

• **CEO/General Manager's July Activity Report**

Summary

- Colorado River
- CALFED/Bay-Delta Matters
- Legislation
- Communications/Outreach
- Federal Appointments

Detailed Report

The following details the activities for the Department of the Chief Executive Officer/General Manager for the period following the July Board meeting:

Colorado River

Metropolitan Submits Plan for Early Payback of Prior Year Overruns - When the Colorado River Water Delivery Agreement (the federal Quantification Settlement Agreement) was executed in October 2003, Metropolitan, along with Imperial Irrigation District (IID) and Coachella Valley Water District, agreed to a plan to pay back overruns California incurred in 2001 and 2002. Under that plan, Metropolitan was to repay 88,000 acre-feet over an eight-year period. The minimum payback rate is 11,000 acre-feet annually until the total obligation is repaid. There is also a provision in the agreement allowing an agency to repay its obligation early.

With the implementation of the Interim Land Fallowing Program with farmers in the Palo Verde Valley this year, Metropolitan is in a position to be able to repay the remaining obligation under the agreement. On July 12, 2005, Metropolitan notified The Bureau of Reclamation (Reclamation) that it plans to fully repay the outstanding obligation, which was estimated to be about 60,000 acre-feet going into this year. Once the plan is approved and final accounting records for 2005 net diversions are published, Metropolitan's obligation to pay back 2001 and 2002 overruns will have been satisfied.

Basin States Conduct Reservoir Management Studies - As part of the development of shortage guidelines for the Lower Colorado River, a technical committee representing the Basin States met on July 22 to analyze the impacts of various reservoir operating rules for Lake Mead and Lake Powell. The overall goal of the group is to develop rule curves that both delay a "compact call" to the Upper Basin and a declaration of shortages to the Lower Basin. In preparation for the July 22 Basin States technical meeting, the California parties met on July 18 to discuss the state's interests. The group developed three goals for California in studying reservoir operating parameters: (1) avoid any shortages to California; (2) protect power generation at Hoover Power Plant to the extent practicable; and (3) minimize reductions in the amount of surplus water available to California in the future. The findings of the technical committee were presented at an August 4 Basin States meeting in San Diego.

Lower Colorado River Water Supply Project - On May 24, 2005, H.R. 2419 (Hobson, R-Ohio) passed by the House of Representatives with amendments to the 1986 Lower Colorado Water Supply Act. The amendments would permit Metropolitan to have access to this water supply, which is presently authorized but not fully utilized by project beneficiaries. In return for gaining access to the project's water supply, Metropolitan would pay its share of the project's operation and maintenance costs, and provide monies for a fund that would be used to assist in the protection of water quality for the benefit of project beneficiaries along the Colorado River. Such monies could also be advanced for project completion. On July 1, 2005, H.R. 2419 passed the Senate with amendments that deleted the amendments to the 1986 Lower Colorado Water Supply Act approved by the House. The Senate has insisted on its amendment and has asked for a conference.

Board Report (CEO/General Manager's July Activity Report)

Lake Mead Bottom Water Banking Demonstration Program Development - Staff from Metropolitan and Reclamation have been working to resolve the remaining issues associated with the Bottom Water Banking Demonstration Program. Those issues include developing implementation procedures for the program that are consistent with the Law of the River, including the *Arizona v. California* Decree, and developing environmental documentation needed to satisfy National Environmental Policy Act requirements. When Reclamation concurs that these issues have been satisfactorily resolved a follow-up meeting will be held among the Lower Basin States to obtain final agreement that the Demonstration Program can move forward.

Imperial Irrigation District Program

Operations of the implemented projects under the IID/MWD Water Conservation Program (Program) continue as planned and budgeted. In August 2005, Metropolitan made a payment to the Imperial Irrigation District (IID) of \$3.5 million to cover the operations and maintenance costs of the Program for the second half of 2005. The amount of conserved water available to Metropolitan during 2005 is 101,940 acre-feet.

With a number of years of implementation experience, Metropolitan and IID are actively exploring means to simplify and reduce the administration costs of the Program. The staff of both agencies are in general agreement as to fixing the annual amount of water conserved by the Program for the remainder of the life of the Program. Technical analyses indicate a long-term fixed annual amount of conserved water of 105,000 acre-feet is appropriate. Staff from both agencies is now working on conservation program agreement language changes that would go before both boards for approval. Metropolitan would still maintain an option to request IID to implement additional conservation projects to increase the fixed annual amount of conserved water to 110,000 acre-feet.

Salton Sea Restoration

Staff is actively participating in the Salton Sea restoration study undertaken by the Secretary for Resources pursuant to the Quantification Settlement Agreement state-implementing legislation. Through participation on the Salton Sea Advisory Technical Committee, which met on July 15, and the several Salton Sea Advisory Committee workgroups, staff has provided technical information to the California Department of Water Resources (DWR) and its consultants for their use in completing the study. DWR staff has informed the Advisory Committee that the study is on schedule for the completion deadline of December 31, 2006. Metropolitan is a member to both the state Salton Sea Advisory Committee and the Salton Sea Technical Advisory Committee.

The QSA-state implementing legislation is facing possible amendment through SB 1081 (Ducheny, D-San Diego). Metropolitan's Board directed staff to oppose the April 5 version of SB 1081 unless it was amended to address certain concerns. The May 2 amendments to the bill address most but not all of these concerns. Complete resolution of Metropolitan's concerns was realized when the July 5 amendments to the bill passed were passed by the Assembly Water and Parks Committee. Staff will continue to watch SB 1081 for any further amendments.

CALFED/Bay-Delta Matters

Bay-Delta Outreach Activities - The governor's office has received a large number of emails and faxes from the environmental community opposing the release of the South Delta Improvement Program Draft (SDIP) EIR. DWR Director Lester Snow has asked Metropolitan and other State Water Contractors to work with the water/business community to inform the governor's office of the strong interest and support for the implementation of the SDIP to ensure water quality and operational reliability for the State Water Project. Staff has been contacting business groups, including the Orange County Business Council, Valley Industry and Commerce Association, Southern California Water Committee, and others to generate letters supporting the process moving forward. Metropolitan's External Affairs Group has drafted sample letters for use by businesses and member agencies. Staff is also working through the State Water Contractors to generate letters from the Bay Area, particularly the Silicon Valley. Sacramento legislative staff and consultants are in contact with top officials in the administration and other business interests active in the capitol and close to the governor.

Board Report (CEO/General Manager's July Activity Report)

Grindstaff Process – The process led by CALFED Bay-Delta Authority Director Joe Grindstaff made progress during June and July. In a meeting with stakeholders, Mr. Grindstaff outlined the following principles as important in development of assurances/finance agreements:

- Agreements should be implemented through long-term contracts
- Water user payments should be linked to supply/quality benefits
- Some early environmental (EWA/ERP) payments will likely be required for the agreements to be acceptable to the Schwarzenegger Administration.

Friant Water Users Authority Tour of Metropolitan's Service Area - A contingent of board members from the Friant Water Users Authority toured Metropolitan's service area on June 27-28. A dinner reception was held for the Friant board on June 27. At the dinner, the Friant and Metropolitan Directors agreed that Metropolitan Directors and management should journey north to see Friant and the San Joaquin River.

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 Bureau and Army Corps of Engineers projects.

CALFED Bay-Delta Improvement Package - As part of the CALFED Bay-Delta Improvement Package, Metropolitan is working with CALFED member agencies on the following implementation measures:

- South Delta Improvement Program EIR/EIS. California Department of Water Resources 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 as soon as possible. Additionally, Metropolitan and other State Water Contractors are working with DWR on a coordinated and sound outreach strategy on the DEIR to the public, the media, the Legislature, and opinion leaders, consistent with the outreach strategy presented to the CALFED Oversight Subcommittee. Bay-Delta outreach activities are summarized previously in this report.
- The EIR/S is scheduled to be finalized in 2006. The South Delta Improvements Program includes expansion of the State Water Project Banks pumping plant to 8,500 cfs. Parallel efforts are under way to implement combined San Joaquin River salinity management and South Delta Improvements Program actions, consistent with the provisions of the Delta Improvements Package, approved by the CALFED Bay-Delta Authority board in August 2004. This Delta Improvements Package includes coordinated fisheries, water quality and water supply actions.

Legislation

State

Metropolitan continues to monitor proposed state legislation related to the water industry, including:

- SB 113 (Machado, D-Linden), which would define the CALFED concept of "beneficiary pays." In light of strong opposition from Metropolitan and other water users, the bill has been made a two-year bill by the author, pending development of a 10-year CALFED finance plan.
- SB 820 (Kuehl, D-Santa Monica), which seeks to develop better reporting of water use and improved water planning, will be amended to address many of the concerns advanced by the opposition. The amendments will appear in print after the Legislature returns from its summer recess on August 15.
- AB 371 (Goldberg, D-Los Angeles), which seeks to reduce barriers to the use of recycled water. The bill was substantially amended to remove controversial provisions related to limiting health-based requirements to those established by the California Department of Health Services and directing 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.

Board Report (CEO/General Manager's July Activity Report)

- AB 1234 (Salinas, D-Salinas), the local government “sunshine” measure that 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.
- Metropolitan, Calleguas MWD, Los Angeles Department of Water and Power and San Diego County Water Authority are now neutral on AB 672 (Klehs, D-Hayward), which reflects an agreement struck with the author prior to the bill being heard in the Senate Environmental Quality Committee on June 17. Metropolitan and the other agencies opposed the bill based on the infeasibility of providing recreation at certain reservoirs for a variety of reasons, including security, water quality and cost concerns.

Federal

News on the federal side is encouraging. In addition to removing an MTBE liability waiver from the Energy Bill, Congress passed a comprehensive federal Energy Bill that will provide many other benefits to water and power users throughout the United States. The Energy Bill (H.R. 6) included the following amendments requested by Metropolitan:

- An amendment to improve and streamline the license renewal process for operating a hydropower plant
- An amendment to protect Metropolitan’s electric transmission lines from access by non-system power producers seeking to wheel power through other transmission facilities
- An amendment that will preclude the Enron Company’s bankruptcy creditors from collecting on contracts written during California’s energy crisis for which the Enron Company delivered no power or provided no useful services to their clients.

Metropolitan continues to work with House and Senate Appropriations Committee members and staff to promote Metropolitan’s fiscal 2006 funding requests for projects and programs including CALFED, Colorado River Storage enhancements, local groundwater clean-up initiatives as well as the ongoing clean-up effort now under way with the Department of Energy to remove uranium mine tailings from their dangerous proximity to the Colorado River in Moab, Utah. The vote on appropriations is expected in September, after Congress returns from its summer recess.

Communications/Outreach

Metropolitan’s 2005 annual drinking water quality report, featuring a “roadmap” showing the long route of water from source to tap, was produced and distributed. Printed copies were delivered to those agencies that rely on this report for their annual report. Information was posted on the mwdh2o.com Web site and a Spanish-language version will be published.

Metropolitan, working with member agency staff, briefed several legislative officials, chambers of commerce, voter’s groups and business officials about the latest developments on the South Delta Improvement Program and its importance to Southern California.

Metropolitan’s executive management, engineers and External Affairs staff met several times with DWR officials to coordinate and develop an action plan and outline communications strategies to inform the news media, public in affected communities and elected federal, state and local officials about the seismic safety issues at Lake Perris Dam. Coordination efforts include creation of a joint task force, establishment of an information hotline and dedicated Web site. Although DWR, as owner/operator of the facility is the lead agency handling public information about the pending drawdown of the lake, initial news stories about Lake Perris spurred inquiries about Metropolitan facilities.

In our ongoing public education campaign to encourage water-wise landscape choices, Metropolitan debuted its online training course on “bewaterwise.com” in July. The “California Friendly Gardening for the Water Wise” course went live July 17. Using a narrator-guided, animated interface, the course teaches the basics of California Friendly landscaping in modules entitled “Getting Started,” “Plant Selection,” “Irrigation Basics,” and “Landscape Planting and Maintenance.” The modules, which take about 15 minutes each to complete, give users the opportunity to take them all at once or one at a time. Any portion of the module can be repeated with the click

Board Report (CEO/General Manager's July Activity Report)

of a mouse. A gardening expert developed the course based on Metropolitan's established landscape training programs.

In preparation for the 2005/06 inspection trip season, External Affairs staff began converting trip binders into CDs to save printing costs and update information in a compact and easy-to-use format.

In time for the 150th anniversary of William Mulholland's birth on September 11, the public galleries on the first floor of Metropolitan's headquarters at Union Station will feature two new exhibits called "Broad Visions." One exhibit salutes Mulholland's role in bringing about construction of a Colorado River Aqueduct. Included are photos of Mulholland and associates on their first expedition to chart a route for the aqueduct in October 1923. The second, larger gallery is exhibiting several dozen vintage photos of CRA construction in the 1930s, taken with an Eastman Kodak "Cirkut" camera that exposed 180-degree panoramic views.

Federal Appointments

Letters were submitted to the Chair of the Senate Committee on Energy and Natural Resources in support of Mark A. Limbaugh for appointment of United States Department of Interior, Assistant Secretary for Water and Science and Tom Weimer for appointment of United States Department of Interior, Assistant Secretary for Policy Management and Budget. The Senate confirmed both Presidential appointments and both appointees are now in office.

Senate confirmation is pending for Dale Hall for appointment to the position of Department of Interior, Director of Fish and Wildlife. A letter of support for Mr. Hall's appointment is being prepared.

Sue Ellen Woolridge recently left the Department of Interior and is now with the Justice Department as the Deputy Attorney General for the Environment and Natural Resources.

Community Leaders Luncheon held with Congresswoman Napolitano

On August 10 Three Valleys Municipal Water District (Three Valleys) and Metropolitan hosted a Community Leaders Luncheon that included local, state and business leaders with Congresswoman Grace Napolitano, who represents the Southeast San Gabriel Valley area.

The Congresswoman's remarks highlighted the latest on the 109th Congress's action on the Energy and Transportation bills, which were successfully passed by the House and Senate. Additionally, she discussed the latest on the Resources Committee's legislation and related water quality/supply. Joining the Congresswoman was California State Senator Nell Soto (D - 32nd) and California State Assemblymember Gloria Negrete-McLeod (D - 61st). The joint event included Three Valleys directors Dan Horan, Bob Kuhn, Fred Lantz, Joe Ruzika and Metropolitan directors Tony Fellow, David De Jesus and Carol Kwan. About 200 community leaders including local elected officials for the cities of Pomona, Industry, Claremont, La Verne, Rosemead, Azusa, Covina, Glendora and Ontario attended the event.

The Metropolitan Directors and I were able to brief the State Senator and Assemblymember on the South Delta issue and gained their support to work with us to obtain the advancement of the public process established with regard to the South Delta.