



The Metropolitan Water District of Southern California General Manager's Monthly Activity Report— January 2010

Dated: January 31, 2010

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.

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Lake Mathews Junction Shaft Inspection

General Manager Jeff Kightlinger, Chief Operating Officer Debra Man, and Water System Operations Manager Jim Green preparing to be lowered into the 115-foot-deep shaft.



WATER SYSTEM OPERATIONS (WSO)

POWER RESOURCE MANAGEMENT / GREENHOUSE GAS REDUCTION

- In early January, Metropolitan submitted annual compliance documentation to the Western Electricity Coordinating Council and Southern California Edison, certifying compliance with nearly 100 national electrical reliability requirements. These reliability requirements are the result of federal legislation that created a legal requirement to certify a party's compliance with the requirements.
- On January 21, Metropolitan provided oral comments to the Western Area Power Administration (WAPA) on their initial proposal for the remarketing of Hoover power after the current contracts expire in 2017. Metropolitan, working with the other Hoover power contractors, developed legislation to allocate Hoover power after 2017. This legislation has been introduced into both houses of Congress and hearings on the bills are being scheduled. Metropolitan requested WAPA suspend its activities for the remainder of the current session of Congress in order to avoid unnecessary and redundant dedication of staff resources from both WAPA and the Hoover power contractors.
- Staff conducted a Board workshop on Metropolitan's Energy Management Policies and Reliability Plan that outlines a strategy to provide long-term energy reliability, develops economical renewable and alternative energy projects, establishes Greenhouse Gas emission goals and demonstrates energy and environmental stewardship by reducing Metropolitan's carbon footprint.

SYSTEM RELIABILITY

SYSTEM OPERATIONS

System Operations delivered approximately 112,000 acre-feet of water for January 2010, which is an average of 3,600 AF per day. An additional 4,250 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. As a result of the recent storms and shutdowns, system demands dropped significantly.

In light of the low initial State Water Project 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 remain low during early 2010.

Operations Control Center staff reconfigured system operations to support the Upper Feeder, Lower Feeder and Diemer plant shutdowns, which occurred simultaneous. Staff has been coordinating the 10-day Devil Canyon shutdown with the California Department of Water Resources and with Conveyance and Distribution staff, who will be taking the opportunity to conduct two shutdowns at the same time as the Devil Canyon outage.

SECURITY

Security staff conducted field visits and arranged stakeholder conferences to discuss optimum placement of gatehouses for two facilities in Riverside county. Staff analyzed guard deployments in light of previous force reductions and updated scope of services in preparation for rebidding Metropolitan's guard

contract; and oversaw acceptance of security system upgrades for the Diemer chlorine containment facility and the Skinner Ozone Retrofit Program.

EMERGENCY MANAGEMENT

- Staff assisted the State Regional Emergency Operations Center at Los Alamitos during the rain storms by staffing the Utilities desk.
- A mutual assistance agreement was executed with the California Utilities Emergency Association. The principle purpose of the Agreement is to provide Metropolitan access to the resources of other utilities that are CUEA members, including Southern California Edison, Pacific Gas & Electric, and Sempra, in order to quickly repair high voltage transmission lines along the Colorado River Aqueduct.
- During calendar year 2009, over 1,300 employees participated in emergency exercises, workshops, evacuation drills, and related activities totaling over 3,300 training hours.
- Staff hosted a Water/Wastewater Agency Response Network meeting at Metropolitan's headquarters. Agenda topics included sharing timely information on water agency activities and improving mutual aid assistance in disasters.
- All facilities were placed on daily storm watch, with increased frequency of patrols and reporting during the recent series of storms. No service outages occurred during the storms. Damage to patrol roads, structures and facilities from erosion and flooding was minimal.

WATER SYSTEM OPERATIONS (WSO)

SYSTEM RELIABILITY

SYSTEM MAINTENANCE / SHUTDOWNS

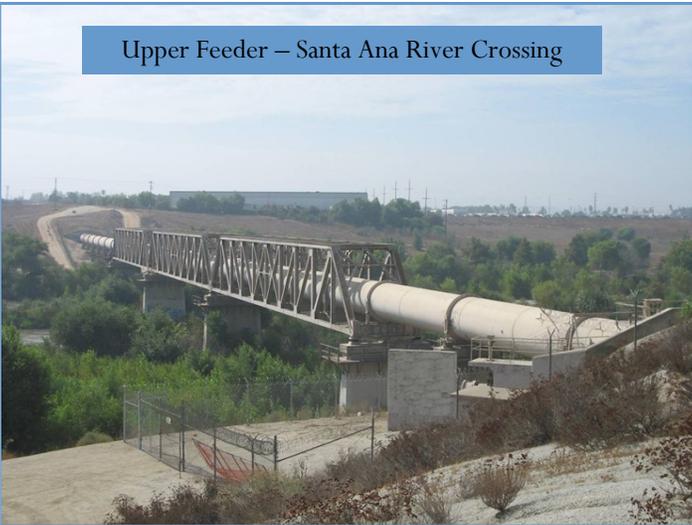
A five-day shutdown began 2010 on the Auld Valley Pipeline to perform a prestressed pipe inspection. On January 14, a three-day shutdown began on the Box Springs Feeder to allow the California Department of Water Resources to remove the rollout bulkhead section on their Santa Ana Valley Pipeline. On January 20, a scheduled shutdown began on the Upper and Lower Feeders (untreated) to perform routine inspections and repairs at several locations. On January 25, a seven-day shutdown began at the Diemer plant to perform ozone related work.

ENVIRONMENTAL, HEALTH AND SAFETY

On January 1, the South Coast Air Quality Management District lifted the permit moratorium on air quality permits for equipment. The moratorium was in place because of a lawsuit between the Natural Resources Defense Council and SCAQMD. In October, AB827 was passed and allowed SCAQMD to lift the moratorium. Permits to operate have been received and distributed for the two 1.5 MW emergency generators for Diemer plant and the 1 MW emergency generator for Eagle Mountain.

Metropolitan attended a workshop (December 14) and submitted a letter (January 11) to the California Air Resource Board (CARB) on the Cap and Trade Preliminary Draft Regulation for Green House Gases. As an importer of out-of-state electricity for Colorado River Aqueduct water deliveries, Metropolitan could end up being regulated under the provisions of the cap and trade program. This would require acquisition of allowances (essentially permits to emit) via auctions, free allocation, or offsets.

Upper Feeder – Santa Ana River Crossing



WORKFORCE PLANNING AND SUCCESSION

The Class of 2012 mechanical apprentices entered their fifth period of study, which includes metallurgy and welding. Metropolitan contracts with Mt. San Antonio College to use their facility, which has enough equipment to facilitate hands-on individualized instruction for large classes. Class size occasionally leaves space for additional students without added cost. During the next two sessions, 10 seats are being made available to non-apprentices to provide skills development opportunities for existing employees.

Member of the Class of 2012 Mechanical Apprentices



WATER SYSTEM OPERATIONS (WSO)

WATER QUALITY

PROTECT SOURCE WATER QUALITY

Geosmin levels reached as high as 37 ng/L along the east branch aqueduct of the State Water Project, but have been declining. No elevated levels of geosmin reached the Mills plant. Taste and odor was acceptable in all other source and finished waters.

In December, the Human and Ecological Risk Assessment for Groundwater Impacts and the Corrective Measure Study/Feasibility Study were approved by the lead state and federal regulatory agencies, California Department of Toxic Substance Control and the Department of Interior for the Topock Chromium 6 Remediation Project. These documents pave the way for the selection and implementation of a final groundwater remedy. DTSC and DOI have worked collaboratively to approve these important documents.

MANAGE WATER TREATMENT

The Diemer plant was shut down from January 25 – 31 to facilitate construction tie-ins for the ozone retrofit project. This was the first of three, seven-day outages needed to complete ozone construction. The next outages will occur during the next two winter periods.

The Skinner water treatment plant continued operations during the replacement of the floating cover on the finished water reservoir. Staff is working closely with the member agencies to coordinate flow changes and to maintain a minimum plant flow during the construction period. The reservoir outage began on November 30 and will continue through mid-March.

Construction of the new plant inlet conduit continued at the Weymouth water treatment plant. Staff increased chemical storage and delivery flexibility to accommodate an 80-day outage of the rail spur during the construction period, which began on January 11.

The latest Total Dissolved Solids results from December for Weymouth, Diemer, and Skinner water treatment plants are 659, 645, and 622 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 1/31/2010 <u>Storage (AF)</u>	Percent of <u>Capacity</u>
Lake Mathews	257,200	141%
Lake Skinner	37,100	84%
DVL	385,500	48%
Lake Perris	63,800	49%

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

WATER RESOURCE MANAGEMENT (WRM)

WATER SUPPLY RELIABILITY

UPDATE INTEGRATED RESOURCES PLAN

Water Supply Allocation Plan 12-Month Review—Metropolitan commenced the 12-month formal review process for the Water Supply Allocation Plan (Allocation Plan) with a Member Agency Managers meeting on January 13, 2010. The purpose of the review is to collaborate with the Member Agencies to identify potential modifications to the Allocation Plan and to recommend changes, if any, for board consideration. The main part of the meeting was a focused discussion on Allocation Plan-related issues that had been identified by Metropolitan staff and by Member Agencies since the Allocation Plan was implemented at a Level 2 allocation in July 2009. To allow for further discussion on identified issues, the Member Agency Managers agreed to continue with a follow-up meeting on remaining items in February and to develop recommendations by April 2010.

Regional Urban Water Management Plan (RUWMP)—Since the Regional Urban Water Management Plan Kickoff Workshop in October 2009, Metropolitan staff has monitored the legislative developments in Sacramento and assessed implications of recently passed bills on the RUWMP. Metropolitan staff is currently coordinating with the member agencies in refining demand projections and preparing the initial draft 2010 RUWMP that will be sent out for member agency review by April 2010. Metropolitan is on track to meet the RUWMP deadline of December 31, 2010 submittal to DWR.

IRP Update—Following the third workshop of the Strategic Policy Review, staff has refocused efforts toward completing the IRP Update Technical Process. Collaborative work is continuing with the Rand Corporation to identify and analyze

key uncertainties and vulnerabilities to water supply reliability in the future, and to develop contingency approaches for adaptive management. Staff also continued to make progress with the member agencies on the development of a Long-Term Conservation Plan that will be tied into regional water-use efficiency goals set through the IRP process.

LONG-TERM REGIONAL CONSERVATION PLAN

Conservation Program Strategies—Over the last several months, staff has been working with the member agencies to review Metropolitan's water conservation programs and obtain input to develop a comprehensive strategy for achieving long-term water conservation program goals, consistent with the Integrated Resource Plan Update. Upcoming meetings will focus on developing a framework for long-term conservation program approaches and implementation strategies including a detailed plan for fiscal year 2010/11. An update of the status was recently provided to the Member Agency Managers.

SEAWATER DESALINATION

Coastal Commission Letter—In response to a Coastal Commission request regarding the Carlsbad Seawater Desalination Project, Metropolitan and San Diego County Water Authority staff submitted a joint letter providing an overview of how local projects, including new seawater desalination projects, offset imported water demand. The Coastal Commission will be holding a revocation hearing in February on the Carlsbad Project's greenhouse gas mitigation plan.

WATER SUPPLY

COLORADO RIVER

Approved Net Diversion—The Secretary of the Interior transmitted the Annual Operating Plan for the Colorado River System Reservoirs for 2010 to the Colorado River Basin States on January 5. The Bureau of Reclamation's Lower Colorado Regional Director has approved Metropolitan's net diversion of nearly 930,000 acre-feet in 2010. Metropolitan staff is working with the Bureau to utilize other Colorado River supplies in order to achieve about 1.2 million acre-feet of Colorado River diversions in 2010.

WATER RESOURCE MANAGEMENT (WRM)

WATER SUPPLY

STATE WATER PROJECT

Hydropower Generation Impacts—Due to aging facilities, state worker furloughs, and problem retaining experienced operations and maintenance personnel, repairs to damaged generator units at the State Water Project's William Warne Power Plant have been delayed. One generator is being run at reduced capacity and some water has bypassed the plant during the outage. Metropolitan staff is working with the California Department of Water Resources to minimize water supply and lost hydropower generation impacts during the outage.

Adjusted State Water Project Charges—Revised charges were received from the Department of Water Resources that reduced the fixed portion of Metropolitan's 2010 State Water Project charges by \$14 million. This reduction reflects a return of contractor revenue by DWR under terms of the Monterey Amendment and a reduction in the inflation factor used in estimating the charges.

California Air Resources Board (CARB) Cap-and-trade Regulation—CARB has issued a draft regulation to implement a cap-and-trade program under the California Global Warming Solutions Act of 2006 (AB 32). An advisory panel to CARB, the Economic and Allocation and Advisory Committee (EAAC),

recommended that CARB use an auction process for allowances - or permits - for emissions of greenhouse gases. The State Water Contractors submitted comments to CARB that urges limited auction of allowances. Application of the auction process to the SWP could result in significant costs.

Engineering Excellence Merit Award—Staff attended the California Chapter of the American Council of Engineering Companies Annual Conference on January 19, 2010 in Sacramento. The Arvin-Edison South Canal Improvement Project (Project), which was approved by the Board in 1997, received a 2010 Engineering Excellence Merit Award. The Project, funded primarily by \$16.4M of Proposition 13 funds provided to Metropolitan and \$1.2M of Metropolitan funds, improves the performance of the Arvin-Edison/Metropolitan Water Management Program, which allows Metropolitan to bank State Water Project supplies in the groundwater basin underlying Arvin-Edison located in the lower San Joaquin Valley. The Project increases Arvin-Edison's capability to return high quality water to Metropolitan via the California Aqueduct, while ensuring sufficient capacity to meet its internal demands along the South Canal. In addition, the Project increases Metropolitan's capability to store additional water in the Program.

BAY-DELTA SOLUTIONS

NEAR-TERM MEASURES

National Academy of Sciences Review—At the request of members of Congress and the U.S. Departments of Interior and Commerce, the National Academy of Sciences has assembled a committee of independent experts to review fish protection measures contained in the Delta smelt and Salmon Biological Opinions. The committee initiated their review process with meetings at the University of California, Davis on January 24 - 28. Metropolitan staff participated in the committee meetings. The committee is expected to issue a report by March 15 focusing on restrictions on water deliveries under biological opinions and whether there are alternative actions that would have less impact on water supplies while still protecting species. In approximately November 2011, the committee will issue a second report on how to most effectively incorporate science and adaptive management concepts into holistic programs for management and restoration of the Bay-Delta.

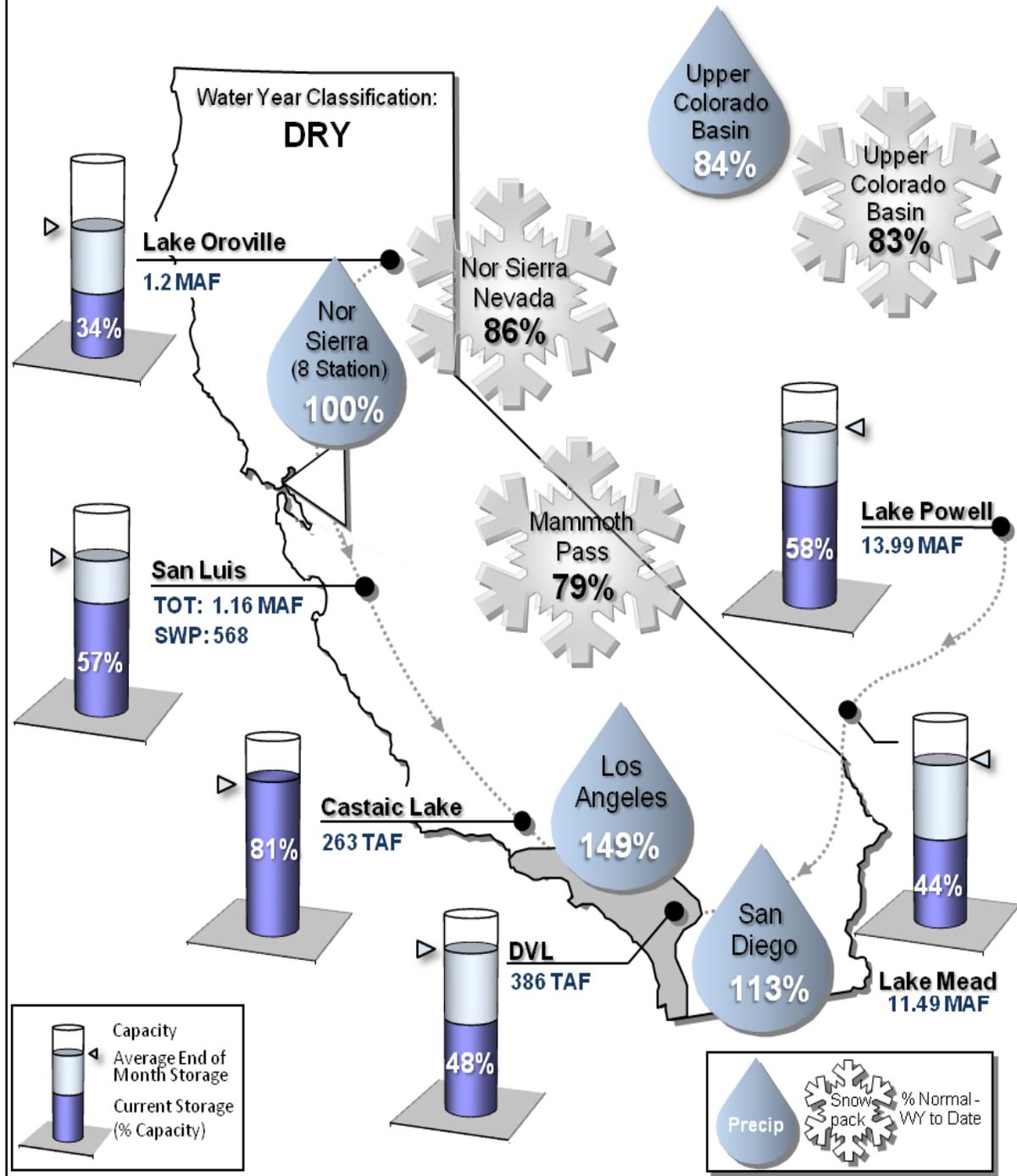
LONG-TERM MEASURES

Bay Delta Conservation Plan—Metropolitan sponsored a Risk Assessment Workshop on the isolated conveyance in January that involved participation of resource agency and exporter representatives. The purpose of the workshop was to identify the pros and cons of the conveyance options to help identify the preferred project.

WATER SUPPLY CONDITIONS

Current SWP Allocation (2010): 105,280 AF 5% of Table A (Includes CVWD & DWA Table A)

Colorado River Supply (2010): 987,913 AF 79% of full CRA (ICS is not included)



EXTERNAL AFFAIRS (EA)

LEGISLATIVE AND COMMUNITY RELATIONS

WATER POLICY AND LEGISLATIVE STRATEGIES

State Legislative Update

- The current year and fiscal year 2010/11 state budget will be the primary focus as the 2010 legislative year begins. The state is facing a sizable \$20+ billion deficit.
- On January 8, Governor Schwarzenegger called an emergency session, as authorized under Proposition 58 to address the \$6.3 billion current year deficit. This declaration may compel lawmakers to pass a solution on the current year deficit within 45 days from the time the special session was officially convened. If the budget issue is not addressed, the Legislature may be unable to pass any bills out of their respective house.
- On January 6, the Governor delivered his final State-of-the-State address. Highlights included:
 - Recognition of the historic effort to pass the Delta water package last November and his support for continuing the “spirit of cooperation” to help pass the \$11 billion water bond that will be before the voters in November 2010;
 - Economy is a top priority, and the Governor spelled out a set of proposals to help stimulate both the economy and job growth throughout the state; and
 - A call to institute pension reform for government employees.
- The Department of Water Resources’ proposed budget includes funding for the Delta Stewardship Council, the new Delta Conservancy, State Water Resources Control Board activities to implement the Delta package and water rights enforcement; and funding for the Delta Protection Commission for preparation of its economic sustainability plan.
- Assembly Member Alyson Huber (D-El Dorado Hills) has introduced AB 1594 which would prohibit the construction of a peripheral canal that conveys water from a diversion point in the Sacramento River to a location south of the Delta unless expressly authorized by the Legislature. The bill would also require the Legislative Analyst’s office to complete an economic feasibility analysis prior to construction. AB 1594 would further also require that construction and operation not diminish or negatively affect

water supplies, water rights or water quality for water users within the Delta watershed. The measure has been assigned to the Assembly Water, Parks and Wildlife Committee.

- On January 7, Assembly Member John A. Pérez (D-Los Angeles) was elected Speaker of the California State Assembly. Speaker-Elect Pérez was elected in 2008 to represent the 46th District in Los Angeles and is currently serving his first term. The Speaker-Elect is expected to take over the reins in February. Changes to committee assignments and leadership positions are also anticipated.

Local Government

- Staff coordinated a briefing and facility tour of Weymouth treatment plant and Metropolitan’s Water Quality Lab for Senator Negrete-McLeod and her staff to provide the Senator with an overview of chemical security measures at Metropolitan’s treatment facilities.
- Staff continues to work with local agencies, community groups and business organizations on Metropolitan’s legislative priorities and was successful in helping to secure more than 20 letters of support for H.R. 4349 (Napolitano) the Hoover Power Allocation Act which is expected to be heard in committee on February 11.
- Staff helped coordinate and conducted legislative outreach and education events during January including a presentation on water supplies and water rates provided by Brian Thomas to the Monrovia/San Gabriel Valley City Managers’ Association. Legislative Services staff provided presentations to other groups, including: a presentation on “Water Supply Reliability” to the South Gate Chamber of Commerce Board of Directors and briefings to both the Independent Cities Association and the Southwest County Legislative Coalition on the Hoover Power Allocation Act.

EXTERNAL AFFAIRS (EA)

LEGISLATIVE AND COMMUNITY RELATIONS

Federal Legislation

Assistant General Manager Brian Thomas traveled to Washington, D.C., and met with staff at the White House Council on Environmental Quality and the U.S. Environmental Protection Agency as part of the Public Projects Roundtable to discuss priorities and recommendations on how to coordinate water project permit approvals under the National Environmental Protection Act. The Public Projects Roundtable was formed to educate and advocate for more effective administration of federal environmental and financial regulations. The Roundtable was initially formed by Association of California Water Agencies, Metropolitan and Eastern Municipal Water District, with other water and wastewater agencies from around the country are currently evaluating opportunities to participate in the efforts.

COMMUNITY OUTREACH

Strengthen Metropolitan's community outreach efforts:

- Staff participated in meetings with Public Works and Engineering staff from the cities of Fontana and Rancho Cucamonga to discuss the Etiwanda Pipeline shutdown and participated at another meeting with a Lake Forest housing complex property manager regarding the Allen-McColloch Pipeline shutdown and related outreach requirements. Two hundred notices were prepared and distributed for the Etiwanda project and 100 for the Allen McCulloch.
- Sixteen California Friendly Landscape Training Program classes were held for more than 356 landscapers and homeowners.

- On January 7, the California Environmental Protection Agency announced that the Agency's *Education and the Environment Initiative's* 85-unit environmental curriculum received final approval from the California State Board of Education. Education Programs' staff played an ongoing role in reviewing the initial legislation and being a part of the Technical Content Review team for the water-focused units during the development of the K-12 curriculum.

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 participated in the National Association of Home Builders Annual Board of Directors Meeting and Conference in Las Vegas to promote water conservation and other water-efficient practices in new home construction.
- Staff participated in the City of Hemet's Centennial Celebration with the Diamond Valley Lake Marina and Docents and distributed information about Metropolitan, the lake, Visitors Center and conservation.

COMMUNICATIONS

PUBLIC EDUCATION / ADVERTISING CONSERVATION EFFORTS

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

- Arranged for placement of Metropolitan water conservation ads in the following publications: Planning and Conservation League and PCL Foundation legislative conference program; Los Angeles Area Chamber of Commerce Tribute Book; Los Angeles Watts Times' Martin Luther King special section.
- Paid online search on Google Search and the Google Content Network continues this month. Links to bewaterwise.com appear when keywords such as "water," "California weather," and "water rebates" are searched for by Southern California users.

EXTERNAL AFFAIRS (EA)

COMMUNICATIONS

WORK W/MEMBER AGENCIES – COORDINATION COMMON WATER POLICY ISSUES AND ACTIONS

Staff coordinated monthly meetings for executive managers with the member agency managers where the Blue Ribbon Committee and issues related to the WSDM Plan Policy, Conservation Program and State Bond were discussed.

SUPPORT BOARD W/COMMUNICATIONS AND WORKING RELATIONSHIPS

Support Board members' communication and working relationships with elected officials, other government leaders, and business and community leaders through the following actions:

- An oversight field hearing of the House Natural Resources Subcommittee on Water and Power was held at Metropolitan's headquarters on January 25. The hearing, entitled "*Perspectives on California Water Supply: Challenges and Opportunities*" was hosted by Representative Grace Napolitano, Chair of the Water and Power Subcommittee, and included Congressman Calvert, Congressman Costa, Congressman McClintock, and Congresswoman Chu. Following opening comments by Committee Chair Napolitano and members of Congress, Bureau of Reclamation Commissioner Michael Conner, California Secretary of Resources Lester Snow and Assemblywoman Anna Caballero outlined the federal and state responses to the California water crisis. Staff assisted with the coordination of and planning for the hearing. General Manager Kightlinger also testified along with other water agency managers.
- Chairman Tim Brick attended an educational briefing convened by the Congressional Water Caucus in Washington, D.C., on January 20. This was the first in a series of educational water briefings scheduled for 2010 and featured Ken Matthews, Australian National Water Commission CEO who led the discussion.
- Legislative Affairs staff assisted Director Kristine Murray in providing a briefing on the Delta legislative package at the Anaheim Chamber of Commerce Government Affairs Committee.

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 interview with Assistant General Manager Roger Patterson and columnist Mike Fitzgerald of the Stockton Record to discuss the stockpiling of emergency construction supplies in the Sacramento-San Joaquin Delta in the event of catastrophic levee collapse.
- Issued press release introducing a new Metropolitan-produced video that provides consumers with 10 water-saving tips for both inside and outside the home; posted the video at www.mwdh2o.com.
- Scheduled an interview with Assistant General Manager Patterson and a reporter for the Contra Costa Times for a story regarding the latest delays and developments in the proposed Two-Gates project.
- Issued a statement from General Manager Jeff Kightlinger on Governor Arnold Schwarzenegger's State-of-the-State speech, highlighting the governor's prominent mention of the recently approved water legislation as a major legislative accomplishment and worthy of special recognition.
- Facilitated interviews with Metropolitan's Legal Department and reporters from the Los Angeles Times, San Diego Union-Tribune and North County Times to discuss trial judge's final ruling in the Quantification Settlement Agreement case.
- Supplied information to San Diego Union-Tribune reporter on Metropolitan's electrical power costs for the State Water Project and the Colorado River Aqueduct.
- Arranged interview with Legal Department staff and reporter for the Californian regarding sale of Metropolitan land to the city of Murrieta.

CORPORATE RESOURCES (CRG)

CAPITAL INVESTMENT PLAN

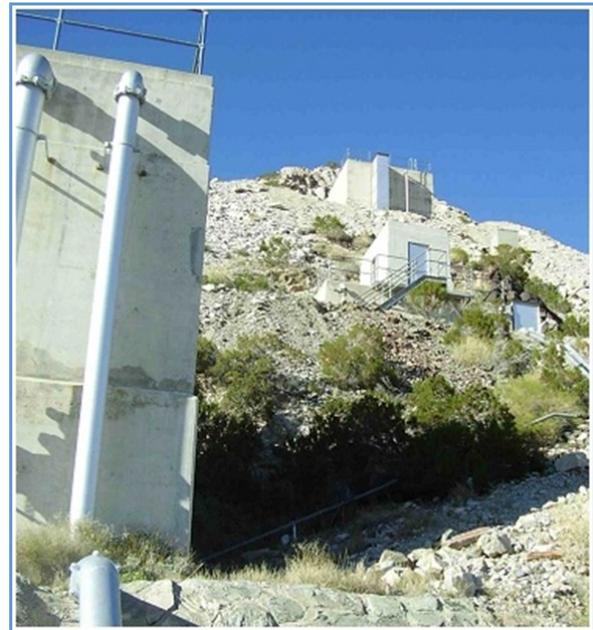
FEDERAL AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

- Received Board approval and resolution to complete two proposals to the CEC's State Energy Program for potential grant funding of \$16.5 million. A \$10 million grant targets energy efficiency savings at commercial and industrial facilities through water conservation. The second grant for \$6.5 million targets energy efficiency retrofits of Metropolitan Facilities.
- Provided a two-day training course for grant administrators, project managers, and finance personnel. In addition, staff is preparing additional compliance training courses to ensure requirements are met for U.S. Office of Budget and Management and Buy America Act.
- Continued with development of an overall grant funding policy/process for Metropolitan and continued to collaborate with IT and Finance to discuss data collection for grant management activity and grant reporting.

REPLACE / REHABILITATE PROJECTS FOR CONVEYANCE AND DISTRIBUTION SYSTEM

CRA Pumping Plant Reliability Program—This program was established to maintain reliability of the Colorado River Aqueduct (CRA) pumping plants and support facilities. The program currently contains 5 active projects, while another 5 have been completed. Recent activities include the following:

- Access Cover Replacement—This project is needed to protect the aqueduct from intrusion of soil and debris, and to prevent unauthorized access. The work involves replacement of 36 deteriorated steel and concrete access covers along the CRA. Metropolitan's Board awarded a construction contract in December 2009 and the Notice to Proceed was issued in January 2010. Construction is scheduled to be completed by June 2011.
- Desert Water Tank Access and Safety Improvements—This project is required to improve access pathways to fire, cooling and domestic water tanks which are located in steep terrain, high above each of the pumping plants. This construction work will be performed in conjunction with the Access Cover Replacement contract described above.
- Iron Mountain Expansion Joint Repair—This project will rehabilitate leaking joints on the three delivery lines at Iron Mountain Pumping Plant. Metropolitan's Board awarded a construction contract and the Notice to Proceed was issued on January 11, 2010. Construction of this contract is scheduled to be complete by June 2010.



Fire, cooling and domestic water tanks at Iron Mountain Pumping Plant

CORPORATE RESOURCES (CRG)**CAPITAL INVESTMENT PLAN**

REPLACE / REHABILITATE PROJECTS FOR WATER TREATMENT PLANTS

Diemer Water Treatment Plant Improvements Program—This program was initiated to maintain reliability and to improve operating efficiency of the Diemer plant through specific improvements projects. There are 22 active projects, while 7 have been completed. Recent activities include the following:

- Diemer North Access Road—Construction is 5 percent complete and is scheduled to be completed by summer 2011.
- Diemer Power Systems Upgrade to 66kV—Southern California Edison is preparing final design drawings for its new substation and transmission line which will supply power to the Diemer plant. These facilities will be constructed by SCE and are scheduled for late 2010.
- Finished Water Reservoir and East Washwater Tank Seismic Upgrades—Final design is 60 percent complete and is scheduled to be completed by March 2010.
- Filter Outlet Conduit Seismic Upgrades—This study is 80 percent complete and scheduled to be complete by March 2010.
- New Fire and Potable Water Pump Station—Final design is complete and advertisement for bids is scheduled for February 2010. In order to coincide with the shutdown schedule of the Diemer Oxidation Retrofit Program, the large pumps (which have long fabrication lead-time) will be pre-purchased to reduce the overall construction duration; the pump procurement was advertised for bids in January 2010.
- Public Address System Upgrades—Final design is 90 percent complete and scheduled to be complete in February 2010.

- Filter Valves Replacement—Preliminary design is 85 percent complete and scheduled to be complete in Spring 2010. A request to the Board for authorization of final design is planned for June 2010.
- Electrical Improvements—The Phase 2 preliminary design has been completed and a request to the Board for authorization of final design is planned for June 2010. Phase 1 construction is being performed under the Diemer ORP contract and is 35 percent complete. The work is scheduled to be complete by December 2011.

The program is on schedule to be completed in fiscal year 2015/16 and is within budget.



Demolition of existing underground containment vessel for Weymouth coagulant tank farm.

CORPORATE RESOURCES (CRG)

CAPITAL INVESTMENT PLAN

REPLACE / REHABILITATE PROJECTS FOR WATER TREATMENT PLANTS

Jensen Water Treatment Plant Improvements Program—This program was initiated to maintain reliability and to improve operating efficiency of the Jensen plant through specific improvement projects. The program currently contains 23 active projects, while 6 have been completed. Recent activities include the following:

- Alum-to-Polymer Tank Conversion—Final design is complete, and construction by Metropolitan forces is scheduled to be completed by December 2010.
- Administration Building Seismic Upgrades—The project consists of installation of steel and concrete beams, steel cross bracing, seismic connections, electrical work, and asbestos abatement. Construction is 67 percent complete and scheduled to be complete by April 2010.
- Entrance Improvements—This project will improve access and security at the Jensen plant's San Fernando Road and Balboa Street entrances. A value engineering study was completed which identified several cost saving opportunities to be incorporated into the project. Final design is 99 percent complete and scheduled to be complete in February 2010.
- Module No. 1 Filter Valve Replacement—The preliminary design report to replace 76 valves in Module No. 1 is complete. A Value Engineering study was completed which identified potential cost savings. As a result, a pilot project to refurbish one of the corroded valves is in progress and scheduled to be complete in June 2010.
- Solids Handling Facility—This project will provide an on-site solids dewatering facility and lagoons. Preliminary design, preparation of environmental documentation, and geotechnical investigations are 25 percent complete and scheduled to be complete by July 2010.
- Solids Thickener Capacity Increase—This project will construct two solids thickeners and a washwater recirculation pipeline and will repair a leaking sedimentation basin. Construction is 90 percent complete and scheduled to be complete by June 2010.



New flow splitter vault for the Jensen solids thickener project

PROJECTS IDENTIFIED IN IRP AND INTEGRATED AREA STUDIES

Impacts of Storms on Construction—The storms during late January required Metropolitan's construction contractors to halt progress on most exterior work, including site preparation and excavation activities. However, most contractors did proceed with interior work and focused on preparation of submittals. In accordance with Metropolitan's construction contract provisions, days for which work cannot proceed because of inclement weather will not be counted as work days, and the estimated contract completion dates for each construction contract will be revised accordingly.



Storm Impacts at Weymouth –Inlet Conduit Relocation and Rapid Mix Project

CORPORATE RESOURCES (CRG)

CAPITAL INVESTMENT PLAN

PROJECTS IDENTIFIED IN IRP AND INTEGRATED AREA STUDIES

Inland Feeder Award—The Arrowhead Tunnels received an Honor Award from the California Engineering Companies Association as an outstanding project that was completed in California in 2009. The award was presented in Sacramento on January 19.

Perris Valley Pipeline—This 96-inch diameter pipeline will be approximately 6.5 miles long, extending east and south from the Mills plant to provide service to Eastern Municipal Water District and Western Municipal Water District of Riverside County. Recent activities include the following:

- North Reach—The contractor completed the remaining punch-list items and the contract is now complete. The contractor finished nearly one year beyond the contract completion date. Accordingly, liquidated damages have been assessed. Staff is attempting to resolve several claims submitted by the contractor and is preparing for potential litigation.
- South Reach— Approximately 14,000 feet of pipeline has been installed. Unanticipated groundwater conditions were encountered near Van Buren Boulevard and the Interstate 215 Freeway crossings. Staff assessed options to complete the remaining work and determined that deletion of the tunnels from the current contract was the best option. This work will be re-advertised as a separate contract. South Reach construction is 50 percent complete and anticipated to be complete by late 2011.

- Tunnels—Staff is performing additional geotechnical analyses prior to proceeding with final design for the new tunnel contract.



Installation of pipe along Western Way

Chlorine Containment and Handling Facilities—This program includes construction of (1) facilities that handle and contain chlorine to prevent a chlorine leak and to comply with security and safety regulations; and (2) other facilities that handle chlorine to meet water treatment process requirements. Recent activities include the following:

- Water Treatment Plants – Chlorine containment facilities are operational at each of Metropolitan's five treatment plants.
- Chemical Unloading Facility – Preliminary design for a chlorine containment facility is 30 percent complete and is scheduled to be completed by May 2010. Construction of

the dechlorination system is 60 percent complete and scheduled to be complete by March 2010

- Filter Outlet Chlorine Capacity Increase Projects – Final design is complete for the Mills and Skinner facilities. Final design of the Jensen facility is 60 percent complete and scheduled to be complete by June 2010. Construction of the Mills, Skinner, and Jensen facilities is scheduled to be completed by April 2010, June 2010, and June 2011, respectively. Preliminary design of the Diemer and Weymouth projects is 5 percent complete and scheduled to be complete by June 2010.

CORPORATE RESOURCES (CRG)

CAPITAL INVESTMENT PLAN

PROJECTS IDENTIFIED IN IRP AND INTEGRATED AREA STUDIES

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 continue to meet all 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.
- Skinner Plant—The construction contractor is currently focusing on punch list and warranty items. The ozone equipment vendor, Ozonia North America (Ozonia), continues the ozone equipment functional acceptance testing. All start-up and testing activities will be completed by June 2010.
- Diemer Plant—Construction of ozone facilities is approximately 35 percent complete and scheduled to be complete by early 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 2009, the Board authorized completion of final design for the Weymouth ORP ozone facilities. Design is underway and is currently 16 percent complete. In November 2009, 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 9 percent complete.

Construction Contract Activity	Percent Complete
Skinner Treatment Plant Oxidation Retrofit and Washwater Reclamation Plant No. 3	99%
Perris Valley Pipeline, North Reach	Completed
Perris Valley Pipeline, South Reach	50%
Diemer Water Treatment Plant – Oxidation Retrofit Program	38%
Air Release and Vacuum Valve Relocation for Treated Water Pipelines – Packages 4, 5, & 6	98%
Lake Skinner East Bypass Screening Structure Rehabilitation	90%
Jensen Water Treatment Plant Solids Thickeners 5 & 6	88%
Weymouth Water Treatment Plant Coagulant Tank Farm Modifications	61%
Weymouth Water Treatment Plant Inlet Conduit Relocation and Rapid Mix System	10%
Diemer Water Treatment Plant North Access Road	4%

WATER SUPPLY RELIABILITY

WATER CONSERVATION CONTROL MEASURES

Since the Board authorized an increase to Metropolitan's Conservations Credits Program, and amended a contract with Honeywell International in July 2009, staff has processed approximately \$8.7 million of the \$14.2 million identified as backlog payments in the July 2009 Audit Report. Applications for \$2 million will be processed once work is completed,

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

For January 2010, regional rebate programs that provide incentives to residential and commercial customers have total reservations of \$5 million of the \$10.6 million budget. This is a small reduction from December resulting from \$355,000 in reservation cancellations and expirations.

CORPORATE RESOURCES (CRG)

BUSINESS PROCESSES

BUSINESS IMPROVEMENTS

Replacement of Reprographics Operating Equipment—The Xerox print publishing operating equipment in Reprographics was recently replaced with Konica Minolta operating equipment to reduce Metropolitan's costs. The Document Services Unit management negotiated early buyout of their existing lease and replacement with equipment that will allow Reprographics to maintain the quality, productivity and customer service required by management, operational staff and the board of directors. The change will result in an annual savings of over \$150,000 on equipment leasing costs.

EMPLOYEE AWARENESS OF SUSTAINABLE PRACTICES

Metropolitan's E-newsletter, *Our Legacy*, continues monthly publication. January 2010 newsletter provided information on how consumers can put a "green twist" on new activities being started in the new year.

COMMUNITY RELATIONS

Corporate Resource Manager Roy L. Wolfe has been named Chairman of the board of trustees of the Water Research Foundation. The foundation is the largest organization in the world devoted exclusively to drinking water research, representing nearly 1,000 water utilities in the United States and other countries. The foundation sponsors research to enable water utilities, public health agencies, and other professionals to provide safe and affordable drinking water to consumers. It also provides a centralized, practical research program for the drinking water community.

BUSINESS OUTREACH

Metropolitan Partners with Governor's Office of Planning and Research to Host Governor's Small Business Advocate Advisory Group—The meeting was chaired by Governor's appointee Marty Keller. Over 34 business leaders and advocates attended the session. Topics included: discussion on how small business will be a key policy focus; a report on the Governor's Conference on Small Business and Entrepreneurship; and a presentation on the critical role small business will play in the state's economic resurgence and what state government should be doing to support its small businesses.

Staff participated in the Port of Los Angeles Small Business Advisory Council—The council is comprised of 18 leaders from universities, water and energy utilities, federal government, county and city government and other private businesses. Topics covered included: Project Labor Agreements and upcoming collaboration conferences.

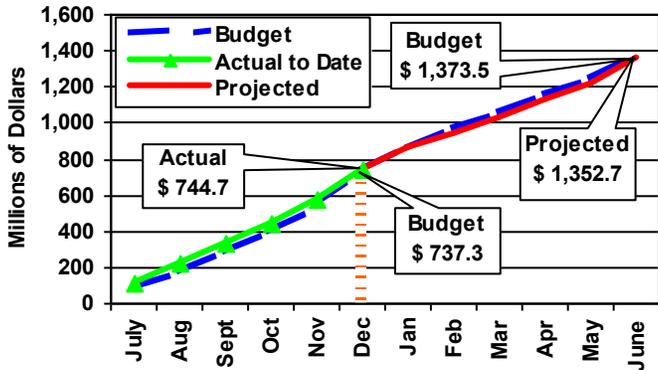
Continued support to Veteran Business Community—Staff attended the third annual Military Helping Military Business Networking luncheon in Long Beach. MHM is dedicated to

developing business opportunities with the companies that are built, hire or support America's military veterans. Major General Waldhauser with the United States Marine Corps welcomed the group.

Sponsored The Valley Business Expo 2010—On January 28, Business Outreach represented Metropolitan at "The Valley Business Expo 2010" held at Pickwick Garden Center in Burbank. Business Outreach gave a workshop presentation on Metropolitan's Vendor Registration and Small Business Certification System on NETConnect titled "Get Certified Today – Do Business Tomorrow." Business Outreach was able to introduce over 1,000 business owners to opportunities at Metropolitan, promoted Metropolitan's water conservation efforts, and encouraged business owners to register as vendors and get Small Business Enterprise Certification in Metropolitan's NETConnect system.

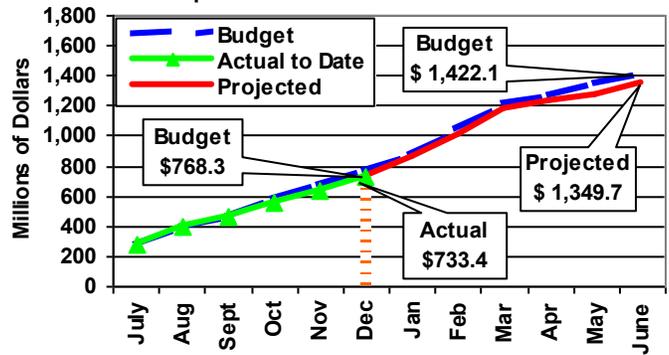
FINANCE as of December 31, 2009

Receipts are expected to be \$21 million under budget by year end, mainly due to lower water sales.



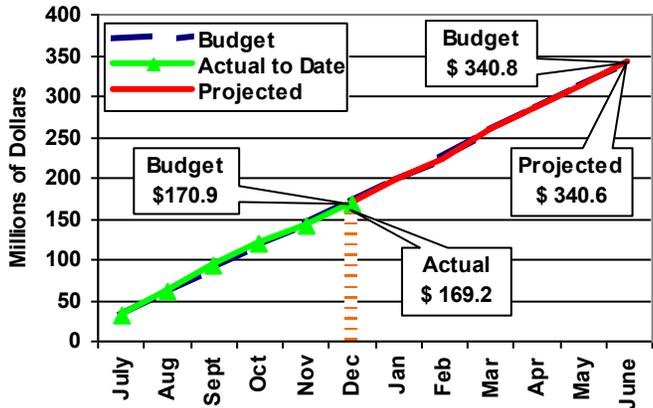
Excludes Bond Construction and Other Trust Funds Activity

Expenditures are expected to be \$72 million under budget by year end, mainly due to lower SWP capital costs and debt service on Metropolitan bonds.

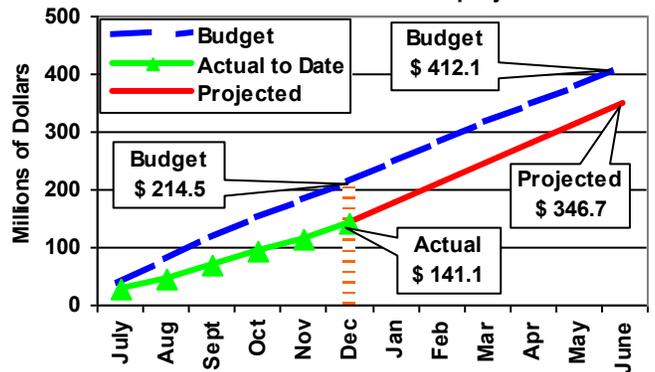


Excludes Bond Construction and Other Trust Funds Activity

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

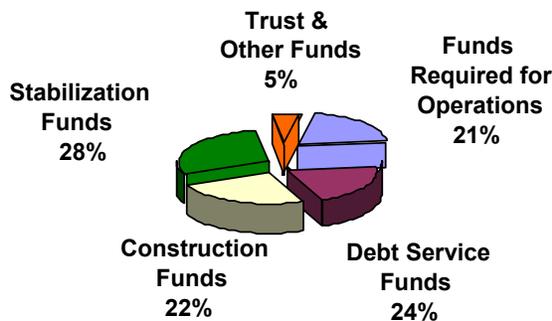


Construction costs are expected to be \$65 million under budget by year end due to scheduling changes and the deferral of land purchases associated with future treatment projects.



Cash and Investments

\$1,242.1 million



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.31 x
Revenue Debt Service Coverage	> 2.00 x	1.85 x
Revenue Bond Debt / Equity Ratio	< 100.0%	76.0%

Credit Ratings

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

HUMAN RESOURCES (HR)

HIGH PERFORMANCE WORKPLACE

MANAGEMENT EXCELLENCE

The pilot New Manager Orientation, a 20-hour series comprised of classes, readings, research and one-on-one coaching for front-line managers, kicked off on January 26 with 12 managers who assumed the role in the past few months.

Provided face-to-face coaching and consultations for seven established managers and continued administration of 14 coaching engagements and provided in-house coaching for four managers.

DEVELOP PARTNERSHIPS IN LABOR

During the month of December, HR staff continued extensive discussions with senior management and the Board regarding contract negotiations. A number of alternatives for concluding the negotiations have been reviewed and analyzed, as have several strategic issues. These discussions continued in January, in advance of the next meeting of the Organization and Personnel Committee.

HUMAN RESOURCES EXCELLENCE

TALENT ACQUISITION

Planned, coordinated, and facilitated the recruitment for the Group Manager of Water Resource Management. This internal-only recruitment was completed in 14 days with active collaboration from the Chief Operating Officer's office.

One new employee started at Metropolitan during the month.

LEARNING AND DEVELOPMENT

"Preparing for Job Interviews" class was provided to employees interested in career development opportunities. Two information sessions were provided by Training staff in collaboration with UCLA Extension, for employees interested in English for Non-native Speakers curriculum.

HR INFORMATION SYSTEMS

An improved Employee Data Change Form passed user acceptance this month and My HR's Manager Self-Service is in final stage of testing.

TOTAL COMPENSATION

Continued to work with AFSCME and management on the AFSCME Class Study to finalize revised job descriptions. As of this month there are 76 classification families and 224 job descriptions complete.

RISK MANAGEMENT

Completed 50 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.

Completed 77 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events and film permits.

WORKERS' COMPENSATION

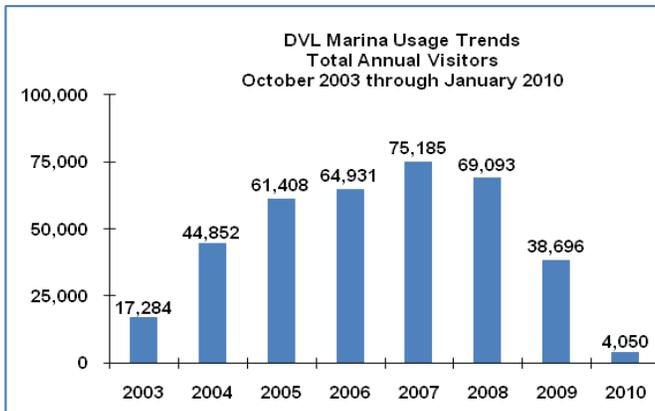
- Conducted initial investigations on 10 injury incidents.
- Submitted 3 new claims to Metropolitan's workers' compensation claim administrator.
- Settlements were finalized in 4 claims and 13 claim files were closed.
- Completed and prepared for distribution and posting to all facilities - 2009 OSHA Summary Report.
- Conducted Medvans at Jensen and Diemer facilities.
- Arranged 14 medical evaluations (DMV medical surveillance).
- Coordinated random drug/alcohol testing at two facilities.
- Addressed 4 accommodation issues.

REAL PROPERTY DEVELOPMENT & MANAGEMENT (RPDM)

RECREATIONAL FACILITIES—Diamond Valley Lake

Approximately 8,000 anglers have visited Diamond Valley Lake and 1,800 private boats have launched since the reopening of the boat ramp on December 20, 2009. Increased launch fees are expected to cover the cost of the ramp extension in five years. Increased fees collected through January are estimated to be \$12,000.

In January, 4,000 pounds of rainbow trout were planted by Mt. Lassen Trout. The bi-weekly 2,000-pound plants are paid for using Fishing Access Permit funds.



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

2010 usage represents only the month of January.

PROPERTY FOR FUTURE WATER INFRASTRUCTURE AND OTHER REAL PROPERTY GOALS

A one-year extension to the term of an entry permit was issued to Canyon Crossings Corporate Center. This entry permit allows access, temporary parking, street improvements, landscaping and utilities along a designated portion of the Box Springs Feeder right-of-way. The permit also sets controls for adjoining construction for an adjacent development.

A one-day parking permit was issued to Katay Kocsis for use of a portion of the parking areas at 700 North Alameda Street for an event held at Union Station.

SUSTAINABILITY IN ALL ASPECTS OF REAL PROPERTY

Meetings have been held with University of San Diego, Scripps Institute of Oceanography and representatives from China and South Korea. These groups have expressed interest in projects at Diamond Valley Lake.

Request for Qualifications No. 928 closed in December 2009. This RFQ solicited qualifications from individuals or teams with an interest in developing the property owned by Metropolitan located at Wheeler Avenue and Arrow Highway in La Verne. Responses have been evaluated and a recommendation to prequalify firms is pending.

OPERATE HEADQUARTERS FACILITY

At the January Board meeting, Peter Barsuk, Board Chair of the local chapter of the U.S. Green Building Council, presented Metropolitan with the LEED Silver Certification for Metropolitan's Headquarters Building.

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 Metropolitan Water District of Southern California

700 No. Alameda Street
Los Angeles, CA 90012
General No.: 213 217-6000

General Manager: Jeffrey Kightlinger
Office of the GM No.: 213 217-6139
E-Mail:
OfficeoftheGeneralManager2@mwdh2o.com



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

Metropolitan News Release, January 25, 2010

Even with the powerful storms that have swept through the state, Southern California continues to face significant supply challenges in 2010 and beyond, regional water managers cautioned today.

"These storms may have left many consumers with the misperception that the region's water supply problems are over. Nothing, however, could be further from the truth," said Jeffrey Kightlinger, general manager.

Metropolitan's main sources of imported supplies, particularly deliveries from Northern California through the Sacramento-San Joaquin Delta, remain hindered by limitations, Kightlinger said. He pointed to the state Department of Water Resources record-low allocation of five percent of State Water Project supplies to Southern California and other areas of the state.

"Although that allocation may be adjusted soon, the Southland and other parts of California must continue to deal with continued shortages because of the effects of three years of statewide drought and the Delta's deteriorating environmental conditions," Kightlinger said. "While a low initial state project allocation was anticipated, it still sends a serious message up and down California of what agencies throughout the state must be prepared to deal with for years to come while the ultimate Delta fix is undertaken. This new era of limitations isn't quickly going away," he added.

In April, Metropolitan's Board of Directors will decide the extent of mandatory conservation for the year, when much of the wet season is concluded and when the district has a better handle on available supplies for 2010.

Debra C. Man, Metropolitan assistant general manager and chief operating officer, noted that in the past Southern California relied on

wet winters to replenish its water reserves. During droughts, when new supplies were scarce, the region could draw on the reserves to help cushion the supply impacts.

"In a wet-or-dry state like California, capitalizing on a big winter was a key to reliability. But winter storms no longer translate into nearly the improvement in California's water supply picture because of the current unprecedented restrictions in the Delta," Man said. "A few years ago, we could expect to replenish our water storage system with Delta supplies in roughly seven out of 10 years. That's no longer the case because of restrictions in the Delta," Man said. As an example, Man observed that Diamond Valley Lake, Metropolitan's largest water storage reservoir near Hemet in southwest Riverside County, remains less than half full.

About 30 percent of Southern California's overall water supply comes across the Delta and is delivered to Metropolitan through the state water system. In wetter winters, Metropolitan and its member public agencies depend on these supplies to replenish reservoirs and groundwater basins throughout Southern California.

As populations of endangered fish species such as the Delta smelt declined, court rulings and federal regulations began to restrict the deliveries of water supplies. In average and wet years, the impacts of the restrictions are greater. Nearly 200 billion gallons of potential water supplies will not be captured and stored due to these restrictions, even in a wet year, Man said.

In the face of these seemingly perpetual supply challenges, she said consumers and businesses must continue to use water as wisely and efficiently as possible. "If they haven't done so already, residents should shut off their automatic sprinkler systems, particularly when it rains. They should give their lawns and gardens, which have been saturated during the recent deluge, a break and save precious water," Man said.