

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

April 27, 2006

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on April 27, 2006 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

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| Ken Willis, Chair | West End Consolidated Water Company |
| Sandra Rose | Monte Vista Water District |
| Terry Catlin | Inland Empire Utilities Agency |
| Al Lopez | Western Municipal Water District |
| Bob Kuhn | Three Valleys Municipal Water District |
| Bob Bowcock | Vulcan Materials Company |
| Paul Hofer | Agricultural Pool, Crops |
| Paul Hamrick | Jurupa Community Services District |
| Geoffrey Vanden Heuvel | Agricultural Pool, Dairy |

Watermaster Staff Present

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|---------------------|---------------------------|
| 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

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|-----------------|-------------------------------|
| Scott Slater | Hatch & Parent |
| Michael Fife | Hatch & Parent |
| Mark Wildermuth | Wildermuth Environmental Inc. |
| Dave Argo | Black & Veatch |

Others Present

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| Rosemary Hoerning | City of Upland |
| Ken Jeske | City of Ontario |
| Marty Zvirbulis | Cucamonga Valley Water District |
| Mark Kinsey | Monte Vista Water District |
| Carole McGreevy | Jurupa Community Services District |
| Ashok K. Dhingra | City of Pomona |
| Charles Moorrees | San Antonio Water Company |
| Dave Crosley | City of Chino |
| David DeJesus | Three Valleys Municipal Water District |

The Watermaster Board Meeting was called to order by Mr. Willis at 11:00 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

Mr. Manning noted that while reviewing the March 23, 2006 minutes counsel decided to make a slight change to the language written on the discussion regarding confidentiality. Counsel Slater noted the revised minutes are provided in your meeting folder and on the back table. A brief discussion ensued

with regard to what was changed and why the change was necessary. The revised minutes were presented into the Consent Calendar for approval.

I. CONSENT CALENDAR

A. MINUTES

1. Revised Minutes of the Watermaster Board Meeting held March 23, 2006

B. FINANCIAL REPORTS

5. Cash Disbursements for the month of March 2006
6. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through February 28, 2006
7. Treasurer's Report of Financial Affairs for the Period February 1, 2006 through February 28, 2006
8. Profit & Loss Budget vs. Actual July through February 2006

C. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Cucamonga Valley Water District has agreed to purchase from West Valley Water District water in storage in the amount of 500 acre-feet. Date of application: January 10, 2006

Motion by Kuhn, second by Hamrick, and by unanimous vote

Moved to approve Consent Calendar Items A (as revised) through C, as presented

II. BUSINESS ITEMS

A. MZ1 SUMMARY REPORT

Mr. Manning stated this item was presented to the Pools and Advisory Committee and had unanimous votes in favor of this item except for a one negative vote by the City of Chino Hills. Staff, counsel, and technical consultants are recommending the approval of the presented MZ1 Summary Report. This summary report was designed as a result of the MZ1 workshop held in May of 2005 where the Special Referee made recommendations, this being one of those recommendations. To be in compliance with the court, staff is asking that this report be approved. This report also includes the guidance criteria of the MZ1 management and meets the needs for this agency and for the court. Mr. Vanden Heuvel inquired if the city of Chino Hills has expressed an opinion on this report. Mr. Manning noted the city of Chino Hills at this point in time is not in concurrence with the MZ1 Technical Committee or other parties who are in favor of this report. The city of Chino Hills has not provided any comment on this report in the last sixty days and they have been absent from the MZ1 meetings. Mr. Vanden Heuvel asked if a representative had been in attendance at any meeting where this report was presented for approval. Mr. Manning stated a representative was present at the April 13, 2006, Appropriative & Non-Agricultural pool meeting and that representative was the only "no" vote at any meeting where this was presented for approval. Mr. Vanden Heuvel offered comment on the history of this issue. It was noted a representative from the Watermaster Board should meet personally with the city of Chino Hills to understand what their concerns are and that Chair Willis should be that representative. An extended discussion ensued with regard to the Summary Report and the Long-Term Report with regard to the city of Chino Hills concerns. Counsel Slater stated Chino Hills concerns do not necessarily relate to the report itself or to the guidance criteria, which are not mandates, they are recommendations on operation. Comments were received by each member and Chair Willis called for a vote to table the motion for 30 days, while further attempts are made to engage Chino Hills into dialogue regarding their concerns.

Motion by Vanden Heuvel, second by Rose, and by majority vote

Motion to table this item for 30 days in order for Chair Willis to meet with the city of Chino Hills for resolution of their issues on the MZ1 Summary Report

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT**1. Peace II Process

Counsel Slater noted the legal section will be divided between himself who will be presenting the Peace II Process update and Counsel Fife who will be presenting the Santa Ana update. Counsel Slater stated as we reported at the last Board meeting the Wildermuth Environmental technical report would be out for review, a Strawman Proposal would be distributed, and a confidential meeting with attorneys, managers, principals, board members, and stakeholders who were willing to abide by the rules of evidentiary confidentiality was held on April 18, 2006. At that meeting the Strawman Proposal was explained and it was noted that this was not a proposal of the Watermaster Board or Board Member; it was solely an effort on the part of staff to facilitate an agreement among the parties. The document was presented, questions were asked and answered and the question was put to the group whether the proposal was worth further discussion, and the strong consensus in favor of continue the discussions of the document. The discussion of process occurred by either two ways, through the open Watermaster process or should the dialog continue in a confidential environment. The consensus was, for the time being, that conversations should be continued in confidence. Based upon that decision, a preliminary "hold a date" notice has been sent out for two dates May 4, 2006 and May 15, 2006. Mr. Kuhn inquired if input from board members will be needed at the next Attorney-Manager meeting? Counsel Slater stated the board members input is welcome. Mr. Vanden Heuvel offered comment on seeking board comments at those meetings. A discussion ensued with regard to the differences in the meetings. Counsel Slater stated initially the Attorney-Manager meetings was limited to the parties to have in attendance, a lawyer and a principal which was perceived as being exclusive as opposed to inclusive. Our understanding by the direction we received was to not limit it to allow board members to attend but to allow any representative of the stakeholders to attend so long as each attendee were willing to abide by the evidentiary confidentiality associated with the discussions. Ultimately that process would yield a product which would be brought forward through the Pools, Advisory Committee, and be subject to open comments by the Board members; the question is to give that process more time or the confidential sessions more time prior to the introduction to the Watermaster process. Ms. Rose confirmed the meetings that might be held on the 4th and the 15th are the confidential sessions and Counsel Slater concurred. Chair Willis acknowledged the board members want to continue to be invited to the confidential meetings and will adhere to the evidentiary confidentiality agreement.

2. Santa Ana River Water Rights Application

Counsel Fife stated this item has been a long on-again/off-again process and presently it is on the forefront again. Counsel Fife stated in May of 2005, the other parties that are involved in this process (including Orange County Water District (OCWD), Western Municipal Water District (WMWD), San Bernardino Municipal Water District, and the City of Riverside) decided they were ready to move forward on their applications and bring their applications to hearing by the beginning of 2006. Counsel Fife stated it has been made known to the parties involved that Watermaster is confident in our projects, positive in our validity of our application, and if they are ready to go to the State Board to get confirmation of their rights, we will follow suit. The last time this item was in motion, counsel and staff met with the State Board's staff to discuss the details of our application along with trips made to Sacramento and after that attempt the issue faded away and has been silent ever since. Counsel Fife stated OCWD has now reissued a programmatic environmental impact report for their water rights application. The notice of availability is on the back table for review. With this news, counsel is anticipating WMWD to follow suit and if this does

happen counsel, in concert with WMWD, will approach the State Board. Counsel Fife stated it is Watermaster's position that we have all the rights to all the surface water that passes through the Chino Basin and staff has expressed to the State Board that we do not need to do any further CEQA work and believe Watermaster is solid on our part of our application.

Counsel Fife stated there is an interesting development in legislation regarding Senate Bill 1795 which is being sponsored by the Stockton East Water District. The purpose of the legislation is to amend the water code, to say that any water rights application that is for the diversion of surface flows to use as groundwater recharge will not need an underground storage supplement. This is a part of the application that is very onerous and requires a lot of reporting. The State Board in recent years has stated they will regard a diversion for the purpose of recharge as that ultimate pumping is the actual diversion and everything prior to that just a pipe basically and what the State Board is going to regulate is the ultimate pumping. This SB1795 would rectify this situation and make our application much easier. To date there is no opposition to this bill and staff and counsel are hopeful this bill will get passed. A brief discussion ensued with regard to water plans.

B. WATERMASTER ENGINEERING CONSULTANT REPORT

1. Update on Report on Balance of Recharge and Discharge

Mr. Wildermuth stated as reported at the Pool and the Advisory Committee, the Balance of Recharge and Discharge/Hydraulic Control Modeling Report is out as a draft report. Mr. Wildermuth stated that opposed to all the numbers the engineers have been working with over the past twelve months, the numbers are slightly different; however, the final answer comes out the same. Mr. Wildermuth noted one item is different, and this has been collaborated by all the new monitoring data that has come out of the Hydraulic Control monitoring program, is that we do not have hydraulic control on the far west side of the basin. This area would be in the vicinity of Desalter I, wells one through four which are deep wells, and then just west of those wells. There is an opportunity there that we can obtain hydraulic control by installing more desalter wells in that location. This report will be finalized at some point in time or will be accepted as a draft report as final. Mr. Vanden Heuvel commented on the new information which was just released regarding our monitoring showing there is leakage from the Chino Basin and the Regional Board is aware of this issue and expecting something to be done about it.

C. CEO/STAFF REPORT

1. Consequences of Non-Implementation of Peace II

Mr. Manning stated following discussions with the special referee, it was suggested a brief summary be put together and presented to the parties on this subject matter. Hatch & Parent was tasked to go through all the consequences and provide a memo to be presented at the meetings to bring the parties up to speed on the consequences. Counsel Fife stated this memo is a brief overview of some of the consequences if Peace II is not completed. Counsel Fife noted that other than water quality, all the rest of the items are tied to specific deadlines, all of which will kick in whether we implement Peace II or not. The ultimate conclusion of the memo is the choice in dealing with these issues together and in a coordinated way or dealing with them on an individual basis. Mr. Vanden Heuvel stated, in his opinion, the presented document does not spell out the magnitude of the consequences and noted there are huge price tags associated with the failure to deal with storage. Mr. Vanden Heuvel stated an estimated range of potential cost should be given to the parties for the record regarding storage. A lengthy discussion ensued with regard to liability and financial obligations. Counsel Fife stated to put together a more comprehensive analysis including all aspects of financial obligations and numbers on storage would take longer to produce than time we have left for the conclusion of the Peace II process. A discussion ensued on the cost of estimation of replenishing the existing desalters. Comments were received by Mr. Vanden Heuvel regarding the discussions on this issue. Mr. Manning noted the cost is unknown at this time, however,

in reviewing the numbers we have to date the costs could well be in the hundred million dollar range to proceed with an accurate account of what would be involved to proceed with giving a more detailed description of consequences.

2. DataX Presentation

Mr. Manning stated this presentation will be given at the Watermaster Board meeting and that the Inland Empire Utilities Agency (IEUA) will also be presenting it at their board meeting; this is a joint project with IEUA. Ms. Maurizio noted an update was last given on this project in March 2005 and reviewed the background on this project and acknowledged that this effort started in October 2003. The purpose of the project is to facilitate the collection, management and sharing of water resources data. What DataX can be used for was reviewed in detail. The phased implementation was presented including Phase I - fiscal year 2004/05 and Phase II - fiscal year 2005/06. The DataX inter-agency web-based data-entry portal will be a centralized location for CBWM and IEUA to receive and store data that is being collected and submitted by other parties. The objectives and benefits to participating agency/cities were discussed. An inter-agency data entry portal pilot test will take place with the City of Chino and Cucamonga Valley Water District as participants. Future work for Phase III - fiscal year 2006/07 will include implementing direct data input by all Appropriative pool data generators, display recharge basin calculated results from the SCADA data, and interface imported and recycled water system with the IEUA billing system. Chino Basin Watermaster is currently using DataX and is very pleased with it. Mr. Manning noted this system should provide a lot of streamlining for agencies for data requests and processing.

3. Legislative Update

Mr. Manning stated he believes SB 1795 bill will be amended shortly and will assist our efforts in the Chino Basin to declare the water as beneficial use. Mr. Manning stated there is a new bill presented by Senator Simitian SB 1612 which has been pulled by the senator because it was not going to get a hearing. This is a \$3 billion dollar general obligation bond and noted even if the bill was passed it would still have to go through the voters. Mr. Manning noted the portion of the bill that was of interest to us is for the first time since 1982 it had discussion about a bypass facility around the Delta as the basis for the bill. It was noted this bill will be introduced at a later date.

4. MWD Groundwater Study

Mr. Manning stated in September of 2005 Metropolitan Water District (MWD) asked groundwater managers in the MWD service area to meet at their office to discuss putting together a very cursory look at groundwater basins in Southern California within and in some cases outside the service area. The purpose would be to answer questions from their board relative to, "Is there any potential for groundwater storage as opposed to surface storage?" MWD staff is collecting data for this report. Recently Ms. Grebbien, Mr. Rossi and Mr. Manning met with MWD staff to talk about what MWD is exactly looking for due to the vagueness of their request for data. Mr. Manning stated he expressed a concern to MWD staff that if they were going to be gathering groundwater data that they needed to have a groundwater savvy person on staff or in a consultant capacity that can deal with the data. MWD noted they were going to be addressing that concern. Mr. Manning noted several other basins opted to fill out the questionnaire that was sent by MWD; however, Chino Basin Watermaster opted to send them our State of the Basin Report and some of our underlying governance documents and then schedule meeting directly with them to discuss their need to fill in the gaps.

5. Workshops Update

Mr. Manning stated there is a Boardmanship workshop scheduled for board members and any other party who wishes to attend today after the Board meeting. This meeting

has been scheduled by a request from board member Sandra Rose who wanted a better understand her role as a board member for the Chino Basin Watermaster. Hatch & Parent will be conducting this workshop.

A budget workshop has been scheduled for Ms. Rojo to present the proposed 2006/2007 budget on Tuesday, May 2, 2006 starting at 9:00 a.m.

6. Storm Water/Recharge Update

Mr. Treweek stated there is an updated Storm Water/Recharge Update available on the back table. It was noted 34,000 acre-feet of water has been recharged after nine months, there are four more months left in the storm season and we have been receiving above 5,000 acre-feet per month of recharge. This should bring us up to the 50,000 acre-foot goal for this year. February and March have had very good results of recharge due to recent storms. Mr. Treweek reviewed the handout in detail.

7. Draft Desalter III Alternative Study Update

Mr. Manning stated that as part of the Peace II process, staff has been discussing a relationship with Western Municipal Water District (WMWD) for the construction of a desalter program. There have been several questions regarding what the new desalter program might possibly look like. Mr. Dave Argo from Black & Veatch, has been tasked by WMWD to look at some desalter alternatives and Mr. Argo is here to present five draft concept ideas. Mr. Argo presented the "Chino Basin Optimum Basin Management Program – Potential Deliveries of 10,000 AFY to WMWD / Development of New Chino III Desalter) presentation. The presentation was developed by Black & Veatch in association with RBF Consulting and Wildermuth Environmental, Inc. It was noted Watermaster is exploring options for a third Chino desalter and a plan is needed to fulfill the objectives of the originally proposed Chino III Desalter which will maintain hydraulic control, meet Peace II objectives, and meet the goals of the Optimum Basin Management Program (OBMP). Mr. Argo stated a plan is needed to maintain hydraulic control in the basin and reviewed the goal to maintain historic agricultural pumping in the south basin to achieve required production of 40,000 afy. Mr. Argo stated five concepts were developed to meet these objectives of Chino III Desalter and reviewed in detail each of the possible concepts. Mr. Argo stated all concepts assume use of the existing Arlington Desalter pipeline for deliveries to Western. Facility and cost assumptions were based on existing Chino Desalter Authority facilities and construction costs. A facility model was developed to estimate the costs for each of the concepts presented. Mr. Argo reviewed several maps of wells in correlation to the five concepts in detail and discussed the next steps that will be taken with Watermaster and stakeholder approval. The hydraulic control summary chart was examined and discussed and Mr. Argo solicited questions and comments from committee members. A question regarding the numbers presented on the concepts which lead to a discussion. Mr. Argo stated the five concepts which were presented will most likely not be one of the options to choose from later on once more work has been done and recommendations received to make changes.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

April 25, 2006

9:00 a.m.

GRCC Committee Meeting

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|----------------|------------|---|
| April 27, 2006 | 9:00 a.m. | Advisory Committee Meeting |
| April 27, 2006 | 11:00 a.m. | Watermaster Board Meeting |
| April 27, 2006 | 1:00 p.m. | Boardsmanship Workshop |
| May 2, 2006 | 9:00 a.m. | Budget Workshop |
| May 11, 2006 | 9:00 a.m. | Appropriative & Non-Agricultural Pool Meeting |
| May 16, 2006 | 9:00 a.m. | Agricultural Pool Meeting @ IEUA |
| May 25, 2006 | 9:00 a.m. | Advisory Committee Meeting |
| May 25, 2006 | 11:00 a.m. | Watermaster Board Meeting |

The Watermaster Board Meeting Adjourned at 1:00 p.m.

Secretary: _____

Minutes Approved: May 25, 2006