



STATE OF CALIFORNIA

RESOURCES AGENCY

DEPARTMENT OF WATER RESOURCES

# NOTICE TO STATE WATER PROJECT CONTRACTORS

NUMBER: 03-12

DATE: DEC 19 2003

SUBJECT: Notice of Contest Regarding the  
Accuracy of Statement Charges

FROM:

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DIRECTOR, DEPARTMENT OF WATER RESOURCES

The water supply contracts require the contractors to give Notice 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, 2004 to file Notices of Contest and to pursue other available remedies on Statement of Charges previously submitted for those contested items listed below which remain unresolved:

1. All costs incurred after January 1, 2003.
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. Sources 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:
  - Cost 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 implementation program.
11. Costs associated with Los Banos Grandes and Arroyo Pasajero which may be outside the scope of the water supply contact.

In addition, the long-term water supply contacts 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 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 to Southern California) for costs charged to the State water facilities as of December 31, 2002, and the annual Statement of Charges rendered by the Department dated June 30, 2003.