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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

EXECUTIVE SECRETARY

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May 31, 1994

To: Board of Directors
From: General Counsel
Subject: Legal Department Report for May 1994

This report discusses significant matters with which the Legal Department was concerned during May 1994.

I. Litigation

A. Proceedings in Which Metropolitan Is a Party

Metropolitan v. Harley M. Faulkner et al.

The second trial in the Domenigoni Valley Reservoir eminent domain cases commenced on May 19 in the case of Metropolitan v. Harley M. Faulkner et al., Riverside County Superior Court Case No. 225219. The case involved a 20-acre property that was split into two parcels. One parcel was improved with a manufactured home and horse corrals.

Metropolitan had the property appraised by Frances Wolfe, MAI, who testified that the fair market value of the property was \$440,000. The owners' appraiser, J. William Murphy, testified to a value of \$1,047,000. The owners had also alleged precondemnation damages in the sum of \$25,000. The precondemnation damage claim was dropped at the commencement of the trial.

Metropolitan's final settlement offer was \$750,000, which constitutes a split between the two appraisals. The owners' final settlement demand was \$875,000. The trial concluded on May 28 with the jury returning a verdict of \$680,000. As the verdict was below Metropolitan's final offer, Metropolitan will not be liable to pay the litigation expenses of the property owners.

B. Proceedings of Interest to Metropolitan

Nothing to report at this time.

II. Resource/Environmental Issues

1. State Water Contract

A member of staff continued to participate in the Los Banos Grandes Reservoir planning agreement discussions with the major issue to be addressed that of the extent of control the state water contractors would have over the planning process.

Work also continued on discussions relating to Article 18 issues, with both the General Counsel and a member of the staff participating in discussions with the other state water contractors.

2. Bay/Delta Hearings

A member of the staff worked with the General Manager's staff and other members of the urban coalition (Urban State Water Contractors and San Francisco) on comments which were submitted to the State Water Resources Control Board's May 16 workshop. The issues addressed included how to accommodate state resources law with the requirements of the Federal Endangered Species Act, the effects of diversions in the estuary other than by the State Water Contract and the Central Valley Project and the proper use of biological and water supply models. Another hearing is scheduled for June to address topics such as the decline of the fishery from causes other than water diversions.

3. Water Transfers-Areias

Two members of staff assisted the General Manager's staff in preparing appropriate documentation for this water transfer.

4. Colorado River-Endangered Species

The Assistant General Counsel and a member of the staff continued to assist in the preparation and negotiation of a memorandum of agreement to be signed by the three lower basin states which will provide a process for the potential development of a lower basin management plan for listed and sensitive species on the river.

III. Contracts

1. Sun Desert Agreements

The Assistant General Counsel continued to work with the General Manager's staff in the negotiations and preparation of appropriate documentation, subject to your Board's approval, of the extension of the water supply agreements, originally executed by Metropolitan and the San Diego Gas and Electric Company in 1976, whereby Metropolitan agreed to supply up to 17,000 acre-feet a year to a power plant to be located in Blythe, California for a period of 40 years. Because approval of the power plant has not been obtained to date, San Diego has requested that Metropolitan extend the term of the agreement to 50 years from the date approval is received or the year 2053, whichever comes first.

2. AMP Negotiations

Two members of the staff have been assisting the General Manager's staff in the negotiations regarding possible acquisition of the AMP pipeline in Orange County. Particular issues which required considerable attention in this last month related to the acquisition of right of way and certain operational issues.

3. South County Pipeline Capacity

A member of staff worked with the General Manager's staff in negotiations with the Santa Margarita Water District involving the potential acquisition of the South County Pipeline.

IV. Environmental Issues

A member of staff worked on the following environmental documentation, West Valley Project draft EIR, Semitropic Groundwater Banking Project draft EIR, Addendum No. 2 to the final EIR for the Inland Feeder Project, proposed initial study and mitigated negative declaration for the Jensen Filtration Plant Oxidation Retrofit Program and, proposed negative declaration for the oxidation retrofit of the Skinner Filtration Plant.



N. Gregory Taylor