

41725

8-4



MWD
METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Summary Report on Special Projects
Related to Charges and Payments
Under State Contract

October 31, 1995

Richardson & Company

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

SUMMARY REPORT ON SPECIAL PROJECTS
RELATED TO CHARGES AND PAYMENTS UNDER STATE CONTRACT

Scope of the Assignment. The primary service Richardson & Company performs for the Metropolitan Water District of Southern California (Metropolitan) is the audit of the annual Statement of Charges under Metropolitan's Water Service Contract with the State of California Department of Water Resources (Department). In addition to our audit, we perform a substantial amount of work on special projects assisting Metropolitan in investigating financial and accounting matters as requested by Metropolitan's staff in areas such as disputes over Department policy, and in negotiating contract amendments and administrative changes in the Department's management of the State Water Project. We also participate in meetings that serve as a forum for resolving accounting, billing, and budgeting issues, including meetings of the Technical Accounting Committee (TAC), progress meetings with Metropolitan staff, State Water Contractor (SWC) Audit-Finance and Information System Oversight Committee meetings, and meetings with Metropolitan and Department staff to negotiate changes in the allocation of costs.

Report. This report summarizes the results of our special projects and participation in meetings. In addition to this report, a comprehensive report is prepared that serves as a working document between the auditors, the Department, and Metropolitan staff and a summary report that addresses the results of our audit. The two summary reports are provided to Metropolitan's Board of Directors and management.

Special Projects

The 1995 Special Projects Plan. In December 1994, we developed a plan following Metropolitan's direction that highlighted the special projects we would be performing during 1995 in addition to the annual audit. In addition, many special projects are in response to Metropolitan's immediate need for financial analyses or information. Certain projects related to such areas as disputes over policy or involving significant administrative changes require

substantial study and negotiation to resolve. The elements of the plan for projected special projects for 1995 were as follows:

- MONTEREY AGREEMENT
 - Assist with drafting the amendment
 - Research financial implications of various matters as questions arise

- JOINT REVIEW OF BAY-DELTA COSTS
 - Identify past and planned Bay-Delta environmental costs and related accomplishments
 - Work with Metropolitan and other contractors to evaluate potential cost reductions

- REPLACEMENT ACCOUNTING SYSTEM
 - Resolve remaining issues related to the new replacement accounting methodology
 - Monitor replacement account balances

- INCREMENTAL COST ALLOCATION ISSUES
 - Work with the Department and Metropolitan staff to resolve East Branch issues related to excess capacity credits and East Branch Enlargement allocations

- POWER COST ALLOCATION ISSUES
 - Evaluate the Department's methodology for valuing energy at Alamo and Mojave Siphon Powerplants
 - Review the Department's methodology for allocating Devil Canyon Second Afterbay and Coastal Aqueduct capital costs

- DROUGHT WATER BANK
 - Continue to monitor the accounting for the 1991 and 1992 Banks
 - Work with the Department and Metropolitan to finalize the mill rate for pumping Bank water

- DEPARTMENT BUDGET REVIEW
 - Participate in the SWC process
 - Provide bi-monthly reviews

- BUSINESS INFORMATION SYSTEM
 - Participate in the Information Systems Oversight Committee
 - Provide feedback as requested by Metropolitan

- REVIEW AND EVALUATE DEPARTMENT'S INVOICE PREPARATION PROCESS
 - Participate in the SWC subcommittee
 - Assist with the accumulation of data for review

- WATER SYSTEM REVENUE BOND SURCHARGE
 - Work with the Department to develop a methodology for recording prior year adjustments

- OTHER SPECIAL PROJECTS AS REQUESTED BY METROPOLITAN

Monterey Agreement

Throughout the year we assisted Metropolitan with drafting language for the amendment, and by researching the financial implications of various matters as questions arose during the drafting process. Once this contract amendment is signed, our audit will include review of the Department's initial and ongoing implementation of the amendment and associated administrative procedures.

As part of the audit process, we will assist Metropolitan with monitoring the Department's operational activities leading to the development of the annual reductions to Metropolitan's and other contractor's billings, projected to be approximately \$40 million. We will also work with Metropolitan and the Department to seek reimbursement of recreation and other costs owed by the State's General Fund and to examine the use of the General Operating Account created by the amendment.

Joint Review of Bay-Delta Costs

In the past year, Metropolitan and other contractors identified a need for additional information on the amounts and types of expenditures being incurred by the Department and billed to the contractors in the Bay-Delta area. In order to gain a better understanding of the Bay-Delta costs, we were requested to participate in a joint project with the other contractors' auditors, Ernst & Young, to accumulate expenditures for activities in the Delta and also collect information on the nature and accomplishments of the work being performed. Costs were also accumulated for fishery activities north of the Delta.

The project scope required gathering information from the Department's accounting system for 1993 Bay-Delta expenditures. The project purpose of each type of expenditure was determined and the portion paid by the contractors was calculated using reports extracted from the Department's accounting system. These Bay-Delta costs were categorized into one of the following categories developed by Metropolitan, SWC and Department representatives: monitoring, fishery activities (Skinner Fish Facility, Four Pumps Agreement Programs and other), physical improvements (Delta, Suisun March), modeling, land acquisition and management, regulatory proceedings, and other miscellaneous costs. This information was then summarized in a report and presented to the State Water Contractors Board of Directors.

Replacement Accounting System

In order to ensure continuing operation of the State Water Project and to spread the high costs of replacing certain types of equipment, the Department and the water contractors agreed to establish a sinking fund to provide for the contractors' portion of the cost of replacing significant Project facilities. The deposit amounts collected from the contractors are held by the State Controller on the contractors' behalf. Determining the required replacement fund balance and accounting for deposits, interest income and replacement expenditures on an individual contractor basis were incorporated into the Replacement Accounting System.

Issues regarding the Replacement Accounting System were extensively assessed during TAC and other meetings during the past few years. Changes developed for this system as a result of TAC meetings and other discussions have resulted in a fundamental change in the

methodology used to determine each contractor's required fund balance and future deposits. These changes have resulted in significant reductions in billings and require an annual evaluation of the balances in the replacement accounts.

The changes in the required fund balance are based on studies prepared in 1992 using a new methodology, known as Normalized Expense Tracking (NET). The study results indicate that a beginning replacement fund balance ranging from \$20 million to \$60 million would be sufficient to keep the fund from going negative in future years, assuming that future deposits are made at the levels used in the study. To reduce the actual replacement fund balance to this desired level, the Department suspended all or portions of the deposits included in the contractors' annual billings for the past several years and has refunded part of the fund balance. We will continue to work with Metropolitan and Department staff to study and resolve the issue of whether the target fund balance should be lowered or eliminated. Related issues recently resolved or presently under review include the following:

- It was decided through the Technical Accounting Committee discussions that a target balance in the replacement fund of \$20 million to \$40 million would be sufficient for future replacements. Reducing the fund to this level resulted in a refund to the contractors of the variable and Oroville replacement balances during 1995 of approximately \$5 million. Metropolitan's share of this refund was approximately \$3,990,000. The conservation portion of the replacement reserve fund collected through the Delta Water Charge has a \$15 million excess balance that will be returned; however, the method of returning these deposits and the allocation to contractors is still under review. The contractors are still required to make deposits at the levels prescribed under the new methodology; however, the balance in the fund is to be evaluated each year and any excess returned to the contractors. The Department has indicated that they will continue to monitor the fund balance and consider additional reductions if feasible, especially upon repayment of the California Water Fund debt.
- We are reviewing the equipment costs and life expectancy assumptions used to determine replacement accounting system deposits and comparing these assumptions with the

Operations & Maintenance (O&M) Division's actual replacements to determine the required level of the replacement fund. A study performed by O&M indicates the estimated costs to replace impellers is approximately \$6.2 million less than the cost estimate used in the NET methodology to develop the target balances and the annual deposits. A study of rewinds is expected to be completed soon. Reductions in the estimates for replacement items could support a lower target balance or possibly lower annual replacement deposits. We will continue to work with the Department and Metropolitan on the issue of cost estimates used in the NET methodology.

- We have worked with the Department on the implementation of the new NET methodology. Since NET computes only a maximum balance level for the fund in total, procedures were needed for handling contractor balances that fall below zero, or some minimum level, to ensure that certain contractors are not funding other contractors' shortfall even though the balance in total is acceptable. We have worked with the Department to ensure that any excess in Metropolitan's share of the replacement fund is returned on an annual basis. Metropolitan's excess as of December 31, 1994 is included in the \$5 million refund described on page 4.

Incremental Cost Allocation Issues

The East Branch Enlargement Phase I construction is nearing completion. This construction is to correct the basic capacity deficiencies and add extra capacity for some contractors. The State Water Project Analysis Office (SWPAO) and the contractors need to agree on the allocation of costs for these changes.

As part of informal meetings with Metropolitan and Department representatives, we assisted Metropolitan in preparing a memorandum describing East Branch Enlargement and excess capacity incremental cost allocation issues. This memorandum was presented to the Department, and they indicated that consideration will be given to Metropolitan's concerns while developing the revised East Branch Enlargement allocation methodology. These meetings have been held with the Department during the past three years to discuss the Department's approach to determining a reasonable allocation methodology. The Department's

proposal on the allocation methodology was made available during the fall of 1994 but it was not pursued during the development of the Monterey Amendment. The Department is expected to discuss the allocation methodology with all East Branch contractors in the near future. We will continue to work with Metropolitan and the Department to evaluate the final development of the allocation methodology. Due to the complexity of the East Branch Enlargement and the large costs involved, joint participation in evaluating the allocation methodology is necessary in order to assure that the final allocation methodology is fair and equitable to all parties involved.

Power Cost Allocation Issues

We are working with Metropolitan staff to evaluate the following power cost allocation issues:

- Recovery Generation Valuation: In order to recover the costs associated with the Alamo and Mojave Siphon Powerplants, the Department computes a mill rate, which is applied to the quantity of generation at each plant. The mill rate computation gives consideration to the actual and estimated capital and operating costs of the Plants over the life of the Project. This mill rate is used to value the cost of the energy that is billed under the variable component and the recovery generation credit that is given to the contractors who pay for the capital and operating costs of these facilities. In computing the Alamo and Mojave Siphon mill rates, estimates are required for future capital and operating costs. Each year, as these estimates are revised, the mill rate is recomputed and applied to the generation for that year. The Alamo mill rate used to calculate the recovery generation credits for 1994 is 41 mills. The 1995 and 1996 estimated rates are 47 and 52 mills, respectively. The Mojave Siphon mill rate for 1995 and 1996 is 56 and 57 mills, respectively. We noted during our review of the mill rate computations that future bond costs of \$203 million were included in the computations. We are working with Metropolitan and the Department to determine whether it is proper to include these future costs in the mill rate computations. Had future bond costs been excluded from the Alamo mill rate computation reflected in the 1996 Statement of Charges, the mill rate would have decreased from 52.3 mills to 51.5 mills. Had future bond costs been

excluded from the Mojave Siphon mill rate computation, the mill rate would have decreased from 57 to 52 mills.

We also noted that in the calculation of the Alamo mill rate, actual generation is used for historical years and estimates are used for future years. Historically, the Plant has operated at an average of less than 20% of capacity because of operational problems. In the computation of the mill rate, however, the Department is assuming the Plant will operate at full capacity in future years. As a result, the energy at Alamo is being undervalued for purposes of computing variable charges and the recovery generation credit. Assuming the Plant operates at 50% to 75% of capacity in the future, the value of energy at Alamo for 1996 and future years would be 70 to 105 mills per kilowatt hour, compared to the 52 mills currently being used.

- Devil Canyon Second Afterbay: Included in the 1992 through 1996 variable charges for all contractors are debt service costs attributable to the Devil Canyon Second Afterbay construction, which total approximately \$1 to \$3.8 million per year. These costs are considered power charges because they represent the cost to the SWP for system power benefits received from the Second Afterbay. These charges and benefits are in addition to the charges and generation credits associated with the Devil Canyon Powerplant. Since these debt service costs are also collected from the four East Branch Enlargement contractors in proportion to the enlargement capacity at Devil Canyon through the East Branch Enlargement Component, the Department is returning these amounts collected from the East Branch Enlargement contractors in the following year. Upon completion of the Second Afterbay, the annual O&M costs allocated to the power function will be repaid by all contractors through the variable component and will not be charged to the four East Branch Enlargement contractors.
- Coastal Aqueduct: The Department conducted a study in 1993 that concluded that by including extra off-peak capacity in the pipeline, pumping plants and storage tanks at the first reach of the Coastal Branch facilities, the power savings that would result would exceed the annual cost of financing the extra capacity. The Department has proposed

that the incremental costs of this extra capacity be charged to the variable component as a system power cost. Although the Coastal contractors would initially pay the debt service costs, a refund would be issued to these contractors in the following year. This methodology is still preliminary and has not been reflected in the 1996 Statement of Charges.

We will continue to work with Metropolitan staff during 1996 to evaluate these cost allocation issues.

Drought Water Bank

Drought conditions have had a significant impact on the State Water Project over the past several years. Early in 1991 the Governor directed the Department to establish a Drought Water Bank in response to critical water needs throughout the State. The Drought Water Bank was in operation during 1991, 1992 and 1994. We have worked closely with Metropolitan's representatives to monitor Metropolitan's participation in these Water Banks, the accounting for Water Bank revenues and expenses and the propriety of charges to Metropolitan for Water Bank water and wheeling.

We previously audited the Department's preliminary accounting for the 1991 Drought Water Bank. However, the accounting has not been finalized due to the disputes regarding purchased water, which have been turned over to the Attorney General's office for litigation. The Department has settled one suit and was required to pay in accordance with the water purchase contract. The Department expects no further activity on the remaining two water purchase contracts previously under litigation. The statute of limitations expires in December 1995 and at that time the Water Bank costs will be finalized. In October 1993 the Department returned \$6 per acre-foot to the water purchasers based upon an estimate of the cost to resolve the disputes, which resulted in a rate of \$169 per acre-foot to purchase the water. Metropolitan's refund totaled \$1,290,000. The Department's updated analysis of 1991 Drought Water Bank costs indicates that Metropolitan will receive an additional refund of \$800,000 to \$1,200,000 when the Water Bank costs are finalized.

In July 1995, the Department finalized the costs of the 1992 Water Bank and issued an additional refund of \$152,300, of which Metropolitan's share was \$9,600. Approximately \$2,000 of SMIF interest remains to be refunded. The SMIF interest is for the period of April through June 1995; however, the amount was not available at the time the July 1995 refund analysis was prepared. The Department expects to refund the SMIF interest in late 1995.

The 1994 Water Bank participants were billed \$50 per acre-foot. The Department has not finalized the costs of the 1994 Water Bank; however, if actual costs incurred by the Department are less than that paid by the contractors, refunds will be issued. Since Metropolitan purchased only 100 acre-feet of 1994 Bank water, any refunds would be immaterial.

Metropolitan was originally billed \$30,207,000 for wheeling 1991 Water Bank water. This billing included contractual charges for administrative, replacement, fish loss and power costs.

We determined that all charges had been computed in conformity with Metropolitan's Drought Water Bank wheeling contract except for the related power costs. Since 1991, we have assisted Metropolitan with its review of the methodology used by the Department to determine Water Bank wheeling energy charges. The 1991 Water Bank contract provides for the recovery of power costs using a concept that will be included in future contracts; therefore, it was essential that the methodology be properly applied to 1991 in order to establish the proper precedent for future years. The major areas of concern to Metropolitan were the application of the "golden rule" concept (i.e., costs allocated to entitlement water users will not be increased due to pumping water bank water) and how power costs and recovery generation credits were to be allocated between entitlement and Bank water deliveries.

These issues were resolved during 1995 in a manner consistent with Metropolitan's interpretation of the contract and the Department is in the process of finalizing 1991 power charges. As a result, Metropolitan will be billed approximately \$1.5 million more during 1995 or 1996 for Water Bank deliveries. However, Metropolitan's share of Water Bank wheeling charges would have been several million higher if the preceding issues had not been resolved

in this manner. Changes to the 1991 calculated variable component charges will become part of the total past cost adjustment to the 1997 variable component charges included in the 1997 Statement of Charges.

The computation of actual wheeling charges for the 1992 and 1994 Water Bank water was pending the resolution of 1991 wheeling charges and issues related to the methodology used in computing the related power charges. We will review the Department's calculations for these years when they become available.

We will continue to work with Metropolitan's representatives on Water Bank issues and report the findings of our audit of the 1991 and 1992 Banks after the Department has finalized the accounting.

Department Budget Review

As an interim solution to providing Metropolitan representatives with ongoing budget information until the Department's new business information system is in place, we prepared reports on a bi-monthly basis that tracked the Department's revisions to the fiscal year 1994-95 and 1995-96 budgets. In addition, using the Department's bi-monthly Program Status Reports, we prepared analyses comparing budget to actual expenditures. This information was used to monitor the Department's budget during the year.

We participated with Metropolitan and State Water Contractor (SWC) representatives in budget review meetings with the Department to discuss the Department's 1996-97 budget, researched issues that arose during the meetings, assisted in the preparation of the budget review comments for the SWC's letter to the Department, and updated the computer spreadsheet analysis compiled from Department budget documents providing a 10-year summary of budget information and history in a concise manner. This spreadsheet was used by Metropolitan and SWC representatives during the budget review process to analyze changes in the budget from previous years.

Business Information System

Many of the errors we continue to find in Metropolitan's annual Statements of Charges are due in part to the problems caused by using a business information system that is outdated and was designed prior to the Off-Aqueduct, WSRB and East Branch Enlargement Amendments. These Amendments have had a major impact on the Department's billing and accounting procedures. In addition, the present system does not effectively integrate the budgeting, expenditure and billing processes. The Department recognizes the need to update and improve its business information processes by developing a new, fully-integrated system. As a result, the Business Information System (BIS) Development Group was created to design and install a new system.

The initial study phases of the project, including preparation of a business analysis, a functional needs analysis and a report to the State Office of Information Technology (OIT) explaining why the Department could not use the State's regular accounting system known as CALSTARS, was completed during 1988 and 1989. The Feasibility Study Report (FSR) was approved by OIT during 1991 at which time the Department began the process modeling, application development and data modeling phases of the project. The Department's Business Information Systems Development Group consists of four application development teams and the Data Base Design and Administration team. The Department has divided the BIS project into 63 modules. Some of these modules are in the designing, developing and prototyping phase while others are in the testing phase.

In 1995, the Department engaged The Resources Company to evaluate the progress of the BIS. The Resources Company presented various options for completing the BIS project. The option to reorganize BIS was recommended, which will require changes in management structure including increased control and accountability, modified priorities and a focus on integrating all aspects of the system into the overall design. The estimated costs of the BIS project under this option, according to The Resources Company, is \$13.6 million compared to the \$8.7 million originally projected in the FSR. The Department plans to have all modules in production by July 1998.

The Cost Allocation and Repayment Analysis System, which is used in the preparation of the Statements of Charges including future projections, is divided into two phases. The first phase, which is limited to data entry, storage, retrieval, report generation, billing and limited repayment analysis, is approximately 90% complete and is expected to be completed by June 1996. The second phase, which will address any deficiencies noted during phase one testing, create additional Bulletin tables and expand the scope of the Delta Water Rate calculation to encompass escalated costs, is approximately 10% complete and is expected to be 100% complete by June 1997.

Metropolitan and other contractors are monitoring and providing input to the project through a Committee of the SWC organization. The SWC Information System Oversight Committee (ISOC) has met regularly for the past four years and has used the services of a consulting firm to prepare a contractors needs analysis, review the FSR and monitor the progress of the BIS Development Group. We assisted the ISOC and its consultants in preparing a report highlighting the reporting requirements from the BIS to meet the needs of SWC managers and SWC auditors. We have attended regular meetings of the ISOC with the Department to discuss contractor reporting requirements, including meetings of a BIS work group formed in 1992 to discuss reporting requirements in detail.

We will continue to work with Metropolitan representatives to provide input to this important project and to seek timely implementation.

Department's Invoice Preparation Process

The SWC formed the Invoice Review Subcommittee to review the information going into the development of the annual Statement of Charges. In the past year, we have continued to provide input and assist Metropolitan on this Subcommittee by preparing a summary of the Department's planning, design and construction division personnel years and related payroll costs. We will continue to assist Metropolitan in evaluating billing assumptions and identifying other areas where costs may be challenged.

Water System Revenue Bond (WSRB) Surcharge

The WSRB Amendment calls for the Surcharge to consist of total debt service on WSR Bonds issued since March 1987 and used to finance Project improvements, reduced by the amount of capital costs and interest already recovered under the Delta Water Charge and Transportation Capital Components. We continue to work with the Department on addressing the following issues:

- We determined that there was an inconsistency in the application of the recreation Project purpose split between two components of the Surcharge computation. The error resulted in the overstatement of Metropolitan's Surcharge in 1990 through 1993, by a total of \$538,000. The Department has since used the corrected amounts in the Statement of Charges and plans to issue refunds to correct for these prior year errors.
- We have also noted that costs were excluded from the computation of the 1992 Surcharge, which results in an overstatement of Metropolitan's 1992 Surcharge of approximately \$100,000.

No adjustments to prior years' charges have been made for any of the previously mentioned issues because the Department believes the Amendment does not allow for adjustments. We are concerned about the lack of any adjustment or correction of prior year errors or changes in estimates. We will work with Department and Metropolitan representatives to develop a methodology for recording prior year adjustments.

The Department has issued variable rate bonds to retire commercial paper instead of long-term fixed rate bonds. Variable rate bonds require estimating interest rates to compute the WSRB Surcharge component of the annual Statement of Charges, which will require an adjustment the following year as actual interest costs are known. We will work with the Department to ensure the proper implementation of this process.

Other Special Projects

We also performed the following additional special assignments at the request of Metropolitan's staff:

- Assisted Metropolitan in evaluating the Department's proposed methodology for computing a melded energy rate.
- Updated testing of the Final Allocation of Power Costs Memos.
- Developed estimates of the capital costs to be repaid.
- Accumulated Castaic Visitor Center and Southern District Headquarter costs.
- Reviewed the Department's procedures for billing Municipal Water Quality Costs.
- Obtained General Obligation Bond information for Metropolitan's legal department.
- Investigated differences in 1991 and 1992 water deliveries.
- Prepared a letter reporting on our analysis of Semitropic's financial condition.
- Accumulated a list of energy issues to be addressed by Metropolitan's Power Resources Branch, including the gathering of supporting studies and information.
- Researched the status of and the costs associated with the Jibboom Street property (proposed site of the Project Operations Control Center) and prepared a memo.
- Prepared an analysis of the impact of a change in the Desert-Coachella delivery point.
- Obtained Water Service Contractor Memo 1683 and other information related to recovery generation valuation at Alamo and other power facilities.

- Obtained replacement and fish loss rates for past three years at the request of Metropolitan's staff.
- Performed testing of the 1981 to 1994 Water Tables to ensure current water information was used in calculating charges for these years.
- Reviewed spreadsheets prepared by Metropolitan staff to calculate the various components of the Statement of Charges.
- Obtained revised 1994 Variable Unit Rates.
- Obtained information on variable rate bonds.
- Obtained a flowchart of the Department's billing system.
- Provided an analysis of the 1996 Statement of Charges for the letter to Metropolitan's Board.
- Researched various issues related to the review of the Department's budget.

Participation in Meetings

Technical Accounting Committee (TAC) Meetings. TAC is chaired by the Department's Chief of Fiscal Services and includes members of his staff, representatives from SWPAO and representatives from the audit firms representing Metropolitan and the other contractors. TAC provides a forum for resolving issues affecting the Department's accounting, billing and budgeting procedures and systems. Issues regarding the Replacement Accounting System, variable rate bonds, Delta Studies and the Monterey Agreement were some of the more significant matters discussed during TAC meetings in the past year.

Monthly Meetings with Metropolitan. We meet on a monthly basis with Metropolitan's staff to apprise Metropolitan of the current status of issues that are part of our special work, to

formulate Metropolitan's position on issues or methodologies, and to discuss current State Water Project issues facing Metropolitan. These meetings are a forum whereby we maintain close contact with Metropolitan's staff to ensure that Metropolitan's concerns are being met and to address matters that may require immediate action.

Audit-Finance Committee. We participate with Metropolitan staff in the quarterly State Water Contractors (SWC) Audit-Finance Committee, which is also attended by representatives from the SWC, other water contractors and the Department. The meetings are intended to provide updates from the Department on financial matters and cost estimate changes. The Committee also receives reports from other committees, such as the Technical Accounting Committee and the Information System Oversight Committee. Our participation in these committees is discussed in other sections of this report.

Other Meetings. We are also called upon to participate in special meetings as the need arises. Examples of meetings that we attended over the past year include the following:

- SWC Energy Committee meeting to discuss the Department's methodology for computing the melded energy rates by plant.
- Meeting with the Department and Metropolitan representatives to discuss energy issues.
- Meeting with SWC, Department and Metropolitan representatives regarding the Four Pumps Agreement charges.
- Participated in meeting and conference call with Metropolitan and other State Water Contractor representatives to discuss the joint Bay-Delta cost study.
- Meeting with Metropolitan representatives to discuss Article 18 negotiations.
- Meeting with the Department's Deputy Controller to discuss Reid Gardner issues.

- Presentations to Metropolitan's Board of Directors Special Audit Committee and assisted Metropolitan staff in the preparation for the workshop on the State Water Project.
- Participated in 1991 Drought Water Bank Wheeling Charges meetings and workshops.
- Participated in the State Water Contractors Financial Issues Work Group related to the Monterey Agreement.
- Meeting with the Department's Deputy Controller to discuss financial issues and general obligation bonds.