



CIP Quarterly Report for the period ending September 2010

Summary

This report provides a summary of accomplishments, fiscal year expenditures to date, and variance explanations for Capital Investment Plan (CIP) programs. During the first quarter of fiscal year 2010/11, 13 Board actions appropriated a total of \$21.5 million, and 5 construction contracts were awarded. Through September 2010, 55 programs encompassing over 300 projects were underway. Actual fiscal year capital expenditures through September 2010 for these programs totaled \$56.05 million, compared to planned expenditures of \$68.5 million.

During the period from July 2010 through September 2010, \$31.3 million in construction contract payments were made, reflecting progress on the Diemer and Weymouth Oxidation Retrofit Programs (ORP's), the domestic and fire water improvements at the Weymouth plant, and the electrical upgrades at the Weymouth and Diemer treatment plants. Three construction contracts were completed during the same period.

At the end of the first quarter, 20 construction contracts were underway with a total value of approximately \$497 million. One contract (Skinner ORP - \$205.85 million) is 99 percent complete with punch list work remaining.

More detailed information regarding accomplishments and budget variances is included in the following pages. Cumulative actual expenditures along with the total capital budget in each reporting category are shown in Figure 1.

Attachments

Not applicable

Detailed Report

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


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


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


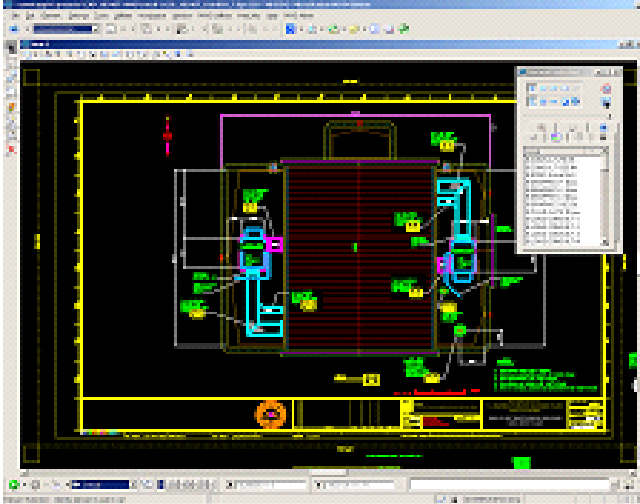
Cost/Efficiency/Productivity – Programs to upgrade, replace, or provide new facilities, software applications and technology that will provide economic savings that outweigh project costs through enhanced business and operating processes.



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

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

<p>Supply and Delivery Reliability</p>	<p align="center">Through 1st Quarter Budget: \$1.7M Expended: \$8.2M</p>
<ul style="list-style-type: none"> <p>Perris Valley Pipeline:</p> <p>North Reach: Metropolitan participated in court-ordered mediation in the Foxfire vs. W.A. Rasic (subcontractor vs. prime contractor) case. The parties were unable to reach agreement. Metropolitan’s Board subsequently authorized submission of a statutory settlement offer to W.A. Rasic, which was accepted.</p> <p>South Reach: Two tunnel segments have been deleted from the contract due to unanticipated groundwater conditions near Van Buren Blvd. and the Interstate 215 Freeway. Staff is negotiating a credit for the deleted work with the South Reach contractor. The remaining pipeline construction is approximately 80% complete and is now expected to be completed early next year.</p> <p>South Reach Tunnels: Additional pump testing of dewatering wells was performed to further assess the feasibility of various tunneling options. Final design of the tunnels is proceeding, and advertisement for bids is planned for early 2011.</p> 	 <p align="center">Perris Valley Pipeline South Reach Installation of 97-inch pipe</p> <p>Variance explanation:</p> <p>The fiscal year variance between budgeted and expended dollars is primarily due to the unbudgeted settlement payment to the contractor for the Perris Valley Pipeline North Reach.</p>

<p>Infrastructure Reliability</p>	<p>Through 1st Quarter Budget: \$37.4M Expended: \$21.7M</p>
<ul style="list-style-type: none"> <p>• Diemer Water Treatment Plant:</p> <p>Construction of the Diemer North Access Road is approximately 30 percent complete and is scheduled to be completed in spring 2011. Construction progress was temporarily affected by the discovery of endangered species nests (least Bell’s vireo) near several work areas. The nests were monitored in accordance with the mitigation monitoring plan. The nests matured in July, and once no additional nesting activities were observed, Metropolitan obtained concurrence from the US Fish and Wildlife Service to proceed with construction activities.</p> <p>• Weymouth Water Treatment Plant:</p> <p>Construction of the Coagulant Tank Farm Modifications is 75 percent complete and is scheduled to be completed by April 2011. Construction of the Weymouth Electrical Upgrades is 17 percent complete and is scheduled to be completed by mid-2012. The Rapid Mix and Fire/Domestic Water Systems Upgrade construction is 41 percent complete and is scheduled to be completed by May 2011. Construction of the Junction Structure seismic upgrades is 12 percent complete and is scheduled to be completed by May 2011.</p> <p>• Construction of the Colorado River Aqueduct Access Cover Replacements and Water Tank Safety Improvements is approximately 30 percent complete. The contractor has completed placement of the concrete footings for the staircases at Hinds and Eagle Mountain Pumping Plants and will begin the installation of staircases by the end of October. Additionally, the contractor has started the footing excavation work for the staircases that will be installed at Intake Pumping Plant. Installation of new hatch covers for the water tanks at all five pumping plants has been completed. Fabrication of the aqueduct access covers is also underway. The project is on schedule to be completed by June 2011.</p> 	<div style="text-align: center;">  <p>Diemer North Access Road</p> </div> <div style="text-align: center;">  <p>CRA Water Tanks Safety Improvements Final grading of slope between fire and circulation water tanks</p> </div> <p>Variance explanation:</p> <p>The fiscal year variance between budgeted and expended dollars is primarily due to contractor progress payments for the CRA Fault Current Protection Upgrades and the Diemer Fire and Potable Water Pump Station projects that were less than the budget estimates. Also, progress on the Diemer North Access Road construction was temporarily delayed while work was diverted around the least Bell’s vireo nests.</p>

Cost/Efficiency/Productivity	<p style="text-align: center;">Through 1st Quarter Budget: \$0.62M Expended: \$0.65M</p>
<ul style="list-style-type: none"> • Staff continued development of Metropolitan's Electronic Discovery (E-Discovery) Management System which enables efficient and effective management, search, and retrieval of electronic records. This software will be able to quickly search and retrieve all relevant electronic records maintained by Metropolitan, including emails, in response to lawful subpoenas, discovery requests, and Public Records Act requests. Final preparations are currently underway to begin the rollout of Phase One, which will implement the E-Discovery tools for e-mail. • The Computer-Aided Design (CAD) Management System will replace the current, obsolete application for storing and managing all engineering drawings with a system that is fully integrated with the CAD system used to create the design drawings. During the period, staff conducted knowledge transfer sessions on the new system and successfully completed the pilot phase. Based on input from the pilot user group, final systems configuration is under way in preparation for the initial rollout to Metropolitan's engineering design unit in October. 	<div style="text-align: center; margin-bottom: 20px;">  </div> <div style="text-align: center;">  </div>

Water Quality	<p style="text-align: center;">Through 1st Quarter Budget: \$26.3M Expended: \$23.3M</p>
<ul style="list-style-type: none"> • Diemer ORP: Construction of ozone facilities at the Diemer plant is approximately 53 percent complete and is scheduled to be completed in mid-2012. Fabrication of ozone equipment is complete. Major activities continue on the Ozone Generator Building, liquid oxygen tank farm and electrical support facilities. The contractor is also preparing for the project's second full plant shutdown, which is scheduled for the first quarter of 2011. One of the significant activities during this shutdown will be energizing the new Southern California Edison 66kV substation. • Weymouth ORP: The Weymouth ORP consists of multiple, staged construction contracts. Final design of the main ORP project is 70 percent complete and is scheduled to be completed in early 2011. Construction of the Weymouth Inlet Conduit Relocation project, which is required to support the Weymouth ORP, is 41 percent complete and is scheduled to be completed in April 2011. • The Cross Connection Prevention Program was initiated to address 300 sites where air release/vacuum valves located in underground vaults create a potential cross connection. A total of 12 construction contracts are being utilized to relocate the valves to above-ground enclosures. Phases I and II have been completed, covering a combined total of 153 sites. A total of 68 sites are currently being modified under Phase III. The work is approximately 30 percent complete. Phase IV, covering the remaining 79 sites under this program, is scheduled to start construction in February 2011 and be completed in June 2012. 	<div style="text-align: center;">  <p>Diemer Water Treatment Plant Stainless steel pipe for liquid oxygen tank farm</p> </div> <div style="text-align: center;">  <p>Weymouth Water Treatment Plant Interior of completed portion of the inlet conduit</p> </div> <p>Variance explanation: The fiscal year variance between budgeted and expended dollars is primarily due to contractor progress payments for the Phase III Cross Connection contracts that were less than the budget estimates.</p>

<p>Stewardship</p>	<p align="center">Through 1st Quarter Budget: \$2.5M Expended: \$2.2M</p>
<ul style="list-style-type: none"> • The Colorado River Aqueduct (CRA) Real Property Boundary Survey project was authorized in 2003 to accurately locate and set visible boundary markers for all of Metropolitan’s CRA properties, to identify encroachments, and to record precise boundary mapping with local county agencies. The program is 87 percent complete and is on schedule to be completed in fiscal year 2011/12. <p>Accomplishments to date include:</p> <ul style="list-style-type: none"> ○ Critical area boundary maps, control surveys, structure locations, encroachment documentation, and purchase of title reports have been completed for all desert parcels comprising approximately 130,000 acres; ○ Assessor parcel numbers have been assigned to all Metropolitan properties in San Bernardino and Riverside Counties; ○ Title insurance has been received, filed and indexed for all fee parcels purchased from the federal government; ○ 228 property survey maps have either been recorded or submitted for review with Los Angeles, Orange, Riverside and San Bernardino counties; ○ Data and graphics for 7948 parcels have been updated and published to internal staff through geographic information systems. 	<div data-bbox="808 380 1455 947" data-label="Image"> </div> <p align="center">CRA Boundary Surveys Crews utilize global positioning systems to accurately and efficiently locate and set boundary markers</p> <div data-bbox="850 1199 1401 1749" data-label="Image"> </div>

Stewardship (Continued)

- **LaVerne Shop Facilities Upgrades:**

In March 2008, Metropolitan’s Board authorized final design of the La Verne Shops Upgrade Program. While overall final design is now 95% complete, the construction has been prioritized and will be executed in four stages.

- Stage 1 includes the refurbishment and replacement of 38 pieces of equipment in the machine and fabrication shops, and is currently 50 percent complete.
- Stage 2 includes the replacement of the machine shop roof, seismic retrofit of the fabrication shop building, and the upgrade of the bridge cranes in the fabrication and machine shops to improve safety and handling of materials, equipment and components. A construction contract was awarded in July 2010 for this work. It is approximately 5 percent complete.
- Stage 3 includes the consolidation and expansion of two existing coating shop buildings. A construction contract for Stage 3 is scheduled to be advertised for bids in October 2010.
- Stage 4 includes the expansion of the existing fabrication and machine shop buildings. It is planned to be constructed following completion of Stage 3.



**La Verne Machine Shop Upgrades
Machine Shop roof to be replaced**

Capital Program for Projects Costing Less Than \$250,000 for FY 2010/11 (Minor Cap 10/11)

The Minor Cap program is authorized every fiscal year to enable staff to expedite smaller, unscheduled capital projects that invariably arise during the year. Because many of these projects require rapid response to address unanticipated failures, urgent safety or regulatory compliance concerns, or to take advantage of shutdown opportunities, the Minor Cap program authorizes the General Manager to implement projects that meet the criteria during the fiscal year without seeking additional board approval.

The following Minor Cap projects were authorized during the first quarter of FY 10/11:

- CRA – Gene Camp Station Service Transformer Replacement. The station service transformer provides power to the auxiliary equipment for the pump motors, Gene Village Lodge, offices, warehouse, facility lighting, staff housing, and Black Metal Mountain Communication site. Ongoing monitoring of the transformer’s condition indicates it has reached the end of its useful life and requires replacement.
- Weymouth Water Treatment Plant – Sludge Facility Programming Modifications. There are currently four solids thickeners and three mechanical belt presses at the Weymouth plant. Reprogramming is needed in order to enable plant operators the flexibility to direct solids from any thickener to any belt press as needed due to necessary maintenance and/or unanticipated equipment failures.
- Skinner Water Treatment Plant – Switchgear Building and Electrical Building No. 5 HVAC. Outside temperatures over 100 degrees result in temperatures inside the electrical buildings that exceed the manufacturers’ recommendations for the equipment. A new HVAC system will protect the equipment from failure and avoid shutdown of critical plant systems.
- Skinner Water Treatment Plant – Access Stair Addition. Access steps are needed at two locations where recent improvements at the Skinner Plant resulted in access height that does not meet safety requirements.

The following table provides the overall status for the FY 2010/11 Minor Cap program.

Minor Cap Program FY 2010/11	Total Estimate
4 Projects Authorized	\$ 804,500
Unallocated Funds	\$ 2,392,500
Remaining Budget	\$ 303,000
Total Program	\$ 3,500,000

Figure 1
Cumulative Capital Budget vs. Actual Expenditures
FY2010/11

