

• CEO/General Manager's June Activity Report

Summary

- Colorado River
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- Legislative Activities
- Communications/Outreach

Detailed Report

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

COLORADO RIVER

Palo Verde Irrigation District Fallowing Program: Implementation of the interim fallowing program from January 1 through July 31, 2005 should result in the fallowing of 21,900 acres and saving an estimated 65,000 acre-feet of water. Processing of long-term landowner agreements continues with 63 of the 96 agreements (or 66 percent of the contracts) having entered or closed escrow that constitute also 66 percent of the program target acreage of 26,500 acres. Processing of the remainder of the long-term agreements should be completed in a few months. To ensure the development of 85,000 acre-feet of water savings in calendar year 2005 between the interim and long-term agreements, the interim program is being extended for those landowners whose escrows would not close by August 1, 2005. The terms and conditions of the extension would be similar to those of the existing interim program.

Bureau of Reclamation (Reclamation) Increases Metropolitan's Calendar Year 2005 Colorado River Water Order: On June 17, Reclamation increased Metropolitan's Colorado River diversion approval from 539,000 acre-feet to 746,500 acre-feet, reflecting in part a decrease by Palo Verde Irrigation District (PVID) of its consumptive use estimate. On June 20, PVID decreased its consumptive use estimate by another 19,072 acre-feet, which will likely result in further increases to Metropolitan's Colorado River water supply.

Diversion of Water for Southern Nevada Water Authority: The Southern Nevada Water Authority was informed that Metropolitan can divert 10,000 acre-feet of water this year under our Storage and Interstate Release Agreement and Operational Agreement. Southern Nevada Water Authority will be able to call for this stored water after 2006.

International Boundary and Water Commission Binational Meeting, Working Group V: On June 23, the International Boundary and Water Commission's Working Group V met to discuss conveyance of water through the All American Canal for Mexico, the exchange of available aquifer information, and modernization of the Mexicali Valley irrigation system. Representatives from Mexico were informed of the status of the All American Canal Lining Project. Design of the new lined canal will be completed by this September with bid documents issued in November. A notice of award is expected in January 2006, with a notice to proceed anticipated in February 2006. The United States agreed to provide Mexico with further information on the availability of capacity to convey Mexican treaty water to the terminus of the Canal. Representatives of Mexico expressed interest in utilizing canal capacity when such use would have a minimal impact on the salinity of water diverted at Morelos Dam. Representatives from Mexico are finalizing a report on the modernization of the Mexicali Valley irrigation system.

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CALFED/BAY-DELTA MATTERS

State Budget Update: A budget trailer bill (SB 69/AB 134) was drafted by staff from the Schwarzenegger Administration and Senate and Assembly that would have restored much of the CALFED budget that the Legislature had previously "zeroed out." Unfortunately, it is anticipated that full restoration of the Governor's FY 05/06 budget for the CALFED Bay/Delta Program is unlikely due to objections from Assembly Republicans who oppose additional funding for CALFED until such time as the audit (described below) is complete. Specifically, the proposed trailer bill contained language to: reinstate the "reimbursement authority" for the Environmental Restoration Program (ERP) funding rather than authorizing a water user fee; direct ERP dollars be prioritized for key fisheries; provide \$5 million for the Sacramento Valley Water Management Agreement (Phase 8) implementation; establish an Environmental Water Account (EWA) financial fund (concept taken from AB 1245 that was supported by the Board); require a comprehensive EWA review by January 1, 2008; and provide \$1.7 million for the Franks Tract water quality improvement project. Full funding for the EWA, as described in the proposed trailer bill, was linked to restricting the ability of the California Bay-Delta Authority to modify assurances in existing conservation agreements, which could result in further pressure on the State Water Contractors to provide earlier payments for the EWA than have been supported to date.

Status of CALFED Audit: CALFED is in the process of hiring an accounting firm to conduct an independent audit of the agency. This audit would encompass many of the financial and management issues that have been resided. The audit is expected to be completed by November 2005.

Federal CALFED Appropriations: On June 16, 2005, the Senate Appropriations Committee approved the FY 2006 Energy and Water Appropriations Bill that includes \$73 million for CALFED-related projects, including \$37 million for the Bureau of Reclamation's California Bay-Delta Restoration Account and \$36 million for other Reclamation and Army Corps of Engineers projects that relate to CALFED objectives.

South Delta Improvements Program Draft Environmental Impact Report: California Department of Water Resources (DWR) Director Lester Snow has indicated to Metropolitan and other State Water Contractors that he wants to publish the South Delta Improvements Program Draft Environmental Impact Report (DEIR) as soon as possible. Additionally, Metropolitan and other State Water Contractors stated a desire to work with DWR on a coordinated and effective outreach strategy on the DEIR oriented toward the public, the media, the Legislature, and other opinion leaders.

LEGISLATIVE UPDATE

CALFED Finance-Related Legislation: Metropolitan is currently opposed to SB 113, Machado (D-Linden). This measure, as last amended on April 14, seeks to define the CALFED concept of "beneficiary pays." Metropolitan is concerned that the measure's definitions of public and private benefits and its general descriptions of what type of projects would and would not be eligible for public funding would effectively create a burden of proof for using public funds for such purposes as water use efficiency projects. The bill, therefore, would yield unintended consequences for ongoing and future investments in conservation, recycling, desalination and water transfers. The bill has been made a two-year bill by the author. Metropolitan and other water users will work with the author during the interim to determine if alternative, acceptable language can be developed.

SB 820, Kuehl (D-Santa Monica): Seeks to develop better reporting of water use and improved water planning – continues to be the subject of discussion among various stakeholders. The June 21 version of the bill reflects further refinements requested by Metropolitan.

AB 371, Goldberg (D-Los Angeles): Seeks to reduce barriers to the use of recycled water. The bill was substantially amended May 17 to remove controversial provisions related to limiting health-based requirements to those established by the California Department of Health Services. The amendment also

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directs the State Water Resources Control Board to adopt and use general water recycling requirements – rather than individual water recycling or water discharge requirements – for non-potable uses of recycled water. Remaining provisions include a requirement that the Department of Water Resources, in consultation with the California Department of Health Services, adopt and submit to the California Building Standards Commission building code to safely plumb buildings with both potable and recycled water systems.

SB 393, Ortiz (D-Sacramento): In its latest amended version, would have imposed travel reimbursement caps on special districts, added audit oversight provisions and required ethics training – was held on the suspense file by the Senate Appropriations Committee on May 26.

AB 1234, Salinas (D-Salinas): The local government “sunshine” measure that would affect cities, counties, special districts and school districts. The bill would provide criteria for compensation and reimbursement practices, but would also allow local governments to adopt their own guidelines as long as the policies are publicly adopted and accessible. The measure passed the Senate Local Government Committee on a 9 to 0 vote and is currently in the Senate Appropriations Committee.

AB 672, Klehs (D-San Leandro): Seeks to require governmental entities that own reservoirs with a capacity of 3,500 acre-feet or greater, as specified, to prepare a recreation plan for their facilities. Metropolitan and several of its member agencies have expressed opposition to the author’s office regarding the infeasibility of providing recreation at certain facilities for a variety of reasons – including security, water quality and cost concerns. Metropolitan and member agencies are working with the author’s office on amendments to potentially resolve these concerns.

Governor Schwarzenegger has called a special election for November 8. To date, eight initiatives have qualified for the ballot, including an electricity measure that would impose restrictions on large energy customers' ability to change providers, among other provisions. Other qualified measures include a measure to require employee consent for political contributions via union dues; a reapportionment measure that would place legislative redistricting in the hands of a three-judge panel; and a state spending restriction measure that would change state minimum school funding requirements and would require the Governor to reduce state appropriations under specified circumstances, among other provisions.

COMMUNICATIONS AND OUTREACH

Metropolitan debuted the new Community Partnering Program that features a year-round application period and a timelier panel review process. Awards are scheduled to be made on a quarterly basis.

Communications coordination with member agencies and media relations activities during the Skinner treatment plant malfunction on June 22 led to balanced news coverage in local newspapers and television stations. Metropolitan and agencies served by Skinner conducted a post-event briefing and identified a few areas to further enhance inter-agency communications.

Metropolitan also announced its first World Water Forum grants to 12 teams from eight Southern California colleges and universities to research local water-supply solutions that could result in global benefits. Attending an announcement ceremony were state Senator Jack Scott (D-Pasadena), Assemblywoman Carol Liu (D-Pasadena) and Director Tim Brick. A total of \$110,000 in grants were issued to Cal Poly Pomona, Cal State Long Beach, Los Angeles City College, Loyola Marymount, Pasadena City College, UC Riverside, University of Redlands and the University of Southern California.

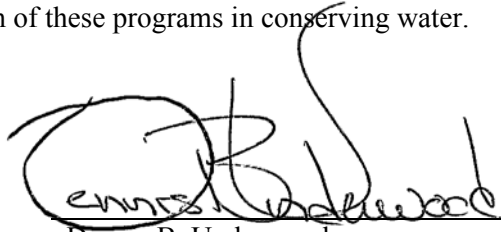
Chief Operating Officer Debra Man was quoted in a June 29 *North County Times* article about the unanimous approval by the Desalination Committee to fund desalination projects for five member agencies.

Metropolitan conducted an inspection trip and briefing, in coordination with Chairman Bannister and several Metropolitan directors and member agencies, for U.S. Representative George Radanovich, chairman of the House Resources Subcommittee on Water and Power. The briefing including a flyover

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and on-ground inspection of Diamond Valley Lake, as well as member agency-sponsored programs associated with native plants and conservation efforts in the construction home building industry, a comprehensive demonstration and briefing of desalination technology development in Los Angeles, Orange County, San Diego and Long Beach.

In furtherance of community improvement programs as part of the Metropolitan/Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program, staff conducted an inspection trip for the Palo Verde Valley Community Improvement Fund board. The purpose for the trip is to inform the newly selected members of the board of Southern California resource policy objectives and to demonstrate the successful implementation of these programs in conserving water.


Dennis B. Underwood
CEO/General Manager

7/7/2005
Date