

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING

March 20, 2007

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

Agricultural Pool Members Present

Bob Feenstra, Chair	Dairy
Nathan deBoom	Dairy
Gene Koopman	Milk Producers Council
Jeff Pierson	Crops
Glen Durrington	Crops
John Huitsing	Dairy
Pete Hettinga	Dairy

Watermaster Board Members Present

Sandra Rose	Monte Vista Water District
Bob Bowcock	Vulcan Materials Company

Watermaster Staff Present

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
Andy Malone	Wildermuth Environmental Inc.

Others Present

Steve Lee	Reid & Hellyer
Mark Kinsey	Monte Vista Water District

Chair Feenstra called the Agricultural Pool meeting to order at 9:05 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held February 20, 2007

B. FINANCIAL REPORTS

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

C. RESOLUTION 07-03

A Resolution of the Chino Basin Watermaster Levying Replenishment and Administrative Assessments for Fiscal Year 2006-2007

D. STATUS REPORT 2006-02

Consider Approval to File Status Report 2006-02 With the Court

E. WATER TRANSACTION

1. Consider Approval for Notice of Sale or Transfer – The one-year lease of 5,230 acre-feet of water from the City of Chino's annual production rights to the City of Ontario. This lease is made first from Chino's net under-production in Fiscal Year 2006-2007, with any remainder to be recaptured from storage. Date of Application: February 9, 2007
2. Consider Approval for Notice of Sale or Transfer – Fontana Water Company has agreed to purchase from West Valley Water District water in storage in the amount of 1,000 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006-2007. Date of Application: February 12, 2007

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

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

G. CALENDAR YEAR 2007 AGRICULTURAL POOL MEMBERS

Appoint New Alternates for the Agricultural Pool

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

Moved to take this item off the Consent Calendar and put it on the April Business Item section of the Agenda, as presented

II. BUSINESS ITEMS**A. PROPOSAL TO PERFORM THE SOCIOECONOMIC IMPACT ANALYSIS OF OBMP AND PEACE AGREEMENT**

Ms. Rojo stated this item is being presented today to approve the proposal to perform the Socioeconomic Impact Analysis of the OBMP and the Peace Agreement. This item has been discussed at previous meetings and at a recent meeting a handout was distributed with a spreadsheet that showed some draft calculations that Dr. Sunding had done on what he thought the cost would be with a caveat that he could not be certain of those costs until he had done the scoping work. Dr. Sunding performed the macro economic study and it seemed absolutely appropriate that he also do the micro analysis. This is one of the prerequisites prior to requesting court approval of the final agreement on the Peace II documents. Staff is recommending Dr. Sunding to perform this analysis and it is staff's anticipation that the process would begin in April 2007. Staff has not yet determined the sequence of events; however, it would incorporate interviews with parties within the Judgment to get a feel for the magnitude of the study in terms of the components that would be involved. Ms. Rojo stated the Appropriative and Non-Agricultural Pool conditionally approved this item; what they wanted was to get a more definitive scope laid out by Dr. Sunding. Dr. Sunding would be paid for time and materials; until he developed a scope. A lengthy discussion ensued with regard to the scoping work. Counsel Fife stated the action taken by the Appropriative and Non-Agricultural Pool was to approve the contract with Dr. Sunding and move forward with meeting with the individuals and developing a scope for the socioeconomic study. But most importantly, they wanted to be able to re-evaluate his contract price as it went forward whether or not they wanted to continue to do the study. Counsel Fife stated this is slightly different from the macro economic analysis where we put a cap on the dollar figure; this is now where Dr. Sunding will work on an hourly rate. Mr. Kinsey offered comment regarding the discussions that took place at the Appropriative and Non-Agricultural Pool meeting last week. A discussion ensued with regard to this matter along with the anticipated Scalmanini report affecting the socioeconomic scope of work. Mr.

Koopman stated he would be willing to make a motion that would agree to pay Dr. Sunding his rate through the scoping session and then we would bring a contract forward after the scope was defined and we know what the contract is for.

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

Moved to approve retaining Dr. Sunding to perform the scoping portion of the project and to allow Dr. Sunding to go out and meet with the agencies to lay out a scope of work and then come back with a draft contract to complete the entire Socioeconomic impact analysis of the OBMP and Peace Agreement, as presented

B. ASR AGREEMENT BETWEEN CHINO BASIN WATERMASTER, INLAND EMPIRE UTILITIES AGENCY AND MONTE VISTA WATER DISTRICT

Ms. Rojo stated in December of 2005 the Pools approved the Monte Vista Water District (MVWD) application for recharge into the basin and in January 2006 the Advisory Committee and Watermaster Board took action to approve that application as well. Ms. Rojo stated what Monte Vista Water District had applied for is to recharge through injection up to 3,500 acre-feet of treated State Project water in its wells one, four, thirty, and thirty two. That agreement was subject to a permit that would be issued by either the Regional Board or the Inland Empire Utilities/Chino Basin Watermaster through its Maximum Benefit permits. Monte Vista has to request IEUA/CBWM to authorize this activity through its Maximum Benefit Permit and is making an application for that. Ms. Rojo stated this agreement was done last week and was immediately put into the package. It has not been sent to IEUA and Mr. Atwater indicated to Watermaster staff that his board will need to consider this request and offered Watermaster the opportunity to table this item, pending IEUA approval if the pool wanted more time to consider. The options being presented now are to view this item as an information item or to approve the item contingent upon approval from IEUA. A discussion regarding the time schedule ensued.

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

Moved to approve the ASR Agreement between Chino Basin Watermaster, Inland Empire Utilities Agency, and Monte Vista Water District contingent upon approval by Inland Empire Utilities Agency in its current form, as presented

C. AQUA CAPITAL MANAGEMENT LP INTERVENTION

Ms. Rojo stated this item is to consider approval of Application of Intervention by Aqua Capital Management LP to become a member of the Overlying Non-Agricultural Pool. This item is related to items D and E of the meeting packet and all three of these items can be taken together for discussion purposes. Mr. Bowcock stated it is his understanding there are Non-Agricultural Pool members who do not currently own property in the basin. CCG Ontario's water rights are actually owned by a holding company called Prologis, who not only does not own property in the Chino Basin, but never actually notified Watermaster that they had bought the water rights and they had never intervened. Mr. Bowcock stated his hopes were not that by this presented transaction the parties are going to correct all the ills that are in the 1978 Judgment, the Peace Agreement, and the upcoming Peace II Term Sheet. Mr. Bowcock stated this is a simple business relationship wherein the party that owns the asset, the water right, is transferring ownership, and the party acquiring ownership, wants to intervene into the Judgment with the full intent to comply with all the rules and regulations set forth in the current Judgment and in the upcoming Peace II Term Sheet; it is just that simple. Mr. Bowcock stated this transaction does not change any of the terms in Peace II at all. Mr. Koopman requested we table this item for 30 days to allow more time to review and the item be placed on the April agenda to mirror the Appropriative Pool motion made at the February 8, 2007 pool meeting.

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

Moved to table item II. C, II. D, and II. E until next month

D. FORM 5

Discussion and Possible Action for the Form 5 Application to Transfer Annual Production Right or Safe Yield from CCG Ontario to Aqua Capital Management LP, Fiscal Year 2006-2007

E. WATER TRANSACTION

Consider Approval for Notice of Sale or Transfer – CCG Ontario, LLC hereby applies to permanently transfer to Aqua Capital Management LP the quantity of 630.27 acre-feet of Corresponding Safe Yield, 8223.41 acre-feet of Non-Agricultural Storage Account, and any remaining balances adjudicated to transferor for its predecessor in interest in the Judgment. Date of application: February 28, 2007

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Santa Ana River Water Right Application**

Counsel Fife stated the application has been noticed and there is a hearing scheduled for May 2, 2007. The Board changed the pre-hearing workshop which was originally scheduled for April 6, 2007 and it has now been moved up a day to April 5, 2007. We appear to be moving ahead. Counsel and staff did have a meeting with parties to discuss strategies and details last week and there is a special Watermaster Board meeting via a conference call scheduled for today at 3:00 p.m. The reason we are holding this special meeting is that yesterday we agreed upon a settlement with the Department of Fish and Game (DFG) through which they would withdraw their protest of our application. We are anticipating today during the special Board meeting the members will give counsel approval to sign off on the settlement with DFG. Once we have DFG's protest filed, we will have no outstanding protests against our application; we will be going to the actual hearing with zero protests and with a project that has been built, financed 50% by the State Water Resources Control Board, and approved as a mitigation measure in the Basin Plan Amendment. We are also negotiating with the Orange County Water District and the other applicants on a stipulation that would resolve those aspects of the hearing concerning protection of other legal users and relative priorities of water rights; we are anticipating to get a stipulation as to that shortly so that also all of those issues get taken off the table for the hearing in May. One of the things we are looking for right now is a good biologist who also knows Prado Basin very well. A brief discussion ensued with regard to this matter.

2. Peace II Process

Counsel Fife stated there was a court order in February 2007 asking us to report on the status of the Desalter and the MZ1 processes and we are obligated to report by March 31, 2007. The pleading was not ready for the Agricultural Pool package; however, we are going to on Thursday, March 22, 2007 ask the Advisory Committee and the Watermaster Board for approval to file a status report. That report is in their package for their review and approval – a copy of that pleading can be provided if anybody would like one.

B. FINANCIAL UPDATES**1. Interest Rate Analysis**

Ms. Rojo handed out a breakdown of information regarding comparisons for current interest rates. Ms. Rojo stated the Agricultural Pool currently has about \$432,000 dollars in the Vineyard Bank account and a about \$30,000.00 in the LAIF account that is on deposit with the regular Watermaster funds. All of the Agricultural Pool's money used to be solely in the LAIF account and a few years ago the committee members asked we move money to an account that would accrue more interest. LAIF generally trends to lag behind the interest, however, in the breakout they appear to be doing pretty well now. The Vineyard account money is currently invested in a money market and it is receiving 3.75% interest. The Agricultural money is currently liquid and that was one of the main concerns when wanting to move the money around that it stayed liquid. A discussion ensued with regard to this presentation and how to apply the funds to various accounts. It was decided chair

Feenstra and Ms. Rojo will work this financial decision out and report back to the committee members as to the resolution.

C. CEO/STAFF REPORT

1. Legislative Update

No comment was made regarding this item.

2. Recharge Update

No comment was made regarding this item.

3. Progress Report on Desalter Expansion

Ms. Rojo stated the City of Ontario, Western Municipal Water District and now Jurupa Community Services have been working on the desalter expansion agreement and this item is moving forward. Western has \$5M dollars grant money that needs to be spend by next year and they do not want to lose that grant money. The group has developed a pretty aggressive schedule on getting things done. This group has been meeting on a regular basis and has decided to hire a project manager to oversee the organization of getting this work done.

IV. INFORMATION

1. Metropolitan Water District Letter

No comment was made regarding this item.

2. 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

March 8, 2007	8:00 a.m.	MZ1 Technical Committee Meeting
March 8, 2007	10:00 a.m.	Joint Appropriative & Non Agricultural Pool Meeting
March 20, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting

The Agricultural Pool committee meeting was dismissed at 10:56 a.m.

Secretary: _____

Minutes Approved: April 17, 2007