

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

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Detailed Report

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

COLORADO RIVERReclamation's RFP to Water Use Forbearance

On May 21, 2004, the Bureau of Reclamation issued a Request for Proposals to voluntarily forbear water use pursuant to a demonstration forbearance program. The request is for Lower Colorado River Basin agricultural water users to temporarily forbear the use of a portion of their approved 2004 water order in return for financial compensation. Reclamation is requesting the voluntary forbearance of up to 110,000 acre-feet for calendar year 2004.

Reclamation is implementing a two-year demonstration forbearance program to determine whether voluntary forbearance could be used as an interim and supplemental measure to replace Wellton-Mohawk Irrigation and Drainage District drainage water currently bypassed each year to the Cienega de Santa Clara to meet the salinity obligation to Mexico under the provisions of Minute No. 242 of the International Boundary and Water Commission regarding Mexican Water Treaty deliveries. Any bypassed water not counted as part of the Mexican Water Treaty deliveries and without an offset, results in a depletion of Colorado River reservoir system storage. This is the drainage water that the Yuma Desalting Plant was designed to treat. Reclamation is also pursuing a parallel approach under which it is addressing design deficiencies of the Yuma Desalting Plant.

Drought Management

Metropolitan is participating with the other Basin States and Reclamation in a series of meetings to evaluate an array of water supply scenarios for which potential identified drought measures can be applied. This includes an analysis of a worst-case scenario of continued drought and an upper scenario represented by the average of the historic record.

The evaluations include the impacts of drawing down Lake Mead to dead storage, protecting hydroelectric generation and Southern Nevada Water Authority's water supply intakes at Lake Mead. A number of drought mitigation measures have already been initiated. Based on these analyses and other considerations, federal/state drought management strategies and other drought mitigation measures will be developed for implementation should the drought continue. Preliminary analyses indicate that the earliest those shortages are likely to occur would be after 2010 should the drought continue. In cases of shortages, California's 4.4 million acre-feet per year basic apportionment has a priority over the Central Arizona Project and similar post-1968 water use priorities in Nevada.

It should be noted that the Basin's reservoir storage has effectively mitigated six years of the worst drought of record and that system storage still remains over 50 percent of capacity. However, because of the extensive reservoir storage draw down and absent a 1983 water supply, it will take a number of years for reservoir system storage to recover. Actions to enhance storage recovery are also an important part of drought management strategies being considered.

Other Colorado River Activities

Other ongoing Colorado River activities include Metropolitan's involvement in the proposed Lower Colorado River Multi-Species Conservation Program, the definition of "Extraordinary Conservation", Article V Decree accounting for new water transfers, exchanges and water use forbearances, identification of a preferred alternative for increased regulatory storage in the Lower Colorado River Basin, and participation in the Salton Sea restoration advisory committee.

Regional Council of Rural Counties

Dennis Underwood made a presentation on the Palo Verde Irrigation District /Metropolitan Land Management, Crop Rotation, and Water Supply Program to the Regional Council of Rural Counties on May 20, 2004 in Sacramento.

The Law of the River Conference

Director Bill Wright, Dennis Underwood, Joseph Vanderhorst and myself attended the 6th Annual The Law of the River Conference held on May 13-14, 2004 in Las Vegas, Nevada. Dennis, Joseph and I presented topics on Colorado River drought management, the proposed Lower Colorado River Multi-Species Conservation Program, and the QSA and Metropolitan water supply programs, respectively.

CALFED/BAY-DELTA MATTERS

CALFED Reauthorization Act Legislation

In late April 2004, Senator Feinstein successfully sponsored S. 1097 to unanimous approval by the Energy and Natural Resources Committee. Congressman Calvert's legislation (H.R. 2828) also passed on a unanimous voice vote of the House Committee on Resources on May 6, 2004, chaired by Richard Pombo (R-Tracy). The appointment of a conference committee and floor consideration of the bills in their respective chambers are expected in the next few months. Both the Senate and House versions have many similarities due to strong coordination among Congressional members and staff, including support for permits to allow use of additional capacity at the State Water Project Banks Pumping Plant and funding for Southern California water recycling and desalination projects. In addition to funding under existing authorizations, both bills support new funding authorizations of \$389 million (over six years in the Senate version and four years in the House version) to implement the CALFED Record of Decision including \$184 million for conveyance and water quality; \$90 million for the Environmental Water Act; \$90 million for levee stability; and \$25 million for program management and oversight.

State CALFED Legislation

On May 25, the Senate passed SB 1155 (Machado) on a 21-12 vote. Metropolitan continues to oppose the bill (as amended on May 20) because the bill maintains its singular and unbalanced focus on delaying the conveyance program as outlined in the CALFED Record of Decision until local Delta water quality issues are addressed. Moreover, Metropolitan is opposed to language

in the bill that would effectively make the State Water Project responsible for water quality standards in the San Joaquin River that are the responsibility of the Central Valley Project. The Assembly Environmental Safety and Toxic Materials Committee will hear the measure on June 8. Should it pass committee on the 8th, the bill will be heard by the Assembly Water, Parks and Wildlife Committee on June 22.

Delta Improvements Package

Staff is continuing to work with CALFED and the DWR to contribute to the development of a memorandum of understanding for implementation of the Delta Improvement Package. Staff's efforts are to assure that the MOU is consistent with Metropolitan's objectives and board policies. The draft MOU is to be presented at the Bay Delta Authority meeting in June.

San Joaquin River Salinity Management Plan

A group of water users from the San Joaquin River and SWP/CVP, and other Delta interests have cooperatively joined together to develop a comprehensive salinity management plan to improve water quality on the San Joaquin River. This plan will also improve water quality at the State Water Project pumping plant in the south Delta. The Regional Water Quality Control Board is supporting this cooperative stakeholder process as an alternative to confrontational regulatory mandates. The stakeholder group intends to produce an alternative action plan by this fall. This effort contributes to the CALFED objective of improving source water quality and provides a means to secure support for the Delta Improvement packages.

North-of-Delta Water Transfers

Staff has been participating with the Department of Water Resources, the United States Bureau of Reclamation, and other Delta exporter interests in discussions to develop a multi-year water transfer agreement with the Yuba County Water Agency. Initial discussions with Yuba have been focused on a proposal to make between 60,000 - 100,000 acre-feet of water available each year to the State Water Project and Central Valley Project. Negotiations are still continuing on this proposal.

INTEGRATED RESOURCES PLAN UPDATE

Metropolitan, in conjunction with member agencies, continued its public outreach process in the month of May. Four outreach meetings were held, bringing the total number of outreach meetings to 14. The number and location of these meetings have ensured widespread geographic and interest group coverage throughout the service area. The meetings have been well attended by concerned citizens, member and retail agency staff, management, board members, representatives from city councils, and staff representing members of the State Assembly, State Senate, U.S. House of Representatives, and U.S. Senate. Staff is incorporating input received into the IRP Update report and expects to bring it to the Board for consideration and approval in July.

DVL RECREATION

The draft master plan document for the East Recreation Area (East Marina, Trails) and Northern Property at Diamond Valley Lake was completed and mailed to the Board for their review and comment. The master plan was also presented to the ARE&IP Committee, outlining a strategy for development of two major Metropolitan properties. The 746-acre property north of Domenigoni is recommended to be sold after amendment to its specific plan, completion of an environmental impact report, and fill material is moved to substantially improve its sale value.

The 1,122 acre East Recreation Area is proposed to be developed in phases, partially in response to the timing necessary to complete an amended specific plan and environmental impact report, but also to permit proceeds from the disposition of the Northern Property to augment funds necessary for recreation development.

In addition, Metropolitan staff has been working closely with The Center for Water Education architectural team to permit advertisement of the construction of the center. June 15 is the scheduled date for bid opening. To support the recreation program, final infrastructure plans for off-site utilities and the first phase of Searl parkway improvements are being reviewed by the City of Hemet prior to advertisement for construction. Similarly, staff is preparing plans for the extension of the boat dock ramp at the East Marina to take advantage of a potential for lower lake elevations. Finally, construction is now complete on the North Hills Trail, which allows for a forthcoming opening date.

LEGISLATIVE ACTIVITIES

Federal

On May 2, Metropolitan staff attended a meeting of the National Association of Home Builders Research Center's Stakeholder Group on Energy Efficiency and Water Conservation to discuss resource-efficient and environmentally sensitive homes. Metropolitan is advocating that water conservation programs be included in their recommendations to NAHB Research Center staff.

Metropolitan staff accompanied more than 50 delegates from the Los Angeles Area Chamber of Commerce and the Valley Industry and Commerce Association on their annual trips to Washington, D.C., May 15-19. The trip agenda included a focus on business related issues impacting the greater Los Angeles region, including water. The group met with more than 60 legislators, legislative staffers, agency representatives and White House staff. The chamber's Natural Resources team focused on appropriations for CALFED under S. 1097 and H.R. 2828 and four additional bills related to CALFED projects, local projects associated with perchlorate remediation, dry water management and conservation programs, and Colorado River reservoir storage and salinity control. Key meetings included U.S. Sen. Dianne Feinstein (D-Calif.); U.S. representatives Grace Napolitano (D-Norwalk), Lucille Roybal-Allard (D-Los Angeles), Joe Baca (D-Rialto), George Miller (D-Martinez) and John Doolittle (R-Rocklin); and representatives from the U.S. Environmental Protection Agency and the Department of Interior.

Also, the Washington D.C. staff organized meetings between the State Water Contractors and the Federal Energy Regulatory Commission to discuss Oroville relicensing issues.

State

On April 29, AB 2528 (Lowenthal) passed the Assembly on a consent vote. The measure, sponsored by Metropolitan and several of its member agencies and subagencies, would clarify existing drinking water quality terminology and modify and update existing contaminant notification requirements.

On May 4, Kathy Cole and Deputy General Counsel Jaime Roberts attended a meeting convened by Senator Machado's staff regarding SB 1374 – a bill that would create a process for assessing third-party impacts stemming from long-term water transfers. The meeting involved a variety of stakeholder interests and was intended to facilitate the development of amendments to the existing version of the bill.

Regional

On May 20, Metropolitan participated in the Ventura County Association of Water Agencies 12th Annual Water Symposium in Oxnard. Vice President Adán Ortega was a guest panelist on the subject of MWD's integrated resources plan. Metropolitan also hosted a table, which was joined by district staff from the offices of Sen. Dianne Feinstein, Congressman Elton Gallegly (R-Simi Valley), Assemblywoman Hanna-Beth Jackson (D-Santa Barbara), Assemblyman Tony Strickland (R-Oxnard), Director Glen Peterson and staff from the Orange County and Las Virgenes metropolitan water districts. At the conclusion of the symposium, Metropolitan was praised for its forward-thinking IRP and its "bewaterwise" outdoor conservation public outreach campaign and acclaimed as a model agency for others to follow.

On May 27, at the request of Congresswoman Grace Napolitano, legislative services and water quality staff conducted a perchlorate tour for two of her key staffers, Daniel Chao, legislative director, and Amelia Wang, director of field operations. The tour consisted of an aerial and ground inspection and briefing on the contamination site near the Las Vegas Wash, its impact on the Colorado River and a briefing on contamination within her district affecting the city of Pomona. Participants included elected officials and top staff from Pomona as well as the general manager and several board members from Three Valleys MWD.

COMMUNICATIONS/OUTREACH

In collaboration with many member agencies, Metropolitan successfully conducted the second Solar Cup event at Lake Skinner. More than 400 students from 22 Southern California high schools competed in the three-day competition that challenged students to build and operate boats powered by solar energy, and to understand the importance of protecting natural resources. Students competed in various events, such as speed and endurance boat racing, technical achievements and reporting, and more. The event received substantial local and national news media coverage.

On May 2, Metropolitan was honored with the "California Glory" award from Rancho Santa Ana Botanic Garden. On behalf of Chairman Pace, I accepted the award, given for "outstanding contributions to the promotion of California native plants and education of the public about their ecological, aesthetic and economic importance to California." Also attending were directors Kwan, De Jesus, and Fellow.

On May 3, Metropolitan joined the Bureau of Reclamation, member agencies and local water retailers in celebrating "Water Awareness Month" at a community water festival at the Promenade Mall in Temecula. More than 800 adults and children attended. The participating agencies included Eastern Municipal Water District, Elsinore Valley Municipal Water District, Murrieta County Water District, Rancho California Water District and Western Municipal Water District.

External Affairs, Water System Operations and Real Estate Services staffs continue coordination of community and government relations issues regarding the Weymouth Plant ozone project, the Jensen solids handling project, Garvey Reservoir maintenance and Diemer Plant ozone project.

Staff, in collaboration with member agencies and other public agencies, coordinated press coverage for several issues, including the value of outdoor water conservation, advantages of reducing outdoor water use to eliminated breeding grounds for mosquitoes that carry the West Nile virus, and the Board's action authorizing water transfer contracts with Palo Verde farmers.

FY2004/05 BUSINESS PLAN AND BUDGET

The business plan and its supporting budget for fiscal year 2004/05 were presented to the Board at a special workshop on May 18. Board action to approve the plan and budget is scheduled for June. The overall approach to next year's plan is to stay the course in those initiatives that have proven to be successful in providing service and giving additional focus to other areas such as improved business efficiencies and staff management.

EMPLOYEE MATTERS

Employee Briefings

As of May 17, I completed 26 employee briefings visiting most facilities, including the desert locations, all five filtration plant locations, Eagle Rock, Soto Street, Lake Mathews, Diamond Valley Lake and 10 briefings at Union Station. The agenda for the briefings included a CEO state of the District address, an overview of employee service improvements from Human Resources Manager Deborah Roberson-Simms, and a question-and-answer session for employees to provide direct feedback.

Labor Relations

Labor Management Committee meetings continue on a bi-weekly basis and several issues continue to be reviewed and addressed. A separate set of meetings has taken place between Local 1902 President Bob Reeves and myself to discuss outstanding issues. We have discussed a plan to address job descriptions and performance evaluations, and we have agreed to continue to meet with the ultimate intent to have Local 1902 return to the Labor Management Committee.



Ronald R. Gastelum
Chief Executive Officer

6/2/04
Date