

JUNE 2011

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.

BUSINESS OUTREACH



Metropolitan's Business Outreach Program has successfully launched a new "Tap Into Opportunities" Newsletter that utilizes cutting edge design and analytic technology. Business Outreach plans to use the newsletter to extend Metropolitan's outreach, attract businesses from Metropolitan's and Member Agency service areas, as well as introduce Metropolitan to a statewide, national, and international audience. The newsletter provides access to Metropolitan's Bid Opportunities; encourages businesses to register as vendors and apply for Small Business Enterprise Certification in NETConnect; provides information and links to Metropolitan's main website and other Metropolitan websites such as bewaterwise.com and provides access to Metropolitan's Social Media sites - Facebook and YouTube. The newsletter also encourages participation in Business Outreach training programs and events such as *California Construction Expo*; and benefits all recipients by providing access to Business Outreach's Southern California Opportunity and Events Calendar.

MWD Business Outreach Program
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DATED: JUNE 30, 2011

ENGINEERING SERVICES GROUP

CAPITAL INVESTMENT PLAN

Replace / Rehabilitate Projects for Conveyance and Distribution System

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:

- Access Covers and Water Tanks Safety Improvements—Construction of the access covers and water tanks safety improvements was completed in June 2011.
- CRA Siphon Repairs—Final design is 60 percent complete and is scheduled to be complete by May 2012.
- CRA 230kv Disconnect Switches—Final design of the disconnect switches was completed and the project was advertised for bids in June 2011.
- Flow Meter Modifications—Final design of the flow meter modifications was completed .



Colorado River Aqueduct Access Covers and Water Tank Improvements—Setting of the water tank platform at Intake Pumping Plant

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:

Weymouth ORP

- ORP Switchgear Building—Construction is 69 percent complete and is scheduled to be complete by mid-2012.
- Inlet Conduit Relocation—Construction is 97 percent complete and is scheduled to be complete by July 2011. The relocated inlet conduit was placed into service during the March 2011 shutdown.
- Ozone Generation Building and Ozone Contactors—Final design is 95 percent complete and is scheduled to be complete by August 2011.

Diemer ORP

- Ozonation Facilities—Construction is 80 percent complete and is scheduled to be complete by mid-2012. An upcoming major shutdown is scheduled for late 2011 and several minor electrical shutdowns are scheduled by the end of 2011.



Diemer ORP – Liquid Oxygen Tank Farm

ENGINEERING SERVICES GROUP

CAPITAL INVESTMENT PLAN

Replace / Rehabilitate Projects for Water Treatment Plants

Treatment Plant Improvements Program—This program was initiated to maintain reliability and to improve operating efficiency of Metropolitan’s water treatment plants through specific improvement projects. Recent activities include the following:

Weymouth Water Treatment Plant

- Electrical Upgrades—Construction is 69 percent complete and is scheduled to be complete by mid-2012.
- Junction Structure Seismic Upgrades—Construction was complete in June 2011.
- Rapid Mix Systems—Construction is 97 percent complete and is scheduled to be complete by July 2011.
- Coagulant Tank Farm—Construction is 93 percent complete and is scheduled to be complete by July 2011.
- Filter Outlet Conduit Repair—Construction is 50 percent complete and is scheduled to be complete by August 2011.
- Filter Rehabilitation Demonstration Project—Construction of the four demonstration filters is complete. The one-year demonstration test has commenced and is scheduled to be complete by April 2012.

Diemer Water Treatment Plant

- Fire and Potable Water Pump Station—Construction is 60 percent complete and is scheduled to be complete by October 2011.
- Diemer North Access Road—Road construction is 80 percent complete and is scheduled to be complete by mid-2011.
- Diemer Emergency Broadcast System Upgrade—Construction is 45 percent complete and is scheduled to be complete by November 2011.



Diemer plant—Framework at the Fire and Potable Water Pump Station

ADDITIONAL ACTIVITY FROM ENGINEERING SERVICES

Cooperative Education Program in the Engineering Services Group—During June 2011, seven student interns began a three-month summer program, while nine year-round student interns will begin in July 2011. Engineering Services’ summer and year-round cooperative education programs are designed to provide college students an opportunity to augment their studies with practical work experience in the water industry. A wide range of universities are represented in this year’s program, including: California State Polytechnic University, Pomona, California State University, Los Angeles, California State University, Northridge, Loyola Marymount University, University of California, Irvine, University of California, Los Angeles, University

of California, Riverside, Columbia University, and University of Southern California.

Since 2002, a total of 120 college students have participated in Engineering Services’ Cooperative Education Program. Through an agreement with the California State Polytechnic University, Pomona Foundation, students from all universities and colleges are welcome to apply for the summer and year-round opportunities. This program has proven to be mutually beneficial for both Metropolitan and the students. The interns gain experience on both large and small capital projects, while aiding Metropolitan’s professional staff. The interns also form a potential pool of applicants for future entry-level engineering positions.

ENGINEERING SERVICES GROUP

ADDITIONAL ACTIVITY FROM ENGINEERING SERVICES

An inspection trip of the F.E. Weymouth Water Treatment Plant was held on June 24, 2011. Facilities inspected included the Weymouth treatment process, the machine and fabrication shops, and the water quality laboratory. During the tour, staff provided an overview of upcoming capital projects including construction of the ozonation facilities, replacement of the filter valves, upgrade of the machine and fabrication shops, and seismic retrofit of the administration building, filters, and filter backwash tanks.



WATER SYSTEM OPERATIONS

WATER QUALITY

Manage Water Treatment

Flow-weighted running annual averages for total dissolved solids for May 2010 through April 2011 were 481, 502, and 489 mg/L for the Weymouth, Diemer, and Skinner water treatment plants, respectively. The target blends at the Weymouth, Diemer, and Skinner treatment plants are projected to be maintained at 50 percent State Water Project through June.

At the water treatment plants, staff continued preparations to treat high blends of State Water Project supplies expected during the summer and fall months. Prior to the ozone retrofits at the Weymouth and Diemer water treatment plants, increased dosages of aluminum sulfate, sulfuric acid, and sodium hydroxide are required to control disinfection byproducts and their precursors. Once the ozone retrofit is complete, all blends of SWP supplies can be treated without elevated chemical dosages.

Metropolitan submitted its Consumer Confidence Report to the California Department of Public Health which covered drinking water monitoring data for calendar year 2010. The report described that Metropolitan complied with all primary drinking water standards and described the occurrence of other unregulated constituents.

Protect Source Water Quality

On May 24, the Department of Water Resources treated Lake Perris with four tons of copper sulfate to control taste-and-odor production by cyanobacteria (*Anabaena circinalis*). On June 13, Lake Skinner was treated with 10 tons of copper sulfate to control the same problem species. Following copper sulfate treatment, the Skinner service area was provided with raw water containing 25 percent Lake Skinner water and 75 percent canal water (bypass water). With this blend of Lake Skinner and bypass water, there were no taste-and-odor complaints downstream of Lake Skinner.

WATER SYSTEM OPERATIONS

SYSTEM RELIABILITY

System Operations

- System Operations delivered approximately 173,000 AF of water to meet member agency demands in June, which averaged 5,800 AF per day. This was an increase of about 1,700 AF per day from May 2011 deliveries.
- Additionally, 37,000 AF was delivered to Desert Water Agency and Coachella Valley Water District (DWCV) in exchange for their State Water Project Table A supplies. Pumping on the Colorado River Aqueduct was increased to seven-pump flow from six-pump flow as a result of increased DWCV deliveries and higher system demand.
- State Water Project deliveries of 108,000 AF in June included 23,000 AF delivered via the Inland Feeder. The combined storage in DVL, Lake Mathews and Lake Skinner now totals nearly 1 million acre-feet or 94 percent of capacity. Replenishment Service Program deliveries became available beginning May 10, 2011, but deliveries have been limited by groundwater

spreading basin capacity, which is first dedicated to recharging abundant local runoff from this year’s storms. Operations staff coordinated with Los Angeles County Department of Public Works and other agencies to develop and implement delivery schedules that share capacity for groundwater spreading. As of mid-June, Metropolitan has delivered approximately 30,000 acre-feet of the 225,000 acre-feet total available Replenishment Service Program deliveries.

- System Operations continues to maximize power generation whenever possible. In June, Metropolitan’s hydroelectric plants generated an average of 56 megawatts for a total of 40,000 megawatt-hours (MWh), which was an increase of 16,000 MWh from May. Power production from DVL for the month of June was 6,800 MWh, which was the highest of all Metropolitan hydroelectric plants during the month.

Conveyance and Distribution

Staff completed dredging operations at critical locations on the San Diego Canal to ensure canal capacity of at least 1,500 cfs for the Lake Skinner Bypass operation. The Lake Skinner Bypass operation, which started on June, facilitated the copper sulfate treatment of Lake Skinner to control taste and odor producing algae. Partial Lake Skinner Bypass operation will continue throughout June. San Diego Canal dredging and routine chlorination will recommence after the Lake Skinner Bypass operation is terminated and Lake Skinner is returned to service.

On the Colorado River Aqueduct, staff detected and replaced two blown fuses at the Eagle Mountain Pumping Plant. A brief reduced flow operation from seven to four pumps was required to repair the fuses. No equipment was damaged and full deliveries were restored within 24 hours.

Staff performed blasting and coating of various valves, gates, and structures in June. Work included valve rehabilitation at the Mills water treatment plant (*photos this page*), reservoir inlet gates at the Jensen water treatment plant (*photo on page 7*), and the exterior of the San Dimas Pressure Control Structure and Hydroelectric Plant.



MILLS - Coating Teams completed blasting and coating of all 30-inch filter influent butterfly valves, mounting and support brackets for the Module No. 3 and 4 rehabilitation project.



WATER SYSTEM OPERATIONS

SYSTEM RELIABILITY

Operations Support Services

Staff continued fabricating equipment to rehabilitate Unit 1 at the Eagle Mountain Pumping Plant. This work will increase the reliability and life expectancy of the unit.

Staff also rehabilitated a plug valve for the Covina Pressure Control Facility to increase flow control reliability at that facility. Staff also completed repairs of several finished water reservoir covers. Sealing of these covers prevents potential contamination of the treated water.

Staff continues to work with the Federal Emergency Management Agency to restore large wash-outs and erosion damaged areas within the Riverside and Orange County distribution areas. Metropolitan has completed 60 percent of the projects in order of priority. Staff will continue with the remainder of these restorations when all permits and environmental clearances are issued.

Maintenance / Shutdowns

Staff continues to plan for the 2011-12 Shutdown Season, which will include approximately 30 infrastructure shutdowns. Staff met with several member agencies to review the proposed schedule and to begin preparations for the outages.



Eagle Mountain Pumping Plant Unit 1 Discharge Valve Rehabilitation at the La Verne Machine Shop.

Environmental, Health and Safety

On June 17, staff attended the South Coast Air Quality Management District Stationary Source Committee where proposed amendments to rules governing diesel emergency generators were discussed. SCAQMD staff proposed to require diesel particulate filters on new emergency engines. Staff commented on the proposed rules and requested further evaluation of the newer technology and its effects on engine reliability. Staff also requested alignment with the Environmental Protection Agency and California Air Resources Board rules and emission requirements. These rules affect the planned replacement of emergency generators at several of Metropolitan’s facilities. Also at the same meeting, SCAQMD staff discussed a proposed Energy Management Policy which could lead to additional rules and may be inconsistent with existing state plans. The SCAQMD Board directed their staff to work with stakeholders and resolve issues of concern before proposing final rules.

California Air Resources Board’s Cap and Trade rulemaking was delayed when the San Francisco Superior Court ruled that the environmental alternatives analysis was deficient. Metropolitan is covered under the Cap and Trade Program for the supplemental

imported energy for Colorado River Aqueduct pumping. The court enjoined implementation of the state’s Cap and Trade Regulatory Program pending a more thorough review of alternatives under California Environmental Quality Act provisions in CARB’s analyses.

On June 13, CARB updated the disputed alternatives analysis. The five alternatives remain unchanged, but CARB augmented the analytical work and description of the alternatives. The alternatives are: (1) no project alternative; (2) cap-and-trade program; (3) source-specific regulatory requirements; (4) carbon fee or tax; and (5) variety of proposed strategies and measures. Staff is reviewing the updated alternatives analysis and is preparing comments for submittal by the July 28 deadline.

WATER SYSTEM OPERATIONS

SYSTEM RELIABILITY

Emergency Management

Staff completed the After Action Report for Operation Who’ll Stop the Rain, a functional exercise held in April 2011 to challenge water quality issues. As a result, staff will continue to fine-tune Metropolitan’s emergency response exercises, update contact information, and conduct additional training on roles and responsibilities for the different participants.

Apprenticeship Program

Fourth-year electrical apprentices assisted Skinner water treatment plant staff with the first phase of the electrical equipment refurbishment project. The apprentices rewired motor controls for the water treatment filter valves and then began installation and wiring of the refurbished equipment. The apprentices will return for subsequent phases as the work progresses through other filter modules and motor control centers. As a result of the apprentices’ participation, additional temporary labor has not been required to complete the work.

ENERGY MANAGEMENT

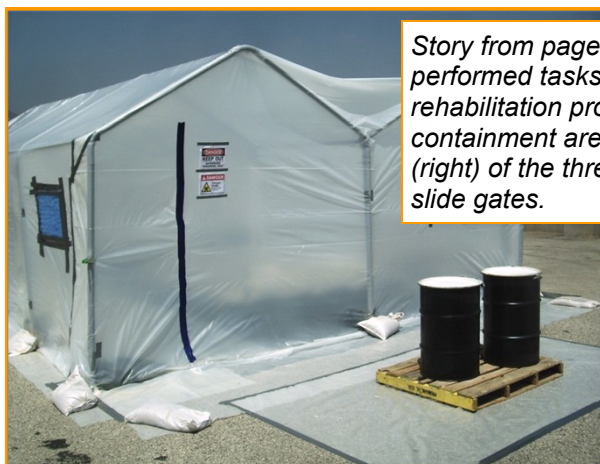
Manage System Power Operations

Diamond Valley Lake Generation—Starting June 1, electricity from DVL’s Wadsworth hydroelectric plant is being sold to Southern California Edison at its full value as renewable energy. Revenues for this summer, June through September, are expected to exceed \$3 million versus an estimated \$1 million from standard energy sales into the California power market.

Staff worked for several years to sell DVL generation as renewable energy. Activities included: decommissioning of three of the 12 Wadsworth generators to satisfy California’s requirement that limits renewable energy to 30 megawatt or less; obtaining certification from the California Energy Commission; amending the Federal Energy Regulatory Commission’s hydroelectric license exemption; obtaining State Water Resources Control Board determination of Metropolitan’s water rights at DVL; and establishing communication links to Edison for monitoring.

Hoover Power Legislation—On June 15, the House Committee on Natural Resources voted H.R. 470, the Hoover Power Allocation Act of 2011, out of the Committee and sent it to the House floor. The legislation would establish new entitlements to power from Hoover Dam for Metropolitan and the other Hoover power contractors when the current allocations expire in 2017. Metropolitan is working with the other contractors to move the Senate companion bill, S. 519. The Senate Subcommittee on Water and Power held a hearing for S. 519 on May 19.

Western Electricity Coordinating Council Audit—On June 20, WECC submitted its final audit report on Metropolitan’s compliance with the national electricity reliability standards to the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC). WECC found no violations of the 15 reliability standards audited during their May 25 audit. NERC and FERC must now approve the WECC report.



Story from page 5. JENSEN - Coating Teams performed tasks in support of Reservoir No. 1 rehabilitation project, including set up of containment area (left), and abrasive blasting (right) of the three 96" x 132" reservoir influent slide gates.



BUSINESS TECHNOLOGY GROUP

BUSINESS PROCESSES

Business Improvements

E-Discovery Project—Staff continues to add additional memory to manage large litigation needs. When complete, the project team will continue with testing phases 1A (email archiving) and 1B (E-Discovery tools). The purpose of the project is to reduce legal risk, effort, time and costs associated with discovery of electronically-stored information and enhance legal compliance efforts.

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

Rideshare Program—Ridership on public transit and vanpools at Metropolitan is at 38.5 percent through June 2011.

Paper Wise Program—Paper consumption has been reduced 66 percent through June 2011 from the 2007 baseline measurement.

SCIENCE AND TECHNOLOGY

Information Technology

Cloud Computing—Staff continued alternative Cloud Computing analyses for new IT projects and initiatives to determine whether cloud-based applications may provide a viable and cost effective alternative to traditional “on-premises” installed software applications and data storage. Specifically, cloud computing solutions have been requested in Request for Proposals for the Lease Management System and the Environmental Health and Safety projects.

Mobile Technology—IT staff continued to monitor emerging technology options related to desktop virtualization. A preliminary report to assess current technology and its appropriateness for Metropolitan was completed this month.

Two-Way Radio System Upgrade—Staff completed gap analysis, verified coverage criteria and developed an initial site plan for communication towers, and prepared a Wide-Area Channel plan. In addition, staff continued to work with Legal on Federal Communications Commission applications and preparatory process related to radio-frequency acquisition. The system, which will be used by the 300+ Emergency Response Team and Water System Operations staff, will improve reliability, ease of use and durability during emergencies.

Communication and Collaboration Technologies—Staff continued to assess and implement new communication and collaboration technologies as appropriate that enhance productivity and streamline business processes. Specifically, continued assessment of the “Wake-on-LAN” for potential PC power savings and SharePoint for productivity improvement.

CAPITAL INVESTMENT PLAN

Implement IT Strategic Plan

Water Quality Monitoring and Rapid Event Detection System—The new Detection System has been rolled-out to Water Quality staff to provide real-time analysis of water quality information and help ensure water quality reliability. Information Technology continues to work with WQ to optimize performance and refine system parameters. User training for WQ staff was completed in June, with final acceptance in July.

Wadsworth Pumping Plant SCADA Controls Upgrade—In an effort to enhance system reliability of the SCADA system at Diamond Valley Lake, staff completed preliminary investigations of control and protection upgrades for the pump plant and finalized the report. Staff has completed the Request for Qualifications selection process and is finalizing a recommendation to award.

WATER RESOURCE MANAGEMENT

WATER SUPPLY

State Water Project

Revised SWP Delivery Schedule—By letter dated June 15, 2011, Metropolitan submitted a revised State Water Project delivery schedule to the California Department of Water Resources. The schedule incorporates the Board’s authorization of up to 0.225 MAF of groundwater replenishment deliveries. The schedule also provides 1.45 MAF of service area deliveries, 0.34 MAF net deliveries to San Joaquin Valley groundwater storage, and 0.18 MAF of carryover into 2012.

Water Supply and Drought Management Plan

Replenishment Review Process—Staff and the member agencies participated in two workgroup meetings as a part of the ongoing Replenishment Review process. Several agencies and basin managers presented technical information describing the role and function of replenishment in their groundwater basins.

Water Supply Allocation Plan

WSAP Three-Year Review Process—Staff and the member agencies participated in two workgroups as a part of the ongoing WSAP Review process. Workgroup discussions focused on growth adjustment alternatives, an allocation exit strategy, and conservation demand hardening issues.

Water Conservation Program

Innovative Conservation Program—In June, Metropolitan received 47 proposals from public and private entities in the second of the two-step selection process. A review panel is currently evaluating proposals and staff anticipates announcing selected projects in July. Proponents of the selected projects will have until the end of September to sign agreements. Project work is to be completed by June 2013.

Regional Residential Rebate Program—Staff renegotiated and reduced administrative fees for the Regional Residential Rebate Program effective June 1, 2011. The reduced fees provide a cost savings to Metropolitan for processing rebate applications and payments.

Local Resources program for Water Recycling / Groundwater

Local Resource Development Strategy Task Force—Staff held the second meeting of the Local Resources Development Strategy Task Force to identify and recommend alternative strategies to meet 2010 Integrated Resources Plan targets. Staff reviewed Metropolitan’s Long-Term Conservation Plan strategies and obtained suggestions for improvements to the Local Resources Program. Also discussed were legislative and regulatory issues, public education and outreach, research needs, and alternative financing options.

In-Basin Groundwater Storage

Termination of Las Posas Basin Agreement—Metropolitan and Calleguas completed the termination of the Las Posas Basin groundwater storage agreement on June 23, 2011 with wire of payment to Metropolitan and conveyance of property documents to Calleguas.

WATER SUPPLY RELIABILITY

Long-Term Conservation Plan—Information on the proposed Long-Term Conservation Plan and changes to the Water Conservation Policy Principles was presented by staff to the member agency managers. Additionally, staff met with the Water Use Efficiency Workgroup to discuss implementation strategies that focus on proper irrigation control and efficiency.

BAY-DELTA INITIATIVES

BAY-DELTA SOLUTIONS

Near-Term Measures

State Water Resources Control Board (State Board)—The State Board held a scoping meeting on June 6 for the update and implementation of the 2006 Bay-Delta Water Quality Control Plan (Basin Plan), focused on south Delta salinity and San Joaquin River flow objectives. Presentations were made by State Board staff, state and federal fisheries agencies, the San Joaquin River Group, and South Delta Water Agency. The State Water Contractors provided the following comments at the meeting:

- Support the State Board’s proposal to maintain existing water quality objectives for the San Joaquin River at Vernalis.
- Acknowledgement that the causes of “null” zones (or lack of circulation) in the south Delta are not well understood, and that the SWC are working with the Department of Water Resources to develop modeling studies to gain a better understanding.
- The State Board should use best available science, including life cycle models, to develop appropriate fishery flows on the San Joaquin River.

The State Board anticipates filing a final environmental document for the update of the 2006 Bay-Delta Basin Plan by June 2012.

Staff, through State and Federal Contractors Water Agency, continues to participate with the San Joaquin River Group and several interested power utilities to develop modeling tools that will be used to evaluate the impact of proposed State Board flow criteria on hydropower generation. A consulting firm was selected to undertake an initial evaluation of impacts downstream of major reservoirs.

Long-Term Measures

Bay Delta Conservation Plan (BDCP)—On June 15, the Natural Resources Agency held a public meeting on the BDCP. This meeting is a key element of the Governor’s administration commitment to provide greater opportunities for public input into the BDCP planning process. The objectives of the meeting were to build on the stakeholder engagement discussions from the April 25 public meeting, describe the structure of the public work groups and how stakeholders can participate, share technical updates from work groups currently underway, and allow for productive feedback on BDCP issues. The meeting was chaired by Dr. Jerry Meral, Deputy Secretary of Resources, and included question and answer sessions. A key element of the BDCP planning forum is the formation of the topic-specific workgroups. These workgroups are composed of representatives of various stakeholder groups. The workgroups are also open to the general public. Three workgroups met during June: Governance, Goals and Objectives, and Yolo Bypass Habitat. The Goals and Objectives workgroup is considering the initial recommendations from an independent science panel regarding species goals and natural community objectives. Work will continue in these workgroups and others as they are convened over the next few months.

Delta Stewardship Council (Council)—The Council continued to focus on the development of the Delta Plan in June. Metropolitan submitted comments on the third draft Delta Plan on June 10, including specific revisions to the Delta Plan language to address Metropolitan’s key concerns related to water supply reliability, covered actions and Delta Plan implementation, BDCP, Delta flow criteria, and Delta risk reduction.

On June 14, after considering substantial public input on the third draft Delta Plan, the Council released the fourth draft Delta Plan. The fourth draft Delta Plan includes significant refinement of many of the regulatory policies and recommendations included in the third draft. There are 14 proposed regulatory policies and 54 proposed recommendations in the fourth draft, a slight reduction in regulatory policies and increase in recommendations. The Council held two meetings in June that focused on the fourth draft Delta Plan. At the Council meeting on June 16, the Council discussed changes to policies and recommendations in the fourth draft Delta Plan and also discussed the conceptual Delta Plan Draft Environmental Impact Report alternatives. The Council held a two-day meeting on June 23-24, which focused on the changes in the fourth draft Delta Plan and discussion of Council suggestions for revisions to the fourth draft. The next step is for the Council to prepare a fifth draft Delta Plan, which will be posted for public comment and circulated with the Draft EIR for public comment.

HUMAN RESOURCES

HUMAN RESOURCES EXCELLENCE

Total Compensation

- HR Benefits, in coordination with Great-West, conducted quarterly site visits at the four desert (Gene, Iron, Eagle, and Hinds) facilities. Staff also continued meeting with employees to provide one-on-one consultations with regards to the 401k and 457 plans, CalPERS service credit purchases, and retirement counseling.
- Management and AFSCME agreed on new job descriptions as part of the AFSCME Class/Comp study

Workers’ Compensation / Medical

- Conducted initial investigations on 14 injury incidents.
- Submitted 8 new claims to Metropolitan’s workers’ compensation claim administrator.
- Settlements were negotiated in 3 claims, finalized in 8 claims, and 11 claim files were closed.
- Arranged 11 medical evaluations (DMV medical surveillance, etc).
- Addressed 5 accommodation issues.

Risk Management

The Risk Management Unit completed a projected 57 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.

Risk Management completed a projected 79 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events and film permits.

Talent Acquisition

- Fifteen new employees started working at Metropolitan during the month of June (5 full-time and 10 District temporary full-time General Maintenance Assistants).
- There were 18 new recruitments in June with a total of 46 recruitments in various stages of the process this month.

Employee Relations

- Staff continued to work closely with senior management and the Board with regard to on-going MOU negotiations.
- Staff also participated in a one-day training on Performance Coaching, a training that is required for every Metropolitan manager with supervisory responsibilities. This will enhance Employee Relations staff’s ability in working with supervisors and managers to address employee performance issues.

Learning and Development

- During the first 3 ½ months since it was deployed, 85 percent of employees (approximately 1,352) have completed mandatory Drug and Alcohol Awareness training course
- At last count, approximately 90 percent of managers had completed mandatory Reasonable Suspicion Training on drug and alcohol awareness.



Workshop—Conducting Effective Performance Conversations

High Performance Culture

- Approximately 200 managers attended a mandatory one-day workshop lead by nationally-recognized performance coach Alan Fine on *Conducting Effective Performance Conversations*. The workshop is part of a series of initiatives to enhance performance management practices. It focused on enhancing managerial skills in working with both motivated and less-motivated employees to set clear goals, assess the goals against current realities, develop options for achieving the goals and then develop plans to make the goals happen.
- Launched the FY2010/11 Department Head Performance Evaluation Process. The Board of Directors are to submit their input by due July 13, and the process will be finalized at Executive Committee on July 26, 2011.

REAL PROPERTY DEVELOPMENT AND MANAGEMENT

REAL PROPERTY MANAGEMENT

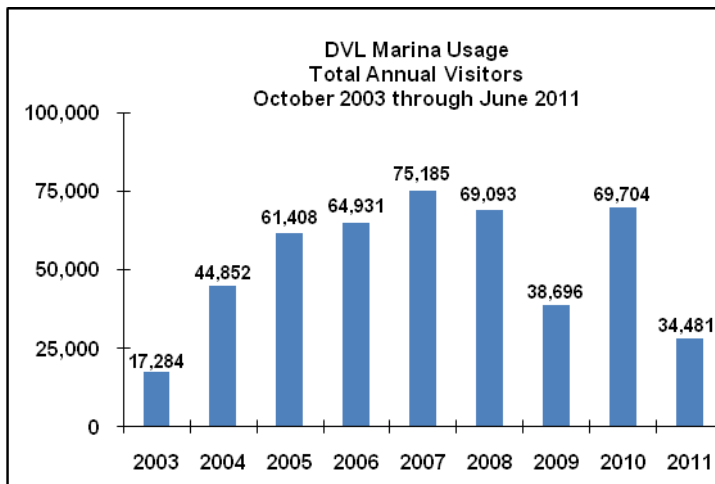
Operate Headquarters Facility

Cafeteria Services—In an effort to ensure high levels of service, food safety and quality, staff conducted an employee satisfaction survey with randomly selected employees, held two focus group meetings with the vendor and employees and worked with the vendor to develop and implement a cafeteria improvement plan.

Incident Command Center Operations and Fire and Safety Training—Developed an earthquake response map that matches the longitude and latitude paging information that Metropolitan emergency response personnel receive from the US Geological Survey’s notification system. Also, completed facility staff fire and safety training and successfully conducted the annual fire drill.

Property for Future Water Infrastructure and other Real Property Goals

- An existing lease with the Los Angeles and San Gabriel Rivers Watershed Council was amended to extend the term for one year. Watershed Council leases office space at the Metropolitan Headquarters Building.
- An easement was granted to Riverside County Flood Control & Water Conservation Board to allow for the operation and maintenance of a completed flood control facility near Lake Mathews.
- Riverside County Transportation Commission was issued an entry permit for access onto portions of the Colorado River Aqueduct right of way near San Jacinto to conduct non-invasive inspections and surveys in conjunction with a proposed road project.
- Staff provided appraisal, acquisition, and board letter support to Water Resources Management Group for the State and Federal Contractors Water Agency’s Tule Red Habitat Restoration Project.



Recreation Facilities Diamond Valley Lake

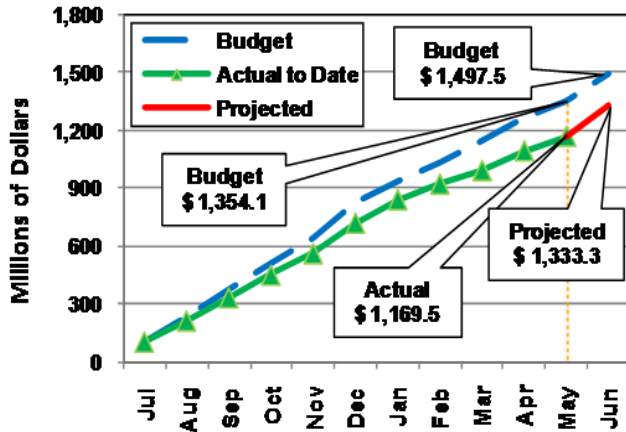
Approximately 99,000 anglers have visited Diamond Valley Lake, and 19,000 private boats have launched since the reopening of the boat ramp on December 2009. Increased launch fees collected through June 2011 for the purpose of reimbursing the cost of construction are estimated to be \$124,000.

Revenue Production in Real Property

- Sale of the Arrow Highway property in La Verne to Trammel Crow closed, resulting in \$8 million in revenue to Metropolitan.
- An offer was received to purchase the Box Springs Feeder right of way and will be presented at the July 25 RP&AM Committee meeting.
- The Western Center Academy who leases classroom space at Diamond Valley Lake successfully completed its first year and has renewed its lease for an additional year.
- Staff initiated first phase of discussions with separate developers for a campground and the feasibility of a private college at DVL.
- A Request for Proposal to replace the 17-year-old real property management software was advertised in June.
- Drafted policy and principles to receive fair market value for real property assets for RP&AM Committee input.
- Two years ago, Real Property revenue was just over \$3 million. Fiscal Year 2010/11 is projected to close with net revenues above \$13 million.

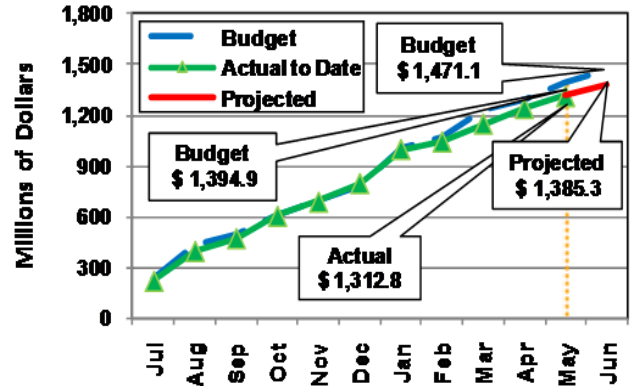
FINANCE AS OF MAY 31, 2011

Receipts are estimated to be \$164 million under budget by year end, mainly due to lower water sales.



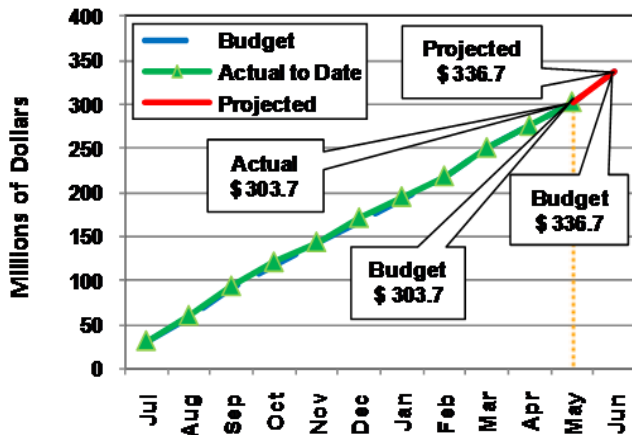
Excludes Bond Construction and Other Trust Funds Activity

Expenditures are forecast to be \$86 million under budget by year end, mainly due to lower PAYGO capital expenditures, CRA power costs and lower debt service on Metropolitan bonds.

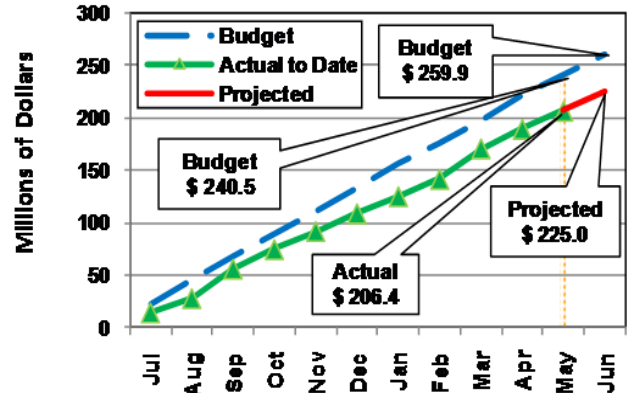


Excludes Bond Construction and Other Trust Funds Activity

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



Construction costs are expected to be \$35 million under budget by year end, mainly due to lower progress payments and additional time needed to evaluate alternative design cost effectiveness.



Cash and Investments \$1,019.3 million



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	0.83 x
Revenue Debt Service Coverage	> 2.00 x	1.22 x
Revenue Bond Debt / Equity Ratio	< 100.0%	77.1%

Credit Ratings

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

* Fitch downgrade to AA+ effective May 17, 2011

EXTERNAL AFFAIRS

COMMUNICATIONS

Support Board with Communications and Working Relationships

On June 20 and 21, Chairman Jack Foley and nine members of the Metropolitan Board of Directors and staff attended meetings and briefings in Sacramento with members of the Legislature, including members from Metropolitan’s service area as well as other areas of the state, including the Bay Area and Central Valley. The directors also met with Resources Agency Secretary John Laird, Interim Director of Department of Water Resources Mark Cowin and Delta Stewardship Council Chair Phil Isenberg. Metropolitan directors and staff heard updates on and discussed the budget, implementation of the 2009 Delta/water management package, the 2012 water bond, AB 134 (Dickinson) and legislator perspectives on Southern California’s and the state’s current and future water supply and delivery situation.

Public Education / Advertising Conservation Efforts

- Online search on Google Search and the Google Content Network continued this month. Links to bewaterwise.com appear when keywords such as “water,” “California weather,” and “water rebates” are searched for by Southern California users.
- More than 36,000 people visited bewaterwise.com in June.

Public Information Programs

Efforts and activities included:

- Issued statement from Chairman Foley regarding the Board of Directors’ action to preserve conservation incentives for San Diego County residents and businesses.
- Issued press release regarding Director John Morris being recognized nationally for his contributions to the engineering field by the American Academy of Water Resources Engineers.
- Arranged interviews with General Manager Kightlinger and reporters from the San Diego Union-Tribune and North County Times regarding the Board’s decision to preserve conservation incentives for San Diego County businesses and residents.
- Handled a Public Records Act request from Los Angeles Times reporter for information about Board of Directors’ expenses.
- Arranged interview with Water Resource Management Group Manager Deven Upadhyay and Orange County Register reporter for a story about Metropolitan water rates and sales.
- Arranged interview with General Manager Kightlinger and reporter for Albuquerque Journal for a story about water supply issues in the Colorado River Basin and the Sacramento-San Joaquin River Delta.
- Provided information to San Diego Union-Tribune reporter for a story about San Diego County Grand Jury report concerning water supply issues, reliability and rates in San Diego County.
- Arranged interview with Water Resource Management Group Manager Upadhyay and Ag Alert reporter for a story about water availability and water rates for farmers in San Diego County and the Central Valley.
- Arranged interview with Assistant General Manager/Chief Operating Officer Debra Man and Riverside Press-Enterprise reporter to discuss repairs and upgrades to Lake Perris.

EXTERNAL AFFAIRS

LEGISLATIVE AND COMMUNITY RELATIONS

Community Outreach

Efforts and activities included:

- Staff and DVL docents helped distribute information and conduct hands-on conservation-related activities for approximately 200 children at the Western Science Center’s “Science Saturday” special event.
- Staff hosted a class of advance placement juniors from Hollywood High School who made a presentation on the challenge of maintaining an ethic or culture of saving water in Southern California. A panel of External Affairs staff engaged in a question and answer session for students to defend their positions. The entire class debated issues of how best to conserve water from the perspective of Southern California stakeholders.
- Staff, in collaboration with the Western Science Center, conducted nine Diamond Valley Lake field

trips; more than 300 students participated in the trips.

- Staff hosted the Member Agency Education Coordinators’ Meeting highlighted by end-of-the year program wrap-ups and updates, along with an update on the new curriculum supplement *Conservation Connection*.

Coordinate/ Communicate Day-to-Day Efforts

- Staff participated in a meeting with the city of Inglewood Public Works/Permitting Department and conducted outreach to residents regarding potential impacts from the cross-connection projects work sites.
- Staff participated in meetings with Southern California Edison, the city of La Verne Public Works’ staff and residents regarding revisions to the construction work site plan and schedule for the 66kv transmission line which will serve the Weymouth water treatment plant.

Policy and Legislative Strategies

State Legislation

On May 16, Governor Brown released updated projection of state revenues and expenditures, known as the *May Revise*, which is reflective of spring tax collections and other economic factors. The Revise reflects the receipt of \$2.8 billion in additional revenues for the current year and projects an additional \$3.5 billion for the budget year. The Governor proposed that the new revenues be directed towards education, corrections and mental health programs to offset impacts from budget cuts adopted last March.

On June 28, the Legislature approved a budget that includes more spending cuts to programs, including cuts to higher education, the courts and the Department of Justice. Governor Brown has said he will sign the legislation, which in addition to the cuts relies on anticipated revenue increases in the coming fiscal year to close a \$9.6 billion budget deficit. If the additional revenue does not materialize, further mid-year budget cuts may be necessary, including cuts to education.

Priority bills of interest to Metropolitan that met the June 3 house-of-origin deadline include:

- AB 134 (Dickenson, D-Sacramento) would authorize the Sacramento Regional County Sanitation District to apply to the State Water Resources Control Board for an appropriative right

for the sale and transfer of some of SRCSD’s treated effluent as water supply. The bill passed the Assembly on a 42 – 23 vote. Metropolitan remains opposed to the measure.

- AB 403 (Campos, D-San Jose) would facilitate the adoption of a drinking water standard for hexavalent chromium, also known as chromium 6. The bill passed the Assembly without opposition. Metropolitan supports AB 403 in its amended form.
- SB 215 (Huff, R-Diamond Bar), which extends Department of Fish and Game’s authority to address quagga infestation, moved from the Senate on consent. The Association of California Water Agencies-sponsored bill is supported by Metropolitan.
- SB 224 (Pavley, D-Los Angeles) would give the Department of Water Resources flexibility to engage in any contract entered into by DWR as authorized in the Water Code, or for any contract entered into by DWR that is funded by any non-state sources. The Senate passed the bill on a 37-0 vote. Metropolitan supports the measure.

EXTERNAL AFFAIRS

LEGISLATIVE AND COMMUNITY RELATIONS

Policy and Legislative Strategies

Local Government

Staff and a delegation of 12 business leaders from the Valley Industry and Commerce Association travelled to Sacramento to attend the California Chamber’s Annual Business Summit and to meet with legislators regarding a number of business interests, including water issues. The delegation met with Senator Ted Lieu and senior staffers for Senators Fran Pavley and Alex Padilla, Assembly Members Mike Gatto and Cameron Smyth, as well as Nick Velasquez, Director of External Affairs for Governor Brown.

In support of Metropolitan’s ongoing outreach efforts, staff provided regional water supply and legislative updates to the San Gabriel Valley Economic Partnership Legislative Committee and the Downey Chamber of Commerce general membership.

Staff participated in the California Building Industry Association’s Pacific Coast Builders Conference and met with home builders to discuss the current water use efficiency/conservation programs offered by Metropolitan and the statewide building code changes relating to indoor and outdoor water use that went into effect January 1, 2011.

Federal Legislation

- Staff attended a legislative hearing on June 1, 2011 on H.R. 1837 (Nunes) and a follow-up hearing on June 13, 2011.
- On June 15, 2011, the House Natural Resources Committee marked up and reported favorably on H.R. 470 (Heck), the Hoover Power Allocation Act of 2011.

Current Distribution & Storage

	6/30/2011 Storage (AF)	Percent of Capacity
Lake Mathews	152,235	84%
Lake Skinner	36,968	84%
DVL	782,189	97%

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

BUSINESS OUTREACH

Support of State of California, Member Agencies, City of Los Angeles, the Southern California Business and Veteran Business Community with the following activities:

- Metropolitan Director Larry Dick and Business Outreach staff attended the “California Small Business Day” Awards Ceremony and Expo at the Sacramento Convention Center. Over 120 small businesses were recognized for contributions to their communities by State Legislature and the Governor.
- Metropolitan supported Los Angeles Department of Water and Power and the Los Angeles Business Community by participating in LADWP’s “Opening the Gates of Opportunity” Expo. Businesses received valuable information on how to do business with LADWP, Metropolitan, and partnering agencies.
- Metropolitan’s Business Outreach Program partnered with Engineering to host the Asian American Architects and Engineers Scholarship Event. This is the third year that Metropolitan has hosted the event. Water System Operations manager Lilly Shraibati was the Keynote Speaker for the event. The Asian American Architects and Engineers Foundation is a non-profit organization dedicated to providing opportunities and scholarships for students pursuing a career in architecture, engineering or construction.
- Metropolitan was a sponsor for the Los Angeles Area Chamber of Commerce recognition event in partnership with the US Small Business Administration.
- Metropolitan supported the San Diego Business Community by participating in “2011 Next Steps for Small Business Conference.” More than 400 small businesses attended the event.
- Metropolitan sponsored and participated in the California Chinese-American Association of Contractor Professional’s Business Conference and Expo in Alhambra. Business Outreach exhibited at the event and also spoke on a Small Business Certification Panel. Over 120 small businesses attended the event.
- Business Outreach partnered with the US Small Business Association Office of Advocacy to host the first of ten regional meetings in the United States to discuss issues that affect small business. Over 30 business leaders and advocates attended the session.

Vendor Development, Training and Certification

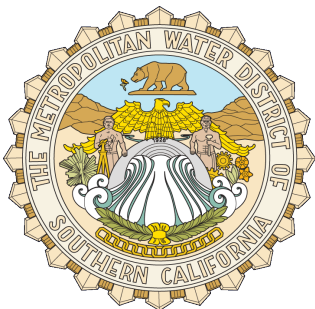
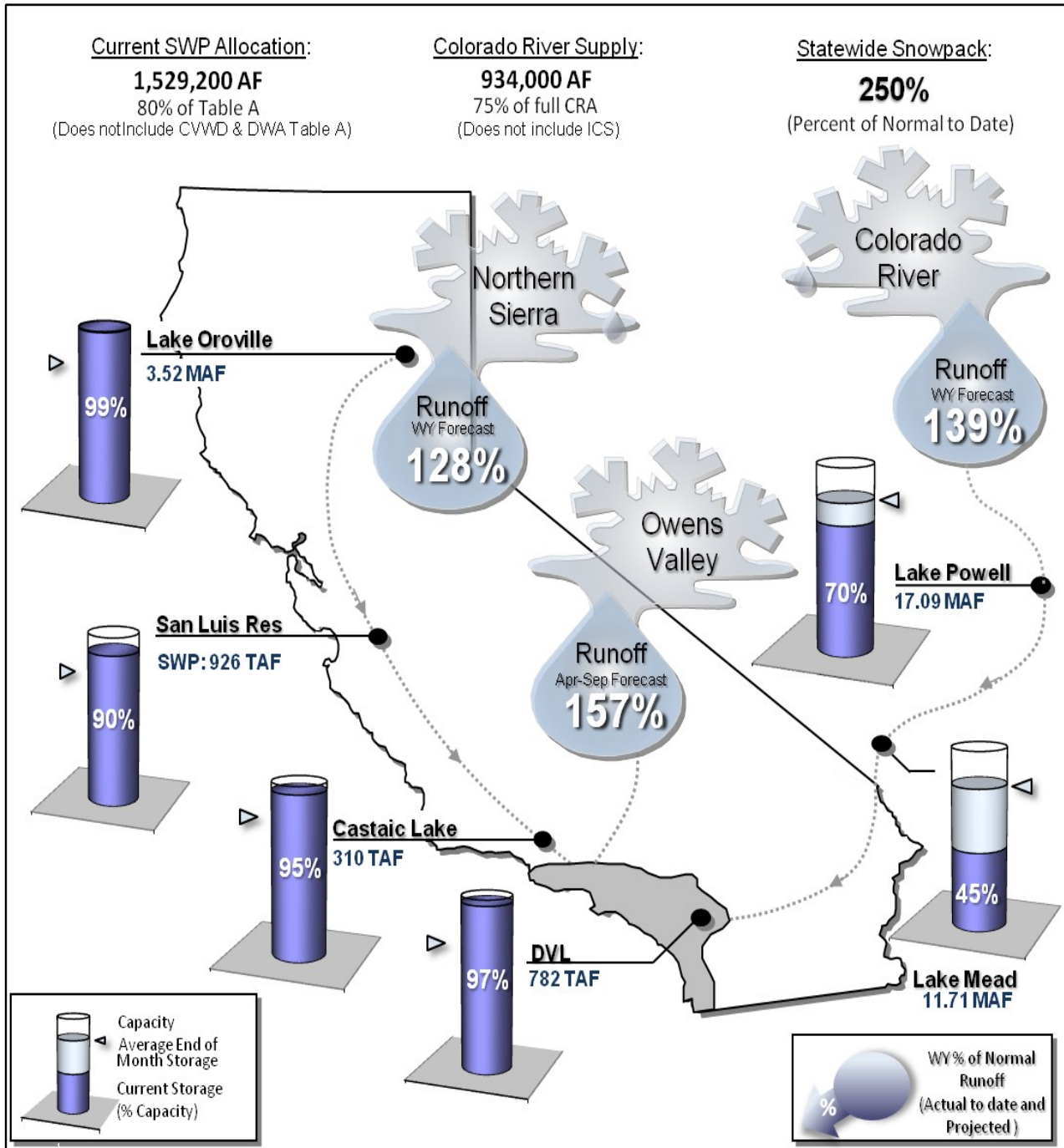
Business Outreach has been able to introduce over 1,900 businesses to Metropolitan’s business opportunities, training programs, and E-Procurement, Vendor Registration, Small Business Certification, and Contract Compliance and Accountability programs on NETConnect. The activities for June were:

- The third workshop in Business Outreach Program’s monthly “Managing Your Innovation” Series of Workshops and Networking Events was held at Metropolitan on June 15. The workshop was designed for businesses, inventors, and entrepreneurs who are developing a prototype and entering the online marketplace
- In partnership with the Ventura County Small Business Development Center, Business Outreach’s class “The Procurement Advantage” was held at the Camarillo Library in the City of Camarillo.

Business Outreach also participated in the following June 2011 programs, conferences, expos and events:

- San Diego Regional Minority Supplier Development Council Week—Week long event with Business Outreach participating for two days in panel presentations, workshops, reverse trade show and introducing over 500 companies to Metropolitan.
- Los Angeles County Small Business Contracting Connections—over 200 participants.
- Sub-4-Subs, San Diego—Business Outreach Staff exhibited at the event and introduced over 300 small businesses to Metropolitan.
- American Indian Chamber Annual Luncheon, Los Angeles—Over 75 small businesses and resource partners participated.

WATER SUPPLY CONDITIONS AS OF JUNE 30, 2011



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.

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