

- **General Counsel's Business Plan – Semiannual Report for Fiscal Year 2006/07**

Summary

The semiannual report on the General Counsel's 2006/07 business plan details the Legal Department's activities from July 1, 2006 through December 31, 2006 in accomplishing the goals and objectives in the business plan that was approved by the Board in May 2006.

Attachments

General Counsel's Business Plan for Fiscal Year 2006/07 – Semiannual Report

Detailed Report

The attached report provides specific information regarding the Legal Department's activities during the first six months of the 2006/07 fiscal year toward achieving the objectives set forth in the General Counsel's business plan for this fiscal year.

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**GENERAL COUNSEL'S BUSINESS PLAN FOR FISCAL YEAR 2006/07
SEMIANNUAL REPORT
JULY 1, 2006 – DECEMBER 31, 2006**

GOAL NO. 1 – STATE WATER PROJECT/CALFED

Provide legal support in carrying out the Board of Directors' policies related to the State Water Project, including maintaining long-term source protection, water quality improvements, and protecting Metropolitan's interests in the State Water Contract.

Activities:

1. State Water Contract

- a. Alameda County Flood Control and Water Conservation District, Zone 7, et al. v. California Department of Water Resources – Represented Metropolitan's interests in this case involving energy cost allocation issues. In this action, Kern County Water Agency and eleven other state water contractors have asserted that the Department of Water Resources (DWR) has been and is failing to allocate certain costs and revenues associated with the Hyatt-Thermalito Power Complex in accordance with the terms and conditions of the State Water Contract. Metropolitan and twelve other state water contracts have intervened as defendants in order to ensure their interests are adequately represented in this litigation. Legal staff worked closely with DWR to develop our defense strategy; prepare for the commencement of discovery; and review, analyze, and index key documents. In addition, legal staff assisted in the preparation of various motions aimed at limiting the scope of this litigation. Specifically, legal staff assisted DWR with a motion it filed in September 2006 seeking to have this case litigated in two phases, with the issue of liability tried first and, if necessary, the issue of damages tried second. Legal staff also assisted in drafting a separate motion in which the Intervenor joined and supported DWR's motion. Despite strong opposition from the Plaintiffs, the Court granted the motion and agreed to divide the trial into liability and damages phases. The Court also expressed support for delaying any discovery requests that relate solely to the issue of damages. This ruling should help to focus the litigation and could significantly reduce transaction costs in the event DWR prevails on the liability issues.

The Intervenor recently filed a motion seeking to dismiss Plaintiffs' claim for unjust enrichment, in which the Plaintiffs assert DWR's failure to properly allocate the costs and revenues associated with the Hyatt-Thermalito Power Complex has resulted in the Intervenor being "unjustly enriched" for more than two decades. Legal staff was heavily involved in preparing the motion to dismiss, which was based on (1) expiration of the applicable statute of limitations period, and (2) failure to comply with applicable claims presentment requirements. Although the Court rejected the argument that Plaintiffs' unjust enrichment claim was barred entirely by the statute of limitations, the Court agreed that, as to Metropolitan, Coachella Valley Water District, and Mojave Water Agency, it was barred by their failure to comply with presentment requirements. The significance of this ruling is that Plaintiffs will have an uphill battle in trying to recoup any past damages from Metropolitan as part of this litigation.

- b. Monterey Amendment – Provided legal support in implementing the settlement agreement for the Monterey Amendment litigation and in preparing new environmental documentation. Legal staff reviewed and commented on the administrative draft of the Monterey Amendment EIR (Environmental Impact Report) and attended workgroup meetings to advise DWR in the preparation of the EIR.

2. CALFED

- a. Bay-Delta Programmatic EIR Cases – Completed briefing in this appeal to the California Supreme Court for review of the Court of Appeal decision that invalidated the EIR for the CALFED Bay-Delta Program. A date for oral argument is pending. Metropolitan is a party defending the adequacy of the EIR along with the State, State Water Contractors, and Westlands Water District.

3. Oroville Reservoir

- a. Oroville Relicensing – Provided legal support in connection with the ongoing relicensing process for the hydroelectric facilities at Oroville Dam. On September 29, 2006, Federal Energy Regulatory Commission (FERC) staff issued its Draft Environmental Impact Statement (DEIS) for the new license, in which the Settlement Agreement previously submitted by Metropolitan and other stakeholders is identified as the preferred alternative for this project. Accordingly, FERC staff is recommending the full Commission adopt the proposed Settlement Agreement as the terms and conditions for the new license. Notably, FERC staff rejected arguments made by Butte County regarding the project's alleged socioeconomic impacts and denied all its myriad demands for monetary and non-monetary compensation. Legal staff assisted in preparing oral comments on the DEIS for a public hearing on November 8, 2006, and in preparing written comments on the DEIS, which were submitted on December 18, 2006. Legal staff will continue to provide counseling in support of the proposed Settlement Agreement as the relicensing process moves forward.

4. State Water Resources Control Board (SWRCB) Proceedings

- a. SWRCB Triennial Review – Participated in hearings on the SWRCB's draft 2006 Bay-Delta Water Quality Control Plan. The draft 2006 plan, proposing limited amendments to the existing 1995 plan, is the basis for flow, water quality objectives, and other operational requirements imposed on the State Water Project (SWP). Revisions to the flow requirements or objectives have the potential to impact the SWP.
- b. SWRCB Review of Southern Delta Salinity Objectives – Provided legal assistance in preparation for SWRCB workshops in January 2007 to review salinity objectives in SWRCB's Bay-Delta Water Quality Control Plan for protection of agricultural beneficial uses in the southern Delta.
- c. State Water Contractors v. SWRCB – Filed litigation challenging the SWRCB's cease and desist order (CDO) against DWR and the U.S. Bureau of Reclamation (USBR) that asserted DWR and USBR were threatening to violate a salinity objective protecting agriculture in the south Delta. SWRCB's CDO appears to make the SWP and Central Valley Project responsible to meet the objective even if they do not cause or can control any exceedance. Obtained a letter from the SWRCB Executive Director interpreting the CDO to clarify SWRCB's position that it would not take any action against the projects for exceedances caused by actions beyond their control. Based on the letter, SWRCB and the parties agreed to a settlement in which SWRCB agreed with the letter and plaintiffs agreed to dismiss their litigation with prejudice, which was done on December 5, 2006.

5. Transfers

- a. 2006 Pilot Program Regarding Arvin-Edison Water Storage District Agreement – Participated in negotiating and drafting a letter agreement with Arvin-Edison Water Storage District (Arvin-Edison) on a one-year pilot program that resulted in reducing Metropolitan's costs under its long-

term storage agreement with Arvin-Edison. The letter agreement could serve as the basis for mutually beneficial revisions to the long-term agreement.

6. Area of Origin Protections

- a. *El Dorado Irrigation District v. SWRCB* and *El Dorado County Water Agency v. SWRCB* – Obtained Appellate Court opinion recognizing several legal principles beneficial to SWP water supply, including that non-SWP contractors may not divert project-stored water, water rights priority and area of origin statutes apply only to natural flow and not to stored water, SWRCB may require upstream diverters to reduce diversions to help meet Bay-Delta objectives, and SWRCB has the general authority to impose Term 91 on upstream users. In this particular case, the Court did invalidate Term 91 in an upstream water right because it had not been inserted in other junior upstream water rights.

7. Endangered Species Act (ESA)

- a. *Center for Biological Diversity v. U.S. Bureau of Reclamation (Glen Canyon Dam)* – Filed a joint motion along with Imperial Irrigation District to intervene in this case along with other Western water suppliers because of the importance of Glen Canyon Dam operation in maintaining a reliable water supply on the Colorado River. The plaintiffs in the action contended that USBR was in violation of the Grand Canyon Protection Act, ESA, and National Environmental Policy Act. The case was settled and dismissed pursuant to an agreement between the U.S. and the plaintiffs. Under the terms of the settlement, the U.S. agreed to prepare additional environmental documentation and to formally consult with the U.S. Fish and Wildlife Service (USFWS). The settlement should not impact dam operations in a manner that would affect supply. The court agreed to grant the parties seeking to participate in the case intervenor status should the court exercise further jurisdiction in the case.
- b. *Natural Resources Defense Council, et al. v. Kempthorne, et al.* – Provided legal support in this litigation that asserts USFWS improperly issued a Biological Opinion and Incidental Take Statement to the USBR and DWR regarding USBR's Long-Term Operations Criteria and Plan (OCAP). The OCAP establishes USBR's operational plan for the Central Valley Project. It also describes DWR's plan for operation of the SWP because the two projects closely coordinate their operations. Legal staff participated in settlement negotiations and in submitting briefs seeking consolidation of this case and the *Pacific Coast Federation of Fishermen's Associations v. Gutierrez* and a stay of both cases pending current re-consultation on the OCAP.
- c. *Pacific Coast Federation of Fishermen's Associations, et al. v. Gutierrez, et al.* – Participated in unsuccessful settlement negotiations in this action that was filed in July 2005 seeking to overturn National Marine Fisheries Services Biological Opinion regarding USBR's OCAP. Submitted briefs seeking consolidation of this case and the *Natural Resources Defense Council v. Kempthorne* and a stay of both cases pending current re-consultation on the OCAP.
- d. *Watershed Enforcers, a project of California Sportfishing Protection Alliance v. DWR* – Participated in SWC intervention in this litigation that alleges that DWR is "taking" listed species in violation of the California Endangered Species Act and seeks an order requiring DWR stop taking listed species or to obtain formal take authorization. Filed briefs in support of DWR.

8. State Water Project Supply and Improvements

- a. *Sacramento Regional Wastewater Treatment Plan Expansion* – Participated in review of the draft administrative record and in briefing and argument concerning production of a privilege log and submittal of and payment for the certified record in this California Environmental Quality Act

(CEQA) lawsuit. Metropolitan, along with Alameda County Water District, Alameda County Flood Control and Water Conservation District Zone 7, Santa Clara Valley Water District, and Contra Costa Water District are challenging the Sacramento Regional County Sanitation District's approval of a project to expand its wastewater treatment plant, which will increase discharges to the Sacramento River while providing only secondary treatment.

- b. Bay-Delta Conservation Plan – Provided legal assistance in negotiation/preparation of a Planning Agreement and a Cooperative Agreement for development of a multi-species conservation plan as a basis for federal and state authorization for incidental take under the state and federal ESAs for SWP operations and for implementation of SDIP and the Napa Proposal.

9. Energy

- a. Federal Energy Regulatory Commission Proceedings – Coordinated efforts with SWP staff to obtain a favorable order for SWP from FERC directing the California Independent System Operator (CAISO) to work with DWR/SWP to enhance its ability to participate in demand response programs in the CAISO's market redesign. Also, obtained advantageous nodal (as opposed to zonal) pricing for DWR/SWP load that is capable of providing demand response.
- b. CAISO Refund Proceedings – Represented the interests of DWR/SWP and the State Water Contractors in negotiations concerning the CAISO refund proceedings at the Ninth Circuit Court of Appeals.

GOAL NO. 2 – COLORADO RIVER

Provide legal support for the Board's policy of ensuring a long-term reliable aqueduct supply.

Activities:

1. Litigation

- a. Arizona v. California – Provided legal support in drafting and negotiating an agreement that will specify procedures and methods for implementing the Quechan water rights settlement that was approved by the U.S. Supreme Court on March 27, 2006.
- b. Consejo de Desarrollo Economico de Mexicali v. United States – Provided legal representation to Metropolitan in this case and filed extensive briefs in both the federal district court and the U.S. Court of Appeals for the Ninth Circuit. The plaintiffs are Mexican water users and U.S. environmental organizations who contend that the water to be conserved by lining the All-American Canal (AAC) is owned by Mexican water users and that the AAC Lining Project was approved in violation of various federal environmental statutes. The district court ruled against the plaintiffs in July 2006, and the plaintiffs appealed to the Ninth Circuit. Legal staff filed a brief in the Ninth Circuit in October 2006, which argues that the federal environmental laws at issue do not extend extraterritorially to a foreign country, and therefore the Federal defendants are not required to analyze and mitigate environmental and socio-economic impacts of the AAC Lining Project in Mexico. The Western Urban Water Coalition joined in Metropolitan's brief. Legal staff continues to coordinate closely with the Federal defendants and other water users participating in the case. Oral argument in the Ninth Circuit on plaintiffs' appeal was held on December 4, 2006.
- c. POWER v. Imperial Irrigation District (POWER I) – Provided legal representation in this state court lawsuit that was filed in April 2006, and which also challenged the AAC Lining Project. The petition alleged that Imperial Irrigation District (IID) should have prepared a supplemental

EIR under CEQA for the AAC Lining Project because of changes to the project and new circumstances. On August 28, 2006, the San Francisco Superior Court granted the motions of Metropolitan and other water users to dismiss the case because of procedural defects in the petition.

- d. *POWER v. Imperial Irrigation District (POWER II)* – Provided legal representation in this state court lawsuit filed in Imperial County Superior Court in September 2006. The petition in this case asserts claims similar to those in *POWER I*. On November 3, 2006, the Imperial County Superior Court ordered the case transferred to San Francisco Superior Court.
- e. *POWER v. Imperial Irrigation District (POWER III)* – Provided legal representation in this federal court lawsuit filed in federal court in Sacramento in September 2006. The petition in this case is similar to the petitions in *POWER I* and *II*. Metropolitan joined in the Federal Government's motion to dismiss and in IID's motion to have the case either dismissed or transferred to federal court in San Diego, which is the federal district where the AAC is located. The case was dismissed on January 18, 2007.
- f. *Fort Mojave Indian Tribe v. Department of Toxic Substances Control, Metropolitan Water District, et al.* – Represented Metropolitan in this action brought by the tribe against Metropolitan, Department of Toxic Substances Control (DTSC), and PG&E to stop construction and operation of a treatment plant being built by PG&E to treat groundwater contaminated with hexavalent chromium. The tribe maintained that the treatment plant was located in an area considered sacred by the tribe. The action was settled with PG&E agreeing to move the treatment facilities to its nearby plant site as soon as feasible. Metropolitan agreed to recognize the tribe as a governmental entity and to consult with the tribe on any future activity within or near the Topock Maze.
- g. *QSA Litigation* – Represented Metropolitan in the litigation challenging the Quantification Settlement Agreement (QSA). After much of the litigation was dismissed, the plaintiffs obtained a stay of the trial court proceedings pending a review by the court of appeal. Oral argument is scheduled for March 21, 2007.
- h. *Defenders of Wildlife v. U.S. Environmental Protection Agency* – Reviewed petitions for certiorari that successfully asked the U.S. Supreme Court to review the decision of the Ninth Circuit, which interpreted the ESA to override limitations on an agency's authority under other federal laws. After grant of certiorari, legal staff participated in preparation of amicus brief supporting position of the EPA.

2. Shortage Criteria

- a. *Shortage Management and Reservoir Operations* – Participated in ongoing inter-state negotiations related to development of federal guidelines for managing shortages and operating reservoirs on the Colorado River. Provided legal assistance in developing strategies that will support the Basin States' position in accordance with the Law of the River. The U.S. Bureau of Reclamation (USBR) agreed to include the Basin States' proposal as one alternative it is considering in its environmental impact statement for the rule-making process. Legal staff also participated in multi-state attorney workgroup analyzing the legal basis for determining shortage allocations in Mexico.
- b. *Lake Mead Storage* – Drafted the agreement for a demonstration program that was executed by USBR and allows Metropolitan to store intentionally created surplus water in Lake Mead. Also, drafted consent letters for execution by Palo Verde Irrigation District, IID, and Coachella Valley Water District that recognize Metropolitan's right to the stored water. In accordance with these

documents, Metropolitan stored 50,000 acre-feet in Lake Mead in 2006 and anticipates storing up to 50,000 acre-feet in 2007.

- c. Arizona Water Banking – Provided legal assistance in preparing an agreement with Arizona Department of Water Resources, Arizona Water Banking Authority, and Central Arizona Water Conservation District to recover approximately 80,000 acre-feet of water Metropolitan stored in Arizona under a demonstration agreement.

3. Programs and Remediation Efforts

- a. Lower Colorado River Multi-Species Conservation Program – Provided legal assistance in monitoring the Lower Colorado River Multi-Species Conservation Program. The program is moving forward with creation of a nursery for native trees and shrubs on lands located within the Palo Verde Irrigation District and the stocking of native fish in the river. Represented Metropolitan's interests in development of an agreement with USBR on water supply for the program and federal legislation authorizing the program.
- b. PG&E Topock Site – Represented Metropolitan's interests as part of the Consultative Work Group formed to advise and assist DTSC and various other state and federal agencies in expediting cleanup of the site. Staff actively urged DTSC to direct PG&E to complete: 1) delineation of chromium plumes; 2) hydrogeological characterization of the site; 3) additional monitoring of well installation in the floodplain adjacent to the Colorado River; and 4) characterization of contamination that PG&E projected to suddenly extend out under the Colorado River. Legal staff also met with PG&E upper management to promote action on these measures. In addition, legal staff continued to review and analyze monitoring data, documents, and proposals and interfaced with Federal regulatory agencies and California and Arizona state agencies.

4. Quantification Settlement Agreement

- a. Agreement Amendments – Provided legal advice and representation in the implementation of the QSA, including assisting in negotiations on related agreements to amend provisions of IID's conservation program funded by Metropolitan and agreements with Coachella Valley Water District and Desert Water Agency for exchange of Colorado River water for State Project water.

5. Energy

- a. Federal Energy Regulatory Commission Proceedings – Obtained a favorable order from FERC upholding the CAISO's obligation to hold Metropolitan's 230 kV transmission line harmless from certain additional costs that might otherwise result from CAISO's revised market design anticipated to commence in late 2007. Legal staff also obtained CAISO's commitment to refrain from using unused capacity on Metropolitan's transmission line without its express consent.

6. Miscellaneous Issues

- a. Regional Board Waste Discharge Requirements – Provided legal assistance in opposing Santa Ana Regional Board proposal to impose waste discharge requirements on the discharge of Metropolitan water for groundwater recharge and storage.

GOAL NO. 3 – OPERATIONS

Provide legal advice on statutory and regulatory requirements and compliance for operations programs.

Activities:1. Litigation

- a. San Gabriel Basin Water Quality Authority, et al. v. Aerojet-General, et al.; Aerojet v. Metropolitan – Represented Metropolitan's interests in this third-party action seeking contribution from Metropolitan and other public agencies under CERCLA for contamination alleged to have resulted from the importation and spreading of Colorado River water. Motions are currently pending seeking dismissal of the action, asserting that Metropolitan is not a responsible party under CERCLA and that other claims were not raised on a timely basis.

2. Real Property

- a. Union Station Facility – Provided legal assistance in managing lease space at Metropolitan's Union Station facility.
- b. Lake Mathews Reserve – Investigated and commenced prosecution of trespass and property damages claims arising out of unauthorized grading of a portion of the Lake Mathews reserve that is used for mitigation credit for Metropolitan's operations.
- c. Substructures Engineering and Water System Operations – Provided legal assistance on the protection of rights of way and infrastructure easements and removal of encroachments necessary for repairs and maintenance.
- d. Lake Mathews Mineral Properties, Ltd. – Provided legal assistance regarding scope of access rights and potential impacts from holder of mineral rights beneath Lake Mathews, including negotiations with mineral rights holder, local resource and permitting agencies, and the press.
- e. Diemer Rear Access Road – Provided legal assistance on negotiations with California Department of Parks and Recreation and federal and local resource agencies for a memorandum of understanding regarding proposed construction of a secondary access road to the Diemer Plant from Carbon Canyon Road and running through Chino Hills State Park.
- f. Ormond Beach – Provided legal support for negotiation of a Coastal Commission easement and permit necessary to protect Metropolitan's rights to utilize its retained property for a desalination plant.
- g. Washington, DC Office – Provided legal assistance on the build-out of new External Affairs office space in Washington, DC.
- h. Real Property Development and Management – Provided legal assistance for the Property Review Council, reviewed and revised real property documents and policies, and provided legal research and advice on matters affecting Metropolitan's real property assets and acquisitions.

3. Diamond Valley Lake (DVL)

- a. Center for Water Education – Provided legal assistance on issues related to the construction of the Center complex.

- b. Western Center for Archeology and Paleontology – Negotiated an interim loan agreement with the Western Center for the transfer of much of Metropolitan's archeological and paleontological finds collection to the Center for public display.
4. West Valley Feeder No. 1 Pipeline
 - a. Defense of Claims – Defended claims by a home developer and its geotechnical consultants asserting that Metropolitan's Feeder is the cause of soil subsidence in and around adjacent homes.
 - b. Pursuit of Repair Costs – Pursued reimbursement from the home developer and its geotechnical consultants for costs to repair the Feeder after a break caused by soil subsidence. These costs were borne by Los Angeles Water and Power under lease terms, but Metropolitan agreed to seek reimbursement as feasible in consolidated actions that are pending trial.
 5. Conservation
 - a. California Public Utilities Commission Order – Obtained an advantageous CPUC order that expressly recognizes the energy efficiency benefits arising from cold water conservation, directs the four major regulated energy utilities in the state to develop a \$10 million pilot program for cold water conservation commencing July 1, 2007, and directs the utilities to commence preparation for full incorporation of water-related energy efficiency programs for the 2009-2011 period.
 6. Miscellaneous Issues
 - a. Groundwater Storage Agreements – Provided legal assistance for proposed groundwater storage agreements with Central Basin MWD for the Walnut Park Mutual Water Company and with Western MWD and Elsinore Valley MWD.
 - b. Perchlorate Task Force – Assisted the interagency Perchlorate Task Force formed to provide information to member agencies on perchlorate regulation and remediation efforts by developing a perchlorate database and GIS that identifies sites within Metropolitan's service area that are confirmed or suspected of contributing contamination to local groundwater basins. The database contains several thousand sites thus far.
 - c. Agreements – Provided legal assistance regarding conservation contracts, copyright and trademark issues.

GOAL NO. 4 – CAPITAL PROGRAMS

Provide legal support in the planning, environmental compliance and construction of the board-approved Capital Investment Plan.

Activities:

1. Inland Feeder Project
 - a. *L.H. Woods v. Metropolitan* – Provided legal representation in this matter regarding construction of the Highland Pipeline segment of the Inland Feeder Project. Legal staff responded to and propounded written discovery and prepared for mediation, currently scheduled for March 2007.

- b. Shea/Kenny Contract – Completed drafting of settlement agreement and contract amendment between Metropolitan and Shea/Kenny approved by the Board in August 2006. Legal staff also coordinated execution of documents and payment of settlement.
 - c. Metropolitan v. Campus Crusade for Christ – Provided legal representation in prosecuting this significant eminent domain action to acquire tunnel portal sites and pipeline rights-of-way for the Inland Feeder Project. After a jury award in Metropolitan's favor was reversed by the court of appeal, Metropolitan petitioned by California Supreme Court for review, which was granted in April 2006. Briefing has now been completed, and the parties are waiting for argument to be scheduled.
2. Diamond Valley Lake Recreation
- a. Development Process – Developed an exclusive negotiating agreement that was executed by The Shopoff Group and Centex Homes to govern the process for negotiating long-term contracts for development of the recreation facilities and surplus lands at Diamond Valley Lake. When Shopoff/Centex decided not to proceed with the program, legal staff drafted the termination agreement to avoid future claims from these developers and assisted in the unsuccessful negotiations with Shea Homes.
3. Other Capital Programs
- a. Perris Valley Pipeline – Provided legal support in negotiation and documentation of contracts relating to acquisition of rights-of-way and construction.
 - b. San Diego Pipeline #6 – Represented Metropolitan in *Metropolitan Water District of Southern California v. Firooz*, condemnation litigation regarding valuation of a temporary construction easement acquired for the north reach of the pipeline. Defended Metropolitan in *Daffin v. Shea*, a personal injury action arising out of a motorcycle accident along a temporary road on the north reach. Provided legal assistance in negotiation and study of: necessary right-of-way for the south reach; potential water supply and annexation issues, including with the Pechanga Indian Tribe; and timing and delivery point issues for the remaining reaches.
 - c. Central Pool Augmentation Project – Provided legal assistance on the negotiation and preparation of a collection agreement with USDA Forest Service necessary to complete geotechnical exploration in the Cleveland National Forest. Legal staff provided assistance regarding orchard abatement in the area of the proposed Eagle Valley treatment plant and provided legal support and analysis of right-of-way issues, joint water and transportation tunnel studies and funding, and pipeline alternatives.

GOAL NO. 5 – HUMAN RESOURCES

Provide legal support on various human resources issues.

Activities:

- 1. Bargaining Units
 - a. Memoranda of Understanding – Provided legal assistance in interpreting and implementing the existing bargaining unit MOUs with a focus on ensuring proper and uniform application of the rank-and-file MOU.

2. Litigation

- a. Cargill v. Metropolitan – Defended Metropolitan's interests in this class action litigation regarding temporary workers' entitlement to regular employment benefits.
- b. Charles v. Metropolitan – Defended Metropolitan's interests in this discrimination and retaliation lawsuit and prepared for trial, which is anticipated in the spring.
- c. Slack v. Metropolitan – Aggressively pursued discovery in preparation for a court-mandated mediation that commenced on December 19; however, the mediation proved unsuccessful. While the Legal Department will continue to aggressively defend the District, Metropolitan will remain open to consider any subsequent settlement offer. On January 11, Metropolitan filed a motion for summary judgment seeking dismissal of the lawsuit.
- d. Victor Gordon v. Metropolitan – Conducted an investigation in this employee lawsuit alleging race discrimination and determined the allegations are unsubstantiated. Legal staff is preparing to vigorously defend this lawsuit.

3. Support of Human Resources

- a. Human Resources Issues – Continued to expand the Legal Department's ability to provide legal advice to Human Resources and to represent Metropolitan in personnel litigation, employee relations, and administrative matters. A committee consisting of the General Counsel, Assistant General Counsel, and the two staff attorneys responsible for human resources issues met bi-weekly to coordinate the Department's representation of Metropolitan in employment/labor issues. This committee was formed in response to an increase in employment/labor legal issues at Metropolitan. Also provided legal support in the areas of deferred compensation plans and beneficiaries.
- b. Policies – Provided legal assistance in updating and revising Metropolitan's Operating Policies and Administrative Code to reflect changes in policy.

GOAL NO. 6 - FINANCE

Provide legal assistance with rates and charges, the issuance of debt obligations, investment of surplus monies, and other financial activities undertaken by Metropolitan.

Activities:

1. Financing

- a. Bonds – Provided legal assistance with the issuance of the \$45,875,000 Water Revenue Refunding Bonds, 2006 Series B, \$200,000,000 Water Revenue Bonds, 2005 Authorization, Series C and \$100,000,000 Water Refunding Bonds, 2005 Authorization, Series D-1 and D-2, including updating the disclosure provided to bondholders and the financial markets.
- b. Disclosure – Provided legal assistance with Digital Assurance Corporation, which provides web-based access to information on Metropolitan's bonds for investors and other interested parties. Prepared legal documents for posting.

GOAL NO. 7 - LEGISLATION

Provide legal support regarding proposed state and federal legislation that may affect Metropolitan's interests.

Activities:

1. State Legislation
 - a. Water Supply-Related Legislation – Provided input in successful efforts to revise bills allowing Metropolitan to support their enactment, including: SB 1574 (Kuehl), requiring DWR to study options for a sustainable Delta; and SB 1640 (Kuehl), a water management bill.
 - b. Miscellaneous Legislation – Continued to monitor AB 1245 (Wolk), dealing with establishment of a formal funding mechanism for the EWA; and SB 113 (Machado), attempting to define the CALFED “beneficiary pays” principles. Provided legal support on AB 1244 (Wolk) substantially revising the CALFED Bay-Delta Authority and several bills dealing with flood protection and development in flood areas. Provided input to ACWA on proposed legislation for an exemption to the Brown Act related to GIS data on the location of utility facilities.

GOAL NO. 8 - GOVERNANCE

Ensure compliance with statutory and institutional requirements, such as the Metropolitan Water District Act and Administrative Code, the Brown Act, the Political Reform Act, and the Public Records Act.

Activities:

1. General
 - a. Public Records Act – Responded directly and provided legal support to staff in responding to numerous Public Records Act requests. Provided legal assistance in updating Metropolitan's compliance with the Public Records Act and e-discovery requirements.
 - b. MWD Administrative Code – Updated Metropolitan's Administrative Code
2. Fair Political Practices Commission (FPPC)
 - a. Conflict of Interest Code – Updated Metropolitan's Conflict of Interest Code
3. Ethics
 - a. Support of Ethics Office – Provided legal assistance to the Ethics Office with presentations and CD's for compliance with ethics education requirements of AB 1234.

GOAL NO. 9 – LEGAL DEPARTMENT ADMINISTRATION

Continue to explore and implement ways in which to expand the effectiveness and efficiency of Legal Department operations.

Activities:1. Legal Department Operations

- a. Management of Staff – Operated the department in an effective manner by: conducting regular staff meetings to keep all employees abreast of Metropolitan and Legal Department issues; conducting regular meetings with attorneys to provide direction regarding specific matters, and performing employee evaluations in a timely manner.
- b. Staff Training – Provided training for staff attorneys and paralegals on *Trial by Fire: Contract Provisions That Withstand the Fire of Trial*. The course, which was conducted by Greg Bergman of the Bergman and Dacey law firm, qualified for continuing legal education credit. LexisNexis provided staff training on updated legal research tools. This course also qualified for continuing legal education credit.
- c. Filing Project - Completed pilot phase in implementation of a filing system that will improve tracking and record keeping of non-electronic files. Staff training took place in January 2007.
- d. General Counsel Recruitment – Provided staff assistance in the recruitment of the new General Counsel.
- e. Miscellaneous – Enhanced department business continuity procedures by providing key staff with portable electronic media containing important documents designed to assist in resuming business functions promptly from a remote location.

2. Legal Department External Functions

- a. Member Agency Legal Counsel Dinner – Conducted a well-attended program in November at which Professor Steve Erie, author of *Beyond Chinatown: The Metropolitan Water District, Growth, and the Environment in Southern California*, spoke. Mr. Erie is a professor of Political Science and Director of the Urban Studies and Planning Program at UC San Diego.