

FIRST AMENDMENT TO PEACE AGREEMENT CHINO BASIN

THIS FIRST AMENDMENT TO PEACE AGREEMENT ("Agreement") is dated the 2nd of September 2004 regarding the Chino Groundwater Basin.

RECITALS

A. The Parties entered into that certain "Peace Agreement" dated June 29, 2000. The Peace Agreement was approved by the Court in San Bernardino Superior Court Case No. RCV 51010.

B. Section 5.5 of the Peace Agreement provided for Watermaster assignment of "Salt Credits." Certain parties to the Peace Agreement contend that Salt Credits were intended as a benefit to compensate non-discharging Appropriators for their obligation under Section 7.5(b) of the Peace Agreement to provide their share of the storm flow Recharge component of New Yield for Desalter Replenishment. The storm flow Recharge component of New Yield has been established by Watermaster at 12,000 acre-feet per annum.

C. Pursuant to that contention, Monte Vista Water District brought a "Motion for an Order Compelling Watermaster to Establish a Program to Equitably Allocate Benefits from Water Quality Mitigation Measures Under the Physical Solution" on March 11, 2004.

D. The Parties have agreed that if the obligation to dedicate the storm flow Recharge component of New Yield for Desalter Replenishment is eliminated from the Peace Agreement, then Salt Credits can be eliminated from the Peace Agreement. The Parties intend that the storm flow Recharge component of New Yield will remain assigned to the individual Appropriators as a component of Safe Yield, and will not be independently dedicated to Desalter Replenishment, even if it subsequently becomes determined to be part of the Safe Yield in accordance with Section 4.5 of the Peace Agreement and Sections 6.2 and 6.5 of the Watermaster Rules and Regulations.

E. Except as set forth herein, the Parties to the Peace Agreement have agreed that Desalter Replenishment will continue to be provided for as set forth in Section 7.5 of the Peace Agreement, as amended, with Desalter Replenishment being provided from the following sources in order of priority: (a) the 25,000 acre-feet of Kaiser water; (b) New Yield other than the 12,000 acre-feet of storm flow Recharge; (c) Safe Yield and (d) Additional Replenishment Water purchased by Watermaster.

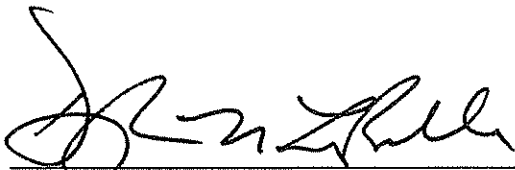
1. **Salt Credits Deleted.** Sections 1.1(rr) and 5.5 of the Peace Agreement are hereby deleted.

2. **Stormwater Component of New Yield Dedicated to Appropriators.**
The 12,000 acre-feet of storm flow Recharge determined by Watermaster to be part of New Yield shall be allocated to the Appropriators according to their percentages of Safe Yield under the Judgment. Notwithstanding section 7.5(c) of the Peace Agreement, those amounts will continue to be dedicated in those percentages to the Appropriators if that storm flow Recharge is subsequently determined to be Safe Yield. Section 7.5(b) of the Peace Agreement is hereby amended to read:

“New Yield, other than the storm flow Recharge component thereof, unless the Water Produced and treated by the Desalters is dedicated by a purchaser of the desalted water to offset the price of desalted water to the extent of the dedication.”

3. **Effect of Amendment.** Except as amended hereby, the Peace Agreement remains in full force and effect and nothing in this First Amendment shall be construed to require Watermaster to levy the Replenishment Assessment contemplated by subdivision(d) of Section 7.5 thereof separately against the Parties that receive desalted water

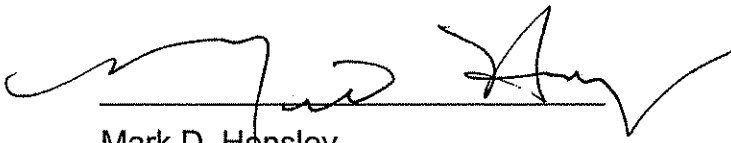
IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:



Douglas N. La Belle
City Manager

9/28/04

Date

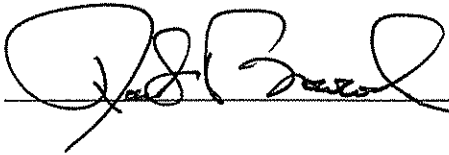


Mark D. Hensley
City Attorney

9/28/04

Date

DATED: NON-AGRICULTURAL POOL

BY:  _____

DATED: INLAND EMPIRE UTILITY
9/15/04 AGENCY

BY:  _____

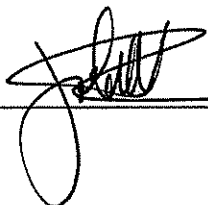
DATED: THREE VALLEYS MUNICIPAL
WATER DISTRICT

BY:  _____

DATED: KAISER VENTURES, INC.

BY: _____

DATED: WESTERN MUNICIPAL
10/28/04 WATER DISTRICT

BY:  _____

[Signatures continued on following pages]

DATED:

CITY OF UPLAND

BY: _____

DATED:

STATE OF CALIFORNIA

BY: _____

DATED:

CITY OF CHINO

BY: _____

DATED:

CUCAMONGA COUNTY WATER
DISTRICT

BY: _____

DATED: 10/6/04

MONTE VISTA WATER
DISTRICT

BY: Maos. K

[Signatures continued on following pages]

DATED:

CITY OF UPLAND

BY: _____

DATED:

STATE OF CALIFORNIA

BY: _____

DATED:

CITY OF CHINO

BY: _____

DATED:

October 26, 2004

CUCAMONGA VALLEY WATER
DISTRICT

BY: Henry J. Stoy

President of Board of Directors

DATED:

MONTE VISTA WATER
DISTRICT

BY: _____

[Signatures continued on following pages]

DATED:

CITY OF UPLAND

BY: *John V. Pomieiski*

DATED:

STATE OF CALIFORNIA

BY: _____

DATED:

CITY OF CHINO

BY: _____

DATED:

**CUCAMONGA COUNTY WATER
DISTRICT**

BY: _____

DATED:

**MONTE VISTA WATER
DISTRICT**

BY: _____

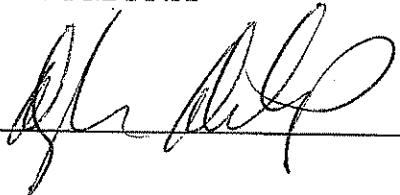
[Signatures continued on following pages]

DATED: CITY OF UPLAND

BY: _____

DATED: CITY OF POMONA

10/6/04

BY:  _____

DATED: CITY OF CHINO

BY: _____

DATED: CUCAMONGA COUNTY WATER DISTRICT

BY: _____

DATED: MONTE VISTA WATER DISTRICT

BY: _____

[Signatures continued on following pages]

NOW THEREFORE, in consideration of the covenants and conditions herein contained, and for other good and valuable consideration the receipt of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. **Salt Credits Deleted.** Sections 1.1(rr) and 5.5 of the Peace Agreement are hereby deleted.

2. **Stormwater Component of New Yield Dedicated to Appropriators.**

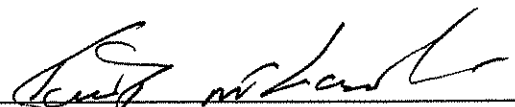
The 12,000 acre-feet of storm flow Recharge determined by Watermaster to be part of New Yield shall be allocated to the Appropriators according to their percentages of Safe Yield under the Judgment. Notwithstanding section 7.5(c) of the Peace Agreement, those amounts will continue to be dedicated in those percentages to the Appropriators if that storm flow Recharge is subsequently determined to be Safe Yield. Section 7.5(b) of the Peace Agreement is hereby amended to read:

" New Yield, other than the storm flow Recharge component thereof, unless the water Produced and treated by the Desalters is dedicated by a purchaser of the desalted water to offset the price of desalted water to the extent of the dedication."

3. **Effect of Amendment.** Except as amended hereby, the Peace Agreement remains in full force and effect and nothing in this First Amendment shall be construed to require Watermaster to levy the Replenishment Assessment contemplated by subdivision (d) of Section 7.5 thereof separately against the Parties that receive desalted water


IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated: October 12, 2004



President of Jurupa Community Services
District Board of Directors

Attest:



Secretary of Jurupa Community Services
District Board of Directors

DATED: CUCAMONGA COUNTY WATER DISTRICT

BY: _____

DATED: MONTE VISTA WATER DISTRICT

BY: _____

DATED: FONTANA UNION WATER COMPANY

BY: Ronald J. Black

DATED: CITY OF CHINO HILLS

BY: _____

DATED: JURUPA COMMUNITY SERVICES DISTRICT

BY: _____

DATED: AGRICULTURAL POOL

BY: Matta del Valle

DATED: APPROPRIATIVE POOL

BY: Mike M... ..

DATED: NON-AGRICULTURAL POOL

BY: _____

DATED: INLAND EMPIRE UTILITY AGENCY

BY: _____

DATED: THREE VALLEYS MUNICIPAL WATER DISTRICT

BY: _____

[Signatures continued on following pages]

DATED: 9/21/04

**SAN ANTONIO WATER
COMPANY**

BY:


General Manager/CEO

DATED:

**CHINO BASIN WATER
CONSERVATION DISTRICT**

BY: _____

DATED:

**SAN ANTONIO WATER
COMPANY**

BY: _____

DATED:

**CHINO BASIN WATER
CONSERVATION DISTRICT**

BY: Barnett Kell

DATED:

CITY OF UPLAND

BY: _____

DATED:

STATE OF CALIFORNIA

BY: _____

DATED: 10/21/04

CITY OF CHINO

BY: *[Signature]*

A Heed: *[Signature]*

DATED:

CUCAMONGA COUNTY WATER
DISTRICT

BY: _____

DATED:

MONTE VISTA WATER
DISTRICT

BY: _____

[Signatures continued on following pages]

DATED:


CITY OF UPLAND

BY: _____

DATED:

12/1/2004

STATE OF CALIFORNIA

BY: 
Peter E. von Haam, Deputy Attorney General

DATED:

CITY OF CHINO

BY: _____

DATED:

CUCAMONGA COUNTY WATER DISTRICT

BY: _____

DATED:

MONTE VISTA WATER DISTRICT

BY: _____

[Signatures continued on following pages]

AGREEMENT

1. Salt Credits Deleted. Sections 1.1(rr) and 5.5 of the Peace Agreement are hereby deleted.

2. Stormwater Component of New Yield Dedicated to Appropriators

The 12,000 acre-feet of storm flow Recharge determined by Watermaster to be part of New Yield shall be allocated to the Appropriators according to their percentages of Safe Yield under the Judgment. Notwithstanding section 7.5(c) of the Peace Agreement, those amounts will continue to be dedicated in those percentages to the Appropriators if that storm flow Recharge is subsequently determined to be Safe Yield. Section 7.5(b) of the Peace Agreement is hereby amended to read:

“New Yield, other than the storm flow Recharge component thereof, unless the water Produced and treated by the Desalters is dedicated by a purchaser of the desalted water to offset the price of desalted water to the extent of the dedication.”

3. Effect of Amendment. Except as amended hereby, the Peace Agreement remains in full force and effect and nothing in this First Amendment shall be construed to require Watermaster to levy the Replenishment Assessment contemplated by subdivision (d) of Section 7.5 thereof separately against the Parties that receive desalted water

IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:

DATED: STATE OF CALIFORNIA
BY: _____

DATED: CITY OF ONTARIO
BY: *[Signature]*

DATED: CITY OF UPLAND
BY: _____

DATED: CITY OF POMONA
BY: _____

[Signatures continued on following pages]

DATED: CITY OF CHINO
BY: _____

[Signatures continued on following pages]