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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Financial Summary for the Six Months Ended December 31, 2004

Executive Financial Summary
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For the Six Months Ended December 31, 2004

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Executive Financial Summary for the Six Months Ended December 31, 2004 and 2003

A summary of the accrual basis operations activity for current compared to prior year as well as the changes in the balance sheet from year to year are discussed below.

Statements of Operations (page 2)

Net Income of \$149.7 million was \$11.5 million higher than prior year's net income. Included in this variance were \$18.2 million more of other income-net and \$0.4 million of higher operating revenues; partially offset by \$7.1 million of higher operating expenses. These items are further described below.

Operating revenues for the six months ended December 31, 2004 totaled \$538.2 million, which was \$0.4 million higher than prior year operating revenues of \$537.8 million. The increase was due to \$6.2 million higher capacity charges partially offset by \$6.0 million less in water sales and \$0.2 million higher power sales.

Operating expenses of \$410.7 million were \$7.1 million higher than last year. The increase included \$24.8 million of higher cost of water, the \$13.5 million grant to The Center for Water Education and \$6.7 million of higher O&M costs. These increases were partially offset by a prior year member agency distribution of \$36.3 million. The higher cost of water was due primarily to a smaller credit in the current year for prior year adjustments and the higher O&M costs reflect increased personnel costs due to negotiated labor contracts.

Other income-net of \$22.2 million was \$18.2 million more than last year. This variance was due primarily to \$13.6 million more of investment income of which \$12.6 million was fair value adjustments.

Balance Sheets (page 3)

At December 31, 2004 assets totaled \$9.9 billion, which was \$444.7 million higher than December 31, 2003. Cash and investments was \$258.4 million higher due primarily to \$300.0 million in revenue bonds issued November 2004. Property, plant and equipment-net was \$220.7 million higher due to construction progress on the Inland Feeder, the Oxidation Retrofit programs, Skinner Filtration Plant Expansion 4, Power Reliability and Energy Conservation program, Weymouth Filtration Plant improvement, the San Diego Pipeline 6, and Conveyance and Distribution Rehabilitation program. Partially offsetting these increases, was a \$32.6 million decrease in deferred charges and water rights due to \$21.0 million less in SWP OMP&R resulting from a lower calendar 2004 bill and \$9.5 million less in deferred water due to drawing down of supplies.

Liabilities totaled \$4.5 billion at December 31, 2004, which was \$238.1 million more than the prior year. This increase was due primarily to a \$249.9 million net increase in long-term debt resulting from \$300.0 million of revenue bonds issued November 2004 offset by principal paydowns and refundings. This increase in liabilities was partially offset by a \$26.6 million reduction in calendar year 2004 state water project obligations, \$21.0 million lower OMP&R and \$5.6 million lower capital, and \$14.5 million less in trust funds and other.

The Metropolitan Water District of Southern California

Statements of Operations - Accrual Basis (Dollars in millions)

	For the Six Months Ended December 31,		<i>Favorable/ (Unfavorable) Variance</i>
	2004	2003	
Operating Revenues:			
Water Sales	\$ 469.1	\$ 475.1	\$ (6.0)
Wheeling / Exchange	2.7	2.6	0.0
RTS	40.0	40.0	(0.0)
Capacity Charge	14.2	7.9	6.2
Power Sales	12.2	12.1	0.2
Total Operating Revenues	538.2	537.8	0.4
Operating Expenses:			
Cost of Water	143.7	118.9	(24.8)
Operations & Maintenance	134.6	127.9	(6.7)
Grant Expense	13.5	-	(13.5)
Water Management Programs, Net	16.9	18.8	1.9
Member Agency Distributions/Refund	-	36.3	36.3
Depreciation & Amortization	102.0	101.6	(0.4)
Total Operating Expenses	410.7	403.6	(7.1)
Net Operating Income	127.5	134.2	(6.7)
Other Income (Expense):			
Net Taxes/Annexations	48.0	47.4	0.6
Investment Income	20.9	7.3	13.6
Bond Interest Expense	(45.2)	(49.8)	4.6
Other	(1.5)	(1.0)	(0.6)
Total Other Income - Net	22.2	3.9	18.2
Net Income	\$ 149.7	\$ 138.1	\$ 11.5

Sales Statistics:

Water Sales (TAF)	1,277.8	1,274.8	3.0
Wheeling/Exchange (TAF)	10.3	10.3	(0.0)
Power Sales (mWh)	242.7	244.6	(1.9)
Average Sales Price			
Water Sales	\$ 367.12	\$ 372.70	\$ (5.58)
Wheeling/Exchange	\$ 258.15	\$ 255.88	\$ 2.27
Power Sales	\$ 0.05	\$ 0.05	\$ 0.00

Ratios:

Operating (Operating Expense* divided by Operating Revenue) 57.4 % 49.4 %

* 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) 3.12 x 2.43 x

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Balance Sheets - Accrual Basis (Dollars in millions)

	December 31,		<i>Increase/ (Decrease)</i>
	2004	2003	
Assets:			
Cash and investments at book value (1)	\$ 1,418.7	\$ 1,160.3	\$ 258.4
Fair Value Adjustment	1.9	7.5	(5.5)
Accounts Receivable	250.9	259.8	(8.9)
Property, Plant and Equipment, net	6,048.2	5,827.5	220.7
Participation Rights, net	1,830.8	1,825.2	5.6
Deferred Charges and Water Rights	255.8	288.4	(32.6)
Other	88.9	81.9	7.0
Total Assets	\$ 9,895.2	\$ 9,450.6	\$ 444.7
Liabilities and Equity:			
Long-Term Debt	\$ 3,783.5	\$ 3,533.6	\$ 249.9
Off-Aqueduct Power Facilities	90.7	95.1	(4.4)
Accounts Payable and Accrued Bond Interest	95.0	92.7	2.3
Deferred Income	91.8	91.9	(0.1)
State Water Project Obligations	325.0	351.5	(26.6)
Trust Funds and Other	79.2	93.6	(14.5)
Total Liabilities	4,465.1	4,258.5	206.6
Equity	5,430.1	5,192.1	238.1
Total Liabilities and Equity	\$ 9,895.2	\$ 9,450.6	\$ 444.7

Debt as a percent of equity (Long-Term Debt divided by Equity) 69.7 % 68.1 %

(1) Fair value of cash and investments was \$1,420.7 million and \$1,167.8 million at December 31, 2004 and 2003 respectively.

Certain reclassifications of prior year amounts have been made to conform to current year's presentation.

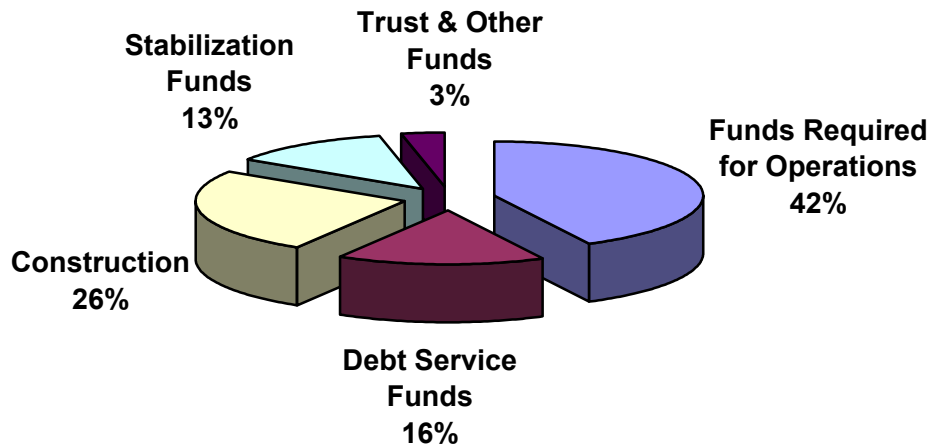
Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Cash and Investments at Book Value As of December 31, 2004 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$81.7	\$227.3	\$294.2	\$603.2
Debt Service Funds	227.4	0.0	0.0	227.4
Construction	307.6	0.0	55.8	363.4
Stabilization Funds	0.0	0.0	179.4	179.4
Trust & Other Funds	24.6	20.8	0.0	45.5
Total	\$641.3	\$248.1	\$529.3	\$1,418.7

Totals may not foot / cross foot due to rounding.



Executive Financial Summary for the Six Months Ended December 31, 2004 Actual to Estimate

A summary of accrual basis operations and construction activity compared to estimate for the same period are discussed below.

Actual vs. Estimate (page 6)

Operating revenues of \$538.2 million were \$26.2 million less than estimate, due primarily to \$26.0 million of lower than estimated water sales. Water sales volumes totaled 1,277.8 thousand acre-feet (TAF), compared to an estimate of 1,318.5 TAF.

Operating expenses of \$410.7 million were \$8.5 million less than the estimate due to \$6.9 million less of O&M costs, \$7.2 million lower cost of water, and \$8.5 million in lower water management program costs; partially offset by the \$13.5 million grant to The Center for Water Education for the construction of a museum in the Diamond Valley Lake vicinity. The favorable variance in O&M costs relates to timing issues as work and materials expected for this period have been deferred until later in the year. Cost of water is lower than estimated due to lower than expected energy costs and water sales, offset by lower than anticipated credits for prior year water costs. Water management costs were \$8.5 million less than estimate due to delays in starting projects or less than anticipated activity on certain projects.

Other income-net totaling \$22.2 million was \$13.5 million greater than the estimate of \$8.7 million primarily due to \$12.5 million higher than anticipated investment income. The investment income variance includes \$6.5 million in fair value adjustment, which was not part of the estimated amount, and \$6.0 million more in interest income due to higher than projected cash balances and slightly higher than anticipated interest rates.

Construction Activity (page 9)

Construction costs for the six months ended December 31, 2004 totaled \$107.2 million, which was \$75.4 million, or 41 percent, under estimate. The Treatment Plant Improvement projects were \$25.4 million less than estimate due to delays in contractor billings, acceleration of work in the prior fiscal year and Board authorized transfer of costs for Skinner Improvements program to the Skinner Oxidation Retrofit program. The Inland Feeder project was \$9.1 million less than estimate due to delays in the Arrowhead East tunneling resulting from difficult ground conditions. The Oxidation Retrofit and Diemer Solids Handling/Water Reclamation projects were \$17.4 million less than estimate from delays due to local agency regulations. By year-end, it is anticipated that construction expenditures will be \$73.7 million, or 18 percent, less than estimate.

The Metropolitan Water District of Southern California

Statement of Operations - Accrual Basis
 Estimate vs. Actual
 For the Six Months Ended December 31, 2004
 (Dollars in millions)

	Six Months Ended December 31, 2004								Fiscal Year End							
	December 31, 2003 Actual	Estimate to Date	Actual to Date	Favorable/ (Unfavorable) Variance				June 30, 2004 Actual	Annual Estimate	Projected Year-End	Favorable/ (Unfavorable) Variance					
				from Estimate		from Prior Year Actual					from Estimate		from Prior Year Actual			
				\$	%	\$	%					\$	%	\$	%	
Operating Revenues																
Water Sales	\$ 475.1	\$ 495.1	\$ 469.1	\$ (26.0)	(5%)	\$ (6.0)	(1%)	\$ 886.8	\$ 874.2	\$ 856.7	\$ (17.5)	(2%)	\$ (30.1)	(3%)		
Wheeling/Exchange	2.6	3.1	2.7	(0.4)	(0.1)	0.0	0.0	5.3	7.1	6.5	(0.6)	(9%)	1.2	23%		
RTS	40.0	40.0	40.0	-	0%	(0.0)	(0%)	80.0	80.0	80.0	-	0%	(0.0)	(0%)		
Capacity Charge	7.9	15.3	14.2	(1.2)	(8%)	6.2	79%	22.1	30.7	30.7	-	0%	8.6	39%		
Power Sales (1)	12.1	10.9	12.2	1.4	13%	0.2	1%	23.0	33.6	20.0	(13.6)	(41%)	(3.1)	(13%)		
Total Operating Revenues	537.8	564.4	538.2	(26.2)	(5%)	0.4	0%	1,017.2	1,025.6	993.9	(31.8)	(3%)	(23.4)	(2%)		
Operating Expenses																
Operations & Maintenance	127.9	141.6	134.6	6.9	5%	(6.7)	(5%)	263.5	281.9	281.9	-	0%	(18.4)	(7%)		
Grant Expense	-	-	13.5	(13.5)	n/a	(13.5)	n/a	-	-	13.5	(13.5)	n/a	(13.5)	n/a		
Cost of Water	118.9	150.9	143.7	7.2	5%	(24.8)	(21%)	242.5	304.3	270.1	34.2	11%	(27.6)	(11%)		
Water Mgt. Programs	18.8	25.4	16.9	8.5	34%	1.9	10%	38.3	46.8	40.5	6.3	13%	(2.2)	(6%)		
Member Agency Distributions	36.3	-	-	-	n/a	36.3	100%	47.5 (2)	-	-	-	n/a	47.5	100%		
Depreciation & Amortization	101.6	101.3	102.0	(0.7)	(1%)	(0.4)	(0%)	201.7	202.6	202.6	-	0%	(0.9)	(0%)		
Total Operating Expenses	403.6	419.2	410.7	8.5	2%	(7.1)	(2%)	793.4	835.6	808.6	27.0	3%	(15.2)	(2%)		
Operating Income	134.2	145.2	127.5	(17.7)	(12%)	(6.7)	(5%)	223.8	190.0	185.3	(4.8)	(3%)	(38.5)	(17%)		
Other Income/(Expense)																
Net Taxes/Annexations	47.4	48.7	48.0	(0.7)	(1%)	0.6	1%	96.7	97.4	97.4	-	0%	0.7	1%		
Investment Income	7.3	8.4	20.9	12.5	149%	13.6	187%	10.2	16.8	23.1	6.3	37%	12.8	125%		
Bond Interest Expense (3)	(49.8)	(48.4)	(45.2)	3.2	7%	4.6	9%	(100.9)	(134.6)	(100.0)	34.6	26%	0.9	1%		
Other	(1.0)	-	(1.5)	(1.5)	n/a	(0.6)	59%	(2.8)	-	(1.8)	(1.8)	n/a	1.0	(36%)		
	3.9	8.7	22.2	13.5	155%	18.2	465%	3.2	(20.4)	18.7	39.1	(191%)	15.5	487%		
Net Income	\$ 138.1	\$ 153.9	\$ 149.7	\$ (4.2)	(3%)	\$ 11.5	8%	\$ 227.0	\$ 169.6	\$ 203.9	\$ 34.3	20%	\$ (23.0)	(10%)		
Sales Statistics																
Water Sales (TAF)	1,274.8	1,318.5	1,277.8	(40.6)	(3%)	3.0	0%	2,417.7	2,303.7	2,292.5	(11.2)	(0%)	(125.2)	(5%)		
Wheeling Sales (TAF)	10.3	10.8	10.3	(0.4)	(4%)	(0.0)	(0%)	20.7	24.9	25.0	0.1	0%	4.3	21%		

(1) Power Sales in the approved budget incorrectly includes CRA sales. The above Estimate excludes CRA sales.

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

(3) Bond interest expense in the approved budget incorrectly includes capitalized interest. The above Estimate excludes capitalized interest.

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 Six Months Ended December 31, 2004

	December 31, 2003 Actual	Estimate to Date	Actual to Date	Favorable/ (Unfavorable) Variance				
				from Estimate		Prior Year Actual		
				\$	%	\$	%	
Operations & Maintenance								
Fixed								
Personnel	\$ 83.5	\$ 89.0	\$ 90.7	\$ (1.7)	(2%)	\$ (7.2)	(9%)	
Materials & Supplies	6.4	6.5	6.3	0.2	3%	0.0	1%	
Professional Services	9.2	7.6	7.7	(0.1)	(1%)	1.5	16%	
Outside Non-Professional Services	6.6	8.5	6.6	1.9	22%	(0.0)	(1%)	
Other	3.6	7.7	2.4	5.3	69%	1.2	32%	
Total Fixed	109.2	119.4	113.8	5.6	5%	(4.6)	(4%)	
Variable								
Water Treatment Chemicals	10.7	11.9	12.3	(0.3)	(3%)	(1.6)	(15%)	
Utility Costs	8.0	10.2	8.5	1.6	16%	(0.5)	(7%)	
Total Variable	18.7	22.1	20.8	1.3	6%	(2.1)	(11%)	
Total Operations & Maintenance	\$ 127.9	\$ 141.6	\$ 134.6	\$ 6.9	5%	\$ (6.7)	(5%)	
Cost of Water								
Cost of Water	\$ 144.9	\$ 150.9	\$ 150.7	0.2	0%	(5.7)	(4%)	
SWP Prior Year Adjustments	(26.0)	-	(7.0)	7.0	n/a	(19.0)	73%	
Total	\$ 118.9	\$ 150.9	\$ 143.7	\$ 7.2	5%	\$ (24.8)	(21%)	
Capital Investment Plan	\$ 127.7	\$ 182.7	\$ 107.2	\$ 75.4	41%	\$ 20.4	16%	

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	December 31, 2003		Six Months Ended December 31, 2004		<i>Favorable/ (Unfavorable)</i>	
	Actual	Estimate to Date	Actual to Date	<i>Variance from</i>		
				Estimate	Prior Year	
Fixed						
Personnel	\$83.5	\$89.0	\$90.7	(\$1.7)	(\$7.2)	
Professional Services	9.2	7.6	7.7	(0.1)	1.5	
Outside Non-Professional Services	6.6	8.5	6.6	1.9	(0.0)	
Materials & Supplies	6.4	6.5	6.3	0.2	0.0	
Communications Expense	1.7	2.1	1.6	0.5	0.2	
Travel Expense	0.9	1.1	1.0	0.2	(0.1)	
Training	0.2	0.4	0.2	0.2	(0.0)	
Memberships & Subscriptions	1.3	1.2	0.7	0.5	0.7	
Equipment Expensed	0.6	0.8	0.5	0.3	0.1	
Equipment Rents/Leases	0.4	0.6	0.4	0.2	(0.0)	
Insurance	3.0	4.1	3.4	0.7	(0.4)	
Agency Dues	1.6	1.6	1.2	0.4	0.4	
Rents/Leases	0.2	0.2	0.2	0.0	0.0	
Overhead Credit from Construction	(8.1)	(7.4)	(7.4)	0.0	(0.7)	
Other	1.9	3.0	0.8	2.2	1.1	
Total Fixed Costs	109.2	119.4	113.8	5.6	(4.6)	
Variable						
Water Treatment Chemicals	10.7	11.9	12.3	(0.3)	(1.6)	
Utility Costs:						
Utilities	4.9	6.2	5.4	0.8	(0.5)	
Sludge Removal	2.4	3.2	2.3	0.8	0.1	
Permits	0.7	0.8	0.8	0.0	(0.2)	
Total Variable Costs	18.7	22.1	20.8	1.3	(2.1)	
Total O&M	\$127.9	\$141.6	\$134.6	\$6.9	(\$6.7)	
Water Sales - Thousand Acre-Foot	1,274.8	1,318.5	1,277.8	(40.6)	3.0	

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 Six Months Ended December 31, 2004
(Dollars in millions)

	Estimate	Actual	Variance from Estimate		Fiscal Year	Projected	Variance from Estimate		
	to Date	to Date	\$	%	Estimate	Year-End	\$	%	
Sources of Funds									
Bond Construction Funds	\$ 136.3	\$ 80.0	\$ 56.3	41%	\$ 300.7	\$ 244.0	\$ 56.7	19%	
R & R Funds	46.4	27.2	19.2	41%	100.1	83.1	17.0	17%	
Total	\$ 182.7	\$ 107.2	\$ 75.4	41%	\$ 400.8	\$ 327.1	\$ 73.7	18%	
Program Expenditures									
Inland Feeder	\$ 36.9	\$ 27.8	\$ 9.1	25%	\$ 75.1	\$ 62.5	\$ 12.6	17%	
Oxidation Retrofit Programs	37.8	28.1	9.7	26%	74.1	52.0	22.1	30%	
Treatment Plant Improvement	22.0	(3.4)	25.4	116%	43.1	32.0	11.1	26%	
Skinner Filtration Plant Expansion No. 4	10.8	13.6	(2.9)	(27%)	31.0	29.0	2.0	6%	
CRA - Reliability/Containment Programs	6.6	3.7	2.9	44%	27.1	27.1	0.0	0%	
Diamond Valley Lake Recreation	7.0	3.4	3.6	51%	21.0	20.0	1.0	5%	
Diemer - Solids Handling/Water Reclamation	8.6	0.9	7.7	89%	16.6	12.0	4.6	28%	
San Diego Pipeline No. 6	4.1	1.6	2.5	61%	15.0	12.5	2.5	17%	
Distribution System - Rehabilitation Program	5.1	3.0	2.1	41%	14.2	14.0	0.2	2%	
Local Groundwater Storage Agreements	4.4	0.7	3.6	83%	10.7	6.0	4.7	44%	
Other	39.4	27.7	11.7	30%	72.9	60.0	12.9	18%	
Total	\$ 182.7	\$ 107.2	\$ 75.4	41%	\$ 400.8	\$ 327.1	\$ 73.7	18%	

Major Program Statistics

	Current	Project-	% Complete		Projected	Projected
	Program	to-Date	Spent	Complete	Program	Program
	Estimate	Dec. 04			Total	Variance
Inland Feeder	\$ 1,188.0	\$ 762.8	64%	84%	\$ 1,188.0	\$ -
Oxidation Retrofit Programs	753.7	232.4	31%	39%	753.7	-
Local Groundwater Projects	210.0	38.6	18%	18%	210.0	-
Treatment Plant Improvement Projects	189.7	23.1	12%	15%	189.7	-
Skinner Expansion No. 4	132.0	15.5	12%	15%	132.0	-
Lake Mathews Outlet Facilities	92.2	70.7	77%	99%	92.2	-
CRA - Reliability/Containment Programs	121.2	33.4	28%	27%	121.2	-
Diamond Valley Lake Recreation	107.9	31.1	29%	31%	107.9	-

(1) Projected numbers are updated at quarter-end.

Totals may not foot / cross foot due to rounding.