

Minutes
**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

March 22, 2007

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on March 22, 2007 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	West End Consolidated Water Company
Sandra Rose	Monte Vista Water District
Terry Catlin	Inland Empire Utilities Agency
Jim Bowman	City of Ontario
Charles Field	Western Municipal Water District
Bob Kuhn	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Jeff Pierson	Agricultural Pool, Crops
Paul Hofer	Agricultural Pool, Crops

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
Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Mark Kinsey	Monte Vista Water District
Bill Kruger	City of Chino Hills
John Anderson	Inland Empire Utilities Agency
Ken Jeske	City of Ontario
Dave Crosley	City of Chino
David De Jesus	Three Valleys Municipal Water District

The Watermaster Board Meeting was called to order by Chair Willis at 11:02 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 February 22, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of February 2007
2. Combining Schedule for the Period July 1, 2006 through January 31, 2007
3. Treasurer's Report of Financial Affairs for the Period January 1, 2007 through January 31, 2007
4. Profit & Loss Budget vs. Actual July 2006 through January 2007

C. RESOLUTION 07-03

A Resolution of the Chino Basin Watermaster Levying Replenishment and Administrative Assessments for Fiscal Year 2006-2007

Item D. Pulled for Question and Discussion:

D. STATUS REPORT 2006-02

Consider Approval of Status Report 2006-02

Mr. Kuhn stated in reviewing this item he came up with a couple of questions. On the introductory page on page 29 of the meeting packet, the second bullet point down, Mr. Kuhn inquired if we are in fact extending the period from thirty years to sixty years. Mr. Wildermuth stated the reason why we are extending the planning period is because in about 2031 Peace II will be implemented further in to the future. We are going to acknowledge that the operation yield in the basin has increased and we are also going to be doing replenishment for the desalters. We will have pulled the basin down, we would have not done all the recharge during the prior thirty years; we will then shift it to equilibrium and the question will be then is, "Will it be able to maintain the new yield?" If you look at the reports that have been produced it shows that everything changes very gradually and it takes a long time to recognize what the true changes are. From a modeling perspective we just run the forecast period out; this is a safety check to see that the basin is still not out of balance and to try and determine what that new equilibrium looks like. Mr. Kuhn offered comment on Mr. Wildermuth's explanation. Counsel Slater stated the original Peace Agreement has a rollover provision in it and the potential life of the original is actually sixty years. There are some mechanisms that require a trigger to roll it over. Counsel Slater stated for an example of that rollover, the Appropriate Pool as the Agricultural Pool has the right to rollover the Peace Agreement for an additional thirty years upon majority vote of one of those pools. Mr. Kuhn stated he did not have an objection on this; he just wanted to make sure he knew what he was voting on. Mr. Kuhn inquired on bullet point number three in that it means that the grants are \$45M and not that our consultant is going to use \$45M and asked if the language written in that document could be written so that it is clearer as to what it really needs to say.

E. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007. Date of application: January 22, 2007

F. CERTIFICATE OF COMMENDATION FOR JOHN ANDERSON

Consider Approval of Certificate of Commendation for John Anderson

G. CERTIFICATE OF COMMENDATION FOR AL LOPEZ

Consider Approval of Certificate of Commendation for Al Lopez

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

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

II. BUSINESS ITEMS**A. PROPOSAL TO PERFORM THE SOCIOECONOMIC IMPACT ANALYSIS OF OBMP AND PEACE AGREEMENT**

Mr. Manning stated the stakeholder non-binding term sheet calls for us to perform a micro economic study Watermaster staff is proposing that Dr. Sunding, who performed the macro socioeconomic analysis, do the micro study as well. The proposal that is presented today is for a time and materials contract with Dr. Sunding. Staff is recommending moving forward with the scoping portion of the activity and then based upon Dr. Sunding's analysis of the amount of time and the costs associated with performing the analysis this proposal will be brought back for another review, incorporating the scoping plan and anticipated costs. Mr. Manning commented on the scoping session and noted after that portion is completed Dr. Sunding will be returning with the actual scope of work, including costs which will be sent through the Watermaster process. Mr. Manning stated this item was approved unanimously by the Pools and the Advisory Committee. Mr. Manning noted there was some debate whether the contract should be through legal counsel which is the way the contract was processed for the macro study or the contract should be through Chino Basin Watermaster. The final determination was that, this portion of the scoping element, will be through Hatch & Parent under client/attorney privilege. There will be discussion once the final contract is brought forth. Mr. Kuhn inquired if in the contract where it denotes \$160,000 dollars to insert the word, "Not to exceed." Counsel Slater stated since the contract is going to be managed as an expert witness contract, staff could instruct counsel in managing that contract to ensure a "not to exceed" number will be given to legal counsel. Mr. Kuhn stated as one board member, he feels it should be Watermaster doing the hiring to keep this transaction as transparent as possible. Mr. Manning stated we have made assertions to all the parties that amongst the parties this process will be very transparent. The reason for the attorney/client aspect of this is to protect those parties such as the overlying non-agricultural, the private water purveyors, and the agricultural interests within the basin. If they were giving information to Dr. Sunding that they wanted to have protected, that stipulation would give them the privacy cover they desired. A lengthy discussion ensued with regard to this matter. Counsel Slater stated staff and counsel is recommending a process which is more or less designed to protect the expert in preparing a report because people can be diverse in their demands and anytime a person picks up a telephone and has open access, people might place burdens on the expert that are going to have implications for cost.

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

Moved to approve the proposal to perform the scoping aspect of the Socioeconomic Impact Analysis of OBMP and Peace Agreement between Dr. David Sunding, Berkeley Economic Consulting, Inc. and Chino Basin Watermaster through Hatch & Parent, as presented

B. ASR AGREEMENT BETWEEN CHINO BASIN WATERMASTER, INLAND EMPIRE UTILITIES AGENCY AND MONTE VISTA WATER DISTRICT

Mr. Manning stated in December, 2005, the Pools approved the Monte Vista Water District (MVWD) application for recharge into the basin and in January, 2006, the Advisory Committee and Watermaster Board took action to approve that application as well. Mr. Manning stated what Monte Vista Water District had applied for is to recharge, through injection, up to 3,500 acre-feet of treated State Project water in its wells one, four, thirty, and thirty two. That agreement was subject to a permit that would be issued by either the Regional Board or the Inland Empire Utilities/Chino Basin Watermaster through its Maximum Benefit permits. Monte Vista has decided to request IEUA/CBWM covering and is making an application for that. Mr. Manning stated Inland Empire Utilities Agency has agreed to approve this contract in content and they are also asking Monte Vista Water District to work with them on some side letters with regard to provisions on other items. Mr. Manning noted this was approved unanimously by all the Pools. Mr. Manning stated IEUA has asked MVWD to participate with

them on a water softener rebate program which is an effort to minimize salt loading on the sewer system.

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

Moved to approve the agreement between Chino Basin Watermaster, Inland Empire Utilities Agency and Monte Vista Water District regarding incorporation of groundwater injection with State Project Water by Monte Vista Water District in the Chino Basin Watermaster and Inland Empire Utilities Agency permit R8-2005-0033, as presented

C. FILE WATERMASTER STATUS REPORT 2006-02 WITH THE COURT

Mr. Manning stated this report was just approved on the Consent Calendar and staff is now asking for approval to file the transmittal to the court pursuant to the February 16, 2007 court order.

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

Moved to approve filing the transmittal of Status Report 2006-02 to the court pursuant to the February 16, 2007 court order, as presented

III. REPORTS/UPDATES

A. GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Slater stated this is the subject of a telephone conference call that took place earlier this week. As we reported last month, we are set to initiate a hearing on May 2, 2007 with the State Water Resource Control Board concerning the fate of the Chino Basin Water Rights Application. Counsel Slater stated he is pleased to report there is now no opposition to the Watermaster application which is excellent news. This news will definitely affect the presentation to the State Water Resource Control Board; we will still need to show them substantial evidence to support the application but this effectively eliminates the opposition. We have filed our intent to appear which references our specific witnesses and that paperwork is available on the back table.

2. Peace II Process

Counsel Slater stated the highly anticipated Scalmanini Report was received yesterday and distributed to the parties via email. Counsel Slater noted he is anticipating hearing reviews on the report once the parties have ample time to digest the report. Counsel Slater stated his summary of the report is as follows; we had requirement under the Peace II Term Sheet that the Wildermuth/Watermaster model be evaluated by an independent expert for purposes of examining whether that model, as a tool, was an appropriate tool for planning purposes. The independent review by Mr. Scalmanini, the outside expert, says it is a proper tool for that purpose. The report also identifies that there are things that can be done in the future calibrations and use of the model that will make an even more efficient tool. Our view is, with regard to the task at hand, the referee's report checks the box and says the model is appropriate and then there are some things in the report that suggest to us that in our future communications with the court through the on going process that we need to clear up any misunderstandings with regard to Peace II. Counsel Slater stated we all will have ample time to review the several pages of material and to offer comments at the next meeting towards our next steps.

3. Potential Intervention

Counsel Slater stated the AQUA Capital Management Company intervention was tabled by all the Pools and will be brought back at a later date for review and/or discussion.

4. MZ1 Long Term Plan

Counsel Slater stated one of the items the court has asked us to report on is the progress of the MZ1 negotiations in developing a Long Term Plan. Counsel Slater stated in the last

few Watermaster meetings staff has put forward a proposal for a long term plan and we have been discussing internally the strategy for moving that forward. What took place with the interim plan was that we did not produce an agreement amongst the MZ1 parties, it was Watermaster's plan and Watermaster put the plan out, the parties agreed to voluntarily participate in that plan. As we discuss how to move the MZ1 process forward, staff has come to the opinion that that is also the best way to do the Long Term Plan. Staff and Counsel have formulated a plan that we think is good, that works, and will prevent further subsidence in MZ1. Staff is proposing that we put forward the plan as a Watermaster plan and the water supply elements of it will be a voluntary program which parties can participate in or not. On the back table are two documents; one is a textual Long Term Plan and the second document is an alternative water supply proposal which we also think is effective and will work for all parties. These are being put forward as an information item today in order to give the parties time for review; this will be brought back in the future for consideration through the Watermaster process. A discussion ensued with regard to this item and counsel's comments.

Added Comment:

Counsel Fife stated we had a special meeting earlier this week to consider one stipulation and we may need to have another special meeting sometime within the next week. Counsel Fife stated there is a second stipulation that counsel is working on with all of the applicants and this was discussed during the closed session last month. This is a stipulation regarding the water rights and the relative priorities it has between the applicants; we do not have the stipulation complete, however, there is a draft that was just emailed during this meeting that will be handed out. It is a draft and has not been reviewed by legal counsel. We will need to be able to file this stipulation with the State Board prior to our pre-hearing conference on April 5, 2007; we will not have the time to meet with this board or the pools prior to the April 5th date for approval so another special meeting via a conference call may need to be scheduled for approval. Mr. Kuhn asked that this item be added to the agenda now for consideration. Counsel Slater stated since the stipulation is procedural there is no opposition to our pending application, this is procedural design to reduce your burden and costs in presenting your case in front of the State Board. Since there is no opposition, counsel is asking this committee to give counsel, rather than having to reconvene, in coordination with staff the latitude to complete the stipulation to their satisfaction in advance of the hearing. We can add that to the agenda on the basis the stipulation has just become known to us. Mr. Kuhn stated he would make the motion to add this to the agenda, however, asked for just a moment to read the stipulation.

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

Moved to add this item to the agenda for vote, as presented

A discussion ensued with regard to the stipulation and the pending motion for counsel to complete the stipulation. Chair Willis asked for a brief moment to allow all parties to read the stipulation.

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

Moved to approve the handed out stipulation and give counsel approval to sign and further edit the stipulation as they feel necessary in advance of the hearing, as presented

B. FINANCIAL REPORT

1. Technology Update

Mr. Manning stated he has asked Ms. Rojo to put together a presentation regarding some of the work that Watermaster staff has been doing to try and bring together our technical information into a computerized information system that works for the benefit of us all. Ms. Rojo stated our current computer data systems include information on: Well Water

Levels, Storm & Supplemental Water Recharge, Well Production, Assessment Package, Timekeeping, Human Resources, Administration, and Records Management. Well water levels captures depth to water, level methodology, well level reference points, well elevation readings, and reporting by date. Storm & supplemental water recharge captures imported, recycled and storm water by recharge basin and management zone. Well production captures production by quarter, status, meter type, and user and owner maintenance. Assessment package captures production, agricultural pool reallocation, water transactions, replenishment calculation, storage and recovery programs, land use conversions, and assessment generation. Timekeeping captures electronic time entry paid by pay period, employee service accruals, and project and task tracking. Human resources captures employee data and incorporates benefits tracking, automatic accruals, salary history, payroll deduction tracking, and job descriptions. Administration captures minute order tracking, resolution tracking, records management, library holdings, and our rolodex. Staff is currently working on future systems that will include; Budget Development and Tracking, Land Use Conversion Detail, Voluntary Agreements, Meter Installation, Calibration and Repair, and Data Management.

2. Budget Advisory Committee Update

Ms. Rojo stated this newly formed committee met for the first time on March 19, 2007 and it went very well. Since this was our first meeting staff will have a detailed report at the April meeting on the progress of this committee.

C. ENGINEERING REPORT

1. Regional Board Letter Dated February 14, 2007

Mr. Wildermuth stated on February 14, 2007 the Regional Board sent a letter to Inland Empire Utilities Agency (IEUA) and to Chino Basin Watermaster (CBWM) letting them know that they are falling short on our Maximum Benefit commitments as to Hydraulic Control. There is a Hydraulic Monitoring Report that was released last April 2006. There was some modeling work done by Wildermuth Environmental which showed there was a small amount of leakage occurring through the Santa Ana River west of the Chino I Desalter. There was a meeting last November in which we discussed this issue; Orange County water district also attended this meeting. At that time Mr. Thibeault suggested he would be coming back to IEUA and CBWM with a letter asking for a schedule to get in compliance. The February 14th letter is an official notification to IEUA and CBWM to prepare that schedule with milestones and to show compliance by November 2009. Mr. Thibeault's definition of compliance is to have the solution in place and operating, not necessarily achieving complete Hydraulic Control, but the solution needs to be in place and operating in 2009. In the February 14th letter we were given until mid March to prepare that schedule. Subsequently IEUA and CBWM have written a letter stating they needed more time to prepare the schedule. Watermaster's staff has been working the schedule and staff has put out its first draft and it is out for review by IEUA and we have asked Scott Burton to look at it. The schedule is very detailed and it suggests that the best we can do is to have these wells on line around May, 2012. In an informal conversation with the Regional Board they appeared to be discontented with the 2012 timeframe and asked for a second schedule; one that would show the most optimum schedule with milestones. Both of these schedules will go through the Watermaster process and will also be reviewed by some of the senior staff at the Chino Desalter Authority. A discussion ensued with regard to the report given by Mr. Wildermuth.

D. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated he has spent the last two days in Sacramento with the Groundwater Resources Association who has recently formed a coalition which held their first legislative meetings. After the meeting, a group of the parties from the coalition went over to the capitol to talk about groundwater issues. One of the things that is being found out about water agencies is that legislatures do not understand what groundwater is. When

discussing storage the immediate thought is above ground storage instead of underground storage and this coalition will be attempting to educate legislatures on these types of issues as well as many other water issues. This was a very beneficial conference overall.

2. Recharge Update

Mr. Manning stated the pumps to the basins presently are turned off and we have currently met all our obligations for recharge.

3. Progress Report on Desalter Expansion

Mr. Manning stated in discussions with Western Municipal Water District, the City of Ontario, Jurupa Community Services, and our consulting firms, it was Western's recommendation that because of all the moving pieces it was felt that we needed to have a project facilitator brought on board. Mr. Jeske and Mr. Manning were put in charge of gathering resumes and interviewing potential candidates for the job. That has been done and the recommendation we are making is that Mr. Gary Meyerhofer be hired. Staff is working on that contract now and once it is completed it will go through the Watermaster process in April. The costs for Mr. Meyerhofer will be funded by Western Municipal Water District, Inland Empire Utilities Agency, and possibly Three Valleys Municipal Water District. Chair Jeske noted Mr. Meyerhofer is with the firm Carollo Engineering and was one of the resumes handed out at the last Appropriative and Non-Agricultural Pool meeting. Carollo Engineering is the firm who put together the draft Feasibility Report for Western Municipal Water District, and the City of Ontario.

IV. INFORMATION

1. Metropolitan Water District Letter

No comment was made regarding this item.

2. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

Mr. Manning presented Mr. Anderson with a plaque of recognition of service while on the Board at Chino Basin Watermaster. Mr. Anderson was thanked for all that he has accomplished while serving on the Board.

VII. FUTURE MEETINGS

March 22, 2007	8:00 a.m.	MZ1 Technical Committee Meeting
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting
April 12, 2007	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
April 17, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
April 26, 2007	9:00 a.m.	Advisory Committee Meeting
April 26, 2007	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board meeting was adjourned by Chair Willis at 12:40 p.m.

Secretary: _____

Minutes Approved: April 26, 2007