

• Chief Executive Officer's April Activity Report

Summary

- Colorado River Matters
- CALFED/Bay-Delta Matters
- Diamond Valley Lake Recreation
- Legislative Activities
- Communications/Outreach
- Employee Briefings

Detailed Report

The following summarizes the activities for the Department of the Chief Executive Officer for the period following the April Board meeting:

COLORADO RIVER

Basin States Consider Drought Management Alternatives

Metropolitan staff has participated in several meetings with the Colorado River Basin States and the Bureau of Reclamation in an effort to develop drought and shortage management programs and actions to reduce the impact of the ongoing five-year drought. The representatives at the meetings have agreed to focus on immediate drought mitigation actions and their impacts of water and storage levels in Lake Powell and Lake Mead, and the evaluation of an array of future water supply conditions and drought and shortage management measures. Potential actions to be considered include programs that reduce system losses and over-deliveries, and that provide for cooperative interstate water supply programs, such as an interstate water pool/banking and a variety of forms of water use forbearances. These programs would also be considered in the context of storage recovery for Lake Mead and Lake Powell once the drought has ended, which would increase the chance that Metropolitan would receive special surplus Colorado River supplies in future years.

Reclamation Workshop to Assess Water Management Reservoir Alternatives

Metropolitan staff participated in an April 5-9 value engineering process conducted by Reclamation to identify Lower Colorado River water management reservoir alternatives to reduce system losses, improve water delivery efficiencies and river management operations. This includes the alternative of small water management reservoirs near the All American Canal.

Colorado River Trip to Discuss Current River Issues

Dennis Underwood participated in an April 13-20, Colorado River 225-mile trip through the Grand Canyon organized by Interior's Assistant Secretary for Water and Science Bennett Raley. In attendance were representatives from United States Geological Survey, United States Fish and Wildlife Service (FWS), Reclamation, Office of Interior's Solicitor, newspaper reporters and representatives from Arizona and Nevada. The purpose of the trip was to provide briefings and hold discussions on a wide variety of Colorado River issues, including Glen Canyon adaptive management activities, drought management, river management, ESA issues, Lower Basin States water supply activities, and federal legislation.

Efforts Made to Define "Extraordinary Conservation"

Metropolitan staff also is participating in a Lower Basin States/Agencies/Reclamation effort to define extraordinary conservation for use in implementing inadvertent water use overrun paybacks and water use forbearance programs.

Multi-Species Habitat Conservation Plan Permit Application Submitted

On April 16, the non-federal parties (applicants) submitted a Lower Colorado MSHCP permit application to the FWS. The federal parties, including Reclamation, will formally submit a Biological Assessment based on the Habitat Conservation Plan in mid-May. These documents are proposed as the basis for issuance of incidental take authorizations under the federal Endangered Species Act that cover a 50-year period and 27 species. It is proposed that the first five years would be funded at a lower level to allow further time to consider federal and non-federal cost sharing and the need for federal legislation. The Record of Decision for the program and issuance of permits is scheduled for December 2004.

Canal Lining Projects

On April 16, the California Department of General Services approved the assignment by Metropolitan to San Diego County Water Authority all of its rights, interests, and obligations in conjunction with the Coachella and All-American Canal Lining Projects. Work is continuing to complete the projects in 2006 and 2008, respectively.

CALFED/BAY DELTA MATTERS

Delta Improvements Package

Discussions between state and federal export contractors and in-Delta agricultural interests did not lead to a consensus agreement on actions to support operating Banks Pumping Plant at 8,500 cubic feet per second. Instead, the California Department of Water Resources (DWR) is developing a Delta Improvements Package proposal that includes elements to provide for supply, quality, and environmental benefits. The key near-term-targeted components for 2004 include:

- An interagency agreement between DWR, the California Bay Delta Authority, Department of Fish and Game, Bureau of Reclamation, Fish and Wildlife Service, and National Marine Fishery Service committing the agencies to implementation of the Package;
- An agreement amongst CALFED agencies on a funding agreement for the long-term Environmental Water Account; and
- Final environmental documentation and Endangered Species Act consultations on proposed South Delta improvements, the long-term Environmental Water Account, and agreed upon Delta protections.

CALFED State Legislation

On April 28, SB 1155 (Machado) was heard by the Senate Agriculture and Water Resources Committee. The bill would have required specified permitting and water quality conditions before integration of the Central Valley Project and State Water Project. Prior to the hearing, Metropolitan and other export interests conveyed their opposition to the bill to the author, his staff and other committee members. During the hearing, several members of the committee expressed their concerns over trying to legislate elements of the CALFED Record of Decision. Ultimately, the author accepted amendments suggested by senators Alpert and Ducheny to amend the bill to include only non-binding intent language. The bill passed the committee in its amended form by an 8-0 vote. The author indicated he would soon convene a stakeholders group to discuss water quality and other factors associated with the Delta Improvements Package.

Federal CALFED Legislation

S.1097 (Feinstein), the CALFED Bay-Delta Authorization Act passed out of the Senate committee on Energy and Natural Resources on April 28 and is next headed for a Senate floor hearing.

HR 2828 (Calvert), the Water Supply, Reliability and Environmental Improvement Act, was overwhelmingly approved in the House Resources Committee on May 5.

DVL RECREATION

Body Contact Legislation

On Monday April 19, SB 1251 (Morrow) – a bill which would exempt Diamond Valley Reservoir from the body-contact recreation prohibition and specifically allow body contact by recreation enthusiasts under specified conditions – was pulled, at the request of the author, from the hearing agenda of the Senate Environmental Quality Committee. Given that Metropolitan has worked to protect this important domestic water supply resource for the benefit of its member agencies and water consumers, Metropolitan and several of its member agencies strongly opposed this measure. Since the deadline for policy committees to hear fiscal bills will expire on April 30, it is unlikely that this specific bill will move forward this year. However, the Senator indicated in press accounts that he does intend to continue to pursue this issue – perhaps in another bill.

Master Plan Presentation

An information board letter has been submitted this month proposing a Master Plan and outlining the key components of the master plan for development of various properties east of DVL. Approaches to proceed with implementation of the master plan will be provided to the Board. Also, staff will continue to implement the next stages of development of the East Recreation Area and Northern Property, including amending specific plans, undertaking environmental surveys and preparing an EIR. Staff will return to the Board for authorization to fund and execute amended or new professional service agreements.

Support of The Center for Water Education

The Foundation for the Southern California Water Education Center and Metropolitan executed the Revised and Restated Second Amendment to the Grant Agreement in December 2003. By executing this agreement, Metropolitan will now provide \$14 million, approved by the board last May, toward construction of The Center. Disbursements will be limited to \$500,000, pending the completion of a business plan by the Foundation. In May 2003, the Board approved a \$14 million capital appropriation for The Center and approved assumption of existing design and construction contracts entered into by The Center. This item was referred to the Budget, Finance and Investment Committee for the specifics of the funding and then to the Board. At the June 2003 Budget, Finance and Investment Committee, the General Counsel opined that a direct grant of the appropriated \$14 million best met the stated objectives and recommended that such a grant be made subject to appropriate grant conditions that provide Metropolitan with expenditure controls and audit provisions. As there were no objections to the proposal, the grant agreement was drafted and executed in December 2003. The grant will be funded from O&M and the moneys approved for construction will be transferred to the O&M budget. Finally, since the funding is in the form of a grant, The Center will continue the construction of the museum and Metropolitan will not assume existing design and construction contracts.

LEGISLATIVE ACTIVITIES

Federal

On April 21, I testified before the U.S. Congress, Committee on Energy and Commerce, to speak against Perchlorate contamination along the Colorado River and elsewhere throughout the country. My testimony was on behalf of Metropolitan and a coalition of national and regional water agencies, including the Association of Metropolitan Water Agencies, the American Water Works Association, the Association of California Water Agencies, and the National Association of Water Companies.

On April 15, I met with Majority Whip Congressman Roy Blunt (R-Missouri) during his recent visit to Los Angeles. During the meeting, several important federal issues were discussed with Congressman Blunt, including Metropolitan's board position to oppose the Department of Defense's current efforts to exempt all military bases and defense contractors from federal laws that regulate the release and cleanup of perchlorate. Discussions also stressed the need for the House of Representatives to reauthorize CALFED funding legislation this year.

Representatives for U.S. Senator Diane Feinstein and Congresswoman Grace Napolitano (D-Norwalk) attended a field briefing and inspection trip of member agency facilities on April 21. The purpose of the tour was to educate the staffers on desalination and areas that are in great need of State and Tribal Assistance Grant funding for perchlorate remediation and facility improvements. More than 50 water and local elected officials participated.

On March 29, staff met with the district directors from the offices of Congressman Buck McKeon (R-Santa Clarita) and Congressman Elton Gallegly (R-Simi Valley) as well as staff from the Army Corps of Engineers to discuss MWD and Member Agency appropriations requests for perchlorate remediation.

On April 28, Metropolitan staff participated in the National Association of Home Builders annual legislative conference in Washington, D.C. More than 50 Southern California homebuilders and associate members met with members of the Southern California congressional delegation. Meetings were held with Senator Feinstein and representatives Dreier, Calvert, Baca, Lewis and Harman. The homebuilders advocated the importance of Senator Feinstein's CALFED reauthorization legislation, the Department of Defense perchlorate waiver and local desalination and perchlorate projects.

State

On March 31, Metropolitan's State Legislative Representative Kathy Cole and several member agency representatives testified before the Assembly Environmental Safety and Toxic Materials in support of AB 2528 (Lowenthal) - a measure that would clarify existing statutory drinking water quality terminology and would require public water systems that serve surface water to follow the same contaminant notification requirements now required of groundwater providers. The bill was unanimously passed by the Assembly Environmental Safety and Toxic Materials Committee and also passed the Assembly Appropriations Committee on April 21 on a consent vote.

On April 16, at the request of the author, SB 1720 (Alarcon) was pulled from the April 21 agenda of the Senate Local Government Committee. Furthermore, the author has indicated he is dropping the bill. The bill would mandate a specific type of civil service system for Metropolitan

and would limit contracting for services. Metropolitan is opposed because the District currently has an effective, merit-based employment system and needs to maintain contracting flexibility. While Senator Alarcon has dropped his bill, another author may be considering picking up the contracting issue in another measure.

On April 14, Metropolitan participated in the California Building Industry Association's (CBIA) annual legislative conference in Sacramento. More than 125 southern California homebuilders and associate members met with the Southern California delegation of senators and assembly members in Sacramento. During the legislative conference Southern California homebuilders advocated CALFED and the need to work with Senator Mike Machado on SB 1155.

On April 21, Kathy Cole spoke to representatives of the National Association of Women Business Owners, who were in Sacramento for a lobby day at the State Capitol. Topics included Metropolitan's opposition to SB 1720 and the Delta Improvements Package.

On April 27 and 28, staff joined the Orange County Business Council on a business leaders trip to Sacramento. Meetings were held with the Governor's staff and the Orange County legislative delegates. Ms. Cole also briefed this group of business leaders on water issues.

Regional

On April 14, Adán Ortega, Jr., Vice President, External Affairs, addressed more than 40 chamber presidents and CEO's of the United Chambers of Commerce of the San Fernando Valley, a business advocacy group representing 26 chambers throughout the Valley. Mr. Ortega spoke about MWD's Integrated Resource Plan and our "bewaterwise" outdoor conservation campaign.

On April 13, at the invitation of Senator Feinstein, staff attended her Quarterly Community Luncheon in East Los Angeles. More than 500 community leaders came to discuss many key issues, including perchlorate contamination and Bay Delta Reauthorization. MWD staff thanked the Senator for her efforts to appropriate federal funding for CALFED and perchlorate remediation.

On April 22, I delivered the keynote address "Investing in a New Reality" at the Gateway Cities Partnership's annual conference. This year's conference focused on the importance of revitalizing the region through creative investment and development. Some 200-plus local city officials, developers and legislative staffers, along with Los Angeles County Supervisor Don Knabe, attended the conference.

On April 22, Metropolitan staff spoke to the South Bay Cities Council of Governments on the importance of the CALFED Delta Improvements Package. The governing board gave its support for the package, which will be conveyed in a letter to the California Bay-Delta Authority.

Forty community leaders from the southwest Riverside County area attended a tour to the Salton Sea on April 23. Participants included representatives from U.S. Representative Mary Bono and Riverside County Supervisor Jim Venable offices, the League of Women Voters, the City of Temecula Commissioner's office, Riverside County Historical Commission and California Native Landscape Design. Topics discussed included the environment, water quality and supply, transfers and conservation.

On April 23, Congresswoman Napolitano presented Certificates of Congressional Recognition to Debra Man and Jill Wicke at a special women-in-leadership luncheon held at Metropolitan Headquarters. The Congresswoman recognized both for their achievements in leadership.

COMMUNICATIONS/OUTREACH

For the second consecutive month, I was interviewed for a segment on CNN's "Lou Dobbs Tonight" program. The interview featured a segment on the drought along the Colorado River. I also joined Assistant Secretary Raley on a panel discussion on KCRW's "Which Way, L.A.?" radio program.

Outdoor conservation public outreach efforts continued with San Diego's KGTV, Channel 10, when media services helped arrange an appearance for station weathercaster/local celebrity Loren Nancarrow at the Mission Hills Nursery. The Metropolitan-produced garden journals, featuring native and California-friendly plants, were handed out at the event, which also was attended by San Diego County Water Authority board member Nora Jaeschke, a city of San Diego representative.

Adán Ortega appeared live on a KMEX-TV newscast. KMEX is one of the leading Spanish-language television stations in the region. Adán was profiled as one of the top Spanish-speaking Hispanic leaders in California for his achievements at Metropolitan and as former California Assistant Secretary of State while working with many elected officials, civic and social leaders, and environmental organizations.

Customer Service staff conducted approximately 200 door-to-door contacts with Glendale residents that would be impacted by Santa Monica Feeder construction work.

The League of American Communication Professionals named the print edition of People.interactive the top employee publication in the 2003 Inspire Award competition. The print edition, in its first year of publication, took first place out of 355 entries, scoring a near-perfect 98 out of 100 points. The online version of Metropolitan's employee magazine was named ninth best publication. This was the third year the online magazine was named to the LACP top 10 list.

EMPLOYEE BRIEFINGS

Beginning in April, I conducted another round of visits throughout all District facilities to brief employees. The discussions have included an overview of key business plan initiatives, employee service improvement updates and labor issues. These meetings are also an opportunity to receive questions and comments directly from employees on the discussed issues or other issues of concern. These visits are scheduled through May and were a follow up to meetings held last fall.

Ronald R. Gastelum
Chief Executive Officer

Date