

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

July 26, 2007

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on July 26, 2007 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

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

Michael Fife	Hatch & Parent
Joe LeClaire	Wildermuth Environmental Inc.
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Gary Meyerhofer	Carollo Engineering
Marty Zvirbulis	Cucamonga Valley Water District
David DeJesus	Three Valleys Municipal Water District
Robert DeLoach	Cucamonga Valley Water District
Dave Crosley	City of Chino Basin Watermaster
Robert Boytor	Aqua Capital Management
Jeff Pierson	Ag Pool
Henry Pepper	City of Pomona
Al Lopez	Western Municipal Water District
Raul Garibay	City of Pomona
Ken Jeske	City of Ontario

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

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

No comment was made regarding this item.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Watermaster Board Meeting held June 28, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2007
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2006 through May 31, 2007
4. Treasurer's Report of Financial Affairs for the Period April 1, 2007 through May 31, 2007
5. Profit & Loss Budget vs. Actual July 2006 through May 2007

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from the City of Upland water in storage in the amount of 10,000 acre-feet to satisfy a portion of the company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007
2. **Consider Approval for Notice of Sale or Transfer** – Cucamonga Valley Water District has agreed to purchase 500 acre-feet of West Valley Water District's stored Chino Basin groundwater. Date of application: May 24, 2007

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

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

II. BUSINESS ITEMS**A. Peace II Instruments – Board Only**

Mr. Manning stated in the Peace II Non-Binding Term Sheet schedule, staff has been discussing with the Watermaster Board members deliverable dates. One of those dates was for the draft Legal Instrument documents which needed to be developed for purposes of discussion before counsel goes to the court in November. Those documents are being handed out today and staff is asking and action from the Board to allow Watermaster staff to schedule a workshop. Mr. Manning stated each Board member has nine documents in a separate folder in their meeting folder that Counsel Fife will be reviewing at this time. Mr. Manning stated staff has received direction, staff will send the documents out to all the parties for their review prior to the Workshop. Counsel Fife stated in May, 2006 the Watermaster Board approved the stakeholder Non-Binding Term Sheet. That Term Sheet was a collection of substantive terms of agreement between the parties about how to resolve the various Piece II issues. Being a term sheet it was just a summary of substantive terms. One of the elements of the term sheet was a commitment that all of those terms would be translated into legal instruments that would implement the terms. Once the elements are completed there will need to be a discussion about the legal instruments and we are anticipating them being completed in August. Once those documents are reviewed and discussed, staff will be bringing the documents back through the Watermaster process in September, 2007. If approval takes place in September, we can submit them to the court in October with a thirty day notice period which would put us to a hearing for all of the documents in November for approval. The last court order which was sent by the court to Watermaster ordered Watermaster to schedule a hearing in November, 2007 on the Peace II Instruments; this will keep us in accordance with that order. Counsel Fife stated counsel and staff is asking from the Board members today is not approval of these documents, we are only asking for direction to staff to distribute these documents to the parties so they may begin looking at them and then schedule a workshop, with follow up workshops necessary. In order that the parties may continue to discuss substantive terms and refine the substance to whatever degree it needs to be refined, and bring this entire Peace II process to a close. Chair Willis inquired about the time and date of the possible workshop. Counsel Fife stated that in anticipation of Board approval, staff has secured a room at the Rancho Cucamonga Community Center from 1:00 p.m. to 5:00 p.m. on Wednesday, August 1, 2007.

Counsel Fife briefly reviewed the nine documents. A lengthy discussion ensued with scheduling a workshop and distributing the presented documents. It was decided the nine documents can be distributed to the parties and a workshop can be scheduled for August 1, 2007.

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

Moved to approve to direct staff to distribute the for stakeholder review, comment, and discussion and to schedule a workshop next week to discuss the Peace II Legal Instruments Documents, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Micro-Economic Analysis Update

Counsel Fife stated the micro-economic analysis is proceeding on schedule. Counsel Fife stated the requirement of the non-binding Term Sheet is that the report be available for use by the parties in deciding whether they want to approve any final agreement and that Watermaster will not approve any final agreement until the economic analysis is done. Dr. Sunding has committed to have at least a draft of the economic analysis available in August. The latest indication from Dr. Sunding is that he is still on schedule with that date for his draft.

2. MZ1 Court Submittal Update

Counsel Fife stated last month the Watermaster Board did approve submitting the pleading that was presented in the meeting packet and by way of transmittal of the MZ1 Long Term Plan to the court, at the suggestion of the board a modification to the pleading was asked to be placed in the pleading. The modification was to indicate in the pleading how much money Watermaster has spent addressing the MZ1 subsidence issue; to give the court a sense of how much money the collective group has already spent. Legal counsel and staff have been compiling that information. Once that data search is complete, counsel will be adding it to the pleading which will go to the court at the end of July.

3. Hanson Aggregates

Counsel Fife stated there has been a long running issue with regard to the Lower Day Basin where at some point in time last year there was a discharge of sediment from the Hanson Aggregate (Hanson) plant which clogged up the Lower Day Basin. There were substantial expenses associated with that discharge which included cleaning out the basin and loss of recharge. Counsel and staff went to Hanson Aggregate staff and asked them to compensate both Chino Basin Watermaster (CBWM) and Inland Empire Utilities Agency (IEUA) for those costs. Discussions with Hanson have taken place for a very long time and are not moving at all towards a resolution. CBWM and IEUA staff, and at the urging of the GRCC committee members feel that this issue needs to be taken to the next level and that we are serious about recouping these costs and losses by filing a law suit. IEUA will be the lead on the suit because they wrote the checks for clean up; CBWM will be working closely with them. Counsel does feel it will end up being a joint filing with CBWM and IEUA. This item might be presented with more substantial information as early as next month. A lengthy discussion regarding its legalities and costs ensued.

B. ENGINEERING REPORT

1. Water Quality/Plume Updates

Mr. LeClaire stated he would be giving an update on the activities of the Ontario International Airport and the Chino Airport VOC plumes. Mr. LeClaire stated with regard to the Ontario Airport plume in May, 2007, the companies submitted the well installation and sampling work plan and Watermaster prepared comments to be submitted to the Regional Board which should be sent to them this week. In June, Geo Trans initiated work towards securing property access to install the four proposed monitoring wells and began developing plans and technical specifications for drilling and well construction. Access and

permit packages will be submitted in July, 2007. Mr. LeClaire reviewed a detailed map of both VOC plumes. Mr. LeClaire stated with regard to the Chino plume, Tetra Tech initiated an offsite plume characterization in early 2007. Watermaster needs to move forward with sighting and drilling of test wells for future desalter wells to achieve hydraulic control. Watermaster and the County are working on a cost-sharing agreement for a well field and treatment facilities to cleanup VOC contamination and also achieve hydraulic control. Mr. LeClaire stated staff is recommending an increase in sampling or adding a subsequent well in the Deer Creek area. Mr. Manning stated locating century wells would be the next logical step for us to better job of understanding when the CDA wells would be receiving VOC's. A lengthy discussion ensued with regard to this matter.

2. Balance of Recharge and Discharge Report

Mr. Manning stated the Peace Agreement calls for a report on the Balance of Recharge and Discharge to be available in July every other year. Mr. Wildermuth is here today and is one of the people working on the report to give an update on the status of that report. Mr. Wildermuth stated the report is not ready because the model is going to be calibrated in August and at that point in time Wildermuth staff will be performing the model runs to evaluate the balance of recharge and discharge. Mr. Vanden Heuvel inquired into the statement made by Mr. Wildermuth regarding putting too much water in one particular area for subsidence. Mr. Vanden Heuvel stated he thinks it is important to note that the reason Monte Vista Water District wanted the supplemental 6,500 acre-feet of water put in every year in 2000 was not because of subsidence; we are now focused on subsidence but six years ago they were looking at nitrate and blending issues. Mr. Wildermuth commented on Mr. Vanden Heuvel's comments and referred to a map to show the members exactly where he was talking about. Mr. Vanden Heuvel inquired about the Re-Operation Plan for the next twenty five years regarding draw down levels in the northern part of the MZ1 area. A discussion ensued with regard to water levels. Mr. Wildermuth stated the report on the Balance of Recharge and Discharge should be out in the September/October time frame. Part of this report is a recommendation on the Supplemental Recharge Water Plan; this is new information that will be distributed in the State of the Basin Report which should be coming out soon. Mr. Wildermuth reviewed a change in storage map in detail from 2003 to 2006. A discussion ensued with regard to Mr. Wildermuth's report.

C. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated at the hearing on SB 1002, a desire to add "no regrets" Delta projects to the bill was expressed and asked if the author would be willing to do that and bring the bill back to the Assembly of Water, Parks, and Wildlife if necessary. Senator Perata said yes, and further, that he is continuing to work with the administration and Senators Machado, Margett, Steinberg and Cogdill on further amendments. It is a work in progress.

Mr. Manning stated ACWA is opposed to section 83002 which directs \$200 million to groundwater management and clean-up efforts. Further, ACWA opposes the allocation of \$15 million to develop a plan for re-operating the state's water supply and flood control systems that will optimize the use of existing facilities and groundwater storage capacity. The California Groundwater Coalition strongly supports the funding provided for by SB 1002, which will assist local groundwater agencies and public water suppliers to better manage and improve the quality and reliability of our state's local groundwater resources. These investments are entirely consistent with the provisions of Proposition 84, and, are essential to promote conjunctive use of groundwater storage capacity to improve overall water supply and flood system operation.

Mr. Manning stated Metropolitan Water District Legislature Budget Conference Committee had their final meeting and the conference report would be sent to the floor of the Assembly and Senate later this week. It does seem that the budget zeroed out appropriators from Proposition 84. Currently, the budget has passed its statutory deadline of July 1, 2007.

SCWC has opposed SB 1002 because the bill emphasizes a statutory obligation to re-operate existing reservoirs and groundwater storage facilities with the assumption that re-operating will result in greater efficiency and certainty.

2. Recharge Update

Mr. Manning stated the Chino Basin has recharged approximately 200 acre-feet of urban runoff and 12 acre-feet of recycled water last month and the monthly report is available on the back table.

3. Desalter Expansion Update

Mr. Meyerhofer stated the Watermaster Board obtained the services of Carollo Engineers in April, 2007; the purpose of that hire was to facilitate the expansion of the Chino Desalters. The presentation today is to show the parties what has been accomplished in the last three months. Mr. Meyerhofer stated in May the Chino Desalter Alternatives Evaluation Report was completed. Since then meetings have continued with funding agencies, specifically, the Department of Water Resources where Inland Empire Utilities Agency (IEUA) has a \$2.8 million dollar grant. The Stated Water Resources Control Board where Western Municipal Water District has a \$5 million grant. The Desalter Report objectives are as follows; 1) To achieve hydraulic control of the Chino Groundwater Basin overflow to the Santa Ana River, 2) to increase desalter groundwater pumping from the lower Chino Groundwater Basin to 40,000 acre-feet per year, and 3) to provide at least 10 mfg of additional drinking water. The Desalter Report recommendations are for raw water which will consist of constructing a new Chino Creek Well Field (CCWF), connect new CCWF to Chino I Desalter, and to transfer wells I-13, 14, and 15 to Chino II Desalter. Another recommendation for the actual Desalters is to expand Chino II Desalter by 10.5 mgd and to add VOC treatment to Chino I Desalter (when required). The last recommendation is for product water which will consist of new pipelines and pump stations to the City of Ontario, Jurupa Community Services District, and Western Municipal Water District. Mr. Meyerhofer reviewed the recommended facilities map in detail. A timeline chart of the preliminary project schedule was reviewed from 2007 to 2012. Mr. Manning stated this is a really good use of Watermaster's time and effort and we are also coordinating the administrative side. Mr. Manning stated with this large of a group there a number of agreements, contracts that have to be negotiated, and constructed, we are also coordinating those. A meeting was held yesterday with this group and we will be meeting every two weeks. At the meeting yesterday we were made aware that all the parties have signed their cooperative agreement and are moving together; things are moving forward on this project. Mr. Vanden Heuvel stated this was an outstanding report; very encouraging and easily understandable. A brief discussion ensued with regard to Mr. Meyerhofer's presentation.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Ms. Rose thanked Mr. Manning for the detailed Board letter that was sent out earlier this week and noted how helpful and insightful it was. Mr. Manning stated this will be a monthly letter sent to the Board members starting this month.

Mr. Vanden Heuvel stated when we negotiated the Peace Agreement and the Peace II deal was basically blessed and then we had some items to be completed, one being the Scalmanini Report and the other was the economic analysis. There was also a third timing item which was a six month delay before Western Municipal Water District was going to move ahead and give opportunity to others who might be interested in participating in the Desalter expansion. Mr. Vanden Heuvel noted that in looking over the nine documents presented by counsel today, he did not see reference to the six month deadline for opting in to participate in the Desalter Expansion. Mr. Vanden Heuvel asked

for an explanation, for the record, regarding the six month deadline. Counsel Fife stated in terms of the six month date, in reviewing the nine documents presented to you today we were going to be putting in a recital into the resolution that the six month term has run its course. Counsel Fife stated the date of expiration will be put into the final document. A discussion regarding the six month term ensued.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

July 24, 2007	9:00 a.m.	GRCC Meeting
July 26, 2007	9:00 a.m.	Advisory Committee Meeting
July 26, 2007	11:00 a.m.	Watermaster Board Meeting
August 9, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
August 21, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
August 23, 2007	9:00 a.m.	Advisory Committee Meeting
August 23, 2007	11:00 a.m.	Watermaster Board Meeting

The Advisory Committee meeting was dismissed by Chair Willis at 12:15 p.m.

Secretary: _____

Minutes Approved: August 23, 2007