



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Financial Summary for the Nine Months Ended March 31, 2006

Executive Financial Summary
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For the Nine Months Ended March 31, 2006

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Executive Financial Summary for the Nine Months Ended March 31, 2006 and 2005

A summary of the accrual basis statements of operations activity for the nine months ended March 31, 2006 and 2005 as well as the changes in the balance sheet for March 2006 and 2005 are discussed below.

Statements of Operations (page 2)

Net Income of \$154.1 million was \$39.0 million more than the prior year's net income. Included in the variance were higher operating revenues of \$66.3 million and other income-net of \$0.4 million, offset by \$27.7 million higher operating expenses. These items are further described below.

Operating revenues for the nine months ended March 31, 2006 totaled \$749.1 million, which was \$66.3 million more than prior year operating revenues of \$682.8 million. The increase was primarily due to \$57.3 million higher water sales, which included \$14.6 million of seasonal storage certification corrections from prior years. Sales volumes were 49,000 acre-feet higher in the current year. Power sales were \$5.7 million greater than the prior period due to the higher water sales.

Operating expenses for the nine months ended March 31, 2006 totaled \$623.1 million, which was \$27.7 million higher than prior year operating expenses of \$595.4 million. The increase included \$27.1 million of higher cost of water and \$15.1 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 energy costs. The increased O&M costs were due primarily to \$9.7 million more in personnel costs due to salary and benefit increases included in negotiated contracts and \$3.2 million more in water treatment chemical costs.

Other income-net of \$28.2 million was \$0.4 million more than prior year other income-net of \$27.8 million. This increase was due to \$3.2 million more in taxes and \$5.2 million more of 'other' income partially offset by \$4.1 million less in investment income and \$3.8 million more of bond interest expense. The \$5.2 million increase to 'other' income was due primarily to \$3.1 million of gain on land sales and \$1.6 million of new annexations. The reduction in investment income was due to \$11.8 million less of fair value adjustments offset by \$7.7 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 March 31, 2006, assets totaled \$10.0 billion, which were \$318.7 million higher than March 31, 2005. Property, plant and equipment-net was \$386.5 million higher due to construction progress on Inland Feeder, Skinner Filtration Plant Expansion 4, the Oxidation Retrofit programs, San Diego Pipeline No. 6, Diamond Valley Lake Recreation Plan, Weymouth Filtration Plant improvement, and Conveyance and Distribution System - Rehabilitation program. Participation Rights were \$60.8 million higher due primarily to the capitalization of PVID land-fallowing sign-up costs as participation rights. Deferred charges increased \$38.5 million due to a \$12.5 million increase in intangible water rights, \$10.2 million increase in State Water Project OMP&R, \$4.9 million more in deferred land fallowing costs, and \$9.0 million more of prepaid San Bernardino Valley MWD water purchases. Other assets were \$27.6 million greater than the prior year due primarily to \$15.6 million more of water inventory and \$6.7 million deposited with DWR for their hedging of natural gas prices. Partially offsetting the increases, were a reduction in Cash and investments of \$213.8 million.

Liabilities totaled \$4.5 billion at March 31, 2006, which were \$148.7 million higher than March 31, 2005. This increase was due primarily to \$112.5 million net increase in long-term debt and \$34.2 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.

The Metropolitan Water District of Southern California

Statements of Operations - Accrual Basis (Dollars in millions)

	For the Nine Months Ended March 31,		<i>Favorable/ (Unfavorable) Variance</i>
	2006	2005	
Operating Revenues:			
Water Sales	\$ 637.4 ⁽¹⁾	\$ 580.0	\$ 57.3
Wheeling / Exchange	6.5	4.9	1.6
Readiness-to-Serve	60.0	60.0	(0.0)
Capacity Charge	23.8	22.1	1.7
Power Sales	21.4	15.7	5.7
Total Operating Revenues	749.1	682.8	66.3
Operating Expenses:			
Cost of Water	228.3	201.2	(27.1)
Operations & Maintenance	216.3	201.2	(15.1)
Grant Expense	-	13.5	13.5
Water Management Programs, Net	25.4	22.5	(2.9)
Depreciation & Amortization	153.0	157.0	4.0
Total Operating Expenses	623.1	595.4	(27.7)
Net Operating Income	125.9	87.4	38.5
Other Income (Expense):			
Net Taxes/Annexations	75.2	72.0	3.2
Investment Income	24.6	28.6	(4.1)
Bond Interest Expense	(73.4)	(69.5)	(3.8)
Other	1.8	(3.4)	5.2
Total Other Income - Net	28.2	27.8	0.4
Net Income	\$ 154.1	\$ 115.2	\$ 39.0

Sales Statistics:

Water Sales (TAF)	1,618.5	1,569.5	49.0
Wheeling/Exchange (TAF)	25.2	18.9	6.3
Power Sales (mWh)	377.2	314.8	62.4
Average Sales Price			
Water Sales	\$ 393.82	\$ 369.57	\$ 24.25
Wheeling/Exchange	\$ 258.25	\$ 260.13	\$ (1.88)
Power Sales	\$ 0.06	\$ 0.05	\$ 0.01

Ratios:

Operating (Operating Expense* divided by Operating Revenue) 62.8 % 62.2 %

* 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) 2.02 x 3.09 x

Notes:

(1) Water sales include \$14.6 million of untreated In-Lieu water sales, no associated volumes, from correction of prior year certifications.

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Balance Sheets - Accrual Basis (Dollars in millions)

	2006	March 31, 2005	<i>Increase/ (Decrease)</i>
Assets:			
Cash and investments at book value ⁽¹⁾	\$ 1,072.1	\$ 1,285.9	\$ (213.8)
Fair Value Adjustment	(5.2)	(2.4)	(2.8)
Accounts Receivable	192.2	170.2	21.9
Property, Plant and Equipment, net	6,505.4	6,118.9	386.5
Participation Rights, net	1,857.3	1,796.5	60.8
Deferred Charges and Water Rights	301.4	262.8	38.5
Other	128.2	100.6	27.6
Total Assets	\$ 10,051.3	\$ 9,732.5	\$ 318.7
Liabilities and Equity:			
Long-Term Debt	\$ 3,868.1	\$ 3,755.6	\$ 112.5
Off-Aqueduct Power Facilities	83.6	89.3	(5.6)
Accounts Payable and Accrued Bond Interest	87.1	79.3	7.8
Deferred Income	75.4	71.5	3.9
State Water Project Obligations	293.1	259.0	34.2
Trust Funds and Other	78.3	82.3	(4.0)
Total Liabilities	4,485.6	4,336.9	148.7
Equity	5,565.6	5,395.6	170.0
Total Liabilities and Equity	\$ 10,051.3	\$ 9,732.5	\$ 318.7

Debt as a percent of equity (Long-Term Debt divided by Equity) 69.5 % 69.6 %

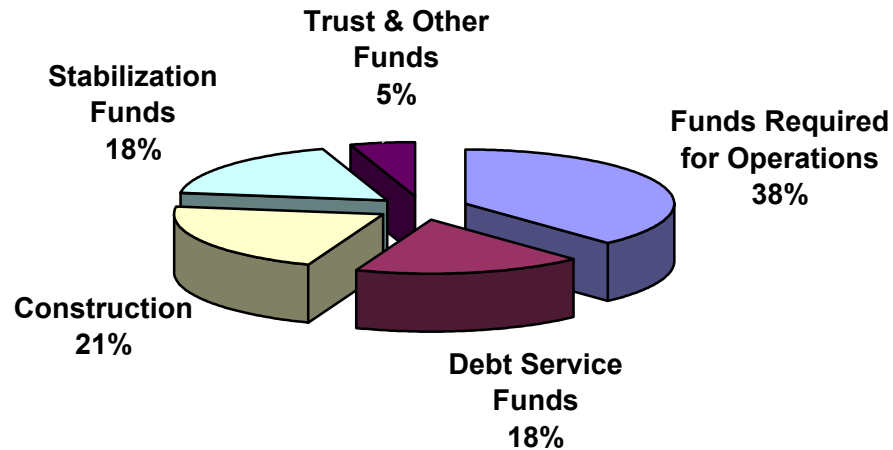
(1) Fair value of cash and investments was \$1,066.9 million and \$1,283.5 million at March 31, 2006 and 2005 respectively.

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Cash and Investments at Book Value As of March 31, 2006 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$122.0	\$111.8	\$172.9	\$406.7
Debt Service Funds	192.1	0.0	0.0	192.1
Construction	191.4	0.0	38.9	230.3
Stabilization Funds	0.0	0.0	188.6	188.6
Trust & Other Funds	35.5	18.9	0.0	54.4
Total	\$541.0	\$130.7	\$400.4	\$1,072.1



Executive Financial Summary for the Nine Months Ended March 31, 2006 Actual to Estimate

A summary of accrual basis operations and construction activity for the nine months ended March 31, 2006 compared to estimate for the same period is discussed below.

Actual vs. Estimate (page 6)

Operating revenues of \$749.1 million were \$107.4 million more than the estimate, due primarily to \$97.7 million of higher than estimated water sales, which included \$14.6 million of seasonal storage certification corrections from prior years. Water sales volumes totaled 1,618.5 thousand acre-feet (TAF), compared to an estimate of 1,393.2 TAF.

Operating expenses of \$623.1 million were \$18.5 million more than estimate primarily due to \$27.4 million higher cost of water partially offset by lower than estimated water management programs and depreciation and amortization costs. The higher cost of water was due to higher than anticipated State Water Contract energy costs and higher than expected water sales. Water management program costs (Conservation Credits) were \$5.3 million lower than anticipated as the ULFT program, weather based irrigation controller program, high-efficiency clothes washer programs (commercial and residential), and the California-friendly program had less participation than was expected and the large landscape program for measured water savings had no participation. Depreciation and amortization was \$6.0 million less than expected due primarily to \$4.6 million lower State Water Project amortization resulting from lower than expected capital and OAPF costs.

Other income-net totaling \$28.2 million was \$8.2 million less than the \$36.4 million estimate due to \$9.7 million higher bond interest expense and \$5.6 million lower investment income offset by \$4.1 million more in 'other' and \$3.0 million higher taxes. 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. Investment income was less than expected due to a \$9.7 million fair value adjustment not included in the estimate. The 'other' income-net was \$4.1 million greater than estimated other expense-net due primarily to \$3.1 million of gain on land sales not included in the estimate. Taxes were higher than expected as the estimate was based on preliminary data and the final data resulted in a higher tax levy.

Construction Activity (page 9)

Construction costs for the nine months ended March 31, 2006 totaled \$276.0 million, which was \$69.8 million, or 20 percent, under the \$345.8 million estimate. The Oxidation Retrofit Programs (ORP) were \$9.5 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 \$16.3 million less than estimate, as the tunneling is taking longer than anticipated. The Treatment Plant Improvement program was \$16.0 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. Other projects were \$29.4 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. San Diego Pipeline No. 6 was \$12.7 million ahead of schedule due to accelerated construction progress and is expected to remain ahead of schedule this fiscal year. Construction costs are projected to be \$422.0 million by year-end.

The Metropolitan Water District of Southern California

Statement of Operations - Accrual Basis
Estimate vs. Actual
For the Nine Months Ended March 31, 2006
(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	\$ 539.7	\$ 637.4 ⁽¹⁾	\$ 97.7	18%	\$ 724.5	\$ 849.0	\$ 124.5	17%	
Wheeling/Exchange	5.8	6.5	0.7	0.1	7.7	9.1	1.4	18%	
RTS	60.0	60.0	-	0%	80.0	80.0	-	0%	
Capacity Charge	24.3	23.8	(0.6)	(2%)	32.4	32.4	-	0%	
Power Sales	11.8	21.4	9.6	82%	15.7	26.4	10.7	68%	
Total Operating Revenues	641.6	749.1	107.4	17%	860.3	996.8	136.5	16%	
Operating Expenses									
Operations & Maintenance	214.0	216.3	(2.3)	(1%)	290.9	297.9	(7.0)	(2%)	
Grant Expense	-	-	-	n/a	-	-	-	n/a	
Cost of Water	200.9	228.3	(27.4)	(14%)	267.4	301.0	(33.6)	(13%)	
Water Mgt. Programs	30.7	25.4	5.3	17%	39.4	35.4	4.0	10%	
Depreciation & Amortization	159.0	153.0	6.0	4%	212.0	205.5	6.5	3%	
Total Operating Expenses	604.7	623.1	(18.5)	(3%)	809.7	839.8	(30.1)	(4%)	
Operating Income	37.0	125.9	89.0	241%	50.6	157.0	106.4	210%	
Other Income/(Expense)									
Net Taxes/Annexations	72.1	75.2	3.0	4%	96.2	100.2	4.0	4%	
Investment Income	30.2	24.6	(5.6)	(19%)	40.2	34.3	(5.9)	(15%)	
Bond Interest Expense	(63.7)	(73.4)	(9.7)	(15%)	(84.9)	(94.7)	(9.8)	(12%)	
Other	(2.3)	1.8	4.1	(181%)	(3.0)	0.1	3.1	(103%)	
	36.4	28.2	(8.2)	(23%)	48.5	39.9	(8.6)	(18%)	
Net Income	\$ 73.4	\$ 154.1	\$ 80.8	110%	\$ 99.1	\$ 196.9	\$ 97.8	99%	
Sales Statistics:									
Water Sales (TAF)	1,393.2	1,618.5	225.3	16%	1,857.3	2,147.4	290.2	16%	
Wheeling Sales (TAF)	22.5	25.2	2.7	12%	30.0	35.2	5.2	17%	

Notes:

(1) Actual water sales include \$14.6 million of untreated In-Lieu water sales, no associated volumes, from correction of prior year certifications.
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 Nine Months Ended March 31, 2006

	Estimate to Date	Actual to Date	Favorable/ (Unfavorable) Variance	
			\$	%
Operations & Maintenance				
Fixed				
Personnel	\$ 145.3	\$ 145.9	\$ (0.7)	(0%)
Materials & Supplies	9.0	11.4	(2.5)	(27%)
Professional Services	10.9	12.0	(1.0)	(9%)
Outside Non-Professional Services	13.2	10.9	2.3	17%
Other	6.3	3.7	2.6	42%
Total Fixed	184.6	183.9	0.8	0%
Variable				
Water Treatment Chemicals	16.8	20.4	(3.6)	(21%)
Utility Costs	12.6	12.0	0.6	5%
Total Variable	29.4	32.4	(3.0)	(10%)
Total Operations & Maintenance	\$ 214.0	\$ 216.3	\$ (2.3)	(1%)
Cost of Water				
Cost of Water	\$ 207.7	\$ 234.9	(27.2)	(13%)
SWP Prior Year Adjustments	(6.7)	(6.5)	(0.2)	3%
Total	\$ 200.9	\$ 228.3	\$ (27.4)	(14%)
Capital Investment Plan	\$ 345.8	\$ 276.0	\$ 69.8	20%

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 Nine Months Ended March 31, 2006 (Dollars in millions)

Component	Estimate	Actual	<i>Favorable/ (Unfavorable)</i> <i>Variance</i>	
			\$	%
Fixed				
Personnel	\$145.3	\$145.9	(\$0.7)	(0%)
Professional Services	10.9	12.0	(1.0)	(9%)
Outside Non-Professional Services	13.2	10.9	2.3	17%
Materials & Supplies	9.0	11.4	(2.5)	(27%)
Communications Expense	2.5	2.2	0.2	9%
Travel Expense	1.4	1.2	0.2	13%
Training	0.6	0.5	0.1	12%
Memberships & Subscriptions	1.5	1.1	0.5	31%
Equipment Expensed	0.8	1.0	(0.2)	(24%)
Equipment Rents/Leases	0.8	0.8	(0.0)	(3%)
Insurance	6.4	4.7	1.7	26%
Agency Dues	1.7	2.0	(0.3)	(21%)
Rents/Leases	0.3	0.4	(0.0)	(15%)
Overhead Credit from Construction	(12.7)	(12.2)	(0.5)	4%
Other	3.1	2.0	1.1	36%
Total Fixed Costs	184.6	183.9	0.8	0%
Variable				
Water Treatment Chemicals	16.8	20.4	(3.6)	(21%)
Utility Costs:				
Utilities	8.0	7.5	0.5	6%
Sludge Removal	3.4	3.5	(0.1)	(2%)
Permits	1.1	1.0	0.2	15%
Total Variable Costs	29.4	32.4	(3.0)	(10%)
Total O&M	\$214.0	\$216.3	(\$2.3)	(1%)
Water Sales - Thousand Acre-Feet	1,393.2	1,618.5	225.3	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 Nine Months Ended March 31, 2006
(Dollars in millions)

	Estimate	Actual	Variance from Estimate		Fiscal Year	Projected	Variance from Estimate		
	to Date	to Date	\$	%	Estimate	Year-End (1)	\$	%	
Sources of Funds									
Bond Construction Funds	\$ 280.9	\$ 224.6	\$ 56.3	20%	\$ 411.3	\$ 327.0	\$ 84.3	20%	
R & R Funds	64.9	51.4	13.5	21%	95.0	95.0	-	0%	
Total	\$ 345.8	\$ 276.0	\$ 69.8	20%	\$ 506.3	\$ 422.0	\$ 84.3	17%	
Program Expenditures									
Oxidation Retrofit Programs	\$ 69.1	\$ 59.6 (2)	\$ 9.5	14%	\$ 102.7	\$ 87.0	\$ 15.7	15%	
Inland Feeder	59.3	42.9	16.3	28%	79.8	57.0	22.8	29%	
Treatment Plant Improvement	41.3	25.3 (2)	16.0	39%	65.5	55.0	10.5	16%	
Skinner Filtration Plant Expansion No. 4	45.5	54.1	(8.6)	(19%)	65.4	64.0	1.4	2%	
San Diego Pipeline No. 6	29.3	42.0	(12.7)	(43%)	43.9	61.0	(17.1)	(39%)	
Diamond Valley Lake Recreation	15.2	5.4	9.8	64%	20.9	12.0	8.9	42%	
Distribution System - Rehabilitation Program	9.1	11.7	(2.6)	(29%)	13.5	13.0	0.5	4%	
CRA - Reliability/Containment Programs	11.1	2.6	8.5	77%	13.2	7.0	6.2	47%	
Chlorine Containment and Handling Facilities	6.7	2.1	4.6	69%	13.1	6.5	6.6	51%	
Diemer - Solids Handling/Water Reclamation	8.1	8.5	(0.4)	(5%)	12.4	14.5	(2.1)	(17%)	
Other	51.0	21.6 (3)	29.4	58%	75.7	45.0	30.7	41%	
Total	\$ 345.8	\$ 276.0	\$ 69.8	20%	\$ 506.3	\$ 422.0	\$ 84.3	17%	

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

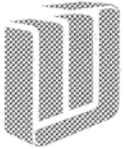
(2) \$2.85 million of costs transferred from Jensen ORP to Jensen Plant Improvement program.

(3) Credited to construction were \$4.276 million for DVL land sales and \$4.764 million for Oxnard land sales during the fiscal year.

Major Program Statistics

	Current	Project-	% Complete		Projected	Projected
	Program	to-Date	Spent	Complete	Program	Program
	Estimate	Mar. 06			Total	Variance
Inland Feeder	\$ 1,186.5	\$ 850.3	72%	87%	\$ 1,186.0	\$ 0.5
Oxidation Retrofit Programs	856.4	316.8	37%	42%	856.4	-
Local Groundwater Projects	290.5	49.5	17%	46%	290.5	-
Treatment Plant Improvement Projects	460.2	61.9	13%	19%	460.2	-
San Diego Pipeline No. 6	277.6	73.5	26%	41%	277.6	-
Skinner Expansion No. 4	143.2	89.2	62%	66%	143.2	-
CRA - Reliability/Containment Programs	143.5	59.7	42%	58%	143.5	-
Diamond Valley Lake Recreation	92.8	48.8	53%	61%	92.8	-

Totals may not foot / cross foot due to rounding.

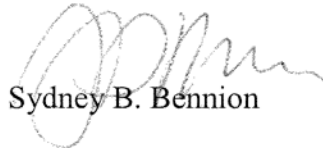


MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: April 11, 2006
To: Board of Directors
From: Interim General Counsel
Subject: Review as to Eligibility of Securities Invested in by the
Treasurer for the Month of March 2006

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 March 2006 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.



Sydney B. Bennion

cc: T. E. DeBacker
J. Kightlinger
R. N. Marumoto
B. G. Thomas