

- **General Manager's January 2009 Activity Report**

Summary

The attached report details the activities of the Office of the General Manager for the month of January 2009. 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 on Strategic Priorities and Core Activities performed by work groups:

- Water Resource Management
- Water System Operations
- External Affairs
- Business Outreach
- Real Property Development and Management
- Corporate Resources
- Human Resources
- Finance

Attachment

General Manager's Monthly Activity Report

General Manager's Monthly Activity Report—January 2009

WATER RESOURCE MANAGEMENT GROUP

Strategic Priority/ Water Supply Reliability

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Water Conservation

A series of nine focus groups were conducted regionally (in English and Spanish) to determine which specific messaging strategies have the propensity to increase awareness about water supply and motivate water conservation behavior. The focus group information will be used to craft advertising messages for the next phase of Metropolitan's outreach/advertising program scheduled to begin in mid-February.

State Water Project

Westlands Agreement

Under the general terms of the agreement the California Department of Water Resources executed with Westlands Water District last year under emergency conditions, as mitigation for impacts to the quality of water in the California Aqueduct, Westlands conveyed 1,430 AF of Central Valley Project water to DWR in 2008. Rather than using the mitigation water to support the 35 percent allocation for calendar year 2008 staff worked with DWR to allocate the Westlands' mitigation water to downstream contractors only. The mitigation water is to be allocated pro-rata among the downstream contractors on the basis of deliveries during the period of pump-ins. Accordingly, Metropolitan's stake of mitigation water about 800 AF (56 percent share) will be delivered during this calendar year.

2000-2001 Energy Market Crisis – Federal Energy Regulatory Commission Settlement Payout

The State Water Contractors will receive a settlement of \$76,000 as a result of a December 22, 2008 FERC order related to settlement of over-billing during the 2000-2001 energy market crisis. Metropolitan's share of the refund will be about three-quarters of that amount. Outstanding SWC claims could result in an additional \$114,000 reimbursement at a future date.

Federal Energy Regulatory Commission/NERC/Western Electricity Coordinating Council Compliance

Electricity providers throughout the United States - including DWR – are being subject to comply with new monitoring and reporting requirements enacted by the federal Energy Policy Act of 2005. In January, DWR informed Metropolitan that these transmission reliability requirements are causing expenditure of addition labor resources to avoid costly fines.

AF: acre-foot, the volume of water to cover an acre of land, one-foot deep. Approximately: 326,000 gallons of water.

TAF: thousand AF
MAF: million AF



Colorado River

CY 2009 Diversion—Metropolitan has received its calendar year 2009 diversion approval from the Bureau of Reclamation for nearly 873,000 acre-feet. The approval includes over 131 TAF of conserved water transferred to San Diego County Water Authority, 118 TAF of savings from the Palos Verde Irrigation District following program, 57 TAF to be withdrawn from Metropolitan's Lake Mead storage accounts, and diversions for emergency deliveries for Tijuana of 9.5 TAF. With other actions that are to be taken related to the Five-Year Action Plan, total diversions are expected to exceed 1 MAF in 2009.

WATER RESOURCE MANAGEMENT GROUP

California Water Plan Update

Department of Water Resources has released the Public Review Draft of the California Water Plan Update 2009 in January. The State Water Plan has three stated purposes: (1) recommend strategic goals, objectives, and near-term and long-term actions that would conserve, manage, develop, and sustain California's water resources and management systems; (2) prepare response plans for floods, droughts, and catastrophic events that would threaten water resources and management systems, the environment, property, and the health, welfare and livelihood of the people of California; and (3) evaluate

current and future water conditions, challenges, and opportunities. DWR will be hosting workshops at various hydrologic regions throughout the state in mid-April through May to solicit comments and input. Final comments are due by June 5. Metropolitan staff is currently reviewing the document and coordinating with member agencies and other water users coalitions, such as State Water Contractors, California Urban Water Agencies, and Association of California Water Agencies, to provide comments to the Water Plan.

Conservation

Extraordinary Conservation Programs Ordinance Requirements

Staff issued a memo to the member agencies regarding eligibility criteria to participate in Metropolitan's extraordinary conservation programs, and requested documentation on how their respective local jurisdictions comply with the Board's ordinance prerequisite requirements. Metropolitan also provided a revised version of the model water conservation ordinance to member agencies for reference in developing ordinances within their respective service areas.

Administrative Changes to the Regional Residential Program

Metropolitan's SoCal Water \$mart Program will no longer accept high efficiency toilet rebate applications for funding from installation contractors. Rebate payments will only be provided to homeowners that submit rebate applications. Installation contractors that wish to continue participation in high efficiency toilet program would need to make separate arrangements with homeowners.

USBR Grant Application

Metropolitan submitted a grant proposal to the Bureau of Reclamation's Water for America Challenge Grant Program to implement a pilot incentive program to help achieve agricultural water use efficiency. The total cost of the pilot is estimated at \$600,000, of which \$300,000 (maximum grant available) could be provided by Reclamation.

Enhanced Conservation Program/ Innovative Supply Program Request for Proposals

Metropolitan issued a competitive request for proposals for the Enhanced Conservation Program and Innovative Supply Program. The ECP supports projects that pilot improved implementation strategies for retrofits and other conservation processes with probable water savings, while the ISP provides funding for research that will help document water savings and reliability of new market ready devices. ISP program funding is supplemented by a \$228,000 grant from the Bureau of Reclamation. Short-form applications are due to Metropolitan by February 12, 2009.

Recycling

Statewide Recycled Water Policy Public Hearing - Staff presented comments on the Proposed Statewide Recycled Water Policy to the State Water Resources Control Board at their January 6, 2009, Public Hearing. Comments focused on permit streamlining, salt and nutrient management plans, monitoring requirements, and control of incidental runoff. The SWRCB heard testimony from a number of other WaterReuse Association member agencies, and engaged in significant discussion of the issues. SWRCB staff indicated that they will make clarifying revisions to the policy based on the comments received, prepare a response to comments, and schedule the policy for adoption at the February 3, 2009, Board meeting.

WATER RESOURCE MANAGEMENT GROUP

Desalination

Seawater Desalination

In early January, State Senator Corbett introduced SB 42, which would prohibit state agencies from approving new open water intakes and any new projects that rely on open water intakes after January 2010. The bill also prohibits use of all existing open water intakes in January 2015, citing environmental damage caused the intakes used by power plants and the availability of alternative power plant cooling technologies. Several projects in Metropolitan's service area could be affected.

WATER SYSTEM OPERATIONS GROUP

Water Demands

Water Sales Cash Year 2008-09 (May-April)
 2,071,000 AF Current Sales Projection
 2,151,000 AF Budget Sales Projection
 -80,000 AF Difference

Current Reservoir Storage

As of 1/31/09

Lake Mathews	93,100 AF
Lake Skinner	35,400 AF
DVL	407,900 AF
Lake Perris	63,300 AF

Conveyance and Operations

Staff continued to put the finishing touches on Intake Unit No. 1 for automation. Completion of automation will aid in the support of 8-Pump readiness on the Colorado River Aqueduct. Unit No. 1 start-up and testing is currently scheduled for March 2009.

The Etiwanda Pipeline continues to be out of service due to the low State Water Project allocation. Detailed plans to repair broken mortar discovered during inspection in December 2008 are being prepared.

Staff prepared to dewater the Palos Verdes Reservoir in preparation for the reservoir cover replacement project.

Current Sales / Deliveries

January Sales Estimate 118,000 AF
 January Delivery Estimate 119,000 AF**

** excludes Desert Water / Coachella Valley deliveries

Sales Projections for CY 2008

As of January 27, Sales Forecast is 2,225,000 AF

System Operations

System Operations coordinated the deliveries of 119 TAF of water for the month of January, of this amount 51,000 AF was from the State Water Project. System Operations continued with an operational strategy of zero blends at the Weymouth and Diemer treatments plants. Efforts continue to develop plans and schedules to manage the rapidly and continuously changing supply, demand and maintenance picture.

All member agencies participating in the Interim Agricultural Water Program submitted their information pertaining to customers requesting an opt-out of the IAWP effective January 1, 2009. Participants and agencies opting out of the program represent over 73,000 acre-feet of demand, or almost 50 percent of the Baseline use of about 153,000 acre-feet, and will now be considered full-service customers. Additionally, the 30 percent reduction in IAWP use for the remaining customers in 2009 would represent approximately 24 TAF of reduced demand, relative to Baseline use. The three agencies continuing their participation in the IAWP are San Diego County Water Authority, Western MWD and Eastern MWD.

WATER SYSTEM OPERATIONS GROUP

System Reliability

Treatment Plants

During January, the Mills plant remained on pumped Lake Perris water due to water supply availability. The ozone/hydrogen peroxide feed system was able to successfully control the majority of taste-and-odors which were present in the raw water.

On January 28, managers from the Diemer water treatment plant and the Orange County distribution area were recognized by the Anaheim Public Utilities Board for their service during the Freeway Complex Fire in November 2008. These employees directed staff in the protection and recovery of treatment and distribution facilities.

Following an unexpected chlorine and sodium hydroxide outage at Olin Corporation's plant in Henderson, Nevada, staff closely coordinated usage, storage, and chemical deliveries of these chemicals to ensure a reliable supply.

System Maintenance/ Shutdowns

A 10-day shutdown of San Diego Pipeline No. 3 & No. 5 began on January 25. This shutdown will allow Metropolitan to perform pre-stressed pipe inspection on SD No. 5 and inspection and repair of the sleeve valves at the Auld Valley Pressure Control Structure. The San Diego County Water Authority will also be performing work in their portion of the pipeline.

Emergency Management

Emergency Management hosted a Water/Wastewater Agency Response Network Region I meeting. The purpose of WARN is to provide mutual assistance within the State of California in the event of an emergency or disaster.

Staff participated in the state-sponsored Regional Recovery Seminar to study the aftermath of the Golden Guardian 2008 exercise scenario based on a 7.8 earthquake on the southern San Andreas Fault. The U.S. Geologic Survey had previously determined that water supply would be a critical factor in the region's response and recovery.

Staff participated in the Riverside County Annual Disaster Council and Quarterly Operational Area Planning Committee, which holds emergency planning meetings for all agencies in Riverside County including cities, police, fire, schools, and water utilities.

Staff participated in the Mutual Aid Regional Advisory Committee meeting, an organization sponsored by California Emergency Management Agency (CalEMA) to address mutual aid needs in Southern California. As of January 1, 2009, the California Office of Emergency Services joined with the Department of Homeland Security to form the new CalEMA, as mandated by state legislation.

Power Operations and Planning

Metropolitan reported full compliance with applicable national electric reliability standards to the Western Electricity Coordinating Council as a transmission owner and purchasing/selling entity of wholesale energy. Metropolitan also reported full compliance with applicable standards that have been delegated to it by Southern California Edison for the transmission operator and transmission planner functions. These standards pertain to Metropolitan's Colorado River Aqueduct electric transmission system.

Staff continued constructive discussions with the other Hoover Power contractors on principles for a new Hoover power contract that will take effect once the present contract expires in 2017.

Water Quality

Total Dissolved Solids—The blend plants (Weymouth, Diemer, and Skinner) continue to treat higher blends of Colorado River water resulting in higher levels of Total Dissolved Solids. The latest TDS results from December for Weymouth, Diemer, and Skinner water treatment plants are 672, 639, and 541 mg/L, respectively. All

three plants are currently above the operating goal of 500 mg/L TDS as an annual average.

Taste and Odor—Taste and odor was acceptable in all of the source and finished waters.

WATER SYSTEM OPERATIONS GROUP

System Reliability continued.....

Environmental, Health and Safety

Metropolitan must release water from Palos Verdes Reservoir directly into the County of Los Angeles' closed storm water system to perform immediate repairs on the reservoir cover and a leaking influent valve. The volume in the reservoir is currently increasing by one acre-foot per day due to the leaking valve. Environmental, Health and Safety and Conveyance and Distribution staff is working with the Los Angeles Regional Water Quality Control Board and Los Angeles County to execute a dewatering plan for the Palos Verdes Reservoir. Work is scheduled to commence shortly.

Tentative, general permits that apply to potable water discharges have been released by the Los Angeles and Santa Ana Regional Water Quality Control Boards (RWQCB) for their respective regions. The Los Angeles RWQCB permit is scheduled for public hearing and consideration for adoption on March 5. The hearing for the Santa Ana RWQCB permit was held January 23 and is a re-issuance and update of the current general permit for discharges that pose an insignificant (de minimis) threat to water quality. The Los Angeles Board permit is a new permit for potable water discharges that also incorporates the existing general permit for wellhead discharges.

Security

Activities for the month include:

- Staff assisted plant management with fielding questions from a congressional staffer on chemical facility security at the Joseph Jensen Water Treatment Plant.
- Security responded with a special agent and California Highway Patrol support when a truck transporting a chemical shipment en route to Metropolitan was unexpectedly delayed by a blown tire. The matter concluded without incident and served to exercise security protocols for safeguarding such deliveries.

Strategic Priority/Climate Change Impacts

Staff reviewed and provided preliminary comments on three reports from the Department of the Interior (DOI) on climate change. Additional comments will be provided in February. The reports identified potential impacts to DOI's operations and the potential policy and legal implications. Since DOI manages one out of five acres in the United States, and some of the land is in areas where the impact of climate change may be most quickly felt, such as tundra, shorelines, mountains and deserts, the reports provide a comprehensive and timely listing of issues and ideas that can be utilized in the development of climate change strategies for Metropolitan. Some of DOI's asset management responsibilities include issues that mirrors concerns at Metropolitan including water quality, water supply and integrating scientific research into climate change strategies.

Staff has been identified who have particular expertise or responsibilities to provide input and analysis into Metropolitan's climate change strategies. Some of these staff were involved in the review of three reports recently released from the Department of the Interior. This group will begin work to develop a comprehensive set of strategies for Metropolitan to implement in regards to climate change. These strategies will include ways for Metropolitan to adapt to the changing environment, help mitigate climate change and communicate the impacts and challenges of climate change to the public, member agencies and staff.

EXTERNAL AFFAIRS GROUP

Member Agencies

Legislative and Community Outreach

- Staff met with Eastern MWD regarding the Perris Valley Pipeline project.
- Staff met with public information and communications staff from the Member Agencies to review and discuss Metropolitan's upcoming water conservation advertising program.
- Staff and representatives of Fraser Communications made a presentation about the new advertising campaign at the January Member Agency Managers' meeting.
- Staff conducted the third quarter Member Agency Education Coordinators' Meeting.

Legislative and Community Relations

Federal Legislative Update

- The General Manager spoke with Rep. Xavier Becerra to express Metropolitan's continued support for Tax Credit Bond Financing Legislation which may be included in the House Ways and Means Committee Economic Stimulus legislation.
- Staff met with Senator Feinstein's legislative staff to provide updated information on the Metropolitan's position regarding Fiscal Year 2010 Appropriations requests.
- Staff met with Senator Feinstein's Legislative Director to express support for the Senator's legislation (S. 116) to provide federal assistance to public agencies to recover assets lost in highly rated investments.

State Government Update

Budget

Discussions and proposed actions to address the \$42 billion fiscal shortfall continue. Governor Schwarzenegger issued an Executive Order to implement a two-day-a-month work furlough for state employees. The order is being challenged in court by the Professional Engineers of California. The Legislative Analyst's Office recently recommended that the Legislature call a special election prior to June 2009 to give voters say over proposed tax increases that are an element in the Governor's proposed budget.

Committee Assignments

Senate President Pro Tem Darrell Steinberg (D-Sacramento) announced committee assignments for the 2009/10 legislative session. Senator Fran Pavley (D-Agoura Hills) will serve as Chair and Senator Dennis Hollingsworth (R-Murrieta) will serve as Vice Chair of the Senate Natural Resources and Water Committee. Seven of the eleven members on the committee represent Senate districts south-of-the-Delta.

Assembly Speaker Karen Bass (D-Los Angeles) announced committee chair and vice chair appointments for the two-year legislative session. Assembly Member Jared Huffman (D-San Rafael) will serve as Chair and Assembly Member Jean Fuller (R-Bakersfield) as Vice Chair of the Assembly Water, Parks and Wildlife Committee. Committee member assignments are still pending.

EXTERNAL AFFAIRS GROUP

Legislative and Community Relations continued.....

Local Government Update

- Staff provided an introductory briefing about Metropolitan to District Director Rich Ryan and Field Representatives Betsy Cardenas and Miguel Martinez for Assemblyman John Perez (AD 46) as well as Field Representative Stephanie Molen from Senator Pavley's office. Kathy Cole provided the "Met 101" briefing and Roger Patterson, Assistant General Manager, gave an overview of the Bay-Delta and key water supply challenges facing Southern California.
- Staff provided a briefing and facility tour for Michael Tou, Policy Advisor for Congressman Brad Sherman, regarding the storage and handling of chlorine at its Joseph Jensen Filtration Plant.
- Metropolitan co-sponsored the Montebello Chamber of Commerce Legislative Luncheon featuring Assemblyman Chuck Calderon and Senator Ron Calderon. Water issues, including alternative Bay-Delta conveyance systems, were discussed.

Education

Activities throughout the month, included:

- Diamond Valley School Programs: Ten Diamond Valley School Program field trips were conducted (grades fourth through eighth) for more than 300 students from Hemet, San Jacinto and Lake Elsinore Unified School Districts.
- Student Art Traveling Exhibit: The "Water is Life" Student Art Traveling Exhibit, featuring 36 water conservation pieces created by students from kindergarten through twelfth grade was displayed at the following locations: Diamond Valley Lake Visitor Center, Irvine Ranch Water District, and the City of Pomona. During the year, the exhibit will be displayed at 20 Metropolitan member and retail agencies.
- Solar Cup 2009: Staff conducted the Second Solar Cup 2009 Technical Workshop at Occidental College for 300 students and teachers. This workshop, provided details on both electrical and mechanical content and hands-on workshops for students.
- Other Events and Meetings: Staff participated in the bi-annual Discovery Science Center's "Teachers' Science Night" at the Center. The event was attended by over 200 educators.

Community Outreach and other Events

Activities throughout the month, included:

- Staff coordinated and conducted an inspection trip, requested by Eastern MWD, of the West Dam and DVL Visitor Center for 20 representatives from the Chinese Water Resources Management of Shanxi Province Government.
- Staff attended the California Association of Realtors Business Meetings in Monterey to discuss Metropolitan's 2009 legislative agenda and Metropolitan's support for point-of-sale conservation retrofit requirements.
- Forty-two California Friendly® Landscape Training Program classes were held for more than 900 homeowners and professional landscapers.

Extraordinary Conservation Outreach

Staff addressed the National Association of Home Builders during the International Builder Show in Las Vegas. Metropolitan teamed up with the U.S. Environmental Protection Agency (EPA's Water Smart Leaders), Southern Nevada Water Authority and the Home Builders Association of Central Arizona to inform home builders and master developers about water supply and conservation programs. The educational program highlighted Metropolitan's California Friendly® Landscape and Model Home program.

EXTERNAL AFFAIRS GROUP

Legislative and Community Relations continued.....

Media

Activities throughout the month, included:

- Worked with several reporters on various stories including the water supply situation and new restrictions in the Delta. This included articles in the Los Angeles Daily News, Orange County Register, Pasadena Star-News, San Gabriel Valley Tribune and Los Angeles Times Website. In addition to print coverage, the story was picked up by television and radio, including KABC Channel 7 News, KTTV Fox Channel 11, KCOP Channel 13, KNBC Channel 4, KFVB-AM, KNX-AM, KFI-AM and KPCC-FM.
- Metropolitan's online water storage "gauge page" was unveiled, leading to several news stories, including those in the Glendale News Press and Inland News Today. Radio station KPBS-AM (San Diego) interviewed General Manager Jeffrey Kightlinger.
- The 2007 Annual Report (on hiatus for nine years), was published and distributed to Board of Directors and is now posted on Metropolitan's Website: mwdh2o.com.
- Issued a press release regarding the Board of Directors' support for Governor Schwarzenegger's Delta Vision Plan.

BUSINESS OUTREACH

The Business Outreach Program promoted economic development in Southern California and increased outreach and support for the Southern California business community and disabled veteran business community with the following activities:

- Business Outreach partnered with the State of California, Governor's Office of Planning and Research to host the Governor's Small Business Advocate Advisory Group. The meeting was chaired by the Governor's appointee Marty Keller. Over 34 business leaders and advocates attended the session. Topics included: discussion on how small business will be a key policy focus at both the state and national levels, as our leadership seeks innovative ways to loosen credit and help rebuild the international economy; a report on the Governor's Conference on Small Business and Entrepreneurship and the forward-looking policies developed at the conference to support economic recovery; and a presentation on the critical role small business will play in the state's economic resurgence and what state government should be doing to support its small businesses.
- Staff along with Metropolitan Directors representing San Diego, supported the San Diego Business Community by attending the 138th San Diego Chamber of Commerce Board Installation dinner.
- Staff attended the second annual Military Helping Military Business Networking luncheon in Long Beach. This organization is dedicated to developing business opportunities with the companies that are built by, hire or support America's military veterans.

REAL PROPERTY DEVELOPMENT & MANAGEMENT

Real Estate Activities

An easement was granted to the County of Riverside adding terms allowing utilities within an existing road easement that crosses a portion of the Colorado River Aqueduct right-of-way at Indian Avenue in the City of Desert Hot Springs.

Recreational Facilities

Storage levels in Diamond Valley Lake dropped throughout much of 2008 to meet demands. As a result, private boat launches were suspended indefinitely in October 2008. In the meantime, the lake remains open to the public through boat rentals, shoreline fishing, and hiking/biking on the Lakeview Trail. Fishing at DVL is very good and continues to attract avid fisherman. Boat rentals in December were up 80 percent compared to the previous December and are expected to double in January 2009 over January 2008 figures.

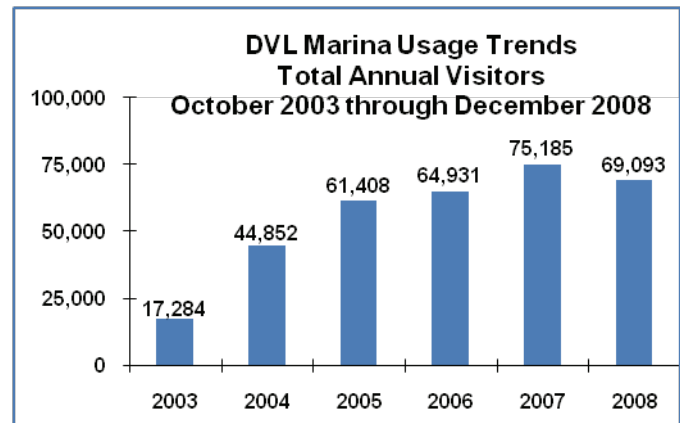
Real Property Activity Related to Future Water Infrastructure

A right-of-way feasibility report was initiated for four potential alignments of the San Diego Pipeline No. 6 South Reach Study

Diamond Valley Recreation Program

Appropriation Budget	
Approved distributed funds	\$68.9 M
Undistributed funds	\$23.9 M
Total Appropriation	\$92.8 M
Estimated expenditure as of 12/31/08	\$64.4 M

(Money has been largely spent.)



Leases, Licenses and Entry Permits

Leases, Licenses and Entry Permits granted this month include:

- A lease was granted to the County of Orange to allow for secondary parking on a portion of the right-of-way of East Orange County Feeder No. 2. The lease is located near the Santiago Creek Outlet Line and Pressure Control Structure. This parking is not a requirement of local occupancy codes.
- A license was issued to the City of Santa Clarita to allow for use of a portion of Metropolitan's Foothill Feeder right-of-way near the Santa Clarita rejection tower. The licensed parcel will be used as a staging area for the City's landscaping operations.
- A lease amendment was issued reducing the acreage on an existing agricultural lease near Diamond Valley Lake.
- A one-day entry permit was granted for use of parking at Headquarters.

CORPORATE RESOURCES GROUP

Capital Investment Plan

Contracts Summary

Ongoing Contracts

25 construction contracts and 4-related procurement contracts were ongoing through January. The total bid amount of these contracts is \$981 million.

November's Construction Payments

Approximately \$15 million in contract payments were made in January for construction performed in the month of December. Over \$4 million were expended on the Arrowhead Tunnels construction. Nearly \$3 million were related to work at the Skinner plant, including the ongoing construction of ozonation facilities, and Washwater Reclamation Plant 3. Over \$2 million were expended on the Diemer Oxidation Retrofit. Over \$1 million were expended on the Perris Valley Pipeline.

Total projected capital expenditures for the 2008/09 fiscal year were originally estimated at \$468 million; however, given the latest construction progress and the challenging financial market conditions, staff's current estimate for the fiscal year is approximately \$400 million. As a result of the recent financial market conditions, if a project can be delayed for a year without affecting water quality or reliability to an

unacceptable risk level, staff will recommend that the Board defer that project.

Significant Contracts

Arrowhead East Tunnel

In late October, the contractor secured a temporary transportation permit from the city of San Bernardino and began hauling the tunnel's reinforced concrete cylinder pipe from the storage area at Metropolitan's Etiwanda Reservoir to the Strawberry Canyon portal site. Under the temporary permit, the contractor made four deliveries per day during November, demonstrating his ability to meet the city's permit requirements while minimizing impacts to the streets and to traffic. In early January 2009, San Bernardino raised the delivery limit to eighteen pieces of pipe per day. The prolonged delay in issuing a transportation permit by San Bernardino has delayed the initiation of pipe lining in the East Tunnel by nearly 10 weeks.

The contractor installed 1,173 feet of pipe in December and another 683 feet in the first few weeks of January. The total length of pipe

installed through January 23 is 4,130 feet.

Arrowhead West Tunnel

The contractor completed mobilizing equipment to receive and install the reinforced concrete cylinder pipe for the West Tunnel. The contractor installed 1,235 feet of pipe in December and another 938 feet in the first few weeks of January. The total length of pipe installed (including the steel pipe previously installed at the Devil Canyon portal) through January 23 is 4,312 feet. Work continued on construction of the access structure at the Devil Canyon portal.

Other Contracts

- Skinner Treatment Plant Oxidation Retrofit and Washwater Reclamation Plant No. 3 is approximately 97 percent complete.
- At the Jensen treatment plant, a project for chlorine containment, unloading and handling remains approximately 99 percent complete.
- The Perris Valley Pipeline, North Reach is 92 percent complete and the South Reach is 9 percent complete.
- Two additional Ozone Contactors at the Mills treatment plant facility is 78 percent complete.
- Construction of ozone facilities commenced in August 2008 and is approximately 7 percent complete. Fabrication of Diemer ozone equipment is approximately 65 percent complete and is scheduled to be completed by September 2009.

CORPORATE RESOURCES GROUP

Capital Investment Plan/Recent Events

Perris Valley Pipeline

Perris Valley Pipeline: This 96-inch diameter pipeline will be approximately 6.5 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. The contractor completed installation and hydro-testing of all pipe for the North Reach. Deliveries to Service Connection EM- 23 will be available to the member agency this month.



Perris Pipeline—Installation of the final pipe segment for Perris Valley Pipeline North Reach

Mills Water Treatment Plant Capacity Upgrade

This program will upgrade specific components of the Mills plant to match the plant's hydraulic capacity of 326 million-gallons-per-day. The program consists of four projects. The program is scheduled to be completed in 2011/12 and is within budget. Recent activities include the following:

Ozone Contactors Nos. 3 and 4 – Under the original Mills Oxidation Retrofit Program project, Ozone Contactors Nos. 1 and 2 were installed with a combined capacity of 160 mgd. To increase the ozonation capacity to 326 mgd, two new ozone contactors are required.

Modules Nos. 1 and 2 Rehabilitation – To fully upgrade the Mills plant, Modules Nos. 1 and 2 will be rehabilitated and returned to service. Final design is 99 percent complete and is scheduled to be completed by February 2009. Staff will return to the Board in mid-2009 to request award of a construction contract.

Solids Handling Upgrades – This project will upgrade the solids system to reliably handle solids after the plant's full 326-mgd capacity is achieved. Preliminary design is 60 percent complete. The recommended upgrades include addition of a washwater reclamation plant and

thickeners. Value engineering was completed which recommended that a solids pipeline, valve structures, and related equipment be added to the Modules Nos. 1 and 2 Rehabilitation project, in order to minimize potential contractor interferences during upcoming construction at the Mills plant, and to defer expenditures. In November 2008, the Board authorized additional final design services to incorporate these recommended features. Preliminary design of the solids pipeline is complete and final design is scheduled to commence in February 2009. Preliminary design of the washwater reclamation plant and thickeners is scheduled to be completed by summer of 2009.

Chemical System Capacity Upgrades – Portions of the existing chemical facilities will be upgraded to support the full 326-mgd plant capacity. Final design is 99 percent complete and is scheduled to be completed by February 2009. Staff will return to the Board in mid-2009 to request award of the construction contract.

CORPORATE RESOURCES GROUP

Business Processes

Update Information Technology Strategic Plan

Completed Integration Testing of Metropolitan's Water Billing System Upgrade

This project will upgrade Metropolitan's water billing system, the Water Information System. WINS processes, stores and reports water transactions, incentive payments, customer usage, revenue data and storage account balances. WINS is used to invoice member agencies and incentive payments for the Local Resources Program and Conservation Credits Program. During this period, staff completed integration testing and began the parallel testing phase. During the parallel testing phase, results from the two systems are compared to ensure accuracy and performance. Phase I of the water new billing system is scheduled for deployment in the fourth quarter of FY2008/09.

Continued Hardware Installation for the Fuel Management System

The Fuel Management System project will track the delivery and usage of fuel to more effectively and efficiently manage Metropolitan's fuel inventory. In June 2008, the pilot phase was successfully completed at the Weymouth facility. The project is currently in the deployment phase and hardware installations have been completed at seven (Weymouth, Diemer, Soto Street, Sunset, Jensen, Mills and Skinner) of the 12 installation sites. In January, staff began hardware installation at the Lake Mathews site. The project is scheduled to finish in March 2009.

Strategic Priority/Sustainability

Staff furthered Metropolitan's business sustainability and water conservation initiatives by participating in the VerdeXchange International Sustainability Conference and the Urban Land Institute of Orange County's conference on Implementing Sustainable Development In Your Community. Both conferences encouraged an open exchange of ideas, information and experience among local, national and international industry leaders dedicated to creating better communities. California State Assembly Bill 32 and State Bill 375 were discussed along with their impact on economic development and the creation of new technology businesses. Also discussed were the current economic challenges that industry is facing with the tight credit market and the need to develop green businesses and technologies to meet the increasing demand for green technologies, work force, and products.

HUMAN RESOURCES GROUP

Strategic Priority/High Performance Workplace

StrategicHR

HR Advisory Council met to discuss Management Forum agenda, High Performance Climate Survey protocol and the High Performance Organization framework.

Labor Negotiations

Continued meetings with union leadership in preparation for negotiations.

Workforce Effectiveness

Apprenticeship Program

The second segment of the journey level skills development for programmable logic controllers was held at the Weymouth facility using the program's training simulators and Mobile Training Unit. This expansion of the program has received positive feedback and is expected to continue. Class sites are being selected according to facility need for training associated with new processes, including ozone.

Training

Staff is continuing to align training with key business and people management topics. Online training has been expanded to offer topics including Project Management, Coaching Skills, Resolving Interpersonal Issues and Effective Communications. Staff also delivered classroom sessions of Advanced Presentation Skills, Conflict Resolution, Behavioral Interviewing and Management Coaching.

A New Employee Orientation was conducted for seven employees – 1 Annuitant and 6 Regular full-time (4 started in December).



General Manager Jeff Kightlinger greets new employees.

HUMAN RESOURCES GROUP

Workforce Effectiveness

Equal Employment Opportunities

The EEO Office completed Affirmative Action Plans for Veterans and Persons with Disabilities in compliance with its federal contractors status after receiving confirmation that Metropolitan was exempt from preparing a plan for women and minorities. In addition, it completed its Third Quarter Workforce analysis.

Risk Management

Activity:

- Completed 73 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.
- Completed 53 risk assessments on contracts including professional service agreements, construction contracts, entry permits, special events and film permits.

Benefits

Staff presented the results of the Americh Massina 401(k)/457 plan fee audit to the Deferred Compensation Advisory Committee.

Family and Medical Leave Act forms and policies were updated based on the revised FMLA regulations.

Recruitment

There have been 46 recruitments this fiscal year 2008/09. January's recruitment activity included 10 recruitments with two of those positions being filled internally.

Staff is continuing implementation of the JobFox internet applicant sourcing tool to improve Metropolitan's pool of qualified candidates that meet the listed criteria for Metropolitan positions. Open positions are also posted to the JobFox Web site which matches and introduces qualified applicants to Metropolitan's Web site. Recruitment is utilizing this JobFox capability for all forthcoming positions.

All recruitment files from 2006 – present are being audited. Recruitment staff is reviewing all recruitment files to ensure that the files are complete. A new folder and file system will be initiated within one month. There will be a formal file folder procedure for all recruitment documentation with quality assurance approvals and signatures. This new process will place accountability for each recruitment file to the individual recruiter and will be tied to performance management criteria.

HR Information System

The following activities took place:

- Researched Metropolitan and employee records to assist lawyers with Cargill lawsuit.
- Provided in-depth PeopleSoft training to Employee Relations staff.
- Continued to work on the implementation of the Enterprise Learning Module.

Classification and Compensation

Validation sessions for the American Federation of State, County, and Municipal Employees Class/Comp Study started on January 7. As a result of those validation sessions, AFSCME, Human Resources, and managers from each Group are developing actual new job descriptions.

Worker's Compensation

Workers' Compensation conducted initial investigations on an estimated 13 injury incidents and submitted 10 new claims to Metropolitan's Workers' Compensation claim administrator. Settlement was reached in 1 claim and 9 claim files were closed. In addition, the 2008 OSHA Summary Reports were completed and prepared for posting at all facilities.

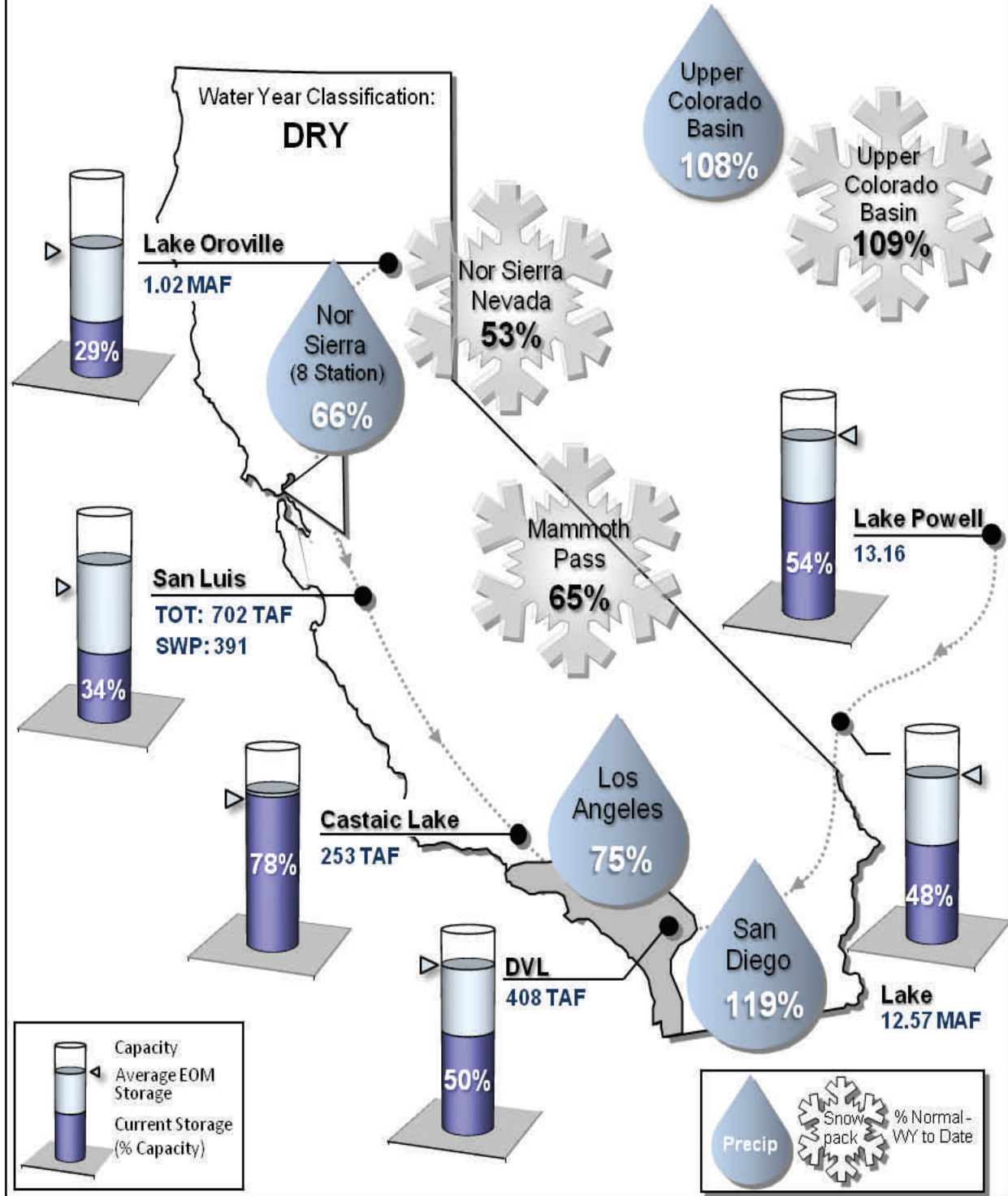
Medical conducted Medvans at Jensen and Diemer facilities and arranged 16 medical evaluations (Department of Motor Vehicles, medical surveillance, etc.). Ongoing accommodation requests presented by 3 employees were addressed, as were temporary restrictions for 3 other employees.

Employee Relations

An additional Interest-Based Negotiations class has been scheduled with Rhonda Hilyer for some of the other AFSCME officers. An additional session was deemed appropriate for AFSCME because new leadership took office this month.

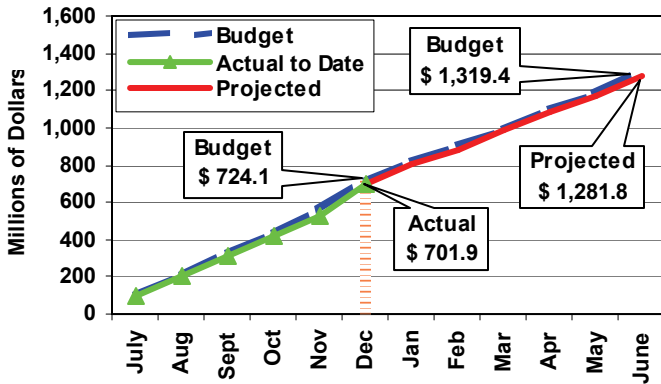
Water Supply Conditions

Current SWP Allocation (2009): 312,000 AF 15% of Table A Supplies
 Current Colorado River Supply (2009): 860,000 AF 69% of full CRA



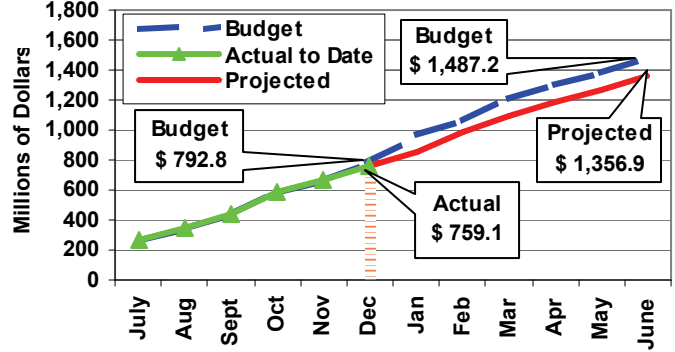
Finance as of December 31, 2008

Receipts are expected to be \$38 million under budget by year end, mainly due to lower water sales, interest income and CRA power sales.



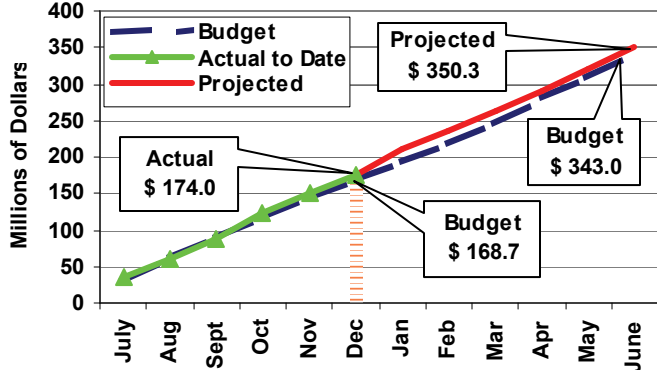
Excludes Bond Construction and Other Trust Funds Activity

Expenditures are expected to be \$130 million under budget by year end, mainly due to lower SWP power costs, water supply costs, and debt service payments.

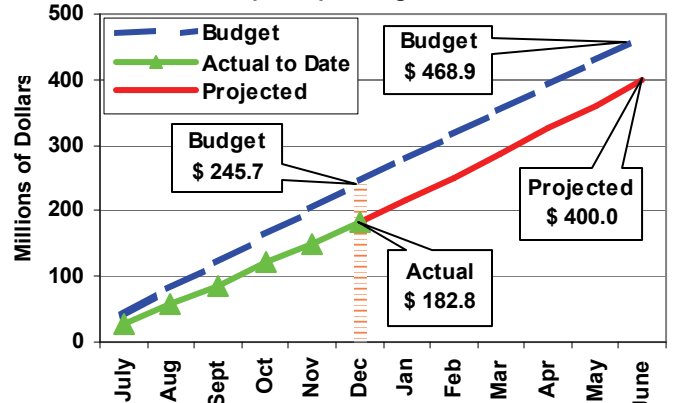


Excludes Bond Construction and Other Trust Funds Activity

O&M expenditures are expected to be \$7 million over budget at year end due to Cargill legal expenses, and workers compensation and third party claims.

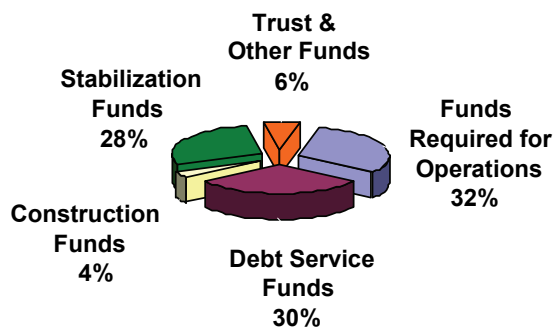


Construction costs are expected to be \$69 million under budget at year end, mainly due to the deferral of capital spending.



Cash and Investments

\$ 915.6 million



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.03 x
Revenue Debt Service Coverage	> 2.00 x	1.45 x
Revenue Bond Debt / Equity Ratio	< 100.0%	71.1%

Credit Ratings

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

The Metropolitan Water District of Southern California—GM's Monthly Activity Report—January 2009



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General Manager Jeffrey Kightlinger

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.

About Metropolitan

The Metropolitan Water District of Southern California is a consortium of 26 cities and water districts that provides drinking water to nearly 19 million people in parts of Los Angeles, Orange, San Diego, Riverside, San Bernardino, and Ventura Counties.

Statement of Values

In pursuit of "Excellence" as responsible stewards, Metropolitan is committed to the following values:

- Integrity
- Stewardship
- Open Communication
- Diversity
- Leadership
- Teamwork

Metropolitan Standing Committee/Board Meetings 2009

January 12 & 13

February 9 & 10

March 9 & 10

April 13 & 14

May 11 & 12

June 8 & 9

July 13 & 14

August 17 & 18 (Adjourned, Tax Levy, Tentative)

September 14 & 15 (Adjourned, Tentative)

October 12 & 13

November 9 & 10

December 7 & 8

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