

Exhibit 5

2000 Peace Agreement

PEACE AGREEMENT

CHINO BASIN

JUNE 29, 2000

TABLE OF CONTENTS

	Page
RECITALS	1
I. DEFINITIONS AND RULES OF CONSTRUCTION	3
1.1 Definitions	3
1.2 Rules of Construction	12
II. COMPLIANCE WITH CEQA	13
2.1 Commitments Shall be Consistent With CEQA Compliance	13
2.2 Reservation of Discretion	14
2.3 No Prejudice by Comment or Failure to Comment	14
2.4 Acknowledgment that IEUA is the Lead Agency	14
III. CONDITIONS PRECEDENT	14
3.1 Performance Under Articles V, VI, and VII is Subject to Satisfaction of Conditions Precedent	14
IV. MUTUAL COVENANTS	15
4.1 Joint Defense	15
4.2 No Opposition to the OBMP	15
4.3 Indemnification of the Agricultural Pool	16
4.4 Consent to Specified Changes to the Judgment	16
4.5 Construction of "Operating Yield" Under the Judgment	17
4.6 Best Efforts to Obtain Funding for OBMP	17
4.7 CBWCD	18
V. WATERMASTER PERFORMANCE	18
5.1 Recharge and Replenishment	18
5.2 Storage and Recovery	23

	<u>Page</u>
5.3 Transfers	31
5.4 Assessments, Credits, and Reimbursements	36
5.5 Salt Credits	38
5.6 Metering	38
VI. COVENANTS BY THE MEMBERS OF THE AGRICULTURAL POOL	39
6.1 Best Efforts to Support Storage and Recovery	39
6.2 Covenant of Good Faith and Fair Dealing	39
6.3 Waiver of Compensation	40
VII. DESALTERS	40
7.1 Need for Desalters	40
7.2 Ownership and Operation	40
7.3 Design and Construction of Chino II Desalter, Chino I Expansion and Future Desalters	42
7.4 Funding	44
7.5 Replenishment Water	46
7.6 Sale of Water	47
VIII. TERM	49
8.1 Commencement	49
8.2 Expiration	49
8.3 Meet and Confer	50
8.4 Independent Right to Extend	50
8.5 Force Majeure	50
8.6 Only One Mandatory Extension	51
8.7 Effect of Termination	51
8.8 Rescission of Resolutions 84-2 and 88-3	51
8.9 Mediation Upon Failure to Secure Capital Funding for Future Desalters	52
8.10 Parties Rights Unaffected Upon Termination	52

	<u>Page</u>
IX. CONFLICTS	53
9.1 Events Constituting a Default by a Party	53
9.2 Remedies Upon Default	53
9.3 Dispute Resolution	55
X. GENERAL PROVISIONS	57
10.1 Supersedence	57
10.2 Applicability to Others	57
10.3 Admissions by Parties	57
10.4 Construction of Agreement	57
10.5 Each Party Bears Own Costs	58
10.6 Waiver of Breach	58
10.7 Awareness of Contents/Legal Effect	58
10.8 Agreement Binding On All	58
10.9 Counterparts	59
10.10 Captions	59
10.11 Choice of Law	59
10.12 Authority to Enter into This Agreement	59
10.13 Notice	59
10.14 Amendments and/or Changes to Agreement	60
XI. ACKNOWLEDGMENTS: CONFIRMATION OF RIGHTS	60

PEACE AGREEMENT CHINO BASIN

THIS AGREEMENT (Agreement) is dated the 29th day of June, 2000 regarding the Chino Groundwater Basin.

RECITALS

WHEREAS, disputes have arisen from time to time among and between water users within the Santa Ana River Watershed resulting in a judgment entered in Orange County Superior Court Case No. 117628, Orange County Water District v. City of Chino in 1969; and

WHEREAS, a complaint was filed on January 2, 1975, seeking an adjudication of water rights, injunctive relief and the imposition of a physical solution for the Chino Groundwater Basin (hereinafter Chino Basin); and

WHEREAS, a Judgment was entered in San Bernardino County Superior Court Case No. 164327 in Chino Basin Municipal Water District v. City of Chino, et al. in 1978, now designated No. RCV 51010 that adjudicated rights to the groundwater and storage capacity within the Chino Basin and established a physical solution; and

WHEREAS, the Parties intend that each Producer should be able to Produce both the quantity and quality of water to meet its water supply needs to the greatest extent possible from the water that underlies the Producer's area of benefit; and

WHEREAS, the Judgment provides the State of California is the largest owner of land overlying the Chino Basin, and provides that all future Production by the State, or its departments or agencies for overlying use on State-owned lands shall be considered as use by the Agricultural Pool; and

WHEREAS, Paragraph 16 of the Judgment authorized the appointment of a Watermaster for a term or terms of five (5) years; and

WHEREAS, Watermaster has the express powers and duties as provided in the Judgment or as "hereafter ordered or authorized by the Court in the exercise of the Court's continuing jurisdiction" subject to the limitations stated elsewhere in the Judgment; and

WHEREAS, Paragraph 41 of the Judgment provides that "Watermaster, with the advice of the Advisory and Pool Committees" has "discretionary powers in order to develop an optimum basin management program (OBMP) for Chino Basin"; and

WHEREAS, on February 19, 1998, in San Bernardino County Superior Court Case Number RCV 51010, the Court appointed a "Nine-member Board as Interim Watermaster for a twenty-six month period commencing March 1, 1998 and ending June 30, 2000" and "directed the Interim Watermaster to develop and submit the OBMP"; and

WHEREAS, a draft Programmatic Environmental Impact Report (PEIR) for the OBMP has been completed and distributed to the Parties as well as the State Clearinghouse and other interested Parties and the Inland Empire Utilities Agency (IEUA) is serving as "Lead Agency" for purposes of preparing and completing the PEIR as previously directed by the Court on November 18, 1999; and

WHEREAS, this Agreement facilitates the implementation of the OBMP which is subject to environmental review under the California Environmental Quality Act (CEQA) as previously directed by the Court; and

WHEREAS, disputes have arisen in regard to a number of matters pertaining to the power and authority of the Court and Watermaster under the Judgment, including but not limited to Watermaster power and author-

ity regarding recharge, owning property, holding water rights, water Transfers, storage, yield management, land use conversions, assessments, benefits, procedures and the adoption and implementation of the OBMP; and

WHEREAS, OCWD has filed a petition with the State Water Resources Control Board requesting a change of the Santa Ana River's "Fully Appropriated" status, and filed an application to appropriate up to five hundred seven thousand (507,000) acre-feet of such newly declared surplus water; and

WHEREAS, the Parties to this Agreement desire to resolve issues by consent under the express terms and conditions stated herein; and

WHEREAS, the Parties wish to preserve and maintain Watermaster's role under the Judgment without compromising the Parties' collective and individual "benefits of the bargain" under this Agreement; and

WHEREAS, the Parties intend that this Agreement shall enable the adoption and implementation of an OBMP consistent herewith, which will benefit the Basin and all Parties hereto;

NOW, THEREFORE, in consideration of the mutual promises specified herein and by conditioning their performance under this Agreement upon conditions precedent set forth in Article III, the Watermaster approval and Court Order of its terms, and for other good and valuable consideration, the Parties agree as follows:

I

DEFINITIONS AND RULES OF CONSTRUCTION

- 1.1 Definitions. As used in this Agreement, these terms, including any grammatical variations thereof shall have the following meanings:

- (a) "Agricultural Pool" shall have the meaning of Overlying (Agricultural) Pool as used in the Judgment and shall include all its members;
- (b) "Appropriative Pool" shall have the meaning as used in the Judgment and shall include all its members;
- (c) "Basin Water" means groundwater within Chino Basin which is part of the Safe Yield, Operating Safe Yield, or Replenishment Water in the Basin as a result of operations under the physical solution decreed in the Judgment. Basin Water does not include "Stored Water;"
- (d) "Best Efforts" means reasonable diligence and reasonable efforts under the totality of the circumstances. Indifference and inaction do not constitute Best Efforts. Futile action(s) are not required.
- (e) "CBWCD" means the Chino Basin Water Conservation District;
- (f) "CEQA" means the California Environmental Quality Act, Public Resources Code Sections 21000 et seq; 14 California Code of Regulations 15000 et seq.;
- (g) "Chino Basin" or "Basin" means the groundwater basin underlying the area shown on Exhibit "B" to the Judgment and within the boundaries described on Exhibit "K" to the Judgment;
- (h) "Chino Basin Watershed" means the surface drainage area tributary to and overlying Chino Basin;

- (i) “Chino I Desalter” also known as the SAWPA Desalter means the Desalter owned and operated by PC14 with a present capacity of eight (8) million gallons per day (mgd) and in existence on the Effective Date;
- (j) “Chino I Desalter Expansion” means the planned expansion of the Chino I Desalter from its present capacity of eight (8) mgd to a capacity of up to fourteen (14) mgd, to be owned and operated by IEUA and WMWD acting through PC14;
- (k) “Chino II Desalter” means a new Desalter not in existence on the Effective Date with a design capacity of ten (10) mgd, to be owned, constructed, and operated by IEUA and WMWD acting independently or in their complete discretion, acting through the PC14, constructed and operated consistent with the OBMP and to be located on the eastside of the Chino Basin;
- (l) “Court” means the court exercising continuing jurisdiction under the Judgment;
- (m) “Date of Execution” means the first day following the approval and execution of the Agreement by the last Party to do so;
- (n) “Desalter” and “Desalters” means the Chino I Desalter, Chino I Desalter Expansion, the Chino II Desalter and Future Desalters, consisting of all the capital facilities and processes that remove salt from Basin Water, including extraction wells, transmission facilities for delivery of groundwater to the Desalter, Desalter treatment and delivery facilities for the desalted water including pumping and storage facilities, and treatment and disposal capacity in the SARI System;

- (o) “Early Transfer” means the reallocation of Safe Yield not Produced by the Agricultural Pool to the Appropriative Pool on an annual basis rather than according to the five year increment described in Paragraph 10 of Exhibit “H” of the Judgment;
- (p) “Effective Date” means October 1, 2000, provided that all conditions precedent have been waived or satisfied;
- (q) “Future Desalters” means enlargement of the Chino I Desalter to a capacity greater than the Chino I Expansion or enlargement of the Chino II Desalter and any other new Desalter facilities that may be needed to carry out the purposes of the OBMP over the term of this Agreement;
- (r) “General law” means all applicable state and federal law;
- (s) “Groundwater” means water beneath the surface of the ground and within the zone of saturation, i.e., below the existing water table;
- (t) “IEUA” means the Inland Empire Utilities Agency, referred to in the Judgment as Chino Basin Municipal Water District;
- (u) “In-lieu recharge” means taking supplies of Supplemental Water in lieu of pumping groundwater otherwise subject to Production as an allocated share of Operating Safe Yield, as provided in Exhibit “H” Paragraph 11 of the Judgment;
- (v) “Judgment” means the Judgment dated January 27, 1978, in San Bernardino County Case No. 164327 (redesignated as San Bernardino County Case No. RCV 51010) as amended by Order Approving Amendments to Judgment Dated December 1, 1995, and Order for Amendments to the Judgment Regard-

ing Changes in Pooling Plans and Appropriative Pool Representation on the Advisory Committee, dated September 18, 1996 and other such amendments;

- (w) “Jurupa Community Services District” (JCSD) means the Jurupa Community Services District and the Santa Ana River Water Company individually. Subject to the provisions of this Agreement, the design and delivery obligations for the Chino II Desalter set forth in Section 7.3 regarding Jurupa Community Services District include both the Jurupa Community Services District and the Santa Ana River Water Company. Santa Ana River Water Company may exercise its discretion to receive its portion of the desalted water through an interconnection or at its own expense through an independent pipeline to connect to the Chino II Desalter or in any other method as the Jurupa Community Services District and the Santa Ana River Water Company may jointly agree. Nothing in this definition shall be construed as expanding the initial mgd capacity of the Chino II Desalter as provided in the facilities plan which is attachment “1” to the OBMP Implementation Plan (Exhibit “B” hereto). If it is necessary to meet Santa Ana River Water Company’s demands and there is insufficient initial capacity in the Chino II Desalter to satisfy the demands of Santa Ana River Water Company for desalted water in the quantities as provided in the Revised Draft Water Supply Plan Phase I Desalting Project Facilities Report, Jurupa’s and Ontario’s entitlement to desalted water made available from the initial capacity of the Chino II Desalter shall abate pro-rata to accommodate the demand of Santa Ana River Water Company up to a maximum quantity of 1,300 acre feet per year.
- (x) “Local Storage” means water held in a storage account pursuant to a Local Storage agreement between a party to the

Judgment and Watermaster and consisting of: (i) a Producer's unproduced carry-over water or (ii) a party to the Judgment's Supplemental Water, up to a cumulative maximum of fifty thousand (50,000) acre-feet for all parties to the Judgment.

- (y) "Material Physical Injury" means material injury that is attributable to the Recharge, Transfer, storage and recovery, management, movement or Production of water, or implementation of the OBMP, including, but not limited to, degradation of water quality, liquefaction, land subsidence, increases in pump lift (lower water levels) and adverse impacts associated with rising groundwater. Material Physical Injury does not include "economic injury" that results from other than physical causes. Once fully mitigated, physical injury shall no longer be considered to be material;
- (z) "Metropolitan Water District" means the Metropolitan Water District of Southern California;
- (aa) "New Yield" means proven increases in yield in quantities greater than historical amounts from sources of supply including, but not limited to, capture of rising water, capture of available storm flow, operation of the Desalters (including the Chino I Desalter), induced Recharge and other management activities implemented and operational after June 1, 2000;
- (bb) "Non-Agricultural Pool" shall have the meaning as used in the Judgment for the Overlying (Non-Agricultural Pool) and shall include all its members;
- (cc) "OBMP Assessments" means assessments, other than the assessments levied as provided in Section 5.1(g), levied by Watermaster for the purpose of implementing the Optimum

Basin Management Program (OBMP),, which shall be deemed Administrative Assessments under Paragraph 54 of the Judgment.

- (dd) “OCWD” means the Orange County Water District;
- (ee) “Operating Safe Yield” means the annual amount of groundwater which Watermaster shall determine, pursuant to criteria specified in Exhibit “I” to the Judgment, can be Produced from Chino Basin by the Appropriative Pool parties free of Replenishment obligation under the Physical Solution. Watermaster shall include any New Yield in determining Operating Safe Yield;
- (ff) “Overdraft” means a condition wherein the total annual Production from the Basin exceeds the Safe Yield thereof, as provided in the Judgment;
- (gg) “Party or Parties” means a Party to this Agreement;
- (hh) “Party or parties to the Judgment” means a party to the Judgment;
- (ii) “Produce or Produced” means to pump or extract groundwater from the Chino Basin;
- (jj) “Producer” means any person who Produces groundwater from the Chino Basin;
- (kk) “Production” means the annual quantity, stated in acre feet, of water Produced from the Chino Basin;
- (ll) “PC14” means Project Committee No. 14, members of SAWPA, composed of IEUA, WMWD, and OCWD, pursuant

to Section 18 of the SAWPA Joint Exercise of Powers Agreement which now constitutes the executive Authority through which SAWPA acts with respect to the Chino I Desalter;

- (mm) “Public Hearing” means a hearing of Watermaster after notice pursuant to Paragraphs 58 and 59 or other Paragraphs of the Judgment that may be applicable, to all parties to the Judgment and to any other person entitled to notice under the Judgment, this Agreement or general law;
- (nn) “Recharge and Recharge Water” means introduction of water into the Basin, directly or indirectly, through injection, percolation, delivering water for use in-lieu of Production or other method. Recharge references the physical act of introducing water into the Basin. Recharge includes Replenishment Water but not all Recharge is Replenishment Water. This definition shall not be construed to limit or abrogate the authority of CBWCD under general law;
- (oo) “Replenishment Water” means Supplemental Water used to Recharge the Basin pursuant to the physical solution, either directly by percolating or injecting the water into the Basin or indirectly by delivering the water for use in lieu of Production and use of Safe Yield or Operating Safe Yield;
- (pp) “Recycled Wastewater” means water which, as a result of treatment of wastewater, is suitable for a direct beneficial use or a controlled use that would not otherwise occur and is therefore considered a valuable resource, referred to as “reclaimed water” in the Judgment.
- (qq) “Safe Yield” means the long-term average annual quantity of groundwater (excluding Replenishment Water or Stored Water but including return flow to the Basin from use of

Replenishment or Stored Water) which can be Produced from the Basin under cultural conditions of a particular year without causing an undesirable result;

- (rr) "Salt Credits" means an assignable credit that may be granted by the Regional Water Quality Control Board and computed by Watermaster from activities that result from removal of salt from the Basin, or that result in a decrease in the amount of salt entering the Basin;
- (ss) "SAWPA" means the Santa Ana Watershed Project Authority;
- (tt) "Sphere of Influence" has the same meaning as set forth in Government Code Section 56076;
- (uu) "Storage and Recovery Program" means the use of the available storage capacity of the Basin by any person under the direction and control of Watermaster pursuant to a storage and recovery agreement but excluding "Local Storage", including the right to export water for use outside the Chino Basin and typically of broad and mutual benefit to the parties to the Judgment;
- (vv) "Stored Water" means Supplemental Water held in storage, as a result of direct spreading, injection or in-lieu delivery, for subsequent withdrawal and use pursuant to agreement with Watermaster;
- (ww) "Supplemental Water" means water imported to Chino Basin from outside the Chino Basin Watershed and recycled water;
- (xx) "Transfer" means the assignment, lease, or sale of a right to Produce water to another Producer within the Chino Basin or to another person or entity for use outside the Basin in con-

formance with the Judgment, whether the Transfer is of a temporary or permanent nature;

- (yy) “TVMWD” means Three Valleys Municipal Water District (referred to in the Judgment as Pomona Valley Municipal Water District);
- (zz) “Watermaster” means Watermaster as the term is used in the Judgment;
- (aaa) “Watermaster Resolution 88-3” means the resolution by the Chino Basin Watermaster establishing the procedure for transferring unallocated Safe Yield water from the Agricultural Pool to the Appropriative Pool, adopted on April 6, 1988 and rescinding Resolution 84-2 in its entirety;
- (bbb) “WMWD” means Western Municipal Water District;

1.2 Rules of Construction.

- (a) Unless the context clearly requires otherwise:
 - (i) The plural and singular forms include the other;
 - (ii) “Shall,” “will,” “must,” and “agrees” are each mandatory;
 - (iii) “may” is permissive;
 - (iv) “or” is not exclusive;
 - (v) “includes” and “including” are not limiting; and
 - (vi) “between” includes the ends of the identified range.

- (b) Headings at the beginning of Articles, paragraphs and subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement and shall not be used in construing it.
- (c) The masculine gender shall include the feminine and neuter genders and vice versa.
- (d) The word “person” shall include individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, water district and other entity of whatever nature.
- (e) Reference to any agreement (including this Agreement), document, or instrument means such agreement, document, instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof.
- (f) Except as specifically provided herein, reference to any law, statute, ordinance, regulation or the like means such law as amended, modified, codified or reenacted, in whole or in part and in effect from time to time, including any rules and regulations promulgated thereunder.

II COMPLIANCE WITH CEQA

2.1 Commitments Shall be Consistent With CEQA Compliance. In executing this Agreement, the Parties agree that no commitment will be made to carry out any “project” under the OBMP and within the meaning of CEQA unless and until the environmental review and assessments required by CEQA for that defined “project” have been

completed. Any future implementing actions in furtherance of Program Elements 2 through 9 that meet the definition of "project" under CEQA, shall be subject to further environmental documentation in the form of an exemption, a negative declaration, mitigated negative declaration, environmental impact report, supplemental EIR or subsequent EIR. Any challenge claiming a breach of this article shall be brought within the same period of time applicable to claims under Public Resources Code section 21000, et seq.

2.2 Reservation of Discretion. Execution of this Agreement is not intended to commit any Party to undertake a project without compliance with CEQA or to commit the Parties to a course of action, which would result in the present approval of a future project.

2.3 No Prejudice by Comment or Failure to Comment. Nothing in the PEIR, or a Party's failure to object or comment thereon, shall limit any Party's right to allege that "Material Physical Injury" will result or has resulted from the implementation of the OBMP, the storage, recovery, management, movement or Production of water as provided in Article V herein.

2.4 Acknowledgment that IEUA is the Lead Agency. IEUA has been properly designated as the "Lead Agency" for the purposes of preparing the PEIR as ordered by court on November 18, 1999.

III CONDITIONS PRECEDENT

3.1 Performance Under Articles V, VI, and VII is Subject to Satisfaction of Conditions Precedent. Each Party's obligations under this Agreement are subject to the satisfaction of the following conditions on or before the dates specified below, unless satisfaction of a specified condition or conditions is waived in writing by all other Parties:

- (a) The Parties' covenants and commitments set forth in Article V are expressly conditioned upon Watermaster's contemporaneous approval of this Agreement and the OBMP Implementation Plan by June 29, 2000 and upon an Order of the Court directing Watermaster to proceed in accordance with this Agreement and only this Agreement, on or before July 13, 2000. Watermaster's approval of this Agreement and the OBMP Implementation Plan shall be in the form of a resolution substantially similar to Exhibit "A" attached hereto and it shall contain a commitment to adopt the requisite policies and procedures to implement the provisions set forth in Article V on or before December 31, 2000, unless an earlier date for performance is otherwise expressly provided herein.
- (b) Appropriation by the California Legislature of at least \$121,000,000 from the proceeds made available by the passage of Proposition 13 for the benefit of the SAWPA by October 1, 2000.

IV MUTUAL COVENANTS

- 4.1 Joint Defense. The Parties shall proceed with reasonable diligence and use Best Efforts to jointly defend any lawsuit or administrative proceeding challenging the legality, validity, or enforceability of any term of this Agreement. However, nothing herein shall require the State of California to incur legal or administrative costs in support of such an effort.
- 4.2 No Opposition to the OBMP. No Party to this Agreement shall oppose Watermaster's adoption and implementation of the OBMP as provided in Exhibit B attached hereto in a manner consistent with this Agreement, or the execution of Memoranda of Agreement that incorporate the provisions which are substantially similar to those

contained in Exhibit "C" attached hereto. Nothing herein shall be construed as limiting any Party's right of participation in all the functions of Watermaster as are provided in the Judgment or to preclude a party to the Judgment from seeking judicial review of Watermaster determinations pursuant to the Judgment or as otherwise provided in this Agreement.

4.3 Indemnification of the Agricultural Pool. The Parties shall indemnify and defend the State of California and the members of the Agricultural Pool against any lawsuit or administrative proceedings, without limitation, arising from Watermaster's adoption, approval, management, or implementation of a Storage and Recovery Program.

4.4 Consent to Specified Changes to the Judgment. Each Party consents to the following modifications to the Judgment.

(a) The Judgment shall be amended so that the last sentence of Paragraph 8 of the Judgment reads:

All overlying rights are appurtenant to the land and cannot be assigned or conveyed separate or apart therefrom for the term of the Peace Agreement except that the members of the Overlying (Non-Agricultural) Pool shall have the right to Transfer or lease their quantified Production rights within the Overlying (Non-Agricultural) Pool or to Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000.

(b) Paragraph 6 of Exhibit "G" to the Judgment regarding the Overlying Non-Agricultural Pool shall be amended to read:

Assignment. Rights herein decreed are appurtenant to that land and are only assignable with the land for over-

lying use thereon; provided, however, (a) that any appropriator who may, directly or indirectly, undertake to provide water service to such overlying lands may, by an appropriate agency agreement on a form approved by Watermaster, exercise said overlying right to the extent, but only to the extent necessary to provide water service to said overlying lands, and (b) the members of the pool shall have the right to Transfer or lease their quantified Production rights within the pool or to Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000 for the term of the Peace Agreement.

- (c) The 1995 Amendment to the Judgment shall be amended as follows: Section 10(b)(3)(i) shall now read:

“For the term of the Peace Agreement, in any year in which sufficient unallocated Safe Yield from the Overlying (Agricultural) Pool is available for such conversion claims, Watermaster shall allocate to each appropriator with a conversion claim, 2.0 acre-feet of unallocated Safe Yield water for each converted acre for which conversion has been approved and recorded by the Watermaster.”

Appendix I to the Judgment shall be construed to be consistent with this amendment. All other parts of the 1995 Amendment shall remain the same.

- 4.5 Construction of “Operating Yield” Under the Judgment. Exhibit I to the Judgment shall be construed to authorize Watermaster to include New Yield as a component of Operating Safe Yield.
- 4.6 Best Efforts to Obtain Funding for OBMP. Each Party shall use Best Efforts to obtain and support funding that is consistent with the

OBMP and this Agreement. The Parties shall coordinate their individual efforts and report their progress to Watermaster no less than each quarter beginning on the Effective Date.

- 4.7 CBWCD. Watermaster shall provide for, arrange or approve the necessary revenue to fund Recharge activities listed in the OBMP and CBWCD shall not assume any legal duty or responsibility to conduct Recharge other than as is expressly set forth herein, as it may agree or as may be provided under general law or the Judgment.

V

WATERMASTER PERFORMANCE

- 5.1 Recharge and Replenishment. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding Recharge and Replenishment:
- (a) All Recharge of the Chino Basin with Supplemental Water shall be subject to Watermaster approval.
 - (b) Watermaster will ensure that any person may make application to Watermaster to Recharge the Chino Basin with Supplemental Water, including the exercise of the right to offer to sell in-lieu Recharge water to Watermaster as provided in the Judgment and the Agreement in a manner that is consistent with the OBMP and the law. Watermaster shall not approve an application by any party to the Judgment if it is inconsistent with the terms of the Agreement, or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any Party or the Basin caused by the Recharge of Supplemental Water shall be fully and reasonably mitigated as a condition of approval. In the event the Material Physical Injury cannot be fully and

reasonably mitigated, the request for Recharge of Supplemental Water must be denied.

- (c) Watermaster shall administer, direct and conduct the Recharge of all water in a manner that is consistent with this Agreement, the OBMP and causes no Material Physical Injury to any party to the Judgment or the Chino Basin. Nothing herein shall be construed as committing a Party to provide Supplemental Water upon terms and conditions that are not deemed acceptable to that Party.
- (d) Notwithstanding Section 5.1(c), CBWCD shall reserve its complete discretion to Recharge the Basin with water other than Supplemental Water as may be authorized by general law so long as the Recharge is in accordance with the limitations in the Judgment, if any and is in accordance with the provisions of Section 5.1(d)(i)-(v).
 - (i) Upon request by Watermaster CBWCD shall exercise Best Efforts to consult, coordinate and cooperate with Watermaster when recharging water into the Basin;
 - (ii) CBWCD shall provide Watermaster with reasonable notice in advance of any material change in its historic Recharge operations;
 - (iii) CBWCD shall not be required to provide funding for Recharge projects merely by virtue of its execution of this Agreement;
 - (iv) CBWCD shall Recharge the Basin in a manner that does not cause Material Physical Injury to any party to the Judgment or the Basin. Upon Watermaster's receipt of a written allegation that an existing or proposed

CBWCD Recharge activity has or will cause Material Physical Injury to any party to the Judgment or the Basin, Watermaster shall hold a Public Hearing within a reasonable time. Watermaster shall provide notice and opportunity to be heard to interested parties to the Judgment including CBWCD. After hearing, Watermaster may approve, deny or condition the CBWCD's Recharge. Watermaster's decision shall be based upon the record and it shall be subject to the court's review;

- (v) CBWCD's Recharge of the Basin coupled with an intent to store and recover water shall require a storage and recovery agreement.
- (e) Watermaster shall exercise its Best Efforts to:
- (i) protect and enhance the Safe Yield of the Chino Basin through Replenishment and Recharge;
 - (ii) ensure there is sufficient Recharge capacity for Recharge Water to meet the goals of the OBMP and the future water supply needs within the Chino Basin;
 - (iii) direct Recharge relative to Production in each area and sub-area of the Basin to achieve long term balance and to promote the goal of equal access to groundwater within all areas and sub-areas of the Chino Basin;
 - (iv) evaluate the potential or threat for any Material Physical Injury to any party to the Judgment or the Chino Basin, including, but not limited to, any Material Physical Injury that may result from any Transfer of water in storage or water rights which is proposed in place of

physical Recharge of water to Chino Basin in accordance with the provisions of Section 5.3;

- (v) establish and periodically update criteria for the use of water from different sources for Replenishment purposes;
 - (vi) ensure a proper accounting of all sources of Recharge to the Chino Basin;
 - (vii) Recharge the Chino Basin with water in any area where groundwater levels have declined to such an extent that there is an imminent threat of Material Physical Injury to any party to the Judgment or the Basin;
 - (viii) maintain long-term hydrologic balance between total Recharge and discharge within all areas and sub-areas;
 - (ix) coordinate, facilitate and arrange for the construction of the works and facilities necessary to implement the quantities of Recharge identified in the OBMP Implementation Plan.
- (f) Watermaster shall undertake Recharge, using water of the lowest cost and the highest quality, giving preference as far as possible to the augmentation and the Recharge of native storm water.
- (g) In furtherance of its obligations under this Section, for a period of five years, commencing with Fiscal Year 2000-2001, and within each such Fiscal Year Watermaster shall arrange for the physical Recharge of Supplemental Water in the amount of an annual average of 6,500 acre-feet per year in one or more of

the areas commonly known as the Montclair, Brooks and Upland spreading facilities.

- (i) If for any reason at the end of the five year period, a cumulative total of 32,500 acre-feet of physical Recharge has not been accomplished under this subdivision, then Recharge shall continue at the above referenced locations at the average annual rate of 6,500 acre-feet until the full 32,500 acre-feet of physical Recharge has been accomplished;
- (ii) The Recharged Supplemental Water shall increase the Operating Safe Yield under the Judgment. The cost and allocation of this Supplemental Water under this Section 5.1g shall be apportioned pro rata among the members of the Appropriative Pool under the Judgment according to the Producer's share of the initial Safe Yield;
- (iii) The need to continue physical Recharge under this paragraph shall be evaluated by Watermaster after the conclusion of Fiscal Year 2004-2005. In evaluating further physical Recharge pursuant to this paragraph, Watermaster shall take into account the provisions of this Article, the Judgment and the OBMP among all other relevant factors. Except as to Watermaster's determination of Material Physical Injury, the rights of each party to the Judgment to purchase or lease water to meet its over-Production obligation shall be unaffected by this provision;
- (h) Watermaster shall not own Recharge projects, including but not limited to spreading grounds, injection wells, or diversion works. It shall never own real property. However, Watermaster may own water rights in trust for the benefit of the

parties to the Judgment. Moreover, Watermaster shall arrange, facilitate and provide for Recharge by entering into contracts with appropriate persons, which may provide facilities and operations for physical Recharge of water as required by the Judgment and this Agreement, or pursuant to the OBMP. Any such contracts shall include appropriate terms and conditions, including terms for the location and payment of costs necessary for the operation and maintenance of facilities, if any.

- (i) CBWCD's rights and obligations to obtain Replenishment Water are unaffected by the execution of this Agreement. Its obligation, rights and duties regarding Recharge may be set by arms length negotiation through separate agreement or as they otherwise exist under general law and the Judgment.
- (j) Watermaster shall provide an annual accounting of the amount of Recharge and the location of the specific types of Recharge.

5.2 Storage and Recovery. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding the storage and recovery of water:

- (a) In General.
 - (i) All storage capacity shall be subject to regulation and control by Watermaster;
 - (ii) No person shall store water in and recover water from the Chino Basin without an agreement with Watermaster;
 - (iii) Watermaster will ensure that any person, including but not limited to the State of California and the Department

of Water Resources may make application to Watermaster to store and recover water from the Chino Basin as provided herein in a manner that is consistent with the OBMP and the law. Watermaster shall not approve an application to store and recover water if it is inconsistent with the terms of this Agreement or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any Party or the Basin caused by the storage and recovery of water shall be reasonably and fully mitigated as a condition of approval. In the event the Material Physical Injury cannot be mitigated, the request for storage and recovery must be denied.

- (iv) This Agreement shall not be construed to limit the State or its department or agencies from using available storage capacity in the Basin in accordance with the provisions of this Section under a storage and recovery agreement with Watermaster.

(b) Local Storage.

- (i) For a period of five years from the Effective Date, Watermaster shall ensure that: (a) the quantity of water actually held in Local Storage under a storage agreement with Watermaster is confirmed and protected and (b) each party to the Judgment shall have the right to store its un-Produced carry-over water. Thereafter, a party to the Judgment may continue to Produce the actual quantity of carry-over water and Supplemental Water held in its storage account, subject only to the loss provisions set forth in this Section 5.2. This means a party to the Judgment may increase the total volume of carry-over water it holds in Local Storage up to five years after the

Effective Date and as Watermaster may approve pursuant to a Local Storage agreement for Supplemental Water.

- (ii) For a period of five years from the Effective Date, any party to the Judgment may make application to Watermaster for a Local Storage agreement, whereby it may store Supplemental Water in the Chino Basin.
- (iii) Watermaster shall provide reasonable advance written notice to all interested parties of the proposed Local Storage agreement, prior to approving the agreement. The notice shall include the persons engaged in the Local Storage, the location of the Recharge and Production facilities and the potential for any Material Physical Injury, if any.
- (iv) Watermaster shall approve the Local Storage agreement so long as: (1) the total quantity of Supplemental Water authorized to be held in Local Storage under all then existing Local Storage agreements for all parties to the Judgment does not exceed the cumulative total of 50,000 acre-feet; (2) the party to the Judgment making the request provides their own Recharge facilities for the purpose of placing the Supplemental Water into Local Storage; (3) the agreement will not result in any Material Physical Injury to any party to the Judgment or the Basin. Watermaster may approve a proposed agreement with conditions that mitigate any threatened or potential Material Physical Injury.
- (v) There shall be a rebuttable presumption that the Local Storage agreement for Supplemental Water does not

result in Material Physical Injury to a party to the Judgment or the Basin.

- (vi) In the event any party to the Judgment, or Watermaster, objects to a proposed Local Storage agreement for Supplemental Water and submits evidence that there may be a Material Physical Injury to any party to the Judgment or the Basin, Watermaster shall hold a Public Hearing and allow the objecting party to the Judgment a reasonable opportunity to be heard.
- (vii) In the event more than one party to the Judgment submits a request for an agreement to store Supplemental Water pursuant to a Local Storage agreement, Watermaster shall give priority to the first party to file a bona fide written request which shall include the name of the party to the Judgment, the source, quantity and quality of the Supplemental Water, an identification of the party to the Judgment's access to or ownership of the Recharge facilities, the duration of the Local Storage and any other information Watermaster shall reasonably request. Watermaster shall not grant any person the right to store more than the then existing amount of available Local Storage. The amount of Local Storage available for the storage of Supplemental Water shall be determined by subtracting the previously approved and allocated quantity of storage capacity for Supplemental Water from the cumulative maximum of 50,000 acre-feet.
- (viii) Watermaster shall base any decision to approve or disapprove any proposed agreement upon the record.

- (ix) Any party to the Judgment may seek judicial review of Watermaster's decision.

- (x) Five years after the Effective Date, Watermaster shall have discretion to place reasonable limits on the further accrual of carry-over and Supplemental Water in Local Storage. However, Watermaster shall not limit the accrual of carry-over Local Storage for Fontana Union Mutual Water Company and Cucamonga County Water District when accruing carry-over storage pursuant to *Lease of Corporate Shares Coupled with Irrevocable Proxy, dated July 1, 1993 between Cucamonga County Water District and Fontana Water Resources Inc. and the Settlement Agreement Among Fontana Union Water Company, Kaiser Steel Reserves Inc., San Gabriel Valley Water Company and Cucamonga County Water Districts dated February 7, 1992*, to a quantity less than 25,000 acre-feet for the term of this Agreement.

- (xi) Watermaster shall evaluate the need for limits on water held in Local Storage to determine whether the accrual of additional Local Storage by the parties to the Judgment should be conditioned, curtailed or prohibited if it is necessary to provide priority for the use of storage capacity for those Storage and Recovery Programs that provide broad mutual benefits to the parties to the Judgment as provided in this paragraph and Section 5.2(c) below;

- (xii) Watermaster shall set the annual rate of loss from Local Storage for parties to the Judgment at zero until 2005. Thereafter the rate of loss from Local Storage for parties to the Judgment will be 2% until recalculated based upon the best available scientific information. Losses

shall be deducted annually from each party to the Judgment's storage account;

(xiii) Watermaster shall allow water held in storage to be transferred pursuant to the provisions of Section 5.3 below. Storage capacity is not transferable by any party to the Judgment or any Party hereto.

(c) Storage and Recovery Program.

(i) Watermaster will ensure that no person shall store water in and recover water from the Basin, other than pursuant to a Local Storage agreement, without a storage and recovery agreement with Watermaster;

(ii) Watermaster shall prepare a list of basic information that a proposed applicant for a Storage and Recovery Program must submit to Watermaster prior to the execution of a storage and recovery agreement;

(iii) As a precondition of any project, program or contract regarding the use of Basin storage capacity pursuant to a Storage and Recovery Program, Watermaster shall first request proposals from qualified persons.

(iv) Watermaster shall be guided by the following criteria in evaluating any request to store and recover water from the Basin by a party to the Judgment or any person under a Storage and Recovery Program.

(a) The initial target for the cumulative quantity of water held in storage is 500,000 acre-feet in addition to the existing storage accounts;

- (b) Watermaster shall prioritize its efforts to regulate and condition the storage and recovery of water developed in a Storage and Recovery Program for the mutual benefit of the parties to the Judgment and give first priority to Storage and Recovery Programs that provide broad mutual benefits;
- (v) For the term of this Agreement, members of the Appropriative Pool and the Non-Agricultural Pool shall be exclusively entitled to the compensation paid for a Storage and Recovery Program irrespective of whether it be in the form of money, revenues, credits, proceeds, programs, facilities, or other contributions (collectively "compensation") as directed by the Non-Agricultural and the Appropriative Pools;
- (vi) The compensation received from the use of available storage capacity under a Storage and Recovery Program, may be used to off-set the Watermaster's cost of operation, to reduce assessments on the parties to the Judgment within the Appropriative and Non-Agricultural Pools, and to defray the costs of capital projects as may be requested by the members of the Non-Agricultural Pools and the Appropriative Pool;
- (xiii) Any potential or threatened Material Physical Injury to any party to the Judgment or the Basin caused by storage and recovery of water, whether Local Storage and recovery or pursuant to a Storage and Recovery Program, shall be reasonably and fully mitigated as a condition of approval;
- (ix) Watermaster reserves discretion to negotiate appropriate terms and conditions or to refuse to enter into a Storage

and Recovery or to deny any request. However, with respect to persons not parties to the Judgment, Watermaster reserves complete discretion. Watermaster shall base any decision to approve or disapprove any proposed Storage and Recovery Program upon the record. However, it may not approve a proposed Storage and Recovery Program unless it has first imposed conditions to reasonably and fully mitigate any threatened or potential Material Physical Injury;

- (x) Any party to the Judgment may seek review of the Watermaster's decision regarding a Storage and Recovery Program.

- (d) The specific terms and conditions for the use of the facilities of CBWCD in connection with Local Storage or Storage and Recovery Programs shall be covered under separate agreements reached by arms length bargaining between Watermaster and CBWCD. Watermaster and any other Party shall not be entitled to the income received by CBWCD for use of its facilities in connection with Local Storage or Storage and Recovery Programs without the consent of CBWCD. Nothing in this Agreement shall be construed as preventing CBWCD from entering into an agreement with others for use of its facilities in a manner consistent with Section 5.1(d) i-v of this Agreement.

- (e) Nothing herein shall be construed as prohibiting the export of Supplemental Water stored under a Storage and Recovery Program and pursuant to a storage and recovery agreement.

- (f) Watermaster shall exercise Best Efforts to undertake the following measures:

- (i) Complete the Short-term conjunctive use project, authorized by Watermaster and conducted by IEUA, TVMWD and MWD;
- (ii) Evaluate and develop a seasonal peaking program for in-Basin use and dry year yield to reduce the Basin's demand on the Metropolitan Water District for imported water;
- (iii) Evaluate and develop a dry year export program;
- (iv) Evaluate and develop a seasonal peaking export program;

5.3 Transfers. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding the Transfer of water:

- (a) Watermaster will ensure that any party to the Judgment may Transfer water in a manner that is consistent with this Agreement, the OBMP and the law. Watermaster shall not approve a Transfer if it is inconsistent with the terms of the Agreement, or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any party to the Judgment or the Basin caused by the Transfer of water shall be fully and reasonably mitigated as a condition of approval. In the event the Material Physical Injury cannot be fully and reasonably mitigated, the request for Transfer must be denied.
- (b) A party to the Judgment may make application to Watermaster to Transfer water as provided in the Judgment.

- (i) Watermaster shall provide reasonable advance written notice to all the parties to the Judgment of a proposed Transfer, prior to approving the Transfer. The notice shall include the persons engaged in the Transfer, the location of the Production and Watermaster's analysis of the potential for Material Physical Injury, if any;
- (ii) Watermaster shall approve the Transfer of water as provided in the Judgment so long as the individual Transfer does not result in any Material Physical Injury to any party to the Judgment or the Basin. Watermaster may approve a proposed Transfer with conditions that fully and reasonably mitigate any threatened or potential Material Physical Injury;
- (iii) There shall be a rebuttable presumption that the Transfer and the Production by the transferee does not result in Material Physical Injury to a party to the Judgment or the Basin;
- (iv) In the event any party to the Judgment, or Watermaster, objects to a proposed Transfer and submits evidence that there may be Material Physical Injury to any party to the Judgment or the Basin, Watermaster shall hold a Public Hearing and allow the objecting party to the Judgment a reasonable opportunity to be heard;
- (v) Watermaster shall base any decision to approve or disapprove any proposed Transfer upon the record after considering potential impacts associated with the individual Transfer alone and without regard to impacts attributable to any other Transfers;

- (vi) Any party to the Judgment may seek judicial review of the Watermaster's decision.
- (c) Watermaster shall allow Producers to lease water rights to make up for the lessee's over-Production.
- (d) Except as provided in Section 5.2, Producers shall not be required to file a storage and recovery or recapture plan except when Producing water transferred from a storage account.
- (e) Watermaster shall approve the Transfer or lease of the quantified Production rights of Non-Agricultural Producers within the Non-Agricultural Pool subject to the provisions of paragraph (b) above. The right to Transfer within the pool includes the right to lease water to other members of the Non-Agricultural Overlying Pool. In addition, the parties to the Judgment with rights within the Non-Agricultural Pool shall have the additional right to Transfer their rights to Watermaster for the purposes of Replenishment for a Desalter or for a Storage and Recovery Program.
- (f) Consistent with the provisions of 88-3, Watermaster shall approve the Transfer of unallocated Safe Yield under-Produced by the Agricultural Pool in Fiscal Year 1998-99, for Transfer to the Appropriative Pool in Fiscal Year 1999-2000, 35,262.452 acre-feet consistent with Watermaster Resolution 88-3. This Transfer shall be in addition to the Early Transfer of the 32,800 acre-feet per year from the Agricultural Pool to the Appropriative Pool referenced below in 5.3(g).
- (g) Watermaster shall approve an "Early Transfer" of water to the Appropriative Pool in an amount not less than 32,800 acre-feet per year that is the expected approximate quantity of water not Produced by the Agricultural Pool. The quantity of water sub-

ject to Early Transfer under this paragraph shall be the greater of (i) 32,800 acre-feet or (ii) 32,800 acre-feet plus the actual quantity of water not Produced by the Agricultural Pool for that Fiscal Year that is remaining after all the land use conversions are satisfied pursuant to 5.3(i) below.

- (i) The Early Transfer water shall be annually allocated among the members of the Appropriative Pool in accordance with their pro-rata share of the initial Safe Yield.
- (ii) The Transfer shall not limit the Production right of the Agricultural Pool under the Judgment to Produce up to 82,800 acre-feet of water in any year or 414,000 acre-feet in any five years as provided in the Judgment.
- (iii) The combined Production of all parties to the Judgment shall not cause a Replenishment assessment on the members of the Agricultural Pool. The Agricultural Pool shall be responsible for any Replenishment obligation created by the Agricultural Pool Producing more than 414,000 acre-feet in any five-year period.
- (iv) The parties to the Judgment and Watermaster shall Produce water in accordance with the Operating Safe Yield and shall procure sufficient quantities of Replenishment Water to satisfy over-Production requirements, whatever they may be, and avoid Material Physical Injury to any party to the Judgment or the Basin;
- (v) Nothing herein shall be construed as modifying the procedures or voting rights within or by the members of the Agricultural Pool.

- (h) The amount of water rights converted for agricultural land to urban use is presently 2.6 acre-feet per acre, with 1.3 acre-feet per acre being allocated collectively to all members of the Appropriative Pool with an initial share of Safe Yield and 1.3 acre-feet per acre being allocated to that appropriator providing service for that urban use. The rate of 2.6 acre-feet per acre shall be changed to a total of 2.0 acre-feet per acre, all of which shall be allocated upon the conversion of the land to that party to the Judgment which is an a member of the Appropriative Pool, on the Effective Date of this Agreement, and whose Sphere of Influence or authorized service area contains the land (purveyor). Upon such conversion of water rights, the purveyor will pledge that amount of water needed for such urban land use, when such urban land use is established, up to 2 acre-feet of water per acre of land per year will be made available for service for such converted land by purveyor under its then-existing standard laws, regulations, rules and policies, or for service arranged by such purveyor, subject only to prohibition of such service by a federal, state agency or court with jurisdiction to enforce such prohibition. The owner of such converted land shall have the right to enforce such pledge by specific performance or writ of mandate under the terms of this Agreement. No monetary damages shall be awarded.
- (i) The members of the Agricultural Pool, including the State of California, shall have the right to engage in a voluntary agreement with an appropriator which has a service area contiguous to or inclusive of the agricultural land, to provide the required water to the overlying land on behalf of the member of the Agricultural Pool unless otherwise prohibited by general law. The appropriator providing service shall be entitled to a credit to off-set Production to the extent it is serving the overlying land up to the amount of the historical maximum annual quantity of water previously used on the property.

5.4 Assessments, Credits, and Reimbursements. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding Assessments.

- (a) During the term of this Agreement, all assessments and expenses of the Agricultural Pool including those of the Agricultural Pool Committee shall be paid by the Appropriate Pool. This includes but is not limited to OBMP Assessments, assessments pursuant to Paragraphs 20, 21, 22, 30, 42, 51, 53, 54 both General Administrative Expenses and Special Project Expenses, 55, and Exhibit F (Overlying Agricultural Pool Pooling Plan) of the Judgment except however in the event the total Agricultural Pool Production exceeds 414,000 acre-feet in any five consecutive year period as defined in the Judgment, the Agricultural Pool shall be responsible for its Replenishment obligation pursuant to Paragraph 45 of the Judgment.
- (b) The City of Pomona (Pomona) shall be allowed a credit of up to \$2 (two) million against OBMP Assessments for its installation and operation and maintenance of its existing anion exchange project, which is hereby determined to further the purposes of the OBMP. Pomona's construction and operation of its anion exchange project was not legally compelled and Pomona had no legal duty to construct the project. For the 30 (thirty) year initial Term of this Agreement, Pomona's OBMP Assessment shall be credited \$66,667 per year, not to exceed Pomona's total BMP Assessment attributable to the project's Production for that year. Extension of the Term of this Agreement shall not extend the period of credit.
- (c) Kaiser Ventures (Kaiser) in recognition of its contribution of 25,000 acre-feet to offset Replenishment obligations for the

Desalters shall be allowed a credit of up to \$900,000 (nine hundred thousand dollars) against OBMP Assessments for the Desalters and related facilities. For the 30 (thirty) year initial Term of this Agreement, Kaiser's OBMP Assessment shall be credited up to \$30,000 (thirty thousand dollars) per year, not to exceed Kaiser's OBMP Assessment attributable to Desalters and related facilities. Extension of the Term of this Agreement shall not extend the period of credit. In the event Kaiser Transfers its water rights appurtenant to its overlying land which it owns on the date of execution, the purchaser (Kaiser's successor in interest) shall be entitled one-half (1/2) of the annual credit.

- (d) Watermaster shall adopt reasonable procedures to evaluate requests for OBMP credits against future OBMP Assessments or for reimbursement. Any Producer or party to the Judgment, including but not limited to the State of California, may make application to Watermaster for reimbursement or credit against future OBMP Assessments for any capital or operations and maintenance expenses incurred in the implementation of any project or program, including the cost of relocating ground-water Production facilities, that carries out the purposes of the OBMP including but not limited to those facilities relating to the prevention of subsidence in the Basin, in advance of construction or that is prospectively dedicated to service of the stated goals of the OBMP. Watermaster shall exercise reasonable discretion in making its determination, considering the importance of the project or program to the successful completion of the OBMP, the available alternative funding sources, and the professional engineering and design standards as may be applicable under the circumstances. However, Watermaster shall not approve such a request for reimbursement or credit against future BMP Assessments under this section where the

Producer or party to the Judgment was otherwise legally compelled to make the improvement.

- (e) Any Producer that Watermaster compels to move a groundwater Production facility that is in existence on the Date of Execution shall have the right to receive a credit against future Watermaster assessments or reimbursement up to the reasonable cost of the replacement groundwater Production facility.
- (f) The procurement of Replenishment Water and the levy of assessments shall be consistent with the provisions of Section 5.4(a) above.

5.5 Salt Credits. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding Salt Credits. Watermaster shall assign to the members of the Appropriative Pool, salt credits under the OBMP other than those that were previously allocated for the existing Chino I Desalter, or are attributable to a project or program undertaken by the State of California for the benefit of its overlying land and that carry out the purposes of the OBMP.

5.6 Metering. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding metering:

- (a) With respect to the obligation to install meters, which is set forth in the Judgment Paragraph 21, any Assessment levied by Watermaster on the members of the Agricultural Pool, regarding metering shall be paid by the Appropriative Pool. Members of the Agricultural Pool, shall have no obligation to install meters hereafter. The obligation to install meters on wells

owned or operated by members of the Agricultural Pool, shall become that of the Watermaster.

- (b) Agricultural Pool meters shall be installed within thirty-six months of the Date of Execution. Watermaster shall be responsible for providing the meter, as well as the cost of any installation, maintenance, inspection, testing and repairing. The members of the Agricultural Pool, shall provide reasonable access during business hours to a location reasonably appropriate for installation, inspection, and repairing of a meter.
- (c) The State of California reserves its right to continue to install, operate, maintain, inspect, test and repair its own meters on wells owned or operated by the State, unless it consents to installation by Watermaster in which case Watermaster assumes the cost.

VI

COVENANTS BY THE MEMBERS OF THE AGRICULTURAL POOL

- 6.1 Best Efforts to Support Storage and Recovery. The members and representatives of the Agricultural Pool shall exercise Best Efforts to support the development of any Storage and Recovery Project, once it has been approved by Watermaster, so long as there is no Material Physical Injury to a member of the Agricultural Pool or the Basin.
- 6.2 Covenant of Good Faith and Fair Dealing. The members and representatives of the Agricultural Pool, including the State of California in its capacity as a member and owner of overlying land within the Agricultural Pool, shall be bound by the covenant of good faith and fair dealing, and not oppose or undermine the efforts of Watermaster to secure the development of a Storage and Recovery Program, so

long as there is no potential or threatened Material Physical Injury to a member of the Agricultural Pool or the Basin.

- 6.3 Waiver of Compensation. For the term of this Agreement, the members and representatives of the Agricultural Pool shall waive any claims or rights they might raise or possess, and shall not be entitled, to any compensation from a Storage and Recovery Program irrespective of whether it be in the form of money, revenues, credits, proceeds, programs, facilities, or other contributions (compensation). Further, the members of the Appropriative Pool and the Non-Agricultural Overlying Pool shall have the exclusive rights to any such compensation. This Section shall not apply to the charges adopted by CBWCD for storage and recovery purposes. This paragraph shall not be construed as a limitation on the ability of the State of California to make application to the Watermaster for a Storage and Recovery Program pursuant to Section 5.2.

VII DESALTERS

- 7.1 Need for Desalters. The OBMP requires construction and operation of Desalters. The Desalters shall be owned, operated and maintained by IEUA and WMWD acting independently or in their complete discretion, acting through PC14 consistent with the terms of this Agreement.

7.2 Ownership and Operation.

(a) Chino I Desalter.

- (i) The existing "Chino I Desalter," also known as the "SAWPA Desalter," consisting of extraction wells, transmission facilities for delivery of groundwater to the Chino I Desalter, Desalter treatment and delivery facil-

ities for product water, including pumping and storage facilities, and treatment and disposal capacity in the SARI System, is owned and operated by SAWPA, which has created "The Project Committee No. 14 (PC14)" comprised of SAWPA members, IEUA, WMWD, and OCWD, pursuant to "Project Agreement No. 14" dated April 2, 1991, to exercise all the powers and responsibilities of Section 18 of the SAWPA Joint Exercise of Powers Agreement, which now constitutes the executive authority through which SAWPA acts with respect to the Chino I Desalter and to fund repayment for any loans for construction and operation and maintenance of such Desalter and a "Financing Agreement" dated April 1, 2000.

- (ii) The Chino I Desalter is operated pursuant to (a) "take or pay" agreements with the purchasers of water made available from such Desalter; (b) an agreement with the Metropolitan Water District (MWD) subsidizing that Desalter to reduce the cost of the water made available by that Desalter compared to the alternative cost of uninterruptible treated imported water available from MWD; and (c) an agreement with the Watermaster, all Pools of Producers from the Chino Basin, Kaiser Ventures, Inc., formerly known as Kaiser Resources, Inc. (Kaiser) and the California Regional Water Quality Control Board, Santa Ana Region (RWQB), regarding provision of certain water with which to satisfy the Replenishment obligation for operating the Desalter.

- (b) Chino II Desalter and Chino I Expansion.

IEUA and WMWD acting independently or in their complete discretion through PC14 must own and operate the Chino II

Desalter and the Chino I Expansion in the same manner as the Chino I Desalter, except as otherwise provided in this Agreement.

(c) Future Desalters.

IEUA and WMWD acting independently or in their complete discretion through PC14 must own and operate Future Desalters, if and only if, they can secure funding from state, federal or sources other than the Parties to pay the capital costs required to construct Future Desalters.

7.3 Design and Construction of Chino II Desalter, Chino I Expansion and Future Desalters.

(a) IEUA and WMWD acting independently or in their complete discretion, acting through PC14 shall design and construct the Chino II Desalter on the eastside of the Chino Basin and expand the capacity of the Chino I Desalter already in existence on the Date of Execution, from 8 mgd up to 14 million gallons per day.

(b) The Chino II Desalter shall have an initial capacity of 10 mgd and shall be designed to deliver water to Jurupa Community Services District, the City of Ontario, and if requested, others subject to the limitations of available funding. The existing capacity of the Chino I Desalter shall be expanded by a minimum of 2 mgd and up to 6 mgd, depending on the rate of development and availability of funding and shall be designed to deliver water to the Cities of Chino, Chino Hills and the State of California as provided in this Section.

- (c) There is no minimum initial capacity established for Future Desalters as the size and timing of Future Desalters are dependent upon variables not presently subject to reliable estimates.
 - (i) It is contemplated by the Parties that Future Desalters, and a further expansion of the Chino I Desalter to a capacity greater than the Chino I Expansion or the Chino II Desalter to a capacity greater than 10 mgd may occur;
 - (ii) IEUA and WMWD shall design and construct Future Desalters, whether acting independently, or in their complete discretion, through PC14, provided that their obligation shall be conditioned upon their ability to secure funding from the state or federal sources other than the Parties to pay the capital costs of construction. Absent such funding, the IEUA and WMWD, acting independently or, in their complete discretion, acting through PC14, shall have no obligation to construct Future Desalters;
- (d) The specific location of wells to supply the Chino II Desalter and Future Desalters shall be determined with Watermaster approval and shall be in a location, which is consistent with and shall carry out the purpose of the OBMP. The design and construction of the Chino II Desalter, Chino I Expansion, and Future Desalters shall be in accordance with the OBMP and subject to Watermaster approval. Watermaster approval shall not be unreasonably withheld and shall insure that the operation of the Desalters will implement the OBMP and not result in Material Physical Injury to any party to the Judgment or the Basin.
- (e) Wells operated in connection with the Desalters shall be designed and constructed to Produce water with high total

dissolved solids (TDS) and be located in areas consistent with the purposes of the OBMP.

7.4 Funding.

- (a) The capital costs of the Chino I Desalter are not affected by this Agreement.
- (b) The capital costs of designing and constructing the Chino II Desalter and the Chino I Desalter Expansion shall be partially derived from Proposition 13 funds. The Parties shall exercise their Best Efforts to secure said funds from the appropriate state agencies. However, all unmet capital, operation and maintenance costs relative to the Chino II Desalter shall be paid from the following sources and in the following order of priority:
 - (i) The net amount of funding received by SAWPA from its existing preliminary gross allocation of \$87,000,000 from the \$235,000,000 Proposition 13 bond funding provided for the Santa Ana River Watershed sub-account, which currently includes \$20,000,000-30,000,000 earmarked for the Chino II Desalter and \$5,000,000 for the Chino I Desalter Expansion;
 - (ii) All other eligible Proposition 13 bond funding;
 - (iii) All other available federal, state or SAWPA funding;
 - (iv) MWD subsidies or other funding without committing the storage space of the Chino Basin under any storage and recovery or conjunctive use agreement, such as that secured pursuant to Agreement Number 7658, between MWD, SAWPA, IEUA, WMWD and OCWD dated

December 7, 1995, and entitled "Chino Basin Desalination Program, Phase I, Joint Participation Agreement for Recovery and Utilization of Contaminated Groundwater;"

- (v) Revenue derived from the sale of water made available from the Desalters; and
 - (vi) Any additional revenue arranged by IEUA and WMWD acting independently or in their complete discretion, acting through PC14, pursuant to an agreement substantially similar to or an amendment of the SAWPA PC14 Agreement entered into on or about April 2, 1991.
- (c) IEUA's and WMWD's obligation to construct Future Desalters whether acting independently, or in their complete discretion, through PC14, shall be conditioned upon their ability to secure state or federal funding to pay for the capital costs related to such construction. Absent such state and/or federal funding, the IEUA and WMWD, acting independently or, in their complete discretion, acting through PC14, shall have no obligation to construct Future Desalters.
- (i) If, after the earlier of ten years, or the conversion of 20,000 acres of agricultural land, Watermaster, in its discretion, determines that Future Desalters are necessary to implement the OBMP, IEUA or WMWD, acting independently or in their complete discretion acting through PC14, shall have a period up to thirty-six (36) months to secure sufficient funding from State or Federal sources to pay for all the capital costs required to construct "Future Desalters;"

- (ii) If IEUA and WMWD acting independently or, in their complete discretion, acting through PC14 cannot secure the necessary funding, the Parties, other than the Agricultural Pool, will exercise their Best Efforts to negotiate new terms and conditions so as to accomplish the implementation of this portion of the OBMP;
- (iii) If, however, the Parties, other than the Agricultural Pool, are unable to negotiate new terms to this Agreement within twenty-four (24) months from the initiation of negotiations, the Parties may appoint a mutually agreed upon mediator. Failing an agreement, the Parties reserve all legal rights and remedies, provided that the Agricultural Pool shall not be liable for the costs of the Future Desalters. The remainder of this Agreement shall remain in full force and effect.

7.5 Replenishment Water. Replenishment for the Desalters shall be provided from the following sources in the following order of priority.

- (a) Watermaster Desalter Replenishment account composed of 25,000 acre-feet of water abandoned by Kaiser pursuant to the "Salt Offset Agreement" dated October 21, 1993, between Kaiser and the RWQB, and other water previously dedicated by the Appropriative Pool.
- (b) New Yield of the Basin, unless the water Produced and treated by the Desalters is dedicated by a purchaser of the desalted water to offset the price of desalted water to the extent of the dedication;
- (c) Safe Yield of the Basin, unless the water Produced and treated by the Desalters is dedicated by a purchaser of the desalted

water to offset the price of desalted water to the extent of the dedication;

- (d) Additional Replenishment Water purchased by Watermaster, the costs of which shall be levied as an Assessment by Watermaster.

7.6 Sale of Water.

- (a) The terms and conditions for the purchase and sale of water from the Chino I Desalter shall be as provided by separate agreement.
- (b) The terms and conditions for the purchase and sale of desalted water from the Chino II Desalter and Chino I Expansion are as follows.
 - (i) Members of the Appropriative Pool and the State of California shall have the first priority right to purchase desalted water developed by Chino II and Chino I Expansion on an equal basis, pursuant to a water supply contract, which is not a "take or pay" contract but contains a minimum annual quantity of water available to be purchased and is consistent with the provisions of this Agreement.
 - (ii) OCWD shall have the second priority right to purchase desalted water from the Chino II Desalter and the Chino I Expansion provided that IEUA and WMWD have elected to act through PC14.
 - (iii) If the members of the Appropriative pool, the State of California and the OCWD do not contract for the delivery of all desalted water made available by Chino

II Desalter and the Chino I Expansion, other persons may purchase the water.

- (c) The terms and conditions for the purchase and sale of desalted water from Future Desalters are contingent upon IEUA and WMWD acting independently or, in their complete discretion, acting through PC14, securing sufficient funding to pay the capital costs of transporting the desalted water from the Chino II Desalter and Chino I Expansion to other parties to the Judgment that are members of the Appropriative Pool and that desire to purchase desalted water. If sufficient funding is acquired, then other parties to the Judgment that are members of the Appropriative Pool shall have the right to purchase desalted water under the terms and conditions provided in this Article.

- (d) The price of desalted water to the parties to the Judgment that are members of the Appropriative Pool, the State of California and OCWD when purchasing water pursuant to Section 7.6(b)2 above, shall be the actual cost of providing the water but shall not exceed \$375.00 per acre foot, as adjusted by the purchase and sale agreement between IEUA, WMWD, PC14 and the purchasing party, but in no event shall such adjustment exceed the annual consumer's price index for the LA/Anaheim/Riverside Area or the percent increase in the MWD treated water rates, or its equivalent, whichever is less as measured from the Effective Date.
 - (i) If a party to the Judgment elects to Produce water for the Chino II Desalter, the Chino I Expansion or Future Desalters they shall be entitled to a credit against the purchase price in an amount equivalent to the cost of alternative Replenishment Water then available from MWD as interruptible, untreated water or the then pre-

vailing value of the avoided Replenishment obligation, whichever is less;

- (ii) If the purchaser is a person other than a party to the Judgment, the price shall be no less than the cost of the alternative water supplies with comparable reliability and quality or if no purchasers are identified then at the highest price that may be attained under the circumstances;
 - (iii) Fifty percent of any annual revenues received by the Project 14 Committee in excess of the actual ongoing operation, maintenance and Replenishment expenses which revenues are derived from sales of water to any person not a Producer under the Judgment, or the OCWD, shall be provided to Watermaster for use as an off-set against any future assessments against the Parties by Watermaster.
- (e) The term of such Water Supply Contract shall be not less than 30 years if requested by a Party to this Agreement.

VIII TERM

- 8.1 Commencement. This Agreement shall become effective on the Effective Date and shall expire on the Termination Date.
- 8.2 Expiration. Unless extended pursuant to paragraph 8.3, this Agreement shall expire and thereupon terminate on December 31 of the thirtieth (30th) calendar year starting on January 1, of the first calendar year following the Effective Date.

- 8.3 Meet and Confer. The Parties agree to meet and confer during the 25th year of this Agreement to discuss any new or modified terms which may be requested or required by each Party in order to continue the term of this Agreement. However, no Party shall be required to modify or amend a term of this Agreement as a precondition to exercising their right to one thirty (30) year extension as provided in 8.4 below.
- 8.4 Independent Right to Extend. The term of this Agreement may be extended for a period of an additional thirty (30) years, upon the unilateral election of either the Appropriative or Agricultural Pool, (as a Pool only and not the individual members of either Pool) acting in accordance with Watermaster procedures under the Judgment, prior to the end of the twenty-fifth (25th) year. The election shall be made in writing with a copy to be sent to the Watermaster and all Parties to this Agreement. In the event an election is made to continue this Agreement, the Agreement shall continue for the extended term on the same terms and conditions as existed during the first thirty (30) years of the Agreement.
- 8.5 Force Majeure.
- (a) If the performance, in whole or in part, of the obligations of the respective Parties is prevented by act or failure to act of any agency other than a Party to this Agreement, court or any other person, by natural disaster or catastrophic event (such as earthquake, fire, drought or flood), contamination, war, strikes, lockouts, acts of God, or acts of civil or military authority, by the operation of applicable law, or by any other cause beyond the control of the affected Party or Parties, whether similar to the causes specified herein or not, the obligation of the affected Party or Parties to perform an act or actions under this Agreement shall be suspended from the time and to the extent that the performance thereof is prevented, but reasonable diligence

shall be observed by the affected Party or Parties, so far as it lies in their power, in performing such respective obligations in whole or in part under this Agreement.

(b) In the event performance is prevented as described above, the Parties agree actively to cooperate and use their Best Efforts to resume performance.

8.6 Only One Mandatory Extension. In no event shall a Party be required to extend performance under this Agreement beyond the first two terms of this Agreement, irrespective of the existence of force majeure. Any further extensions under this Agreement shall be consensual among the Parties to such an agreement.

8.7 Effect of Termination. Upon termination of this Agreement further performance by the Parties under the Agreement shall be excused. Performance under the Agreement shall not be the cause of any action or claim other than as expressly provided herein. Other than as provided in paragraph 8.8, upon termination of this Agreement, the legal rights, remedies, responsibilities and authorities of all Parties regarding the Judgment, interpretation of the Judgment and the powers and authority of Watermaster or the Court, in existence on the Date of Execution, whatever they may be, are expressly reserved and shall be as they existed on the Date of Execution, provided that such rights and remedies shall not be a basis to challenge a Party's performance under this Agreement.

8.8 Rescission of Resolutions 84-2 and 88-3. Upon termination of this Agreement, the members of the Appropriative Pool shall have no obligation to pay the Watermaster Assessments for the members of the Agricultural Pool. The provisions of Resolution 84-2 and 88-3 shall be rescinded and except as provided for in Section V above,

pertaining to “Early Transfers” of Safe Yield during the term of this Agreement, the members of the Appropriative Pool shall not be entitled to further Early Transfers of water from the Agricultural Pool. Upon the termination of this Agreement, the Parties agree that no further Early Transfers of unallocated Safe Yield shall occur. The determination of the Safe Yield as provided for in the Judgment at Paragraph 44 shall be construed to mean that the Appropriative Pool shall receive no Transfers of unallocated Safe Yield from the Agricultural Pool for a period of five (5) consecutive years after the termination of this Agreement, at which time the Appropriative Pool shall receive the difference between 414,000 acre-feet allocated to the Agricultural Pool and the actual water used by the Agricultural Pool for the first five consecutive calendar years immediately following the termination of this Agreement.

8.9 Mediation Upon Failure to Secure Capital Funding for Future Desalters. If IEUA or WMWD have not acquired the funding within thirty-six (36) months of the date of the Watermaster determination regarding the need for the Future Desalters as provided in Article VII, then the members of the Appropriative Pool, Non-Agricultural Pool and IEUA and WMWD will exercise Best Efforts to negotiate new terms and conditions for the capital costs for any such Future Desalters.

8.10 Parties Rights Unaffected Upon Termination. Each Party’s rights shall be unaffected by their having approved, executed or implemented this Agreement pursuant to their mutual consent other than as provided in Section 8.8.

IX CONFLICTS

9.1 Events Constituting a Default by a Party. Each of the following constitutes a "default" by a Party under this Agreement.

- (a) A Party fails to perform or observe any term, covenant, or undertaking in this Agreement that it is to perform or observe and such failure continues for ninety (90) days from a Notice of Default being sent in the manner prescribed in Section 10.13.

9.2 Remedies Upon Default. In the event of a default, each Party shall have the following rights and remedies:

- (a) Specific Performance. Each Party agrees and recognizes that the rights and obligations set forth in this Agreement are unique and of such a nature as to be inherently difficult or impossible to value with money. If one Party does not perform in accordance with the specific wording of any of the provisions in this Agreement applicable to that Party, defaults, or otherwise breaches this Agreement, an action at law for damages or other remedies at law would be wholly inadequate to protect the unique rights and interests of the other Party to the Agreement. Accordingly, in any court controversy concerning this Agreement, the Agreement's provisions will be enforceable in a court of equity by specific performance. This specific performance remedy is not exclusive and is in addition to any other remedy available to the Parties to enforce the terms of this Agreement.
- (b) Injunction. Each Party agrees and recognizes that the rights and obligations set forth in this Agreement are material to another Party and of such a nature that there will be substantial

reliance upon the terms of this Agreement. If one Party does not perform in accordance with specific wording of any of the provisions of this Agreement applicable to that Party, defaults, or otherwise breaches this Agreement, an action at law for damages or other remedies at law would be wholly inadequate to prevent substantial and irreparable harm to another Party to the Agreement. Accordingly, in any court controversy concerning this Agreement, the Agreement's provisions will be enforceable in a court of equity by mandatory and prohibitory injunction. This mandatory and prohibitory injunction remedy is not exclusive and is in addition to any other remedy available to the Parties to enforce the terms of this Agreement.

- (c) Cumulative Rights and Remedies. The Parties do not intend that any right or remedy given to a Party on the breach of any provision under this Agreement be exclusive; each such right or remedy is cumulative and in addition to any other remedy provided in this Agreement or otherwise available at law or in equity. If the non-breaching Party fails to exercise or delays in exercising any right or remedy, the non-breaching Party does not thereby waive that right or remedy. Furthermore, no single or partial exercise of any right, power, or privilege precludes any further exercise of a right, power, or privilege granted by this Agreement or otherwise.
- (d) Attorneys' Fees. In any adversarial proceedings between the Parties other than the dispute resolution procedure set forth below and under the Judgment, the prevailing Party shall be entitled to recover their costs, including reasonable attorneys' fees. If there is no clear prevailing Party, the Court shall determine the prevailing Party and provide for the award of costs and reasonable attorneys' fees. In considering the reasonableness of either Party's request for attorneys' fees as a prevailing Party, the Court shall consider the quality, efficiency, and

value of the legal services and similar/prevaling rate for comparable legal services in the local community.

9.3 Dispute Resolution.

(a) Scope of Dispute Resolution. Disputes (Disputes) between the Parties other than those constituting a “Default”, or “Exclusion” (defined below), shall be resolved pursuant to the provisions of this Section.

(b) Exclusions:

(i) Emergency. An emergency event which, if not promptly resolved may result in imminent danger to the public health, safety or welfare shall not be subject to dispute resolution.

(ii) Complete Discretion. Those matters reserved to the complete discretion of a Party under this Agreement shall not be subject to dispute resolution.

(iii) Review Under the Judgment Unaffected. The rights and remedies of the parties to the Judgment to seek review of Watermaster actions shall not be subject to dispute resolution.

(c) Disputes.

(i) Each Party to this Agreement may submit any Dispute related to or arising under this Agreement to non-binding mediation by delivering a Notice of Dispute to the other Party;

- (ii) The written Notice of Dispute prepared by the Party shall be delivered to the other Party in accordance with Section 10.13. The Notice of Dispute shall clearly describe the basis of the dispute and the Sections of the Agreement under which the Dispute arises;
- (iii) The non-binding mediation shall be conducted by Judicial Arbitration Mediation Services (JAMS) or an equivalent mediation service agreed to by the Parties;
- (iv) Unless otherwise agreed, a mediator shall be appointed within forty-five (45) days of the date the Notice of Dispute is delivered to hear the dispute and provide a written determination. The mediator shall be chosen jointly by the Parties. If the Parties cannot agree, the Court shall appoint the mediator. Employees or agents of Watermaster or any Party are ineligible to serve as the mediator;
- (v) The mediation shall be held within ninety (90) days of the date the Notice of Dispute is delivered;
- (vi) Any statute of limitations applicable to any claims, rights, causes of action, suits, or liabilities of whatever kind or nature, in law, equity or otherwise, whether known or unknown, shall be tolled during the mediation process. For purposes of this Section, the mediation process shall commence upon the service of a Notice of Dispute to the other Party pursuant to Section 9.3c(i) above. For purposes of this Section, the mediation process shall be deemed complete ten (10) days after service of the mediator's written notice of the conclusion of the mediation;

X
GENERAL PROVISIONS

- 10.1 Supersedence. Upon execution of this Agreement, any and all existing agreements or contracts between the Parties concerning the precise subject matter of this Agreement are hereby rescinded to the extent that they conflict with express terms herein.
- 10.2 Applicability to Others.
- (a) After the Date of Execution, each Party agrees that any other agreement or contract relating to the subject matter of this Agreement, or the Judgment, to which it is a party, shall be consistent with the provisions of this Agreement, unless all other Parties consent to the inconsistent agreement or contract.
 - (b) After the Date of Execution, each Party reserves complete discretion to enter into other agreements or contracts on subject matter not covered by the terms of this Agreement.
- 10.3 Admissions by Parties. Nothing in this Agreement constitutes an admission of liability by any Party hereto for any prior or past acts that preceded the Date of Execution. This Agreement and any documents prepared in connection herewith may not be used as evidence in any litigation, except as necessary to interpret or enforce the terms of this Agreement.
- 10.4 Construction of Agreement. Each Party, with the assistance of competent legal counsel, has participated in the drafting of this Agreement and any ambiguity should not be construed for or against any Party on account of such drafting.

- 10.5 Each Party Bears Own Costs. Each Party is to bear its own costs, expenses, and attorneys' fees arising out of or in connection with the subject matter of this Agreement and the negotiation, drafting, and execution of this Agreement. Each of the Parties understands that this Agreement includes all claims for loss, expense and attorneys' fees, taxable or otherwise, incurred by it or arising out of any matters leading up to the execution of this Agreement.
- 10.6 Waiver of Breach. No waiver or indulgence of any breach or series of breaches of this Agreement shall be deemed or construed as a waiver of any other breach of the same or any other provision hereof or affect the enforceability of any part or all of this Agreement. No waiver shall be valid unless executed in writing by the waiving Party.
- 10.7 Awareness of Contents/Legal Effect. The Parties expressly declare and represent that they have read the Agreement and that they have consulted with their respective counsel regarding the meaning of the terms and conditions contained herein. The Parties further expressly declare and represent that they fully understand the content and effect of this Agreement and they approve and accept the terms and conditions contained herein, and that this Agreement is executed freely and voluntarily.
- 10.8 Agreement Binding On All. This Agreement shall be binding upon and shall inure to the benefit of each of the Parties, and each of their respective agents, employees, directors, officers, attorneys, representatives, principals, shareholders, sureties, parents, subsidiaries, affiliates, successors, predecessors, assigns, trustees or receivers appointed to administer their assets, and attorneys of any and all such individuals and entities. All the covenants contained in this Agreement are for the express benefit of each and all such persons described in this Section. This Agreement is not intended to benefit any third parties.

- 10.9 Counterparts. This Agreement may be executed in counterparts. This Agreement shall become operative as soon as one counterpart hereof has been executed by each Party. The counterparts so executed shall constitute one Agreement notwithstanding that the signatures of all Parties do not appear on the same page.
- 10.10 Captions. The captions contained herein are included solely for convenience and shall not be construed as part of this Agreement or as full or accurate descriptions of the terms hereof.
- 10.11 Choice of Law. This Agreement shall be construed and enforced pursuant to the laws of the State of California.
- 10.12 Authority to Enter into This Agreement. Each Party represents and warrants that its respective obligations herein are legal and binding obligations of such Party; that each Party is fully authorized to enter into this Agreement, and that the person signing this Agreement hereinafter for each Party has been duly authorized to sign this Agreement on behalf of said Party.
- 10.13 Notice.
- (a) Any notice required under this Agreement shall be written and shall be served either by personal delivery, mail or fax.
 - (b) In the case of service by personal delivery or fax, no additional time, in days, shall be added to the time in which a right may be exercised or an act may be done.
 - (c) In the case of service by mail, notice must be deposited in a post office, mailbox, sub post-office, substation, or mail chute, or other like facility regularly maintained by the United States Postal Service, in a sealed envelope, with postage paid, addressed to the representative(s) of the Party

on whom it is to be served, at their place of business. The service is complete at the time of deposit. Any period of notice and any right or duty to do any act or make any response within any period or on a date certain after service of notice by mail shall be extended five days. Any period of notice and any right or duty to do any act or make any response within any period or on a date certain after service of notice by Express mail or other method of delivery providing for overnight delivery shall be extended by two court days.

10.14 Amendments and/or Changes to Agreement.

- (a) Any amendments and/or changes to this Agreement must be in writing, signed by a duly authorized representative of the Parties hereto, and must expressly state the mutual intent of the Parties to amend this Agreement as set forth herein. The Parties to this Agreement recognize that the terms and conditions of this Agreement, which are set forth herein in the Sections preceding this Section have been arrived at through the collective negotiations by the Parties.
- (b) The Parties hereby agree that no amendments and/or changes may be made to this Agreement without the express written approval of each Party to this Agreement, provided that upon request, no such approval shall be unreasonably withheld.

XI

**ACKNOWLEDGMENTS:
CONFIRMATION OF RIGHTS**

- 11.1 Each Party's rights to water it presently holds in storage with Watermaster are confirmed and protected.

11.2 The Parties confirm that in addition to the benefits received by the State under this Agreement, including an exemption from the payment of Watermaster Assessments as a member of the Agricultural Pool, the rights of the State of California under the Judgment to Produce water are not modified or altered by this Agreement. For all purposes of the Judgment all future Production by the State or its departments or agencies, including but not limited to the Department of Corrections, Department of Fish and Game, Youth Authority, Department of Parks and Recreation, Department of Toxic Substances Control, and Department of Transportation as set forth in Paragraph 10 of the Judgment, for overlying use on State-owned lands, shall be considered use by the Agricultural Pool. This Agreement is not intended to limit the State or its departments or agencies including but not limited to, the Department of Corrections, Department of Fish and Game, Youth Authority, Department of Parks and Recreation, Department of Toxic Substances Control, and Department of Transportation from exercising the State's rights of future Production for overlying use on State-owned lands as set forth in Paragraph 10 of the Judgment. The Parties agree that they will not oppose the State's exercise of its rights pursuant to the Judgment. The State of California is not executing this Agreement on behalf of the State Water Resources Control Board, the Department of Water Resources, Department of Toxic Substances Control, or the California Regional Water Quality Control Board or the Department of Fish and Game except as stated above. Nothing in this Agreement shall be construed in any way as modifying, altering or limiting the regulatory and trustee obligations, legal rights or duties of any State Agencies, including the Department of Fish and Game, the State Water Resources Control, the California Regional Water Quality Control Boards, the Department of Toxic Substances Control and Department of Water Resources. This Agreement does not limit in any way, and expressly recognizes the rights and ability of the Department of Water Resources to make application to

Watermaster to use groundwater storage space in the Chino Basin as described in Water Code Section 11258 and as provided in Section 5.2(c) herein.

11.3 Nothing in this Agreement shall be construed as modifying, altering, or limiting CBWCD from carrying out its obligations under general law.

IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:

DATED:

7/31/00

CITY OF ONTARIO

By 

DATED:

CITY OF POMONA

By _____

DATED:

CITY OF UPLAND

By _____

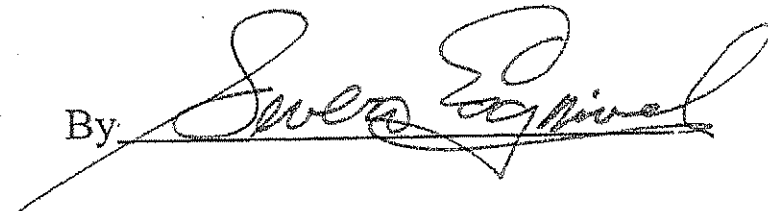
[Signatures continued on following pages]

Watermaster to use groundwater storage space in the Chino Basin as described in Water Code Section 11258 and as provided in Section 5.2(c) herein.

11.3 Nothing in this Agreement shall be construed as modifying, altering, or limiting CBWCD from carrying out its obligations under general law.

IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:

DATED: CITY OF ONTARIO
By _____

DATED: CITY OF POMONA
7-31-2000
By 

DATED: CITY OF UPLAND
By _____

[Signatures continued on following pages]

Watermaster to use groundwater storage space in the Chino Basin as described in Water Code Section 11258 and as provided in Section 5.2(c) herein.

11.3 Nothing in this Agreement shall be construed as modifying, altering, or limiting CBWCD from carrying out its obligations under general law.

IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:

DATED:

CITY OF ONTARIO

By _____

DATED:

CITY OF POMONA

By _____

DATED: 7/24/00

CITY OF UPLAND

By Robert R. Nalaw

[Signatures continued on following pages]

DATED: 8/1/00

STATE OF CALIFORNIA

By Marilyn H. Levin

DATED:

CITY OF CHINO

By _____

DATED:

07/31/00

CUCAMONGA COUNTY
WATER DISTRICT

By James M. Wilson

DATED:

MONTE VISTA WATER
DISTRICT

By _____

DATED: 7-27-2000

FONTANA UNION WATER
COMPANY

By Paul J. Black

[Signatures continued on following pages]

DATED:

STATE OF CALIFORNIA

By _____

DATED:

CITY OF CHINO

By *Ludie M. Villa*

DATED:

CUCAMONGA COUNTY
WATER DISTRICT

By _____

DATED:

MONTE VISTA WATER
DISTRICT

By _____

DATED:

FONTANA UNION WATER
COMPANY

By _____

[Signatures continued on following pages]

DATED:

STATE OF CALIFORNIA

By _____

DATED:

CITY OF CHINO

By _____

DATED:

CUCAMONGA COUNTY
WATER DISTRICT

By _____

DATED: 7/31/00

MONTE VISTA WATER
DISTRICT

By *Mark R. King*

DATED:

FONTANA UNION WATER
COMPANY

By _____

[Signatures continued on following pages]

DATED:

CITY OF CHINO HILLS

By _____

DATED:

JURUPA COMMUNITY SERVICES DISTRICT

By *Carl McQuinn*

DATED:

AGRICULTURAL POOL

By *Ronald R. Beard*

DATED:

APPROPRIATIVE POOL

By _____

DATED: 7/27/00

NON-AGRICULTURAL POOL

By *Stephen Arbelbitt*

[Signatures continued on following pages]

DATED: 7/31/00

CITY OF CHINO HILLS

By [Signature]

DATED:

JURUPA COMMUNITY SERVICES DISTRICT

By _____

DATED:

AGRICULTURAL POOL

By _____

DATED:

APPROPRIATIVE POOL

By [Signature]

DATED:

NON-AGRICULTURAL POOL

By _____

[Signatures continued on following pages]

DATED:

July 31, 2000

INLAND EMPIRE UTILITY
AGENCY

By John L. Anderson

DATED:

THREE VALLEYS
MUNICIPAL WATER
DISTRICT

By _____

DATED:

KAISER VENTURES, INC.

By _____

DATED:

WESTERN MUNICIPAL
WATER DISTRICT

By _____

[Signatures continued on following pages]

DATED:

INLAND EMPIRE UTILITY
AGENCY

By _____

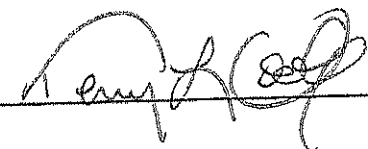
DATED:

THREE VALLEYS
MUNICIPAL WATER
DISTRICT

By _____

DATED: 7/31-00

KAISER VENTURES, INC.

By  _____

DATED:

WESTERN MUNICIPAL
WATER DISTRICT

By _____

[Signatures continued on following pages]

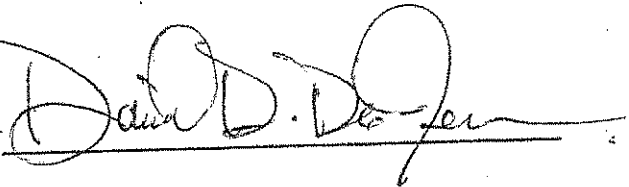
DATED:

INLAND EMPIRE UTILITY
AGENCY

By _____

DATED:

THREE VALLEYS
MUNICIPAL WATER
DISTRICT

By 

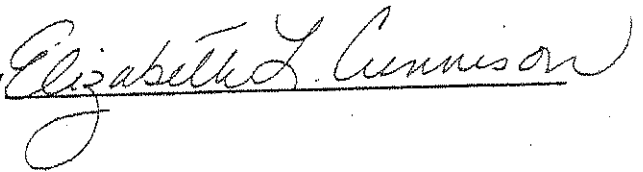
DATED:

KAISER VENTURES, INC.

By _____

DATED:

WESTERN MUNICIPAL
WATER DISTRICT

By 

[Signatures continued on following pages]

DATED: 7/31/00

SAN ANTONIO WATER
COMPANY

By Tom Thomas

DATED:

CHINO BASIN WATER
CONSERVATION DISTRICT

By _____

DATED:

[Signatures continued on following pages]

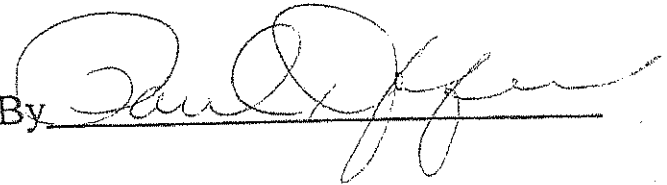
DATED:

SAN ANTONIO WATER
COMPANY

By _____

DATED: 7/28/2000

CHINO BASIN WATER
CONSERVATION DISTRICT

By  _____

DATED:

[Signatures continued on following pages]

EXHIBIT A

WATERMASTER RESOLUTION
NO. 2000-__

RESOLUTION OF THE CHINO BASIN WATERMASTER TO ADOPT THE GOALS AND PLANS OF THE PHASE I REPORT AS IMPLEMENTED BY THE OBMP IMPLEMENTATION PLAN, CONSISTENT WITH THE PEACE AGREEMENT AS ITS OBMP (“OBMP”), TO ADOPT THE REQUISITE POLICIES AND PROCEDURES TO IMPLEMENT THE PROVISIONS SET FORTH IN ARTICLE V OF THE PEACE AGREEMENT ON OR BEFORE DECEMBER 31, 2000, AND TO APPROVE THE “PEACE AGREEMENT.”

WHEREAS, the Judgment in the Chino Basin Adjudication, *Chino Basin Municipal Water District v. City of Chino, et al.*, San Bernardino Superior Court No. 164327, created the Watermaster and directed it to perform the duties as provided in the Judgment or ordered or authorized by the Court in the exercise of the Court’s continuing jurisdiction; and

WHEREAS, the Judgment directs Watermaster to develop an OBMP subject to the limitations contained in the Judgment; and

WHEREAS, Watermaster and prepared and submitted a Phase I Report regarding the OBMP to the Court; and

WHEREAS, the Court ordered the Inland Empire Utilities Agency (IEUA) to act as “lead agency” for the purposes of preparing any applicable environmental review for the OBMP in the form of a Programmatic Environmental Impact Report (PEIR) and the Court is exercising continuing jurisdiction over this matter; and

WHEREAS, the parties developed a Memorandum of Principles which articulated a framework of an agreement which the Watermaster Board

articulated a framework of an agreement which the Watermaster Board unanimously approved on May 26, 2000; and

WHEREAS, the parties have reduced the principles into a more definitive agreement and an OBMP Implementation Plan.

WHEREAS, the goals and plans in the Phase I Report implemented consistent with the OBMP Implementation Plan and the Peace Agreement constitute the OBMP; and

WHEREAS, the IEUA has prepared and circulated a draft PEIR and held a public meeting to take public comment on the OBMP on June 28, 2000; and

WHEREAS, the parties to the Peace Agreement and the parties to the Judgment have requested Watermaster to approve the Peace Agreement and the OBMP Implementation Plan and to implement the goals and plans contained in the OBMP Phase I Report in a manner consistent with the Peace Agreement and the OBMP Implementation Plan.

NOW, THEREFORE, IT IS HEREBY RESOLVED AND DETERMINED THAT:

1. The goals and plans in the Phase I Report and their implementation as provided in and consistent with the Implementation Plan and the Peace Agreement are in furtherance of the physical solution set forth in the Judgment and Article X, Section 2 of the California Constitution.

2. Although not a signatory, the Chino Basin Watermaster Board supports and approves the Peace Agreement negotiated by the parties thereto.
3. Subject to the satisfaction of all conditions precedent set forth in the Peace Agreement and the unanimous approval of the Peace Agreement by the Parties thereto no later than August 1, 2000:
 - a. Watermaster adopts the goals and plans of the Phase I Report consistent with the Implementation Plan and the Peace Agreement.
 - b. The Watermaster will proceed in accordance with the OBMP Implementation Plan and the Peace Agreement.
 - c. Watermaster will comply with the conditions described in Article V of the Peace Agreement labeled, "Watermaster Performance" and Watermaster shall adopt all necessary policies and procedures in order to implement the provisions set forth in Article V on or before December 31, 2000, unless an earlier date is specified in the Peace Agreement or the OBMP Implementation Plan.
4. The Watermaster Board will transmit a request to the Court to issue an Order authorizing and directing Watermaster to proceed in accordance with this Resolution.
5. In approving this Agreement, Watermaster is not committing to carry-out any project within the meaning of CEQA unless and until environmental review and assessments required by CEQA

for that defined "project" have been completed. Any future actions that meet the definition of a "project" under CEQA shall be subject to environmental documentation.

EXHIBIT B

IMPLEMENTATION PLAN
OPTIMUM BASIN MANAGEMENT PROGRAM
FOR THE
CHINO BASIN

INTRODUCTION

This document describes the implementation plan for the Chino Basin Optimum Basin Management Program (OBMP). The goals and objectives for the OBMP are described in Section 3 of the Phase 1 OBMP report dated August 1999. Nine program elements were developed during the OBMP Phase 1 process to meet the goals of the OBMP. The program elements described herein include:

- Program Element 1 – Develop and Implement Comprehensive Monitoring Program
- Program Element 2 – Develop and Implement Comprehensive Recharge Program
- Program Element 3 – Develop and Implement Water Supply Plan for the Impaired Areas of the Basin
- Program Element 4 – Develop and Implement Comprehensive Groundwater Management Plan for Management Zone 1
- Program Element 5 – Develop and Implement Regional Supplemental Water Program
- Program Element 6 – Develop and Implement Cooperative Programs with the Regional Water Quality Control Board, Santa Ana Region (Regional Board) and Other Agencies to Improve Basin Management
- Program Element 7 – Develop and Implement Salt Management Program
- Program Element 8 – Develop and Implement Groundwater Storage Management Program
- Program Element 9 – Develop and Implement Storage and Recovery Programs

The scope of the program elements was developed by the Chino Basin stakeholders. Each program element contains a series of comprehensive actions and plans to implement those actions. Some of the program elements have been combined because they overlap and have synergies between them.

The parties to the PEACE Agreement (Peace Agreement) dated June 29, 2000, support and consent to Watermaster proceeding with this Implementation Plan in a manner that is consistent with the Peace Agreement and the Judgment. It is the intention of the parties that this Implementation Plan be interpreted consistently with the Peace Agreement and that all terms in this Implementation Plan be interpreted consistently with like terms contained in the Peace Agreement. To the extent there is a conflict between the Peace Agreement and this Implementation plan, the Peace Agreement shall Control.

Program Element 1 – Develop and Implement Comprehensive Monitoring Program

A. Groundwater Level Monitoring Program

Description. Watermaster began a process to develop a comprehensive groundwater level monitoring program in the spring of 1998. The process consists of two parts – an initial survey followed by long-term monitoring at a set of key wells. The initial survey consists of collecting groundwater level data at all wells in the Basin from which groundwater level measurements can be obtained for fall 1999, spring 2000, fall 2000, spring 2001, and fall 2001. Watermaster staff expects that they will measure groundwater levels in the initial survey at about 400 wells in the overlying agricultural pool and about 100 other wells from the other pools and unassigned monitoring wells. The data from the initial survey will be mapped and reviewed.

Based on this review and Watermaster management needs, a long-term monitoring program will be developed after the fall of 2001 survey. The long-term monitoring program will use about half of the wells in the overlying agricultural pool used in the initial survey plus all wells in the other pools and unassigned wells monitored under the direction of the Regional Board and others. Key wells located in agricultural areas will be replaced as necessary if the original well is destroyed when the agricultural land surrounding the well is converted to other use.

Watermaster will develop a groundwater level measurement protocol for use by all cooperating entities. Groundwater levels will be obtained by the following entities:

- Overlying Agricultural Pool – Watermaster staff
- Overlying Non-agricultural Pool – pool member or Watermaster staff
- Appropriative Pool – pool member or Watermaster staff
- Other wells – Watermaster staff will obtain data from Regional Board or owners.

Implementation Status. Watermaster began implementation of a groundwater level monitoring program in Watermaster fiscal year 1999/00, the current fiscal year, with a budget commitment of approximately \$61,000. Additionally, Watermaster began an intensive monitoring effort in the immediate area of the Chino I Desalters. Watermaster is monitoring this area to collect data to analyze the effects of the Desalters pumping. There will be a comparable or greater level of effort and budget commitment through 2001/02. After 2001/02, the budget commitment will be less when it reflects the implementation of a key-well monitoring program.

B. Groundwater Quality Monitoring Program

Description. Watermaster began the process to develop a comprehensive water quality monitoring program in July 1999. As with the groundwater level monitoring program, the water quality monitoring program will consist of an initial survey and a long-term monitoring effort. The initial survey will consist of:

- collection of all water quality data from appropriators' or non-agricultural pool members' wells that are tested by appropriators or non-agricultural pool members;
- collection of all water quality data from the Regional Board for water quality monitoring efforts that are conducted under their supervision; and
- collection and analysis of at least one water quality sample at all (or a representative set of) other production wells in the Basin. Assumed maxi-

imum number of wells to be sampled by Watermaster in the initial survey is 600.

Groundwater quality samples will be obtained by the following entities:

- Overlying Agricultural Pool – Watermaster staff
- Overlying Non-Agricultural Pool – pool member
- Appropriative Pool – pool member
- Other wells – Watermaster staff will obtain data from Regional Board or owners

Re-sampling and analysis will be done at wells sampled by Watermaster if volatile organic compounds (VOCs) are detected. These data will be mapped and reviewed. Based on this review and Watermaster management goals in the OBMP, a long-term monitoring program will be developed and implemented in the fall of 2002. The long-term monitoring program will contain a minimum set of key wells that can be periodically monitored to assess water quality conditions in the Basin over time.

Implementation Status. Watermaster began implementation of a groundwater quality monitoring program in fiscal year 1999/00 with a budget commitment of about \$250,000 and will commit the same or greater level of effort through 2001/02. After 2001/02, the budget commitment will be less reflecting the implementation of a key well monitoring program.

C. **Production Monitoring Program**

Description. The wells that Produce more than 10 acre-ft/yr in the Agricultural Pool will have in-line totalizing flow meters or other metering devices from which Watermaster will be able to estimate groundwater production in the Basin as provided in Article V of the Peace Agreement. To accomplish this, agricultural wells will be equipped with in-line totalizing flow meters or other suitable metering devices in each case in which it is prudent and feasible to do so.. Production records from wells owned by appropriators and overlying non-agricultural pool members will be reported quarterly as has been done in the past. Watermaster staff will monitor the meters of wells owned by agricultural pool members at least once a year during the

period of mid-May through June, if necessary. Watermaster staff will digitize all production records in Watermaster's database and use this information in the administration of the Judgment.

In addition to the above, all Producers will provide Watermaster on an annual basis with a *water use and disposal survey* form that describes the sources of water used by each Producer and how that water is disposed of after use. The purpose of the form is to provide information to Watermaster that will enable accurate salt budget estimates as described in *Program Element 6 – Develop and Implement Cooperative Programs with the Regional Board and Other Agencies to Improve Basin Management*, and for other water resources management investigations that may be undertaken by Watermaster in the future as part of implementing the OBMP.

Groundwater production estimates and water use and disposal survey forms will be obtained by the following entities:

- Overlying Agricultural Pool – Watermaster meters. Pool members read meters and will prepare and submit water use and disposal survey forms
- Overlying Non-Agricultural Pool – pool members will read their meters and prepare and submit the water use and disposal survey forms
- Appropriative Pool – pool members will read their meters and prepare and submit the water use and disposal survey forms.

Implementation Status. Watermaster developed and began implementation of a more comprehensive production monitoring program for the overlying agricultural pool in fiscal year 1999/00. The meter installation program will take place over a three-year period starting in fiscal year 2000/01 with a budget commitment of \$200,000 not including staff and contract meter installation. The water use and disposal forms are in development in the current fiscal year and will be used in subsequent years starting in 2000/01.

D. Surface Water Discharge and Quality Monitoring

Description. Currently, water quality is measured at all existing recharge and retention basins that contribute or have the potential to contribute significant recharge to the Basin. Water level sensors will be installed in those recharge and retention basins that contribute significant recharge to the Chino Basin. These facilities are listed in Table 4-3 of the OBMP Phase 1 Report. New water level sensors may be required at a cost of \$200,000. Water level data acquisition and water quality sampling will be done by Watermaster staff. The annual cost of laboratory analysis and interpretation of water level/discharge and water quality data is estimated to be as high as \$45,000.

Watermaster needs to assess the existing surface water discharge and associated water quality monitoring programs for the Santa Ana River and its Chino Basin tributaries to determine the adequacy of the existing monitoring programs for characterizing historical ambient conditions and their utility in detecting water quality impacts from future Chino Basin management activities. If possible, Watermaster will exercise best efforts to contract with the agencies conducting these programs to modify their programs to accommodate Watermaster.

Implementation Status. Watermaster will take the lead in completing the following activities:

- Watermaster will exercise best efforts to install water level sensors in those existing recharge and retention facilities that have conservation storage and potential for storm water recharge. This activity will begin in Watermaster fiscal year 2000/01.
- Watermaster staff will obtain grab samples approximately every two weeks for all basins during the rainy season and have these samples analyzed. This activity has been occurring since 1997/98, is budgeted in the current fiscal year, and will continue in the future at some level reflecting the water resources management goals of Watermaster. Current fiscal year budget is \$38,250. In addition, Watermaster staff will supplement its storm water quality data by obtaining information from other agencies that are required to collect such data.

- In the current fiscal year, Watermaster will review the surface water discharge and associated water quality monitoring programs for the Santa Ana River and the lower Chino Basin tributaries, and compare what is available from these programs to what is needed for Watermaster investigations under the OBMP. A supplementary /cooperative monitoring program will be developed based on this review and will be implemented by Watermaster during fiscal year 2000/01. The cost of the initial assessment of surface water data for the Santa Ana River is estimated to be \$15,000.

E. Ground Level Monitoring Program

Description. Watermaster is interested in determining if and how much subsidence has occurred in the Basin. Watermaster will conduct an analysis of historical ground level surveys and remote sensing data to make this determination. The analysis consists of the following tasks:

- Historical survey data collected and/or on file by federal, state, and local agencies will be compiled, mapped, and reviewed to estimate total subsidence for as long a period as possible.
- Synthetic aperture radar (SAR) imagery was obtained by the City of Chino as part of its own subsidence investigations and was provided to Watermaster for its review and use. Watermaster converted this to maps to estimate recent subsidence (1993 to 1999) in the Management Zone 1.
- Based on the above information, a network of ground elevation stations in subsidence-prone areas will be developed and periodic surveys of these stations will be done. The frequency of periodic surveys will be established for the Basin as a whole with more frequent surveys done for some areas of the Basin. The estimated cost of this effort is not certain.
- Watermaster will summarize and distribute the ground level monitoring data through the normal Watermaster process.

Implementation Status. Watermaster has budgeted about \$36,000 for the above tasks in the fiscal year 2000/01. These tasks will be accomplished in the

current fiscal year. Watermaster will budget for additional ground level surveys in subsequent years based on the results of the current year efforts.

F. Well Construction, Abandonment and Destruction Monitoring

Description. Watermaster maintains a database on wells in the Basin and Watermaster staff makes periodic well inspections. Watermaster staff sometimes finds a new well during routine well inspections. The near-term frequency of inspection is expected to increase due to the groundwater level, quality and production monitoring programs. Watermaster needs to know when new wells are constructed as part of its administration of the Judgment. Valuable information for use in managing the Chino Basin is usually developed when wells are constructed including: well design, lithologic and geophysical logs, groundwater level and quality data, and aquifer stress test data. Producers generally notify Watermaster when they construct a new well but seldom, if ever, provide the information listed above. Watermaster has not generally asked for these data. Well owners must obtain permits from the appropriate county and state agencies to drill a well and to put the well in use. Watermaster is developing cooperative agreements with the counties of Los Angeles, Orange, Riverside, and San Bernardino, and the California Department of Health Services (DHS) to ensure that the appropriate entities know that a new well has been constructed. Watermaster staff will make best efforts to obtain well design, lithologic and geophysical logs, groundwater level and quality data, and aquifer stress test data.

The presence of abandoned wells is a threat to groundwater supply and a physical hazard. Watermaster staff will review its database, make appropriate inspections, consult with well owners, and compile a list of abandoned wells in the Chino Basin. The owners of the abandoned wells will be requested to properly destroy their wells following the ordinances developed by the county in which the abandoned well is located. Watermaster staff will update its list of abandoned wells annually and provide this list to the counties for follow-up and enforcement.

Implementation Status. In Watermaster fiscal year 1999/2000, Watermaster staff began the process of formulating agreements with county and state agencies to notify each other regarding construction of new wells and to obtain construction related information. In 2000/01, Watermaster will continue this process and finalize these agreements. That year and every year thereafter, Watermaster will also prepare

a list of abandoned wells and forward that list to the counties for their action. Watermaster will follow up with the counties to ensure that abandoned wells are destroyed.

Implementation Actions and Schedule.

First Three Years (2000/01 to 2003/03).

Watermaster shall exercise best efforts to undertake the following actions in the first three years, commencing fiscal year 2000/01:

- Complete initial survey for the groundwater level program and develop long-term program.
- Complete initial survey for groundwater quality program and develop long-term program.
- Complete initial meter installation program for overlying agricultural pool.
- Complete initial ground level survey.
- Complete installation of water level sensors in recharge and retention facilities.
- Complete Santa Ana River surface water monitoring adequacy analysis.
- Continue surface water discharge and quality monitoring at recharge and retention facilities.
- Develop agreements with county and state agencies regarding notification of new well drilling. Well construction and related information will be requested as new wells are identified.

- Annually prepare a list of abandoned wells and forward it to the counties for their action. Follow up with the counties to ensure that abandoned wells are destroyed.

Years Four to Ten (2003/04 to 2010/11).

Watermaster shall exercise best efforts to undertake the following actions in years four through ten, commencing fiscal year 2002/03:

- Start and continue long-term groundwater level monitoring program, cause key wells to be relocated and constructed as necessary.
- Start and continue long-term groundwater quality monitoring program, cause key wells to be relocated and constructed as necessary.
- Continue production monitoring.
- Conduct remote sensing analysis using synthetic aperture radar or other techniques at least every ten years (2010/11) or sooner, if necessary.
- Continue ground level survey.
- Continue surface water discharge and quality monitoring in the Santa Ana River.
- Continue surface water discharge and quality monitoring at recharge and retention facilities.
- Well construction and related information will be requested as new wells are identified.
- Annually prepare a list of abandoned wells and forward it to the counties for their action. Follow up with the counties to ensure that abandoned wells are destroyed.

Years Eleven to Fifty (2011/12 to 2049/50).

Watermaster shall exercise best efforts to undertake the following actions in years eleven to fifty, commencing fiscal year 2011/12:

- Continue long-term groundwater level monitoring program, cause key wells to be relocated as necessary.
- Continue long-term groundwater quality monitoring program, cause key wells to be relocated as necessary.
- Continue production monitoring.
- Conduct remote sensing analysis using synthetic aperture radar or other technique at least every ten years (2020/21, 2030/31, 2040/41, 2050/51) or sooner, if necessary.
- Continue ground level survey.
- Participate as necessary in the Santa Ana River surface water monitoring.
- Continue surface water discharge and quality monitoring at recharge and retention facilities.
- Well construction related information will be requested as new wells are identified.
- Annually prepare a list of abandoned wells and forward it to the counties for their action. Follow up with the counties to ensure that abandoned wells are destroyed.

Watermaster will share the results of all these activities with the parties and relevant governmental agencies.

PROGRAM ELEMENT 2 -- DEVELOP AND IMPLEMENT COMPREHENSIVE RECHARGE PROGRAM

Watermaster will facilitate the development of physical recharge capacity in the Chino Basin. Recharge facilities will be sized and located to balance long term production and recharge. Watermaster will seek to maximize recharge so that each Producer will be able to Produce both the quantity and quality of water to meet its water supply needs to the greatest extent possible from the water that underlies the Producer's area of benefit.

INTRODUCTION

The need for a comprehensive recharge program is described in the OBMP Phase 1 report dated August 1999.

OBMP Program Element 2 -- Develop and Implement Comprehensive Recharge Program contains action items listed in the OBMP goals matrix (Table 3-8; OBMP Phase 1 Report, August 1999).

Increasing the yield of the Chino Basin by increasing the capture and recharge of storm flow will improve ambient water quality and increase the assimilative capacity of the Chino Basin. Increasing the capture of storm flow will reduce the cost of mitigation requirements for recharge of recycled water. The RWQCB Basin Plan assumes that a certain average annual quantity of storm flow (2300 acre-feet) will be recharged each year. The volume of recycled water that can be used in the Basin, without total dissolved solids (TDS) mitigation, is numerically tied to the average annual quantity of storm flow that recharges the Basin. A decrease in the recharge of storm flow will result in a decrease in the volume of recycled water that will be permitted in the Basin without TDS mitigation. Likewise, an increase in the recharge of storm flow will result in an increase in the volume of recycled water that will be permitted in the Basin without TDS mitigation. Therefore, the volume of recharge from storm flow has a dramatic impact on the future and cost of recycled water recharge.

The annual replenishment obligation will grow from the current level of about 30,000 to about 75,000 acre-feet per year (acre-ft/yr) over the next 20 to 30 years

(ultimate conditions). For ultimate conditions, as much as 31,000 acre-ft/yr of the replenishment obligation could be satisfied by transfer of unProduced rights in the Appropriative pool consistent with the Peace Agreement leaving a net replenishment obligation of about 44,000 acre-ft/yr. Currently, Watermaster has access to spreading facilities with a current capacity of about 29,000 acre-ft/yr when imported water from Metropolitan is available. Assuming replenishment water is available seven out of ten years, the average annual recharge capacity of recharge facilities expected to be available to Watermaster is about 20,000 acre-ft year. The in-lieu recharge potential for the Chino Basin is about 57,000 acre-ft/yr and is expected to remain constant over the next 20 to 30 years based on the water supply plan included in this OBMP. Assuming in-lieu replenishment water is available seven out of ten years, the average annual in-lieu recharge capacity available to Watermaster is about 40,000 acre-ft/yr. The replenishment obligation, and available recharge capacity for current and year 2020 are listed below (acre-ft/yr):

	Year 2000	Year 2020
Replenishment Obligation	31,000	75,000
Replenishment Capacity		
Underproduction	20,000	31,000
Physical Recharge	20,000	20,000
In-lieu Recharge	40,000	40,000
Subtotal	80,000	91,000
Surplus Replenishment Capacity	49,000	16,000

The surplus recharge capacity could be used up quickly by future replenishment needs and implementation of storage and recovery programs. The availability of in-lieu recharge capacity for in-lieu replenishment listed above is not a certainty. In the present mode of basin management, in-lieu recharge capacity is available on an ad hoc basis and requires the cooperation of water supply agencies that have access to supplemental water. If a substantial storage and recovery program is implemented, a major component of it may be satisfaction of replenishment obligations by in-lieu recharge.

In-lieu recharge can be counted on in the short term but cannot be assumed available for ultimate conditions. The safest and most conservative way to ensure that recharge capacity will be available is for Watermaster to develop physical recharge capacity that will meet ultimate replenishment obligations. The estimated annual replenishment obligation for the Chino Basin for ultimate conditions is about 75,000 acre-ft/yr. The physical recharge requirement is equal to the ultimate replenishment obligation (75,000 acre-ft/yr) minus the under production (31,000 acre-ft/yr) and is equal to 44,000 acre-ft/yr. Watermaster will need an annual physical recharge capacity of about 63,000 acre-ft/yr (63,000~44,000/0.7). The distribution of physical recharge capacity by management zone was determined during the development of the *Program Environmental Impact Report for the OBMP* (Tom Dodson and Associates, 2000). The physical recharge capacity by management zone for the year 2020 is estimated to be:

Management Zone 1	34,000 acre-ft/yr
Management Zone 2	0 acre-ft/yr
Management Zone 3	29,000 acre-ft/yr
Total	63,000 acre-ft/yr

The allocation of recharge capacity to management zones is based on balancing recharge and production in each management zone with the ultimate production pattern described in OBMP Program Elements 3 and 5.

The Etiwanda, Montclair and San Sevaine basins are currently used by Watermaster for replenishment. During the development of the OBMP, seventeen additional existing storm water retention basins and one former recycled water percolation facility were identified that could be used to meet future replenishment obligations. These facilities are listed in Table 1. Table 1 also lists the replenishment capacities and improvements required to use these facilities for recharge of supplemental water and storm water. The locations of these basins are shown in Figure 1. These basins are currently used for storm water management and provide some degree of incidental recharge of storm water. From a practical standpoint, these basins will remain in service indefinitely. Because the facilities listed in Table 1 will be available for Watermaster indefinitely, construction of improvements to enable physical recharge for replenishment can be scheduled to meet the actual need. In the

short term, in-lieu recharge may be used for replenishment to the extent that in-lieu recharge and transfers can be done consistent with the goals of the OBMP and the "Peace Agreement."

All the facilities listed in Table 1 for supplemental recharge in Management Zone 1 will need to be constructed to meet replenishment obligations and to balance recharge with production. No new supplemental water recharge facilities are needed in Management Zone 2. Approximately 29,000 acre-ft/yr of new physical recharge capacity will need to be constructed in Management Zone 3 to meet replenishment obligations and to balance long term recharge with production. There is some flexibility in the location of the facilities available in Management Zone 3 and therefore engineering and economic investigations need to be done to select the facilities that should be used for replenishment.

B. NEGOTIATION OF AGREEMENTS

The successful development and implementation of a comprehensive recharge program is not dependent upon Watermaster owning physical assets and real property. Watermaster shall not own recharge projects, including but not limited to spreading grounds, injection wells, or diversion works. It shall never own real property. Watermaster may own water rights in trust for the benefit of the parties to the judgment. However, Watermaster shall arrange, facilitate and provide for recharge by entering into contracts with appropriate persons which may provide facilities and operations for physical recharge of water as required by the Judgment and this Agreement, or pursuant to the OBMP. Any such contracts shall include appropriate terms and conditions, including terms for the location and payment of costs necessary for the operation and maintenance of facilities, if any and terms to ensure that material physical injury to any party to the Judgment or the Basin is mitigated.

Watermaster will pay the cost of preparing the Recharge Master Plan as the next step in the implementation of the OBMP Program Element 2. When the Plan is prepared, Watermaster shall exercise best efforts to negotiate binding agreements that are necessary and prudent under the circumstances with SBCFCD, CBWCD, IEUA or others to implement recharge projects. Watermaster will seek to reach agreements

that are consistent with the Judgment and the Peace Agreement. In negotiating any binding agreements, Watermaster will acknowledge, take into account and be directed by the following additional considerations:

1. The flood control functions of the various SBCFCD basins capable of artificial recharge in the Chino Basin will take priority over the artificial recharge function.
2. To the extent that artificial recharge can be incorporated into the operations of the SBCFCD basins without increasing the risk of flood damage and loss of life, artificial recharge will be maximized.
3. Multi-purpose projects will be given high priority and will be considered on a case by case basis.
4. Watermaster, in coordination and consultation with IEUA, CBWCD, SBCFCD or others, will prepare the storm water component of the Recharge Master Plan. Watermaster will coordinate with IEUA, CBWCD, and SBCFCD or others to prepare the supplemental water recharge component of the Recharge Master Plan. All costs for constructing the new supplemental water projects that are identified in Phase 1 and Phase 2 of the Recharge Master Plan shall be borne by Watermaster.
5. Watermaster will prepare Phase 2 of the Recharge Master Plan within three years.
6. Phase 2 of the Recharge Master Plan will Produce a list of recharge projects that will be described as either high priority or low priority projects. Watermaster will coordinate with SBCFCD and will exercise best efforts to implement high priority projects that involve the re-operation of existing facilities with small to no improvements at existing facilities within one year of completion of the Phase 2 Recharge Master Plan and no later than four years.

7. Watermaster will coordinate with SBCFCD and exercise best-efforts to implement high priority projects that involve significant improvement and re-operation of existing facilities within two years of completion of the Phase 2 of the Recharge Master Plan.
8. During the planning of new storm water management facilities, Watermaster will evaluate the value of artificial recharge in a new storm water management project and will include storm water artificial recharge in all new projects where Watermaster determines there is a value to the artificial recharge of storm water.
9. Watermaster will coordinate and facilitate the implementation of new supplemental water projects that are identified in Phase 2 of the Recharge Master Plan. The recharge projects that are envisioned as of the date of the adoption of this Implementation Plan are listed in Table 1. However, other projects will be identified in Phase 2 of the Recharge Master Plan investigations.
10. Watermaster will exercise best efforts to coordinate its activities and those of others to maintain or improve recharge performance at basins in a manner such that there is maximum recharge of storm water and supplemental water. Watermaster will consult and coordinate with SBCFCD, CBWCD and other interested persons in selecting an entity to perform maintenance.
11. SBCFCD requires sufficient advance notice to allow conserved water to be recharged. Watermaster will consult and coordinate with SBCFCD to develop a conservation plan for each of the SBCFCD basins, including a schedule of conservation pool elevations, criteria that define when water can be put into conservation and when water in conservation storage must be released to restore the full flood protection capabilities of the basin.
12. All projects will be the subject of appropriate environmental review and, as necessary, mitigation of impacts.

Watermaster shall take the following further actions consistent with the Peace Agreement to develop and implement its comprehensive recharge program:

1. All recharge of the Chino Basin with supplemental water shall be subject to Watermaster approval.
2. Watermaster will ensure that any person may make application to Watermaster to recharge the Chino Basin with supplemental water, including the exercise of the right to offer to sell in-lieu recharge water to Watermaster as provided in the Judgment and this Agreement in a manner that is consistent with the OBMP and the law. Watermaster shall not approve an application by any party to the Judgment if it is inconsistent with the terms of the Agreement, or will cause any material physical injury to any party to the Judgment or the Basin. Any potential or threatened material physical injury to any Party or the Basin caused by the recharge of supplemental water, shall be mitigated as a condition of approval. In the event the material physical injury cannot be mitigated, the request for recharge of supplemental water must be denied.
3. Watermaster shall administer, direct and conduct the recharge of all water in a manner that is consistent with this Agreement, the OBMP and causes no material physical injury to any party to the Judgment or the Chino Basin. Nothing herein shall be construed as committing a Party to provide supplemental water upon terms and conditions that are not deemed acceptable to that Party.
4. Watermaster shall undertake recharge using water of the lowest cost and the highest quality, giving preference as far as possible to the augmentation and the recharge of native storm water.
5. In furtherance of its obligations under this Section, for a period of five years, commencing with Fiscal Year 2000-2001, and within each such Fiscal Year Watermaster shall arrange for the physical recharge of supplemental water in the amount of an annual average of 6,500 acre

feet per year in one or more of the areas commonly known as the Montclair, Brooks and Upland spreading facilities.

- (i) If for any reason at the end of the five year period, a cumulative total of 32,500 acre-feet of physical recharge has not been accomplished under this subdivision, then recharge shall continue at the above referenced locations at the average annual rate of 6,500 acre-feet until the full 32,500 acre feet of physical recharge has been accomplished;
 - (ii) The recharged supplemental water shall increase the operating safe yield under the Judgment. The cost and allocation of this supplemental water under this Section 5.1g shall be apportioned pro rata among the members of the Appropriative Pool under the Judgment according to the Producer's share of the initial safe yield;
 - (iii) The need to continue physical recharge under this paragraph shall be evaluated by Watermaster after the conclusion of Fiscal Year 2004-2005. In evaluating further physical recharge pursuant to this paragraph, Watermaster shall take into account the provisions of this Article, the Judgment and the OBMP among all other relevant factors. Except as to Watermaster's determination of no material physical injury, the rights of each party to the Judgment to purchase or lease water to meet its over production obligation shall be unaffected by this provision;
6. Watermaster shall provide an annual accounting of the amount of replenishment and the location of the specific types of replenishment.
 7. Increases in stormwater recharge will be computed when new or enhanced recharge facilities come on line and the parties to the Judgment concur that the new information confirms an increase in recharge at the existing sites without causing a reduction in recharge at

other recharge sites in the basin. Increases in artificial stormwater recharge will be expressed as long term average annual values.

8. Watermaster will determine the baseline stormwater recharge. The baseline estimate of stormwater recharge will be determined by September 30, 2000. In the interim, the baseline will be assumed to be 5600 AF. Watermaster will, at appropriate points in time, review the stormwater recharge performance and redetermine the average annual volume of stormwater recharge and new stormwater recharge above the baseline stormwater recharge.
9. When locating and directing physical recharge, Watermaster shall consider the following guidelines:
 - (i) provide long term hydrologic balance within the areas and sub-areas of the basin
 - (ii) protect and enhance water quality
 - (iii) improve water levels
 - (iv) the cost of the recharge water
 - (v) any other relevant factors
10. Adopt implementing procedures for the matters set forth above, by December 31, 2000.
11. There are some future projects that are technically and institutionally difficult to implement at this time, e.g., recharge of reclaimed water and injection through wells. A plan to integrate these future projects with those identified in Table 1 will be prepared within two years of the

effective date of the Peace Agreement. The plan will include an implementation schedule consistent with the OBMP and a financing plan.

Watermaster shall exercise its best efforts to:

- (a) protect and enhance the safe yield of the Chino Basin through replenishment and recharge;
- b) ensure there is sufficient recharge capacity for recharge water to meet the goals of the OBMP and the future water supply needs within the Chino Basin;
- c) direct recharge relative to production in each area and sub-area of the basin to achieve long term balance and to promote the goal of equal access to groundwater within all areas and sub-areas of the Chino Basin;
- d) evaluate the potential or threat for any material physical injury to any party to the Judgment or the Chino Basin, including, but not limited to, any material physical injury that may result from any transfer of water in storage or water rights which is proposed in place of physical recharge of water to Chino Basin in accordance with the provisions of Section 5.3;
- e) establish and periodically update criteria for the use of water from different sources for replenishment purposes;
- f) ensure a proper accounting of all sources of recharge to the Chino Basin;
- g) recharge the Chino Basin with water in any area where groundwater levels have declined to such an extent that there is an imminent threat of material physical injury to any party to the Judgment or the Basin;
- h) maintain long-term hydrologic balance between total recharge and discharge within all areas and sub-areas;

- i) Coordinate, facilitate and arrange for the construction of the works and facilities necessary to implement the quantities of recharge identified in the OBMP Implementation Plan.

Implementation Status

The parties to the Peace Agreement have approved Watermaster proceeding as provided above. Implementation measures that follow preparation of the Recharge Master Plan will be predicated on the implementation actions and schedules that are Produced in the Master Plan and the Peace Agreement. However, a strong financial motivation is created for the prompt funding of local recharge projects as soon as possible because the members of the Appropriative Pool under the Judgment will incur replenishment obligations if the safe yield of the Basin is not enhanced by a sufficient quantity to cover the Chino I expansion, and the Chino II Desalters as well as the individual over-production obligations.

Implementation Actions and Schedule

First Three Years (2000/01 to 2002/03).

The following actions will be completed in the first three years commencing fiscal year 2000/01:

- Watermaster advisory committee will form an *ad hoc* committee to coordinate with CBWCD and SBCFCD.
- Implement all high priority recharge projects that involve only re-operation of existing recharge/flood control facilities.
- Complete the Recharge Master Plan.
- Complete design and construction of early action recharge projects identified in the first year of the implementation of the OBMP (potential projects are listed in Table 1 with an A priority and will be proposed for Proposition 13 funding by January 1, 2001).

Years Four to Fifty (2003/04 to 2049/50).

The following actions will be completed in years four through ten, commencing fiscal year 2002/03:

- By year 5 implement all high priority projects that involve construction and re-operation at existing facilities.
- Implement all other recharge projects based on need and available resources.
- Update the comprehensive recharge program every five years.

Program Element 3 – Develop and Implement Water Supply Plan for the Impaired Areas of the Basin, Program Element 5 – Develop and Implement Regional Supplemental Water Program

As urbanization of the agricultural areas of San Bernardino and Riverside counties in the southern half of the Basin occurs, the agricultural water demands will decrease and urban water demands will increase significantly. Future development in these areas is expected to be a combination of urban uses (residential, commercial, and industrial). The cities of Chino, Chino Hills, and Ontario, and the Jurupa Community Services District (JCS D) are expected to experience significant new demand as these purveyors begin serving urban customers in the former agricultural area. Based on current estimates of overlying agricultural pool production, it is expected that at least 40,000 acre-ft/yr of groundwater will need to be produced in the southern part of the Basin to maintain the safe yield.

Based on the data presented in *Optimum Basin Management Program, Phase I Report* (August 1999), municipal and industrial demands are projected to increase 30 percent between 2000 and ultimate build out (assumed to be 2020 in the Phase I report). Several agencies will experience increases in demand exceeding 30 percent, including the cities of Chino, Chino Hills, Norco, Ontario, Cucamonga County Water District (CCWD), Fontana Water Company (FWC), JCS D, and the West San Bernardino County Water District (WSBCWD). Forecasts from municipal and industrial entities indicate that municipal water supply sources for the Chino Basin at build out will consist predominantly of Chino Basin wells through direct use or treatment and use, groundwater and treated surface water from other basins, and MWDSC supplies. There is approximately 48,000 acre-ft/yr of agricultural production in the southern part of the Chino Basin in the year 2000, and this production will reduce to about 10,000 acre-ft/yr in the year 2020 at build-out. This decline in agricultural

production must be matched by new production in the southern part of the Basin or the safe yield in the Basin will be reduced. The remaining 10,000 acre-ft/yr of production in the southern part of the Basin will be used by the State of California. Future supplemental water supplies will come from expansion of the CCWD Lloyd Michael water treatment plant (WTP) and the WFA/JPA Agua de Lejos WTP.

Considerable discussion of the alternative water supply plans occurred at the OBMP workshops. The discussions focused, in part, on the assumption and details of each alternative and cost. Based on technical, environmental, and cost considerations, the stakeholders selected the water supply plan described in Table 2. Groundwater production for municipal use will be increased in the southern part of the Basin to: meet the emerging demand for municipal supplies in the Chino Basin, maintain safe yield, and to protect water quality in the Santa Ana River. A preliminary facility plan (Revised Draft Water Supply Plan Phase I Desalting Project Facilities Report) was prepared in June, 2000, that describes the expansion of the Chino I Desalter and the construction of the Chino II Desalter to be built in the JCSD service area (Attachment D). New southern Basin production for municipal use will require desalting prior to use. The cities of Chino, Chino Hills, Ontario and Norco, and the JCSD will maximize their use of groundwater from the southern part of the Basin prior to using other supplies. Chino Desalter No. 1 (the SAWPA Desalters), which is about to start production will have to be expanded from 8 million gallons per day (mgd) to 10 or 12 mgd by 2003. The Chino Desalter No. II will start construction in early 2001 as the Desalters will need to be on-line by 2003 with a capacity of 10 mgd. Both these Desalters will be expanded in the future. The general location of these Desalters, their respective well fields, product water pipelines, and delivery points are shown in Figure 2. Table 3 shows the timetable for the new Desalters capacity along with the salt removal capacity of these Desalters. Watermaster and IEUA have completed a draft project report for the expansion of the No. I, and the construction of Desalter No. II. The facility plan calls for Desalter No. I to be expanded from its existing capacity of 8 mgd to 10 mgd and the construction Desalter No. II with a capacity of 10 mgd by 2003. This facility plan will be submitted as part of an application to SAWPA in July 2000 to obtain Proposition 13 funding for the construction of these Desalters. Construction will start in January 2001 and these facilities will be online in 2003. These two Desalters will remove about 36,000 tons of salt per year from the basin which is about 46 percent of total salt removal capacity of Desalters envisioned in the OBMP (77,000 tons/year).

Imported water use will increase to meet emerging demands for municipal and industrial supplies in the Chino Basin area, Watermaster replenishment, and storage and recovery programs or conjunctive use. Expanded use of imported water in the northern part of the Basin will have a lower priority than maintaining groundwater production in the southern part of the Basin.

Recycled water use (direct use and recharge) will increase to meet emerging demands for non-potable water and artificial recharge. Under the current Basin Plan, all new recycled water use will require mitigation for TDS and nitrogen impacts. Recycled water use will be expanded as soon as practical. The two new Desalters described above and the increase in storm water recharge will provide mitigation for the expanded use of recycled water.

Watermaster is preparing a facilities report to be submitted to SAWPA as part of IEUA's application for funding from Proposition 13:

Implementation Status

Watermaster, working with IEUA, WMWD, OCWD or the Project Committee 14, and Producers, is in the process of finalizing a facilities plan that will result in the expansion of the Chino I Desalter and the construction of the new Chino II Desalter. Construction of these facilities will begin in early 2001(Attachment I).

Implementation Actions and Schedule

First Three Years (2000/01 to 2003/04).

Watermaster shall exercise best efforts to undertake the following actions in the first three years, commencing fiscal year 2000/01:

- Complete the Water Facilities Plan Report for the Expansion of the Chino I Desalter and the construction of the Chino II Desalter. It should be noted that this action is entirely consistent with the OBMP, and is being taken prior to completion of the OBMP.
- Start expansion of the Chino I Desalter and the construction of the Chino II Desalter in early 2001.

Years Four to Fifty (2004/05 to 2049/50).

Watermaster shall exercise best efforts to undertake the following actions in years four to fifty, commencing fiscal year 2004/05:

- Complete construction and start up of the expanded Chino I and new Chino II Desalters.
- Watermaster, IEUA and WMWD will periodically review the Regional Water Supply Plan and the need for new Desalter capacity in the southern water-quality impaired part of the Basin, and initiate the construction of new Desalter capacity as determined by Watermaster. Expansion of the Desalter capacity will occur as agricultural production in the southern water-quality impaired part of the basin declines.
- IEUA will construct recycled water facilities to meet the demand for recycled water and for replenishment.

PROGRAM ELEMENT 4 – DEVELOP AND IMPLEMENT COMPREHENSIVE GROUNDWATER MANAGEMENT PLAN FOR MANAGEMENT ZONE 1 (MZ1)

The occurrence of subsidence and fissuring in Management Zone 1 is not acceptable and should be reduced to tolerable levels or abated. The OBMP calls for a management plan to reduce or abate the subsidence and fissuring problems to the extent that it may be caused by production in MZ1. There is some uncertainty as to the causes of subsidence and fissuring and more information is necessary to distinguish among potential causes. Therefore an interim management plan will be developed to minimize subsidence and fissuring while new information is collected to assess the causes and to develop an effective long-term management plan.

Description.

The interim management plan consists of the following activities:

- Voluntary modifications to groundwater production patterns in Management Zone 1. During fiscal year 1999/2000 the cities of Chino and Chino Hills as well as the State of California have voluntarily reduced their production in the vicinity of recent ground fissures.
- Monitor long term balance of recharge and production in Management Zone 1.
- Determine gaps in existing knowledge.
- Implement a process to fill the gaps in existing knowledge. This include(s) hydrogeologic, geophysical, and remote sensing

investigations of Management Zone 1, as well as certain monitoring programs, including piezometric, production, water quality, ground level, and subsidence monitoring.

Formulate a long-term management plan. The long-term management plan will include goals, activities to achieve those goals, and a means to evaluate the success of the plan.

The long-term management plan will be formulated while the interim management plan is in-place based on investigations, monitoring programs and data assessment. It may include modifications to groundwater pumping rates and the locations of pumping, recharge, and monitoring. The long-term management plan will be adaptive in nature – meaning monitoring and periodic data assessment will be used to evaluate the success of the management plan and to modify the plan, if necessary.

Implementation Status.

Watermaster will develop the interim management plan during fiscal year 2000/01. Watermaster's budget estimate for this effort in fiscal 2000/01 is \$100,000. Monitoring and construction of extensometers for this effort is included in Program Element 1.

Approval of The Peace Agreement will also provide the adoption of Basin-wide measures that will benefit conditions within MZ 1. These measures include the following a portion of which are referenced on pages 16-19 and are repeated below in the interest of completeness and clarity:

Recharge and Replenishment.

After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding Recharge and Replenishment:

- (a) All Recharge of the Chino Basin with Supplemental Water shall be subject to Watermaster approval.
- (b) Watermaster will ensure that any person may make application to Watermaster to Recharge the Chino Basin with Supplemental Water, including the exercise of the right to offer to sell in-lieu Recharge water to Watermaster as provided in the Judgment and the Agreement in a manner that is consistent with the

OBMP and the law. Watermaster shall not approve an application by any party to the Judgment if it is inconsistent with the terms of the Agreement, or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any Party or the Basin caused by the Recharge of Supplemental Water shall be fully and reasonably mitigated as a condition of approval. In the event the Material Physical Injury cannot be fully and reasonably mitigated, the request for Recharge of Supplemental Water must be denied.

- (c) Watermaster shall administer, direct and conduct the Recharge of all water in a manner that is consistent with this Agreement, the OBMP and causes no Material Physical Injury to any party to the Judgment or the Chino Basin. Nothing herein shall be construed as committing a Party to provide Supplemental Water upon terms and conditions that are not deemed acceptable to that Party.
- (d) Notwithstanding Section 5.1(c), CBWCD shall reserve its complete discretion to Recharge the Basin with water other than Supplemental Water as may be authorized by general law so long as the Recharge is in accordance with the limitations in the Judgment, if any and is in accordance with the provisions of Section 5.1(d)(i)-(v).
 - (i) Upon request by Watermaster CBWCD shall exercise Best Efforts to consult, coordinate and cooperate with Watermaster when recharging water into the Basin;
 - (ii) CBWCD shall provide Watermaster with reasonable notice in advance of any material change in its historic Recharge operations;
 - (iii) CBWCD shall not be required to provide funding for Recharge projects merely by virtue of its execution of this Agreement;
 - (iv) CBWCD shall Recharge the Basin in a manner that does not cause Material Physical Injury to any party to the Judgment or the Basin. Upon Watermaster's receipt of a written allegation that an existing or proposed CBWCD Recharge activity has or will cause Material Physical Injury to any party to the Judgment or the Basin, Watermaster shall hold a Public Hearing within a reasonable time. Watermaster shall provide

notice and opportunity to be heard to interested parties to the Judgment including CBWCD. After hearing, Watermaster may approve, deny or condition the CBWCD's Recharge. Watermaster's decision shall be based upon the record and it shall be subject to the court's review;

- (v) CBWCD's Recharge of the Basin coupled with an intent to store and recover water shall require a storage and recovery agreement.
- (e) Watermaster shall exercise its Best Efforts to:
 - (i) protect and enhance the Safe Yield of the Chino Basin through Replenishment and Recharge;
 - (ii) ensure there is sufficient Recharge capacity for Recharge Water to meet the goals of the OBMP and the future water supply needs within the Chino Basin;
 - (iii) direct Recharge relative to Production in each area and sub-area of the Basin to achieve long term balance and to promote the goal of equal access to groundwater within all areas and sub-areas of the Chino Basin;
 - (iv) evaluate the potential or threat for any Material Physical Injury to any party to the Judgment or the Chino Basin, including, but not limited to, any Material Physical Injury that may result from any Transfer of water in storage or water rights which is proposed in place of physical Recharge of water to Chino Basin in accordance with the provisions of Section 5.3;
 - (v) establish and periodically update criteria for the use of water from different sources for Replenishment purposes;
 - (vi) ensure a proper accounting of all sources of Recharge to the Chino Basin;
 - (vii) Recharge the Chino Basin with water in any area where groundwater levels have declined to such an extent that there is an imminent threat of Material Physical Injury to any party to the Judgment or the Basin;

- (viii) maintain long-term hydrologic balance between total Recharge and discharge within all areas and sub-areas;
 - (ix) coordinate, facilitate and arrange for the construction of the works and facilities necessary to implement the quantities of Recharge identified in the OBMP Implementation Plan.
- (f) Watermaster shall undertake Recharge, using water of the lowest cost and the highest quality, giving preference as far as possible to the augmentation and the Recharge of native storm water.
- (g) In furtherance of its obligations under this Section, for a period of five years, commencing with Fiscal Year 2000-2001, and within each such Fiscal Year Watermaster shall arrange for the physical Recharge of Supplemental Water in the amount of an annual average of 6,500 acre-feet per year in one or more of the areas commonly known as the Montclair, Brooks and Upland spreading facilities.
- (i) If for any reason at the end of the five year period, a cumulative total of 32,500 acre-feet of physical Recharge has not been accomplished under this subdivision, then Recharge shall continue at the above referenced locations at the average annual rate of 6,500 acre-feet until the full 32,500 acre-feet of physical Recharge has been accomplished;
 - (ii) The Recharged Supplemental Water shall increase the Operating Safe Yield under the Judgment. The cost and allocation of this Supplemental Water under this Section 5.1g shall be apportioned pro rata among the members of the Appropriative Pool under the Judgment according to the Producer's share of the initial Safe Yield;
 - (iii) The need to continue physical Recharge under this paragraph shall be evaluated by Watermaster after the conclusion of Fiscal Year 2004-2005. In evaluating further physical Recharge pursuant to this paragraph, Watermaster shall take into account the provisions of this Article, the Judgment and the OBMP among all other relevant factors. Except as to Watermaster's determination of Material Physical Injury, the rights of each party to the Judgment to purchase or lease water to

meet its over-Production obligation shall be unaffected by this provision;

- (h) Watermaster shall not own Recharge projects, including but not limited to spreading grounds, injection wells, or diversion works. It shall never own real property. However, Watermaster may own water rights in trust for the benefit of the parties to the Judgment. Moreover, Watermaster shall arrange, facilitate and provide for Recharge by entering into contracts with appropriate persons, which may provide facilities and operations for physical Recharge of water as required by the Judgment and this Agreement, or pursuant to the OBMP. Any such contracts shall include appropriate terms and conditions, including terms for the location and payment of costs necessary for the operation and maintenance of facilities, if any.
- (i) CBWCD's rights and obligations to obtain Replenishment Water are unaffected by the execution of this Agreement. Its obligation, rights and duties regarding Recharge may be set by arms length negotiation through separate agreement or as they otherwise exist under general law and the Judgment.
- (j) Watermaster shall provide an annual accounting of the amount of Recharge and the location of the specific types of Recharge.

Implementation Actions and Schedule

First Five Years (2000/01 to 2004/05).

The following actions will be completed in the first three years commencing fiscal year 2000/01:

For a period of five years, commencing with Fiscal Year 2000-2001, and within each such Fiscal Year, arrange for the physical recharge of Supplemental Water in the amount of an annual average of 6,500 acre feet per year in one or more of the areas commonly known as the Montclair, Brooks and Upland spreading facilities. The need to continue physical recharge at these locations shall be evaluated by Watermaster after the conclusion of Fiscal Year 2004-2005.

- 2000/01 – A Management Zone 1 committee will develop a recommended interim management plan consistent with the above description.
- 2001/02 to 2003/04 – Implement the approved interim management plan, including appropriate monitoring; and annual assessment of data from monitoring programs, and modification of monitoring programs if necessary.
- 2004/05 – Develop long-term management plan.
- Implement the long term management plan.

Years Six to Fifty (2005/06 to 2049/50).

The following actions will be completed in years six through fifty, commencing fiscal year 2002/03:

- 2007/08 and every three years thereafter – Assess data from monitoring programs every three years and modify of management plan if necessary.
- Implement the long term management plan.

PROGRAM ELEMENT 6 – DEVELOP AND IMPLEMENT COOPERATIVE PROGRAMS WITH THE REGIONAL BOARD AND OTHER AGENCIES TO IMPROVE BASIN MANAGEMENT, and PROGRAM ELEMENT 7 – SALT MANAGEMENT PROGRAM

These program elements are needed to address some of the water quality management problems that have occurred in the Basin. These water quality problems are described in Section 2 *Current Physical State of the Basin* and Table 3-8 in Section 3 *Goals of the OBMP* of the OBMP Phase 1 Report. The specific water quality issues addressed by these program elements are listed below:

- Watermaster needs to routinely demonstrate that implementation of the OBMP will lead to groundwater quality improvements. Watermaster will develop and use a method to determine water quality trends and to verify whether the OBMP is improving water quality.
- There is legacy contamination in the vadose zone from past agricultural activities (TDS and nitrogen) that will continue to degrade groundwater long into the future.

Watermaster does not have sufficient information to determine whether point and non-point sources of groundwater contamination are being adequately addressed.

There is ongoing salt and nitrogen loading from agriculture.

Demonstration of Water Quality Improvement

Description.

The Court has indicated that Watermaster needs to routinely demonstrate that implementation of the OBMP will lead to groundwater quality improvements. Groundwater quality monitoring will be done in Program Element 1 and can be used to assess the long-term water quality benefits of the OBMP. In the short term, groundwater quality monitoring will not be a true metric of the water quality benefits of the OBMP. Water quality changes will occur very slowly. Water quality may continue to degrade after implementation of the OBMP due to legacy contamination in the vadose zone. Watermaster committed to the development of a salt budget tool that enables Watermaster to evaluate the water quality benefits of OBMP. In fiscal year 1999/2000, Watermaster developed the preliminary version of the salt budget tool to evaluate the projected OBMP performance in the Program Draft Environmental Impact Report for the OBMP. The salt budget tool is a spreadsheet tool that estimates the flow-weighted concentration of TDS and nitrogen into the Chino Basin at the management zone and basin levels, and estimates the TDS and nitrogen impacts of the OBMP on the Santa Ana River. The preliminary version of the salt budget tool needs to be revised to more accurately account for storm water recharge and storm water quality. The cost to update the salt budget tool will range between \$40,000 to \$45,000. Subsequent uses, in either OBMP updates or *ad hoc* investigations, will involve using and analyzing new water quality input data based on new monitoring data and revised water and waste management scenarios and program refinements as more is learned.

Implementation Status. As part of the Phase 2 OBMP process, Watermaster conducted preliminary salt budget studies. The preliminary salt budget studies were completed in May of 2000. Watermaster will update and refine the salt budget tool during Watermaster fiscal year 2000/01.

Cooperative Efforts with the Regional Water Quality Control Board

Description.

Watermaster does not have sufficient information to determine whether point and non-point sources of groundwater contamination are being adequately addressed. Watermaster's past monitoring efforts have been largely confined to mineral constituents in the southern half of the Basin and to available monitoring data supplied by municipal and industrial Producers. The Regional Water Quality Control Board (Regional Board) has limited resources to detect, monitor and cause the clean up of point and non-point water quality problems in the Chino Basin. The Regional Board commits its resources to enforce remedial actions when it has identified a potential responsible party. Watermaster can improve water quality management in the Basin by committing resources to:

- identify water quality anomalies through monitoring;
- assist the Regional Board in determining sources of the water quality anomalies;
- establish priorities for clean-up jointly with RWQCB; and
- remove organic contaminants through regional groundwater treatment projects in the southern half of the Basin.

The last bulleted item requires some explanation. The well field for the Chino I Desalter will eventually intercept a solvent plume of unknown origin that is emanating from the Chino airport area. There is a second solvent plume northeast of the Chino airport area that could be intercepted by the current Desalter or another future Desalter. This will require additional treatment for the water Produced by the Desalter. The Desalter project can be used to clean up these plumes at some additional cost. The cost of cleaning up the solvent plumes at the Desalters will be less than the cost of a dedicated solvent removal system. The additional cost should be paid for by the entity responsible for the solvent discharge.

Implementation Status. Watermaster is in the process of identifying water quality anomalies through its groundwater monitoring programs in Program Element 1. A revised anomaly map similar to Figure 2-58 in the OBMP Phase 1 report will be prepared by Watermaster. These water quality anomaly maps will be revised at least annually by Watermaster. The maps and supporting data will be submitted to the RWQCB for their use.

Watermaster will form an ad hoc committee, hereafter *water quality committee*, to review water quality conditions in the Basin and to develop cooperative strategies and plans to improve water quality in the Basin. The committee will meet regularly with Regional Board staff to recommend cooperative efforts for monitoring groundwater quality and detecting water quality anomalies. The schedule and frequency of meetings will be developed with the Regional Board during fiscal 2000/01 of the OBMP implementation. Watermaster will budget sufficient funds for fiscal 2000/01 for the first year of ad hoc committee activities. Watermaster will refine its monitoring efforts to support the detection and quantification of water quality anomalies. This may require additional budgeting for analytical work and staff/support. If necessary, Watermaster will conduct investigations to assist the Regional Board in accomplishing mutually beneficial objectives. Watermaster will seek funding from outside sources to accelerate detection and clean up efforts.

TDS and Nitrogen (Salt) Management in the Chino Basin

Description. TDS and nitrogen management will require minimizing TDS and nitrogen additions by fertilizers and dairy wastes, desalting of groundwater in the southern part of the Basin, and maximizing the artificial recharge of storm water. The latter two management components are included in Program Elements 3 and 2, respectively

The agricultural area in the southern part of the Chino Basin will gradually convert to urban uses over the next 20 to 30 years and, thus, in the long term, the TDS and nitrogen challenges from irrigated agriculture and dairy waste management will go away. The Regional Board adopted new dairy waste discharge requirements in 1999. The requirements include the following:

- Each dairy will develop and implement an engineered waste management plan that will contain dairy process water and on-dairy precipitation runoff for up to a 25-year, 24-hour storm event
- Manure scraped from corrals must be exported from the dairy within 180 days
- All manure stockpiled in the Chino Basin as of December 1, 1999, will be exported from the Basin by December 1, 2001.
- No manure may be disposed of in the Chino Basin
- Some manure can be applied to land at agronomic rates if and only if in the opinion of the Executive Officer of the RWQCB there is

reasonable progress toward the construction of a new Desalter in the Chino Basin.

The urban land use that will replace agriculture will require low TDS municipal supplies that in turn will Produce lower TDS irrigation returns to groundwater than those generated by agriculture. The construction of Desalters in the southern part of the Basin (as described in Program Elements 3 and 5) will extract and export large quantities of salt from the Basin. If Desalters are installed or expanded as currently being evaluated, approximately 50% of the salt removal capacity contemplated by 2020 in the Phase I report will be occurring by 2005. By 2020, the salt removal capacity of the Desalters will reach over 77,000 tons per year. Watermaster expects a net reduction in salt loading of about 77,000 to 100,000 tons of salt per year in the next 20 to 30 years.

Implementation Status. Watermaster will continue to monitor the nitrogen and salt management activities within the basin and update its nitrogen and salt management strategy as necessary.

Implementation Actions and Schedule

First Three Years (2000/01 to 2002/03). The following actions will be completed in the first three years commencing fiscal year 2000/01:

- Watermaster will form an ad hoc committee, hereafter *water quality committee*. The schedule and frequency of meetings will be developed with the Regional Board during the first year of the OBMP implementation.
- Watermaster will refine its monitoring efforts to support the detection and quantification of water quality anomalies. This may require additional budgeting for analytical work and staff/support.
- If necessary, Watermaster will conduct investigations to assist the Regional Board in accomplishing mutually beneficial objectives.
- Watermaster will seek funding from outside sources to accelerate detection and clean up efforts.
- Develop salt budget goals, develop the salt budget tool described above and review all the OBMP actions.
- Watermaster will continue to monitor the nitrogen and salt management activities within the basin.

At the conclusion of the third year, the *water quality committee* will have met several times, developed and implemented a cooperative monitoring plan with the Regional Board, and developed a priority list and proposed schedule for cleaning up all known water quality anomalies.

Years Four through Fifty (2003/04 to 2049/50).

The following actions will be completed in years four through fifty, commencing fiscal year 2003/04:

- Continue monitoring and coordination efforts with the Regional Board.
- Annually update priority list and schedule for cleaning up all known water quality anomalies.
- Continue to seek funding from outside sources to accelerate clean up efforts.
- Implement projects of mutual interest.
- As part of periodic updates of the OBMP, re-compute the salt budget using the salt budget tool. The salt budget tool will be used to reassess future OBMP actions to ensure that salt management goals are attained.
- Watermaster will continue to monitor the nitrogen and salt management activities within the basin.

PROGRAM ELEMENT 8 – DEVELOP AND IMPLEMENT GROUNDWATER STORAGE MANAGEMENT PROGRAM, PROGRAM ELEMENT 9 – DEVELOP AND IMPLEMENT STORAGE AND RECOVERY PROGRAMS

Watermaster seeks to develop a storage and recovery program that will benefit all the parties in the Basin and ensure that Basin water and storage capacity are put to maximum beneficial use while causing no material physical injury to any Producer or the Basin.

The following definitions were developed by Watermaster:

Operational Storage Requirement - The operational storage requirement is the storage or volume in the Chino Basin that is necessary to maintain safe yield. In the context of this storage and recovery program, the operational storage is estimated to be about 5,300,000 acre feet. An engineering analysis will be

done to assess the operational storage requirement of the Basin as part of the implementation of this program.

Safe Storage – Safe storage is an estimate of the maximum storage in the Basin that will not cause significant water quality and high groundwater related problems. In the context of this storage management program, the safe storage is estimated to be about 5,800,000 acre-ft. An engineering analysis will be done to assess the safe storage requirement of the Basin as part of the implementation this plan.

Safe Storage Capacity – The safe storage capacity is the difference between safe storage and operational storage requirement and is the storage that can be safely used by Producers and Watermaster for storage programs. Based on the above, the safe storage capacity is about 500,000 acre-ft including water in the existing storage accounts. The allocation and use of storage in excess of safe storage will preemptively require mitigation, that is, mitigation must be defined and resources committed to mitigation prior to allocation and use.

Key Elements of the Storage and Recovery Program will include Watermaster taking the following actions:

Storage and Recovery.

After the Peace Agreement is effective Watermaster shall act in accordance with the following actions regarding the storage and recovery of water:

- (a) In General.
 - (i) All storage capacity shall be subject to regulation and control by Watermaster;
 - (ii) No person shall store water in and recover water from the Chino Basin without an agreement with Watermaster;
 - (iii) Watermaster will ensure that any person, including but not limited to the State of California and the Department of Water Resources may make application to Watermaster to store and recover water from the Chino Basin as provided herein in a manner that is consistent with the OBMP and the law. Watermaster shall not approve an application to store and

recover water if it is inconsistent with the terms of this Agreement or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any Party or the Basin caused by the storage and recovery of water shall be reasonably and fully mitigated as a condition of approval. In the event the Material Physical Injury cannot be mitigated, the request for storage and recovery must be denied.

- (iv) This Agreement shall not be construed to limit the State or its department or agencies from using available storage capacity in the Basin in accordance with the provisions of this Section under a storage and recovery agreement with Watermaster.

(b) Local Storage.

- (i) For a period of five years from the Effective Date, Watermaster shall ensure that: (a) the quantity of water actually held in Local Storage under a storage agreement with Watermaster is confirmed and protected and (b) each party to the Judgment shall have the right to store its un-Produced carry-over water. Thereafter, a party to the Judgment may continue to Produce the actual quantity of carry-over water and Supplemental Water held in its storage account, subject only to the loss provisions set forth in this Section 5.2. This means a party to the Judgment may increase the total volume of carry-over water it holds in Local Storage up to five years after the Effective Date and as Watermaster may approve pursuant to a Local Storage agreement for Supplemental Water.
- (ii) For a period of five years from the Effective Date, any party to the Judgment may make application to Watermaster for a Local Storage agreement, whereby it may store Supplemental Water in the Chino Basin.
- (iii) Watermaster shall provide reasonable advance written notice to all interested parties of the proposed Local Storage agreement, prior to approving the agreement. The notice shall include the persons engaged in the Local Storage, the location of the Recharge and Production facilities and the potential for any Material Physical Injury, if any.

- (iv) Watermaster shall approve the Local Storage agreement so long as: (1) the total quantity of Supplemental Water authorized to be held in Local Storage under all then existing Local Storage agreements for all parties to the Judgment does not exceed the cumulative total of 50,000 acre-feet; (2) the party to the Judgment making the request provides their own Recharge facilities for the purpose of placing the Supplemental Water into Local Storage; (3) the agreement will not result in any Material Physical Injury to any party to the Judgment or the Basin. Watermaster may approve a proposed agreement with conditions that mitigate any threatened or potential Material Physical Injury.
- (v) There shall be a rebuttable presumption that the Local Storage agreement for Supplemental Water does not result in Material Physical Injury to a party to the Judgment or the Basin.
- (vi) In the event any party to the Judgment, or Watermaster, objects to a proposed Local Storage agreement for Supplemental Water and submits evidence that there may be a Material Physical Injury to any party to the Judgment or the Basin, Watermaster shall hold a Public Hearing and allow the objecting party to the Judgment a reasonable opportunity to be heard.
- (vii) In the event more than one party to the Judgment submits a request for an agreement to store Supplemental Water pursuant to a Local Storage agreement, Watermaster shall give priority to the first party to file a bona fide written request which shall include the name of the party to the Judgment, the source, quantity and quality of the Supplemental Water, an identification of the party to the Judgment's access to or ownership of the Recharge facilities, the duration of the Local Storage and any other information Watermaster shall reasonably request. Watermaster shall not grant any person the right to store more than the then existing amount of available Local Storage. The amount of Local Storage available for the storage of Supplemental Water shall be determined by subtracting the previously approved and allocated quantity of storage capacity for Supplemental Water from the cumulative maximum of 50,000 acre-feet.
- (viii) Watermaster shall base any decision to approve or disapprove any

proposed agreement upon the record.

- (ix) Any party to the Judgment may seek judicial review of Watermaster's decision.
- (x) Five years after the Effective Date, Watermaster shall have discretion to place reasonable limits on the further accrual of carry-over and Supplemental Water in Local Storage. However, Watermaster shall not limit the accrual of carry-over Local Storage for Fontana Union Mutual Water Company and Cucamonga County Water District when accruing carry-over storage pursuant to *Lease of Corporate Shares Coupled with Irrevocable Proxy, dated July 1, 1993 between Cucamonga County Water District and Fontana Water Resources Inc. and the Settlement Agreement Among Fontana Union Water Company, Kaiser Steel Reserves Inc., San Gabriel Valley Water Company and Cucamonga County Water Districts dated February 7, 1992*, to a quantity less than 25,000 acre-feet for the term of this Agreement.
- (xi) Watermaster shall evaluate the need for limits on water held in Local Storage to determine whether the accrual of additional Local Storage by the parties to the Judgment should be conditioned, curtailed or prohibited if it is necessary to provide priority for the use of storage capacity for those Storage and Recovery Programs that provide broad mutual benefits to the parties to the Judgment as provided in this paragraph and Section 5.2(c) below;
- (xii) Watermaster shall set the annual rate of loss from Local Storage for parties to the Judgment at zero until 2005. Thereafter the rate of loss from Local Storage for parties to the Judgment will be 2% until recalculated based upon the best available scientific information. Losses shall be deducted annually from each party to the Judgment's storage account;
- (xiii) Watermaster shall allow water held in storage to be transferred pursuant to the provisions of Section 5.3 below. Storage capacity is not transferable by any party to the Judgment or any Party hereto.

(c) Storage and Recovery Program.

- (i) Watermaster will ensure that no person shall store water in and recover water from the Basin, other than pursuant to a Local Storage agreement, without a storage and recovery agreement with Watermaster;
- (ii) Watermaster shall prepare a list of basic information that a proposed applicant for a Storage and Recovery Program must submit to Watermaster prior to the execution of a storage and recovery agreement;
- (iii) As a precondition of any project, program or contract regarding the use of Basin storage capacity pursuant to a Storage and Recovery Program, Watermaster shall first request proposals from qualified persons.
- (iv) Watermaster shall be guided by the following criteria in evaluating any request to store and recover water from the Basin by a party to the Judgment or any person under a Storage and Recovery Program.
 - (a) The initial target for the cumulative quantity of water held in storage is 500,000 acre-feet in addition to the existing storage accounts;
 - (b) Watermaster shall prioritize its efforts to regulate and condition the storage and recovery of water developed in a Storage and Recovery Program for the mutual benefit of the parties to the Judgment and give first priority to Storage and Recovery Programs that provide broad mutual benefits;
- (v) For the term of this Agreement, members of the Appropriative Pool and the Non-Agricultural Pool shall be exclusively entitled to the compensation paid for a Storage and Recovery Program irrespective of whether it be in the form of money, revenues, credits, proceeds, programs, facilities, or other contributions (collectively "compensation") as directed by the Non-Agricultural and the Appropriative Pools;
- (vi) The compensation received from the use of available storage capacity under a Storage and Recovery Program, may be used to off-set the

Watermaster's cost of operation, to reduce assessments on the parties to the Judgment within the Appropriative and Non-Agricultural Pools, and to defray the costs of capital projects as may be requested by the members of the Non-Agricultural Pools and the Appropriative Pool;

- (vii) Any potential or threatened Material Physical Injury to any party to the Judgment or the Basin caused by storage and recovery of water, whether Local Storage and recovery or pursuant to a Storage and Recovery Program, shall be reasonably and fully mitigated as a condition of approval;
 - (viii) Watermaster reserves discretion to negotiate appropriate terms and conditions or to refuse to enter into a Storage and Recovery or to deny any request. However, with respect to persons not parties to the Judgment, Watermaster reserves complete discretion. Watermaster shall base any decision to approve or disapprove any proposed Storage and Recovery Program upon the record. However, it may not approve a proposed Storage and Recovery Program unless it has first imposed conditions to reasonably and fully mitigate any threatened or potential Material Physical Injury;
 - (ix) Any party to the Judgment may seek review of the Watermaster's decision regarding a Storage and Recovery Program.
- (d) The specific terms and conditions for the use of the facilities of CBWCD in connection with Local Storage or Storage and Recovery Programs shall be covered under separate agreements reached by arms length bargaining between Watermaster and CBWCD. Watermaster and any other Party shall not be entitled to the income received by CBWCD for use of its facilities in connection with Local Storage or Storage and Recovery Programs without the consent of CBWCD. Nothing in this Agreement shall be construed as preventing CBWCD from entering into an agreement with others for use of its facilities in a manner consistent with Section 5.1(d) i-v of this Agreement.
- (e) Nothing herein shall be construed as prohibiting the export of Supplemental Water stored under a Storage and Recovery Program and pursuant to a storage and recovery agreement.

- (f) Watermaster shall exercise Best Efforts to undertake the following measures:
- (i) Complete the Short-Term conjunctive use project, authorized by Watermaster and conducted by IEUA, TVMWD and MWD;
 - (ii) Evaluate and develop a seasonal peaking program for in-Basin use and dry year yield to reduce the Basin's demand on the Metropolitan Water District for imported water;
 - (iii) Evaluate and develop a dry year export program;
 - (iv) Evaluate and develop a seasonal peaking export program;

Re-determination of Safe Yield and Storage Loss Rates

Safe Yield is currently 140,000 acre-feet per year. The safe yield and storage loss rate will be assessed every ten years starting in the year 2010/14. The ten-year period of 2000/01 to 2009/10 will be used to compute the safe yield and to estimate the storage loss rate.

Safe yield and storage loss rate determinations require accurate groundwater level and production data. Watermaster does not have accurate production data from agricultural Producers. Program Element 1 of the OBMP includes a program to install meters and obtain more accurate production measurements from wells in the Basin. It will take three years to implement the initial part of this program.

The safe yield in the Judgment was developed over the period 1965 to 1974 using the procedure described in Section 2 of the OBMP Phase I Report. The safe yield will be re-determined in year 2010/11 using the ten-year period 2000/01 to 2009/10 because it will contain accurate production data and groundwater level data. A ten-year period is proposed to be consistent with the method used in the engineering work for the Judgment and is the minimum necessary to estimate a safe yield.

Re-determination of the storage loss rate will require the use of a numerical model. The model will be used as follows:

- Calibrate the numerical model for the safe yield period. In the calibration process, the hydrology for the period 2000/01 to 2009/10 will be developed including deep percolation of applied water and precipitation, unmeasured storm water recharge, subsurface inflow

from adjacent basins, and uncontrolled discharges from the Basin (rising water).

Once calibrated, the water supply plans of the Producers and other storage entities will be modified to assume that no water would be put into storage accounts. The model will be rerun with this assumption and the results will be compared to the calibration run to determine losses from storage and the storage loss rate.

The storage loss rate will be set based on the relationship of water in storage and associated losses.

Watermaster's new groundwater level and production monitoring are crucial to this effort.

Implementation Actions and Schedule

First Three Years (2000/01 to 2002/03).

The following actions will be completed in the first three years commencing fiscal year 2000/01:

- Evaluate need to modify Watermaster UGRR regarding storage management plans and procedures.
- Determine the operational storage requirement and safe storage.

Years Four through Fifty (2003/04 to 2049/50).

The following actions will be completed in years four through fifty, commencing fiscal year 2003/04:

- In year 2010/11 and every ten years thereafter, compute safe yield and storage loss rate for prior ten-year period, and reset safe yield and storage loss rates for the next the next ten-year period. Reassess storage management plan and modify Watermaster UGRR, if needed.
- Start assessing losses at 2% per year in year 2005. This amount will be subject to modification in future years.

SALT CREDITS DEVELOPED IN THE OBMP

Salt Credits from Desalters

The Regional Board has determined that there is no assimilative capacity for TDS in most of the basin with current TDS objectives and subbasin boundaries. The Regional Board will probably adopt new TDS objectives using the boundaries of Management Zones 1 through 5 by the end of 2000. When the new boundaries and objectives are adopted the Regional Board will also determine that there is no assimilative capacity for TDS. This has the effect of requiring TDS reductions in either recycled water prior to recharge (through desalting) or the removal of an equivalent mass of salt from groundwater in the same management zone that the recycled water recharge is occurring. Desalination of wastewater prior to recharge is generally more expensive than desalting groundwater. Desalination of groundwater must occur in the southern end of Management Zones 1 through 3 and in Management Zones 4 and 5 to put groundwater in these areas to beneficial use and to maintain the safe yield of the basin. The amount of salt that would need to be removed from the basin for a 20,000 to 30,000 acre-ft/yr recycled water recharge program would be about 6,800 to 10,000 tons per year, respectively. If equal parts of recycled, state project and storm water are recharged then the offset drops to about 1,000 to 1,400 tons per year, respectively

Table 3 shows that the amount of salt being removed from the basin by the Desalters described in the OBMP in year 2003 to be about 36,000 tons per year and will reach about 77,000 tons per year in about 20 or more years. In addition to the Desalter the new dairy waste management requirements promulgated by the Regional Water Control Board will reduce the salt added by the dairies from over 30,000 tons per year to about 12,000 tons per year (dairy liquid waste only) in the current year. The residual 12,000 tons per year will reduce gradually over the next 20 to 30 years to negligible levels. By the end of 2003 the combined salt extraction by Desalters and reduction of dairy waste discharged to the basin will be about 54,000 tons per year – in the next 20 to 30 years this total will reach over 100,000 tons per year. This salt reduction rate will eventually improve the quality of groundwater in the Chino Basin.

The salt reduction described above is intended to be used as an offset or credit to mitigate the increased salt loading from the recharge of recycled water. The appropriators that own recycled water and IEUA and WMWD agreed to own and operate the Desalters through SAWPA PC#14, the OBMP Desalters and have been

allocated the salt credits that could be used to offset the TDS impacts of recycled water recharge.

Salt Credits from Recharge of New Storm Water

Urban storm water is generally of low TDS and is almost always less than the TDS objectives. Surface water quality sampling by Watermaster in the Montclair and Brooks basins routinely demonstrate that urban storm water has a TDS concentration less than 100 mg/L – about 150 mg/l less than the TDS objectives in management Zones 1 through 3. New storm water recharge occurs when urban storm water is diverted into recharge facilities instead of allowing the runoff to flow to the Santa Ana River. As per the Judgment, yield augmentation from new storm water recharge is allocated to members of the appropriative pool regardless of who causes new storm water recharge to occur. New urban storm water recharge can be blended with recycled water to dilute the TDS concentration of the recycled water and reduce or eliminate the need for TDS mitigation. From a TDS perspective, the effect of recharging urban storm water that has a TDS concentration less than the TDS objective is similar to salt removal from a Desalter, and the OBMP Peace Agreement allocates salt removal credits to the appropriators.

Table 1 -- Recharge Projects to Increase Storm Water Recharge and Recharge Capacity of Supplemental Water

Basin	MZ	Current Owner	Native Water Conservation		Estimated Supplemental Recharge Capacity ¹		Supplemental Water Sources	Improvements/Activities Description	Overall Priority (A-highest, C-lowest)	Due Date (1)
			Current Estimate (acre-ft/yr)	Goal (acre-ft/yr)	Current Estimate (acre-ft/yr)	Maximum Potential (acre-ft/yr)				
<i>Management Zone 1 Goals</i>										
				3,960						
				30,100						
<i>Upland Basin</i>										
	1	City of Upland	890	1,100	0	5,000	Imported Water Recycled Water	Acquire property Facility Improvements Expand MWDC turnout OC 59 New inlet from San Antonio Creek Emergency outlet to San Antonio Creek Removal of inert fill Recycled water pipeline and inlet Optimize the basin bottom geometry	C C A A A C A	0 0 1 1 1 0 1
<i>College Heights Basins</i>										
	1	CBWCD	0	500	0	11,000	Imported Water Recycled Water	Facility Improvements Expand MWDC turnout OC 59 New inlet from San Antonio Creek Emergency outlet to San Antonio Creek Removal of inert fill Recycled water pipeline and inlet	C A A A C	0 1 1 1 0
<i>Montclair Basins</i>										
	1	CBWCD	1,960	3,400	13,300	13,300	Imported Water Recycled Water	Facility Improvements Optimize the basin bottom geometry Recycled water pipeline and inlet	A C	1 0
<i>Brooks Street Basin</i>										
	1	CBWCD	810	1,200	0	4,000	Imported Water Recycled Water	Facility Improvements Expand MWDC turnout OC 59 New inlet from San Antonio Creek Emergency outlet to San Antonio Creek Recycled water pipeline and inlet Optimize the basin bottom geometry	C A A C A	0 1 1 0 1
<i>Grove Basin</i>										
	1	SBCFCD	300	300	0	0		Facility Improvements Optimize the basin bottom geometry	A	1
<i>Seventh and Eighth Street Basins</i>										
	1	SBCFCD	0	600	0	2,500	Imported Water Recycled Water	Facility Improvements New MWDC turnout Pipeline from new MWDC turnout to west Cur. Ch Recycled water pipeline and inlet Deepen basin Optimize the basin bottom geometry Modify outlet works to allow conservation storage	B B C A A A	0 0 0 1 1 1
Subtotals			3,960	7,100	13,300	35,800				

Table 1 – Recharge Projects to Increase Storm Water Recharge and Recharge Capacity of Supplemental Water

Basin	MZ	Current Owner	Native Water Conservation		Estimated Supplemental Recharge Capacity ¹		Supplemental Water Sources	Improvements/Activities Description	Do Now (1) or Later (0)	Overall Priority (A-Highest to Worst)
			Current Estimate (acre-ft/yr)	Goal (acre-ft/yr)	Current Estimate (acre-ft/yr)	Maximum Potential (acre-ft/yr)				
<i>Management Zone 2 and 3 Goals</i>				23,300		26,700				
<i>Native Water</i>										
<i>Supplemental Water</i>										
Turner Basin No. 1										
	2	SBCFCD	0	500	0	1,500	Imported Water Recycled Water	Facility Improvements New MWDSC turnout on Cucamonga Creek New inlet from Cucamonga Creek Misc. site improvements (grading, internal hydraulics, etc.) Recycled water pipeline and inlet Deepen basin to create conservation pool Optimize the basin bottom geometry	B A A C A A	0 1 1 0 1 1
Turner Basin No. 2										
	2	SBCFCD	0	500	0	1,500	Imported Water Recycled Water	Facility Improvements New MWDSC turnout on Deer Creek New inlet from Deer Creek Misc. site improvements (grading, internal hydraulics, etc.) Recycled water pipeline and inlet Deepen basin to create conservation pool Optimize the basin bottom geometry	B A A C A A	0 1 1 0 1 1
Ely Basin										
	2	SBCFCD 1&2 CBWCD 3	2,750	2,800	500	4,000	Imported Water Recycled Water	Facility Improvements New MWDSC turnout New pipeline from new MWDSC turnout to west Cuc. Cr. Recycled water pipeline and inlet Optimize the basin bottom geometry Modify outlet works to allow conservation storage	B B A A A	0 0 1 1 1
Expansion of Lower Day Basin										
	2	SBCFCD	0	500	0	8,000	Imported Water Recycled Water	Facility Improvements Expand MWDSC turnout CB 15T New inlet pipeline to connect to MWDSC turnout Deepening basin Recycled water pipeline and inlet Optimize the basin bottom geometry Modify outlet works to allow conservation storage	B B C C A A	0 0 0 0 1 1
Wineville Basin										
	3	SBCFCD	1,780	2,680	0	9,300	Imported Water Recycled Water	Facility Improvements Expand MWDSC turnout CB 15T New inlet pipeline to connect turnout to Day Creek Recycled water pipeline and inlet Optimize the basin bottom geometry Modify outlet works to allow conservation storage	A A A A A	1 1 1 1 1
Riverside Basin										
	3	SBCFCD	1,400	2,600	0	7,700	Imported Water Recycled Water	Facility Improvements Expand MWDSC turnout CB 15T New inlet pipeline to connect turnout to Day Creek Recycled water pipeline and inlet Optimize the basin bottom geometry Modify outlet works to allow conservation storage	A A A A A	1 1 1 1 1

Table 1 - Recharge Projects to Increase Storm Water Recharge and Recharge Capacity of Supplemental Water

Basin	MZ	Current Owner	Native Water Conservation		Estimated Supplemental Recharge Capacity ¹		Supplemental Water Sources	Improvements/Activities Description	Do Now (1) or Later (0)	
			Current Estimate (acre-ft/yr)	Cost (acre-ft/yr)	Current Estimate (acre-ft/yr)	Maximum Potential (acre-ft/yr)				Overall Priority (A-Highest C-lowest)
Expansion of Etiwanda Conservation Area (Joint use of Etiwanda Debris Basin)										
2	SBCFCD	Private Parties	1,850	1,300	6,300	22,000	Imported Water Recycled Water	Acquire Market property Facility Improvements Expand MWDSC turnout CB 14T Deepening and expansion of SBCFCD debris basin Recycled water pipeline and inlet Optimize the basin bottom geometry Modify outlet works to allow conservation storage	B A C A A	0 1 0 1 1
Improvements to Victoria Basin										
2	SBCFCD		0	500	0	4,000	Imported Water Recycled Water	Facility Improvements Expand MWDSC turnout CB 14T Recycled water pipeline and inlet New inlet from Etiwanda Creek Optimize the basin bottom geometry Modify outlet works to allow conservation storage	B C A A A	0 0 1 1 1
Improvements to San Sevaline No.'s 1 through 3										
2	SBCFCD		2,790	4,500	9,200	10,600	Imported Water Recycled Water	Facility Improvements Recycled water pipeline and inlet Optimize the basin bottom geometry	C B	0 0
Improvements to San Sevaline No.'s 4 and 5										
2	SBCFCD		80	500	0	19,400	Imported Water Recycled Water	Potential improvements Expand MWDSC turnout CB 13T New inlet pipeline to connect to MWDSC turnout Recycled water pipeline and inlet Deepen basin to create conservation pool Optimize the basin bottom geometry	B B C B B	0 0 0 0 0
Banana Basin										
3	SBCFCD		0	400	0	500	Imported Water Recycled Water	Potential improvements Expand MWDSC turnout CB 13T Construct inlet in San Sevaline Creek and pipeline to convey MWDSC water to Banana Basin Recycled water pipeline and inlet Deepen basin to create conservation pool Optimize the basin bottom geometry Modify outlet works to allow conservation storage	A A C A A A	0 0 0 1 1 1
Hickory Basin										
2	SBCFCD		0	500	0	1,500	Imported Water Recycled Water	Facility Improvements Expand MWDSC turnout CB 13T Construct inlet in San Sevaline Creek and pipeline to convey MWDSC water to Hickory Basin Recycled water pipeline and inlet Deepen basin to create conservation pool Optimize the basin bottom geometry Modify outlet works to allow conservation storage	B B B A A A	0 0 0 1 1 1

Table 1 - Recharge Projects to Increase Storm Water Recharge and Recharge Capacity of Supplemental Water

Basin	MZ	Current Owner	Native Water Conservation		Estimated Supplemental Recharge Capacity ¹		Supplemental Water Sources	Improvements/Activities Description	Do Now (I) or Later (O)	
			Current Estimate (acre-ft/yr)	Goal (acre-ft/yr)	Current Estimate (acre-ft/yr)	Maximum Potential (acre-ft/yr)				Overall Priority (A-Highest, C-lowest)
Improvements to the Etiwanda Percolation Ponds										
3	SBCFCD		0	500	0	4,000	Imported Water Recycled Water	Facility improvements Construct new MWDC turnout and pipeline to Etiwanda percolation basins. Pipeline to route MWDC water around site New outlet to Old Etiwanda Creek (to Wineville Basin) Misc. site improvements (grading, internal hydraulics, etc.) Recycled water pipeline and inlet Optimize the basin bottom geometry	A A A A A A	1 1 1 1 1 1
Jurupa Basin										
3	SBCFCD		0	3,000	0	4,000	Imported Water Recycled Water	Facility Improvements Expand MWDC turnout CB 13T and/or CB 14T Optimize the basin bottom geometry	A A	1 1
IEUA RP3 Ponds										
3	IEUA		0	0	0	4,000	Imported Water	Facility Improvements Expand MWDC turnout CB 13T and/or CB 14T Construct inlet in San Sevaire Creek and pipeline to convey MWDC water to RP3 Optimize the basin bottom geometry	A A A	0 0 0
Declez Basin										
3	SBCFCD		0	600	0	1,000	Imported Water	Expand MWDC turnout CB 13T and/or CB 14T Construct inlet in San Sevaire Creek and pipeline to convey MWDC water to Declez Basin Modify outlet works to allow conservation storage Deepen basin to create conservation pool Optimize the basin bottom geometry	A B A A A	0 0 1 1 1
Total All Management Zones				<u>20,400</u>	<u>29,300</u>	<u>138,800</u>				
Subtotal MZ 2 and MZ 3				<u>21,300</u>	<u>16,000</u>	<u>103,000</u>				

Projects completed with Prop 13 money will accomplish the following:

Management Zone 1		
Goals	<u>7,100</u>	<u>33,000</u>
Current	<u>3,960</u>	<u>13,300</u>
After improvement	<u>7,100</u>	<u>29,300</u>
Management Zone 2		
Goals	<u>13,100</u>	<u>4,000</u>
Current	<u>6,670</u>	<u>16,000</u>
After improvement	<u>13,100</u>	<u>15,000</u>
Management Zone 3		
Goals	<u>9,700</u>	<u>29,000</u>
Current	<u>3,180</u>	<u>0</u>
After improvement	<u>9,200</u>	<u>21,000</u>
Total Increase in Recharge	<u>15,590</u>	<u>37,000</u>

Note 1 - annual average recharge capacity assumes recharge water available for the months of October through April. Basis data for estimates is from Table 4-5 of the P1 RMP (Wilderth, 1998), some with modification.

Table 2
Regional Water Supply Plan for the OBMP¹
 (acre-ft/yr)

Purveyor Source	Year				
	2000	2005	2010	2015	2020
<i>City of Chino</i>					
Chino Basin Wells	10,000	10,000	10,000	10,000	10,000
Nitrate Removal Plant (Chino Groundwater)	0	0	0	0	0
OBMP Desalter No. I	1,680	3,360	4,420	5,490	6,550
WFA Treatment Plant	4,020	2,640	2,830	3,010	3,200
Reclaimed Water	100	1,050	1,050	1,050	1,050
Total Supply	15,800	17,050	18,300	19,550	20,800
Total Demand	15,800	17,050	18,300	19,550	20,800
<i>City of Chino Hills</i>					
Chino Basin Wells	3,610	3,610	3,610	3,610	3,610
OBMP Desalter No. I	1,120	7,540	7,540	7,540	7,540
Reclaimed Water	400	1,020	1,020	1,815	2,610
WFA Treatment Plant	0	0	0	0	0
MVWD Supply Chino GW	12,510	6,930	8,500	9,385	9,480
Total Supply	17,640	19,100	20,670	22,350	23,240
Total Demand	17,640	19,100	20,670	22,350	23,240
<i>City of Norco</i>					
Chino Basin Wells	0	0	0	0	0
City of Corona	220	0	0	0	0
Temescal Basin Groundwater	5,880	5,870	5,560	5,070	4,650
Supply from JCSD	900	0	0	0	0
OBMP Desalter No. II	0	1,530	2,140	3,330	4,350
Total Supply	7,000	7,400	7,700	8,400	9,000
Total Demand	7,000	7,400	7,700	8,400	9,000
<i>City of Ontario</i>					
Chino Basin Wells	34,720	32,950	32,950	32,950	32,950
WFA Treatment Plant	6,590	7,660	10,020	17,950	20,630
Reclaimed Water	840	840	1,680	2,520	3,360
Supply from SAWC (Chino GW)	850	850	850	850	850
OBMP Desalter No. II	0	5,000	5,000	8,530	12,710
Total Supply	43,000	47,300	50,500	62,800	70,500
Total Demand	41,530	45,830	49,030	61,330	69,030
Supply to Sunkist (Chino GW)	1,470	1,470	1,470	1,470	1,470

Table 2
Regional Water Supply Plan for the OBMP¹
 (acre-ft/yr)

Parveyor Source	Year				
	2000	2005	2010	2015	2020
<i>City of Pomona</i>					
Chino Basin Wells	5,220	5,220	5,220	5,220	5,220
Pomona Nitrate Treatment Plant (Chino GW)	13,880	13,880	13,880	13,880	13,880
Other Groundwater Basins	5,160	5,160	5,160	5,160	5,160
Reclaimed Water	7,000	7,000	7,000	7,000	7,000
Pedley Treatment Plant	3,800	3,800	3,800	3,800	3,800
TVMWD Weymouth Treatment Plant	2,140	3,380	4,520	5,840	7,044
Total Supply	37,200	38,440	39,580	40,900	42,104
Total Demand	37,200	38,440	39,580	40,900	42,104
<i>City of Upland</i>					
Chino Basin Wells	2,429	2,430	3,410	3,070	3,050
Supply from SAWC (non-Chino GW)	4,920	4,520	4,520	4,520	4,520
Supply from SAWC (San Antonio Canyon TP)	2,411	2,390	2,390	2,690	2,690
Supply from WECWC (Chino GW)	0	1,420	1,440	1,480	1,500
Supply from WECWC (other GW basins)	4,650	4,650	4,650	4,650	4,650
WFA Treatment Plant	7,590	7,590	7,590	7,590	7,590
Total Supply	22,000	23,000	24,000	24,000	24,000
Total Demand	22,000	23,000	24,000	24,000	24,000
<i>Cucamonga County Water District</i>					
Chino Basin Wells	8,000	10,160	10,160	10,160	10,160
Other Groundwater Basins	12,650	11,180	12,390	12,390	12,390
Reclaimed Water	0	0	0	2,402	4,804
CCWD Bridge Water Treatment Plant	1,000	1,000	1,000	1,000	1,000
CCWD Lloyd Michael Treatment Plant	21,710	25,550	28,860	30,978	33,096
CCWD Royer-Nesbit Treatment Plant	6,000	6,000	6,000	6,000	6,000
Deer Creek	550	550	550	550	550
Total Supply	49,910	54,440	58,960	63,480	68,000
Total Demand	49,910	54,440	58,960	63,480	68,000
<i>Fontana Water Company</i>					
Chino Basin Wells	16,700	22,825	16,050	20,375	24,800
Other Groundwater Basins	12,700	12,700	12,700	12,700	12,700
Reclaimed Water	0	0	0	1,685	3,370
Fontana Water Treatment Plant	0	0	18,600	16,915	15,230
Sandhill Treatment Plant	7,400	7,400	0	0	0
Total Supply	36,800	42,925	47,350	51,675	56,100
Total Demand	35,100	41,200	45,600	49,900	54,300
Supply to California Steel	1,700	1,725	1,750	1,775	1,800

Table 2
Regional Water Supply Plan for the OBMP¹
 (acre-ft/yr)

Purveyor Source	Year				
	2000	2005	2010	2015	2020
<i>Jurupa Community Services District²</i>					
Chino Basin Wells (Potable)	14,425	11,275	12,885	13,265	13,625
Chino Basin Wells (Non-potable)	50	250	450	650	850
Other Groundwater Basins	500	500	500	500	500
OBMP Desalter No. I	1,800	0	0	0	0
OBMP Desalter No. II	0	5,000	5,790	7,810	9,850
Total Supply	16,775	17,025	19,625	22,225	24,825
Total Demand	14,200	17,000	19,600	22,200	24,800
Supply to Mira Loma SC	25	25	25	25	25
Supply to Norco	900	0	0	0	0
Supply to Swan Lake	350	0	0	0	0
Supply to SARWC	1,300	0	0	0	0
Subtotal	2,575	25	25	25	25
<i>Mira Loma SC</i>					
Chino Basin Wells	0	0	0	0	0
Supply from JCSD	25	25	25	25	25
Total Supply	25	25	25	25	25
Total Demand	25	25	25	25	25
<i>Santa Ana River Water Company²</i>					
Chino Basin Wells	0	0	0	0	0
Almost Chino Basin Wells (along SAR outside legal bndy)	700	790	660	490	320
Supply from JCSD	1,300	0	0	0	0
OBMP Desalter No. II (see note below)	0	1,300	1,460	1,650	1,850
Total Supply	2,000	2,090	2,120	2,140	2,170
Total Demand	2,000	2,090	2,120	2,140	2,170
Note -- The Santa Ana Water Company may receive Desalter II water through either a direct connection paid for by the Company or through an interconnection with Jurupa Community Services District.					
<i>Swan Lake</i>					
Chino Basin Wells	0	0	0	0	0
Supply from JCSD	350	0	0	0	0
OBMP Desalter No. II	0	350	350	350	350
Total Supply	350	350	350	350	350
Total Demand	350	350	350	350	350
<i>Marygold Mutual Water Company</i>					
Baseline Feeder	1,450	1,580	1,620	1,660	1,700
Total Supply	1,450	1,580	1,620	1,660	1,700
Total Demand	1,450	1,580	1,620	1,660	1,700

Table 2
Regional Water Supply Plan for the OBMP¹
 (acre-ft/yr)

Purveyor Source	Year				
	2000	2005	2010	2015	2020
<i>Monte Vista Water District</i>					
Chino Basin Wells	26,670	21,090	22,660	23,545	23,640
WFA Treatment Plant	0	0	0	0	0
Total Supply	26,670	21,090	22,660	23,545	23,640
Total Demand	14,160	14,160	14,160	14,160	14,160
Supply to Chino Hills (Chino GW)	12,510	6,930	8,500	9,385	9,480
<i>San Antonio Water Company – Domestic</i>					
Chino Basin Wells	70	1,050	1,070	1,090	1,110
Other Groundwater Basins	400	400	400	400	400
San Antonio Canyon	0	0	0	0	0
San Antonio Tunnel	1,020	1,020	1,020	1,020	1,020
Total Supply	1,490	2,470	2,490	2,510	2,530
Total Demand	640	1,620	1,640	1,660	1,680
Supply to Ontario (Chino GW)	850	850	850	850	850
<i>Southern California Water Company</i>					
Chino Basin Wells	2,160	2,160	2,160	2,160	2,160
Other Groundwater Basins	4,950	4,490	4,850	4,850	4,850
TVMWD – Miramar Water Treatment Plant	7,090	8,300	8,670	8,670	8,670
Total Supply	14,200	14,950	15,680	15,680	15,680
Total Demand	14,200	14,950	15,680	15,680	15,680
<i>West End Consolidated Water Company</i>					
Chino Basin Wells	0	1,420	1,440	1,480	1,500
Other Groundwater Basins	4,650	4,650	4,650	4,650	4,650
Total Supply	4,650	6,070	6,090	6,130	6,150
Total Demand	0	0	0	0	0
Supply to Upland	4,650	6,070	6,090	6,130	6,150
<i>West San Bernardino County Water District</i>					
Other Groundwater Basins	5,330	6,835	9,520	9,510	9,510
SBVMWD Baseline Feeder	800	1,000	1,380	1,390	1,390
Total Supply	6,130	7,835	10,900	10,900	10,900
Total Demand	6,130	7,835	10,900	10,900	10,900

Table 2
Regional Water Supply Plan for the OBMP¹
(acre-ft/yr)

Purveyor Source	Year				
	2000	2005	2010	2015	2020
<i>Ameron</i>					
Chino Basin Wells	9	9	9	9	9
Total Supply	9	9	9	9	9
Total Demand	9	9	9	9	9
<i>San Bernardino County Division of Airports</i>					
Chino Basin Wells (Potable (Domestic))	300	300	300	300	300
Total Supply	300	300	300	300	300
Total Demand	300	300	300	300	300
<i>Reliant Energy</i>					
Chino Basin Wells	800	0	0	0	0
Reclaimed Water	0	3,300	3,300	3,300	3,300
IEUA -- MWD Water from CRA	2,500	0	0	0	0
Total Supply	3,300	3,300	3,300	3,300	3,300
Total Demand	3,300	3,300	3,300	3,300	3,300
<i>Sunkist</i>					
Chino Basin Wells	0	0	0	0	0
Supply from Ontario (Chino GW)	1,470	1,470	1,470	1,470	1,470
Total Supply	1,470	1,470	1,470	1,470	1,470
Total Demand	1,470	1,470	1,470	1,470	1,470
<i>Kaiser Ventures</i>					
Chino Basin Wells	670	670	670	670	670
Total Supply	670	670	670	670	670
Total Demand	670	670	670	670	670
<i>San Bernardino County Parks Department</i>					
Chino Basin Wells	75	75	75	75	75
Total Supply	75	75	75	75	75
Total Demand	75	75	75	75	75
<i>Monte Vista Irrigation Company</i>					
Chino Basin Wells	0	0	0	0	0
Total Supply	0	0	0	0	0
Total Demand	0	0	0	0	0
<i>California Steel</i>					
Chino Basin Wells	0	0	0	0	0
Fontana Water Company	1,700	1,725	1,750	1,775	1,800
Total Supply	1,700	1,725	1,750	1,775	1,800
Total Demand	1,700	1,725	1,750	1,775	1,800

Table 2
Regional Water Supply Plan for the OBMP¹
(acre-ft/yr)

Purveyor Source	Year				
	2000	2005	2010	2015	2020
Totals By Source Type and Pool					
Pool 1 Overlying Agricultural Pool (groundwater)	49,100	39,975	30,850	21,725	10,000
Pool 2 Overlying Non-Agricultural Pool					
Chino Basin Groundwater	3,624	2,474	2,474	2,474	2,474
OBMP Desalter No. II	0	350	350	350	350
Other Local Supplies	0	0	0	0	0
Imported Water	2,500	0	0	0	0
Recycled Water	0	3,300	3,300	3,300	3,300
Total Pool 2	6,124	6,124	6,124	6,124	6,124
Pool 3 Appropriative Pool					
Chino Basin Groundwater	137,634	138,370	135,995	141,505	146,605
OBMP Desalter No. II	0	12,830	14,390	21,320	28,760
OBMP Desalter No. I	4,600	10,900	11,960	13,030	14,090
Other Local Supplies	84,141	83,485	80,320	80,000	79,450
Imported Water					
WFA Treatment Plant	18,200	17,890	20,440	28,550	31,420
CCWD Lloyd Michael TP	21,710	25,550	28,860	30,978	33,096
CCWD Royer Nesbit	3,000	3,000	3,000	3,000	3,000
Other	11,730	11,680	31,790	31,425	30,944
Subtotal	49,940	56,120	82,470	92,343	96,850
Recycled Water	8,340	9,910	10,750	16,472	22,194
Total Pool 3	284,655	311,615	335,885	364,670	387,949
Total All Pools	339,879	357,714	372,859	392,519	404,073
Total Water Produced By Desalter Projects					
<i>OBMP Projects</i>					
OBMP Desalter No. II	0	13,180	14,740	21,670	29,110
OBMP Desalter No. II Raw Water Supply	0	15,506	17,341	25,494	34,247
OBMP Desalter No. I	4,600	10,900	11,960	13,030	14,090
OBMP Desalter No. I Raw Water Supply	5,292	12,540	13,759	14,990	16,210
<i>Pomona Ion Exchange</i>					
Production	13,880	13,880	13,880	13,880	13,880
Raw Water Supply	14,309	14,309	14,309	14,309	14,309
Total Chino Basin Groundwater Production Summary					
Pool 1	49,100	39,975	30,850	21,725	10,000
Pool 2	3,624	2,824	2,824	2,824	2,824
Pool 3	143,355	166,495	167,175	182,069	197,141
Total	196,079	209,294	200,849	206,618	209,965

Note 1 -- Some of the water supply plans for agencies taking OBMP desalter water are different than the plans shown in the "Revised Draft Water Supply Plan, Phase 1 Desalting Project Facilities Report, June 2000. These difference are minor and will be reconciled in July 2000.

Note 2 -- "Jurupa Community Services District" means Jurupa Community Services District and the Santa Ana River Water Company individually. Subject to provisions of the Peace Agreement, the design and delivery obligations for the Chino II Desalter set forth in Section 7.3 regarding Jurupa Community Services District include both Jurupa Community Services District and the Santa Ana River Water Company.

Table 3
Production and Salt Removal Capacity of Chino Basin Desalters

Year	Product Water Capacity (mgd)			Desalter groundwater Production (acre-ft/yr)	Salt Removal Capacity (tons)			
	OBMP Desalters No I	No II	Total		OBMP Desalters No I	No II	Total	Fraction of Ultimate Capacity
2000	4.7	0.0	4.7	5,292	5,436	0	5,436	7%
2001	8.0	0.0	8.0	8,960	9,205	0	9,205	12%
2002	8.0	0.0	8.0	8,960	9,205	0	9,205	12%
2003	10.0	10.0	20.0	25,372	12,881	22,697	35,578	46%
2004	10.0	12.0	22.0	27,905	12,881	27,176	40,057	52%
2005	10.0	12.0	22.0	27,905	12,881	27,176	40,057	52%
2006	12.0	12.0	24.0	29,124	14,134	27,176	41,309	53%
2007	12.0	12.0	24.0	29,124	14,134	27,176	41,309	53%
2008	12.0	14.0	26.0	31,100	14,134	30,755	44,889	58%
2009	12.0	14.0	26.0	31,100	14,134	30,755	44,889	58%
2010	12.0	14.0	26.0	31,100	14,134	30,755	44,889	58%
2011	12.0	14.0	26.0	31,100	14,134	30,755	44,889	58%
2012	12.0	14.0	26.0	31,100	14,134	30,755	44,889	58%
2013	12.0	20.0	32.0	40,484	14,134	45,215	59,348	77%
2014	12.0	20.0	32.0	40,484	14,134	45,215	59,348	77%
2015	12.0	20.0	32.0	40,484	14,134	45,215	59,348	77%
2016	14.0	20.0	34.0	41,704	16,651	45,215	61,865	80%
2017	14.0	26.0	40.0	50,457	16,651	60,573	77,224	100%
2018	14.0	26.0	40.0	50,457	16,651	60,573	77,224	100%
2019	14.0	26.0	40.0	50,457	16,651	60,573	77,224	100%
2020	14.0	26.0	40.0	50,457	16,651	60,573	77,224	100%
21-Year Totals								
Water Production (acre-ft/yr)				683,128				
Salt Removal (tons)					287,080	708,326	995,406	

Optimum Basin Management Program
Chino Basin Watermaster

Legend

- Flood Control / Conservation Basins
- IEUA POTW's
- Prado Flood Control Basin
- Hydrologic Chino Basin
- Bedrock
- MWD Pipeline
- Stream System
- Management Boundaries
- Fault
 - Dashed When Approximate
 - Dotted When Concentrated
 - Chequered When Uncertain
 - Large Dots Where Groundwater Barrier (Suspected Fault)

Management Zone Index Map

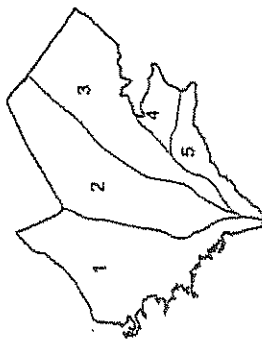


Figure 1
Location of Existing and Potential
Recharge Facilities
Chino Basin

WE WILDERMUTH
HILL
ENVIRONMENTAL, INC.

Date: June, 2000

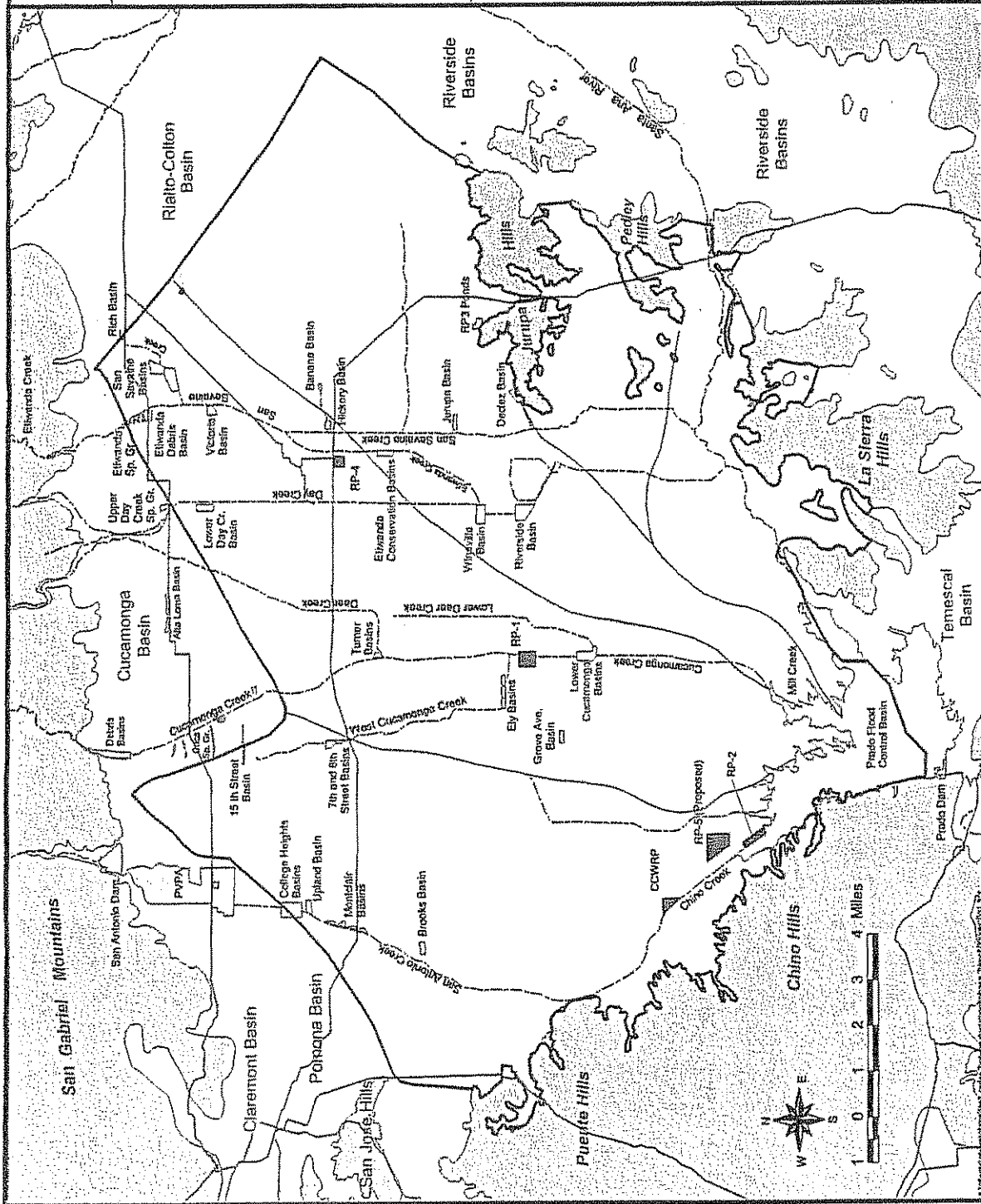


EXHIBIT C

**MEMORANDUM OF AGREEMENT
FOR RECHARGE IN THE
CHINO BASIN**

THIS AGREEMENT ("Agreement") is made and entered into this _____ day of June, 2000, between _____ and Watermaster ("the Parties") regarding recharge of water into the Chino Groundwater Basin.

RECITALS

WHEREAS, a Judgment was entered in San Bernardino County Superior Court Case No. RCV 51050 that adjudicated all rights to groundwater and storage capacity within the Chino Basin and established a physical solution; and

WHEREAS, Watermaster has the express powers and duties as provided in the Judgment or "hereafter ordered or authorized by the Court in the exercise of the Court's continuing jurisdiction" including the power to ensure that recharge of Supplemental Water does not result in Material Physical Injury to any Producer or the Basin; and

WHEREAS, Paragraph 41 of the Judgment provides that "Watermaster, with the advice of the Advisory and Pool Committees" has "discretionary powers in order to develop an optimum basin management program (OBMP) for the Chino Basin"; and

WHEREAS, Watermaster desires to facilitate and arrange for Recharge of water into the Chino Basin where and when it is prudent to do so under fair and reasonable terms and conditions; and

WHEREAS, _____ desires to Recharge water into the Chino Basin; and

NOW, THEREFORE, in consideration of the mutual promises specified herein, and for other good and valuable consideration, the Parties agree as follows:

1. No Ownership of Property. Watermaster shall not own real property but may contract for the operation of recharge projects, including but not limited to spreading grounds, injection wells, diversion works on real property.
2. No Material Physical Injury. _____ shall Recharge water in a manner so as to not cause Material Physical Injury to any party to the Judgment or the Basin.
3. Location. Any Recharge conducted by _____ shall occur at the locations identified in the Site Plan contained in Exhibit "A" attached hereto.
4. Timing. Watermaster shall direct Recharge by _____, and _____ shall arrange for recharge in accordance with the schedule attached hereto as Exhibit ____.
5. Compensation. In exchange for _____ Recharging water at the locations and times requested by Watermaster, _____ shall receive _____ per annum [per acre foot].
6. Annual Accounting. Watermaster shall provide an annual accounting of the amount of Recharge conducted pursuant to this Agreement.
7. Term. The term of this Agreement shall be ____ years.