

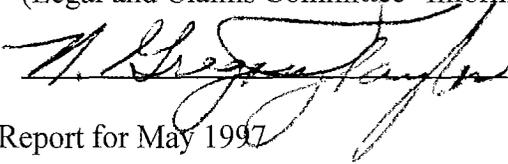


MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

9-2

May 30, 1997

To: Board of Directors (Legal and Claims Committee--Information)
From: General Counsel 
Subject: Legal Department Report for May 1997

RECOMMENDATION(S)

For information only.

EXECUTIVE SUMMARY

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

DETAILED REPORT

I. Recent Developments of Interest to Metropolitan

Natural Resources Defense Counsel, et al. v. United States Department of Interior, et al.

On May 21, 1997 the United States Court of Appeal for the Ninth Circuit on a two to one vote ruled that the U.S. Fish and Wildlife Service (Service) failed to comply with its statutory obligation under the federal Endangered Species Act (ESA) to designate critical habitat when it listed the coastal California gnatcatcher as a threatened species, and failed to articulate a rational basis for invoking the rare imprudence exception to the critical habitat designation requirement.

Under section 4 of the federal ESA the listing of a threatened species must be accompanied by the concurrent designation of critical habitat for that species "to the maximum extent prudent and determinable." Designation of critical habitat triggers the protections of section 7 of the federal ESA. Section 7 requires that federal agencies consult with the Secretary of the Interior (Secretary) to ensure that actions authorized, funded, or carried out by federal agencies do not harm critical habitat. At the time of the March 30, 1993 listing of the gnatcatcher as a threatened species, the Service found that the loss of the gnatcatcher's coastal sage scrub habitat posed "a significant threat to the continued existence of the coastal California gnatcatcher." However, the Service concluded that a critical habitat designation would not be "prudent" because the Service claimed (1) that the public identification of critical habitat would increase the risk that landowners might deliberately destroy gnatcatcher habitat; and (2) that critical habitat designation "would not appreciably benefit" the gnatcatcher because most gnatcatcher habitat is found on private lands to which the section 7 consultation requirement does not apply. As a third line of defense, the Service argued that a "far superior" means of protecting gnatcatcher habitat is provided by California's "Comprehensive Habitat Management Program" created by California's Natural Community Conservation Planning Act (NCCP Act).

The Court noted that with respect to the "increased threat" rationale, the final listing decision for the gnatcatcher cited only 11 cases of habitat destruction out of 400,000 acres of gnatcatcher habitat and did not explain how such evidence shows that designation would cause more landowners to destroy, rather than protect, gnatcatcher sites. With respect to the Service's second reason stated in its final listing for declining to designate habitat, namely that such designation would "not appreciably benefit the species", the Court stated that out of the approximately 400,000 acres of gnatcatcher habitat the Service had found over 80,000 acres where publicly-owned and therefore subject to section 7 requirements. The Court also noted that other privately-owned lands would be subject to section 7 if their use involved any form of federal agency authorization or action. The Court rejected this rationale because it found the Service did not explain why a designation that would benefit such a large portion of critical habitat is not "beneficial to the species" within the plain meaning of the ESA regulations and "prudent" within the meaning of the federal ESA.

The Court also rejected the Service's reliance on the NCCP Act as a "far superior" means of protecting gnatcatcher habitat. The Court first found that that argument was not properly before it since the regulations under the CESA require that the reasons for not designating critical habitat must be stated in the proposed final listing rule for that species. The Court also found that even if it were properly before it, the NCCP alternative does not justify the Service's failure to designate critical habitat and that the NCCP alternative is not a functional substitute for critical habitat designation.

We are still in the process of reviewing this very recent decision. It does not appear to have any immediate or direct impact on the federal ESA section 10 take authorizations for gnatcatcher which Metropolitan has received under the Lake Mathews MSHCP/NCCP and through participation in the Orange County Central and Coastal Subregional NCCP/HCP.

II. Litigation to Which Metropolitan is a Party

Metropolitan vs. All Persons Interested

Imperial Irrigation District's motion to transfer the action to a neutral county was heard on May 19, 1997. Metropolitan argued successfully for assignment of the matter to a neutral judge appointed by the Judicial Council, rather than moving the action to another venue. The hearing on the demurrer filed by Imperial, which had been set for May 30, was taken off calendar and will be rescheduled after the new judge is assigned to this matter. Finally, the court extended the deadline for any response by the San Diego County Water Authority until the date which is two weeks prior to the hearing on Imperial's demurrer.

Southwest Center for Biological Diversity v. U.S. Bureau of Reclamation

Judge Carol of the Federal District Court of Arizona heard, and took under submission, four motions at a May 15, 1997 hearing in the above case. Plaintiff has alleged that Lake Mead has risen to a level which is drowning cottonwood and willow trees in the Lake Mead Delta, which are used as habitat by the endangered southwestern willow flycatcher. They seek an order requiring the United States Bureau of Reclamation (USBR) to lower the level of the lake by about 22 feet, which would cause the release of 3.5 to 6 million acre-feet of water stored in Lake Mead and Lake Powell. Plaintiff subsequently amended its complaint to allege that a biological opinion recently issued by the United States Fish and Wildlife Service (USFWS) does not adequately protect the flycatcher.

Preliminary Injunction. The judge first heard plaintiff's request to issue a preliminary injunction requiring USBR to immediately lower the level of Lake Mead pending resolution of the action. The judge took no action on that request and indicated that he would first require more information from the parties. It does not appear that the judge will consider issuing such an order until the matter is more fully briefed.

USBR Motion to Dismiss. USBR moved to dismiss the claim against it based on plaintiff's failure to serve a 60 day notice on USBR prior to bringing the litigation and because the issuance of the biological opinion makes the claim moot.

States' Motion to Dismiss. All seven Colorado River basin states joined in a motion to dismiss the entire action because they are interested parties who cannot be joined. The Federal Rules of Civil Procedure require that all interested parties be joined in litigation affecting them, and that the case should generally be dismissed if they cannot be joined. The states argue that while they are affected by the action, they can not be joined because of their Eleventh Amendment immunity from suit in federal court, so that the case must be dismissed.

Motions to Intervene. Metropolitan, the Arizona Power Authority and the Southern Nevada Water Authority moved to intervene in support of the USBR and USFWS.

The court took the USBR's, states' and intervenors' motions under submission.

Planning and Conservation League, et al. v. Department of Fish and Game, et al.; San Bernardino Valley Audubon Society v. Metropolitan Water District, Department of Fish and Game (RCHCA)

Last month we reported that on April 10, 1997, the California Court of Appeal (Court) issued a published decision in the Planning and Conservation League v. Department of Fish and Game case (PCL), in which it ruled that the Department of Fish and Game (Department) had erred in its long-standing interpretation that the California Endangered Species Act (CESA) permits the "take" of candidate, threatened and endangered species (protected species) incidental to otherwise lawful activities such as farming and land development. Specifically, the Court ruled that the Department had misconstrued the CESA section 2081 "management purposes" take authorizations to include any incidental take in connection with disparate commercial activities, rather than just projects designed to preserve or benefit protected species.

We also pointed out that PCL did not in any way reach the issue of the Department's incidental take authority under the Natural Community Conservation Planning Act (NCCP Act), and that that issue was currently being litigated in the lawsuit brought against the Department and Metropolitan with respect to Metropolitan's Lake Mathews MSHCP/NCCP (Lake Mathews lawsuit).

On May 14, 1997 the trial court in Riverside County issued its ruling in the Lake Mathews lawsuit, rejecting Audubon's position that Metropolitan had violated the California Environmental Quality Act in preparing a mitigated negative declaration rather than an EIR for its Lake Mathews MSHCP/NCCP. However, the trial court also ruled that the NCCP Act does not provide independent authorization for incidental "take" for development purposes but instead refers back to the CESA section 2081 "management purposes" take authorization which the appellate court in PCL ruled does not authorize the Department to issue any incidental take in connection for development purposes.

On May 12, 1997 the PCL Court issued a modification of its April 10, 1997 opinion. As modified, the PCL opinion now addresses the NCCP Act and acknowledges that it is existing state law that also permits a state, local, or federal agency to independently or cooperatively engage in an NCCP Act which both protects national wildlife diversity and allows compatible and appropriate growth and development through authorized take pursuant to section 2081. With respect to the NCCP Act and the section of CESA exempting mining activities from prohibition against incidental take of plants, the PCL Court in its modified opinion states "[w]e have reviewed these statutes and find they address specific problems by bestowing authority to the Department to issue section 2081 permits in narrowly defined situations."

On May 27, 1997 Metropolitan and the Riverside County Habitat Conservation Agency filed a joint motion requesting that the trial court in the Lake Mathews lawsuit reconsider its May 14, 1997 ruling in light of the modified PCL opinion.

County of San Joaquin v. SWRCB

On May 6, 1997, the California Court of Appeal affirmed a judgment of the trial court dismissing this action. Plaintiffs challenged State Water Resources Control Board (SWRCB) interim water right order 95-6 which had amended the water rights permits of the USBR and the Department of Water Resources (DWR) in certain respects to make them consistent with the May, 1995 Bay-Delta Water Quality Control Plan. If plaintiffs had been successful, the projects would have been subjected to inconsistent regulatory requirements which could have had significant water supply impacts. Metropolitan and other contractors intervened in support of the SWRCB. The trial court dismissed the case, based on California Code of Civil Procedure Section 389, because the USBR was an interested party who could not be joined to the action because it had not waived its sovereign immunity. The Court of Appeal affirmed the trial court in all respects.

Azusa Land Reclamation Company v. Main San Gabriel Basin Watermaster

On May 21, 1997, the California Supreme Court denied the petition for review by Browning-Ferris Industries, Inc. (BFI) on the Azusa Landfill lawsuit. In September, 1996, the Los Angeles Superior Court ordered the Azusa Landfill immediately closed until it receives a new permit which fully complies with the California Environmental Quality Act (CEQA). BFI appealed the ruling but this Supreme Court decision effectively ends BFI's challenge. The Watermaster, Metropolitan, Three Valleys MWD, Upper San Gabriel Valley MWD and San Gabriel Valley MWD all joined in the successful lawsuit to shut the Azusa Landfill down which has been shown to be polluting groundwater in the San Gabriel Valley. The Landfill which has been closed since the initial Court ruling will remain closed for the immediate future.

III. Resource Matters

Colorado River Threatened and Endangered Species

All state and federal participants on the Steering Committee formed to develop a Multi-Species Conservation Program (MSCP) that can satisfy Endangered Species Act (ESA) requirements, as well as operational and permitting needs with respect to Lower Colorado River operations, have signed the Joint Participation Agreement (JPA). The Steering Committee includes representatives of relevant federal agencies, state water and power interests, Indian tribes and environmental groups. The JPA, along with previously signed cost sharing agreements, will form the governing structure and financing program for the development of the MSCP. With this structure in place, the Steering Committee has completed an RFP process to

identify consultants to help facilitate and to prepare the MSCP, and is negotiating with the consultants selected. Finally, the Steering Committee has been designated by the USFWS as an ecosystem conservation and recovery implementation team under Section 4(f)(2) of the ESA. In that capacity, the Steering Committee will help develop measures that can assist in the recovery of threatened and endangered species along the Lower Colorado River.

On April 30, 1997, the USFWS issued its Biological Opinion on Lower Colorado River operations and maintenance activities of the USBR. The Opinion finds that, if not mitigated, the proposed activities are likely to jeopardize the bonytail chub, razorback sucker and southwestern willow flycatcher. However, as required by the ESA, the USFWS has developed a Reasonable and Prudent Alternative (RPA) which contains 16 measures which, if implemented by the USBR, will avoid the potential jeopardy. The RPA also includes an incidental take statement which authorizes the USBR to continue its water and power operations, subject to the RPA requirements. The Opinion recognizes the role that the MSCP Steering Committee can play in implementing the RPA's, while still allowing project operations to continue. While staff continues to review the Opinion and RPA's, it appears that the measures required can be implemented consistent with other project purposes. Staff, in conjunction with other California contractors, is also preparing to respond to USFWS' request for comments on the Opinion and RPA's. As discussed above, the Southwest Center for Biological Diversity has filed an amended complaint in the Federal District Court for Arizona alleging that the Opinion is not protective enough, especially with respect to the southwestern willow flycatcher.

USFWS also is proposing to designate critical habitat for the southwestern willow flycatcher, pursuant to court order in a separate case in the Arizona Federal Court. Metropolitan, along with other California contractors, intends to comment on the proposal.

IV. Claims

None to report.

V. Financing

None to report.

VI. Legislative Matters

Legal Department staff joined the Sacramento office staff in attendance at Senate Committee hearings and other meetings on SB 1082 (Kelley), which would have authorized the Director of Water Resources to impose terms and conditions on the use of Metropolitan's facilities for wheeling in conjunction with the proposed San Diego County Water Authority

Authority-Imperial Irrigation District water transfer. SB 1082 has been amended to authorize the Director to "recommend" terms and conditions and to provide for a voluntary mediation process if desired by the parties. The Legal Department will continue to participate in the development of this legislation.

VII. Administrative Matters

Review of Special Counsel Program Evaluation

During the past year, the Legal Department retained Edward Poll & Associates, Inc. to evaluate the Special Counsel Program and develop guidelines for future interaction between Special Counsel and the Legal Department.

The Guidelines have been developed and are attached.

Further, action on the Poll Report has been delayed pending full conversion to the new computer programs and completion of the plans for the recommended implementation steps.

A full report on Special Counsel Program will be made at the July Legal and Claims Committee Meeting.



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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Guidelines for Legal Fees and Expenses Billing

June 1996

Metropolitan Water District of Southern California ("MWD") values its relationship with Special Counsel. In the spirit of cooperation and recognition of the special nature of our relationship with law firms and legal counsel handling special matters for MWD, these guidelines are intended to express the desires and expectations of MWD in dealing with Special Counsel. While these guidelines are just that ... guidelines ... the provisions of these guidelines will prevail unless written variations from these guidelines are set forth in our engagement agreement.

1. Goal

The Legal Department of MWD is responsible for all legal affairs of the Water District. Although MWD employs in-house counsel to handle a substantial portion of its legal matters, there will be occasions when in-house lawyers need assistance from Special Counsel. Whether a matter is handled by the staff of MWD or is referred to Special Counsel, MWD's goal is to conduct its legal affairs in a manner which produces the most positive and cost-effective result possible. In furtherance of this goal, when Special Counsel is retained, MWD intends to maximize expertise and efficiency by forming an effective "team" among in-house lawyers and Special Counsel.

These guidelines are intended to build mutual confidence by setting forth a workable and an agreed-upon set of principles. If any of the policies and procedures set forth herein seem inappropriate in a given case, Special Counsel should bring its concerns or special requests directly to the attention of General Counsel of MWD.

2. Authorization to Retain Counsel

The Legal Department seeks to retain Special Counsel who combine the highest level of professional skills with a willingness to work cooperatively with the in-house lawyers of MWD to render cost-effective legal services. The Legal Department is the only MWD unit authorized to retain Special Counsel for MWD, to manage the services provided by Special Counsel, and to approve all bills submitted by Special Counsel.

Special Counsel shall be retained in accordance with a written engagement agreement. These guidelines shall be referenced in said engagement agreement and shall govern the relationship between Special Counsel and MWD in all matters covered by these guidelines. Any comment made by Special Counsel orally or in writing shall not amend these guidelines unless the amendment is in writing and signed by both Special Counsel and General Counsel of MWD.

3. Potential Conflicts of Interest

After notice of possible retention, Special Counsel shall check thoroughly and immediately for any potential or actual conflict of interest with MWD that would arise from the retention. The Legal Department shall be notified promptly in writing by Special Counsel of any potential conflict of interest that might arise in connection with Special Counsel's past, current or proposed representation of other parties or other matters, and a waiver of that conflict shall be obtained from the Legal Department before undertaking the retention. In accordance with the California Rules of Professional Conduct, all waivers from MWD must be in writing.

4. Role of MWD Counsel

In any attorney-client relationship, the client has the responsibility for making substantive judgments about the course of the matter. Special Counsel shall keep the Legal Department, and its designated in-house counsel, regularly apprised of all significant developments. Special Counsel shall consult with the Legal Department whenever any significant decisions are to be made about the handling of the matter. Communication is the essence of quality attorney-client relations; it is the responsibility of Special Counsel to keep MWD, its client, fully informed of developments in each matter being handled for MWD by Special Counsel.

Special Counsel shall advise the Legal Department in advance of all important events with sufficient advance notice in order for the Legal Department to decide to participate if desired. When the Legal Department does not participate with Special Counsel, Special Counsel shall promptly advise the Legal Department of the results of said event.

All documents shall be sent to the Legal Department for review. In addition, copies of all pertinent correspondence, documentation or pleadings shall be forwarded to the Legal Department so that the Legal Department may maintain a current file on each matter being handled by Special Counsel.

The Legal Department shall be consulted before undertaking major or significant legal research projects and before retaining experts.

5. Planning/Budget Estimates

Budgeting is part of any government or corporate system and helps MWD meet and plan for its responsibilities. This is also a control measure intended to minimize the chance that MWD will incur legal charges where estimated costs may exceed charges deemed by MWD to be prudent. In order for MWD to fully assess its exposure and the costs of pursuing different options, Special Counsel shall conduct an assessment of each matter within thirty (30) days of

engagement. Thereafter, Special Counsel shall submit to MWD once every three (3) months, and earlier if significant events occur which may cause variations, a periodic review and revision of the assessment. Each assessment shall contain, as a minimum, an assessment of the matter and the risks thereof, major assumptions, a description of the available options for handling the matter, the major steps likely to be involved, the timing and sequence of the major steps, and the projected cost for each major phase of the matter. The Legal Department shall approve the estimate or budget in advance of Special Counsel's commencing any work on the project other than work associated with the most preliminary of matters. Said budget shall be submitted in all matters where the proposed budget is in excess of \$10,000 or where specifically requested by MWD.

Many factors outside the control of Special Counsel may affect the course of events and require revisions to the assessment. Where such factors arise, Special Counsel shall notify the Legal Department in advance, discuss MWD options that are then present and obtain the consent of the Legal Department for any significant departure from the original plan of action agreed to by the Legal Department and Special Counsel.

6. Staffing

Training and educating junior attorneys and staff of Special Counsel is not the responsibility of, and shall not be paid for by, MWD. Special Counsel shall staff each matter with attorney and legal assistant expertise appropriate for the circumstances, giving due regard for expertise, efficiency and cost.

At the onset of a matter, Special Counsel shall identify the attorneys and other staff members, and their billing rates, that will be engaged for that matter and shall consult with the Legal Department whenever a change is made or when additional attorneys or legal assistants are needed. There shall be no charges for the start-up costs associated with educating new team members.

7. Fees and Billing

Invoices should be submitted on a regular monthly basis. Different matters should be billed separately. Computer billing records, if available, shall be included with invoices.

Reimbursements of normal out-of-pocket expenses shall be at the actual cost to Special Counsel or such other amount as shall be mutually agreed in advance of the expenditure. These items are not to be considered a profit center.

Special Counsel shall advance costs for the benefit of MWD and request reimbursement on its next regular invoice. Or, where appropriate, Special Counsel shall include in its billing an estimate of costs to be paid, designating the purpose of the charge, estimated amount and time to be paid. In the latter event, Special Counsel shall provide an accounting to MWD when the cost is actually incurred and paid.

Each bill should include the following information:

- A reference to the specific matter or matters covered
- MWD's Legal Department file information (this should also appear on all reports, correspondence, etc. forwarded to MWD)
- The date of each service performed and a description of the services rendered
- Result of the service, where appropriate
- The identity of each attorney and paralegal who provided professional services during the period to the nearest 1/10th of an hour, and the total number of hours worked each day by each billing person
- The total fee for professional services (as adjusted in the exercise of billing judgment or due to capped fees or similarly negotiated reductions as appropriate)
- An itemized list of reimbursable expenses and disbursements by category
- Year-to-date total amounts billed for professional services and disbursements on the particular matter
- If the matter extends over more than one year, the cumulative total amount billed for services and disbursements since the matter's inception

8. Costs

a. Travel and Other Expenses

All travel outside the local metropolitan area of Special Counsel shall be approved in advance by the Legal Department. Air travel shall be by coach class or the most reasonable fare available. Moderation is expected in the selection of lodging, transportation and meals.

Mileage shall be reimbursed at the current rate set forth in the Regulations of the Internal Revenue Service.

b. Expert

If it is necessary to retain the services of an expert or other professional, or otherwise incur expenses on behalf of MWD which will exceed \$1,500, Special Counsel shall obtain the prior approval of the Legal Department.

c. Photocopying

MWD shall reimburse Special Counsel for necessary photocopying at either the actual annualized per copy expense of Special Counsel or ten cents (\$.10) per page, whichever is lower. Where it would be less costly to use the services of an outside vendor for bulk copying, Special Counsel should use such service unless specific concerns about speed, confidentiality or reliability dictate the use of the Special Counsel's own facilities.

d. Facsimile

Facsimile transmissions may be used when necessary or appropriate. MWD shall pay for facsimile transmissions based upon actual cost, excluding secretarial time. Incoming and outgoing fax charges shall not exceed \$1 per page.

e. Telephone

Long distance telephone and cellular telephone charges shall be billed at the published tariff rate or actual cost to Special Counsel, whichever is lower.

f. Postage

Postage charges shall be billed at actual cost.

g. Courier Services

Special Counsel shall use normal mail for transmission of documents prepared in the normal course of business. However, where there is an urgency that was not caused by Special Counsel's delay or procrastination, MWD shall reimburse Special Counsel for actual charges billed for deliveries (including overnight express) that are necessary in the interest of dispatch and reliability.

h. Computerized Research

MWD retains Special Counsel for its expertise. Special Counsel shall monitor the use of computerized research used on matters for MWD to assure that said research is productive and cost-efficient. To the extent legal research being undertaken on behalf of MWD is applicable to other clients, MWD shall be billed for only its proportionate share of the cost. All written work product resulting from legal research shall be sent to the Legal Department for retention and future use by the Legal Department.

i. Non-Billable Time and Expenses

The following time spent by Special Counsel or its personnel shall not be billed to MWD:

- i. Preparation or clarification of statements for legal services rendered, whether for billing purposes or reimbursements
 - ii. Overtime work by Special Counsel and its staff not directly necessitated by the requirements of MWD or the matter
 - iii. Overhead expenses including word processing
 - iv. File review by replacement attorneys or legal assistants whose replacement was not at the request of MWD
 - v. Training and education of attorneys, legal assistants and staff
 - vi. Travel on behalf of more than one client in excess of a proportionate share to which MWD previously agreed
 - vii. Preparation of internal memoranda of Special Counsel regarding the status of MWD legal matters
 - viii. Employee meals, unless incurred in connection with out-of-town travel or extraordinary overtime incurred at request of MWD
 - ix. Efforts spent checking for and clearing conflicts
 - x. Double-teaming -- while the complexity or materiality of a matter or the existence of an emergency situation may sometimes require double-teaming, the necessity of assigning two or more persons to attend a hearing, conference or meeting should be discussed with and approved by the Legal Department in advance of its utilization.
- j. Special Counsel shall provide document support for its actual costs for any disbursement billed to MWD.

9. **Malpractice Coverage**

Special Counsel shall maintain an errors & omissions (malpractice) insurance policy in an amount of not less than \$1,000,000 and shall provide proof of insurance upon request.

10. **Work Product, Attorney-Client Privilege and Confidentiality**

All services performed and all work product associated with proprietary or unique products/services shall remain the property of MWD and will not be shared with other clients of Special Counsel or used in services performed for other clients, unless prior written approval of the Legal Department is obtained. All files, documents, correspondence, opinions and pleadings will be maintained and handled as subject to the attorney-client privilege to the fullest extent possible.

11. Audits

MWD may, from time to time in the future, conduct detailed audits of billing statements and invoices. Special Counsel agrees to cooperate promptly and fully in providing MWD and any representative retained by MWD with "hard copy" of invoices, computer disk with invoices in WordPerfect5.1 or Word word processing application, and all records relied upon by Special Counsel to substantiate invoices for fees and services submitted for payment.

12. Outreach and Equal Employment Opportunity

MWD has adopted a policy encouraging the participation of minority-owned and women-owned business enterprises in its contracts. Special Counsel shall, when obtaining services incidental to work for MWD, support this policy.

During the time of representing MWD, Special Counsel shall maintain a policy to offer equal employment opportunity to all persons without regard to race, color, religion, sex, age, national origin, marital status, physical handicap or any other basis of classification which is prohibited under federal or state law, except where age or sex are bona fide occupational qualifications, or where physical handicap is a bona fide occupational disqualification. Such policy shall apply to all personnel actions including, but not limited to, actions relating to recruiting, hiring, promotion, upgrading, layoff, compensation, benefits, termination, and all other privileges, terms and conditions of employment.

The essence of good attorney-client relations is clear and frequent communication between the parties. We encourage and enlist your support to maintain an open and effective channel of communication between us.

Very truly yours,

N. Gregory Taylor
General Counsel
Metropolitan Water District
Of Southern California

Metropolitan Water District
of Southern California
Legal Fees Billing Guidelines
June 1996

The foregoing *Guidelines for Legal Fees and Expenses Billing*, dated June 1996, have been reviewed and are accepted.

SPECIAL COUNSEL

(Name of firm)

Taxpayer Identification # _____

By: _____
(Signature of primary counsel)

Title: _____
(Managing partner, partner, etc.)

Date: _____