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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO

10 CHINO BASIN MUNICIPAL WATER
11 DISTRICT

12 Plaintiff,

13 vs.

14 CITY OF CHINO, ET AL.

15 Defendant.
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17
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Case No. RCV 51010

[Assigned for All Purposes to the
Honorable STANFORD E. REICHERT]

WATERMASTER COMPLIANCE WITH
CONDITION SUBSEQUENT NUMBER
EIGHT; PROPOSED ORDER SUBMITTED
CONCURRENTLY

Hearing Date: September 24, 2010
Time: 10:30 a.m.
Dept: C-1 (Chino)

19 I. Background

20 At a hearing held April 2, 2010, Watermaster and the Court discussed holding informational
21 workshops similar to those held for the benefit of Judge Wade in 2008 for the purpose of providing
22 the Court with background about management of the Chino Basin under the 1978 Judgment. The
23 Court indicated an interest to hold such a workshop at or before the hearing on Condition
24 Subsequent Number Eight in order to provide detailed information to the Court relevant to its
25 approval of this condition. Accordingly, this pleading provides a brief introduction to the
26 background of Condition Subsequent Number Eight and the Recharge Master Plan ("RMP")
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1 generally, but is intended to be supplemented with live testimony in the context of a Court
2 workshop.

3 **A. December 21, 2007 Order and Conditions Subsequent**

4 On December 21, 2007, the Court signed its Order approving the Peace II Measures. The
5 Peace II Measures are a comprehensive package of Basin management measures that provide for an
6 update of the Basin management approach of the 2000 Optimum Basin Management Program
7 ("OBMP") and the Peace Agreement.
8

9 The measures described in Peace II were ambitious approaches that have no parallel in any
10 other managed groundwater basin. They followed upon the OBMP goal of constructing Desalter
11 facilities in the southern end of the Basin to pump at least 40,000 acre-feet of impaired water, and
12 from the 2004 Regional Water Quality Control Board's ("RWQCB") Basin Plan for the Santa Ana
13 River Watershed.
14

15 Pursuant to the mandate of its continuing oversight of the Watermaster process, the Court's
16 December 21, 2007 Order described nine conditions subsequent that Watermaster needed to meet in
17 order for the approval of Peace II to remain valid. The ninth of these conditions is a catchall
18 requirement that Watermaster meet all of its commitments as described in the Peace II Measures. So
19 far, Watermaster has successfully completed the first seven conditions. The final condition,
20 Condition Subsequent Number Eight, is the requirement that Watermaster submit an updated RMP
21 by July 1, 2010. This requirement mirrors the requirement in section 8.1 of the Peace II Agreement
22 to prepare an updated RMP, and differs from the section 8.1 requirement only insofar as Condition
23 Subsequent Eight places a specific deadline on Watermaster for the completion of the update.
24 Attached to this pleading as Exhibit "A" is a copy of the updated RMP. Watermaster respectfully
25 requests the Court to approve this RMP as compliant with the requirements of the December 21,
26 2007 Order.
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1 **B. Recharge Master Plan Background**

2 Prior conditions subsequent also dealt with the update of the RMP. In particular, Condition
3 Subsequent Number 5 required Watermaster to submit a detailed outline of the scope and content of
4 the updated RMP by July 1, 2008. Watermaster timely complied with this requirement and included
5 a detailed explanation of the content of the RMP as required by the December 21, 2007 Order. A
6 hearing to consider the approval of this outline was initially scheduled for August 21, 2008.
7 However, before that hearing could take place, Judge Gunn left the bench and was eventually
8 replaced by Judge Wade. On November 13, 2008, Judge Wade held a hearing to consider a variety
9 of matters and, based on a lack of objection by any party to the intended scope and structure of the
10 RMP update, approved the outline. (Reporter's Transcript, November 13, 2008 Hearing 4:10.)

11 **C. Recharge under the Judgment**

12 The Chino Basin Judgment operates on the fundamental premise that overproduction can be
13 replenished through the recharge of supplemental water. Under the Judgment no party is limited in
14 the amount that it can pump from the Basin, provided that sufficient funds are provided by the
15 parties to purchase replenishment water to replace any pumping above the Safe Yield of the Basin.

16 However, as pumping from the Basin increases over time, replenishment needs also increase.
17 There are two aspects to this increasing need that are relevant to the RMP: (1) recharge facilities
18 must be adequate to accommodate the recharge needs, and (2) the water to be used for recharge must
19 be available for purchase. Both of these elements have challenges and addressing these challenges is
20 a key function of the updated RMP.

21 **D. December 21, 2007 Order**

22 **1. Required Content of the Updated Recharge Master Plan**

23 By reference and incorporation to the *Special Referee's Final Report and Recommendations*
24 on Motion for Approval of Peace II Documents (dated December 20, 2007), the Court articulated the
25

1 minimum issues that needed to be addressed by the updated RMP. Watermaster listed these
2 requirements in its pleading for Condition Subsequent Number Five and described where in the
3 outline of the RMP these issues were addressed. Similarly, the updated RMP contains a table (Table
4 7-1) describing where the required elements can be found in the RMP. For the Court's convenience,
5 a copy of this table is separately attached here as Exhibit "B."
6

7 2. Standard of Review

8 The December 21, 2007 Order does not articulate the standards to be used by the Court in
9 determining whether the RMP update is sufficient.

10 The Watermaster process is grounded in litigation of the Chino Basin adjudication and is
11 therefore primarily an adversarial process. Watermaster has the overarching goal to administer the
12 Judgment and protect the Basin, and the individual parties and Pools remain advocates for the many
13 and varied individual interests in the Basin. The updated RMP was unanimously recommended for
14 approval by all three Pools, the Advisory Committee and recommended for approval by the
15 Watermaster Board with one abstention. Watermaster knows of no objection by any party to the
16 Court's approval of the updated RMP in satisfaction of Condition Subsequent Number Eight.
17

18 Watermaster has previously articulated the position that the ability to object to a Watermaster
19 action defines the issues under the Judgment, and when there are no challenges it is a means of
20 identifying a lack of issues. In other words, consent of the parties represents compelling, un rebutted
21 evidence that the matter before the Court is both consistent with the Judgment and in the public
22 interest. (*Motion for Approval of Peace II Documents* (filed October 25, 2007) 10:18-24; see also
23 *Watermaster Response to Special Referee Preliminary Comments and Recommendations on Motion*
24 *for Approval of Peace II Documents* (filed December 14, 2007) 5:8.)
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1 **II. Updated RMP**

2 **A. Process of Development of RMP Update**

3 **1. RMP Update Development Team**

4 The primary drafter of the RMP update was Watermaster's consultant team at Wildermuth
5 Environmental. However, significant contributions were also made by other agencies and
6 consultants. The Chino Basin Water Conservation District performed important work regarding
7 stormwater recharge issues through its consultant firm Wagner and Bonsignore, Consulting Civil
8 Engineers. Black & Veatch performed important work regarding facilities concept development for
9 supplemental water recharge. Sierra Consulting also contributed important input regarding
10 supplemental water purchase opportunities and issues. Finally, the Inland Empire Utilities Agency
11 ("IEUA") acted as a partner in the development of the RMP update providing significant in kind
12 services and final report review.
13

14 **2. Stakeholder workshops**

15 In September 2008, Watermaster convened its second annual strategic planning meeting, the
16 focus of which was the scoping of the RMP update. Between that time and May of 2010,
17 Watermaster planned and convened several workshops to present the results of the RMP update
18 technical analyses and to receive input from the stakeholders on the RMP update. Between March
19 26, 2009 and March 25, 2010, Watermaster held seven such workshops, each with a specific
20 technical theme. The schedule of these workshops is attached to the RMP update as Appendix A,
21 and for the convenience of the Court the schedule is separately attached here as Exhibit "C."
22 Following these workshops, Watermaster held two half-day workshops on April 21, 2010 and May
23 19, 2010 in order to present the draft RMP update and receive comments from the stakeholders.
24

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1 **B. RMP Recommendations**

2 The recommendations of the RMP update are contained in Section 7 of the report. In 2008,
3 when the outline of the updated RMP was presented to the Court in satisfaction of Condition
4 Subsequent Number Five, it was anticipated that the final version of the RMP update would include
5 specific actions requiring immediate implementation. For this reason, the Condition Subsequent Five
6 pleading indicated that implementation agreements would be developed concurrently with the RMP
7 update.
8

9 However, changed circumstances altered this approach. Four specific factors are relevant in
10 this regard: (1) The economic recession resulted in a much lower growth rate than was forecast.
11 Because development did not occur as predicted, municipal water demand has not grown as
12 anticipated. (2) IEUA recycled water development proceeded more aggressively than planned. The
13 development of recycled water use and recharge has served to slow the increase in demand for the
14 development of other recharge capacity. (3) Senate Bill 7, enacted in 2009, includes aggressive
15 water conservation requirements. Increased conservation beyond what was predicted in 2008 has
16 also served to slow the increase in demand for the development of recharge capacity. In addition, the
17 passage of SB7 led to the legislature delaying the required 2010 update to urban water suppliers'
18 Urban Water Management Plans ("UWMP") for one year until June 2011. The scheduling of the
19 development of the RMP update relied upon these UWMPs to be well underway so that the data
20 used in the UWMPs could be used to inform the conclusions of the RMP update. (4) Finally, in
21 2010 a new MS4 permit was adopted by the Santa Ana Regional Water Quality Control Board which
22 imposes new requirements on land use control entities with regard to stormwater retention by new
23 development.
24

25 While the final RMP update has remained faithful to the outline as presented to the Court in
26 2008, and while Watermaster believes that the RMP update accomplishes the substantive objectives
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28

1 of the Court in imposing the requirement of the RMP update, the factors above have altered the
2 nature of the RMP update from the way that it was conceived in 2008. Previous projections of water
3 demand growth in the Chino Basin have changed significantly over the past two years, and it is
4 unclear at this time whether and how such changes will continue. Much of this information will be
5 obtained from the parties through their UWMPs, which will describe expectations concerning
6 demand, supply and the ways in which the parties will comply with the mandates of SB7. Because of
7 this, the current RMP is understood to be an adaptive management document that will be updated as
8 conditions change and new information is obtained.
9

10 The recommendations of the RMP update are grouped into five categories: (1) local
11 stormwater management and the mitigation of the loss of Safe Yield; (2) development of regional
12 stormwater recharge facilities; (3) acquisition of supplemental water for replenishment; (4)
13 development of supplemental water recharge facilities; and (5) ongoing RMP updates. In summary,
14 the recommendations in each of these categories are as follows:
15

16 **1. Local Stormwater Management and Mitigation of Safe Yield [RMP section 7.1]**

17 The RMP update recommends that Watermaster work with relevant land use entities to
18 encourage the implementation of local stormwater retention facilities consistent with the 2010 MS4
19 permit. The RMP update recommends that Watermaster incentivize such implementation by
20 allocating any additional stormwater recharge to the owners of the projects that create such recharge.
21 The RMP update recommends the immediate formation of a committee whose purpose would be to
22 develop monitoring and accounting practices relative to such allocation.
23

24 **2. Regional Stormwater Recharge Facilities [RMP section 7.2]**

25 The RMP analysis identified five phases of development of improvements to the regional
26 stormwater recharge facilities. Since phases IV and V are significantly more expensive than phases I
27 through III, the report recommends that Watermaster should first conduct analysis of the Phase I
28

1 through III projects to refine the projects, to develop a financing plan, and to develop an
2 implementation plan. The RMP recommends that this planning work should begin as soon as
3 practical and concludes that such planning work can be accomplished within three years.

4 **3. Supplemental Water for Replenishment [RMP section 7.3]**

5 The RMP recommends that further analysis be conducted following the conclusion of the
6 appropriators UWMPs in June of 2011. After this point, it will be possible to determine to what
7 extent Watermaster should pursue the acquisition of supplemental water in addition to that made
8 available through the Metropolitan Water District of Southern California. In addition, the RMP
9 recommends that Watermaster begin the practice of “preemptive replenishment” – that is,
10 replenishment in advance of pumping that incurs a replenishment obligation. Such a practice would
11 enable Watermaster to take advantage of supplemental water when it is available.

12 **4. Supplemental Water Recharge Facilities [RMP section 7.4]**

13 The RMP update recommends that no new recharge facilities will be required to meet
14 Watermaster’s replenishment obligations through the planning period, provided that the Riverside
15 Corona Feeder is completed within the next ten years. The RMP also recommends that Watermaster
16 explore the use of parties’ ASR facilities, if available, and the use of in-lieu recharge to achieve an
17 improved balance of recharge and discharge in specific areas identified in prior reports.

18 **5. Future RMP Update Process**

19 The RMP update recommends that it be updated following the completion of the
20 appropriator’s UWMPs in 2011, and then every five years thereafter. The updated Recharge Master
21 Plan is based on a number of assumptions about water availability conditions in California over
22 many years and about development patterns in the Chino Basin. These assumptions have changed
23 significantly in the last two years, and are certain to continue to change through the coming years,
24 and for this reason the RMP is not a static document, but is rather something that must be
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1 continually examined and updated. That is, this "final" updated RMP is really just the beginning of
2 an adaptive process that will continue for many years.

3 **C. Adoption Resolution**

4 Reflecting the adaptive nature of the RMP, the Watermaster Resolution adopting the RMP
5 acknowledges that it is a planning document that will change and be modified as the assumptions
6 and planning goals that are its foundation change over time. A copy of Watermaster's Resolution is
7 attached here as Exhibit "D."

8
9 Under section 8.1 of the Peace II Agreement, IEUA also has a right to review and approve
10 the RMP update. Given that the concern of the Court in requiring approval of the RMP through
11 Condition Subsequent Number 8 is to ensure that the updated RMP is sufficiently protective of the
12 Basin, IEUA does not object to the Court finding that Watermaster has satisfied the obligations of
13 Condition Subsequent Eight. In fact, it is IEUA's position that the RMP as approved by Watermaster
14 is over-protective of the Basin and may result in unnecessary expenditures. IEUA has thus deferred
15 its approval of the RMP until additional data that may inform this discussion becomes available such
16 as through the UWMP process that will be complete by the end of June 2011. IEUA reserves its
17 right to recommend alternative measures. Attached hereto as Exhibit "E" is a June 22, 2010 letter
18 from IEUA that more fully articulates its position regarding the updated RMP.
19

20 **III. Related Issues**

21
22 The RMP update is necessary in order to properly plan for the replenishment obligation that
23 will exist when the fully operational desalter system is no longer replenished by the Basin Re-
24 Operation water. The RMP is thus intimately related to other OBMP projects such as the Desalters,
25 Hydraulic Control and Basin Reoperation. At the April 2, 2010 hearing, there was discussion about
26 scheduling workshops similar to those held for Judge Wade, so that the Court can be educated about
27 the different OBMP program elements and their interrelationships. The Court suggested that a
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1 possible convenient schedule would be to schedule the first such workshop on the hearing date for
2 the Condition Subsequent Number Eight. Issues related to the RMP update that should be addressed
3 as part of such a hearing are described below. Each of these issues is complex, but since they are not
4 directly related to the Court approval associated with Condition Subsequent Number Eight, they are
5 only described below in the broadest detail. Watermaster intends to provide testimony on each of
6 these issues at any workshop scheduled by the Court in order to provide sufficient detail to fully
7 familiarize the Court with the issues.
8

9 **A. Desalter Expansion and Chino Creek Wellfield Progress Report.**

10 One of the central OBMP projects is the construction of Desalters in the Southern portion of
11 the Basin. This project has proceeded in phases and the project that will result in the construction of
12 the final increment of Desalter capacity to satisfy the OBMP is underway. This is the same project
13 through which the Chino Creek Wellfield will be constructed in order to complete the hydraulic
14 barrier that will result in Hydraulic Control. Hydraulic Control will be attained through the one time
15 effort of Basin Re-Operation, and then will be maintained through operation of the Chino Desalters.
16 The project is being constructed by the Chino Desalter Authority.
17

18 Watermaster and IEUA are required to achieve Hydraulic Control pursuant to the RWQCB's
19 Basin Plan for the Santa Ana Watershed and for the recycled water permits for the Chino Basin.
20 While the Chino Creek Wellfield project is progressing, on April 1, 2010, the RWQCB issued an
21 Administrative Civil Liability Complaint against Watermaster and IEUA because the RWQCB felt
22 that progress on this project is not proceeding quickly enough. A copy of this complaint is attached
23 here as Exhibit "F." In May this complaint was settled by the parties. This settlement resulted in
24 Watermaster and IEUA paying a fine to the RWQCB and a new schedule for Chino Creek Wellfield
25 construction being approved by the RWQCB. A copy of this settlement agreement is attached here
26 as Exhibit "G."
27
28

1 In response to the complaint, the Watermaster Board instructed staff and General Counsel to
2 initiate a facilitation process in order to accelerate the progress of the Desalter expansion project.
3 Such facilitation effort was initiated and Principles of Agreement were approved by both
4 Watermaster and the CDA that describe the understanding of the parties enabling the Desalter
5 expansion and Chino Creek Wellfield project to move forward. A copy of these Principles of
6 Agreement is attached here as Exhibit "H."

8 **B. Chino Airport Plume**

9 One of the hurdles to moving forward with Desalter expansion has been cost liabilities
10 associated with two contaminant plumes. Of particular concern has been the Chino Airport plume.
11 San Bernardino County Department of Airports is the responsible party associated with this plume.
12 The San Bernardino County Department of Airports is a party to the Judgment. This issue is relevant
13 because the Chino Creek Wellfield will intercept this plume and treatment of the contaminants
14 contained therein will result in increased costs to the CDA.

16 The CDA has requested Watermaster to act as the lead in negotiating with San Bernardino
17 County on this issue. Watermaster has been actively pursuing such a resolution and has been
18 working closely with the County. In order to provide structure for these discussions, on January 22,
19 2010, Watermaster issued a Notice of Intent to Sue pursuant to the requirements of Resources
20 Conservation and Recovery Act. A copy of this Notice of Intent is attached here as Exhibit "I." Prior
21 to initiating a lawsuit, Watermaster would seek Court approval for such an action.

23 **IV. Procedure Regarding Potential Reduction in Safe Yield**

24 On March 3, 2008, Watermaster filed a technical report prepared by Wildermuth
25 Environmental in response to Condition Subsequent Number Three. A hearing was set for May 1,
26 2008, in order for the Court to approve this submittal. On April 1, 2008, Watermaster submitted its
27 response to Condition Subsequent Number Four. In response to Watermaster's filing in compliance
28

1 with Conditions Subsequent Three and Four, Monte Vista Water District submitted comments
2 expressing concern over the procedures that would be used to calculate reallocation of surplus
3 Agricultural Pool water in the event of a decline in Safe Yield. These comments were filed on or
4 about April 10, 2008. On April 17, 2008, the Special Referee filed comments on Watermaster's
5 compliance with Conditions Subsequent Three and Four.
6

7 By stipulation dated April 25, 2008, Watermaster committed to develop procedures that
8 would be responsive to Monte Vista's concerns and to submit them to the Court for approval as part
9 of the updated Recharge Master Plan and the submission in compliance with Condition Subsequent
10 Number Eight. On that same date, Watermaster filed a response to the Special Referee's comments,
11 and notified the Court of the stipulation with Monte Vista. A copy of the stipulation is attached here
12 as Exhibit "J."
13

14 The stipulation required Watermaster to produce certain information regarding an expected
15 future range of Agricultural Pool production prior to July 1, 2008. Watermaster produced this
16 information and at the June 26, 2008 Appropriative Pool meeting, the Appropriative Pool convened
17 a subcommittee to discuss the development of a procedure to respond to this information.
18

19 At the August 6, 2008 meeting of this subcommittee, staff and legal counsel were asked to
20 memorialize a proposed resolution of the method of allocation of water in the event of a reduction in
21 Safe Yield and to create spreadsheets that documented the results of a range of other methods. On
22 September 8, 2008, Watermaster distributed these materials to the subcommittee and requested
23 comments. Comments were received and a revised memorandum was distributed that memorialized
24 the procedure as proposed by the subcommittee.
25

26 At the December Watermaster meetings, the procedure as proposed by the subcommittee was
27 considered and approved by the three Pools, the Advisory Committee and the Board. Attached
28 hereto as Exhibit "K" is the December 2008 staff report and memorandum from legal counsel that

1 describes the procedures agreed upon by the parties including the spreadsheet that demonstrates the
2 operation of the adopted procedure.

3 The procedure as detailed in the memorandum specifies that in the event that Operating Safe
4 Yield is reduced because of a reduction in Safe Yield, Watermaster will follow the hierarchy
5 provided for in the Judgment, Exhibit "H," by first applying the unallocated Agricultural Pool water
6 to compensate the Appropriative Pool members for the reduction in Safe Yield. (Judgment, Exhibit
7 "H," paragraph 10(a).) If there is unallocated water left, Watermaster will then follow the remainder
8 of the hierarchy and reallocate unallocated Agricultural Pool water next to conversion claims then to
9 supplement the Operating Safe Yield without regard to reductions in Safe Yield according to the
10 guidance provided by Peace Agreement I & II and Watermaster's Rules and Regulations, as
11 amended.¹

12
13
14 Given the adaptive nature of the RMP, and in order to ensure clear direction for Watermaster
15 in the predicted decline in Safe Yield over time, Watermaster requests that the Court separately
16

17 ¹ Paragraph 5.3(g) of the Peace Agreement requires that Watermaster approve an "Early Transfer" of
18 Agricultural Pool water if the Agricultural Pool production is less than 50,000 acre-feet. An Early
19 Transfer is the reallocation of the greater of 32,800 or 32,800 acre-ft/yr plus the actual amount of
20 water not produced by the Agricultural Pool for each fiscal year to be allocated among the members
21 of the Appropriative Pool in accordance with their pro-rata share of the safe yield. (Peace I, p. 33,
22 ¶5.3 (g).) Paragraph 5.3(g) is ambiguous about how the Early Transfer relates to the hierarchy
23 described in Exhibit "H". Section 6.3 of the Watermaster Rules and Regulations was created to
24 specify the hierarchy as between land use conversions and the Early Transfer. Watermaster Rules
25 and Regulations 6.3, as amended, specifies that when the actual combined production from the Safe
26 Yield made available to the Agricultural Pool, which includes overlying Agricultural Pool uses
27 combined with land use conversions and the Early Transfer, exceeds 82,800 in any year, the amount
28 of water available to members of the Appropriative Pool shall be reduced pro rata in proportion to
the benefits received according to the following procedure:

- (1) All the land use conversions and the Early Transfer will be added together and shall be the
"Potential Acre-Feet Available for Reallocation."
- (2) Each Appropriative Pool member's share of the Potential Acre-Feet Available for
Reallocation shall be determined and expressed as a percentage share of the Potential Acre-
Feet Available for Reallocation (i.e. a member's land use conversion plus its share of the
Early Transfer, divided by the total Potential Acre-Feet Available for Reallocation.)
- (3) Each Appropriative Pool member's share of the Potential Acre-Feet Available for
Reallocation shall then be reduced pro rata according to the percentage determined in #2
above.

1 approve this interpretation of the Judgment and direct that these procedures will be the procedures
2 that Watermaster will use to calculate reallocation of Agricultural Pool water in the event of a
3 reduction in Safe Yield. Upon approval of these procedures by this Court, Watermaster shall amend
4 its Rules and Regulations to reflect the Court's Order. Watermaster knows of no opposition to Court
5 approval of these procedures.
6

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10 Dated: June 30, 2010

BROWNSTEIN HYATT FARBER SCHRECK, LLP

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13 By: 

14 SCOTT S. SLATER
15 MICHAEL T. FIFE
16 Attorneys for
17 CHINO BASIN WATERMASTER
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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO

CHINO BASIN MUNICIPAL WATER
DISTRICT,

Plaintiff,

vs.

CITY OF CHINO, ET AL.,

Defendant.

Case No. RCV 51010

[Assigned for All Purposes to the Honorable
STANFORD E. REICHERT]

**[PROPOSED] ORDER APPROVING
WATERMASTER'S COMPLIANCE WITH
CONDITION SUBSEQUENT NUMBER
EIGHT AND APPROVING PROCEDURES
TO BE USED TO ALLOCATE SURPLUS
AGRICULTURAL POOL WATER IN THE
EVENT OF A DECLINE IN SAFE YIELD**

Hearing Date: September 24, 2010
Hearing Time: 10:30 AM
Dept.: C1

Having read, reviewed and considered all pleadings filed in support and in response, if any,
including the testimony presented at the September 24, 2010, hearing, and good cause appearing
therefore:

I. Recharge Master Plan

On December 21, 2007, this Court issued its *Order Concerning Motion for Approval of
Peace II Documents*. The Order required Watermaster to comply with nine conditions subsequent.
The ninth condition subsequent is an ongoing requirement that Watermaster comply with all
commitments made in the Peace II Documents. The eighth condition subsequent is thus the final
specific condition subsequent under the December 21, 2007 Order.

1 Consistent with section 8.1 of the Peace II Agreement, condition subsequent number eight
2 requires Watermaster to submit for approval an updated Recharge Master Plan by July 1, 2010. The
3 specific items required to be covered by the updated Recharge Master Plan were described with
4 specificity in the *Special Referee's Final Report and Recommendations on Motion for Approval of*
5 *Peace II Documents*. The updated Recharge Master Plan lists these required elements and in Table
6 7 describes where in the updated Recharge Master Plan they can be found. No party has alleged
7 that the updated Recharge Master Plan does not address all of the issues required by the Court's
8 Order, or does not otherwise satisfy the requirements of section 8.1 of the Peace II Agreement.

9 At the broadest level, the purpose of the Recharge Master Plan updated is to ensure that at
10 any time during the period when the 400,000 acre-feet of Basin Re-Operation water is being
11 produced, Watermaster and the parties will have the ability to cease production of the 400,000 acre-
12 feet and return to normal Basin operations.

13 According to the conclusions of the updated Recharge Master Plan, the Chino Basin
14 currently has sufficient recharge capacity that Basin Re-Operation could cease and normal
15 operations could resume. However, this conclusion is conditioned on certain assumptions.

16 With regard to local stormwater management, the updated Recharge Master Plan
17 recommends the formation of a committee to develop the monitoring, reporting, and accounting
18 practices that will be required to estimate local project stormwater recharge and new yield.

19 With regard to regional stormwater recharge facilities, the updated Recharge Master Plan
20 recommends that Watermaster should conduct further analyses of the Phase I through III projects
21 described in the RMP to refine the projects, to develop a financing plan, and to develop an
22 implementation plan for projects deemed necessary to meet the objectives. The schedule to
23 implement the necessary Phase I through III projects should be developed during the proposed
24 planning work.

25 With regard to supplemental water for replenishment, the updated Recharge Master Plan
26 recommends that the RMP revisit the issue after the completion of the parties' Urban Water
27 Management Plans which are scheduled to be complete by the end of June 2011. The updated
28

1 Recharge Master Plan also recommends that Watermaster begin replenishing the Basin when water
2 for replenishment is available, rather than waiting for the need for replenishment to arise. The RMP
3 calls this "preemptive replenishment."

4 With regard to supplemental water recharge facilities, the updated RMP finds that no new
5 recharge facilities will be required, but conditions this finding of the construction of the Riverside
6 Corona Feeder within the next ten years.

7 Finally, the updated Recharge Master Plan recommends that the plan should be further
8 updated following the completion of the parties' UWMPs in June 2011, and then every five years
9 thereafter.

10 No party has objected to these conclusions and recommendations. The Inland Empire
11 Utilities Agency has deferred its right to approval of the Recharge Master Plan until after the
12 completion of the parties' UWMPs. IEUA believes that the water demand and production
13 assumptions are overly conservative and should be re-evaluated with the completion of the parties
14 UWMPs to avoid unnecessary expense to the parties.

15
16 **II. Procedures Regarding Allocation of Surplus Agricultural Pool Water In The**
17 **Event of a Decline in Safe Yield**

18 In 2008, Watermaster entered into a stipulation with Monte Vista Water District and agreed
19 to address the procedure to be used by Watermaster to allocate surplus Agricultural Pool water in
20 the event of a decline in Safe Yield based on the Judgment, Peace Agreements and Watermaster
21 Rules and Regulations. In connection with Watermaster Compliance with Condition Subsequent
22 Number Eight, Watermaster has outlined the proper procedure to reallocate surplus Agricultural
23 Pool water and submitted a December 2008 staff report and December 4, 2008 memorandum from
24 legal counsel that describe this specific procedure adopted by the Watermaster Board. Watermaster
25 requests that the Court direct that the adopted procedure be the procedure used by Watermaster in
26 the event of a decline in Safe Yield. No party has objected to the Court so ordering.
27
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1 **III. Findings and Order**

2 On the basis of the above, the Court finds and Orders as follows:

3 (1) The Court finds that the 2010 updated Recharge Master Plan is responsive to the
4 Court's December 21, 2007, condition subsequent number eight, and satisfies this condition.

5 (2) Watermaster has satisfied all of the conditions subsequent under the Court's
6 December 21, 2007 Order. The ninth condition is a catchall condition requiring Watermaster to
7 fulfill all of its commitments under the Peace II Agreement, and does not require a specific
8 compliance action as have the other eight conditions.

9 (3) Watermaster is hereby ordered to convene the committee described in item 3 of
10 section 7.1 of the updated RMP to develop the monitoring, reporting, and accounting practices that
11 will be required to estimate local project stormwater recharge and new yield.

12 (4) Watermaster is hereby ordered to conduct further analyses as described in section 7.2
13 of the updated RMP of the Phase I through III projects to refine the projects, to develop a financing
14 plan, and to develop an implementation plan.

15 (5) By December 17, 2011, six months following completion of the parties UWMPs,
16 Watermaster will report to the Court on any changes to the 2010 RMP necessitated by information
17 received through the UWMPs. In this report Watermaster will also report on progress made under
18 items (3) and (4) above, and will report on the status of IEUA's approval of the RMP.

19 (6) Watermaster is ordered to utilize the procedures regarding re-allocation of surplus
20 Agricultural Pool water in the event of a decline in Safe Yield as described in the December 2008
21 staff report and December 4, 2008 memorandum from legal counsel. Specifically, in the event that
22 the Operating Safe Yield is reduced because of a reduction in Safe Yield, Watermaster will follow
23 the hierarchy provided for in the Judgment, Exhibit "H," by first applying the unallocated
24 Agricultural Pool water to compensate the Appropriative Pool members for the reduction in Safe
25 Yield. (Judgment, Exhibit "H," paragraph 10(a).) If there is unallocated water left, Watermaster
26 will then follow the remainder of the hierarchy and reallocate unallocated Agricultural Pool water
27 next to conversion claims then to supplement the Operating Safe Yield without regard to reductions
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1 in Safe Yield according to the guidance provided by Peace Agreement I & II and Watermaster's
2 Rules and Regulations, as amended. If, after applying the unallocated Agricultural Pool water to
3 compensate the Appropriative Pool members for the reduction in Safe Yield, the actual combined
4 production from the Safe Yield made available to the Agricultural Pool, which includes overlying
5 Agricultural Pool uses combined with land use conversions and the Early Transfer, exceeds 82,800
6 in any year, the amount of water available to members of the Appropriative Pool shall be reduced
7 pro rata in proportion to the benefits received according to the procedures outlined in the
8 Watermaster Rules and Regulations.

9 Watermaster will revise its Rules and Regulations to reflect this Order.

10
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12 September 24, 2010

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The Honorable Stanford E. Reichert

EXHIBIT A

2010 Recharge Master Plan Update can be found on the RMPU
Website:

<http://rmp.wildermuthenvironmental.com/final-rmpu.html>

EXHIBIT B

Table 7-1
Comparison of the Court's RMPU Requirements and How Those Requirements are Addressed in the RMPU

	Requirement	How Requirement is Met in the RMPU	
		Where in RMPU	Specific Actions
1	Baseline conditions must be clearly defined and supported by technical analysis. The baseline definition should encompass factors such as pumping, demand, recharge capacity, total Basin water demand, and availability of replenishment water.	Sections 4, 6, and 7	Section 4 describes total projected water demand and the associated water supply plans based on projections by the IEUA and Watermaster. Section 6 describes the supplemental water recharge capacity and the availability of supplemental water for replenishment and, in particular, reviews the ability to acquire water for replenishment from Metropolitan. Section 7 contains specific recommendations for the acquisition of supplemental water through the next recharge master plan update.
2	Safe Yield should be estimated annually, though it is recognized that it is not to be formally recalculated until 2011. Watermaster should develop a technically defensible approach to estimating Safe Yield annually.	Section 3	Section 3 describes the computation of safe yield and presents a recommended method to compute safe yield during 2010-11 and subsequent years. Watermaster will likely use its discretion to determine when to recompute safe yield after 2010-11.
3	Measures should be evaluated to lessen or stop the projected Safe Yield decline. All practical measures should be evaluated in terms of their potential benefits and feasibility.	Sections 3, 5, and 7	Section 3 describes the causes of a declining safe yield and suggests that the safe yield could drop from the current value of 140,000 acre-ft/yr to 129,000 acre-ft/yr by 2030. Section 3 also describes the expected increase in safe yield of 5,300 acre-ft/yr to 10,500 acre-ft/yr due to compliance with the 2010 MS4 permits. Section 5 includes descriptions of new stormwater recharge projects that could yield between 10,000 to 15,000 acre-ft/yr. Most of the projects described in Section 5 will require more detailed planning and new agreements with the Counties to determine their ultimate feasibility. Section 7 summarizes the recommended next steps in estimating and crediting the new recharge from the implementation of MS4 and in the implementation of the proposed new stormwater recharge projects.
4	Evaluations and reporting of the impact of Basin Re-Operation on groundwater storage and water levels should be done on an annual basis.		Strictly speaking, this is not an RMPU issue and is not covered in the 2010 RMPU. Watermaster analyzes the impact of Basin Re-Operation on groundwater storage and water levels in the southern part of the Basin annually and basin wide every two years. The data and results of these analyses are published in the Hydraulic Control Monitoring Report each year (on or before April 15) and the State of the Basin Report every two years.
5	Total demand for groundwater should be forecast for 2015, 2020, 2025, and 2030. The availability of imported water for supply and replenishment, and the availability of recycled water should be forecast on the same schedule. The schedules should be refined in each Recharge Master Plan update. Projections should be supported by thorough technical analysis.	Sections 4 and 6	Section 4 contains the demand for groundwater forecasted for 2010, 2015, 2020, 2025, 2030, and 2035. Section 6 describes the availability of imported water for supply and replenishment as forecasted through 2030, based on the draft 2009 SWP Delivery Reliability Report (DWR, 2010). Section 6 also describes the current and future recycled water recharge projections from the IEUA.
6	The Recharge Master Plan must include a detailed technical comparison of current and projected groundwater recharge capabilities and current and projected demands for groundwater. The Recharge Master Plan should provide guidance as to what should be done if recharge capacity cannot meet or is projected not to be able to meet replenishment needs. This guidance should detail how Watermaster will provide sufficient recharge capacity or undertake alternative measures so that Basin operation in accordance with the Judgment and the Physical Solution can be resumed at any time.	Section 6	Section 6 describes the recharge capacity of existing spreading basins, existing ASR wells, future ASR wells, and existing in-lieu recharge capacity. Section 6 concludes that Watermaster, given present knowledge and agreements, will not be replenishment constrained by recharge capacity. That is, Watermaster has enough installed recharge capacity to meet current and future replenishment obligations through 2030.
7	Address how the Basin will be contemporaneously managed to secure and maintain Hydraulic Control and subsequently operated at a new equilibrium at the conclusion of the period of Re-Operation.		The technical work to make this demonstration was done in 2009 and is reported separately in <i>2009 Production Optimization and Evaluation of the Peace II Project Description</i> (WEI, 2009), which has been posted to the RMPU website rmp.wildermuthenvironmental.com .
8	Contain recharge estimations and summaries of the projected water supply availability as well as the physical means to accomplish the recharge projections.	Sections 3, 4, 5, and 6	Section 3 contains recharge projections for stormwater for existing facilities and new recharge from the 2010 MS4 permit. Section 4 contains a schedule of the future recharge requirements for Watermaster to meet its replenishment obligations. Section 5 contains descriptions of new recharge projects, recharge performance, and cost and implementation issues. Section 6 describes the supplemental water supplies available to Watermaster to meet its replenishment obligation and new supplemental water recharge projects that could be implemented to provide Watermaster with additional recharge capacity and supplemental water, and flexibility in meeting its replenishment obligation.
9	Reflect an appropriate schedule for planning, design, and physical improvements as may be required to provide reasonable assurance that sufficient Replenishment capacity exists to meet the reasonable projections of Desalter Replenishment obligations following the implementation of Basin Re-Operation.	Section 7	Section 7 describes the recommended recharge master plan. This section describes the means to stop the projected loss of safe yield, increase stormwater recharge, and acquire supplemental water for replenishment purposes. No new recharge facilities are required to meet replenishment obligations. Detailed scheduling of new stormwater recharge facilities should be deferred until additional planning information is developed to refine these projects. The decision to acquire new supplemental water sources should be deferred until updated groundwater production projections become available in late 2011-12. The RMPU should be updated in the second half of 2011-12 and subsequent years ending in "1" and "6."

EXHIBIT C

Appendix A

Public Outreach and Process

The design of the 2010 Recharge Master Plan Update started in January 2008 with the development of a straw-man RMPU report outline that contained the content required by the December 21, 2007 Court Order and met the requirements of the Peace II Agreement and the Peace Agreement. The outline was also suggestive of the process that was to be used to complete the 2010 RMPU. That process specifically provided for input from the stakeholders. This outline was discussed at stakeholder meetings through the spring of 2008 and revised several times to respond to stakeholder input. The final report outline was submitted to the Court for their review and approval in late June 2008. In August 2008, the Court approved the 2010 RMPU report outline. In September 2008 Watermaster convened its second annual strategic planning meeting—the focus of which was the scoping of the 2010 RMPU. This strategic planning meeting served as the kickoff for the development of the 2010 RMPU.

The Chino Basin Watermaster planned and convened several workshops during the course of RMPU development. The purposes of these workshops were generally to present the results of the technical work to the stakeholders and to obtain input from the stakeholders. Each workshop had a specific technical theme. The workshops and their technical themes are listed below:

1. March 26, 2009 *Replenishment Projections and Supplemental Recharge Capacity and Design and Cost Development Criteria*
2. April 23, 2009 *Stormwater Recharge Optimization: Potential Local Recharge Facilities (960 MB)*
3. July 23, 2009 *Production and Replenishment Optimization and 2009 Peace II CEQA Analysis and Supplemental Water Recharge for Replenishment*
4. August 27, 2009 *Supplemental Water Alternatives*
5. October 22, 2009 *Stormwater Recharge Update*
6. January 28, 2010 *Storm Water Recharge Update*
7. March 25, 2010 *Replenishment Projections and Recharge Master Plan Update Recommendations and Storm Water Recharge Improvement Opportunities*
8. April 21, 2010 *Draft 2010 RMPU Report Workshop and Storm Water Recharge Improvement Opportunities*
9. May 19, 2010 *Draft 2010 RMPU Report Workshop #2*

A website was created to post the schedule of workshops and workshop presentations. This website was substantially upgraded in April of 2010 to include draft sections of the 2010 RMPU and again in June 2010 to include the final 2010 RMPU report. The final report, draft report, workshops, and other relevant documents can be accessed via the RMPU website at <http://rmp.wildermuthenvironmental.com/>.

EXHIBT D

**Resolution Number 10-03
of the Chino Basin Watermaster
Regarding Ongoing Support for the Chino Basin Recharge Master Plan**

Whereas, in 2000, the Chino Basin Watermaster adopted a Recharge Master Plan which established the technical foundation for the development of the recharge facilities and practices in the Chino Basin.

Whereas, in 2001, Watermaster, in cooperation with the Inland Empire Utilities Agency ("IEUA"), initiated the Chino Basin Facilities Improvement Project ("CBFIP") which implemented facilities recommendations in the Recharge Master Plan.

Whereas, in 2006, Watermaster, in cooperation with IEUA, initiated Phase II of the CBFIP in order to implement additional facilities recommendations in the Recharge Master Plan.

Whereas, on December 21, 2007, the Court approved the Peace II Measures which set forth a modified approach to management of the Chino Basin known as Basin Re-Operation whose ultimate goal is the achievement of Hydraulic Control.

Whereas, as a condition of approval of Basin Re-Operation and Hydraulic Control, the Court required Watermaster to update the Recharge Master Plan to account for the new Basin management regime and to account for other changes that have occurred since the creation of the original Recharge Master Plan.

Whereas, during 2009 and 2010, Watermaster staff and technical consultants, in cooperation with IEUA and the Chino Basin Water Conservation District, have developed an updated Recharge Master Plan and have conducted numerous workshops with the Chino Basin stakeholders as the update was developed.

On the basis of the foregoing, the Chino Basin Watermaster finds and resolves that:

1. The updated Recharge Master Plan is based on sound technical analysis and adequately updates the 2000 Recharge Master Plan in light of Basin Re-Operation and Hydraulic Control and in light of changed economic and hydrologic conditions within the State of California.
2. Watermaster adopts the updated Recharge Master Plan as the guidance document for the further development of the recharge facilities for the Chino Basin.
3. Pursuant to the Peace II Agreement section 8.1, Watermaster and IEUA will update this plan not less than once every five years. In particular, the Plan will be updated following the completion of the parties' Urban Water Management Plans by June 30, 2011.

APPROVED by the Advisory Committee this 17th day of June 2010.
ADOPTED by the Watermaster Board on this 24th day of June 2010.

By:

Chairman, Watermaster Board

APPROVED:

Chairman, Advisory Committee

ATTEST:

Board Secretary
Chino Basin Watermaster

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

I, Ken Manning, Secretary of the Chino Basin Watermaster, DO HEREBY CERTIFY that the foregoing Revised Resolution being No. 10-03, was adopted at a regular meeting of the Chino Basin Watermaster Board by the following vote:

AYES: 8

NOES: 0

ABSENT: 0

ABSTAIN: 1

CHINO BASIN WATERMASTER

Secretary

Date: _____

EXHIBIT E



June 22, 2010

Michael T. Fife, Esq.
Brownstein, Hyatt, Farber, Schreck, LLP
21 East Carrillo Street]
Santa Barbara, CA 93101-2701

Re: Recharge Master Plan

Dear Mr. Fife:

This will confirm our telephone conference of June 15, 2010, regarding the Chino Basin Recharge Master Plan update (RMP). Other participants in the phone conference included Tom Love, Martha Davis, and Chris Berch of Inland Empire Utilities Agency (IEUA) and Ken Manning of Watermaster. The telephone conference was the culmination of a series of phone conferences, meetings and exchanged correspondence all discussing the current version of the updated RMP which will be filed with the court on July 1, 2010.

As you are aware, Section 8.1 of the Peace II Agreement provides that IEUA and Watermaster must each approve the RMP submitted to the court. Notwithstanding the impending court filing deadline, and the good faith efforts of all parties involved over recent weeks and months, it is evident that there remains a difference of opinion between IEUA and Watermaster regarding certain technical aspects of the RMP.

It is IEUA's contention that some of the data utilized in formulating critical underlying assumptions which support conclusions in the RMP is overstated. For example, IEUA's data demonstrates water demands will remain nearly constant over the next five-year period due to low growth forecasts and significant influence of conservation measures; however, the RMP anticipates nearly a 20% increase in water demand during the same time period.

From IEUA's perspective, the variance in projected water demand is significant and could lead to the design and construction of recharge facilities in excess of what is actually needed to meet the demand. There are additional areas of divergent opinion between the parties which continue to be discussed and, we believe, will ultimately be resolved.

IEUA recognizes the impressive progress that has been made over the past ten years to increase the physical recharge capabilities within the Chino Basin. Cooperative initiatives, such as the Chino Basin Facilities Improvement Project, Phase I and II, the Inland Empire Recycled Water Program, the joint agreement between Watermaster, Chino Basin Conservation District, San Bernardino County Flood

Control District and IEUA for the coordinated use of recycled water, storm water and imported water for groundwater recharge, and the Conjunctive Use Dry Year Yield Agreement between, the Metropolitan Water District of Southern California, Three Valleys Water Agency and IEUA, have led to over \$200 million in regional capital investments which have significantly increased the capacity to recharge, store and extract water from the Chino groundwater basin. We fully expect that similar cooperative initiatives in the future will achieve the common goal of ensuring that sufficient future recharge capacity is maintained within the Chino Basin.

IEUA also recognizes its obligation to its rate payers. That obligation includes ensuring that significant and costly projects such as those proposed in the RMP are pursued in proper measure. Given IEUA's interpretation of the water demand data as described above plus the continued initiatives to develop and conserve local water supplies, there is genuine concern that Watermaster may, under the proposed RMP, prematurely embark upon recharge capital improvements which may exceed what is actually necessary to meet the recharge needs of the Chino Basin. At the present time, IEUA is reluctant to join in such projects.

Accordingly, IEUA has elected to defer the exercise of its discretionary approval authority as provided in Section 8.1 of the Peace II Agreement until further data is accumulated and reviewed, such as the urban water management plans submitted by local agencies, as well as resolution of the technical issues delineated through the numerous technical memos and comment letters that have been submitted by IEUA to Watermaster.

Nothing set forth in this correspondence should be interpreted as a waiver by IEUA of its right to exercise its authority to approve the RMP. IEUA firmly believes that these technical differences can be resolved through additional research, review and cooperative discussion.

Respectfully submitted,

CIHIGOYENETCHE, GROSSBERG & CLOUSE



JEAN CIHIGOYENETCHE

JC/sb

EXHIBIT F



California Regional Water Quality Control Board

Santa Ana Region



Linda S. Adams
Secretary for
Environmental Protection

3737 Main Street, Suite 500, Riverside, California 92501-3348
Phone (951) 782-4130 • FAX (951) 781-6288 • TDD (951) 782-3221
www.waterboards.ca.gov/santaana

Arnold Schwarzenegger
Governor

April 19, 2010

Kenneth R. Manning, CEO
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Richard W. Atwater, CEO/General Manager
Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91708

TRANSMITTAL OF REVISED ADMINISTRATIVE CIVIL LIABILITY (ACL) COMPLAINT NO. R8-2010-0013

Dear Messrs. Manning and Atwater:

Enclosed is a certified copy of the revised Administrative Civil Liability Complaint No. R8-2010-0013 (hereinafter the "Complaint") that was issued to the Chino Basin Watermaster and Inland Empire Utilities Agency on April 1, 2010. Number 11 of the Complaint (see page 8 of 9) has been revised to add Inland Empire Utilities Agency.

All other attachments included in the April 1, 2010 Complaint transmittal are unchanged.

If you have any questions about the revised Complaint or the April 1, 2010 documents, please contact Hope Smythe at (951) 782-4493 (hsmythe@waterboards.ca.gov), Joanne Schneider at (951) 782-3287 (jschneider@waterboards.ca.gov) or Kurt Berchtold at (951) 782-3286 (kberchtold@waterboards.ca.gov). All legal questions should be directed to Reed Sato at (916) 341-5889 (rsato@waterboards.ca.gov), Director, Office of Enforcement.

Sincerely,

Gerard J. Thibeault
Executive Officer
Regional Board Prosecution Team

Enclosures: Revised Complaint No. R8-2010-0013

cc with a copy of the complaint (by electronic mail only):

Regional Board Members

Gary Stewart (Regional Board Advisory Team)

State Water Resources Control Board, Office of Chief Counsel – David Rice (Regional Board Advisory Team Attorney)

State Water Resources Control Board, Office of Enforcement – Reed Sato
(Regional Board Prosecution Team Attorney)

California Environmental Protection Agency



Recycled Paper

STATE OF CALIFORNIA
REGIONAL WATER QUALITY CONTROL BOARD
SANTA ANA REGION

In the Matter of:

Chino Basin Watermaster)
9641 San Bernardino Road)
Rancho Cucamonga, CA 91730)
Attn: Kenneth R. Manning)
)
)
Inland Empire Utilities Agency)
6075 Kimball Avenue)
Chino, CA 91708)
Attn: Richard W. Atwater)

Revised
Complaint No. R8-2010-0013
for
Administrative Civil Liability

YOU ARE HEREBY GIVEN NOTICE THAT:

1. The Chino Basin Watermaster and Inland Empire Utilities Agency (hereinafter "Watermaster" and "IEUA") are alleged to have violated provisions of law for which the California Regional Water Quality Control Board, Santa Ana Region (hereinafter "Regional Board"), may impose administrative civil liability under California Water Code (hereinafter "CWC") §13350.
2. A hearing concerning this Complaint will be held before the Board within ninety days of the date of issuance of this Complaint, unless pursuant to CWC Section 13323, the Watermaster and Inland Empire Utilities Agency waives their right to a hearing. The waiver procedures are specified in the attached Waiver Form. The hearing in this matter is scheduled for the Regional Board's regular meeting on June 10, 2010, at the Irvine Ranch Water District, 15600 Sand Canyon Ave, Irvine, CA 92618. The Watermaster and IEUA, or their designated representatives, will have an opportunity to appear and be heard, and to contest the allegations in this Complaint and the imposition of civil liability by the Regional Board. An agenda for the meeting and the staff report relating to this item will be mailed to you not less than 10 days prior to the hearing date.
3. If a hearing is held on this matter, the Regional Board will consider whether to affirm, reject, or modify the proposed administrative civil liability or whether to refer the matter to the Attorney General for recovery of judicial civil liability. If this matter proceeds to hearing, the Prosecution Team reserves the right to seek an increase in the civil liability

amount to cover the costs of enforcement incurred subsequent to the issuance of this Complaint through hearing.

THE COMPLAINT IS BASED ON THE FOLLOWING FACTORS:

1. The Chino Basin Watermaster (Watermaster) was established under a judgment from the San Bernardino County Superior Court. The Judgment adjudicated the Chino Groundwater Basin and required the Basin to be operated in accordance with the provisions of the Judgment and under the direction of a court-appointed watermaster. The Watermaster consists of various public and private entities that pump water from Chino Basin, including municipalities in the Chino Basin, water districts, agricultural operators, commercial enterprises and other private interests. The Judgment required the Watermaster to develop an Optimum Basin Management Program (OBMP) and to implement the OBMP. Components of the OBMP include extensive groundwater monitoring, development of recharge facilities, construction of storage and recovery projects, management of salt loads, and development of new water sources such as reclaimed water and storm water recharge.
2. In 2004, the Regional Board approved amendments to the Water Quality Control Plan for the Santa Ana Basin (Basin Plan) that established so-called "maximum benefit" objectives for TDS and nitrogen for the Chino North groundwater Management Zone (also referred to in this Complaint as the Chino Basin). The "maximum benefit" TDS and nitrogen objectives are less stringent than the "antidegradation" objectives for the Chino North Management Zone, which were also established by the 2004 Basin Plan amendments. The "maximum benefit" objectives accommodate water recycling and recharge projects, while ensuring protection of the beneficial uses of Chino Basin and downstream water bodies. Pursuant to the Basin Plan, the application of the "maximum benefit" objectives, rather than the "antidegradation objectives", is contingent on the implementation by the Watermaster and IEUA of their maximum benefit commitments, which are a specific program of projects and requirements (shown in Table 5-8a of the Basin Plan) that are also an integral part of the OBMP.
3. One of the maximum benefit requirements specified in the Basin Plan is that hydraulic control, *i.e.*, eliminating groundwater discharge from the Chino Basin to the Santa Ana River, or controlling the discharge to *de minimis* levels, be maintained.
4. On April 15, 2005, the Regional Board issued Water Recycling Requirements (Order No. R8-2005-0033) to the Watermaster and IEUA for Phase I of the Chino Basin Recycled Water Groundwater Recharge Project. Pursuant to Section H. PROVISIONS 4.h. of Order No. R8-2005-0033, the Watermaster and IEUA are required to implement their maximum benefit commitments, including maintaining hydraulic control.
5. On June 29, 2007, the Regional Board amended R8-2005-0033 and issued revised Water Recycling Requirements (Order No. R8-2007-0039) to the Watermaster and IEUA for the Chino Basin Recycled Water Groundwater Recharge Program, Phase I

and Phase II Projects. Order No. R8-2007-0039 identifies the Watermaster and IEUA as "dischargers" or "users". Order No. R8-2007-0039 continues to require that the Watermaster and IEUA implement their maximum benefit commitments. With respect to the maintenance of hydraulic control, Section G. PROVISIONS, 4.g(2) requires, *"The users shall submit a plan and schedule to correct loss of hydraulic control within 60 days of a determination by the Regional Board that hydraulic control is not being maintained. The schedule shall assure that hydraulic control is achieved as soon as possible but no later than 180 days after loss of hydraulic control is identified. The users shall implement the plan and schedule upon approval by the Regional Board."*

6. The Watermaster and IEUA have violated the provisions of Order No. R8-2007-0039 by failing to maintain hydraulic control and also failing, repeatedly, to comply with the correction schedule submitted in response to the requirements of Provision G.4g(2) of the Order:
 - a) On April 15, 2006, the Watermaster and IEUA submitted the Chino Basin Maximum Benefit Monitoring Program 2005 Annual Report. Analysis of groundwater level data in this report indicated that hydraulic control was not occurring in the area bounded by the Chino Hills and Desalter I Well No.5 in the Chino North Management Zone. This finding was confirmed in three reports prepared in 2006 by Wildermuth Environmental, Inc. at the direction of the Watermaster.
 - b) The Watermaster conducted detailed modeling investigations to develop a new desalter well field (hereafter the Chino Creek Well Field) and a groundwater management program that, when implemented, are expected to correct the loss of hydraulic control.
 - c) By letter to the Watermaster and IEUA dated February 14, 2007, the Executive Officer acknowledged the finding of the loss of hydraulic control and requested by March 16, 2007, a time schedule that identifies design and construction milestones for the Chino Creek Well Field, leading to correction of the loss of hydraulic control. The February 14, 2007 letter makes clear the Executive Officer's expectation, based on detailed discussions with Watermaster and IEUA on November 30, 2006, that the corrective action schedule to be proposed by the Watermaster/IEUA would not exceed three years.
 - d) By letter dated February 28, 2007, the Watermaster and IEUA requested that the submittal of the time schedule for design and construction milestones for the Chino Creek Well Field be delayed to March 31, 2007. On March 12, 2007, the Executive Officer granted the extension.
 - e) On March 30, 2007, the Watermaster and IEUA provided two versions of the requested Chino Creek Well Field design and construction milestone schedule: Schedule A – Pragmatic Schedule for the planning, design and construction of the

Chino Creek Well Field; and, Schedule B – Accelerated schedule for planning, design and construction of the Chino Creek Well Field. Schedule A and B identified completion dates of November 2012 and February 2012, respectively. The February 2012 schedule was recognized as feasible only if requisite analyses pursuant to the California Environmental Quality Act and other planning and design processes were completed expeditiously.

- f) On May 29, 2007, in a meeting with Watermaster and IEUA representatives, the Executive Officer approved the time schedule for achieving hydraulic control. The approved time schedule included interim milestone dates and specified that hydraulic control would be achieved by November 2012. One of the interim milestone dates required the EIR for the project to be finalized by September 1, 2009. The EIR has not yet been finalized.
- g) In response to a January 15, 2008 request by the Executive Officer for a status report on progress to achieve hydraulic control, on February 11, 2008, the Watermaster and IEUA submitted a letter acknowledging that hydraulic control had not yet been achieved and that some groundwater outflow from Chino North management zone appeared to be occurring near Chino Creek. The Watermaster/IEUA letter indicated that the magnitude of this discharge was estimated to be approximately 4,000 to 5,000 acre-ft/yr. The letter proposed a *revised* schedule for the planning, design and construction of the Chino Creek Well Field, with completion by early 2013.
- h) By letter dated May 23, 2008, the Executive Officer requested that the Watermaster and IEUA provide quarterly reports, including schedules, on progress to implement hydraulic control measures until hydraulic control is achieved.
- i) On July 15, 2008, the Watermaster and IEUA submitted a letter report constituting the July 15th progress report. Per this July 15th report, start-up of the Chino Creek Well Field was projected to occur in November 2013. The July 15th report also stated that: "...since February 2008 there has been no significant progress on the project."
- j) At the September 5, 2008, Regional Board meeting, the Executive Officer reported on the status of the Watermaster and IEUA's progress in meeting the maximum benefit commitments and requirements, including correction of the loss of hydraulic control. The Executive Officer reported that the Watermaster and IEUA had submitted a schedule on March 30, 2007 that specified a 4-year schedule (November 2012) to construct the Chino Creek Well field and thereby correct the loss of hydraulic control. The Executive Officer also reported that on February 11, 2008, the Watermaster and IEUA had submitted a revised schedule for the completion of the Chino Creek Well Field by May 2013. The Executive Officer reported that the Watermaster and IEUA had also reported on July 15,

2008 that there had been no significant progress on the Well Field project since February 2008. Testimony provided by the Watermaster indicated that the delay was due, in significant part to financial and membership issues within the Chino Desalter Authority that were expected to be resolved shortly.

- j) Subsequently, at the November 21, 2008 Regional Board meeting, the Executive Officer reported that Watermaster representatives had indicated that the outstanding issue related to CDA had been resolved and that the plan and schedule provided by the Watermaster and IEUA would assure that hydraulic control would be achieved by November 2013. Given the reported resolution of issues, the Executive Officer did not propose enforcement by the Regional Board, given the assurances by the Watermaster.
 - k) On October 30, 2009, the Watermaster and IEUA submitted the Chino Desalter Phase 3 Quarterly report – July 1, 2009 to September 30, 2009. The quarterly report included a revised schedule for construction of the Chino Creek Wellfield: construction was to begin on August 7, 2008 and be complete by December 2, 2014. This is more than two years beyond the November 2012 schedule identified in the March 30, 2007 Watermaster submittal.
 - l) The Watermaster and IEUA have failed to maintain hydraulic control and to take timely action to correct the loss of hydraulic control, as required by Order No. R8-2007-0039.
 - m) By electronic message dated December 9, 2009, the Executive Officer advised the Watermaster and IEUA of the intent to proceed with enforcement action for the continuing failure by Watermaster and IEUA to meet the maximum benefit requirements specified in Order No. R8-2007-0039, specifically, those requirements pertaining to hydraulic control.
7. Pursuant to CWC § 13350. (a) Any person who... (2) in violation of any **waste discharge requirement**, waiver condition, certification, or other order or prohibition issued, reissued, or amended by a regional board or the state board, discharges waste, or causes or permits waste to be deposited where it is discharged, into the waters of the state, shall be liable civilly, and remedies may be proposed, in accordance with subdivision (d) or (e).
8. Pursuant to § 13350 (e) The state board or a regional board may impose civil liability administratively pursuant to Article 2.5 (commencing with Section 13323) of Chapter 5 either on a daily basis or on a per gallon basis, but not both. The Executive Officer proposes to impose civil liability per CWC §13350 (e)(1), on a daily basis.
9. CWC §13350(e)(1) states that the civil liability on a daily basis may not exceed five thousand dollars (\$5,000) for each day the violation occurs. The maximum liability for the violation cited above on a daily basis is \$1,060,000 (212 days x \$5,000 per day).

This is based on 212 days of violation of the September 1, 2009 deadline for finalizing the EIR.

10. CWC §13327 specifies factors that the Regional Board shall consider in establishing the amount of civil liability. Consideration of these factors is addressed in the following table.

Factor	Comment
A. Nature, Circumstances, Extent and Gravity of Violation	<p>The Watermaster and IEUA have failed to comply with Order No. R8-2007-0039 wherein the Watermaster and IEUA are required to implement the maximum benefit program commitment, to maintain hydraulic control to eliminate or control to <i>de minimus</i> levels the discharge of groundwater from the Chino Basin to the Santa Ana River. As a result, hydraulic control has not been achieved at least since 2006 and continues not to be achieved. The continuing failure to correct the loss of hydraulic control will adversely affect the quality and beneficial uses of affected receiving waters. The requirement to achieve hydraulic control was based on extensive analyses, conducted as part of 2004 Basin Plan amendments, to incorporate maximum benefit objectives and to identify measures necessary to assure that other receiving waters are not adversely affected as the result of implementation of those objectives.</p> <p>The Watermaster and IEUA acknowledged in 2006 that hydraulic control was not being met and have failed to address the problem in a timely manner, as required by Order No. R8-2007-0039.</p> <p>The estimated 4,000 - 5,000 acre-feet per year of groundwater in the Chino Basin that is not contained in Chino Basin, rises into the Santa Ana River and becomes part of the surface flows recharged in the Orange County Groundwater Management Zone. The Santa Ana River serves as the primary source of water supply through groundwater recharge for Orange County. The 2006 ambient TDS and nitrate-nitrogen water quality determinations for the Chino Basin were 340 mg/L and 9.7 mg/L, respectively – representing a 40 mg/L increase in TDS and a 2.3 mg/L increase in nitrate-nitrogen from the 1997 ambient water quality determination. Absent hydraulic control, discharges from Chino Basin could adversely affect the quality of groundwater discharge to the River and the quality of flows recharged in the Orange County Groundwater Management Zone, and thus the quality of Orange County groundwater used for domestic and municipal supply.</p>

Factor	Comment
B. Culpability	<p>The Watermaster and IEUA are responsible for implementing the maximum benefit requirements specified in Order No. R8-2007-0039, including the requirement to maintain hydraulic control and to identify and implement an acceptable plan to correct the loss of hydraulic control, should it occur.</p> <p>Both IEUA and the Watermaster have detailed knowledge and understanding of the basis for the requirement to maintain hydraulic control and to correct the failure to maintain control. Both IEUA and Watermaster are aware that the application of "maximum benefit" objectives is contingent on their implementation of maximum benefit commitments specified in the Basin Plan and in Order No. R8-2007-0039. To support implementation of the OBMP and thereby optimize the use of water resources, including recycled water, in the Chino Basin, the Watermaster and IEUA sought approval and implementation of the "maximum benefit" objectives and committed to implement a specific program of programs and projects, including actions necessary to maintain hydraulic control.</p>
C. Economic Benefit or Savings	<p>Regional Board staff has insufficient information to assess the economic benefit of the failure to implement the Chino Creek Well Field. The delay in constructing the facilities needed for maintaining hydraulic control has resulted in cost savings to the member agencies of the Chino Basin Desalter Authority, the Watermaster and IEUA. The exact cost benefit from this delay could not be ascertained. Regional Board staff believes that the assessment proposed in this complaint is adequate to recover these savings.</p>
D. Prior History of Violations	<p>Neither Watermaster nor IEUA has violated Order No. R8-2007-0039 in the past.</p>
E. Staff Costs	<p>Regional Board staff spent approximately 300 hours investigating the failure of The Watermaster to maintain hydraulic control and preparing this enforcement action (@\$70 per hour, the total cost for staff time is \$21,000.</p>

Factor	Comment
F. Ability to pay	<p>According to the following document, "The Watermaster, Thirty-Second Annual Report, Fiscal Year 2008-2009", including an Independent Auditors' Report, the Watermaster's net assets at the end of the 2008-2009 fiscal year totaled \$10,995,966, a 77% increase in net assets over the previous fiscal year. This takes into account operating expenses, non-operating expenses and all revenues. Therefore, it appears that the Watermaster has the ability to pay the proposed administrative civil liability.</p> <p>According to IEUA's "Budget in Brief, FY 2009/10", for the 2009-10 fiscal year, IEUA's adopted budget includes an ending fund balance of \$111,000,000. This takes into account operating expenses, capital program costs, net income and prior fiscal year roll-over funding. Therefore, it appears that IEUA has the ability to pay the proposed administrative civil liability.</p>

11. After consideration of the above factors, the Executive Officer proposes that civil liability be imposed administratively on Chino Basin Watermaster and Inland Empire Utilities Agency in the amount of \$227,700 for the violation cited above.

This penalty assessment is based on a consideration of the potential for harm from the failure to maintain hydraulic control and the repeated failure to implement control actions in a timely manner. The Executive Officer determined that an assessment of \$5,000 per day is appropriate. The total assessment based on a total of 212 days of violation is \$1,060,000. This amount is then adjusted based on the potential harm from the violation, adjustment to the per day assessment amount, and the Watermaster's and IEUA's culpability, cooperation to address the violation and prior history of violations. Based on these findings, the Executive Officer finds that an assessment of \$206,700 is appropriate.

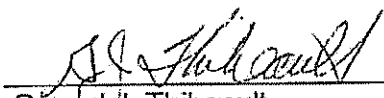
CWC §13327 also requires consideration of economic benefit or savings, if any, resulting from the violation, and other matters as justice may require. These costs are added to the final liability to determine the assessed civil liability for the alleged violation(s). No economic benefit has been assessed for the Watermaster's failure to implement the hydraulic control program. The costs of investigation and enforcement are considered as one of the "other factors as justice may require". The staff costs (\$21,000) are added to the amount in the above paragraph, for a total assessment of \$227,700.

WAIVER OF HEARING

Please see the attached Wavier Form for details regarding the waiver procedures.

If you have any questions, please contact Hope Smythe at (951) 782-4493, Joanne Schneider at (951) 782-3287 or Kurt Berchtold at (951)782-3286.

4/19/10
Date



Gerard J. Thibeault
Executive Officer
Regional Board Prosecution Team

EXHIBIT G

CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
SANTA ANA REGION

In the matter of:)	
)	
Chino Basin Watermaster;)	
Inland Empire Utilities Agency)	Order No. R8-2010-0031
)	
No. R8-2010-0013 for)	Settlement Agreement and Stipulation for
Administrative Civil Liability)	Entry of Order; Order
)	

Section I: Introduction

This Settlement Agreement and Stipulation for Entry of Administrative Civil Liability Order ("Stipulation") is entered into by and between the Santa Ana Regional Water Quality Control Board Prosecution Staff ("Prosecution Staff"), Chino Basin Watermaster and Inland Empire Utilities Agency (referred to collectively as "Settling Respondent") (the Prosecution Staff and Settling Respondent are referred to collectively as "Parties") and is presented to the Santa Ana Regional Water Quality Control Board ("Regional Water Board") for adoption as an Order, by settlement, pursuant to Government Code section 11415.60.

Section II: Recitals

1. The Settling Respondent is subject to the Water Quality Control Plan for the Santa Ana Basin ("Basin Plan"), which established "maximum benefit" objectives for TDS and nitrogen for the Chino North Groundwater Management Zone ("Chino Basin"). The "maximum benefit objectives apply provided that specific commitments are satisfied by the Settling Respondent. Table 5-8a of Regional Board Resolution R8-2004-0001 identifies the projects and requirements that must be implemented to demonstrate that water quality consistent with maximum benefit to the people of the state will be maintained and that, therefore, the maximum benefit objectives are applicable. Requirements to implement these maximum benefit commitments are incorporated in Order No. R8-2007-0039, issued by the Regional Board to the Settling Respondent.
2. The Complaint recommends imposing an administrative civil liability totaling \$227,700 for alleged violations of the requirements to implement certain maximum benefit commitments. That amount includes staff costs of \$21,000.
3. To resolve by consent and without further administrative proceedings alleged violations of Order No. R8-2007-0039 requirements implementing the maximum benefit commitments and the Basin Plan set forth in the Complaint, the Parties have agreed to the imposition of \$124,350 against the Settling Respondent, which includes \$21,000 for

staff costs. Payment of \$124,350 to the State Water Resources Control Board Cleanup and Abatement Account is due no later than 30 days following the Regional Water Board executing this Order. The remaining \$103,350 in penalties shall be suspended upon completion of a Supplemental Environmental Project ("SEP"), as described herein in Paragraph 7.

4. The Complaint alleges that the Settling Respondent violated the provisions of Order No. R8-2007-0039 by failing to maintain hydraulic control and also failing, repeatedly, to comply with the correction schedule submitted in response to the requirements of Provision G.4g(2) of Order No. R8-2007-0039. The requirement to maintain hydraulic control is one of nine maximum benefit commitments specified in the Basin Plan and Order No. R8-2007-0039. The Settling Respondent has to date fulfilled the other eight commitments.

5. The Basin Plan does not specify the schedule or method by which Hydraulic Control is to be achieved and maintained. The Settling Respondent has identified the construction of the Chino Creek Well Field as the physical method by which Hydraulic Control is to be achieved and maintained. The Settling Respondent has no direct control over construction of the Chino Creek Well Field, which is being implemented by the Chino Desalter Authority (CDA). Nevertheless, the Settling Respondent has and accepts responsibility to maintain Hydraulic Control and to assure that actions are taken in a timely manner to implement corrective action when necessary.

6. The Parties have engaged in settlement negotiations and agree to settle the matter without administrative or civil litigation and by presenting this Stipulation to the Regional Water Board for adoption as an Order pursuant to Government Code section 11415.60. The Prosecution Staff believes that the resolution of the alleged violations is fair and reasonable and fulfills its enforcement objectives, that no further action is warranted concerning the specific violations alleged in the Complaint except as provided in this Stipulation and that this Stipulation is in the best interest of the public.

Section III: Stipulations

The Parties stipulate to the following:

7. **Administrative Civil Liability:** The Settling Respondent hereby agrees to pay the administrative civil liability totaling \$227,700 as set forth in Paragraph X of Section II herein. Further, the Settling Respondent agrees that \$103,350 of this administrative civil liability shall be suspended pending completion of a SEP as set forth in Paragraph 7 herein.

8. **SEP:** The parties agree that this Settlement Agreement and Stipulation includes a supplemental environmental project (SEP) as provided for as follows:

A. Definitions

"Cleanup and Abatement Account" – the State Water Pollution Cleanup and Abatement Account.

"Designated Water Board Representative" – the representative from the Regional Water Quality Control Board responsible for oversight of the supplemental environmental project (SEP). The contact information for this representative is as follows:

Name: Hope Smythe
Address: 3737 Main Street, Suite 500
Riverside, CA 92501-3348
Phone: (951) 782-4493
email: hsmythe@waterboards.ca.gov

"Enforcement Coordinator" – the person on the Regional Water Quality Control Board staff who is responsible for enforcement coordination.

"Implementing Party" – Can be an independent third party(ies) with whom the Settling Respondent has contracted or otherwise engaged to implement the SEP, or the Settling Respondent itself. The Settling Respondent has chosen to implement the SEP in this instance and is therefore the Implementing Party for purposes of this Agreement.

"Milestone Requirement" – a requirement with an established time schedule for meeting/ascertaining certain identified measurements of completed work. Upon the timely and successful completion of each milestone requirement, an amount of liability will be permanently suspended or excused as set forth in the Description of the SEP below.

"SEP Completion Date" – the date by which the SEP will be completed in its entirety.

B. Administrative Civil Liability And Costs Of Enforcement

1. Total Civil Liability

Settling Respondent shall be subject to administrative civil liability in the total amount of \$227,700. This includes the amount of \$21,000 for the costs incurred by the Regional Board staff to investigate and prosecute the administrative civil liability enforcement action. The civil liability also includes the cost of a SEP in the amount of \$103,350. The cost of the SEP will be referred to as the SEP Amount and will be treated as a Suspended Administrative Civil Liability.

2. Payment and Costs

Payment of \$124,350 shall be made within 30 days of receipt of the Stipulated Order executed on behalf of the Water Board to the Cleanup and Abatement Account. The payment of Water Board staff costs incurred for overseeing the implementation of the SEP is addressed in paragraph F, below. Payment shall be submitted to the Payment Administrator, as follows:

Hope Smythe
3737 Main Street, Suite 500
Riverside, CA 92501-3348

3. Funding of Special Environmental Projects

Settling Respondent agrees to perform the SEP as described further below.

C. Description of the SEP

1. Organization proposing the project:

Inland Empire Utilities Agency (IEUA), a municipal water district

Project Manager: Pari Dezham, Manager, Pre-Treatment Program
Inland Empire Utilities Agency
Pdezham@ieua.org
909-993-1650

2. Proposed project:

Residential Self-Regenerating Water Softener Removal Rebate Program.

The purpose of the IEUA-sponsored Self-Regenerating Water Softener Rebate program is to provide a rebate to fund the voluntary removal of existing self-regenerating water softeners from residential properties within IEUA's service area to reduce the impact of salinity discharges from these devices on recycled water and the Chino Groundwater Basin. The program is expected to fund the removal of approximately 160 existing water softeners and to take out approximately 37 tons per year of TDS from the recycled water supply that is used in the Chino Basin for outdoor irrigation and groundwater recharge.

3. Application of SEP funds:

IEUA is proposing to use \$103,350, 50% of the fine assessed under ACL Complaint R8-2010-0013 (accounts for deduction of Regional Board staff costs). The total program cost for removal of 160 water softeners is \$178,000, of which \$74,500 covers the cost of advertising, water softener removal costs (a free plumber service that is provided to participating residents), break down and disposal of the used equipment, and staff administrative time and the remainder (\$103,350) covers the residential rebates. The SEP funds will be used solely for the rebates. The implementation funding is already included in the Agency's proposed FY 2010/2011 budget. There is no CEQA requirement. The rebate program started as a demonstration project in 2008 with funding from Metropolitan Water District of Southern California, National Water Resources Institute and the Southern California Salinity Coalition.

4. Schedule:

Project start date: July 1, 2010
Completion date: June 30, 2012

5. End Product:

IEUA will provide quarterly updates on the status of the program and a final report which summarizes the number of applications received, number of applications approved,

number of water softeners removed, and the estimated salt and water savings generated by the program.

6. Nexus:

Achievement of hydraulic control in the Chino Basin is a key element of the "Maximum Benefit" Plan/Basin Plan amendments adopted by the Regional Board in 2004. Hydraulic control is intended to protect the water quality for the lower Santa Ana River and Orange County Groundwater Management Zone. Another key water quality element in the "Maximum Benefit" Plan/Basin Plan amendments is the reduction of salts entering the Chino Basin and specifically managing TDS in recycled water supplies to remain below the 550 mg/l discharge limit. The proposed SEP project is a voluntary program implemented by IEUA that incentivizes residents to take out and destroy *existing* self-regenerating water softeners, thereby removing tons of TDS from the recycled water supply and benefiting water quality in the Chino Basin and downstream. See attached program materials.

D. Representations and Agreements Regarding SEPs

1. Settling Respondent performing SEP

a. Representation of the Settling Respondent

As a material consideration for the Water Board's acceptance of this Stipulated Order, the Settling Respondent represents that it will utilize the funds outlined in paragraph C(3) to implement the SEP in accordance with the schedule for performance (described in C(4)). The Settling Respondent understands that its promise to implement the SEP, in its entirety and in accordance with the schedule for implementation, is a material condition of this settlement of liability between the Settling Respondent and the Water Board.

b. Agreement of Settling Respondent to Implement SEP

The Settling Respondent represents that: 1) it will spend the SEP amount as described in this Stipulated Order; 2) it will provide a certified, written report to the Water Board consistent with the terms of this Stipulated Order detailing the implementation of the SEP, and 3) within 30 days of the completion of the SEP, it will provide written certification, under penalty of perjury, that the Settling Respondent followed all applicable environmental laws and regulations in the implementation of the SEP including but not limited to the California Environmental Quality Act (if applicable), the federal Clean Water Act and the Porter-Cologne Act. The Settling Respondent agrees that the Water Board has the right to require an audit of the funds expended by it to implement the SEP.

E. Publicity Associated with SEP

Whenever the Settling Respondent or its agents or subcontractors or the Implementing Party publicizes one or more elements of the SEP, they shall state in a **prominent**

manner that the project is being undertaken as part of the settlement of an enforcement action by the Water Board against the Settling Respondent.

F. Water Board Oversight Costs

Settling Respondent shall pay \$1,000 to the State Water Pollution Cleanup and Abatement Account to fully cover the Water Board's estimated costs of overseeing the implementation of the SEP. This payment is due within 30 days of the entry of the Order by the Regional Water Board that accepts this SEP.

G. Submittal of Progress Reports

Settling Respondent and/or the Implementing Party shall provide quarterly reports of progress to the Designated Water Board Representative, starting with September 30, 2010.

Settling Respondent and/or the Implementing Party shall permit inspection of the SEP by the Water Board staff at any time without notice.

H. Audits and Certification of Environmental Project

1. Certification of Expenditures.

On or before June 30, 2012, Settling Respondent shall submit a certified statement by responsible corporate officials representing the Settling Respondent (and the Implementing Party) documenting the expenditures by Settling Respondent (and the Implementing Party) during the completion period for the SEP. The expenditures may be external payments to outside vendors or contractors implementing the SEP. In making such certification, the official may rely upon normal company project tracking systems that capture employee time expenditures and external payments to outside vendors such as environmental and information technology contractors or consultants. Settling Respondent shall provide any additional information requested by the Water Board staff which is reasonably necessary to verify Settling Respondent's SEP expenditures. The certification need not address any costs incurred by the Regional Board for oversight.

2. Certification of Performance of Work

On or before August 1, 2012 the Settling Respondent (or the Implementing Party on behalf of the Respondent) shall submit a report, submitted under penalty of perjury, stating that the SEP has been completed in accordance with the terms of this Stipulated Order. Such documentation may include photographs, invoices, receipts, certifications, and other materials reasonably necessary for the Regional Board to evaluate the completion of the SEP and the costs incurred by the Settling Respondent. The certification should state:

I testify, under penalty of perjury, that the work on the Residential Self Regenerating Water Softener Removal Rebate Program is complete as of [date.]

3. Certification that Work Performed on SEP Met or Exceeded Requirements of CEQA and other Environmental Laws [Where Applicable].

On or before July 1, 2010, the Settling Respondent (or the Implementing Party on behalf of the Settling Respondent) shall submit documentation, under penalty of perjury, stating that the SEP meets or exceeds the requirements of CEQA, if applicable, and or other environmental laws. The Settling Respondent (or the Implementing Party on behalf of the Settling Respondent) shall, before the SEP implementation date, consult with other interested State Agencies regarding potential impacts of the SEP. Other interested State Agencies include, but are not limited to, the California Department of Fish and Game. To ensure compliance with CEQA where necessary, the Settling Respondent and/or the Implementing Party shall provide the Water Board with the following documents from the lead agency:

- a) Categorical or statutory exemptions;
- b) Negative Declaration if there are no "significant" impacts;
- c) Mitigated Negative Declaration if there are potential "significant" impacts but revisions to the project have been made or may be made to avoid or mitigate those potential significant impacts;
- d) Environmental Impact Report (EIR) if there are "significant" impacts.

4. Third Party Audit

If the Designated Regional Board Representative obtains information that causes the representative to reasonably believe that the Settling Respondent (or Implementing Party) has not expended money in the amounts claimed by the Settling Respondent (or Implementing Party), or has not adequately completed any of the work in the SEP Workplan, the Designated Regional Board Representative may require, and the Settling Respondent shall submit, at its sole cost, a report prepared by an independent third party(ies) acceptable to the Water Board staff providing such party(ies)'s professional opinion that Settling Respondent (and the Implementing Party) has expended money in the amounts claimed by the Settling Respondent. In the event of such an audit, the Settling Respondent (and the Implementing Party) agree that they will provide the third-party auditor with access to all documents which the auditor requests. Such information shall be provided to the Designated Water Board Representative within three (3)

months of the completion of the Settling Respondent's SEP obligations. The audit need not address any costs incurred by the Regional Board for oversight.

I. Regional Board Acceptance of Completed SEP

Upon the Settling Respondent's satisfaction of its obligations under this Stipulated Order, the completion of the SEP and any audits, the Designated Water Board Representative, with notice to the regional Enforcement Coordinator, shall request that the Water Board issue a "Satisfaction of Order". The issuance of the Satisfaction of Order shall terminate any further obligations of the Settling Discharger and/or the Implementing Party under this Stipulated Order.

J. Failure to Expend All Suspended Administrative Civil Liability Funds on the Approved SEP

In the event that Settling Respondent is not able to demonstrate to the reasonable satisfaction of the Regional Water Board staff that it (and/or the Implementing Party) has spent the entire SEP Amount for the completed SEP, Settling Respondent shall pay the difference between the Suspended Administrative Civil Liability and the amount Settling Respondent can demonstrate was actually spent on the SEP, as an administrative civil liability.

K. Failure to Complete the SEP

If the SEP is not fully implemented within the SEP Completion Period required by this Stipulated Order or there has been a material failure to satisfy a Milestone Requirement, the Designated Water Board Representative shall issue a Notice of Violation. As a consequence, Settling Respondent shall be liable to pay the entire Suspended Liability or, some portion thereof less the value of the completion of any Milestone Requirements. Unless otherwise ordered, Settling Respondent shall not be entitled to any credit, offset, or reimbursement from the Regional Water Board for expenditures made on the SEP prior to the date of the "Notice of Violation" by the Water Board. The amount of the Suspended Liability owed shall be determined via a "Motion for Payment of Suspended Liability" before the Water Board. Upon a determination by the Regional Water Board of the amount of the Suspended Liability assessed, the amount owed shall be paid to the State Water Pollution Cleanup and Abatement Account within thirty (30) days after the service of the Regional Water Quality Control Board's determination. In addition, the Settling Respondent shall be liable for the Water Board's reasonable costs of enforcement, including but not limited to legal costs and expert witness fees. Payment of the assessed amount will satisfy the Settling Respondent's obligations to implement the SEP.

L. Water Board is Not Liable

Neither the Water Board members nor the Water Board staff, attorneys, or representatives shall be liable for any injury or damage to persons or property resulting

from acts or omissions by Settling Respondent (or the Implementing Party where applicable), its directors, officers, employees, agents, representatives or contractors in carrying out activities pursuant to this Stipulated Order, nor shall the Water Board, its members or staff be held as parties to or guarantors of any contract entered into by Settling Respondent, its directors, officers, employees, agents, representatives or contractors in carrying out activities pursuant to this Stipulated Order.

The Settling Respondent and the Implementing Party covenant not to sue or pursue any administrative or civil claim or claims against any State Agency or the State of California, or their officers, employees, representatives, agents, or attorneys arising out of or relating to any matter expressly addressed by the ACL, this Stipulated Order or the SEP.

9. **Compliance with Applicable Laws:** The Settling Respondent understands that payment of administrative civil liability in accordance with the terms of this Order or compliance with the terms of this Order is not a substitute for compliance with applicable laws, and that continuing violations of the type alleged in the Complaint may subject them to further enforcement, including additional administrative civil liability.

10. **Party Contacts for Communications related to Stipulation/Order:**

For the Regional Water Board:

Kurt Berchtold, Assistant Executive Officer
Santa Ana Regional Water Quality Control Board
3737 Main Street, Suite 500
Riverside, CA 92501-3339

Julie Macedo, Senior Staff Counsel
State Water Resources Control Board
Office of Enforcement
1001 I Street, 16th Floor
Sacramento, CA 95814

For the Settling Respondent:

Kenneth Manning, Chief Executive Officer
Chino Basin Watermaster
9641 San Bernardino Rd.
Rancho Cucamonga, CA 91730

Thomas Love, CEO/General Manager
Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91708

11. **Bankruptcy:** Should the Settling Respondent enter into bankruptcy proceedings before all payments are paid in full, the Settling Respondent agrees to not seek to discharge any of these penalties in bankruptcy proceedings.
12. **Attorneys' Fees and Costs:** Except as otherwise provided herein, each Party shall bear all attorneys' fees and costs arising from the Party's own counsel in connection with the matters set forth herein.
13. **Matters Addressed by Stipulation:** Upon adoption by the Regional Water Board as an Order, this Stipulation represents a final and binding resolution and settlement of all claims, violations or causes of action alleged in the Complaint, or which could have been asserted against the Settling Respondent as of May 10 2010 based on the specific facts alleged in the Complaint or this Stipulated Order ("Covered Matters"). The provisions of this Paragraph are expressly conditioned on the full payment of the administrative civil liability by the deadlines specified in Paragraph 3, meeting the revised schedule hereby approved by the Regional Board for the construction of the Chino Creek Wellfield in the form attached hereto as Attachment A, and the Settling Respondent's full satisfaction of the obligations in performing the SEP, as described in Paragraph 7.
14. **Settling Respondent's Denial of Liability:** In settling this matter, the Settling Respondent does not admit to any of the findings of the Complaint, or that it has been or is in violation of the CWC, or any other federal, state, or local law or ordinance, provided, the Settling Respondent agrees that in the event of any future enforcement actions by the Regional Water Board, this Order may be used as evidence of a prior enforcement action consistent with CWC section 13327.
15. **Public Notice:** The Settling Respondent understands that this Stipulation and proposed Order was noticed for public comment on May 10, 2010, prior to consideration by the Regional Water Board. In the event objections are raised during the public comment period, the Regional Water Board or the Executive Officer may, under certain circumstances, require a public hearing regarding the Stipulation and proposed Order. In that event, the Parties agree to meet and confer concerning any such objections, and may agree to revise or adjust the proposed Order as necessary or advisable under the circumstances.
16. **Addressing Objections Raised During Public Comment Period:** The Parties agree that the procedure contemplated for adopting the Order by the Regional Water Board and review of this Stipulation by the public is lawful and adequate. In the event procedural objections are raised prior to the Order becoming effective, the Parties agree to meet and confer concerning any such objections, and may agree to revise or adjust the procedure as necessary or advisable under the circumstances.
17. **Interpretation:** This Stipulation and Order shall be construed as if the Parties prepared it jointly. Any uncertainty or ambiguity shall not be interpreted against any one Party. The Settling Respondent is represented by counsel in this matter.

18. **Modification:** This Stipulation and Order shall not be modified by any of the Parties by oral representation made before or after its execution. All modifications must be in writing, signed by all Parties and approved by the Regional Water Board.

19. **If Order Does Not Take Effect:** In the event that this Order does not take effect because it is not approved by the Regional Water Board, or its delegee, or is vacated in whole or in part by the State Water Resources Control Board or a court, the Parties acknowledge that they expect to proceed to a contested evidentiary hearing before the Regional Water Board to determine whether to assess administrative civil liabilities for the underlying alleged violations, unless the Parties agree otherwise. The Parties agree that all oral and written statements and agreements made during the course of settlement discussions will not be admissible as evidence in the hearing. The Parties agree to waive any and all objections based on settlement communications in this matter, including, but not limited to:

- a. Objections related to prejudice or bias of any of the Regional Water Board members or their advisors and any other objections that are premised in whole or in part on the fact that the Regional Water Board members or their advisors were exposed to some of the material facts and the Parties' settlement positions as a consequence of reviewing the Stipulation and/or the Order, and therefore may have formed impressions or conclusions prior to any contested evidentiary hearing on the Complaint in this matter; or
- b. Laches or delay or other equitable defenses based on the time period for administrative or judicial review to the extent this period has been extended by these settlement proceedings.

20. **Waiver of Hearing:** The Settling Respondent has been informed of the rights provided by CWC section 13323, subdivision (b), and hereby waives its right to a hearing before the Regional Water Board prior to the adoption of the Order.

21. **Waiver of Right to Petition:** The Settling Respondent hereby waives its right to petition the Regional Water Board's adoption of the Order for review by the State Water Resources Control Board, and further waives its rights, if any, to appeal the same to a California Superior Court and/or any California appellate level court.

22. **Settling Respondent's Covenant Not to Sue:** The Settling Respondent covenants not to sue or pursue any administrative or civil claim(s) against any State Agency or the State of California, their officers, Board Members, employees, representatives, agents, or attorneys arising out of or relating to any Covered Matter.

23. **Necessity For Written Approvals:** All approvals and decisions of the Regional Water Board under the terms of this Order shall be communicated to the Settling Respondent in writing. No oral advice, guidance, suggestions or comments by employees or officials of the Regional Water Board regarding submissions or notices

shall be construed to relieve the Settling Respondent of its obligation to obtain any final written approval required by this Order.

24. **Authority to Bind:** Each person executing this Stipulation in a representative capacity represents and warrants that he or she is authorized to execute this Stipulation on behalf of and to bind the entity on whose behalf he or she executes the Stipulation.

25. **Effective Date:** The obligations under Paragraphs 3, 7 and Attachment A, incorporated by reference, of this Stipulation are effective and binding on the Parties only upon the entry of an Order by the Regional Water Board which incorporates the terms of this Stipulation.

26. **Severability:** This Stipulation and Order are severable; should any provision be found invalid the remainder shall remain in full force and effect.

27. **Counterpart Signatures:** This Stipulation may be executed and delivered in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, but such counterparts shall together constitute one document.

IT IS SO STIPULATED.

California Regional Water Quality Control Board Prosecution Team
Santa Ana Region

By: _____
Gerard J. Thibeault, Executive Officer
Date: _____

SETTLING RESPONDENT'S NAME

By: _____
NAME
TITLE
Date: _____

Order of the Regional Water Board

1. This Order incorporates the foregoing Stipulation.
2. In accepting the foregoing Stipulation, the Regional Water Board has considered, where applicable, each of the factors prescribed in CWC sections 13327, 13351, and 13385(e). The Regional Water Board's consideration of these factors is based upon information obtained by the Regional Water Board's staff in investigating the allegations in the Complaint or otherwise provided to the Regional Water Board. In addition to these factors, this settlement recovers the costs incurred by the staff of the Regional Water Board for this matter.

Pursuant to CWC section 13323 and Government Code section 11415.60, IT IS
HEREBY ORDERED on behalf of the Santa Ana Regional Water Quality Control Board.

Gerard J. Thibeault
Executive Officer

Date: _____

Order No. R8-2010-0031
Attachment A

Revised Schedule for Construction of Chino Creek Well Field

The Settling Respondent agrees to implement the Chino Creek Well Field in accordance with the schedule detailed below, subject to the following:

1. The Parties will meet at least once every three months to review compliance with the revised schedule presented below for the construction of the Chino Creek Well Field and to review the current status of Hydraulic Control.
2. If, for just cause, milestones in the revised schedule below have not been met, or if technical analyses by the Settling Respondent, the Regional Board or other qualified individuals/organizations indicate that Hydraulic Control has not been attained, then the Parties agree to consider revised schedule milestones and/or other remedial efforts. In evaluating just cause, the Regional Board shall take into consideration the activities of third parties over whom the Settling Respondent has no control but that may affect the schedule for achieving Hydraulic Control, including the responsible parties for the Chino Airport and Ontario Airport contamination plumes. Upon notification by the Regional Board that efforts to achieve Hydraulic Control have failed or are inadequate, the Settling Respondent shall submit a proposed revised schedule, which may be based on an alternative plan of remedial efforts designed to achieve Hydraulic Control, no later than 3 months from the date of notification. Upon agreement by the Regional Board, after the opportunity for public comment has been provided, on a revised schedule and/or other remedial efforts, the revised schedule/remedial efforts shall form the basis for assessment of compliance with the requirements of Order No. R8-2007-0039, Provision G.4g(2) for the maintenance of hydraulic control.
3. The Settling Respondent acknowledges that failure to achieve Hydraulic Control in accordance with the revised schedule below, or with a further revised and approved remedial plan or schedule, may result in a determination by the Regional Board, after the opportunity for input by the Settling Respondent and the public has been provided, that the "maximum benefit" objectives do not apply and that the Settling Respondent is responsible to identify and implement an acceptable plan to mitigate TDS and nitrogen discharges in excess of the limitations specified in Order No. R8-2007-0039 that are based on the applicable antidegradation objectives.

Revised Schedule

May 5, 2010	Advertise Drilling of first set of wells ¹
June 15, 2010	Open Bids at WMWD for first set of wells
June 24, 2010	Watermaster Finding of No Material Physical Injury and Approving Location of Hydraulic Control Wells
August 31, 2010	Notice to Proceed for first set of wells
October 29, 2010	Completion of Chino II Desalter expansion
January 26, 2011	Water Quality Results for first set of wells
February 25, 2011	Completion of drilling for first set of wells
August 1, 2011	Notice to Proceed for second set of wells
May 18, 2012	Completion of Wellfields Intertie Pipeline and Pump Station
May 18, 2012	Completion of Chino II Product Water Pump Stations
June 14, 2012	Completion of drilling for second set of wells
July 23, 2012	Completion of Chino II Product Water Pipelines
July 24, 2012	Completion of equipping first set of wells
September 4, 2012	Start-up of first set of wells and Completion of Raw Water Pipeline from CCWF to Chino I Desalter
April 25, 2013	Completion of Chino I Desalter Expansion
October 18, 2013	Completion of equipping second set of wells
November 1, 2013	Start-up of second set of wells
March 10, 2014	Completion of Concentrate Reduction Facilities

¹ The "Chino Creek Wellfield" is anticipated to include six production wells. The "first set" of wells will include two of these wells. Following installation and testing of these wells, Settling Respondent and the CDA, in consultation with Regional Board staff, will evaluate whether all four of the "second set" of wells are necessary in order to achieve and maintain Hydraulic Control.

The revised schedule for the Chino Creek Well Field set forth in the preceding table is a schedule for the completion of the Expansion Project otherwise known as Phase III of the Chino Basin Desalters. The Expansion Project is being pursued under direction of the San Bernardino Superior court and it is intended to achieve "Hydraulic Control"².

The Settling Respondents expect that substantial progress will have been made towards obtaining Hydraulic Control by September of 2012 when the first set of production wells is connected to the raw water pipeline. The Settling Respondents expect that the completion of the Expansion Project will achieve the goal of obtaining Hydraulic Control.

The Chino Basin Watermaster will update the enclosed schedule at least once every three months and more frequently when necessary to account for progress to date and to request adjustments when there are unexpected intervening circumstances.

² Hydraulic Control is defined as the elimination of groundwater discharge from the Chino Basin to the Santa Ana River or controlling the discharge to de minimus levels.

EXHIBIT H

DESALTER EXPANSION PROJECT: PRINCIPLES FOR COMPLETION

Objectives:

1. Provide reasonable assurances to the Expansion Group (Western Municipal Water District, the City of Ontario, and the Jurupa Community Services District.) so that it may first proceed with expenditures for the construction of two new test wells and related monitoring wells now and the further efforts to secure hydraulic control under consideration without risk that the Expansion Project will be rejected by the Chino Basin Desalter Authority (CDA a joint powers agency comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District, the Santa Ana River Water Company and the Western Municipal Water District as a non-voting member) for reasons related to the determination of projected O&M costs for the consolidated Desalter facilities (Phases I, II and III) are greater than 10 percent.
2. Provide reasonable assurances to the non-participating CDA members (the Cities of Chino, Chino Hills, Norco and Santa Ana River Water Company) that the Expansion Project will not cause them to incur unreasonable risk and expense upon acceptance of the Expansion Project by the CDA.
3. Provide reasonable assurances to the Court and to the Regional Water Quality Control Board regarding the parties' progress of the Expansion Project and achievement of Hydraulic Control.

Proposal:

1. There is a presently defined "check-in" period as identified in the JPA Amendment No. 2. This "check-in" was intended to provide certainty regarding the potential economic impact of the Expansion Project (as defined in the Preliminary Design Report) on existing operations and maintenance expenses (O&M). However, the lack of certainty regarding the timing and the methodology applicable to the "check-in" has actually caused uncertainty and chilled the Expansion Group's desire to commit to certain potential expenditures until the parties reached 90% final design. Accordingly, as a surrogate for and in complete satisfaction of the existing "check in" at the 90% final design stage as described in JPA Amendment No. 2, the CDA and the Expansion Parties would instead use the following criteria.

(a) There are the two reports prepared by Carollo and RBF Engineers which now demonstrate that the expected O&M costs will not exceed 10%. The RBF and Carollo reports have been further adjusted to incorporate actual historical cost data. Consequently, prior to the Expansion Group proceeding further with the drilling of the wells referenced in the revised Project description and subsequently proceeding with additional measures that are reasonably calculated to achieve hydraulic control, the CDA should receive the two reports, and including the revisions to reflect actual historical data and provisionally find that the cost projections contained therein are

within the 10% cap for O&M (and will not be exceeded other than as may result from water quality risks see (b)(i) below and MWD's failure to fund the expected Local Resources Program (LRP) see Section 2(b)(ii) below.) The Parties will deem this review sufficient to account for all O&M quantification issues for purposes of calculating whether the 10% cap for O&M has been exceeded other than for water quality treatment costs.

(b) With respect to water quality treatment costs, to fairly balance the need for the Expansion Group to proceed with the construction of the Chino Creek Well-Field (the revised Project description – two wells) and to continue with additional measures to secure Hydraulic Control pursuant to the Expansion Project, a subsequent exceedance of the 10% cap on O&M costs for reasons related to the cost of treatment for water quality will become a contingent economic tail obligation (condition subsequent establishing a defined financial obligation) and not a further condition of acceptance of the project.

i. The cost of treating for water quality unrelated to the identified contamination from the Chino Airport plume will be determined at the time there is sufficient information obtained from the new test wells contemplated by the revised Project description. If the representative sampling is sufficient to reasonably project future O&M costs related to the treatment of water quality other than contamination, then the future O&M will be determined at this time. There is a preference for maintaining a "postage stamp" O&M rate for CDA water, consequently, if the cost of water quality treatment, when added to the O&M cost increase predicted by the average of revised RBF and Carollo reports, do not cause total projected O&M costs to exceed 10 percent, then there will be no further Expansion Group responsibility for incremental water quality treatment costs and the matter will be closed. If the projected cost of water quality treatment will cause the total O&M costs to exceed 10% because of the Expansion Project, the O&M rate paid by the Expansion Group will be subject to a surcharge for the increment of the O&M cost exceeding 10% (Water Quality Surcharge). Thereafter, if the Water Quality Surcharge is implemented, it will be subject to discretionary review by CDA no more frequently than once every three years, whereby CDA will consider all actual historical O&M costs, including cost reductions, for purposes of calculating whether O&M costs, inclusive of water quality treatment (for other than contamination from the Chino Airport Plume) have been less than 10% and whether they can be reasonably projected to remain less than 10%. If the cumulative actual O&M costs are greater than 10% (other than for contamination) the Water Quality Surcharge will be maintained. If actual costs and reasonable projections indicate that the cumulative O&M costs (for other than contamination from the Chino Airport Plume) will not exceed 10%, the Water Quality Surcharge will be terminated; there will be no further re-openers and the matter will be closed.

ii. Assuming Metropolitan Water District (MWD) approves either a uniform Local Resources Program (LRP) funding for all three Phases of the Desalters or one for the Expansion Project alone, the subsequent continuing availability of some or all of the LRP funding shall not be considered a benefit

received or an obligation independently incurred by either the Expansion Group or the Non-Participating members for purposes of any O&M cost calculation. However, if MWD does not approve, or reduces, LRP funding for either the uniform or the Expansion Project, then the Expansion Group may elect in its complete discretion to proceed with the Expansion Project and pay the incremental expense in O&M costs greater than 10%, withdraw from the Expansion Project, secure third-party funding or engage in negotiations with non-participating CDA members for purposes of effectuating the intentions expressed in this Subsection ii and maintaining an equitable apportionment of O&M costs with knowledge of the facts available at that time. The non-participating CDA members will not be compelled to incur an increase in O&M costs greater than 10% because of the CDA's election to proceed forward despite MWD's failure to fund the requested LRP.

iii. As between CDA and Watermaster, Watermaster will remain primarily responsible for addressing the contamination from the Chino Airport Plume and in continuing cooperation and coordination with CDA will pursue the Responsible Parties for all incremental CDA capital costs and operations and maintenance costs. To the extent capital and O&M costs attributable to redressing water quality degradation from the Responsible Parties is incurred prior to resolution of threatened or actual litigation, CDA will front (cover) the added costs as a form of bridge financing (current and expanded). CDA may elect to request Watermaster to fund the bridge costs but Watermaster's agreement shall not be a requirement of this Agreement. The proceeds from any recovery will be paid to CDA and used to defray the actual incremental cost attributable to treating the contaminated water. Additional proceeds may be distributed and used in the discretion of the CDA.

iv. The water purchase agreements will be amended to account for this knowable and defined cost in the event either contingency occurs.

2. The Inter-governmental agreement will be amended to reflect that there will be "two test wells" - rather than "up to". A reference to the possibility that the wells might be converted to production wells after further compliance with CEQA is desired.
3. The CDA Board and the Expansion Group will independently approve the provisional revised schedule that is transmitted to the Regional Board by Watermaster. Watermaster will not request and the CDA and the Expansion Group do not intend through their actions to become permittees or to assume a direct or indirect relationship with the Regional Board through this acknowledgment.
4. The Expansion Parties reserve the right to address the proposed mitigation, their responsibility for the identified measures and the projected costs prior to proceeding with the Expansion Project.
5. These principles are expressly subject to Watermaster determinations that the well-field operation will not cause Material Physical Injury and that the wells will effectuate the purposes of hydraulic control. The Expansion Group and the non-participating CDA members will exercise good faith and reasonable efforts to comply with Watermaster directives. So long as CDA complies with Watermaster's directives

concerning the location, construction and operation of the wells used to secure Hydraulic Control, CDA does not expect to incur additional costs or third-party liability and it does not intend to assume any such liability.

6. The Expansion Group covenants that it will pay for all capital costs for the entire Expansion Project.

7. The parties will exert reasonable best efforts to effectuate these principles, conforming legal instruments and expeditiously determine the relative "buy-in" so as to eliminate further uncertainties.

EXHIBIT I

Brownstein | Hyatt
Farber | Schreck

January 22, 2010

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US MAIL - FIRST CLASS

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Michael N. Williams, Director
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San Bernardino, CA 92415-0831

RE: Ninety Day Notice of Citizen Suit under the Resources Conservation and Recovery Act,
42 USC §6972
Chino Airport, Chino, California

Dear Ladies and Gentleman:

This letter is being sent on behalf of the Chino Basin Watermaster ("Watermaster") and the Chino Desalter Agency ("CDA").

Watermaster is a consensus-based organization facilitating development and utilization of the Chino Groundwater Basin. Watermaster's mission is "[t]o manage the Chino Groundwater Basin in the most beneficial manner and to equitably administer and enforce the provisions of the Chino Basin Watermaster Judgment", San Bernardino Superior Court Case No. RCV 51010 (formerly Case No. SCV 164327). (Judgment)

The groundwater in the Chino Groundwater Basin ("Basin") is the primary source of drinking water for over 500,000 residents of numerous cities and unincorporated areas of the County. Portions of the

Basin's groundwater are contaminated with hazardous substances. As a result of certain investigations relating to such hazardous substances, the California Regional Water Quality Control Board Santa Ana Region (Regional Board) notified the defendants, and each of them, that certain contamination consisting of various hazardous substances is believed to be emanating from the Airport. The existence of the contamination led the Regional Board to issue Cleanup and Abatement Order No. 90-134 (CAO) under which the San Bernardino County Department of Airports (County) was required to investigate the onsite soils, and to investigate and mitigate the groundwater contamination attributable to the discharge of hazardous substances, here considered to consist of various volatile organic compounds ("Contaminants") at the Chino Airport (Site). In 2008, the Regional Board issued a new Cleanup and Abatement Order No. R8-2008-0064 which required, among other things, that the County submit and implement a remedial action plan to address the Contaminants. Notwithstanding the Regional Board Orders, Contaminants remain in the Basin at such levels to pose an imminent and substantial endangerment to health and the environment.

Watermaster has an interest in the water quality of the Basin under the Judgment and under its Optimum Basin Management Plan ("OBMP") and has acted since its creation to maintain and increase the beneficial uses of water in the Basin. Watermaster is the principal entity responsibly for managing the production, use, transfer and storage of water within the Basin. It routinely approves the transfer of thousands of acre-feet each year within the Basin dependent upon the finding the transfer will not cause Material Physical Injury as referenced in the Judgment.

Likewise, virtually any project that Watermaster must approve requires some finding related to harm to the Basin or water right holder. This determination is hindered by the existence of contamination. The benefits of implementing additional Court orders dated in December of 2007 has been recently estimated at nearly a billion dollars under an economic study recently conducted by Dr. David Sunding from the University of California, Berkley. To the extent any of the measures contemplated by the Courts orders, whether that be recharge, treatment, desalting, basin re-operation, transfers or storage, there will be recurring economic injury and a loss in overall water supply reliability. Hence, a removal and/or remediation of the contamination is required.

In 2005 Watermaster became obligated to the Regional Water Quality Control Board Santa Ana Region by way of Order No. R8-2005-0033 to implement measures necessary to maintain hydraulic control, i.e., eliminating, or controlling to de minimus levels, the discharge of groundwater from the Chino Basin to the Santa Ana River. This obligation was satisfied in large degree by the parties' collective commitment to and the Court's Orders, which contemplate and require specific steps towards expanded production of desalted water. Under the December 2007 Orders of the Court, Watermaster is obliged to make demonstrated progress towards the design, funding and schedule of timely implementation of expanded desalter production.

The CDA is a Joint Powers Authority formed in 2002 to manage the production, treatment, and distribution of highly treated potable water to cities and water agencies throughout its service area. In light of its purpose, CDA intend to construct, operate, and maintain the Project originally authorized by Courts December 2007 Orders and the OBMP in June of 2000. CDA designs, constructed and operates the Projects to accomplish not only salt management, but to allow the Watermaster to meet its obligations under Order No. R8-2005-0033.

The existing Project and the Court ordered expansion will be impacted by the Contaminants emanating from the Airport and as a result will require additional equipment and processes be made part of the Project beyond what is necessary to perform its basic design functions in order to remove the Contaminants from the groundwater the Project was contemplated it would be removing salt from. The Projects will have to remove the Contaminants in the water as well so as to be able to supply potable water as is planned which meets all state and federal requirements for potability. Hence the existence

of the Contaminants impeded the Projects and requires that the responsible party be made to mitigate and/or remediate the contamination.

Should the existence of contamination require the response costs to be incurred an/or hinder or otherwise curtail the environmental improvements and related actions as ordered the parties to the Judgment would lose access to more than 400,000 acre-feet of groundwater, whose use is expressly conditioned upon construction of the expanded desalters. Watermaster would assume a corresponding burden to import 400,000 acre-feet of water from other sources at a present value cost in excess of \$200 million and given current water availability issues in Southern California, this may be extremely difficult.

For all these reasons, Watermaster and CDA require that the responsible party be made to mitigate and/or remediate the Contaminants in those areas.

The existence of the Contaminants has not only degraded the Basin, but poses an imminent and substantial endangerment to health and the environment because the concentration of the Contaminants is at such levels that anyone ingesting said water without treatment, would be ingesting water at levels above those set by the California Department of Public Health as Maximum Containment Levels for drinking water. There would also be a requirement to send specific notices to various persons because some levels substances existing in the area in question exceed California's Notice Level requirements. Further, they are subject of a cleanup and abated order issued by the Regional Board in which the Regional Board has determined the Contaminants are a nuisance and otherwise in violation of California Law. As such the existence of the Contaminants presents an imminent and substantial endangerment to health or the environment. By this notice, Watermaster and CDA requests that the EPA and/or State of California take such enforcement action as is required. Should EPA and/or State of California refuse to take such action a complaint will be filed in the United States District Court for the Central District of California to enforce its rights under the Citizen Suits provision of the Resources Conservation and Recovery Act, under the Comprehensive Environmental Response, Compensation, and Liability Act (42 USC Chapter 103) as well as other claims.

Very truly yours,



Steven L. Hoch
Brownstein Hyatt Farber Schreck, LLP

cc: Santa Ana RWQCB – Gerald Thibeault
Region IX Administrator
Charles Hoppins – Chair of the SWRCB

EXHIBIT J

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Attorneys For
CHINO BASIN WATERMASTER

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO

CHINO BASIN MUNICIPAL WATER
DISTRICT

Plaintiff,

vs.

CITY OF CHINO, ET AL.

Defendant.

Case No. RCV 51010

[Assigned for All Purposes to the
Honorable J. MICHAEL GUNN]

Stipulation Addressing Monte Vista Water
District's Comments in Response to
Watermaster's Submittals in Satisfaction of
Conditions Subsequent Three and Four

Hearing Date: May 1, 2008
Time: 2:00 pm
Dept: R8

IT IS HEREBY STIPULATED by and between Watermaster and Monte Vista Water District
("Monte Vista") as follows:

RECITALS

A. WHEREAS, October 25, 2007, Watermaster filed a Motion for Approval of Peace II Documents ("Watermaster Motion"), which referenced a Preliminary Technical Report in which model runs predicted among other things, a substantial decline in safe yield may occur unless steps were taken to mitigate the causes,

B. WHEREAS, Watermaster, through its counsel, has previously acknowledged its concern over projected declines in Operating Safe Yield.

C. WHEREAS, on December 21, 2007 the Court issued an Order approving the Peace II Measures and instructing Watermaster to proceed in accordance with its terms, subject to the satisfaction of specific conditions subsequent.

D. WHEREAS, Watermaster filed timely submittals with the Court regarding its compliance with Conditions Subsequent Three and Four.

E. WHEREAS, on April 10, 2008, Monte Vista timely filed its comments to Watermaster's compliance with Conditions Subsequent Three and Four.

F. WHEREAS, Watermaster has represented to the parties to the Judgment and the Court in open court and in previous filings that it will address the decline predicted by the model in safe yield through a comprehensive Recharge Master Planning effort that would consider measures that can mitigate any declines and offset the effects.

G. WHEREAS, Section 8.1 of the Peace II Agreement expressly provides that the Recharge Master Plan must address, "how the Basin will be contemporaneously managed to secure and maintain Hydraulic Control and subsequently operated at a new equilibrium at the conclusion of the period of reoperation."

H. WHEREAS, Section 8.3 of the Peace II Agreement expressly conditions the availability of "any portion" of the 400,000 acre-feet upon Watermaster's maintaining full compliance with its Recharge Master Planning efforts.

I. WHEREAS, Condition Subsequent Number Eight of the Court's Order approving the Peace II Measures further established time requirements and incorporated the Special Referee recommendations to clarify Watermaster's obligations to aggressively guard against declines in Operating Safe Yield.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED THAT:

1. Watermaster's Recharge Master Planning effort, which is now underway, will fully and fairly consider each of the issues raised by Monte Vista in its comments on Conditions Subsequent Three and Four. Prior to its adoption of a final Recharge Master Plan jointly with the Inland Empire Utilities Agency

and submittal of the Recharge Master Plan to the Court for approval, and upon request by any party, Watermaster will provide a fair written summary to the parties of its rationale for the inclusion and rejection of any action or recommendation.

2. No Party to the Judgment, including Monte Vista, shall be deemed to have waived any objections or responses to objections regarding: (a) the adequacy of any element of the Recharge Master Plan for any reason, including, but not limited to, the issues raised in Monte Vista's comments; and (b) access to the 400,000 acre-feet.

3. Pursuant to Special Referee's recommendation, Watermaster shall include in its submittal in compliance to Condition Subsequent Eight, a comprehensive analysis and explanation of how and whether Watermaster will schedule redetermination of safe yield and calculate replenishment obligations, in light of the model's predicted safe yield decline over time, mitigation measures reasonably anticipated under the Recharge Master Plan, the priorities to unallocated agricultural pool water and other considerations consistent with the Judgment as amended. To assist in a determination of an appropriate baseline condition, prior to July 1, 2008 Watermaster will compile credible information and complete a reasonable range of analysis, including a best case and worst case, regarding the quantity of water that is unproduced by the Agricultural Pool. Watermaster will then apply the range of projections of agricultural pool production against the predicted declines in Safe Yield. Using the procedures provided in the Peace II Measures Watermaster will calculate the potential impacts on the Operating Safe Yield and individual parties' share thereof. In interim filings with the Court regarding the Recharge Master Plan, Watermaster will adhere to a commitment to provide a holistic approach and the requirement that the Final Recharge Master Plan must address the issues described in this paragraph, in the Special Referee Recommendations incorporated into the December 21, 2007 Order and in the Peace II Measures.

4. Watermaster shall update the court within a reasonable period of time the further actions to be taken in compliance with CEQA for the entire desalter expansion, increased groundwater pumping for the desalters, hydraulic control and basin reoperation activities, and the overall changes that are to proceed under the auspices of the Peace II order or as the Court may otherwise order.

5. Consistent with the obligation of Watermaster to obtain Court approval of groundwater storage agreements constituting a Storage and Recovery Agreement, Watermaster will request Court approval for any changes to any Storage and Recovery Agreements and address any contractual inconsistencies between a proposed or amended Storage and Recovery Agreement and the Peace I and Peace II Measures.

6. Monte Vista acknowledges that under the terms of this Stipulation, the concerns raised in its filing will be addressed, and it therefore withdraws its comments and any relief requested therein, provided, however, all parties to the Judgment including Monte Vista reserve their rights, whatever they may be, to request legal or equitable relief to address Watermaster's compliance with the Judgment, the Orders of the Court, Peace I and the Peace II measures.

7. Any party to the Judgment may seek the Court's review of compliance with any obligation set forth herein in response to any Watermaster filing related to the preparation and approval of the Recharge Master Plan.

Dated: April 24, 2008

BROWNSTEIN HYATT FARBER SCHRECK, LLP

By: 

Scott S. Slater

Michael T. Fife

Amy M. Steinfeld

Attorneys for Chino Basin Watermaster

Dated: April 25, 2008

MONTE VISTA WATER DISTRICT

By: 

Arthur G. Kidman

McCormick, Kidman & Behrens

Attorney for Monte Vista Water District

SB 465305 v1.008350.0001

EXHIBIT K



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: December 11, 2008
December 16, 2008
December 18, 2008

TO: Committee Members
Watermaster Board Members

SUBJECT: Reallocation of Surplus Agricultural Pool Water

SUMMARY

Issue: Adoption of procedures regarding the re-allocation of surplus Agricultural Pool water in the event of a decline in Safe Yield

Fiscal Impact: No impact to the Watermaster budget

Background

Pursuant to its stipulation with Monte Vista Water District dated April 25, 2008, Watermaster committed to, "... include in its submittal in compliance to Condition Subsequent Eight, a comprehensive analysis and explanation of how and whether Watermaster will ... calculate replenishment obligations, in light of the model's predicted safe yield decline over time ..." (Stipulation, paragraph 1.)

The Stipulation further required Watermaster to produce certain information regarding an expected future range of Agricultural Pool production prior to July 1, 2008. Watermaster produced this information and at the June 26, 2008 Appropriative Pool meeting, the Appropriative Pool decided to convene a subcommittee to discuss the development of a procedure to respond to this information.

This subcommittee was formed and met. At the August 6, 2008 meeting of this subcommittee, staff and legal counsel were asked to put together information for consideration by the subcommittee members. Staff and legal counsel were asked to memorialize a proposed resolution of the method of allocation of

water in the event of a reduction in Safe Yield, and to create spreadsheets that document the results of a range of other methods.

On September 8, 2008, Watermaster distributed these materials to the subcommittee and requested comments. On November 10, 2008, Monte Vista Water District submitted comments on the proposed policy. No other party has submitted comments to date. Monte Vista's comments have been incorporated into the draft included in the agenda package.

Proposed Procedure

The memorandum describes the provisions of the Peace Agreement, Peace II Agreement and the Rules and Regulations that create the need for the proposed procedure in light of a potential decline in Safe Yield.

The procedure as proposed in the memorandum specifies that in the event that Operating Safe Yield is reduced because of a reduction in Safe Yield, Watermaster will follow the Judgment, Exhibit "H", by first applying the unallocated Agricultural Pool water to compensate for the reduction in Safe Yield. If there is unallocated water left, Watermaster will then follow the remainder of the hierarchy according to the guidance provided by Peace Agreement I & II and the Rules and Regulations, as amended.

Recommendation - Adopt the procedures as described in the attached memorandum and instruct counsel to include a description of these procedures in the filing to be made in compliance with Condition Subsequent Number 8.

Memorandum

Michael Fife
805.882.1453 tel
805.965.4333 fax
mfife@bhfs.com

DATE: December 4, 2008
TO: Appropriative Pool
FROM: Michael Fife
Watermaster General Counsel
RE: Proposed Accounting Procedures re Potential Decline in Safe Yield.

Background

At the August 6, 2008 Agricultural Pool Reallocation Subcommittee meeting, a proposal was made concerning the manner in which Watermaster should address the reallocation of surplus Agricultural Pool water to account for a decline in Safe Yield, should such a decline happen. Watermaster was requested to memorialize this proposal and to produce spreadsheets showing the numerical consequences of a range of different allocation proposals.

Below is our attempt to summarize the proposal articulated at the August 6 meeting.

Proposal Description

Pursuant to its stipulation with Monte Vista Water District dated April 25, 2008, Watermaster committed to, "... include in its submittal in compliance to Condition Subsequent Eight, a comprehensive analysis and explanation of how and whether Watermaster will ... calculate replenishment obligations, in light of the model's predicted safe yield decline over time" (Stipulation, paragraph 1.)

Watermaster will include the following explanation in its submittal in compliance with Condition Subsequent Number Eight:

Exhibit "H," paragraph 10 sets out a hierarchy for the allocation of unallocated Agricultural Pool water. This hierarchy specifies that such water will first be used to satisfy reductions in Operating Safe Yield ("OSY") to compensate for any reduction in the Safe Yield ("SY"). Following this, the water will be used to satisfy conversion claims. Following this, it will be used as a supplement to OSY.

Paragraph 5.3(g) of the Peace Agreement requires that Watermaster approve an "Early Transfer" of water in an amount of "... not less than 32,800 per year. ..." If Agricultural Pool Production is less than 50,000 acre-feet, so that there is more than 32,800 acre-feet available, then Watermaster will only apply that amount to OSY if all land use conversions have been satisfied, pursuant to Exhibit "H."

Paragraph 5.3(g) is somewhat ambiguous about how the Early Transfer relates to the hierarchy described in Exhibit "H." Section 6.3 of the Rules and Regulations was created to specify the hierarchy as between land use conversion and the Early Transfer. This section had re-opener provisions and was reconsidered in the Peace II process. This reconsideration resulted in a revision to Watermaster Rules and Regulations section 6.3(c) and the addition of a section 6.3(d). (See Watermaster Resolution 2007-05, Attachment "F" (Discretionary Actions to Amend Watermaster Rules and Regulations).)

Specifically, section 6.3 (c), as amended, specifies that when the actual combined production from the Safe Yield made available to the Agricultural Pool, which includes overlying agricultural pool uses combined with land use conversions and the Early Transfer, exceeds 82,800 in any year, the amount of water available to members of the Appropriative Pool shall be reduced pro rata in proportion to the benefits received according to the following procedure:

- (1) All the land use conversions and the Early Transfer will be added together, and shall be the "Potential Acre-Feet Available for Reallocation."
- (2) Each Appropriative Pool member's share of the Potential Acre-Feet Available for Reallocation shall be determined and expressed as a percentage share of the Potential Acre-Feet Available for Reallocation (i.e. a member's land use conversion plus its share of the Early Transfer, divided by the total Potential Acre-Feet Available for Reallocation.)
- (3) Each Appropriate Pool member's share of the Potential Acre-Feet Available for Reallocation shall then be reduced pro rata according to the percentage determined in #2 above.

Even with the Peace II revision, the Watermaster Rules and Regulations did not specifically address the way in which unallocated Agricultural Pool water will be allocated in the event of a reduction in SY, which also reduces the OSY.

Absent additional guidance from the parties, in the event that OSY is reduced because of a reduction in SY, Watermaster will follow the Judgment, Exhibit "H", by first applying the unallocated Agricultural Pool water to compensate for the reduction in SY. If there is unallocated water left, Watermaster will then follow the remainder of the hierarchy according to the guidance provided by Peace Agreement I & II and the Rules and Regulations, as amended. (Table 3A, attached here, evidences how this allocation will be calculated based on maximum overlying agricultural pool production at build-out of 11,000 acre-feet.)

Table 3A
Projected Appropriator Production Rights at Build-Out
Based on Maximum Overlying Agricultural Pool Production at Build-Out of 11,000 AF

(1) Appropriator	(2) Share of Safe Yield per Judgment	(3) 49,834,000 (acres-ft/yr)	(4) Land Use Conversions as of 08-07 (acres-ft/yr)	(5) Potential Future Conversions (acres-ft/yr)	(6) Early Transfer (acres-ft/yr)	(7) Potential for Reallocation (acres-ft/yr)	(8) Difference: Potential vs Net (acres-ft/yr)	(9) Total Allocation (acres-ft/yr)	(10) New Yield (acres-ft/yr)	(11) Total Production Right (acres-ft/yr)
Arrowhead Mountain Spring Water Company	0.000%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00
Chino Desalter Authority	0.000%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	7,000.000	7,000.00
City of Chino	7.357%	3,666,287	6,408,700	7,447,318	2,413,096	16,269,114	-6,132,489	10,136,625	0.000	13,802.91
City of Chino Hills	3.851%	1,919,107	987,346	561,408	1,263,128	2,811,882	-1,059,912	1,751,970	0.000	3,671.07
City of Norco	0.368%	183,389	0.000	0.000	120,704	120,704	-45,498	75,206	0.000	259.59
City of Ontario	20.742%	10,336,568	1,396,471	15,208,088	6,803,376	23,405,935	-6,922,646	14,583,289	0.000	24,919.85
City of Pomona	20.454%	10,193,046	0.000	0.000	6,708,912	6,708,912	-2,628,861	4,180,051	0.000	14,373.09
City of Upland	5.202%	2,592,365	0.000	0.000	1,706,256	1,706,256	-843,157	1,063,099	0.000	3,665.48
Cucamonga Valley Water District	6.801%	3,269,542	598,364	0.000	2,165,128	2,763,492	-1,041,672	1,721,820	0.000	5,011.36
Fontana Union Water Company	11.657%	5,809,149	0.000	0.000	3,823,496	3,823,496	-1,441,231	2,382,265	0.000	8,191.41
Fontana Water Company	0.002%	997	834,000	0.000	0.656	834,656	-314,616	520,040	0.000	521.03
Jurupa Community Services District	3.759%	1,873,280	11,878,336	4,952,450	1,232,952	18,093,738	-6,808,958	11,254,782	0.000	13,128.04
Inland Empire Utilities Agency	0.000%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00
Manlygold Mutual Water Company	1.195%	595,516	0.000	0.000	391,980	391,980	-147,746	244,214	0.000	839.73
Metropolitan Water District of Southern California	0.000%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00
Monte Vista Irrigation Company	1.234%	614,952	0.000	0.000	404,752	404,752	-152,567	252,185	0.000	867.13
Monte Vista Water District	8.797%	4,393,897	55,075	12,590	2,895,416	2,993,071	-1,113,132	1,839,939	0.000	6,223.83
Mutual Water Company of Glen Avon Heights	0.000%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00
Niagara	0.000%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00
Nicholson Trust	0.007%	3,488	0.000	0.000	2,296	2,296	-0,865	1,431	0.000	4.91
San Antonio Water Company	2.748%	1,368,438	0.000	0.000	901,344	901,344	-339,753	561,591	0.000	1,931.02
San Bernardino County (Olympic Facility)	0.000%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00
Santa Ana River Water Company	2.373%	1,182,561	0.000	0.000	778,344	778,344	-293,389	484,955	0.000	1,687.51
Golden State Water Company	0.750%	373,755	0.000	0.000	246,000	246,000	-92,727	153,273	0.000	527.02
West End Consolidated Water Company	1.728%	861,132	0.000	0.000	566,784	566,784	-213,644	353,140	0.000	1,214.27
West Valley Water District	1.175%	585,550	0.000	0.000	365,400	365,400	-145,273	240,127	0.000	825.67
Totals	100.000%	49,834,000	22,158,292	28,179,844	32,800,000	83,138,136	-31,338,136	51,800,000	7,000,000	108,634.00

Aggregate Ag Pool Right 82,800,000
Aggregate Ag Pool Production 11,000,000
Projected Safe Yield Reduction 20,000,000
Production to be Allocated 51,800,000
Less Potential for Reallocation 83,138,136

CHINO BASIN WATERMASTER
Case No. RCV 51010
Chino Basin Municipal Water District v. The City of Chino

PROOF OF SERVICE

I declare that:

I am employed in the County of San Bernardino, California. I am over the age of 18 years and not a party to the within action. My business address is Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California 91730; telephone (909) 484-3888.


On July 1, 2010 I served the following:

**1) WATERMASTER COMPLIANCE WITH CONDITION SUBSEQUENT NUMBER EIGHT;
PROPOSED ORDER SUBMITTED CONCURRENTLY**

- ☒ BY MAIL: in said cause, by placing a true copy thereof enclosed with postage thereon fully prepaid, for delivery by United States Postal Service mail at Rancho Cucamonga, California, addresses as follows:
See attached service list: Mailing List 1
- ☐ BY PERSONAL SERVICE: I caused such envelope to be delivered by hand to the addressee.
- ☐ BY FACSIMILE: I transmitted said document by fax transmission from (909) 484-3890 to the fax number(s) indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting fax machine.
- ☒ BY ELECTRONIC MAIL: I transmitted notice of availability of electronic documents by electronic transmission to the email address indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting electronic mail device.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on July 1, 2010 in Rancho Cucamonga, California.


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