

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

Summary

The attached report details the activities of the Office of the General Manager for the month of March 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
- Real Property Development and Management
- Corporate Resources
- Business Outreach
- Human Resources
- Finance

Attachment

General Manager's Monthly Activity Report

General Manager's Monthly Activity Report—March 2009

WATER RESOURCE MANAGEMENT GROUP

Strategic Priority / Water Supply Reliability

Regional Water Recycling, Groundwater Recovery, Locally Based Projects

Montebello Forebay

By letter of March 4, 2009, Metropolitan supported the Tentative Amendment to Water Reclamation Requirements issued by the Los Angeles Regional Water Quality Control Board. The amendment would ease permit requirements for groundwater recharge of recycled water in the Montebello Forebay. This recharge supports groundwater production in Central and West Coast groundwater basins.

Water Supply

Colorado River

Emergency Following Program

Staff is working with Palo Verde Irrigation District staff to sign up farmers for the one-year emergency following program that was approved in March. Under this emergency program, 13,350 acres are to be fallowed for one year, with fallowing commencing as early as April. Water savings from this one-year emergency program are expected to total 60,000 acre-feet with 40,000 acre-feet saved this year and 20,000 acre-feet next year. The current 35-year fallowing program, operating at its maximum yield, is expected to save 118,000 acre-feet this year. Combined together, the water savings from the long-term and the emergency fallowing programs would total 158,000 acre-feet this year and 138,000 acre-feet next year.

Environmental Cleanup Program

The American Recovery and Reinvestment Act appropriated \$483 million for the Department of Energy's Non-Defense Environmental Cleanup Program, under which the Moab Uranium Mill Tailings removal is funded. Of this amount, \$108 million will be used to accelerate removal of uranium mill tailings away from the Colorado River. This money will move an additional 2 million tons of mill tailings by 2011. On March 5, 2009, the Department of Energy opened a 3,800 foot section of new railroad track that will be used as a loading area for upcoming rail shipments of uranium mill tailings from Moab. Mill tailings shipments are scheduled to start in late April. The additional \$108 million would accelerate the total removal of the pile from 2028 to about 2025 assuming \$30 million per year is appropriated through program completion.

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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



WATER RESOURCE MANAGEMENT GROUP

Water Supply

State Water Project

New Analytical Tool

The State Water Project Contractors Authority has executed an agreement with the California Energy Commission to develop an analytical tool that examines energy efficiency and renewable energy use for large water conveyance facilities. Model development will use the East Branch of the State Water Project as the prototype for analysis. CEC will provide \$400,000 for consultant services, SWPCA will manage the study consultant and provide in-kind staff services. Metropolitan staff will take the lead in that effort on behalf of the SWPCA.

Local Resource Program

Regional Recycled Water Expansion Project

Consistent with Board approvals in August 2008, staff entered into separate Local Resource Program agreements for recycled water development with Inland Empire Utilities Agency and Municipal Water District of Orange County. IEUA's Regional Recycled Water Expansion Project is expected to ultimately deliver up to 33,000 acre-feet per year for landscape and agricultural irrigation, commercial uses and indirect potable uses through groundwater recharge. Metropolitan will provide up to \$250 per acre-foot based on actual yield over the 25-year agreement term.

LRP Agreement

Staff also amended an existing agreement executed with the Municipal Water District of Orange County and Orange County Water District in 2004 for the Groundwater Replenishment System Talbert Seawater Intrusion Barrier Component. The amendment increased eligible contractual yield to 70,000 acre-feet per year for seawater intrusion barrier and groundwater replenishment purposes. Metropolitan will provide incentives on a per acre-foot basis of actual yield for 23 years or a total of 713,000 acre-feet of production, whichever occurs first.

Conservation

Water Efficiency Conference

In March 2009, Metropolitan staff participated in the International Water Efficiency Conference held in Newport Beach. Staff contributed by providing technical presentations in several areas, including Metropolitan's Public Sector Program, Regional Residential Incentive Program, Water Savings Performance Program, and Local Resources Program. The inaugural water efficiency and conservation conference and exposition was developed in cooperation with *Water Efficiency* magazine to present a comprehensive, unbiased education curriculum on water conservation program administration and challenges. The conference's keynote speaker was Ms. Nancy Sutley, former Metropolitan board member.

State Model Water Efficient Landscape Ordinance

On February 9, 2009, the Department of Water Resources released the final regulation for the State Model Water Efficient Landscape Ordinance. The ordinance is primarily oriented to new development and rehabilitated landscapes, although it does address improving irrigation

practices on existing landscapes. Implementation could achieve up to 30 percent water savings over existing landscape design and installation practices. By January 1, 2010, cities and counties are required to adopt either (1) a local water efficient landscape ordinance that is at least as effective in saving water, or (2) the state's model ordinance. Staff is working with the member agencies to evaluate the impact of its adoption and various implementation strategies.

Phase II Public Sector Program

Consistent with Board direction provided in January, staff is initiating disbursements of the second phase of Public Sector Program funding authority of nearly \$5 million this fiscal year. Public agencies that submitted applications were prioritized based on compliance with meeting certain water conservation ordinance prerequisites requirements for eligibility, with ordinances given higher priority for funding. Additional funding will be provided for the next fiscal year beginning July 1, 2009.

WATER RESOURCE MANAGEMENT GROUP

Water Supply

Conservation continued....

Agricultural Conservation

Metropolitan staff met with agricultural customers in Riverside County to discuss opportunities for water conservation. Findings from the meeting are being factored into Metropolitan's approach to agricultural conservation within its service area.

Recycling

Water Recycling Award

Metropolitan was recently recognized by the WaterReuse Association California Section as the 2009 Recycled Water Agency of the Year. Inland Empire Utilities Agency and West Basin Municipal Water District nominated Metropolitan for the award for its outstanding leadership in providing financial incentives for the development of local water recycling projects under the Local Resources Program. Last fiscal year, Metropolitan provided over \$22 million for the development of 116,000 acre-feet of recycled water in Southern California. Since inception of the LRP in 1982, Metropolitan has provided over \$194 million for the production of over 1 million acre-feet of recycled water. Chairman Timothy Brick received the award on behalf of Metropolitan and the Board of Directors at the California Section's annual conference in San Francisco.

Marine Life Protection

Staff in collaboration with member agencies are assessing and preparing comments regarding the Department of Fish and Game Marine Life Protection Area regulatory process. Metropolitan and the member agencies are exploring approaches to proposed marine life protection areas that do not foreclose seawater desalination opportunities. Certain marine life protection areas could limit or even prohibit seawater desalination facilities such as ocean intakes and brine discharge outfalls.

WATER SYSTEM OPERATIONS GROUP

Water Demands

Water Sales Cash Year 2008-09 (May-April)
 2,046,000 AF Current Sales Projection
 2,151,000 AF Budget Sales Projection
 -105,000 AF Difference

Current Reservoir Storage

	As of 3/31/09
Lake Mathews	122,700 AF
Lake Skinner	36,700 AF
DVL	405,600 AF
Lake Perris	62,000 AF

System Operations

System operations delivered 133,000 acre-feet of water for March 2009 to meet an average daily demand of 4,300 AF per day. The first half of the month saw a relatively low demand while the second half of the month saw demands increase to 5,000 AF per day. For the month of March, system operations imported 38,300 AF of water from the State Water Project into the service area, equivalent to 29 percent of Metropolitan's deliveries. Metropolitan also withdrew 3,800 AF from its flexible storage account in Lake Perris.

The use of State Water Project supplies continued to be limited to the exclusive SWP service area to manage operations under a very low SWP allocation. System operations coordinated shutdowns of the Upper Feeder west, the Lower Feeder, the San Diego Canal, and the lower end of the Palos Verdes Feeder with our member agencies. On February 25, the Operations Control Center assumed remote, operational control of the San Diego Canal, Diamond Valley Lake and Lake Perris facilities. These facilities were previously controlled by the local area at Lake Skinner.

Current Sales / Deliveries

March Sales Estimate 130,000 AF
 March Delivery Estimate 133,000 AF**

** excludes Desert Water / Coachella Valley deliveries

Sales Projections for Calendar Year 2009

As of March 24, Sales Forecast is 2,239,000 AF

System Maintenance/Shutdowns

On March 2, the Mills plant was shut down for three days to remove influent and effluent bulkheads in the ozone contactors. A one-day shutdown of the Lower Feeder (Untreated) was held on March 10 to inspect the Santiago Tower. Additionally, a three-day shutdown began on the Upper Feeder (Treated) to perform work at Service Connections FM-01 and SMR-01. On March 16, the San Diego Canal was shut down for five days to perform work on the East and West Lake Skinner Bypass Pipelines. The lower portion of the Palos Verdes Feeder was shut down for three days beginning March 24 to install a bulkhead in the Inlet Tower of the Palos Verdes Reservoir in preparation for the reservoir cover replacement project.

Treatment Plants

The Skinner water treatment plant was partially shut down from March 16-23 in order to complete a tie-in associated with the new ozone contactors. This significant milestone marks the last shutdown required to tie in new ozone facilities at the Skinner plant.

The Mills water treatment plant was fully shut down from March 2-7 to tie in two new ozone contactors. The new ozone contactors will increase the design capacity of the plant from 160 to 220 million gallons per day.

On April 1, two new federal rules come into effect which regulate the transportation of liquefied chlorine gas by rail. Three of Metropolitan's facilities receive chlorine by rail. During March, staff implemented new systems and procedures to comply with these laws.

WATER SYSTEM OPERATIONS GROUP

System Reliability

Water Quality

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

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 February for Weymouth, Diemer, and Skinner water treatment plants are 643, 632, and 628 mg/L, respectively. All three plants are currently above the operating goal of 500 mg/L TDS as a running annual average.

Chromium 6—Staff provided comments on the draft Corrective Measures Study for the Topock Chromium 6 Remediation Project. The CMS presents treatment alternatives for groundwater remediation. On March 12, staff attended the Topock Leadership Partnership meeting in Palm Springs to discuss the CMS treatment alternatives. The CMS is expected to be finalized in June 2009.

Quagga Mussel—The California Department of Fish and Game will be rearing redear sunfish, crayfish and bluegill for supplemental stocking in Metropolitan's reservoirs. Once the redear sunfish successfully reproduce, they will be stocked into Lake Mathews as part of the Integrated Pest Management approach for managing quagga mussel populations in our lakes.

Apprenticeship Program

Staff continues to keep current with learning trends and resources by way of vocational education associations at the state and local levels. Staff participated as industry representatives in the Vocational Technical Education Act Industry and Technologies Advisory Committee meeting in Ontario, California and learned of initiatives, technical education grants, specialized instructor training opportunities and adult education trends in the state. Additionally, staff participated in organizational effectiveness training addressing new ideas on "Talent Development" and group/classroom dynamics via internal training resources.

Emergency Management

Staff participated in a meeting of the Critical Incident Planning and Training Alliance in order to strengthen relationships with Los Angeles County and City emergency management.

Staff continued discussions regarding the California Water/Wastewater Agency Response Network Operational Plan to implement updates according to the After Action Report relative to the Golden Guardian 2008 exercise.

Staff met with a Damage Assessment Team representative to clarify coordination steps for supporting Incident Command Center requests for assistance and explored Emergency Operations Center training opportunities for DAT members.

Skinner, Diemer, and Water Quality Incident Command Centers conducted emergency exercises. Mills command center conducted a plant evacuation drill and Headquarters command center conducted a Communications Workshop. These exercises and workshops continue to strengthen employee skill levels needed in responding to a district-wide major emergency or disaster.

Security

Security management developed options and cost estimates for integrating improvements to chemical unloading facility barriers in conjunction with future facility renovations.

Security management hosted a visit of Department of Homeland Security representatives to discuss support for DHS efforts to better understand critical infrastructure protection needs for different sectors.

WATER SYSTEM OPERATIONS GROUP

System Reliability continued.....

Power Operations and Planning

On February 26, Metropolitan provided comments to the U.S. Department of the Interior on three draft reports related to climate change. The reports raised climate change related issues on the management of Interior assets from an operational, legal and scientific basis. A board report on the comments was provided at the March meeting of the Water Planning and Stewardship Committee.

Self-Certifications stating compliance with the national electrical reliability standards were prepared for the Load Serving Entity and Resource Planner functions. These standards cover certain aspects of Metropolitan's Colorado River Aqueduct system and specific tasks have been delegated to Metropolitan by Southern California Edison. Failure to comply with the standards can result in monetary fines and operational sanctions. The certifications will be provided to SCE by April 4.

Staff completed preparation for the transition to a new energy market design that is being implemented by the California Independent System Operator. The transition will occur on April 1 and its complexity has been compared to the implementation of energy deregulation in 1998. The CAISO has assured the energy community there will not be a repeat of the market disruptions and manipulations that occurred during the energy crisis of 2000-01.

Conveyance and Operations

Staff refilled the Etiwanda Pipeline and prepared the hydroelectric power plant for operation.

Staff conducted testing of the Greg Avenue Pump Station. An evaluation is being performed to determine the cause of failure in one pump unit.

Start-up testing on Intake Unit #1 was performed. Control system testing to complete commissioning of the unit is to be completed in April. Staff also prepared the new Perris Valley Pipeline for service. The pipeline was put into operation and service was provided on Service Connection EM-23.

Environmental, Health and Safety

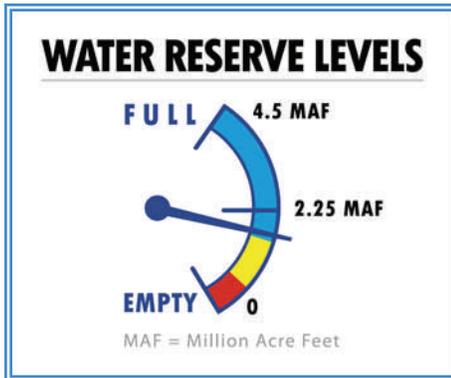
Environmental, Health and Safety Section staff completed development and began rollout of EHS Manager training to address the following key objectives: manage facility/operational roles, responsibilities, and resources relative to the most critical EHS requirements; utilize tools and resources available to plan and manage daily EHS compliance; understand the internal and external consequences of non-compliance; and coach and mentor employees to positively impact EHS performance. Water System Operations managers will be trained throughout the month of April. Remaining managers within Metropolitan will begin training in the fall.

A moratorium on Southern California Air Quality Management District permits has impacted several facility projects that include emergency generators. SCAQMD formed a working group with various stakeholders to strategize and develop recommendations to resolve this issue, including the use of offsets from the priority reserve. At the first meeting on March 11, SCAQMD staff presented the five objectives of the group, as well as their proposed urgency legislative remedy.

The Los Angeles Regional Water Quality Control Board postponed the public hearing on the Tentative General Permit for Potable Water Systems. The Board hearing scheduled for March 5 was postponed as a result of the number of comments received expressing concerns about the proposed permit in addition to there being no quorum of the Board. EHS staff is continuing to work with the Regional Board and other potable water stakeholders on this regulatory issue.

EXTERNAL AFFAIRS GROUP

Strategic Priority/ Water Supply Reliability / Water Conservation



Conservation advertisements featuring Metropolitan's water supply gauge aired through most of March on key radio stations throughout Southern California, in English, Spanish, Mandarin, Cantonese, Korean and Vietnamese. Online advertising and paid search advertising began March 2 on local media Web sites, search engines and other highly trafficked information sites.

Member Agencies\Board Support

Legislative and Community Outreach

On March 10, Chairman Brick participated in a congressional briefing in the U.S. Capitol. This was in connection with Metropolitan's participation in the Los Angeles Area Chamber of Commerce/Access DC trip. More than a dozen members of Congress and their staff and several Metropolitan directors attended and heard Chairman Brick's presentation on California's water shortage situation.

Thirteen board members and executive staff convened in Sacramento on March 16-17 to share Metropolitan's perspective and vision for the Delta with legislative leaders and officials from the Schwarzenegger Administration. The board met with legislative leaders including Assembly Speaker Karen Bass and Assembly Members Jared Huffman and Jean Fuller, Chair and Vice Chair of the Assembly Water, Parks and Wildlife Committee; Senate President pro Tempore Darrell Steinberg and Senators Lois Wolk and Joe Simitian, members of the Senate Natural Resources and Water Committee; Linda Adams, Secretary of the California Environmental Protection Agency; and John Moffatt, Chief Deputy Legislative Secretary for Governor Arnold Schwarzenegger. Representatives from The Nature Conservancy also met with the Metropolitan representatives to review and discuss mutual interests for a comprehensive Delta solution.

Legislative and Community Outreach

Federal Legislative Update

Staff worked with other California water stakeholders to promote the need for new federal funding for California's Delta levee stability and seismic disaster prevention. Briefings were conducted in Washington, D.C. with Representatives Ken Calvert and George Radanovich and with staff representing Senators Dianne Feinstein and Barbara Boxer.

EXTERNAL AFFAIRS GROUP

State Legislative Update

Activities throughout the month:

- Beginning in late February and throughout the month of March, both the Senate and Assembly hosted informational hearings on the Delta with the goal of bringing a comprehensive solution for the Sacramento-San Joaquin Delta to reality. The span of topics included an evaluation of the Delta Vision process, the Bay Delta Conservation Plan, the Delta “as a place,” water rights and the salmon crisis.
- Metropolitan’s Assistant General Manager Patterson testified at the Senate Natural Resources and Water Committee informational hearing on “Delta Vision and the Bay-Delta Conservation Plan: Current Status and Next Steps” on February 24. He provided testimony on the critical importance of the Bay Delta Conservation Plan to frame what lies ahead for change to take place in the Delta. He urged the Legislature to support the BDCP’s moving forward; to create a Delta Conservancy to focus on ecosystem restoration; to authorize better science to identify other environmental stresses essential to sound Delta policy; and to secure better, basic information about water use throughout the watershed.
- On March 10, at the invitation of the Assembly Water, Parks and Wildlife Committee, Assistant General Manager Patterson testified during an informational hearing on the salmon crisis. His testimony focused primarily on environmental stresses impacting the salmon population, such as the predation of native fisheries by non-native fish, the widespread loss of shallow water habitat and the need for hatchery reforms.
- At the request of the Senate Select Committee on Delta Stewardship and Sustainability, Roger Patterson shared Metropolitan’s perspective on recognizing and preserving the unique cultural, recreational and agricultural values of the evolving Delta in a way that is compatible with restoring the ecosystem and rebuilding the water delivery system.

Local Government Update

- Staff and Valley Industry and Commerce Association leadership met with Assemblyman Fuentes to discuss energy and water-related issues as well as Metropolitan’s sponsored bills: AB 13, AB 474, AB 804, AB 900, AB 1061, AB 1253 and SB 407.
- Staff met with John Popoch, District Director for Assembly Bob Blumenfield, and provided an in-depth overview of water supply issues related to the Delta.
- Staff briefed Diane Moss, Field Deputy for Environmental Issues for Congresswoman Jane Harman, on regional water supply reliability and Metropolitan’s water conservation programs.
- Metropolitan staff, along with representatives of the Municipal Water District of Orange County, briefed the Westminster Chamber of Commerce Government Affairs Committee on state and regional water issues, including Metropolitan’s conservation programs.
- Staff moderated a panel discussion on point-of-sale retrofit programs at the Association of California Water Agencies’ Legislative Symposium in Sacramento. The panelists included Senator Alex Padilla and representatives from the Marin Municipal Water District, City of San Diego Water Department, and the California Association of Realtors.
- Water Resource Manager Arakawa provided an overview of the current water supply outlook to the San Gabriel Valley Public Affairs Network.
- General Manager Kightlinger participated in a panel discussion at the “Los Angeles Water Forum” convened by Speaker Karen Bass’ as part of her 47th Assembly District’s People’s Council. Others participating on the panel were David Nahai, General Manager/CEO at Los Angeles Department of Water and Power, and representatives from three environmental organizations. The forum was co-hosted by Assemblymembers Mike Feuer and Mike Eng. Approximately 150 people were in attendance.

EXTERNAL AFFAIRS GROUP

Local Government Update continued....

- Staff met with Rebekah Rodriguez- Lynn, District Director for Senator Fran Pavley, and provided a detailed overview of water supply issues related the Delta.
- At the United Chambers of Commerce Annual Business Awards Dinner, Metropolitan was given the "Chairman's Award" for its continued leadership, vision, and advocacy of key issues impacting businesses in the San Fernando Valley. Over 400 business leaders and elected officials attended the awards ceremony at the Hilton Woodland Hills, including Assemblymen Krekorian and Smyth. Director Ballin accepted the award on Metropolitan's behalf.

Media

Activities throughout the month:

- Arranged an interview with General Manager Kightlinger and National Public Radio to discuss the state's snow survey and water supply issues on "Morning Report."
- Issued a press release on Chairman Timothy F. Brick's presentation on California's water supply challenges at a congressional briefing in Washington.
- Arranged an interview between Telemundo TV Channel 52 and Metropolitan's Jose Vergara to talk about the drought and its effects in Southern California.
- Arranged an interview with the San Diego Union-Tribune and Metropolitan's Steve Arakawa to discuss various water issues, including the state's Drought Water Bank.
- Provided assistance to Fox News television in Los Angeles on a story about the drought and possible water supply shortage.
- Arranged an interview with Press Television and Assistant General Manager/Chief Operating Officer Debra Man to discuss water supply conditions.

Community Outreach and other Events

Activities throughout the month:

- Forty-five California Friendly® Landscape Training Program classes were held for more than 1,200 homeowners and professional landscapers.
- Staff coordinated and conducted an inspection trip for the Riverside County Grand Jury.
- Staff provided a presentation on Water Efficiency as part of the LA County Community Development Commission's panel on energy and water conservation programs.
- Staff participated in a meeting with the La Verne Fire Department regarding the Fire Water System at Weymouth.
- Staff coordinated and participated in a meeting with the City of Long Beach Engineering regarding the cross connection worksites in the city.
- Staff coordinated and conducted a meeting with La Verne Planning Department regarding the Weymouth Project schedule.
- Staff participated in the Los Angeles County Community Development Commission's Green Residential Rehabilitation program, providing an overview of conservation programs available to local government to retrofit housing projects.

Education

Activities for the month:

- Ten Diamond Valley Lake School Program field trips were conducted (grades four through five) for nearly 400 students from Hemet, Lake Elsinore, Murrieta Valley, San Jacinto and Temecula Valley Unified School Districts. More than 250 additional students attended as a part of Western Center field trips.
- All grantee contracts for the Southern California World Water Forum College Grant Program are executed and funds distributed to 17 colleges and universities.

REAL PROPERTY DEVELOPMENT & MANAGEMENT

Operate Headquarters Facility

Submission of application for Leadership in Energy and Environmental Design certification for Metropolitan's Headquarters building is scheduled for May 2009. The LEED rating system helps building owners and operators measure operations, improvements, and maintenance with the goal of maximizing operational efficiency while minimizing environmental impacts.

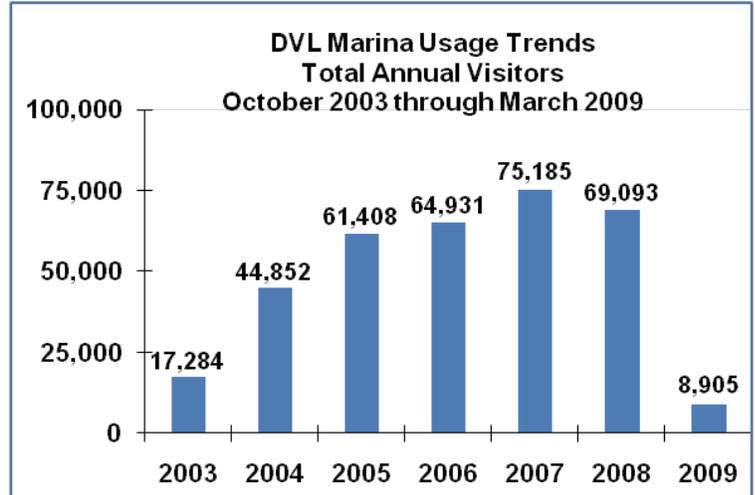
Leases, Licenses and Entry Permits

An entry permit with Riverside County Transportation Commission was amended to extend the term and to provide additional study sites in conjunction with their environmental and engineering studies for the proposed Highway 79 realignment.

An entry permit was amended with Transcan Development, LLC, to extend the term. The permit allows ingress and egress across a portion of the Box Springs Feeder right-of-way and provides for compatible construction activities in conjunction with an adjacent development.

Diamond Valley Recreation Program

Appropriation Budget	
Approved distributed funds	\$68.9 M
Undistributed funds	\$23.9 M
Total Appropriation	\$92.8 M
<i>Estimated expenditure as of 2/28/09</i>	\$64.5 M



CORPORATE RESOURCES GROUP

Capital Investment Plan

Contracts Summary

Ongoing Contracts

22 construction contracts and 4 related procurement contracts were ongoing through March. The total bid amount of these contracts is \$952 million.

Construction Payments

Approximately \$17 million in contract payments were made in March for construction performed in the month of February. Nearly \$5 million were expended on the Arrowhead Tunnels construction. Approximately \$3 million were related to work at the Skinner plant, including the ongoing construction of ozonation facilities and Washwater Reclamation Plant 3. Over \$4 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 \$375 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. As part of the FY2009/10 budget process, staff has recommended the deferral of \$240 million in projects.

Significant Contracts

Arrowhead East Tunnel

In March, the contractor continued installing the final pipe liner within the tunnel. This reinforced concrete cylinder pipe (RCCP) was transported into the tunnel from the Strawberry Creek portal, averaging just over 12 pipe segments (20-foot lengths) placed per day. The contractor installed 5,134 feet of pipe in March. The total length of pipe installed through March is 14,361 feet (64 percent of the tunnel's length). Cellular grouting (grout injected between the RCCP and the outer bolted-gasket mining segments) from the City Creek portal continues to follow the progression of lining. Approximately 13,500 feet of the tunnel has been grouted through March.

Arrowhead West Tunnel

The contractor continued installing RCCP from the Waterman Canyon portal, averaging about 12 segments (20-foot lengths of pipe) per day. The contractor installed 5,170 feet of pipe in March. The total length of pipe installed through March is 15,827 feet (80 percent of the tunnel's length). In early March, cellular grouting commenced from the Devil Canyon portal; approximately 4,000 feet of the tunnel has been grouted through March. Preliminary construction work began on the access structure at the Waterman Canyon portal.

Other Construction Contracts

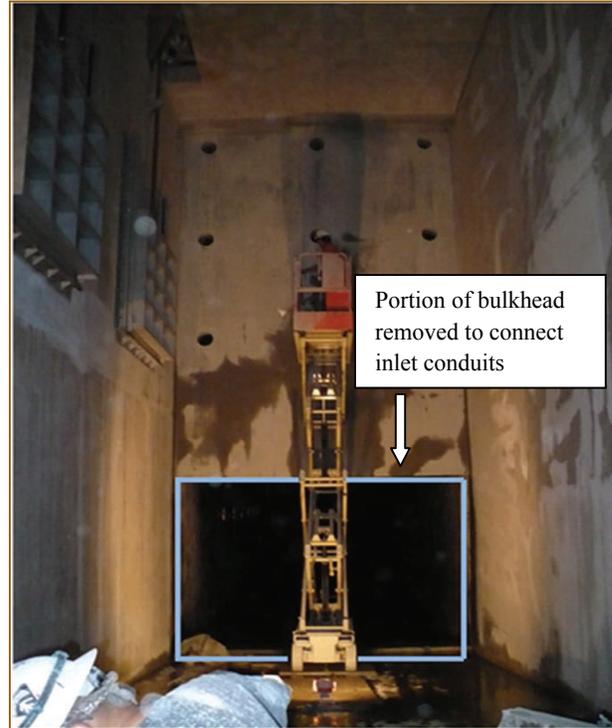
Project	Percent Complete
Skinner Treatment Plant Oxidation Retrofit and Washwater Reclamation Plant No. 3	99%
Mills Water Treatment Plant – Chemical System Upgrades	99%
Perris Valley Pipeline, North Reach	96%
Perris Valley Pipeline, South Reach	17%
Mills Treatment Plant - Ozone Contactors No. 3 and No. 4	85%
Diemer Water Treatment Plant – Oxidation Retrofit Program	12%
Diemer Ozone Equipment Fabrication	70%
Skinner Water Treatment Plant - Solar Power Generation Facility	8%

CORPORATE RESOURCES GROUP

Capital Investment Plan/Recent Events

Henry J. Mills Water Treatment Plant Shutdown

During the March 2009 shutdown, a significant construction contract milestone was achieved for Contractors Nos. 3 & 4. The contractor removed a portion of the existing inlet bulkhead to allow water to flow into the new ozone contactors. The contractor worked around the clock to complete the shutdown work ahead of schedule. The Mills plant was returned to service on March 5. The construction contract is 85 percent complete and is on schedule to be completed by July 2009.



Demolition of bulkhead between new and existing contactors

Supply and Delivery Reliability

Skinner Water Treatment Plant Expansion No. 4

This program includes construction of a new 110 million-gallons per day water treatment module (Module No. 7) and supporting facilities. Module No. 7 commenced operation in July 2007, while Washwater Reclamation Plant No. 3 and a coal removal structure were completed in December 2006. Construction of the Chemical Systems Modifications was completed in October 2007. All chemical systems have been placed into service except the sodium hypochlorite and filter backwash polymer, which are required when the Skinner ozone facilities commence operation. Remaining work includes the reclaimed washwater return pumping station, which is 98 percent complete and is scheduled to be completed by May 2009.

The program is on schedule to be completed in fiscal year 2008/09 and is within budget.



Skinner Pumping Station

CORPORATE RESOURCES GROUP

Rehabilitation and Replacement

Conveyance and Distribution System Rehabilitation Program: This program was initiated to maintain reliable deliveries through specific repair and rehabilitation projects on Metropolitan's pipelines, reservoirs, and control structures. The program currently contains 36 active projects, while 39 have been completed. Recent activities include the following:

- St. Johns Canyon Channel Repair and Modifications – This project will repair storm run-off damage and construct modifications to prevent re-occurrence of the damage. Construction is complete.
- Lake Skinner East Bypass Screening Structure Rehabilitation – This project involves rehabilitation of the existing screening structures, enabling the removal of algae mats and other floating debris. Installation of the new trash racks was completed during a March 16 -19 shutdown, while construction is continuing on the installation of the screening structure and appurtenant facilities. Construction is 30 percent complete and is scheduled to be completed by October 2009.

- OC-71 Service Connection Fire Repairs – This project will repair fire damage caused by the 2007 wildfires. Construction is 40 percent complete and is scheduled to be completed by June 2009.
- Valve Replacement for San Fernando Tunnel at Magazine Canyon – This project involved the replacement of an inoperable 24-inch turnout valve located approximately 160 feet below ground surface in the Magazine Canyon Shaft. Installation of the new valve and actuator was completed during a scheduled February 2009 shutdown. [see picture page 20]

The Conveyance and Distribution System Rehabilitation Program is on schedule to be completed in Fiscal Year 2018/19 and is within budget.

Business Processes

Update Information Technology Strategic Plan

Control System Working Group

In March, staff attended the 2009 Industrial Control Systems Joint Working Group Inaugural Symposium held by the United States Department of Homeland Security. The Working Group meeting was an invitation-only event, providing a vehicle for communicating and partnering across all Critical Infrastructure and Key Resources Sectors between federal agencies and departments, as well as private asset owner/operators of industrial control systems.

Water Information System

This project will upgrade Metropolitan's water billing system. The WINS system processes, stores and reports water transactions, incentive payments, customer usage, revenue data and storage account balances. WINS will be used to invoice member agencies and incentive payments for the Local Resources Program and Conservation Credits Program. In March, staff successfully concluded three months of parallel testing, where results from the

existing and new system are compared to ensure accuracy and performance. Staff will proceed with the deployment phase, and final preparations are currently underway to deploy Phase I of the new water billing system.

Automatic Meter Reading Upgrade

During this period, staff completed the installation phase for the Automatic Meter Reading Upgrade project. This important milestone culminates extensive planning and execution between Water Systems Operations and Information Technology staff, involving installation at approximately 480 meter sites. Remaining tasks include a punch-list of wrap-up items. The AMR system is the primary source of data for providing information on the amount of water delivered to member agencies. The new system will provide near "real-time" data, vs. the current once-a-day data retrieval, and can provide member agencies with more up to date information, increased security and improved communications.

CORPORATE RESOURCES GROUP

Strategic Priority/Sustainability

Reduce Life Cycle Environmental Impacts of Facilities

District-wide Landscape Assessment

Metropolitan staff have completed a full-landscape assessment of Metropolitan facilities. The assessment:

- Identified the vegetation
- Determined if it is California Friendly
- Looked at the irrigation
- Located any remaining turf
- Prioritized future work

Assessment of Sustainable Design and Construction

Engineering has begun to examine each capital project while in preliminary design for opportunities to incorporate sustainable design features based on the United States Green Building Council's Leadership in Energy and Environmental Design Green Building Rating System. The Weymouth Switchgear Building project was selected as the initial test project to implement this approach and a full report with sustainability recommendations has been completed.

Sustainable Procurement

Green Procurement Forum - Contracting Services, Business Outreach and Metropolitan Transit Authority are jointly developing a Green Procurement Forum for Member Agency and MTA purchasing managers. Focus will be on green purchasing policies and procedures and on a sampling of the types of green products currently available. Staff anticipates finalizing in May 2009.

Standardization of Vehicle Platforms - Buying green can mean in some instances looking at the overall life cycle cost and impact of products, not just the initial price. Recognizing this, Metropolitan's procurement staff worked with Water System Operations to develop a competitive process that will standardize the purchase of light duty fleet vehicles to specific vehicle platforms. Standardizing the vehicle platforms offers several benefits, including: (1) improved maintenance; (2) easier training of mechanics; (3) streamlined parts and fluid inventories; (4) enhanced driver safety; and (5) expedited specification and bid processes. The model Request For Bid was issued on March 30.

Online Operations and Maintenance Manuals - Metropolitan has traditionally produced hard copy maintenance manuals that are the backbone for field

maintenance training and reference system. To move to the current online world, Document Services is developing a pilot online Operations and Maintenance treatment plant manual that will be completed this August. The system will allow maintenance staff to use their computers to easily navigate to descriptions, text, flowcharts, and isometric illustrations with just a few clicks of the computer mouse.

Central Digital Image Library - One the biggest users of computer and network storage space is duplicate digital images that staff maintains for reference. To address the drain on Information Technology resources, Records Management and IT introduced a centralized digital image library for Metropolitan. This allows staff to store just one image and label it in such a way that staff throughout Metropolitan can easily identify and access it.

Employee Awareness

Spring Green Fair

Planning is in full swing for Metropolitan's Second Annual Spring Green Fair to be held at Metropolitan's Headquarters facility on May 7. More than 50 vendors will be displaying a variety of commercial and residential products and services. Seven workshops are scheduled including one lead by industry expert Professor Mark Bernstein, Managing Director of the USC Energy Institute. Another workshop will be presented by Mr. Bart O'Brian, Director of Horticulture for the Santa Ana Botanic Garden and co-author of California Native Plants for the Garden.

BUSINESS OUTREACH

The Business Outreach Program promoted Business and Economic Development in Southern California, increased outreach and support for the Southern California Business Community and Disabled Veteran Business Community, increased awareness of our Sustainable Business Development Initiatives, and encouraged businesses to participate in Metropolitan's water conservation programs by engaging the business community at the following events:

Third Annual Green Summit and Expo

Green certification, green businesses and technology topics were presented at the "Third Annual Green Summit and Expo" held in Sacramento on March 16-18. Business Outreach introduced 300 businesses to Metropolitan's Sustainable Business Development Initiatives and water conservation programs.

Co-Sponsored the City of Los Angeles 14th Annual Minority Enterprise Development Week Awards Program

The Business Outreach Program co-sponsored a business program "City of Los Angeles 14th Annual Minority Enterprise Development Week Awards" with the City of Los Angeles which featured Mayor Antonio Villaraigosa as the keynote speaker along with civic and community leaders. The event was attended by 700 businesses and government agencies.

California Green Workforce Development Committee Meeting

The Business Outreach Program hosted and participated in the California Green Workforce Development Committee Meeting held at Metropolitan. Metropolitan is one of the Signature members of the California Green Workforce Coalition, which is comprised of government agencies and private sector businesses in Southern California, and was founded in February 2008. Chairman Timothy Brick welcomed the group to Metropolitan and Business Outreach introduced the group to our Sustainability Business Development Initiatives, which cover green certification, green businesses and technology.

National Association of Women Business Owners – Los Angeles Chamber 23rd Annual Leadership & Legacy Awards Luncheon

The Business Outreach Program continued our partnership and support for the National Association of Women Business Owners. Over 1,000 government agencies and businesses attended the event and honored the award winners. NAWBO members have supported Metropolitan's legislative efforts and have been instrumental in getting Metropolitan's water conservation

message out to all of their California NAWBO Chapters.

National Latina Business Women Association Business Development and Networking Event

Director Sylvia Ballin introduced Metropolitan to the National Latina Business Women's Association group which includes members from the Los Angeles, Orange County, and Inland Empire organization. Business Outreach increased awareness of Metropolitan's NETConnect vendor registration and certification system and introduced 50 new businesses to Metropolitan's business opportunities and water conservation efforts.

Other Business Outreach activities for the month include:

- Partnered with the Inland Empire Women's Business Association and educated vendors in the Inland Empire on Metropolitan's NETConnect vendor registration and certification system.
- Participated in the Orange County Hispanic Chamber of Commerce Business Networking Event with 150 businesses attending.
- Attended The Greater Los Angeles African American Chamber of Commerce 16th Annual Economic Awards Dinner.
- Co-Sponsored the Caltrans San Diego Small Business Fair with 200 businesses participating.



Director Sylvia Ballin, Members of the National Latina Business Women's Association and Business Outreach Staff

HUMAN RESOURCES GROUP

Strategic Priority/High Performance Workplace

StrategicHR

Workforce Planning. Staff completed Senior Management Interviews and is finalizing a Workforce Planning concept. The concept will include all aspects of employee talent management from recruitment, compensation management, training and management development, career development to succession planning.

HR Organization. Dr. Irwin Jankovic has been named as a member of the Water Research Foundation Project Advisory Committee on the *Applying a Competency Model to Meet Future Water Sector Workforce Needs* study now being launched.

Labor Negotiations

All parties are setting expectations and areas of interest to address both short-term (1 to 3 years) and long-term (5 to 10 years) operational and cost issues for Metropolitan.

Workforce Effectiveness

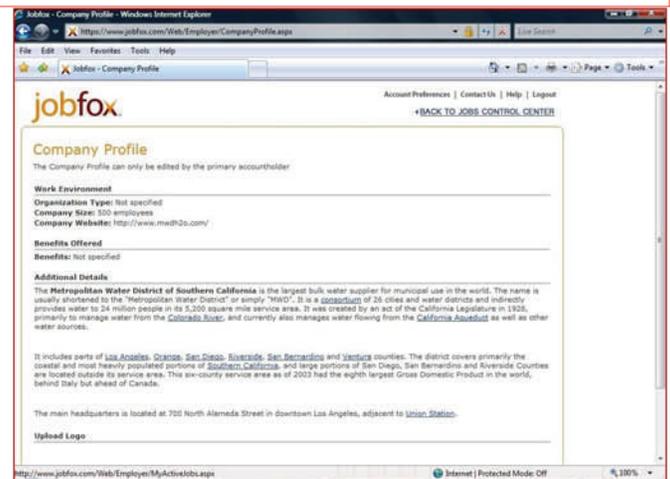
Classification and Compensation

Employee Relations staff, working in partnership with the Classification / Compensation Unit; American Federation of State, County, and Municipal Employees leadership; and various management representatives, continued to draft new Job Descriptions as part of the *AFSCME Class Study*. In the past month, this working group has conducted validation sessions, from which 49 new AFSCME Job Descriptions have been written. These sessions are scheduled to continue on a weekly basis through at least September 2009.

HR Practices / Processes

Recruitment Enhancements. Staff is participating in weekly *Staffing Technology Application Team* meetings to revise and automate the recruitment process, including the development of a streamlined, web-based Employment Application.

Internship Program. Continued to support Engineering to place Internship Program content on the Metropolitan JOBS web page.



Benefits

Activities for the month:

- Conducted an all-day workshop titled "Stepping Into Retirement" at Metropolitan's Headquarters facility on March 5. Forty employees attended as well as many spouses.
- In conjunction with Great West Retirement Services completed site visits for Reality Investing Presentation/ Demo including one-on-one consultations at three locations: Lake Mathews, Lake Skinner and Eagle Rock.
- Revised the HR Hotline Script and Tree (Ext 75505) to include the Human Resources Information Systems and Training and Development Units and shortened the greetings to reduce caller wait-time.

HUMAN RESOURCES GROUP

Workforce Effectiveness

Risk Management

Activity:

- Completed 84 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.
- Completed 57 risk assessments on contracts including professional service agreements, construction contracts, entry permits, special events and film permits.

Worker's Compensation

Activities for the month:

- Worker's Compensation conducted initial investigations on 15 injury incidents and submitted 7 new claims to Metropolitan's Workers' Compensation claim administrator. Settlements were negotiated in 4 claims and 12 claim files were closed.
- Medical coordinated random drug/alcohol testing at two facilities and arranged 35 medical evaluations (2 pre-placement, 33 DMV and respirator physicals). One accommodation request was addressed.

Employee Relations

The Employee Relations Unit is taking an active part in Memorandum of Understanding negotiations currently underway with the four bargaining units. To date, three negotiation meetings have been held with the parties utilizing a new "interest-based" approach to bargaining. Management's negotiating team and the four bargaining units are all endeavoring to reach agreements by June 30, 2009, which is when three of the four MOUs expire. Employee Relations will continue to play an integral role as part of the Metropolitan's negotiating team.

An examination of the number of grievances filed in the first quarter of calendar year 2009 reveals a marked decline from the same period a year ago. Since January 2009, only three new grievances (two from AFSCME, one from Supervisors Association) have been filed.

Training

Activities for the month:

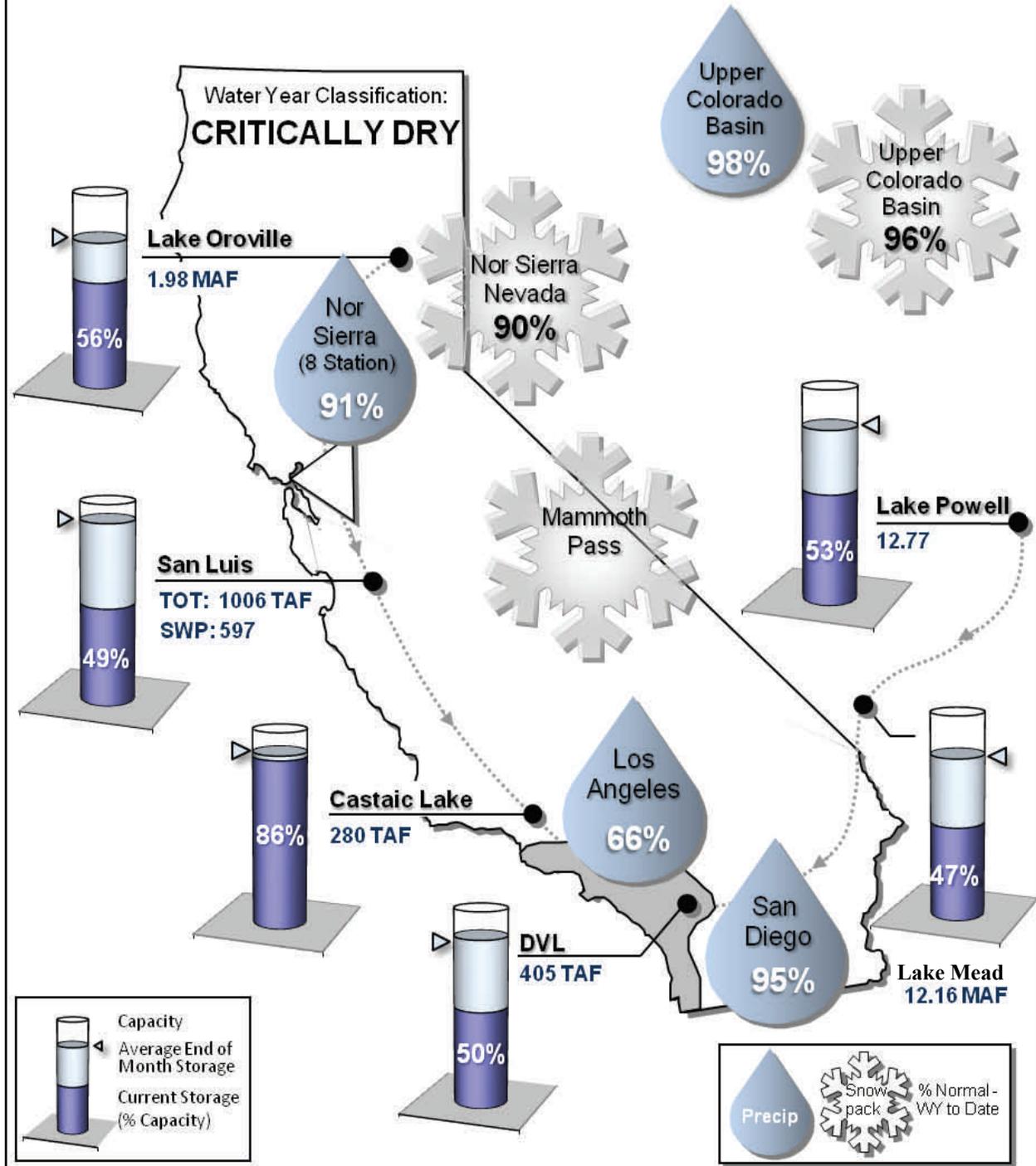
- Provided Face-to-Face Coaching and consultations for 12 established managers and On-Boarding Coaching (assimilation training) for 5 transitioning managers.
- Coordinated efforts and deliverables with 3 coaches and 2 managers of coaches.
- Conducted several face-to-face interviews with direct reports and managers for Leadership Assessment 360 feedback.
- Coordinated a "Skelly Hearings" class for managers, a "Listening Skills" class for employees and two classes via video-conference on "E-mail Etiquette."
- Conducted a Brown Bag Lunch Session on "Stress & Finances" through the Employee Assistance Program.
- Purchased 42 new online training classes. They will be ready to launch in April.
- Processed over 200 internal training registrations, 6 external registrations, recorded 60 course completions, and scheduled 25 room requests.
- Successfully completed a Request For Proposal process for selecting a vendor for the Employee Assistance Program.

Recruitment

- Three new employees started working at Metropolitan during March 2009.
- Twenty-eight recruitments are on hold and eight positions approved as critical by the General Manager are in recruitment.
- Thirty-two employees celebrated completion of their six-month probation by having breakfast with General Manager Kightlinger.
- Recruitment files have been audited for 2006 and have been sent to storage. The recruitment staff is auditing files from 2007 through the present. A new recruitment folder and file system will be initiated for recruitment files from 2007 to present.
- Recruiters are attending and participating in an Environmental job fair, "Vital Green."

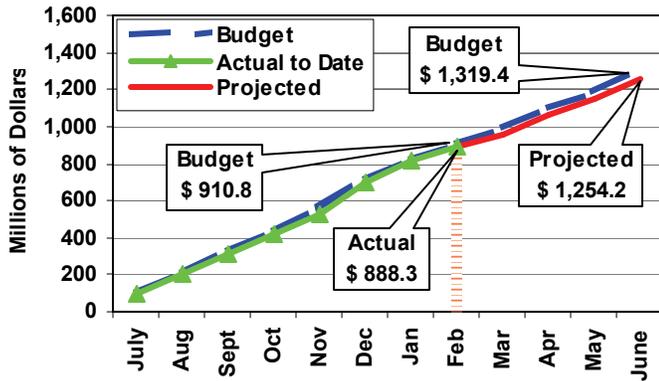
Water Supply Conditions

SWP Allocation (2009): 417,000 AF 20% of Table A Supplies
 Colorado River Supply Forecast (2009): 910,000 AF 73% of full CRA



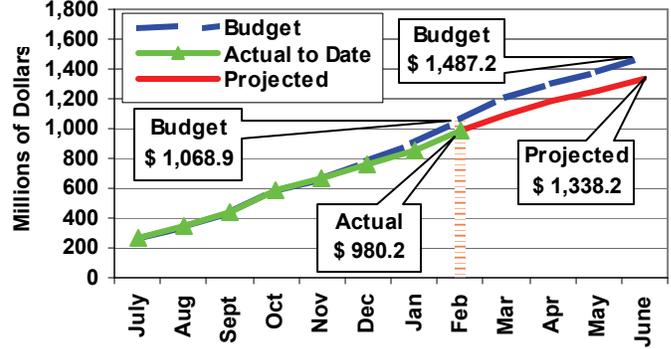
Finance as of February 28, 2009

Receipts are expected to be \$65 million under budget by year end, mainly due to lower water sales, power sales and interest income.



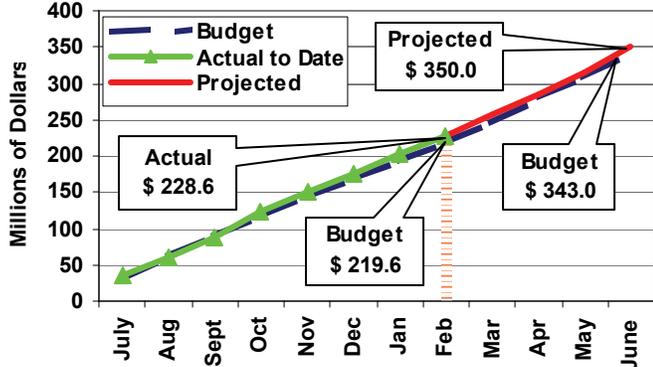
Excludes Bond Construction and Other Trust Funds Activity

Expenditures are expected to be \$149 million under budget by year end, mainly due to lower SWP power costs, water supply costs, and debt service payments.

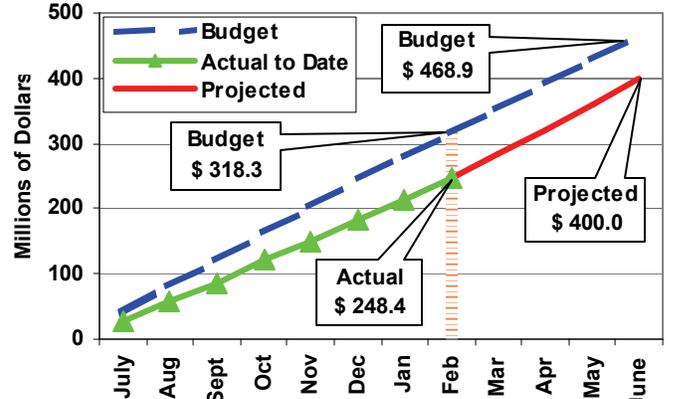


Excludes Bond Construction and Other Trust Funds Activity

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.

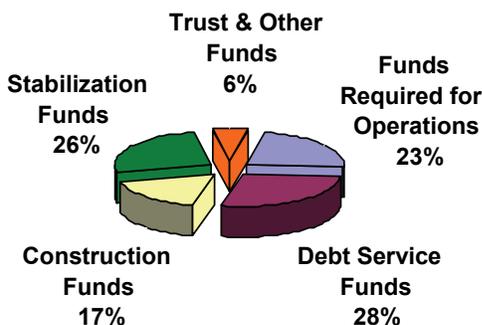


Construction costs are expected to be \$69 million under budget at year end, mainly due to the deferral of capital spending.



Cash and Investments

\$1,036.6 million



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.06 x
Revenue Debt Service Coverage	> 2.00 x	1.44 x
Revenue Bond Debt / Equity Ratio	< 100.0%	74.5%

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—March 2009



700 No. Alameda Street
Los Angeles, CA 90012

General: 213 217-6000

Office of GM: 213 217-6139

E-mail: OfficeoftheGeneralManager2
@mwdh2o.com

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

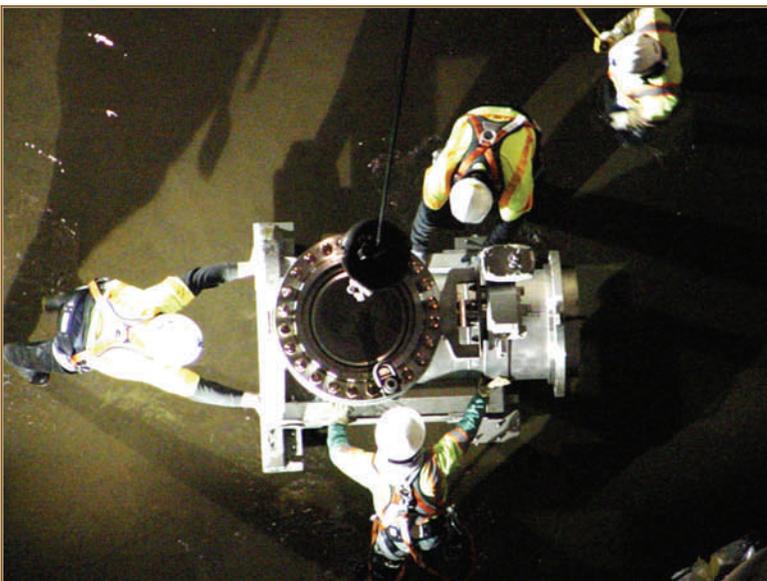
In pursuit of "Excellence" as responsible stewards, Metropolitan is committed to the following values:

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

General Manager Kightlinger addressing employees who completed their six-month probation period.



Rehabilitation Program—San Fernando Tunnel
Staff positioning valve in tunnel shaft



www.mwdh2o.com
www.bewaterwise.com