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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Harold E. Dwyer
EXECUTIVE SECRETARY

September 27, 1994

To: Board of Directors (Water Problems Committee--Information)
(Finance & Insurance Committee--Information)

From: General Manager

Subject: Preliminary Analysis of the 1995 Statement of Charges for the
State Water Project

Report

The 1995 Statement of Charges (1995 Statement) under Metropolitan's Water Service Contract with the California Department of Water Resources (DWR) was received and a preliminary analysis has been completed. Metropolitan staff and Richardson & Company, our State Water Contract auditors, are currently performing a detailed examination of the 1995 Statement.

The 1995 Statement total is \$400,155,819, a decrease of \$13.7 million as compared to the 1994 Statement (see Table 1) and a decrease of \$47.6 million as compared to an estimate of the 1995 Statement (see Table 2) prepared by DWR in 1993.

The 1995 Statement is made up of a number of components, which, for the purpose of this report, have been summarized into two basic groups: fixed charges, which are not dependent upon the amount of water stored, transported, or delivered during the year; and delivery charges, which are directly affected by the above factors.

Net increases in fixed charges resulted from a combination of: increases in the Delta Water Charge and Transportation Capital Charge due to adjustment of 1991 Drought Water Bank Purchase costs, additional planning costs for Delta facilities, the issuance of Series M bonds, East Branch Enlargement becoming partially operational in 1995, and decreases in Transportation Minimum due to capitalization of control system replacements.

Net decreases in delivery charges are largely the result of reductions in power costs, lower energy capacity prices, and reductions in operations, maintenance, fuel, and transmission costs for Reid Gardner Power Plant.

Metropolitan is contractually obligated to pay all valid charges reflected in the 1995 Statement and can, and does, later seek adjustment for inaccuracies. However, these amounts can vary significantly with the amounts Metropolitan will actually pay after adjustments and credits, particularly with regard to delivery charges. To lessen this variability, Metropolitan entered into a five-year agreement with DWR in January 1994 under which DWR would adjust the variable charges for the years 1995 through 1999 by using less conservative and more probable water delivery assumptions. This reduces potential overcharges by DWR. The 1995 Statement is again based on the assumption that water deliveries will be 100 percent of entitlement requests and will be revised before January 1, 1995.

Metropolitan staff and our State Water Contract auditors will present the results of their examination to your Board at the December 1994 meeting. At that time, we will request Board approval for the payment of the 1995 invoices.

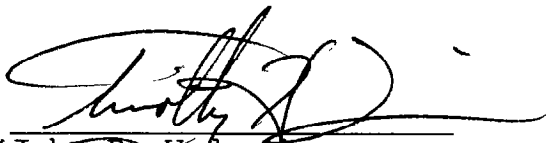
Recommendation

For information only.

John R. Wodraska
General Manager

By Debra C. Man
Debra C. Man
Chief of Planning and
Resources

Concur:


For ~~John R. Wodraska~~
General Manager

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Attachments

TABLE 1

COMPARISON OF 1994 & 1995 STATEMENTS
(in millions of dollars)

	1994 Statement	1995 Statement	DIFFERENCE increase/(decrease)
FIXED CHARGES			
Delta Water Charge	40.1	44.6	4.5
Transportation Capital	80.1	84.8	4.7
Transportation Minimum	72.7	62.3	(10.4)
East Branch Enlargement	24.1	26.4	2.3
TOTAL FIXED CHARGES	217.0	218.1	1.1
DELIVERY CHARGES			
Transportation Variable	92.3	88.3	(4.0)
Off-Aqueduct Power Facilities	104.5	93.7	(10.8)
TOTAL DELIVERY CHARGES	196.8	182.0	(14.8)
TOTAL SWP CHARGES	413.8	400.1	(13.7)

TABLE 2

Comparison of 1995 Estimated vs. Billed SWP Charges
(in millions of dollars)

	1995 ESTIMATED	1995 BILLED	DIFFERENCE increase/(decrease)
FIXED CHARGES			
Delta Water Charge	40.1	44.6	4.5
Transportation Capital	80.4	84.8	4.4
Transportation Minimum	70.7	62.3	(8.4)
East Branch Enlargement	24.7	26.4	1.7
TOTAL FIXED CHARGES	215.9	218.1	2.2
DELIVERY CHARGES			
Transportation Variable	128.6	88.3	(40.3)
Off-Aqueduct Power Facilities	103.2	93.7	(9.5)
TOTAL DELIVERY CHARGES	231.8	182.0	(49.8)
TOTAL SWP CHARGES	447.7	400.1	(47.6)