

Minutes
CHINO BASIN WATERMASTER
APPROPRIATIVE POOL MEETING

March 14, 2013

The Appropriative Pool meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on March 14, 2013 at 9:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Marty Zvirbulis, Chair
Scott Burton
Rosemary Hoerning
Curtis Aaron
Ron Craig
Dave Crosley
Justin Scott-Coe
Van Jew
Seth Zielke
Josh Swift
Tom Harder
Ben Lewis
Teri Layton

Cucamonga Valley Water District
City of Ontario
City of Upland
City of Pomona
City of Chino Hills
City of Chino
Monte Vista Water District
Monte Vista Irrigation Company
Fontana Water Company
Fontana Union Water Company
Jurupa Community Services District
Golden State Water Company
San Antonio Water Company

Watermaster Board Members Present

Bob Kuhn

Three Valleys Municipal Water District

Watermaster Staff Present

Peter Kavounas
Danielle Maurizio
Joe Joswiak
Sherri Molino

General Manager
Assistant General Manager
Chief Financial Officer
Recording Secretary

Watermaster Consultants Present

Brad Herrema

Brownstein, Hyatt, Farber & Schreck

Others Present

Sheri Rojo
David De Jesus
Nadeem Majaj
Todd Corbin
Sandra Rose
Craig Parker
Majid Karim
Joe Grindstaff
Craig Miller
Ryan Shaw
Curtis Paxton
Allison Burns
James Jenkins
Jack Safely
Chuck Hays
Robert DeLoach
John Schatz
Art Kidman

Fontana Water Company
Three Valleys Municipal Water District
City of Chino Hills
Jurupa Community Services District
Monte Vista Water District
Inland Empire Utilities Agency
Inland Empire Utilities Agency
Inland Empire Utilities Agency
Inland Empire Utilities Agency
Inland Empire Utilities Agency
Chino Desalter Authority
Stadling Yocca Carlson & Rauth for the CDA
County of San Bernardino Dept. of Airports
Western Municipal Water District
City of Fontana
DeLoach & Associates
John J. Schatz, Attorney at Law
Kidman Law LLP

Chair Zvirbulis called the Appropriative Pool Meeting to order at 9:02 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Appropriative Pool Meeting held February 14, 2013

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of January 2013
2. Watermaster VISA Check Detail for the month of January 2013
3. Combining Schedule for the Period July 1, 2012 through January 31, 2013
4. Treasurer's Report of Financial Affairs for the Period January 1, 2013 through January 31, 2013
5. Budget vs. Actual Report for the Period July 1, 2012 through January 31, 2013

Motion by Aaron, second by Burton, and by unanimous vote

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

II. BUSINESS ITEMS

A. CDA REQUEST RE REMEDIATION OF CHINO AIRPORT GROUNDWATER PLUME

Mr. Kavounas introduced Mr. Curtis Paxton, General Manager for the Chino Desalter Authority, and their counsel Ms. Allison Burns. Mr. Kavounas stated they are here today to provide a presentation on the remediation of the Chino Airport groundwater plume, and to also answer questions; noting the majority of discussion for this item will be taken during confidential session. Mr. Kavounas stated Watermaster has notified, by certified letter, the representatives for the County of San Bernardino of today's meeting and extended an invitation to the meeting if they wanted to see the presentation and/or offer any comment.

Mr. Kavounas noted he was contacted by Ms. Elizabeth Brockman from Chamberlin, Keaster & Brockman LLP representing the County of San Bernardino on March 13, 2013 regarding Business Item A. Ms. Brockman could not be in attendance today, so she asked for a call-in number; however, it does not appear she has called into the Watermaster conference line.

Chair Zvirbulis stated his thought for the CDA item was to listen to the presentation and then as it relates to decisions and actions that may be necessary from this Pool, to discuss or take action in closed session.

Mr. Paxton introduced himself and Ms. Burns, and gave a Chino Airport Plume Remediation presentation. Mr. Paxton stated what the CDA is requesting is to secure an order from the Watermaster Court (Judge Reichert) directing the County of San Bernardino to reimburse the CDA for costs to treat TCE contamination at Well 18 and other impacted CDA wells. .

Chair Zvirbulis inquired if there were any questions for Mr. Paxton, Ms. Burns, or Watermaster staff.

Mr. Scott-Coe inquired about the status of the clean up and abatement orders from the Regional Water Quality Control Board (RWQCB) and the requirements that pertain to them. Mr. Paxton stated right now the RWQCB is requiring the County to submit monthly reports on their monitoring activities. Mr. Scott-Coe inquired about treatment costs and the timeframe associated with those costs. Mr. Paxton stated that would be over a thirty-year period.

Mr. Aaron inquired about how the negotiations went with the County. Ms. Burns stated negotiations went on for years with the County, and there was a point in time that it was clear that the only thing that would cause the County of San Bernardino to put money on the table, address

the issues, or take up the issue itself, was a court order or a court action of some kind. Ms. Burns stated this request to Watermaster is believed to be the most economical and cost effective way for all parties to get to a point where this issue can get resolved. Ms. Burns stated she does not like to reveal the details of negotiations because those are held confidentially. Ms. Burns stated there is no question about liability; there is a question about the best and most cost effective means of remediating the situation. Ms. Burns stated there is work to be done and securing an order from the Court will go a long way to get those negotiations brought to fruition.

Chair Zvirbulis stated the Watermaster staff recommendation was to consider the CDA's request and make a recommendation to the Watermaster Board; however, this item needs further discussion, which would be better to have during closed session. Chair Zvirbulis stated this Committee will defer making any technical recommendation until after the confidential session has ended.

Mr. Zielke stated in the letter the CDA submitted to Watermaster it is mentioned that TCE at Well 18 and potential other contaminations resulted from the plume; is there any reason to believe there is additional contamination. Mr. Paxton stated right now the well that is impacted is Well 18; however, there could be more in the future once pumping starts.

Mr. James Jenkins from the County of San Bernardino, Department of Airports introduced himself. Mr. Jenkins thanked staff for the notice of this meeting and this item today. Mr. Jenkins stated he appreciates being able to speak today; however, he does not have any kind of presentation and wanted to acknowledge the Board's receipt of this item. Mr. Jenkins stated the County understands how we got here, and we do not object to the process. Mr. Jenkins stated he will be reporting back to his side the outcome of the discussions today.

Mr. Kavounas thanked Mr. Jenkins for attending today. Mr. Kavounas explained how the Watermaster process works. Mr. Jenkins stated he is not able to address the other Committee Members at meetings held later today, and he requested that it could be conveyed that he was here this morning to convey the Department of Airports understanding of the Watermaster process.

Ms. Layton inquired if any grant money has been pursued. Mr. Paxton stated the CDA is in the process of pursuing grant money and offered further comment on the grants.

Mr. Jew inquired about potential contaminants and if the contaminants, mentioned and unmentioned, can be treated. Mr. Paxton stated the contaminants that are known now could be treated with the biological process.

Chair Zvirbulis reiterated the motion for this item will be taken during the closed session.

B. NINTH AMENDMENT TO THE CHINO BASIN CYCLIC STORAGE AGREEMENT

Mr. Kavounas stated this item came before the Pools last month and at those meetings there were additional questions presented and the revised staff letter attempts to address those questions; however, staff's recommendation remains the same.

Chair Zvirbulis stated a lot of discussions came out of last month's meeting and he inquired to Monte Vista Water District if their questions have been sufficiently responded to by Watermaster staff. Mr. Scott-Coe stated there might be some additional comments made by Mr. Grindstaff who is here today representing the Inland Empire Utilities Agency (IEUA). Mr. Scott-Coe inquired about the action that came out of the Advisory Committee meeting. Mr. Kavounas stated the action from the Advisory Committee was to bring the item back through the Pools to discuss and make a recommendation and that recommendation could possibly include a transmittal letter that the Watermaster Board could use in sending over the extended amendment.

Mr. Grindstaff stated this is an issue that involves IEUA and he has been trying to understand the controversy. Mr. Grindstaff stated as he understands this, the Cyclic Storage Agreement is something that nobody is using largely because it economically does not make sense. Mr. Grindstaff offered further comment on this type of agreement and the history of this particular agreement, which was first done in the 1970's. Mr. Grindstaff stated in order for water to go into the agreement Watermaster and IEUA has to agree. Mr. Grindstaff discussed IEUA's concerns and the possibility of having a buyer before letting water go into that account. Mr. Grindstaff stated maybe the environment that was present in the 1980's will come back, and having that agreement in place may actually make it useful in the future. Mr. Grindstaff stated there is a Dry Year Yield Program (DYY) and that is being discussed presently. Mr. Grindstaff stated he recommends that when this item goes to the Watermaster Board staff could actually put the Cyclic Storage Agreement in context and talk about the whole program, which would give them more information. If the parties can't do that then maybe this item needs to be deferred a month; however, it seems useful to look at the overall storage program and what the basins needs are going to be in the future, and how we all might make sure that those concerns are addressed for the long-term.

Chair Zvirbulis inquired to Mr. Grindstaff if he was saying to delay this item and take more time to review the whole package. Mr. Grindstaff stated unless the parties, by next week or the week after, can figure this all out, and if you can't then he would recommend a month's delay.

Chair Zvirbulis stated what he recalls from previous discussions is there were two positions on this matter. One was from Watermaster which was really just a renewal of an existing agreement that had a number of off ramps in it, and just by virtue of the fact it was being renewed, did not mean that the agreement had to be utilized or allow water to be put into that account. Mr. Kavounas stated it is at no cost and it preserves an opportunity. Mr. Kavounas noted it is likely that Watermaster will never use it; however, if circumstances ever come that this may be an option to have available, we would then want this agreement in place. Chair Zvirbulis stated the other side of this question is related to addressing the things that might potentially become issues now as opposed trying to address those at a later date. Chair Zvirbulis stated what he heard Mr. Grindstaff say is that there is an opportunity for the parties to review the whole package now, and address some of the concerns now, and create a more consistent program moving forward.

Mr. Craig stated during the discussions he recalls there was significant concern in wanting to make sure that there is an acknowledgment of the current loss rates that this water would be subject to. Mr. Craig stated he believes that can be conveyed in a "cover letter" approach. The other point that was of significant concern related to, if there is a call, how those costs get allocated. Mr. Craig stated what he heard from Mr. Grindstaff's' statements was clarification to him, and he heard there is gatekeeper to this in that IEUA would make sure there is a buyer for the water before the water was put in. Mr. Craig stated that would be a preemptive point that would go a long way to the concerns over the costs and how those costs are allocated if there is a call.

Mr. Kavounas stated his interpretation of the agreement and the subsequent amendment isn't so much that IEUA is the gatekeeper of who's committed to buy water; IEUA is included in this agreement as a helpful partner in executing it. Watermaster is not an MWD agency and Watermaster can't purchase water from MWD, nor can Watermaster place an order for water to be delivered by MWD; that is done through IEUA. Mr. Kavounas stated this is effectively an option for preemptive replenishment in the basin.

Ms. Layton stated what she understands is that if Watermaster takes the water as appropriators the appropriators would pay for that through our assessment. Ms. Layton inquired if the appropriators did purchase that water would they then be able to take that water, put it into their storage accounts, and then turn around and sell the water to whoever we want. Mr. Kavounas stated you could; however, the original action would be that water is physically placed in storage,

and at that point, no money would change hands. Mr. Kavounas stated if for some reason MWD, IEUA, or Watermaster walked away from the agreement, then there is an obligation triggered to buy the water which presumably would go to the parties that had said they needed water delivered. Mr. Kavounas stated parties could purchase the water and put it in their storage account, and Watermaster has mechanisms for trading water in the basin; it could be traded at a later time.

Ms. Hoerning offered comment on storage accounts and payments of this water.

Mr. Kavounas stated the Cyclic Storage Agreement predates the Peace II Agreement and has fundamentally remained unchanged; the purpose of the agreement is to meet replenishment obligations in the basin. Mr. Kavounas stated times have changed which makes this program less likely to be used. Mr. Burton stated when that covenant was added to the agreement back in the early 2000's, there was a reason that was added; it was so that MWD had assurance that the water would not be trapped indefinitely in storage. Mr. Kavounas stated that covenant existed from the very beginning. Mr. Kavounas read from the 1978 agreement. Mr. Burton stated that determination is more restrictive and the new covenant is just open-ended for whatever reason that agreement is not renewed, this agreement has restrictions, and maybe legal can explain what the restrictions mean. Mr. Burton read a portion from the agreement. Mr. Kavounas stated this was clarified in 2007, so the proposed amendment does not change that condition; it is broader and it also gives Watermaster the option to terminate. Mr. Kavounas stated this is not a new concept. Mr. Burton stated as long as when the water is put in storage there is a buyer identified, who is a willing voluntary buyer and not someone who voted by majority to have to make that financial commitment. Mr. Burton offered comment on City of Ontario's needs. Mr. Burton inquired if this agreement is approved today, and water is eventually put into storage with a voluntary buyer, is it possible that that water could be moved into the DYY Storage account at a later date.

Mr. Grindstaff stated MWD does not have the ability to tell anyone that they are going to transfer this water from here to there. Mr. Kavounas stated he agrees, and what the parties choose to do in the basin is their business and MWD can't affect that.

Chair Zvirbulis offered comment on the history on Cyclic Storage and the DYY Program. Chair Zvirbulis read staff's recommendation and inquired what the pleasure of the parties is today to move this item.

Mr. Scott-Coe stated he would like to move this item with some specific language additions in the motion with regard to losses and payment of water. Mr. Scott-Coe proposed a motion.

A discussion regarding the motion ensued and the motion discussed was agreed upon by the maker of the motion.

Motion by Scott-Coe, second by Craig, and by unanimous vote

Moved unanimously to approve staff recommendation with the understanding that it is Watermaster's opinion that losses identified in the Peace II Agreement, currently at 6%, or as amended in the future, will apply to the water introduced into this Cyclic Storage account; and Watermaster and the Inland Empire Utilities Agency will determine who will pay for the water in advance case of agreement termination by MWD before water is placed in the account, so that no individual party would be compelled to pay against their will, as presented

C. OBMP SEMI-ANNUAL STATUS REPORT 2012-2

Mr. Kavounas stated this item is for the Watermaster OBMP Semi-Annual Status Report which captures progress toward OBMP activities.

Mr. Harder stated he had some comments on Program Element 2 which is the development, implementation and comprehensive recharge program, and noted he did not see any discussion about ongoing imbalance in the basin as a need for the Recharge Master Plan (RMPU). Mr. Harder stated there are discussions of Management Zone 1 (MZ1); however, there remains imbalance in MZ2 and MZ3. Mr. Harder inquired if Watermaster can make a statement as a preamble for the RMPU Steering Committee that language can be added to the report that states Watermaster is on schedule for the RMPU and the report can address the imbalance in MZ3.

Motion by Zvirbulis, second by Harder, and by unanimous vote

Moved to approve staff recommendation to the Advisory Committee and the Watermaster Board to receive and file with the court, as presented

D. ACM / CSI STIPULATION

Mr. Kavounas stated this is a notice to the Pools that Watermaster will be adjusting its records to reflect the agreement between Aqua Capital Management and California Steel Industries, in the way they have settled their dispute over a joint water right. Mr. Kavounas noted there is a transposition of numbers on page 140 and stated the numbers will be corrected in the staff letter that is presented to the Advisory Committee. Mr. Kavounas stated there is another noted item that is not in the staff report; however, it will be in the staff report for the Advisory Committee, which is that this adjustment of the records will be footnoted in the next Assessment Package as well as the next Annual Report.

Mr. Burton inquired if the 630.274 acre-feet was the volume that was in dispute, and inquired if they reached resolution. Mr. Kavounas stated yes, that was the correct amount and they did reach a solution of a 50/50 split, which started for years 2007/2008. Mr. Kavounas stated then they worked through the years moving forward, which resulted in an adjustment of the storage amount. Mr. Kavounas referenced pages 160 and 163 of the meeting package which shows the entire walkthrough, ending up with the balances adjusted, and moving forward on this matter.

Motion by Aaron, second by Burton, and by unanimous vote

Moved to receive and file Watermaster staff's notice of adjustment of records to reflect reallocation of Aqua Capital Management and California Steel Industries joint water right, as presented

III. REPORTS/UPDATES

A. LEGAL COUNSEL REPORT

Counsel Herrema stated he had no report at this time.

B. ENGINEERING REPORT

1. Proposed Recharge Basin SCADA Enhancements for FY 2013/2014

Mr. Kavounas introduced this item and noted it will be presented by Mr. Craig Parker who is from IEUA. Mr. Kavounas noted this enhancement will affect Watermaster's budget for the next two years. Mr. Kavounas stated this is an important capital project that enhances recharge operations in the basin.

Mr. Parker gave the Proposed Recharge Basin SCADA Enhancements for Fiscal Year 2013/2014 presentation. Some questions were presented on various slides and Mr. Parker answered those questions. Mr. Craig introduced Mr. Majid Karim from IEUA and noted he runs the SCADA system. Mr. Karim offered comment on the SCADA system and answered the Pools questions on that system. A lengthy discussion regarding the SCADA system and recharge ensued.

Mr. Kavounas thanked IEUA staff for attending today's meetings and presenting the information.

C. GM REPORT1. Refresh, Recharge, and Reunite

Mr. Kavounas stated he was delighted with the turnout for the Refresh, Recharge, and Reunite event last Tuesday and was pleased with the insightful discussions. Mr. Kavounas stated he has received positive feedback from people as well as notes of thanks to staff for a job well done. Mr. Kavounas stated the notes from that event have been transcribed and will be made available once they are ready for distribution to the Chairs for comment, and for them to share with whomever they choose to share them with. Mr. Kavounas Watermaster thanked Cucamonga Valley Water District for their hospitality for the day.

2. Overlying (Non-Agricultural) Pool Available Water per Judgment Exhibit "G"

Mr. Kavounas stated this is a report on the process, which is at its end for this year. Mr. Kavounas stated there was water made available by two parties of the Non-Agricultural Pool; however, there were no takers for that water and the process will begin over again next year. Staff has this item on their calendar for next year to meet with the respective chairs of the Appropriative and Non-Agricultural Pools and discuss an appropriate rate for the next year since the rate offered this year was a one-time only rate.

IV. INFORMATION1. Cash Disbursements for February, 2013

No comment was made.

V. POOL MEMBER COMMENTS

Mr. Aaron thanked Cucamonga Valley Water District for assisting with the Watermaster event venue and food. Chair Zvirbulis stated it was a great event and long overdue.

VI. OTHER BUSINESS

No comment made.

The regular open Appropriative Pool meeting was convened to hold its confidential session at 10:15 a.m.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Appropriative 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 11:22 a.m.

Chair Zvirbulis stated the recommendation for the CDA Request RE Remediation of Chino Airport Groundwater Plume from the confidential session is:

The Appropriative Pool made a recommendation regarding the confidential report for the CDA request regarding the remediation of the Chino Airport groundwater plume is to request that Watermaster not move this item forward at this time. Watermaster is requested to defer in taking any definitive action on this matter until such time as a meeting can be facilitated with Watermaster staff, Watermaster legal counsel, CDA staff, CDA legal counsel, and the Appropriative Pool members who wish to attend and their legal counsel, to review the historical context, what options exist, and the legal strategies.

Chair Zvirbulis stated there is an overarching sense that the Appropriative Pool just does not know enough about this matter to make a recommendation, even though Mr. Schatz and Mr. Kidman attended this meeting. Chair Zvirbulis stated the pleasure of the Appropriative Pool is that we don't want to exclude anybody, and individually we need to update our boards and counsels, and do that with potential legal support and communication.

VIII. FUTURE MEETINGS AT WATERMASTER

Tuesday, March 12, 2013	7:30 a.m.	Refresh, Recharge and Reunite – Frontier Project
Thursday, March 14, 2013	9:00 a.m.	Appropriative Pool Meeting
Thursday, March 14, 2013	11:00 a.m.	Non-Agricultural Pool Conference Call Meeting
Thursday, March 14, 2013	1:30 p.m.	Agricultural Pool Meeting
Tuesday, March 19, 2013	10:00 a.m.	Land Subsidence Committee Meeting
Thursday, March 21, 2013	8:00 a.m.	IEUA DYY Meeting
Thursday, March 21, 2013	9:00 a.m.	Advisory Committee Meeting
Thursday, March 21, 2013	10:00 a.m.	CB RMPU Steering Committee Meeting
Tuesday, March 26, 2013	9:00 a.m.	GRCC Meeting
Thursday, March 28, 2013	11:00 a.m.	Watermaster Board Meeting
Tuesday, April 9, 2013	10:00 a.m.	Personnel Committee Meeting
Tuesday, April 16, 2013	9:30 a.m.	Budget Workshop
Tuesday, April 23, 2013	9:30 a.m.	Potential 2 nd Budget Workshop

Chair Zvirbulis adjourned the Appropriative Pool meeting at 11:24 a.m.

Secretary: _____

Minutes Approved: April 11, 2013