

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

## **Summary**

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The attached report details the activities of the Office of the General Manager for the month of December 2007. Metropolitan has delivered sufficient water supplies 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
- Business Outreach
- System Operations
- Capital Investment Plan
- Business Processes / Operations
- Real Estate Management
- Workforce
- Finance
- External Affairs

## **Attachments**

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General Manager's Monthly Activity Report



## Colorado River

### Secretary of the Interior Issues Record of Decision for Colorado River Interim Guidelines and Related Agreements Signed

On December 13, the Secretary of the Interior issued a Record of Decision that determines how shortages will be shared on the Colorado River and facilitates implementation of new water management agreements. Signed at the Colorado River Water Users Association's annual meeting, Secretary Kempthorne stated that "this is the most important agreement among the seven basin states since the original Colorado River Compact of 1922," noting that his decision memorializes a consensus to not only address current dry conditions, but also to prepare for future droughts rather than resorting to disruptive litigation. The new operating rules protect California's senior water rights position and extends access to any surplus supplies that may become available by ten years—2026.

After the ROD was signed, representatives from the Lower Basin states signed the necessary agreements to allow for the development and storage of new water supplies known as "Intentionally Created Surplus." These agreements allow Metropolitan to store nearly 1.5 million acre-feet of water in Lake Mead and to develop new water conservation programs to increase its Colorado River supplies.

## State Water Project

### State Water Project

The California Department of Water Resources, with State Water Contractor coordination and support, requested arbitration regarding capital costs it believes have been inappropriately billed under its participation agreement with the Nevada Power Company. Under the agreement, DWR is a part owner in the Reid Gardner power plant through 2013. The project is operated by Nevada Power Company and DWR believes that its contract right to approve the capital improvements has been violated. In the meantime, DWR is making payments under protest. DWR estimates that about \$70 million of payments are in question for the period of 2003 through 2013.

### Delta Smelt Federal Court Ruling

Earlier this year Judge Wanger ruled that the 2005 biological opinion for Delta Smelt did not comply with the Endangered Species Act and ordered restrictions in SWP and Central Valley Project pumping as an interim remedy to protect delta smelt. On December 11, Judge Wanger issued the final written order. The written order includes a few minor differences from the earlier verbal ruling, including a September 12, 2008 deadline for completing the new Operating Criteria and Plan biological opinion, which will provide a long-term plan to protect Delta Smelt.

## Colorado River

### Reservoir Storage

	12/18/07 Storage	Percent of Capacity
Lake Powell	11.4 MAF	47%
Lake Mead	12.8 MAF	49%

## State Water Project

As of 12/18/07	Storage To-Date	Percent of Capacity
Lake Oroville	1.2 MAF	35%
San Luis Reservoir	1.2 MAF	61%
San Luis State Share	0.6 MAF	60%



## Water Management Business Outreach

### State Water Project

#### Delta Vision

The Delta Vision Blue Ribbon Task Force released their final report and recommendations related to development of a long-term Delta solution on December 18. At the last Task Force meeting, the task force focused on the development of 12 integrated elements to address ecosystem and water supply reliability problems in the Delta. Key recommendations address reduced diversions, the need for new conveyance and storage and linkage of conveyance and storage solutions, and a new governance authority. The final report is expected to include language that a dual conveyance system is the Task Force's current preferred direction. The Task Force has asked CALFED to analyze three pathways for a dual conveyance approach to be completed by April 2008. The Governor's final recommendation is scheduled for January 2008, with an implementation plan completed by October 2008.

#### Delta Wastewater Treatment Plant Discharges

The Sacramento Regional Wastewater Treatment Plant (Treatment Plant) provides wastewater treatment services for most of Sacramento County and discharges treated (i.e., secondary treatment process) wastewater effluent in the north Delta near Freeport. Metropolitan and other water agencies that utilize water supplies delivered through the Delta have long-standing concerns about the Treatment Plant discharge and its effects on water quality. The Treatment Plant discharge permit is tentatively scheduled for renewal by the Central Valley Regional Water Quality Control Board (Regional Board) in September 2008.

On December 14, Metropolitan, along with Alameda County Water District, Alameda County Flood Control and Water Conservation District Zone 7, Contra Costa Water District and Santa Clara Valley Water District, submitted a comprehensive package of technical comments to the Regional Board describing water quality concerns with the existing Treatment Plant discharge and planned expansion. Staff will continue to work closely with Regional Board staff as they begin to develop the Treatment Plant discharge permit next year. On a related matter, the General Counsel's report provides an update on the recent favorable ruling in the CEQA lawsuit concerning the proposed expansion of the Treatment Plant.

### Local Resources Program

#### Capistrano Beach Desalter Project

South Coast Water District's 1,300 acre-feet per year Capistrano Beach Desalter Project commenced operation and will increase regional supply reliability by reducing dependency on imported water. Metropolitan will contribute up to \$250 per acre-foot of desalted brackish groundwater from the San Juan Basin for 20 years. The project is located in Capistrano Beach in the City of Dana Point. Metropolitan entered into a LRP agreement to provide incentives to this project in 1998.

### Business Outreach

#### Collaboration between Metropolitan and State results in meeting 25 percent small business goal

California small businesses won more than 25 percent of the \$9.5 billion in contracts the state issued in the last fiscal year. This marks the first time in three years the state has met its goal to award at least one-quarter of its contract dollars to small businesses.

Since signing a memorandum of understanding with the Department of General Services in 2006, Metropolitan's Business Outreach Section has worked with state officials on reducing the red tape associated with certification. The state adopted Metropolitan's best practices in regards to self-certification and it resulted in a 300 percent increase in certified companies. The end result was increased competition, cost savings and an increase in opportunities for new companies.



# System Operations

## Water Demands

Water Sales Cash Year (May-April)

2,245,594 AF	Current Projection
2,161,756 AF	Budget Projection
83,838 AF	Difference

The current trend sales estimate as of Dec. 18 for Calendar Year 2007 is 2.3 MAF.

## Sales/Deliveries

December Sales Estimate 133,000 AF

December Sales Estimate 144,000 AF \*

\* excludes Desert Water / Coachella Valley

## Distribution and Storage (As of 12/18/07)

	<u>Current Storage</u>	<u>End of Month Forecast</u>
Lake Mathews	118,000 AF	110,000 AF
Lake Skinner	37,400 AF	38,000 AF
DVL	599,000 AF	600,000 AF
Lake Perris	66,000 AF	65,000 AF

## System Operations

For the month of December, System Operations coordinated the deliveries of 144,000 acre-feet of water in Metropolitan's service area. Wetter and cooler weather lowered system demand. Overall, deliveries from the State Water Project accounted for 72 percent of system deliveries. Deliveries on the State Water Project include pump-ins and exchanges from the Semitropic, Arvin-Edison and Mojave programs.

System operations coordinated shutdown and restart procedures after a 30-day shutdown of the Santa Ana Valley Pipeline for repairs and maintenance. Flows on the Inland Feeder intertie from San Bernardino Municipal Water District continued, resulting in 5,000 acre-feet of water being delivered into Diamond Valley Lake during the month of December.

## Treatment Plant

Treated water deliveries were in full compliance with primary drinking water quality standards and met Metropolitan's salinity objectives. On December 3, fluoride feed was initiated at the Skinner plant, which completed the startup of Metropolitan's system-wide fluoridation program. Staff's startup activities for fluoride have included implementing environmental and safety upgrades, responding to minor leaks, and troubleshooting instrumentation.

On November 26, the Mills water treatment plant began operating Phase 1 of the chlorine containment project, which now completely contains the storage and feed of liquefied chlorine gas at the facility.

Staff responded to a planned chlorine supply shutdown from a chlorine supplier (Olin Chlor Alkali Products) located in Santa Fe Springs, CA, which lasted from December 5 - 11. Staff increased inventory prior to the outage, and transported chlorine by truck trailer from Henderson, Nevada to ensure a continuous and adequate supply of liquefied chlorine gas to the treatment plants.

## Taste-and-Odor

Taste and odor was acceptable in all of Metropolitan's source and finished waters.

## Quagga Mussels

Staff continued a sodium hypochlorite feed at Lake Mathews to control the transport of quagga mussel larvae. The chlorine dosage was increased from 0.7 mg/L to 1.3 mg/L.

## Fluoridation

Fluoridation has been implemented at all of Metropolitan's treatment plants. The last was the Skinner plant on December 3.



## Conveyance and Operations

Staff excavated the support footings and pilings for the CRA 230 KV high voltage power line towers located at the Danby Salt Flats. Visual inspection was conducted on the tower footings and pilings as part of the infrastructure reliability program. The wood pilings were treated with a protective coating and the surrounding soil was recompacted to ensure reliability.

Continued coating repairs required for the pump bowl assembly for the CRA pump/generator units. Protective coatings for units 9, 10 and 12 are complete and unit 11 is currently under way.



Danby Flats Tower Inspection and Piling Treatment

## Power Operations and Planning

On December 11, Metropolitan's Jon Lambeck, Manager of Power Resources testified before the Senate Committee on Energy and Natural Resources in Washington, DC. The testimony was in support of S.2156, the Secure Water Act, and requested consideration of language that would provide federal funding for more efficient turbines at federal hydroelectric facilities operating under low reservoir conditions. Such turbines would produce more power than what is achieved today, increasing the efficiency of existing federal hydroelectric facilities and providing additional, zero green house gas emitting power for Metropolitan and other federal power contractors.

In December, Metropolitan registered with the Western Renewable Energy Generation Information System, operated by the Western Electricity Coordinating Council. Western Renewable will register and track renewable energy credits and transactions between members. By joining Western Renewable, Metropolitan will increase its options in marketing the certified renewable energy attributes of the power produced at Metropolitan's hydroelectric plants.

Staff submitted an application to the California Energy Commission for Diamond Valley Lake to be designated as a renewable small hydro generator based on the generation constraints due to water conveyance limitations. The "renewable" designation for hydro generators is limited to facilities with a capacity of 30 Megawatts (MW) or less.

Power Resources and Legal continued its pursuit of possible refunds from overcharges and market manipulation during the energy crisis of 2000 and 2001. Metropolitan filed a claim on November 28 for a share of the refund proposed by the Federal Energy Regulatory Commission trial staff from American Electric Power Services and others filed a claim on behalf of the State Water Contractors.

## System Maintenance

A temporary repair was performed at service connection G-1 in the city of Glendale. The repair included an external fiberglass coating wrap to seal the leaks in the venturi piping structure. Permanent repairs for this structure will be performed under a future capital project.

Annual maintenance and inspections were performed at the Greg Avenue and Foothill Feeder Power Plants, from December 3 - 6 and December 17 - 18, respectively. Metropolitan personnel cleaned out the Bypass Supply Line valve clogged with clams at the Perris Power Plant. On December 20, a 52-hour shutdown began to remove the Santa Ana Valley Pipeline bulkhead, which will also affect the Box Springs Feeder. DWR's shutdown of the Santa Ana Valley Pipeline was completed on December 22.



Shutoff Valve clogged with clams



## CIP Summary

- **Ongoing Contracts**—20 construction contracts and 4 related procurement contracts were ongoing through November. The total bid amount of these contracts was \$865 million.
- **November Construction Payments**—Over \$21 million in contract payments were made for construction performed in the month of November. Nearly \$7 million were related to work at the Skinner plant, including the ongoing construction of ozonation facilities, and Washwater Reclamation Plant 3. Over, \$5 million were expended on the Arrowhead Tunnels construction. Nearly \$3 million were related to work at the Diemer plant, site preparation for Oxidation Retrofit. And over \$4 million were expended on the north reach of the Perris Valley Pipeline.
- **Major Contracts**—Through the second week of December 2007, the Inland Feeder, Arrowhead East Tunnel mining effort has advanced a total of 21,505 feet, which is 96 percent of the tunnel length. At the Arrowhead West Tunnel, the mining effort has advanced a total of 15,250 feet, which is 77 percent of the tunnel length.
- **Contracts Completed**—Mills treatment plant Main Entrance Road Realignment and Perimeter Landscaping and the Weymouth treatment plant Chemical System Upgrades were completed in November.

## Profile on Recent Events

### Mills Chlorine Containment and Handling Facilities:

The facility is 72 percent complete and Phase I is fully operational. Due to construction sequencing associated with bringing the newly constructed Mills plant Phase 1 chlorine facilities on-line, the expected Phase 2 completion date has moved from February 2008 to June 2008.

**Yorba Linda Power Plant Modifications:** A value engineering review was performed in December. The value engineering team generated eight alternatives and 21 design suggestions. In the coming months, the design team will carefully consider each proposal, and will determine which ideas merit recommending for implementation or further study prior to issuing the project Preliminary Design Report early in 2008.

## Information Technology

**Peoplesoft 8.9 Upgrade:** In December, the Peoplesoft 8.9 Upgrade was completed providing new and enhanced features and important system updates (e.g., tax updates for payroll processing).

**Automatic Meter Reading Project:** Metropolitan was awarded the 2007 Innovators Award by Control Microsystems for the Automatic Meter Reading Project. The award is for “Leading Edge Design and Implementation of Advanced SCADA Systems” and goes to the “team that displays the highest level of excellence and innovation in solving complex SCADA applications.” The Automatic Meter Reading project involves upgrading the AMR meter sites that support Metropolitan’s billing and monitoring of water delivery through service connections to member agencies.

## Emergency Management

Staff continues to conduct functional exercises at Metropolitan facilities in the event of an emergency or catastrophic disaster. At the Weymouth plant, the exercise challenged staff’s ability to quickly plan and respond to a leak that threatened the ability to feed chlorine and to stop a sodium hydroxide leak. At the Diemer plant, emphasis was placed on how the Incident Command Center and Damage Assessment Teams work together when there is an activation of the Emergency Response Organization.

## Security

Security began installation of additional security and process monitoring cameras and card readers at multiple sites, including Mills, Diemer, Weymouth, and Skinner treatment plants. Security also addressed installation of new cameras at Lake Mathews for monitoring the injection site for quagga mussel mitigation efforts.



# Real Estate Management Workforce

## Diamond Valley Lake 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 01/30/07</i>	\$ 62.8 M

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

## Real Estate Activities

Two easements were conveyed to the City of Riverside for roads and utilities crossing Metropolitan's Box Springs Feeder right-of-way.

## Leases, Licenses and Entry Permits

A short-term lease was granted to Los Angeles Universal Preschool for 1,562 rentable square feet of office space and two parking spaces at the Union Station Headquarters Building.

An entry permit was granted to Twentieth Century Fox Television for filming at Union Station Headquarters Building for the television series "Shark."

A one-day entry permit was granted to the Pasadena Tournament of Roses Association. The permit allowed use of parking areas at 700 North Alameda Street for an evening event at Union Station.

## Recruitment

Nine new employees joined Metropolitan during December.

## Training

Approximately 250 managers completed mandatory training on Workplace Violence Prevention.

## Benefits / Human Resources Information System

Implemented *My HR*, the upgraded 8.9 version of the PeopleSoft system, for access to all employees. *My HR* is a single-point of entry for all HR and payroll self-service transactions, such as:

- View personal, job and compensation information
- Update personal and emergency contact information
- View benefits enrollments and update dependent and beneficiary information
- Update contributions to 401k and 457 savings plans
- View paycheck, including deductions and leave balances
- Update voluntary deductions
- Request W-2 and update Federal W-4

## Environmental Health and Safety

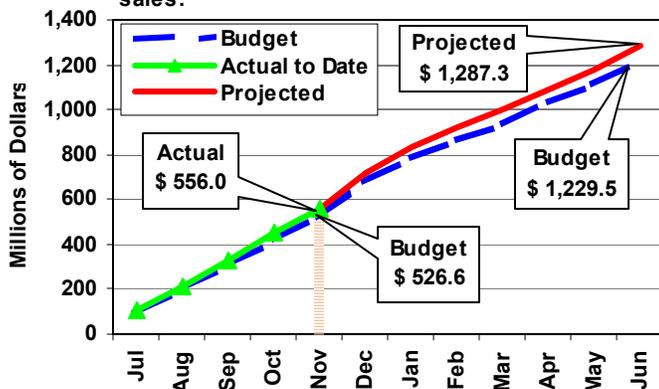
EHS and Engineering have created a task force to develop a "prevention by design" process that will incorporate design standards and criteria for consistent integration of environmental, health and safety controls. Staff is reviewing other water utility design criteria to integrate into Metropolitan design standards.

EHS is working with Metropolitan facility safety committees to redesign and update the Injury and Illness Prevention Program. A new program will be rolled out in the third quarter of this fiscal year.



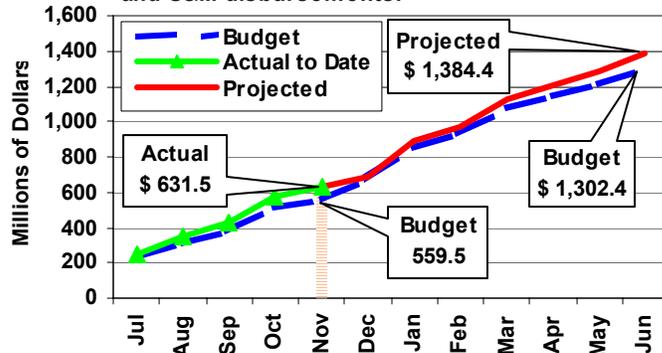
As of November 30, 2007

Receipts are expected to be \$58 million over budget by year end, mainly due to higher water sales.



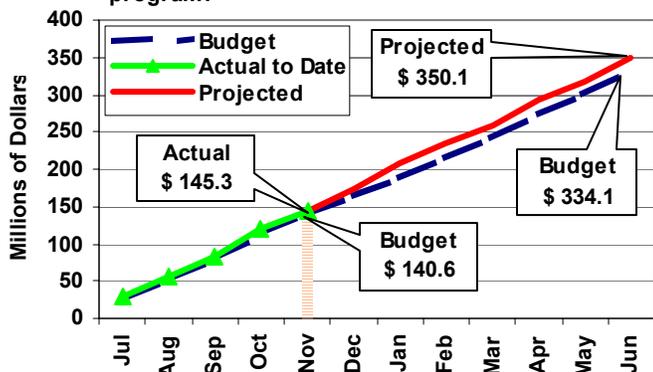
Excludes Bond Construction and Other Trust Funds Activity

Expenditures are trending at \$82 million over budget by year end, mainly due to higher Water Supply Program expenses, SWP power costs, and O&M disbursements.

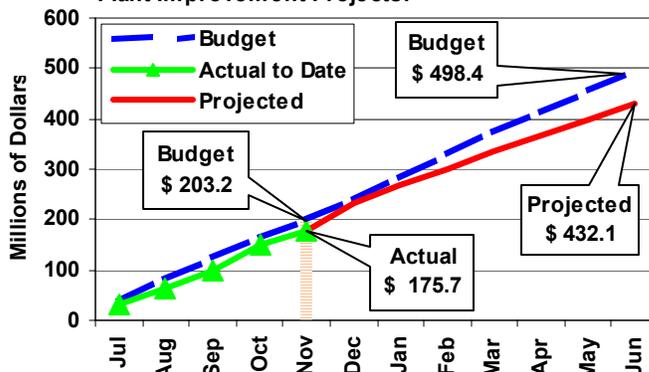


Excludes Bond Construction and Other Trust Funds Activity

O&M expenditures are forecast to be \$16 million over budget by year end due to the Cargill settlement and the quagga mussel containment program.

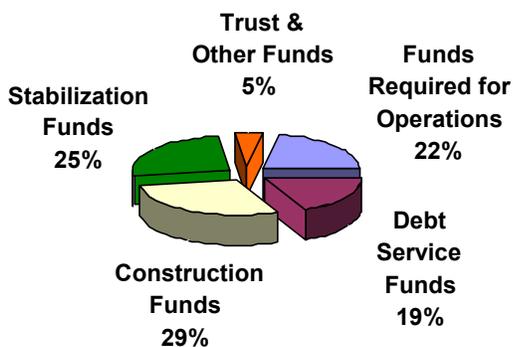


Construction costs are expected to be \$66 million below budget at year end primarily due to delays on the Oxidation Retrofit Program and Treatment Plant Improvement Projects.



### Cash and Investments

\$ 1,234.8 million



### Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.66 x
Revenue Debt Service Coverage	> 2.00 x	2.08 x
Revenue Bond Debt / Equity Ratio	< 100.0%	72.7%

### Credit Ratings

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



## Federal Legislative Update

Dec. 11: Staff presented testimony regarding Metropolitan's interests on S 2156, the Secure Water Act, before the Senate Full Committee on Energy and Natural Resources. Jon Lambeck, Water System Operations manager, presented the testimony on behalf of Metropolitan.

## State Legislative Update

In response to a projected \$14 billion gap between state revenues and expenditures, Gov. Schwarzenegger has declared a "fiscal emergency." The declaration expedites spending cuts in the current fiscal year. The Legislature has 45 days to act or all other legislative work is suspended. Proposition 1A provides protection against raids on local government revenues unless the Governor declares a "fiscal necessity" and two-thirds of the Legislature concurs. If Proposition 1A is suspended, the state could tap local revenues.

Californians for Clean and Reliable Water – a broad coalition of business, labor and agricultural interests – submitted four water bond initiatives to the Attorney General's Office for the November 2008 ballot. The coalition includes the California Chamber, California Alliance for Jobs, California Building Industry Association, California Business Roundtable, Consulting Engineers and Land Surveyors of California and Western Growers Association. Each measure totals \$11.69 billion and provides funding for the Delta ecosystem, water supply reliability at the regional and local level, groundwater cleanup, water treatment systems, storm water management, watershed projects, water recycling, surface and groundwater storage (statewide and local and regional projects).

## Local Government Update

Dec. 3: Assemblyman Paul Krekorian and General Manager Jeff Kightlinger hosted a community leaders' breakfast briefing in Burbank to discuss water issues. More than 90 community leaders and local elected officials from the cities of Burbank, Glendale and Los Angeles attended, as well as directors Glen Brown and Jim Rez. The main topics of discussion included the water supply and regulatory challenges facing the Bay-Delta and Colorado River.

Dec. 3: Metropolitan and West Basin MWD staff briefed Assembly Member Curren Price on local and regional water issues. Staff discussed Metropolitan's Business Outreach Program and future contracting and procurement opportunities for businesses located in the South Bay area of Los Angeles County and West Basin's work with conservation, groundwater recharge and recycling, especially the use of recycled water by the petroleum refineries in the South Bay of Los Angeles County.

Dec. 7: Metropolitan joined Three Valleys MWD and Upper San Gabriel Valley MWD in sponsoring a luncheon with the San Gabriel Valley Public Affairs Network featuring Assemblyman Ed Hernandez (D-57<sup>th</sup> AD). Director David De Jesus along with some 60 plus Valley business, community, health and water industry leaders heard Assemblyman Hernandez discuss the issues associated with the special legislative session on health and water.

Dec. 14: Staff provided a tour of the Diemer filtration plant for Assemblyman Michael Duvall and Assemblyman Michael Villines. Water System Operations Manager Eddie Rigdon led the briefing along with Director Larry Dick. Staff discussed Metropolitan's Integrated Regional Water Management Plan and its work in water recycling, especially with the Orange County Water District.



## Education

Educational programs, activities and events included:

- Staff conducted the first of two 2008 Solar Cup™ technical workshops at Union Station. More than 175 students, teachers and advisors representing 24 of the 43 participating teams attended.
- More than 140 student artists, family members, member and retail agencies and teachers attended the annual “Water is Life” 2008 Student Artwork Exhibit and Reception at Metropolitan’s Headquarters located at Union Station. Thirty-eight original student art posters on water conservation were selected out of 136 submitted by 25 member and retail agencies. Each piece of art is featured in the 2008 “Water is Life” Calendar. The exhibit will travel to each participating member and retail agency through June 2008.
- Staff attended the first Green Schools Conference in Pasadena. The conference provided an opportunity to share and view new efforts to integrate “green” environmental concepts into school curriculum. In addition, it also focused on the educational benefits of upgrading or building new schools that meet all Leadership in Energy and Environmental Design criteria, including water conservation.
- Metropolitan staffed an exhibit booth at the City of Los Angeles Youth Environmental Conference at the Los Angeles Convention Center.
- Staff received 36 proposals from colleges and university for the upcoming World Water Forum grant program. There is representation from universities in each of the six counties in Metropolitan’s service area. An evaluation panel will review the proposals in February 2008 leading to the selection of up to 18 teams that meet the criteria and scoring goals to receive \$10,000 in the spring.
- Staff conducted seven field trips at the new Diamond Valley Lake classroom and Visitor Center. Nearly 300 students from Hemet, San Jacinto, Lake Elsinore, Murrieta and Temecula Valley schools attended. There were approximately 160 non-student visitors to the complex in early December.

## Media

Staff managed multiple news media interviews in Las Vegas during the annual Colorado River Water Users Association meeting. Both General Manager Jeff Kightlinger and Board Chairman Tim Brick were interviewed concerning the river shortage-sharing plan among the basin states and the federal government. The Associated Press story was carried in dozens of newspapers in the West, and in other news media outlets including the Los Angeles Times, Arizona Republic and National Public Radio.

Staff managed multiple stories during December that included interviews with local, regional and national news media outlets. Stories involved Judge Wanger’s decision concerning Delta operations and the impact to Southern California water supplies, fluoridation, Metropolitan’s preparation of its own water supply allocation plan, water recycling and water quality. Most stories reflected positive portrayals of Metropolitan’s actions.

The Press Office issued press releases and statements in December regarding the Board’s approval of the Colorado River Basin shortage-sharing plan, the addition of \$25 million to the commercial, industrial and institutional conservation program, Judge Wanger’s final decision in a lawsuit that impacts Delta operations and the Governor’s Delta Vision Blue Ribbon Task Force’s recommendations.

## Community Outreach and Other Events

Staff coordinated and participated in community and intergovernmental outreach with residents, businesses and staff in La Verne, Upland, Yorba Linda, and Riverside regarding property management issues, water resources and capital improvements such as Weymouth landscaping, Rialto Feeder, Diemer North Access Road, Perris Valley Pipeline and cross connection projects.

## Conservation Outreach

A recent survey conducted by Redhill Consulting Group found the “It’s Time to Get Serious About Saving Water” campaign had a strong impact on water conservation awareness among Southern Californians. Eighty-three percent of Southern Californians surveyed indicated they had heard advertising messages about water conservation, dry weather or ways to save water. Details of the survey will be provided at the January Board meeting.