

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING
February 20, 2007

The Agricultural Pool Meeting was held at the offices of the Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on February 20, 2007 at 9:00 a.m.

Agricultural Pool Members Present

Bob Feenstra, Chair	Dairy
Nathan deBoom	Dairy
Jeff Pierson	Crops
Glen Durrington	Crops
John Huitsing	Dairy
Pete Hettinga	Dairy

Watermaster Board Member Present

Sandra Rose	Monte Vista Water District
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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

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Steve Lee	Reid & Hellyer
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Chair Feenstra called the Agricultural Pool meeting to order at 9:12 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Annual Agricultural Pool Meeting held January 16, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of January 2007
2. Combining Schedule of December 31, 2006
3. Treasurer's Report of Financial Affairs for the Period December 1, 2006 through December 31, 2006
4. Profit & Loss Budget vs. Actual July 2006 through December 2006

C. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007. Date of application: January 22, 2007

D. INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 2006

Independent Auditors' Report from Mayer Hoffman McCann P.C. an Independent CPA firm

Motion by Hettinga, second by Pierson, and by unanimous vote

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

II. BUSINESS ITEMS

A. ASSESSMENTS FOR FISCAL YEAR 2006-2007

Mr. Manning stated the Watermaster Assessment Package was held over from a few months ago due to various changes that needed to be incorporated. The Assessment Package that is in the meeting packet has included all known needed changes and is being presented for approval today. Ms. Rojo stated this is basically the same Assessment Package that was submitted for approval several months ago with a few minor changes such as an appropriator who forgot to inform Watermaster that they drilled a new well and had started producing from it, there was an assignment from an appropriator and to the non-agricultural pool, and some items relating to the Dry Year Yield Storage Account. With the changes in production it did change the assessment amounts being billed by approximately .25 cents per acre-foot. Ms. Rojo stated the full PowerPoint presentation on the 2006/2007 Assessment Package will with all the new numbers will be given at the this months Advisory Committee meeting. A discussion ensued with regard to the Assessment Package being approved in 2006. Ms. Rojo stated the revision number four has the final changes and is being presented for approval today. Chair Feenstra inquired if there were any objections at the Appropriative Pool meeting recently and Mr. Manning stated there were some discussions regarding budgeting; however, the Assessment Package was passed by a unanimous vote. Mr. deBoom inquired about page 68 of the Assessment Package regarding the Agricultural Pool numbers. Ms. Rojo reviewed the assessment calculations in detail on the spreadsheet for the Agricultural Pool.

Motion by Durrington, second by deBoom, and by unanimous vote

Moved to approve the fiscal year 2006-2007 Assessments, as presented

B. Calendar-Year 2007 Agricultural Pool Members

The Agricultural Pool membership shall consist of not less than ten representatives selected at large by members of the pool. Pool members will be asked to make any necessary changes to the following list in order to establish pool membership and alternates for calendar year 2007:

Current Agricultural Pool Members

*Crops: Glen Durrington
Jeff Pierson
Dairy: Robert Feenstra
Gene Koopman
Peter Hettinga
Nathan deBoom
John Huitsing
State: Pete Hall
Edward Gonsman
Robert Nobles*

Current Alternates:

*Crops: Dan Hostetler
Dairy: Syp Vander Dussen
State: Gary Lord
Peter Von Haam
Aboyomi Sunomi*

Mr. Manning stated the item presented here is an item in which the Agricultural Pool asked to be placed on the agenda again after some phone calls and inquires were made regarding alternates. Mr. Manning stated one concern that has come up since the last Agricultural Pool meeting relates to an alternate for the Advisory Committee; the last Advisory Committee meeting did not have a quorum due to lack of Agricultural Pool representation. Mr. Manning stated the Agricultural Pool needs to create some sort of system so there is representation at

the Advisory Committee meetings so that situation could be avoided in the future. Mr. Manning discussed the alternatives that have been chosen for representation at the Board level and asked that there might be two alternates also provided for the Advisory Committee, although, not to name them in order that any Agricultural Pool representation can provide the spot of alternate including the possibility of Steven Lee, the Agricultural Pool legal representative to fill in as the Agricultural Pool alternate because it appears he does attend a majority of the meetings. Chair Feenstra apologized for the non-representation at the Advisory Committee meeting and confirmed he would do his very best to make it to the meetings in the future. Mr. Manning inquired to legal counsel regarding specific designation and if any Agricultural Pool member representative who shows up at the Advisory Committee meeting where there is no appointed representation, can they fill in as an alternate? Counsel Lee stated he has looked this question up before and according to his findings, any Agricultural Pool member can sit in as alternate at the Advisory Committee meetings; however, they must appear in person and cannot phone in. A discussion ensued regarding the alternates listed in the meeting packet and Chair Feenstra stated he will be meeting with a representative of Milk Producers Council and a representative of Farm Bureau to see if he can find additional alternates and will keep this committee apprised of any changes.

Motion by deBoom, second by Hettinga, and by unanimous vote

Moved to approve to allow the two designated alternate representatives for the Watermaster Board meetings to be allowed to represent both Agricultural Board seats interchangeably according to which representative is available to stand in that day as an alternate at the Watermaster Board meeting, as presented
Moved to approve to leave two open spots for any Agricultural Pool member to sit on the Advisory Committee meeting as an Agricultural Pool representative if the appointed representatives are not present and to allow the Agricultural Pool legal counsel representative to also stand in as an alternate on the Advisory Committee if the appointed representative and/or two open representatives do not attend, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Fife stated there are several handouts available on the back table regarding quite a few different issues. The reason for the handouts as opposed to these being in the packet is because the information was received after the meeting package was assembled and mailed out. Counsel Fife stated there is one from the State Board regarding the hearing regarding our Water Rights application. The State Board noticed the hearing on Friday, February 16, 2007; the hearing dates are scheduled for May 2, 3, and 4, 2007 with a pre-hearing workshop on April 6, 2007. There has been some discussion amongst us whether three days for all of the Water Rights Applications in the Santa Ana Watershed is enough. The heart of the issues begins on the bottom of page nine of the handout and goes on to page ten under the heading Key Issues. These are the issues that staff has set out and is a series of six questions and the intention of the hearing is to answer these six questions. Counsel and staff will be planning on what the hearing is going to look like and we are going to be holding a confidential session regarding this matter after the Watermaster Board meeting on Thursday, February 22, 2007 to discuss strategy. A discussion ensued with regard to this matter. It was noted it would be helpful to have an Agricultural Pool representative stay for the confidential meeting.

Counsel Fife stated we have also received an order from the court. The court has set a hearing for May 24, 2007 to hear about the schedules for the Peace II Process, the desalters, for MZ1, and for anything else going on that is relevant on the calendar. The court has decided it needs more information which is why this hearing has been scheduled. On page four of the court order it describes the briefing schedule; we are to file a report to

the court by March 31, 2007 which will give the parties enough time and opportunity to respond.

Counsel Fife stated we have received a letter from the Regional Water Quality Control Board asking us to give them an update on where we are in complying with the Basin Plan Amendments; particularly our progress towards Hydraulic Control and toward the planning of the third desalter. The Regional Board gave us a much shorter schedule than the court did so we need to have a report to the Regional Board by March 16, 2007 which does not give us much time.

Counsel Fife stated there is a letter from Baker Manock & Jensen who represents CCG Ontario. They are considering entering into a transfer of all their water rights to an entity that is not currently a party to the Judgment and as we understand it, does not own any land in the Chino Basin. They wrote us a letter and asked us to respond to a list of questions about this transfer and we will be doing that; however, there is not a time schedule as to when that response will be completed. Counsel Fife stated that because this is an unusual transaction, in that these rights are going to somebody who is not currently a party to the Judgment, they will need to intervene but more importantly they don't own any land in the Chino Basin and these are overlying rights. They wanted to daylight this to all the parties so that if there are concerns they could be transmitted and articulated. Counsel will keep the parties informed and if there are any questions or comments please let counsel or staff know. A long discussion ensued with regard to issues surrounding this possible request and the matter overall.

2. Peace II Process

Counsel Fife stated we do not have the Scalmanini Report yet and we are now looking at the first week in March to receive the highly anticipated report. Again, there has been a hearing scheduled by the court regarding the Peace II Process along with other items scheduled for May 24, 2007 as reported previously.

B. ENGINEERING UPDATES

1. Regional Water Quality Control Board Permit for Confined Animal Feeding Operations – Tentative Order R8-2004-0055

Chair Feenstra stated he has received phone calls from Geoffrey Vanden Heuvel regarding actions that are going to be taken by the Regional Water Quality Control Board on land application of dairy waste and the concern is that there will be no land application in the Chino Basin or in San Jacinto Valley which gave much concern to him and to dairymen in general that need to remove manure from the basin. In talking with him he has asked for support from the Agricultural Pool on this issue. Chair Feenstra commented on The Digester, a form of digestion recognized as a means to reduce environmental risks of organic wastes and manure, which is used in the Chino Basin.

Mr. Wildermuth stated he has reviewed this tentative order and the Watermaster staff did ask him to speak on this item at the Agricultural Pool meeting. Mr. Wildermuth stated he felt it necessary to give some history on this item in order that the parties understand where the Regional Board is coming from. Mr. Wildermuth put up a hydrologic map of the Chino Basin and stated in the OBMP we divided the basin up into five management zones. The Regional Board, Chino Basin Watermaster, and the Inland Empire Utilities Agency changed that whole regulatory construct. Mr. Wildermuth stated the good news is that almost the entire Chino Basin does not have an issue with the agronomic land application of manure. When the Basin Plan was revised in early 2001, the TDS objectives in Management zones 1 through 3 were very low and would have made it impossible to apply fertilizer at agronomic rates. The Regional Board has taken the position in the late 80's and 90's that their dairy regulatory approach is the least illicit approach. Mr. Wildermuth gave a detailed description of ambient quality and objectives. Later an agreement was made that stated

the Chino Basin would move towards agronomic rates of application. In the mid 1995's the Regional Board knew there were problems with the Basin Plan and that it would have to be redone and it was redone. From that, the revision of the objectives actually became lower because of that. At that time, the Regional Board would be compelled to prohibit the land application of waste. Then the Chino Basin Watermaster and Inland Empire thinking about imported water use and recycled water use and went to the Regional Board and asked them to change the objectives to promote the Maximum Benefit. Mr. Wildermuth read the previous order objective numbers and compared them with the tentative order numbers and how the new numbers affect the application of manure in certain areas. A discussion ensued with regard to the map and areas that might still have dairies. Mr. Wildermuth brought up a second map and reviewed the map in detail. A long discussion ensued with regard to the land application, application of manure, and salt removal. It was noted the Agricultural Pool supports Geoffrey Vanden Heuvel in his endeavors and efforts in this matter. It was noted this item needs to be brought back on the March agenda for further discussion.

C. FINANCIAL REPORT

1. Budget Update for fiscal 2007/2008

Ms. Rojo stated she will be working on the next budget shortly. A question regarding pre-billing a portion of the assessments was asked and Ms. Rojo stated that will probably happen just as it did last year.

2. Agricultural Pool Reserve Balance

Ms. Rojo asked the committee members to turn to page 19 of the assessment package in the meeting package which provides a breakdown of the balances. A discussion regarding the percentage of return on the accounts ensued. Ms. Rojo stated she would look into options for these funds and present back a full report next month.

D. CEO/STAFF REPORT

1. Upland Basin Funding Assistance

Mr. Manning stated the City of Upland is in the process of approving the improvements for the Upland Basin for flood control needs and for conservation purposes. The City of Upland does have a \$5M dollar grant and originally the City of Upland had put together a set of plans for the improvements at the Upland Basin; however, there were improvements that Watermaster's staff wanted to see included within those already stated plans. Staff has asked for an alternate bid to improve what our staff thinks would significantly improve their changes and the amount of conservation within the basins; the City of Upland has agreed and is putting together an alternate bid package. Watermaster has an agreement with the Chino Basin Conservation District and Inland Empire Utilities Agency to sit down with them regarding cost sharing after the alternate bid is accepted for the improvements to be shared one third by each party.

2. Legislative Update

Mr. Manning stated he attended the ACWA conference in Washington DC last week and noted it was extremely cold there. It appeared that due to weather conditions several participants were absent; however, the meetings were very informative. Mr. Manning stated he was able to hear talks from house members Jerry McNERney, John Doolittle, Grace Napolitano, Kevin McCarthy, George Radanovich, Ellen Tauscher, Hilda Solis, and Jim Costa. It seems there will be several constituents running for election next year which is leaving the masses with little to say as to not corrupt their upcoming campaigns. There was a lot of discussion regarding global warming which seems to be taking on a life of its own. Mr. Manning stated on March 21, 2007 ACWA is holding their Legislative Symposium in Sacramento which he encouraged all interested parties to attend. Mr. Manning reviewed the upcoming legislative calendar.

3. Recharge Update

Mr. Treweek referenced the recharge handout and reviewed the numbers through January. Mr. Treweek stated it appears that February will be a dry month at the rate we are going with anticipated rainfall.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

February 8, 2007	10:00 a.m.	Joint Appropriative & Non Agricultural Pool Meeting
February 20, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
February 22, 2007	9:00 a.m.	Advisory Committee Meeting
February 22, 2007	11:00 a.m.	Watermaster Board Meeting
February 27, 2007	9:00 a.m.	GRCC Meeting

The Agricultural Pool Meeting Adjourned at 10:45 a.m.

Secretary: _____

Minutes Approved: March 20, 2007