbursable. Bob asked Jesus to let him know who would be writing this report. **Action Item** - Jesus to provide this information.

4. 2005 FAC Issues Matrix. Input was received from the FAC membership on the FAC’s issues priorities for calendar year 2005. **Action Item** - Brice to provide draft Issues Matrix to the CVPWA for review by the BOD.

5. Arroyo Pasajero. Regarding the effort to get the Arroyo Pasajero flood control project classified as non-reimbursable, Ara said that a process for obtaining a review by Reclamation needs to be determined. SLDMWA legal staff has determined that the odds are good that a review will have a favorable result for Contractors. Ara suggested that a letter be sent to Reclamation, on CVPWA letterhead, requesting such a review. **Action Item** - Ara to provide Bob a copy of the SLDMWA analysis for his review.

6. CVPIA/AFRP Reimbursability. CVPWA Environmental Director, Serge Birk, is currently in the process of drafting a paper on the AFRP Program as part of a CVPIA program evaluation process by Contractor staff. One of the primary issues is whether all AFRP expenditures should

be reimbursable, or whether some expenditures, such as those on non-CVP streams, should be reclassified as non-reimbursable. There are questions regarding whether Congressional appropriations language or another authority should be considered in determining reimbursability. Serge Birk may be at the next FAC meeting to discuss this issue further. There will be a CALFED ERP meeting and a Restoration Fund Roundtable meeting on March 17th.

7. **EWA Reimbursability.** Jesus said that Reclamation will classify these costs as non-reimbursable only if they have the authority to do so. He said that the original pilot program for EWA specifies non-reimbursability, but that direction was less clear on subsequent expenditures after the pilot program ended. Ara responded that legislation continues to declare these costs as non-reimbursable. However, the cost authority document for approximately \$1.5 million in study costs for the EWA program currently identifies the costs as reimbursable. **Action Item** - Jesus to obtain confirmation from MP Region management that these costs should be explicitly treated as non-reimbursable.

8. **IEP Reimbursability.** Ara said that Reclamation is maintaining its position that the Interagency Ecological Program (IEP) should be non-reimbursable. The problem is that CALFED staff is advocating that these costs should be reimbursable. Reclamation needs to be given supporting justification to refute the CALFED position and maintain the non-reimbursable status for this project. Ara said that he has worked with Larry Bauman and Alan Oto at Reclamation on this topic.

9. **2005 Water Rates.** Jesus distributed Reclamation's response to Westlands' questions/comments regarding the 2005 preliminary water rates. He added that the Forwards to the 2005 rate books would be on the Reclamation Web site in 2-3 days, and that the correct Rescheduled Water Rate is \$5.48 per AF instead of the \$5.43 per AF that was cited in documentation released earlier this year.