

• **General Manager's September Activity Report**

Summary

The attached report details the activities of the Office of the General Manager for the month of September 2006. Metropolitan has delivered sufficient water supplies to meet all firm, replenishment and agricultural demands and has achieved full compliance with drinking water quality standards.

This report summarizes the status of Metropolitan's core business in terms of:

- Water Supplies
- System Operations
- Water Quality
- Capital Investment Plan
- Real Estate Management
- Finance
- Business Processes/Operations
- External Affairs
- Business Outreach
- Workforce

Attachment

General Manager's Monthly Activity Report



Colorado River

Deliveries (As of 9/30/06): 619 TAF (CY 2006)

	Reservoir Storage	
	9/24/2006 Storage	Percent of Capacity
Lake Powell	11.9 MAF	49%
Lake Mead	13.9 MAF	54%

Metropolitan Submits 2007 Lake Mead Storage Plan – On September 15, Metropolitan submitted its plan to store 50,000 AF of water in Lake Mead during 2007. Metropolitan will store water conserved by the land fallowing program with Palo Verde Irrigation District. In 2006, Metropolitan also stored 50,000 AF in Lake Mead, which will result in a total account balance by the end of 2007 of 100,000 AF.

Basin States Meet to Advance Colorado River Agreement – The Colorado River Basin States met on September 28 in Salt Lake City to discuss outstanding issues associated with implementing the seven Basin states preliminary agreement signed last February. The principle concerns identified were: (1) disagreement between Arizona and Nevada regarding allocation of shortages; (2) the need for better coordination in responses to proposed Reclamation decision-making; and (3) options for bringing Mexico issues into the Basin states' discussions. The States formed smaller committees tasked with developing position papers on how to move the agreement forward. Metropolitan staff will participate in these committees.

Mexico Supports Legal Challenge to the All-American Canal Lining Project – In September, the Republic of Mexico filed an amicus brief supporting the appellants in the All-American Canal (AAC) Lining Lawsuit, which is scheduled to be heard before the Ninth Circuit Court in December. The AAC lawsuit will address whether the Endangered Species Act coverage crosses the border and whether the NEPA requires analysis of trans-national impacts and whether deliver obligations of the United States-Mexico treaty include groundwater. Metropolitan plans to file an amicus brief with the court supporting the federal government. The Basin states are also planning on filing similar amicus briefs.

State Water Project

Deliveries (As of 8/30/06): 1.25 MAF (CY 2006)

	Storage To-Date	Percent of Capacity
Lake Oroville	2.86 MAF	81%
San Luis Reservoir	1.29 MAF	64%
San Luis State Share	.089 MAF	84%

West Branch Repair and Refurbishment Work – The Department of Water Resources (DWR) began lowering the surface level of Castaic Lake and its Elderberry Forebay to facilitate repairs and refurbishments. By the end of this calendar year, Castaic Lake is projected to reach a low point of approximately 170 TAF. Its full capacity is approximately 325 TAF. Refilling is scheduled to start on January 1, 2007. It will take about four months for the lake level to recover to full capacity.

Several projects will be completed during the drawdown:

- Repair of erosion damage to Elderberry Dam
- Repair and refurbishment of the substructure and trash rack system on the face of Castaic Power Plant
- Completion of silt removal from Castaic Power Plant cooling water systems
- Additional dredging of Elderberry Forebay
- 10-year inspection of the Angeles Tunnel pipeline

Metropolitan coordinated with DWR and the other SWP contractors to minimize water delivery disruptions coordinating with upstream maintenance needs and power during the drawdown and refill.



CALFED/Bay-Delta

Planning Agreement – The Bay-Delta Conservation Plan (BDCP) Steering Committee approved a planning agreement that defines the goals, geographic scope, budget, funding, and outreach plan associated with the BDCP. The Planning Agreement is currently undergoing a 21-day public review. Metropolitan board action on the Planning Agreement is scheduled in October.

Cost-Share Agreement between DWR and Reclamation – As part of this agreement, the USBR and DWR agreed to contribute an aggregate of \$3 million annually in calendar year 2006 and 2007 towards costs related to the development of the BDCP.

Delta Risk Management Strategy – The draft report for the Delta Risk Management Study (DRMS) is scheduled to be released in March 2007. The report will contain an evaluation of the sustainability of the Delta, and an assessment of major risks to Delta resources from floods, seepage, subsidence, and earthquakes. The DRMS effort will also evaluate the consequences, and develop recommendations to manage the risk. Staff is reviewing and commenting on the study. A final report is scheduled to be released in January 2008.

Timeline of Delta Actions – The following is a timeline for completion of key activities and decisions related to the Delta.



Desalination

\$10 million in Proposition 50 Grants – Southern California was awarded over \$10 million in Water Desalination Grants from Proposition 50 funds. The Metropolitan service area received 13 of the 24 awards for brackish and seawater construction projects, studies, and pilot demonstration projects. Metropolitan provided letters of support for all requesting member agencies.

Water Supply Planning

In an effort to better integrate local and regional water systems and planning efforts, Metropolitan and its member agencies are conducting joint Integrated Area Studies (IAS) to identify the local and regional facilities that will be required to meet future water demands. Due to the importance of reaching a consensus on the demand projection and facility timing analyses, technical memorandums describing Metropolitan's methodologies and assumptions were reviewed by an IAS Technical Panel composed of member agency staff and by an expert panel composed of water industry consultants. The two panels met September 14 to discuss short-term and long-term improvements. The first joint IAS meeting was held September 21. The objective is to initiate discussions and to work toward a consensus on the IAS gap analyses. Discussions included level of service, system flexibility, and facility timing and the goal is to bring consensus recommendation to the Board for policy consideration.

Local Resources Program

Local Resources Program Task Force – Last month, Metropolitan held the second meeting of the Local Resources Program Task Force, comprised of member agency representatives, to review the Local Resources Program (LRP) and its ability to achieve Integrated Resource Plan targets. Upcoming meetings will focus on developing a framework to guide discussion of LRP approaches and implementation strategies for the future.

Water Reuse Association Symposium – Metropolitan Director John Morris, who served on the symposium's organizing committee, led attendees on a tour of the Long Beach Desalination Pilot Plant. In addition, Metropolitan staff provided information on its water use efficiency programs as part of an exhibit showcasing public water resource stewardship in water recycling, desalination and conservation.

Conservation

Commercial/Industrial/Institutional (CII) Update – Staff revised the CII conservation program vendor contract to include rebates for new devices approved by the Board in August 2006. Staff is also conducting research to consider the expansion of retrofits in niche conservation markets such as restaurants, colleges, amusement parks, public parks, and golf courses.



Water Demands

Cash Year (May-April)

2.12 MAF Current Projection

2.11 MAF Budget Projection

8,000 AF Difference

The current trend sales projection for Calendar Year 2006 is 2.09 MAF.

System Operations

For the month of September, SWP deliveries into Metropolitan's system are estimated to be 158,000 AF. For July, August and September SWP deliveries will be 489,900 AF, the second highest three-month period on record. Staff continues to configure the system for maximum State project water deliveries. The Yorba Linda Feeder bypass has been used for most of the month providing an 80% SWP blend to Orange County Water District for replenishment. The San Diego Canal and Lake Skinner have been maintained below the goal of 500 Total Dissolved Solids (TDS), 70% blend for the Weymouth plant and a 60% blend for the Diemer plant has been maintained. Fourteen of the 16 hydroelectric plants were operated during the month, with an average of 72 megawatts per hour of generation.

All groundwater replenishment requests for the month have been met.

Treatment Plants

The treatment plants continued to experience voltage excursions and power blips that triggered the use of emergency generators. Though treated water quality was never compromised, staff initiated an Emergency Power Improvement (EPI) program following a summer of numerous issues with station power and emergency generator performance. This program will recommend changes in training, maintenance procedures, and short-term facility improvements before next summer. The EPI program will also recommend and submit capital projects for inclusion in the 2007/2008 Capital Investment Plan budget.

Power Operations and Planning

On September 13 and 14, Metropolitan attended the annual Technical Review Committee meeting at Hoover Dam to review and discuss Reclamation's and the Western Area Power Administration's plans and budget for the new fiscal year and the 10-year budget projection. Efforts to manage the costs of the visitors center and security were also discussed. Metropolitan pays 21% of the costs at Hoover, approximately \$17 million annually, and receives sufficient power to move nearly 500 TAF through the Colorado River Aqueduct.

Distribution and Storage (As of 9/24/06)

	Current Storage	EOM Forecast
Lake Mathews	153,980	151,900
Lake Skinner	38,672	39,000
DVL	784,342	784,000

All replenishment, including SWP water, CRW and blends of the two, was 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/13T/14T/15/18	38
	Inland Empire CB-59	75
	MWDOC OC-28/28A	130
In-lieu	MWDOC Various	75
	Central Basin CenB-19	2
	West Basin WB-04	2
	Fullerton F-05/08	20
	Santa Ana SA-01/02/04/06	5
Conjunctive Use		
Direct	Foothill FM-01 (Injection)	2
	In-lieu	Inland Empire CB-12/16
MWDOC CM-8/11/OC-44B		34



Taste and Odor

Taste-and-odor algae blooms occurred in Lake Skinner, Lake Perris and DVL in September. Lake Skinner was treated with copper sulfate on September 7. Lake Perris was treated with copper sulfate for a benthic algae growth on September 19. The Perris drawdown has exposed nutrient rich surfaces that were previously deeper in the lake and has allowed for increased algae growth. Although the treatment resulted in a significant reduction, a second treatment was recommended to DWR in the same area based on diver observations and laboratory analyses of samples.

DVL is also experiencing high levels of growth in the surface water of the lake due to production by the same species causing problems in Lake Perris. However, given conditions in DVL, and the great depth and volume of unaffected water deep in the lake, treatment is not recommended at this time. There are no other taste-and-odor problems in source and finished waters.

Bromate

In February, Metropolitan created a Bromate Task Force to evaluate its existing strategy for complying with the bromate maximum contaminant level (MCL). At that time, Metropolitan temporarily modified ozone treatment at both the Jensen and Mills treatment plants to control bromate levels to an average level of 5 ug/L. The existing MCL is set at 10 ug/L, based on a running annual average (RAA) of samples collected on at least a monthly basis. In an effort to reliably meet this regulation, an operational goal of a RAA of 8 ug/L at the treatment plant effluent was established. Based on information presented as part of the Bromate Task Force, and feedback from the July 14 Member Agency Managers' meeting, Metropolitan staff recommended returning to this bromate strategy. Effective August 1, Metropolitan returned to its original bromate control strategy with an operational goal of a RAA of 8 ug/L at the Jensen and Mills treatment plants. Under this strategy most individual bromate values are expected to be less than 10 ug/L, based on historical measurements.

Staff is conducting applied research at the La Verne Pilot Plant facility to determine more cost-effective methods for controlling bromate production at ozone treatment plants.

Desalination Research and Innovation Partnership

Metropolitan's Board initiated the Desalination Research and Innovation Partnership to evaluate development of next-generation desalination technology for reduction of salinity of Colorado River water (CR). Metropolitan has partnered with Reclamation to evaluate process efficiencies in treating 100% CR. This testing is specifically evaluating: (1) use of Metropolitan's ozonation pre-treatment prior to Reverse Osmosis (RO) desalination of CR; (2) performance of the world's first 0.5-million-gallons-per-day, 18-inch diameter RO skid; and (3) large-scale testing of in-house water recovery methods that may allow this RO skid to operate at 95% water recovery (typical RO efficiency is realized at 85%). Testing is expected to end in early summer of 2007.

Long-Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR) Monitoring

The purpose of the LT2ESWTR is to reduce illness linked with the contaminant *Cryptosporidium* and other pathogenic microorganisms in drinking water. The rule became effective on March 6, 2006. For large systems serving at least 100,000 people, monthly monitoring must begin no later than October 2006 and continue for two years. As required by this rule, Metropolitan will monitor each of its treatment plant sources once per month during the period covered by the LT2ESWTR.

Current regulations require filtered water systems to provide a 99% reduction in source water *Cryptosporidium* levels. All five of Metropolitan's treatment plants are expected to not need any additional treatment to meet this requirement.



Summary

- Ongoing Contracts – 29 construction contracts and five related procurement contracts were ongoing through August. The total bid amount of 29 construction contracts in progress is over \$901 million.
- September Payments – Over \$25 million in contract payments were made for construction performed in the month of August. Almost \$14 million was related to work at the Skinner plant, including the ongoing construction of ozonation facilities, the 110-mgd Module 7, and the upgraded chemical feed and storage systems.
- Major Contracts – The Inland Feeder Arrowhead East Tunnel advanced 270 feet through September 14 for a total of 14,610 feet, which is 65% of the tunnel length. The Arrowhead West Tunnel advanced 50 feet through September 14 for a total of 6,695 feet, which is 34% of the tunnel length. Pipeline construction was completed on the San Diego 6 North Reach contract, on schedule and under budget; the Skinner Module 7 construction is 89% complete; and the ozone construction at Skinner is 32% complete. At the Diemer treatment plant, construction continues on the vehicle maintenance facility (68% complete) and plant maintenance facility (55% complete); and the contractor for the south slope stabilization project completed demolition of the existing maintenance building and fueling station, and continued excavation at the treatment plant level.
- Awarded Contracts – In September, the Board appropriated a total of \$11.975 million in capital funds, awarded contracts totaling \$6.638 million, and authorized design to replace the floating covers for the Skinner Finished Water Reservoir and Palos Verdes Reservoir, several rehabilitation projects on the CRA, Conveyance and Distribution system, and construction of perimeter improvements at the Weymouth plant.



Construction at Skinner treatment plant

Treated Water Cross Connection Prevention Program

The purpose of the Treated Water Cross Connection Prevention program is to relocate air release and vacuum valves from subsurface vaults along treated-water feeders to aboveground locations to eliminate potential cross connections. To date, the valves at 160 sites have been relocated, with another 302 sites scheduled to be modified under this program. An initial package of 75 sites has been advertised for construction. A November board action is planned to award the first construction contract. Staff coordinated with cities and other local agencies to secure the necessary permits. Several options for the valve enclosure were offered to the 18 cities and agencies and most have selected the Placer Waterwork box shown below.



Placer Waterwork valve enclosure



Diamond Valley Lake Recreation Construction

Program Budget

Through the end of August:

- Approved budget \$68.15M
- Spent to date \$54.74M (or approximately 80% of the approved budget)
- Remaining funds \$24.65M
- Surplus Property Sales \$4.67M

Survey Work

Topographical work on the North property and the East Recreation Area began in September and is anticipated to be completed by the end of the year.

Searl Parkway Extension Phase II

This project is currently 54% complete.

Searl Parkway Landscaping Phase I

This project will be completed in October.

Searl Parkway Landscaping Phase II

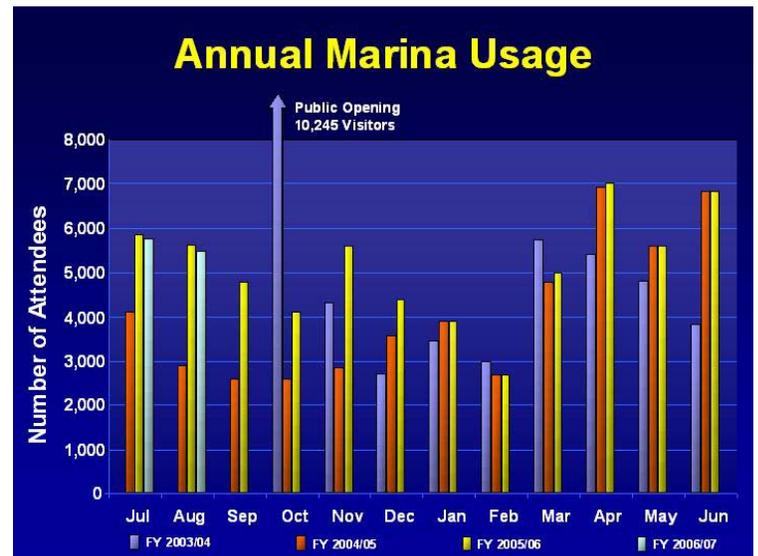
The design drawings are essentially complete.

Trails – DVL to Skinner/Lakeview

Shades structures, picnic tables, trash receptacles and portable toilets will be installed by the end of the year.

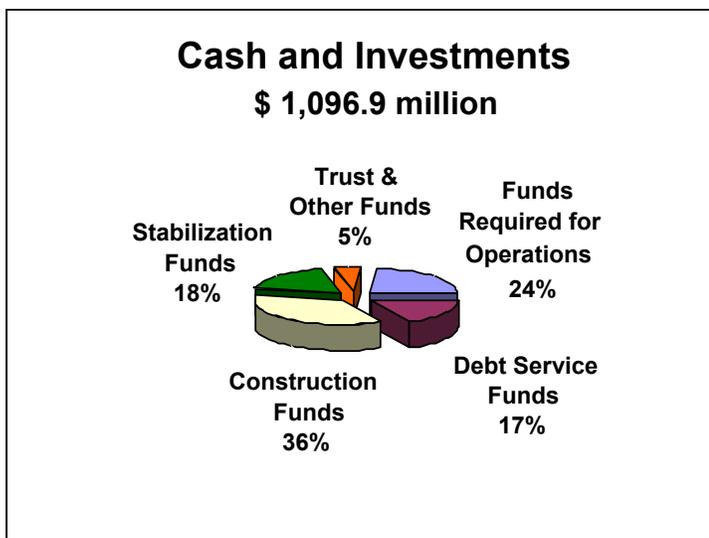
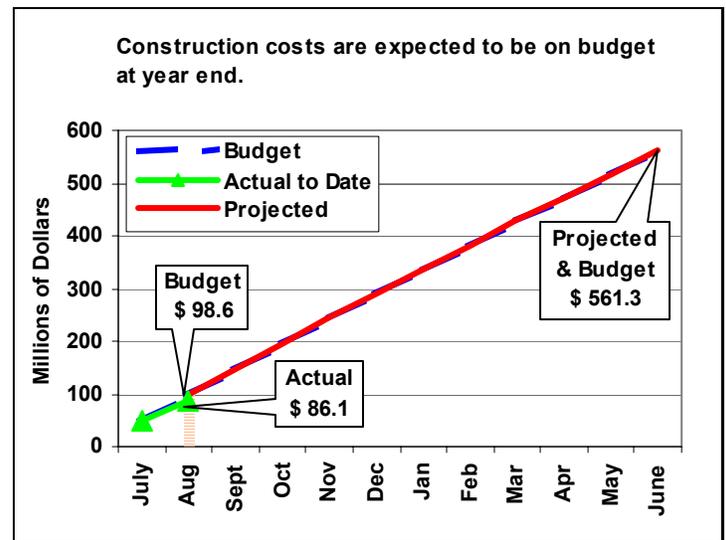
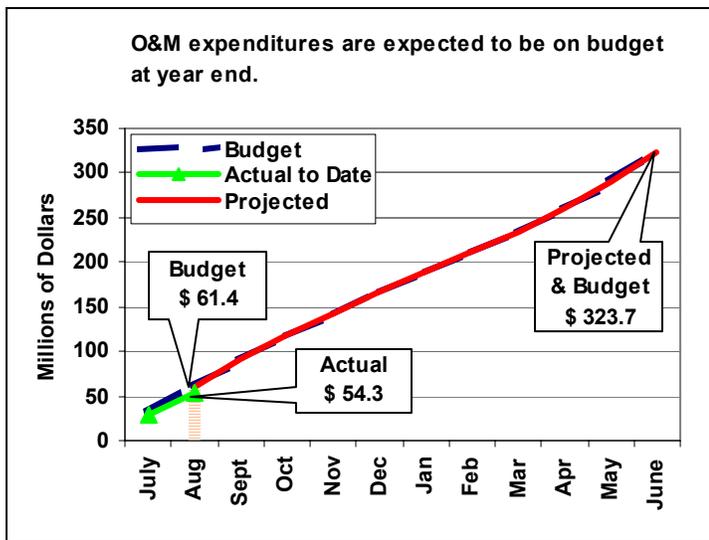
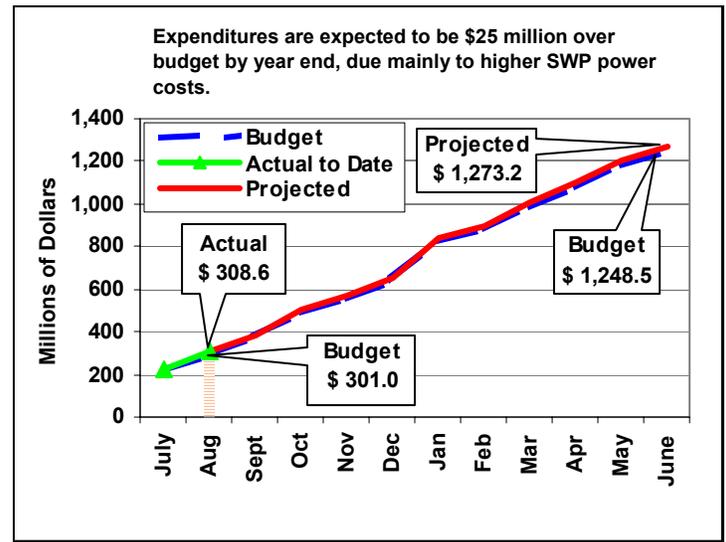
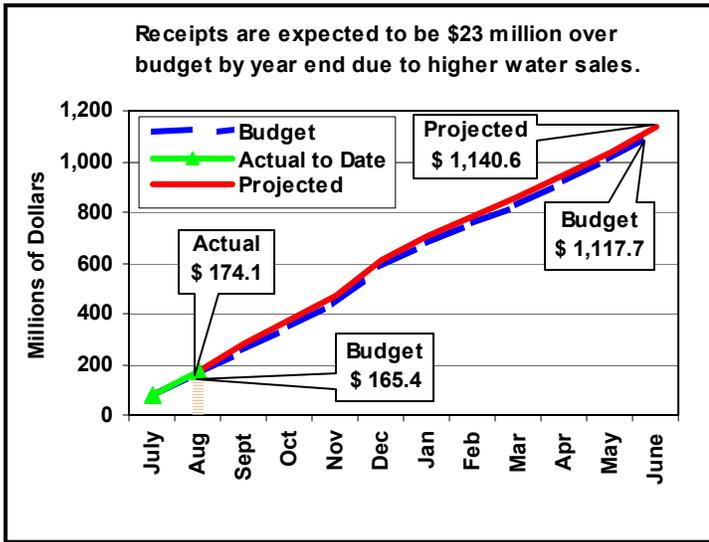
Tenant Improvements

The Center for Water Education (CWE) is currently 96% complete and The Western Center for Archaeology and Paleontology is 99% complete.



Real Estate Activities

Metropolitan's building permit was approved by the Washington, D.C. Permit Authority allowing Metropolitan's general contractor to proceed with the layout and structural improvements. The general contractor anticipates a tentative completion date of October 27, 2006 for these improvements. Move-in is scheduled for November 2006, subject to the issuance of a certificate of occupancy.



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.20 x
Revenue Debt Service Coverage	> 2.00 x	1.76 x
Revenue Bond Debt / Equity Ratio	< 100.0%	62.8%

Credit Ratings

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



Metropolitan Water District General Manager's Monthly Activity Report—September 2006

Business Processes/ Operations

Information Technology

In September, a presentation was made to the Budget, Finance, Investment and Insurance Committee on a new budgeting system. This item is scheduled to come to the Board for action in October 2006.

The following milestones were reached on implementation of the IT Strategic Plan:

- Information Technology is working with Human Resources on finalizing implementation of Resume Mirror to improve the recruitment process.
- As part of the Water Billing System Upgrade project, the professional service agreement was executed.
- IT staff held the project kick-off meeting with key stakeholders at the Jensen treatment plant for the Programmable Logic Controller – Phase II project.
- Information Technology supported Human Resources in preparation for Metropolitan's annual Open Enrollment process, which allows employees to make open enrollment changes on-line through PeopleSoft Self Service. The 2007 Open Enrollment kicked off on September 5.

Security

Security System Improvements Program's overall budget increased to \$18.5 million with the Board's approval of the following new projects in August 2006: Copper Basin Security Fiber Optic Cable Network Construction; Floating Waterway Security Barrier System Design and Installation at Intake Pumping Plant; Entry Control Point Standardization and Perimeter Defense Study; and Critical Lock Identification and Change Out. A construction contract was awarded for the Copper Basin Security Fiber Optic Network project and an agreement was drafted for the Entry Control Point Standardization, Perimeter Defense, and Critical Lock Identification Studies.

Business Processes

Business Services has introduced several new initiatives to improve communication. Business Services recently began publishing the *Business Services Update*, a one-page newsletter that is electronically distributed to all employees, informing them of new and revised services, procedures, and programs. Feedback thus far has been positive.

In response to requests for information about the status of goods and nonprofessional services, an automated notification process was developed. Now employees are provided with automatic email notices that include vital information about pending purchase orders.

To assist field managers in tracking the amount and type of warehouse stock used by employees, the Inventory Management system was modified to provide managers with detailed weekly reports of warehouse activities for their team or unit.

Emergency Preparedness

Conducted six emergency exercises, for a total of 136 staff hours of training involving 87 participants.



Federal Legislative Update

Congress adjourned September 30 and will remain in recess until after the November election.

State Legislative Update

Governor Schwarzenegger had until September 30 to act on the hundreds of bills passed by the Legislature during the final weeks of the 2005/06 legislative session. As of September 30, the Governor has signed only one of the bills on Metropolitan's priority list. That bill, SB 497 (Simitian D-Palo Alto) was signed into law on September 18 and will provide further controls over ballast water releases that will help minimize risk to water supply reliability for all Delta water users.

AB 2951 (Goldberg, D-Los Angeles) is a compromise bill for cost allocation between public utilities and their public sector customers, which ensures that all rate-payers of a utility, including schools and state agencies, pay their fair share toward ongoing infrastructure improvement and rehabilitation that directly benefits the user. It was signed into law by the Governor and was supported by many Metropolitan member agencies.

During the fall recess, a number of informational legislative hearings are scheduled that may be of particular interest: On Oct. 10, the Assembly Water, Parks and Wildlife Committee will convene at the State Capitol to evaluate the findings and public comment in response to the 2006 Resources Agency report on restoration of the Hetch Hetchy Valley. The Senate Governmental Organization Committee will examine the expenditure of Homeland Security and Bioterrorism Preparedness funds on October 16-18. The three-day hearing will begin at 11 a.m. in Room 3191 of the State Capitol.

Education

Metropolitan received an additional \$30,000 from Reclamation and \$30,000 from the Los Angeles County Sanitation District for the second cycle of the Southern California World Water Forum College Grant Program.

Briefings

- August 29: Briefed two staff members for Senator Barbara Boxer about Metropolitan and its water resources plan.
- September 13: Representatives from the Riverside Chamber of Commerce, the city of Riverside and Western Municipal Water District attended a one-day tour of Diamond Valley Lake, the Western Center and The Center for Water Education, hosted by Director Terry Mylne.
- September 19, 20 and 23: Education staff conducted three orientation workshops for teachers whose classes will participate in the Diamond Valley Lake hands-on program and The Center for Water Education interactive tour. Eighty-one teachers attended. The field trip program is scheduled to begin October 17.
- September 21: Conducted briefings and a tour of Metropolitan facilities for Assistant Interior Secretary for Water and Science Mark Limbaugh; Regional Director Robert Johnson; and Deputy Commissioner for Intergovernmental and External Affairs Brenda Burman.
- September 20-22: Conducted an inspection trip of the Colorado River Aqueduct and Diamond Valley Lake for the Board of Directors of the Association of California Water Agencies, hosted by Metropolitan Director Glen Peterson.

Community Outreach Events

The Barnsdall Art Park City Makeover groundbreaking event with Los Angeles Department of Water and Power (LADWP) was held on September 18. Directors John Murray and Nancy Sutley spoke on behalf of Metropolitan. Attendees included LADWP General Manager Ron Deaton, Los Angeles City Council President Eric Garcetti, Metropolitan staff and top officials from the city's engineering, parks and recreation and cultural affairs departments.

Media

Radio ads for the California Friendly Program began airing September 25 on more than 25 top radio stations in Southern California encouraging residents to turn down their sprinkler settings for fall, and to apply for rebates for smart sprinkler controllers.



Hispanic Heritage Month

- September 13: Metropolitan hosted the National Latina Business Women Association - Los Angeles Chapter business development mixer.
- September 19: Metropolitan hosted the Office of the General Manager hosted the California Hispanic Corporate Council Leadership Institute monthly speakers series.
- September 28-30: Metropolitan participated in the California Hispanic Chamber of Commerce 2006 Convention in Sacramento.

Cost-Containment Committees

Management held initial meetings with the bargaining units to discuss the cost-containment committees as established in the approved MOUs.

Classification/Compensation Studies

Management continued to work with the Association of Confidential Employees to complete the ACE classification and compensation study.

Benefits

The Benefits Unit visited every Metropolitan site during the month of September for Open Enrollment. Over 700 employees have gone on-line to make benefit changes. Staff implemented the new benefits negotiated in the MOUs, including medical waive credit, part-time and recurrent benefits, and the enhanced professional development benefit.

Employee Relations

Employee Relations continued its briefing on the newly negotiated MOUs, presenting information at the Corporate Resources Group's Leadership Forums on September 25 and 28.

Director of Human Resources

Executive Recruitment

The search for the Director of Human Resources position closed on September 29. Applications of prospective candidates are being evaluated and interviews will be scheduled in October.

Recruitment

Resume Mirror implementation - the technology that will allow online applications for Metropolitan positions will be completed in October.

A vendor for the Short Term Recruiting and Talent Acquisition (STRATA) has been selected after reviewing proposals from various firms and viewing demonstrations of each product/service. STRATA is a six-month pilot that will augment the current recruitment services offered by the Human Resources Section and will provide a hosted web based recruitment management system that will automate screening of resumes and allow managers to view resumes online along with other efficiencies that will reduce recruitment time. This project will also provide recruitment help to assist with existing vacancies and new positions approved in this years budget.

Several improvements have been implemented in the recruitment advertising arena, including:

- Increased explanatory job announcements
- Initiating a campaign to advertise the career opportunities at Metropolitan
- Creating a campaign to advertise and recruit for positions in the Apprenticeship program
- Increasing the Recruitment Unit's attendance at job fairs, with assignment of a full-time staff member who will attend selected job fairs along with other staff members as appropriate.