

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

Summary

The attached report details the activities of the Office of the General Manager for the month of July 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 business in terms of:

- Water Management
- System Operations
- Capital Investment Plan
- Sustainability
- Real Estate Management
- Business Outreach
- Business Processes / Operations
- Finance
- External Affairs
- Workforce

Attachments

General Manager's Monthly Activity Report

Water Management	1-3	Real Estate Management	8, 9	External Affairs	12-14
System Operations	4, 5	Business Outreach	9	Workforce	15, 16
Capital Investment Plan	6	Business Process/Operations	10		
Sustainability	7	Finance	11		



Water Conservation

The Summer 2008 “Caution! Water Waster” advertising campaign began on July 14 with 10-second television commercials, 60-second radio spots and print and online advertising. The ads feature Metropolitan’s strongest conservation message to date, reinforcing Governor Schwarzenegger’s statewide drought declaration in early June and Metropolitan’s board action on June 10 calling for a Water Supply Alert Declaration. The ads are being seen and heard on five television stations and 28 radio stations throughout Southern California through August 29. Print ads ran on July 14, 18 and 25 in 22 newspapers and five languages.

To promote Metropolitan’s rebate program on irrigation devices to contractors, “Earn Rebates” counter cards, take-one brochures, bill inserts and Web banner ads were provided to 60 irrigation supply stores across the region. The stores received the materials in early July.

The bewaterwise.com Web site was updated with information about SoCal Water\$mart, the new regional residential rebate program launched on July 1 by Water Resources Management staff. Brochures on smart sprinkler controllers, high-efficiency clothes washers and toilets were updated to include information about the rebate program, and were also provided to member agencies.



Water Management

Colorado River

Delivery of Mexican Treaty Water to the region of Tijuana

Metropolitan has received a request to extend the Agreement for Delivery of Mexican Treaty Water to the Tijuana region. Under this agreement, Metropolitan diverts Mexico’s water at Lake Havasu to prevent public health and economic problems that could impact both California and Baja California and to reinforce relations regarding the international border region that could

affect Metropolitan’s interests. Additionally, Metropolitan can divert additional quantities of Mexican Treaty water and store it in Metropolitan’s system for future emergency deliveries.

PVID Alfalfa Water-Stressing Pilot Program During 2008

A 160-acre field study of deficit irrigation of alfalfa during the summer months is currently being conducted on Metropolitan’s property in the Palo Verde Valley in cooperation with the University of California Cooperative Extension and Metropolitan’s tenant. It is expected that up to two acre-feet of irrigation water per acre will be saved. Results would be utilized to implement a valley-wide program that could commence as early as next summer and encompass several thousand acres of alfalfa.



www.mwdh2o.com
www.bewaterwise.com

Water Management

State Water Project

Delta Vision

The Delta Vision Blue Ribbon Task Force continued to work on development of the Delta Vision Strategic Plan. The second staff draft was released July 11 and discussed at the July 17-18 BRTF meeting. Key highlights of the draft include affirmation of ecosystem and water reliability as primary goals, recognition of the need to restore export supply reliability, support for dual conveyance and completion of storage evaluations, support for BDCP, finance plan, and creation of multi-part governance structure. Metropolitan staff is working with a coalition of water and business interests to submit comments on the draft strategic plan. The third draft of the strategic plan is expected to be released in mid-August.

PPIC Report

On July 17, the Public Policy Institute of California released its follow-up report on the Delta, *Comparing Futures for the Sacramento-San Joaquin Delta*. The new report builds on the findings of a 2007 PPIC study by the same team, which concluded that the need for a new Delta strategy is urgent. The report recommendations include strong support for a peripheral canal as the most promising strategy for meeting co-equal long-term state environmental and economic objectives. In comments on the Delta Vision draft strategic plan, staff is urging the Delta Vision BRTF to seriously consider the findings of the PPIC report and build upon its analyses.

Energy

The California Department of Water Resources finalized creation of the "SWP Power and Risk Office" that will report directly to Ralph Torres, Deputy Director for State Water Project. This action will bring more focus and priority to SWP energy which is the largest invoicing category.

Westlands Water District Pump-In Operations

Metropolitan and other State Water Contractors are closely following the 2008 Pump-In arrangement with Westlands Irrigation District that allows Westlands to pump local groundwater into the California Aqueduct for conveyance purposes. The results of this monitoring indicate that approximately 3,400 acre-feet of groundwater will have been pumped into the California Aqueduct by the end of July, resulting in an increase of arsenic levels immediately downstream of the pump-ins of one percent and an increase of three percent of total dissolved solids over background levels.

State Water Project

CY 2009 Statement of Charges

The annual 2009 statement of charges for water supply were received from the Department of Water Resources. The charges are \$708 million, a 17 percent increase from last year. The 2009 charges include charges for Delta Conveyance Planning and design and actions to protect Delta fisheries while increasing Delta pumping, as well as higher energy costs. The results of staff's preliminary analysis of the charges will be presented to the Board in September.

New Water Quality Monitoring Station at Banks Pumping Plant

Progress is being made on the effort to develop a comprehensive water quality monitoring and forecasting program for the State Water Project. A new water quality monitoring building at Banks Pumping Plant has been constructed that houses all the monitoring equipment for Operations and Maintenance and the Municipal Water Quality Investigation water quality monitoring efforts. This new station now reliably transmits real-time data that is accessible through DWR's water quality Web page. A new station will soon be transmitting real time water quality data from USBR's Jones Pumping Plant.

Quick Reference:

- AF:** Acre-feet, the amount of water needed to cover an acre, one foot deep; 325,851 gallons of water.
- BRTF:** Blue Ribbon Task Force
- BDCP:** Bay-Delta Conservation Plan
- DWR:** California Department of Water Resources
- SWP:** State Water Project
- USBR:** United States Bureau of Reclamation

Water Management

Local Resources Program

California Friendly Landscape Training Program

Class attendance increased 13 percent in fiscal year 2007/08 over last year. Nearly 7,000 graduates – 4,600 residents and 2,300 landscape maintenance professionals – attended landscape irrigation efficiency workshops sponsored by Metropolitan, member agencies and retail agencies. Training focused on basic landscape design, irrigation methods and scheduling, soils and fertilizers, and native plants. The residential landscape irrigation classes were translated to Spanish, adding value and customer service to Spanish-speaking residents. As of July 1, 2008, administration of the training program transferred from the Water Resource Management group to the External Affairs group.

Progress Report on Groundwater Workshops

Following on the completion of the Groundwater Assessment Study Report in September 2007, Metropolitan initiated a series of four groundwater workshops with the member agencies and groundwater basin managers on July 21, 2008. The purpose of the workshops is to develop recommendations for policy and program updates for consideration by the Metropolitan Board of Directors and for input to the Update of the Integrated Resources Plan. The first groundwater workshop was attended by about 35 representatives from the member agencies and groundwater basins. Workshop No. 1 focused on developing the agenda and discussion topics for the upcoming workshops. Workshop No. 2 scheduled for August 29, 2008, will focus on the availability and reliability of recharge supplies for the

groundwater basins and on opportunity for use of recycled water for groundwater recharge. Workshop No. 3 scheduled for September 30, 2008, will focus on institutional arrangements needed to enhance groundwater storage and conjunctive use. Finally, Workshop #4 scheduled for October 30, 2008 will focus on streamlining of administrative procedures, groundwater quality issues, prioritization for storage of surplus, and educational items needed to further conjunctive use. The agendas for meetings are subject to adjustment as the process proceeds.

The workshops are facilitated by Chris Moore and Jennifer Graham of CDR Associates. Several volunteers are working with the facilitators and Metropolitan staff as a “process design team” to flush out the agendas and supporting information needed for each workshop.

Water Supply Conditions

SWP Allocation (2008): 729,000 AF 35% of Table A Supplies*

Colorado River Supply Forecast (2008): 864,000 AF 70% of Full Colorado River Aqueduct

*includes Desert Water Agency and Coachella Valley Water District Table A Supplies

Colorado River Basin	As of 7/31/2008	Percent of
	<u>Storage</u>	<u>Capacity</u>
Lake Powell	15.2 MAF	63%
Lake Mead	11.9 MAF	46%
State Water Project	As of 7/31/2008	Percent of
	<u>Storage</u>	<u>Capacity</u>
Lake Oroville	1.3 MAF	37%
San Luis Reservoir	0.4 MAF	21%
San Luis State Share	0.4 MAF	35%

System Operations

Water Demands

Water Sales Cash Year 2008-09 (May—April)

2,081,000 AF	Current Sales Projection
2,151,000 AF	Budget Sales Projection
-70,000 AF	Difference

Sale Projections

As of July 31, Sales Forecast for Calendar Year 2008 is 2,134,000 AF*

*Includes Interim Agricultural Water Programs and Replenishment Cuts

Sales/Deliveries

July Sales Estimate	225,000 AF
July Delivery Estimate	218,000 AF **

** excludes Desert Water / Coachella Valley deliveries

Distribution and Storage (As of 7/31/08)

	<u>Current Storage</u>	<u>End of Month Forecast</u>
Lake Mathews	159,300 AF	159,300 AF
Lake Skinner	38,300 AF	38,300 AF
Lake Perris	68,200 AF	68,200 AF

Quagga Mussels

On July 24, Metropolitan staff met with public television series host Huell Howser at Clear Lake to film a story on the impacts of quagga mussel infestation in California.

System Maintenance/Shutdowns

Staff met with member agencies to review the proposed 2008/09 Shutdown Schedule. The final schedule will be distributed in September 2008.

Chromium 6

On July 7, PG&E released the final draft of the Resource Conservation and Recovery Act (RCRA) Facility Investigation/Remedial Investigation report for groundwater. The Report is required by the state RCRA and the federal Comprehensive Environmental Response, Compensation, and Liability Act, which regulate the cleanup process. The groundwater report describes the nature and extent of contamination of chromium 6 at the PG&E Topock site. The conclusions of the report will be used in the selection process for the final remedy for groundwater remediation. The Department of Toxic Substance Control has asked that comments on the report focus on two issues: (1) Are the conclusions from the report agreeable?; and (2) Is the report good enough to move forward?

On July 22, staff hosted a meeting of the Topock Remediation Project Clearinghouse Task Group at the Water Quality Laboratory. The task group has implemented an executive summary form that now accompanies all project documents. The form assists the reader by providing a summary of information on how each document fits into the project (including document type, regulatory requirement, consequences of, recommendations, and location in the project schedule). The task group will work towards development of an agenda for the newly formed Topock Leadership Advisory Board and a periodic newsletter.

Treatment Plants

On June 5, the fluoride feed systems were shut down at Weymouth, Diemer, and Jensen following a leak at the Weymouth plant. Construction at these facilities is on-going and the fluoride system will return to service before September 3.

Substantial savings have been realized this year in the chemical and solids disposal budgets at the water treatment plants. Spending through June indicates a positive budget variance of \$9.1 million. The variance is largely due to actions taken during reduced supplies including, (1) reduction in Jensen plant flow and resultant chemical costs at Jensen; (2) additional pump-ins to SWP supply that have lowered the organic carbon in the water that reduced treatment costs; and (3) reduced overall flows due to conservation and elimination of water replenishment and agricultural programs.

System Operations

System Operations

System Operations will coordinate the deliveries of 225,000 acre-feet of water for the month of July, with 125,000 acre-feet of this amount being SWP water. The usage of State Water Project water was closely monitored and adjusted during the month of July to facilitate a source shift of Metropolitan demands, in response to the Governor's Emergency Declaration issued on June 12. This source shift will provide a temporary supply of 25,000 AF of water to Central Valley agricultural water agencies, with a return of an equal amount of water to Metropolitan later in 2008.

Staff has been conducting field site visits with agencies and customers participating in the Interim Agricultural Water Program (IAWP) as part of the 30 percent reduction in IAWP deliveries that began on January 1, 2008. To date, site visits have verified that the IAWP Reduction Plans developed by the participating agencies are being followed, and that actions to reduce water demand are being implemented by IAWP participants. Certifications received for IAWP water to date, as well as customer records reviewed during site visits, show that IAWP usage through May is below usage targets set under the 30 percent reduction.

The Operations Control Center control room upgrade modifications were completed. These upgrades include new consoles that are seismically rated to withstand a magnitude 8.0 earthquake. The upgrades also provide additional information to the system operators and provide improved ergonomics.



OCC control room upgraded consoles

Power Operations and Planning

(The following item is a requirement of the GM to report to Board per Admin Code Sections 2740 (a) and 8122(e))

On July 2 and 16, Metropolitan committed to forward energy purchases for the second and third quarter of Calendar Year 2009 to support pumping on the Colorado River Aqueduct. Metropolitan solicited offers from eight to ten entities and selected the most economic offers from qualified suppliers. Metropolitan purchased 90,400 Megawatt-hours (MWh) of off-peak energy at an average price of \$64/MWh for a total obligation of approximately \$5.8 million. Metropolitan will pay for this energy after it has been received. The supplemental energy is required due to increased volumes of water expected to be imported through the Colorado River Aqueduct in CY2009.

On July 15, Metropolitan staff participated in the Association of California Water Agencies' Energy Committee meeting and the first meeting of the Climate Change Subcommittee. There was general agreement that the proposal by the California Air Resources Board to collect from \$100 to \$500 million annually from water sales to support a state-wide water efficiency effort should be opposed. This proposal is contained in CARB's draft Scoping Plan on measures to achieve the green house gas emissions reduction required in AB32.

Conveyance and Operations

Staff continues to operate the temporary Lake Mathews Chlorine Feed Station for Quagga Mussel Control while working on the Interim Chlorine Feed System, which is scheduled for completion in October 2008.

Staff continues to optimize the operation of the Interim Chlorine Feed System at Copper Basin. The system began unmanned operation in June.

Staff made repairs to the San Dimas Hydroelectric Plant needle valves and returned the unit to operation after a shear pin failure. The unit was out of service for four days.

Contractor began repair work to realign the Diamond Valley Lake 69 kv circuit breakers on July 8. The work is progressing well and is expected to be completed in September.

Routine predictive maintenance (oil sampling) identified two failed connections on a 2.3kv station service transformer at Gene Camp. The transformer was repaired and is back in service.

Capital Investment Plan

Oxidation Retrofit Program

Skinner Oxidation Retrofit Program

The liquid oxygen storage tanks for the Skinner ORP were delivered and set on their foundations. Each tank is 65 feet in length, 12 feet in diameter, and can hold 37,000 gallons of liquid oxygen. The tanks were fabricated in Minnesota and shipped by rail to Carson, California. The tanks were then transferred to trucks for delivery to the Skinner site. Adjacent to the tanks are the vaporizers which convert the liquid oxygen to gaseous oxygen prior to entering the ozone generators. Installation of the liquid oxygen tanks is on the critical path for the completion of Skinner ORP construction, which is approximately 86 percent complete.



Skinner liquid oxygen storage tank

Highlight Project

Engineering Student Intern Program

Each year, the Engineering Services Section recruits students to participate in this year-round program, which is designed to provide college undergraduate students the opportunity to augment their studies with practical work experience in the water industry. Colleges that have been represented include: Cal Poly Pomona; California State University campuses at Los Angeles, Long Beach, and Northridge; University of California at Los Angeles; and the University of Southern California. Currently, 11 students are assisting with short- and long-term capital projects.

Ongoing Contracts – 21 construction contracts and 4 related procurement contracts were ongoing through June. The total bid amount of these contracts is \$885 million.

July's Construction Payments – Approximately \$17 million in contract payments were made for construction performed in the month of June. \$3 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. Over \$4 million were expended on the north reach of the Perris Valley Pipeline.

Significant Contracts – On Inland Feeder's Arrowhead East Tunnel, cleaning of the tunnel invert was completed and installation of the final steel pipe liner will commence in August. During pipe installation, the contractor will continue grouting operations, as necessary, to further eliminate water intrusion into the tunnel. At the Arrowhead West Tunnel, the Tunnel Boring Machine continued mining and has advanced a total of 19,254 feet, which is 96 percent of the tunnel length. In addition, the contractor continued construction of the Devil Canyon portal site as the receiving location for the TBM once the mining is complete. Staff anticipates that mining will be completed by late-summer 2008.

Other Contracts – Skinner Treatment Plant Oxidation Retrofit and Washwater Reclamation Plant No. 3 is approximately 86 percent complete. At the Diemer plant, the Board appropriated \$247 million and awarded a construction contract for the ORP. At the Jensen treatment plant, a project for chlorine containment, unloading and handling is approximately 93 percent complete. The Perris Valley Pipeline, North Reach is 72 percent complete. Two additional Ozone Contactors at the Mills treatment plant facility are 44 percent complete.

New Contracts – During July the Board awarded construction contracts for the Diemer Oxidation Retrofit Program and the Skinner Solar Power Generation Facility in the amounts of \$188 million and \$10 million, respectively.

Sustainability

Employee Awareness

Smart Irrigation Day

Metropolitan hosted the third annual water-wise expo designed to make it easy for employees and others to learn about rebates and how to upgrade their homes and yards to be water-wise.



Our Legacy E-newsletter

Staff continues its bi-weekly E-newsletter series to all employees that focuses on raising awareness about sustainability issues and encouraging positive behavior change.

Our Legacy



Managing tomorrow's resources today.

Decrease Consumption of Non-renewable Energy/Fuels

Fuel Management System Project

Staff completed installation of the fuel management devices at Diemer treatment facility. To date, staff has completed two of the 12 installation sites. Deployment is scheduled for completion in the second quarter of fiscal year 2008/09. Once fully deployed, the new system will control dispensing of fuel to authorized vehicles and simultaneously record employee information, type and amount of fuel dispensed, mileage, time

and location.

Fuel Efficient Fleet

A purchase order was issued for twelve hybrid sedans in an effort to increase Metropolitan's high-fuel efficient sedan fleet to 30 percent.

Videoconferencing

Staff commenced with the installation of video conferencing equipment at thirteen facilities to reduce travel by 20 percent for business units requiring heavy field coordination and reduce transportation costs by \$30,000 per year.

Procurement

Paperwise Program

Staff has achieved a 45 percent reduction in the usage of office paper. Metropolitan's goal is a 50 percent reduction, or approximately \$47,000 over the 2007 baseline.

Electronic O&M Manuals

Staff issued an RFP and selected a consultant to complete a pilot program that will leverage current technology converting operations manuals into a Web-based product.

Reduce Lifecycle Environmental Impacts of Facilities

Field Plumbing Retrofit

Staff commenced with the retrofit of water efficient fixtures at the La Verne and Gene facilities. A total of seventeen facilities will be retrofitted throughout Metropolitan to achieve a 25 percent reduction in water usage.

Fuel Dispensing Stations

The Board authorized staff to commence with design of upgrades to all gasoline-dispensing stations at all Metropolitan facilities to comply with new air quality regulations.

Renewable Energy Projects

Skinner Solar Power Generation

The Board awarded a \$10 million contract to SunPower, Inc. for construction of the Skinner Solar Power Generation Facility.

the plant's electrical rehabilitation project.

Weymouth Solar Power Generation

Preliminary design is five percent complete and is being coordinated with

Wind Power Assessment

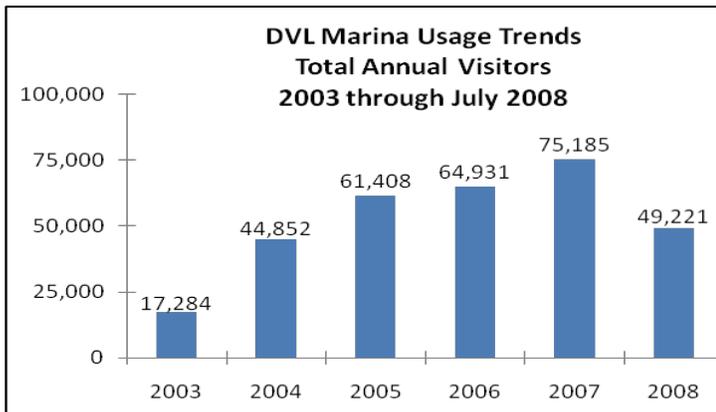
Multi-year data collection and final report was completed for Hinds pump plant facility.

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 6/30/08</i>	\$63.5 M

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



Recreation Facilities—Due to the continued projected drawdown of DVL, staff is evaluating methods for extending the useable boat launch ramp, including staff installation of cement block mats and contracting for cast-in-place concrete. Expansion of the shoreline fishing areas are being pursued as newly exposed shoreline becomes accessible. Promotional activities for the upcoming five-year public opening anniversary are also being planned.

Diamond Valley Lake Recreation Infrastructure—The Board approved proceeding with the process for entitling the Diamond Valley Lake North Property and East Recreation Area, and evaluating options for the DVL Visitor Center, subject to future board approval of any proposed development plan. All costs associated with this effort and future recreation development will be funded from the sale of surplus properties at Diamond Valley Lake.

Diamond Valley Lake Visitor's Center—The Center hosted 2,388 visitors in July. Included were 158 students from the Los Angeles Infrastructure Academy, a program that trains LA Unified School District students for careers with public utilities and skilled trade industries, and 49 engineering interns from LA Department of Water and Power.

Leases, Licenses and Entry Permits

- A year-to-year lease was issued to Time Warner Cable Company for secondary parking. This parking is not required by local occupancy codes and is located along a portion of Metropolitan's Second Lower Feeder right-of-way.
- A year-to-year telecommunications lease was issued to Southern California Gas Company at Metropolitan's Garvey Reservoir site. This lease replaces an existing lease and updates the terms and conditions. This lease also provides Metropolitan with a T1 circuit between Metropolitan's Verdugo Peak and Garvey Reservoir communication sites.
- A year-to-year lease was issued to Los Angeles Community College District for secondary parking. This parking is not required by local occupancy codes and is located along a portion of Metropolitan's Middle Cross Feeder right-of-way.
- A one-day entry permit was granted to Steven Petrarca Events. This allowed temporary parking at 700 N. Alameda Street for an event held at Union Station.
- An entry permit with Eastern Municipal Water District was amended to extend the term. This entry permit provides Eastern temporary access to install a 36-inch pipeline from Bradley to Evans Roads near the Colorado River Aqueduct in the City of Perris.
- An entry permit was issued to KB Homes Coastal, Inc., for access to install a "V-ditch" and relocate a fence along a portion of Metropolitan's Colorado River Aqueduct Lakeview Pipeline right-of-way in the City of San Jacinto.
- A one-day entry permit was granted to AltaMed Health Services. This allowed temporary parking at 700 N. Alameda Street for an event held at Union Station.
- A one-day film permit was granted to Supply and Demand to use a portion of the southern perimeter roadway at Metropolitan's Headquarters to film scenes for an Alltel Communications commercial.

Real Estate Management

Real Estate Activities

The Metropolitan Water District Federal Credit Union has been a long-term occupant at Metropolitan's headquarters building. The credit union provides services to its members that may include Metropolitan staff, retirees, and family members. The institution was established in 1956 and operates as a non-profit federally chartered credit union. A lease was authorized this month for a term of five years. The agreement provides for 2,177 square feet of office space on the second floor of the headquarters building and includes ten parking spaces on parking level P-2.

Two cost studies were completed for the West and Far West Alignments of the San Diego Pipeline No. 6, South Reach.

Appraisals of three potential sites were completed for the proposed future treatment plant in Riverside County.

A Final Order of Condemnation was recorded for a temporary construction easement for the FR Cal Perris II, LLC (PEVAL1-01-200TEA1) property for the Perris Valley Pipeline Project.

Business Outreach

The Business Outreach Team supported the business community and represented Metropolitan at the following business and economic development conferences:

The 4th Annual National Veteran Small Business Conference and Expo—The expo is the largest gathering of Service Disabled Veteran owned businesses in the United States. It also demonstrates Metropolitan's commitment to increasing our contracting opportunities with Veterans and Service disabled businesses. The conference is a unique opportunity for business owners and government agencies to network, attend strategic sessions and view innovative products and services. Over 3,000 business owners attended the conference.

The 5th American Indian Business Expo—The theme for this year's expo was "Breaking New Ground: Business Growth & Sustainability." The primary goal of the American Indian Chamber of Commerce of California is to provide opportunities for networking and support of American Indian business people in California. This year, over 50 American Indian owned businesses as well as private and public agencies participated in the tradeshow expo, sharing new technologies and approaches in sustainability. Director Sylvia Ballin, also a member of the Pima tribe, represented Metropolitan along with staff. She asked attendees to be cognizant of their water usage and increase their water conservation practices.

Southern California Minority Business Development Council Awards Luncheon—Gilbert F. Ivey, Director Sylvia Ballin and Los Angeles Community College Board of Trustee Angela J. Reddock attended the Southern California Minority Business Development Council awards luncheon. The luncheon honored many businesses throughout Southern California. Director John Murray, Jr. is the President and CEO of the Council.

Regional Partnerships

Los Angeles Chamber Small Business Council—Business Outreach staff joined new Chief Deputy Director of the California Department of General Services Will Semmes at the council meeting to discuss common issues and help identify how the Chamber can develop innovative and value-driven programs to meet the needs of small businesses.

National Latina Business Women Association—Metropolitan participated in a business development luncheon with the NLBWA—San Diego chapter on July 11. The Special Guest Speaker for the event was Anna Escobedo Cabral, Treasurer of the United States. Escobedo spoke about the important of access to capital and wealth development for small businesses. The mission of the NLBWA is to encourage Latinas to develop their business and professional goals through education, business referrals and networking.

Business Processes/Operations

Information Technology

Headquarters Technology Upgrade Project

During the period, obtained Board authority to enter into an agreement with Cibola Systems Corporation for final design and installation of replacements and improvements to audio, video and information technology-related equipment in the main board room and board committee rooms in Metropolitan's Headquarters Building.

Fuel Management System Project – Diemer Treatment Plant

During the period, staff completed installation of the fuel management devices at Diemer. To date, staff has completed 2 of the 12 installation sites. Deployment is scheduled for completion in the second quarter of fiscal year 2008/09. Once fully deployed, the new system will control dispensing of fuel to authorized vehicles and simultaneously record the employee, type and amount of fuel dispensed, mileage, time and location.

Completed Final Preparation for Employee Relations Module Deployment

During the period, final preparation was made for deployment, which is scheduled for August 1. The module provides assistance in monitoring grievance deadlines by generating due dates and reminders automatically, which was previously performed manually by Employee Relations staff. This system will reduce the potential for error, help ensure that deadlines are not overlooked, and provide reporting capability to Human Resources staff.

Security

Security staff performed a perimeter defense survey of Metropolitan's chemical unloading facility to assess options for improving protective barriers. Staff is evaluating ways to incorporate any proposed modifications into the existing access control system.



Emergency Operations Center and Water System Operations Incident Command Centers activated for July 29 earthquake.

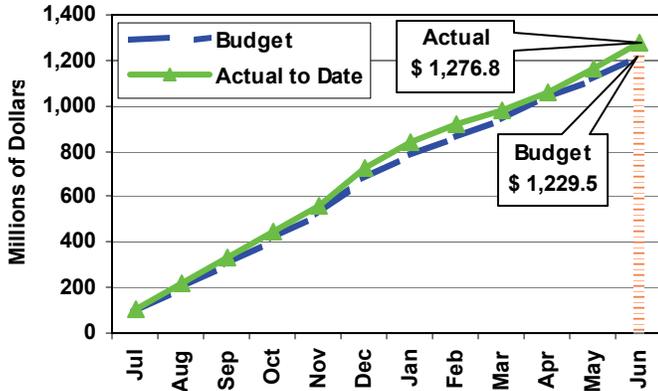
Emergency Management

Staff conducted a Communications Equipment Test among all Incident Command Centers and the Emergency Operations Center. The test included telephones, wireless LAN, Outlook Mailboxes, satellite phones, and mobile radios for the Centers.

On July 29, 2008, an earthquake with an epicenter in Chino Hills occurred. It was first labeled a magnitude 5.8, which falls in the automatic activation category for the entire Emergency Response Organization. The Emergency Operations Center and all Water System Operations Incident Command Centers were activated. The Engineering Damage Assessment Teams reported as needed to various facilities. Patrollers checked all pipelines and found a small leak on the Orange County Feeder downstream from the Weymouth plant in La Verne. The leak did not interfere with the ability to meet demands. As a precaution, staff reduced the flow rate in the 12-mile pipeline that extends from the Weymouth plant to the Orange County Reservoir. A shutdown began on July 31 to repair the leak on the OC Feeder and was completed by August 1, 2008. Staff conducted checks of all treatment plants and found a break in a 1" sample line at Weymouth, which was repaired the day of the earthquake. Safety of Dams staff checked the dams in the areas of concern and found no cause for concern. The earthquake was felt at the Inland Feeder/Arrowhead West Tunnel site, but crews continued with no delays.

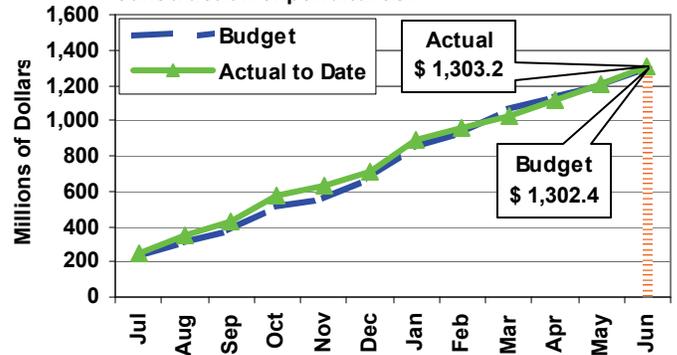
Finance as of June 30, 2008

Receipts are \$47 million over budget at year end, mainly due to higher water sales.



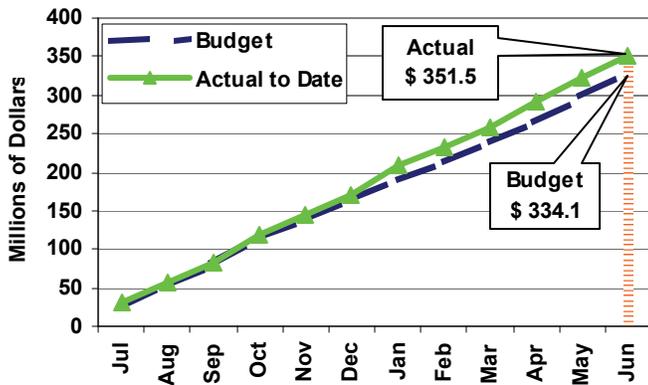
Excludes Bond Construction and Other Trust Funds Activity

Expenditures are \$1 million over budget at year end, mainly due to higher Water Supply Program, O&M, and SWP costs, and is offset by lower construction expenditures.

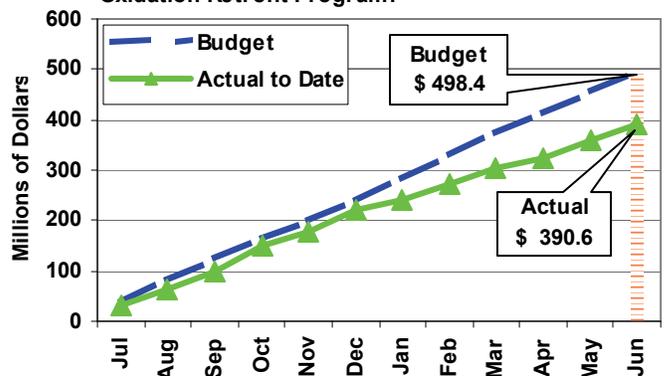


Excludes Bond Construction and Other Trust Funds Activity

O&M expenditures are \$17 million over budget at year end due to the Cargill settlement and the quagga mussel containment program.

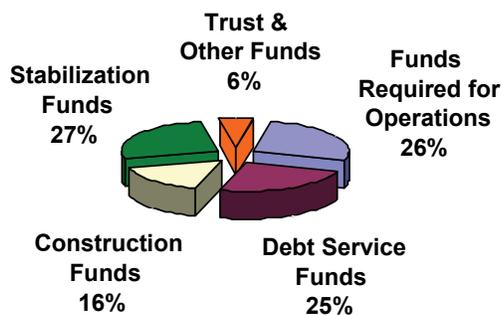


Construction costs are \$108 million below budget at year end, primarily due to delays on the Treatment Plant Improvement Projects and Oxidation Retrofit Program.



Cash and Investments

\$1,076.7 million



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.27 x
Revenue Debt Service Coverage	> 2.00 x	1.76 x
Revenue Bond Debt / Equity Ratio	< 100.0%	74.4%

Credit Ratings

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

External Affairs

Legislative and Community Outreach

AB 885 (Calderon) – Metropolitan Board Governance

After negotiations with the author's office, as well as member agencies, AB 885 was amended on July 10 to reflect amendments that are mutually acceptable to the author, sponsors and Metropolitan. The bill, as amended, would authorize member public agencies to utilize a proxy voting system that would allow an absent director to transfer the member agency's voting weight to his/her designated

proxy. Metropolitan's Board voted to support the proxy structure at its July 8 board meeting. The bill was amended to reflect the agreed-upon compromise. AB 885 awaits a vote by the full Senate.

July 14

Saff conducted a briefing and on-site inspection of Diamond Valley Lake for Deputy Commissioner Kris Polly, Deputy Commissioner for External and Intergovernmental Affairs, U.S. Bureau of Reclamation.

Public Message and Legislative Strategy

July 15: Staff coordinated Metropolitan's participation in a presentation with Western MWD on water supply to the Greater Lake Mathews Homeowners Association.

Federal Legislative Update

July 8: Staff met with Senator Feinstein's staff regarding S.2750, The Abandoned Mine Reclamation Act of 2008 (Feinstein), to review the possible impacts of new uranium mining activities near the Grand Canyon.

July 14: The General Manager met with the Director of the Fish and Wildlife Service to discuss a variety of issues related to the operation and regulation of water facilities within the Lower Colorado River Basin.

July 21: Staff attended a Washington, D.C. Congressional Briefing and Roundtable Discussion regarding Population and Water Scarcity in the West.

Local Government Update

July 9: General Manager Jeffrey Kightlinger and staff briefed South Gate Mayor Bill DeWitt along with key city staff on state and local water issues. Topics included Metropolitan's issuing of a Water Alert and rebate and conservation plans.

July 10: Metropolitan sponsored a reception/briefing for over 180 members of the Asian American Pacific Islanders Legislative Staffers, which included representatives from over 65 federal, state and local offices. Speakers included Assemblymembers Warren Furutani, Mike Eng, and Director Suja Lowenthal.

July 14: Randall Neudeck briefed the Building Industry Association of Greater Los Angeles and Ventura Chapter's Board of Directors on the Delta during their monthly meeting. Included in his remarks were issues relating to the impact and restriction on pumping due to the listing of several endangered and threatened species in the Delta.

July 14: Karen Tachiki, General Counsel, addressed the Board of Director's of the Building Industry Association's Orange County and Greater Los Angeles and Ventura Chapters during their annual joint Board of Directors dinner meeting. Karen spoke on the state of water for Metropolitan and highlighted Metropolitan's advocacy efforts in Washington DC and Sacramento.

External Affairs

State Government Update

Metropolitan-sponsored legislation:

AB 2938 (De Leon) - In-Delta Diversions: The bill would promote better information and science to assess the impact that in-Delta diversions have on the Delta ecosystem. On July 1, the Senate Natural Resources and Water Committee deleted the State Water Resources Control Board reporting requirement and moved the entire responsibility of implementation, data collection and dissemination of information to the Department of Fish and Game. The measure will be heard by the Senate Appropriations Committee on August 4.

SB 1391 (Padilla) - Recycled Water: The bill would direct the State Water Resources Control Board to adopt a statewide recycled water policy by January 31, 2009. On July 15, the State Water Resources Control Board granted a stakeholder working group an extension to September 2 to formulate policy recommendations for the SWRCB's consideration. In light of the extension, the author and Metropolitan will be evaluating potential next steps for the bill. SB 1391 passed the Assembly Appropriations Committee on consent and awaits consideration by the full Assembly.

Other legislation of interest:

AB 1806 (Wolk) – Fishery Resources: This bill requires the State Water Resources Control Board to complete a “comprehensive” review of fishery conditions in the Delta. The bill further

limits the review to the State Water Project and Central Valley Project, almost the only diverters who already are heavily regulated to protect sensitive fish species in the Delta. The stated goal of the bill is to “provide reasonable mitigation for direct and indirect adverse impacts.” The goal is already being addressed in numerous regulatory efforts and legal proceedings. Metropolitan is opposed to this measure, which will be heard by the Senate Appropriations Committee on August 4.

AB 2175 (Laird/Feuer) – Water Conservation: This measure would help achieve the overall goal of reducing per-capita municipal water use in California by 20 percent by the year 2020. It recognizes how conservation gains to date have not been uniformly achieved throughout the state. Virtually every community will have to achieve additional conservation under the AB 2175 formula. Differences in local climate and previous gains in conservation are fairly taken into consideration. AB 2175 helps set the benchmark for measuring and achieving that goal. Metropolitan supports the measure, which will be heard by the Senate Appropriations Committee on August 4.

Budget/Bond:

As of August 4, the State of California is 34 days without a state spending plan. The Legislature, for the most part, is observing a “semi”

summer recess, while the Senate/Assembly majority and minority leaders attempt to close the gap on a \$15.2 billion budget deficit. Democrats have proposed tax increases of \$9.7 billion to close the budget gap and avoid program cuts as outlined in the Governor's budget. Republicans are vowing to fight any additional taxes and are pushing for a constitutional spending cap.

SB XX 1 (Perata), which authorizes the release of \$812 million of existing bond monies for identified water-related priorities and projects, is gaining momentum. This particular measure, which Metropolitan supports, has garnered the support of Assembly Speaker Karen Bass, which should help ensure its progress through the legislative process. U.S. Senator Dianne Feinstein and Governor Arnold Schwarzenegger have jointly introduced a \$9.2 billion bond package for the November 2008 ballot. The content is very similar to a draft bond crafted by legislative leaders in December 2007.

Metropolitan staff is actively monitoring and engaged on a variety of fronts to protect and facilitate Metropolitan's interest in near- and long-term funding opportunities as the legislative process moves forward.

External Affairs

Media

July 1: KNX news radio interview about the return of the Sepulveda Feeder to service following the shutdown and urgent repair project.

July 2: KMEX/Telefutura broadcast five segments about Governor Schwarzenegger's declaration of a drought, Metropolitan's conservation campaign, Bewaterwise and advice from a garden expert's about drought tolerant gardens using California native plants and flowers.

July 2: Met with the Editorial Board of La Opinión newspaper, Southern California's largest Spanish-language newspaper.

July 10, 14 & 17: Issued press releases regarding the Governor's Drought Declaration, the Near Term Funding Conservation Package introduced by the state legislature, and the PPIC's "Comparing Futures" Report on Delta.

July 21: KQED-FM San Francisco public radio forum program with Restore The Delta, The Pacific Institute and Public Policy Institute of California about new proposals for a Peripheral Canal.

July 24: Azteca America, Ch 54 broadcast a news segment in Spanish about Metropolitan's response to California's drought conditions, impacts to Central Valley Farmers and the Governor's call for new water conveyance infrastructure.

Community Outreach and Other Events

July 9-15: Staff provided an update on the Perris Valley Pipeline Project to Riverside County Supervisor Bob Buster and staff.

July 9-15: Staff coordinated and conducted outreach to city and county of San Bernardino officials and staff in Riverside and Fontana, Rancho Cucamonga and Rialto regarding construction and other impacts related to pipe hauling activities for the Arrowhead Tunnels.

Extraordinary Conservation Outreach

A telephone survey measuring consumer attitudes and awareness about water conservation began on July 21, among nearly 600 Southern Californians. This is the fourth survey conducted to measure effectiveness of conservation advertising and outreach.

July 11: Metropolitan presented its various rebate programs at a breakout session for over 100 local elected officials and city staffers at the Independent Cities Association Summer Conference. Included on the panel were staffers from Central Basin MWD and West Basin MWD.

July 24: Metropolitan and West Basin Municipal Water Districts met with the development firm of Wilson, Meany and Sullivan regarding the possible inclusion of Metropolitan's California Friendly programs with the Hollywood Development Project in Inglewood.

July 28: Metropolitan participated in a planning meeting with Senator Lou Correa, Stanton City Councilmen Dave Shawver and Ed Royce, Sr., and staff from Municipal Water District of Orange County, Anaheim and the City of Buena Park to discuss a conservation outreach event to residents and businesses within the Senator's district.

Education

July 3: "Conservation Connection," a revised curriculum supplement, will emphasize student activities and conservation-focused service learning activities with a Southern California focus. Late fall is the target date for having the student book and teacher guide ready for printing.

July 14: Staff selected 36 "Water is Life" student art poster winners from 147 entries submitted by 25 participating member and retail agencies. These posters will be featured in the 2009 "Water is Life" calendar.

July 24: Staff conducted the first 2008/09 Member Agency Education Coordinators' meeting. The meeting was attended by 32 member and retail agency representatives.

July 28: Staff reviewed and edited another Education and Environment Initiative draft, a fifth-grade Science Unit on "Precipitation." The 113-page unit is one in a series being developed by writers for the Education and Environment Initiative (with the CA Dept. of Education). The Education Team has served as a reviewer and contributor for three water-related units thus far, part of a Master Curriculum Plan to be finalized in California in 2009.

Workforce

Recruitment

Two vendors made presentations on the Recruitment Outsourcing Project. Options are being reviewed.

Cargill reinstatement settlement agreement is on-going.

Fifteen new employees, including 2 Annuitants, completed Day 1 Orientation during July.

Apprenticeship Program

Staff finalized allocation for nine additional apprentices and initiated the hiring process from the existing candidate list. The new apprentices will start work by August 2008.

Staff provided an overview of the program and conducted several tours to students from the LA Infrastructure Academy.

Classification/Compensation

American Federation of State, County and Municipal Employees Class Study – 81 employee focus group meetings and 17 proofing sessions were held in July to develop accurate job descriptions. Human Resources is on target to complete the focus group meetings by September 30.

Association of Confidential Employees Class Study – Negotiations continue over salaries.

Benefits

Great West announced Reality Investing as of July 1, 2008 for providing investment advice services to Metropolitan's 401K and 457 plan participants. There are three levels of investment advisory services being offered: Online Investment Guidance, Online Investment Advice, and Manage Accounts. An article detailing the services will be published in PeopleInteractive along with a formal announcement from the Human Resources Director.



L.A. Infrastructure Site Visit

Workforce

Risk Management

Completed all 42 risk assessments requested for professional services and construction contracts, purchase orders, entry permits, leases and facility usage requests within the seven-day turnaround goal.

StrategicHR

The initial meeting of the StrategicHR Advisory Council discussed the logistics and content of future Management Forums for all managers and the deployment of a Climate Survey to establish baselines for performance. Future meetings will discuss Online Performance Appraisal tools and other deliverables specified in the StrategicHR Plan.

Worker's Compensation

Activities for July:

- Conducted initial investigations for 16 injury-related incidents, resulting in 12 new workers' compensation claims being filed with the claim administrator.
- Monitored medical status of 7 total disability claims and 12 modified duty claims, coordinating return-to-work in 4 cases.
- Referred one case to outside counsel, obtained settlement authority in 4 cases, and finalizing settlement in one case.
- Closed 14 claim files.
- Completed employer portion of the Self-Insured Annual Report.

Labor Negotiations

On-going discussions and direction are being provided to Human Resources staff and managers to meet targets and be accountable for deliverables committed to in the StrategicHR Plan and reflected in the GM's Business Plan Strategic and Core priorities.

HR Practices/Processes

Training on an Interest-Based Bargaining approach was completed by 35 labor and management representatives.

Environmental Health & Safety

Environmental Health and Safety completed an assessment of the Chemical Unloading Facility to verify adherence to the Department of Transportation (DOT) Hazardous Materials regulations. One gap identified was a DOT Registration for tank inspections. The DOT registration for chlorine carriers has been renewed. Per DOT, all interim certifications are considered valid.

Staff is working with Mojave Desert Air Quality Management District to amend Rule 461, Gasoline Dispensing, to eliminate the requirement for Phase II vapor recovery systems on gasoline refueling dispensers used solely for refueling non-retail motor vehicles that have a high percentage of vehicles with onboard refueling vapor recovery systems. This amendment would not require Metropolitan to upgrade the desert gasoline dispensing facilities governed by the Mojave Desert Air Quality Management District.

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.

