

- **Capital Investment Plan – Quarterly Report for the period ending March 2009**

## Summary

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This report provides a summary of accomplishments, fiscal year expenditures to date, and variance explanations for all Capital Investment Plan (CIP) programs. This report also identifies any service connections approved for construction as well as relocation/protection agreements executed under the General Manager's authority. During the third quarter of fiscal year 2008/09, 4 Board actions appropriated a total of \$3 million; no construction contracts were awarded. Additionally, no agreements for consulting services were authorized. Through March 2009, 65 programs encompassing over 400 projects were underway. Actual fiscal year capital expenditures through March 2009 for these programs totaled \$269 million, compared to a budget of \$354.2 million.

During the period from January 2009 through March 2009, over \$59 million in construction contract payments were made, reflecting progress on the Diemer and Skinner Oxidation Retrofit Programs (ORP), the Solar Power Generation facility at the Skinner Plant, the Perris Valley Pipeline, and the Inland Feeder Arrowhead Tunnels. Four construction contracts were completed during the same period.

At the end of the third quarter, 21 construction contracts were underway with a total value of approximately \$906.5 million. Three contracts are 99 percent complete and will be completed with authorized time extensions.

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

More detailed information regarding accomplishments and budget variances is included in the following pages. Performance measures for construction inspection and design costs as a percentage of construction costs are tabulated for all projects on which construction or design, respectively, were completed in the first three quarters of the fiscal year. Cumulative projected expenditures in each reporting category along with the total actual expenditures are shown in Figure 1.

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Highlights of progress and major milestones on selected programs are presented below, grouped by reporting category. Variance explanations are provided for categories where actual expenditures differ from the budget by more than 10 percent. The programs are categorized as follows:


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


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

**Cost/Efficiency/Productivity** – Programs to upgrade, replace, or provide new facilities, software applications and technology that will provide economic savings that outweigh project costs through enhanced business and operating processes.


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

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



<p><b>Supply and Delivery Reliability</b></p>	<p align="center"><b>Through 3rd Quarter</b>  <b>Budget: \$136.4M      Expended: \$109.3M</b></p>
<ul style="list-style-type: none"> <li>• Pipe installation continued on the Inland Feeder Arrowhead Tunnels. At the Arrowhead East Tunnel, the total length of pipe installed through March is 13,434 feet (60 percent of the tunnel’s length). Cellular grouting operations also continued from the City Creek portal. At the Arrowhead West Tunnel, the total length of pipe installed through March is 14,240 feet (72 percent of the tunnel’s length). The contractor mobilized cellular grouting equipment at the Devil Canyon Portal in late-February and began grouting in early March.</li> <li>• The contractor completed pipe installation on the Perris Valley Pipeline North Reach, and continues to perform paving and street improvements along Alessandro Boulevard. The contract is currently scheduled to be completed by mid- 2009. The contractor for the Perris Valley Pipeline South Reach continued pipe installation. The total length installed through March is 3,496 feet (17 percent of total length) and completion is planned for January 2010.</li> <li>• All chemical systems for the Skinner Water Treatment Plant Expansion No. 4 have been placed into service. The final component of the expansion - the reclaimed washwater return pumping station - was completed in March 2009 as part of the Skinner Oxidation Retrofit contract.</li> </ul>	<div style="text-align: center;">  </div> <p align="center"><b>Skinner Plant Reclaimed Washwater Pumping Station</b></p> <p>The fiscal year variance between budgeted and expended dollars is primarily due to three factors: reassessment of the timing for land acquisition for the future Riverside Treatment Plant; the successful bid for the South Reach of the Perris Valley Pipeline, which is currently under construction, was well below the budgeted amount; and the advertisement of the construction contract for the Mills Modules 1 and 2 Rehabilitation and Chemical Systems Upgrades has been rescheduled pending review of projected demands in that portion of the service area.</p>

<p><b>Infrastructure Reliability</b></p>	<p align="center"><b>Through 3rd Quarter</b>  <b>Budget: \$95.1M    Expended: \$64.5M</b></p>
<ul style="list-style-type: none"> <li>• Design of the electrical upgrades at the Weymouth plant is approximately 90 percent complete and the construction plans are being closely coordinated with the Weymouth plant's inlet conduit relocation design. Design is scheduled to be completed by August 2009.</li> <li>• The two new solids thickeners under construction at the Jensen Water Treatment Plant are needed to reduce solids loading on the plant sewer connection and to improve solids consistency and quality for efficient dewatering. Construction is currently 19 percent complete.</li> </ul> <p>There are over 250 projects in this category, with variances ranging from \$5 million below to \$2 million over the estimated expenditures for the first three quarters of the fiscal year. Over half of the infrastructure projects have fiscal year variances of less than \$100,000. The largest fiscal year overage, which is \$4.1 million for the Weymouth Incoming Electrical Service project, is due to the rescheduling of the Weymouth ORP, which extended the electrical service delivery schedule from completion in FY 2007/08 to beyond FY 2008/09. The net fiscal year variance between budgeted and expended dollars is primarily due to the Modules 5 and 6 Filter Surface Washwater Piping, and the Electrical Building Upgrade projects at the Skinner plant that are being implemented via a pilot phase, thereby reducing initial expenditures and extending the overall schedule.</p>	 <p><b>Lake Skinner East Bypass Screening Structure Rehabilitation  Installation of New Trash Racks</b></p> <ul style="list-style-type: none"> <li>• The Lake Skinner East Bypass Screening Structure removes algae mats and other floating debris prior to diversion of flow from the San Diego Canal to the Skinner Plant and/or San Diego Pipeline No. 5. Installation of the new trash racks was completed during a March 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.</li> </ul>

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Cost/Efficiency/Productivity	<p style="text-align: center;"><b>Through 3rd Quarter</b>  <b>Budget: \$6.3M      Expended: \$4.4M</b></p>
<ul style="list-style-type: none"> <li>• The Integrated Budget Management System (IBMS) provides a single integrated system by replacing five separate, existing budgeting systems. The IBMS was used to produce the O&amp;M and capital budgets for fiscal year 2009/10. Staff continues to work on system improvements and scheduling of additional training for users.</li> <li>• Upgrading Metropolitan’s Water Information System (WINS), which is 12 years old, will ensure timely, accurate and auditable invoicing and accounting of all billing system transactions critical to Metropolitan’s core business functions. Staff continued WINS integration testing, addressing issues as they arose. Staff is proceeding with the deployment phase, and final preparations are currently underway to create invoices using the new water billing system. Phase II, which is scheduled to be completed by July 2009, will provide member agencies with the ability to enter certifications on-line over the internet.</li> </ul>	<div style="text-align: center;">  </div> <p>The fiscal year variance between budgeted and expended dollars is primarily due to prolonged study and scope development phases for the CAD Management System Replacement and E-Discovery Storage Management System Upgrade projects. The CAD Management System will replace the current, obsolete application for storing and managing all engineering drawings with a system that is fully integrated with the CAD system used to create the drawings. The E-Discovery project will enable Metropolitan to comply with new legal requirements for storage and retrieval of electronically stored information. These projects are scheduled for Board authorization in September 2009. Additionally, the material and labor costs for the video conferencing upgrade project were much lower than anticipated, and installation was significantly easier by utilizing “plug and play” technology, which used existing network jacks already in place for the computer network.</p>

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<p><b>Water Quality</b></p>	<p align="center"><b>Through 3rd Quarter</b>  <b>Budget: \$90.8M      Expended: \$75.6M</b></p>
<ul style="list-style-type: none"> <li>• The construction of two new ozone contactors at the Mills Plant to upgrade the plant’s ozonation system capacity to 326 mgd is approximately 85 percent complete and is scheduled to be completed by July 2009. Fabrication of additional ozone equipment under a separate procurement is approximately 40 percent complete and is scheduled to be completed by December 2009.</li> <li>• At the Diemer plant, construction of ozone facilities commenced in August 2008 and is approximately 12 percent complete. Construction is scheduled to be completed by mid-2012.</li> </ul> <p>The fiscal year variance between budgeted and expended dollars is primarily due to the Diemer ORP contractor’s early invoices being less than budgeted. The project is scheduled to be completed by 2012 as planned.</p>	 <p align="center"><b>Diemer Oxidation Retrofit Installation of 84-inch Rejection Line</b></p>
<p><b>Stewardship:</b></p>	<p align="center"><b>Through 3rd Quarter</b>  <b>Budget: \$25.6M      Expended: \$15.2M</b></p>
<ul style="list-style-type: none"> <li>• Construction of the chlorine containment facilities at both the Mills and Jensen plants has been completed and the facilities are now operational.</li> <li>• Construction of the new 1-megawatt solar power generation facility at the Skinner plant commenced in August. The system will meet up to 20 percent of the plant’s current annual electricity consumption. The solar facility is scheduled to be fully operational by July 2009. Other solar facilities are under consideration at the Mills, Jensen, and Weymouth plants.</li> <li>• The upgrades to the fabrication and machine shops in Laverne includes the replacement of several pieces of equipment that are over 20 years old, as well as other improvements to increase safety and efficiency. Final design is expected to be completed and a construction contract awarded during fiscal year 2009/10.</li> </ul>	 <p align="center"><b>Skinner Water Treatment Plant Solar Power Generation Facility Installation of switchgear at solar site</b></p> <p>The fiscal year variance between budgeted and expended dollars is due to 1) timing of contractor invoices for the Skinner Solar Power Generation facility; 2) rescheduling of the design for the next phase of the Weymouth Perimeter Landscaping and the Chlorine Containment at the Chemical Unloading Facility projects; and 3) rescoping of the fire suppression system modifications at the hydroelectric plants to a lower cost alternative.</p>

<b>Corporate Resources Capital Project Performance Measures FY 2008/09 Through 3rd Quarter</b>	
Achieved target for cost of construction inspection as a percentage of construction cost, for projects: <ul style="list-style-type: none"> <li>• greater than \$3 million; target 9% - 12%</li> <li>• less than \$3 million; target 9% - 15%</li> </ul>	<b>Met Target Exceeded Target *</b>
Achieved target for cost of final design as a percentage of construction cost, for projects: <ul style="list-style-type: none"> <li>• greater than \$3 million; target 9% - 12%</li> <li>• less than \$3 million; target 9% - 15%</li> </ul>	<b>No Projects ** Met Target</b>

\* Represents completion of the St. John’s Channel Repair and Modifications contract. The inspection goal was 15%. The final actual level of inspection required was 17.1%.

\*\* Note: no projects greater than \$3 million were completed in the quarter.

**Figure 1**  
**Cumulative Capital Budget vs. Actual Expenditures**  
**FY2008/09**

