

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING

November 8, 2012

The Agricultural Pool Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on November 8, 2012 at 1:30 p.m.

Agricultural Pool Members Present

Bob Feenstra, Chair	Dairy
Nathan deBoom	Dairy
Gene Koopman	Milk Producers Council
Rob Vanden Heuvel	Milk Producers Council
Glen Durrington	Crops
Carol Boyd	State of California, Department of Justice
Pete Hall	State of California, CIM

Watermaster Board Members Present

Paul Hofer	Crops
Geoffrey Vanden Heuvel	Dairy

Watermaster Staff Present

Peter Kavounas	General Manager
Danielle Maurizio	Assistant General Manager
Joe Joswiak	Chief Financial Officer
Sherri Molino	Recording Secretary

Watermaster Consultants Present

Brad Herrema	Brownstein, Hyatt, Farber & Schreck
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Others Present

Dan McKinney	Ag Pool Special Counsel
Larry Dimock	California Department of Corrections
Julie Cavender	California Department of Corrections
Dave Crosley	City of Chino
Rick Reese	Amec
Tom Love	Inland Empire Utilities Agency
Tim Shaheen	Cadiz Inc.
Lisa Hansen	Cadiz Inc.

Chair Feenstra called the Agricultural Pool meeting to order at 1:35 p.m.

AGENDA - ADDITIONS/REORDER

Chair Feenstra stated as soon as Mr. Koopman arrives, the Agricultural Pool will go into Confidential Session. Mr. Kavounas stated the Cadiz presentation will be taken directly after the Confidential Session reconvenes.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held October 11, 2012

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2012
2. Watermaster VISA Check Detail for the month of September 2012
3. Combining Schedule for the Period July 1, 2012 through September 30, 2012

4. Treasurer's Report of Financial Affairs for the Period September 1, 2012 through September 30, 2012
5. Budget vs. Actual Report for the Period July 1, 2012 through September 30, 2012

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

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

II. BUSINESS ITEMS

A. PHYSICAL SOLUTION TRANSFER RATE SUBSTITUTION

Mr. Kavounas, counsel and staff have been working on this item with the Non-Agricultural Pool, and Counsel Herrema gave an update on this item. Counsel Herrema stated this item is regarding the provisions of Paragraph 9 of Exhibit G, which is the Non-Agricultural Pool Pooling Plan. The issue that has arisen is there is a specific rate that is identified within Paragraph 9 of Exhibit G which pertains to physical solution transfers. Physical solution transfers mean when the Non-Agricultural Pool members are able to make water available for transfer to Watermaster, and then transfer to members of the Appropriative Pool. This issue came up recently because that Metropolitan Water District (MWD) may not publish a replenishment rate for next year and that is the rate that is identified in the exhibit to the Judgment as the rate for these transfers. The Non-Agricultural Pool and the Appropriative Pool members got together, as a condition to their settlement agreement of the Paragraph 31 litigation, and agreed that the MWD rate for Tier I untreated rate would be an appropriate substitute for that rate; both Pools agreed to that rate. Counsel Herrema stated the Watermaster Board, who is also a party to those Paragraph 31 agreements, agreed to that rate substitution at their last meeting on October 25, 2012. Counsel Herrema gave a summary of the staff two-part recommendation, and he noted both the Appropriative and the Non-Agricultural Pools took this item into confidential session this morning. The Appropriative Pool approved staff's recommendation unanimously and the Non-Agricultural Pool's motion was to approve the stipulation and not to oppose Watermaster counsel's motion. Counsel Herrema noted a copy of the motion and stipulation is on the back table. Chair Feenstra asked if there were any controversial concerns or comments made at either of those meetings. Mr. Kavounas stated both Pools took this item into closed session and Watermaster staff was not present.

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

Moved to approve staff recommendation for Fiscal Year 2012-2013 Substitute Physical Solution Transfer Rate and the legal motion, as presented

The Confidential Session was taken out of order directly after Business Item II A.

The Cadiz Project Update was taken out of order directly after the Confidential Session.

B. CONSIDERATION OF RMPU AMENDMENT SCHEDULE

Mr. Kavounas stated this is of great interest to all in the basin and primarily the Appropriative Pool. Mr. Kavounas stated there was an obligation from the court to have the amendment done by October 2013; however, there was a commitment made by the Watermaster Board in December 2011 that the amendment be done by December 2012, primarily to reflect some interest from Jurupa Community Services District (JCSD). The idea was that the sooner we move on this amendment the sooner we can start balancing recharge and production in MZ3. Mr. Kavounas stated the schedule has been difficult to meet; there has been good progress made to date, but there have been a lot of factors that caused delay. Mr. Kavounas stated there are four sections that have been prepared and at this point, staff can say with certainty we won't make the December 2012 commitment. Mr. Kavounas stated with the progress made and the diligence on the presented schedule, it is felt that Watermaster can still make the October 2013 court date. Mr. Kavounas stated the Steering Committee has been meeting twice a month for several months; the committee wants to continue to meet twice a month and has seen this schedule and is committed to it. Mr. Kavounas stated the Appropriative and Non-Agricultural Pools approved this schedule this today. Mr. Kavounas stated Watermaster will also use

approvals by the Pools, Advisory Committee, and the Watermaster Board as in-between steps to gain buy-in from the parties between now and next October. Mr. Kavounas explained in detail why using the in-between steps would help achieve the court date by bringing it through the process at significant points and then gain approvals in the interim. Mr. Kavounas stated in parallel there would be a process for the safe yield recalculation which would continue; that is not shown in the schedule because it does not necessarily pertain to the amendment of the RMP, but needs to be done. As a parallel process staff would proceed with proof of concept projects starting with Wineville Basin which addresses JCSD concerns. Mr. Kavounas stated then next year we will proceed with the Jurupa Basin Project. There is money in the Watermaster budget for those projects and staff has begun working with IEUA on the permitting for Wineville Basin. Mr. Kavounas stated staff believes we can get through the Wineville Basin process and recharge some wet water at the end of the storm season within this fiscal year, and with that as an assurance JCSD is more comfortable with agreeing with the changing of the due date from December 2012 to October 2013. Mr. Kavounas stated this was presented and discussed at the Pool meetings today and the Appropriative Pool brought up some other concerns, one being the safe yield recalculation which was discussed, and another was the schedule being very tight and demanding. Mr. Kavounas offered comment on the various actions needed on the schedule. Mr. Kavounas stated the Appropriative Pool wants to have a side discussion on how far to take the yield from MS4 projects, and how do we take that yield and maximize that recharge from MS4 compliance beyond what would happen with simply complying with MS4 compliance. They have asked for a separate process to start with that and Watermaster will facilitate a process and move that discussion forward and with the understanding the Appropriative Pool agrees with the presented schedule. Mr. Kavounas stated the Non-Agricultural Pool approved the schedule. Mr. Kavounas stated lastly he has checked with WEI and they feel Watermaster can complete the schedule presented.

Chair Feenstra asked if the Steering Committee is moving forward with working on these items. Mr. Kavounas stated again, the Steering Committee will meet and work diligently on this matter. Mr. Kavounas offered comment on the Steering Committee. Chair Feenstra noted he has attended some of the meetings and felt it was a good working committee.

Mr. Geoffrey Vanden Heuvel stated he has been participating in the Steering Committee meetings. Mr. Geoffrey Vanden Heuvel complimented Mr. Kavounas, Counsel Herrema, and staff for their work on this matter, and also noted his appreciation for the Steering Committee members. Mr. Geoffrey Vanden Heuvel offered comment on the huge task and noted the various components in this endeavor. Mr. Geoffrey Vanden Heuvel stated he gives tremendous credit to all the participants on getting a handle on this difficult project and noted Mr. Kavounas has brought some progress to this and shown that he can do the job. Mr. Geoffrey Vanden Heuvel stated he would ask that this Pool approve this schedule; however, noted he is not a fan of a lack of transparency in hearing the Appropriative Pool wants to go off and have a side meeting, and noted he does not like that type of process. Mr. Geoffrey Vanden Heuvel stated staff should participate in those meetings and then whatever they come up with needs to be vetted through the entire Watermaster process. Mr. Geoffrey Vanden Heuvel stated we all need to be up front and be transparent which usually works much better for the good of all.

Chair Feenstra stated he concurs with Mr. Vanden Heuvel's comments and noted his concerns for private meetings. Chair Feenstra stated this Pool will be watching this process closely. Chair Feenstra thanked Mr. Kavounas for the tremendous effort he has put into this project in such a short amount of time.

Mr. Kavounas stated, in his observations of the process going well, there is very little that he does on his own; there is a great crew at Watermaster, and he is very pleased with the staff as well as the Watermaster consultants - they all make his job easier.

Mr. Kavounas stated in terms of what the Appropriative Pool wants, as far as he is concerned, his interpretation is what they want goes beyond the obligation that Watermaster has for the amendment of the RMPU. Mr. Kavounas stated if it goes beyond that his intention is to maintain

getting the RMPU amendment done according to the schedule with the full involvement of everyone, and buy-in by everyone bottom up all along the way. Mr. Kavounas stated the other issue the Appropriative Pool wants to deal with is if they want to change the Judgment there is not a process in the Basin to do that right now and perhaps it is needed, and if that is the case, then it needs to go through the entire Watermaster process.

Chair Feenstra stated there is a recommendation for approval of the presented schedule and he called for a motion.

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

Moved to approve the RMPU amendment schedule, as presented

C. CHINO BASIN WATERMASTER 2012-2013 ASSESSMENT PACKAGE

Mr. Kavounas introduced the annual Assessment Package item. Mr. Kavounas stated Ms. Maurizio will be making a presentation on this item. Ms. Maurizio gave the 2012-2013 Assessment Package presentation. Ms. Maurizio stated she discovered an error on page 15A, which is the Non-Agricultural storage balances page, and she explained the error and noted the revision is on the back table. Ms. Maurizio stated the corrections do not affect the dollars at all; only the ending balance on the storage accounts. Ms. Maurizio stated an outcome from the Assessment Package Workshops was a letter written by Monte Vista Water District (MVWD), and that letter is on the back table, as well as Watermaster's response letter to MVWD. Ms. Maurizio continued with the presentation. Ms. Maurizio discussed Fontana Water Company's (FWD) request for some footnotes added to some of the pages. Ms. Maurizio reviewed the motions from the other Pools which were to approve staff recommendation and then to also include with the changes made to page 15A Appendix D and FWC footnotes.

Chair Feenstra thanked Ms. Maurizio and called for the motion.

Mr. Kavounas thanked Ms. Maurizio for a fantastic job.

Motion by Vanden Heuvel, second by deBoom, and by unanimous vote

Approve to approve the 2012-2013 Assessment Package, as presented

D. LEVYING REPLENISHMENT AND ADMINISTRATIVE ASSESSMENTS

Mr. Kavounas stated this follows the Assessment Package each year and is a routine item to allow the assessments to be billed.

Motion by Vanden Heuvel, second by deBoom, and by unanimous vote

Approve to approve the Levying Replenishment and Administrative Assessments for Resolution 12-07, as presented

The Cadiz Project Update was taken out of order directly after the Confidential Session.

The regular open Agricultural Pool meeting was convened to hold its Confidential Session at 1:41 p.m.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Agricultural Pool Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

The confidential session concluded at 2:14 p.m.

Chair Feenstra stated there was a motion from the Confidential Session and which was by a unanimous vote by the Agricultural Pool members and our counsel, Mr. Dan McKinney will read the motion.

Motion: The Agricultural Pool discussed the state of storage and has requested the Watermaster to quantify the water in storage, to resolve the water storage agreements, and review pursuit of opportunities for larger storage and recovery programs for the collective benefit of the Chino Basin.

This motion was unanimously approved by the Agricultural Pool Committee members.

E. OLD BUSINESS

1. Cadiz Project Update

Mr. Shaheen introduced himself and gave the Cadiz Project presentation. Mr. Durrington stated he heard that contaminant concentrations are much greater there, is that correct. Mr. Shaheen offered comment on Mr. Durrington's question. A lengthy discussion regarding the Cadiz Project ensued. Chair Feenstra inquired about cost. Mr. Shaheen stated approximately Tier 1 or Tier 2 price. Mr. Kavounas inquired when the Cadiz Project will be the finished. Mr. Shaheen stated around 2015. A discussion regarding Santa Margarita's involvement ensued.

2. Storage Rights in the Basin

This item was taken during the Confidential Session and the motion is presented under the Confidential Session.

III. REPORTS/UPDATES

A. LEGAL REPORT

Counsel Herrema stated there is no legal report today.

B. GM REPORT

1. Vulcan Pit Potential Sources of Contaminants and Pathways of Concern

Mr. Kavounas stated the first item is an update on the application which was brought to the Pools last month and was conditionally approved; the application will go to the Advisory Committee and Watermaster Board next week. Mr. Kavounas stated one of the conditions placed on the application was that Vulcan would have to perform site investigations that would help identify potential for injury. Mr. Kavounas stated the site investigations have been characterized in a letter written by WEI and is available on the back table. Mr. Kavounas stated if the Advisory Committee and Watermaster Board adopt this conditional application for recharge at their meeting next week, then Watermaster will administer a letter to Vulcan saying their application for recharge is conditionally approved based on them meeting and satisfying the conditions in the WEI report. Mr. Kavounas stated this item today is for information and there is no action required.

2. RMP Compliance Annual Finding

Mr. Kavounas offered comment regarding the Recharge Master Plan Compliance Annual Finding that Watermaster is obligated to turn into the court in compliance with the 2010 Recharge Master Plan, which relates to having adequate recharge capacity. Mr. Kavounas stated WEI will have a written report on this item next month.

3. Watermaster Annual Audit (Presentation will be given at WM Board meeting 12-20-12)

Mr. Kavounas stated the Watermaster annual audit is nearly complete and there will be a presentation at the December Watermaster Board meeting.

C. AGRICULTURAL POOL LEGAL COUNSEL REPORT

Chair Feenstra thanked Mr. McKinney for being able to attend today's meeting.

IV. INFORMATION

1. Cash Disbursements for October 2012

No comment was made.

V. POOL MEMBER COMMENTS

No comment was made.

VI. OTHER BUSINESS

Mr. Kavounas stated Watermaster was asked to sample three wells at the Artesia Sawdust; however it turns out that only two were able to be sampled. Mr. Kavounas stated after the spigots were installed last week, samples were collected, and staff communicated with the Department of Water Resources and verified from their logs that what staff has done with those two wells is adequate to characterize the water that is being used on site. Mr. Kavounas stated as soon as those results are available they will be brought back to this Pool. Chair Feenstra stated he appreciates Watermaster's efforts. Chair Feenstra stated the owner of Artesia Sawdust has been providing bottled water to all the workers, staff, and guests that come on the property. Chair Feenstra offered comment on those wells and this situation. Chair Feenstra offered comment on contaminants in samples. Mr. Kavounas offered comment on VOC's moving in the water and Chair Feenstra's comments. A discussion regarding contaminants ensued.

The Confidential Session was taken out of order directly after Business Item II A.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Agricultural Pool Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

VIII. FUTURE MEETINGS AT WATERMASTER

Tuesday, November 6, 2012	1:30 p.m.	Special Confidential Agricultural Pool Meeting
Thursday, November 8, 2012	9:00 a.m.	Appropriative Pool Meeting
Thursday, November 8, 2012	11:00 a.m.	Non-Agricultural Pool Conference Call Mtg.
Thursday, November 8, 2012	1:30 p.m.	Agricultural Pool Meeting
Thursday, November 15, 2012	8:00 a.m.	IEUA DYY Meeting
Thursday, November 15, 2012	9:00 a.m.	Advisory Committee Meeting
Thursday, November 15, 2012	10:00 a.m.	CB RMPU Steering Committee Meeting
Thursday, November 15, 2012	11:00 a.m.	Watermaster Board Meeting
Tuesday, November 20, 2012	9:00 a.m.	GRCC Meeting
Tuesday, November 27, 2012	9:00 a.m.	Groundwater Model Update, Scenario 1 – Recalibration Workshop
Thursday, December 6, 2012	10:00 a.m.	CB RMPU Steering Committee Meeting
Thursday, December 13, 2012	9:00 a.m.	Appropriative Pool Meeting
Thursday, December 13, 2012	11:00 a.m.	Non-Agricultural Pool Conference Call Mtg.
Thursday, December 13, 2012	1:30 p.m.	Agricultural Pool Meeting
Thursday, December 20, 2012	8:00 a.m.	IEUA DYY Meeting
Thursday, December 20, 2012	9:00 a.m.	Advisory Committee Meeting
Thursday, December 20, 2012	10:00 a.m.	CB RMPU Steering Committee Meeting
Thursday, December 20, 2012	11:00 a.m.	Watermaster Board Meeting

* **NOTE:** Watermaster Board Meeting changed from December 27th to **December 20th** due to the Christmas Holiday schedule

Chair Feenstra adjourned the Agricultural Pool meeting at 3:06 p.m.

Secretary: _____

Minutes Approved: December 13, 2012