

OCTOBER 2010

This report identifies the actions/activities taking place during the month that support the objectives of the General Manager's Fiscal Year 2010/11 Business Plan.

DIVERSITY AWARENESS MONTH



October was Diversity Awareness Month at Metropolitan and it celebrated the various dimensions of diversity - race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs, or other ideologies. The celebration kicked off with an opening reception with General Manager Jeff Kightlinger, who encouraged all employees to learn about each other's unique differences and participate in the variety of activities. Chief Financial Officer Brian Thomas closed the month with an overview of the events during the month along with affirming the value of diversity in the workplace. The events were sponsored by the Hispanic Employees Association, Black Employees Association, Asian American Employees Organization, Persian American Employees Organization, Women's Association for Equal Opportunity, Gay & Lesbian Employees Association of Metropolitan, Native American/Alaskan Native Employees Association, French Club, Human Resources Group and the Courtyard Café.

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DATED: OCTOBER 31, 2010

## CORPORATE RESOURCES GROUP

### SYSTEM RELIABILITY

#### Emergency Management

During the period, staff conducted detailed planning for an upcoming IT Disaster Recovery / Business Continuity exercise involving key business users from Engineering, Finance, Legal and Human Resources. The exercise will provide a live simulation of staff accessing critical applications via servers/databases located at Metropolitan's remote disaster recovery facility. The objective of the exercise includes hands-on training, validation of recovery procedures, and identifying opportunities for enhancements to the IT Disaster Recovery Plan and Procedures Guide.

On October 14, as part of Information Technology's continuing effort to ensure emergency preparedness, staff conducted an Emergency Notification System exercise. The system allows for rapid, clear and efficient delivery of alerts, notifications, reporting instructions and other vital emergency communications.

### CAPITAL INVESTMENT PLAN

#### Replace / Rehabilitate Projects for Conveyance and Distribution System

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. Recent activities include the following:

- Allen-McColloch Pipeline—Final design for the replacement of four distressed prestressed concrete cylinder pipe sections and repair of eight valve vaults on the Allen-McColloch Pipeline is 100 percent complete. Bid opening is scheduled for early November 2010. A request to the Board is scheduled for December 2010. The planned work is scheduled to take place during an eight-day shutdown in February 2011.
- Box Springs Feeder Repairs—Staff issued a Notice to Proceed for the construction contract to replace 12 distressed pipe sections of PCCP for Phases 3 and 4 of the Box Springs Feeder. Steel pipe liner fabrication is 25 percent complete and is scheduled to be complete by December 2010 in time for the seven-day shutdown planned for January 2011.
- Upper Feeder Service Connection Turnouts Rehabilitation—Final design has been completed to repair deteriorated valve and piping in turnouts at three service connections. Construction bids were received on September 29th. A request to the Board to award a construction contract is scheduled for November 2010.

CRA Conveyance Reliability Program—This program was established to maintain reliability of the Colorado River Aqueduct canals, tunnels, conduits, siphons, and reservoirs. Recent activities include the following:

- Fault Current Protection Upgrades—Construction is 67 percent complete. All remaining work will be completed in the upcoming February 2011 CRA shutdown.
- Copper Basin Outlet Gates Repair—Final design is 95 percent complete and is scheduled to be complete by February 2011.
- Eagle Mountain Standby Generator Replacement—Final design is 90 percent complete and is scheduled to be complete by November 2010.
- 230 kV Disconnect Switch Replacement—Board authorized final design in October 2010 to replace 230 kV disconnect switches at the Colorado River Aqueduct's Gene, Eagle Mountain, Iron Mountain, and Hinds pumping plants. These switches provide the primary means for isolating the pumping plants' main transformer banks and circuit breakers for maintenance and repairs, and are critical to maintaining reliable Colorado River Aqueduct deliveries. Final design is anticipated to be completed by May 2011.

## CORPORATE RESOURCES GROUP

### CAPITAL INVESTMENT PLAN

#### Additional Projects

The Construction Management Association of America recently recognized Metropolitan’s Inland Feeder Arrowhead Tunnels Project with the *Project Achievement Award* for Infrastructure Projects greater than \$150 million. This award recognizes the exemplary construction management practices that were implemented on the Arrowhead Tunnels project and which ultimately led to the successful construction and operation of the tunnels. The nearly 10 miles of tunnels on the 44-mile-long Inland Feeder pass beneath the San Bernardino National Forest within one mile of the San Andreas fault. The two tunnels were completed in late 2009 at a cost of approximately \$385 million and more than 12 months ahead of the revised schedule.



2010 Construction Management Project Achievement Award

Oxidation Retrofit Program—This program was established to add pre-ozonation to provide disinfection, control tastes and odors, and reduce the level of disinfection by-products in the finished water at all five of Metropolitan’s treatment plants. This program will enable Metropolitan to meet state and federal drinking water regulations and consists of multiple, staged construction contracts. With three of the five treatment plants – Jensen, Mills, and Skinner – completed and placed into service, there are two remaining plants to be completed. Recent activities for these two plants, include the following:

#### Diemer ORP

- Ozone Facilities—Construction is 55 percent complete and is scheduled to be complete by mid-2012.
- Southern California Edison 66kV Substation—Construction is 100 percent complete and is scheduled to be online by the end of October with startup testing of new electrical facilities to follow immediately thereafter.

#### Weymouth ORP

- Ozone Generation Building and Ozone Contactors—Final design is 75 percent complete and is scheduled to be complete by early 2011.
- Switchgear—Construction is 22 percent complete and is scheduled to be complete by June 2011.
- Inlet Conduit Relocation - Construction is 55 percent complete and is scheduled to be complete by April 2011.

#### Implement Information Technology Strategic Plan

CAD Management System—During October, staff began final preparation for the rollout of the new Computer-Aided Design Management System. The new CAD management system is used to effectively manage the production of engineering design drawings, specifications and calculations by storing them in a secure repository, managing version control through check-out and check-in of electronic files; automatically creating electronic file backups; and providing advanced search features to facilitate retrieval.

To date, staff has completed systems configuration and testing, conducted user-orientation, and completed the pilot phase of the project. The objective of the pilot was to validate system functionality, performance and allow the customer (engineering design unit) to verify user requirements have been met, prior to deployment. With the completion of the pilot phase, staff conducted final adjustments and configuration to the new CAD Management system, with the initial rollout beginning in November.

## CORPORATE RESOURCES GROUP

### CAPITAL INVESTMENT PLAN

#### Implement Information Technology Strategic Plan

SCADA Database Upgrades—The Supervisory Control and Data Acquisition system is used by Water System Operations to monitor and control key water processes within Metropolitan’s conveyance, treatment and distribution system. As part of the SCADA system, important operational information is captured and recorded into the SCADA database for analysis and use by other software applications which are dependent upon the SCADA data. Examples of the types of data stored in the SCADA databases include flow rate, pressure, temperature, valve position (open/partial/closed), pump state (on/off), and large amounts of water quality readings (e.g., turbidity, pH, etc.). The information stored in the SCADA databases are important and a critical part of Metropolitan’s legal and regulatory compliance.

As part of on-going maintenance, IT staff is updating the version of all SCADA database software (Oracle)

to ensure system reliability by keeping the software version current. To date, the SCADA database upgrades have been completed at the desert facilities, the Skinner and Weymouth treatment plants, and Metropolitan’s Oxidation Demonstration Plant facility located in La Verne. During the period, the database upgrade was completed at the Jensen treatment plant. As part of this initiative, upgrades are needed at three remaining sites (Diemer, Mills and Eagle Rock), which are scheduled to complete by the end of December.

### BUSINESS PROCESSES

#### Benchmarking Assessments

Information Technology Award Recognition—The National Association of State Chief Information Officers honored Metropolitan by selecting Metropolitan as a finalist for its 2010 Digital Government Award for Outstanding Achievement in the Field of Information Technology. NASCIO recognizes those information technology initiatives which exemplify best practices and provide cost-effective services. Specifically, Metropolitan’s was honored for its project to upgrade our Water Information System to improve the efficiency and transparency of water billing.



#### Business Improvements

E-Discovery Project—During the period, IT staff continued the version upgrade of Metropolitan’s e-mail system. This process is a key step in moving e-mail users and their associated personal e-mail files into a centralized location (e-mail archiving). Once the migration of personal e-mail files is successfully completed, staff can begin using the e-Discovery tools to efficiently locate e-mail messages related to discovery/public records requests. A goal of the automated E-Discovery project is to reduce legal risk, effort, time and costs associated with discovery of electronically-stored information and enhance legal compliance efforts.

Pricing and Estimating Aspects of Negotiations—This course was provided to Metropolitan procurement and professional contracting staff to support Metropolitan’s cost-efficiency objective. The class provided detailed information on various elements of cost in a contractor’s proposal and on how these cost elements might best be negotiated to Metropolitan’s benefit.

#### Decrease Consumption of Non-Renewable, Non-Recyclable Material / Encourage Sustainable Practices

Assure Our Legacy E-newsletter—The October issue of the “Assure Our Legacy” e-newsletter focused on the different grades of plastics found in everyday household items and food containers and their impact on our health and on the environment.



## WATER SYSTEM OPERATIONS

### ENERGY MANAGEMENT

#### Manage System Power Operations

During October, Metropolitan procured 48,600 megawatt hours of forward energy at a cost of \$1.6 million for Colorado River Aqueduct pumping operations in 2012. Metropolitan pays the suppliers after the energy is delivered. Forward energy procurement is part of Metropolitan’s operational strategy to reduce CRA energy cost volatility and uncertainty.

### SYSTEM RELIABILITY

#### System Operations

System Operations delivered approximately 140,000 acre-feet of water for October 2010, which is an average of 4,520 AF per day and below historical averages. Some of the decrease in demand can be attributed to the rain event in the middle of the month, which severely depressed demands for several days. An additional 42,500 AF was delivered to Desert Water Agency and Coachella Valley Water District in exchange for their State Water Project Table A supplies. SWP blends continued at 35 percent for the Weymouth, Diemer, and Skinner treatment plants.

Operations staff worked closely with Department of Water Resources to maximize Inland Feeder deliveries during several outages on the East Branch of the California Aqueduct. During October, 18,000 AF was delivered into Diamond Valley Lake via the

Inland Feeder. Since January, DVL storage has increased by 188,000 AF to a total of 573,000 AF.

System Operations continued to maximize West Branch deliveries as part of the operations plan to optimize SWP usage. Total imports from the SWP for October are approximately 102,000 AF. Deliveries into regional groundwater conjunctive use programs continue at several groundwater storage connections.

System Operations continues to maximize power generation whenever possible. Hydroelectric generation averaged 36 megawatts per hour for a total of 27,200 megawatts in October. This was a decrease of 20 percent from September’s total due to lower system demands.

#### Conveyance / Distribution

The California Independent System Operator (Cal-ISO) operates the majority of California’s high-voltage wholesale power grid and requires electricity providers to install certain types of meters which monitor power generation into the grid. Valley View Hydro Electric Plant was shutdown October 11-14 to upgrade the power revenue meter to the Cal-ISO standards. A Cal-ISO meter was installed at Etiwanda hydroelectric plant on October 26. This completes the installation of new meters at all hydroelectric plants.

Staff responded to a small leak on the Foothill Feeder at Service Connection CLWA-1 on October 8. The sump alarm in the structure alerted the Operations Control Center who then dispatched staff to investigate. The service connection was shutdown, dewatered, repaired and returned to service by 3:00 p.m. the same day.

Staff completed the coating of the Coyote Creek and Yorba Linda Pressure Control Structure/Hydro Electric Plant switchyards. Switchyard equipment that was coated included the switch rack structure, potential transformers, circuit breaker cabinetry and the capacitor bank.



New CAL-ISO Meter at Valley View HEP

## WATER SYSTEM OPERATIONS

### SYSTEM RELIABILITY

Cracked transformer casings on Emergency Generator at Mills plant



Pipe fabrication for Box Springs Feeder

#### Operations Support Services

During routine maintenance of the emergency generators at the Mills water treatment plant, cracks in the electrical current transformers were detected. Staff used a rental generator and transformer to allow troubleshooting and repair of the damaged equipment. Further corrective maintenance was also required to reduce vibration and adjust protective relay settings to improve the reliability of the emergency generator system.

Staff continues making good progress on the Box Springs Feeder repairs project. Manufacturing of about 35 pipe sections of 84-inch diameter is underway, including steel pipe fabrication and cement mortar lining.

Vibration analysis on an irrigation pump that provides water for environmental mitigation along the Inland Feeder at Sand Canyon revealed a defective motor bearing which, if left uncorrected, would have damaged the 60-horsepower vertical turbine pump. Repairs were completed in less than one day minimally affecting operations.

#### Emergency Management

Staff participated in a workshop to analyze the potential consequences of a major regional flood event and to create future state-wide scenarios and strategies in preparation for a major storm. Workshop objectives (based on lessons learned from Hurricane Katrina) aimed at crafting specific strategies to manage infrastructure damage, limited communications, delayed utility and health services, and mass road and highway confusion.

#### Environmental, Healthy and Safety

Staff attended an OSHA-certified Construction Safety and Health training class. The class covered general construction related safety including: hazard communication, fall protection, trenching, electrical safety, personal protective equipment, and health hazards such as noise. This class certified staff members to a specified level of knowledge in order to provide on-going support to Metropolitan’s construction activities.

#### Security Management

Staff provided an informational briefing on Metropolitan’s security vulnerability assessment to the Engineering and Operations Committee. Staff also delivered a presentation on “insider threats” at the American Society for Industrial Security’s annual conference in Dallas.

## WATER SYSTEM OPERATIONS

### WATER QUALITY

Manage Water Treatment

Bromate running annual average levels during September at the Jensen and Mills water treatment plants remained below the goal of 8µg/L. Currently, Metropolitan utilizes pH reduction, a proven technology, to minimize the formation of bromate at its ozone treatment plants. However, due to high chemical costs, Metropolitan evaluated alternative technologies to cost-effectively control bromate formation. Based on extensive studies, staff identified a promising alternative to control bromate. In this process, ammonia followed by chlorine is added prior to ozonation to form chloramines. The chloramines minimize ozone’s reaction with bromide to form bromate. A long-term (up to 12 months) study began at the Mills plant in October to evaluate the ammonia-chlorine process at full-scale.

The latest total dissolved solids results from September for Weymouth, Diemer, and Skinner water treatment plants are 513, 485, and 489 mg/L, respectively. The target blends at the Weymouth, Diemer, and Skinner treatment plants remain at 35 percent State Water Project.

Protect Source Water Quality

MIB (2-methylisoborneol) levels in Lake Perris reached a maximum level of 105 ng/L at the end of September which rendered the water in the lake unacceptable for delivery to the treatment plants. A copper sulfate treatment was applied by the California Department of Water Resources in early October, after which MIB levels dropped to below 35 ng/L. Taste and odor in all other reservoirs and at all treatment plants were acceptable.

Future Regulations

Staff conducted a Member Agency Water Quality Managers Meeting / Videoconference that was attended by approximately 85 participants. Regulatory compliance topics were provided by speakers from the American Water Works Association and the California Department of Public Health.

Apprenticeship Training Program

Metropolitan welcomed the 17 recently recruited pre-apprentices to their new positions in Water System Operations. During the first few days of employment, pre-apprentices received an overall orientation to the company and the four-year apprenticeship program that they will enter upon completion of the six-month probationary period. All of the new pre-apprentices were enrolled in and completed a comprehensive basic safety awareness program during the first week of employment aimed at efficiently and effectively integrating them into the new work environment.



**Current Distribution & Storage**

	10/312010 <u>Storage (AF)</u>	Percent of <u>Capacity</u>
Lake Mathews	107,700 AF	59%
Lake Skinner	38,900 AF	88%
DVL	576,200 AF	71%
Lake Perris	60,700 AF	46%

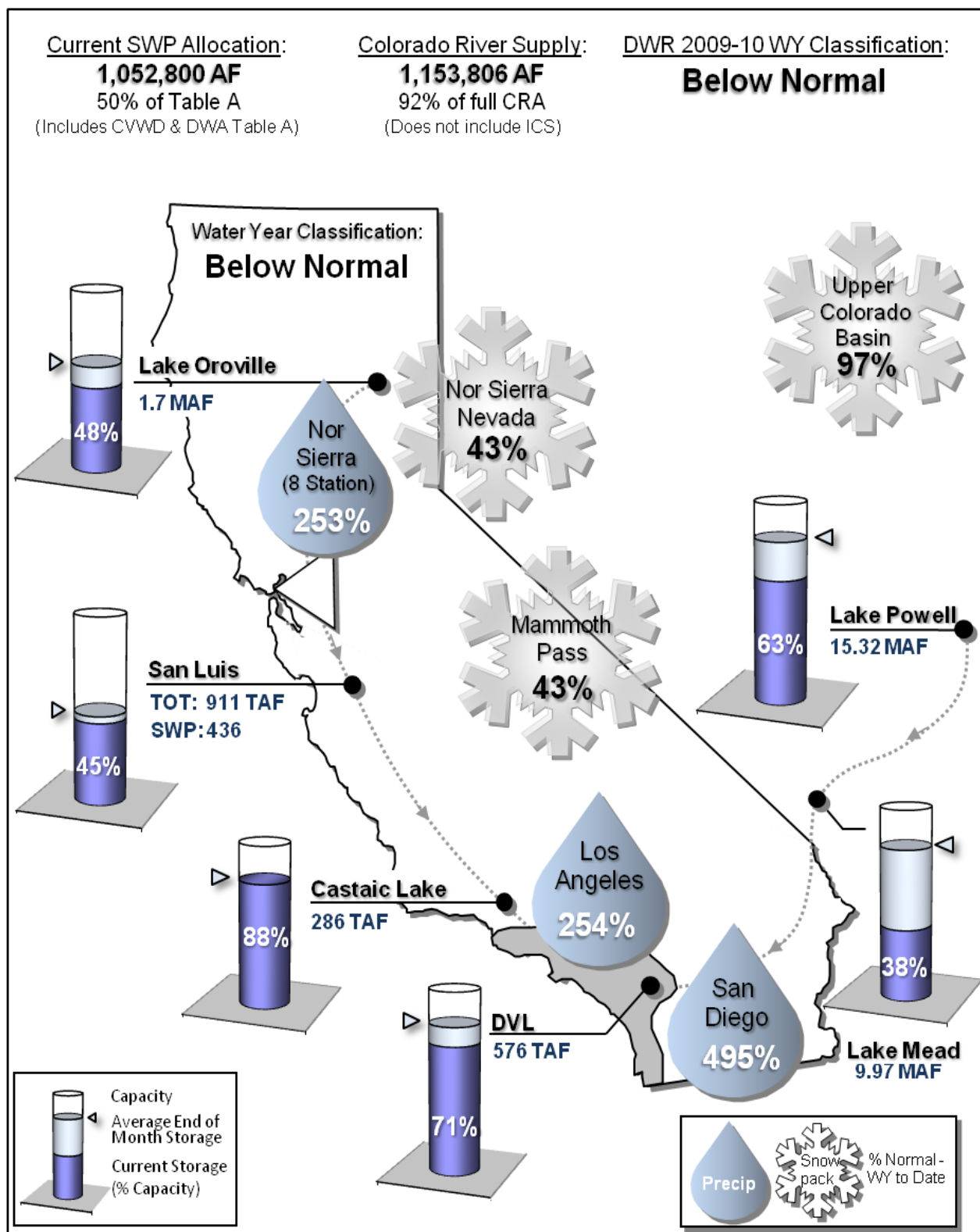
**Useful information:**

**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 SUPPLY CONDITIONS



Note: Water Year 2010-11 began on October 1. Above normal rainfall across the state in October resulted in high water year to date percentages. These will likely change as we progress through the year.



## WATER RESOURCE MANAGEMENT

### WATER SUPPLY RELIABILITY

#### Integrated Resources Plan

2010 IRP—Metropolitan's Board adopted the 2010 IRP Update at the October meeting, capping a comprehensive process. The Public Hearing for the Regional Urban Water Management Plan, required by the California Water Code, was held at Water Planning and Stewardship Committee in October.

#### Local Resources Programs

Northeast Recycled Water Project—Staff attended the dedication ceremony for Cucamonga Valley Water District and Inland Empire Utility Agency’s Northeast Recycled Water Project. The project will recharge the Chino Groundwater Basin with up to 33,000 acre-feet per year of recycled water. The project received Recovery Act grant funds through Title VI and loans from the State Water Resources Control Board.

#### Long-Term Regional Conservation Plan

A draft of the Long-Term Conservation Plan was released for member agency review and comment.

#### Water Resource Development and Conservation Initiatives

Bulk Loader - Staff implemented a new automated data loading system, called a bulk loader, to load conservation incentive data into Metropolitan’s accounting system. The bulk loader automates the processing of monthly invoices for Metropolitan’s regional residential and commercial programs. The new system improves efficiency and eliminates the potential for random errors inherent with manual data entry. This data is used for tracking Metropolitan conservation expenditures, billing member agencies for co-funding for region wide conservation programs, and calculating water savings from active conservation programs.

### WATER SUPPLY

#### State Water Project

Little Hoover Commission—Staff participated in the briefing that the Little Hoover Commission gave to the State Water Contractors regarding the state water management reorganization report. The Commission expressed willingness to work with stakeholders on next steps. Stuart Drown for the Little Hoover Commission will address the Water Planning and Stewardship Committee in November. His comments will focus on the recommendations contained in the report.

#### Water Supply Allocation Plan

Staff continues to monitor and administer WSAP Level 2 for July 2010-June 2011.

## BAY-DELTA INITIATIVES

### BAY-DELTA SOLUTIONS

#### Near-Term Solutions

State Water Resources Control Board (SWRCB) Issues—The Department of Fish and Game submitted draft Delta biological objectives and flow criteria to the SWRCB on September 21 in compliance with the 2009 Delta legislation. Staff reviewed the report and coordinated with the state and federal water contractors to submit comments. Metropolitan also submitted a separate comment letter emphasizing the role of BDCP in protecting Delta fishery needs.

A public workshop is tentatively scheduled for December to solicit input on the SWRCB’s proposed technical approach to evaluate a range of regulatory

alternatives for meeting southern Delta salinity and San Joaquin River flow objectives. Staff will participate in this public workshop and are coordinating with state and federal water contractors and DWR. This workshop is a step to follow through on the SWRCB’s strategic work plan for activities to protect beneficial uses in the Bay-Delta, which was adopted in 2008. Among other activities, the work plan calls for review and potential amendment of the southern Delta salinity and San Joaquin River flow objectives included in the 2006 Bay-Delta Plan.

## HUMAN RESOURCES

### HUMAN RESOURCES EXCELLENCE

#### Total Compensation

- HR Benefits hosted the Fall 2010 Luncheon at Pomona Valley Mining Company on October 20 that honored 62 employees with 20+ years of service. There were 151 people in attendance including honorees, their guests, executive management, Board of Directors and staff.
- HR Benefits provided Service Award lapel pins to 36 employees with 5+ years of service and coordinated service awards gifts for 19 employees with 20+ years of service.
- HR Benefits conducted open enrollment site visits at 14 various locations providing one-on-one consultations to assist employees with 2011 health and voluntary benefit changes. The site visits started on September 14 and ended on October 7. HR provided one-on-one consultations to 698 employees.
- HR Benefits conducted a *Stepping Into Retirement Workshop* at Headquarters on October 19 for 55 employees. This workshop is an all-day event in which speakers from California Public Employees' Retirement System, Social Security Administration, Great-West Retirement Services, and HR Benefits give presentations, answer questions, and provide step-by-step information on retirement, deferred compensation options, social security, Medicare, leave balances, and benefits after retirement.
- On October 5, HR Benefits sent out a Benefits Tip Article which reminded employees about Open Enrollment and Health Care Reform impacts and included the first of a series of short videos on Preferred Provider Organization medical plans to help educate and remind employees about hidden cost, In-Network versus Out-of-Network, and importance of pre-authorizations.
- HR Benefits staff attended the California Public Employees' Retirement System Annual Educational Forum. Staff receives updates on CalPERS with regards to medical and pension benefits, including any legal updates and pending assembly bills, actuarial training, impacts of health care reform, and implementation of MyCalPERS online system scheduled for September 2011.

#### Talent Acquisition

- Participated in three Job Fairs during the month at California State University, Dominguez Hills, California State Polytechnic University, Pomona and the “Honor a Hero, Hire a Vet” career fair in Woodland Hills.
- Seventeen Pre-Apprentice program employees and one regular employee started employment at Metropolitan during the month.

#### Risk Management

The Risk Management Unit completed a projected 56 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.

Risk Management completed a projected 42 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events and film permits.

#### Workers' Compensation / Medical

- Conducted initial investigations on 11 injury incidents.
- Submitted 4 new claims to Metropolitan’s workers’ compensation claim administrator.
- Settlements were negotiated in 3 claims, finalized in 1 claim and 11 claim files were closed.
- Conducted Medvans at Hinds, Eagle Mountain, Gene and Iron Mountain facilities.
- Arranged 11 medical evaluations (DMV medical surveillance, etc).
- Addressed 2 accommodation issues.
- Coordinated random drug/alcohol testing at 1 facility.

#### Equal Employment Opportunity

- Addressed 3 concerns raised by employees related to potential EEO complaints.
- Completed analysis of third quarter 2010 workforce demographic data.
- Administered EEO training on sexual harassment prevention and unlawful workplace harassment prevention for over 331 employees.

## HUMAN RESOURCES

### HUMAN RESOURCES EXCELLENCE

Learning and Development

- Seventeen on-site classes were delivered in October, including “The Principles and Qualities of Genuine Leadership” module for New Manager Orientation. Other topics include Conflict Resolution and Giving Recognition as well as an eight-hour module instruction on Navigating Organizational Politics to 25 Water Resource Management employees.
- Added “Managing and the Law” classes to MindLeaders online offerings.
- One session of the mandatory Reasonable Suspicion Training class for managers and supervisors was delivered to 29 participants at Headquarters.
- Worked directly with the Office of the Board and consultants to launch the Advanced Board Letter series. Board letter training sessions covered topics such as Grammar and Punctuation, and Board Document Management System process.
- Continued to provide one-on-one coaching to three managers and ongoing external coaching administration of four engagements with external coaches.
- Education Fairs were conducted at nine Metropolitan facilities, including all desert locations, during the month, with over 20 schools and colleges participating.

## CHIEF FINANCIAL OFFICER

Internal Controls over Financial Reporting

In October 2010, the Chief Financial Officer’s Office issued its report on the effectiveness of internal controls over financial reporting, including information technology controls and security, for the fiscal year ending June 30, 2010. This report is the basis for the annual reporting to the Executive Committee on the effectiveness of internal controls required under Administrative Code 2700(c).

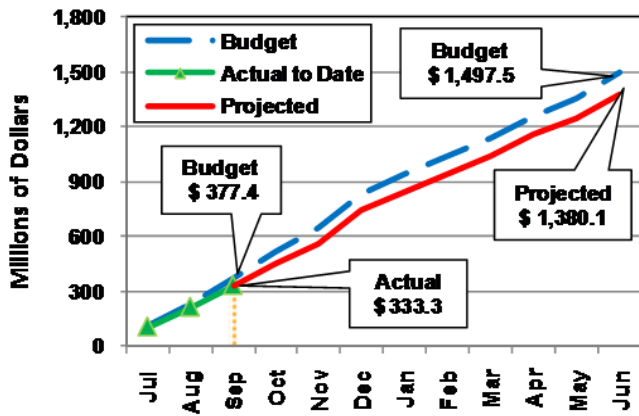
In his report to senior management, the Controller reported that no material weaknesses were noted and concluded that the internal controls over financial reporting and information technology security are effective for the fiscal year ending June 30, 2010. The Controller has reviewed the report and concurs with this conclusion.

Five control deficiencies were noted with remediation in various stages of completion. One significant deficiency was noted with corrective action to be taken as described in the table below.

Deficiency	Risk	Remediation	Target Date
There are no formal procedures for the periodic review and verification of manager’s delegation of purchasing approval authority.	Employees may be granted inappropriate levels of approval without management’s knowledge.	Purchasing will update its procedures manual to require an annual review and verification of the delegation of authority.	3/31/11

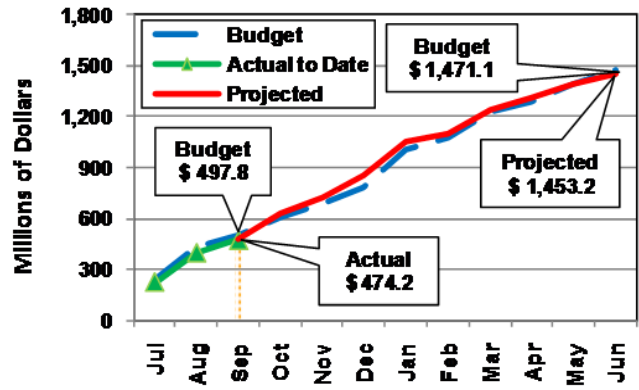
## FINANCE AS OF SEPTEMBER 30, 2010

**Receipts are estimated to be \$117 million under budget by year end, mainly due to lower water sales.**



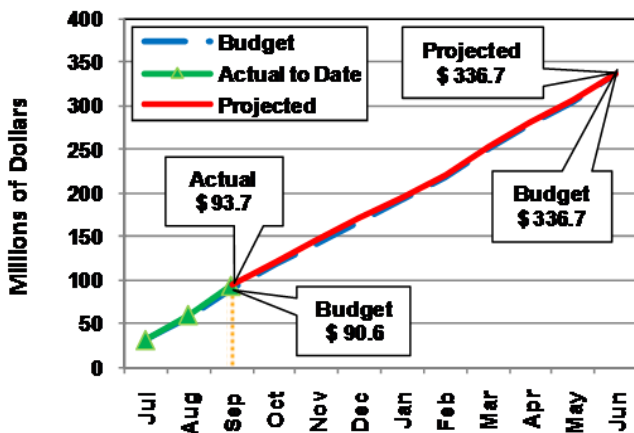
Excludes Bond Construction and Other Trust Funds Activity

**Expenditures are forecast to be \$18 million under budget by year end, mainly due to lower debt service on Metropolitan bonds and lower CRA power costs.**

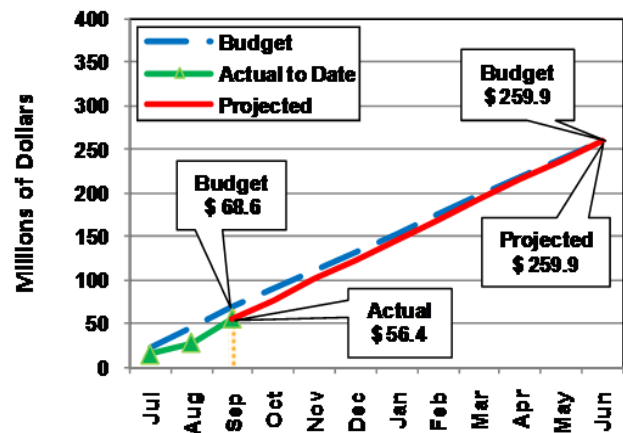


Excludes Bond Construction and Other Trust Funds Activity

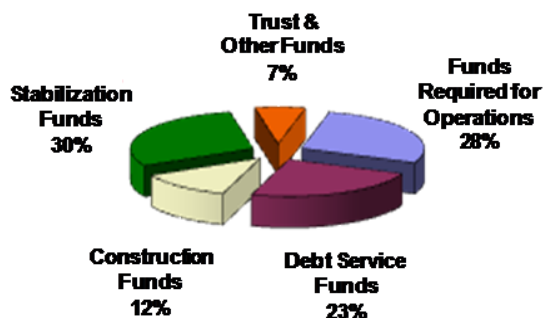
**O&M expenditures are expected to be on budget at year end.**



**Construction costs are expected to be on budget at year end.**



### Cash and Investments \$ 890.5 million



### Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.03 x
Revenue Debt Service Coverage	> 2.00 x	1.44 x
Revenue Bond Debt / Equity Ratio	< 100.0%	73.1%

#### Credit Ratings

	Target	Actual
- Moody's Investors Service	Aa2	Aa1
- Fitch Ratings	AA	AAA
- Standard & Poor's	AA	AAA



## EXTERNAL AFFAIRS

### LEGISLATIVE AND COMMUNITY RELATIONS

#### Local Government

- Staff assisted Los Angeles Regional Water Quality Control Board Member and Monrovia Mayor Mary Ann Lutz in preparing materials on regional water recycling efforts for presentation to the U.S. Conference of Mayors at their Water Council conference held in Pleasanton, California.
- External Affairs and Water Resource Management staff met with Anthony Coates of the Local Government Infrastructure Division of the Queensland Public Corporation to exchange information on extraordinary conservation efforts, including public education campaigns in Southern California and Australia.
- Staff helped coordinate the 9th Annual Building Industry Legal Defense Foundation conference, entitled “Land Use Planning: CO2 and H2O—SB 375 and Water Supply,” that was held at Metropolitan’s Headquarters building. The day-long event, designed to educate homebuilders and attorneys on water supply and land use planning, featured General Manager Kightlinger, who provided an update on Bay-Delta legislation and other efforts to secure reliable water for the region.
- As part of Metropolitan’s ongoing outreach efforts, staff participated in the Department of Water Resources “Total Resource Management” Summit in Sacramento to explore alternative resource

management models for the State of California. Staff also participated in the California Building Industry Association’s annual Board of Directors and Committee Meetings in San Jose California, where the group discussed water use efficiency and green building programs, including potential legislation. In addition, staff participated in the Riverside County Water Task Force’s water workshop for the board of supervisors for Riverside County. The public meeting was held at the county supervisor chambers and featured presentations on local supply development by Eastern Municipal Water District and Western Municipal Water District, as well as the Santa Ana Watershed Protection Authority and the Salton Sea Authority.

#### Federal Government

- Staff met with Representative Grace Napolitano to discuss water quality issues in the Sacramento-San Joaquin Delta and other issues. Staff also met with Majority and Minority Counsels to the House Natural Resource Subcommittee on Water and Power to discuss these issues.
- Staff met with counterpart representatives of the Central Arizona Project and the Southern Nevada Water Authority to plan joint legislative strategies to address on-going issues related to water quality in-flows from the Colorado River lower basin.

#### Community Outreach

Efforts and activities included:

- Twenty-three California Friendly Landscape Training program classes were held for nearly 600 landscape architects and homeowners.
- Staff conducted three teacher orientation workshops for about 70 teachers at the Diamond Valley Lake Visitor Center. The teachers attended one of the workshops scheduled for October 19, 20 and 23. The Diamond Valley Lake Field Trip Education Program will begin on November 8.
- Staff participated in two water festivals by conducting hands-on water conservation activities. San Gabriel Water Fest: Staff worked with nearly 400 young people (ages 5 - 16) in the Water Education Playroom at the event in Arcadia. Cucamonga Valley Water District Children’s Environmental Festival: Staff worked with approximately 350 third-grade students in Rancho

Cucamonga. Staff also attended a workshop on “Service Learning and Water Education” at the Skirball Cultural Center.

- Staff and Valley-Wide Parks and Recreation coordinated and conducted an orientation program for new and veteran volunteer Diamond Valley Lake Docents. The two and a half-day event included speakers from various disciplines within Metropolitan and the California Department of Fish and Game, Southwest Riverside County Multi-Species Reserve and Western Science Center.

#### Coordinate and Communicate Day-to-Day Efforts

Staff participated in meetings with Metropolitan’s engineering staff, the City of La Verne, Southern California Edison and the University of La Verne regarding the proposed route and potential impacts of the 66kv transmission line that will serve Weymouth water treatment plant.

## EXTERNAL AFFAIRS

### COMMUNICATIONS

#### Support Board with Communications and Working Relationships with Stakeholders

Support Board members’ communication and working relationships with elected officials, other government leaders, and business and community leaders.

- Director Randy Record and General Manager Jeff Kightlinger met with Senator Dennis Hollingsworth to acknowledge his leadership on the water package and presented a proclamation to him as well.
- Metropolitan sponsored and participated in the Southern California Water Committee’s annual board meeting and awards ceremony, which featured a presentation by Resources Secretary Lester Snow and honored the California Latino Caucus for their leadership in passing historic water policy reform legislation. Several directors and staff were in attendance at the function, including Directors Ackerman, De Jesus, Evans, Little, Lowenthal, Morris, Peterson, Record and Wright, and General Manager Kightlinger, among others.

#### Work with Member Agencies (Coordinate Common Water Policy Issues and Actions)

- Staff coordinated executive management monthly meetings with the member agency managers where issues related to the Colorado River and Quantification Settlement Agreement, Pipe Inspection Program and Quagga Mussel Control were discussed.
- In preparation for the upcoming 2011/2012 Legislative Session, staff coordinated the annual Metropolitan/Member Agency Legislative Coordinator planning retreat to solicit legislation concepts and review proposals under consideration by various water-related organizations.

#### 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. Efforts and activities included:

- Helped set up interview with Chairman-elect John V. Foley and reporter for the Orange County Register for a story about Director Foley’s election as board chairman.
- Arranged separate interviews with General Manager Kightlinger and reporters for the Los Angeles Times, Imperial Valley Press and Desert Valley Press for stories regarding proposal by Imperial Irrigation District to send entitlement water to the Salton Sea as mitigation.
- Arranged interview with Assistant General Manager Roger Patterson and reporter for the Wall Street Journal for a story about water issues in the Sacramento-San Joaquin Delta and the status of Bay Delta Conservation Plan.
- Provided assistance to reporter for the Riverside Press-Enterprise for a story about the potential loss of hydropower at Hoover Dam if water levels at Lake Mead continue to fall.
- Coordinated correction of erroneous blog item at CalWatchDog.com about election of Metropolitan’s new board chairman.
- Issued press releases regarding the election of board member John V. Foley as Metropolitan’s new Chairman of the Board; adoption of the updated 2010 Integrated Resources Plan by the Board; and Metropolitan’s “Save Water, Save A Buck” rebate program available to commercial, industrial and institutional customers for installing water-saving devices.

## REAL PROPERTY DEVELOPMENT AND MANAGEMENT

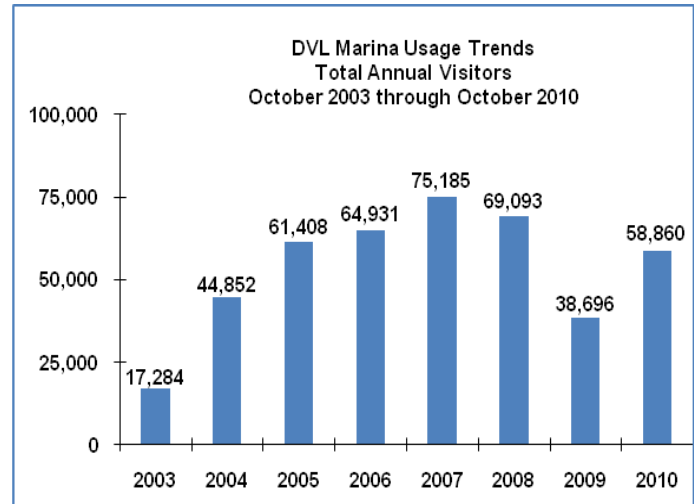
### REAL PROPERTY MANAGEMENT

#### Property for Future Water Infrastructure and other Real Property Goals

- The County of Riverside was granted two deeds and one permanent easement in conjunction the widening of Winchester Road (Highway 79) near Diamond Valley Lake. These transactions were part of an agreement made during the construction of DVL and the relocation of Newport Road.
- A lease was granted to Cingular Wireless for the construction, operation and maintenance of a telecommunications facility on Black Metal Mountain Site II located near Gene pumping plant. Cingular Wireless currently has a facility on Black Metal Mountain Site I that will be dismantled upon completion of the new facility.
- An entry permit was issued to San Dimas Rodeo, Inc., to allow parking of vehicles and trailers. The use included a site for a Los Angeles County Sheriff’s Department satellite command center. The permit helps to support the annual Western Days Rodeo event located near the F.E. Weymouth Water Treatment Plant.
- An entry permit to the California Department of Fish and Game was amended to extend the term to allow entry onto portions of the Lake Mathews Multi-Species Habitat Reserve to observe and study wildlife and habitat.
- Two one-day permits were issued for use of a portion of the parking areas at Metropolitan’s Headquarters Building for two separate events being held at Union Station.

#### Operate Headquarters Facility

Monthly preventive scheduled maintenance procedures for October were completed on the Metropolitan Headquarters Building. Examples of preventative maintenance include cleaning, replacing, adjusting and lubricating mechanical equipment and systems; and checking pumps for vibration and overheating.



#### Recreation Facilities DVL and Skinner

Approximately 56,000 anglers have visited Diamond Valley Lake, and 10,000 private boats have launched since the reopening of the boat ramp December 2009. Increased launch fees collected through September are estimated to be \$65,000.

#### Diamond Valley Lake Visitor Center

Visitor Center staff participated with the Western Center Academy and the Hemet Fire Department in the academy’s first fire drill. The fire drill was well orchestrated.

#### Diamond Valley Master Plan

Metropolitan staff and consulting team are continuing to work on the development of a DVL land use plan and preparation of the presentation for the Real Property and Asset Management Committee meeting scheduled in early 2011.

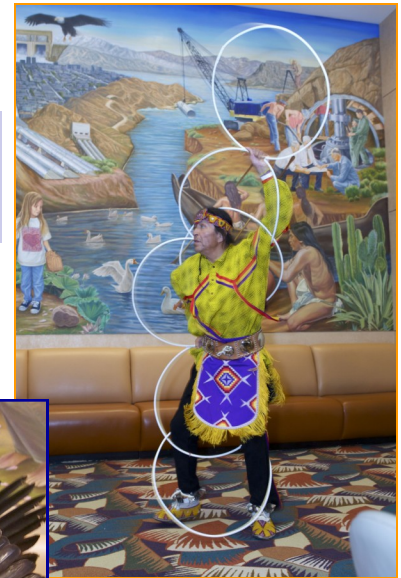
## BUSINESS OUTREACH

Metropolitan partnered with the San Diego County Water Authority, the State of California Department of General Services, and the Small Business and Disabled Veteran Business Enterprise Collaboration Conference at the 12th Annual Paths to Partnerships Networking Forum in San Diego. Eighty government agencies and resource partners, including Metropolitan, exhibited at the event. Over 1,000 business owners were introduced to Metropolitan.

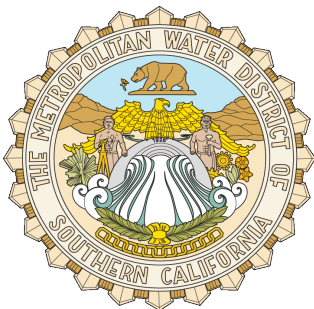
## DIVERSITY AWARENESS MONTH PHOTOS



Employees at Closing Ceremony  
American Barbeque  
Native American Dancers



[www.MWDH2O.com](http://www.MWDH2O.com)  
[www.BeWaterWise.com](http://www.BeWaterWise.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.

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

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