



**MWD**

*METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA*

## **Executive Financial Summary for the Three Months Ended September 30, 2005**

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## **Executive Financial Summary for the Three Months Ended September 30, 2005 and 2004**

A summary of the accrual basis statement of operations activity for the three months ended September 30, 2005 and 2004 as well as the changes in the balance sheet for September 2005 and 2004 are discussed below

### **Statements of Operations (page 2)**

Net Income of \$81.9 million was \$21.8 million less than prior year net income of \$103.7 million. Included in this variance were \$4.7 million lower operating revenues, \$10.3 million higher operating expenses and \$6.8 million less of other income-net. These items are further described below.

Operating revenues for the three months ended September 30, 2005 totaled \$300.1 million, which was \$4.7 million less than prior year operating revenues of \$304.8 million. The decrease was due primarily to \$6.7 million less in water sales partially offset by \$0.9 million more in capacity charges. The higher capacity charge revenues reflect an increase in the annual charge.

Operating expenses for the three months ended September 30, 2005 totaled \$226.4 million, which were \$10.3 million higher than prior year operating expenses of \$216.1 million. The increase included \$14.3 million of higher cost of water and \$7.4 million of higher O&M costs partially offset by a prior year \$13.5 million grant to The Center for Water Education. The higher cost of water was due to credits in fiscal year 2005 for prior year adjustments on the State Water Contract and higher energy costs in the current year. The higher O&M costs were due primarily to \$3.9 million more in personnel costs resulting from the negotiated contracts, \$2.0 million more in agency dues due to a billing delay in the prior year, and \$1.5 million of higher chemical costs.

Other income-net of \$8.1 million was \$6.8 million less than prior year other income-net. This decrease was due primarily to \$8.2 million less in investment income partially offset by \$1.4 million more in taxes and annexations. The reduction in investment income was due primarily to \$11.9 million less in fair value adjustments offset by \$3.7 million of higher interest earnings resulting from a larger portfolio and higher interest rates.

### **Balance Sheets (page 3)**

At September 30, 2005, assets totaled \$10.3 billion, which were \$618.6 million higher than September 30, 2004. Cash and investments was \$216.2 million higher due primarily to \$300.0 million in revenue bonds issued November 2004. Property, plant and equipment-net was \$306.9 million higher due to construction progress on Inland Feeder, the Oxidation Retrofit programs, Skinner Filtration Plant Expansion 4, CRA Conveyance and Power System Reliability programs, Diamond Valley Lake Recreation Plan, San Diego Pipeline No. 6, and Weymouth Filtration Plant improvement. Participation Rights were \$50.3 million higher due primarily to the capitalization of PVID land-following sign-up costs as participation rights. Deferred charges and water rights were \$35.6 million higher due primarily to \$11.0 million more in deferred land following costs, \$7.9 million more related to Kern Delta, and \$6.0 million more of prepaid San Bernardino Valley MWD water purchases. Other was \$22.0 million higher primarily due to \$15.2 million more of water inventory.

Liabilities totaled \$4.8 billion at September 30, 2005, which were \$509.3 million more than the prior period. This increase was due primarily to a \$431.9 million net increase in long-term debt resulting from \$300.0 million of revenue bonds issued November 2004 and \$200.0 million issued in July 2005, partially offset by principal paydowns, refundings and cash defeasances of debt. Additionally, accounts payable and accrued bond interest increased by \$77.4 million due primarily to \$33.0 million of PVID land following contracts and \$35.0 million for an outstanding claims settlement.

# The Metropolitan Water District of Southern California

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

	For the Three Months Ended September 30,		<i>Favorable/ (Unfavorable) Variance</i>
	2005	2004	
<b>Operating Revenues:</b>			
Water Sales	\$ 262.4	\$ 269.1	\$ (6.7)
Wheeling / Exchange	1.9	1.4	0.5
RTS	20.0	20.0	(0.0)
Capacity Charge	7.9	7.1	0.9
Power Sales	7.9	7.2	0.6
Total Operating Revenues	300.1	304.8	(4.7)
<b>Operating Expenses:</b>			
Cost of Water	92.2	77.9	(14.3)
Operations & Maintenance	73.1	65.7	(7.4)
Grant Expense	-	13.5	13.5
Water Management Programs, Net	9.8	7.7	(2.2)
Depreciation & Amortization	51.2	51.4	0.2
Total Operating Expenses	226.4	216.1	(10.3)
<b>Net Operating Income</b>	<b>73.7</b>	<b>88.7</b>	<b>(15.0)</b>
<b>Other Income (Expense):</b>			
Net Taxes/Annexations	25.4	24.0	1.4
Investment Income	5.9	14.1	(8.2)
Bond Interest Expense	(24.3)	(21.6)	(2.6)
Other	1.1	(1.5)	2.6
Total Other Income - Net	8.1	15.0	(6.8)
<b>Net Income</b>	<b>\$ 81.9</b>	<b>\$ 103.7</b>	<b>\$ (21.8)</b>
<b>Sales Statistics:</b>			
Water Sales (TAF)	671.9	733.5	(61.6)
Wheeling/Exchange (TAF)	7.5	5.3	2.2
Power Sales (mWh)	147.6	138.3	9.3
<b>Average Sales Price</b>			
Water Sales	\$ 390.51	\$ 366.80	\$ 23.71
Wheeling/Exchange	\$ 258.00	\$ 263.04	\$ (5.04)
Power Sales	\$ 0.05	\$ 0.05	\$ 0.00
<b>Ratios:</b>			
Operating (Operating Expense* divided by Operating Revenue)	58.4 %	49.6 %	
* Excludes depreciation/amortization and grant expense.			
<b>Revenue Bond Debt Service Coverage (rolling 12 months) - Cash Basis</b>			
(Net receipts divided by annual revenue bond principal and interest requirements)	2.11 x	3.28 x	

Totals may not foot / cross foot due to rounding.

# The Metropolitan Water District of Southern California

## Balance Sheets - Accrual Basis (Dollars in millions)

	September 30,		<i>Increase/ (Decrease)</i>
	2005	2004	
<b>Assets:</b>			
Cash and investments at book value <sup>(1)</sup>	\$ 1,257.8	\$ 1,041.6	\$ 216.2
Fair Value Adjustment	(0.5)	2.4	(2.8)
Accounts Receivable	339.9	349.4	(9.5)
Property, Plant and Equipment, net	6,295.1	5,988.2	306.9
Participation Rights, net	1,930.4	1,880.2	50.3
Deferred Charges and Water Rights	368.9	333.3	35.6
Other	112.6	90.7	22.0
<b>Total Assets</b>	<b>\$ 10,304.3</b>	<b>\$ 9,685.7</b>	<b>\$ 618.6</b>
<b>Liabilities and Equity:</b>			
Long-Term Debt	\$ 3,904.0	\$ 3,472.1	\$ 431.9
Off-Aqueduct Power Facilities	86.7	92.2	(5.5)
Accounts Payable and Accrued Bond Interest	156.4	79.0	77.4
Deferred Income	149.6	143.0	6.6
State Water Project Obligations	428.0	432.2	(4.1)
Trust Funds and Other	86.2	83.2	3.0
<b>Total Liabilities</b>	<b>4,810.9</b>	<b>4,301.6</b>	<b>509.3</b>
<b>Equity</b>	<b>5,493.4</b>	<b>5,384.1</b>	<b>109.2</b>
<b>Total Liabilities and Equity</b>	<b>\$ 10,304.3</b>	<b>\$ 9,685.7</b>	<b>\$ 618.6</b>

Debt as a percent of equity (Long-Term Debt divided by Equity) 71.1 %                      64.5 %

(1) Fair value of cash and investments was \$1,257.3 million and \$1,044.0 million at September 30, 2005 and 2004 respectively.

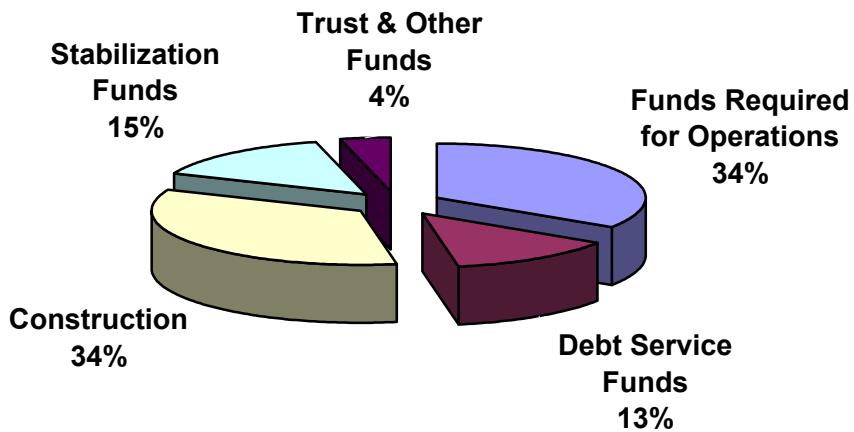
Certain reclassifications of prior year amounts have been made to conform to current year's presentation.

Totals may not foot / cross foot due to rounding.

# The Metropolitan Water District of Southern California

## Cash and Investments at Book Value As of September 30, 2005 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$110.5	\$137.1	\$182.4	\$430.0
Debt Service Funds	164.8	0.0	0.0	164.8
Construction	350.3	0.0	78.5	428.8
Stabilization Funds	0.0	0.0	185.4	185.4
Trust & Other Funds	32.0	16.8	0.0	48.8
<b>Total</b>	<b>\$657.6</b>	<b>\$153.9</b>	<b>\$446.3</b>	<b>\$1,257.8</b>



## **Executive Financial Summary for the Three Months Ended September 30, 2005 Actual to Estimate**

A summary of accrual basis operations and construction activity for the three months ended September 30, 2005 compared to estimate for the same period are discussed below.

### **Actual vs. Estimate (page 6)**

Operating revenues of \$300.1 million were \$44.5 million more than estimate, due primarily to \$41.7 million of higher than estimated water sales. Water sales volumes totaled 671.9 thousand acre-feet (TAF), compared to an estimate of 568.7 TAF.

Operating expenses of \$226.4 million were \$17.7 million more than the estimate due to \$22.1 million higher cost of water offset by \$1.8 million less in depreciation and amortization expense, \$1.4 million less in water management programs, and \$1.2 million lower O&M expenses. The higher cost of water was due primarily to higher than anticipated State Water Contract energy costs and higher than expected water sales. The lower than estimated depreciation and amortization, water management program, and O&M costs were due to timing and are expected to be on estimate by year-end.

Other income-net totaling \$8.1 million was \$4.0 million less than estimate due primarily to \$4.2 million of lower than anticipated investment income. The investment income variance includes \$0.7 million more in interest income and \$4.9 million in negative fair value adjustment, which was not part of the estimated amount. The variances in tax revenues and bond interest expense were due to timing and are expected to be on estimate by year-end.

### **Construction Activity (page 9)**

Construction costs for the three months ended September 30, 2005 totaled \$61.3 million, which was \$31.4 million, or 34 percent, under estimate. The Oxidation Retrofit Programs (ORP) were \$12.3 million less than estimate due primarily to \$8.0 million less than estimate for the Skinner ORP and a transfer from Jensen ORP to Jensen Treatment Plant Improvements for \$2.9 million related to prior year costs. Work on Skinner ORP scheduled to start in April 2005 did not begin until late July 2005. Other projects were \$12.0 million less than estimate due to delays in start-up of new programs this fiscal year and credits of \$8.5 million related to land sales of Oxnard and Diamond Valley Lake parcels. Construction costs are projected to be \$490.1 million by year-end.

The Metropolitan Water District of Southern California

Statement of Operations - Accrual Basis  
Estimate vs. Actual  
For the Three Months Ended September 30, 2005  
(Dollars in millions)

Three Months Ended September 30, 2005

Fiscal Year End

	September 30, 2004 Actual	Estimate to Date		Actual to Date		Favorable/ (Unfavorable) Variance				June 30, 2005 Actual	Annual Estimate		Projected Year-End		Favorable/ (Unfavorable) Variance					
						from Estimate		from Prior Year Actual							from Estimate		from Prior Year Actual			
						\$	%	\$	%						\$	%	\$	%		
<b>Operating Revenues</b>																				
Water Sales	\$ 269.1	\$ 220.7	\$ 262.4	\$ 41.7	19%	\$ (6.7)	(2%)	\$ 773.2	\$ 724.5	\$ 766.2	\$ 41.7	6%	\$ (7.0)	(1%)						
Wheeling/Exchange	1.4	1.9	1.9	-	-	0.5	0.4	6.9	7.7	7.7	-	0%	0.8	11%						
RTS	20.0	20.0	20.0	-	0%	(0.0)	(0%)	80.0	80.0	80.0	-	0%	(0.0)	(0%)						
Capacity Charge	7.1	8.1	7.9	(0.2)	(2%)	0.9	12%	30.0	32.4	32.4	-	0%	2.4	8%						
Power Sales	7.2	4.8	7.9	3.0	62%	0.6	8%	20.9	15.7	16.7	1.0	6%	(4.2)	(20%)						
<b>Total Operating Revenues</b>	<b>304.8</b>	<b>255.6</b>	<b>300.1</b>	<b>44.5</b>	<b>17%</b>	<b>(4.7)</b>	<b>(2%)</b>	<b>911.1</b>	<b>860.3</b>	<b>903.0</b>	<b>42.7</b>	<b>5%</b>	<b>(8.1)</b>	<b>(1%)</b>						
<b>Operating Expenses</b>																				
Operations & Maintenance	65.7	74.4	73.1	1.2	2%	(7.4)	(11%)	290.7	290.9	290.9	-	0%	(0.2)	(0%)						
Grant Expense	13.5	-	-	-	n/a	13.5	100%	13.5	-	-	-	n/a	13.5	100%						
Cost of Water	77.9	70.0	92.2	(22.1)	(32%)	(14.3)	(18%)	280.1	267.4	304.2	(36.8)	(14%)	(24.1)	(9%)						
Water Mgt. Programs	7.7	11.2	9.8	1.4	12%	(2.2)	(29%)	32.9	39.4	39.4	-	0%	(6.5)	(20%)						
Depreciation & Amortization	51.4	53.0	51.2	1.8	3%	0.2	0%	210.5	212.0	212.0	-	0%	(1.5)	(1%)						
<b>Total Operating Expenses</b>	<b>216.1</b>	<b>208.7</b>	<b>226.4</b>	<b>(17.7)</b>	<b>(8%)</b>	<b>(10.3)</b>	<b>(5%)</b>	<b>827.7</b>	<b>809.7</b>	<b>846.5</b>	<b>(36.8)</b>	<b>(5%)</b>	<b>(18.8)</b>	<b>(2%)</b>						
<b>Operating Income</b>	<b>88.7</b>	<b>46.9</b>	<b>73.7</b>	<b>26.8</b>	<b>57%</b>	<b>(15.0)</b>	<b>(17%)</b>	<b>83.4</b>	<b>50.6</b>	<b>56.5</b>	<b>5.9</b>	<b>12%</b>	<b>(26.9)</b>	<b>(32%)</b>						
<b>Other Income/(Expense)</b>																				
Net Taxes/Annexations	24.0	24.0	25.4	1.4	6%	1.4	6%	91.8	96.2	96.2	-	0%	4.4	5%						
Investment Income	14.1	10.1	5.9	(4.2)	(41%)	(8.2)	(58%)	46.8	40.2	40.2	-	0%	(6.6)	(14%)						
Bond Interest Expense	(21.6)	(21.2)	(24.3)	(3.0)	(14%)	(2.6)	(12%)	(100.3)	(84.9)	(84.9)	-	0%	15.4	15%						
Other	(1.5)	(0.8)	1.1	1.8	(245%)	2.6	(171%)	6.1	(3.0)	(3.0)	-	0%	(9.1)	(149%)						
	15.0	12.1	8.1	(4.0)	(33%)	(6.8)	(46%)	44.4	48.5	48.5	-	0%	4.1	9%						
<b>Net Income</b>	<b>\$ 103.7</b>	<b>\$ 59.0</b>	<b>\$ 81.9</b>	<b>\$ 22.8</b>	<b>39%</b>	<b>\$ (21.8)</b>	<b>(21%)</b>	<b>\$ 127.8</b>	<b>\$ 99.1</b>	<b>\$ 105.0</b>	<b>\$ 5.9</b>	<b>6%</b>	<b>\$ (22.9)</b>	<b>(18%)</b>						
<b>Sales Statistics</b>																				
Water Sales (TAF)	733.5	568.7	671.9	103.2	18%	(61.6)	(8%)	2,051.1	1,857.3	1,993.7	136.4	7%	(57.4)	(3%)						
Wheeling Sales (TAF)	5.3	7.5	7.5	-	0%	2.2	40%	26.6	30.0	30.0	-	0%	3.4	13%						

Totals may not foot / cross foot due to rounding.

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



# The Metropolitan Water District of Southern California

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

For the Three Months Ended September 30, 2005

	September 30, 2004 Actual	Estimate to Date	Actual to Date	Favorable/ (Unfavorable) Variance				
				from Estimate		Prior Year Actual		
				\$	%	\$	%	
<b>Operations &amp; Maintenance</b>								
<b>Fixed</b>								
Personnel	\$ 46.0	\$ 50.8	\$ 49.9	\$ 0.9	2%	\$ (3.9)	(8%)	
Materials & Supplies	2.7	3.2	2.7	0.5	15%	0.0	0%	
Professional Services	2.9	3.4	3.3	0.1	3%	(0.4)	(13%)	
Outside Non-Professional Services	3.0	3.5	3.0	0.5	14%	(0.0)	(0%)	
Other	0.3	4.6	1.2	3.4	75%	(0.8)	(252%)	
<b>Total Fixed</b>	<b>55.0</b>	<b>65.4</b>	<b>60.0</b>	<b>5.4</b>	<b>8%</b>	<b>(5.1)</b>	<b>(9%)</b>	
<b>Variable</b>								
Water Treatment Chemicals	7.3	5.2	8.8	(3.7)	(71%)	(1.5)	(21%)	
Utility Costs	3.4	3.8	4.3	(0.4)	(12%)	(0.8)	(23%)	
<b>Total Variable</b>	<b>10.7</b>	<b>9.0</b>	<b>13.1</b>	<b>(4.1)</b>	<b>(46%)</b>	<b>(2.4)</b>	<b>(22%)</b>	
<b>Total Operations &amp; Maintenance</b>	<b>\$ 65.7</b>	<b>\$ 74.4</b>	<b>\$ 73.1</b>	<b>\$ 1.2</b>	<b>2%</b>	<b>\$ (7.4)</b>	<b>(11%)</b>	
<b>Cost of Water</b>								
Cost of Water	\$ 83.0	\$ 72.4	\$ 89.5	(17.0)	(24%)	(6.4)	(8%)	
SWP Prior Year Adjustments	(5.2)	(2.4)	2.7	(5.1)	212%	(7.9)	152%	
<b>Total</b>	<b>\$ 77.9</b>	<b>\$ 70.0</b>	<b>\$ 92.2</b>	<b>\$ (22.1)</b>	<b>(32%)</b>	<b>\$ (14.3)</b>	<b>(18%)</b>	
<b>Capital Investment Plan</b>	<b>\$ 41.0</b>	<b>\$ 92.7</b>	<b>\$ 61.3</b>	<b>\$ 31.4</b>	<b>34%</b>	<b>\$ (20.3)</b>	<b>(49%)</b>	

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	September 30, 2004	Three Months Ended September 30, 2005		<i>Favorable/ (Unfavorable) Variance from</i>	
	Actual	Estimate	Actual	Estimate	Prior Year
<b>Fixed</b>					
Personnel	\$46.0	\$50.8	\$49.9	\$0.9	(\$3.9)
Professional Services	2.9	3.4	3.3	0.1	(0.4)
Outside Non-Professional Services	3.0	3.5	3.0	0.5	(0.0)
Materials & Supplies	2.7	3.2	2.7	0.5	0.0
Communications Expense	0.8	0.9	0.8	0.1	(0.0)
Travel Expense	0.3	0.5	0.3	0.2	0.0
Training	0.1	0.2	0.1	0.1	(0.0)
Memberships & Subscriptions	0.3	0.6	0.4	0.2	(0.2)
Equipment Expensed	0.2	0.3	0.3	(0.0)	(0.1)
Equipment Rents/Leases	0.2	0.3	0.2	0.1	(0.0)
Insurance	1.7	2.1	0.7	1.5	1.0
Agency Dues	-	1.7	2.0	(0.3)	(2.0)
Rents/Leases	0.1	0.1	0.1	0.0	(0.0)
Overhead Credit from Construction	(3.5)	(3.7)	(4.0)	0.3	0.5
Other	0.1	1.6	0.2	1.4	(0.1)
<b>Total Fixed Costs</b>	<b>55.0</b>	<b>65.4</b>	<b>60.0</b>	<b>5.4</b>	<b>(5.1)</b>
<b>Variable</b>					
Water Treatment Chemicals	7.3	5.2	8.8	(3.7)	(1.5)
Utility Costs:					
Utilities	2.0	2.5	2.5	0.0	(0.5)
Sludge Removal	1.3	1.1	1.5	(0.5)	(0.3)
Permits	0.2	0.2	0.2	0.0	(0.1)
<b>Total Variable Costs</b>	<b>10.7</b>	<b>9.0</b>	<b>13.1</b>	<b>(4.1)</b>	<b>(2.4)</b>
<b>Total O&amp;M</b>	<b>\$65.7</b>	<b>\$74.4</b>	<b>\$73.1</b>	<b>\$1.2</b>	<b>(\$7.4)</b>
<b>Water Sales - Thousand Acre-Feet</b>	<b>733.5</b>	<b>568.7</b>	<b>671.9</b>	<b>103.2</b>	<b>(61.6)</b>

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 Three Months Ended September 30, 2005  
(Dollars in millions)

	Estimate to Date		Actual to Date		Variance from Estimate		Fiscal Year Estimate	Projected Year-End	Variance from Estimate	
	\$	%	\$	%	\$	%			\$	%
<b>Sources of Funds</b>										
Bond Construction Funds	\$ 75.3		\$ 50.7		\$ 24.5	33%	\$ 411.3	\$ 395.1	\$ 16.2	4%
R & R Funds	17.4		10.5		6.8	39%	95.0	95.0	-	0%
<b>Total</b>	<b>\$ 92.7</b>		<b>\$ 61.3</b>		<b>\$ 31.4</b>	<b>34%</b>	<b>\$ 506.3</b>	<b>\$ 490.1</b>	<b>\$ 16.2</b>	<b>3%</b>
<b>Program Expenditures</b>										
Oxidation Retrofit Programs	\$ 17.6		\$ 5.4	(1)	\$ 12.3	70%	\$ 102.7	\$ 102.7	\$ -	0%
Inland Feeder	19.0		18.1		0.9	5%	79.8	79.8	-	0%
Treatment Plant Improvement	10.8		8.1	(1)	2.7	25%	65.5	62.0	3.5	5%
Skinner Filtration Plant Expansion No. 4	12.1		9.7		2.4	20%	65.4	65.4	-	0%
San Diego Pipeline No. 6	7.4		8.0		(0.6)	(9%)	43.9	43.9	-	0%
Diamond Valley Lake Recreation	5.5		2.4		3.1	56%	20.9	19.0	1.9	9%
Distribution System - Rehabilitation Program	2.4		5.5		(3.1)	(131%)	13.5	13.5	-	0%
CRA - Reliability/Containment Programs	4.0		1.1		2.9	73%	13.2	13.2	-	0%
Chlorine Containment and Handling Facilities	1.1		0.4		0.7	63%	13.1	13.1	-	0%
Diemer - Solids Handling/Water Reclamation	1.0		2.8		(1.8)	(179%)	12.4	12.4	-	0%
Other	11.8		(0.2)	(2)	12.0	102%	75.7	65.0	10.7	14%
<b>Total</b>	<b>\$ 92.7</b>		<b>\$ 61.3</b>		<b>\$ 31.4</b>	<b>34%</b>	<b>\$ 506.3</b>	<b>\$ 490.1</b>	<b>\$ 16.1</b>	<b>3%</b>

(1) \$2.85 million of costs transferred from Jensen ORP to Jensen Plant Improvement program.

(2) Credited to construction were \$3.747 million for DVL land and \$4.764 million for Oxnard land sales in August 2005.

Major Program Statistics

	Current Program Estimate	Project-to-Date Sep. 05	% Complete		Projected Program Total	Projected Program Variance
			Spent	Complete		
Inland Feeder	\$ 1,186.5	\$ 825.5	70%	83%	\$ 1,186.5	\$ -
Oxidation Retrofit Programs	856.4	262.6	31%	34%	856.4	-
Local Groundwater Projects	290.5	46.1	16%	21%	290.5	-
Treatment Plant Improvement Projects	460.2	44.6	10%	10%	460.2	-
San Diego Pipeline No. 6	277.6	39.5	14%	17%	277.6	-
Skinner Expansion No. 4	143.2	44.8	31%	31%	143.2	-
Lake Mathews Outlet Facilities	92.2	45.8	50%	99%	92.2	-
CRA - Reliability/Containment Programs	143.5	58.2	41%	46%	143.5	-
Diamond Valley Lake Recreation	92.8	45.8	49%	34%	92.8	-




**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Date:** October 12, 2005  
**To:** Board of Directors  
**From:** Jeffrey Kightlinger, General Counsel  
**Subject:** Review as to Eligibility of Securities Invested in by the Treasurer for the Month of September 2005

Pursuant to Sections 2741(a) and 5101(b)(5) of the Administrative Code, this office has examined the Treasurer's Monthly Report to the Board for the month of September 2005 covering the investment of securities for that period. The reported forms of investment are within the eligible group of securities authorized by Section 5101(b)(2) of the Administrative Code, and as of the end of the month are within the percentage constraints specified in that section. For purposes of this letter, we have not undertaken to independently verify the accuracy of the information submitted by the Treasurer to this office.

Jeffrey Kightlinger

  
cc: ~~THEODORE BARBOSA~~  
~~RASSTANT~~  
B. G. Thomas  
D. B. Underwood