

- **General Manager's February 2008 Activity Report**

Summary

The attached report details the activities of the Office of the General Manager for the month of February 2008. 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
- System Operations
- Capital Investment Plan
- Business Outreach
- Business Processes / Operations
- Real Estate Management
- Finance
- External Affairs
- Workforce

Attachments

General Manager's Monthly Activity Report

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Water Management

Colorado River

Metropolitan Stores 15,000 Acre-feet of Nevada's Water

In February, with the implementation of a partnership agreement with Southern Nevada Water Authority, Metropolitan agreed to take delivery of 15,000 acre-feet of water that was made available to Nevada for SNWA programs. With the increased water supply available to Metropolitan, the 2008 Colorado River Water Order now totals 791,000 acre-feet. Metropolitan will return the 15,000 acre-feet in a future year; it is likely that SNWA will not request the water for at least 10 to 15 years, but Metropolitan may return it sooner if desired. SNWA may make an additional 5,000 to 10,000 acre-feet of water available later this year; if so, Metropolitan would evaluate whether to accommodate the request.

Along with the SNWA water, Metropolitan's water order includes the recovery of 25,000 acre-feet of water that had been stored in a groundwater program within Arizona. Both the SNWA water and the Arizona water are available to Metropolitan at no cost, other than normal pumping costs on the Colorado River Aqueduct. Also, beginning in August 2008, for the first time since the program began, Palo Verde Irrigation District will fallow land at the maximum level under the program. Because the full fallowing does not

begin until August, about half of the conserved water will be available this year; the full amount (115,000 acre-feet) will be available to Metropolitan in 2009. As the year progresses, Metropolitan will monitor agricultural use along the Colorado River. The current approved water order is conservative; there could be unused agricultural water available during the year.

Interim Determination of Water Conserved by the Coachella Lining Project

The U.S. Bureau of Reclamation has made an interim determination of the amount of water conserved by the Coachella Canal Lining Project. The amount of water conserved has been determined to be 30,850 acre-feet per year, starting in 2009. Clogging of the soil and curing of the concrete will result in more water being saved in 2009 than in the two previous years. The amount of water available for allocation will be the quantity of water conserved, less the amount of water taken from the Coachella Canal that is used for lining project mitigation. Metropolitan delivered 23,125 acre-feet of exchange water from the project to San Diego County Water Authority in 2007.

Colorado River

Reservoir Storage

	2/29/08 Storage	Percent of Capacity
Lake Powell	10.9 MAF	45%
Lake Mead	13.1 MAF	50%

State Water Project

As of 2/29/08	Storage To-Date	Percent of Capacity
Lake Oroville	1.4 MAF	41%
San Luis Reservoir	1.8 MAF	88%
San Luis State Share	0.9 MAF	86%

Water Management

State Water Project

2008 Water Supplies

On November 21, 2007 the California Department of Water Resources announced a 25 percent initial SWP allocation of 478 thousand acre-feet of supplies to Metropolitan and included Delta export restrictions resulting from the Federal District Court's remedy order to protect Delta smelt. On February 1, the allocation was increased to 35 percent or 669 TAF to Metropolitan. These allocations would have been higher but for actions taken to protect Delta smelt from Central Valley Project and SWP operations in the Delta. Because of where the Delta smelt spawn and develop in the Delta, the SWP has seen a reduction in its water supply of approximately 300 TAF; therefore, Metropolitan has seen a reduction in its SWP water supply of approximately 150 TAF to date.

Bay-Delta Conservation Plan

The Steering Committee for the Bay-Delta Conservation Plan adopted *The Bay Delta Conservation Plan: Points of Agreement for Continuing into the Planning Process* memorandum in November 2007, which identified a new isolated conveyance facility as part of a dual conveyance system to be addressed in the planning process. Since adoption of the points of agreement, Metropolitan staff participated on a variety of work teams focused on developing key elements of the conservation plan. Of particular interest to the long-term conveyance solution, the Conveyance Workgroup has been tasked with considering the design and operations issues associated with a new isolated conveyance facility and improvements to the existing State Water Project/Central Valley Project facilities in the south Delta as part of a dual conveyance system. Under the current schedule, the Implementation Plan for BDCP will be completed by December 2008.

State Water Project

Endangered Species Issues – Longfin Smelt

Petitions to list longfin smelt as threatened or endangered were filed with the California Fish and Game Commission (Commission) and the U.S. Fish and Wildlife Service (USFWS) in August 2007. The Bay Institute, Centre for Biological Diversity, and Natural Resources Defense Council, submitted the filings. The Commission considered the listing petition at its February 7, 2008 meeting, and took two actions:

- The Commission found that the petition to list the longfin smelt contained sufficient information to indicate that listing may be warranted, which makes the longfin smelt a candidate species that is protected by a take prohibition under the California Endangered Species Act.
- The Commission also adopted an emergency regulation authorizing incidental take of longfin by the Central Valley Project and State Water Project, provided that the projects comply with certain monitoring and flow objectives recommended by Department of Fish and Game staff specifically for the protection of longfin smelt.

The Commission did not accept the arguments of DWR and the State Water Contractors that the Wanger flow criteria for Delta smelt would be sufficient to protect the longfin smelt during the candidacy period. The DF&G recommendation includes flow objectives for Old and Middle River that are similar to the actions required for Delta smelt, but with different starting dates due to the earlier spawning period for the longfin smelt. The incidental take regulation for longfin will last for 180 days, and it can be extended for two additional 90-day periods. The longfin smelt can remain a candidate species for up to 12 months, at which time the Commission must make a decision whether or not to formally list the longfin smelt.

Water Management

State Water Project

Delta Vision

The Governor's Delta Vision Blue Ribbon Task Force (Task Force) has defined a work plan for 2008 in order to complete its responsibility to develop a strategic plan that supports the Task Force's vision statement published in December of 2007. This work plan focuses on the following areas:

1. Mechanisms to implement the items on the Vision's near-term actions list
2. Ecosystem function: the Delta as an integral part of a healthy estuary
3. Reliable water supply for California
4. Delta as a unique and valued place, warranting recognition and special legal status
5. Governance and strategic finance
6. Assessment of dual conveyance as a preferred direction (complete by June 2008)

Four stakeholder workgroups have been set up to provide the Task Force with input on items 2-5 above, and have been tasked with developing specific goals for each area, defining performance measures relative to those goals, assessing institutional capacity to address the goals, propose changes in system capacity that could help address the goals, test the proposals and revise them as necessary. For item 6 above, DWR and CALFED staff will be preparing an assessment of dual conveyance options and modeling results to assist the Task Force in further deliberation toward a June decision on a more specific call for conveyance changes.

A first draft of a strategic plan is planned for June 2008, with three iterations of that plan to be completed by October 2008. The strategic plan is to focus on implementing mechanisms and policies, and not provide a level of detail that identifies specific capital proposals or budget actions.

The export water community continues to be

involved in the process, participating in Stakeholder Coordination Group work teams and responding to key issues of the Task Force, as well as conducting joint fact-finding exercises, such as quantifying the level of all diversions in the Delta system.

Sisk Dam (San Luis Reservoir) Corrective Action Study

As a result of new seismic analysis, the U.S. Bureau of Reclamation is conducting a Corrective Action Study to address potential dam safety issues at B.F. Sisk Dam (San Luis Reservoir). Sisk Dam was constructed by the USBR and maintained by the California Department of Water Resources. USBR and DWR are partnering in the study that is expected to take two to four years to complete. The study will identify and evaluate risk reduction alternatives that will improve the stability of the dam during an earthquake.

Sisk Dam is located in a seismically active area with a fault crossing the reservoir. Analysis has shown that a major earthquake would cause crest settlement and embankment deformation. Failure could inundate hundreds of square miles. Additional geotechnical exploration and analysis may be required to better understand the risks associated with seismic activity. Metropolitan staff directly monitors the activities and attended a related workshop in February.

San Luis Reservoir Outlet Tower



Water Management

Lake Perris

Dam Remediation Project

The California Department of Water Resource previously identified potential seismic safety risks in the foundation of Perris Dam in 2005. The state has lowered the lake's water level as a precaution to protect public safety for those living downstream. The total cost to repair the dam to its original level is currently estimated by DWR at \$392.5 million. A final environmental document and a decision on extent of repairs has yet to be made.

On February 14, 2008, Metropolitan's General Manager Jeff Kightlinger along with general managers from Coachella Valley Water District and the Desert Water Agency met with DWR Director Lester Snow to discuss the Lake Perris Dam Remediation Project. The major issue discussed included allocating the repair costs based on the benefits received while ensuring public safety, operational, and water supply reliability.

Conservation

Proposition 50 Funding Workshop

In February, Metropolitan hosted one of five Department of Water Resources' Proposition 50 public workshops at Union Station headquarters. The workshop, which was attended by member agencies and retail agencies, provided relevant information regarding the proposal solicitation process and application requirements. About \$37 million is available for funding from the Agricultural and Urban Water Use Efficiency Grants under Proposition 50 and the United States Bureau of Reclamation. Metropolitan and its member agencies are eligible to submit proposals and will be seeking funds in support of conservation programs.

Conservation Planning Conference

Staff participated in the American Water Works Association's annual conference and exposition focusing on conservation and resource planning by providing technical presentations in several areas including Metropolitan's commercial incentive program, water savings performance program, local resources program, weather-based irrigation controller distribution approaches, and Metropolitan's conservation model for tracking water savings. This year's conference included more than 20 technical sessions and over 100 presentations, covering topics such as conservation planning versus drought response, cost-efficient conservation programs, communicating and marketing water efficiency, tools for water sustainability planning and case studies.

California Urban Water Conservation Council Update

Metropolitan staff is participating in a comprehensive review of the CUWCC's Best Management Practices, which is being undertaken at the direction of the CUWCC's Steering Committee. This review could lead to a complete redrafting of the BMPs to reflect the evolution of technologies in the commercial, residential, and landscape sectors. In addition, the review will be looking at alternative standards for compliance under the CUWCC's Memorandum of Understanding by evaluating the use of an overall water savings target for each agency, instead of the current device-by-device compliance requirement that exists today. This review is expected to be completed by the end of 2008 in order to coincide with the renewal date for the current MOU. As elected members of the CUWCC Steering Committee, Metropolitan, the Los Angeles Department of Water and Power, the San Diego County Water Authority, the Municipal Water District of Orange County, and the Long Beach Water Department will participate actively in any proposed revisions.

Water Management

High Efficiency Clothes Washer Program

In February, Metropolitan and the member agencies exhausted grant funding totaling \$1.7 million under the high-efficiency clothes washer rebate program. Proposition 50 funding administered through the California Department of Water Resources resulted in more than 47,000 rebates achieving a lifetime water savings of almost 20,000 acre-feet throughout Metropolitan's service area. Twenty-two member agencies partnered with Metropolitan offering rebates to retrofit with more efficient models.

Desalination

Two developments have occurred with member agency seawater desalination projects. The Long Beach Water Department has started construction of its experimental *Under Ocean Floor Seawater Intake and Discharge Demonstration System* project. This project will test the viability of using subsurface intake systems for seawater desalination in Southern California.

In early February, two environmental groups sued the California Coastal Commission over the proposed Carlsbad Seawater Desalination plant. The Coastal Commission granted conditional approval for the project in November 2007. The lawsuit claims the Coastal Commission's approval was improper because there was not enough information provided to evaluate the environmental impacts of the project. The lawsuit also claims that the Commission failed to uphold environmental provisions in the Coastal Act requiring it protect the lagoon where the facility is located.

Local Resources Program

State Board Policy on Recycled Water

In conjunction with the WaterReuse Association, Metropolitan provided comments to the State Water Resources Control Board's draft strategic plan update, which primarily focused on the promotion of sustainable water supplies through water reuse. The comments encouraged the Board to appropriately and effectively address barriers to recycled water development identified by the State Recycled Water Task Force in 2003.

Water Savings Performance Program

In January, staff executed a conservation agreement with Ready Pac Produce, Inc. to provide almost \$250,000 in financial incentives to help implement water saving process improvements at the Irwindale facility. Ready Pac will invest in capital improvements to increase water-recycling capability and improve water efficiency in their processing, cooling and sanitizing operations. The project is expected to save about 256 acre-feet of water annually.

Also in January, staff executed the first landscape irrigation improvement agreement with Sycamore Canyon Village Homeowners Association in Simi Valley. Up to \$54,000 will be provided in financial incentives under a five-year agreement for the project that is expected to save approximately 63.5 acre-feet per year.

Public Sector Program Recycled Water Retrofits

Metropolitan's Public Sector Program has provided over \$300,000 to public agencies in conservation incentives and over 200 public agency water use audits have been scheduled. Metropolitan executed an agreement with West Basin Municipal Water District to provide funding to convert public irrigation systems to recycled water. The next step is for West Basin to assemble a list of public sites including schools and parks that would convert to recycled water later this year.

System Operations

Water Demands

Water Sales Cash Year (May-April)

2,177,496 AF	Current Projection
2,161,756 AF	Budget Projection
15,740 AF	Difference

As of Feb. 19, sales for Calendar Year 2008 are 2.0 MAF.

Distribution and Storage (As of 2/29/08)

Current Storage

Lake Mathews	163,000 AF
Lake Skinner	69,400 AF
DVL	601,600 AF
Lake Perris	73,300 AF

Water Tasting Award

Metropolitan tied for first place in the 18th annual Berkeley Springs International Water Tasting Award for the best tasting municipal drinking water. Metropolitan was also awarded first place in 1998 and has placed in the top five, four other years since. The water judged was from the Joseph Jensen Treatment Plant. The Berkeley Springs competition uses ten judges, who look, sniff and taste water under guidelines like those in a wine tasting. The waters were rated for each attribute including appearance, aroma, taste, mouth feel, and aftertaste. This year's competition included 21 municipal entries from 10 states and the District of Columbia, as well as eight Canadian cities and Putaruru, New Zealand.

Sales/Deliveries

February Sales Estimate	91,000 AF
February Delivery Estimate	99,000 AF *

* excludes Desert Water / Coachella Valley

System Operations

During the month of February projected deliveries of 99,000 acre-feet are lower than normal, due to an ongoing interruption of groundwater replenishment deliveries and agency requested reduced flow periods to allow for maintenance work on portions of their system.

Pumping on the Colorado River Aqueduct was reduced from a six pump flow to a four pump flow to allow staff to implement quagga mussel control measures along the Colorado River Aqueduct, prior to the full CRA shutdown scheduled for March 10 through March 19, 2008. Although the State Water Project allocation increased from 25 percent to 35 percent on February 1, 2008, SWP blends remained at 30 percent for the Weymouth and Diemer treatment plants, due to below normal SWP supply. SWP blends in the San Diego Canal to Lake Skinner also remained at low levels during the month.

In response to the low current SWP allocation and lack of other supplemental SWP supplies, such as carryover storage from 2007 and Article 21 surplus, returns from SWP related storage and exchange program partners are continuing in early 2008. The programs being implemented for 2008 include Semitropic, Mojave, Kern Delta, San Bernardino and Arvin-Edison and the projected deliveries from these programs could exceed 200,000 acre-feet in CY 2008 depending on the final SWP allocation and the amount of supply requested from Semitropic's other banking partners.

Imported supplies are also being supplemented with return from the Calleguas and Foothill groundwater conjunctive use storage programs. An earlier call for 4,333 acre-feet from the Long Beach conjunctive use program was successfully completed in calendar year 2007.

System Operations

Treatment Plant

The Jensen plant was also shutdown on February 23 for one day to accommodate California Department of Water Resource's testing of a gate for Department of Safety of Dam's requirements at Castaic Lake.

At the Skinner plant, staff met with San Diego County Water Authority staff to ensure the 100 mgd Twin Oaks plant would operate in close coordination with other facilities in the region when the plant comes on-line in April.

Conveyance and Operations

General Electric contractor started the repairs of the 6.9 KV circuit breakers at Diamond Valley Lake. The repairs are needed to make sure the cubicle and breakers are aligned and compatible based on the original specifications. Construction continues on the sodium hypochlorite feed station at Copper Basin. Construction is currently scheduled to be completed by June 2008.



Copper Basin Sodium Hypochlorite Tank Storage Slab Being Placed

System Maintenance

Los Angeles Department of Water and Power supported Water System Operations by repairing the transformers at the San Dimas hydroelectric plant. Annual service was completed at the Temescal and Corona hydro electric plants.

There are a total of 19 shutdowns scheduled to perform maintenance and rehabilitation during the 2007-2008 Shutdown Season and to date 14 have been successfully completed. In February, the seven-day shutdown of the Rialto Pipeline, which began on February 4, 2008, allowed Inland Empire Utilities Agency's contractor to install shut-off valves for two service connections and Metropolitan's contractor to install two sectionalizing valves and one roll-out bulkhead/spool piece. The outage was extended an additional 12 hours due to misalignment issues of the rollout bulkhead/spool piece. There was a five-day unscheduled shutdown of the San Diego Canal. The shutdown was in response to Fish and Game requirements that no standing water that has been exposed to quagga mussels be discharged into another water system. The shutdown allowed personnel to inspect distressed panels north of Diamond Valley Lake and to also chlorinate the Lake Skinner East Bypass Pipeline, for quagga mussel control, prior to the three-day Lake Skinner Outlet Tower shutdown, which began on February 19, 2008. A three-day San Diego Pipeline No. 5 shutdown began on February 17, 2008. This shutdown allowed San Diego County Water Authority to perform work on their portion of the pipeline.



Rialto Pipeline Rollout

System Operations

Power Operations and Planning

On February 5, Metropolitan provided the requested documentation to the Western Electricity Coordinating Council proving compliance with relevant electrical reliability standards. These standards are part of a new mandatory national program to assure the reliability of the North American electrical system and Metropolitan is subject to over 70 standards, with more in development.

On February 11, Metropolitan filed general comments with the Federal Energy Regulatory Commission on a potential pump/generation facility that would be located in the Kaiser mines north of the Eagle Mountain Pumping Plant. While the current design of the new generation facility no longer proposes to interconnect to the CRA electrical transmission system, Metropolitan still has several concerns with this facility.

Metropolitan hosted a Parker-Davis Project planning meeting on February 13 at Gene Camp. Attendees included representatives of the Bureau of Reclamation, Western Area Power Administration and Parker-Davis Project power contractors. Some of the issues discussed were the impact of the quagga mussels and the failure of an acceptance test related to the refurbishment of Parker Unit 1.

Metropolitan provided comments on February 14 to a Draft Programmatic Environmental Impact Statement for federal energy corridors in eleven western states. These corridors would expedite the locating of new transmission lines and energy pipelines across federal land. Several of the corridors would cross or be adjacent to Colorado River Aqueduct facilities. Metropolitan raised several concerns including potential adverse impacts to the CRA electrical transmission system.

Quagga Mussels

In February, the Board approved a request to appropriate \$1.77 million and authorize final design, procurement and construction of new chlorine injection point at Lake Skinner Outlet Conduit; authorize procurement of two liquid chlorine trailers; authorize an increase of \$450,000 in the operating equipment budget for procurement of two mobile chlorination units.

Taste-and-Odor

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

Chromium 6

The California Department of Toxic Substance Control conducted a series of summit meetings with regulators, stakeholders, and Indian Tribes to seek ways to keep the Pacific Gas and Electric's Topock Remediation Project on schedule.

System Maintenance—Rialto Pipeline Rollout



Capital Investment Plan

CIP Summary

Ongoing Contracts—18 construction contracts and 4 related procurement contracts were ongoing through January. The total bid amount of these contracts is \$858 million.

January Construction Payments—Over \$19 million in contract payments were made for construction performed in the month of January. Over \$5 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. Less than \$1 million were related to work at the Diemer plant, site preparation for Oxidation Retrofit which is at 99 percent complete. And over \$1 million were expended on the north reach of the Perris Valley Pipeline. Contract payments during the month were down overall, due to January having a reduced number of workdays due to inclement weather.

Total projected capital expenditures for the 2007/08 fiscal year were originally estimated at \$498 million; however staff revised this forecast to \$422 million for the fiscal year. The primary reason for the revision is delays with the Oxidation Retrofit at the Weymouth plant. An inadequate number of construction bids were received and, as a result, the two bids were rejected. Staff is currently reviewing the timing associated with the re-advertising of this construction package in order to complete critical rehabilitation projects at the Weymouth Plant, and to ensure Metropolitan receives an adequate number of responsive bids.

Major Contracts—Through mid February 2008, the Inland Feeder, Arrowhead East Tunnel mining effort has advanced a total of 21,875 feet, which is 97 percent of the tunnel length. At the Arrowhead West Tunnel, the mining effort has advanced a total of 16,520 feet, which is 83 percent of the tunnel length.

Other Contracts – Skinner Treatment Plant Oxidation Retrofit and Washwater Reclamation Plant No. 3 is approximately 75 percent complete. At the Diemer plant, the construction of the ORP

CIP Summary continued.....

site preparation work remains at approximately 97 percent complete; construction of the Vehicle Maintenance Center and Solids Handling Facility is approximately 99 percent complete; construction of Phase I of the Chemical Tank Farm Improvements for the ORP is approximately 99 percent complete; and final design of the Diemer ozone facilities is 99 percent complete. At the Jensen treatment plant, a project for chlorine containment, unloading and handling is approximately 67 percent complete. Three contracts for the removal and replacement of new Metropolitan-furnished vacuum and air release valves throughout portions of the Distribution System are approximately 94 percent complete. The Perris Valley Pipeline, North Reach is 24 percent complete. Two additional Ozone Contractors at the Mills Treatment Plant Facility is 20 percent complete.

Profile on Recent CIP Event

International Right of Way Association Award
Metropolitan was recently selected as the 2007 Employer of the Year by IRWA Chapter One. The International Right of Way Association Employer of the Year Award recognizes associate companies which actively support their employees as IRWA members. Each company demonstrates strong employee support and commitment at chapter, regional and international levels of the Association in terms of participation, financing, time allowance, facilities, service, etc.

The Committee recognized Metropolitan for its encouragement of professional development in the right-of-way industry.

Capital Investment Plan

Water Supply—Perris Valley Pipeline

This 96-inch diameter pipeline will be approximately six and a half miles long, extending east and south from the Mills plant to provide service to Eastern Municipal Water District and Western Municipal Water District of Riverside County. A portion of the pipeline at the Mills plant was constructed via a contract issued by Western MWD. Metropolitan will construct the remaining portions of the project under the revised project plan approved by the Board in October 2006.

North Reach – Pipe installation adjacent to the I-215 freeway has been completed. The contractor is now installing pipe in Alessandro Boulevard adjacent to the Mills plant. The contractor's progress has been slowed recently by less favorable ground

conditions. In response to the slowed progress, the contractor implemented the following activities: (1) extended working hours; (2) working on Saturdays; and (3) using a second pipe installation crew. Staff is continuing to monitor the Contractor's progress. Construction is approximately 30 percent complete and scheduled to be completed by June 2008.

South Reach – Final design of the South Reach has been completed and the specification package was advertised for bids on February 12. A construction contract is scheduled to be awarded in spring 2008, and service to EMWD is scheduled to begin by late summer 2009.

Business Outreach

Several times a year, Metropolitan conducts **Connect 2 MET**, a business-to-business outreach event which educates local businesses on how to do business with public agencies and provides access to purchasing department staff from a variety of public agencies, large private companies, and resource partners within the region. The hosts for this month's event were Directors Willard H. Murray, Jr. and Edward C. Little who represent West Basin Municipal Water District. Over 225 business owners attended.

Business Processes/ Operations

Emergency Management

On February 1, the Mills treatment plant activated their Incident Command Center to facilitate planning, communications, and resources while eliminating a leak on a connection to a chlorine trailer.

Staff continues planning the Golden Guardian 2008 exercise planned November 13, 2008. This exercise is a state-wide effort based on a 7.8 earthquake on the Southern San Andreas Fault.

Security

Security developed content and supplied photographs as part of collaboration with External Affairs to establish Metropolitan's first enterprise-wide security awareness campaign.



Business Processes/Operations

Deployed Energy Management System Phase II Database

Phase II of the Energy Management System assists Metropolitan staff with scheduling, contracting, execution, tracking and auditing of energy purchases related to the CRA. The EMS Phase II system has been installed, configured and tested. During the period, user acceptance testing was successfully completed and the database was moved into production. The expected benefits of this project expected are:

- Stewardship and governance of a \$30 million a year business process for power scheduling, purchasing and accounting.
- Centralization of Power Generation Scheduling and Automated Power billing data will eliminate errors associated with the current process.
- Communication and integration of systems will be improved through the use of centralized systems for Power Management, requiring staff to perform their activities against the same repository of data.
- Settlement accuracy will no longer be subject to data repositories that are duplicated as they are transported through the organization as spreadsheets or manual data sheets. This will improve settlement accuracy and eliminate redundant booking.
- Utilization of automated systems will allow for security improvements as security becomes subject to user defined information technology security standards.
- Automated Power Management systems will provide opportunity for formalized auditing.

In addition to the above stewardship and risk management benefits, the project also allows for approximately \$30,000 a year in labor savings as compared to the original manual and spreadsheet processes.

Replace Metropolitan's 16-year-old Telephone System

The existing system serving all Metropolitan's sites is 16 years old and has reached the end of its useful life. Many components are difficult to obtain because equipment is outdated and no longer manufactured or supported by the vendor. In 2000, the Board authorized installation of factory refurbished equipment in lieu of new equipment, saving \$1.1 million in initial costs and deferring expenditures to replace the system. At that time, staff estimated that the telephone system would have a continued life of approximately five years. In 2006, the Gardner Group emphasized the urgency of replacing the current phone system given its age and associated risk of failure. The phone system is becoming increasingly unreliable, with 24 instances of component failure in the last year. In addition, the existing system lacks the flexibility to meet Metropolitan's evolving voice communication requirements.

Four replacement options to deliver a new system were analyzed. The Board approved the Metropolitan managed Voice Over Internet Protocol-based system and appropriated \$10.2 million.

Conducted IT Disaster Recovery Workshop

In February, Information Technology continued to conduct disaster recovery workshop training with staff to ensure preparedness as part of an ongoing effort to refine Metropolitan's ability to recover critical IT systems in the event of a disaster. In addition, IT continued joint planning with business continuity staff in preparation for an upcoming IT Disaster Recovery exercise scheduled for March.



Real Estate Management

Diamond Valley Lake Recreation Program

Appropriation Budget	
Approved distributed funds	\$68.9 M
Undistributed funds	\$23.9 M
Total Appropriation	\$92.8 M
Surplus Property Sales *	\$ 4.7 M
<i>Actual expenditure as of 1/31/08</i>	\$62.6 M

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

Diamond Valley Lake Recreation Program

Metropolitan's Board of Directors approved the expenditure from an existing appropriation for the Diamond Valley Lake Security and Wildlife Corridor Protection Fencing Project. This construction contract was awarded to Lightning Fencing Company.

Leases, Licenses and Entry Permits

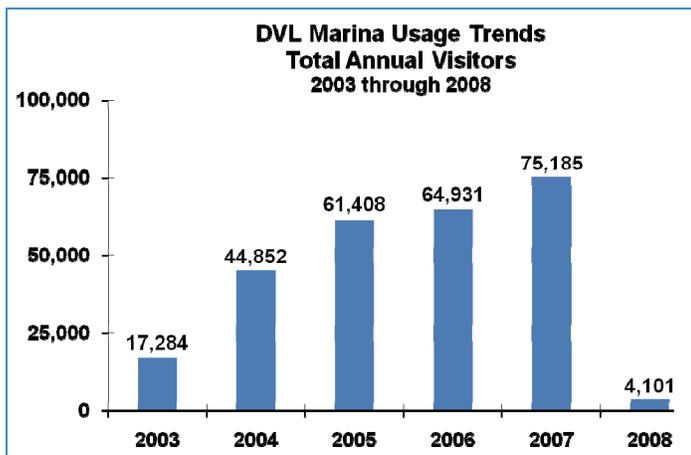
A year-to-year lease was issued to Agri-Empire for agricultural purposes on a 63-acre parcel located north of Diamond Valley Lake near the City of Hemet. The leased parcel does not have operating facilities and was acquired during the relocation of Newport Road and Domenigoni Parkway.

An entry permit was granted to SAF-r-DIG, Utility Surveys, Inc. to pothole along a portion of the Box Springs Feeder right-of-way between Sycamore Canyon Road and Eastridge Avenue in the City of Riverside. The pothole survey is needed during preparation for a proposed lease to provide non-code parking and landscaping adjacent to a neighboring business park development.

Real Estate Activities

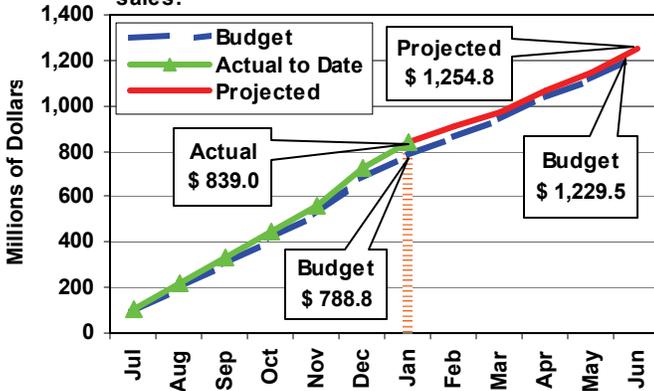
The orange grove removal work is 100 percent complete at Metropolitan's Eagle Valley property northwest of Lake Mathews and located within the City of Corona. Staff will continue weed abatement activities and ongoing security measures in continuing efforts to prevent illegal dumping and trespass. The Eagle Valley property is approximately 1,100 acres in size and was acquired in December 1995.

A permanent easement was conveyed to the City of Riverside for public utilities that will cross a portion of the Box Springs Feeder right-of-way.



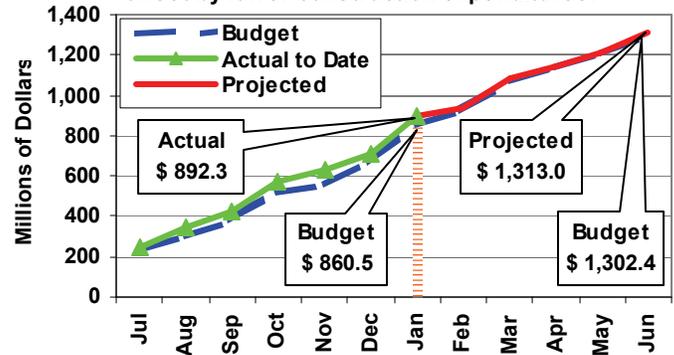
Finance as of January 31, 2008

Receipts are expected to be \$25 million over budget by year end, mainly due to higher water sales.



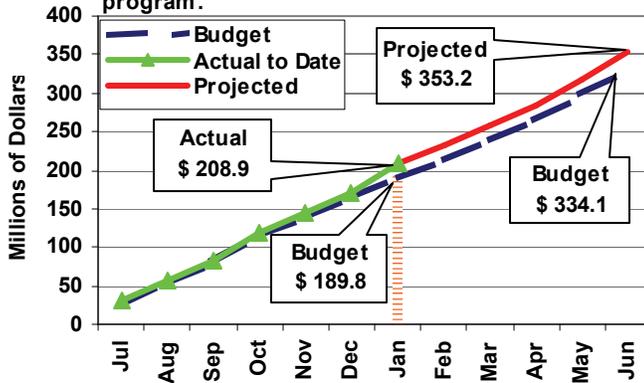
Excludes Bond Construction and Other Trust Funds Activity

Expenditures are trending at \$11 million over budget by year end, mainly due to higher Water Supply Program, O&M and SWP costs, partially offset by lower construction expenditures.

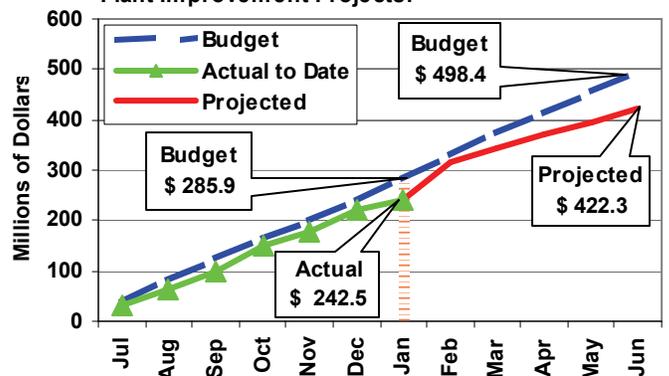


Excludes Bond Construction and Other Trust Funds Activity

O&M expenditures are forecast to be \$19 million over budget by year end, due to the Cargill settlement and the quagga mussel containment program.

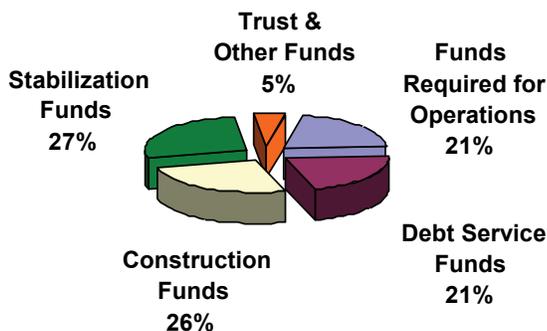


Construction costs are expected to be \$76 million below budget at year end primarily due to delays on the Oxidation Retrofit Program and Treatment Plant Improvement Projects.



Cash and Investments

\$ 1,206.6 million



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.67 x
Revenue Debt Service Coverage	> 2.00 x	2.12 x
Revenue Bond Debt / Equity Ratio	< 100.0%	72.3%

Credit Ratings

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

External Affairs

Federal Legislative Update

Feb. 12: Staff conducted a series of House and Senate meetings in coordination with representatives of Grand County, Utah to support and encourage congressional attention on the Energy Department's plan to remove uranium materials from the abandoned mine site in Moab, Utah. Staff attended a House Energy and Commerce Committee Budget oversight hearing regarding the status of the Moab uranium removal project.

Feb. 13–14: Staff worked with representatives of Arizona and Nevada water agencies regarding legislation to authorize the Lower Colorado River Multiple Species Habitat Conservation Plan, which is pending before House and Senate committees of jurisdiction. Metropolitan participated in a series of meetings with House and Senate members and officials in a continuing effort to move this legislation forward.

Feb. 26-28: Directors and staff participated in the Association of California Water Agencies' Washington, D.C. Conference. Presentations were made by Ben Grumbles, EPA assistant administrator for water; John Paul Woodley, assistant secretary of the Army for civil works; John Watts, environmental counsel for U.S. Senator Dianne Feinstein; U.S. Rep. Grace Napolitano, chairwoman of the House Water and Power Subcommittee; U.S. Rep. Hilda Solis, a member of the House Environment and Hazardous Materials Subcommittee; and U.S. Rep. Ken Calvert, a member of the House Energy and Water Appropriations Subcommittee. U.S. Rep. Earl Blumenauer (D-OR) gave a strategic preview about proposed Clean Water Trust Fund legislation and his vision for greener water initiatives.

Throughout the month, staff worked with member agencies and a variety of national water associations regarding Metropolitan's interest in legislation that would significantly change federal regulatory oversight of the use and storage of gaseous chlorine as a drinking water treatment disinfectant. Hearings have been scheduled on

the House side and staff worked with the House Committee on Homeland Security to provide background information regarding Metropolitan's treatment and security protocols.

State Legislative Update

The governor's proposed 2008/09 budget lays out his intent to utilize existing bond funds, mostly from Propositions 1E and 84, for funding programs and projects. The governor proposed an expenditure of \$350 million from Proposition 84 for regional water projects, including funding to advance water supply and quality improvements and conservation. In addition, the governor has proposed spending \$1.4 million to kick start environmental studies for conveyance options consistent with the Delta vision process.

After the governor's declaration of a fiscal emergency on January 10, the legislature approved seven bills that provide some degree of budget savings – mostly through payment deferrals, cuts in education and social service programs and delays in filling vacant state positions. The governor and legislative analyst each have their own vision for closing the state budget deficit for the 2008/09 spending cycle, which could result in the legislature making substantive structural reform on spending and priorities.

Local Government Update

Feb. 6: General Manager Jeff Kightlinger spoke before the governing board of the Gateway Cities Council of Governments. The General Manager provided an update on the state's water supply condition and emphasized the need for a reliable and sustainable Bay-Delta. He also provided information about Metropolitan's conservation "Public Sector Program."

External Affairs

Local Government Update continued...

Feb. 8-9: Staff attended the Independent Cities Association annual Winter Conference. Staff networked with representatives from the 51 cities that comprise the ICA and brought various local elected officials up to speed on water issues.

Feb.13: External Affairs and Corporate Resources Group staff participated in the Associated General Contractors' Outlook 2008 and Beyond Construction Forecast with McGraw-Hill Construction. Staff participated in a panel discussion on regional forecast of the heavy construction industry's economic environment, market trends and future public work projects which Metropolitan may release for bid in 2009 and beyond. Staff highlighted upcoming construction projects at Robert B. Diemer, F.E. Weymouth and Joseph Jensen Water Treatment Plants. Builders and general contractors were encouraged to register for Metropolitan's Regional Small Business Program.

Feb. 22: Staff briefed two of Congressman Jim Costa's staffers on Metropolitan's water issues and accompanied them during a tour of Orange County Water District's recycling facility in Fountain Valley.

Feb 22: Metropolitan hosted a Valley Industry and Commerce Association roundtable discussion for 60 participants from eight business and water associations to discuss increasing challenges of providing a reliable water supply, the immediate and long-term economic impacts, and what business leaders could do to be part of the solution. Expert panelists included Sunne Wright McPeak, Jeff Kightlinger, Ellen Hanak, Richard Katz and Dennis O'Connor.

Community Outreach and Other Events

Feb. 1 & 20: Staff coordinated and participated in meetings with City of Yorba Linda engineering staff regarding the Diemer landscape program.

Feb. 4: Staff conducted a tour of Diamond Valley Lake for San Diego Museum of Natural History docents.

Feb. 5: Staff provided an update on the Perris Valley Pipeline to the Mission Grove Plaza business owners.

Feb. 5: Staff coordinated and participated in meetings with the City of Monterey Park Public Works Director regarding a broken water drain at Garvey Reservoir.

Feb. 4-7: Staff met with 175 residents affected by the Rialto Feeder shutdown in Claremont and Upland.

Feb. 21: Staff, working with Eastern MWD, provided an update on water supply issues for the Riverside County Office of Emergency Services Committee.

Feb. 22: Staff coordinated and participated in Vallecitos Water District's visit to Lake Skinner and DVL.

Additionally, staff participated in community events or professional association activities with the following organizations: California Science Center Foundation, Cal State University Dominguez Hills, Central Basin Municipal Water District, Fullerton Chamber of Commerce, League of California Cities, Inland Empire Division, Long Beach Area Chamber of Commerce, Montebello Chamber of Commerce, Orange County Business Council, Southern California Association of Governments, and Yorba Linda Chamber of Commerce.

Publications

Staff produced, in collaboration with Water Resources Management, the Annual Report on Achievements in Conservation, Recycling and Groundwater Recharge.

Staff responded to ongoing requests from member and retail agencies for conservation brochures and other materials to assist with education and outreach activities within Metropolitan's service area.

External Affairs

Education

Staff conducted 10 field trips at the new Diamond Valley Lake Classroom and Visitor's Center, attended by 321 grade 4-6 students from Hemet, Menifee, Murrieta, and Temecula Valley school districts.

Feb. 2-4: Staff conducted the annual Colorado River Aqueduct inspection trip for educators, attended by 26 teachers and administrators active in Metropolitan curricula and/or outreach programs.

Feb. 8, 11: Staff conducted two full-day programs for 68 high school students from the Hemet Academy for Applied Academics and Technology. Students conducted hands-on *Water Quality* experiments. Students toured the DVL Visitor's Center, with a focus on the interactive solar power exhibit.

Feb. 12: Staff attended a Camarillo Chamber of Commerce luncheon featuring a presentation by Richard Rush, president of California State University, Channel Islands. Dr. Rush also met with staff to discuss potential partnerships with environmental studies and education departments in support of Solar Cup™ and the World Water Forum, as well as workshop sessions with student teachers.

Media

Press office staff managed numerous news media inquiries in February, with significant coverage regarding Metropolitan's proposed supply allocation plan, the State Water Project's 35 percent allocation release, and the need for water conservation. Staff also managed press inquiries regarding the shutdown of the Rialto Feeder.

Staff provided a briefing for Eryn Brown, Los Angeles Times editorial writer, and reviewed current water supply and delivery issues.

The Press Office issued a press release regarding the board's adoption of the supply allocation plan. Earlier, the Press Office issued a statement in response to the 35 percent allocation from the State Water Project.

Workforce

Apprenticeship Program

Class of 2009

The mechanical apprentices began Period 6 Machining instruction conducted at Mt. San Antonio College. The electrical apprentices began Period 6 related instruction on Programmable Logic Controllers.

Class of 2012

The class began their first period of related instruction on January 29, 2008.

Apprenticeship Programs Promotion

Staff met with economic development and community education personnel from Chaffey College to provide information on the Apprenticeship Programs.

Apprentice Class of 2012



Risk Management

Completed 51 risk assessments to ensure language, terms, and insurance provisions adequately protect Metropolitan's interests for professional service, construction and procurement contracts, easements, leases, permits and event requests within the seven day turn-around time efficiency objective.

Workforce

Training

This was a busy month for presenters. Mike Kolodisner (CRG) and Irwin Jankovic (HR) were invited speakers on *What's Missing in Public Sector Innovation?* at the 2008 Annual Meeting of the California Association of Public Procurement Officers in Newport Beach. The topic packed the room and feedback was very positive. Manuelle Charbonneau (HR) was an invited co-presenter with Gene Ondrusek, Ph.D., at the Consulting Division of the American Psychological Association mid-winter conference in Austin, TX. Metropolitan's attendance was also well received.

Recruitment

Fourteen new employees joined Metropolitan during February. Twenty nine employees attended a celebration breakfast upon completion of their six-month probation period.



Worker's Compensation

Conducted initial investigations for 15 injury-related incidents; resulting in 11 new workers' compensation claims being filed with the claim administrator. Commenced legal investigation on four litigated claims (filed by the same employee), including referral to outside defense counsel. Monitored medical status on six disability claims and 10 modified duty claims; coordinating return-to-work in four cases. Obtained settlement authority for five claims and finalized settlements in two claims.

Employee Relations

One-year extension of the Memorandum of Understanding for all of Metropolitan bargaining units was successfully negotiated with all four units (waiting for final ratification from the Supervisors Association and AFSCME membership).

Staff successfully completed the O&M Tech classification study at the end of January.

Notifications were sent to all bargaining units on implementing *Common Fridays*. Metropolitan will be moving forward with *Common Fridays*, effective March 24, 2008.

Environmental Health & Safety

Metropolitan has been requested to participate in Cal/OSHA's Tunnel Safety Advisory Committee to review new tunnel safety orders. The Committee consists of private and public organization representatives who will take public comments and review the new tunnel safety regulations.

Staff is in the process of revising and updating programs in the Health, Safety and Environmental manual. Top priority is being given to the Injury and Illness Prevention Program, Respiratory Program, Electrical Safety, and the Business Emergency Plan.

Metropolitan's Mission is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.