

- Capital Investment Plan – Quarterly Report for the period ending June 2008

## Summary

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This report provides a summary of accomplishments, expenditures to date, and variance explanations 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 fourth quarter of fiscal year 2007/08, 16 Board actions appropriated a total of \$79.1 million and awarded 8 construction contracts. Additionally, 2 agreements for consulting services were authorized. Through June 2008, 68 programs encompassing over 400 projects were underway at a budgeted fiscal year expenditure of \$498.4 million. Actual fiscal year capital expenditures through June 2008 totaled \$380.7 million.

During the fourth quarter, over \$233 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. On May 2, the tunnel boring machine for the Arrowhead East Tunnel holed through approximately 5 months ahead of the revised schedule that was established in the contract settlement agreement, completing the mining effort on the 22,458 foot alignment. On the Arrowhead West Tunnel 1,305 feet of tunnel were mined from April through December, for an overall mined length of 19,009 feet. Seven construction contracts were completed during the same period.

At the end of the fourth quarter, 21 construction contracts were underway with a total value of approximately \$803.9 million.

No new service connections were authorized for construction, and no relocation/protection agreements were executed during the quarter.

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 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><b>Supply and Delivery Reliability</b></p>	<p align="center"><b>Through 4th Quarter</b>  <b>Budget: \$142.4M      Expended: \$146.8M</b></p>
<ul style="list-style-type: none"> <li>On the Inland Feeder - Arrowhead Tunnels, the contractor is in the process of disassembling the tunnel boring machine and the mining support equipment at the Strawberry Creek Portal of the Arrowhead East Tunnel. The Arrowhead West Tunnel's total length mined through June 2008 is 19,009 feet, 97 percent of the tunnel's length. Staff anticipates that mining will be completed by late-summer 2008.</li> <li>Construction continued on the Perris Valley Pipeline North Reach. The contractor has installed approximately 11,200 feet through June and is about 72 percent complete. The projected completion date has been revised to November 2008.</li> </ul>	 <p align="center"><b>Arrowhead East tunnel boring machine hole-through</b></p>
<p><b>Infrastructure Reliability</b></p>	<p align="center"><b>Through 4th Quarter</b>  <b>Budget: \$125.9M      Expended: \$95.1M</b></p>
<ul style="list-style-type: none"> <li>All construction activities for the Skinner Chemical System Modifications project were completed.</li> <li>The third and final phase of the Prestressed Concrete Cylinder Pipe Assessment Program was authorized in December 2007. Electromagnetic inspection of the Sepulveda Feeder in March 2008 identified four distressed pipe sections in need of urgent repair. Replacement/lining of the pipe sections was completed and the pipeline was returned to service on June 30, 2008.</li> </ul> <p>The fiscal year variance between budgeted and expended dollars is primarily due to rescheduled shutdowns that delayed planned work on the distribution system, and infrastructure work at the Weymouth plant that was planned to be performed under the ORP contract and is being rescheduled.</p>	 <p align="center"><b>Weymouth Plant operations and maintenance center</b></p> <ul style="list-style-type: none"> <li>The Weymouth Plant Operations &amp; Maintenance Center construction is 70% complete and is scheduled to be completed in September 2008.</li> </ul>

<p><b>Information Technology</b></p>	<p style="text-align: center;"><b>Through 4th Quarter</b>  <b>Budget: \$15.4M      Expended: \$8.9M</b></p>
<ul style="list-style-type: none"> <li>• An energy management system for the Colorado River Aqueduct was successfully deployed. The new system will automate the billing and payment approval process, improve transaction settlement processing, and provide the ability for trading information to be easily reviewed by operations, financial, and audit personnel.</li> <li>• Prototype modules of the new Integrated Budget Management System, a single integrated system to replace five separate budgeting and reporting systems, were completed.</li> </ul> <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, and customer requested holds on the distribution system automation project in order to better define the required deliverables.</p>	 <p style="text-align: center;"><b>SCADAPack</b></p> <ul style="list-style-type: none"> <li>• Installation of digital modems to replace the outdated analog modems as part of the Automatic Meter Reading Project (AMR) continued. The new modems are used to transmit meter reading data, and are required since the analog communication technology is being phased out by the service providers.</li> </ul>
<p><b>Water Quality</b></p>	<p style="text-align: center;"><b>Through 4th Quarter</b>  <b>Budget: \$167.7      Expended: \$94.5</b></p>
<ul style="list-style-type: none"> <li>• The Diemer south slope stabilization contract was completed. The Diemer ORP construction contract was advertised for bids in early March 2008, and five bids were received in June. The construction contract was awarded to the joint venture, Shimmick/Obayashi, in July 2008.</li> <li>• At the Weymouth plant, final design of a new plant inlet conduit, which will relocate the conduit from beneath the Administration Building to the location of the planned ozone contactors, is 10 percent complete and is scheduled to be completed in December 2008.</li> </ul> <p>The fiscal year variance between budgeted and expended dollars is primarily due to rescheduling of the Weymouth ORP construction.</p>	 <p style="text-align: center;"><b>Skinner ORP Facilities</b></p> <ul style="list-style-type: none"> <li>• Construction continued on the Skinner ORP, which is approximately 83 percent complete and is scheduled to be completed in mid-2009.</li> </ul>

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<p><b>Stewardship:</b></p>	<p><b>Through 4th Quarter</b>  <b>Budget: \$47.1      Expended: \$35.5</b></p>
<ul style="list-style-type: none"> <li>• Construction of the chlorine containment facilities at the Jensen plant is approximately 88 percent complete. The project is on schedule to be completed in September 2008.</li> <li>• Construction and start-up testing of the southern portion of the chlorine containment facilities at the Mills plant is complete. Construction of the northern portion has commenced and is expected to be completed in September 2008.</li> </ul> <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;">  </div> <p style="text-align: center;"><b>Trenching of Chemical Piping for the Chlorine Scrubber Facility at Jensen Plant</b></p>

<p><b>Corporate Resources Capital Project Performance Measures FY2007/08</b>  <b>Through 4th Quarter</b></p>	
<p>Achieved target for cost of construction inspection as a percentage of construction cost, for projects:</p> <ul style="list-style-type: none"> <li>• greater than \$3 million; target 9% - 12%</li> <li>• less than \$3 million; target 9% - 15%</li> </ul>	<p><b>Met Target</b>  <b>Met Target</b></p>
<p>Achieved target for cost of final design as a percentage of construction cost, for projects:</p> <ul style="list-style-type: none"> <li>• greater than \$3 million; target 9% - 12%</li> <li>• less than \$3 million; target 9% - 15%</li> </ul>	<p><b>Met Target</b>  <b>Met Target</b></p>

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

