

Dated:
February 29, 2012

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



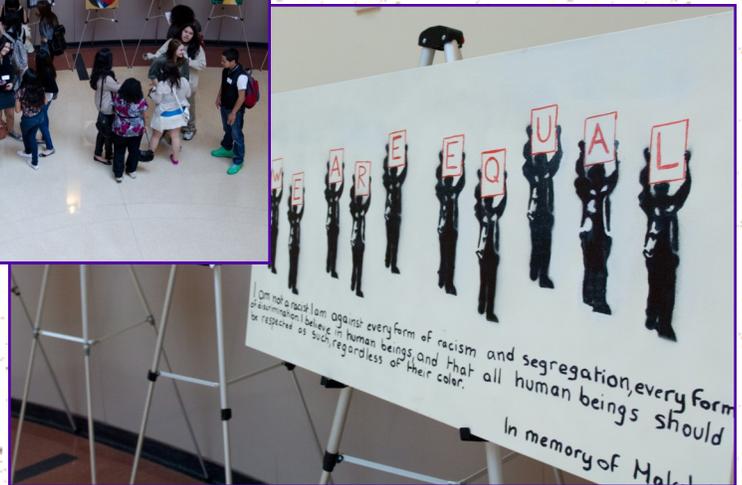
GENERAL MANAGER'S MONTHLY ACTIVITY REPORT FOR FEBRUARY 2012

THIS REPORT IDENTIFIES THE ACTIONS/ACTIVITIES TAKING PLACE DURING THE MONTH THAT SUPPORT THE OBJECTIVES OF THE GENERAL MANAGER'S FISCAL YEAR 2011/12 BUSINESS PLAN.

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The richness of diversity was celebrated this month, as Metropolitan's Black Employees Association sponsored events and exhibits commemorating Black History Month. A number of events and activities filled the month, including an opening ceremony with guest speakers Vice Chair John Murray, Jr. and Chief Administrative Officer Gilbert Ivey; lunch-time poetry reading; and a special art exhibit from young artists from the Ribet Academy. Also in February, Metropolitan's Asian American Employees Organization offered dim sum to celebrate Chinese New Year (Year of the Dragon). Staff, management and Board of Directors enjoyed the free sampling.



BAY-DELTA INITIATIVES

Complete the public draft Bay Delta Conservation Plan and the associated draft Environmental Impact Report/Environmental Impact Statement

On February 27-29, the first administrative drafts of the Bay Delta Conservation Plan (BDCP) and Environmental Impact Report/Environmental Impact Statement (EIR/S) were provided to the fish agencies (U.S. Fish and Wildlife Service, National Marine Fisheries Service, and California Department of Fish and Game) and posted on the BDCP website (baydeltaconservationplan.com) for the public to view. This is not a formal public review and comment release but rather part of the state’s commitment for an open and transparent process. It also represents an important milestone reached, as targeted in the BDCP Memorandum of Agreement reached earlier this year between the state and federal governments.

The first administrative drafts should be considered “works in progress.” Additional work and refinement of both documents is expected between the first administrative drafts and the release of the second administrative drafts scheduled for May 2012, and the Public Drafts in June 2012. In particular, for two key species—delta smelt and longfin smelt—additional work is being done to better define habitat requirements, the importance of flow in the various life stages of these fish, and the linkages between the environmental changes expected through BDCP actions (both positive and negative) and the resulting biological responses of these sensitive species.

Metropolitan staff will be reviewing the first administrative drafts of the BDCP and EIR/S in detail in coordination with the other public water agencies funding these studies and processes.

Develop near-term measures, compatible with a long-term Delta solution, to improve water supply reliability and water quality, and facilitate protection and enhancement of Delta ecosystems and associated species

The State Water Resources Control Board (Control Board) is conducting a phased review and update of the 2006 Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay-Delta WQCP). To date, the process has focused on the southern Delta salinity objectives, San Joaquin River flow objectives, and the program of implementation for

achieving those objectives. The Control Board is now starting to consider the comprehensive review of the other elements of the Bay-Delta WQCP and potential changes to protect beneficial uses in the Bay-Delta. At their regularly scheduled meeting on February 21, the Control Board opened an informational item and received comments regarding a schedule of actions to update the Bay-Delta WQCP and the relationship of these actions to the BDCP. Staff coordinated with the State Water Contractors, Central Valley Project water contractors, upstream water users, and several power utilities to provide oral comments at the meeting, and worked with the State Water Contractors and the San Luis and Delta-Mendota Water Authority to submit written comments on February 21. Our joint interests regarding the proposed State Water Board process center on the need to (1) coordinate with the outcome of the BDCP, (2) use the best and updated available science, (3) avoid protracted water rights proceedings, and (4) recognize competing water uses such as hydropower and upstream fishery needs. Metropolitan comments also proposed a modified schedule that would ensure a timely, open and transparent process and address our concerns.

Turbidity Forecasting—As part of the Delta turbidity forecasting project, the ninth and final Delta turbidity and adult delta smelt forecast was produced and distributed on February 21. Given the very dry conditions this year, the forecasts anticipated neither significant turbidity events nor adult delta smelt movement into the south Delta. This resulted in very minimal numbers of delta smelt at the state and federal export pumps by the end of February. All results were posted on the BayDeltaLive website.

Ensure that Delta emergency response measures are implemented, including actions to develop a fresh water pathway after a major emergency event in the Delta

Department of Water Resources representatives have indicated that they will conduct a comprehensive simulation exercise in late 2012 to assess emergency operations plans and procedures of the DWR Delta Flood Emergency Preparedness, Response and Recovery Plan, which is expected to be issued as an executive draft in early 2012. The exercise would include participation by local, regional, state, and federal agencies.

BAY-DELTA INITIATIVES

Develop long-term Delta improvements through the Bay Delta Conservation Plan, including measures that implement conveyance and species conservation improvements

Metropolitan filed comments on the Delta Stewardship Council’s (Council) draft EIR on February 2, and also worked with other water agencies to prepare comments filed by the SWC and the San Luis and Delta-Mendota Water Authority. The draft EIR examines the environmental consequences of the fifth staff draft Delta Plan’s 12 regulatory policies and 61 non-binding recommendations, along with five other project alternatives. The Council plans to meet every two weeks until a final Delta Plan is adopted. During the March meetings, the Council plans to discuss comments received on the draft EIR and proposed directions for a sixth staff draft Delta Plan. At this time, staff expects a sixth staff draft Delta Plan to be released for public comment in April or May 2012.

WATER RESOURCE MANAGEMENT—Water Supply

Implement the Local Resources Program and Conservation Program effectively

WaterSMART Grants submitted for Turf Replacement and Ice Machines—Metropolitan submitted two WaterSMART grant applications to the U.S. Bureau of Reclamation for \$1.65 million. The first was for continuation of the 2010 WaterSMART grant for the California Friendly Turf Replacement Incentive Program. This three-year project requires a 50 percent match to the \$1.5 million requested from Reclamation. It is expected to replace approximately 3 million square feet of irrigated turf and save approximately 8,280 acre-feet of water over ten years. The second is a request for \$150,000 to replace water-cooled commercial ice machines with energy efficient air-cooled ice machines. It is expected to save approximately 3,600 acre-feet of water over ten years. Reclamation is expected to announce grant awards in March and sign agreements by September.

Collaborate with member agencies to coordinate planning efforts, develop policy recommendations, and promote consistent public communications in water resource management issues

Landscape Efficiency—Metropolitan met with member and retail agencies to plan spring and summer outreach efforts for the strategic focus on proper irrigation control. Metropolitan also met with major irrigation product manufacturers and retailers to explore ways to educate consumers on watering landscape efficiently.

Ensure cost-effective and reliable State Water Contract Supply

State Water Project Allocation—The California Department of Water Resources issued a notice reducing the 60 percent State Water Project Table A allocation to 50 percent. This will not impact 2012 deliveries to Member Agencies; however, there will be modification of the water storage and carryover strategy for 2013.

State Water Project Hedging Account—The Department of Water Resources returned to Metropolitan the \$7 million balance of the gas hedging account loan along with interest. In 2005, State Water Contractors, including Metropolitan, funded a loan to DWR for a gas hedging margin account.

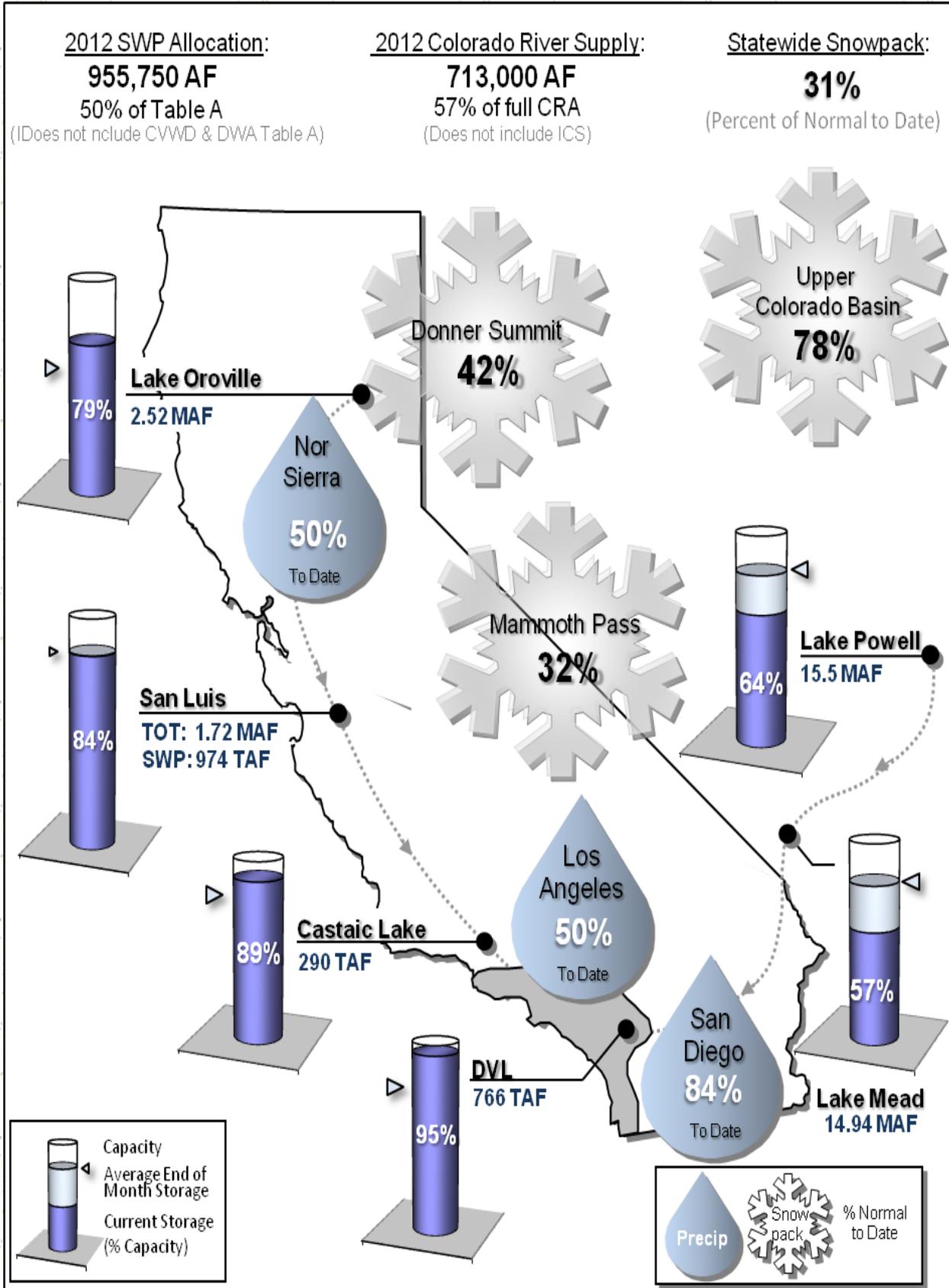
Implement Foundational Actions for Potential New Sources of Supplies

CalDesal Executive Committee—In February, Metropolitan staff participated in CalDesal’s annual Executive Committee. The committee established CalDesal’s priorities for 2012/13. Metropolitan is a founding member of CalDesal and currently holds the treasurer position.

Maintain Colorado River water supply and operational benefits

Palo Verde Irrigation District/Metropolitan Program—Metropolitan approved two additional landowner requests to reduce fallowing by 471 acres during FY 2011/12, resulting in a reimbursement of \$117,581 to Metropolitan. Similar requests from nine landowners were approved July 2011, resulting in a grand total of 3,251 acres of reduced fallowing and \$1.2 million in savings.

WATER SUPPLY CONDITIONS as of February 29, 2012



WATER SYSTEM OPERATIONS—System Reliability

Operate System Reliably

System Operations delivered approximately 94,000 acre-feet of water to meet member agency demands in February, which is an average of about 3,200 AF per day. Treated water deliveries for February totaled 67,000 AF or 2,300 AF per day. Additionally, 34,000 AF was delivered to Desert Water Agency and Coachella Valley Water District in exchange for their State Water Project Table A supplies.

The Colorado River Aqueduct operated at a four-pump flow for the month of February. State Water Project deliveries were 39,500 AF in February, which is a decrease from January 2012. Operational strategies were modified to reduce the use of SWP supplies in response to the unusually dry conditions throughout the state. SWP blends were reduced at the Weymouth, Diemer, and Skinner water treatment plants and Inland Feeder deliveries into DVL were temporarily curtailed. Despite these changes, storage in DVL still remains at 770,000 AF, or 95 percent of capacity.

System Operations continued to maximize power generation whenever possible. In February, Metropolitan's hydroelectric plants generated an average of 29 megawatts for a total of 20,000 megawatt-hours. Power production from Diamond Valley Lake for the month of February was about 3,800 MWh and the Etiwanda hydroelectric plant generated 7,100 MWh.

Shutdowns

Multiple pipelines were shut down in February. The main drivers for the shutdowns were to inspect the prestressed concrete cylinder pipes and to repair some minor leaks on the Lakeview Pipeline. System Operations coordinated two interagency agreements during the Foothill Feeder shutdown. The first involved the California Department of Water Resources, Castaic Lake Water Agency, and Metropolitan and required draining the Castaic Lake outlet tower to facilitate Metropolitan repair work, and the second involved Metropolitan, Calleguas MWD, and Los Angeles Department of Water and Power at the West Valley Feeder #1 and #2 delivery structures.

Optimize maintenance

Water Treatment Plants

Staff rehabilitated three inlet gates at the Jensen Finished Water Reservoir. Work included recoating the gate guides (*see photo below*), replacing the gate seals and manufacturing new operator stem shafts. These gates isolate the reservoir for shutdowns and maintenance. This was the first refurbishment of the gates since the original construction in 1972.



Other

The La Verne Coatings Shop Building Expansion project and upgrade will modernize, enhance and increase Metropolitan’s coating capabilities, capacity and efficiency. The contractor modified an existing building to accommodate a new blast booth, laid the foundation of the new Coating Shop building addition, and started electrical upgrades (*see photo below*). Construction should end in January 2013.



La Verne Coatings Shop—Looking south at the new Coating Shop expansion. Two rail lines will be installed to improve movement and handling of parts from blasting, coating, heat drying and shipping.

WATER SYSTEM OPERATIONS—System Reliability

Optimize maintenance

Colorado River Aqueduct

A 25-day scheduled CRA shutdown began on February 28. Activities during this shutdown include installing new 230 kV disconnects at the Eagle Mountain and Hinds pumping plants; cleaning 65 miles of tunnels to improve aqueduct flows in preparation for an eight-pump flow; electrical testing at Intake and Gene pumping plants to maintain reliability standards according to North American Electric Reliability Corporation standards; repairing delivery line expansion joints at Hinds pumping plant; and connecting a new diesel emergency generator at Eagle Mountain pumping plant.

Distribution System:

On February 1, staff mobilized for an eight-day unscheduled shutdown on the Lakeview Pipeline to repair two connection joints that were leaking. The two sites were excavated and prepared for safe access. Steel butt straps were fabricated at the La Verne Shops and installed inside the pipeline to repair the leaks.

A 21-day shutdown of the Foothill Feeder began on February 13 in conjunction with a 14-day shutdown on a portion of the Sepulveda Feeder. The shutdowns allowed Metropolitan’s contractors to perform remote eddy current inspection of the prestressed concrete cylinder pipe and upgrade previous carbon fiber joint repairs at two sites on the feeder (*see photo to right*). Eddy current inspection uses specialized electronic equipment to detect breaks in the structural wire wrapped around the pipeline. The carbon fiber upgrades protect against water migrating into the pipe wall through the compromised joints, which could reduce the bonding and strength of the carbon fiber lining.

The La Verne Shops staff machined 20 pilot-valve stems to replace worn and unusable stems for the western region of the distribution system (*see photo to right*). The pilot stems slide back and forth to start control valves which regulate and maintain appropriate pressures in the distribution system piping.

Staff also repaired a large pressure regulating valve at the Olinda Pressure Control Structure. This structure controls the pressure of the water entering the Diemer water treatment plant. Staff expedited repairs to this critical valve and it was fully operational within two

Lakeview Pipeline—Site excavated and prepared for safe access to repair leaks



Sepulveda Feeder—Remote eddy current inspection



La Verne Machine Shop—A pilot stem being machined on a computer numerically controlled lathe.

WATER SYSTEM OPERATIONS—System Reliability

Support water resources program

To maximize water supply reliability, Metropolitan supports the California Department of Water Resources through reimbursable agreements. In October 2011, DWR requested the manufacturing of seven work platforms for their Edmonston Pumping Plant. Each platform will be installed to support large valve removal during plant rehabilitation (*see photos below*).

Effectively manage power system requirements and optimize generation

On February 8, Metropolitan hosted the annual Parker-Davis Project planning meeting at Gene facilities near the Colorado River. The federal government presented its annual plan and budget to the power contractors for the Parker and Davis power plants. The attendees inspected many of the capital improvements completed at the Parker power plant, including new turbine runners and generator rewinds for each of the four units. Metropolitan pays one-half of the cost of the Parker power plant and in return receives one-half of the power generated.

In February, Metropolitan sold three March forward energy contracts. The contracts totaled 23,325 megawatt hours of energy at a sale value of approximately \$460,000. The contracts were sold due to lower energy requirements from reduced Colorado River Aqueduct pumping in 2012.

Develop workforce

Staff secured grant funding for training automotive mechanics to enhance their diagnostic and repair skills, and to stay current on automotive technologies from California’s Employment Training Panel. The grant

funds approximately 90 percent of the cost for fleet mechanics to attend up to 23 specialized training courses. The first in the series is a 16-hour class for understanding and troubleshooting hydraulic systems and will be provided by Cerritos Community College. Seven of Metropolitan’s fleet mechanics will attend this class and the grant provides \$45,000 of the \$49,000 cost.

Improve security and emergency response

On February 7, Metropolitan hosted the Southern California Emergency Management Meeting for representatives from the Member Agency Response System, Water Emergency Response Organization of Orange County, and California Water/Wastewater Agency Response Network. Staff updated attendees on Metropolitan’s water operations and cyber security for the Supervisory Control and Data Acquisition system. Also, a guest speaker from U.S. Geological Survey/Caltech described risks to the region and indicated that Southern California should remain prepared to respond to a large-magnitude earthquake on the San Andreas fault. Finally, a presentation to review the Federal Emergency Management Agency’s process for reimbursement following disaster declarations was discussed.

On February 1, staff at the Jensen water treatment plant performed an evacuation and chemical response drill. The purpose of the drill was to provide practical experience for personnel who respond to chemical releases, increase the comfort level wearing the self-contained breathing apparatus equipment for extended periods and to emphasize the use of the buddy system to enhance safety and communication.



La Verne Fabrication Shop—Fabrication of the first of seven platforms using I-beams for the DWR Edmonston Pumping Plant .



La Verne Fabrication Shop—Close-up of an Edmonston Pumping Plant shutoff valve. Platforms manufactured by Metropolitan will be secured under seven of these valves to enable the safe dismantling and resting of the valves onto the platforms.

WATER SYSTEM OPERATIONS—Water Quality

Protect source water quality

On February 1, staff attended an annual stakeholders meeting organized by the Nevada Division of Environmental Protection and the Nevada Environmental Response Trust (NERT) regarding perchlorate cleanup activities at the former Tronox site in Henderson, Nevada. NERT representatives provided an update to stakeholders on the past year’s activities concerning soil and groundwater remediation, upcoming remedial efforts and investigations, and administrative and budgetary issues. Metropolitan continues coordination with NERT stakeholders through bimonthly conference calls.

On January 27, Metropolitan submitted comments on Pacific Gas and Electric’s Topock Groundwater Remediation preliminary design. Metropolitan supports the groundwater remedy and identified specific issues (e.g., groundwater monitoring and contingency planning) that need to be further developed. The treatment system will utilize in-situ biological treatment for removal of chromium 6.

Optimize water treatment and distribution

On February 28, Metropolitan staff completed the first of three tracer studies for the ozone contactors at the Skinner water treatment plant to determine disinfection contact time. These studies are being conducted to accurately determine the hydraulic characteristics of the ozone contactors, thereby allowing for optimal ozone disinfection and potential chemical cost reduction.

Flow-weighted running annual averages for total dissolved solids for January 2011 through December 2011 were 414, 375, and 363 mg/L for the Diemer, Weymouth, and Skinner water treatment plants, respectively.

Provide technical support to member agencies

Water quality staff conducted a Member Agency Water Quality Webinar on February 14. Staff provided updates on storm water/waste and other discharge permits, water supply, water quality, and water system operations.

Fully comply with water quality, safety, and environmental regulations

- Metropolitan complied with all water quality regulations and drinking water standards during the month of February.
- On February 21, Metropolitan registered for the California Air Resources Board Cap-and-Trade Program under protest due to unresolved issues.
- At Metropolitan’s January monthly Board meeting, the Board authorized preliminary design to replace the wastewater collection systems and community septic tanks at all five CRA pumping plants. On September 30, 2011, the State Water Resources Control Board issued a public comment draft for a new “Water Quality Control Policy for Siting, Design, Operation, and Maintenance of Onsite Wastewater Treatment Systems” (septic systems). The policy proposes a five-tiered system to provide a state-wide, risk-based approach to managing septic systems. Because the proposed policy may impact the design of the system, staff provided a summary of the proposal and the potential impacts to the Engineering Services Group. The Control Board anticipates the new policy will be adopted and take effect in late 2012.
- On February 6, California Occupation Safety and Health Administration (CalOSHA) initiated a Special Emphasis Program on Confined Spaces and held a press conference on February 14 to announce the start-up and details of the program. CalOSHA will focus on outreach and compliance as the two key aspects of the program. CalOSHA’s program initiative follows investigations of several confined space deaths and injuries in California in 2011. In preparation, staff is developing a safety bulletin and presentation to reinforce Metropolitan’s confined space policy and procedures and an updated confined space inventory.

Prepare for future regulations

Staff participated in the U.S. Environmental Protection Agency’s Consumer Confidence Report review on how to improve dissemination of drinking water information to the public.

ENGINEERING SERVICES—Capital Investment Plan

Manage high priority projects which replace or rehabilitate equipment and facilities to enhance reliability, comply with regulations, and improve plant operating efficiency of Metropolitan’s water treatment plants

Oxidation Retrofit Program (ORP)

This program was established to add ozonation facilities and thereby reduce the level of disinfection by-products in the finished water of Metropolitan’s five treatment plants in order to meet state and federal drinking water standards. Recent activities include the following:

Diemer ORP

- Ozone Generation Building and Ozone Contactors—Construction of the Diemer ozonation facilities is 93 percent complete and is scheduled to be completed in late 2012. This month, the ozone equipment contractor completed installation of the ozone generator internals in preparation for equipment testing later this year.

Weymouth ORP

- ORP Switchgear Building—This building will house the circuit breakers and other electrical equipment to serve the new ozonation facilities. Construction is 92 percent complete and is scheduled to be complete by mid-2012.
- Ozone Generation Building and Ozone Contactors (Staged Capacity)—Final design is complete and the project was advertised for competitive bids in January 2012. A pre-bid meeting with the prospective bidders was held on February 14.

Mills ORP

- Ozone System Reliability Upgrade—This project will install ozone generation equipment which has been fabricated and is currently being stored in a bonded and climate-controlled facility. Final design is 99 percent complete.

Water Treatment Plant Improvement Programs

These programs were 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 Plant

- Electrical Upgrades—This project will upgrade the Weymouth plant’s aging electrical system and enable connection to the new 66 kV incoming SCE electrical service. Construction is 92 percent complete and is scheduled to be completed in 2012.

Diemer Plant

- Emergency Broadcast System Upgrade—This project will expand and upgrade the existing emergency broadcast system to address system deficiencies and meet the demand of new facilities. Construction of the upgrades is scheduled to be complete by March 2012.
- Filter Media Replacement—This project will replace anthracite and sand filter media to prevent the release of manganese in treated water after the plant switches to ozone disinfection. Construction is 40 percent complete and is scheduled to be complete by August 2012.
- Finished Water Reservoir and East Washwater Tank Seismic Upgrades—This project will install caissons to stabilize the Finished Water Reservoir’s south slope during an earthquake, thicken the reservoir’s floor slabs; and construct shear walls to support the foundation of the East Washwater Tank. Final design is 95 percent complete and is scheduled to be complete by mid-2012.
- Filter Outlet Conduit Seismic Upgrades—A study is underway to develop mitigation alternatives to stabilize the Diemer plant’s northeast slope to protect the Filter Outlet Conduit against damage during an earthquake. Preliminary design is 85 percent complete and is scheduled to be complete by August 2012.

ENGINEERING SERVICES—Capital Investment Plan

Manage high priority projects which replace or rehabilitate equipment and facilities, to enhance reliability of Metropolitan’s conveyance and distribution system, and to protect water quality

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:

- Eagle Rock Tower and Puddingstone Spillway Gates Rehabilitation—This project will replace the single radial gate at Puddingstone with two slide gates and rehabilitate five corroded slide gates at Eagle Rock Tower. Construction commenced and is scheduled to be complete by December 2012.

Prestressed Concrete Cylinder Pipe (PCCP) Rehabilitation & Replacement Program

This program was established to enhance the reliability of Metropolitan’s water distribution system and reduce the risk of costly emergency repairs of PCCP lines. Recent activities include the following:

- Sepulveda Feeder Repairs—Three PCCP joint repairs were completed on the 96-inch diameter, 42 mile-long feeder during a February 15-23 shutdown.
- Foothill Feeder Repairs—This project will repair PCCP joints at two locations along the 201-inch diameter, 36 mile-long feeder. The repairs began on February 17 and are scheduled to be complete by March 1, during a 14-day shutdown.
- PCCP Structural Inspection and Testing—This project will inspect all 163 miles of Metropolitan’s PCCP lines over the next five years. Inspection of the South Coast Feeder was completed in December 2011. Inspection of the Sepulveda Feeder North Reach (6.12 miles), Foothill Feeder, Jensen Bypass, and the connection to the 1st LA Aqueduct was completed in February 2012.
- Long-Term PCCP Relining/Replacement—This project will commence the planning for replacement or relining of all at-risk PCCP lines. This effort will initially focus on the Allen-McColloch Pipeline, Calabasas Feeder, Rialto Pipeline, Second Lower Feeder, and Sepulveda Feeder. Completed activities include review of pipeline age and history; evaluation of the number and severity of wire breaks and broken backs; assessment of pipeline

characteristics and evaluation of deterioration of all 27 PCCP lines. On-going activities include hydraulic analyses and review of operational redundancies and shutdown restrictions on the Second Lower Feeder. *[see photo below—installation of fiber lining for Foothill Feeder]*



Colorado River Aqueduct Reliability Programs

These programs were established to maintain reliability of the Colorado River Aqueduct. Recent activities include the following:

CRA Seismic Evaluation of Electrical Switch House Buildings—This project will evaluate the seismic stability of the electrical switch house buildings at all five CRA pumping plants. The switch houses contain electrical equipment that is used to stop and start the pumping plant motors. The seismic evaluation is 90 percent complete and is scheduled to be complete by May 2012.

- Intake Power & Communication Line Relocation—This project will replace a 2-mile long power pole line which is over 50 years old. The pole line is the primary source of power for critical facilities including the Gene Wash Dam, Black Metal Mountain communication towers, and Intake Village. Preliminary design is 90 percent complete and is scheduled to be completed by April 2012.
- CRA Siphon Repairs—This project will repair cracks in three siphons on the Colorado River Aqueduct by installing internal seals. Internal repairs are planned to be performed during the upcoming CRA shutdown scheduled for February 28 to March 25, 2012.
- Orange County Feeder Relocation—This project will relocate 1,100 feet of the Orange County Feeder to accommodate major street improvements planned by the city of Fullerton. A Board action is scheduled for April 2012 for authorization of preliminary design.

BUSINESS TECHNOLOGY—Business Processes and Information Technology

Continue to implement sustainable business practices to reduce Metropolitan’s use of natural and renewable resources

Coordination of the 5th annual Spring Green Expo continues, with the date of the Expo scheduled for May 3, 2012. Expo preparation activities in February included:

- Spring Green website went live on February 10.
- Vendor recruitment began with email announcements and registration link sent to 150 potential vendors (space will be limited to 45)
- Student recruitment for the ECO Innovators Showcase began with email announcements and registration link sent to over 270 professors, department chairs, and program directors at Southern California universities.
- Invitation to exhibit water-themed photographs and guidelines for participation sent to the Metropolitan Photo Club members.

Efficiently maintain and operate Metropolitan’s Headquarters building, the Diamond Valley Lake Visitor Center, and the DVL Education Center

As part of efficiently maintaining the Headquarters Facility, staff completed vendor selection for the janitorial services contract. DMS was again the successful bidder to provide these services. A recommendation to award has been sent to the Chief Operating Officer.

The City of Hemet requested a number of changes to the Diamond Valley Lake Visitor Center Solar Metering project. Approval is now pending information from Southern California Edison for an “arc flash safety study” of the electrical panel.

Ensure operational reliability and security of Metropolitan’s Information Technology systems by delivering cost-effective Information Technology products and services

- As a part of the Environmental and Safety Management Information System project, staff developed a prototype of the Hazardous Waste module and conducted testing of the new system. The new module will be used by Water System Operations’ Safety and Environmental Services Section to manage the tracking of hazardous waste manifest information such as waste profile, generator, volume and cost, and transportation to the Treatment Storage and Disposal Facilities in

compliance with the Resource Conservation and Recovery Act. The new Hazardous Waste module is scheduled to deploy next month and is the first of five modules to be implemented as part of the Information System Project. The remaining modules include Incident Management, Corrective Actions and Compliance Management, Industrial Hygiene and Audit/Inspection.

- During the period, staff completed engineering design drawings to improve reliability of Metropolitan’s Wide-Area-Network. The project is geared to provide alternate communication paths to/from selected Metropolitan sites to improve reliability by eliminating potential single points of failure, adding new microwave links and upgrades at key microwave towers. A Construction bid package is scheduled for early March.

Continue to implement business improvements and promote self-service to increase organizational efficiency

- Metropolitan was the recipient of the Project Management Institute's 2011 Distinguished Project Award. This award was based on an entry submitted for the Transportation and Fuel Management Project. This project implemented modern fleet and fuel management systems that improved the tracking of fleet assets by replacing ad-hoc systems and manual processes; replacing stand-alone databases with a central fleet maintenance system; improving tracking, scheduling and reporting of preventative and corrective fleet maintenance; and implementing sophisticated technology to manage fuel dispensing to authorized vehicles by electronically capturing information such as amount of fuel dispensed, vehicle mileage, and employee identification.
- Staff developed a new “web-viewer” to display Metropolitan’s Global Positioning System equipped assets on Geographic Information System maps. Based on the success of an earlier prototype, staff deployed the web-viewer in February that provides for improved viewing capabilities, ease-of-use, and supports increased organizational efficiency as authorized users can easily and effectively locate GPS equipped assets in relation to Metropolitan-owned properties and facilities.

BUSINESS TECHNOLOGY—Business Processes and Information Technology

Maintain an effective Business Outreach Program for regional, small, and veteran businesses to ensure broad participation and competitive costs

Vendor Development, Training and Certification

Business Outreach was able to introduce over 2,300 businesses to Metropolitan's business opportunities, training programs, and our E-Procurement, Vendor Registration, Small Business Certification, Contract Compliance and Accountability programs on NETConnect.

National Latina Business Women Association Business Development Training Program—Director Sylvia Ballin introduced Metropolitan to the National Latina Business Women's Association group which included members from the Los Angeles, Orange County, and Inland Empire organizations.

Business Outreach also continued vendor development, education, training, and support of the Southern California Business Community by participating in the following February 2012 award programs, conferences, expos and events:

- Black Business Association 38th Annual Awards Dinner
- California Association of Disabled Veteran Business Enterprise Corporate Board Meeting

Support of State of California, Member Agencies, City of Los Angeles, Southern California Business and Veteran Business Community

- On February 24, Metropolitan's Business Outreach Program partnered with the Upper San Gabriel

Valley Water District to present Connect 2 MET Networking and Educational Event *Bringing Public Sector Opportunities to Your Community*. Participants included Upper San Gabriel's Board President Bryan Urias, Board Member Charles Trevino, General Manager Shane Chapman and Metropolitan Director Stephen Millard. Metropolitan's Chief Administrative Officer Gilbert Ivey welcomed over 200 business owners to the event.

- Business Outreach supported Metropolitan's Service Disabled Veteran Owned Business Program and the Los Angeles and San Diego business communities by sponsoring and participating in two events. The first event was the Veteran Small Business Expo held in Long Beach. The second event was the Naval Facilities Engineering Command - Service Disabled Veteran Owned Annual Small Business Outreach Event at Camp Pendleton. Metropolitan had 35 matchmaking appointments with veteran businesses at the event. Over 800 veteran-owned businesses participated in both events.
- Vice Chair John W. Murray, Jr. represented Metropolitan at the Southern California Minority Business Development Council's annual *Business Opportunity Day* held at the Palms Conference Center in the City of Industry. Over 1,000 businesses attended this event.
- Board Member David Fleming represented Metropolitan at The Valley Economic Alliance's *4th Annual Valley Business Expo* held in Burbank. Metropolitan participated in *How to Do Business with the Government* workshops, exhibited at the event and participated in networking events.

Project Management Institute's 2011 Distinguished Project Award. (info on page 11)



EXTERNAL AFFAIRS—Legislative, Communications and Community Relations

Continue to develop and implement local, state, and federal water policy and legislative strategies consistent with board-adopted policies

State Legislation

Informational Hearings:

The Senate Natural Resources and Water Committee convened an informational hearing on February 28 in Sacramento on the four Delta plans: the Delta Stewardship Council’s Delta Plan, the Bay Delta Conservation Plan, the Delta Protection Commission’s Economic Sustainability Plan, and the Delta Conservancy’s Strategic Plan. A summary will be provided at the March Communications and Legislation Committee meeting.

On March 13, the Senate Natural Resources and Water Committee will hold a second oversight hearing specifically on the Delta Plan and Bay Delta Conservation Plan. The hearing will include a panel of witnesses from the federal government, State Water Project and Central Valley Project contractors, environmental and Delta interests. Spokespersons from the Delta Stewardship Council and BDCP will be asked to respond to comments from the previous witness panel.

On March 20, the Assembly Water, Parks and Wildlife Committee will convene an informational hearing in Sacramento to explore the potential for water reuse in California.

Support board member communications and working relationships with elected officials, other government leaders, and business and community leaders

- On February 17, Metropolitan Directors Randy Record and Tom Evans, as well as Metropolitan staff, attended the Association of California Water Agencies Regional Informational Forum held at the offices of Western Municipal Water District in Riverside, CA. Riverside County Supervisor Marion Ashley was also in attendance, as well as approximately 75 water agency directors and staff from ACWA Regions 8, 9 and 10.
- On February 22, General Manager Kightlinger provided a water issues update to the League of California Cities Inland Empire Division Legislative Task Force. Approximately 30 city, county and community leaders from the Inland Empire were in attendance, as well as legislative staff from the offices

of Senator Bob Dutton and Assembly member Mike Morrell.

- On February 24, Directors Ballin, Peterson, Wunderlich and staff attended Valley Industry and Commerce Association’s Annual State Officeholders event. The event was attended by 120-plus business leaders and nearly 30 state office holders throughout the San Fernando Valley and surrounding areas.

South Gate Chamber of Commerce’s State of the City—

On February 1, Metropolitan attended the South Gate Chamber of Commerce’s meeting and 2012 State of the City Address by Mayor Maria Davila. Director Rudy Montalvo, along with 80-plus event participants, heard the Mayor discuss a variety of issues, including the need for reliable water supplies.

Community Leaders’ Briefing with Assembly Member

Ricardo Lara (50th A.D.)—On February 24, staff organized and attended, a *Community Leaders’ Briefing* with Assembly Member Ricardo Lara. Vice Chair John Murray, Jr. and 40-plus Gateway region community and elected leaders gathered to hear Assembly Member Lara provide a Sacramento legislative report. General Manager Kightlinger provided comments on Metropolitan’s regional policy objectives, Sacramento-San Joaquin Delta initiatives and an update on both the state’s and region’s water supply outlook.

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

- Coordinated the distribution of over 750 notices to residents and businesses regarding the upcoming Foothill and Sepulveda Feeders shutdown and repair project.
- Coordinated interview with Assistant General Manager Roger Patterson and Sacramento Bee reporter for a story about the Bay Delta Conservation Plan.
- Set up interview with Metropolitan staff and reporter for Inland Valley Daily Bulletin about water challenges facing Southern California, projected future growth, climate change and the Sacramento-San Joaquin Delta.

EXTERNAL AFFAIRS—Legislative, Communications and Community Relations

Strengthen Metropolitan’s community outreach efforts

Efforts and activities included:

- The 2011-12 “Water is Life” Student Art Member Agency Tour included the following agencies in February: Las Virgenes Municipal Water District and Upper San Gabriel Valley Municipal Water District.
- Staff conducted Diamond Valley Lake Education Program field trips for nearly 250 students in grades 4-5 from the Hemet, Murrieta Valley and Temecula Valley Unified School Districts (including one charter school). Additionally, staff conducted in-class presentations with almost 240 grade 4-6 students in Hemet, Lake Elsinore, Murrieta Valley, and Romoland USDs. Staff also worked with 600-plus students on collaborative field trips with the Western Science Center.

Continue to develop and manage public education and outreach programs focusing on extraordinary conservation efforts

Nearly 30,000 people visited bewaterwise.com in January. Over 24,000 people visited bewaterwise.com between February 1 – 15.

CHIEF FINANCIAL OFFICER GROUP—Financial Management

Effectively manage costs and communicate the results of Metropolitan’s budget to meet board policies and objectives

Staff conducted a second board workshop on the proposed biennial budget in February.

Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities and ensure cost-effective access to capital markets

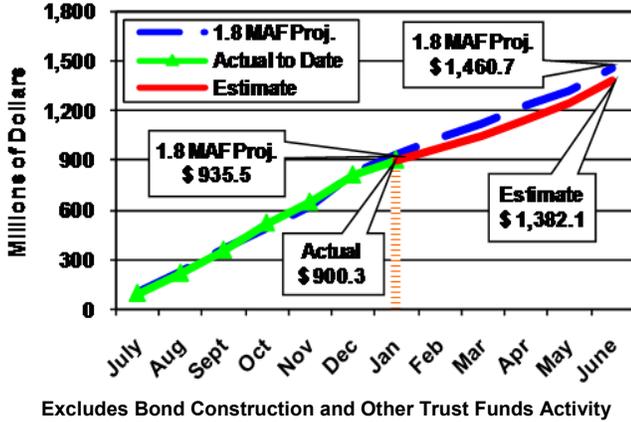
On February 22, Metropolitan priced \$181.2 million of Water Revenue Refunding bonds at a cost of 3.48 percent to refund water revenue bonds that were issued in 2003. The resulting savings will be approximately \$31.3 million (11.1 percent or \$21.8 million Net Present Value savings) over the life of the bonds through 2036, representing an average annual savings of about \$1.3 million. All ratings were affirmed as stable by the major rating agencies, including Fitch (AA+); Moody’s (Aa1); and Standard and Poor’s (AAA).

Ensure adequate financial controls are utilized

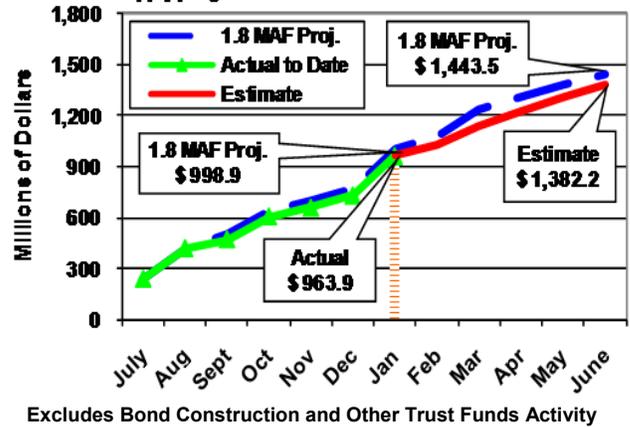
Completed review of internal controls over financial reporting for the period ending June 30, 2011. No material weaknesses were noted and management concluded that internal controls over financial reporting and information technology security were effective for the 12 months ended June 30, 2011.

FINANCE as of January 31, 2012

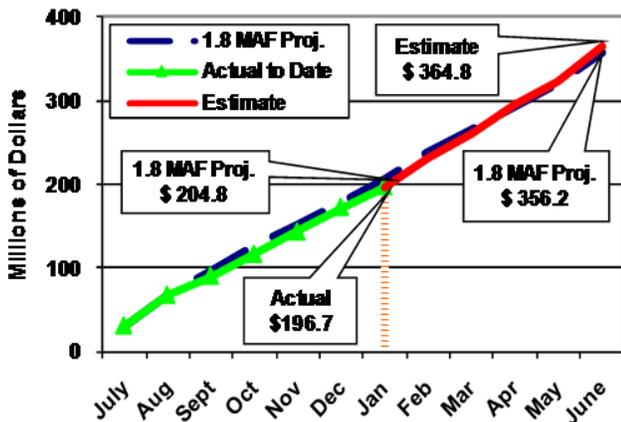
Receipts are expected to be \$79 million under the 1.8 MAF Projection by year end, mainly due to lower water sales, partially offset by the Coachella Valley Water District exchange sale.



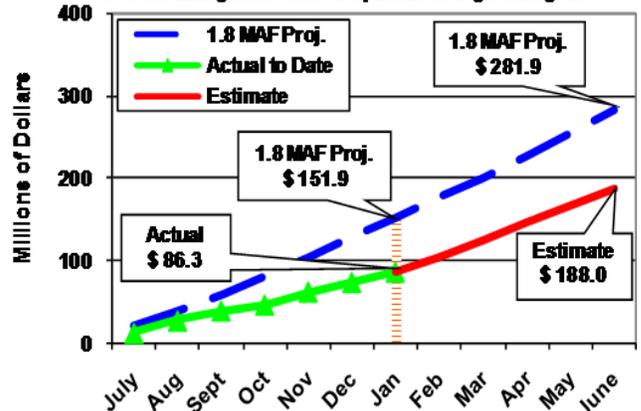
Expenditures are expected to be \$61 million under the 1.8 MAF Projection by year end, mainly due to lower SWP and CRA power costs, partially offset by higher water supply program and O&M costs.



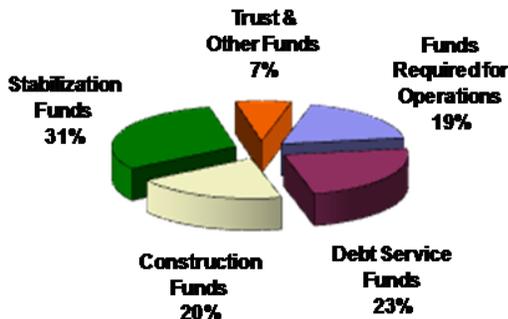
O&M expenditures are expected to be \$9 million over the 1.8 MAF Projection by year end, due to the new MOU agreements.



Construction costs are expected to be \$94 million under the 1.8 MAF Projection by year end, mainly due to staging the construction of the Weymouth ORP, and rescheduling other work to optimize design changes.



Cash and Investments \$1,021.3 million



Summary Financial Statistics

	Target	Year-End Projected
Fixed Charge Coverage	≥ 1.20 x	1.13 x
Revenue Debt Service Coverage	> 2.00 x	1.58 x
Revenue Bond Debt / Equity Ratio	< 100.0%	73.8%

Credit Ratings

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

HUMAN RESOURCES—Human Resources Excellence

Identify, assess, and manage risk

- The Risk Management Unit completed 62 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.
- Risk Management completed 111 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events and film permits.

Control Workers’ Compensation costs

- Conducted initial investigations on 13 injury incidents
- Submitted 3 new claims to Metropolitan’s workers’ compensation claim administrator
- Settlements were negotiated in 2 claims, finalized in 2 claims, and 14 claim files were closed
- Conducted MedVans at Mills, Lake Mathews and Lake Skinner facilities
- Arranged 22 medical evaluations (DMV, medical surveillance, hearing conservation, etc.)
- Addressed 2 accommodation issues

Manage Total Compensation

- On February 22, 13 employees attended the HR Benefit Workshop *Achieving Your Dream Retirement*. Staff from CalPERS, Financial Finesse and Great-West all conducted presentations on steps needed to plan and prepare for a future retirement.
- HR Benefits also hosted a Tax Basics Financial Planning workshop on February 22 with 29 employees in attendance. A Certified Financial Planner from Financial Finesse presented information on how to understand personal income taxes; how to reduce your taxable income, which includes taking advantage of the 401(k) and 457 and FSA Section 125 plans offered by Metropolitan; and how to maximize deductions, exemptions and credits when filing personal taxes.

Manage succession

Began internal HR development rotations of two senior HR managers to address internal succession management and to broaden collaboration in the organization.

Foster management excellence

Staff continued ongoing administration of three engagements with external coaches and internal coaching and consultation for four managers on issues from transition management and development to succession planning.

Foster learning and development

- Delivered Day 1 and 2 of pilot class of Franklin Covey’s “5 Choices” program for increased productivity through managing decisions, paying attention and channeling energy.
- Coordinated delivery of a presentation to 30 participants on *The Blame Game* by Ben Dattner, the author of the book. Also, coordinated delivery of Hoover Power Act presentations with multiple presenters at Headquarters and La Verne for over 50 attendees.
- Speaking with Confidence and Conflict Resolution classes were delivered by staff during February. Facilitated the delivery of a Real Property Writing Training Series, over four half-days by external trainer Liz Danziger.

Acquire talent

- One regular full-time employee and two District Temp Student Interns in the Real Property Management Group started working at Metropolitan during February. Two vacancies were filled through promotions and two from the Transfer Log.
- Attended Job Fairs at Naval Base Ventura County and California State University, Los Angeles (Student Council of the College of Engineering, Computer Science & Technology), aimed at attracting veterans and college students, respectively, for employment opportunities at Metropolitan. Staff also spoke to approximately 150 students at the Miguel Contreras High School Leadership Program classes about careers in the water industry.
- Assisted a Group Manager in interpretation of selection assessments, re-design of interview protocol, and coached the manager on Realistic Job Preview to create lists of customized interview questions for a Section Manager recruitment.

REAL PROPERTY DEVELOPMENT AND MANAGEMENT GROUP
Real Property Management

Develop policies, strategies, and actions that enable sustainability in all aspects of real property including development, revenue optimization, appraisal, acquisition and annexation while concurrently improving the planning, management, and quality of internal real property activities and services

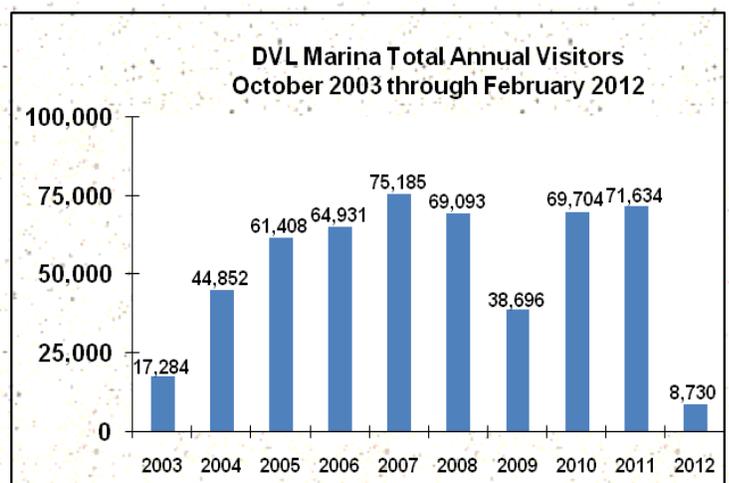
- A lease was assigned to Northgate Gonzalez Real Estate Investment Company. This lease allows for parking in conjunction with an adjacent shopping center near the Colorado River Aqueduct/Upper Feeder pipeline in the City of Riverside.
- An entry permit was issued to the State of California Department of Water Resources to allow for temporary storage of construction equipment, vehicles and materials near the Inland Feeder right of way in the unincorporated Highland area in San Bernardino County. This permit is in conjunction with the construction, operation and maintenance of a water pipeline which will serve the San Bernardino Valley Municipal Water District.
- A one-day entry permit was issued to use 100 parking spaces at Metropolitan Headquarters Building for an event being held at Union Station train terminal.
- El Paso Natural Gas Company was issued an entry permit to allow for a temporary work area to accommodate equipment for installing a cathodic protection station on an existing easement owned by El Paso Natural Gas Company near the Colorado River Aqueduct right of way in San Bernardino County.
- An entry permit to County of Riverside was amended to extend the term to allow access for visual site inspections and environmental surveys in conjunction with a proposed road project near Murrieta Hot Springs Road in Murrieta. The non-invasive inspections will be conducted on portions of Metropolitan’s San Diego Pipeline Nos. 3, 4 and 5.

Refine and implement strategies to identify and acquire right-of-ways and adjacent properties that are necessary to implement future water infrastructure projects and other real property goals

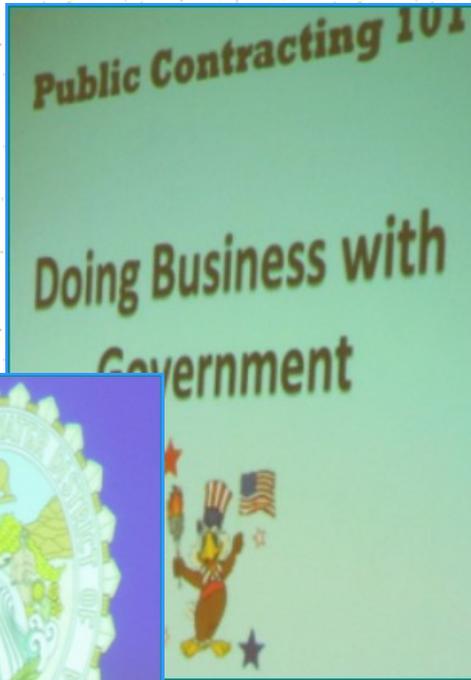
- An appraisal has been completed for an access easement comprised of 2.77 acres along the Lower Feeder pipeline to facilitate access to the Corona Power Plant. This easement is required in support of the Corona Power Plant Emergency Generator Replacement Project.
- Staff continues to work with Bay Delta Initiatives staff to develop strategies related to the acquisition of land needed for habitat restoration projects. The most recent property under negotiation is Wings Landing, comprised of 267 acres to be used for the State and Federal Contractors Water Agency’s proposed restoration project in the Suisun Marsh area of Solano County.

Manage natural resources and related facilities at Diamond Valley Lake and Lake Skinner through best management and sustainable practices to effectively protect water quality

Metropolitan received the first four months’ rent on the newly executed percentage lease with Urban Park Concessionaires for the operation of the DVL Marina and the Lakeview Trail. The \$25,812 received represents seven percent of the October through January 2012 gross receipts. Negotiations for a long-term lease are underway and will be brought to the Board for approval in spring 2012. Diamond Valley Lake has hosted approximately 522,000 visitors at its marina facilities and 125,000 private boats have launched since the 2003 public opening.



See page 12 for Business Outreach activities.



Useful information:
 Prestressed Concrete Cylinder Pipe (PCCP) consists of a concrete core, a thin steel cylinder, high tensile prestressing wires and a mortar coating. The concrete core is the main structural load-bearing component with the steel cylinder acting as a water barrier between concrete layers, the prestressing wires produce a uniform compressive pressure in the core that offset tensile stresses in the pipe, and the mortar coating protects the prestressing wires from physical damage and external corrosion.
 (PCCP Rehabilitation and Replacement Program, see page 10)

Storage	2/29/2012 Storage (AF)	Percent of Capacity
DVL	765,942	95%
Lake Mathews	145,582	80%
Lake Skinner	39,538	90%

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

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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.

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

