



One Water and Adaptation Committee

Report on Metropolitan's State Water Project 2026 Statement of Charges and Audit

Item 6a

February 9, 2026

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Report on
State Water
Project 2026
Statement of
Charges and
Audit

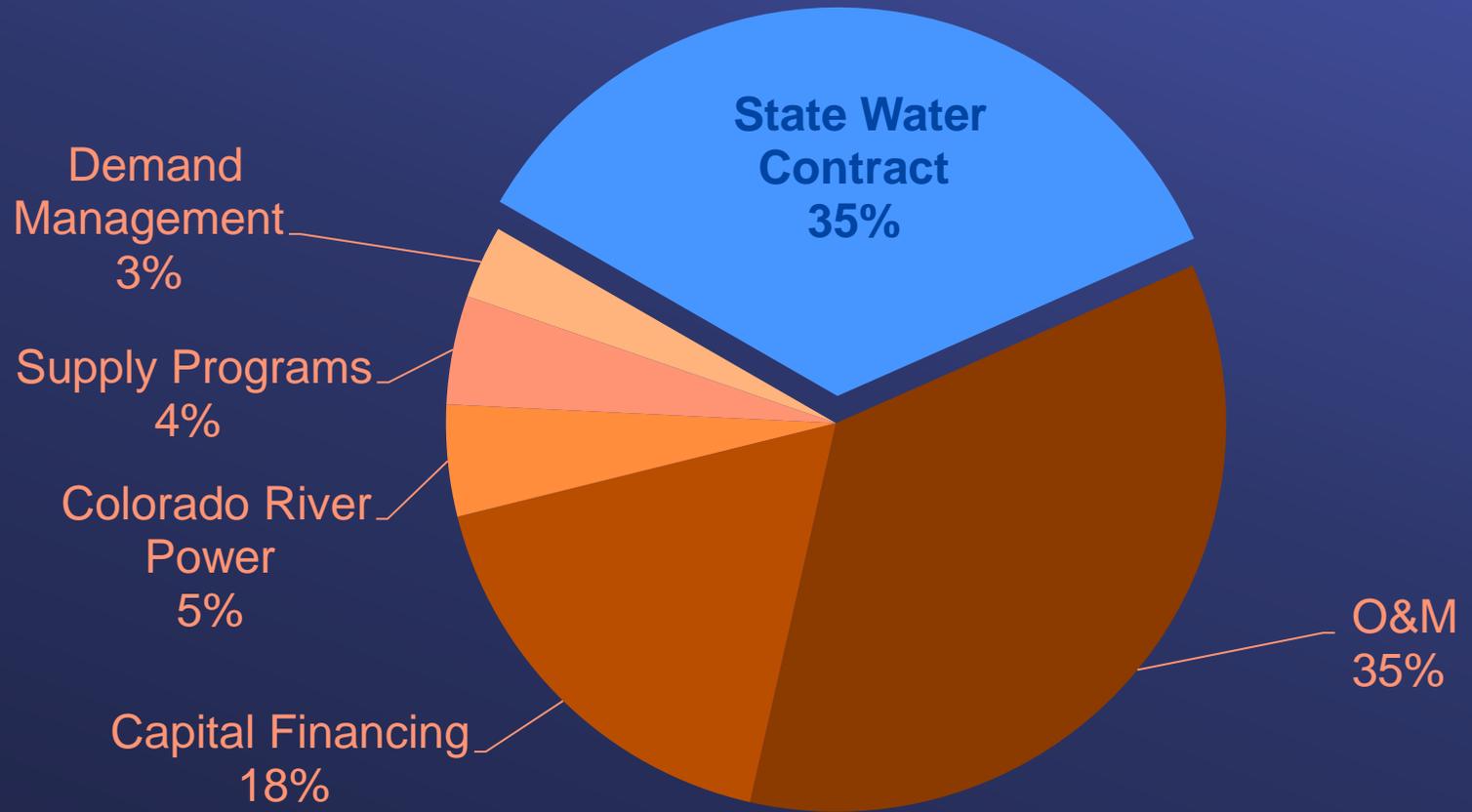
Subject

Report on Metropolitan's State Water Project
2026 Statement of Charges and Audit

Purpose

Inform on State Water Project charges
consistent with Metropolitan's Administrative
Code section 5112

State Water
Project is
Metropolitan's
Second
Largest Budget
Expenditure at
\$704 Million
FY 2025/26



Overview

Statement of Charges

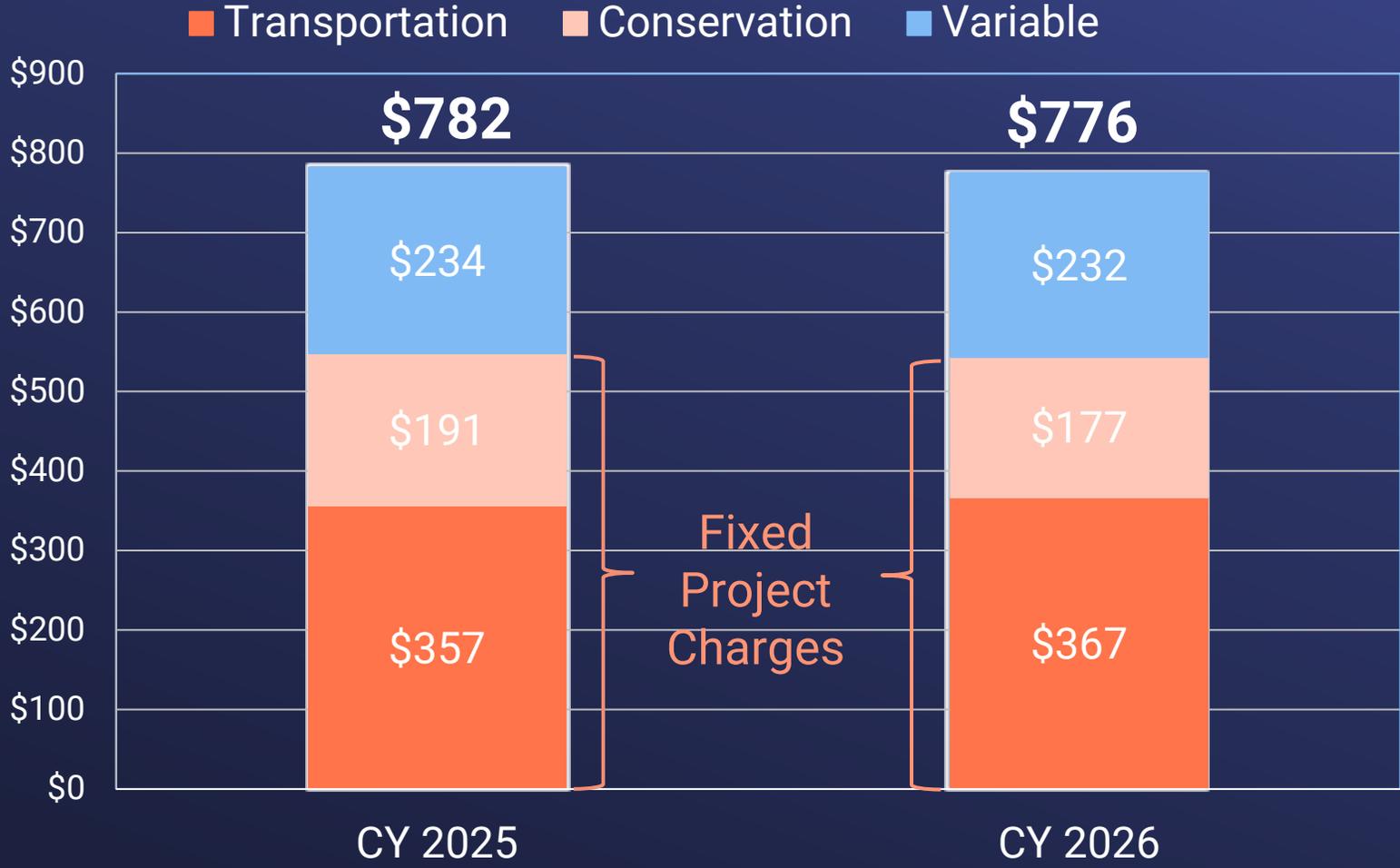


- Package of invoices and supporting documents
- Two categories of charges
 - Variable
 - Fixed Project
 - Transportation
 - Conservation

SWP Statement of Charges Comparison

Calendar Year

(\$'s in millions)



Decrease in Conservation Charges:

- Regulatory Compliance and Conservation programs

Increase in Transportation Charges:

- Issuance of 8-year bond for remaining costs incurred prior to contract extension

*Excludes Delta Conveyance Project

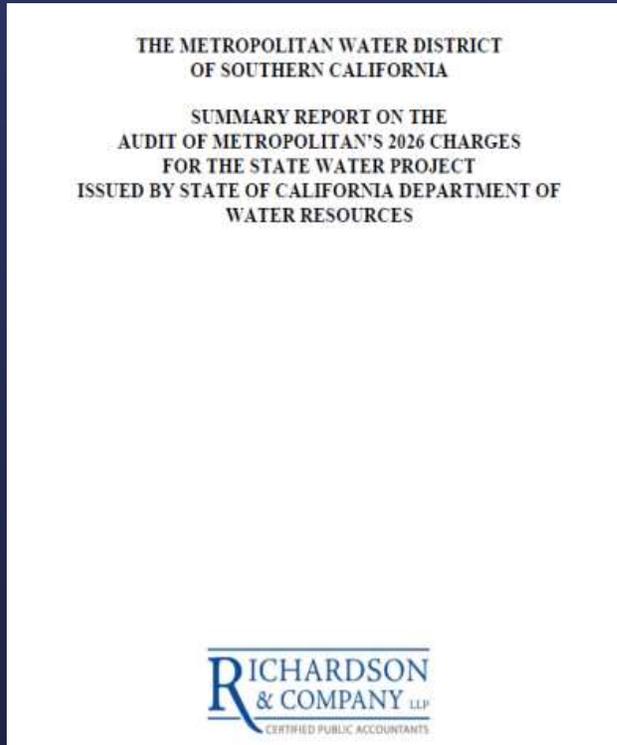
Background
Richardson
& Company



Richardson Contract Ensures Accuracy of our State Water Project Charges

- Audits annual charges for over 30 years
 - Specialized contractual audit
 - Summary and detailed audit reports
- Provides expert technical support

Audit Findings



Findings	Number of Findings	Net Dollar Amount
Resolved this Year	7	(\$9.1M) Owed to DWR
Unresolved	83*	\$290M** Owed to MWD

* Includes 12 new findings with a net dollar amount of \$45.6M

** Includes Water System Revenue Bond Surcharge estimation under discussion with Department of Water Resources (DWR)

Overview

Water System Revenue Bond Surcharge Debt Service Billing Project



- Complex technical policy issues that impact multiple charges
 - Impact on charges varies
- Resolves several audit report findings
 - DWR doesn't agree with all audit findings
 - Includes items referenced in \$75M refund received from DWR in November 2025
- Summer 2026: Planning to begin settlement discussions

Next Steps

- Return in the future years for periodic updates on the Statement of Charges
- Provide progress updates with respect to resolution of audit findings as needed

