

- General Manager's April 2006 Activity Report

Summary

- Review of Metropolitan 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 April 11, 2006 Board meeting:

Review of Metropolitan Activities

Metropolitan's activities as of April 30, 2006 are briefly summarized in [Attachment 1](#). This summary reviews the status of Metropolitan'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 Metropolitan's financial activities for the month of March.

COLORADO RIVER

U.S. Department of Interior (Interior) Begins Environmental Review of Seven Basin States Agreement –

During April, Interior began its environmental review of the Seven Basin states February agreement to better manage the Colorado River. Along with the Basin states' proposal, Interior will be analyzing the impacts of five other alternatives to manage the Colorado River system during drought periods. The Environmental Impact Statement will analyze the various alternatives to river flow regimes, power generation, water supplies, recreation, and water quality. Interior's schedule calls for the Draft EIS to be completed in December of 2006 with a Final EIS finished in September of 2007.

Lower Basin States Meeting to Refine Agreement – During April, the Lower Basin states met to refine certain details in the February Basin states' conception agreement. The two issues discussed were conditions allowing water to be delivered to Nevada during shortage periods and development of a California proposal to jointly manage its Lake Mead storage account. Arizona and Nevada will continue to meet to try and reach consensus on an approach to meet Nevada's needs (California has already reached agreement with Nevada), and the California agencies will work over the next year to try and develop a proposal that would provide storage in Lake Mead that would mutually benefit all parties participating in the program.

Agreement to Implement Lake Mead Demonstration Storage Program – Metropolitan staff has negotiated an agreement with the U.S. Bureau of Reclamation (USBR) for storage of up to 50,000 acre-feet of water in Lake Mead in 2006. The agreement implements the demonstration program identified in the Basin states' February Agreement to better manage the Colorado River. The 2006 storage amounts are based on extraordinary conservation from the MWD-PVID Following Program. The agreement identifies additional programs that may be used to provide for storage of up to 200,000 acre-feet of water in 2007. The agreement was authorized by Metropolitan's Board at its April meeting and will be executed upon completion of USBR's compliance with the National Environmental Policy Act.

Metropolitan Receives Approved Colorado River Water Order for 2006 – By letter dated April 3, 2006 USBR issued its approval for Metropolitan diversions from the Colorado River. Under the approval, 667,400 acre-feet are available for consumptive use by Metropolitan that incorporates its minimum payback

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obligation for 2001 and 2002 overruns of 11,100 acre-feet. The approval incorporates conservative assumptions as to the demand for water over the course of the year by the agricultural priorities. Staff will monitor use by California agriculture and will request approval to divert additional water that may go unused in 2006, which could range from no additional water to as much as 230,000 acre-feet of additional supplies.

From the supply available in 2006, Metropolitan is planning to fully repay its remaining payback obligation of approximately 30,000 acre-feet and store 50,000 acre-feet in Lake Mead under the demonstration program being developed with Reclamation.

Reclamation Consultation with Colorado River Basin States – Reclamation met with representatives of the Colorado River Basin states on April 13 to inform them of the alternatives being considered for Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead. The alternatives are:

1. No Action—in which Lake Mead would contain no less than 4.3 million acre-feet;
2. Basin States Preliminary—reflecting the proposal submitted by the states to the Secretary of the Interior on February 3;
3. Conservation Before Shortage—proposed by non-governmental organizations with conservation of different volumes of water prior to declaration of a shortage;
4. No Protections—in which normal demands would be satisfied until Lake Mead reaches dead storage; and
5. Power Protection—in which Lake Mead would contain no less than 7.5 million acre-feet.

A sixth alternative to protect recreation may be proposed by one of the federal cooperating agencies.

Salton Sea Restoration Study – The Resources Agency and its consultant, CH2M Hill, are preparing the draft program environmental impact report (PEIR) for the Salton Sea Ecosystem Management Plan due to be released in May. The PEIR reportedly will evaluate eight different action alternatives including two independently developed alternatives respectively submitted by the Salton Sea Authority and a non-government organization of farmers from the Imperial Valley known as the Imperial Group. The Salton Sea Restoration Study is scheduled to be completed for submittal to the Legislature by the end of this year.

Upper Colorado River Basin Salinity Tour Scheduled for June – The Colorado River Association is sponsoring an Upper Colorado River Basin Salinity field trip for members of the Colorado River Board and the directors of the six agencies represented on the board, including Metropolitan. The trip is being conducted to provide participants with an on-the-ground understanding of the problems caused by salinity in the Colorado River Basin and the methods being used to control the problems. The tour begins in Denver on June 28 and concludes in Salt Lake City on June 30.

CALFED/BAY-DELTA MATTERS

CALFED 10-Year Action Plan – The California Bay-Delta Authority released its 10-year Action Plan in April 2006 that outlines the CBDA's strategy for implementing the CALFED Program. The key components of the Plan include:

- Dissolution of the California Bay-Delta Authority and creation of an Executive Leadership Council;
- Creation of a Public Advisory Committee;
- Actions to improve multi-agency planning, track performance, and improve overall efficiency;
- Actions to help stabilize levees and understand causes of the pelagic fish declines; and
- Long-term decisions on water quality, ecosystem restoration, surface storage and conveyance.

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Levees Program/Delta Risk Management Study – The California Department of Water Resources (DWR), along with Metropolitan and other stakeholders, are participating in the development of a Delta Risk Management Strategy 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 threat to export water supplies. Metropolitan staff has been appointed as a member of a Steering Committee to give guidance to DWR in development of this plan. Metropolitan staff is also helping to guide development of shorter-term emergency preparedness strategies to minimize salinity intrusion in the event of major levee failures and mitigate disruption of water supply; 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.

LEGISLATIVE AND COMMUNITY OUTREACH

State Legislative Update

Infrastructure bonds, flood management and levee integrity – After the March deadline for the Legislature and the Governor to place an infrastructure bond on the June ballot passed, the Governor and the Legislature took a brief break before resuming discussions regarding a potential revised package of infrastructure funding for the November ballot. In early May, agreement was reached by the Legislature on a package that did not include money for water projects but did fund flood control and levee protection efforts. It appears that the \$5.4 billion “Caves bond” will now go forward. Staff will brief the Board on the proposals at the May board and committee meetings.

SB 1272 (Lowenthal) – Integrated Regional Water Management Planning – At the request of the Long Beach Water Department, Senator Alan Lowenthal (D-Long Beach) has amended SB 1272 in an effort to improve integrated regional water management planning - a concept originally created by the Integrated Regional Water Management Planning (IRWMP) Act of 2002.

According to the sponsors, the current IRWMP process is too loosely governed; gives non-water management participants as much authority in the planning of and ultimate approval of an IRWMP Plan, as those participants who have ultimate accountability; and discourages integration of local planning of water management projects – among other issues.

SB 1272 is intended to allow for broad participation and consideration of many projects, but anchor the decision process for moving a plan forward with those who are statutorily responsible for water management; provide clarity regarding how a plan may be approved; provide clarity regarding participation in a group and guidelines that govern when a participant may join a group; provide direction on notification of other appropriate local agencies to join the IRWMP process and require DWR to establish new funding criteria and guidelines, based on local cost-effectiveness, among other factors. Metropolitan staff will continue to analyze this measure and assist in coordinating member agency feedback on this legislation.

SB 1612 (Simitian) – Delta Conveyance Legislation – On April 6, SB 1612 by Senator Joe Simitian (D-Palo Alto) was amended to authorize construction of a facility to transport water around the Sacramento-San Joaquin Delta if numerous conditions are met; fund planning and construction of the facility through issuance of \$3 billion in state bonds; and create the Water Quality and Environmental Improvement Authority to manage and operate the facility and provide grants for environmental and drinking water quality improvement projects.

The bill is “on hold” in the Senate Rules Committee, awaiting assignment to a Senate policy committee. Members on the Senate Natural Resources and Water Committee have raised concerns that the bill would seek to implement a peripheral canal plan prior to planned DWR studies on risks facing the Delta and the best means of protecting Delta uses. Metropolitan staff has reviewed the amended language and will continue to engage with the author’s office regarding future plans for this legislation.

SB 1574 (Kuehl) – Revision of Delta Studies – Last year’s AB 1200 (Laird, D-Santa Cruz) directed DWR to evaluate the potential impacts of levee failures and to further require DWR and the Department of Fish and Game to evaluate various options for protecting a range of benefits provided by the levees – including protection of water supplies, improvement of water quality, flood protection and preservation of Delta lands, highways, utility

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facilities and other infrastructure located within the Delta and ability to restore salmon and other fisheries in the Delta.

Among other provisions, SB 1574 would require DWR to develop an option to reduce “dependence on the Delta for water supply through greater investments in local water supplies, water use efficiency, water recycling, demand management programs, and other actions outside the Delta.” Given this provision’s conflict with the fundamental goals and objectives of the CALFED program pertaining to water supply and Metropolitan’s recently adopted Delta policy principles, Metropolitan has taken an “oppose unless amended” position on the measure. Staff will continue to urge the author’s office to revise this provision to include all options and not focus solely on reduced exports.

AB 1881 (Laird) – Landscape Water Use Efficiency – This measure is the vehicle for recommendations of last year’s AB 2717 task force – as coordinated by the California Urban Water Conservation Council. Currently, the measure includes language that would require DWR to update the model local water efficient landscape ordinance and to include in the updated ordinance restrictions on overspray and runoff. The bill would make the updated ordinance applicable within the jurisdiction of a local agency, including a chartered city, if, by January 1, 2010, the local agency has not adopted a water-efficient landscape ordinance that is at least as effective as the updated ordinance in conserving water. The bill would require each local agency, not later than January 31, 2010, to notify the department as to whether the local agency is subject to the department’s model ordinance and, if not, to submit to the department a copy of the water-efficient landscape ordinance adopted by the local agency. The bill would require DWR, not later than January 31, 2011, to prepare and submit a report to the Legislature relating to the status of water-efficient landscape ordinances adopted by local agencies.

The bill would also require a public water system serving 300 or more service connections to install, or require the installation of a separate water meter used exclusively to measure the volume of water delivered to any new irrigated landscaping area of 5,000 square feet or more for non-single family properties.

According to the author’s office, stakeholder meetings will be held within the next few weeks to discuss the current language of the measure – as well as draft language reflecting additional task force recommendations. As an active participant of the AB 2717 task force, Metropolitan is supportive of the author’s efforts on this measure and will continue to participate in discussions as it moves through the Legislature.

Outreach

Outreach to local community leaders continued in April, in coordination with members of the state legislature. With Director Gene Koopman as emcee, Senator Bob Dutton and Assemblymember Bill Emmerson hosted an April 13 breakfast briefing on water for approximately 70 city, water district, and community leaders. On April 21, Senator Dick Ackerman served as host for a community leaders briefing, emceed by Director Larry Dick. Attendees included many city council members as well as numerous businesspeople and leaders of many other organizations. Presentations were made at the briefings by the General Manager regarding Metropolitan’s water resource portfolio and infrastructure bonds.

Metropolitan’s “Straight From The Tap” series is expanding its reach, with the cities of Rancho Palos Verdes and San Bernardino picking up the series for regular broadcast in their services areas. Department heads in Humanities at the University of La Verne also have requested the water series for use in the classroom. The series receives about 50 e-mails and calls from viewers monthly and requests for copies of the show came mostly from within California, but also as far away as Nebraska and Rhode Island. The Torrance cable show “Reach Out” dedicated a segment to the series, which aired on Time Warner, Channel 6 from April 24-28.



Review of District Activities April 30, 2006

Attachment 1

WATER

Actions

- CRA – Maintaining a five-pump flow.
- Blends – Maintain a SWP blend of 80 percent at Weymouth and 70 percent at Diemer. The SWP blend at Lake Skinner is 60 percent.

Distribution and Storage

	<u>Current Storage</u>	<u>EOM Forecast</u>
Lake Mathews:	156,500	157,000
Lake Skinner:	36,000	39,000
DVL	804,000	805,000

- Deliveries to DWCV at Whitewater and Mission Creek continue at 400 cfs. Deliveries continue to be adjusted based on demands and to manage Lake Mathews' storage.
- All replenishment, including SWP water, CRW and blends of the two, remain available pending system capacity. Replenishment deliveries are currently constrained by the lack of available spreading basin capacity for imported water, due to spreading of local runoff and maintenance activities. The following replenishment and conjunctive use deliveries continue.

	<u>Agency</u>	<u>Connection</u>	<u>CFS</u>
Replenishment			
Direct	Foothill	FM-01 (injection)	2
	Inland Empire	OC-59	50
	USGV	CenB-48	40
	Eastern MWD	EM-14/19	25
In-lieu	Orange County	Various	72
	Long Beach	LB-08	13
Conjunctive Use			
In-lieu	Foothill	FM-01	2
	Calleguas	CA-02	9
	Inland Empire	CB-12/16	35

CRA

- CY 2006 gross diversions to date are 179 TAF, 27 percent of the 671 TAF approved initial gross diversion for 2006.

SWP

- On April 18, Metropolitan's SWP allocation was increased from 80 to 100 percent, for a total of 1.91 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 2.08 MAF.

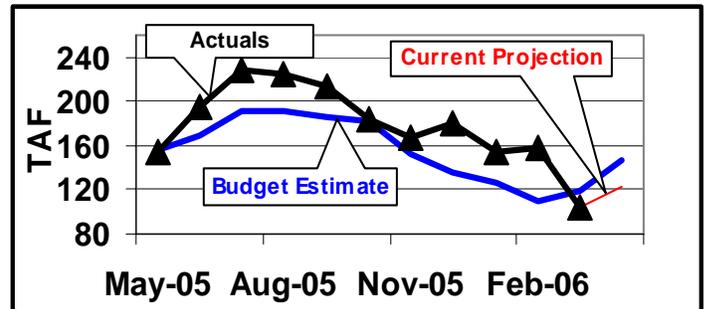
Shutdowns

- April 3-4: Middle Feeder (South) - Replaced ball valves and lubricated plug valves on the pipeline and on the South/East side of the Rio Hondo HEP.
- April 17-20: South Coast Feeder - Performed prestressed concrete pipe inspection and installed a turnout for the new CENB-54 service connection.

Demand (Cash Year)

2,085,593 AF	Current Projection
1,865,732 AF	Budget Projection
219,861 AF	Difference

WSO's current trend sales projection for CY 2006 is 2.1 MAF.



Water Quality

	TDS (mg/L) Goal: 500	THMs (µg/L)	Planned Blend (% SPW)
Weymouth:	296	48	80
Diemer:	353	50	70
Skinner:	403	59	60

All member agency 52-week annual average THM sample sites 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 518 mg/L.

- Live Oak Reservoir and Lake Skinner experienced non-taste and odor algae events in April. Storage at Live Oak was decreased by roughly 900 AF to allow the algae to dry out and be removed. Plant 2 at the Skinner Treatment Plant and a portion of raw water deliveries went on 50 percent lake bypass to improve water treatment operations. There was no adverse impact to effluent water quality.

POWER

- Generation at DVL is off to allow the reservoir to resume filling through the Inland Feeder Intertie deliveries.

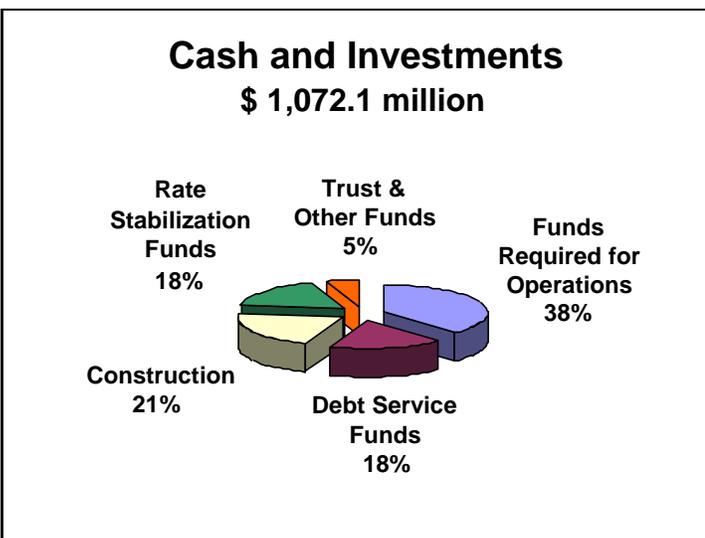
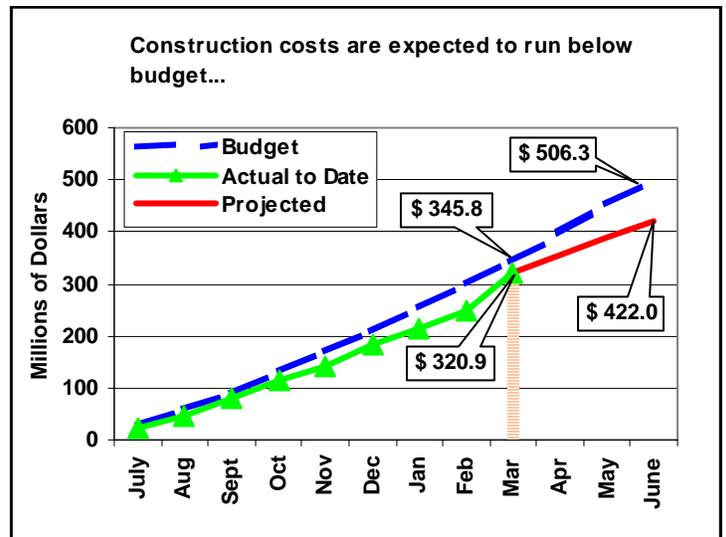
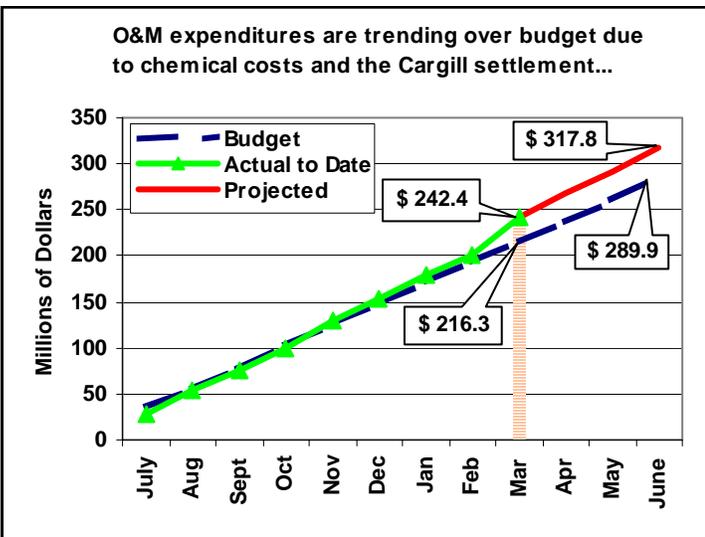
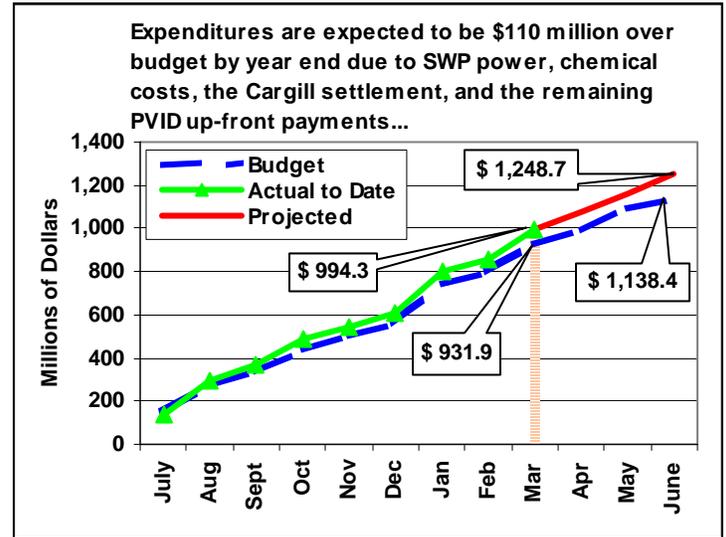
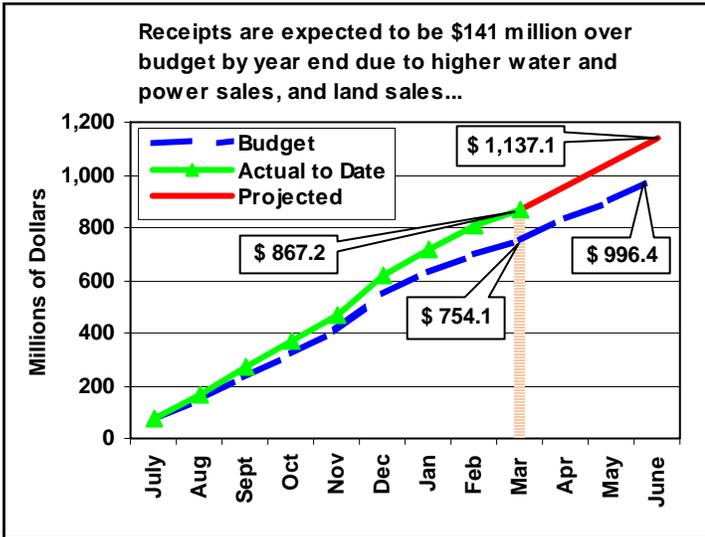
CAPITAL INVESTMENT PLAN

- 28 construction contracts and 5 related procurement contracts are ongoing through April, eight of which are over 90 percent complete. The total bid amount of all contracts in progress is over \$840 million.
- Over \$25 million in contract payments were made for construction performed in the month of March. Almost \$10.5 million was related to work at the Skinner plant.
- In April, the Board awarded a \$70.5 million construction contract to stabilize the south slope of the Diemer Treatment plant to prepare for future ozone disinfection facilities.



Financial Summary - Cash Basis March 31, 2006

Attachment 2



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.33 x
Revenue Debt Service Coverage	≥ 2.00 x	2.02 x
Revenue Bond Debt / Equity Ratio	< 100.0%	64.1%

Credit Ratings

- Moody's Investors Service	Aa2	Aa2
- Fitch Ratings	≥ AA	AA+
- Standard & Poor's	≥ AA	AA+