

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

November 16, 2006

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on November 16, 2006 at 9:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

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

Watermaster Staff Present

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

Scott Slater	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.
Tom McCarthy	Wildermuth Environmental Inc.

Others Present

Rosemary Hoerning	City of Upland
Dave Crosley	City of Chino
Mark Kinsey	Monte Vista Water District
Ken Jeske	City of Ontario
Ashok K. Dhingra	City of Pomona
Jim Taylor	City of Pomona
Bill Kruger	City of Chino Hills
Eunice Ulloa	Chino Basin Water Conservation District

The Watermaster Board Meeting was called to order by Chair Willis at 11:05 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting held on September 28, 2006
2. Minutes of the Watermaster Board Meeting held on October 26, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2006
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through September 30, 2006
3. Treasurer's Report of Financial Affairs for the Period September 1, 2006 through September 30, 2006
4. Profit & Loss Budget vs. Actual July 2006 through September 2006

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

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

II. BUSINESS ITEMS**A. NEW YIELD ALLOWANCES FOR FY 06-07 ASSESSMENT PACKAGE**

Mr. Manning stated this item has gone through the Pools and to the Advisory Committee. Staff's recommendation is to approve this item at 30% based upon the fact this is the proven amount of actual water that we could show coming into the basin based upon the new Wildermuth Environmental report. Mr. Manning stated the management strategy approach to this item is different. At the recent Assessment Package Workshop which was attended by the special referee's technical assistant, Joe Scalmanini, Wildermuth's staff, Watermaster staff, along with several parties heard at that workshop that a 50% management strategy is an appropriate amount to use in order to continue the move toward Hydraulic Control with re-operation of the basin. However, new yield calls for the actual quantifiable amount of water to be utilized. Staff's recommendation is based on that definition. When this item was presented at the Appropriative and Non-Agricultural Pool meeting, their thought was the 30% was the appropriate amount based on the Wildermuth findings; however, they also asked that 20% be captured based upon the management strategy based upon all of last years activities and where we are going in the future; this was included in their motion. At the Agricultural pool meeting the same staff recommendation was made and that committee was made aware of the Appropriative and Non-Agricultural pool's motion. The Agricultural pool decided their motion would be to use the 30% new yield amount and to also add 20% at the completion of court approval of Hydraulic Control and re-operation of the basin. In reality both motions were moving in the same direction but are slightly different. Mr. Manning stated the same staff recommendation was given to the Advisory Committee this morning and following a lengthy discussion about the alternatives and implications, the chair asked for a recess so that a discussion could take place to allow those present an opportunity to discuss and formulate a motion. The final outcome of language was drafted by counsel per the authority of the committee members and was to be read during open session; this motion was then adopted unanimously. Mr. Jeske stated he was very pleased by the work that was done at the Advisory Committee meeting this morning and further commented that the motion formulated by the Advisory Committee members provides a continuation of our current level so that we do not backslide in our management of the basin while we complete the Peace II process. Mr. Jeske read the motion which was unanimously accepted by the Advisory Committee members. Mr. Vanden Heuvel stated the 50% is not a continuation of status quo because the amount of water in question has increased substantially and this assessment package is including a time frame where the amount of desalting is dramatically increased; from 9,000 acre feet in past years versus around 16,000 acre feet in the 05/06 year. There is an increase in new yield calculated in what the 50% represents. We have learned over the last year and a half that the location of pumping is critical to the management strategy and its benefit and it is important to note that all of the increase in pumping is in a different location than the projections of the original desalter pumping. A lengthy discussion ensued with regard to this item. Mr. Vanden Heuvel stated Mr. Scalmanini brought to the parties attention at the workshop that no actual wet water replenishment has taken place for any of the desalters thus far and none was anticipated for this assessment year whether it was 30% or 50%. Mr. Manning stated staff has

reviewed the stated motion and is comfortable with it and it provides a position for Watermaster to be consistent with the Judgment and the Peace Agreement.

Motion by Rose, second by Anderson, and by unanimous vote

Advisory Committee Motion in two parts:

Part A:

Adopt Staff Recommendations set forth in the staff report

- a. Based upon a technical assessment prepared by Wildermuth Environmental, Watermaster Staff, New Yield attributable to the 05-06 Desalter production is equal to 30% of Desalter production or about 4,950 acre feet.
- b. Incorporate the identified New Yield into the assessment package and further described the condition in the Annual Report.
- c. Approve the proposed findings and support the Watermaster determination.

[Proposed finding are set forth on page 39 of the Board packet.]

Part B

As a matter of basin management and not New Yield and in acknowledgement of all of the following:

1. Mr. Wildermuth's and Mr. Scalmanini's comments regarding the benefits of proceeding with the basin management strategy of hydraulic control;
2. The parties' desire to proceed with Peace II and the basin management goal of Hydraulic Control;
3. The parties desire to avoid taking actions contrary to the basin management goal to Hydraulic Control by assessing the securing replenishment water;
4. Watermaster's need for flexibility to implement the physical solution and to exercise discretion in assessing for over-production *within one year*;

Therefore, replenishment of an additional 20 percent of desalter over-production will be deferred and potentially avoided by Watermaster undertaking the following actions:

1. Watermaster will exercise reasonable discretion is deferring the imposition of a Replenishment Assessment *within one fiscal year*;
2. Subject to Mr. Scalmanini's review, Watermaster's next court filings will reference its desire to defer and potentially avoid imposing a Replenishment Assessment for Desalter production in excess of Operating Safe Yield so as to act in a manner consistent with the basin management strategy of securing hydraulic control if it is making reasonable progress toward completion of the Peace II process; and
3. If Watermaster has made reasonable progress towards but has not completed the Peace II process within the fiscal year, Watermaster will request court relief from the requirement to levy a Replenishment Assessment for Desalter Production in excess of Operating Safe

Yield so that it may act in a manner consistent with the basin management strategy of securing hydraulic control.

B. FY 06-07 ASSESSMENT PACKAGE

Mr. Manning stated the Appropriative and Non-Agricultural pools moved to table a motion on this item until next month in order to allow more time for review and to allow Watermaster to bill 50% of the anticipated assessment amount to the parties in order to have money come in to pay bills. The Agricultural Pool's motion was to approve the FY 06-07 Assessment Package and to also allow Watermaster to bill 50% until this item was approved completely. The Advisory Committee's motion was the same as the Appropriative and Non-Agricultural pools in asking for it to be brought back in December and to allow Watermaster to send out a billing using 50% of the anticipated assessment amount. The Watermaster Board members opted not to see the Assessment Package presentation at this time.

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

Moved to table this item until next month and to approve billing a special pre-assessment using 50% of last year's Assessment Package numbers to the parties to allow funds to come into Watermaster on a timely basis.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Application

Counsel Slater stated the State Board has sent out some correspondence, not a notice, to all the parties involved letting them know that the State Board is hoping to notice a hearing on all of the Santa Ana River applications by the end of November. In subsequent discussions with the State Board, it turns out that almost all of the State Board's staff that is now assigned to this project is new to the project including legal counsel. We still do not know for sure if this will go through to a hearing because of all of the past delays over the past six years

2. Peace II Term Sheet

Counsel Slater stated the Watermaster Board members are aware that we are still to complete two tasks that were predicates to our proceeding with the implementation of the Peace II Term Sheet. The first was we were going to complete the socio economic report; Dr. Sunding has been conferring with Wildermuth Environmental and we are now informed Dr. Sunding does have all the required information that he needs to complete his report and it will be brought through the Watermaster process once it is received. Counsel Slater acknowledged that that is not the end of the process; the Peace II Term Sheet also calls for a Cost Benefit Analysis as it relates to the micro analysis of socio economic impacts as a part of the on going review. This is what was necessary for us to launch into the Peace II process. Secondly, we are waiting on Mr. Scalmanini's review of the technical model and he has been in consistent communication with Mr. Wildermuth. Counsel Slater stated the origin of the Peace II process was that everything and everybody moved together and there would be no ability to gain by taking one issue out of step with other issues. It occurs to staff and legal counsel that in this instance it may be more efficient to proceed by disaggregating the Peace II process into potential suites of action and this came up via dialog amongst members of the board at the last meeting. We are prepared to present a concept into the pool process, which would be to effectively to disaggregate the Peace II Term sheet into; 1) those actions that are contemplated by the Peace II Term Sheet that are already within the discretion of Watermaster, 2) those things that require an amendment to either the implementation plan or the Peace Agreement but do not require physical analysis, and 3) we would propose the project description, effectively the pursuit of the management objective of hydraulic control through the strategy of basin re-operation with wells located in specific areas. This would comprise the project description and then the Wildermuth firm would examine the physical consequences of those actions.

Those suites of action would follow last and would then be presented to the court for approval after the physical analysis.

With the Board's consent and direction we would propose to distribute such a plan to the Pools during the next Watermaster cycle. A discussion ensued with regard to this new proposal and storage losses. Mr. Vanden Heuvel expressed his vast concerns over breaking up the entire package into pieces. Mr. Hofer stated he wants to see Peace II finished, however, has reservations about breaking the whole package up into smaller bits because the court is going to approve Peace II as one whole package. Mr. Kuhn noted he will listen to Watermaster's proposal about the three ideas but to not presume that he will be a yes vote on doing it that way. Mr. Bowcock stated he would be interested in hearing the proposal over the next few weeks. Mr. Manning stated he appreciates all the committee members comments and noted staff will be putting together the plan. A discussion ensued with regard to stopping Watermaster staff from putting together their plan and discussing it through the Watermaster process. Mr. Manning stated an option could be to put the proposal together and then give it at a workshop as opposed through the Watermaster process and stressed the importance in receiving input from the parties. Mr. Vanden Heuvel noted his frustration in this process taking so long; however, noted by breaking it apart might put us in a position to lose ground we have already gained. It was noted by the Watermaster Board Members that they did not want this proposal to go to the Pools first and that it needed to go to them or be presented at a workshop. Counsel Slater stated by listening to each members concerns and in following with past practices it appears it best that a workshop be convened to daylight the new proposal while enforcing the confidentiality agreement to all attendees. Mr. Manning stated staff is not asking to add items or to take items away from the total items in Peace II, what staff is asking for is to start dialog to encompass a different strategy on implementation or at least approval of, with implementation pending. Mr. Manning stated he appreciates the comments offered regarding this item and we do need to get this matter moving forward and bifurcating this appears to be able to move it more quickly. A discussion ensued with regard to adding this item to the agenda to be voted on. Mr. Manning stated it was staff's hopes that the Board would give him discretion to be able to provide a strategy; in retrospect, what has been stated today, it is apparent this should not go forward as presented. Staff wants this item to progress and come to a conclusion in as timely a manner as possible; however, staff will proceed or not proceed according to the Board's wishes. After a long discussion it was decided counsel and staff will not move this matter forward until the Watermaster Board hears the idea first and then, only with the Board's approval, will the matter be put through the Watermaster process.

3. Waste Discharge Requirements re Santa Ana River
Counsel Slater stated there is no present action required and we will continue monitoring its progress.

B. WATERMASTER ENGINEERING REPORT

1. Progress on the Western Desalter Well Field
Mr. Wildermuth gave a West Desalter Well Field Investigation presentation. The assignment given to Wildermuth regarding the Western Desalter Well Field (WDWF) was to develop the well field to achieve hydraulic control and develop a concept that will intercept the Chino Airport VOC plume. Mr. Wildermuth reviewed several area maps in detail and by a progression of dates to show how the Chino Airport VOC plume will be affected by the new WDWF wells. In addition to other assignments, Wildermuth Environmental will be preparing an addendum to the April report, coordinating with the Regional Water Quality Control Board and County, and prepare an addendum to be available before the end of November 2006. A brief discussion ensued with regard to the Wildermuth presentation.

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report
Mr. Treweek stated we are one third of the way through the year and are right on target for recharge. We have achieved 21,000 acre-feet of recharge towards our goal of 60,000 acre-feet. The day to day operations have been handled by Andy Campbell and his staff at Inland Empire Utilities Agency which has freed up Watermaster staff time to work on other projects. We have attempted to increase our recharge efforts by 20% to 25% each year.
2. Legislative/Bond Update
Mr. Manning stated IEUA has sent over the Congressional Outlook for the 100th Congress (Innovating Federal Strategies – a Comprehensive Government look at Relations) which is available on the back table for review. Mr. Manning offered comment on how both houses being Democratic will affect us. Our hope is that two items will get through to funding one being WORDA and the other being the funding for our recycled water projects; both are sitting awaiting action in the senate.
3. Strategic Planning
Mr. Manning stated this item is not completed and will be brought back next month.
4. RAND Workshop Review
Mr. Manning stated the third and last workshop was held this past week. Overall the RAND series of three workshops were productive. There will be a follow up report and once that report is available we will provide a copy to all the parties.
5. Invitation from French Government
Mr. Manning stated Mr. Neufeld and himself were notified a few weeks ago by the French government that they had been selected to participate in a conference in France (paid by them) to attend the conference and visit with their officials over a four day period. Just this week both Mr. Manning and Mr. Neufeld were notified that this year's trip for them has been cancelled and they have been placed on a waiting list for next year's conference. Mr. Manning noted it was an honor just to be one of the few that were considered to attend this type of event and he hopes to be chosen to go next year.

Added Item:

Mr. Manning stated several months ago he and Mr. Atwater from Inland Empire Utilities Agency and a number of other parties got together to request of some grants to the Department of Health Services (Prop 50 Grants). Watermaster ended up submitting three applications for grants which were, 1) Chino I Desalter Expansion for \$15M, 2) Ontario Groundwater Recovery (OIA Plume) for \$20M, and 3) the Chino Groundwater Recovery grant. This is a total of \$55 million dollars which was applied for and all three were approved by the Department of Health Services to move onto the next round. These funds will most certainly help in getting the Potential Responsible Parties to the table for clean up.

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

November 16, 2006 9:00 a.m. Advisory Committee Meeting

November 16, 2006	11:00 a.m.	Watermaster Board Meeting
November 20, 2006	1:00 p.m.	AGWA Meeting @ CBWM
November 30, 2006	10:00 a.m.	MZ1 Technical Committee Meeting
December 13, 2006	1:00 p.m.	Water Quality Meeting
December 14, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
December 19, 2006	1:00 p.m.	Agricultural Pool Meeting @ IEUA
December 21, 2006	9:00 a.m.	Advisory Committee Meeting
December 21, 2006	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board Meeting Adjourned at 12:45 p.m.

Secretary: _____

Minutes Approved: _____