

• General Manager's March 2006 Activity Report

Summary

- Review of District Activities
- Colorado River
- CALFED/Bay-Delta Matters
- Legislative and Community Outreach

Detailed Report

The following details the activities for the Office of the General Manager for the period following the March 14, 2006 Board meeting:

Review of District Activities

The District's activities as of March 31, 2006 are briefly summarized in [Attachment 1](#). This summary reviews the status of the District's core business in terms of distribution and storage, Colorado River Aqueduct deliveries, State Water Project deliveries, demands, water quality and the Capital Investment Program. Metropolitan has delivered sufficient water supplies to meet all firm, replenishment and agricultural demands and has achieved full compliance with drinking water quality standards. [Attachment 2](#) summarizes the District's financial activities for the month of February.

Colorado River

Development of Lake Mead Pilot Storage Program – Staff from Metropolitan and United States Bureau of Reclamation (Reclamation) met to develop a draft pilot storage agreement that would allow Metropolitan to store water in Lake Mead during 2006 and 2007. The pilot program is consistent with the February Basin states conceptual agreement to better manage the Colorado River system. The pilot program would permit Metropolitan to store up to 400,000 acre-feet of water in Lake Mead over the next two years. Any water stored in the program could not be recovered until Reclamation implements the Record of Decision for implementing shortage guidelines for the Lower Basin, expected in late 2007.

On March 27, Reclamation presented the draft pilot storage agreement to representatives from Arizona, Nevada and California agencies. Other California agencies expressed a desire to be able to have their agencies participate in the program. Arizona's representatives were not interested in participating in the program and desired to limit its scope, suggesting that the program only be offered to Metropolitan through a simple letter agreement. Nevada was not interested in participating nor did they have any comments to the draft agreement. Additional meetings have been scheduled with the Colorado River Basin states in April. Reclamation's goal is to finalize the pilot storage agreement by the end of April.

Salton Sea - The Secretary for the Resources agency continues to prepare the Salton Sea restoration study in consultation with the Salton Sea Advisory Committee. In order to provide more time to include proposals submitted by the Salton Sea Authority and the Imperial Group, the Secretary has delayed release of the draft program environmental impact report until early May 2006. A draft financing plan for Salton Sea restoration is scheduled to be released for the Advisory Committee's review in July 2006. The completed restoration study is scheduled to be submitted to the Legislature by the end of December 2006.

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CALFED/Bay-Delta Matters

US Fish & Wildlife Service petitioned to list Delta smelt as Endangered. The Bay Institute and the Center for Biological Diversity petitioned the USFWS to take emergency action and change the delta smelt listing status from threatened to endangered. Emergency action means the USFWS can make the change in much less than 12 months.

CVP/SWP Intertie Construction Halted. In February, construction of the intertie between the CVP's Delta Mendota Canal and the SWP's California Aqueduct was halted after the U.S. District Court issued a Temporary Restraining Order in an action filed by the Planning & Conservation League. PCL argument stated that the USBR's EA/IS inadequately addressed the projects cumulative impacts. The connection would permit 300 cfs to be pumped from the CVP to the SWP.

Delta Long-Term Vision Process to be Initiated. The Resources Agency and the Business, Transportation and Housing Agency are preparing to launch an open and collaborative public process to develop a 100-year vision for the Delta. This process would involve local government and stakeholders to create a strategic plan for all Delta activities including land use and transportation.

Habitat Conservation Plans (HCP). As part of negotiations on the 10-Year Action Plan, water users, environmental groups and regulatory agencies are discussing adopting a new approach for managing the environmental regulatory requirements for the Delta. Through a voluntary process, water users who need to comply with the California Endangered Species Act and the Federal Endangered Species Act regarding ongoing operations of their water projects would prepare one or more Habitat Conservation Plans (HCP) under Section 10 of the Federal Endangered Species Act. The HCP(s) would focus on protecting and recovering several species of fish in the Central Valley, including salmon and Delta smelt. Broader ecosystem restoration efforts would continue through the existing CALFED Ecosystem Restoration Program.

South Delta Improvements Program. Metropolitan's participation in the activities of the South Delta Improvements Program included:

- Submitted technical comments in coordination with the SWC and to DWR and the USBR for their Draft South Delta Improvements Program Environmental Impact Report/Statement (EIR/S.)
- Continued collaborative efforts with the South Delta Water Agency in combined flow and salinity management issues related to the South Delta Improvements Program and the San Joaquin River.
- Participated in discussions related to potential water quality impacts to Contra Costa Water District under the South Delta Improvements Program.

Levees Program/Delta Risk Management Study. The Department of Water Resources, along with Metropolitan and other stakeholders, are actively participating in the development of a Delta Risk Management Strategy (DRMS) to address management strategies to minimize threat of and consequences of levee failures in the Delta, and to prioritize and direct funding to minimize water quality/water supply threats to export water supplies. Metropolitan has been appointed a member of a Steering Committee to give guidance to DWR in development of this plan. Metropolitan is also helping to guide development of shorter-term emergency preparedness strategies to route freshwater to export pumps and minimize salinity intrusion in the event of major levee failures, and longer-term strategies to modify land management practices, minimize subsidence and improve levees at islands in the western and central Delta for more effective emergency response.

SWRCB Cease & Desist Order. In February, the State Water Resources Control Board (SWRCB) issued a cease and desist complaint against the DWR and the USBR alleging that they are threatening to violate their water rights permits by allowing a particular salinity objective on the lower San Joaquin River to potentially be

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exceeded. The SWP has no facilities on the San Joaquin River and very little ability to affect south Delta salinity. The 0.7 objective has not been exceeded and is not likely to be exceeded in the near future. The SWRCB based their cease and desist order on modeling studies that indicated the water quality objective could be exceeded in the future under extreme climatic conditions, such as particularly high tides or dry hydrology. Because of the significant practical and legal problems with the order and the potential impacts on project water supplies, both DWR and USBR and their contractors have been reviewing potential courses of action, including litigation.

Legislative and Community Outreach

Acting Deputy General Manager Kathy Cole and Deputy General Manager Tim Quinn met with member agency managers and their legislative coordinators on March 28 to explore the possibility of crafting an infrastructure bond that would address the needs of the Southern California water community. Staff will continue to work with the member agencies to develop collaborative language during the next few weeks.

Metropolitan government relations staff facilitated a meeting between Los Angeles Chamber of Commerce officials and Sacramento legislators during the chamber's recent lobbying trip to Sacramento. The group met with Senators Don Perata (D-Oakland), Martha Escutia (D-Montebello), Alan Lowenthal (D-Long Beach), Debra Bowen (D-Redondo Beach) and Carol Baker, advisor to House Speaker Fabian Nuñez (D-Los Angeles); Assemblyman Lloyd Levine (D-Van Nuys); Mike Chrisman, Secretary of Resources, Terry Tamminen, the Governor's Special Agent, and Gabrielle Zeps, the Speaker's Chief Energy Advisor.

Government relations staff also accompanied the Orange County Business Council's leadership and other business leaders on a trip to Sacramento. Business Council officials met with legislative committee chairs and staff and members of the Governor's administration; workforce, housing, education, infrastructure and the Governor's proposed bond were key issues of discussion. Meetings were held with Assembly members Chuck DeVore (R-Newport Beach), Todd Spitzer (R-Orange), Mimi Walters (R-Laguna Niguel), Rudy Bermudez (D-Norwalk), Lynn Daucher (R-Brea), Bob Huff (R-Diamond Bar), Tom Umberg (D-Santa Ana), Van Tran (R-Costa Mesa), Ron Calderon (D-Montebello), Edward Chavez (D-Industry), Judy Chu (D-Rosemead), Republican Leader Kevin McCarthy, and Senators Dick Ackerman (R-Tustin), Joe Dunn (D-Garden Grove), Christine Kehoe (D-San Diego), Bill Morrow (R-San Juan Capistrano), Alan Lowenthal (D-Long Beach), Bob Margett (R-Monrovia), Joe Simitian (D-Palo Alto), George Runner (R-Lancaster), Tom Torlakson (D-Antioch), Tom McClintock (R-Simi Valley) and Debra Bowen (D-Redondo Beach).

On March 21, Metropolitan sponsored the Valley Industry and Commerce's monthly board meeting where the incoming CEO, Brendan Huffman, was introduced. Mr. Huffman replaces Ms. Bonny Herman who, having led VICA for more than 15 years, retired to pursue another career with a private economic development agency.

Education staff distributed updated draft copies of Metropolitan's Education Strategic Plan to Education and Outreach Committee Directors, Member Agency Managers and Education Coordinators for their review and feedback.



WATER

Actions

- CRA – Continued with a three-pump flow through the end of March. Increase to a four-pump flow on April 3.
- Blends – Increase the SWP blends from 75 to 80 percent at Weymouth and Diemer to maximize SWP deliveries. SWP blends from Lake Skinner are approximately 50 percent.

Distribution and Storage

	<u>Current Storage</u>	<u>EOM Forecast</u>
Lake Mathews:	151,600	150,500
Lake Skinner:	39,300	39,000
DVL	797,300	798,000

- Deliveries to DWCV at Whitewater and Mission Creek will continue at 250 cfs, but will be adjusted based on demand and to manage Lake Mathews' storage.
- All replenishment, including SWP water, CRW and blends of the two, remain available pending system capacity. The following replenishment and conjunctive use deliveries continue.

	Agency	Connection	CFS
	Replenishment		
Direct	Foothill	FM-01 (injection)	2
	Inland Empire	CB-11/13/14/15/59	20
	USGVMWD	USG-03/SGP	250
	Eastern MWD	EM-14/19	25
In-lieu	MWDOC	Various	125
	Conjunctive Use		
In-lieu	Foothill	FM-01	2
	Calleguas	CA-02	9
	Inland Empire	CB-12/16	35

Shutdowns

- The Middle Feeder (south) is scheduled for a two-day shutdown beginning Monday, April 3. The purpose of this shutdown is to replace water isolation valves and repair a copper power water line on the Rio Hondo PCS.
- The Lakeview Pipeline and Lake Skinner Reservoir Outlet Conduit shutdowns are scheduled for completion on Friday, March 31. Leaks on the Lakeview Pipeline were repaired and the San Diego Pipeline 6 valve was installed during the shutdowns.
- The Skinner Treatment Plant and delivery lines were on bypass for two weeks in order to complete the tie-in for the North Reach of San Diego Pipeline 6 and perform repairs to the Lake Skinner Outlet Conduit and San Diego Pipeline No. 5. The shutdown was extended for almost one week to adjust the seal on the 12-foot diameter Pipeline 6 shut-off valve. The work was completed and service from Lake Skinner has been restored.
- Installation of the Coastal Junction Bypass was completed; three sections of distressed pipe on the Sepulveda Feeder were repaired and one end of the Yorba Linda Feeder Bypass was tied in at the Diemer plant.

CRA

CY 2006 gross diversions to date are 123 TAF, or 18 percent of the 673 TAF approved initial gross diversion for 2006.

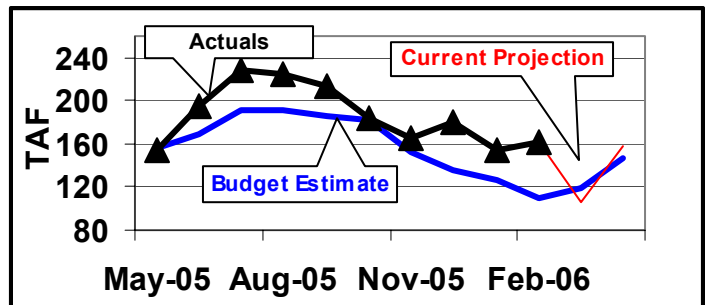
SWP

- On March 23 Metropolitan's SWP allocation was increased from 70 to 80 percent, for a total of 1.53 MAF. With the addition of water from Coachella Valley WD and Desert WA, the total amount of SWP Table A water available to Metropolitan is 1.68 MAF.
- Metropolitan is currently taking 2,300 cfs of Article 21 interruptible water. Article 21 water is available due to wet conditions and high storage levels on the SWP.

Demand (Cash Year)

2,122,884 AF	Current Projection
1,865,732 AF	Budget Projection
257,152 AF	Difference

WSO's current trend sales projection for CY 2006 is 2.2 MAF.



Water Quality

	TDS (mg/L) Goal: 500	THMs (µg/L)	Planned Blend (% SPW)
Weymouth:	351	39	80
Diemer:	362	44	80
Skinner:	501	50	50

- All member agency THM sample sites currently are below our RAA goal of <64 µg/L. The TDS running annual average (RAA) remains below MWD's goal of 500 mg/L, except at the Skinner Plant, with an RAA of 515 mg/L.

POWER

Generation at DVL remains at two units. When the Lakeview Pipeline shutdown is complete, DVL generation will be turned off to allow DVL to resume filling through Inland Feeder Intertie deliveries.

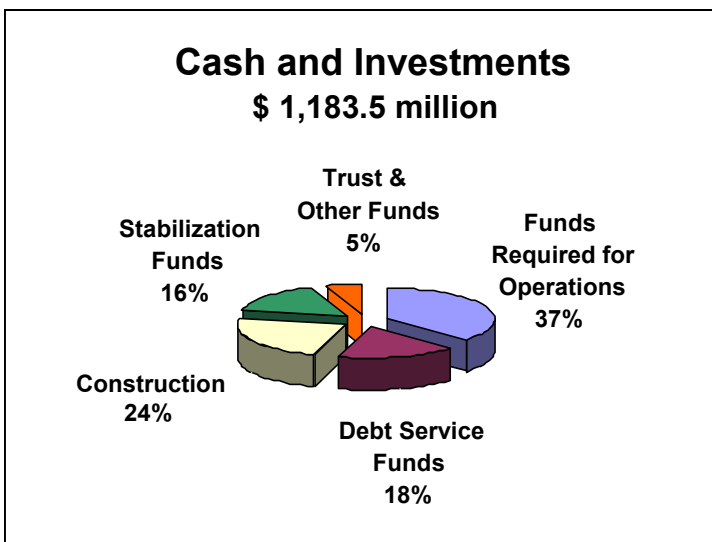
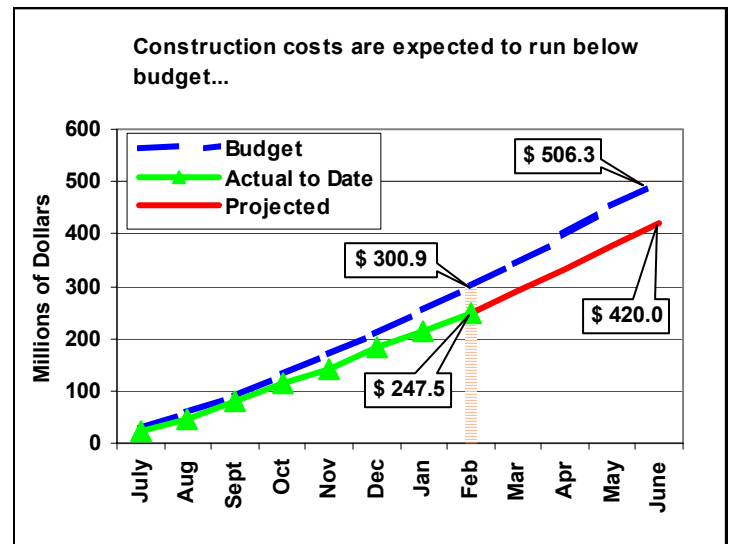
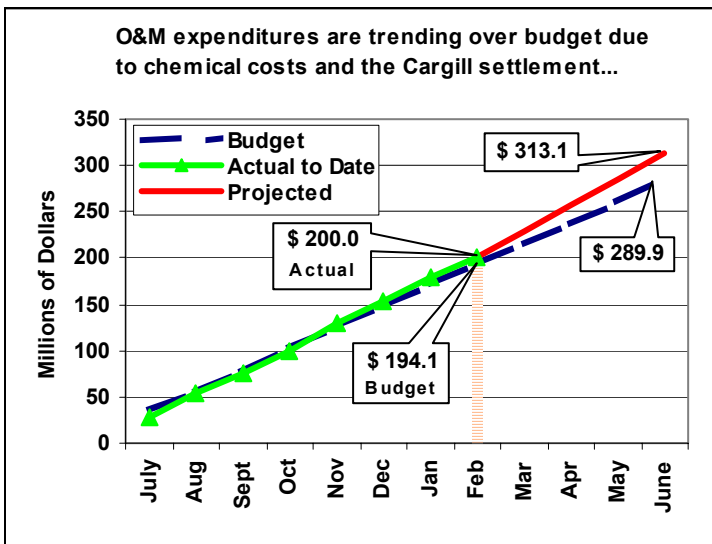
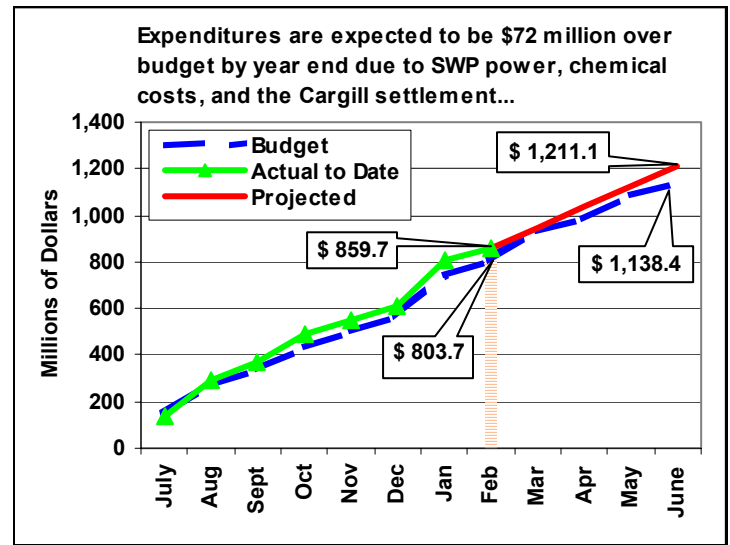
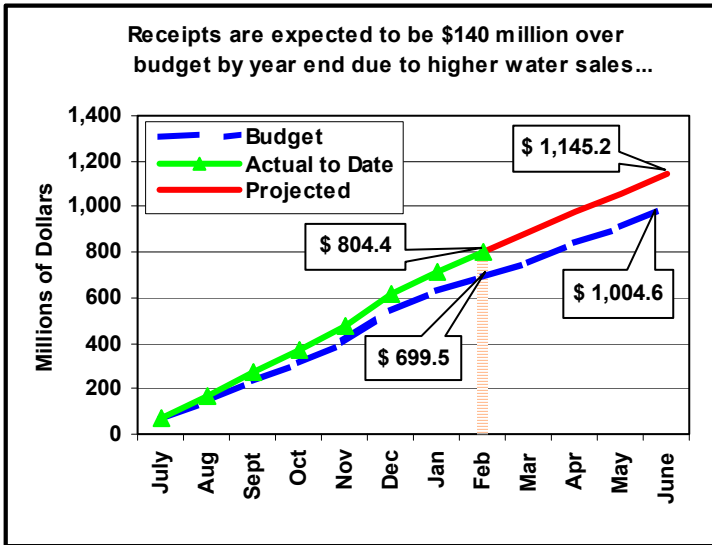
CAPITAL INVESTMENT PLAN

- 29 construction contracts and 5 related procurement contracts are ongoing through March, eight of which are over 90 percent complete. One contract, for the relocation of a portion of the West Valley Feeder No. 1, was completed. The total bid amount of all contracts in progress is over \$830 million.
- Over \$38 million in contract payments were made for construction performed in the month of February. Almost \$22 million was related to work at the Skinner plant.



Financial Summary - Cash Basis February 28, 2006

Attachment 2



Summary Financial Statistics

Revenue Debt Service Coverage	1.92 x
Total Debt / Equity Ratio	70.0%
Fixed Charge Coverage	1.29 x
Credit Ratings:	
- Moody's	Aa2
- S&P	AA+
- Fitch	AA+