

Dated:
June 30, 2012

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



GENERAL MANAGER'S MONTHLY ACTIVITY REPORT JUNE 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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Marking the End of Fiscal Year 2011/12

The General Manager's Business Plan for fiscal year 2011/12 laid out three strategic priorities for the fiscal year as well as priorities for core business areas of Metropolitan. The past year has been a mix of both challenges and opportunities. The challenges have primarily been financial given the state of California's economy, low water sales and shrinking revenues in the midst of an ongoing world-wide recession. The opportunities have been in the area of water supply and storage as significant water supplies became available as California came out of a prolonged drought.

One of the most significant accomplishments this past year was the passage and enactment of HR 470, the Hoover Power Allocation Act. Signed into law by President Obama in December 2011, the legislation ensures 50 years of reliable, low-cost, renewable power to annually move over 550,000 AF of water on the Colorado River Aqueduct. This secures significant energy reliability and cost certainty to Metropolitan through 2068 and accomplishes one of Metropolitan's major federal priorities.

The FY 2011/12 Business Plan identified managing Metropolitan's financial condition the highest priority given the extremely challenging financial conditions prevailing in the state. Significant progress and accomplishments were achieved to stabilize and even improve Metropolitan's financial conditions over the course of the year.

The second strategic priority for the past year was to rebuild water storage. Conditions were perfect for adding to storage given an 80 percent allocation on the State Water Project, availability of Colorado River Aqueduct water through continued operation of the Quantification Settlement Agreement and Metropolitan's PVID program. Storage conditions were also enhanced by lower demands region-wide allowing water to be shifted into storage,

Significant progress on the BDCP continued throughout the fiscal year as Metropolitan's third strategic priority for the year.

BAY-DELTA INITIATIVES

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

Habitat Restoration

Progress continued in June on the Lower Yolo Bypass tidal marsh restoration project. This project could create over 1,000 acres of both salmon and smelt credits to meet the U.S. Fish & Wildlife Service and National Marine Fisheries Service requirements in their respective biological opinions. Staff is working with the State and Federal Contractors Water Agency and consultants to address the preparation of regulatory permits for the project.

The schedule is for the Draft EIR to be released for public review in fall of 2012, with certification of the final EIR scheduled for December 2012. The estimated construction start date of this restoration project is spring of 2013.

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

Delta Stewardship Council (Council)

The sixth staff draft of the Delta Plan was released on May 14. The draft contains 14 regulatory policies and 68 recommendations. This is the last staff draft that will be produced. The next draft will be deemed a "Council" draft and will be used as the proposed project in a supplemental EIR that will be released this summer. Public comments on the sixth staff draft of the Delta Plan were due June 13. Staff worked with other water agencies to provide written comments and suggested changes to the sixth staff draft Delta Plan. The Council met on June 14 and 15 to review the sixth staff draft chapter-by-chapter, hear public comment, and give direction to Council staff about what they would like to change in the draft. The Council will meet again June 28 and 29, when they are expected to finalize a series of changes that will become the Council's draft Delta Plan. Staff continues to meet with Council staff and coordinate with Association of California Water Agencies' Ag Urban Coalition to improve the Delta Plan.

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

A BDCP public meeting was held on June 20. The meeting topics included an update on the BDCP planning process, proposed changes in conveyance facilities, and initial findings of an economic benefits analysis regarding the BDCP. Jerry Meral, Deputy Secretary of the California Natural Resources Agency, indicated that the BDCP will undergo changes as a result of input from the public.

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

Delta Flood Emergency Preparedness, Response and Recovery Program (EPRRP)

The California Department of Water Resources is scheduled to release their draft EPRRP report for review in September 2012 and complete the final document by June 2013. Partner agencies are conducting their review of the draft report and are soliciting input through a working group of counties and state and federal agencies, emphasizing a unified emergency response.

Staff is continuing to coordinate with other agencies and consultants to evaluate the levee improvements along the emergency freshwater pathway. URS consultants are conducting a seismic analysis of East Bay Municipal Utility District levee improvements along the eastern levee of the emergency freshwater pathway. This analysis includes consultation with reclamation district engineers at Jones Track and Woodward Island, and with University of California at Davis researchers that have local and seismic experience in the Delta. Similarly, URS analysis of levee improvements along the western levee of the pathway at Bacon Island includes consultation with reclamation district engineers and academic experts. Reclamation District 2028 representatives at Bacon Island indicate that construction of levee toe berm improvements along the western levee of the emergency freshwater pathway will begin this summer.

WATER RESOURCE MANAGEMENT—Water Supply

Implement the Local Resources Program and Conservation Program effectively

LRP Audits—Staff completed cost audits for the West Basin Water Recycling System, Irvine Desalter and Oceanside Desalter projects under the Local Resources Program. Next month staff will report on the final audit results.

West Basin Water Recycling Program Phase V Project—Staff signed a LRP agreement with West Basin Municipal Water District for the West Basin Water Recycling Program Phase V Project. The project would provide up to 8,000 acre-feet a year of recycled water for seawater barrier, industrial, and landscape irrigation purposes within WBMWD's service area.

EMWD's Recycled Water System Expansion Project—Staff signed a LRP agreement with Eastern Municipal Water District for the EMWD's Recycled Water System Expansion Project. The project would provide up to 5,000 AFY of recycled water for landscape irrigation within EMWD's service area.

Regional Residential and Commercial Water Conservation Rebate Program—Metropolitan executed a five-year agreement with Electric and Gas Industries Association to manage the combined regional residential and commercial water conservation rebate program. Administrative fees over the five years will not exceed \$4 million. EGIA currently manages the regional residential rebate program and was selected through a competitive selection process.

Ensure cost-effective and reliable State Water Contract Supply

Hyatt Generating Units—The Department of Water Resources is currently able to operate only two of the six Hyatt facility generating units, Units #1 and Unit #3. These units provide a combined flow of around 2,900 cubic feet per second of generating capacity. DWR is currently working on restoring to operations two additional units. Unit #5 is expected to return to service in late June, while Unit #4 could return in early July. Unit #2 is expected to be in service early 2013. The reliability of the Hyatt units are important not only from a power generation perspective, but also water supply. As the water levels drop in Lake Oroville below the spillway, the outflow capacity is reduced. The limited availability of the Hyatt units could impact both the supply and cost of operating the State Water Project this year and next. Staff is working with DWR to track the potential impacts of these facility outages.

Rate Reduction Credits—In June, the Department of Water Resources issued revised capital charges for CY 2012. The revisions include reductions in July payments of \$36.8 million. The revisions are \$14.3 million for Urban Rate Reduction Credits and \$22.5 million for the long planned return of excess

Water Revenue Bond Reserves. Rate Reduction Credits, an element of the Monterey Amendment, are made available when DWR determines it has excess revenues.

Participate, and lead where appropriate, in statewide and regional planning efforts

Assembly Bill 2595—Staff continued working closely with CalDesal, the member agencies, and Representative Hall to advance AB 2595. AB 2595 would require the Ocean Protection Council to convene a task force to develop recommendations to the legislature for improving the permitting process for seawater desalination projects while maintaining regulatory standards. Permit streamlining was identified as a key issue by the member agencies in the 2010 IRP, and is a legislative priority for Metropolitan. AB 2595 was approved in the Assembly by a 52 to 9 margin in May, and was passed by the Senate's Natural Resources and Water committee on June 26.

WATER SUPPLY CONDITIONS as of June 30, 2012

Current SWP Allocation:

1,242,475 AF

65% of Table A

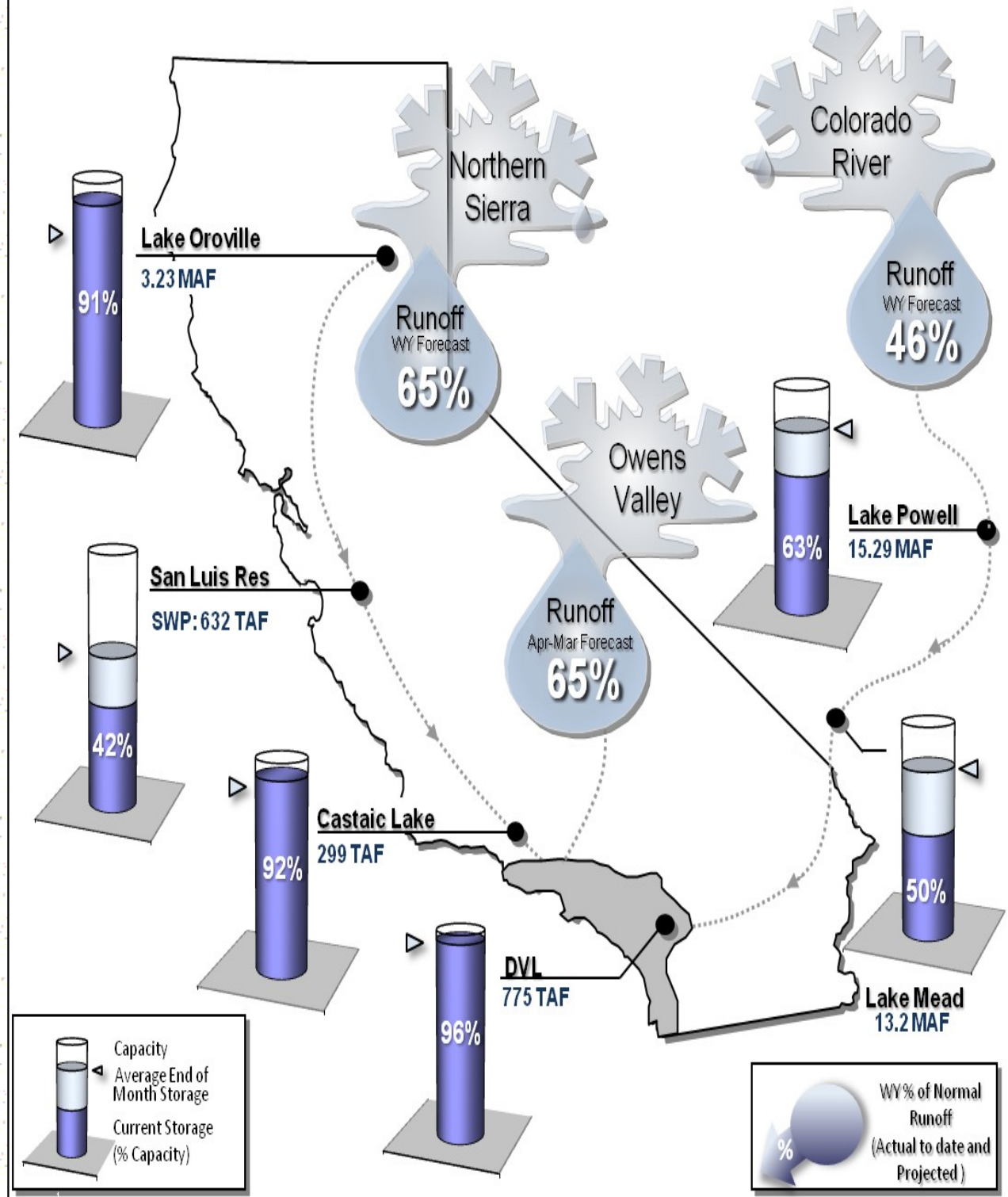
(Does not include CVWD & DWA Table A)

Colorado River Supply:

813,683 AF

65% of full CRA

(Does not include Lake Mead Storage)



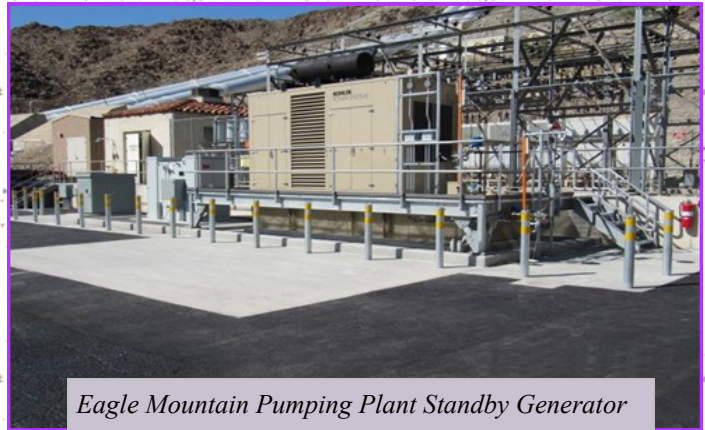
ENGINEERING SERVICES—Capital Investment Plan

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

Colorado River Aqueduct Reliability Programs

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

- Hinds Pumping Plant Delivery Pipe Expansion Joint Repairs—This project rehabilitates nine mechanical expansion joints in the six-foot diameter delivery pipelines. Construction was completed in May 2012.
- Pumping Plant Standby Generator Replacement—This project will replace the 50-year-old generators which have reached the end of their service life. The new installations will be at a different location and ancillary facilities will be upgraded to meet current fire codes and environmental regulations.
 - Eagle Mountain Pumping Plant Standby Generator Replacement—Construction of the upgrades was completed in May 2012.
 - Iron Pumping Plant Standby Generator Replacement—Final design phase activities are 35 percent complete and are scheduled to be complete by December 2012.
 - Hinds Plant Standby Generator Replacement—Final design of the upgrades was completed in April 2012. A request to award a construction contract is planned for July 2012 Board action.
- CRA Pumping Plants 230 kv Disconnect Switch Replacement—This project will replace outdated disconnect switches at the Gene, Iron Mountain, Eagle Mountain and Hinds Pumping Plants. These high-voltage switches provide the primary means for isolating the pumping plants' electrical system for maintenance and repair. Construction is 60 percent complete and is scheduled to be complete by March 2013.
- CRA Access Structure and Manhole Cover Replacement—The scope of this project is to replace 133 deteriorated steel and concrete access covers. Construction is 52 percent complete and is scheduled to be complete by April 2013.



Eagle Mountain Pumping Plant Standby Generator

Engineering Services Group Cooperative Education Program—Six student interns began a three-month summer program in June 2012, while nine year-round student interns will begin in July 2012. 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 University (Pomona, Fullerton, Long Beach, Los Angeles, Northridge), University of California (Los Angeles, San Diego), Loyola Marymount University, and University of Southern California.



Engineering Summer Student Interns

BUSINESS TECHNOLOGY—Business Processes and Information Technology

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

Metropolitan's Purchasing staff renegotiated the existing contract price for fluoridation chemicals at an \$81 per ton savings. Based on Metropolitan's annual usage, this saves about \$460,000 per year in fluoride chemical costs. Metropolitan's new cost is \$471/ton.

Status of Online Documentation System:

- Three hydroelectric plant manuals are going on-line by the end of this fiscal year (Etiwanda, Valley View, Red Mountain).
- Three distribution system manuals are also going on-line this fiscal year (San Diego Pipeline No. 6, Box Springs Feeder, Culver City Feeder).

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

Water samples to be tested by the Laboratory Information Management System can be taken from a variety of sources (locations) such as a house, lake, water tank, water distribution network, service connection (meter) or a specific filtration process location. To accommodate the accurate registration of the sample location and trends of the test results, the IT Business Application Team built a web application for Water Quality that allows the capturing of the location in the appropriate format.

As part of an ongoing effort to refine Metropolitan's ability to recover critical IT systems in the event of a disaster, staff conducted a disaster-recovery exercise involving selected applications (Labsheet and Exchange) used by key business units (e.g., water quality and system operations) and accessibility to the internet in the event of an incident/emergency. Objectives met for the June disaster-recovery exercise included: (1) Validated IT Recovery Processes, (2) Identified opportunities for process enhancements and refinements, and (3) Developed and validated recovery procedures. The exercise was conducted in conjunction with the annual headquarters building power shut-down to test "fail-over" capability and bring up the selected system/application by using Metropolitan's remote disaster-recovery site. Both exercises were successfully completed and met their objectives.

An IT Incident Command Post exercise in support of Golden Guardian 2012 (Mayday) was conducted. This exercise enhances the ability to effectively manage an incident and recover critical IT systems during an emergency. The exercise focused on communications procedures, problem-solving processes, and Incident Command System roles and responsibilities.

During the period, staff completed final User Acceptance Testing of the Oracle Financials upgrade and prepared the system for production cut-over. To facilitate user needs, staff is planning to conduct cut-over to the upgraded system after completion of the fiscal-year end activities. The software version upgrade will ensure reliability and provide extended vendor support.

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

- Published issue 67 of *Our Legacy Newsletter*, "Are You Working Green."
- Metropolitan's Paperwise Program finished the year 70 percent below the 2008 baseline, or 80 tons. This represents a 57 percent annual savings of approximately \$75,000.
- A lighting retrofit study of the headquarters building's parking garage was completed with findings indicating LED source retrofit would save energy and have a return on investment of just over three years.

Continue Business Technology's organizational and employee development

Business Technology continues to implement its Workforce Succession Planning efforts. With critical skill sets and skill gaps already identified, staff has been focused upon Individual Training Plans for employees. The training plans are being developed with input from both management and employees and are substantially complete.

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 introduced over 3,100 businesses to Metropolitan’s business opportunities, training programs, and our E-Procurement, Vendor Registration, Small Business Certification, Contract Compliance and Accountability programs on NETConnect.

- On June 7, Business Outreach’s “Managing Your Innovation” Program partnered with TriTech Small Business Development Center to provide workshops with tools to market and grow their companies. The event was held in the City of Corona and over 135 small businesses attended.
- Business Outreach, along with the California State Board of Equalization, Bridges Community Economic Development Corporation, The National Association of Women Business Owners, Los Angeles (NAWBO-LA) and the California Legislative Women’s Caucus, participated in the 2012 Connecting Women to Power Conference. The Conference and Expo provided an opportunity for women business owners to connect directly with decision makers from major utilities and federal, state, and local government agencies as well as attend workshops. California Senator Curren Price, Chair of the Select Committee on Procurement, was one of the speakers at the event. Business Outreach was able to introduce over 500 business owners to opportunities with Metropolitan.

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

- Los Angeles City College and Goldman Sachs 10,000 Small Business Program—Los Angeles
- American Indian Chamber Annual Luncheon—Los Angeles. Over 75 businesses and resource partners participated.
- Black Business Association 37th Annual Awards Dinner—Los Angeles.
- Los Angeles County Small Business Contracting Connections—Los Angeles. Over 300 businesses and resource partners participated.

Support of State of California and the Southern California Business Community

- Business Outreach represented Metropolitan at 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. Several small businesses that have attended Metropolitan’s training programs and provided services to Metropolitan were honored.
- Metropolitan sponsored the Los Angeles Area Chamber of Commerce / U.S. Small Business Administration luncheon recognizing the Small Business Person of the Year and Champions in different categories. Planet Bids won the SBA’s Innovation Through Technology Business of the Year Award for their work on Metropolitan’s NETConnect E-Procurement, Vendor Management, Small Business Enterprise Certification and Contract Compliance and Accountability Program.
- Business Outreach sponsored The U.S. Small Business Administration’s “49th Annual Small Business Week Award Celebration” on June 5, 2012 in Anaheim

Support of the Veteran Business Community

- Metropolitan supported the Disabled Veteran Business Community by participating in UCLA Anderson School of Management’s fifth consecutive Entrepreneurship Bootcamp for Veterans with Disabilities. The program is designed to help participants learn essential skills that will lead to successful careers in starting, growing and managing entrepreneurial ventures.

Member Agency Partnerships

- In partnership with Eastern Municipal Water District, Metropolitan hosted a Connect 2 MET Networking and Educational Event “Bringing Public Sector Opportunities to Your Community” on June 21 in Temecula. Director Randy Record, Eastern Board Member Ronald Sullivan, Eastern’s General Manager Paul D. Jones II, and Chief Administrative Officer Gilbert Ivey attended the event. Over 75 business owners learned about opportunities and resources with Metropolitan and Eastern along with development tools to grow their businesses.

BUSINESS TECHNOLOGY—Business Processes and Information Technology

Business Outreach Program continued.....

Member Agency Partnerships

- Metropolitan supported the 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. The Expo provided opportunities for vendor introductions, vendor registration, and networking. There were also exhibits on conservation and energy-saving programs.

Local Partnerships

- Business Outreach Program partnered with Engineering to host the Asian American Architects and Engineers (AAA/E) Scholarship Event. This is the fourth year that Metropolitan has hosted the event. Metropolitan’s 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.

- Business Outreach supported the Los Angeles Business Community by participating in The Construction Management Association of America, Southern California’s “Water and Waste Water Agency Night.” The event featured a panel that included Grace R. Chan, Chief Engineer and General Manager of the Los Angeles County Sanitation Districts; Debra Man, Assistant General Manager and Chief Operating Officer of Metropolitan; Ron Nichols, General Manager of the Los Angeles Department of Water and Power; and Enrique Zaldivar, Director of the Los Angeles Bureau of Sanitation.

WATER SYSTEM OPERATIONS—System Reliability

The La Verne Shops completed modification of a large steel frame that will be used to help seal the isolation gates at Magazine Canyon in the Foothill Feeder. The jacking frame is used in tandem with a large steel isolation gate. The jacking frame applies additional pressure on the gate as it is placed into position to prevent water intrusion from the opposite side. The jacks are used separately from the frame and replace the use of timber.

The LaVerne Shops repaired a damaged valve from member agency service connection OC-9. The valve is used to isolate the service connection during outages and to allow for maintenance activities. Staff rebuilt the broken operator pedestal and manufactured a new operator shaft.



New valve operator shaft being machined at the La Verne Machine Shop. The orange arm is applying a lubricant to the cutting tool.

WATER SYSTEM OPERATIONS—System Reliability

Operate system reliably

System Operations delivered approximately 180,000 acre-feet of water to meet member agency demands in June, which averaged approximately 6,000 AF per day. This was an increase of 1,000 AF per day from May. Treated water deliveries for June totaled 92,000 AF, or roughly 51 percent of total deliveries for the month. Additionally, 42,000 AF was delivered to Desert Water Agency and Coachella Valley Water District in exchange for their State Water Project Table A supplies.

State Water Project deliveries were 125,000 AF in June, which was 25,000 AF higher than last month. SWP deliveries remain high due to favorable supply conditions. Diamond Valley Lake’s storage level remained at 96 percent full, with 29,000 AF delivered through the Inland Feeder for the month.

System Operations continued to maximize power generation. In May, Metropolitan's hydroelectric plants generated an average of 33 megawatts for a total of 25,000 megawatt-hours (MWh).

Optimize maintenance

Colorado River Aqueduct Maintenance

To ensure water conveyance capacity, staff completed canal dredging between the Gene and Hinds pumping plants. *(photo top right)*

Staff refurbished a 72-inch expansion joint for the section of piping that connects the upstream suction manifold to pump unit No. 4 at the Gene pump plant. Designed to absorb pipe movement, the leaking joint required disassembly, sandblasting, coating and the packing required replacement. Upon completion, the unit was returned to service. *(photos to the right)*

Distribution System

New water quality sampling equipment was installed at the Willits Street Pressure Control Structure on the Orange County Feeder. The new configuration improves the flushing and disinfection process. As a measure to obtain better representative samples from the treated water pipelines in compliance with the Total Coliform Rule, similar sampling modifications were made at eight locations within the Central Pool.



Canal dredging between Gene and Hinds pumping plants



The 72-inch expansion joint at Gene unit No. 4 before corrosion repairs (top) and after refurbishment (below)



WATER SYSTEM OPERATIONS—System Reliability

Optimize maintenance

Distribution System Maintenance

As part of on-going algae growth control measures, 10,000 gallons of chlorine blend were added to the San Diego canal to increase canal freeboard and maximize flow capacity. Staff also monitors the injection of sodium bisulfite to neutralize the chlorine residual upstream. This was the first regular application of chlorine since January 2012. *(photo below)*



The new sodium bisulfate facility in operation at the inlet of Lake Skinner

Staff completed corrective maintenance repairs on various service connections (LA-22, LA-29 and OC-54) and feeders (Lower Feeder and South Coast Feeder) to ensure that the motors for the flow control and sectionalizing valves remain functional and reliable. The flow control and sectionalizing valves can efficiently isolate portions of a pipeline and minimize dewatering volumes during shutdown or emergency conditions.

Staff assembled three steel platforms for installation over access manholes along the Foothill Feeder. The platforms provide employees safer access to the underground structures and pipelines for maintenance activities.

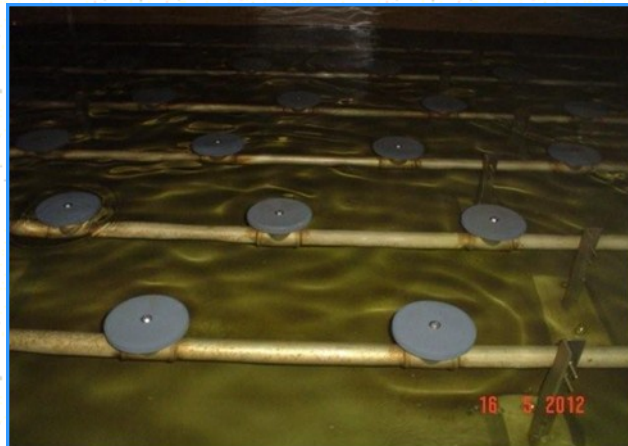
Staff performed patrol road maintenance and repaired damage from previous storms. Repairs included replacing gravel and inserting larger rock to shore up problem areas to prevent future erosion.

Water Treatment Plants

Staff at the Jensen water treatment plant replaced diffusers in one of the plant’s ozone contactors. The diffusers degrade over time resulting in less efficient delivery of ozone gas and increased operating costs. Operational benefits and moderately reduced energy costs will be realized once the new diffusers are placed into operation.



Degraded (left) and replacement (right) diffusers at the Jensen water treatment plant.



Installation of new diffusers in ozone contactor at Jensen water treatment plant

WATER SYSTEM OPERATIONS—System Reliability

Develop workforce

One mechanical and two electrical pre-apprentices began work on June 25 as members of the Class of 2016. Their first week included new employee and a apprenticeship program orientations. Staff also delivered eight standard employee safety courses as part of the pre-apprentices’ introduction to Metropolitan. Pre-apprentices reported to their respective work areas with the necessary training, enabling them to begin work immediately.

In addition to training electrical and mechanical apprentices, apprenticeship staff provides skills development courses to Metropolitan’s non-apprentice staff. This month, two Programmable Logic Controllers courses began for desert electricians and electronic technicians. This hands-on class introduced students to Metropolitan’s standard PLC. The courses consist of six one-day sessions held weekly through August 2012.

Improve security and emergency response

Staff, in partnership with security contractors Johnson Controls, Inc., installed a solar camera at the Diemer facility. The camera features an LED spotlight that can be operated remotely by Metropolitan’s security personnel to monitor activity at Diemer’s new West Access gate and northwest perimeter areas of the facility.

Staff planned, prepared and conducted the Golden Guardian 2012 Functional Exercise on June 20. The goal of the exercise was to demonstrate the coordination and facilitation of rapid response, and repair of Metropolitan’s critical infrastructure during the Response and Recovery Phases of a catastrophic disaster, which required requesting assistance from the Regional Emergency Operations Center and/or California Utilities Emergency Association. Training and regularly scheduled exercises are keys to preparation. Additional training will be conducted in the near future, along with regional exercise planning.



Solar camera at Diemer facility

Support water resource programs

Metropolitan supports the California Department of Water Resources through reimbursable agreements. In June, Metropolitan completed fabrication and repair of an access door to the pressurized interior of one of the Gianelli Power Plant units.



Gianelli scroll case access door after fabrication and before coating operations

Further, Metropolitan procured 14 safety platforms in support of DWR’s Hyatt Power Plant. The reimbursable service agreement allows Metropolitan to purchase materials and perform specialized services when beneficial to DWR.

Effectively manage power system requirements and optimize generation

In June, Metropolitan sold two forward-energy contracts for the month of July. The contracts totaled 17,200 megawatt hours of energy for \$395,600. The contracts were sold due to lower Colorado River Aqueduct pumping in 2012, with water being stored in Lake Mead.

WATER SYSTEM OPERATIONS—Water Quality

Protect source water quality

On June 1, Metropolitan, the U.S. Bureau of Reclamation, and the Southern California Salinity Coalition convened a Salinity Workshop at Metropolitan's headquarters. Over 80 stakeholders attended the workshop and were given an update to the 1999 Salinity Management Study. Workshop participants also discussed regional salinity challenges and potential solutions to salinity management issues. A workshop report will be distributed to stakeholders in summer 2012.

The Department of Water Resources and Metropolitan's staff are jointly investigating an increase of a taste-and-odor compound, geosmin, on the surface of Castaic Lake due to a bloom of the blue-green algae, *Anabaena sp.* No consumer complaints have been received.

Optimize water treatment and distribution

On June 5, staff held a Biofiltration Workshop at the Water Quality Laboratory in La Verne. Biofiltration is utilized at Metropolitan's ozone plants to minimize the potential for bacterial regrowth in the distribution system. An external panel of experts participated in the workshop to review Metropolitan's biofiltration design and operational goals, and provide recommendations for improvements to biofiltration operations.

Flow-weighted running annual averages for total dissolved solids for May 2011 through April 2012 were 418, 376, and 339 mg/L for Diemer, Weymouth, and Skinner treatment plants, respectively.

Fully comply with water quality, safety, and environmental regulations

- Metropolitan complied with all water quality regulations and drinking water standards during the month of June. Staff submitted certified small system *Consumer Confidence Reports* to the county regulatory agencies of Riverside and San Bernardino and distributed these to residents of Metropolitan's five desert facilities. As a wholesaler, Metropolitan sent out its *Annual Water Quality Report to Member Agencies* in March 2012 and posted the report on its Water Quality Reports website. Metropolitan released the publication version of the large system *Consumer Confidence Reports* to the public at the end of June

by posting it on Metropolitan's website and sending hard copies to its board and member agencies' general managers. Staff also submitted the certified large system CCR to the California Department of Public Health.

- On May 24, staff attended a California Air Resources Board public meeting regarding uses of revenues from the Cap and Trade auctions. Metropolitan staff proposed returning some of the auction revenues to the water sector for water efficiency, conservation, and renewable programs/projects.
- On June 6, the Los Angeles Regional Water Quality Control Board released a tentative Municipal Separate Storm Sewer System (MS4) permit for public comment. The MS4 permit regulates storm water and non-storm water discharges including Metropolitan's dewatering activities. The tentative MS4 draft continues to allow non-storm water discharges. Staff is reviewing the draft MS4 and will prepare comments by the July 23 deadline. A public hearing is scheduled for September 6-7 to consider adoption of the MS4 permit.
- Fleet Services staff completed the fifth and final report to the California Air Resources Board, satisfying all requirements of the 2008 grant from CARB. In the 2006 California budget bill, \$25 million was allocated to public agencies to purchase low-polluting construction equipment. Metropolitan salvaged three old, high polluting pieces of construction equipment and purchased three low-emission pieces of equipment with the funds from this grant.

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

Local

On June 5—7, 2012, staff attended the National Association of Home Builder’s Annual Legislative Conference in Washington DC. Metropolitan staff joined NAHB Builders members from California and advocated on water-related legislation.

State

- AB 2398 (Hueso, D-San Diego), a bill sponsored by the WateReuse Association and supported by Metropolitan, would have established a new system for regulating and permitting recycled water. After discussions with the author, sponsors and Senator Fran Pavley, Chair of the Senate Natural Resources and Water Committee, parties agreed to hold AB 2398 in committee to allow water, wastewater, environmental organizations and state agency representatives to work through the unresolved policy and technical issues before drafting a new, and more complete, measure for introduction next legislative session.
- SB 250 by Senator Michael Rubio (D-Fresno), designed to ensure timely and decisive action on the Bay Delta Conservation Plan, was scheduled for hearing in the Assembly Water, Parks & Wildlife Committee on June 12. Committee Chairman Jared Huffman (D-San Rafael) opposed the bill and questioned what legal force and effect the deadlines would have on completing the necessary environmental review for BDCP. At Senator Rubio’s request, the bill was pulled from the committee’s agenda prior to the hearing.
- To ensure protection of the co-equal goals established by the Legislature in 2009, Metropolitan, Westlands Water District and the Association of California Water Agencies convinced Senator Lois Wolk (D-Davis) to amend SB 1495 regarding dredging activities to narrow the “covered action” exemption for routine dredging activities requested by the Ports of West Sacramento and Stockton, thereby protecting habitat and potential restoration activities.

Federal

With a vote of 90-8, the Senate agreed to advance S.3240 (Stabenow, D-MI), the Agriculture Reform, Food, and Jobs Act of 2012. Commonly referred to as the “Farm Bill,” this legislation will set the nation’s agriculture policy for the next five years. Metropolitan requested continued authorization of the Farm Bill’s Environmental Quality Incentive Program, which provides much of the funding for on-farm watershed protection and Salinity Control activities on the Colorado River.

The House Committee on Energy and Commerce marked up H.R. 5892 (McMorris-Rogers, R-WA), the Hydropower Regulatory Efficiency Act of 2012. This legislation was introduced last year to facilitate the development of small hydropower and conduit projects. Senator Lisa Murkowski (R-AK) has a companion measure working through the Senate. Metropolitan’s Board adopted a support-if-amended position in June 2011.

Staff attended a House Natural Resources Committee oversight hearing to review the Federal Energy Regulatory Commission re-licensing process in terms of increasing regulatory challenges facing the ratepayers and providers of hydroelectric power throughout the United States.

EXTERNAL AFFAIRS—Legislative, Communications and Community Relations

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

- Arranged interview with Group Manager Deven Upadhyay and Union Tribune San Diego reporter for a story about state legislation that would expand use of reclaimed and recycled water.
- Provided information about California’s cap-and-trade law and its impact on Metropolitan to KQED FM San Francisco radio reporter.
- Set up separate interviews with Assistant General Manager, Strategic Water Initiatives Roger Patterson, and Stockton Record reporter and California Spigot blogger for stories concerning levees in the Sacramento-San Joaquin Delta.
- Issued a press release about Metropolitan’s Board of Directors approving \$140.4 million in contracts to commence construction of new ozone retrofit facilities at the Weymouth treatment plant.

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

On June 21, 2012, Metropolitan sponsored and Director Tom Evans and staff attended the Western Riverside Council of Governments Annual General Assembly dinner. More than 800 elected officials, business leaders and community leaders were in attendance.

On June 30, Director Fleming and staff attended the Valley Economic Alliance’s Annual Dinner which honored several San Fernando Valley businesses and individuals. The event was attended by over 700 business leaders, community leaders and elected officials throughout the region.

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

Online search on Google Search and the Google Content Network continues this month. Links to bewaterwise.com appear when keywords such as “water,” “California weather,” and “water rebates” are searched for by Southern California users.

Strengthen Metropolitan’s community outreach efforts

Efforts and activities included:

- Staff completed the 2011-2012 Diamond Valley Lake Field Trip Education Program year with nearly 60 field trips and 30 in-class presentations at elementary and middle schools. Additionally, staff worked with approximately 300 students on six collaborative field trips with the Western Science Center.
- Metropolitan kicked-off the 2012-13 “Water is Life” Student Art contest and received close to 160 posters from 26 participating member and retail agencies for the 2013 “Water is Life” calendar.

REAL PROPERTY DEVELOPMENT AND MANAGEMENT GROUP
Real Property Management

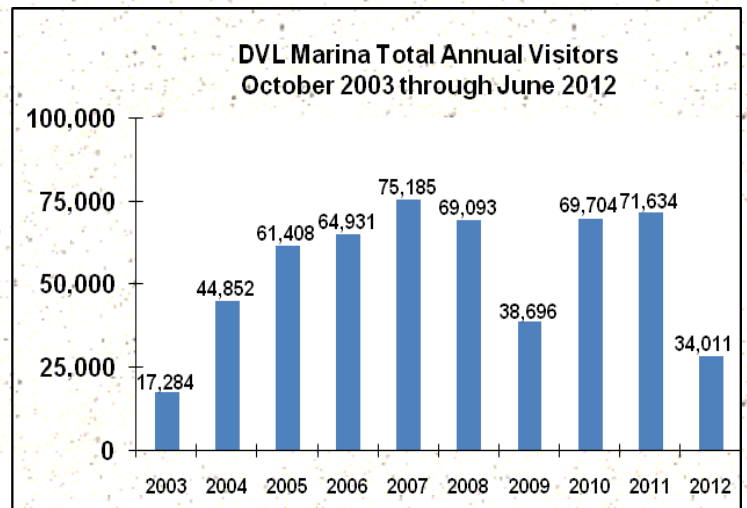
Develop policies, strategies, and actions that enable sustainability in all aspects of real property including development, revenue optimization, appraisal, acquisition and annexation while concurrently improving the planning, management, and quality of internal real property activities and services

- A one-day entry permit was granted to use 100 parking spaces at the Metropolitan Headquarters Building for an event held at Union Station train terminal and the Los Angeles County Courthouse.
- A one-day entry permit was issued to use 210 parking spaces at the Metropolitan Headquarters Building for an event held at Union Station train terminal.
- An entry permit was issued to allow potholing on a portion of the Foothill Feeder/Rialto Pipeline right of way in conjunction with an adjacent development.
- A year-to-year license to the City of Fontana was amended to expand the area for maintenance of landscaping and weed abatement over a portion of Metropolitan’s Foothill Feeder/Rialto Pipeline right of way. The City will be responsible for maintenance of the property.

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

Staff presented a demonstration of Delta Assessment Tracking and Analysis (DATA) system currently under development by Real Property Development and Management and Engineering Services groups. The DATA system is GIS-based and will be used as a technology tool to identify, analyze, and track availability of properties suitable for habitat restoration in the Delta.

Staff worked collaboratively with the Engineering Services group to develop a new Distribution System Infrastructure Protection Program which will identify, prioritize, and execute site and security improvements, obtain needed rights of way, and prepare programmatic environmental documentation within the distribution system. This program will reduce overall right of way maintenance costs and reduce Metropolitan’s liability associated with trespass and encroachments by others.



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 eight months’ rent on the percentage lease with Urban Park Concessionaires for the operation of the DVL Marina and the Lakeview Trail. The approximate \$50,000 received represents seven percent of the October through May 2012 gross receipts. In prior years, Metropolitan paid the marina operator under a professional services agreement.

HUMAN RESOURCES—Human Resources Excellence

Identify, assess, and manage risk

- The Risk Management Unit completed 46 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.
- Risk Management completed 60 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 11 injury incidents.
- Submitted 6 new claims to Metropolitan's workers' compensation claim administrator.
- Settlements were negotiated in 1 claim, finalized in 2 claims, and 9 claim files were closed.
- Arranged 51 medical evaluations (DMV, medical surveillance, hearing conservation, etc.).
- Coordinated random drug/alcohol testing at 3 facilities.
- Addressed 3 accommodation issues.

Manage Total Compensation

- Continued discussions with American Federation of State, County and Municipal Employees bargaining unit regarding the Classification and Compensation Study.
- Extended the new Medical Vesting Option decision timeframe for one month.

Foster management excellence

- Staff facilitated the presentation of a session on Influence Skills at the Engineering Managers Forum and also presented additional information to managers on career development options for employees, aimed at succession planning.
- Staff continued ongoing administration of six engagements with external coaches and continued internal coaching and consultation for eight managers on issues from transition management and development to succession planning.

Foster learning and development

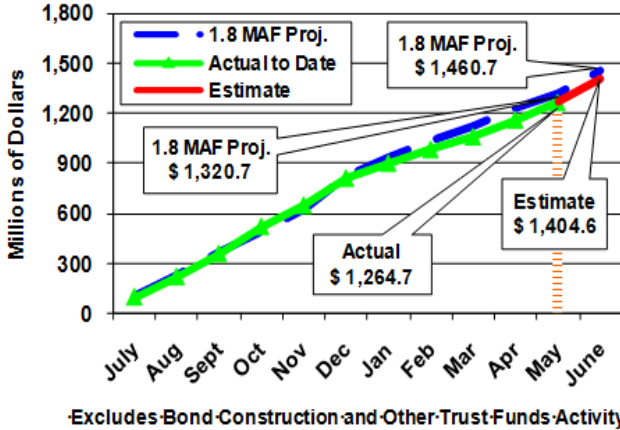
- Courses delivered during the month included employee/career development classes on Teamwork, Preparing for Job Interviews and Facilitating for Results. Four classes in the Writing series were also delivered on the topics of Planning and Organizing Your Writing, Grammar and Punctuation Refresher, Key Principles of Clear Writing, and Editing and Formatting. Ninety-four employees attended the above classes.
- New employee orientation sessions were held for eight regular full-time employees and ten temporary Student Interns for the desert facilities.
- Day 5 of the new manager orientation series was presented on the topic of Communication. The expanded manager orientation topics were very well received and have generated a discussion about additional topics of interest to new managers.
- Staff continues to facilitate a process improvement team in Water Quality's Chemistry Unit and providing guidance for the development of a training module for rolling out upcoming changes to the WorkTech timekeeping system.

Acquire talent

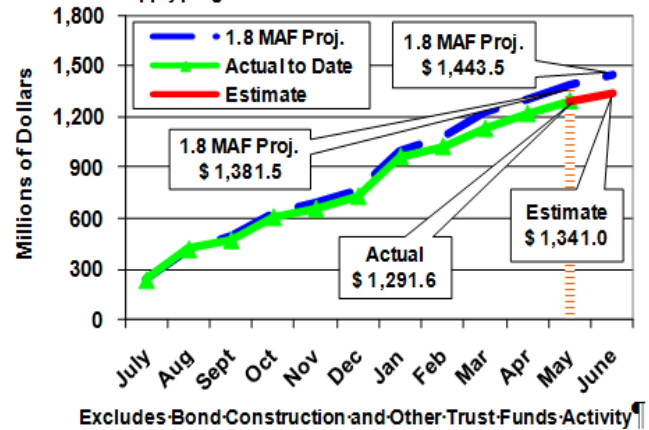
- Thirteen employees started working at Metropolitan during the month of June, replacing recently retired employees in a variety of operational and staff positions.
- The Staffing Team remains busy with efforts in filling critical operational and other staff positions created by retirements this spring. During June, over 85 individuals participated in interviews coordinated by Recruiters for positions that included Junior Engineers, Engineering Technicians and Hydroelectric Specialists.
- Also during the month, the Staffing Team received 20 approved Staffing Requisition Requests. These requests initiate the hiring process; 17 of these requests were submitted by Water System Operations to fill key positions that were or became vacant this spring.

FINANCE as of May 31, 2012

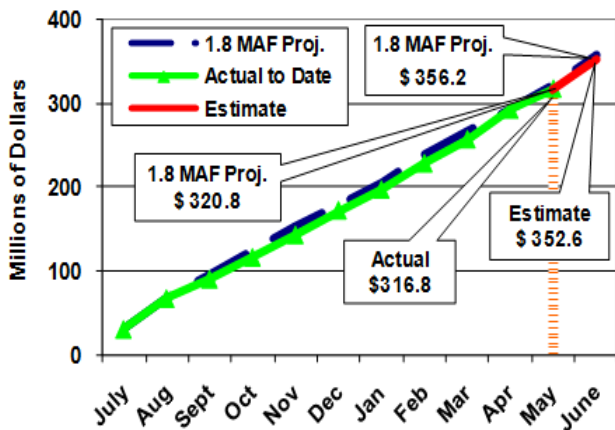
Receipts are expected to be \$56 million under the 1.8 MAF Projection by year end, mainly due to lower water sales, partially offset by the Coachella Valley Water District exchange sale.



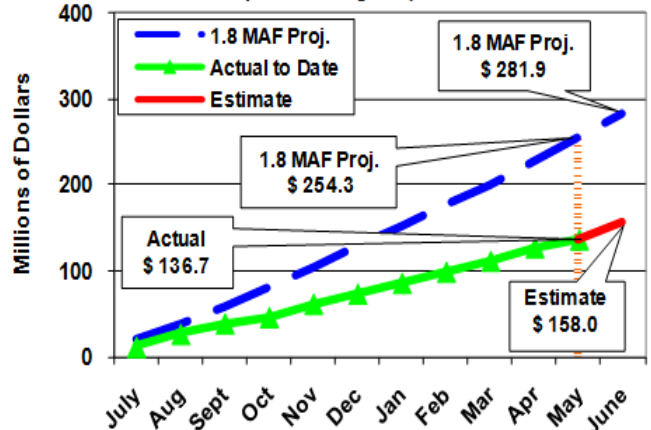
Expenditures are expected to be \$103 million under the 1.8 MAF Projection by year end, mainly due to lower SWP and CRA power costs, partially offset by higher water supply program costs.



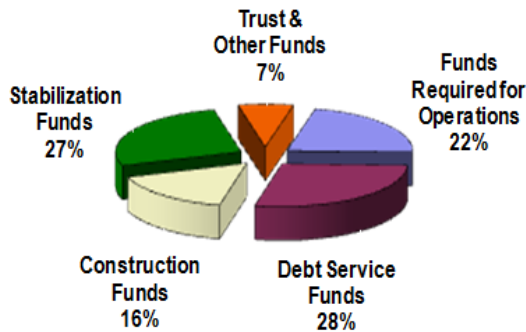
O&M expenditures are expected to be \$4 million under the 1.8 MAF Projection by year end, mainly due to lower operating equipment costs.



Construction costs are expected to be \$124 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 requirements.



Cash and Investments
\$1,040.7 million



Summary Financial Statistics

	Target	Year-End Projected
Fixed Charge Coverage	≥ 1.20 x	1.28 x
Revenue Debt Service Coverage	> 2.00 x	1.78 x
Revenue Bond Debt / Equity Ratio	< 100.0%	73.5%

Credit Ratings

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

CHIEF FINANCIAL OFFICER GROUP—Financial Management

Capital Program financing and management

Metropolitan issued \$320 million of tax-exempt and taxable bonds to refund select variable rate bonds associated with interest rate swaps and to unwind a like amount of interest rate swaps. The transaction, after payment of all expenses, and after making a \$47 million payment to the swap counter parties to unwind the swaps, will still realize present value savings of \$1 million and meet Metropolitan’s goal to eliminate and mitigate the risks inherent in the variable rate debt and interest rate swap portfolios.

Storage

	June 30, 2012 Storage (AF)	Percent of Capacity
DVL	774,163	96%
Lake Mathews	153,655	84%
Lake Skinner	37,843	86%

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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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
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