

CITY OF



ONTARIO

ONTARIO MUNICIPAL UTILITIES COMPANY

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June 14, 2017

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UTILITIES GENERAL MANAGER

Mr. Peter Kavounas  
CEO/General Manager  
Chino Basin Watermaster  
9641 San Bernardino Road  
Rancho Cucamonga, CA 91730

Re: Tolling Agreement between Agricultural and Appropriative Pools

Dear Peter,

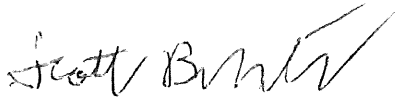
During the June 8, 2017, Appropriative Pool meeting a Tolling Agreement (Agreement) impacting storage applications, agreements and transfers was reported as "approved" out of closed session. The City of Ontario (Ontario) has concerns with both the content of the Agreement and the process by which it was reportedly approved. The purpose of this letter is to communicate these concerns and formally notify Watermaster that Ontario did not approve the Agreement and is not a party to the Agreement. In doing so, it is also important to state that Ontario believes that an open and transparent process to review storage management is appropriate for protection of the Basin. Moreover, Ontario is generally agreeable to the stay of the contests challenging storage agreements for and transfer of Excess Carry Over water.

The intent of the Tolling Agreement is to allow storage agreements (and other water transactions) by parties of the Appropriative Pool to be conditionally approved by Watermaster and the corresponding contests by the Agricultural Pool to be deferred while working toward a resolution to any dispute as part of the Storage Management Plan. However, Ontario has concerns with utilizing the Agreement to achieve these goals, some of which are explained herein. Ontario did not authorize the Appropriative Pool Chair to bind Ontario when the closed session vote took place. Such a commitment by Ontario requires City Council approval. Ontario believes such Pool Committee action is outside its authority to administer its Pool. Moreover, the Agreement establishes a storage restriction of 130,000 acre-feet, not limited to stored Excess Carry Over water, without explanation as to how that provision is to be implemented. Thus, it potentially infringes on the rights afforded under Supplemental Storage agreements and the Judgment. The rights of an individual Party, found in the Judgment and subsequent Court Orders, cannot be impaired by a majority vote of the Pool Committee. Watermaster is being asked to implement the

Agreement in the face of these objections, without following the procedures of paragraph 38 of the Judgment. In any case, it is questionable whether the Agreement offers Watermaster, and other parties to the Agreement, enough clarity to implement its provisions without dispute in light of the concerns registered herein and other ambiguities of the Agreement.

Ontario is looking forward to the development of a Storage Management Plan as part of ensuring a reliable long-term water supply including Chino Basin Groundwater. This is critically important to the existing Ontario community along with the substantial economic expansion it anticipates long into the future. As part of the Storage Management Plan, Ontario looks forward to examining the technical merits of and addressing, as appropriate, storage concerns raised by Watermaster during the Safe Yield Reset process and reinitiated by the Agricultural Pool in response to recent storage agreement applications.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Burton". The signature is fluid and cursive, with a prominent flourish at the end.

Scott Burton, P.E.

Utilities General Manager

c: Todd Corbin, Appropriative Pool Chair  
Bob Feenstra, Agricultural Pool Chair