



The Metropolitan Water District of Southern California General Manager's Monthly Activity Report— December 2009

Dated: December 30, 2009

Water Supply Conditions Chart



Water Resource Management



Water System Operations



External Affairs



Corporate Resources

Business Outreach



Finance

Human Resources



Real Property Development & Management

This report identifies the actions/activities taking place during the month that support the objectives of the General Manager's Fiscal Year 2009/10 Business Plan.

Water Supply Conditions

Current SWP Allocation (2010):

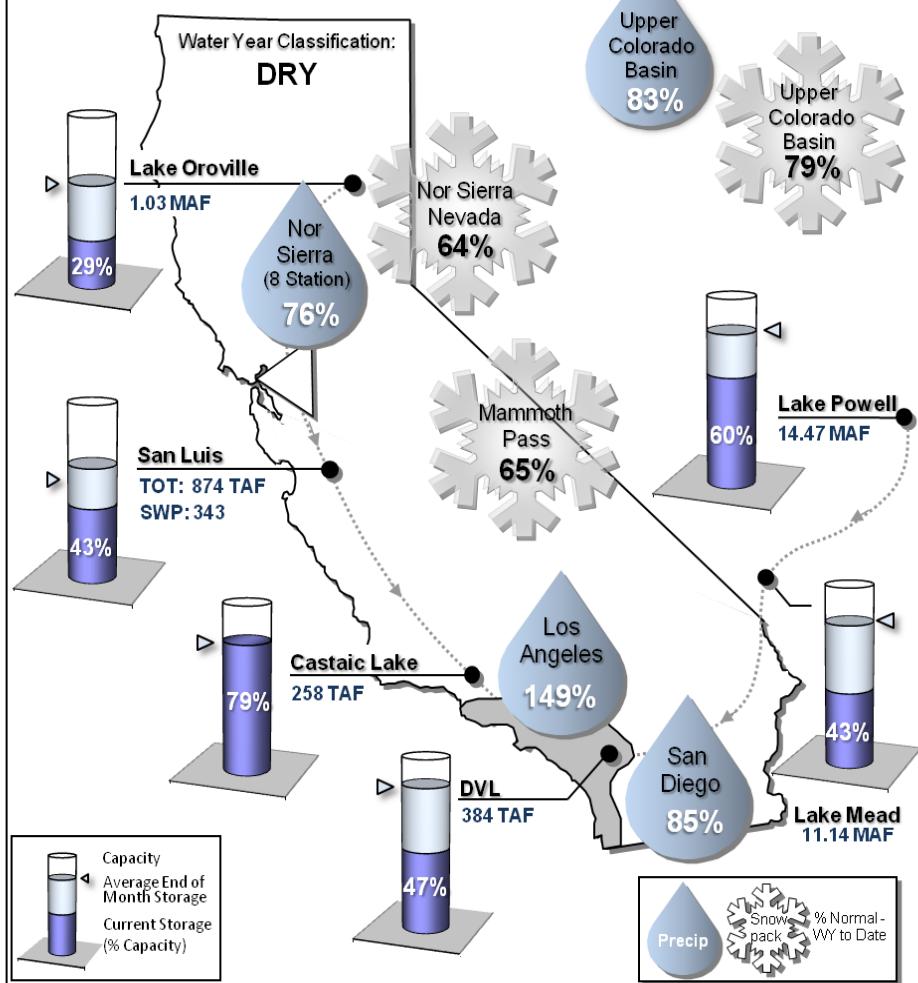
105,280 AF 5% of Table A Supplies *

SWP Allocation (2009):

833,040 AF 40% of Table A Supplies *

Colorado River Supply Forecast (2009): 1,164,629 AF 93% of full CRA

* Includes CVWD and DWA
Table A Supplies



WATER RESOURCE MANAGEMENT (WRM)

WATER SUPPLY RELIABILITY

UPDATE INTEGRATED RESOURCES PLAN

IRP Workshop—The third in a series of three IRP Board Workshops on strategic policy review was held on November 30. The primary focus of the three workshops was to review the potential resource, rate, and policy trade-off implications of alternative roles for Metropolitan in future water development. At this workshop, the Board was provided with an analysis of potential cost and rate impacts of the alternative resource approaches. This analysis augmented the resource and reliability impacts presented at the previous workshop. This workshop concluded the strategic policy review. The next steps are to document the approaches and

analyses provided in the workshop series, and to resume the IRP Update Technical Phase to quantify resource development goals and to identify appropriate triggers and milestones for adaptive management actions.

Long-Term Conservation Program—Water Resource Management staff held two workshops with member agency conservation coordinators to work on the development of Metropolitan's Long-Term Conservation Program. These workshops focused on the design of the conservation program in relation to the current Integrated Resource Plan update process and the recent passing of the "20 by 2020" legislation.

WATER SUPPLY

IMPLEMENT INTEGRATED RESOURCES PLAN

Coastal Commission Comments—Staff provided written comments to the California Coastal Commission clarifying a provision in Metropolitan's draft Seawater Desalination Program agreement with the San Diego County Water Authority and nine local retail agencies.

STATE WATER PROJECT

Stored water for 2010—Metropolitan, through use of extracted groundwater storage and SWP carryover (Article 56), placed approximately 130,000 acre-feet of water stored in SWP surface storage facilities for use in 2010.

BAY-DELTA SOLUTIONS

LONG-TERM MEASURES

Bay-Delta Conservation Plan—The BDCP continued with various work efforts involving near- and long-term effects analysis, conveyance options presentation; and revised draft implementation cost and funding sources. A revised development process and schedule was released that shows the Administrative Draft BDCP completion by December 2009; Public Draft BDCP by third quarter 2010; and a Final BDCP by late 2011. In addition, the revised BDCP Planning and Potentially Regulated Entities Cooperation Agreements were executed per Metropolitan's December 2009 Board Action.

WATER SYSTEM OPERATIONS (WSO)

POWER RESOURCE MANAGEMENT / GREENHOUSE GAS REDUCTION

On December 2 and 3, Metropolitan attended public information meetings hosted by the Western Area Power Administration (Western) on their process to reallocate Hoover power after the current contracts expire in 2017. Metropolitan is working with the other Hoover contractors to craft a united response to Western's initial proposals.

The Hoover Power Allocation Act of 2009 was introduced in both houses of Congress on December 16, 2009. This legislation would establish the allocation of Hoover energy and capacity after the current contracts expire in 2017. Existing Hoover contractors would retain 95 percent of their current allocations and a five percent power pool would be created for allocation to new entities. Passage of the legislation would resolve several of the more important issues to Metropolitan in the Western Area Power Administration's recently initiated process to remarket Hoover power after the current contracts expire.

SYSTEM RELIABILITY

SYSTEM OPERATIONS

System Operations delivered approximately 104,000 acre-feet of water for December 2009, which is an average of 3,350 AF per day. An additional 12,200 AF was delivered to the Desert Water Agency and Coachella Valley Water District connections, as part of the exchange for their State Water Project Table A supplies.

In light of the low initial SWP allocation of five percent, Water System Operations continues to focus on conserving limited SWP resources for areas served exclusively by SWP supplies for this year and next. SWP blends at Weymouth, Diemer and Skinner have remained at zero percent and will likely be low during early 2010.

Reduced SWP deliveries and low demands have resulted in several hydroelectric plants being taken offline. Metropolitan's average generation has dropped to 15 megawatts per hour from over 40 megawatts per hour as recently as October. Metropolitan's hydroelectric program will generate 11,900 megawatts for the month of December.

Operations staff coordinated the start of the California Department of Water Resources' month-long shutdown of the Santa Ana Valley Pipeline with an operating agreement between DWR and Metropolitan to address flow changes on the Box Springs Feeder to the Mills plant during the shutdown. A three-day shutdown on the Box Springs Feeder began on December 14 to allow DWR to install the rollout bulkhead on

their Santa Ana Valley Pipeline. This allowed the Mills plant to continue to receive water from Lake Silverwood while DWR performed repair work on the pipeline. During the shutdown, Mills staff conducted plant inspections and minor maintenance.

SECURITY

- A Special Agent assisted with guiding Transportation Security Administration inspectors through one of the five treatment plants for an examination of chlorine shipping records as part of a TSA Surface Transportation inspection. The inspection concluded with no findings and very positive inspector feedback. (Details and plant identification withheld for security reasons.)
- Special Agents and Security Watch Center operators completed annual sabotage awareness training in accordance with revised standards imposed by the electricity sector for the U.S. electrical grid.
- Metropolitan Security management and contract security staff initiated a program of early morning tests to validate and improve response to unusual events at every site where a guard controls an entry gate.

WATER SYSTEM OPERATIONS (WSO)

SYSTEM RELIABILITY

EMERGENCY MANAGEMENT

For calendar year ending December 31, 2009, 1,224 employees participated in emergency response exercises, workshops, or related training for a total of 3,239 training hours.

Staff participated in a teleconference for the state steering committee of the California Water / Wastewater Agency Response Network (WARN). Topics included plans for a meeting of CalWARN, NvWARN, and AzWARN set for April 1, 2010, at the Cal-NV AWWA meeting in Hollywood, California; possible Environmental Protection Agency grant funding for a statewide mapping project; the Web site upgrade; the need to investigate the pros and cons of incorporating as a non-profit corporation; and the relationship between the work of the Joint Water Task Force and CalWARN.

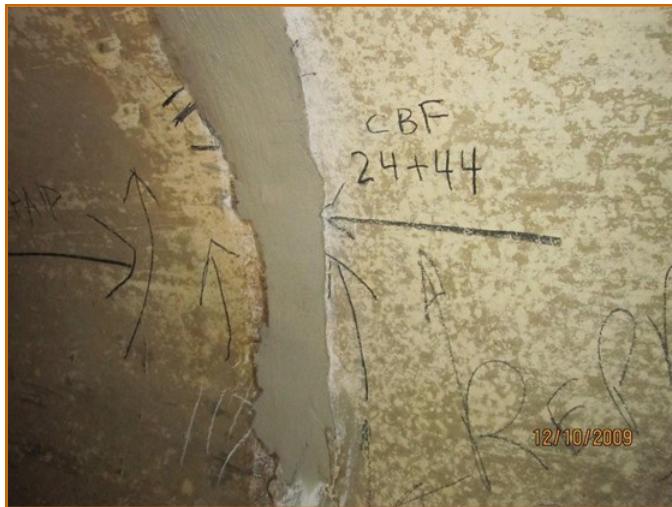
ENVIRONMENTAL, HEALTH AND SAFETY

A Blanket Flood Permit that covers the dewatering activities for the 2009/10 shutdown schedule was approved by the Los Angeles County Department of Public Works. This permit includes the West Valley Feeder #2, Calabasas Feeder and Sepulveda Feeder shutdowns and any additional shutdowns required during this period.

A discharge permit waiver was approved by the San Diego Regional Water Quality Control Board for the release of flush water and storm water from the Skinner Reservoir Cover Replacement Project. The waiver requires that all the flush water and storm water be discharged to land and allowed to percolate. This waiver allows the project to stay on schedule.

SYSTEM MAINTENANCE / SHUTDOWNS

A seven-day shutdown began on December 7 of the West Valley Feeder No. 2 and the Calabasas Feeder for Prestressed Concrete Cylinder Pipe and steel pipe inspections. The shutdown was increased to an 11-day shutdown to replace torn flange gaskets.



West Valley Feeder / Calabasas (mortar repairs)

West Valley Feeder / Calabasas (torn flange gasket)



WATER SYSTEM OPERATIONS (WSO)

WATER QUALITY

PROTECT SOURCE WATER QUALITY

Levels of 2-methylisoborneol (MIB) in Lake Perris declined to 10 mg/L. Taste and odor was acceptable in all other source and finished waters.

MANAGE WATER TREATMENT

On December 6, a failure of an uninterruptible power supply system at the Jensen water treatment plant disrupted electrical power to control room workstations and a control system data switch. The failure led to a series of small explosions and a fire which was extinguished by the Los Angeles City Fire Department. No personnel were injured and the quality of treated water was not compromised. Plant staff manually monitored the treatment processes in the field until power was restored. An investigation is underway to determine the cause of the failure.

On December 9, staff conducted a final presentation on the future treatment options at the Weymouth water treatment plant. Given the magnitude of rehabilitation needed at the nearly 70-year-old plant, this effort evaluated options for either replacing processes and equipment in-kind, upgrading to modern design criteria, or advancing to new technologies. Based on the results of the recently completed study, staff's recommended option focuses on upgrading the existing unit processes to modern design criteria. Staff will present the findings to the Board in 2010.

The latest Total Dissolved Solids results from November for Weymouth, Diemer, and Skinner water treatment plants are 649, 649, and 576 mg/L, respectively. Due to limited supplies of State Project water, all three plants are currently above the operating goal of 500 mg/L TDS as a running annual average.

Current Storage

	As of 12/31/2009 <u>Storage (AF)</u>	Percent of Capacity
Lake Mathews	93,100	51%
Lake Skinner	35,400	81%
DVL	407,900	50%
Lake Perris	63,300	48%

Useful information:

AF = acre-foot, the volume of water to cover an acre of land, one-foot deep. Approximately 326,000 gallons of water, serves annual needs of two typical California families.

TAF=thousand acre-feet

EXTERNAL AFFAIRS (EA)

LEGISLATIVE AND COMMUNITY RELATIONS

WATER POLICY AND LEGISLATIVE STRATEGIES

State Legislation

The Assembly Democratic Caucus has unanimously elected Assembly Member John A. Pérez (D-Los Angeles) as the new Assembly Speaker. The official floor vote is scheduled to occur in January when the Legislature reconvenes.

Governor Arnold Schwarzenegger made two recent appointments to fill existing vacancies: Senator Abel Maldonaldo (R-Santa Maria) was selected by the Governor to serve as interim Lt. Governor until the November general election in 2010. A majority vote of both the Senate and Assembly is required to confirm his interim appointment. The second appointment was made to fill the vacant seat of former Senator John Benoit (R-Palm Desert), who left the Legislature to fill a vacant seat on the Riverside County Board of Supervisors. A special primary election will be held on April 13, 2010, to fill the vacant Senate seat. Should a run-off election be necessary, it will be held on June 8, the same date as the statewide primary election.

Federal Legislation

The Washington, DC staff, along with Metropolitan's Water System Operations group, worked in close coordination with Metropolitan Member Agencies as well as current allottees of hydropower generated at Hoover Dam to promote the introduction of new federal legislation authorizing a 50-year contract for the continued use of this power throughout the Hoover Hydropower marketing area in Arizona, Southern California and Nevada.

As a result of this effort, legislation has been introduced in both the House and Senate. The House Bill, H.R. 4349, is being sponsored by House National Resources Water and Power Subcommittee Chair, Rep. Grace Napolitano, along with a bi-partisan list of 44 additional original House co-sponsors. S.2891, companion authorizing legislation, was introduced by Senate Majority Leader Senator Harry Reid. Both measures were introduced with identical legislative text. Further action on this legislation is expected in the coming 2nd Session of the 111th Congress.

COMMUNITY OUTREACH

Strengthen Metropolitan's community outreach efforts:

- Staff coordinated and conducted outreach for the West Valley/Calabasas Feeder Shutdown, December 7-13. Outreach to more than 350 residents and businesses was undertaken at 22 locations in Granada Hills, Porter Ranch, Chatsworth, Canoga Park, West Hills and Woodland Hills.
- Staff coordinated and participated in a meeting with Yorba Linda city manager and public works director to discuss the new power line for Diemer and Southern California Edison.
- Staff conducted the 2010 "Water is Life" calendar exhibit and recognition event on December 3 at Metropolitan's Headquarters building. Nearly 125 student artists, member and retail agency representatives, teachers and family members attended to recognize the student artwork.
- Seven field trips were conducted with a total of 224 students in grades 4 and 6 from Hemet, San Jacinto, Perris and Temecula Valley school districts. Three hundred students toured the DVL Visitor Center in collaboration with the Western Science Center outreach program.

COORDINATE / COMMUNICATE DAY-TO-DAY EFFORTS

Coordinate and communicate day-to-day efforts to maintain and improve operations and maintenance; source water quality protection and water treatment; infrastructure replacement, refurbishment and development; emergency management; and media communications and community outreach:

- Staff coordinated and conducted a Diamond Valley Lake tour for 20 members of the California Department of Fish and Game.
- Staff coordinated and conducted a briefing on and tour of the DVL Visitor Center and School Education Program for the Chino Basin Water Conservation District.

EXTERNAL AFFAIRS (EA)**COMMUNICATIONS****PUBLIC INFORMATION PROGRAMS**

Continue to develop and manage public information programs to convey Metropolitan's role in water supply, resource planning, water quality protection, conservation and other water policy issues through the following activities:

- Arranged for Assistant General Manager Roger Patterson's participation in a live, on-air panel discussion on Sacramento public radio station KXJZ. The station's "Insight" program focused on a recent Public Policy Institute of California study regarding "myths" in the California water debate.
- Scheduled and coordinated interview with General Manager Jeff Kightlinger and public radio host Patt Morrison on KPCC to discuss the Public Policy Institute of California report.
- Facilitated several interviews with General Manager Jeff Kightlinger, Metropolitan representatives and reporters to discuss Quantification Settlement Agreement court ruling. The news media represented included the Los Angeles Times, Associated Press, Riverside Press-Enterprise and San Diego Union-Tribune.
- Issued a press release announcing the early completion of the Diamond Valley Lake boat ramp and reopening of the lake to private boat launches.
- Facilitated interviews with General Manager Kightlinger and reporters for several media outlets to discuss initial low State Water Project allocation. Media representatives included the San Diego Union-Tribune, Riverside Press-Enterprise, Orange County Register and North County Times.
- Issued a press release on the seating of new board members Laura Friedman and Brett Barbre.
- Issued two Opinion-Editorials by General Manager Kightlinger regarding water quality and the Delta issues in the Riverside Press-Enterprise and Inland Valley Daily Bulletin/San Bernardino County Sun.

PUBLIC EDUCATION / ADVERTISING CONSERVATION EFFORTS

Continue to develop and implement public education, outreach and the advertising campaign focusing on extraordinary conservation efforts:

- On-line search on Google Search and the Google Content Network continued this month. Links to bewaterwise.com appear when keywords such as "water," "California weather," and "water rebates" are searched for by Southern California users.

C O R P O R A T E R E S O U R C E S (C R G)

C A P I T A L I N V E S T M E N T P L A N

ARRA—FEDERAL AMERICAN RECOVERY AND REINVESTMENT ACT

In February 2009, the ARRA was signed into law and through the U.S. Department of Energy allocated \$226 million to the California Energy Commission (CEC) for the State Energy Program (SEP). State law authorizes the CEC to use these SEP funds for energy efficiency, energy conservation, renewable energy and other energy-related projects including water efficiency measures. In December, staff submitted two grant proposals to the California Energy Commission's State Energy Program for the Metropolitan Facilities Energy Efficiency Retrofit Program and the Southern California Water and Energy Conservation Program. Additionally, staff began development of loan applications for the Ozone Optimization Upgrade Project and the Weymouth Solar Power Plant. Staff is preparing to request in January 2010, Board authorization to accept funding from and enter into agreement with CEC on two grant proposals and a low-interest efficiency loan application.

R E P L A C E / R E H A B I L I T A T E P R O J E C T S F O R C O N V E Y A N C E A N D D I S T R I B U T I O N S Y S T E M

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:

- Middle Feeder Cathodic Protection—This project will install cathodic protection stations along a portion of the Middle Feeder to protect the pipeline from corrosion. Construction is 15 percent complete and is scheduled to be completed by July 2010.
- OC-71 Service Connection Fire Repairs—This project repaired fire damage caused by the 2007 wildfires. Construction was completed in November 2009. Staff has submitted a request for partial reimbursement of construction expenses to the Federal Emergency Management Agency Public Assistance Program. The fire damaged area was declared a Federal Disaster Area in 2007.
- Lake Skinner Outlet Conduit—This project will repair three distressed Prestressed Concrete Cylinder Pipe segments on the Lake Skinner Outlet Conduit. The distressed pipe segments will be repaired by inserting a steel liner. Final design and pipe fabrication by Metropolitan forces has been completed and the Board awarded a construction contract in December 2009.
- Box Springs Feeder Repair—Replacement of distressed pipe sections is being executed in four phases. Phase 1 repairs are complete. Phase 2 construction commenced in

October 2009. Construction is five percent complete and is scheduled to be completed by September 2010. Phases 3 and 4 preliminary design is 30 percent complete and is scheduled to be completed by April 2010.



Fabricated steel liner for the Skinner Outlet
Conduit repair

C O R P O R A T E R E S O U R C E S (C R G)

C A P I T A L I N V E S T M E N T P L A N

R E P L A C E / R E H A B I L I T A T E P R O J E C T S F O R C O N V E Y A N C E A N D D I S T R I B U T I O N S Y S T E M C O N T I N U E D

Reservoir Cover Replacement Program—This program consists of replacement of the floating covers, installation of liners, and related repairs at Orange County and Palos Verdes Reservoirs, Skinner Finished Water Reservoir, and Jensen Finished Water Reservoir No. 2.

- Skinner Finished Water Reservoir—The contractor mobilized in November. The reservoir was drawn down and removed from service on December 7, 2009. The fabrication of 70,000 square feet of hypalon material has been completed. The existing cover has been removed and the new hypalon floating cover is being installed. During the reservoir shutdown, deliveries to member agencies will not be interrupted. The reservoir is scheduled to be returned to service by March 2010. Construction is 50 percent complete and is scheduled to be completed by May 2010.
- Orange County Reservoir—Final design is 50 percent complete and is scheduled to be completed by March 2010.

- Palos Verdes Reservoir—The floating cover will be removed to inspect the condition of the reservoir liner and to prepare specifications for repair. Staff has completed dewatering the reservoir. Final design is five percent complete and is scheduled to be completed by February 2011.
- Jensen Finished Water Reservoir No. 2—A study has been completed to modify the floating cover at the reservoir inlet. A request to the Board to authorize final design is scheduled for April 2010.

R E P L A C E / R E H A B I L I T A T E P R O J E C T S F O R W A T E R T R E A T M E N T P L A N T S

Skinner Water Treatment Plant Improvements Program—This program was initiated to maintain reliability and improve operating efficiency of the Skinner plant through specific improvement projects. The program currently contains 17 active projects, while 12 have been completed, and one is being executed under the Skinner Oxidation Retrofit Program construction contract. Recent activities include the following:

- Electrical Buildings Upgrade and Ground Fault Upgrade Projects—These projects will replace deteriorated electrical equipment, install air-conditioning systems, install insulation, provide seismic upgrade and upgrade the plant's ground fault protection system in 12 electrical buildings to improve reliability. The construction will be divided into two phases: (1) Electrical building and ground fault protection upgrades; and (2) Electrical building heating, ventilating and air conditioning, insulation and seismic upgrades. The Board authorized Phase 1 construction by Metropolitan forces in December 2009. Design of the Phase 2 is 60 percent complete and is scheduled to be

completed by February 2010. Phase 2 construction will be performed by a contractor.

- Modules Nos. 4-6 Filter Surface Wash Valve and Actuator Replacement—This project will replace the existing surface wash valves and actuators in Modules Nos. 4 through 6. The work will be executed in two phases. The initial phase, consisting of a performance evaluation, is scheduled to be completed in 2010. Phase 2 will include the procurement and installation of valves and actuators, based on the results of the performance evaluation.
- Modules Nos. 5 and 6 Filter Surface Wash Header Rehabilitation—This project will recoat corroded surface wash pipe headers, replace corroded pipe couplings, and install isolation valves at key locations in the surface wash systems. The Board authorized construction by Metropolitan forces in June 2009. Construction is scheduled to be completed by June 2010.

C O R P O R A T E R E S O U R C E S (C R G)

CAPITAL INVESTMENT PLAN

REPLACE / REHABILITATE PROJECTS FOR WATER TREATMENT PLANTS

Skinner Water Treatment Plant Improvements Program
continued ...

- Chemical Systems and Solids Collection Improvements—These projects have been consolidated into one construction package to reduce costs and optimize project coordination.

1. Washwater Reclamation Plant No. 2 Solids Removal Equipment—This project will replace worn-out chain and flight solids collection equipment and will add isolation valves on the solids removal pump manifolds at Washwater Reclamation Plant No. 2. This project will enhance plant reliability and reduce the frequency of repairs and basin shutdown.
2. Chemical Systems Improvements—This project will
 - (a) replace damaged filter backwash sodium hypochlorite and polymer piping and will add secondary containment for that piping at Plants No. 1 and 2;
 - (b) add a concrete trench (secondary containment) at Modules Nos. 5 and 6 and relocate existing direct-buried sodium hypochlorite piping into the trench for compliance with environmental regulations; and
 - (c) provide a new potable water pump with back-up power supply that is dedicated to

supplying chlorine solution water during a power outage, thereby improving the reliability of the chlorine disinfection system.

The Board awarded a construction contract for these two projects in August 2009.



New Double Wall Chemical Piping (blue pipe)

Weymouth Water Treatment Plant Improvements Program—This program was initiated to maintain reliability and to improve operating efficiency of the Weymouth plant through specific improvement projects. The program currently contains 30 active projects, while nine have been completed. Recent activities include the following:

- Weymouth Coagulant Tank Farm Modifications—Construction is 56 percent complete and is scheduled to be completed by December 2010.
- Weymouth Electrical Upgrade—The Board awarded a construction contract in November 2009 and staff anticipates that the Notice to Proceed will be issued by early January 2010.
- Rapid Mix Systems Upgrade—Construction is five percent complete and is scheduled to be completed by March 2011.

• Junction Structure Seismic Upgrades — This project will repair leaky valves and will seismically upgrade the Weymouth Junction Structure. In July 2009, Metropolitan's Board awarded a procurement contract for the inlet valves. Fabrication of the valves is five percent complete and is scheduled to be completed by November 2010. Final design of the seismic upgrades is complete and the project was advertised for bids in December 2009.

• Weymouth Reservoir Inlet Gates Replacement—Final design is complete. A request to the Board to authorize Metropolitan force construction is scheduled for January 2010.

• Weymouth Filter Rehabilitation—Final design is complete and construction bids were opened in December. A request to the Board to award a construction contract is scheduled for January 2010.

C O R P O R A T E R E S O U R C E S (C R G)

C A P I T A L I N V E S T M E N T P L A N

PROJECTS IDENTIFIED IN IRP AND INTEGRATED AREA STUDIES



Diemer Plant Ozone Contactor Wall Construction

Oxidation Retrofit Program—This program was established to add ozone to provide disinfection, to control tastes and odors, and to reduce the level of disinfection by-products in the finished water at all five of Metropolitan's treatment plants. Ozone will enable Metropolitan to meet state and federal drinking water regulations. Recent activities include the following:

- Mills Plant—Start-up testing is complete for Contactors Nos. 3 and 4, and they are in full operation. Fabrication of additional ozone equipment is complete. Installation and testing of the additional ozone equipment is scheduled to be completed by September 2011.
- Jensen Plant—The plant's ozone system became fully operational in July 2005.
- Skinner Plant—Construction is 99 percent complete and is scheduled to be completed in December 2009. Currently, the contractor is focusing on punch list items. The ozone equipment vendor, Ozonia North America, is ordering new ozone generator fuses to replace the incorrect ones it supplied. Ozonia will continue the ozone equipment functional acceptance testing when the new fuses have been installed. All start-up and testing activities will be completed by June 2010.

- Diemer Plant—Construction of ozone facilities is approximately 35 percent complete and is scheduled to be completed by mid-2012. Fabrication of ozone equipment is complete. Major construction activities continue on the ozone contactors, Ozone Generation Building, liquid oxygen tank farm and electrical support facilities.
- Weymouth Plant—This program consists of multiple, staged construction contracts. In September, the Board authorized completion of final design for the Weymouth ORP ozone facilities. Design is underway and is currently 15 percent complete. In November, the Board awarded a construction contract for the Weymouth ORP Switchgear project. Construction of the Weymouth Inlet Conduit Relocation, which is required to support the Weymouth ORP, is currently eight percent complete.

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 three active projects, while one has been completed. Recent activities include the following:

- Solids Handling Upgrades—This project will upgrade the solids system to reliably process residual solids after the plant's full 326-mgd capacity is achieved. The recommended upgrades include addition of a washwater reclamation plant and thickeners. Preliminary design is complete. A Board action is planned for mid-2010 to request authorization to proceed with final design.
- Modules Nos. 1 and 2 Rehabilitation—To fully upgrade the Mills plant to 326 mgd, Modules Nos. 1 and 2 must be rehabilitated and returned to service. Final design is complete. Metropolitan has deferred advertisement of the construction contract pending reassessment of flow demands projected for the Mills service area.
- Chemical System Capacity Upgrades—Portions of the existing chemical facilities will be upgraded to support the full 326-mgd plant capacity. Final design is complete. Metropolitan has deferred advertisement pending reassessment of flow demands projected for the Mills service area.

C O R P O R A T E R E S O U R C E S (C R G)

C A P I T A L I N V E S T M E N T P L A N

P R O J E C T S I D E N T I F I E D I N I R P A N D I N T E G R A T E D A R E A S T U D I E S

CRA Property Recordation Program: This program was established to perform land survey work to accurately locate Metropolitan's property that had not been updated in 75 years by setting visible boundary markers, identifying encroachments, and recording detailed maps with the local counties. In October 2003, the Board directed staff to complete the work within eight years, and to prioritize activities to address the more critical areas early in the schedule (e.g., areas with encroachments, illegal dumping, trespassing, etc.). The Board also authorized four-year professional services agreements to assist with the work. Accomplishments to date include:

- A total of 350 (out of approximately 360 total) task orders have been completed covering all desert parcels comprising of approximately 130,000 acres, which provided critical area boundary maps, control surveys, structure locations, encroachment documentation, and purchase of title reports.

- Approximately 10,500 (85 percent) boundary markers and 6,000 (100 percent) facilities markers have been set to identify property corners and alignments of pipelines.
- Assessor parcel numbers have been assigned to all Metropolitan properties in San Bernardino and Riverside Counties.
- Title insurance for all fee parcels purchased from the federal government has been received, filed and indexed.
- Data and graphics for 6,370 (64 percent) parcels have been updated and made available to internal staff through geographic information systems.

Construction Contract Activity	Percent Complete
Skinner Treatment Plant Oxidation Retrofit and Washwater Reclamation Plant No. 3	99%
Perris Valley Pipeline, North Reach	99%
Perris Valley Pipeline, South Reach	47%
Diemer Water Treatment Plant – Oxidation Retrofit Program	35%
Air Release and Vacuum Valve Relocation for Treated Water Pipelines – Packages 4, 5, & 6	96%
Lake Skinner East Bypass Screening Structure Rehabilitation	90%
Jensen Water Treatment Plant Solids Thickeners 5 & 6	82%
Weymouth Water Treatment Plant Coagulant Tank Farm Modifications	59%
Weymouth Water Treatment Plant Inlet Conduit Relocation and Rapid Mix System	6%
Diemer Water Treatment Plant North Access Road	2%

WATER SUPPLY RELIABILITY

WATER CONSERVATION CONTROL MEASURES

Since the Board authorized an increase to Metropolitan's Conservation Credits Program and amended a contract with Honeywell International in July 2009, staff has processed approximately \$8.1 million of the \$14.2 million identified as backlog payments in the July 2009 Audit Report. Applications for \$2.8 million will be processed once work is completed,

additional documentation is provided by the customers or member agencies complete landscape inspections.

For the current fiscal year through December 2009, regional rebate programs that provide incentives to residential and commercial customers have total reservations of \$5.3 million of the \$10.6 million budget, with the greatest requests for high-efficiency toilets.

C O R P O R A T E R E S O U R C E S (C R G)

B U S I N E S S P R O C E S S E S

UPDATE OF INFORMATION TECHNOLOGY STRATEGIC PLAN

Applied for Grant Funding for Information Technology Projects—During the period, staff completed the necessary documentation and application to apply for grant funding under the American Recovery and Reinvestment Act of 2009. The projects submitted by the Information Technology Section were part of a larger Metropolitan effort to seek grant funding for projects that qualify under the ARRA act. The application for the ARRA was submitted in December and the results are expected to be announced in early 2010. The three projects submitted by Information Technology for ARRA consideration are the PC Power Optimization, Enterprise UNIX Server Upgrade, and the Headquarters Datacenter Sustainability Upgrade Project.

In addition, the staff is currently looking into software/subscriptions that will allow Metropolitan staff to more quickly and easily locate potential grant funding sources, determine its applicability to Metropolitan's projects, and track and manage submitted grants.

E M P L O Y E E A W A R E N E S S O F S U S T A I N A B L E P R A C T I C E S

Metropolitan's E-newsletter, *Our Legacy*, continues monthly publication. The December newsletter provided holiday celebration ideas and gift giving ideas that are environmentally friendly and reduce consumption of our natural resources.

B U S I N E S S O U T R E A C H

On December 1, Metropolitan partnered with the University of Southern California to host a Local and Minority-Owned Business Networking Event at the Galen Center. More than 150 business owners attended the workshop.

On December 2, Assistant General Manager and Chief Administrative Officer Gilbert F. Ivey joined San Diego Mayor Jerry Sanders at the Second Annual Fire Side sponsored by the San Diego Regional Chamber of Commerce. This is an informal discussion with the Mayor about city issues. Mr. Ivey discussed the importance of water issues facing the Southern California Region and the vital role the business community plays in our future. Over 800 business owners attended the event.

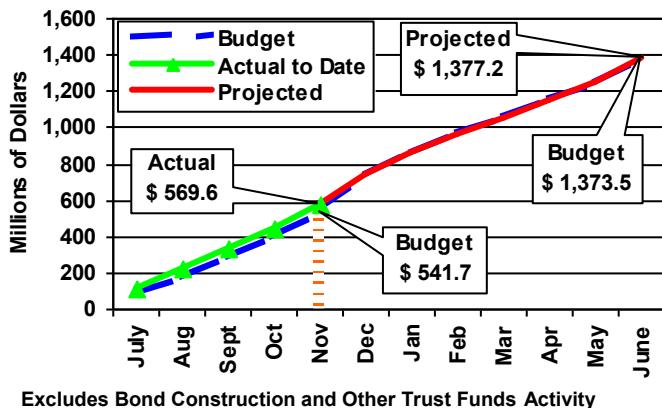
A member of the Business Outreach team, Ken Ashford, was awarded the Small Business Advocate of the Year Award from the Asian Business Association of Orange County (ABA-OC). This award is presented annually to the person who demonstrates the advancements of contracting opportunities among small businesses and ABA-OC members.



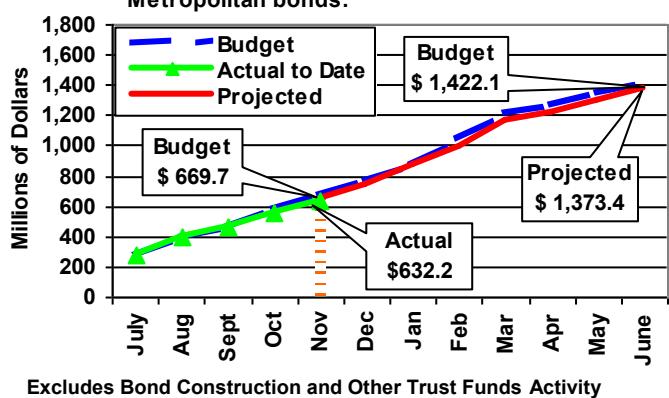
Metropolitan Representative Ken Ashford with Commissioner of Community Colleges Bobby McDonald

FINANCE as of November 30, 2009

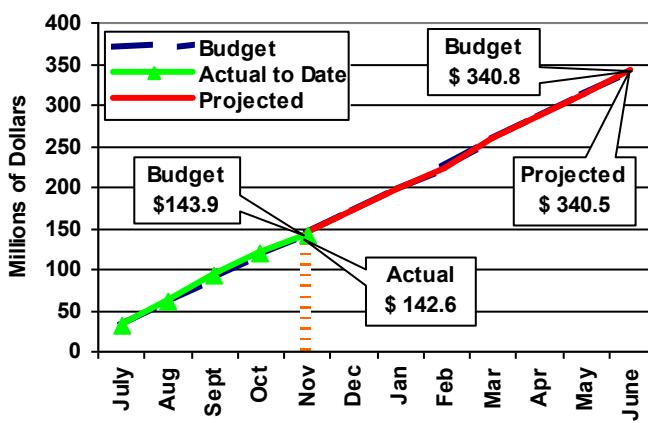
Receipts are expected to be \$4 million over budget by year end, mainly due to higher grant reimbursements.



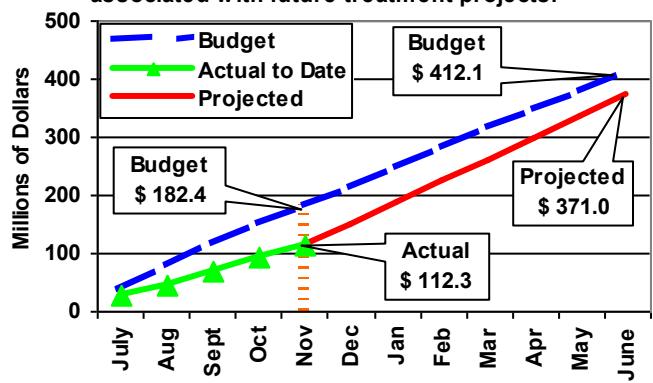
Expenditures are expected to be \$49 million under budget by year end, mainly due to lower SWP capital costs and debt service on Metropolitan bonds.



O&M expenditures are expected to be on budget at year end.

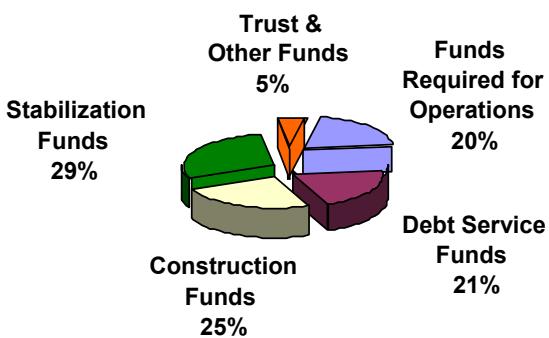


Construction costs are expected to be \$41 million under budget by year end due to scheduling changes and the deferral of land purchases associated with future treatment projects.



Cash and Investments

\$ 1,196.3 million



Summary Financial Statistics

	<u>Target</u>	<u>Actual</u>
Fixed Charge Coverage	≥ 1.20 x	1.23 x
Revenue Debt Service Coverage	> 2.00 x	1.74 x
Revenue Bond Debt / Equity Ratio	< 100.0%	76.2%

Credit Ratings

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

HUMAN RESOURCES (HR)

HIGH PERFORMANCE WORKPLACE

STRATEGIC HR

Continuing management briefings and support for the *Voices 2009 Survey* with various Groups and Sections throughout Metropolitan.

MANAGEMENT EXCELLENCE

Completed course descriptions, confirmed participants and scheduled trainers/speakers from Chief Financial Officer's office, Water System Operations, Ethics Office, Employee

Relations and Human Resources for roll-out of the *New Manager Orientation* starting in January 2010.

Provided face-to-face coaching and consultations for seven established managers and continued administration of 15 coaching engagements with six external coaches, including oversight, ongoing updates and status conferences.

HUMAN RESOURCES EXCELLENCE

TALENT ACQUISITION

Talent management staff is supporting the recruitment effort for the Executive Director for the newly formed State and Federal Contractors Water Agency. A job description was created, a salary survey was completed, a job announcement was posted to Web sites and staff is currently monitoring the application process to complete selection by March 1, 2010. One annuitant was hired for a critical need position in the Sacramento office. The processes from requisition to hire took only 10 days.

EMPLOYEE RELATIONS

Employee Relations staff continued partnering with Talent Management to deliver Reasonable Suspicion Training to managers. Eighty-four percent of Metropolitan managers have now completed the training. The training is designed to teach managers how to identify signs that an employee may be under the influence of drugs or alcohol, and what steps to follow if there is a reasonable suspicion.

LEARNING AND DEVELOPMENT

- Employee development and management development STAR classes were scheduled for the remainder of Fiscal Year 2009/10 and notification sent to employees and managers.
- Recorded a new Procurement module in the User Productivity Kit for Oracle financials online training.
- During December, 18 employees accessed 30 different online eLearning courses through MindLeaders.com. Since launching the eLearning pilot in November, 82 employees have accessed 67 different courses, with a total of 32 courses "mastered" or completed.

TOTAL COMPENSATION

Final agreement with the Association of Confidential Employees on the Human Resources portion of the ACE Class Study occurred in December. The study findings have been implemented.

Staff continued to work with the American Federation of State, County, and Municipal Employees bargaining unit and management on the AFSCME Class Study to finalize revised job descriptions. A total of 230 of approximately 250 AFSCME job description revisions have been completed.

Delivery of value-added retirement information continued. This month HR Benefits coordinated and hosted 55 attendees for sessions of *Achieving Your Dream Retirement* and *Estate Planning*.

RISK MANAGEMENT

Completed 47 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.

Completed 27 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events and film permits.

WORKERS' COMPENSATION

- Conducted initial investigations on 15 injury incidents.
- Submitted 11 new claims to Metropolitan's workers' compensation claim administrator.
- Settlements were negotiated in 5 claims, finalized 1 additional claim, and 10 claim files were closed.
- Conducted medical surveillance evaluations at one facility.
- Arranged 16 medical evaluations.
- Coordinated random drug/alcohol testing at two facilities.
- Addressed 2 accommodation issues.

REAL PROPERTY DEVELOPMENT & MANAGEMENT (RPDM)

RECREATIONAL FACILITIES—Diamond Valley Lake

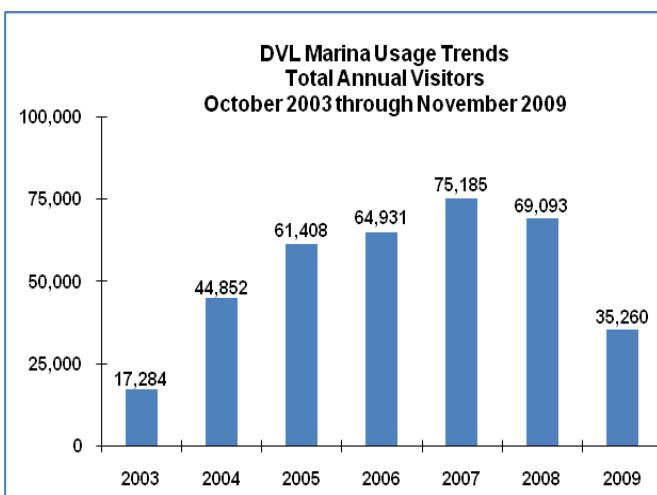
Ramp Extension—The purpose of this project was to extend the Diamond Valley Lake boat ramp to its ultimate build-out level, which is just above the lake bottom in the vicinity of the boat ramp. Private boat launches at DVL were indefinitely suspended on October 13, 2008, when dropping lake levels reached the end of the existing boat ramp. The Board awarded a construction contract in August 2009 to increase the boat ramp length and allow boating activities on the lake to resume. On November 24, 2009, construction was completed on budget and more than five weeks ahead of its original completion date.

The Diamond Valley Lake boat ramp reopened to the public on December 20. Pre-reopening events included a December 12 charity tournament sponsored by Valley-Wide Recreation and Park District and National Bass West, and a week of fishing and boating access for existing annual launch pass holders.

In December, the California Department of Fish and Game planted approximately 6,000 pounds of rainbow trout into Diamond Valley Lake. This was in addition to the bi-weekly 2,000 pound plants made by Mt. Lassen Trout, Inc. The bi-weekly plants are paid with Fishing Access Permit funds.



Diamond Valley Lake Boat Ramp Extension



Note: Boat launch ramp closed to private launches in October 2008 and reopened in December 2009

2009 usage represents January through mid-December.



Diamond Valley Lake Boat Ramp Public Reopening

REAL PROPERTY DEVELOPMENT & MANAGEMENT (RPDM)

OPERATE HEADQUARTERS FACILITY

Approximately 150 scheduled maintenance procedures were completed on Metropolitan's Headquarters Building. Examples of preventative maintenance include cleaning, replacing, adjusting and lubricating mechanical equipment and systems; and checking pumps for vibration and overheating.

The area on the second floor of the Headquarters Building that is occupied by the Office of Statewide Health Planning and Development was painted per the terms of the lease agreement.

PROPERTY FOR FUTURE WATER INFRASTRUCTURE AND OTHER REAL PROPERTY GOALS

Ace Anaheim Building, LLC, Andrew C. Edwards, Managing Member, granted to Metropolitan a permanent pipeline easement for a portion of the Orange County Feeder in Anaheim. This easement was needed to relocate Metropolitan's pipeline to accommodate a construction project. When the

pipeline relocation is completed and operating, Metropolitan will quitclaim the existing pipeline easement area to Ace Anaheim Building, LLC.

An entry permit was issued to ICF Jones & Stokes to allow biological studies on portions of the Lake Mathews Multiple Species Reserve area. These studies will be used to assess and evaluate the suitability of a trail alignment for Riverside County Parks.

Staff prepared property tax filings and sent annual payments to area counties including Ventura, Los Angeles, Orange, San Diego, Riverside, San Bernardino, Imperial, Mojave (AZ), and Clark (NV).

The California State Lands Commission published its regional study on effects of long-term sea level rise along the Pacific coastline. Metropolitan previously sent responses and summary information about our properties.

The Metropolitan Water District of Southern California

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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.

www.MWDH2O.com

www.BeWaterWise.com