

- General Manager's June 2006 Activity Report

Summary

- Review of Metropolitan's Activities
- Colorado River
- CALFED/Bay-Delta Matters
- Legislative and Community Outreach

Summary

The following details the activities for the Office of the General Manager for the period following the June 13, 2006 Board meeting:

Review of Metropolitan's Activities

Metropolitan's activities as of June 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 Plan. 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 May.

Colorado River

Tour of Baja California - Staff arranged for a tour of northern Baja California water facilities for Metropolitan directors from June 6-8, 2006. Through this tour, the directors learned firsthand about water issues that impact both countries along the United States-Mexico border. Additionally, the directors interacted directly with Mexican agency officials.

Colorado River Basin States Weather Modification Workshop and Meeting - Weather modification to increase precipitation and runoff is one of the water supply augmentation strategies being considered by the Colorado River Basin states. The California Department of Water Resources sponsored a workshop on this topic. Representatives from Colorado indicated that Colorado is prepared to receive and manage funding for measured weather modification actions that would benefit all of the river basins within the state. However, the Department of the Interior indicated that it is not in a position to reallocate the limited funding to weather modification. Metropolitan was asked to coordinate follow-up discussions at the next Basin states meeting on potential winter 2006/07 weather modification activities and funding.

Development of Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lakes Powell and Mead - The United States Bureau of Reclamation (Reclamation) consulted with representatives of the Colorado River Basin states and non-governmental organizations on alternatives in its Environmental Impact Statement for Development of Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lakes Powell and Mead. Reclamation indicated that the non-governmental organizations alternative would include an opportunity for the United States and Mexican governments to develop intentionally created surplus water that could be dedicated to environmental purposes in each country.

CALFED/Bay-Delta Issues

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

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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.

Bay-Delta Conservation Plan (HCP/NCCP) - Negotiations continue regarding the Bay-Delta Conservation Plan, which is intended to provide a decision-making forum for future Delta infrastructure investments and a conservation plan for Delta aquatic and other species. The parties agreed to split costs until a final decision is made to pursue the effort (about \$90,000). Costs would be shared equally between the State Water Project, the Central Valley Project, and Mirant Energy. A Steering Committee has been formed with representatives of the SWP, CVP, water contractors, power agencies, regulatory agencies, and environmental groups. Interviews for a Project Manager are expected to occur in mid-July. A memorandum of agreement based on the January Statement of Principles, which commits the parties to the conservation plan, calls for interim actions in the Delta, and identifies sources of funds, will be on the Board agenda for approval in July.

State-Federal Agreement on Levee Repairs - Governor Schwarzenegger and the Bush Administration have finalized an agreement for an expedited permitting process to fix 29 critical levee sites in the Sacramento River basin by Nov. 1, 2006. To meet the timelines agreed to, federal agencies are authorized to invoke emergency procedures under existing law, if necessary, to issue the permits. Without this agreement, levee repairs would take two or three years to complete.

CALFED Annual Report Released - CALFED released their annual report and it includes a review of accomplishments in 2005. The report is available for downloading from CALFED's Web site at <http://www.calwater.ca.gov>.

Legislative and Community Outreach

State - On June 28, the State Legislature sent to the Governor a \$131 billion spending plan for FY 2006/07 that will use nearly \$7.5 billion in additional revenues to pay down debt, provide a prudent \$2 billion reserve and makes responsible investments in education, higher education, health and human services, natural resources and transportation. The budget provides \$8.8 million from the General Fund on a one-time basis to repair damaged levees and other infrastructure on lands caused by the winter storms of 2005/06. The budget also provides expenditure authority for federal funds and reimbursements and eleven positions for the development of conservations plans in the Bay/Delta. The budget also provides \$5 million from Proposition 13 over the next three years to support San Joaquin River restoration activities related to the fishery, wetland and riparian resources and regional water supply reliability in the San Joaquin Valley. The spending plan also contains \$100 million and \$84 million from the General Fund to pay for local flood control subventions and the lining of the All American Canal, respectively. The Governor is expected to sign the budget before the June 30 fiscal year deadline.

Federal - On June 27, the Senate Energy and Water Appropriations subcommittee marked up their bill for FY 2007 which includes, among other programs and projects, \$38.6 million for CALFED; a review of Delta levee emergency preparedness and response planning with appropriate federal and state agencies; funding for Metropolitan's innovative water conservation program; and \$22.865 million for moving the Moab mill tailings.



WATER

Actions

- CRA – Maintained a five-pump flow and plan to increase to a six-pump flow on July 12.
- Blends – Maintained a SWP blend of 80 percent at Weymouth and 65 percent at Diemer. The SWP blend at Lake Skinner is 51 percent.

Distribution and Storage

	Current Storage	EOM Forecast
Lake Mathews:	161,500	162,000
Lake Skinner:	37,100	37,500
DVL:	807,200	807,000

- Deliveries to DWCV will be turned off from June 29 through July 5, 2006, due to the holiday weekend. Deliveries will resume on July 5 at 180 cfs, but may be adjusted to control storage at Lake Skinner and Lake Mathews.
- The 30-day hold period required by the California Department of Safety of Dams to inspect DVL will end on July 1, when the inlet-outlet tower will be operational and the reservoir will return to service with one generator operating.
- All replenishment, including SWP water, CRW and blends of the two, remain available subject to system capacity and availability of groundwater spreading facilities. The following replenishment and conjunctive use deliveries continue.

	Agency	Connection	CFS
Replenishment			
Direct	Foothill	FM-01 (injection)	2
	Inland Empire	CB-11B/13/14/15/59	35
	Eastern MWD	EM-14/19	25
	Central Basin Orange County	CenB-28 Various	75 135
In-lieu	West/Central	WB-04/CenB-19	4
	Long Beach	LB-08	13
Conjunctive Use			
In-lieu	Foothill	FM-01	2
	Calleguas	CA-02	8
	Inland Empire	CB-12/16	25

CRA

CY 2006 gross diversions to date are 336 TAF, or 50 percent of the 671 TAF approved initial gross diversion for 2006.

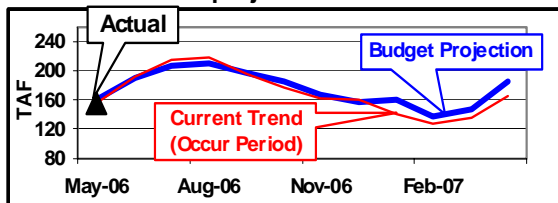
SWP

Flows of Kern River water into the California Aqueduct have been discontinued due to increasing agricultural demands in the San Joaquin Valley.

Demand (Cash Year)

2,048,176 AF	Current Projection
2,108,060 AF	Budget Projection
(59,884) AF	Difference

The current trend sales projection for CY 2006 is 2.0 MAF.



Water Quality

	TDS (mg/L) Goal: 500	THMs (µg/L)	Planned Blend (% SPW)
Weymouth:	265	37	80
Diemer:	342	43	65
Skinner:	430	58	51

All member agency THM sample sites currently are below our TDS running annual average (RAA) goal of <64 µg/L. The RAA remains below Metropolitan's goal of 500 mg/L, except at the Skinner Plant, with an RAA of 517 mg/L.

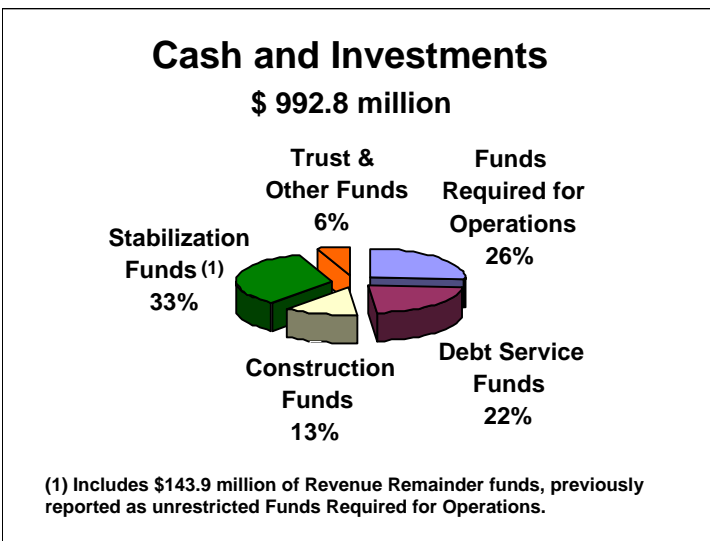
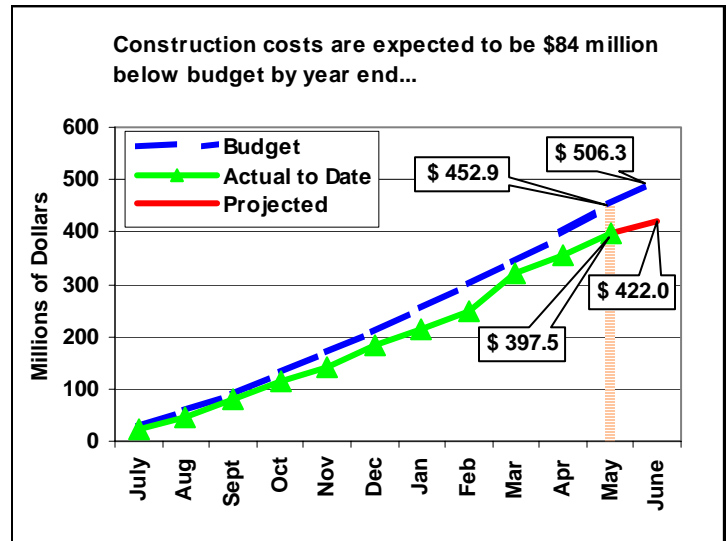
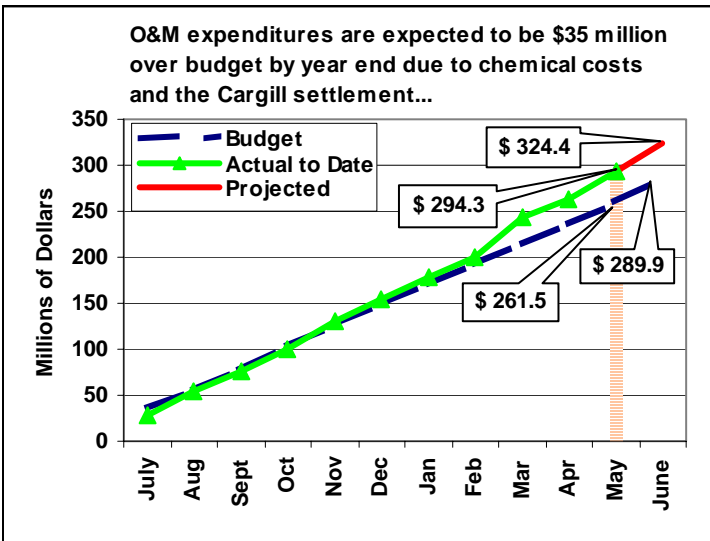
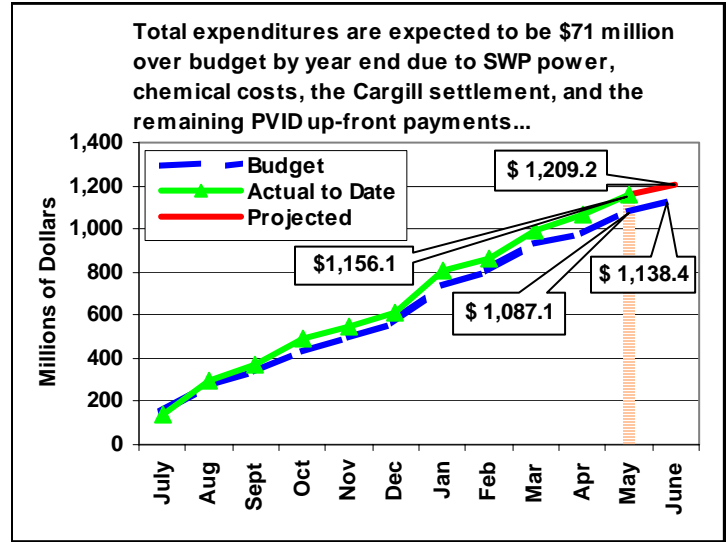
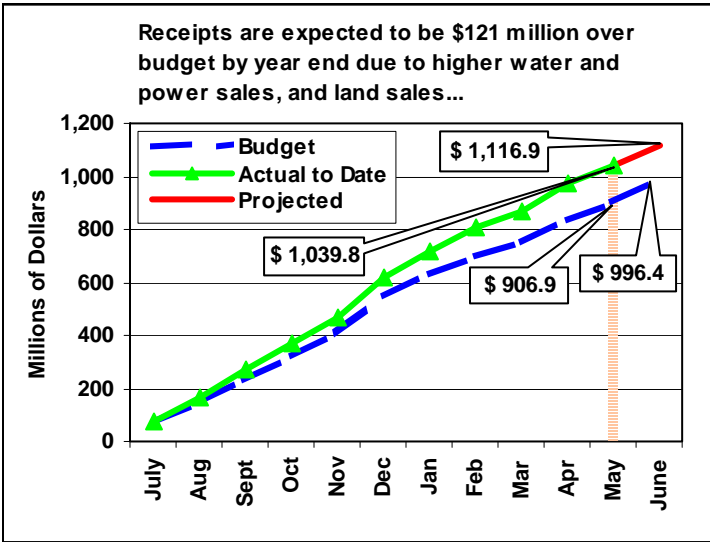
The Skinner Plant is currently on 75 percent lake bypass for treated water due to a copper sulfate treatment completed on June 20, to reduce algal activity.

POWER

- Flows through the Inland Feeder Intertie are approximately 200 cfs. The water is bypassing DVL during the 30-day hold period, flowing through one generator at the Wadsworth Pumping Plant.
- On June 28, 2006, between 1400 and 1800 hours, a load shed occurred on the CRA at Southern California Edison's (SCE) request. Five pumps were turned off at Intake and Gene for a total of 72 MW. CRA deliveries into the service area were unaffected, since deliveries from Copper Basin Reservoir remained unchanged. More load shedding may occur if the extremely hot weather continues. Metropolitan's contract with SCE allows for up to 20 load sheds per year. In exchange for reducing pump loads, Metropolitan derives a number of benefits from SCE, including energy, transmission and reliability services, at no extra charge.

CAPITAL INVESTMENT PLAN

- 28 construction contracts and 5 related procurement contracts were ongoing through May, one of which was completed during the month. The total bid amount of all 28 construction contracts in progress is over \$874 million.
- Over \$26 million in contract payments were made for construction performed in the month of May. Almost \$15 million was related to work at the Skinner plant, including the ongoing construction of oxidation facilities, the new 110-mgd Module 7, and the new and upgraded chemical feed and storage systems.
- On the Inland Feeder, the Arrowhead East Tunnel advanced 610 feet, for a total of 13,295 feet, which is 59.28 percent of the tunnel length. In April the TBM cutterhead for the Arrowhead West Tunnel became lodged in unstable ground, resulting in reduced mining progress. The machine was freed in mid-June and 75 feet were mined in the remainder of the month. The San Diego Pipeline 6 North Reach pipeline installation is 98 percent complete; the Skinner Plant Module 7 construction is 81 percent complete; and the ozone facility construction at Skinner is 24 percent complete. The contractor has started construction on the \$70 million Diemer south slope stabilization contract.
- The Board appropriated a total of \$10.55 million in capital funds, authorizing work to proceed on the 2006/07 Minor Capital Projects Program, and the geotechnical investigations for the Central Pool Augmentation Program.
- The Board adopted a \$561 million budget for FY 2006/07 Capital Investment Plan. This years CIP includes significant construction expenditures (over \$50 million) on the Skinner and Diemer Ozone Programs, the Skinner Plant Improvements Program, the Inland Feeder Arrowhead Tunnels, and the Perris Valley Pipeline.



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.28 x
Revenue Debt Service Coverage	≥ 2.00 x	1.94 x
Revenue Bond Debt / Equity Ratio	< 100.0%	64.2%

Credit Ratings

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