



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Executive Financial Report
For the Nine Months Ended March 31, 2007**

Executive Financial Report
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For the Nine Months Ended March 31, 2007

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Executive Financial Report for the Nine Months Ended March 31, 2007

A summary of the accrual basis statement of operations activity for the nine months ended March 31, 2007 as well as the changes in the balance sheet for March 2007 is discussed below.

Statements of Operations (page 2)

Net Income of \$177.8 million was \$23.7 million more than the prior year's net income of \$154.1 million. Included in the variance were higher operating revenues of \$18.9 million and other income-net of \$22.7 million, partially offset by higher operating expenses of \$17.9 million. These items are further described below.

Operating revenues for the nine months ended March 31, 2007 totaled \$768.0 million, which was \$18.9 million more than prior year operating revenues of \$749.1 million. The increase was primarily due to \$16.9 million higher water sales, of which \$11.2 million was due to higher volumes and \$5.7 million related to higher prices.

Operating expenses for the nine months ended March 31, 2007 totaled \$641.0 million, which were \$17.9 million more than prior year operating expenses of \$623.1 million. The increase was due primarily to \$15.4 million of higher O&M costs, of which \$12.9 million related to the accrual of "other than pension postemployment benefits" (OPEB) in the current period and recorded in June 2006 for the prior fiscal year.

Other income-net of \$50.8 million was \$22.7 million more than prior year other income-net. This increase was due primarily to \$22.1 million higher investment income of which \$21.4 million resulted from the change in fair value adjustment.

Balance Sheets (page 3)

At March 31, 2007, assets totaled \$10.4 billion, which were \$366.2 million higher than March 31, 2006. This variance included \$525.1 million of higher property, plant and equipment, net (PP&E) and \$29.3 million of higher accounts receivables; partially offset by \$169.8 million of lower cash and investments and \$28.6 million of lower prepaid State Water Project entitlements. The higher PP&E was primarily due to construction progress on the Oxidation Retrofit programs, Treatment Plant Improvement programs, Inland Feeder, Skinner Filtration Plant Expansion 4, Chlorine Containment and Handling facilities, and San Diego Pipeline No. 6. The \$29.3 million increase in accounts receivable included \$20.2 million of higher water sales receivables and \$6.7 million of higher tax receivable, which was due to timing. Partially offsetting these increases, was a reduction in cash and investments of \$169.8 million due primarily to construction expenditures and a \$28.6 million net decrease in prepaid State Water Project entitlements reflecting the write-off of \$56.4 million of previously capitalized minimum OMP&R costs as a June 30, 2006 audit adjustment and additional capital payments recorded to the prepaid account for amortization over the term of the contract.

Liabilities totaled \$4.8 billion at March 31, 2007, which were \$281.2 million more than March 31, 2006. This increase was due primarily to a \$232.4 million of higher long-term debt and \$49.1 million of higher accounts payable. The net increase in long-term debt was due to \$300.0 million of revenue bonds issued August 2006, partially offset by principal paydowns, refundings and cash defeasances of debt. The increase in accounts payable included \$34.6 million related to the OPEB liability of which \$21.7 million was recorded in June 2006 for fiscal year 2006 activity.

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>
	2007	2006	
Operating Revenues:			
Water Sales	\$ 654.3	\$ 637.4	\$ 16.9
Wheeling / Exchange	9.8	6.5	3.3
Readiness-to-Serve	60.0	60.0	(0.0)
Capacity Charge	24.2	23.8	0.4
Power Sales	19.7	21.4	(1.7)
Total Operating Revenues	768.0	749.1	18.9
Operating Expenses:			
Cost of Water	225.0	228.3	3.4
Operations & Maintenance	231.7	216.3	(15.4)
Water Management Programs, Net	29.5	25.4	(4.1)
Depreciation & Amortization	154.8	153.0	(1.8)
Total Operating Expenses	641.0	623.1	(17.9)
Net Operating Income	127.0	125.9	1.0
Other Income (Expense):			
Net Taxes/Annexations	74.3	75.2	(0.9)
Investment Income ⁽¹⁾	46.7	24.6	22.1
Bond Interest Expense	(68.2)	(73.4)	5.1
Other	(1.9)	1.8	(3.7)
Total Other Income - Net	50.8	28.2	22.7
Net Income	\$ 177.8	\$ 154.1	\$ 23.7

Sales Statistics (average prices calculated using exact rather than rounded dollar amounts):

Water Sales (TAF)	1,646.7	1,618.5	28.2
Wheeling/Exchange (TAF)	37.9	25.2	12.7
Power Sales (mWh)	378.3	377.2	1.1
Average Sales Price			
Water Sales	\$ 397.35	\$ 393.82	\$ 3.53
Wheeling/Exchange	\$ 258.03	\$ 258.24	\$ (0.20)
Power Sales	\$ 0.05	\$ 0.06	\$ (0.00)

Ratios:

Operating (Operating Expense* divided by Operating Revenue) 63.3 % 62.8 %

* Excludes depreciation and amortization expense.

Revenue Bond Debt Service Coverage (rolling 12 months) - Cash Basis

(Net receipts divided by annual revenue bond principal and interest requirements) 1.88 x 2.02 x

Notes:

(1) Includes fair value adjustment of \$11.7 million and (\$9.7) million at March 31, 2007 and 2006, respectively.

The Metropolitan Water District of Southern California

Balance Sheets - Accrual Basis (Dollars in millions)

		March 31,		<i>Increase/ (Decrease)</i>
		2007	2006	
Assets:				
Cash and investments at book value (1)	\$	902.2	\$ 1,072.1	\$ (169.8)
Fair Value Adjustment		3.6	(5.2)	8.8
Accounts Receivable		221.5	192.2	29.3
Property, Plant and Equipment, net		7,030.5	6,505.4	525.1
Prepaid State Water Project Entitlements, net		1,564.0	1,592.6	(28.6)
Participation Rights, net		262.6	264.7	(2.2)
Deferred Charges and Water Rights		309.9	301.4	8.6
Other		123.1	128.2	(5.1)
Total Assets	\$	10,417.4	\$ 10,051.3	\$ 366.2
Liabilities and Equity:				
Long-Term Debt	\$	4,100.4	\$ 3,868.1	\$ 232.4
Off-Aqueduct Power Facilities		75.0	83.6	(8.7)
Accounts Payable and Accrued Bond Interest		136.2	87.1	49.1
Deferred Income		81.3	75.4	5.9
State Water Project Obligations		290.7	293.1	(2.5)
Trust Funds and Other		83.3	78.3	5.0
Total Liabilities		4,766.8	4,485.6	281.2
Equity		5,650.6	5,565.6	85.0
Total Liabilities and Equity	\$	10,417.4	\$ 10,051.3	\$ 366.2

Debt as a percent of equity (Long-Term Debt divided by Equity) 72.6 % 69.5 %

(1) Fair value of cash and investments was \$905.8 million and \$1,066.9 million at March 31, 2007 and 2006, respectively.

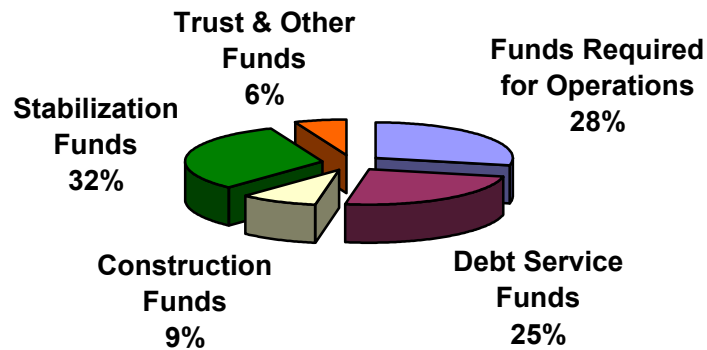
Certain reclassifications of prior year amounts have been made to conform to current year's presentation.

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Cash and Investments at Book Value As of March 31, 2007 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 145.7	\$ 108.6	\$ 1.1	\$ 255.4
Debt Service Funds	221.4	-	-	221.4
Construction Funds	59.4	-	22.4	81.8
Stabilization Funds	-	-	287.4	287.4
Trust & Other Funds	38.3	17.9	-	56.2
Total	\$ 464.8	\$ 126.5	\$ 310.9	\$ 902.2



Executive Financial Report for the Nine Months Ended March 31, 2007 Actual to Estimate

A summary of accrual basis operations and construction activity for the nine months ended March 31, 2007 compared to estimate for the same period is discussed below.

Actual vs. Estimate (page 6)

Operating revenues of \$768.0 million were \$37.4 million higher than estimate, due primarily to \$35.1 million of higher than estimated water sales of which \$5.7 million related to higher prices and \$29.4 million related to higher volumes. Water sales volumes totaled 1,646.7 thousand acre-feet (TAF), or 74.6 TAF more than the estimate of 1,572.0 TAF.

Operating expenses of \$641.0 million were \$38.9 million less than the \$679.9 million estimate primarily due to \$23.1 million lower cost of water and \$15.9 million less in O&M costs. The lower cost of water was due to \$9.6 million more in State Water Contract credits for prior year adjustments and lower than expected power costs. O&M was lower than expected as \$8.1 million of operating equipment budgeted for December was delayed until later in the fiscal year and water treatment costs were \$4.2 million less than estimate.

Other income-net totaling \$50.8 million was \$29.0 million more than estimate, which included \$20.0 million of higher than anticipated investment income and \$9.4 million of lower bond interest expense. Included in the higher investment income was \$11.7 million of fair value adjustment, which was not part of the estimated amount. The lower bond interest expense reflected better than anticipated results from the bond refunding program, including lower interest rates.

Construction Activity (page 9)

Construction costs for the nine months ended March 31, 2007 totaled \$410.7 million, which was \$17.7 million, or four percent, under estimate. The Oxidation Retrofit Programs (ORP) were \$41.3 million less than estimate due primarily to timing of work performed. Perris Valley pipeline was \$23.4 million less than estimate due to a change in the project delivery approach. For both the ORP and Perris Valley Pipeline, fiscal year costs are expected to be substantially under the original estimate. Partially offsetting these favorable variances were the treatment plant improvement projects, \$23.2 million higher than estimate, and Inland Feeder, which was \$15.8 million over estimate, reflecting progress on the tunnel work and the change in contractual costs. Treatment plant improvements are over estimate due primarily to accelerated work at the Skinner plant. Total Construction costs are projected to be \$520.0 million or seven percent below budget 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, 2007
(Dollars in millions)

	Estimate to Date	Actual to Date	Favorable/ (Unfavorable) Variance		Fiscal Year End				
					Annual	Projected	Favorable/ (Unfavorable) Variance		
					Estimate	Year-End	\$	%	
Operating Revenues									
Water Sales	\$ 619.2	\$ 654.3	\$ 35.1	6%	\$ 858.4	\$ 876.9	\$ 18.5	2%	
Wheeling/Exchange	10.1	9.8	(0.3)	(3%)	15.0	14.4	(0.6)	(4%)	
RTS	60.0	60.0	-	0%	80.0	80.0	-	0%	
Capacity Charge	24.4	24.2	(0.3)	(1%)	32.6	32.6	-	0%	
Power Sales	17.0	19.7	2.7	16%	22.7	39.3	16.6	73%	
Total Operating Revenues	730.7	768.0	37.4	5%	1,008.7	1,043.2	34.5	3%	
Operating Expenses									
Operations & Maintenance	247.6	231.7	15.9	6%	344.2	344.2	-	0%	
Cost of Water	248.1	225.0	23.1	9%	338.9	327.1	11.8	3%	
Water Mgt. Programs	28.4	29.5	(1.1)	(4%)	37.8	37.8	-	0%	
Depreciation & Amortization	155.9	154.8	1.1	1%	207.8	207.8	-	0%	
Total Operating Expenses	679.9	641.0	38.9	6%	928.7	916.9	11.8	1%	
Operating Income	50.7	127.0	76.3	150%	80.0	126.3	46.3	58%	
Other Income/(Expense)									
Net Taxes/Annexations	73.9	74.3	0.4	1%	98.5	98.5	-	0%	
Investment Income	26.7	46.7 ⁽¹⁾	20.0	75%	35.6	35.6	-	0%	
Bond Interest Expense	(77.6)	(68.2)	9.4	12%	(103.5)	(101.0)	2.5	2%	
Other	(1.1)	(1.9)	(0.8)	68%	(1.5)	(1.5)	-	0%	
	21.8	50.8	29.0	133%	29.1	31.6	2.5	9%	
Net Income	\$ 72.6	\$ 177.8	\$ 105.3	145%	\$ 109.1	\$ 157.9	\$ 48.8	45%	
Sales Statistics:									
Water Sales (TAF)	1,572.0	1,646.7	74.6	5%	2,157.4	2,189.4	32.0	1%	
Wheeling Sales (TAF)	39.0	37.9	(1.1)	(3%)	58.0	55.7	(2.3)	(4%)	

Notes:

(1) Includes fair value adjustment of \$11.7 million not included in estimate.

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Operations and Maintenance, Cost of Water, and Capital Investment Plan

Estimate vs. Actual - Accrual Basis

(Dollars in millions)

For the Nine Months Ended March 31, 2007

	Estimate to Date	Actual to Date	Favorable/ (Unfavorable)	
			Variance \$	%
Operations & Maintenance				
Fixed				
Personnel	\$ 167.8	\$ 168.3	\$ (0.5)	(0%)
Materials & Supplies	9.9	12.3	(2.4)	(25%)
Professional Services	12.2	13.2	(1.0)	(8%)
Outside Non-Professional Services	12.9	10.9	2.1	16%
Other	12.7	(0.8)	13.5	106%
Total Fixed	215.5	203.9	11.6	5%
Variable				
Water Treatment Chemicals	20.7	17.4	3.3	16%
Utility Costs	11.4	10.5	1.0	9%
Total Variable	32.1	27.9	4.2	13%
Total Operations & Maintenance	\$ 247.6	\$ 231.7	\$ 15.9	6%
Cost of Water				
Cost of Water	\$ 254.1	\$ 240.6	13.5	5%
SWP Prior Year Adjustments	(6.0)	(15.6)	9.6	(160%)
Total Cost of Water	\$ 248.1	\$ 225.0	\$ 23.1	9%
Capital Investment Plan	\$ 428.4	\$ 410.7	\$ 17.7	4%

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, 2007 (Dollars in millions)

Component	Estimate to Date	Actual to Date	<i>Favorable/ (Unfavorable)</i> <i>Variance</i>	
			\$	%
Fixed				
Personnel	\$167.8	\$168.3	(\$0.5)	(0%)
Professional Services	12.2	13.2	(1.0)	(8%)
Outside Non-Professional Services	12.9	10.9	2.1	16%
Materials & Supplies	9.9	12.3	(2.4)	(25%)
Communications Expense	2.4	2.3	0.1	5%
Travel Expense	1.5	1.5	(0.1)	(5%)
Training	0.7	0.4	0.3	38%
Memberships & Subscriptions	1.6	1.6	(0.0)	(2%)
Equipment Expensed	9.1	1.0	8.1	89%
Equipment Rents/Leases	0.7	0.8	(0.1)	(8%)
Insurance	4.2	2.3	1.9	45%
Agency Dues	2.2	1.8	0.4	19%
Rents/Leases	0.3	0.2	0.1	23%
Overhead Credit from Construction	(13.3)	(16.4)	3.2	(24%)
Other	3.2	3.6	(0.4)	(12%)
Total Fixed Costs	215.5	203.9	11.6	5%
Variable				
Water Treatment Chemicals	20.7	17.4	3.3	16%
Utility Costs:				
Utilities	7.4	7.3	0.1	2%
Sludge Removal	2.9	2.2	0.7	24%
Permits	1.1	1.0	0.1	13%
Total Variable Costs	32.1	27.9	4.2	13%
Total O&M	\$247.6	\$231.7	\$15.9	6%
Water Sales - Thousand Acre-Feet	1,572.0	1,646.7	74.6	5%

Totals may not foot / cross foot due to rounding.

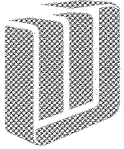
The Metropolitan Water District of Southern California

Estimate vs. Actual: Construction Activities - Accrual Basis
For the Nine Months Ended March 31, 2007
(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	\$ 302.4	\$ 307.7	\$ (5.3)	(2%)	\$ 396.2	\$ 367.0	\$ 29.2	7%	
R & R/General Funds	126.0	103.0	23.0	18%	165.1	153.0	12.1	7%	
Total	\$ 428.4	\$ 410.7	\$ 17.7	4%	\$ 561.3	\$ 520.0	\$ 41.3	7%	
Program Expenditures									
Oxidation Retrofit Programs	\$ 132.6	\$ 91.4	\$ 41.3	31%	\$ 171.0	\$ 108.0	\$ 63.0	37%	
Treatment Plant Improvement	73.3	96.5	(23.2)	(32%)	90.6	109.0	(18.4)	(20%)	
Perris Valley Pipeline	38.4	15.0	23.4	61%	51.8	15.0	36.8	71%	
Inland Feeder	39.0	54.7	(15.8)	(40%)	51.8	80.0	(28.2)	(54%)	
Skinner Filtration Plant Expansion No. 4	27.4	40.6	(13.1)	(48%)	31.7	44.0	(12.3)	(39%)	
Chlorine Containment and Handling Facilities	21.4	22.1	(0.6)	(3%)	31.0	35.0	(4.0)	(13%)	
Diemer - Solids Handling/Water Reclamation	12.5	9.9	2.6	21%	15.1	12.0	3.1	21%	
Distribution System - Rehabilitation Program	11.0	13.3	(2.3)	(21%)	13.6	14.0	(0.4)	(3%)	
Diamond Valley Lake Recreation	9.7	10.2	(0.4)	(5%)	13.4	12.0	1.4	10%	
CRA - Reliability/Containment Programs	5.8	7.6	(1.8)	(32%)	9.8	16.0	(6.2)	(63%)	
Other	57.1	49.4	7.7	13%	81.4	75.0	6.4	8%	
Total	\$ 428.4	\$ 410.7	\$ 17.7	4%	\$ 561.3	\$ 520.0	\$ 41.3	7%	

Major Program Statistics

	Current	Project-		
	Program	to-Date	%	%
	Estimate	Mar. 07	Spent	Complete
Inland Feeder	\$ 1,186.5	\$ 923.7	78%	82%
Oxidation Retrofit Program	901.0	439.6	49%	50%
Treatment Plant Improvement Projects	505.4	186.6	37%	41%
Chlorine Containment and Handling Facilities	163.8	51.6	31%	40%
CRA - Reliability/Containment Programs	161.2	68.8	43%	51%
Skinner Expansion No. 4	147.0	135.7	92%	92%
Diamond Valley Lake Recreation	97.5	61.5	63%	65%



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: April 11, 2007
To: Board of Directors
From: General Counsel
Subject: Review as to Eligibility of Securities Invested in by the
Treasurer for the Month of March 2007

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 2007 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.


Karen L. Tachiki

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