



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Financial Summary for the Six Months Ended December 31, 2005

Executive Financial Summary
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For the Six Months Ended December 31, 2005

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Executive Financial Summary for the Six Months Ended December 31, 2005 and 2004

A summary of the accrual basis statements of operations activity for the six months ended December 31, 2005 and 2004 as well as the changes in the balance sheet for December 2005 and 2004 are discussed below.

Statements of Operations (page 2)

Net Income of \$137.9 million was \$11.8 million less than the prior year net income of \$149.7 million. Included in the variance were higher operating revenues of \$3.5 million, offset by \$13.4 million higher operating expenses and \$1.8 million less of other income-net. These items are further described below.

Operating revenues for the six months ended December 31, 2005 totaled \$541.7million, which was \$3.5 million more than prior year operating revenues of \$538.2 million. The increase was due to \$3.2 million more in power sales and \$1.7 million more in capacity charges, partially offset by \$1.4 million less of water and exchange sales. The higher power sales variance included \$1.3 million related to higher volumes and \$1.9 million due to higher prices. The higher capacity charge revenues reflect an increase in the annual charge.

Operating expenses for the six months ended December 31, 2005 totaled \$424.1 million, which were \$13.4 million higher than prior year operating expenses of \$410.7 million. The increase included \$13.2 million of higher cost of water and \$10.8 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 primarily to higher State Water Project (SWP) energy costs and higher SWP water deliveries. The increased O&M costs were due primarily to \$6.9 million more in personnel costs due to negotiated contracts and \$2.4 million more in water treatment chemical costs.

Other income-net of \$20.3 million was \$1.8 million less than the prior year. This decrease was due to \$3.3 million less in investment income partially offset by \$2.3 million more in taxes and annexations, \$2.7 million more of 'other' income, and \$3.5 million more of bond interest expense. The reduction in investment income was due to \$11.5 million less of fair value adjustments offset by \$8.2 million more of interest earnings resulting from higher interest rates. Bond interest expense was higher due to more debt outstanding and higher interest rates in the current year.

Balance Sheets (page 3)

At December 31, 2005, assets totaled \$10.2 billion, which were \$333.3 million higher than December 31, 2004. Property, plant and equipment-net was \$345.3 million higher due to construction progress on Inland Feeder, the Oxidation Retrofit programs, Skinner Filtration Plant Expansion 4, San Diego Pipeline No. 6, Diamond Valley Lake Recreation Plan, Weymouth Filtration Plant improvement, and CRA Conveyance and Power System Reliability programs. Participation Rights were \$49.5 million higher due primarily to the capitalization of PVID land-fallowing sign-up costs as participation rights. Deferred charges increased \$47.3 million due to a \$21.2 million increase in intangible water rights, \$8.3 million more in deferred land fallowing costs, \$7.8 million more related to Kern Delta, and \$6.0 million more of prepaid San Bernardino Valley MWD water purchases. Partially offsetting the increases, were a reduction in Cash and investments of \$118.2 million.

Liabilities totaled \$4.7 billion at December 31, 2005, which were \$214.0 million more than the prior period. This increase was due primarily to \$113.8 million net increase in long-term debt, \$66.7 million increase in accounts payable and accrued bond interest, and \$30.2 million higher State Water Project obligations. The net increase in long-term debt was due to \$200.0 million of revenue bonds issued July 2005, partially offset by principal paydowns, refundings and cash defeasances of debt. Included in accounts payable was \$28.1 million of PVID land fallowing 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 Six Months Ended December 31,		<i>Favorable/ (Unfavorable) Variance</i>
	2005	2004	
Operating Revenues:			
Water Sales	\$ 466.4	\$ 469.1	\$ (2.7)
Wheeling / Exchange	3.9	2.7	1.3
Readiness-to-Serve	40.0	40.0	(0.0)
Capacity Charge	15.9	14.2	1.7
Power Sales	15.4	12.2	3.2
Total Operating Revenues	541.7	538.2	3.5
Operating Expenses:			
Cost of Water	156.9	143.7	(13.2)
Operations & Maintenance	145.4	134.6	(10.8)
Grant Expense	-	13.5	13.5
Water Management Programs, Net	18.4	16.9	(1.5)
Depreciation & Amortization	103.4	102.0	(1.5)
Total Operating Expenses	424.1	410.7	(13.4)
Net Operating Income	117.6	127.5	(10.0)
Other Income (Expense):			
Net Taxes/Annexations	50.3	48.0	2.3
Investment Income	17.6	20.9	(3.3)
Bond Interest Expense	(48.7)	(45.2)	(3.5)
Other	1.2	(1.5)	2.7
Total Other Income - Net	20.3	22.2	(1.8)
Net Income	\$ 137.9	\$ 149.7	\$ (11.8)
Sales Statistics:			
Water Sales (TAF)	1,199.8	1,277.8	(78.1)
Wheeling/Exchange (TAF)	15.2	10.3	4.8
Power Sales (mWh)	268.4	242.7	25.7
Average Sales Price			
Water Sales	\$ 388.78	\$ 367.12	\$ 21.66
Wheeling/Exchange	\$ 258.37	\$ 258.18	\$ 0.19
Power Sales	\$ 0.06	\$ 0.05	\$ 0.01
Ratios:			
Operating (Operating Expense* divided by Operating Revenue)	59.2 %	54.9 %	
* Excludes depreciation/amortization and grant expense.			
Revenue Bond Debt Service Coverage (rolling 12 months) - Cash Basis			
(Net receipts divided by annual revenue bond principal and interest requirements)	2.06 x	3.11 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>
	2005	2004	
Assets:			
Cash and investments at book value ⁽¹⁾	\$ 1,300.6	\$ 1,418.7	\$ (118.2)
Fair Value Adjustment	(0.6)	1.9	(2.5)
Accounts Receivable	257.4	250.9	6.5
Property, Plant and Equipment, net	6,393.5	6,048.2	345.3
Participation Rights, net	1,880.2	1,830.8	49.5
Deferred Charges and Water Rights	303.2	255.8	47.3
Other	94.2	88.9	5.3
Total Assets	\$ 10,228.5	\$ 9,895.2	\$ 333.3
Liabilities and Equity:			
Long-Term Debt	\$ 3,897.2	\$ 3,783.5	\$ 113.8
Off-Aqueduct Power Facilities	85.2	90.7	(5.5)
Accounts Payable and Accrued Bond Interest	161.7	95.0	66.7
Deferred Income	97.5	91.8	5.7
State Water Project Obligations	355.1	325.0	30.2
Trust Funds and Other	82.4	79.2	3.3
Total Liabilities	4,679.1	4,465.1	214.0
Equity	5,549.4	5,430.1	119.3
Total Liabilities and Equity	\$ 10,228.5	\$ 9,895.2	\$ 333.3

Debt as a percent of equity (Long-Term Debt divided by Equity) 70.2 % 69.7 %

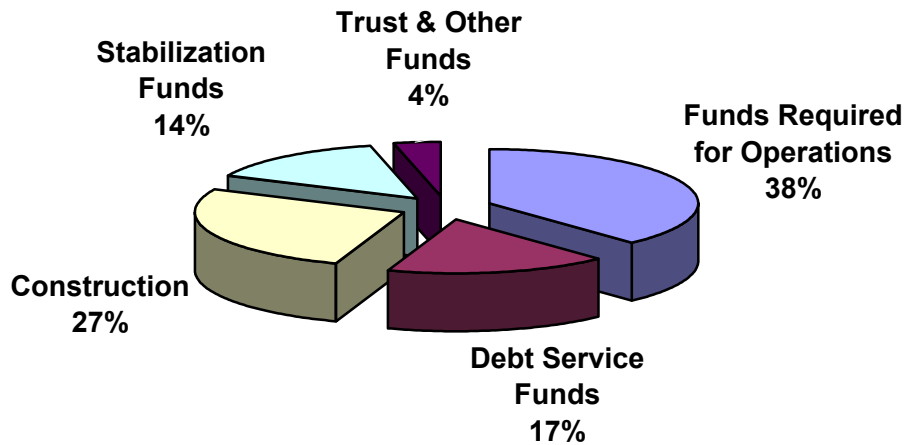
(1) Fair value of cash and investments was \$1,300.0 million and \$1,420.6 million at December 31, 2005 and 2004 respectively.

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, 2005 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$111.1	\$218.6	\$165.1	\$494.8
Debt Service Funds	223.2	0.0	0.0	223.2
Construction	289.2	0.0	58.2	347.4
Stabilization Funds	0.0	0.0	187.0	187.0
Trust & Other Funds	33.6	14.6	0.0	48.1
Total	\$657.1	\$233.2	\$410.3	\$1,300.6



Executive Financial Summary for the Six Months Ended December 31, 2005 Actual to Estimate

A summary of accrual basis operations and construction activity for the six months ended December 31, 2005 compared to estimate for the same period is discussed below.

Actual vs. Estimate (page 6)

Operating revenues of \$541.7 million were \$70.7 million more than estimate, due primarily to \$64.4 million of higher than estimated water sales. Water sales volumes totaled 1,199.8 thousand acre-feet (TAF), compared to an estimate of 1,038.4 TAF.

Operating expenses of \$424.1 million were \$13.9 million more than the estimate due to \$21.2 million higher cost of water offset by lower than estimated water management programs, O&M, and depreciation and amortization costs. The higher cost of water was due primarily to higher than anticipated State Water Contract energy costs and higher than expected water sales. The small favorable variances for depreciation and amortization, water management programs, and O&M costs were due to timing and are expected to be on estimate by year-end.

Other income-net totaling \$20.3 million was \$3.9 million less than estimate due primarily to higher bond interest expense. The higher than expected bond interest expense resulted from \$200.0 million of revenue bonds issued In July 2005 that were not included in the estimate.

Construction Activity (page 9)

Construction costs for the six months ended December 31, 2005 totaled \$153.4 million, which was \$57.7 million, or 27 percent, under estimate. The Oxidation Retrofit Programs (ORP) were \$12.5 million less than estimate due to delays in construction starts at the Skinner and Diemer plants 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. Activity at Diemer, scheduled early in the second quarter is expected in the third quarter. Inland Feeder was \$7.9 million less than estimate, as the tunneling is taking longer than anticipated. The Treatment Plant Improvement program was \$6.8 million less than estimate due to re-bidding of the Surface Washwater project, rain delays affecting the Solids Handling Facility project, and delays at Diemer due to construction sequencing with other major plant projects. CRA – Reliability/Containment programs were \$6.9 million less than estimate due to timing of expenditures related to already completed or planned shut downs in the second and the third quarters of the fiscal year. Other projects were \$20.6 million less than estimate due to credits of \$8.9 million related to DVL and Oxnard land sales, and delays in start-up of new programs this fiscal year. Construction costs are projected to be \$440.0 million by year-end.

The Metropolitan Water District of Southern California

Statement of Operations - Accrual Basis
 Estimate vs. Actual
 For the Six Months Ended December 31, 2005
 (Dollars in millions)

	Estimate to Date	Actual to Date	Favorable/ (Unfavorable)		Fiscal Year End			
			Variance		Annual Estimate	Projected Year-End	Favorable/ (Unfavorable)	
			\$	%			\$	%
Operating Revenues								
Water Sales	\$ 402.0	\$ 466.4	\$ 64.4	16%	\$ 724.5	\$ 832.3	\$ 107.8	15%
Wheeling/Exchange	3.9	3.9	0.1	0.0	7.7	9.1	1.4	18%
RTS	40.0	40.0	-	0%	80.0	80.0	-	0%
Capacity Charge	16.2	15.9	(0.3)	(2%)	32.4	32.4	-	0%
Power Sales	8.8	15.4	6.6	75%	15.7	23.0	7.3	46%
Total Operating Revenues	471.0	541.7	70.7	15%	860.3	976.7	116.4	14%
Operating Expenses								
Operations & Maintenance	146.8	145.4	1.4	1%	290.9	290.9	-	0%
Grant Expense	-	-	-	n/a	-	-	-	n/a
Cost of Water	135.7	156.9	(21.2)	(16%)	267.4	305.6	(38.2)	(14%)
Water Mgt. Programs	21.7	18.4	3.3	15%	39.4	39.4	-	0%
Depreciation & Amortization	106.0	103.4	2.6	2%	212.0	212.0	-	0%
Total Operating Expenses	410.2	424.1	(13.9)	(3%)	809.7	847.9	(38.2)	(5%)
Operating Income	60.7	117.6	56.8	94%	50.6	128.8	78.2	155%
Other Income/(Expense)								
Net Taxes/Annexations	48.1	50.3	2.2	5%	96.2	96.2	-	0%
Investment Income	20.1	17.6	(2.6)	(13%)	40.2	38.0	(2.2)	(5%)
Bond Interest Expense	(42.4)	(48.7)	(6.3)	(15%)	(84.9)	(94.9)	(10.0)	(12%)
Other	(1.5)	1.2	2.7	(181%)	(3.0)	(3.0)	-	0%
	24.3	20.3	(3.9)	(16%)	48.5	36.3	(12.2)	(25%)
Net Income	\$ 85.0	\$ 137.9	\$ 52.9	62%	\$ 99.1	\$ 165.1	\$ 66.0	67%
Sales Statistics								
Water Sales (TAF)	1,038.4	1,199.8	161.4	16%	1,857.3	2,128.0	270.8	15%
Wheeling Sales (TAF)	15.0	15.2	0.2	1%	30.0	35.2	5.2	17%

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, 2005

	Estimate to Date	Actual to Date	Favorable/ (Unfavorable) Variance	
			\$	%
Operations & Maintenance				
Fixed				
Personnel	\$ 99.3	\$ 97.7	\$ 1.6	2%
Materials & Supplies	6.3	7.0	(0.7)	(11%)
Professional Services	7.2	7.8	(0.6)	(9%)
Outside Non-Professional Services	8.1	6.7	1.4	18%
Other	6.0	3.0	3.0	50%
Total Fixed	126.9	122.1	4.7	4%
Variable				
Water Treatment Chemicals	11.3	14.7	(3.4)	(30%)
Utility Costs	8.6	8.6	0.0	0%
Total Variable	19.9	23.3	(3.3)	(17%)
Total Operations & Maintenance	\$ 146.8	\$ 145.4	\$ 1.4	1%
Cost of Water				
Cost of Water	\$ 140.5	\$ 162.1	(21.6)	(15%)
SWP Prior Year Adjustments	(4.8)	(5.2)	0.4	(9%)
Total	\$ 135.7	\$ 156.9	\$ (21.2)	(16%)
Capital Investment Plan	\$ 211.0	\$ 153.4	\$ 57.7	27%

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 Six Months Ended December 31, 2005 (Dollars in millions)

Component	Estimate	Actual	<i>Favorable/ (Unfavorable)</i> <i>Variance</i>	
			\$	%
Fixed				
Personnel	\$99.3	\$97.7	\$1.6	2%
Professional Services	7.2	7.8	(0.6)	(9%)
Outside Non-Professional Services	8.1	6.7	1.4	18%
Materials & Supplies	6.3	7.0	(0.7)	(11%)
Communications Expense	1.7	1.4	0.3	17%
Travel Expense	1.0	0.8	0.2	22%
Training	0.4	0.4	(0.1)	(13%)
Memberships & Subscriptions	1.1	0.7	0.4	38%
Equipment Expensed	0.6	0.6	0.0	4%
Equipment Rents/Leases	0.5	0.5	0.1	15%
Insurance	4.3	3.2	1.1	25%
Agency Dues	1.7	2.0	(0.3)	(21%)
Rents/Leases	0.2	0.2	(0.0)	(4%)
Overhead Credit from Construction	(7.9)	(8.1)	0.2	(2%)
Other	2.4	1.3	1.1	46%
Total Fixed Costs	126.9	122.1	4.7	4%
Variable				
Water Treatment Chemicals	11.3	14.7	(3.4)	(30%)
Utility Costs:				
Utilities	5.4	5.2	0.2	4%
Sludge Removal	2.3	2.6	(0.2)	(11%)
Permits	0.8	0.8	0.0	5%
Total Variable Costs	19.9	23.3	(3.3)	(17%)
Total O&M	\$146.8	\$145.4	\$1.4	1%
Water Sales - Thousand Acre-Feet	1,038.4	1,199.8	161.4	16%

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, 2005
(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	\$ 171.4	\$ 123.2	\$ 48.2	28%	\$ 411.3	\$ 345.0	\$ 66.3	16%	
R & R Funds	39.6	30.2	9.4	24%	95.0	95.0	-	0%	
Total	\$ 211.0	\$ 153.4	\$ 57.7	27%	\$ 506.3	\$ 440.0	\$ 66.3	13%	
Program Expenditures									
Oxidation Retrofit Programs	\$ 41.0	\$ 28.4 (1)	\$ 12.5	31%	\$ 102.7	\$ 80.0	\$ 22.7	22%	
Inland Feeder	38.6	30.7	7.9	21%	79.8	71.0	8.8	11%	
Treatment Plant Improvement	24.1	17.3 (1)	6.8	28%	65.5	54.0	11.5	18%	
Skinner Filtration Plant Expansion No. 4	28.0	23.7	4.4	16%	65.4	64.0	1.4	2%	
San Diego Pipeline No. 6	16.4	20.8	(4.4)	(27%)	43.9	48.0	(4.1)	(9%)	
Diamond Valley Lake Recreation	10.1	4.5	5.6	55%	20.9	14.0	6.9	33%	
Distribution System - Rehabilitation Program	5.0	7.2	(2.2)	(43%)	13.5	13.0	0.5	4%	
CRA - Reliability/Containment Programs	8.9	2.0	6.9	78%	13.2	13.0	0.2	1%	
Chlorine Containment and Handling Facilities	1.9	1.1	0.9	45%	13.1	12.0	1.1	9%	
Diemer - Solids Handling/Water Reclamation	4.3	5.7	(1.4)	(33%)	12.4	16.0	(3.6)	(29%)	
Other	32.7	12.1 (2)	20.6	63%	75.7	55.0	20.7	27%	
Total	\$ 211.0	\$ 153.4	\$ 57.7	27%	\$ 506.3	\$ 440.0	\$ 66.3	13%	

(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 sales and \$4.764 million for Oxnard land sales in August 2005.

Major Program Statistics

	Current	Project-	% Complete		Projected	Projected
	Program	to-Date	Spent	Complete	Program	Program
	Estimate	Dec. 05			Total	Variance
Inland Feeder	\$ 1,186.5	\$ 838.1	71%	83%	\$ 1,186.0	\$ 0.5
Oxidation Retrofit Programs	856.4	285.6	33%	35%	856.4	-
Local Groundwater Projects	290.5	49.1	17%	21%	290.5	-
Treatment Plant Improvement Projects	460.2	53.8	12%	12%	460.2	-
San Diego Pipeline No. 6	277.6	52.3	19%	36%	277.6	-
Skinner Expansion No. 4	143.2	58.8	41%	42%	143.2	-
CRA - Reliability/Containment Programs	143.5	59.1	41%	46%	143.5	-
Diamond Valley Lake Recreation	92.8	47.9	52%	57%	92.8	-

Totals may not foot / cross foot due to rounding.



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: January 13, 2006
To: Board of Directors
From: General Counsel
Subject: Review as to Eligibility of Securities Invested in by the
Treasurer for the Month of December 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 December 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: T. E. DeBacker
D. C. Man
R. N. Marumoto
B. G. Thomas