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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Financial Summary for the Twelve Months Ended June 30, 2004

Executive Financial Summary
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June 30, 2004

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Executive Financial Summary for the Twelve Months Ended June 30, 2004

Comparative Statements of Operations (page 3) – Accrual Basis

Net Income of \$227.0 million was \$52.0 million higher than last year's net income of \$175.0 million. Included in this variance were \$72.4 million of higher operating revenues and \$1.9 million less of operating expenses offset by \$22.3 million of lower other income-net. These items are further described below.

Operating revenues for the twelve months ended June 30, 2004 totaled \$1,017.2 million, which was \$72.4 million higher than prior year operating revenues of \$944.9 million. The increase was due to \$51.9 million higher water sales, \$14.2 million for the new capacity charge that became effective January 1, 2003 and \$6.3 million higher power sales and other. For the twelve months ended June, sales volumes were 2,417.7 thousand acre-feet (TAF), compared to prior year's 2,271.6 TAF. Power and other sales were higher primarily due to \$5.3 million of exchange revenues from San Diego/ IID and Tijuana deliveries.

Operating expenses of \$793.4 million were \$1.9 million less than last year. Cost of water is \$59.0 million less due primarily to \$53.1 million of SWP credits reflected in the current year expense and lower average cost of water, reflecting the lower power costs. Offsetting this favorable variance were the \$36.3 million member agency distribution, which was classified as a current year expense, and a refund of \$11.2 million to LADWP for correction of a meter error. Additionally, operations and maintenance expenses were \$8.5 million more than last year due to \$5.8 million of higher labor costs reflecting the negotiated labor contracts; \$4.9 million higher outside non-professional services (primarily security); and \$4.0 million higher water treatment, chemical and sludge handling and utility costs, partially offset by \$3.3 million lower insurance costs.

Other Income-Net of \$3.2 million was \$22.3 million less than last year. This variance was due primarily to \$32.0 million less of investment income, which includes \$19.1 million less in fair value adjustments and \$13.0 million of lower interest earnings and gains reflecting current economic conditions. Partially offsetting this unfavorable variance was \$6.1 million less in bond interest expense due to various defeasances and refinancings of Metropolitan's debt.

Comparative Balance Sheets (page 4)

At June 30, 2004 assets totaled \$9.3 billion, which was \$337.5 million higher than June 30, 2003. Property, Plant and Equipment-Net was \$236.9 million higher, due to construction progress on the Inland Feeder, the Oxidation Retrofit programs, Skinner Filtration Plant Improvements program, the Lake Mathews Outlet Facilities, San Diego Pipeline 6, CRA Conveyance Reliability program and Diamond Valley Lake Recreation plan. Accounts Receivables were \$80.7 million more due to increased water sales in May and June 2004. Cash and Investments were \$26.6 million higher than the prior year due primarily to the issuance of \$200.0 million of new debt in September 2003 offset by the transfer of \$43.0 million Employees' Deferred Compensation monies to an outside administrator.

Liabilities totaled \$4.0 billion at June 30, 2004, which was \$111.0 million more than the prior year. This increase was due primarily to a \$168.2 million net increase in long-term debt resulting from \$200.0 million of new debt issued September 2003 and a \$20.0 million State Revolving Loan, partially offset by principal paydowns, refundings and cash defeasance. Offsetting this net increase in debt was \$22.1 million less in State Water Project Obligations due primarily to \$15.7 million of lower variable power costs, \$10.1 million in lower OMP&R offset by \$6.7 million higher capital costs. Additionally, Trust Funds were \$32.8 million less than the prior year reflecting the transfer of Employee Deferred Compensation monies to an outside trustee.

Estimate vs. Actual for the Twelve Months Ended June 30, 2004 (page 6) – Accrual Basis

Operating revenues of \$1,017.2 million were \$54.9 million greater than estimate, due primarily to \$44.9 million of higher than estimated water sales. Water sales volumes totaled 2417.7 TAF, compared to an estimate of 2,263.1 TAF. Additionally, the \$5.3 million of exchange revenues from San Diego/ IID and Tijuana deliveries were unbudgeted.

Operating expenses of \$793.4 million were \$29.9 million less than the estimate of \$823.4 million due to \$48.2 million in lower cost of water, \$22.8 million in lower O&M costs and \$5.4 million in lower water management program costs. The lower cost of water was primarily due to \$53.1 million of credits for prior year power and water costs, which was not included in the estimate. O&M costs included \$10.1 million of lower than estimate water treatment, utility and sludge removal costs due to better than anticipated influent water quality, resulting in lower than anticipated chemical usage; lower than estimated chemical contract prices; lower than anticipated water flows and pumping demands; and \$4.3 million of lower non-professional services due to the delay in entering into various maintenance contracts. Water management costs were \$5.4 million less than estimate due to delays in starting projects or less than anticipated activity on certain projects. Offsetting these favorable variances were the \$36.3 million member agency distribution, classified as an expense in the current year, and the \$11.2 million LADWP refund resulting from the correction of a meter error.

Other Income-Net of \$3.2 million was \$38.9 million less than the estimate of \$42.1 million primarily due to \$33.0 million lower than anticipated investment income. This unfavorable variance was the result of (\$18.1) million in fair value adjustment, which was not part of our estimated amount, and actual interest was \$14.9 million lower than originally estimated.

Estimate vs. Actual: Construction Activity (page 9) – Accrual Basis

Construction costs for the twelve months ended June 30, 2004 totaled \$264.2 million, which was \$33.2 million under estimate. These lower than expected costs were attributed to delays in awarding or negotiating contracts and other scheduling issues as well as delays to the Inland Feeder project due to the flooding in late December 2003, partially offset by accelerated spending on the Oxidation Retrofit programs.

The Metropolitan Water District of Southern California

Comparative Statements of Operations - Accrual Basis (Dollars in millions)

	For the Twelve Months Ended June 30,		Favorable/ (Unfavorable) Variance
	2004	2003	
Operating Revenues:			
Water Sales	\$ 886.8	\$ 834.9	\$ 51.9
RTS	80.0	80.0	(0.0)
Capacity Charge	22.1	7.9 (1)	14.2
Power Sales and Other	28.3	22.0	6.3
Total Operating Revenues	1,017.2	944.9	72.4
Operating Expenses:			
Cost of Water	242.5	301.5	59.0
Operations & Maintenance	263.5	254.9	(8.5)
Water Management Programs, Net	38.3	35.3	(3.0)
Member Agency Distributions/Refund	47.5 (2)	-	(47.5)
Depreciation & Amortization	201.7	203.6	1.9
Total Operating Expenses	793.4	795.3	1.9
Net Operating Income	223.8	149.5	74.3
Other Income (Expense):			
Net Taxes/Annexations	96.7	94.0	2.7
Investment Income	10.2	42.2	(32.0)
Bond Interest Expense	(100.9)	(107.1)	6.1
Other	(2.8)	(3.6)	0.8
Total Other Income - Net	3.2	25.5	(22.3)
Net Income	\$ 227.0	\$ 175.0	\$ 51.9

Notes:

(1) The first month with a capacity charge was January 2003 (component of new rate structure).

(2) Includes \$36.3 million of member agency distribution and \$11.2 million refund to LADWP relating to a meter error.

Sales Statistics:

Water Sales (TAF)	2,417.7	2,271.6	146.0
Wheeling (TAF)	21.0	-	21.0
Hydroelectric Power Sales (mWh)	482.2	452.3	29.9

Ratios:

Operating (Operating Expense* divided by Operating Revenue) 53.5 % 62.6 %

* Excludes depreciation/amortization and member agency distribution.

Revenue Bond Debt Service Coverage (rolling 12 months) - Cash Basis

(Net revenues divided by annual revenue bond principal and interest requirements) 2.47 x 3.26 x

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Comparative Balance Sheets - Accrual Basis (Dollars in millions)

	2004	June 30, 2003	Increase/ (Decrease)
Assets:			
Cash and investments at book value (1)	\$ 1,096.3	\$ 1,069.8	\$ 26.6
Fair Value Adjustment	(4.6)	13.7	(18.3)
Accounts Receivable	235.4	154.7	80.7
Property, Plant and Equipment, net	5,965.3	5,728.4	236.9
Participation Rights, net	1,736.3	1,731.3	4.9
Deferred Charges and Water Rights	197.0		10.0
Other	97.4	100.7	(3.3)
Total Assets	\$ 9,323.1	\$ 8,985.5	\$ 337.5
Liabilities and Equity:			
Long-Term Debt	\$ 3,523.3	\$ 3,355.0	\$ 168.2
Off-Aqueduct Power Facilities	93.6	97.8	(4.1)
Accounts Payable and Accrued Bond Interest	112.7	118.2	(5.5)
Deferred Income	17.4	10.0	7.4
State Water Project Obligations	220.4	242.5	(22.1)
Trust Funds and Other	75.2	108.0	(32.8)
Total Liabilities	4,042.6	3,931.6	111.0
Equity	5,280.4	5,053.9	226.5
Total Liabilities and Equity	\$ 9,323.1	\$ 8,985.5	\$ 337.5

Debt as a percent of equity (Long-Term Debt divided by Equity) 66.7 % 66.4 %

(1) Fair value of cash and investments was \$1,091.8 million and \$1,083.5 million at June 30, 2004 and 2003 respectively.

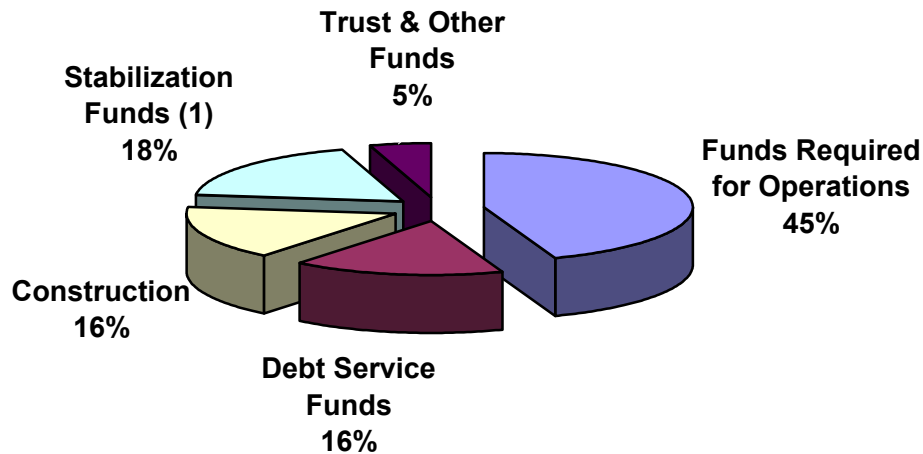
The Metropolitan Water District of Southern California

Cash and Investments at Book Value As of June 30, 2004 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$122.4	\$205.4	\$159.3	\$487.1
Debt Service Funds	180.6	0.0	0.0	180.6
Construction	91.2	0.0	83.5	174.7
Stabilization Funds (1)	0.0	26.0	176.8	202.8
Trust & Other Funds	20.6	30.5	0.0	51.1
Total	\$414.8	\$261.9	\$419.7	\$1,096.3

(1) \$26 million restricted for September 2004 cash defeasance.

Totals may not foot / cross foot due to rounding.



The Metropolitan Water District of Southern California

Statement of Operations - Accrual Basis
 Estimate vs. Actual
 For the Twelve Months Ended June 30, 2004
 (Dollars in millions)

	Twelve Months Ended June 30, 2004							
	June 30, 2003 Actual	Estimate	Actual	Favorable/ (Unfavorable) Variance				
				from Estimate		from Prior Year Actual		
				\$	%	\$	%	
Operating Revenues								
Water Sales	\$ 834.9	\$ 841.9	\$ 886.8	\$ 44.9	5%	\$ 51.9	6%	
RTS	80.0	80.0	80.0	0.0	0%	(0.0)	(0%)	
Capacity Charge ⁽¹⁾	7.9	22.5	22.1	(0.4)	(2%)	14.2	179%	
Hydroelectric Power & Misc.	22.0	17.9	28.3	10.4	58%	6.3	28%	
Total Operating Revenues	944.9	962.3	1,017.2	54.9	6%	72.4	8%	
Operating Expenses								
Operations & Maintenance	254.9	286.2	263.5	22.8	8%	(8.5)	(3%)	
Cost of Water	301.5	290.8	242.5	48.2	17%	59.0	20%	
Water Mgt. Programs	35.3	43.8	38.3	5.4	12%	(3.0)	(9%)	
Member Agency Distributions	-	-	47.5	(47.5)	n/a	(47.5)	n/a	
Depreciation & Amortization	203.6	202.6	201.7	0.9	0%	1.9	1%	
Total Operating Expenses	795.3	823.4	793.4	29.9	4%	1.9	0%	
Operating Income	149.5	138.9	223.8	84.8	61%	74.3	50%	
Other Income/(Expense)								
Net Taxes/Annexations	94.0	95.6	96.7	1.1	1%	2.7	3%	
Investment Income	42.2	43.2	10.2	(33.0)	(76%)	(32.0)	(76%)	
Bond Interest Expense	(107.1)	(96.7)	(100.9)	(4.2)	(4%)	6.1	6%	
Other	(3.6)	-	(2.8)	(2.8)	n/a	0.8	(23%)	
	25.5	42.1	3.2	(38.9)	(92%)	(22.3)	(88%)	
Net Income	\$ 175.0	\$ 181.0	\$ 227.0	\$ 45.9	25%	\$ 51.9	30%	
Sales Statistics								
Water Sales (TAF)	2,271.6	2,263.1	2,417.7	154.6	7%	146.0	6%	

(1) The first month of activity with a capacity charge was January 2003 (component of new rate structure).

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Estimate vs. Actual - Accrual Basis (Dollars in millions)

For the Twelve Months Ended June 30, 2004

	June 30, 2003 Actual			<i>Favorable/ (Unfavorable) Variance</i>			
		Estimate	Actual	<i>from Estimate</i>		<i>Prior Year Actual</i>	
				\$	%	\$	%
Operations & Maintenance							
Fixed							
Personnel	\$ 163.7	\$ 167.1	\$ 169.4	\$ (2.3)	(1%)	\$ (5.8)	(4%)
Materials & Supplies	16.4	13.5	15.4	(1.9)	(14%)	1.1	7%
Professional Services	18.5	20.1	19.5	0.6	3%	(1.0)	(6%)
Outside Non-Professional Services	11.9	21.0	16.8	4.3	20%	(4.9)	(41%)
Other	10.7	16.6	4.6	12.0	72%	6.1	57%
Total Fixed	221.2	238.3	225.7	12.6	5%	(4.5)	(2%)
Variable							
Water Treatment Chemicals	15.2	24.9	21.0	3.9	16%	(5.9)	(39%)
Utility Costs	18.6	23.0	16.7	6.3	27%	1.8	10%
Total Variable	33.7	47.9	37.8	10.1	21%	(4.0)	(12%)
Total Operations & Maintenance	\$ 254.9	\$ 286.2	\$ 263.5	\$ 22.8	8%	\$ (8.5)	(3%)
Cost of Water							
Cost of Water	\$ 305.5	\$ 290.8	\$ 295.6	(4.9)	(2%)	9.9	3%
SWP Prior Year Adjustments	(3.9)	-	(53.1)	53.1	n/a	49.1	(1251%)
Total	\$ 301.5	\$ 290.8	\$ 242.5	\$ 48.2	17%	\$ 59.0	20%
Capital Investment Plan	\$ 206.9	\$ 297.4	\$ 264.2	\$ 33.2	11%	\$ (57.4)	(28%)

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Operations and Maintenance Fixed and Variable Components - Accrual Basis Estimate vs. Actual (Dollars in millions)

Component	June 30,	Twelve Months Ended June 30, 2004		<i>Favorable/ (Unfavorable)</i>	
	2003	Estimate	Actual	<i>Variance from</i>	
	Actual			Estimate	Prior Year
Fixed					
Personnel	\$163.7	\$167.1	\$169.4	(\$2.3)	(\$5.8)
Professional Services	18.5	20.1	19.5	0.6	(1.0)
Outside Non-Professional Services	11.9	21.0	16.8	4.3	(4.9)
Materials & Supplies	16.4	13.5	15.4	(1.9)	1.1
Communications Expense	3.7	3.7	3.6	0.1	0.1
Travel Expense	2.1	2.3	2.1	0.2	(0.0)
Training	0.7	1.0	0.7	0.4	0.1
Memberships & Subscriptions	2.5	2.8	2.6	0.2	(0.0)
Equipment Expensed	1.8	1.1	1.1	0.0	0.7
Equipment Rents/Leases	1.1	1.2	1.0	0.2	0.1
Insurance	8.4	4.2	5.1	(0.9)	3.3
Agency Dues	1.4	1.6	1.6	(0.0)	(0.2)
Rents/Leases	0.4	0.4	0.4	(0.1)	(0.0)
Overhead Credit from Construction	(16.7)	(12.6)	(18.5)	5.9	1.8
Other	5.4	11.0	5.1	5.9	0.3
Total Fixed Costs	221.2	238.3	225.7	12.6	(4.5)
Variable					
Water Treatment Chemicals	15.2	24.9	21.0	3.9	(5.9)
Utility Costs:					
Utilities	11.9	14.1	9.8	4.3	2.2
Sludge Removal	5.7	8.0	5.5	2.5	0.2
Permits	0.9	0.9	1.4	(0.5)	(0.5)
Total Variable Costs	33.7	47.9	37.8	10.1	(4.0)
Total O&M	\$254.9	\$286.2	\$263.5	\$22.8	(\$8.5)
Water Sales - Thousand Acre-Feet	2,271.6	2,263.1	2,417.7	154.6	146.0

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Estimate vs. Actual: Construction Activities - Accrual Basis
For the Twelve Months Ended June 30, 2004
(Dollars in millions)

	Estimate	Actual	Variance from Estimate	
			\$	%
Sources of Funds				
Bond Construction Funds	\$ 219.5	\$ 157.7	\$ 61.8	28%
PAYG Funds	77.9	106.6	(28.7)	(37%)
Total	\$ 297.4	\$ 264.2	\$ 33.2	11%
Program Expenditures				
Inland Feeder	\$ 94.5	\$ 70.7	\$ 23.8	25%
Oxidation Retrofit Programs	43.3	69.8	(26.5)	(61%)
Treatment Plant Improvement	30.0	19.4	10.6	35%
Diamond Valley Lake Recreation	22.2	12.3	10.0	45%
Distribution System - Rehabilitation Program	15.5	12.0	3.5	23%
Lake Mathews Outlet Facilities	15.1	8.5	6.6	44%
System Control - Automation Programs	6.4	4.7	1.7	27%
CRA - Reliability/Containment Programs	6.0	8.6	(2.6)	(44%)
Local Groundwater Storage Agreements	5.5	5.7	(0.1)	(2%)
San Diego Pipeline No. 6	5.4	6.5	(1.1)	(21%)
Other	53.5	46.1	7.4	14%
Total	\$ 297.4	\$ 264.2	\$ 33.2	11%

Major Program Statistics

Program	Program Estimate	Project-to-Date Jun. 04	% Spent	% Complete	Projected Program Total	Projected Program Variance
Inland Feeder	\$ 1,188.0	\$ 735.0	62%	83%	\$ 1,188.0	\$ -
Oxidation Retrofit Programs	712.5	204.3	27%	38%	753.7	(41.2)
Local Groundwater Projects	210.0	34.0	16%	18%	210.0	-
Lake Mathews Outlet Facilities	92.2	70.4	76%	96%	92.2	-
CRA - Reliability/Containment Programs	52.9	29.7	25%	24%	121.2	(68.3)
Diamond Valley Lake Recreation	107.9	27.7	26%	28%	107.9	-

Totals may not foot / cross foot due to rounding.