

June 23, 1999

**To:** Board of Directors (Legal and Claims Committee--Information)

**From:** General Counsel \_\_\_\_\_

**Subject:** Legal Department Report for June, 1999

**RECOMMENDATION(S)**

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For information only.

**EXECUTIVE SUMMARY**

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This report discusses significant matters which the Legal Department was concerned with during the month of June, 1999.

**DETAILED REPORT**

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**1. Recent Developments of Interest to Metropolitan**

None to report.

**2. Litigation to Which Metropolitan Is a Party**

MWD v. All Persons Interested

The Court of Appeal has extended the time to file all opening briefs (appeal and cross-appeal) to July 28, 1999. No further extensions of time can be expected.

Velasquez vs. MWD

On June 21, 1999, Judge Gary Tranbarger of the Riverside Superior Court granted Metropolitan's Motion for Summary Judgment. Velasquez was a worker for a contractor at the Eastside Reservoir Project who suffered severe injuries in the course and scope of his employment when a boom of a crane contacted a live power line. Electricity was conducted through the boom and into a trench in which backfilling operations were underway. Velasquez was working on this backfilling operation. Judge Tranbarger agreed that Metropolitan could not be held liable, as a matter of law, for the acts or omissions of Velasquez' employer. Judge Tranbarger also granted the Summary Judgment Motion of Metropolitan's OCIP Administrator, Sedgwick of California, on similar grounds.

### 3. Resource Matters

#### State Water Resources Control Board Water Rights Hearings

The State Board began Phase 2B of its hearings to implement the flow and water quality requirements of its May, 1995 Water Quality Control Plan for the Bay/Delta. Phase 2B will consider the petitions of a number of San Joaquin River water users to amend their water rights to accommodate the San Joaquin River Agreement/VAMP and to protect the pulse flows in the San Joaquin River required by the Agreement.

#### Tolling Agreement between Imperial Irrigation District, San Diego County Water Authority and Metropolitan

The tolling agreement between the Imperial Irrigation District, San Diego County Water Authority and Metropolitan Water District of Southern California has been extended until August 13, 1999.

#### Power Industry Restructuring

On May 26, 1999, the Federal Energy Regulatory Commission (FERC) issued its order approving in part Amendment No. 14 to the California Independent System Operator (ISO) Tariff, which implements the ISO's redesign of its ancillary services markets. In an important win for the California Department of Water Resources (DWR) and Metropolitan, the Commission clarified that the ISO could not direct the operation of a generating unit providing regulation service when such operation is inconsistent with the terms of a FERC hydroelectric license. This clarification will enable DWR to offer regulation, which is the highest cost ancillary service, to the ISO from its pump/generators without disruption to water deliveries. DWR estimates this ruling will permit it to generate an additional \$5 million to \$10 million revenue. Metropolitan pays approximately 70% of State Water Project power costs, and will thus derive commensurate benefit from the additional revenue which will be used to offset pumping costs.

### 4. Claims

None to report.

### 5. Financing

None to report.

### 6. Administrative Matters

None to report.

NGT:sk