STATE OF CALIFORNIA • THE RESOURCES AGENCY • DEPARTMENT OF WATER RESOURCES

NOTICE TO STATE WATER PROJECT CONTRACTORS

NUMBER: 00-18

DATE: DEC 1 8 2000

SUBJECT: Notices of Contest Regarding the Accuracy of Statements of Charges

FROM: Director, Department of Water Resources

The water supply contracts require the contractors to give Notices of Contest regarding the accuracy of Statements of Charges to the State no later than 10 days prior to the date payments are due. However, the Department of Water Resources recognizes several areas must be left open for potential adjustment.

Accordingly, the contractors shall have until December 21, 2001 to file Notices of Contest and to pursue other available remedies on Statements of Charges previously submitted for those contested items listed below which remain unresolved:

1. All costs incurred after January 1, 2000.

2. All charges affected by procedures for determining repayment of off-aqueduct power facilities.

In addition, the following previously contested items outlined in the State Water Contractors' letter of June 14, 1994 are open, and additional Notices of Contest of these items are not necessary.

1. Source of funding for some statewide planning tasks currently charged to the water contractors.

2. Source of funding for certain programs including:

   - Delta facilities planning and evaluation
   - Delta facilities operations and maintenance
   - Bay/Delta Environmental Protection Study

3. Costs of the Suisun Marsh facilities which remain unresolved by the Suisun Marsh Agreement.

4. Source of funding and cost of routine sediment removal activities in the San Luis Canal.

5. Project energy costs and related activities as follows:

   - Costs affected by project purpose allocations

   - Reimbursable expenditures remaining to be audited and reviewed by the contractors for Reid Gardner Powerplant

6. Reimbursement by the Los Angeles Department of Water and Power for costs of the Upper Castaic Canyon Recreation Development Plan.

7. Contra Costa Canal intake relocation costs charged to the contractors.

8. Statewide benefits accruing as a result of State Water Project expenditures for certain groundwater basins other than the Kern Water Bank.

9. The beneficiaries and funding of the State Water Project future water supply program.

10. The beneficiaries and funding of the recreation planning and implemention program.

11. Costs associated with Los Banos Grandes and Arroyo Pasajero which may be outside the scope of the water supply contract.

In addition, the long-term water supply contracts provide that any overpayment or underpayment to the State in any year by reason of error in computation or other causes shall be adjusted in the succeeding year. Under this provision, the Department makes adjustments to the Statements of Charges without regard to time limitations. This provision applies, but is not limited to, the findings in audit reports of Ernst & Young LLP (Independent Audit Association) and Richardson & Company (Metropolitan Water District of Southern California) for costs charged to the State water facilities as of December 31, 1999 and the annual Statement of Charges rendered by the Department dated June 30, 2000.