

Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING

November 16, 2006

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on November 16, 2006 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Agricultural Pool

Nathan deBoom, Chair

Ag Pool/Dairy

Appropriative Pool

Chris Diggs

Fontana Union Water Company

Mark Kinsey

Monte Vista Water District

Mike McGraw

Fontana Water Company

Marty Zvirbulis

Cucamonga Valley Water District

Dave Crosley

City of Chino

J. Arnold Rodriguez

Santa Ana River Water Company

Charles Moorrees

San Antonio Water Company

Ken Jeske

City of Ontario

Ashok K. Dhingra

City of Pomona

Anthony La

City of Upland

Non-Agricultural Pool

Bob Bowcock

Vulcan Materials Company (Calmat Division)

Watermaster Board Members Present

Sandra Rose

Monte Vista Water District

Ken Willis

West End Consolidated Water Company

Watermaster Staff Present

Kenneth R. Manning

Chief Executive Officer

Sheri Rojo

CFO/Asst. General Manager

Gordon Treweek

Project Engineer

Danielle Maurizio

Senior Engineer

Sherri Lynne Molino

Recording Secretary

Watermaster Consultants Present

Scott Slater

Hatch & Parent

Mark Wildermuth

Wildermuth Environmental Inc.

Tom McCarthy

Wildermuth Environmental Inc.

Others Present

Terry Catlin

Inland Empire Utilities Agency

Justin Scott-Coe

Vulcan Materials Company (Calmat Division)

Rosemary Hoerning

City of Upland

Bill Kruger

City of Chino Hills

Eunice Ulloa

Chino Basin Water Conservation District

Rich Atwater

Inland Empire Utilities Agency

The Advisory Committee meeting was called to order by Chair deBoom at 9:08 a.m.

AGENDA - ADDITIONS/REORDER

There were not additions or reorders made to this agenda.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Advisory Committee Meeting held on September 28, 2006
2. Minutes of the Advisory Committee Meeting held on October 26, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2006
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through September 30, 2006
3. Treasurer's Report of Financial Affairs for the Period September 1, 2006 through September 30, 2006
4. Profit & Loss Budget vs. Actual July 2006 through September 2006

Motion by McGraw, second by Bowcock, and by unanimous vote

Moved to approve Consent Calendar Items A through B, as presented

II. BUSINESS ITEMS**A. NEW YIELD ALLOWANCES FOR FY 06-07 ASSESSMENT PACKAGE**

Mr. Manning stated staff's recommendation for this item is based upon the definition of new yield and proven inflow into the basin; the appropriate number to use in the Assessment Package is 30%. This item was taken to the Appropriative and Non-Agricultural Pool and the action taken at their meeting was slightly different than staff's recommendation. Their motion was to use the 30% number but to add an additional 20%, which takes us up to the management strategy level and that if re-operation was not approved by the court, then staff would go back and redo the Assessment Package to reflect just the 30%. This same item went to the Agricultural Pool yesterday and their motion was to approve the 30% and when the re-operation was approved by the court an additional 20% would be credited back into the Assessment Package. Mr. McGraw inquired if the 20% would then go back retroactively. Mr. Manning stated this year's assessments will not change whether we use the 30% or the 50% number, the financial impact would occur in the next Assessment Package. Mr. Jeske offered comment on basin strategies. A lengthy discussion ensued with regard to this item and with regard to accelerating the Peace II process. Mr. Kinsey offered comment on his concerns regarding bifurcating the Peace II process. Counsel Slater stated this matter comes to this committee on a staff recommendation with proposed evidentiary findings. In order for the Advisory Committee and the Watermaster Board to approve a determination of new yield there must be substantiating evidence to make a finding that there is in fact new yield. Once there is substantial evidence and the Board makes findings, then new yield adds to the quantity that can be produced without incurring a replenishment assessment. Unless there is such a determination made, we are left with the historic operating yield and any production in the basin which is not otherwise accounted for incurs a replenishment assessment. When staff prepared the recommendation it included evidence which was the Wildermuth report and proposed findings related to new yield. As counsel and staff understood the Appropriative and Non-Agricultural pools proposal, it was to adopt the determination of a 30% but then also on the basis of a different subject which is proper basin management to add an additional 20%, bringing the total to 50%. There is no evidence in the record to support a determination or findings that in fact that the new yield should be at 50%. If the Advisory Committee members want to act consistent with the rules of the Peace Agreement, it ought to adopt the findings as it relates to the 30% and then take whatever position it wants to, coupled or not, with the additional 20% forgiveness. Mr. Jeske stated he was the maker of the motion at that meeting and the discussion at that meeting was two fold, one dealing with the new yield from the pumping in the south end and it dealt with the findings at 30% and the other pertaining to implementing the Peace II Term Sheet and the resulting 20%. A lengthy discussion ensued with regard to this item and it was decided by the committee members to go into recess to

discuss this item and to decide on accurate wording for a motion to reflect this committee's intentions.

At 9:28 a recess was called into place to allow further discussion regarding the new yield allowance and to formulate a motion.

At 9:45 a.m. the Advisory Committee meeting reconvened.

Motion by Jeske, second by Dhingra, and by unanimous vote

Advisory Committee Motion in two parts:

Part A:

Adopt Staff Recommendations set forth in the staff report

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- a. Based upon a technical assessment prepared by Wildermuth Environmental, Watermaster Staff, New Yield attributable to the 05-06 Desalter production is equal to 30% of Desalter production or about 4,950 acre feet.
 - b. Incorporate the identified New Yield into the assessment package and further described condition in the Annual Report.
 - c. Approve the proposed findings and support the Watermaster determination.

[Proposed finding are set forth on page 39 of the Board packet.]

Part B

As a matter of basin management and not New Yield and in acknowledgement of all of the following:

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1. Mr. Wildermuth's and Mr. Scalmanini's comments regarding the benefits of proceeding the basin management strategy of hydraulic control;
 2. The parties' desire to proceed with Peace II and the basin management goal of Hydraulic Control;
 3. The parties desire to avoid taking actions contrary to the basin management goal to Hydraulic Control by assessing the securing replenishment water;
 4. Watermaster's need for flexibility to implement the physical solution and to exercise discretion in assessing for over-production *within one year*;

Therefore Part B:

1. Watermaster will exercise reasonable discretion is deferring the imposition of a Replenishment Assessment *within one fiscal year*;
2. Subject to Mr. Scalmanini's review, Watermaster's next court filings will reference its desire to defer and potentially avoid imposing a Replenishment Assessment for Desalter production in excess of Operating Safe Yield so as to act in a manner consistent with the basin management strategy of securing hydraulic control if it is making reasonable progress toward completion of the Peace II process; and
3. If Watermaster has made reasonable progress towards but has not completed the Peace II process within the fiscal year, Watermaster will request court relief from the requirement to

levy a Replenishment Assessment for Desalter Production in excess of Operating Safe Yield so that it may act in a manner consistent with the basin management strategy of securing hydraulic control.

B. FY 06-07 ASSESSMENT PACKAGE

Mr. Manning stated the Appropriative and Non-Agricultural pools moved to table a motion on this item until next month in order to allow more time for review and to allow Watermaster to pre-bill 50% of the anticipated assessments in order to have money come in to pay bills. The Agricultural Pool's motion was to approve the FY 06-07 Assessment Package and to also allow Watermaster to pre-bill 50% until this item was approved completely. It was noted the Advisory Committee members opted not to see the Assessment Package presentation at this time. A question regarding when the final amount of assessments would be mailed out and Mr. Manning stated if this item is approved at the Advisory and Watermaster Board meetings in December the statements would then go out around the January 2007 time frame.

Motion by Jeske, second by Kinsey, and by unanimous vote

Moved to table this item until next month and to approve billing 50% of the anticipated Assessment to the parties, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Application

Counsel Slater stated the State Board has sent out some correspondence, not a notice, to all the parties involved letting them know that the State Board is hoping to notice a hearing on all of the Santa Ana River applications by the end of November. In subsequent discussions with the State Board, it turns out that almost all of the State Board's staff that is now assigned to this project is new to the project including legal counsel. We still do not know for sure if this will go through to a hearing because of all of the past delays over the past six years.

2. Peace II Term Sheet

Counsel Slater stated there has been a lot of discussion regarding the slow progress on the Peace II process. We have been in the process of technical review by the Special Referee and her technical assistant for some time. We are anticipating all of the technical review to be completed early in the New Year. Counsel Slater stated it has occurred to counsel and staff due to financial constraints and the relationship to the subject matter previously discussed that it may make sense to disaggregate the process. Staff is looking at moving the entire package into suites of action which are those things that Watermaster can do within the presently authorized allowable discretion, the next would be those things that require contractual amendments to the Peace Agreement and a modification to the implementation plan, and lastly would be those things that would require a physical analysis. It was staff's intention to discuss this concept with the Watermaster Board today and then introduce to the entire Watermaster process in December. Mr. Kinsey commented on the concerns regarding bifurcating this process at the last Appropriative and Non-Agricultural pool meeting. A discussing ensued with regard to this item.

3. Waste Discharge Requirements re Santa Ana River

Counsel Slater stated we are at a watch and monitor mode and there is nothing further to report on regarding this item.

B. WATERMASTER ENGINEERING REPORT

1. Progress on the Western Desalter Well Field

It was noted the committee members decided to pass on seeing the presentation at this meeting. No further comment was made regarding this item.

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report
No comment was made regarding this item.
2. Legislative/Bond Update
Mr. Manning stated IEUA has sent over the Congressional Outlook for the 100th Congress (Innovating Federal Strategies – a Comprehensive Government look at Relations) which is available on the back table for review. Mr. Manning offered comment on how both houses being Democratic will affect us. Our hope is that two items will get through to funding one being WORDA and the other being the funding for our recycled water projects; both are sitting awaiting action in the senate.
3. Strategic Planning
Mr. Manning stated this item is not completed and will be brought back next month.
4. RAND Workshop Review
Mr. Manning stated the third and last workshop was held this past week. Overall the RAND series of three workshops were productive. There will be a follow up report and once that report is available we will provide a copy to all the parties.
5. Invitation from French Government
Mr. Manning stated Mr. Neufeld and himself were notified a few weeks ago by the French government that they had been selected to participate in a conference in France (paid by them) to attend the conference and visit with their officials over a four day period. Just this week both Mr. Manning and Mr. Neufeld were notified that this year's trip for them has been cancelled and they have been placed on a waiting list for next year's conference. Mr. Manning noted it was an honor just to be one of the few that were considered to attend this type of event and he hopes to be chosen to go next year.

Added Item:

Mr. Manning stated several months ago he and Mr. Atwater from Inland Empire Utilities Agency and a number of other parties got together to request some grants to the Department of Health Services (Prop 50 Grants). Watermaster ended up submitting three applications for grants which were, 1) Chino I Desalter Expansion for \$15M, 2) Ontario Groundwater Recovery (OIA Plume) for \$20M, and 3) the Chino Groundwater Recovery grant. This is a total of \$55 million dollars which was applied for and all three were approved by the Department of Health Services to move onto the next round. These funds will most certainly help in getting the Potential Responsible Parties to the table for clean up.

D. INLAND EMPIRE UTILITIES AGENCY

1. Monthly Water Conservation Programs Report
No comment was made regarding this item.
2. Monthly Imported Water Deliveries Report
No comment was made regarding this item.
3. State and Federal Legislative Report
No comment was made regarding this item.
4. Community Outreach/Public Relations Report
No comment was made regarding this item.
5. Water Production Summary
No comment was made regarding this item.

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

No comment was made regarding this item.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

November 16, 2006	9:00 a.m.	Advisory Committee Meeting
November 16, 2006	11:00 a.m.	Watermaster Board Meeting
November 20, 2006	1:00 p.m.	AGWA Meeting @ CBWM
November 30, 2006	10:00 a.m.	MZ1 Technical Committee Meeting
December 13, 2006	1:00 p.m.	Water Quality Meeting
December 14, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
December 19, 2006	1:00 p.m.	Agricultural Pool Meeting @ IEUA
December 21, 2006	9:00 a.m.	Advisory Committee Meeting
December 21, 2006	11:00 a.m.	Watermaster Board Meeting

The Advisory Committee Meeting Adjourned at 10:25 a.m.

Secretary: _____

Minutes Approved: _____