

• Chief Executive Officer's September Activity Report

Summary

- Colorado River
- Tijuana Emergency Deliveries
- CALFED/Bay-Delta Matters
- State Water Contractors Committee
- Diamond Valley Lake
- State Audit Update
- Legislative Matters
- Communications/Outreach

Detailed Report

The following details the activities for the Department of the Chief Executive Officer for the period following the September board meeting:

COLORADO RIVER

Quantification Settlement Agreement Moves Forward

Before the October 12, 2003 deadline, Metropolitan's Board authorized the execution of the Quantification Settlement Agreement on September 23, followed shortly with authorization by Coachella Valley Water District (CVWD), the San Diego County Water Authority (SDCWA), and the Imperial Irrigation District (IID). Now that all agencies have authorized execution of the agreement, final legal documents are being prepared.

One of the first actions that would occur under the QSA is the transfer of 10,000 acre-feet of water from IID to SDCWA in the last few months of 2003. Additionally, Metropolitan will have the option of taking any available special surplus water after the QSA is implemented. Currently, because of prolonged drought conditions on the Colorado River, only limited surplus water is available, and Metropolitan does not anticipate taking such surplus because of the risk of having to forego use of water should the Secretary declare a shortage reducing Central Arizona Project diversions. Once sufficient snowfall to the Colorado Basin occurs, Metropolitan could resume diversion of special surplus water.

To date, the state's three large agricultural districts on the Colorado (IID, CVWD, and the Palo Verde Irrigation District) are using less water than anticipated, partly due to the wetter than normal summer conditions in the desert.

We continued to manage several news media inquiries related to the status of the QSA, supply reliability and dry-year storage. Assistance was given to the governor's office in setting up a press conference at the Jensen plant to highlight the passage of the state legislation related to the QSA.

TIJUANA EMERGENCY DELIVERIES

Metropolitan executed a five-year agreement to provide for emergency water deliveries of Mexican Treaty Water to Tijuana. Up to 14,400 acre-feet of emergency water could be conveyed annually through Metropolitan's Colorado River Aqueduct and distribution system to the SDCWA. SDCWA and Otay Water District would complete the deliveries to Tijuana. Tijuana will pay Metropolitan the wheeling charges provided for in our Administrative Code. The authority for entering into the agreement was provided by the Board in Oct. 1992, with subsequent approval for 2002/03 wheeling rates provided in September 2001 and June 2002.

CALFED/BAY DELTA MATTERS

De-listing of Sacramento Splittail

The Federal Register for Monday, September 22, 2003, documented the decision to remove Sacramento splittail from the U.S. Fish and Wildlife Service's (USFWS) List of Threatened Species. State Water Contractors' (SWC) science and legal efforts over several years helped demonstrate that splittail abundance was not clearly declining. The SWC also helped design the CALFED program, whose actions have already benefited this fish enough to reassure the U.S. Fish and Wildlife Service about de-listing.

CALFED Environmental Water Account Discussions

Discussions between the USFWS, National Marine Fishery Service (NMFS), Department of Fish and Game, Department of Water Resources (DWR), U.S. Bureau of Reclamation and the state and federal contractors continue on the size, form, and funding of a long-term Environmental Water Account (EWA). These discussions have been very constructive. Remaining issues largely center on funding needed to support EWA and how those funds will be generated. Water user fees as a component of the funding plan have been discussed, but no resolution has been reached.

South Delta Improvements

Metropolitan and other state and federal stakeholders are working with South Delta interests to secure their support for South Delta improvements, including increasing pumping capacity to 8,500 cubic feet per second (cfs) at Banks Pumping Plant.

CALFED Water Use Efficiency (WUE)

CALFED staff recently presented a proposal to the full WUE Subcommittee for quantifying agricultural water use in order to better gauge future efficiency achievements. Separate proposals have been developed for measuring urban and agricultural water use (a requirement in the CALFED Record of Decision). Representatives from urban agencies, including Metropolitan staff, have been involved in the development of the urban proposal. Equity between the urban and agricultural requirements is a principal concern to stakeholders.

CALFED staff is preparing a comprehensive evaluation of the WUE Program. Initially, emphasis will be given to updating projections of potential water savings from conservation through 2030. This work is scheduled for completion by December 2003. A retrospective evaluation of the first four years of the CALFED WUE program achievements will be completed by May 2004.

Budget and staffing issues continue to delay the release of Proposition 50 funds for use in CALFED-related programs. It is currently estimated that the execution of contracts for the first cycle of water use efficiency grant funding (\$15 million per year for urban and agricultural programs over three years) will not occur until January 2004. The first disbursement of funds for reclamation projects (\$52 million over three years), administered by the State Water Resources Control Board, is not expected to occur until September of 2004.

STATE WATER CONTRACTORS COMMITTEE

The SWC met on September 18, 2003 in Sacramento. The following are highlights of discussions and actions:

- The SWC board was briefed on efforts to secure approval for Banks Pumping Plant capacity at 8,500 cfs, and the efforts following the recent discussions at Napa to develop a proposal for integrated operations and benefits between the State Water Project (SWP) and federal Central Valley Project. Meetings were held with the Delta interests to discuss these matters. Discussions continue with the regulatory and management agencies to develop a long-term Environmental Water Account to support the objectives above. The SWC board took action to support an outreach program to discuss the efforts with different interest groups.
- The SWC board established a water transfer committee to review SWP-related transfer proposals that the SWC board is requested to support. These reviews would occur prior to them being included on the SWC board agenda for action.
- The SWC board was briefed on DWR's efforts to update its Bulletin 160 State Water Plan. An ad hoc committee was established to help coordinate SWC participation and comment on the draft expected later this year.
- The SWC board discussed the agenda for the annual workshop on SWC objectives and priorities to be held October 15-17, 2003.

The SWC board held a special meeting September 26, 2003, to review the proposed Quantification Settlement Agreement. The SWC board voted to send a letter to DWR supporting the transfers between Metropolitan and CVWD/Desert Water District related to the QSA.

DIAMOND VALLEY LAKE

Diamond Valley Lake successfully opened to the public for fishing and boating October 3. Staff was fully prepared to manage the public opening because of two pre-opening weekends set up to test the logistics. The first pre-opening event was the employees and directors' campout and annual picnic. More than 200 people camped out near the Douma House on Friday, September 19, in anticipation of rising early Saturday to go fishing. The group was provided with a barbeque dinner hosted by management and two of the employee bargaining units (Supervisors Association and the Association of Confidential Employees). More than 1,700 people participated in Saturday's fishing and picnic activities. Member Agency directors and MWD directors were also hosted to fish at DVL on Sunday, September 21. On September 26 and 27, a "first-to-fish" fundraising event was held and jointly sponsored by The Center for Water Education and the Valley-Wide Recreation and Park District. The event drew a large crowd in support of DVL fishing and fundraising for the museums to be built at DVL.

In addition to the operations and construction activities in support of the opening of DVL, staff developed directional and promotional signage with the lake's new logo, handled dozens of media requests to tour the lake in advance, developed a fishing map and other printed materials, a new Web site and more. Staff also produced printed and online newsletters that were delivered to nearly 100,000 individuals to inform the public about boat engine and fuel requirements. The results included substantial pre-opening media coverage in the *Los Angeles Times*, *Orange County Register* and many Southern California television stations, as well as an overall positive public feedback.

STATE AUDIT UPDATE

The State Bureau of Audits has begun the audit of Metropolitan with an initial entry conference meeting with Metropolitan's Department Heads and the Board Chairman. The scope of work

presented will be in four broad areas of reviewing the Ethics Department, The Center for Water Education, contracting processes and recruitment processes. The State Auditor is expected to complete the process and release the report by January 2004. An update on the progress of the audit will be provided at the next Executive Committee meeting.

LEGISLATIVE MATTERS

QSA

On September 29, the Governor signed the three-bill package of legislation, supported by Metropolitan, to implement the QSA, that being SB 277 (Ducheny), SB 317 (Kuehl) and SB 654 (Machado). The QSA bill package, and related agreements, contracts and environmental documentation, reflects a number of public policies that have been important to Metropolitan from the outset of the negotiations. These are:

- Beneficiaries Pay - Each party will pay their own costs associated with implementing components of the QSA, including the cost of environmental mitigation.
- Limited Public Funding - The final QSA package does not call for the use of Proposition 50 funds or other bond funds to pay for market-based water transfers. This will help ensure a balanced water market based on sound policy and economic and environmental values that are fiscally responsible.
- Long-Term Environmental Solutions - This QSA package paves the way for a restoration of the Salton Sea at a reasonable cost sharing between the water agencies and the state and for ecosystem restoration on the Lower Colorado River.

Perchlorate

On September 24, the Governor signed SB 1004 (Soto), a measure supported by Metropolitan, to establish a reporting process to better evaluate the scope and extent of perchlorate contamination in California. The bill also authorizes replacement water supplies to public water systems and private well owners whose supplies are contaminated by perchlorate.

Napa Proposal

On September 30, Timothy H. Quinn, Vice President of State Water Project Resources, testified at the Senate Agriculture and Water Resources Committee informational hearing on the Proposed Napa Water Agreement. His testimony emphasized that the Napa Proposition validates and supports the policy direction inherent in the CALFED Record of Decision and strengthens and unifies support among stakeholders for CALFED as a consensus-driven approach to resolving long-standing problems in California water management.

COMMUNICATIONS/OUTREACH

Metropolitan sponsored an elected officials reception at the Ronald Reagan library in Simi Valley hosted by The Association of Water Agencies of Ventura County. State Senator Mike Machado was the guest speaker. He spoke on the QSA negotiations and legislative term limits.

The Orange County Business Council held a water forum, co-sponsored by Metropolitan, Municipal Water District of Orange County, and Orange County Water District. More than 130 people attended to hear about the future of water. Metropolitan's Vice President of Water Transfers and Exchanges Debra Man presented information on water reliability, supply and conservation.

Metropolitan and Western Municipal Water District assisted in hosting the Inland Empire Economic Partnerships' Annual Water Forum. Metropolitan's General Counsel Jeff Kightlinger discussed water reliability and conservation. About 100 top corporate executives and local legislative offices from the Inland Empire attended.

The water conservation advertising campaign continues to run throughout Southern California on 120 radio stations, 30 outdoor billboards, 30 bus sides as well as Sunset Magazine and Playbill. More than 82 million impressions were received during the month of September, for a grand total of more than 165 million since the campaign began in August.

Staff conducted a workshop for member agencies and representatives from the native plant and environmental communities, and the nursery and landscaping industries regarding results of a survey of 400 homeowners in Los Angeles, Orange County, San Diego counties and the Inland Empire conducted July 11-17, 2003. The survey tracked baseline water usage behavior and related attitudes. A follow-up survey will be conducted in November 2003.

Customer and Community Services staff coordinated and executed Community Partnering Program and City Makeover public check presentations for the Aquarium of the Pacific, City of Rancho Cucamonga, Chino Basin Water Conservation District, and the TODEC Legal Center.



Ronald R. Gastelum
Chief Executive Officer

10-8-03
Date