

• Chief Executive Officer's December Activity Report**Summary**

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Detailed Report

The following details the activities for the Department of the Chief Executive Officer for the period following the December Board meeting:

COLORADO RIVERIID/SDCWA Water Transfer Moved through Colorado River Aqueduct

On December 10, the Bureau of Reclamation gave its approval for water to be transferred from Imperial Irrigation District to the San Diego County Water Authority. During December, 10,000 acre-feet of water were transferred from IID to SDCWA through Metropolitan's Colorado River Aqueduct, per the provisions of SDCWA's exchange agreement with Metropolitan. In 2004, IID plans to transfer 20,000 acre-feet to SDCWA.

Staff maintained daily coordination during December with the Bureau of Reclamation and with other California Colorado River water contractors, which allowed Metropolitan to maximize diversion of available Colorado River water. Preliminary figures indicate Metropolitan diverted about 689,000 acre-feet of Colorado River water for calendar year 2003. Allowing for return flow credits to the river results in a net diversion of about 684,000 acre-feet. Net diversions for California as a whole were about 10,000 acre-feet above its basic annual apportionment of 4.4 million acre-feet. Repayment of the overage rests mainly with Imperial Irrigation District. Nevada and Arizona exceeded their basic annual apportionments by about 126 acre-feet and 21,000 acre-feet, respectively.

Interim Surplus Guidelines Agreement with Arizona

On December 17, Metropolitan staff met with representatives from the Arizona Department of Water Resources to discuss modifications to the Interim Surplus Guidelines Agreement between the two agencies. If executed, the agreement would fully restore Metropolitan's ability, at its discretion, to divert any special surplus water made available on the Colorado River per the Interim Surplus Guidelines. Arizona would forbear in the use of special surplus water made available by the Secretary of the Interior. The agreement would also obligate Metropolitan to share in a portion of any future water shortages with the State of Arizona over an extended period, if Metropolitan chooses to divert special surplus water. Once the draft agreement is finalized, the Board will be asked to consider authorizing its execution.

PVID Cooperative Land and Water Supply Management Program

Discussions continued with Palo Verde Irrigation District on the proposed Land Management Crop Rotation and Water Supply Program. It is a joint goal to finalize the program agreements

at the earliest possible date in order to initiate the landowner signup process and fully implement the program this year.

CALFED/BAY DELTA MATTERS

South- and Central-Delta Improvements

Progress is occurring on negotiations with South- and Central Delta interests on a package of water quality protections and improvements that will complement the Banks Pumping Plant expansion to 8,500 cubic feet per second. Two key areas of progress are: 1) initiation of a process to refine operations of permanent barriers in the Delta to improve water quality – additional meetings to refine these issues are scheduled to take place in January 2004; and 2) development of a defined process to involve educational institutions in collection and analysis of water quality data to improve source waters into the South Delta. Specifically, Fresno State University and the University of California, Berkeley have indicated their willingness to help analyze agricultural and wildlife refuge discharges into the San Joaquin River, and to help design remedial measures to improve water quality.

CALFED Environmental Water Account Discussions

Discussions continue between the U.S. Fish and Wildlife Service, National Marine Fisheries Service, Department of Fish and Game, Department of Water Resources (DWR), U.S. Bureau of Reclamation and the state and federal contractors to develop a finance package for the Environmental Water Account (EWA). A proposal has been submitted by the State Water Contractors (SWC) that includes annual payments to contribute toward EWA costs that would mitigate defined impacts of expanded pumping at Banks Pumping Plant. While the proposal receives support in principle from agricultural and urban contractors, fishery agencies have not yet officially responded to it.

STATE WATER CONTRACTORS BOARD

The SWC board met December 18, 2003 in Sacramento. Highlights of the meeting include the following:

- Yuba County Water Agency – Curt Aikens, General Manager of the YCWA, attended the meeting and made a presentation to the SWC board regarding his agency's water management programs, and the potential to partner on water supply programs with the State Water Project (SWP);
- CALFED Implementation – The SWC board received a status update on continuing discussions with Delta interests regarding CALFED implementation. Completion of discussions is targeted for January 2004;
- State Water Resources Control Board (SWRCB) Triennial Review – The SWC board was updated on efforts to prepare for the January 8, 2004, scoping meeting to be held by the SWRCB to receive comments on its process to review the 1995 Water Quality Control Plan and water quality objectives for the Bay/Delta. The SWC are coordinating their efforts with the DWR;
- Federal Energy Regulatory Commission Intervention – The SWC board authorized intervention in the Pacific Gas and Electric FERC relicensing process for their project upstream of Lake Oroville. The purpose of the intervention is to protect the interests of the SWP and its contractors regarding the National Oceanic and Atmospheric

Administration's potential interest and authority to impose fish passage requirements to areas upstream of dams under Section 18 of the Federal Powers Act;

- Edmonston Pumping Plant Reliability – The SWC board directed a letter be sent to the Director of DWR supporting the purchase of two sets of spare impellers and diffusers for the Edmonston Pumping Plant. These parts would strengthen the reliability of the plant and maximize the ability to pump during off peak power periods;
- SWC Priorities - The SWC staff was asked to schedule a meeting in early January with DWR management, including Acting Chief Deputy Director Steve Verigan and Deputy Director Tom Glover, to discuss SWP work priorities in 2004.

ORMOND BEACH

The negotiations process for the disposition of the Ormond Beach property has been steadily progressing. Over the past several months, staff has been engaged in discussions with Oxnard Community Development Commission (CDC) over their position on two parcels of the property. The result of those discussions has been that the Oxnard CDC will not pursue independent ownership/development of a 50-acre triangle parcel, and the City of Oxnard has directed staff to not wait for an offer from Weyerhaeuser Corporation on a 22-acre parcel. These decisions will significantly aid the negotiations with the Coastal Conservancy. The Coastal Conservancy board has formally reserved \$23 million of its bond funds to acquire at least 500 acres at Ormond Beach. In addition, the Coastal Conservancy has started its due-diligence review including site assessment investigations. An independent Member Appraisal Institute report has been commenced to determine the fair market value of the property.

LEGISLATIVE MATTERS

The Senate Agriculture and Water Resources Committee held an informational hearing December 16 at Union Station to explore third party impacts in the context of long-term water transfers. Committee members in attendance included Senators Mike Machado (D-Linden) and Bob Margett (R-Arcadia). Dennis Underwood, Vice President of Colorado River Resources, provided an update on the 1988 IID/MWD water conservation program and the proposed Palo Verde Land Management, Crop Rotation and Water Supply Program. He also provided recommendations on ensuring fair and productive water transfer programs in the future.

On December 4 staff and myself met with and provided a briefing on Metropolitan's projects to Congressman Jerry Lewis (Redlands), Chair of the Appropriations Subcommittee on Defense. The briefing included discussions on the Arrowhead Tunnel and the IRP.

MUDSLIDE IMPACTS TO THE INLAND FEEDER

On the afternoon of December 25, 2003, a storm in the San Bernardino Mountains produced a large amount of rainfall in the Waterman Canyon and Strawberry Creek Watershed, resulting in massive landslides and debris flow in Waterman Creek. The Waterman Portal (east portal of the West Arrowhead Tunnel) construction site was completely shut down due to the holiday season and no work was being performed at the time. Nobody was at the construction site in Waterman Canyon when the debris flow occurred.

Severe flooding took place at the portal site, inundating the Tunnel Boring Machine (TBM) in the Arrowhead West Tunnel depositing massive amounts of sediment (including large boulders,

trees, and other man-made debris) in the Waterman Canyon Creek bed plugging the bridge leading to Campus Crusade for Christ facilities.

Both Metropolitan staff and the contractor responded to the site the morning of December 26, but were not allowed to do any work due to the search and rescue activities at and around the site. On Monday, December 29, the Contractor was allowed to excavate the debris and mud in the Waterman Creek area in order to install temporary river diversion works to protect the job site, and pump water out of the inundated portal area and discharge it into Waterman Canyon.

The TBM manufacturer is on site as of January 5, 2004, and is currently evaluating the damage to the TBM. The mucking and dewatering activities continue. At the conclusion of these activities, the TBM will be evaluated and an action plan will be drafted to move forward. It is estimated that it will take several weeks or more to accurately assess the damage to the TBM and to evaluate the time delay to the project.

75th ANNIVERSARY CELEBRATION ACTIVITIES

More than 100 guests were in attendance for Metropolitan's 75th anniversary celebration in Pasadena for the Board of Directors. Presentations about MWD's history and importance to the region were made by Congressman Adam Schiff, TV personality Huell Howser, actress Rene Russo and Walter Preston, a former worker on the Colorado River Aqueduct, among others. A special video message was sent by Senator Diane Feinstein, and MWD received dozens of resolutions honoring the District for its service. The event included a special video highlighting Metropolitan's achievements and a look at the history of water development in Southern California.

Staff also produced and distributed the printed 75th anniversary edition of People.interactive. The publication features articles on employee reaction to the Business Plan; Metropolitan's women engineers; a campaign to design a memorial quilt with fabric donated by employees who worked on the CRA or one of the treatment plants; interns who stayed on at the District and made a name for themselves; as well as a detailed piece on the District's seal. Staff also coordinated the publication of a 75th anniversary photo album that was distributed to the Board.

Employees were able to participate in the celebration by receiving the same photo album, receiving 75th anniversary lapel pins, enjoying anniversary banners commissioned for each facility, and enjoying anniversary cake for each facility. An open house was also held on the 12th floor at Union Station where the executive team greeted employees as they toured the floor.

COMMUNICATIONS AND OUTREACH

Metropolitan participated in efforts to inform news reporters about the significance of a pending U.S. Supreme Court case (South Florida Water Management District v. Miccosukee Tribe of Indians) and its potential impact on water utilities and water transfers throughout the country. MWD's effort included a briefing between General Counsel Jeffrey Kightlinger and a *Los Angeles Times* reporter, which resulted in an in-depth article about the pending case.

Staff coordinated with Member Agencies in Orange County and the Inland Empire to execute communications programs alerting water customers in impacted areas of planned shutdowns for standard pipeline maintenance. Outreach included drafting and issuing press releases urging consumers to conserve water during the shutdowns.

Metropolitan conducted two Community Partnering Program check presentations. One for the Altadena Foothills Conservancy, which featured Assemblywoman Carol Liu and Director James Edwards for a program to restore an important watershed to native habitat. The other presentation was made to the Agua Hedionda Lagoon Foundation at a Carlsbad City Council meeting, which featured Mayor and MWD Director Bud Lewis.

Staff organized media coverage of the first trout stocking at Diamond Valley Lake. The stocking, paid for from user fees, received positive news coverage in the *Riverside Press Enterprise*, the *Californian* and the *Valley Chronicle*.

Metropolitan staffed an exhibit at the annual Colorado River Water Users Association meeting in Las Vegas. The exhibit highlighted Metropolitan's water conservation programs, focusing on its current outdoor conservation program that features greater use of native and drought tolerant plants.



12/26/03

Ronald R. Gastelum
Chief Executive Officer

Date