

- **General Manager's July 2007 Activity Report**

Summary

The attached report details the activities of the Office of the General Manager for the month of July 2007. 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 Management
- System Operations
- Capital Investment Plan
- Real Estate Management
- Business Outreach
- Business Processes / Operations
- Finance
- Workforce
- External Affairs

Attachments

General Manager's Monthly Activity Report



Water Management

Colorado River

Quagga Mussels

Quagga mussels were recently discovered in pumps at the Hinds pumping plant, thus extending the known range 125 miles into the Colorado River Aqueduct. These mussels are newly settled, resulting from a large spawning event in the Colorado River System that has occurred since the last shutdown in March.

The CRA was shut down for 10 days in July for detailed inspections and to dry out much of the system, an approach known to kill the mussels.

A containment pad, piping and chlorination control system was installed at the Copper Basin Outlet to kill larvae before they can pass further into the CRA, and is now operational.

PVID/MWD Forbearance and Fallowing Program

Due to dry conditions this year, Metropolitan issued a maximum fallowing call for the 2008/2009 contract year for the PVID Program. Under the call, fallowing will be increased from about 15,000 acres to nearly 26,000 acres. Program yield would increase from about 68,000 acre-feet per year to 118,000 acre-feet per year. Landowners will receive \$648 per acre of fallowed land, totaling about \$16.8 million for the year, consistent with the contract.

Power Operations and Planning

Metropolitan's consultant on Colorado River Aqueduct's potential wind power project visited Gene and Intake pumping facilities to determine the best location for placement of wind measurement and data collection instrumentation. The data will be collected at these sites for approximately two years to allow an analysis of the feasibility of installing wind turbines.

Colorado River

Reservoir Storage

	8/13/07 Storage	Percent of Capacity
Lake Powell	12.4 MAF	51%
Lake Mead	12.6 MAF	49%

State Water Project

Federal and State Joint Submittal to District Court on Interim Operations to Protect Delta Smelt

On July 9, 2007, the Federal and State agencies submitted an interim remedy to Judge Wanger's U.S. District Court, in response to the court's request for proposed water project operations pending completion of the reconsultation of the biological opinion for delta smelt. The proposed remedy consists of restricted operations for the Central Valley Project (CVP) and State Water Project (SWP) pumping plants to maintain flows in the south Delta channels of the Old and Middle Rivers, to protect adult, spawning, larval and juvenile delta smelt. DWR estimates that the water supply costs associated with implementation of the interim remedy are from 1.0 to 2.3 million acre-feet per year on average. On July 23, the Natural Resources Defense Council, State Water Contractors (SWC) and Westlands Water District provided submittals to the court. The SWC provided suggested approaches that included preemptive actions and real-time operations to protect delta smelt by keeping them away from the area of the pumps. The near-term actions being suggested by the SWC are estimated to impact SWP/CVP supplies by 0.2 to 0.5 million acre-feet per year.

There is a court hearing scheduled for August 21, 2007, and it is expected that the court would rule shortly thereafter.

State Water Project Energy

Delta smelt pumping restrictions at the Banks Delta pumping plant resulted in increased pumping costs during July. To limit take of delta smelt, pumping was restricted during the evening hours, resulting in additional on-peak pumping for about 10 days in July, increasing pumping costs by about \$1 million for the additional SWP on-peak energy purchases. This cost is spread amongst the contractors receiving water through a melded energy rate.

State Water Project

As of 8/13/07	Storage To-Date	Percent of Capacity
Lake Oroville	2.0 MAF	58%
San Luis Reservoir	0.4 MAF	20%
San Luis State Share	0.3 MAF	32%



2007/08 Conservation Education and Advertising Campaign

The "Let's Save Water" advertising campaign ran through July 13, featuring 10-second radio ads running on 91 stations throughout Metropolitan's service area.

Creative materials were developed and a media schedule booked for the summer's "It's Time to Get Serious" advertising campaign, which will begin August 6. The campaign will be seen and heard on radio stations as 30- and 60-second advertisements and 10-second traffic sponsorships, as well as in key local newspapers and on high-traffic Web sites.

A brochure, bill-stuffer, talking points and sample newsletter articles are nearly completed and will be distributed to member agencies for their use in mid-August. A landscaping booklet entitled "10 Ways to Create a California Friendly Garden" is in development for distribution later this fall.

Local Resources Program

In collaboration with member agencies, new application packages under Metropolitan's revamped Local Resources Program were issued in July. Approved by the Board in April, Metropolitan will target development of 174,000 acre-feet per year of recycled water and recovered groundwater. Projects identified for participation will help achieve regional water supply reliability through the IRP local resource target of 750,000 AFY by year 2025. Proposals may be submitted by both public and private water utilities and require the support of a Metropolitan member agency for consideration.

Weather-Based Irrigation Controller Program

About 200 weather-based irrigation controllers were slated for distribution during a one-day weekend exchange event at Metropolitan's Union Station building. As with past exchange events, residential customers were offered an opportunity to exchange their old controllers for new, high-efficiency models. Proposition 13 grant funds administered by the California Department of Water Resources were used to co-fund this event. This distribution tested another innovative implementation strategy by accepting participant registration solely via the bewaterwise.com Web site.

Smart Irrigation Day

In concert with July being Smart Irrigation Month, Metropolitan hosted information and education exhibits at Metropolitan's Union Station building to showcase the latest residential landscape irrigation efficiency practices. On display were weather based irrigation controllers, drip irrigation systems, new rotating nozzles, porous paving systems, and a variety of organic and inorganic mulch. Employees were also provided the opportunity to "Ask the Experts" on drought tolerant and native plant material, avoiding invasive species, water efficient irrigation equipment and synthetic turf. Additionally, employees received a handy sprinkler adjustment key and were able to register for Metropolitan's free California Friendly landscape training classes.

Desalination

Ocean Plan

The State Water Resources Control Board is in the process of updating its Ocean Plan, which is designed to protect ocean water quality and marine habitat. One of the proposed amendments would single out brine discharges from brackish groundwater and seawater desalination ocean outfalls as requiring additional regulation beyond the already protective standards in the Ocean Plan. Metropolitan submitted a letter to the Board expressing support for our member agencies' seawater desalination projects and policy positions, and also commented that the existing regulations in the Ocean Plan already provide strong environmental protections with regards to brine discharge into the ocean. Staff also held a conference call with the member agencies to coordinate our response to the State Board's proposed amendments, and will continue to track this issue as it develops.



System Operations

Water Demands

Water Sales Cash Year (May-April)

2,354,450 AF	Current Projection
2,161,750 AF	Budget Projection
192,700 AF	Difference

The current trend sales projection for Calendar Year 2007 is 2.3 MAF.

Sales/Deliveries

July Sales Estimate	253,000 AF
June Sales Estimate	246,000 AF *

* excludes Desert Water / Coachella Valley

Replenishment

All replenishment and conjunctive-use groundwater storage deliveries are currently unavailable, due to concerns related to SWP deliveries during this period.

Distribution and Storage (As of 8/13/07)

	Current Storage	End of Month Forecast
Lake Mathews	164,100 AF	178,000 AF
Lake Skinner	40,500 AF	40,000 AF
DVL	716,400 AF	724,800 AF
Lake Perris	67,100 AF	65,000 AF

System Operations

For July, 187,000 acre-feet of State Water Project water will be imported into Metropolitan's system for delivery and storage.

System Operations supported the Colorado River Aqueduct shutdown by increasing storage at Lake Skinner to more than 42,000 AF prior to the shutdown, coordinating PC-1 flows to the CRA to minimize impacts to member agency deliveries, and supplementing CRA flow reductions to the San Diego Canal with Diamond Valley Lake withdrawals and power generation to maintain flows into Lake Skinner.

Treatment Plant

On July 5, 2007, the fourth expansion of the Skinner plant began delivering treated water to the Eastern Municipal Water District and the San Diego County Water Authority at a rate of 25 million gallons per day. By July 11, more than 100 million gallons per day were treated. The expansion began operating only three weeks after completion of construction

Fluoridation

The fluoride construction projects are continuing at all five water treatment plants. Initial system testing is scheduled at the Mills plant the week of July 22. The fluorosilicic acid (FSA) contract bids were rejected because no single supplier could provide the quantities of FSA required at all of Metropolitan's facilities. Negotiated contracts with three separate suppliers are being finalized.

A Fluoridation Workshop for Member Agencies and Metropolitan personnel was held on July 31. Speakers from the Center for Disease Control, the California Department of Public Health (CDPH), and Metropolitan provided information on fluoridation history, operations, health issues, regulations, and communications. On August 20, Dr. Nelson from the CDPH and Dr. Thiessen from the Center for Risk Analysis will provide a fluoridation update to Metropolitan's Water Quality and Operations Committee.

Taste-and-Odor

On July 12, Castaic Lake was treated with seven tons of copper sulfate to control a blue-green algae bloom producing geosmin in excess of 300 ng/L. The Jensen plant has not been affected by the geosmin.

Also on July 12, Lake Skinner was treated with eight tons of copper sulfate to control a blue-green algae bloom producing microcystin, a known algal toxin. Although the microcystin was at low levels, the proactive treatment was made to stop the rapidly growing bloom. A secondary benefit of the treatment was to stop production by other species of the taste-and-odor compounds methylisoborneol (MIB) and geosmin, which were beginning to increase in the water column. MIB has been exceptionally difficult to control at Lake Skinner during the last two years.



Capital Investment Plan

Summary

- Ongoing Contracts - 23 construction contracts and 4 related procurement contracts were ongoing through June. The total bid amount of the 23 construction contracts in progress is over \$978 million.
- June Payments - Over \$21 million in contract payments were made for construction performed in the month of June. Over \$7 million were related to work at the Skinner plant, including the ongoing construction of ozonation facilities, and the chemical system modifications. About \$6 million were expended on the Arrowhead Tunnels construction. Over \$3 million were related to work at the Diemer plant, including the ongoing construction of the vehicle maintenance center and solids handling facilities, the chemical system upgrade, and the south slope stabilization work. Nearly \$1 million were related to the chemical system upgrades at the Mills plant, and \$1.3 million were expended on the Rialto Pipeline Improvements contract. Capital expenditures for the 2006/07 fiscal year totaled \$536.6 million. The budget was \$561 million.
- Major Contracts - Through July 31, the Inland Feeder, Arrowhead East Tunnel mining effort has advanced a total of 18,520 feet, which is 82 percent of the tunnel length. At the Arrowhead West Tunnel, the mining effort has advanced a total of 12,685 feet, which is 64 percent of the tunnel length.
- Other Contracts - At the Skinner plant, Module 7 was placed into service, providing an additional 110 million gallons per day of treatment capacity; the Chemical Systems modification construction is approximately 99 percent complete and completion is scheduled for September 2007; the ozone facility construction is 57 percent complete. At the Diemer plant, the construction of the ORP site preparation work is approximately 60 percent complete; construction of the Vehicle Maintenance Center is approximately 96 percent complete; construction of Phase I of the Chemical Tank Farm Improvements for the ORP is approximately 98 percent complete; and final design of the ozone facilities is approximately 97 percent complete. At the Weymouth plant, final design of the new ozone facilities is complete and bids were opened July 13, 2007. Staff rejected all bids and is preparing to rebid the project in early 2008.

Summary continued....

- Awarded Contracts - A \$39.3 million contract was awarded to W.A. Rasic Construction Co. to construct the North Reach of the Perris Valley Pipeline.

Profile on CIP Program

Reservoir Cover Replacement Program

This program consists of replacement of the floating covers, installation of liners, and related repairs at the Orange County, Palos Verdes, and Skinner Finished Water Reservoirs. Metropolitan has installed covers on all of its treated water reservoirs in compliance with Department of Health Services regulations. Seven of these are floating covers. The DHS has increased their inspection and review of operation/maintenance activities on floating covers throughout the state. The existing floating covers at three facilities have reached the end of their useful lives and require replacement.

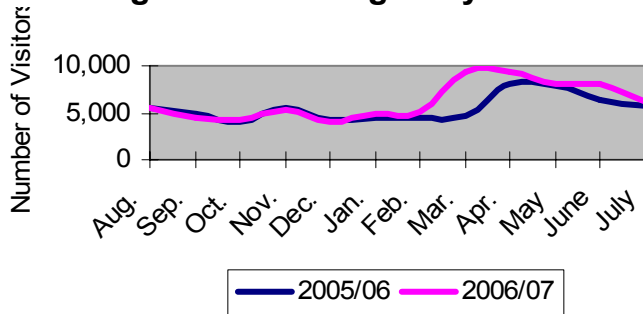
- Orange County Reservoir – Final design of the replacement floating cover is being coordinated with the California Department of Health Services and Division of Safety of Dams. Geotechnical investigations and a computerized hydraulic model of proposed inlet channel modifications have been completed. Final design is 75 percent complete and is scheduled to be completed by November 2007.
- Skinner Finished Water Reservoir – Final design is 15 percent complete with completion scheduled for December 2007.
- Palos Verdes Reservoir – Final design is scheduled to begin following completion of the cover designs for the Orange County and Skinner Reservoirs.



Concrete liner to be repaired in Orange County



**DVL Marina Usage Trends
 Previous 24 Months
 August 2006 through July 2007**



Business Outreach

Advocacy and Outreach

July 13: The Business Outreach Team attended the Southern California Minority Business Development Agency Awards Luncheon. The luncheon honored many small businesses throughout Southern California.

July 26: Chief Administrative Officer Gilbert Ivey was the Keynote Speaker at the Inaugural Los Angeles Corporate Diversity Celebration held at the California African American Museum. The mission of the organization is to promote and encourage employers in Los Angeles to support and embrace diversity through their hiring, promotion, and support of employees, organizations, and events. Directors Willard H. Murray, Jr. and John W. Murray, Jr., General Counsel Karen Tachiki and Deputy General Manager of External Affairs Linda Waade also attended the event.

Regional Partnerships

July 17 - Rosario Marin, Secretary, State and Consumer Services Agency and Dale Bonner, Secretary of the Business, Transportation and Housing Agency joined Metropolitan in a partnership event held at Metropolitan's headquarters. The event drew over 120 businesses.

Vendor Development

July 24 - Metropolitan in partnership with Director Isadore Hall III of the City of Compton, Director Robert Apodaca of Central Basin Municipal Water District, El Camino College Small Business Development Center and Alberto Alvarado, District Director of the U.S. Small Business Administration, held a joint workshop "The Procurement Advantage – Becoming More Successful in the Government Market." Approximately 50 business owners attended the seminar at the City of Compton Work Source Center.

Diamond Valley Recreation Program

Appropriation Budget	
Approved distributed funds	\$ 68.1 M
Undistributed funds	\$ 24.7 M
Total Appropriation	\$ 92.8 M
Surplus Property Sales *	\$ 4.7 M
<i>Actual expenditure as of 06/30/07</i>	\$ 62.1 M

* Appropriated for use related to the Center for Water Education debt per February 2007 Board Action.

Real Estate Activities

Staff issued a request for bids to remove dead trees from the Eagle Valley property within the City of Corona. The selected bidder will harvest the trees from the dry orchard area (approximately 150 acres) to help moderate the conditions for wildfire.

Leases, Licenses and Entry Permits

A license was issued to the City of Riverside. The license allows California Friendly landscaping on Metropolitan-owned land that is located adjacent to City Fire Station #13. The Fire Station is adjacent to the Box Springs Feeder right-of-way along Sycamore Canyon Boulevard.

An entry permit was issued to Eastern Municipal Water District granting temporary access for the installation of a 36-inch pipeline from Bradley to Evans Roads near the Colorado River Aqueduct in the City of Perris.



Information Technology

Maintenance Management Mobile Technology Pilots

Following a successful mobile technology pilot on the Calabasas Feeder during May, staff enhanced the mobile application based on crew comments and completed a second pilot on the East Valley Feeder in late June. Using the handheld devices, crews were able to display and create work orders, allow time entry, and collect asset data on approximately 105 structures. During the period, the findings from the mobile pilots were presented to the steering committee and include positive crew feedback, and improved efficiency, accuracy and completeness of collected maintenance data.

Deployment of new PC Units for SCADA Operators

During the period, IT staff deployed new PC units for the SCADA operators. As part of the PC Replacement Project initiative, IT staff completed deployment of new desktops at all treatment plants, Operations Control Center at Eagle Rock and Desert pumping plants. The new desktop units are used by operators at the various Metropolitan field locations to monitor and control treatment and distribution operations via the Supervisory Control and Data Acquisition system.

Completed Pilot Phase for evaluating Security Management Information and Vulnerability Assessment Systems

Staff concluded the pilot phase of evaluating Security Information Management and Vulnerability Assessment systems from several industry leading security vendors. These security tools address long-term remediation efforts. Staff is in the process of evaluating the results of the pilots and a recommendation will be made to the Information Security Steering Committee.

Security

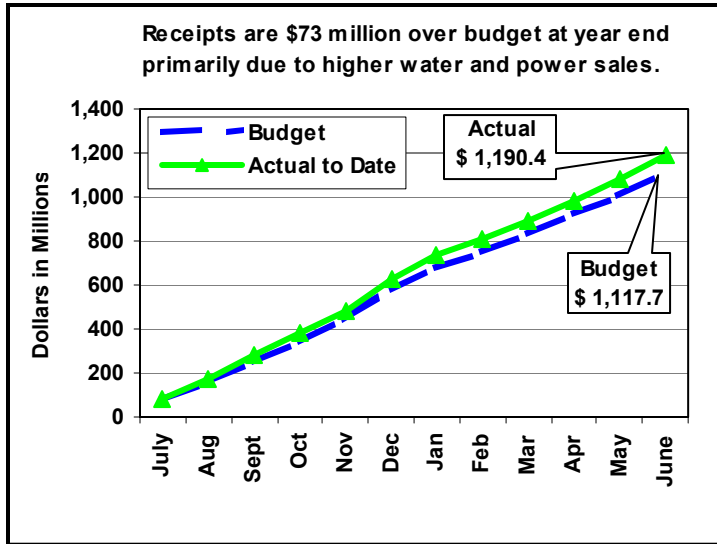
Security staff reassessed protection resources at a chemical facility, in preparation for increased operational activities. Special Agents briefed local law enforcement, obtaining pledges of timely response and increased patrols. Guard force management also inspected the current sentry posts, the supporting guard company branch office, and the assigned supervisory patrol, updating response protocols. Additionally, Security staff visited a major chemical supplier to review procedures for safeguarding shipments of mutual interest.

Buffer Zone Visit, where Homeland Security and local law enforcement join Metropolitan site and security management to assess protection for areas of mutual interest.

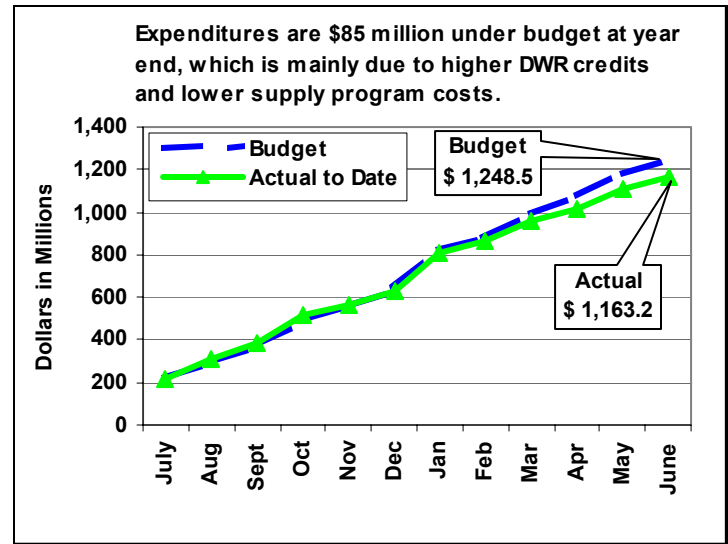


Emergency Management

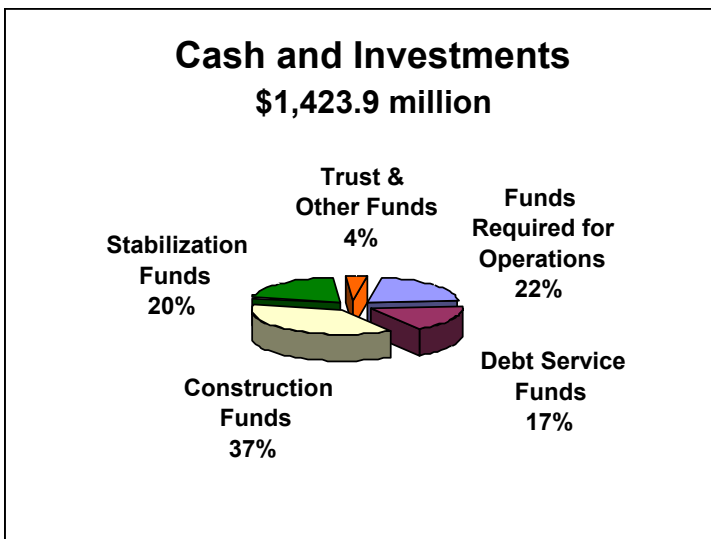
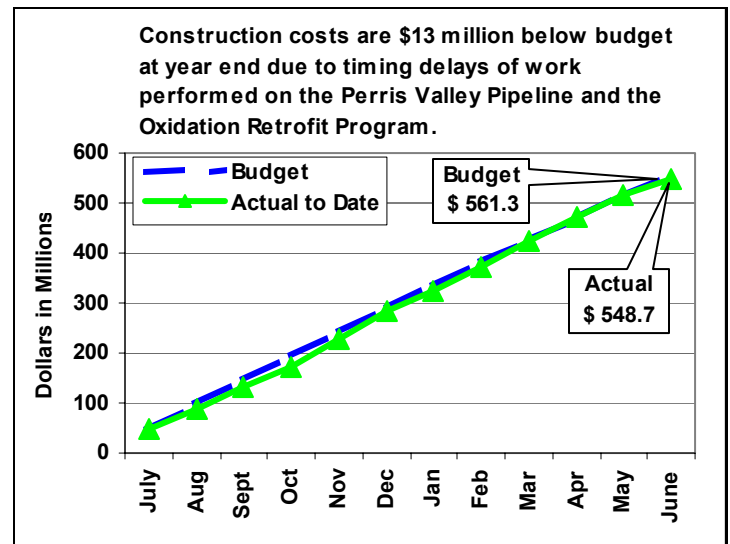
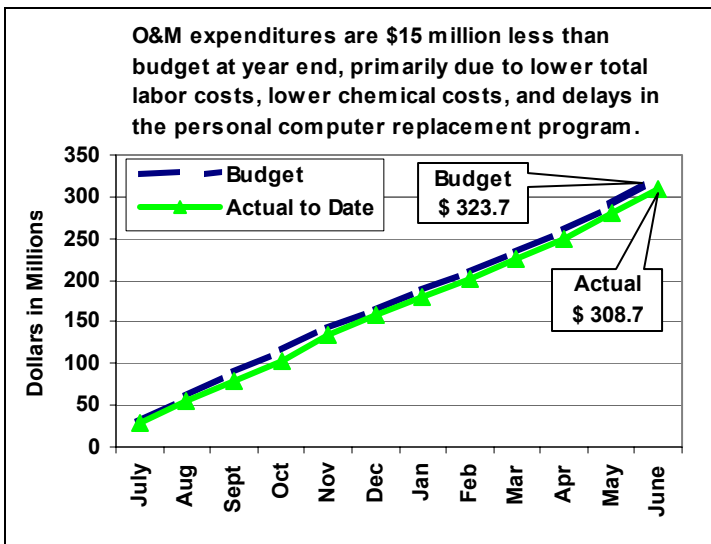
Staff provided a newly developed radio training and testing to field crews at Diemer, Weymouth, Mills, and Skinner plants. Participants included treatment plant and conveyance and distribution personnel.



Excludes Bond Construction and Other Trust Funds Activity



Excludes Bond Construction and Other Trust Funds Activity



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	1.20 x	1.69 x
Revenue Debt Service Coverage	2.00 x	2.21 x
Revenue Bond Debt / Equity Ratio	100.0%	75.9%

Credit Ratings

	Target	Actual
- Moody's Investors Service	Aa2	Aa2
- Fitch Ratings	AA	AA+
- Standard & Poor's	AA	AAA



Recruitment

Recruitment process meetings were held to address shortening application process. Verifying probability of on-line application system is being addressed. Recruiters and Process team are working together on modifying application forms. A marketing effort was developed for the Jensen facility and implementation dates are being determined. At the end of July there were 147 open recruitments.

New Employee Orientation

A total of 16 new employees were hired during the month of July.

Apprenticeship Program

Apprentice Program Workshops

Workshops were held providing managers and maintenance workers an opportunity to tour the training facility to see first-hand how the classroom training is conducted, and learn tips on how to conduct on-the-job training with their apprentices.

Inspection Trip

The Los Angeles Department of Water and Power toured Metropolitan's Apprenticeship Program Training Facility at Diamond Valley Lake.

LADWP tour of Electrical Shop



Classification/Compensation

American Federation of State, County and Municipal Employees and Association of Confidential Employees Classification/Compensation Study is still in progress.

During the month of July, numerous meetings were held with Operations and Maintenance employees and managers, to validate the draft new job descriptions. The validation meetings are now nearly complete. Once they have been completed, AFSCME and Human Resource staff will meet to finalize the new O&M Job Descriptions.

Health Benefits Advisory Committee

No meetings were held during July, as Metropolitan's consultants, ABD Consultants, worked to complete a market benchmarking survey.

Training and Organization Effectiveness

Staff conducted a Sustainability Brainstorming Workshop for Corporate Resources Management. Water System Operations' Maintenance Management Integration Program continues to be supported by Training and Organization Effectiveness team.

Environmental Health and Safety

The Environmental, Health and Safety Tactical Assessment and Compliance Program is currently 83 percent complete. Diemer's assessment is underway, and Eagle Rock, Los Angeles garage and Lake Skinner will follow. The assessment includes a review of the newly constructed fluorosilicic acid tank farms and systems.

National Safety Month was kicked off in June, and Environmental, Health and Safety regulatory training was the primary focus. A review of such training was carried out among System Operations managers and employees to ensure training compliance.



Federal Legislative Update

July 2: The House Natural Resources' Subcommittee on Water and Power hosted an oversight hearing on the status of the Delta in Vallejo, California. The hearing focused on the health and viability of the Delta, with panelists providing information as to the decline of the endangered Delta smelt and overall decline in the waterway's ecosystem.

State Legislative Update

During the months of June and July, the Governor increased his efforts to facilitate support for his infrastructure-funding package to address water supply reliability.

The Governor's proposal includes storage, conveyance, conservation and ecosystem restoration. Also, the Senate Democrats developed and released their version of a comprehensive water package – which includes SB 1002 (Perata) and a proposed 2008 water bond to address Delta conveyance and ecosystem restoration. The proposal would employ regional decision-making for the expenditure of bond dollars for region and local water supply reliability projects. Metropolitan will actively participate in discussion and deliberation on both proposals to help further define and facilitate actions to fully implement, govern and finance elements of a comprehensive long-term Delta Vision consistent with the Board-adopted framework.

Local Government Update

In July, External Affairs and Water Resource Management staff discussed the California Friendly® programs with the office of Los Angeles County Supervisor Gloria Molina and the County's Community Development Commission staff. Metropolitan staff briefed Commission staff on the benefits and financial incentives available to the County if they incorporate water-efficient devices into County facilities. At the direction of Supervisor Molina's office, Commission staff identified the Sorensen Library in Whittier to be reviewed and implemented as the County's first California Friendly® facility.

Local Government Update continued

July 12: General Counsel Karen Tachiki welcomed more than 150 attendees to the Asian Pacific American Legislative Staffers annual reception, which Metropolitan sponsored at its headquarters. Guests included Assembly member Ted Lieu and legislative staffers from various federal, state, county, and local offices throughout the greater Los Angeles County area.

July 12: Staff briefed the North Orange County Legislative Alliance, including community leaders, local elected officials and legislative staffers, on the state of the Delta. The group was also given information on Metropolitan's residential, commercial and industrial water conservation rebate programs.

July 14: Dennis Majors made a presentation at the Independent Cities Association's conference on the state of the Delta and Colorado River issues. Dennis also spoke on Metropolitan's various residential, commercial and industrial rebate programs.

July 18: Chairman Brick was a panelist on one of the afternoon panels at the Los Angeles Business Council's Annual Sustainability Summit at UCLA. The focus of discussion at the summit was "Capitalizing on Green Business: Incentives, Opportunities and Solutions." Director Sutley was a summit host.

July 25-27: Directors Bakall, Blake, Bond, J. Edwards, Grandsen, Mylne, Rez and Wright and Metropolitan staff attended the National Water Resources Association's 24th Annual Western Water Seminar held in Monterey, California. Timothy Quinn, newly appointed executive director of ACWA, was the keynote speaker for the Municipal Caucus breakfast.



Education

July 26: Staff held its quarterly Member Agency Education Coordinators meeting. The primary focus at this meeting was the enhanced conservation outreach program, related to the 2007/08 water conservation education and advertising campaign. Attendees discussed preliminary proposals for a revised conservation curriculum, in coordination with the 2007/08 campaign. The meeting also included on-going networking and discussion about the establishment of regional education priorities with member agencies.

The World Water Forum kick-off event will be held on Friday, October 12 at Metropolitan's Union Station building. Partners in the 2007-2009 program include the federal Bureau of Reclamation, Los Angeles Sanitation Districts, Friends of the United Nations and American Society of Civil Engineers. Contributions by the partners for this cycle of the program total \$160,000 in grant funds for which college teams could be awarded up to \$10,000 each for innovative conservation and technology ideas.

More than 130 entries from 25 member and retail agencies were submitted in this year's "Water is Life" student art contest. During July, staff selected 38 entries to be showcased. Staff will review and discuss the integration of this effort into the enhanced conservation outreach program.

Community Outreach

Staff participated in a walk-through of Rialto Pipeline Improvement Project Phase 2 sites to assess outreach that will be required during construction to install two new valves in Claremont and Rancho Cucamonga in early 2008.

Staff coordinated and participated in community and intergovernmental outreach with businesses and local government staff in Newport Beach regarding property pipeline improvement and cross-connection projects.

July 16: The grand opening for the Barnsdall Art Park City Makeover project was held at the park in Los Angeles. Metropolitan provided \$75,000 in funding to this re-landscaping project, which will save 1.45 million gallons of water a year. Los Angeles City Councilmember Eric Garcetti and Metropolitan Chairman Timothy Brick attended the event.

Media

Staff managed multiple stories during July that included interviews with local, regional and national news media outlets, including several stories about dry conditions in the West, issues involving the Sacramento-San Joaquin Delta as well as the invasion of quagga mussels in the Colorado River. Coverage included a National Public Radio report about water supply and western dry conditions, Los Angeles Times' articles about Delta and water supply issues, local articles about upcoming Perris Valley pipeline work, regional coverage about added water treatment capacity at the Skinner water treatment plant, and more.

The Press Office issued press releases about various issues including: the urgent shutdown of the Colorado River Aqueduct to control quagga mussels; expanded rebates and programs for water conservation; acknowledging the governor and legislative leaders for proposed legislation to address Delta needs; and, announcing the new Beverly Hills director to the Metropolitan Board.

Metropolitan was prominently featured in a large spread in the Los Angeles Daily News about how to save water in the garden.