

- **Capital Investment Plan – Quarterly Report for the period ending December 2007**

Summary

This report provides a summary of accomplishments, expenditures to date, variance explanations, and schedule status for all Capital Investment Plan (CIP) programs. This report also identifies any service connections approved for construction as well as relocation/protection agreements executed under the General Manager's authority. During the first half of the 2007/08 fiscal year, 15 Board actions appropriated a total of \$81 million and awarded 4 construction contracts. Additionally, 3 agreements for consulting services were authorized. Through December 2007, 68 programs encompassing over 400 projects were underway at a budgeted fiscal year expenditure of \$498.4 million. Actual fiscal year expenditures through December 2007 for these programs totaled \$196.6 million.

During the first two quarters, over \$127 million in construction contract payments were made, reflecting continuing progress on Oxidation Retrofit Program (ORP) and chlorine containment facilities contracts, the Perris Valley Pipeline North Reach, and the Inland Feeder Arrowhead Tunnels, where 6,938 feet of tunnel were mined from July through December, for an overall mined length of 37,258 feet. Nine construction contracts were completed during the same period.

At the end of the second quarter, eighteen construction contracts were underway with a total value of approximately \$812.5 million. Two contracts that were not completed within their original contract duration have time extensions pending and are approximately 99 percent complete. The Diemer Chemical System Upgrades and Weymouth Plant Perimeter Improvements Phase I contracts each have minor punch-list items to be completed.

Two service connections, EM-01A and EM-23, were authorized for construction during this period. EM-01A, which is on the Colorado River Aqueduct east of Lake Perris, will reactivate the connection. The estimated cost is \$399,035. EM-23 is a new connection on the Perris Valley Pipeline with an estimated cost of \$1,428,027. No relocations were authorized under the General Manager's authority.

More detailed information regarding accomplishments and budget variances is included in the following pages. Performance targets for construction inspection and design costs as a percentage of construction costs were met on all projects on which construction or design, respectively, were completed during the first half of the fiscal year. Cumulative actuals in each reporting category along with the total capital budget are shown in Figure 1.

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Highlights of progress and major milestones on selected programs are presented below, grouped by reporting category. The programs are categorized as follows:

Supply and Delivery Reliability – Programs to provide new water supplies and/or major delivery facilities, including service connections.

Infrastructure Reliability – Programs to upgrade, refurbish, replace, or repair existing facilities and equipment, including pipeline relocations and protection.

Information Technology – Programs to upgrade, replace, or provide new software applications and technology.

Water Quality – Programs to ensure Metropolitan meets all applicable water quality regulations and codes.

Stewardship – Programs to ensure the protection, safety, and security of Metropolitan's employees, visitors, and all real and intellectual properties and assets; and to provide for prudent and cost effective use and management of Metropolitan's assets in compliance with all applicable regulations and codes.

<p>Supply and Delivery Reliability</p>	<p align="center">Through 2nd Quarter Budget: \$68.7M Expended: \$64.2M</p>
<ul style="list-style-type: none"> • Construction continued on the Inland Feeder Arrowhead Tunnels. A total of 6,938 feet were mined on the Arrowhead East and Arrowhead West Tunnels. The Arrowhead East Tunnel is approximately 96 percent complete and the Arrowhead West Tunnel is approximately 78 percent complete. • Construction of the Perris Valley Pipeline North Reach commenced in October 2007. Approximately 3,000 feet of pipe has been installed. Construction is 25 percent complete. <p>The fiscal year variance between budgeted and expended dollars is primarily due to contract invoices that were not submitted as projected on three separate projects. However, work on those projects remains on schedule and within budget.</p>	 <p align="center">Rialto Pipeline Improvements Sectionalizing Valve Vault Structure in Upland</p>
<p>Infrastructure Reliability</p>	<p align="center">Through 2nd Quarter Budget: \$61.8M Expended: \$50.1M</p>
<ul style="list-style-type: none"> • Design continued on numerous rehabilitation projects throughout the distribution system, including the St. Johns Canyon Channel Erosion Repair, Lake Skinner Bypass Screening Structures Rehabilitation, Box Springs Feeder Repair, Olinda Pressure Control Facility Paving, Garvey Reservoir Automated Data Collection, Palos Verdes Reservoir Energy Dissipation Structure Modification, San Fernando Tunnel Gate Replacement, and Greg Avenue Pressure Control Facility Valve Replacement. • Metropolitan forces completed the fabrication of 36 new flocculators for Basin No. 1 at the Weymouth plant. These new flocculators will be installed in March 2008. Construction of the new Weymouth Plant Maintenance building also commenced. <p>The fiscal year variance between budgeted and expended dollars is primarily due rescheduled shutdowns that delayed planned work on the distribution system.</p>	 <p align="center">San Diego Pipeline No. 5</p> <ul style="list-style-type: none"> • Two sections of prestressed concrete cylinder pipe were replaced with a 24-foot section of steel pipe on San Diego Pipeline No. 5.

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<p>Information Technology</p>	<p style="text-align: center;">Through 2nd Quarter Budget: \$8.5M Expended: \$3.4M</p>
<ul style="list-style-type: none"> • The initial pilot deployment of the SMART-Ops model, which simulates water pressure and flows on the Rialto Feeder system, was completed. Modeling of the eastern portion of the distribution system will be completed by September 2008. • The upgrade to PeopleSoft v8.9 was completed. The upgrade coincides with HR’s introduction of “My HR” providing a single point of entry for all employee self-service transactions. <p>The fiscal year variance between budgeted and expended dollars is primarily due to a two-month delay on the Automated Meter Reading project due to communication frequency interferences and outdated property leases that have now been rectified, late invoicing by consultants performing work, or holds on payments pending completion of milestone deliverables on the Control System Enhancement and IT Business, Finance, and HR programs.</p>	<div style="text-align: center;">  <p>Programmable Logic Controller (PLC)</p> </div> <ul style="list-style-type: none"> • Three PLC’s tied to the SCADA system were replaced with new units at the Jensen plant. The PLC’s control and monitor a variety of important treatment processes such as filtration, chemical feed, and washwater reclamation.
<p>Water Quality</p>	<p style="text-align: center;">Through 2nd Quarter Budget: \$74.9 Expended: \$64.8</p>
<ul style="list-style-type: none"> • Construction of the Diemer south slope stabilization contract is 90 percent complete. Advertisement for bids for the ozone facilities is scheduled for March 2008. • Construction of the Weymouth ORP has been rescheduled, and the work is being repackaged in order to perform higher priority rehabilitation and upgrade projects. • Construction continued on three contracts to relocate 74 below-ground air release and vacuum valves to above-ground locations, and is approximately 80 percent complete. Final design of the remaining 226 sites is underway and is scheduled to be complete by December 2010. <p>The fiscal year variance between budgeted and expended dollars is primarily due to rescheduling of the Weymouth ORP construction.</p>	<div style="text-align: center;">  <p>Diemer Water Treatment Plant ORP Site Preparation</p> </div> <ul style="list-style-type: none"> • Construction continued on the Skinner ORP, which is approximately 70 percent complete.

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<p>Stewardship:</p>	<p align="center">Through 2nd Quarter Budget: \$28.1 Expended: \$14.1</p>
<ul style="list-style-type: none"> • Construction of the chlorine containment facilities at the Jensen plant is approximately 50 percent complete. The project is on schedule to be completed in September 2008. • Construction of the chlorine containment facilities at the Mills plant is approximately 72 percent complete. The project is on schedule to be completed in June 2008. • At the Skinner plant, start-up testing of the chlorine containment facilities has been completed and the system will commence service in early 2008. <p>The fiscal year variance between budgeted and expended dollars is primarily due to reassessment of the Diamond Valley Recreation Program, and contractor invoices for the chlorine containment facilities at Skinner, Diemer, and Mills that were not submitted as projected. However, the containment projects remain on schedule and within budget.</p>	<div style="text-align: center;">  <p>Chlorine containment tanks within newly constructed Mills plant facility</p> </div> <ul style="list-style-type: none"> • Progress is ahead of schedule for the CRA Real Property Recordation project. Approximately 176 task orders for boundary surveys, control surveys and title reports have been completed through December 2007.

<p align="center">Corporate Resources Capital Project Performance Measures FY2007/08 Through 2nd Quarter</p>	
<p>Achieved target for cost of construction inspection as a percentage of construction cost, for projects:</p> <ul style="list-style-type: none"> • greater than \$3 million; target 9% - 12% • less than \$3 million; target 9% - 15% 	<p align="center">Met Target Met Target</p>
<p>Achieved target for cost of final design as a percentage of construction cost, for projects:</p> <ul style="list-style-type: none"> • greater than \$3 million; target 9% - 12% • less than \$3 million; target 9% - 15% 	<p align="center">Met Target Met Target</p>

Figure 1
Cumulative Actual Capital Project Expenditures vs. Budget
FY2007/08

