

- **Board of Directors**
Water Planning, Quality and Resources Committee

June 13, 2006 Board Meeting

8-4

Subject

Authorize payment of \$1.6 million for participation in the State Water Contractors, Inc. for fiscal year 2006/07

Description

Authorization is requested to pay \$1.6 million in the upcoming fiscal year for participation in the State Water Contractors, Inc., a nonprofit mutual benefit corporation. This organization benefits Metropolitan in advancing its State Water Project strategic initiatives: (1) ensuring costs are accurate and reasonable, (2) ensuring cost-effective and reliable energy resources, (3) ensuring sufficient infrastructure reliability, (4) ensuring cost-effective water supplies, and (5) protecting and improving water quality.

Purpose and Need of the State Water Contractors

The SWC was organized in 1982 under the Nonprofit Mutual Benefit Corporation Law to advance the common interests of the public agencies that have contracted for a State Water Project water supply by: reviewing and/or entering into litigation affecting the SWP; presenting the views of the SWC to legislative and administrative agencies, to the public generally, and to other interested groups; undertaking studies affecting the SWP; and maintaining a public information program about the SWP. The SWC staff maintains active relationships with management and staff of the California Department of Water Resources.

DWR is a more effective advocate for addressing the challenges facing the SWP with its contractors' involvement. The SWC is a mechanism for contractors to effectively represent their collective interests. Additionally, the SWC provides Metropolitan a valuable forum to learn of and influence proposals by other contractors before they are presented to DWR, regulatory agencies and other decision makers affecting our SWP benefits.

Recent Accomplishments by the State Water Contractors

Over the last fiscal year SWC accomplishments include:

1. Energy: Advised the DWR on securing affordable power supplies to meet increased real-time energy usage, purchase and operational challenges to provide the contractors with water supplies at a reasonable and predictable cost.
2. Cost: Assisted DWR in developing a settlement agreement with local stakeholders (submitted March 2005) to facilitate approval of its FERC relicensing application by identifying approaches to finance the costs of the new license.
3. Water Supply: Assisted DWR in developing an approach to specify water user contributions to support new habitat conservation plans that would provide regulatory protection for export uses.
4. Business Functions: Assisted DWR in implementing its new business enterprise computer system project, which includes improved management reporting tools to provide cost and operational information.
5. Water Supply: Worked with DWR to improve the approval process for water transfers and other water management measures to streamline approval steps for faster implementation.

6. Water Quality & Supply: Worked with DWR to follow-up on the release of its draft Environmental Impact Report on the South Delta Improvement Program, which would result in water supply and water quality benefits to Metropolitan and other contractors.

Summary of Cost

The SWC board recently approved its budget for FY 2006/07. **Attachment 1** contains a description of the four components that comprise the budget and provides the corresponding costs. Metropolitan's payment for FY 2006/07 is \$1.6 million in total. Compared to FY 2005/06 Metropolitan's SWC Dues Fund decreased because other contractors are paying a greater share. The Energy Fund payment will decrease because of reduced FERC relicensing work. The Bay-Delta Fund Payment will increase because a previous cash reserve is being depleted. Metropolitan's share of the current and coming year's payment allocations are listed below:

Component	FY 2005/06	FY 2006/07
SWC Dues Fund	\$ 938,505	\$ 876,200
Energy Fund	\$ 680,156	\$ 419,313
Bay-Delta Fund	\$ 50,000	\$ 167,500
Bay-Delta Urban Fund	\$ 22,500	Discontinued
Municipal Water Quality Investigation Program Fund	\$ 136,665	\$ 134,440
TOTAL	\$1,827,826	\$1,597,453

It should also be noted that Metropolitan's Board authorized the \$1.6 million Municipal Water Quality Investigation Program (MWQI) in November 2005; payments to the SWC's MWQI Fund were included.

Timing of Payments to SWC

In the past the SWC payment was due in September. To reduce the need for contributing additional carryover reserves, Metropolitan and other SWC member agencies propose making payment in July. This change is expected to be formally adopted by a revision to the SWC Bylaws.

Policy

Metropolitan Water District Administrative Code Sections 11202 and 11203: Payment of Dues and Participation in Projects or Programs Serving District Purposes. This item is subject to a two-thirds vote requirement.

By Minute Item No. 44942, the Board, at its July 9, 2002 meeting, authorized entering into a renewed MWQI agreement, and authorized payment to the SWC for a portion of the MWQI effort.

By Minute Item No. 46443, the Board, at its November 8, 2005 meeting, authorized the CEO/General Manager to enter into a new Three-Year Program agreement with the Department of Water Resources and related agreements with other State Water Project contractors regarding the Municipal Water Quality Investigation Program.

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed action on the funding components associated with the membership dues does not meet the definition of a project under CEQA and is therefore not subject to CEQA (Section 15378(b) of the State CEQA Guidelines). For carrying out a variety of studies in conjunction with the participation through these memberships, the proposed actions are exempt under the provisions of CEQA and the State CEQA Guidelines, since they involve basic data collection and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These activities may be strictly for information gathering purposes, or as part of a study leading to actions that a public agency has not yet approved, adopted, or funded. Accordingly, these proposed actions qualify under a categorical exemption (Class 6, Section 15306 of the State CEQA

Guidelines). For proposed projects identified within the context of this funding mechanism, the appropriate lead agencies will be responsible for complying with all applicable federal and state environmental laws and regulations.

The CEQA determination is: Determine that the proposed actions are exempt from CEQA pursuant to Sections 15306 and 15378(b) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and by a two-thirds vote, authorize the General Manager to make payment of \$1,597,453 to the SWC in July 2006.

Fiscal Impact: \$1,597,453 from the Operations and Maintenance Fund under the General District Requirement budget. Sufficient funds are included in Metropolitan’s FY 2006/07 Operations and Maintenance Fund.

Business Analysis: Metropolitan would benefit from the State Water Project Contractors representing positions with DWR, legislators, regulatory and third-party groups that advance its SWP strategic initiatives.

Option #2

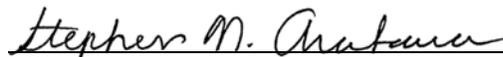
Adopt the CEQA determination and by a two-thirds vote, make payments to a selected grouping of one or more of the four components comprising Metropolitan’s 2006/07 SWC dues.

Fiscal Impact: Less than \$1,597,453 from the Operations and Maintenance Fund under the General District Requirement budget. Sufficient funds are included in Metropolitan’s FY 2006/07 Operations and Maintenance Fund.

Business Analysis: Metropolitan would be less effective in advancing its SWP strategic initiatives.

Staff Recommendation

Option #1


Stephen N. Arakawa
Manager, Water Resource Management

5/24/2006
Date


Jeffrey Kightlinger
General Manager

5/26/2006
Date

Attachment 1 – Detailed Report

Detailed Report

Introduction

Metropolitan’s membership in the State Water Contractors, Inc., a nonprofit mutual benefit corporation, advances Metropolitan’s State Water Project strategic initiatives. Metropolitan received an invoice totaling \$1.6 million from SWC to fund Metropolitan’s share of the organization’s activities for FY 2006/07. This detailed report begins with **Section A** that describes the SWC’s organization, budgeting process and Metropolitan’s participation. **Section B** discusses the current budget and Metropolitan’s share of the dues. **Sections C, D, E and F**, respectively, provides background and budget information for the SWC Dues, Energy Funds, Bay-Delta Fund and the Municipal Water Quality Investigation (MWQI) Fund. Recent accomplishments and upcoming objectives of the SWC are explained in **Section G**.

Section A – SWC and Metropolitan Participation

The SWC has a small full-time staff of eight consisting of a general manager, six professional specialists and one administrative support personnel. The SWC relies on specialized technical consultants and legal counsel services as needs arise. Each year, Metropolitan staff reviews the SWC prior year’s actual costs and budget, and the next year’s proposed budget for reasonableness and appropriateness. Metropolitan’s SWC representative, Stephen N. Arakawa, votes on the budget as a director on the SWC board.

Metropolitan staff participates in the committees to advance its interests. Participation includes crafting positions and strategies to be presented to DWR and others; participating in litigation support and settlement negotiations; resolving issues among the contractors, exchanging ideas and concerns, selecting consultants and guiding their work. Metropolitan periodically hosts SWC committee meetings and workshops at its offices.

Section B – SWC Budget Summary and Metropolitan’s Allocation

The SWC’s combined budgets for the FY 2006/07 total \$3.86 million, which reflect a decrease of 1.7 percent. This is due to the elimination of the Bay-Delta Urban Fund and decreases in costs associated with the Energy Fund and the Bay-Delta Fund. As illustrated in the following Table, the costs collected from members will be only \$3.46 million as carryover funds from FY 2005/06 will be available. A “beneficiaries pay” approach is used to allocate payments among SWC members. The resulting allocation of \$1.6 million to Metropolitan for FY 2006/07 represents a 13 percent decrease from last year.

**Summary of State Water Contractors, Inc.
FY 2006/07 Budgets, Dues
and Metropolitan's Share**

SWC Budget Component	FY 2006/07 Budget	Reserve Adjustment	Cost Allocated To Members	Metropolitan Share	
Dues Fund ⁽¹⁾	\$2,150,600	(150,600)	\$2,000,000	43.81%	\$876,200
Energy Fund ⁽¹⁾	725,500	(135,500)	590,000	71.07%	419,313
Bay-Delta Fund ⁽¹⁾	660,000	10,000	670,000	25.00%	167,500
MWQI	321,000	(121,000)	200,000	67.22%	134,440
Total	\$3,857,100		\$3,460,000		\$1,597,453

(1) Budgets are shown on the following sheets.

Metropolitan’s costs are summarized below:

- SWC Dues Fund. The general work of the SWC is funded through the SWC Dues Fund. Metropolitan’s share of \$ 876,200 decreased seven percent from FY 2005/06 to 44 percent in FY 2006/07 due to proportionally greater water usage by other contractors.

- Energy Fund. Metropolitan's \$419,313 share decreased three percent to 71 percent due to proportionately less power usage by Metropolitan.
- Bay-Delta Fund. Metropolitan's \$167,500 share is 25 percent in recognition of in-kind contributions provided by Metropolitan.
- MWQI Fund. Metropolitan's \$134,440 share is 67 percent based on the participating member's share Maximum Table A amount.

Section C – SWC Dues

The SWC Dues provide the basic funding for SWC activities exclusive of energy, Bay-Delta and MWQI related activities. It covers general operating expenses and support activities such as promoting cost-effective business practices, ensuring sufficient infrastructure reliability and ensuring accurate and reasonable water supply costs. The Dues Fund allocations are based partially on prior year's water use and partially on Maximum Table A amounts.

The Dues Fund budget totals \$2,150,600 and is shown on the following Table. Beginning in FY 2005/06 the SWC established an Energy Fund. To facilitate budget comparisons, energy costs were removed from the FY 2003/2004 and the FY 2004/2005 columns and shown in the Energy Dues Fund Table.

**State Water Contractors, Inc.
FY 2006/07 Proposed
Dues Fund Budget**

	Actual FY 2003/04	Actual FY 2004/05	Approved FY 2005/06	Projected FY 2005/06	Proposed FY 2006/07
<u>CONSULTANT SERVICES</u>					
Engineering	\$1,253	\$0	\$0	\$0	\$0
Water Operations	0	20,021	0	10,000	20,000
Operations & Maintenance	0	19,137	25,000	15,000	10,000
Public Information	3,818	7,872	10,000	30,000	40,000
Business Processes	106,762	101,340	60,000	70,000	30,000
Monterey Settlement Legal	157,682	105,736	100,000	80,000	100,000
FERC Relicensing	264,048	357,883	200,000	300,000	200,000
Yuba River Accord Mediation	5,521	39,636	0	0	0
Control Systems	11,778	8,256	10,000	10,000	10,000
Delta Operations Contingency Planning	0	0	0	0	100,000
Real Estate Appraisal	0	7,000	0	0	0
Financial	54,018	33,568	40,000	40,000	30,000
SWPCA	100,018	0	0	0	0
SWP-CVP Public Outreach	185,788	0	25,000	195,000	225,000
SWP Consultant	20,209	1,884	150,000	0	0
<u>OFFICE EXPENSES</u>					
Rent	79,475	92,329	80,000	100,000	130,000
Equipment Leasing	12,192	6,896	8,000	9,000	8,000
Services	4,986	9,322	5,000	5,000	5,000
Telephone	14,635	15,997	17,000	14,000	17,000
Postage	2,973	1,021	2,000	1,000	2,000
Supplies	10,728	7,439	5,000	7,000	5,000
Office Equipment	5,109	15,228	10,000	5,000	100,000
	645,659	530,903	800,000	650,000	725,000
<u>SALARIES</u>					
<u>EMPLOYEE EXPENSES</u>					
Life Insurance	2,204	2,566	1,000	5,000	3,100
Medical Insurance	41,344	58,900	67,200	58,000	78,000
Disability Insurance	5,008	2,506	0	0	0
Retirement (PERS)	108,938	104,290	160,000	180,000	190,000
Retired/Former Employees	9,364	12,975	15,000	15,000	32,000
Personal/legal Consulting	17,473	0		10,000	5,000
State & Fed Unemployment	9,526	10,841	8,000	14,000	8,000
<u>OTHER EXPENSES</u>					
Travel & Meetings	75,428	80,856	85,000	90,000	90,000
Auto Allowance & Parking	18,417	9,127	30,000	10,000	15,000
Insurance & Bonds	18,842	18,867	25,000	10,000	25,000
Audit	3,545	3,545	3,700	4,000	3,700
Bookkeeping	17,867	16,436	15,000	15,000	15,000
Taxes	307	349	800	800	800
Printing & Publications	20,971	6,441	8,000	5,000	8,000
Miscellaneous	4,386	10,432	6,000	15,000	10,000
<u>TOTAL EXPENSES</u> ⁽¹⁾	\$2,040,271	\$1,721,601	\$1,971,700	\$1,972,800	\$2,150,600

⁽¹⁾ To facilitate budget comparisons, actual FY 2003/04 and FY 2004/05 are adjusted to remove energy related activities now covered by Energy Fund.

Section D – Energy Fund

Costs related to management of energy issues, such as SWC staff and consulting costs relating to power planning and purchases and half of the cost related to FERC-Relicensing costs are included in the Energy Fund. The allocation for the Energy Fund is based partially on annual energy usage for water deliveries and partially on the energy required to convey Maximum Table A amounts. The reimbursement of In-kind consulting services from SWC to Metropolitan will increase from \$35,000 in FY 2005/06 to \$60,000 in FY 2006/07. The actual expenditure for the previous year and the FY 2006/07 proposed budget for Energy Fund is shown below.

**State Water Contractors
Energy Funds Budget**

**FY2006/07 Proposed
Dollars (\$)**

	FY 2003/04		FY 2004/05		FY 2005/06		FY 2006/07
	Actual		Actual		Approved	Projected	Proposed
CONSULTANT SERVICES							
FERC Relicensing	264,048		357,883		200,000	300,000	200,000
Energy Resources	134,927		126,018		485,000	250,000	360,000
SALARIES	95,254		98,302		113,700	115,000	115,000
EMPLOYEE EXPENSES							
Life Insurance	200		200		500	500	500
Medical Insurance	138		16		6,000	6,000	7,500
Disability Insurance	716		716		0	0	0
Retirement (PERS)	14		19,267		20,000	20,000	32,000
Retired/Former Employees	669		0		0	0	0
State & Fed Unemployment	0		0		0	0	0
OTHER EXPENSES							
Travel & Meetings	13,500		13,500		13,500	6,500	8,000
Auto Allowance & Parking	5,000		2,500		5,000	2,000	2,500
Miscellaneous	0		0		0	0	0
TOTAL EXPENSES	\$528,453		\$618,402		\$835,000	\$700,000	\$725,500

Section E – Bay-Delta Fund

The SWC board of directors initiated the Bay-Delta Fund in 1986 to support the interests of the SWP contractors in the State Water Resources Control Board's (SWRCB) Bay-Delta Hearings. Those hearings continued through seven phases ending in the late 1990s. Phase 8 of that process, the determination of who should provide the water to meet the requirements of the 1995 Water Quality Control Plan, was suspended to allow the parties to develop a settlement agreement. Implementation of the Sacramento Valley Phase 8 Water Management Agreement, which was signed by the parties in 2001, is now underway. The SWC has been actively involved in the environmental documentation for the overall ten-year program, which will yield up to 185,000 AF. Participating with the other contractors through the SWC helps reduce Metropolitan's cost and enhances its influence.

Bay-Delta funding supports implementation of the actions identified in the CALFED Record of Decision, including efforts to increase the Banks Pumping Plant capacity to 8,500 cfs; implementation of in-Delta and San Joaquin River water quality improvement projects; and development of an emergency response strategy in the event of levee failures.

Annually, the SWC board of directors approves the proposed budget and establishes member dues to pay for Bay-Delta activities. The Bay-Delta Fund expenditures have been adjusted over time to address areas of critical interest to the contractors related to the Delta. Bay-Delta Fund costs are allocated based on Maximum Table A amounts. Metropolitan's In-kind support is recognized in a reduced allocation of 25 percent. The FY 2006/07 proposed budget and actual expenditures for previous years are shown below.

		Actual	Approved	Projected	Proposed
		FY 2004/05	FY 2005/06	FY 2005/06	FY 2006/07
LEGAL SUPPORT	Best, Best & Krieger - Legal	\$72,499	\$80,000	\$60,000	\$80,000
	ESA Litigation Support	6,783	10,000	5,000	10,000
	Splittail Litigation	0	5,000	0	5,000
	KMT&G -- Legal	95,773	90,000	150,000	120,000
	Tulare v. United States	19,089	0	0	0
	CVPIA B(2) A/C Brief	617	0	25,000	0
	SWRCB Transcripts	0	5,000	0	0
	SWRI -- ISDP/CALFED	92,858	85,000	120,000	85,000
FISHERIES SUPPORT	Jim Buell -- Fish Screens	0	30,000	0	10,000
	Chuck Hanson -- Fisheries	85,555	100,000	60,000	100,000
	Science Review/OCAP Input	188,060	175,000	100,000	75,000
OTHER EXPENSES	San Joaquin Agreement	64,006	70,000	75,000	75,000
	Contingency Reserve	0	100,000	0	100,000
TOTAL EXPENSES		\$624,624	\$750,000	\$595,000	\$660,000

Section F – Municipal Water Quality Investigation Fund

DWR's \$2 million MWQI program develops information used to guide compliance with future drinking water standards and source supply water quality protection. The SWC through its MWQI Fund provides supplemental staffing and consulting services to enhance the effectiveness of DWR's MWQI efforts. DWR's MWQI program work plan and budget along with expenditures from the SWC's MWQI Fund are annually developed in consultation with the participating SWP contractors. In FY 2006/07, the MWQI Fund will support water quality forecasting, organic carbon quality studies and sanitary survey efforts. Contributions to the SWC's MWQI Fund will total \$200,000. Metropolitan's share, based on Table A amounts, is estimated to be \$134,440.

Section G – Accomplishments of the State Water Contractors

Significant recent accomplishments include:

Monterey Amendment

- Under a settlement agreement, DWR is preparing a new EIR for the Monterey Amendment. The SWC participated in an advisory committee. The SWC staff have raised concerns with the EIR process, provided technical input, and disputed points raised by the plaintiffs.

Oroville FERC Relicensing

- The SWC participated in DWR's ongoing efforts to relicense Oroville power facilities with FERC. The SWC influenced DWR's relicensing team: successful efforts to facilitate a negotiated settlement with various stakeholders and participated in directorate-level meetings with state and federal regulatory agencies to reach settlement on fishery issues.

SWP Energy Management

- Assessment of long-term power and transmission options: The SWC staff participated in development of strategic energy initiatives that addressed long-term power and transmission strategies. This work was applied to an assessment of restructuring the Reid Gardner #4 participation agreement with Nevada Power Company and providing technical support to DWR staff on a number of regulatory matters, such as, the restructuring of the California energy market by the California Independent System Operator.
- Risk Management Implementation: The SWC staff continued to participate in DWR's Risk Oversight Committee to influence power purchase and sales targets. SWC staff also monitored SWP purchase and sales transactions to ensure the sales strategy was followed. SWC staff and consultants are also supporting and participating in an outreach effort to power entities within California and the surrounding states.
- SWP Staffing Plan: The SWC staff and consultants have supported DWR's efforts to implement a staffing plan and its effort to contract for technical consulting services. In the interim, SWC staff and consultants have filled a staffing gap by providing technical expertise in planning and operations.
- Metered Subsystem: The SWC staff and consultants have supported negotiation with the ISO relating to MSS including the preparation of an economic analysis of the impacts of various terms and conditions.

Protection of Rate Management Credit (RMC)

- The SWC staff worked with DWR through the Audit Finance Committee to quantify cash available to Metropolitan and other contractors and to develop management measures to increase available funds.

Water Quality

- The SWC staff advanced water quality initiatives including implementing technical studies on a proposed pilot project at Franks Tract, and initiating a process to review DWR's "pump-in" policy for accepting groundwater to the California Aqueduct.
- The SWC facilitated SWP Contractors involvement with MWQI program, including management of the \$200,000 supplemental MWQI fund, which provided critical resources to advance monitoring and forecasting of SWP water quality. Also the SWC, Metropolitan and several SWC member agencies filed a CEQA lawsuit against Sacramento Regional County Sanitation District wastewater treatment plant expansion project. Litigation and settlement activities are in progress.

DWR Business Processes

- SWC staff assisted DWR in implementing its new business enterprise computer system project. The SWC committed staff to directly work with DWR in the creation of SWP-related business reports. The new reports have improved DWR's ability to track actual expenses against planned budgets and prepare more accurate budgets for the State Water Project. Staff also assisted in a study-reviewing overhead at DWR. Based on the

study analysis, direct billing of some overhead services to users will occur with implementation of the new business enterprise computer system.

FY 2006/07 Objectives of the State Water Contractors

Key objectives of the SWC for FY 2006/07 include:

Operate the State Water Project as a Business

- The SWC staff will continue to develop partnerships with DWR to provide greater customer value. The SWC views managing and operating the SWP as a business as a top priority for the DWR director. Monthly management meetings with DWR will continue to review progress on SWP business issues. Specific objectives will include continued development of management tools that effectively monitor costs and supporting policies that require managers to be more cost conscious.

Advance Bay-Delta Improvements

- The SWC staff and consultants will continue to advance the South Delta Improvement Program (SDIP) focusing on increasing the export capacity of Banks Pumping Plant in the south Delta from 6,680 cfs to 8,500 cfs. The final SDIP EIR/EIS is scheduled for release in the summer of 2006. The SDIP has been divided into two stages. Stage 1 would implement the operable barriers to more effectively meet agricultural water levels and water quality objectives in the south Delta. Stage 2 would increase diversions to 8,500 cfs by 2009, contingent on addressing pelagic fisheries issues, based on sound scientific principles and the completion of a Supplemental EIR/EIS. SWC will continue to work with DWR and other agencies to provide input for completion of the Delta Risk Management Study, participate in the development of a multi-species conservation plan for the Bay-Delta agencies, and the development of a long-term Delta vision for the Bay-Delta, for completion by 2008.

Develop Long-term SWP Energy Portfolio

- SWC staff and consultants will continue their leadership roles in refining energy planning and risk management processes and the associated tools. SWC will also participate to influence DWR on long-term strategic issues. Important long-term energy strategic issues anticipated to be addressed in FY 2006/07 include: the development of a detailed strategy for the potential renegotiation of the Reid Gardner #4 participation agreement, investigating long-term options for power supply including the SWP taking on an ownership type position in a power plant, determining the economics of pump cycling operations, pursuing physical alteration of the SWP power system, and continuing to support DWR's efforts to negotiate with ISO regarding metered subsystems.

Complete New EIR for Monterey Settlement

- The SWC staff will continue to influence DWR in its preparation of the draft EIR targeted for fall 2006 and final EIR planned for 2007.

Oroville Relicensing

- The SWC staff will continue to advance acquisition of a FERC license that protects power production and water supply. SWC staff will support the development and filing of draft EIR/EIS, the Clean Water Act (Section 401) certification and review of the project under the Endangered Species Act. The SWC and most of its member agencies – including Metropolitan – have joined in a settlement agreement with DWR and intervened at FERC. Should non-settlement agreement parties seek license conditions detrimental to our interest, SWC and its members would take appropriate actions.

Water Quality

- The SWC staff will continue to take actions to protect SWP water quality. These will include participating in efforts to prevent impacts from the Sacramento Regional County Sanitation Districts planned expansion and implementation of a groundwater pump-in policy. Staff will assist in the management of the MWQI Program and transition the management activity to the MWQI specific project committee of the SWPCA. Further, the SWC staff will support advancement of a water quality project at Franks Tract.