

CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

(Lunch Will Not Be Provided)

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

AT THE OFFICES OF
CHINO BASIN WATERMASTER

9641 San Bernardino Road
Rancho Cucamonga, CA 91730
(909) 484-3888

CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

AGENDA PACKAGE

**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

10:00 a.m. – February 26, 2004

At The Offices Of

**Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730**

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

Note: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by one motion in the form listed below. There will be no separate discussion on these items prior to voting unless any members, staff, or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

A. MINUTES

1. Minutes of the Advisory Committee Annual meeting held January 29, 2004 (*Page 1*)
2. Minutes of the Appropriative Pool Special Conference Call held January 21, 2004 (*Page 17*)

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of January 2004 (*Page 19*)
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2003 through December 31, 2003 (*Page 23*)
3. Treasurer's Report of Financial Affairs for the Period December 1, 2003 through December 31, 2003 (*Page 25*)
4. Profit & Loss Budget vs. Actual July 2003 through December 2003 (*Page 27*)

C. WATER TRANSACTION

1. Consider Approval for Transaction of Notice of Sale or Transfer from West San Bernardino County Water District to Cucamonga Valley Water District in the Amount of 500 acre-feet (*Page 29*)

II. BUSINESS ITEMS

A. REQUEST FROM CITY OF CHINO CREDIT AGAINST OBMP ASSESMENTS (FORM 7)
Discuss Policies Regarding Requests for Credits Against OBMP Assessments (*Page 43*)

B. DISCUSS ASSISTANCE TO REGIONAL WATER QUALITY CONTROL BOARD ON WATER QUALITY ANOMOLY SOUTH OF ONTARIO AIRPORT
Consider Unanimous Pool Recommendation to Authorize an Amount Not to Exceed \$25,000 For Counsel Assistance (*Page 49*)

C. BASIN PLAN AMENDMENT

Discuss Basin Plan Amendment Language Relative to the Chino Groundwater Basin (*Page 67*)

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Chino Land & Water – Hearing on March 3, 2004 in Riverside
2. MZ1 Workshop with Special Referee
3. DYY Storage Agreement and Court Approval
4. Basin Plan Amendment Review
5. SWRCB Water Right Fee

B. CEO/STAFF REPORT

1. Mark Wildermuth Will Make a Presentation Regarding OBMP Progress through December 31, 2003
2. Discuss MWD Rate Increase Proposal (*Page 69*)
3. Update Regarding the Water Quality Committee Meeting of February 5, 2004
4. Update Regarding Reimbursement of \$169,209 for Recharge Improvement Costs
5. Discuss Process of Establishing Future Desalter Ad Hoc Committee

C. INLAND EMPIRE UTILITIES AGENCY

1. MWD IRP/Long Range Finance Plan Update – Rich Atwater (oral)
2. Dry Year Yield Update – Rich Atwater (oral)
3. Regional Recycled Water Program Status Report – Tom Love (*Page 93*)
4. Proposition 50 Grant Opportunities Status Report – Martha Davis (oral)
5. Water Resources Report – David Hill (*Page 113*)
6. Water Conservation Status Report – Dave Hill (*Page 119*)
7. Recycled Water Program – Tom Love (*Page 121*)
8. Chino Basin Facilities Improvement Project (Recharge) – Tom Love (*Page 125*)
9. State/Federal Legislation – Martha Davis (*Page 133*)
10. Public Relations (Outreach Update) – Sondra Elrod (*Page 149*)

IV. INFORMATION

1. Refund of \$118,113.38 From MWD for Fiscal Year 2002/2003 (*Page 151*)

V. POOL MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

February 26, 2004	10:00 a.m.	Advisory Committee Meeting
March 1, 2004	1:00 p.m.	Watermaster Board Meeting
March 11, 2004	3:00 p.m.	Joint Appropriative & Non-Ag Pool Meeting
March 16, 2004	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 23, 2004	2:00 p.m.	Water Quality Committee Meeting
March 25, 2004	10:00 a.m.	Advisory Committee Meeting
	1:00 p.m.	Watermaster Board Meeting

Meeting Adjourn

CHINO BASIN WATERMASTER

BOARD MEETING

1:00 p.m. – March 1, 2004

At The Offices Of

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

AGENDA

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5. Discuss Process of Establishing Future Desalter Ad Hoc Committee

IV. INFORMATION

1. Refund of \$118,113.38 From MWD for Fiscal Year 2002/2003 (Page 151)

V. POOL MEMBER COMMENTS**VI. OTHER BUSINESS****VII. CONFIDENTIAL SESSION - POSSIBLE ACTION**

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster Board meeting for the purpose of discussion and possible action regarding Personnel Matters and/or Potential Litigation.

VIII. FUTURE MEETINGS

February 26, 2004	10:00 a.m.	Advisory Committee Meeting
March 1, 2004	1:00 p.m.	Watermaster Board Meeting
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	1:00 p.m.	Watermaster Board Meeting

Meeting Adjourn

CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting -
January 29, 2004
2. Watermaster Board Meeting -
January 29, 2004
3. Appropriative Pool Conference Call -
January 21, 2004

Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL MEETING
ADVISORY COMMITTEE BOARD
January 29, 2004

The Annual Advisory Committee Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on January 29, 2004 at 10:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Agricultural Pool

Nathan deBoom	Milk Producers Council
Gene Koopman	Milk Producers Council
Pete Hall	State of California, CIM
Wayne Davison	State of California, CIW

Non-Agricultural Pool

Bob Bowcock	Vulcan Materials Company (Calmat Division)
Vic Barrion	Reliant Energy, Etiwanda

Appropriative Pool

Mike Maestas	City of Chino Hills
Ken Jeske	City of Ontario
Raul Garibay	City of Pomona
Robert DeLoach	Cucamonga Valley Water District
Michael McGraw	Fontana Water Company
Gerald Black	Fontana Union Water Company
Rich Atwater	Inland Empire Utilities Agency
Carole McGreevy	Jurupa Community Services District
Bill Stafford	Marygold Water Company
Mark Kinsey	Monte Vista Water District
Ray Wellington	San Antonio Water Company
J. Arnold Rodriguez	Santa Ana River Water Company

Watermaster Board Members Present

Bill Kruger	City of Chino Hills
Bob Neufeld	Cucamonga Valley Water District

Watermaster Staff Present

John Rossi	Chief Executive Officer
Gordon Treweek	Project Engineer
Sheri Rojo	Finance Manager
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental, Inc.

Other Presents

Barrett Kehl	Chino Basin Water Conservation District
Rita Kurth	Cucamonga Valley Water District
Dave Hill	Inland Empire Utilities Agency
Martha Davis	Inland Empire Utilities Agency
Sondra Elrod	Inland Empire Utilities Agency
Dan McKinney	Reid & Hellyer
Phil Rosentrater	Western Municipal Water District

The Annual Advisory Committee meeting was called to order by Chair deBoom at 10:06 a.m.

ADVISORY COMMITTEE OFFICERS, CALENDAR YEAR 2004 - Information

<u>Ken Jeske</u>	Chair	(Appropriative Pool)
<u>Nathan de Boom</u>	Vice-Chair	(Agricultural Pool)
<u>Bob Bowcock</u>	Second Vice-Chair	(Non-Agricultural Pool)
<u>John Rossi</u>	Secretary/Treasurer	(Chief Executive Officer)

AGENDA - ADDITIONS/REORDER

None

RECOGNITION

Chair, Jeske presented Vic Barrion with a commemorative inscription for "Appreciation of Service" as the preceding Chair representing the Non-Agricultural Pool and thanked him for his outstanding service and dedication to Watermaster. Mr. Barrion accepted the plaque and thanked all parties for making his duties easier and for all he learned while presiding as Chair. Mr. Barrion informed the members that he will be serving as Vice-Chair this year and is looking forward to a great new year.

II. CONSENT CALENDAR

A. MINUTES

1. Minutes of the of the Advisory Committee Meeting held November 20, 2003

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of November 2003
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2003 through October 31, 2003
3. Treasurer's Report of Financial Affairs for the Period October 1, 2003 through October 31, 2003
4. Profit & Loss Budget vs. Actual July 2003 through October 2003
5. Cash Disbursements for the month of December 2003
6. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2003 through November 30, 2003
7. Treasurer's Report of Financial Affairs for the Period November 1, 2003 through November 30, 2003
8. Profit & Loss Budget vs. Actual July 2003 through November 2003

C. INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS FOR YEAR ENDED

Consider Receiving and Filing the Annual Audited Financial Statements for Year Ended June 30, 2003

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 04-01 - Resolution of the Chino Basin Watermaster, re-authorizing the Watermaster's Investment Policy

E. WATER TRANSACTION

1. Notice of Sale or Transfer – the transfer of Monte Vista Irrigation Company FY 2003-04 Annual Production Rights to the Monte Vista Water District. The total quantity of water to be transferred is estimated at 1,040 acre-feet. (*Notice mailed November 7, 2003*)
2. Notice of Sale or Transfer – the lease and/or purchase of 2,500 acre-feet of water from the City of Pomona's production rights to the Monte Vista Water District. This lease is made first from the City's net under production, if any, in FY 2003-04, with any remainder to be recaptured from storage. (*Notice mailed November 7, 2003*)

F. NOTICE OF INTENT

Annual Filing of Notice of Intent Regarding the Determination of Operating Safe Yield

G. ANNUAL REPORT

Consider Authorization to File the Annual Report for Fiscal Year 2003 with Court, and Authorize Staff to Make Minor Edits as Necessary

H. STATUS REPORT #9

Consider Authorization to File Status Report 9 with Court and Authorize Staff and Counsel to Make Minor Edits as Necessary

I. CHINO BASIN WATERMASTER ELECTING TO RAISE AND FIX EMPLOYER'S CONTRIBUTION

A Resolution, #04-02, of the Chino Basin Watermaster Electing to Raise and Fix the Employer's Contribution Under the Public Employees' Medical and Hospital Care Act at an Amount Prescribed per Section 22825 of The Government Code

J. ALLOCATION OF VOLUME VOTE – (Advisory Committee Only)

Advisory Committee Allocation of Volume Vote effective Calendar Year 2004

Motion by Kinsey, second by Jeske, and by unanimous vote

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

III. BUSINESS ITEMS

A. APPLICATION TO DWR – MZ3 INVESTIGATION

Mr. Rossi informed the Advisory Committee that the request to file the grant application to DWR was unanimously voted in favor for at the Annual Pool meetings on January 15, 2004 and due to time constraints the application had to be filed by January 28, 2004, which Inland Empire Utilities Agency filed on our behalf as instructed by the Pools. Mr. Rossi amiably thanked Mr. Atwater and IEUA for filing this important grant application for Chino Basin Watermaster.

Motion by DeLoach, second by Maestas, and by unanimous vote

Moved, to ratify filing the grant application

B. DISCUSS ASSISTANCE TO REGIONAL WATER QUALITY CONTROL BOARD ON WATER QUALITY CONTAMINATION SOUTH OF ONTARIO AIRPORT

Mr. Rossi informed the Committee on the three separate decisions made by the Pools on January 15, 2004 which were; 1) the Non-Agricultural Pool voted unanimously to have Wildermuth Environmental provide staffing assistance, 2) the Agricultural Pool voted unanimously to delay action on this item until the Regional Board was able to present additional information in February at the Pool meetings, and 3) the Appropriative Pool unanimously voted to approve assistance to the Regional Board with a cap of \$25,000 and with the condition that Watermaster be reimbursed for this assistance and that the Regional Board will give a presentation to the Committee in February.

Mr. Rossi subsequently identified the two main questions that were presented during the Committee and Watermaster Board meetings in November 2003. The first question addressed the cost to situate consulting assistance at the Regional Board's office to prepare Draft Clean Up and Abatement orders to potential responsible parties identified from RWQCB files. Mr. Rossi referred to page 117 of the agenda packet for information in regards to the potential responsible parties previously being identified. Mr. Rossi proposes that \$20,000 - \$25,000 would cover the cost to Wildermuth Environmental, Inc. to provide staff to work with the Regional Board in this regard. The second question addressed the cost after the orders were issued to the potential responsible parties. Mr. Rossi stated that these costs could not be estimated at this time given the uncertainty of the response from the PRP's receiving the orders. Mr. Rossi reiterated that the consultant would work at the direction of the Regional Board and stated the Regional Board

has all the authority and responsibility to complete this task; labor assistance would be the resource only. Staffing assistance would be provided by Wildermuth Environmental, Inc. and would include preparation of draft abatement orders for the Regional Board. Staff recommends we move forward on providing the assistance/resource the Regional Board desires.

Discussion ensued as to the deliberations at Pool meetings along with their final recommendations.

Motion by DeLoach, second by Maestas, and by unanimous vote

Moved, to delay action on this item and request to inquire about additional information from the Regional Board in February

IV. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Wilson v. Watermaster

Counsel Fife addressed this new lawsuit as a small lawsuit between an automobile (Watermaster staff) and a bicycle (Mr. Wilson) and felt that this case would come to a fairly quick resolution. Counsel Fife commented that this case may not have been filed timely which may exceed the Statue of Limitations Law and that no hearing as been set to date.

2. Chino Land & Water v. Watermaster

Counsel Fife referred to this case as "a long one" and informed the Committee the case had actually been dismissed 4 – 5 months ago, although added that Chino Land & Water did file an appeal, which has also been dismissed. The Judge told Chino Land & Water they had no case and actually dismissed this case with an appellate decision leaving no opening for another case to be filed. Counsel Fife noted the official report was available at the back table for all interested parties to review.

3. DYY Storage Agreement

Counsel Fife reported on the approval of the Metropolitan Water District deal which was a long procedure for the Article 10 application. Counsel Fife stated he is in the process of preparing the draft Dry Year Yield Storage Agreement that will be brought back to the Committee Members and the Watermaster Board in February.

B. CEO/STAFF REPORT

1. Mark Wildermuth Will Make a Presentation Regarding OBMP Progress through December 31, 2003

Mr. Rossi requested that item 1 be presented at the Watermaster Board meeting since the majority had previously viewed the presentation at the Pool meetings.

2. Presentation Regarding Storm Damage to Construction at Victoria Basin

Mr. Rossi noted there was no new information to be reported on regarding item 2 and requested that this item also be passed on presentation and to be given at the Watermaster Board meeting since the majority had previously viewed the presentation at the Pool meetings. Consensus agreed to abstain from the presentation at this meeting.

3. Status Update on Recharge Project

Mr. Kehl of the Chino Basin Water Conversation District gave a brief presentation on the Montclair basin with regard to the recent damage caused by silt in the basin from the fires. A brief discussion ensued in relation to fire damage and repercussions presently and in the future primarily for the reason the rainy season was not in full motion.

Mr. Rossi offered that he and Mr. Treweek recently met with representatives from the Flood Control District and felt it was a positive meeting and will keep the Committee apprised to the outcome of further meetings. Mr. Rossi commented that Inland Empire Utilities Agency

worked with the final plan for bid package #7 and is currently working on finalizing the plans for commitments. Mr. Rossi stated this process was going well and would be brought back to the Committees in March.

4. Discuss RWQCB Action on 1/22/04 Approving Basin Plan Amendment

Mr. Rossi in working with the Regional Board handed out Item No. 12, 01/22/2004 TDS/Nitrogen Basin Plan Amendment Errata Sheet and focused on Pages 5 of 8 and 6 of 8 for language amendments regarding future desalter development. Both Mr. Rossi and Mr. Wildermuth concurred that the new language appeared flexible in its content. Several comments were received and discussion continued on the changed language which presently reads and appears to give Watermaster what it was looking for as far as consistent wording and flexibility. Mr. Jeske stated he was in attendance at the January 22, 2004 Regional Board meeting and commented that the written verbiage is what he heard and saw written on the screen at the meeting.

Motion by DeLoach, second by Black, and by unanimous vote

Moved, to delay action on the language in the TDS/Nitrogen Basin Plan Amendment until February, and recommend to Watermaster Board to direct counsel to review The Basin Plan Amendment language for consistency with the OBMP and Peace Agreement

C. INLAND EMPIRE UTILITIES AGENCY

1. MWD IRP/Long Range Finance Plan Update – Rich Atwater (oral)

Mr. Atwater spoke on the additional handout regarding the Metropolitan Water (MWD) proposed rate increases – public hearing on February 9, 2004. Mr. Atwater requested that the Committee members take the time and read the MWD staff report and bring comment back to him as soon as possible for the reason that the hearing is scheduled for February 9, 2004 at 10:00 a.m. Mr. Atwater stated that we want to win on rate issues and all input would be valuable.

2. Draft Annual Conservation Report – David Hill (attached)

Mr. Hill presented the Status Report on the Water Conservation Program for Fiscal Year 2002-03 and requested from the Appropriators all comments via the phone, emails or by letters.

3. Public Relations – Sondra Elrod (oral)

Ms. Elrod reviewed the IEUA calendar for February and added the San Bernardino Special Districts raising awareness meeting for February 20, 2004 from 8:30 a.m. to 1:00 p.m. Ms. Elrod asked that if there were any questions regarding the Special Districts meeting to contact her at IEUA. Ms. Elrod thanked Mr. Rossi in advance for agreeing to speak on "Recharge" at the upcoming Leadership Breakfast scheduled for February 24, 2004 from 7:30 a.m. to 9:00 a.m. at IEUA.

4. MWD Pilot New Model Home Project – David Hill (Oral)

Mr. Hill referenced an additional handout which discussed a Pilot Project to Demonstrate New Technology to Developers and Homebuyers.

5. Water Resources Report – David Hill (attached)

Mr. Hill referenced the attached January 2004 Water Resources Planning Activity Update.

6. Recycled Water Program – Tom Love (attached)

In Mr. Love's absence Mr. Atwater summarized the IEUA's January 2004 Recycled Water Summary and highlighted the active projects currently being worked on. Mr. Atwater commented that Martha Davis, Sondra Elrod and he work together on conservation, school programs and other various ventures and would appreciate any suggestions on regional conservations programs.

7. Chino Basin Facilities Improvement Project (Recharge) – Tom Love (attached)
Attached starting on page 163 is the January 2004 Chino Basin Facilities Improvement Project Summary for review.
8. State/Federal Legislation – Martha Davis (attached)
Ms. Davis reviewed the December Legislative Report from Geyer and Associates which provides a monthly report on state activities on behalf of IEUA. Ms. Davis briefly discussed the status of Proposition 50 funding guidelines. Lastly, Ms. Davis summarized the December Legislative Report from Dolphin Group which provides a monthly report on activities on behalf of the Chino Basin/Optimum Basin Management Program Coalition which included the Year-End 2003 Status Report.

D. OTHER AGENCY REPORTS

None

V. INFORMATION

A. CORRESPONDENCE FROM PARTIES

- 1) Monte Vista Water District Letter Dated 12-11-03 Regarding Fiscal Year 2003/2004 Assessment Package
Mr. Rossi commented that Chino Basin Watermaster in working with legal counsel was in the process of preparing a response letter to Monte Vista Water District regarding Fiscal Year 2003/2004 Assessment Package.
- 2) Monte Vista Water District Letter Dated 01-15-04 Regarding Salt Credit Allocation Pursuant to the Provisions of the Peace Agreement
Mr. Rossi stated that Chino Basin Watermaster was working with legal counsel to concur that a written response was obligatory.
- 3) Monte Vista Water District Letter Dated 01-15-04 Regarding Maximum Beneficial Use Proposal
Mr. Rossi stated that Chino Basin Watermaster was working with legal counsel to concur that a written response was obligatory.
- 4) Monte Vista Water District Letter Dated 01-20-04 Regarding Regional Board Resolution No. R8-2004-0001
Mr. Rossi presented this letter for informational purposes only.
- 5) San Antonio Water Company Letter Dated 01-21-04 Regarding Regional Board Meeting of January 22, 2004 Agenda Item No. 12 – Basin Plan Amendment
Mr. Rossi presented this letter for informational purposes only.
- 6) Jurupa Community Services District Letter Dated 11-19-03 Regarding Kaiser Plume
Mr. Rossi presented this letter for informational purposes only.

B. METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Mr. Rossi offered this letter was presented to the Pools on January 15, 2004 and there was no new information to report on.

VI. COMMITTEE MEMBER COMMENTS

None

VII. OTHER BUSINESS

None

VIII. FUTURE MEETINGS

January 27, 2004	2:00 p.m.	Storage & Recovery Work Group
January 29, 2004	10:00 a.m.	Advisory Committee Annual Meeting
	1:00 p.m.	Watermaster Board Annual Meeting
February 5, 2004	2:00 p.m.	Water Quality Meeting
February 12, 2004	1:00 p.m.	Agricultural Annual Pool Meeting
	3:00 p.m.	Joint Appropriative & Non-Ag Pool Meeting
February 26, 2004	10:00 a.m.	Advisory Committee Meeting
	1:00 p.m.	Watermaster Board Meeting

The Annual Advisory Committee Meeting Adjourned at 11:24 a.m.

Secretary: _____

Minutes Approved: _____

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Draft Minutes
**CHINO BASIN WATERMASTER
ANNUAL MEETING
WATERMASTER BOARD**

January 29, 2004

The Annual Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on January 29, 2004 at 1:00 p.m.

WATERMASTER BOARD MEMBERS PRESENT

Dennis Yates, 2002-03 Chair	City of Chino
Robert Neufeld, 2004-05 Chair	Fontana Union Water Company
Terry Catlin, Vice-Chair	Inland Empire Utilities Agency
Dan Rodriguez, Secretary	City of Pomona
Bob Kuhn	Three Valleys Municipal Water District
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Donald Schroeder	Western Municipal Water District
Bill Kruger	City of Chino Hills
Bob Bowcock	Vulcan Materials Company (Calmat Division)

Watermaster Staff Present

John Rossi	Chief Executive Officer
Gordon Treweek	Project Engineer
Sheri Rojo	Finance Manager
Danielle Maurizio	Senior Engineer
Sheri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Scott Slater	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental, Inc.
Dave Argo	Black & Veach

Others Present

Vic Barrion	Reliant Energy, Etiwanda LLC
Mike Maestas	City of Chino Hills
Kevin Sage	Vulcan Materials Company (Calmat Division)
Phil Rosentrater	Western Municipal Water District
Josephine Johnson	Monte Vista Water District
Barrett Kehl	Chino Basin Water Conservation District
Gene Koopman	Milk Producers Council
Rick Hansen	Three Valleys Municipal Water District
David DeJesus	Three Valleys Municipal Water District
Mark Kinsey	Monte Vista Water District
Rich Atwater	Inland Empire Utilities Agency
Ken Jeske	City of Ontario
Dave Crosley	City of Chino
Raul Garibay	City of Pomona
Henry Pepper	City of Pomona
Robert DeLoach	Cucamonga Valley Water District
Rita Kurth	Cucamonga Valley Water District
Barbara Swanson	State of California, CIW

The Board meeting was called to order by Chair Yates at 1:00 p.m., followed by the flag salute.

INTRODUCTIONS - CALENDAR YEAR 2003 WATERMASTER BOARD MEMBERS

Bob Bowcock	Non-Agricultural Pool (Vulcan Materials Company)
Terry Catlin	Inland Empire Utilities Agency
Paul Hofer	Agricultural Pool (Crops)
Bill Kruger	Appropriative Pool (City of Chino Hills)
Bob Kuhn	Three Valleys Municipal Water District
Bob Neufeld	Appropriative Pool (Fontana Union Water Company)
Dan Rodriguez	Appropriative Pool (City of Pomona)
Donald Schroeder	Western Municipal Water District
Geoffrey Vanden Heuvel	Agricultural Pool (Dairy)

AGENDA – ADDITIONS/REORDER

None

PUBLIC COMMENTS

None

I. CALENDAR YEAR 2004 OFFICERS – Action

A. ELECTION OF OFFICERS

1. Nominations will be heard for Watermaster Board Chair

Robert Neufeld, Fontana Union Water Company was nominated for Chair

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

The previous Chair, Dennis Yates turned over the meeting to the new Chair, Robert Neufeld

2. Nominations will be heard for Watermaster Board Vice-Chair

Terry Catlin, Inland Empire Utilities Agency was nominated to remain Vice-Chair

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

3. Nominations will be heard for Watermaster Board Secretary/Treasurer

Dan Rodriguez, City of Pomona was nominated to remain Board Secretary/Treasurer

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

RECOGNITION

1. Mr. Dennis R. Yates

Board Secretary/Treasurer, Catlin presented Dennis R. Yates with a commemorative inscription for "Statement of Commendation" as the preceding Chair representing the Watermaster Board and thanked him for his outstanding public service and dedication to water and groundwater issues in the Chino Basin. Mr. Yates thanked all present parties for a wonderful term as Chair and for all the hard work that everyone had put into all the projects related to upholding the Optimum Basin Management Program. Mr. Yates wished Robert Neufeld best regards as the new Chair.

2. Mr. Michael Whitehead
Board Secretary/Treasurer, Catlin presented a not in attendance Michael Whitehead with a commemorative inscription for "Statement of Commendation" as a representative on the Watermaster Board and thanked him for his outstanding public service and dedication to water and groundwater issues in the Chino Basin.
3. Mr. Vic Barrion
Board Secretary/Treasurer, Catlin presented Vic Barrion with a commemorative inscription for "Appreciation of Service" as the preceding Chair representing the Non-Agricultural Pool and thanked him for his outstanding service and dedication to Watermaster. Mr. Barrion graciously accepted the plaque and sequentially thanked all parties for making his duties easier and especially for all he learned while presiding as Chair. Mr. Barrion informed the members that he will be serving as Vice-Chair this year and is looking forward to a great new year.

II. CONSENT CALENDAR

A. MINUTES

1. Minutes of the of the Watermaster Board Meeting held November 20, 2003

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of November 2003
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2003 through October 31, 2003
3. Treasurer's Report of Financial Affairs for the Period October 1, 2003 through October 31, 2003
4. Profit & Loss Budget vs. Actual July 2003 through October 2003
5. Cash Disbursements for the month of December 2003
6. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2003 through November 30, 2003
7. Treasurer's Report of Financial Affairs for the Period November 1, 2003 through November 30, 2003
8. Profit & Loss Budget vs. Actual July 2003 through November 2003

C. INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS FOR YEAR ENDED

Consider Receiving and Filing the Annual Audited Financial Statements for Year Ended June 30, 2003

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 04-01 - Resolution of the Chino Basin Watermaster, re-authorizing the Watermaster's Investment Policy

E. WATER TRANSACTION

1. Notice of Sale or Transfer – the transfer of Monte Vista Irrigation Company FY 2003-04 Annual Production Rights to the Monte Vista Water District. The total quantity of water to be transferred is estimated at 1,040 acre-feet. (*Notice mailed November 7, 2003*)
2. Notice of Sale or Transfer – the lease and/or purchase of 2,500 acre-feet of water from the City of Pomona's production rights to the Monte Vista Water District. This lease is made first from the City's net under production, if any, in FY 2003-04, with any remainder to be recaptured from storage. (*Notice mailed November 7, 2003*)

F. NOTICE OF INTENT

Annual Filing of Notice of Intent Regarding the Determination of Operating Safe Yield

G. ANNUAL REPORT

Consider Authorization to File the Annual Report for Fiscal Year 2003 with Court, and Authorize Staff to Make Minor Edits as Necessary

H. STATUS REPORT #9

Consider Authorization to File Status Report 9 with Court and Authorize Staff and Counsel to Make Minor Edits as Necessary

I. CHINO BASIN WATERMASTER ELECTING TO RAISE AND FIX EMPLOYER'S CONTRIBUTION

A Resolution, #04-02, of the Chino Basin Watermaster Electing to Raise and Fix the Employer's Contribution Under the Public Employees' Medical and Hospital Care Act at an Amount at or Greater Than That Prescribed per Section 22825 of The Government Code

*Motion by Rodriguez, second by Kuhn, and by majority vote, with one abstention by Bill Kruger
Moved to approve Consent Calendar Items A through I, as presented*

III. BUSINESS ITEMS

A. APPLICATION TO DWR – MZ3 INVESTIGATION

Mr. Rossi informed the Watermaster Board Members that the request to file the grant application to DWR was unanimously voted in favor for at the Annual Pool meetings on January 15, 2004 and due to time constraints the application had to be filed by January 28, 2004, which Inland Empire Utilities Agency filed on our behalf as instructed by the Pools. Mr. Rossi thanked Mr. Atwater and IEUA for filing this important grant application for Chino Basin Watermaster.

*Motion by Bowcock, second by Rodriguez, and by unanimous vote
Moved, to ratify filing the grant application*

B. DISCUSS ASSISTANCE TO REGIONAL WATER QUALITY CONTROL BOARD ON WATER QUALITY CONTAMINATION SOUTH OF ONTARIO AIRPORT

Mr. Rossi informed the Watermaster Board Members on the four separate decisions made by the Pools on January 15, 2004 and Advisory Committee on January 29, 2004 which were; 1) the Non-Agricultural Pool voted unanimously to have Wildermuth Environmental provide staffing assistance, 2) the Agricultural Pool voted unanimously to delay action on this item until the Regional Board was able to present more information in February at the Pool meetings, 3) the Appropriative Pool unanimously voted to approve assistance to the Regional Board with a cap of \$25,000 and with the condition that Watermaster be reimbursed for this assistance and that the Regional Board will give a presentation to the Committee in February, 4) the Advisory Committee unanimously voted to delay action on this item and requested additional information from the Regional Board in February.

Mr. Rossi subsequently identified the two main questions that were presented during the Committee and Watermaster Board meetings in November 2003. The first question addressed the cost to situate consulting assistance at the Regional Board's office to prepare Draft Clean Up and Abatement orders to potential responsible parties. Mr. Rossi referred to page 117 of the agenda packet for information in regards to the potential responsible parties identified from RWQCB files. Mr. Rossi proposes that \$20,000 - \$25,000 would cover the cost to Wildermuth Environmental, Inc. to provide staff to work with the Regional Board in this regard. The second question addressed the cost after the orders were issued to the potential responsible parties. Mr. Rossi stated that these costs could not be estimated at this time given the uncertainty of the response from the PRP's receiving the orders. Mr. Rossi reiterated that the consultant would work at the direction of the Regional Board and stated the Regional Board has all the authority and responsibility to complete this task; labor assistance would be the resource only. Staffing assistance would be provided by Wildermuth Environmental, Inc. and would include preparation of draft abatement orders for the Regional Board. Staff recommends we move forward on providing the assistance/resource the Regional Board desires.

Discussion ensued with regard to the necessity to have our State Assemblymen, Congress and Legislature be made aware of how the Regional Board's budget cuts are affecting Watermaster

and the financial burden those cuts are placing on all of us and to bring them up to speed on the current issues. It was noted that the Regional Board must be held accountable for their areas of responsibility.

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

Moved, to delay action on this item and request to inquire about additional information from the Regional Board in February and to notify local legislators as to the current situation

C. APPOINT PERSONNEL COMMITTEE MEMBERS FOR CALENDAR YEAR 2004

Consider appointing Personnel Committee Members – Added Item

2004 New Personnel Committee Members Comprise of the Following:

Robert Neufeld	Ken Jeske
Bob Kuhn	Robert Bowcock
Terry Catlin	Nathan deBoom
	Mike Maestas

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

IV. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Wilson v. Watermaster

Counsel Fife addressed this new lawsuit as a small lawsuit between an automobile (Watermaster staff) and a bicycle (Mr. Wilson) and felt that this case would come to a fairly quick resolution. Counsel Fife commented that this case may not have been filed timely which may exceed the statute of limitations and that no hearing as been set to date.

2. Chino Land & Water v. Watermaster

Counsel Fife informed the Committee the case had actually been dismissed 4 – 5 months ago, although added that Chino Land & Water did file an appeal, which has also been dismissed. The Judge told Chino Land & Water they had no case and actually dismissed this case with an appellate decision leaving no opening for another case to be filed. Counsel Fife noted the 12 days for Chino Land & Water to request an oral argument has now lapsed.

3. DYY Storage Agreement

Counsel Fife reported on the approval of the Metropolitan Water District deal which was a long procedure for the Article 10 application. Counsel Fife stated he is in the process of preparing the draft Dry Year Yield Storage Agreement that will be brought back to the Committee Members and the Watermaster Board in February.

B. CEO/STAFF REPORT

1. Mark Wildermuth Will Make a Presentation Regarding OBMP Progress through December 31, 2003

Mr. Rossi requested Black & Veach and Wildermuth Environmental, Inc. prepare a presentation on the work that has been done and other elements since July 2000 on the OBMP. Mr. Rossi invited Mark Wildermuth, over the next several months, to provide portions of that presentation at the Committee and Watermaster Board meetings, which will provide current statuses of the OBMP. Mr. Wildermuth discussed and reviewed slides on two major topics for the first section of the presentation on Maximum Benefit and Hydraulic Control. Mr. Wildermuth broke down these two topics by reviewing major technical activities, which are related to the OMBP and the Peace Agreement. Future topics will include Desalters, Chino Basin Facilities Improvement Program, Storage & Recovery, Ground Water Monitoring, Water Quality Committee, MZ1 Management Plan, and Analysis

of Balance of Recharge and Discharge. Mr. Wildermuth added that Watermaster has put in a first class monitoring system to measure and record subsidence. Lastly, Mr. Wildermuth commented on the potential consequences for failure to meet our OBMP commitments.

2. Presentation Regarding Storm Damage to Construction at Victoria Basin

Mr. Rossi reported on the damage incurred on Christmas day during a mild rain storm (1/2 inch) due to construction in the basin at the time of the storm which led into Mr. Treweek's presentation. Mr. Treweek detailed the damage of this storm which lies North of the 210 freeway near the 15 freeway interchange. Mr. Treweek noted the San Sevaine Channel and Etiwanda Channel share a wall that separates the two channels at this location of construction that received the most significant damage. Mr. Rossi added comment to this presentation calling the storm, "a perfect storm" because of the combination of events that played into the storm damage. Mr. Rossi noted that there was no loss of equipment, although about \$20,000 worth of work was destroyed and about \$300,000 of clean up work had already been completed. It will cost an estimated \$1,000,000 to \$1,500,000 for total clean up and damage repair. FEMA funding will be pursued as well. Mr. Rossi offered that he and Mr. Treweek recently met with representatives from the Flood Control District and felt it was a positive meeting and will keep the Committee apprised to the outcome of further meetings.

3. Status Update on Recharge Project

Mr. Rossi commented that the project is progressing well.

4. Discuss RWQCB Action on 1/22/04 Approving Basin Plan Amendment

Mr. Rossi in working with the Regional Board handed out Item No. 12, 01/22/2004 TDS/Nitrogen Basin Plan Amendment Errata Sheet and focused on Pages 5 of 8 and 6 of 8 for language amendments regarding future desalter development. Both Mr. Rossi and Mr. Wildermuth concurred that the new language appeared flexible in its content. Several comments were received and discussion continued on the changed language which presently reads and appears to give Watermaster what it was looking for as far as consistent wording and flexibility. Mr. Atwater commented on the verbiage and the general feel of the meeting. He said that the Regional Board ended up incorporating the new language and approved The Basin Plan Amendment with the Chino Basin's Maximum Benefit Proposal. Mr. Atwater also stated that in speaking with Mr. Thibeault he had hoped that Watermaster recognized his efforts for flexibility in language.

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

Moved, to delay action on language in the TDS/Nitrogen Basin Plan Amendment until February, and directed counsel to review the Basin Plan Amendment language for consistency with the OBMP and Pease Agreement

V. INFORMATION

A. CORRESPONDENCE FROM PARTIES

1) Monte Vista Water District Letter Dated 12-11-03 Regarding Fiscal Year 2003/2004 Assessment Package

Mr. Rossi commented that Chino Basin Watermaster in working with legal counsel and is in the process of preparing a response letter to Monte Vista Water District regarding Fiscal Year 2003/2004 Assessment Package.

2) Monte Vista Water District Letter Dated 01-15-04 Regarding Salt Credit Allocation Pursuant to the Provisions of the Pease Agreement

Mr. Rossi stated that Chino Basin Watermaster was working with legal counsel to prepare a written response. Discussion ensued as to whether salt credits do or don't exist. Several comments were received and it was decided that further investigation into the situation was required as to the interpretation of statements. This item would be brought back to the Pools in March.

- 3) Monte Vista Water District Letter Dated 01-15-04 Regarding Maximum Beneficial Use Proposal
Mr. Rossi stated that Chino Basin Watermaster was working with legal counsel to determine if a response is necessary.
- 4) Monte Vista Water District Letter Dated 01-20-04 Regarding Regional Board Resolution No. R8-2004-0001
Mr. Rossi presented this letter for informational purposes only.
- 5) San Antonio Water Company Letter Dated 01-21-04 Regarding Regional Board Meeting of January 22, 2004 Agenda Item No. 12 – Basin Plan Amendment
Mr. Rossi presented this letter for informational purposes only.
- 6) Jurupa Community Services District Letter Dated 11-19-03 Regarding Kaiser Plume
Mr. Rossi presented this letter for informational purposes only.

B. METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Mr. Rossi offered this letter was presented to the Pools on January 15, 2004 and there was no new information to report on.

VI. COMMITTEE MEMBER COMMENTS

None

VII. OTHER BUSINESS

None

VIII. FUTURE MEETINGS

January 27, 2004	2:00 p.m.	Storage & Recovery Work Group
January 29, 2004	10:00 a.m.	Advisory Committee Annual Meeting
	1:00 p.m.	Watermaster Board Annual Meeting
February 5, 2004	2:00 p.m.	Water Quality Meeting
February 12, 2004	1:00 p.m.	Agricultural Annual Pool Meeting
	3:00 p.m.	Joint Appropriative & Non-Ag Pool Meeting
February 26, 2004	10:00 a.m.	Advisory Committee Meeting
	1:00 p.m.	Watermaster Board Meeting

The Annual Watermaster Board Meeting Adjourned at 3:05 p.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER
APPROPRIATIVE POOL
SPECIAL MEETING
CONFERENCE CALL
1:00 p.m. – Wednesday, January 21, 2004

The special Appropriative Pool conference call was held on January 21, 2003 at 1:00 p.m.

On Line of Conference Call

Appropriative Pool Members

Ken Jeske	City of Ontario
Mike McGraw	Fontana Water Company
Rich Atwater	Inland Empire Utilities Agency
Ray Wellington	San Antonio Water Company
Gerald Black	Fontana Union Water Company
Rita Kurth	Cucamonga Valley Water District
Raul Garibay	City of Pomona
Mark Kinsey	Monte Vista Water District
Carole McGreevy	Jurupa Community Services District
Arnold Rodriguez	Santa Ana River Water Company

Watermaster Staff Present

John Rossi	Chino Basin Watermaster
Danielle Maurizio	Senior Engineer

Watermaster Consultants Present

Michael Fife	Hatch and Parent
Mark Wildermuth	Wildermuth Environmental, Inc.

Others Present

John Schatz	Attorney At Law
Gary Hackney	Inland Empire Utilities Agency

Meeting Appropriative Pool conference call was called to order at 1:03 p.m.

The following discussions and actions were addressed during the conference call.

- 1) Report on staff's review of language over weekend. Staff reported that no other discrepancies other than one Paragraph – Page 6, Section 4 in handout, were found.
- 2) Ray Wellington/Mark Kinsey stated concern relative to 10/01/2005 requirement for schedule to implement rest of desalter capacity. Michael Fife described 9/28/2000 order for schedule on rest of desalter implementation by 2020.
- 3) Action was taken to:
 - a) Notify Regional Board that the Appropriative Pool requests a delay to the RWQCB's March meeting.
 - b) That staff bring back the language to the February Watermaster meetings.

***Motion by Wellington, second by McGraw, and by unanimous vote
To approve 3 a) and 3 b) as presented***

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CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements January 2004
2. Combining Schedule of Revenue, Expenses and changes in Working Capital for the Periods July 1, 2003 through December 31, 2003
3. Treasurer's Report of Financial Affairs for December 1, 2003 through December 31, 2003
4. Profit & Loss Budget vs. Actual July 2003 through December 2003



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

STAFF REPORT

DATE: February 12, 2004
February 17, 2004
February 26, 2004
March 1, 2004

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – January 2004

SUMMARY

Issue – Record of cash disbursements for the month of January 2004.

Recommendation – Staff recommends the Cash Disbursements for January 2004 be received and filed as presented.

Fiscal Impact – All funds disbursed were included in the FY 2003-04 Watermaster Budget.

BACKGROUND

A monthly cash disbursement report is provided to keep all members apprised of Watermaster expenditures.

DISCUSSION

Total cash disbursements during the month of January 2004 were \$629,541.60. The most significant expenditures during the month were Inland Empire Utilities Agency in the amount of \$309,199.55 and Wildermuth Environmental Inc. in the amount of \$104,135.87.

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02/03/04
Accrual Basis

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
January 2004

Type	Date	Num	Name	Amount
Jan 04				
General Journal	1/3/2004	04/01/11	PAYROLL	-4,606.23
General Journal	1/3/2004	04/01/11	PAYROLL	-13,217.57
Bill Pmt -Check	1/7/2004	8304	AMERICAN GROUND WATER TRUST	-100.00
Bill Pmt -Check	1/7/2004	8305	ARROWHEAD MOUNTAIN SPRING WATER	-23.09
Bill Pmt -Check	1/7/2004	8306	CITIZENS CONFERENCING	-184.34
Bill Pmt -Check	1/7/2004	8307	COLONIAL LIFE & ACCIDENT INSURANCE CO	-42.80
Bill Pmt -Check	1/7/2004	8308	DIRECTV	-75.48
Bill Pmt -Check	1/7/2004	8309	HUITSING, JOHN	-125.00
Bill Pmt -Check	1/7/2004	8310	INLAND EMPIRE UTILITIES AGENCY	-11,954.40
Bill Pmt -Check	1/7/2004	8311	NEW HORIZONS OF RIVERSIDE, CA	-1,875.00
Bill Pmt -Check	1/7/2004	8312	NEXTEL COMMUNICATIONS	-495.70
Bill Pmt -Check	1/7/2004	8313	OFFICE DEPOT	-528.17
Bill Pmt -Check	1/7/2004	8314	PARK PLACE COMPUTER SOLUTIONS, INC.	-4,338.58
Bill Pmt -Check	1/7/2004	8315	PAYCHEX	-139.35
Bill Pmt -Check	1/7/2004	8316	PURCHASE POWER	-29.00
Bill Pmt -Check	1/7/2004	8317	RAUL HERNANDEZ	-1,200.00
Bill Pmt -Check	1/7/2004	8318	REID & HELLYER	-4,511.18
Bill Pmt -Check	1/7/2004	8319	RICOH BUSINESS SYSTEMS-Maintenance	-34.64
Bill Pmt -Check	1/7/2004	8320	SOUTHERN CALIFORNIA WATER COMMITTEE	-50.00
Bill Pmt -Check	1/7/2004	8321	STATE COMPENSATION INSURANCE FUND	-890.89
Bill Pmt -Check	1/7/2004	8322	THEIRL, JIM	-132.21
Bill Pmt -Check	1/7/2004	8323	TLC STAFFING	-2,958.80
Bill Pmt -Check	1/7/2004	8324	U S POSTMASTER	-20.00
Bill Pmt -Check	1/7/2004	8325	VERIZON	-38.76
Bill Pmt -Check	1/7/2004	8326	WEST INLAND EMPIRE EMPLOYER ADVISORY C...	-50.00
Bill Pmt -Check	1/7/2004	8327	WESTCAS	-255.00
Bill Pmt -Check	1/7/2004	8328	WESTERN MUNICIPAL WATER DISTRICT	-50.00
Bill Pmt -Check	1/7/2004	8329	WHEELER METER MAINTENANCE	-4,125.00
Bill Pmt -Check	1/7/2004	8330	YUKON DISPOSAL SERVICE	-123.90
Bill Pmt -Check	1/13/2004	8331	STEWART, TRACI L.	-913.50
Bill Pmt -Check	1/14/2004	8332	PETTY CASH	-609.16
Bill Pmt -Check	1/14/2004	8333	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-3,998.88
Bill Pmt -Check	1/14/2004	8334	APPLIED COMPUTER TECHNOLOGIES	-1,616.40
Bill Pmt -Check	1/14/2004	8335	CHEVRON	-171.28
Bill Pmt -Check	1/14/2004	8336	CITISTREET	-3,150.24
Bill Pmt -Check	1/14/2004	8337	CLE INTERNATIONAL	-695.00
Bill Pmt -Check	1/14/2004	8338	CONRAD & ASSOCIATES, L.L.P.	-3,839.00
Bill Pmt -Check	1/14/2004	8339	DONALD E. WILLIAMSON, ASSESSOR	-60.00
Bill Pmt -Check	1/14/2004	8340	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
Bill Pmt -Check	1/14/2004	8341	INLAND COUNTIES INSURANCE SERVICES, INC.	-379.60
Bill Pmt -Check	1/14/2004	8342	INLAND EMPIRE UTILITIES AGENCY	-5,583.88
Bill Pmt -Check	1/14/2004	8343	LOS ANGELES TIMES	-41.74
Bill Pmt -Check	1/14/2004	8344	MATSON, JANET	-2,870.00
Bill Pmt -Check	1/14/2004	8345	MCI	-900.15
Bill Pmt -Check	1/14/2004	8346	OFFICE DEPOT	-334.67
Bill Pmt -Check	1/14/2004	8347	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-4,181.30
Bill Pmt -Check	1/14/2004	8348	REID & HELLYER	0.00
Bill Pmt -Check	1/14/2004	8349	RICOH BUSINESS SYSTEMS-Lease	-387.24
Bill Pmt -Check	1/14/2004	8350	RICOH BUSINESS SYSTEMS-Maintenance	-621.02
Bill Pmt -Check	1/14/2004	8351	SOFTCHOICE	-32.56
Bill Pmt -Check	1/14/2004	8352	TLC STAFFING	-534.24
Bill Pmt -Check	1/14/2004	8353	UNITED PARCEL SERVICE	-76.94
Bill Pmt -Check	1/14/2004	8354	VELASQUEZ JANITORIAL	-900.00
Bill Pmt -Check	1/14/2004	8355	VERIZON	-384.42
Bill Pmt -Check	1/14/2004	8356	CITISTREET	-3,643.06
Bill Pmt -Check	1/14/2004	8357	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-4,059.89
Bill Pmt -Check	1/16/2004	8358	REID & HELLYER	-887.63
Bill Pmt -Check	1/16/2004	8359	STARLITE SAFETY SUPPLY	-408.43
Check	1/16/2004	8360	STAULA, M L	-262.24
Bill Pmt -Check	1/22/2004	8361	A-Z VIDEO SERVICES	-37.50
Bill Pmt -Check	1/22/2004	8362	ACWA SERVICES CORPORATION	-77.89
Bill Pmt -Check	1/22/2004	8363	ADEX MEDICAL INC	-65.48
Bill Pmt -Check	1/22/2004	8364	BANK OF AMERICA	-2,703.65
Bill Pmt -Check	1/22/2004	8365	CALPERS	-2,085.79
Bill Pmt -Check	1/22/2004	8366	CUCAMONGA COUNTY WATER DISTRICT	-4,900.00
Bill Pmt -Check	1/22/2004	8367	ELLISON, SCHNEIDER & HARRIS, LLP	-17,681.78
Bill Pmt -Check	1/22/2004	8368	HATCH AND PARENT	-15,740.22
Bill Pmt -Check	1/22/2004	8369	INLAND EMPIRE UTILITIES AGENCY	-309,199.55

CHINO BASIN WATERMASTER
 Cash Disbursement Detail Report
 January 2004

Type	Date	Num	Name	Amount
Bill Pmt -Check	1/22/2004	8370	MAURIZIO, DANNIELLE	-277.63
Bill Pmt -Check	1/22/2004	8371	MWH LABORATORIES	-815.00
Bill Pmt -Check	1/22/2004	8372	MWH MONTGOMERY WATSON HARZA	-5,876.80
Bill Pmt -Check	1/22/2004	8373	PARK PLACE COMPUTER SOLUTIONS, INC.	-3,960.00
Bill Pmt -Check	1/22/2004	8374	PITNEY BOWES CREDIT CORPORATION	-468.72
Bill Pmt -Check	1/22/2004	8375	RBM LOCK & KEY	-136.15
Bill Pmt -Check	1/22/2004	8376	RICOH BUSINESS SYSTEMS-Lease	-3,204.07
Bill Pmt -Check	1/22/2004	8377	TLC STAFFING	-534.24
Bill Pmt -Check	1/22/2004	8378	WILDERMUTH ENVIRONMENTAL INC	-104,135.87
General Journal	1/22/2004	04/01/7	PAYROLL	-4,435.19
General Journal	1/22/2004	04/01/7	PAYROLL	-14,512.48
Bill Pmt -Check	1/27/2004	8379	BLACK & VEATCH CORPORATION	-21,715.00
Bill Pmt -Check	1/27/2004	8380	CITISTREET	-3,800.00
Bill Pmt -Check	1/27/2004	8381	CITIZENS CONFERENCING	-93.60
Bill Pmt -Check	1/27/2004	8382	DIRECTV	-71.98
Bill Pmt -Check	1/27/2004	8383	JOLLY FARMS	-283.60
Bill Pmt -Check	1/27/2004	8384	NEXTEL COMMUNICATIONS	-495.24
Bill Pmt -Check	1/27/2004	8385	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-4,368.46
Bill Pmt -Check	1/27/2004	8386	RICKLY HYDROLOGICAL CO.	-65.00
Bill Pmt -Check	1/27/2004	8387	OLONIST CANADA LTD.	-12,325.00
Bill Pmt -Check	1/27/2004	8388	STANDARD INSURANCE CO.	-439.62
Bill Pmt -Check	1/27/2004	8389	TLC STAFFING	-868.14
Bill Pmt -Check	1/27/2004	8390	UNITEK TECHNOLOGY INC.	-201.49
Bill Pmt -Check	1/27/2004	8391	YUKON DISPOSAL SERVICE	-123.90
Jan 04				-629,541.60

CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2003 THROUGH DECEMBER 31, 2003

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATION AND SPECIAL PROJECTS APPROPRIATIVE POOL			GROUNDWATER OPERATIONS GROUNDWATER REPLENISHMENT		SB222 FUNDS	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2003-04
Administrative Revenues											
Administrative Assessments			4,614,056		122,460				4,736,516	\$3,940,516	
Interest Revenue			12,365	1,915	842			10	15,132	112,025	
Mutual Agency Project Revenue		169,209							169,209	0	
Grant Income									-	0	
Miscellaneous Income	471								471	0	
Total Revenues	471	169,209	4,626,421	1,915	123,302	-	-	10	4,921,328	4,052,541	
Administrative & Project Expenditures											
Watermaster Administration	470,713								470,713	617,732	
Watermaster Board-Advisory Committee	18,066								18,066	43,442	
Pool Administration			6,744	184,934	1,198				192,876	255,148	
Optimum Basin Mgmt Administration		386,284							386,284	1,034,064	
OBMP Project Costs		1,199,439							1,199,439	3,365,079	
Education Funds Use									-	375	
Mutual Agency Project Costs	34,750								34,750	85,004	
Total Administrative/OBMP Expenses	523,529	1,585,723	6,744	184,934	1,198			-	2,302,128	5,400,844	
Net Administrative/OBMP Income	(523,058)	(1,416,514)									
Allocate Net Admin Income To Pools	523,058		388,029	119,541	15,489				-	0	
Allocate Net OBMP Income To Pools		1,416,514	1,050,836	323,733	41,945				-	0	
Agricultural Expense Transfer			624,057	(624,057)					-	0	
Total Expenses			2,089,666	4,150	58,632	-	-	-	2,302,128	5,400,844	
Net Administrative Income			2,556,755	(2,235)	64,670			10	2,619,200	(1,348,303)	
Other Income/(Expense)											
Replenishment Water Purchases						4,155,749			4,155,749	0	
MZ1 Supplemental Water Assessments						1,585,854			1,585,854	2,189,500	
Water Purchases									-	0	
MZ1 Imported Water Purchase									-	(2,273,500)	
Groundwater Replenishment						(356,601)			(356,601)	0	
Net Other Income						5,385,002			5,385,002	(84,000)	
Net Transfers To/(From) Reserves			2,556,755	(2,235)	64,670	5,385,002		10	8,004,202	(1,432,303)	
Working Capital, July 1, 2003			2,813,947	466,069	188,310	266,503	158,251	2,532	3,895,611		
Working Capital, End Of Period			5,370,702	463,834	252,980	5,651,505	158,251	2,542	11,899,813		
02/03 Production			121,586.420	37,457.315	4,853.247				163,896.982		
02/03 Production Percentages			74.185%	22.854%	2.961%				100.000%		

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
DECEMBER 1 THROUGH DECEMBER 31, 2003**

SUMMARY at 12/31/2003

DEPOSITORIES:			
Cash on Hand - Petty Cash			\$ 500
Bank of America			
Governmental Checking-Demand Deposits	\$	95,745	
Savings Deposits		9,617	
Zero Balance Account - Payroll		-	105,362
Local Agency Investment Fund - Sacramento			<u>1,685,212</u>
TOTAL CASH IN BANKS AND ON HAND		12/31/2003	\$ 1,791,074
TOTAL CASH IN BANKS AND ON HAND		11/30/2003	2,128,504
PERIOD INCREASE (DECREASE)			<u>\$ (337,430)</u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets:	Accounts Receivable	\$ (177,571)
	Assessments Receivable	(10,478,120)
	Prepaid Expenses, Deposits & Other Current Assets	1,709
(Decrease)/Increase in Liabilities:	Accounts Payable	282,632
	Accrued Payroll, Payroll Taxes & Other Current Liabilities	7,617
	Transfer to/(from) Reserves	<u>10,026,303</u>
PERIOD INCREASE (DECREASE)		<u>\$ (337,430)</u>

SUMMARY OF FINANCIAL TRANSACTIONS:

	Petty Cash	Gov'tl Checking Demand	Zero Balance Account Payroll	Savings	Local Agency Investment Funds	Totals
Balances as of 11/30/2003	\$ 500	\$ 73,307	\$ -	\$ 9,611	\$ 2,045,086	\$ 2,128,504
Deposits		325	-	6	-	331
Transfers		321,912	37,962	-	(359,874)	-
Withdrawals/Checks		(299,799)	(37,962)	-	-	(337,761)
Balances as of 12/31/2003	<u>\$ 500</u>	<u>\$ 95,745</u>	<u>\$ -</u>	<u>\$ 9,617</u>	<u>\$ 1,685,212</u>	<u>\$ 1,791,074</u>
PERIOD INCREASE OR (DECREASE)	<u>\$ -</u>	<u>\$ 22,438</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ (359,874)</u>	<u>\$ (337,430)</u>

CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
DECEMBER 1 THROUGH DECEMBER 31, 2003

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
12/15/2003	Interest	L.A.I.F.	\$ (15,126)				
12/3/2003	Withdrawal	L.A.I.F.	300,000				
12/3/2003	Withdrawal	L.A.I.F.	350,000				
12/24/2003	Withdrawal	L.A.I.F.	\$ (275,000)				
TOTAL INVESTMENT TRANSACTIONS			\$ 359,874	-			

* The earnings rate for L.A.I.F. is a daily variable rate; 1.56% was the effective yield rate at the Quarter ended December 31, 2003.

INVESTMENT STATUS
December 31, 2003

<u>Financial Institution</u>	<u>Principal Amount</u>	<u>Number of Days</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Local Agency Investment Fund	\$ 1,685,212			
Time Certificates of Deposit	-			
TOTAL INVESTMENTS	\$ 1,685,212			

Funds on hand are sufficient to meet all foreseen and planned Administrative and project expenditures during the next six months.

All investment transactions have been executed in accordance with the criteria stated in Chino Basin Watermaster's Investment Policy.

Respectfully submitted,



Sheri M. Rojo, CPA
Finance Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through December 2003

	<u>Jul - Dec 03</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	169,208.96			
4110 · Admin Asmnts-Approp Pool	4,614,055.82	3,931,695.00	682,360.82	117.36%
4120 · Admin Asmnts-Non-Agri Pool	122,460.43	88,201.00	34,259.43	138.84%
4700 · Non Operating Revenues	24,251.33	112,025.00	-87,773.67	21.65%
Total Income	<u>4,929,976.54</u>	<u>4,131,921.00</u>	<u>798,055.54</u>	<u>119.31%</u>
Gross Profit	4,929,976.54	4,131,921.00	798,055.54	119.31%
Expense				
6010 · Salary Costs	248,814.18	385,900.00	-137,085.82	64.48%
6020 · Office Building Expense	125,176.45	108,995.00	16,181.45	114.85%
6030 · Office Supplies & Equip.	35,938.71	41,000.00	-5,061.29	87.66%
6040 · Postage & Printing Costs	33,594.60	66,400.00	-32,805.40	50.59%
6050 · Information Services	65,502.10	105,750.00	-40,247.90	61.94%
6061 · Other Consultants	4,929.23	29,000.00	-24,070.77	17.0%
6062 · Audit Services	3,839.00	5,000.00	-1,161.00	76.78%
6063 · Public Relations Consultan	0.00	12,000.00	-12,000.00	0.0%
6067.1 · General Counsel	14,216.03	75,000.00	-60,783.97	18.96%
6080 · Insurance	10,509.60	16,710.00	-6,200.40	62.89%
6110 · Dues and Subscriptions	8,693.10	14,500.00	-5,806.90	59.95%
6140 · Other WM Admin Expenses	1,130.61	0.00	1,130.61	100.0%
6150 · Field Supplies	469.87	4,250.00	-3,780.13	11.06%
6170 · Travel & Transportation	30,051.56	46,300.00	-16,248.44	64.91%
6190 · Conferences & Seminars	8,803.31	16,000.00	-7,196.69	55.02%
6200 · Advisory Comm - WM Board	6,705.12	15,071.00	-8,365.88	44.49%
6300 · Watermaster Board Expenses	11,360.57	28,371.00	-17,010.43	40.04%
8300 · Appr PI-WM & Pool Admin	6,743.70	14,471.00	-7,727.30	46.6%
8400 · Agri Pool-WM & Pool Admin	156,835.52	166,979.00	-10,143.48	93.93%
8467 · Agri-Pool Legal Services	23,948.08	51,000.00	-27,051.92	46.96%
8470 · Ag Meeting Attend -Special	4,150.00	16,000.00	-11,850.00	25.94%
8500 · Non-Ag PI-WM & Pool Admin	1,198.31	6,698.00	-5,499.69	17.89%
6500 · Education Funds Use Expens	0.00	375.00	-375.00	0.0%
9500 · Allocated G&A Expenditures	-120,955.45	-309,073.00	188,117.55	39.14%
Subtotal G&A Expenditures	<u>681,654.20</u>	<u>916,697.00</u>	<u>-235,042.80</u>	<u>74.36%</u>
6900 · Optimum Basin Mgmt Plan	355,858.24	942,065.00	-586,206.76	37.77%
6950 · Mutual Agency Projects	34,749.70	85,004.00	-50,254.30	40.88%
9501 · G&A Expenses Allocated-OBMP	30,426.71	91,999.00	-61,572.29	33.07%
Subtotal OBMP Expenditures	<u>421,034.65</u>	<u>1,119,068.00</u>	<u>-698,033.35</u>	<u>37.62%</u>
7101 · Production Monitoring	37,834.12	79,283.00	-41,448.88	47.72%
7102 · In-line Meter Installation	20,637.04	131,380.00	-110,742.96	15.71%
7103 · Grdwtr Quality Monitoring	164,967.41	274,613.00	-109,645.59	60.07%
7104 · Gdwtr Level Monitoring	48,061.71	157,852.00	-109,790.29	30.45%
7105 · Sur Wtr Qual Monitoring	26,571.06	133,595.00	-107,023.94	19.89%
7106 · Wtr Level Sensors Install	0.00	26,835.00	-26,835.00	0.0%
7107 · Ground Level Monitoring	76,308.58	202,283.00	-125,974.42	37.72%
7108 · Hydraulic Control Monitoring	98,942.46	718,227.00	-619,284.54	13.78%
7200 · PE2- Comp Recharge Pgm	83,743.73	531,434.00	-447,690.27	15.76%
7300 · PE3&5-Water Supply/Desalte	1,620.01	47,499.00	-45,878.99	3.41%
7400 · PE4-MZ1 Mgmt Plan	117,059.73	187,308.00	-70,248.27	62.5%

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through December 2003

	<u>Jul - Dec 03</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7500 · PE6&7-CoopEfforts/SaltMgmt	20,658.53	51,820.00	-31,161.47	39.87%
7600 · PE8&9-StorageMgmt/Conj Use	36,274.94	146,179.00	-109,904.06	24.82%
7690 · Recharge Improvement Debt Pymt	376,169.00	429,250.00	-53,081.00	87.63%
7700 · Inactive Well Protection Prgm	62.45	30,447.00	-30,384.55	0.21%
9502 · G&A Expenses Allocated-Projects	90,528.73	217,074.00	-126,545.27	41.7%
Subtotal Special Project Expenditures	<u>1,199,439.50</u>	<u>3,365,079.00</u>	<u>-2,165,639.50</u>	<u>35.64%</u>
Total Expense	<u>2,302,128.35</u>	<u>5,400,844.00</u>	<u>-3,098,715.65</u>	<u>42.63%</u>
Net Ordinary Income	2,627,848.19	-1,268,923.00	3,896,771.19	-207.09%
Other Income/Expense				
Other Income				
4231 · MZ1 Assigned Water Sales	0.00	615,000.00	-615,000.00	0.0%
4210 · Approp Pool-Replenishment	4,144,461.10	0.00	4,144,461.10	100.0%
4220 · Non-Ag Pool-Replenishment	11,288.32	0.00	11,288.32	100.0%
4230 · MZ1 Sup Wtr Assessment	1,585,853.60	1,574,500.00	11,353.60	100.72%
Total Other Income	<u>5,741,603.02</u>	<u>2,189,500.00</u>	<u>3,552,103.02</u>	<u>262.23%</u>
Other Expense				
5010 · Groundwater Replenishment	356,600.70	2,273,500.00	-1,916,899.30	15.69%
9999 · To/(From) Reserves	8,012,850.51	-1,352,923.00	9,365,773.51	-592.26%
Total Other Expense	<u>8,369,451.21</u>	<u>920,577.00</u>	<u>7,448,874.21</u>	<u>909.15%</u>
Net Other Income	<u>-2,627,848.19</u>	<u>1,268,923.00</u>	<u>-3,896,771.19</u>	<u>-207.09%</u>
Net Income	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>

CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

I. CONSENT CALENDAR

C. Water Transaction

Notice of Sale or Transfer from West
San Bernardino County Water District
to Cucamonga Valley Water District



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: (909) 484.3888 Fax: (909) 484-3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

DATE: January 15, 2004
TO: Watermaster Pool Committee Members
SUBJECT: Summary and Analysis of Applications for Water Transaction

Summary -

There does not appear to be a potential material physical injury to a party or to the basin from the proposed transaction as presented.

Issue -

- Notice of Sale or Transfer from West San Bernardino County Water District to Cucamonga County Water District in the amount of 500 acre-feet.

Recommendation -

1. Continue monitoring as planned in the Optimum Basin Management Program.
2. Use all new or revised information when analyzing the hydrologic balance and report to Watermaster if a potential for material physical injury is discovered, and
3. Approve the transaction as presented.

Fiscal Impact -

- None
- Reduces assessments under the 85/15 rule
- Reduce desalter replenishment costs

Background

The Court approved the Peace Agreement, the Implementation Plan and the goals and objectives identified in the OBMP Phase I Report on July 13, 2000, and ordered Watermaster to proceed in a manner consistent with the Peace Agreement. Under the Peace Agreement, Watermaster approval is required for applications to store, recapture, recharge or transfer water, as well as for applications for credits or reimbursements and storage and recovery programs.

Where there is no material physical injury, Watermaster must approve the transaction. Where the request for Watermaster approval is submitted by a party to the Judgment, there is a rebuttable presumption that most of the transactions do not result in Material Physical Injury to a party to the Judgment or the Basin (Storage and Recovery Programs do not have this presumption).

The following application for water transaction is attached with the notice of application.

- Notice of Sale or Transfer from West San Bernardino County Water District to Cucamonga County Water District in the amount of 500 acre-feet.

Notice of the water transaction identified above was mailed on January 8, 2004 along with the materials submitted by the requestors.

DISCUSSION

Water transactions occur each year and are included as production by the respective entity (if produced) in any relevant analyses conducted by Wildermuth Environmental pursuant to the Peace Agreement and the Rules & Regulations. There is no indication additional analysis regarding this transaction is necessary at this time. As part of the OBMP Implementation Plan, continued measurement of water levels and the installation of extensometers are planned. Based on no real change in the available data, we cannot conclude that the proposed water transaction will cause material physical injury to a party or to the Basin.

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: January 8, 2004

A party to the Judgment has submitted a proposed transfer of water for Watermaster approval. Unless contrary evidence is presented to Watermaster that overcomes the rebuttable presumption provided in Section 5.3(b)(iii) of the Peace Agreement, Watermaster must find that there is "no material physical injury" and approve the transfer. Watermaster staff is not aware of any evidence to suggest that this transfer would cause material physical injury and hereby provides this notice to advise interested persons that this transfer will come before the Watermaster Board on or after 30 days from the date of this notice. The attached staff report will be included in the meeting package at the time the transfer begins the Watermaster process (comes before Watermaster).

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CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

January 8, 2004

This notice is to advise interested persons that the attached applications will come before the Watermaster Board on or after 30 days from the date of this notice.

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **December 19, 2003** Date of this notice: **January 8, 2004**

Please take notice that the following Application has been received by Watermaster:

- A. Notice of Sale or Transfer – from West San Bernardino Water County Water District to Cucamonga County Water District in the amount of 500 acre-feet.

This **Application** will first be considered by each of the respective pool committees on the following dates:

Agricultural Pool: January 15, 2004

Appropriative Pool: January 15, 2004

Non-Agricultural Pool: January 15, 2004

This **Application** will be scheduled for consideration by the Advisory Committee **no earlier than thirty days from the date of this notice and a minimum of twenty-one calendar days** after the last pool committee reviews it.

After consideration by the Advisory Committee, the **Application** will be considered by the Board.

Unless the **Application** is amended, parties to the Judgment may file **Contests** to the **Application** with Watermaster **within seven calendar days** of when the last pool committee considers it. Any **Contest** must be in writing and state the basis of the **Contest**.

Watermaster address:

Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

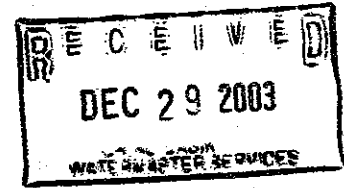
Tel: (909) 484-3888
Fax: (909) 484-3890



ROBERT A. DeLOACH
Secretary / General Manager/CEO

CUCAMONGA COUNTY WATER DISTRICT
10440 Ashford Street
Rancho Cucamonga, CA 91730-2799
(909) 987-2591 Fax (909) 476-8032

December 19, 2003



Mr. John Rossi
Chief Executive Officer
CHINO BASIN WATERMASTER
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

Dear Mr. Rossi:

Please be advised that Cucamonga County Water District ("CCWD") has an agreement with West San Bernardino County Water District ("WSBCWD") whereby CCWD will purchase 500 acre feet of WSBCWD's stored Chino Basin groundwater. Please credit the 500 acre feet to CCWD's local storage account.

Enclosed please find:

- Form 3 - Application for Sale or Transfer of Right to Produce Water from Storage
- Form 4 - Application or Amendment to Application to Recapture Water in Storage
- Form 5 - Application to Transfer Annual Production Right or Safe Yield
- Map of CCWD's Chino Basin Wells

CCWD requests that this transaction be agendized for the next available Appropriative Pool meeting.

Should you have any questions, please contact me. Thank you.

Respectfully,

Robert A. DeLoach
General Manager/CEO

Enclosures

HENRY L. STOY
President

JAMES V. CURATALO, JR.
Vice President

ROBERT NEUFELD
Director

JEROME M. WILSON
Director

RANDALL J. REED
Director

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APPLICATION FOR SALE OR TRANSFER OF RIGHT TO PRODUCE WATER FROM STORAGE

TRANSFER FROM LOCAL STORAGE AGREEMENT # _____

West San Bernardino County Water District

December 19, 2003

Name of Party

Date Requested

_____ Date Approved

855 W. Baseline Road

500 Acre-feet

_____ Acre-feet

Street Address

Amount Requested

Amount Approved

Rialto

CA

92376

City

State

Zip Code

Telephone: (909) 875-1804

Facsimile: (909) 875-7284

Anthony W. Araiza

Applicant

TRANSFER TO:

Cucamonga County Water District

Attach Recapture Form 4

Name of Party

10440 Ashford Street

Street Address

Rancho Cucamonga

CA

91730

City

State

Zip Code

Telephone: (909) 987-2591

Facsimile: (909) 476-8032

Have any other transfers been approved by Watermaster between these parties covering the same fiscal year?

Yes []

No [X]

WATER QUALITY AND WATER LEVELS

What is the existing water quality and what are the existing water levels in the areas that are likely to be affected?

Static water levels vary from 434' to 495'. Of the wells routinely pumped, nitrate levels vary from a low of 4.0 ppm to a high of 40 ppm.

MATERIAL PHYSICAL INJURY

Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in Material Physical Injury to a party to the Judgment or the Basin?

N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Applicant

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

**APPLICATION OR AMENDMENT TO APPLICATION
TO
RECAPTURE WATER IN STORAGE**

APPLICANT

<u>Cucamonga County Water District</u>		<u>December 19, 2003</u>	_____
Name of Party		Date Requested	Date Approved
<u>10440 Ashford Street</u>		<u>500</u> Acre-feet	_____ Acre-feet
Street Address		Amount Requested	Amount Approved
<u>Rancho Cucamonga</u>	<u>CA</u>	<u>91730</u>	<u>Varies</u>
City	State	Zip Code	Projected Rate of Recapture
			<u>July 1, 2003 – June 30, 2004</u>
			Projected Duration of Recapture
Telephone: <u>(909) 987-2591</u>		Facsimile: <u>(909) 476-8032</u>	

IS THIS AN AMENDMENT TO A PREVIOUSLY APPROVED APPLICATION? [] YES [X] NO
IF YES, ATTACH APPLICATION TO BE AMENDED

IDENTITY OF PERSON THAT STORED THE WATER: West San Bernardino County Water District

PURPOSE OF RECAPTURE

- Pump when other sources of supply are curtailed
- Pump to meet current or future demand over and above production right
- Pump as necessary to stabilize future assessment amounts
- Other, explain _____

METHOD OF RECAPTURE (if by other than pumping) (e.g. exchange)

N/A

PLACE OF USE OF WATER TO BE RECAPTURED

Within Cucamonga County Water District's service area (see attached map) Management Zone 2

LOCATION OF RECAPTURE FACILITIES (IF DIFFERENT FROM REGULAR PRODUCTION FACILITIES).

N/A

WATER QUALITY AND WATER LEVELS

What is the existing water quality and what are the existing water levels in the areas that are likely to be affected?

Static water levels vary from 434' to 495'. Of the wells routinely pumped, nitrate levels vary from a Low of 4.0 ppm to a high of 40 ppm.

MATERIAL PHYSICAL INJURY

Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in Material Physical Injury to a party to the Judgment or the Basin?

N/A

ADDITIONAL INFORMATION ATTACHED Yes [] No [X]

Applicant

TO BE COMPLETED BY WATERMASTER

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION
TO
TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2003 - 2004

Commencing on July 1, 2003 and terminating on June 30, 2004, West San Bernardino County Water District ("Transferor") hereby transfers to Cucamonga County Water District ("Transferee") the quantity of 500 acre-feet of corresponding Annual Production Right (Appropriative Pool) or Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

- (1) Transferee shall exercise said right on behalf of Transferor under the terms of the Judgment and the Peace Agreement and for the period described above. The first water produced in any year shall be that produced pursuant to carry-over rights defined in the Judgment. After production of its carry-over rights, if any, the next (or first if no carry-over rights) water produced by Transferee from the Chino Basin shall be that produced hereunder.
- (2) Transferee shall put all waters utilized pursuant to said Transfer to reasonable beneficial use.
- (3) Transferee shall pay all Watermaster assessments on account of the water production hereby Transferred.
- (4) Any Transferee not already a party must intervene and become a party to the Judgment.

TO BE EXECUTED by both Transferor and Transferee, and to be accompanied by a general description of the area where the Transferred water was to be Produced and used prior to the Transfer, and where it will be Produced and used after the Transfer. This general description can be in the form of a map.

WATER QUALITY AND WATER LEVELS

What is the existing water quality and what are the existing water levels in the areas that are likely to be affected?

Static water levels vary from 434' to 495'. Of the wells routinely pumped, nitrate levels vary from a low of 4.0 ppm to a high of 40 ppm.

MATERIAL PHYSICAL INJURY

Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in Material Physical Injury to a party to the Judgment or the Basin?

N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Transferor

Transferee

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

II. BUSINESS ITEMS

- A. Request from City of Chino
Credit Against OBMP
Assessments (Form 7)**
 - Discuss Policies Regarding
Requests for Credits Against
OBMP Assessments



CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

STAFF REPORT

DATE: February 12, 2004
February 17, 2004
February 26, 2004
March 1, 2004

TO: Committee Members
Watermaster Board Members

SUBJECT: City of Chino Form 7 Application for Credit Against OBMP Assessments

SUMMARY

Issue – City of Chino Form 7 Application for Credit

Recommendation – Staff requests input on related policies.

Fiscal Impact – Applicant requests credit be limited to OBMP Assessments attributable to production made possible by an Ion Exchange Facility. No fiscal impact on the Watermaster budget.

BACKGROUND

On September 18, 2003 the City of Chino submitted an Application for Reimbursement or Credit Against OBMP Assessment with a completed Form 7.

Pursuant to the Watermaster Rules and Regulations Section 10.9, any producer may make Application to Watermaster to obtain a credit against OBMP Assessments or for reimbursement by filing an Application that identifies the party seeking the credit, describes the specific purposes of the OBMP satisfied by the proposed project, identifies the time at which the project is proposed to be implemented and a schedule for completion, identifies the projected cumulative project costs, and that identifies the specific capital or operations and maintenance expenses to be incurred in the implementation of the project.

Under the Peace Agreement Section 5.4(d) Watermaster shall exercise reasonable discretion in making its determination, considering the importance of the project to the successful completion of the OBMP, the available alternative funding sources, and the professional engineering and design standards as may be applicable under the circumstances. However, Watermaster shall not approve such a request for a credit against future OBMP Assessments where the party was otherwise legally compelled to make the improvement.

SUMMARY AND ANALYSIS

The City of Chino's Benson Avenue Ion Exchange Facility will be located on property owned by the City on Benson Avenue, Southerly of Francis Avenue in the City of Chino. According to the Application, source water for the Facility is to be pumped from the existing wells No. 5 and No. 9. These wells have capacities of 1,350 gpm and 2,500 gpm, respectively. It is unclear from the Application whether these wells are currently in operation, or will be made operational by the construction of the Facility. The Facility will have the capacity to treat up to approximately 5,000 gpm of groundwater supplied by these wells.

According to the Application, the Facility will use ion exchange equipment to remove perchlorate and nitrate from the raw water produced by the groundwater wells.

According to the Application, the project will contribute to the success of Program Elements 3 and 7. The Application states that Program Element 3 (Develop and Implement a Water Supply Plan for the Impaired Areas of the Basin) will be met because the Facility will remediate poor water quality and preserve existing well capacity within the Basin. The Application states that Program Element 7 (Salt Management) will be enhanced with removal of nitrate and perchlorate.

Construction of the Facility is scheduled to begin in early 2004 and plant testing is anticipated to occur in late 2004. The Facility is scheduled to be fully constructed and operational in late 2004.

The City of Chino requests a credit in the amount of \$4,694,373 to be distributed over the remaining term of the Peace Agreement for an approximate yearly credit of \$173,865. However, according to the Application, the credit may be limited to the City's total OBMP assessment attributable to the production from the Facility.

Watermaster's analysis of Material Physical Injury with reference to this Application is limited to the request for a credit, and not to the construction or operation of the facility. Based upon the limited scope of this analysis, Watermaster does not believe that any Material Physical Injury would result to any party or to the Basin from the granting of the credit.

Staff discussed the form submitted by the City of Chino with the Pools on October 9. Staff received direction on beginning an analysis for further Watermaster consideration.

POLICY CONSIDERATIONS

Mark Wildermuth was tasked to review the various language contained in the Peace Agreement and Rules and Regulations, with respect to the issue of requested credit against OBMP Assessments. Further, he looked at the rationale of how projects implemented by the parties could be eligible for credit consideration. The attached letter report describes his findings and recommendations.

CONCLUSION

Staff concurs with Mr. Wildermuth's analysis that the language of the OBMP details projects or operations that carry out the "purposes of the OBMP" be considered for credit and that "purposed" could be interpreted to mean only those programs and projects that are contained in the OBMP Implementation Plan. Attached Table outlines how this interpretation could be implemented in terms of projects eligible for credit and consideration.

Staff looks for feedback from the Pools on the policy implementations of the language in The Peace Agreement, and to discussion regarding the next steps in the process. Staff believes that once a determination is made regarding this policy issue, staff can finish the analysis of the Form 7 credit request from the City of Chino.

Wildermuth Environmental, Inc.
23692 Birtcher
Lake Forest, California 92630
Tel. 949 420-3030
Fax. 949 420-4040
Email mjjw@wildh2o.com

November 19, 2003

Chino Basin Watermaster
Attention: John Rossi, Chief Executive Officer
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, CA 91730-4665

Subject: Review of Peace Agreement and Rules and Regulations regarding eligibility for credits against OBMP assessments and reimbursement.

Dear John:

Per your request I have reviewed the Peace Agreement and Watermaster's Rules and Regulations regarding eligibility for credits against OBMP assessments and reimbursement. I have made an attempt to describe what type of projects, programs and activities could be eligible and the basis for this opinion. Clearly this is a legal issue and Michael Fife and Scott Slater should review this letter.

Peace Agreement Section 5.4 (d)

This section gives direction to Watermaster to "adopt reasonable procedures to evaluate requests for OBMP credits against future OBMP assessments or for reimbursements." Further it direct Watermaster

"to exercise reasonable discretion in making its determination, considering the importance of the project or program to the successful completion of the OBMP, the available alternative funding sources, and professional engineering design standards as may be applicable under the circumstances."

This section also provides direction to potential applicants that their projects or programs in their application must carry out "the purposes of the OBMP..."

Rules and Regulations, Section 4.5 (a) & (b)

This part of the Rules and Regulations follows the Peace Agreement very closely and is meant to implement Peace Agreement Section 5.4 (d). Section 4.5(b) states that

"A party to the Judgment is eligible to be considered for credits or reimbursements for those documented capital, operations and maintenance expenses, includingthat are reasonably incurred in the implementation of any project or program that carries out the purposes of the OBMP upon approval of the request by Watermaster. The purposes of the OBMP shall be those goals set forth in the Phase I Report as implemented through the OBMP Implementation Plan, in a manner consistent with the Peace Agreement including but not limited to, the prevention of subsidence in the Basin" (emphasis added).

The "OBMP Implementation Plan" is defined to be Exhibit B to Peace Agreement.

The definition of the phrase "purposes of the OBMP" provides direction as to what projects and programs could be eligible for credits against OBMP assessments or reimbursements. A strict interpretation of the term "purposes of the OBMP" means that only those programs and projects that are contained in the OBMP Implementation Plan are eligible. It is not enough that a project, program or activity be consistent with the goals of the OBMP – it must implement the OBMP as described in the OBMP Implementation Plan. I reviewed the OBMP Implementation Plan in an effort to identify actions by Parties that would be eligible for credits against OBMP assessments or reimbursements. These are listed in the attached table. This table is not exhaustive as there are probably many small tasks that could be done by a Party that would qualify for a credit or reimbursement. The items of significance include future recharge facilities and related activities, future desalters, new facilities and related cost to implement a long-term management program for MZ1, and some future storage and recovery program costs.

Projects, Program, Activities that Could Be Eligible

The OBMP Implementation Plan requires that the recharge master plan be updated every five years starting in 2005. If this update recommends new facilities (basins, recharge wells, treatment plants) not currently in the Chino Basin Facilities Improvement Project, and a Party elects to construct one or more of these new facilities, then the Party could be eligible for a credit against the OBMP assessments or reimbursement. Operations and maintenance activities done by a Party for the recharge facilities currently under construction or new future facilities could also be eligible.

The Peace Agreement section 7.4 (c)(i) - (iii) describes the process for the funding of future desalters.

- "(i) If, after the earlier of ten years, or the conversion of 20,000 acres of agricultural land, Watermaster, in its discretion, determines that Future Desalters are necessary to implement the OBMP, IEUA or WMWD, acting independently or in their complete discretion acting through PC14, shall have a period up to thirty-six (36) months to secure sufficient funding from State or Federal sources to pay for all the capital costs required to construct Future Desalters;
- (ii) If IEUA or WMWD, acting independently or in their complete discretion acting through PC14 cannot secure funding, the Parties, other than the Agricultural Pool, will exercise Best Efforts to negotiate new terms and conditions so as to accomplish the implementation of this portion of the OBMP;
- (iii) If, however, the Parties, other than the Agricultural Pool, are unable to negotiate new terms to this Agreement within twenty-four (24) months from the initiation of negotiations, may appoint a mutually agreed upon mediator. Failing an agreement, the Parties reserve all legal rights and remedies, provided that the Agricultural Pool shall not be liable for the costs of the Future Desalters. The remainder of this Agreement shall remain in full force and effect."

The Peace Agreement provides a process to determine need for the future desalters, and if found necessary, a process to determine how the capital cost will be funded. If IEUA and WMWD cannot obtain state or federal funding, then it is very possible that one or more Parties could fund future desalters and subsequently be eligible for a credit against the OBMP assessments or reimbursement. Only future desalters as anticipated by the OBMP Implementation Plan should be eligible for a credit against the OBMP assessments or reimbursement. Other groundwater treatment concepts would not be eligible as they are not explicitly included in the OBMP Implementation Plan.

November 19, 2003

The long-term management program for MZ1 has not been developed and thus it is not yet clear what types of projects, programs or activities from this part of the OBMP Implementation Plan could be eligible for a credit against the OBMP assessments or reimbursement.

Finally, there is a possibility that the capital and O&M costs for some facilities owned by Parties that are used to enable future storage and recovery programs might be eligible for a credit against OBMP assessments or reimbursement. For example, if a Party were to agree to use (or to construct and use) their surface water treatment plant capacity to do in-lieu recharge as part of a regional storage and recovery plan, then that Party could be eligible for a credit against OBMP assessments or reimbursement if such a provision was not included in the agreements that enabled the storage and recovery program.

Please call me if you have any questions. I think it would further the cause if Michael and Scott were to review and refine my analysis.

Sincerely,

Wildermuth Environmental, Inc.

A handwritten signature in black ink, appearing to read "Mark J. Wildermuth". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark J. Wildermuth, MS, PE
President, Principal Engineer

Table 1 Initial List of Programs and Project for Form 7 Applications

Program Element and Activity	Potential Action by a Party that Could be Eligible for Credit Against OBMP Assessment or for Reimbursement
1 Develop and Implement Comprehensive Monitoring Program	
Groundwater Level Monitoring Program	Conduct groundwater level monitoring at private wells ¹
Groundwater Quality Monitoring Program	Obtain and analyze groundwater samples at private wells ¹
Production Monitoring Program	Collect groundwater production at private wells ¹
Surface Water Discharge and Quality Monitoring Program	Collect surface water discharge and quality data per hydraulic control monitoring plan ¹
Ground Level Monitoring Program	Conduct ground level monitoring (surveying and INSAR)
Well Construction, Abandonment and Destruction Monitoring	Conduct field inspections and follow up with Counties and well owners
	Database Management for the PE 1 Monitoring Activities
2 Develop and Implement Comprehensive Recharge Program	
	Construct and/or maintain recharge facilities per the Phase 2 Recharge Master Plan Design, build, and maintain new recharge facilities identified in subsequent recharge master plans
3 & 5 Develop and Implement Water supply Plan for the Impaired Areas of the Basin & Develop and Implement Regional Supplemental Water Program	
	Design, build, and operate desalters beyond current (2003) Desalter 1 expansion and initial capacity of Desalter 2 ²
4 Develop and Implement Comprehensive Groundwater Management Program for Management	
	Design, build, and operate programs and facilities that are included in the Long-term Management Plan for MZ1
6 & 7 Develop and Implement Cooperative Programs with the Regional Board and Other Agencies to Improve Basin Management and Salt Management Program	
	Coordinate and support RWQCB and other agencies ¹ Prepare salt budget computations ¹
8 & 9 Develop and Implement Groundwater Storage Management Program & Develop and Implement Storage and Recovery Programs	
	Develop and implement storage programs that provide regional benefit Compute safe yield in year 2010/11 and every ten years thereafter

Note 1 -- Form 7 request would be limited to Watermaster staff activities and would not include cooperative efforts by the Parties that were assumed in PE 1.

Note 2 -- The Peace Agreement and Rules and Regulations have specific obligations and processes regarding the funding of future desalters that must be played out prior to filing a Form 7 request.

CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

II. BUSINESS ITEMS

- B. Regional Water Quality Control
Board on Water Quality Anomaly
South of Ontario Airport**
Consider Expenditure to Provide
Consulting Assistance



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

STAFF REPORT

DATE: February 12, 2004
February 17, 2004
February 26, 2004
March 1, 2004

TO: Committee Members
Watermaster Board Members

SUBJECT: RWQCB Need for Assistance to Issue Clean Up and Abatement Orders

Summary

Issue - Evidence Exists to Issue Clean Up and Abatement Orders to Certain PRP's for Groundwater Contamination related to the Ontario Airport

Recommendation – The Pools unanimously recommend authorizing the expenditure not-to-exceed \$25,000 to provide assistance to the Regional Water Quality Control Board relative to the Ontario Airport plume.

Fiscal Impact – Staff anticipates the cost to provide assistance to RWQCB from \$20,000 to \$25,000 to prepare the Orders. Staff is not able to prepare an estimate of the potential costs to support the RWQCB once the Orders are issued.

Background

The attached draft memorandum outlines the history of the contamination related to the Ontario Airport, the potential responsible parties (PRP's), the types of samples and evidence collected to date, and the types of compounds of concern found in the area. This memorandum was prepared from the studies and reports outlined on the attached list of references and by examination of files located at the offices of the Regional Water Quality Control Board.

The staff of the RWQCB has indicated that due to state budget constraints, they need the assistance of the Watermaster by way of consulting time to be used to write Clean Up and Abatement Orders. Otherwise, they have estimated that it may be years before any Orders are issued. Staff estimates that the cost to provide staff (to work at the Board's discretion) to write up the Orders would be between \$20,000 and \$25,000.

At the November meetings, staff was asked to provide an estimate of the potential costs to support the Board once the PRP's begin responding to the Orders. As it is not possible to estimate the level of cooperation, or lack thereof, by the PRP's, staff can not estimate these costs at this time.

At the January Pool meetings the Agricultural Pool directed staff to bring this item back at their February meeting and invite the Regional Board staff to attend to discuss the issues. The Appropriative Pool and Non-Agricultural Pool took action to move forward with assisting the RWQCB, and the Appropriative Pool conditioned their approval to the \$25,000 with a requirement that Watermaster begin seeking reimbursement for costs expended. The Agricultural Pool deferred action on the item and requested the staff from the RWQCB be present at the February Pool meeting to discuss the issue. The Advisory Committee deferred action on the item to allow time for the Agricultural Pool to receive more information and to meet with RWQCB staff. The Watermaster Board considered the item, and deferred action on staff's recommendation. The Board took action to direct staff to meet with local legislators to inform them of the importance of the issue of contamination from the Ontario Airport (1950's to 1970's), and to share the Board's concern with the impact of the state's budget crisis on the RWQCB's ability to pursue the Potential Responsible Parties.

Recommendation

Staff recommends that the Watermaster consider providing the funding for consulting time, to get the orders issued, and then make a subsequent determination on whether or not to proceed further. Action to move forward with the issuance of orders would not obligate Watermaster for further funding. Watermaster would have full discretion to decide on continuing to support future work or not. Staff believes that this assistance is in the best interest of the parties as the recent water quality monitoring indicates that the potential plume from the airport will impact the Desalter operations in the near future. Staff believes it is prudent to consider accelerating the time frames associated with clean up of this problem. This item needs to be brought back in the month of February allowing the Agricultural Pool time to take action on staff's recommendation.

The Pools have taken unanimous action to recommend expenditure not to exceed \$25,000 to provide consulting assistance for the preparation of draft orders and directed staff to seek reimbursement from PRP's or any funds expended.

DRAFT
MEMORANDUM

DATE: December 10, 2003

TO: Robert L. Holub, Chief
Groundwater Investigation Section
Regional Water Quality Control Board

John V. Rossi, CEO
Chino Basin Watermaster

FROM: Traci Stewart

SUBJECT: **Groundwater Contamination Originating from Historical Activities at the Ontario International Airport**

SUMMARY

The purpose of this memorandum is to describe the recent review and assessment of information available regarding potentially responsible parties (PRPs) at the Ontario International Airport (OIA) so that the Regional Water Quality Control Board (Regional Board) staff can determine whether further investigation is necessary or cleanup and abatement orders can be issued. During this review, the work focused on PRPs previously identified for the Regional Board, specifically those having a high probability of being responsible for the volatile organic chemical (VOC) contamination tributary to the Chino Desalter 1.

The criteria for the Regional Board to issue clean-up and abatement or investigative orders under Section 13267 of the California Water Code was clarified in a February 11, 2002 internal memorandum by the State Water Resources Control Board's (SWRCB) Chief Counsel, Craig M. Wilson, regarding recent amendments to the Porter-Cologne Water Quality Control Act, resulting from Assembly Bill No. 1664 (2001). According to Mr. Wilson's memorandum, the Regional Board can issue a Cleanup and Abatement Order provided that:

- a. there is a basis for suspicion;
- b. the suspected dischargers are provided with a written explanation as to why the requirement is being made; and
- c. the evidence on file is identified.

From the Porter-Cologne Water Quality Control Act (2003):

Investigative Order (Section 13267). In conducting an investigation specified in subdivision (a), the regional board may require that any person who has discharged, discharges, or is suspected of having discharged or discharging, or who proposes to discharge waste within its region, or any citizen or domiciliary, or political agency or entity of this state who has discharged, discharges, or is suspected of having discharged or discharging, or who proposes to discharge, waste outside of its region that could affect the quality of waters within its region shall furnish, under penalty of perjury, technical or monitoring program reports which the regional board requires. The burden, including costs, of these reports shall bear a reasonable relationship to the need for the report and the benefits to be obtained from the reports. In requiring those reports, the regional board shall provide the person with a written explanation with regard to the need for the reports, and shall identify the evidence that supports requiring that person to provide the reports.

Cleanup and Abatement Order (Section 13304). Any person who has discharged or discharges waste into the waters of this state in violation of any waste discharge requirement or other order or prohibition issued by a regional board or the state board, or who has caused or permitted, causes or permits, or threatens to cause or

permit any waste to be discharged or deposited where it is, or probably will be, discharged into the waters of the state and creates, or threatens to create, a condition of pollution or nuisance, shall upon order of the regional board, clean up the waste or abate the effects of the waste, or, in the case of threatened pollution or nuisance, take other necessary remedial action, including, but not limited to, overseeing cleanup and abatement efforts.

Because contamination of groundwater downgradient of OIA is well documented and prior investigations already identified the potentially responsible parties and their operations, further investigative orders are probably not necessary and cleanup and abatement orders can be written.

From the investigations and information searches, the Regional Board could at a minimum issue cleanup and abatement orders to the responsible parties listed in Table 1 (year in parentheses is the estimated first year of operations at OIA):

- Aerojet General Corporation (1958)
- California Air National Guard at Ontario (1952)
- Department of Airports (1957)
- Lockheed Martin Corporation (1952)
- McDonnell Douglas Aircraft Company (1952)
- Northrop Aviation Corporation (1950)
- Otto's Instrument Service (1953)

Collectively, these investigations identified between 20 and 42 potentially responsible parties (inclusive of those listed in Table 1). Parties were considered to have a high probability of being responsible for – at least a portion – of the groundwater VOC contamination and were included in Table 1 only if they met the following three criteria:

- They were a confirmed (suspected based on operations, if not confirmed) VOC user;
- They were confirmed dischargers (surface drainage, septic/leach fields, spills, leaks) and
- There are site-specific analytical results from sampling that would lend evidentiary support that they may have caused the VOC contamination in groundwater.

The CDM (1988b) UTAHS report identified 20 PRPs, while the M/B& A (1992) report listed 42 PRPs. If the third criteria for listing in Table 1 - site-specific analytical results – is eliminated and one were to use only the guidance provided in Assembly Bill No. 1664, then cleanup and abatement orders could theoretically be issued to many more of the 42 PRPs. However, the short list of PRPs provided in Table 1 is based on a substantial amount of supporting evidence.

Regional Board has at least two options available when considering cleanup and abatement orders. One option would be to immediately issue cleanup and abatement orders to the parties listed in Table 1.

Another option would be for the Regional Board to meet with representatives of two or three PRPs (say Aerojet and Lockheed). At the meeting, Regional Board staff could brief them on the current status of the contamination, the Chino Basin Watermaster's Optimum Basin Management Program (OBMP), and the background information and supporting evidence that could lead to issuance of cleanup and abatement orders. It might be suggested to the PRPs that an alternative solution for them would be to form a working group of responsible parties (like a lower-profile Pyrite Canyon Group for the Stringfellow Acid Pits) to contribute to and/or build additional treatment facilities in that portion of Chino Basin, e.g., the Chino 1

or Chino 2 Desalters. The PRPs could also be asked to install and maintain a comprehensive groundwater monitoring network south of the 60 Freeway.

BACKGROUND

Information was initially reviewed for two primary purposes:

- Identify PRPs who were confirmed solvent users, or suspected users because their operations typically would have used solvents. Identify PRPs who had confirmed discharges, spills, or leaks that could have contributed to the contamination.
- Determine the actual extent and magnitude of the contamination tributary to the Chino 1 Desalter.

The Regional Board files contain primary information confirming whether a PRP had discharges, leaks or spills from operations known to have used VOCs in the past. Primary information regarding the current extent and magnitude of groundwater contamination tributary to the Chino Desalter 1 well field is contained in several databases, the most comprehensive being the groundwater water quality database maintained by the Chino Basin Watermaster.

ONTARIO INTERNATIONAL AIRPORT OVERVIEW

The references section of this memorandum contains a list of primary references utilized for the review and assessment of the available information. Briefly, OIA's history can be divided into the following timeline (CDM, 1988b; M/B&A, 1992):

1929 to 1940

Ontario International Airport was formally established in 1929 when the City of Ontario purchased 30 acres of land at the west end of the existing airfield. This effort was spearheaded by members of the American Legion Post 112 and the Ontario Aircraft Corporation. It was known as the Ontario Municipal Airport. During the 1930s it was operated at a low level of activity with funds received from lessees.

1940 to 1947

OIA was managed by the federal government thru World War II. Activities at the airport included pilot training for the US Army Air Corps and serving as a base of operations for P-59 aircraft in addition to continued domestic freight services. The airport was returned to the City of Ontario for management on Armistice Day 1947.

1947 to 1959

OIA began its change to a modern airport in the post-war industrial boom of the 1950s. New tenants included Northrop Aircraft Company (1950), Lockheed Aircraft Service (1952), Douglas Aircraft Company (1952), Southern California Aircraft Corporation, Wells Aviation, California Air National Guard (1952), General Electric Aviation (1955) and Aerojet General Corporation (1958).

1960 to 1970

During this time period, numerous airlines established passenger service routes to and from OIA and Lockheed Air Terminal assumed fueling operations from Les Farrar Aviation. Also, the City of Ontario entered into a Joint Powers Agreement with the City of Los Angeles in 1967 giving the City of Los Angeles control of the airport in exchange for assumption of its airport related debt.

1971 to 1985

Many additional passenger and freight carriers used OIA during this time period. Between 1979 and 1981, the San Bernardino County Flood Control District lined the previously unlined portion of the main channel of Cucamonga Creek in three phases. The West Branch of Cucamonga Creek only received minor work under this project and no work was performed within the boundaries of OIA on the West branch as part of this project. The West Branch empties into the three percolation basins along Philadelphia Street known as the Ely Basins. In 1985, complete ownership and operation of OIA was transferred to the City of Los Angeles.

CONFIRMED PRPS

In 1985, many municipal drinking water wells were sampled pursuant to Assembly Bill 1803. In 1986, the Metropolitan Water District of Southern California sampled 149 private water supply wells in the basin as part of the environmental investigation conducted as part of the planning phase of a conjunctive use program. Since that time, Regional Board staff also sampled a limited number of private water supply wells (28) located south of the OIA. Concentrations of TCE ranging from 0.6 ppb to 156 ppb were found in these wells.

In 1986, Regional Board staff initiated investigations to identify the source of the VOCs in the wells by attempting to identify former and existing facilities in the area which may have used solvents. Subsequently, it was determined that OIA was the likely source of the VOCs, and over twenty facilities inspections were conducted at OIA in 1987. In 1988, Regional Board staff requested that the Los Angeles Department of Airports (DOA) conduct a study to identify potential sources of TCE and PCE at OIA. The first phase of this study involved current and past tenants of OIA. The second phase focused on facilities that were in operation more than 20 years and that were known or suspected to have used solvents.

Partially as a result of this request, CDM (1988a and 1988b) conducted several studies/investigations for DOA. CDM's assistance was provided as part of DOA's comprehensive Underground Tanks and Hazardous Substances (UTAHS) program. The program was designed to bring airport facilities into compliance with federal, state and local regulations dealing with past, present, and future hazardous materials handling. A table entitled, "*Chronological History of Ontario International Airport*" from CDM (1988a) is included in Appendix A. Several tables identifying tenants interviewed and summarizing various confirmed tenant activities from the CDM UTAHS report are included in Appendix B.

The specific findings for five of the six main compliance areas of the CDM (1988b) UTAHS investigation regarding OIA were:

- 20 tenants performed activities involving the audited compliance areas of the program (see Appendix B).

Underground Storage Tanks (USTs)

- OIA had 71 active or inactive USTs.
- Many of the inactive tanks were believed to contain residual fuels or other liquids and did not appear to be properly abandoned.
- All active OIA tanks appeared to meet the less stringent requirements imposed by San Bernardino County.
- A total of 18 USTs at OIA have reportedly failed past pressure tests indicating the possibility for leakage. Some of these tanks were repaired or taken out of service.

- 14 USTs had been removed at OIA at the time of investigation.

Hazardous Waste

- A total of 16 tenants were identified during the audit as hazardous waste generators, 2 of which were categorized as large quantity generators (> 1000 kg/month).
- Five of the 16 tenants identified as generating hazardous waste could not produce the required permits.

Spill Control

- A total of 20 tenants at OIA had amounts of hazardous material (generally 55 gallons at any one time) which necessitated a Business Plan preparation by California Law.
- At the time of the study, four of these tenants had filed the requisite Business Plans with the local enforcement agency.
- Three tenants were identified during the audit who store petroleum products in USTs or aboveground storage tanks (AST) in quantities (>42,000 gallons in USTs, >1,320 gallons in ASTs, or >660 gallons in any one AST) necessitating Spill Prevention Control and Countermeasure (SPCC) plan preparation.
- Two of the tenants who required SPCC plans had prepared plans which were available for review during the audit.

Wastewater

- A total of 11 tenants were identified as industrial waste dischargers during the audit.
- Two of the tenants discharging industrial wastewaters to the sanitary sewer system were regulated by the local sewerage agency possessing industrial discharge permits.
- Four tenants were believed to be discharging wastewaters to surface waters, although no approval for such discharge in the form of NPDES permits could be identified at the time of the audit.

In 1992, the Regional Board was provided with another comprehensive information search prepared by Meredith/Boli & Associates at the request of General Electric. Copies of summary tables found in the report are included in Appendix C. This report included copies of aerial photographs evaluated as part of the information search.

In addition to the general investigations or studies discussed above, several specific investigations were conducted at the request of the Regional Board during this same time period. Specific investigations were conducted by Aerojet General, California Air National Guard (CANG), and Lockheed Aircraft Service Corporation.

These specific investigations conducted included soil-gas and soil analyses at several agreed upon locations at OIA and groundwater sampling and analyses at selected wells immediately downgradient of OIA. For Aerojet, the Phase 1 investigation found concentrations of TCA and PCE ranging between 1.0 ppb and 9.0 ppb in 5 of the 26 Aerojet soil-gas samples. For Lockheed, TCE, PCE, DCE, and TCA were detected in low concentrations ranging between 2.0 ppb and 44.0 ppb in 14 of the 23 soil-gas samples. The CANG investigations resulted in a Decision Document to Support No Further Response Action Planned for Installation Restoration Program Sites and Areas of Suspected Contamination Ontario Air National Guard Station Ontario, California being approved in 2000. It is unclear whether there is still a

responsibility for any contaminants that may have reached the groundwater as a result of CANG historical operations.

Table 1 below summarizes the results of the review and assessment of the information on file at the Regional Water Quality Control Board – Santa Ana Region for parties that were confirmed or suspected solvent users who also had confirmed discharges, leaks, septic tanks/leach fields, and detectable analytical laboratory results for on-site soil, soil gas or sludge.

Among the information searches and investigations conducted, as many as 42 potentially responsible parties were identified by 1992.

EXTENT OF CONTAMINATION

Table D-1 in Appendix D summarizes a query Chino Basin Watermaster's relational database of groundwater quality. Data stored in this database include sampling conducted by Watermaster as part of its comprehensive groundwater quality monitoring program, as well as results from public sources (individual agencies and companies and the State of California Department of Health Services (DHS) database. The geographic area covered by the query is the entire area south of the OIA from its western most to eastern most point, to the Chino Desalter 1 well field (see Figure 1). Table D-1 summarizes the sampling results for all constituents in this data subset that exceeded federal or state maximum contaminant or action levels, not just VOCs. Table 2 summarizes Table D-1 for VOCs in the area south of the OIA. TCE is now found in approximately 23 percent of the wells sampled in this area from 2000 to the present with some samples have concentrations in excess of 200 times the MCL.

Table 1
PRPs at Ontario International Airport with Direct Evidence of Solvent Use, Discharge, and Site-Specific Investigations

PRP	Estimated First Year of Operation	Confirmed Activity/Suspected Solvent Use	Confirmed or Suspected Discharge ¹	Site-Specific Investigations/Analytical Results ²	Source(s) ³
Acrojet General	1958	Solvent User. TCE, PCE and chlorinated solvent wash. (M/B&A).	Discharged wastes to the Cucamonga Creek near current US Post Office location – vacated premises several years ago – Also has septic tank & leach field (CDM 1988b); Discharged wastewater to Cucamonga Creek via a drain line. Building Department listed several cesspool and septic tanks installed from 1958 to 1978. (M/B&A). A leach field was reported by CDM (1988).	Soil-Gas Analyses: TCA, PCE Range = 1.0 to 9.0 ppb Detected in 5 of 26 samples (Regional Board Status Report).	CDM 1988b; M/B&A; Regional Board Status Report
California Air National Guard, Ontario	1952	Solvent User. Paint Solvent, waste oil, solvents, MEK, naphtha, mineral spirits, "paint stripping" and PD 680 cleaning solvent (M/B &A).	Maintenance/Wash rack facilities have discharged from sand and oil interceptors to Cucamonga Creek for years (CDM 1988b). Two septic tanks were identified (installation date unknown). A Building Department permit for a sanitary sewer connection was dated 1972. A clarifier hooked up to the vehicle wash area drained to Cucamonga Creek (per a SBDEHS Inspection Report, dated 2 April 1986) (M/B&A). During a 1989 Hazardous Waster Generator inspection, solidified paint was illegally discharged to the ground. "Leaking" waste oil drums were noted at CANG (according to a 1986 Fire Department Inspection Report). Hazardous materials (including solvents) were discharged/spilled onto the ground behind the vehicle maintenance shop (M/B&A).	Decision Document	CDM 1988b; M/B&A; Decision Document
Department of Airports	1957	Solvent User. Safety-Kleen solvent, mineral spirits, paint thinner, "clean floor super power heavy duty emulsion," and xylene/kerosene mix part cleaner (M/B&A)	A SBDEHS inspection noted discharge of effluent from wash racks and "moth oil" from the storage area, to a man-made dirt channel. Noted on an Engineering AS-Built Construction drawing (June 1956), a catch basin from the "Airport Maintenance Yard" leading to a drainage ditch was depicted (M/B&A).	Sludge from the tank (UGT) was analyzed for TRPH, semi-volatile organics, and volatile organics. Results indicated DCE (0.2 mg/kg), TCA (2 mg/kg), carbon tetrachloride (1 mg/kg), TCE (2 mg/kg) and PCE (0.2 mg/kg). Soil samples were non-detect. (M/B&A)	CDM 1988b; M/B&A
Lockheed Martin Corporation	1952	Solvent User. TCE, TCA, methyl ethyl ketone (MEK), mineral spirits, paint thinner, Shell 40 Solvent, methylene chloride, toluene, 2-Propanol, Safety-Kleen, Aliphatic hydrocarbon mixture, and lacquer thinner (M/B&A).	Greatest amount of documentation – see Section 4.1, M/B & A. Documented back to 1953 DWR report, CDM 1988b & M/B&A. Also McLaren/Hart reports.	Soil-Gas Analyses TCE, PCE, DCE, TCA Range 2.0 to 44.0 ppb 14 of 23 samples (Regional Board Status Report).	DWR; CDM 1988b; Regional Board Status Report
McDonnell Douglas Corporation	1952	Suspected Solvent User	Douglas reportedly discharged industrial wastewater (from aircraft cleaning) to unlined sumps where ponding occurred. The minimum discharge per month 7,640 cubic feet, maximum 13,820 cubic feet (103,374 gallons) (M/B&A).	Phenol, chromium, fluorine > Pollution Control Board phenol limit of 5 ppm at 9.5 ppm (M/B&A).	DWR; CDM 1988b; M/B&A
Northrop Aircraft Company	1950 - 1955	Suspected Solvent User	The minimum waste discharge per month from Northrop was 9,800 cubic feet; the maximum was 22,800 cubic feet (or 169,176 gallons). Effluent samples were taken [by DWR, 1953] from a poorly defined ditch emptying into a field & from a small unlined sump (M/B&A).	Phenol, chromium, fluorine > Pollution Control Bd phenol limit of 5 ppm at 12.6 ppm (M/B&A).	DWR; CDM 1988b; M/B&A
Otto's Instrument Service	1953	Solvent User. TCE, "Stoddard TCE," lacquer thinner, kerosene, and isopropyl alcohol (IPA) (M/B&A).	Dumped waste radium from aircraft instruments onto ground for years (CDM 1988b). Information retrieved from the Building Department included a 1953 application to install a 14-foot deep cesspool and a septic tank; a 1955 application to install a "new" 25-foot deep cesspool and a line bypassing the old cesspool. In 1969, an application was made for a sewer installation.	Radium - EPA Order to excavate contaminated soil (CDM 1988b).	CDM 1988b; M/B&A

¹ Discharges are confirmed discharges to unlined channels, ditches or sumps.

² Soil gas analyses listed if results detected VOCs.

³ May be reported in other sources as well.

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Chemicals or Water Quality Parameters Exceeding Federal or State Maximum Contaminant Levels or Action Levels**

Chemical	Period	Units	Status	Primary	Secondary	Primary	Secondary	CA AL	Maximum	# of Wells Sampled	# of Wells w/ Detects	# of Wells w/ Exceedances
				EPA MCL	EPA MCL	CA MCL	CA MCL					
1,1-DICHLOROETHANE	2000-Present	UG/L				5			13	139	9	4
1,1-DICHLOROETHANE	All Time Periods	UG/L				5			13	217	9	4
1,1-DICHLOROETHYLENE	2000-Present	UG/L	3	7		6			130	139	12	9
1,1-DICHLOROETHYLENE	All Time Periods	UG/L	3	7		6			130	217	12	9
1,2,3-TRICHLOROPROPANE	2000-Present	UG/L						0.005	0.200000	118	10	10
1,2,3-TRICHLOROPROPANE	All Time Periods	UG/L						0.005	0.200000	196	10	10
1,2-DICHLOROETHANE	2000-Present	UG/L	3	5		0.5			1.600000	139	10	9
1,2-DICHLOROETHANE	All Time Periods	UG/L	3	5		0.5			1.600000	217	10	9
ALUMINUM	1980-1989	UG/L	3	50		1000	200		200	3	1	1
ALUMINUM	1990-1999	UG/L	3	50		1000	200		870	82	3	2
ALUMINUM	2000-Present	UG/L	3	50		1000	200		80	118	3	1
ALUMINUM	All Time Periods	UG/L	3	50		1000	200		870	196	4	2

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				EPA MCL	EPA MCL	CA MCL	CA MCL					
BENZENE	2000-Present	UG/L	3	5		1			1.4	139	3	1
BENZENE	All Time Periods	UG/L	3	5		1			1.4	217	3	1
CHLORIDE	1990-1999	MG/L	3		250		250		390	100	100	5
CHLORIDE	2000-Present	MG/L	3		250		250		300	168	168	3
CHLORIDE	All Time Periods	MG/L	3		250		250		390	285	285	6
CHROMIUM (TOTAL)	2000-Present	UG/L	3	100		50			70	118	113	2
CHROMIUM (TOTAL)	All Time Periods	UG/L	3	100		50			70	196	187	2
CIS-1,2-DICHLOROETHYLENE	2000-Present	UG/L	3	70		6			390	139	16	6
CIS-1,2-DICHLOROETHYLENE	All Time Periods	UG/L	3	70		6			390	217	17	6
COLOR	1990-1999	UNITS			15				20	82	20	1
COLOR	2000-Present	UNITS			15				20	168	89	1
COLOR	All Time Periods	UNITS			15				20	196	99	2

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Chemical	Period	Units	Status	Primary	Secondary	Primary	Secondary	CA AL	Maximum	# of Wells Sampled	# of Wells w/ Detects	# of Wells w/ Exceedances
				EPA MCL	EPA MCL	CA MCL	CA MCL					
FLUORIDE (TEMPERATURE DEPENDENT)	Before 1970	MG/L	1	2					9	79	79	1
FLUORIDE (TEMPERATURE DEPENDENT)	1990-1999	MG/L	1	2					9	100	99	1
FLUORIDE (TEMPERATURE DEPENDENT)	All Time Periods	MG/L	1	2					9	281	281	2
FLUORIDE (TEMPERATURE DEPENDENT)	Before 1970	MG/L	3	4		1.4			9	79	79	1
FLUORIDE (TEMPERATURE DEPENDENT)	1990-1999	MG/L	3	4		1.4			9	100	99	1
FLUORIDE (TEMPERATURE DEPENDENT)	All Time Periods	MG/L	3	4		1.4			9	281	281	2
GROSS ALPHA	1990-1999	PC/L	3	15		15			44.3	82	82	33
GROSS ALPHA	2000-Present	PC/L	3	15		15			38.20000	118	112	25
GROSS ALPHA	All Time Periods	PC/L	3	15		15			44.3	196	191	58
IRON, TOTAL, ICAP	1990-1999	MG/L	3		0.3		0.3		1.1	82	8	1
IRON, TOTAL, ICAP	2000-Present	MG/L	3		0.3		0.3		2.400000	118	12	6
IRON, TOTAL, ICAP	All Time Periods	MG/L	3		0.3		0.3		2.400000	197	20	7
MANGANESE, TOTAL, ICAP	1990-1999	MG/L	3		0.05		0.05		0.24	82	7	2
MANGANESE, TOTAL, ICAP	All Time Periods	MG/L	3		0.05		0.05		0.24	196	12	2

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				EPA MCL	EPA MCL	CA MCL	CA MCL			Wells Sampled	Wells w/ Detects	Wells w/ Exceedances
NITRATE NITROGEN (NO3-N)	Before 1970	MG/L	3	10		10			46.9526	82	82	36
NITRATE NITROGEN (NO3-N)	1970-1979	MG/L	3	10		10			31.60271	32	32	18
NITRATE NITROGEN (NO3-N)	1980-1989	MG/L	3	10		10			11.73815	6	6	1
NITRATE NITROGEN (NO3-N)	1990-1999	MG/L	3	10		10			150	102	102	77
NITRATE NITROGEN (NO3-N)	2000-Present	MG/L	3	10		10			140	170	170	140
NITRATE NITROGEN (NO3-N)	All Time Periods	MG/L	3	10		10			150	287	287	209
ODOR THRESHOLD @ 60 C	2000-Present	TON			3				17	168	165	3
ODOR THRESHOLD @ 60 C	All Time Periods	TON			3				17	196	192	3
PERCHLORATE	1990-1999	UG/L						4	4.1	78	1	1
PERCHLORATE	2000-Present	UG/L						4	11	120	9	9
PERCHLORATE	All Time Periods	UG/L						4	11	197	10	10

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				EPA MCL	EPA MCL	CA MCL	CA MCL			Wells Sampled	Wells w/ Detects	Wells w/ Exceedances
PH (LABORATORY)	Before 1970				<6.5 OR >8.5				8.9	164	164	6
PH (LABORATORY)	1970-1979				<6.5 OR >8.5				8.4	64	64	2
PH (LABORATORY)	1980-1989				<6.5 OR >8.5				8.25	12	12	1
PH (LABORATORY)	2000-Present				<6.5 OR >8.5				8.25	346	346	1
PH (LABORATORY)	All Time Periods				<6.5 OR >8.5				8.9	578	578	9
TETRACHLOROETHYLENE	2000-Present	UG/L	3	5					29	139	20	7
TETRACHLOROETHYLENE	All Time Periods	UG/L	3	5					29	217	20	7
TOTAL DISSOLVED SOLIDS	Before 1970	MG/L			500				1252	59	59	31
TOTAL DISSOLVED SOLIDS	1970-1979	MG/L			500				1231	32	32	14
TOTAL DISSOLVED SOLIDS	1990-1999	MG/L			500				4634	102	102	81
TOTAL DISSOLVED SOLIDS	2000-Present	MG/L			500				1980	170	170	124
TOTAL DISSOLVED SOLIDS	All Time Periods	MG/L			500				4634	267	267	188
TOTAL RADON 222	2000-Present	PC/L	1	300					430	30	30	8
TOTAL RADON 222	All Time Periods	PC/L	1	300					430	40	40	8

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TRICHLOROETHYLENE	2000-Present	UG/L	3	5					1100	138	77	32
TRICHLOROETHYLENE	All Time Periods	UG/L	3	5					1100	216	107	32

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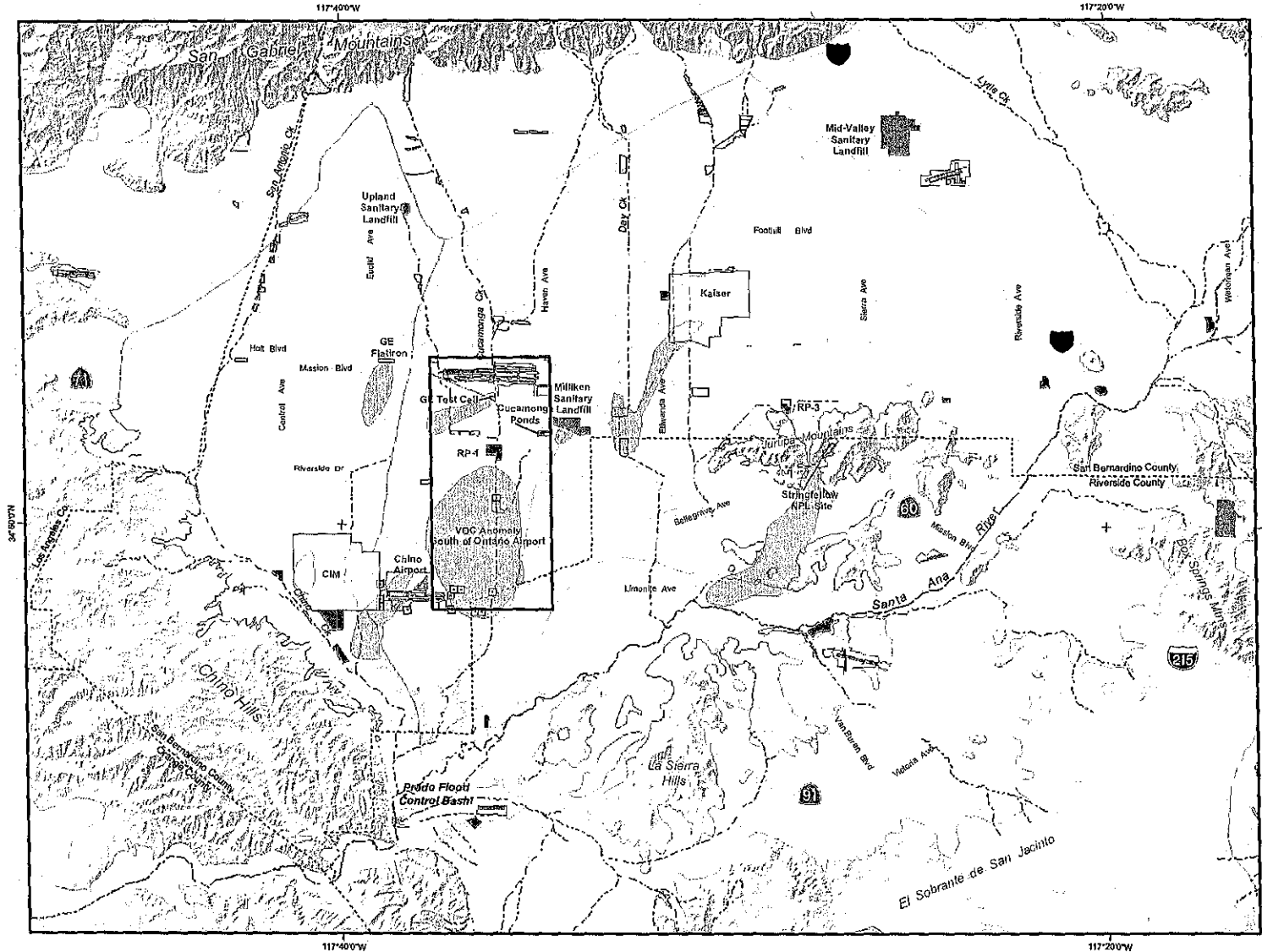
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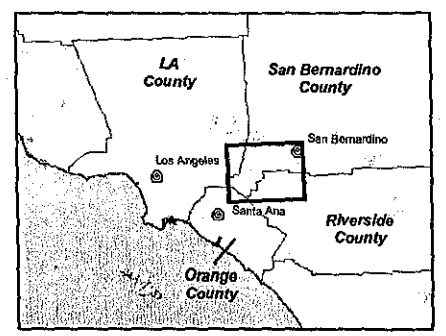
Table 2
 Summary of VOCs in Groundwater Downgradient of the Ontario International Airport

Constituent	Number of Wells		MCL (µg/L)	Maximum (µg/L)
	Sampled*	Exceeding MCL		
1,1-DCA (1,1-dichloroethane)	139/217	4	5	13
1,1-DCE (1,1-dichloroethene)	118/196	9	6	130
1,2,3-TCP (1,2,3-trichloropropane)	139/217	10	0.005	1.20
1,2-DCA (1,2-dichloroethane)	139/217	9	0.5	1.6
cis-1,2-DCE (cis-1,2-dichloroethylene)	139/217	6	6	390
PCE (tetrachloroethene)	139/217	7	5	29
TCE (trichloroethene)	138/216	32	5	1100

* # sampled from 2000-present/All time periods

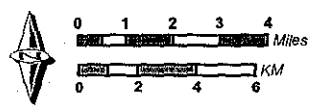


- Point Source Plumes of Concern
- Desalter Wells
- Location of Known Contamination Sources
- Municipal Wastewater Treatment Plants
- Landfills
- Flood Control and Conservation Basins
- Chino Basin
- Unconsolidated Sediments
- Consolidated Bedrock
- South of OIA Area



Produced by:
WE WILDERMUTH ENVIRONMENTAL, INC.
 23662 Bircher Drive
 Lake Forest, CA 92630
 949.420.3000
 www.wef-environment.com

Author: AEM/CKM
 Date: 2003/10/7
 File: h2o_quality_anomalies.mxd



Location of Known Contamination Sources and Related Water Quality Anomalies

Figure 1

REFERENCES

- California Regional Water Quality Control Board, Santa Ana Region. 1992. ITEM 14, Status Report on Investigations Regarding Chlorinated Volatile Organic Compounds in the Chino Basin. October 23, 1992. [pp. 8-12].
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CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

II. BUSINESS ITEMS

C. Basin Plan Amendment

Discuss Basin Plan Amendment
Language Relative to the Chino
Groundwater Basin



CHINO BASIN WATERMASTER

9641 San Bernardino, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

STAFF REPORT

DATE: February 12, 2004
February 17, 2004
February 26, 2004
March 1, 2004

TO: Committee Members
Watermaster Board Members

SUBJECT: Basin Plan Approval Language

SUMMARY

Issue – Basin Plan Commitments by Watermaster.

Recommendations – Staff has no recommendations at this time.

Fiscal Impact – None.

BACKGROUND

Watermaster has participated in the TDS/TIN activities for several years in anticipation of helping establish the groundwater basin objectives and to evaluate the need to request development of objectives based on maximum benefit rather than ambient water quality. Objectives based on ambient water quality criteria will not facilitate implementation of the OBMP as much as objectives based on maximum benefit, especially when hydraulic control of the basin is part of the OBMP and the criteria for maximum benefit can be demonstrated.

Watermaster and IEUA staffs have worked with the RWQCB for the past several years to incorporate the Maximum Benefit proposal for the Chino Groundwater Basin into the Basin Plan Amendment. In 2002, staff recommended and received approval to advocate for this proposal relative the Basin Plan Amendment. The principle commitments contained in the proposal were that Watermaster would forward the schedule for future desalter implementation to the RWQCB once filed with and approved by the court. The schedule is due to the court by September 2005.

DISCUSSION

In January, the RWQCB scheduled the Public Hearing for final consideration and approval of the Basin Plan Amendment for January 22, 2004. At the Appropriative Pool meeting of January 15, 2004, a comment was made that the language seemed to differ from the Peace Agreement commitment and court order of September 2000 relative to the schedule for future desalter implementation. The Pool took action to 1) direct staff to review the entire basin plan amendment language relative to Chino Basin Watermaster commitments, and 2) schedule a Special Conference Call Meeting of the Pool for Wednesday January 21, 2004.

Staff and counsel reviewed the language and reported to Pool members, during the conference call, that the language had been revised back to the previous and appropriate language, and that no other discrepancies were found. During the call, it was reported that the IEUA Board instructed staff to ask the RWQCB for a delay in processing the final approval of the Basin Plan. The Pool took action to direct staff to request a postponement for final approval until the March RWQCB meeting.

John Rossi, Rich Atwater, Mark Kinsey, and Ken Jeske made comments at the hearing on January 22, 2004. Mr. Rossi and Mr. Atwater made requests for postponement as directed. Mr. Rossi indicated that he was still working with the approved direction from the Watermaster Board to advocate for the Maximum Benefit Proposal, but had also received direction from the Appropriate Pool to request the postponement. After lengthy discussion, the Executive Officer suggested to the Board that language be added to allow flexibility for the parties and agencies within the Chino Basin to ultimately decide how future desalters will be implemented. He pointed out that the Chino Basin has several options including:

- A) Choose Maximum Benefit objectives and comply with the modified language
- B) Not choose Maximum Benefit and utilize objectives based on scientifically derived ambient objectives

The Regional Board took action to approve the Basin Plan Amendment including the Chino Basin's Maximum Benefit Proposal.

This action was reported at the Advisory and Watermaster Board meetings on January 29, 2004. The Advisory Committee recommended and the Board agreed and directed Watermaster legal counsel to review the Basin Plan commitments relative to compliance with the Peace Agreement. Counsel will be prepared to present this review at the meetings.

Jerry Thibeault is planning to be at the meetings to answer any questions members might have.

CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

III. REPORTS/UPDATES

B. CEO/STAFF REPORT

2. Discuss MWD Rate Increase Proposal



Date: February 4, 2004
To: Honorable Board of Directors
From: Richard W. Atwater *R. Atwater*
Chief Executive Officer/General Manager
Subject: Metropolitan Water District (MWD) Proposed Rate Increases- Public Hearing on February 9, 2004

RECOMMENDATION

It is recommended that the Board of Directors authorize staff to provide testimony opposing the \$5/AF increase for replenishment service.

BACKGROUND

On February 9, 2004, MWD will be holding a Public Hearing on proposed rate increases, effective January 1, 2005.

The proposed rate increases would be as follows:

	<u>Current</u>	<u>Proposed</u>
Tier 1	\$ 326	\$ 331
Tier 2	\$ 407	\$ 412
Replenishment	\$ 233	\$ 238
Treatment Surcharge	\$ 92	\$ 112
Capacity Charge (\$/cfs)	\$6,100	\$6,800

Attached is the MWD staff report documenting these proposed rate increases. IEUA does not receive treated water from MWD, so the water rate increase is \$5/AF for all types of service to IEUA (Tier 1 and 2, and replenishment, interim agricultural service). The capacity charge would also increase by \$700 per cubic fee per second (csf).

In consultation with Chino Basin Watermaster, I recommend that IEUA oppose the \$5/AF increase in the replenishment service rate as this is not justified in the MWD cost of service study. In addition, increasing the replenishment rate reduces the economics of local groundwater production. This is inconsistent with the OBMP and reduces the cost effectiveness of local supply development.

PRIOR BOARD ACTION

IEUA Board policy has consistently supported MWD policies and rates that encourage local water supply development.

IMPACT ON BUDGET

None. These rate increases are “pass-through” charges to IEUA retail agencies.

Attachment

G:\Board-Rec\2004\04068 MWD Proposed Rate Increases Public Hearing .doc

• **Board of Directors**
Budget, Finance and Investment Committee

January 13, 2004 Board Meeting

9-2

Subject

Determine water revenue requirements, apportion revenues and recommend water rates and charges to raise firm revenues, and adopt resolutions giving notice of intention to impose rates and charges for fiscal year 2004/05

Description

On January 1, 2004, Metropolitan's treated water rate will increase by \$10/acre-foot. Metropolitan last raised rates in 1997. As noted in the 2003/04 budget, Metropolitan and its member agencies have been the beneficiaries of higher than expected water sales due to dry weather in Southern California. As a result, revenues from the sale of water have been more than sufficient to cover the rising cost of service over the past three years. But, with sales expected to decline as a result of normal weather, the budget included a five-year forecast of increasing rates. In fact, it is estimated that about \$40-50 million will be withdrawn from the Water Rate Stabilization Fund this year to support 2003/04 expenditures.

Total funding requirements for operating and maintenance expenses, capital (including debt service and Pay-As-You-Go expenditures), and funding required reserves (e.g., debt service reserve fund) in fiscal year 2004/05 are estimated to be \$1,142.4 million. This is \$60.2 million more than estimated in 2003/04. Of the \$1.142 billion, \$146.5 million will come from taxes, interest income, power sales and other income. As a result, the estimated amount of expenditures to be funded from water rates, charges and the Water Rate Stabilization Fund is \$995.8 million.

As shown on Table 1, there are three primary drivers for these increasing costs. First, power costs for pumping water on the State Water Project are \$71.5 million higher due to increased deliveries on that system. Second, water treatment costs are increasing due to higher operating costs (primarily related to increased chemical, electricity and sludge handling costs) and the capital costs associated with the oxidation retrofit program and other treatment plan improvements. Third, operating and maintenance expenses are higher than estimated in the 2003/04 rate setting cycle due to inflation and labor cost increases under existing agreements. The adopted 2003/04 budget was higher than the operating and maintenance expenditure forecast used to set rates in March 2003. It should be noted that the 2004/05 revenue requirement is based on an operating and maintenance budget that is the same as that adopted in 2003/04. Metropolitan is staying on plan and will meet key initiatives, while maintaining a stable budget into the coming year.

As a result, it is recommended that water rates be adjusted to reflect these higher costs. If the recommendations contained in this letter are adopted, the treated water rate would increase by \$25/acre-foot and untreated water rates would increase by \$5/acre-foot on January 1, 2005. In addition, it is recommended that the Capacity Charge increase by \$700/cfs on January 1, 2005. The detailed changes in Metropolitan's rate elements are shown in Table 2, and explained in more detail below. These changes amount to a 4.4 percent increase in water rates and charges, within Metropolitan's forecasted range of 3-5 percent increases. This change in rates will generate about \$40 million if actual sales in the twelve months beginning January 1, 2005 are equal to 2.23 million acre-feet. Even with this increase, it is expected that about \$38 million will be withdrawn from the Water Rate Stabilization Fund during fiscal year 2004/05 to meet all required expenditures.

As forecast in the update to the Long Range Finance Plan, water rates and charges are expected to increase between 3 and 5 percent annually over the next decade. This forecast increase in revenues is necessary to fund continuing investments in the Integrated Resources Plan and necessary capital expenditures to ensure the reliable delivery of high quality water. Over the next five years, Metropolitan's Capital Investment Plan will total around

\$2 billion. About 80 percent of this program will be funded with bond proceeds, with the remainder to be paid out of current revenues.

Attachment 1, Fiscal Year 2004/05 Cost of Service, contains a detailed description of the revenue requirements and the cost of service and rate calculation. The major assumptions regarding the cost elements and rate changes are summarized below.

	Fiscal Year Ending		Difference	Percentage
	2004	2005		
Departmental O&M	\$ 235,305	\$ 262,856	\$ 27,551	11.7%
State Water Project	358,216	429,744	71,528	20.0%
Colorado River Aqueduct	29,606	17,872	(11,734)	-39.6%
Net Water Transfer Payments	45,000	46,013	1,013	2.3%
Water Management Programs	46,725	43,767	(2,958)	-6.3%
Capital Financing Program	332,634	319,289	(13,345)	-4.0%
Operating Equipment, Leases, & Other O&M	20,762	16,779	(3,983)	-19.2%
Change in Required Reserves	13,882	6,054	(7,828)	-56.4%
Total	1,082,130	1,142,373	60,243	5.6%
Less: Revenue Offsets (1)	(147,010)	(146,564)	446	-0.3%
Net Revenue Requirement	\$ 935,120	\$ 995,809	\$ 60,689	6.5%

(1) Taxes, interest income, power sales, and other

Table 1. Revenue Requirement – Fiscal Year 2003/04 vs. Fiscal Year 2004/05

MAJOR ASSUMPTIONS

Water Sales

2.23 million acre-feet

Cash year water sales (including Tier 1, Tier 2, replenishment and agricultural) are projected to be about 2.23 million acre-feet in fiscal year 2004/05. This forecast is based on expected demands under average weather conditions and incorporates input from the member agencies. However, based on weather conditions, sales could range from a low of about 1.70 MAF to a high of about 2.50 MAF. Variations in water sales will greatly impact reserve levels and possibly require changes in rates and charges. If water sales are less than anticipated, then reserve levels will decrease more rapidly. About 0.15 million acre-feet are expected to be sold through the replenishment program and about 0.12 million acre-feet through the Interim Agricultural Water Program.

State Water Project

\$429.7 million

Total costs for 2004/05 under the State Water Project are estimated to be approximately \$429.7 million (net of projected credits and based on projected water deliveries of about 1.46 MAF). Supplies delivered through the SWP include contract deliveries, increases and decreases in storage accounts and the use of some water transfers.

Colorado River Power Costs

\$17.9 million

Due to the dry conditions in the Colorado River watershed, the revenue requirement assumes that Metropolitan will receive about 0.69 million acre-feet from the Colorado River in 2004/05. Supply yield from programs approved as part of the Quantification Settlement Agreement are included in this estimate. Costs for the transfer and storage programs on the Colorado River will be expensed from the Transfer Fund and are discussed below. Costs for pumping are estimated to be about \$17.9 million.

Water Transfer Fund, Supply and Storage Programs

\$46 million

Total expenditures for water transfer and storage programs are estimated to be about \$98.9 million in 2004/05. Over half this amount is an anticipated up-front payment for the Palo Verde Land Management and Fallowing Program

(PVID Program). Funds have been set aside in the Water Transfer Fund for this purpose and this up-front payment is not included in the revenue requirement. The revenue requirement includes on-going operating costs for water transfer and storage programs estimated at \$45.9 million. Out of this amount \$18.8 million is expected to be used to fund programs to augment SWP supplies including: Arvin-Edison Water Storage Program, Kern Delta Program, Mojave Water Storage Program, North Kern Storage Program, Semitropic Water Storage Program and the San Bernardino Valley Transfer Program. It is estimated that programs to supplement SWP supplies will be operated to produce an additional 0.06 million acre-feet of supply in 2004/05 while an additional 0.05 million acre-feet will be stored. The remaining \$27.1 million will be used to fund on-going operating costs for programs and projects associated with Colorado River supplies, including Imperial Irrigation District/MWD Conservation Program, Arizona Groundwater Banking Program, Hayfield Groundwater Storage Program, and the PVID Program. The total supply yield from programs supplementing Metropolitan's basic apportionment of Colorado River Water is estimated to be about 0.148 million acre-feet in 2004/05.

Demand Management Programs

\$43.8 million

Demand management program expenses are expected to total \$43.8 million in 2004/05. Recycling and groundwater recovery projects supported by Metropolitan are expected to increase their annual production by about 30,000 acre-feet over current year estimates of about 138,000 acre-feet. Projected expenditures reflect Metropolitan's ongoing commitment to water conservation, local recycling projects, and groundwater cleanup. These estimates are consistent with efforts to develop local water supplies in cooperation with the member agencies and other local agencies based on the Integrated Resources Plan.

Capital Financing Program

\$319.3 million

Capital Financing Program costs include \$150.5 million of revenue bond debt service, \$49 million of general obligation bond debt service, \$24.8 million for bond defeasance and \$95.0 million for PAYG expenditures.

Operations and Maintenance

\$279.7 million

The revenue requirement includes \$262.9 million for departmental operations and maintenance, equal to the 2003/2004 budget. Another \$16.8 million in debt management costs, leases, operating equipment and O&M contingency million is included in the estimate. A detailed breakdown of departmental budgets will be provided during the development of the FY 2004/2005 Annual Budget.

Adjustments in Reserves

\$6 million

Required reserve balances are estimated to increase by \$6 million in accordance with revenue bond covenants and board policies contained in Metropolitan's Administrative Code. Sufficient funds need to be on hand on July 1 to make interest and principal payments for outstanding and projected debt obligations due July 1, 2005 and to meet revenue bond covenant requirements for debt payments after July 2005. Other fund requirements for July 1, 2005 include the State Water Contract Fund and the Operations and Maintenance Fund.

Other Revenues

\$146.6 million

To determine the rates and charges revenue requirement, the total estimated obligations of \$1,142.4 million are reduced by revenue from ad valorem property taxes, interest income, hydropower revenues and miscellaneous revenues. Ad valorem property taxes levied at the current tax rate of 0.0061 percent of assessed valuations and from annexation charges are estimated to be \$97.4 million. Power recoveries, interest on investments and miscellaneous revenue are expected to produce \$49 million in 2004/05. Based on the projected expenditure estimates described above, total revenues required from rates and charges in 2004/05 are projected to be \$995.8 million.

Metropolitan Water District Administrative Code § 4304(c) requires the CEO to present recommendations for water rates and charges for the next fiscal year based on the Budget, Finance and Investment Committee's determination of required water revenues, and to set a time for a hearing of the Budget, Finance and Investment Committee at which interested parties may present their views of the recommendations. The recommended rates and charges to be effective January 1, 2005, reflect Metropolitan's current rate structure, which was initially effective January 1, 2003.

The cost-of-service analysis supporting the recommended rates and charges is detailed in **Attachment 1**, "Metropolitan Water District of Southern California, Fiscal Year 2004/05 Cost of Service," and is consistent with the cost of service process approved with the adoption of the new rate structure.

This letter requests that the Board set a time for a public hearing of the Budget, Finance and Investment Committee at which interested parties may present their views regarding the Chief Executive Officer's recommendations for rates and charges and that the Board adopt resolutions of Metropolitan's intention to: (1) impose the Readiness-to-Serve Charge (including the Water Standby Charge) for 2004/05; and (2) impose the Capacity Charge for 2004/05.

The CEO's recommendation for water rates and charges for the coming fiscal year is shown in Table 2, "Recommended Rates and Charges." The overall increase in the average effective rate is estimated to be 4.4 percent and is attributed to the net effect of a \$20-per-acre-foot increase in the treatment surcharge, a \$21 per acre-foot increase in the system power rate, and an increase in the capacity charge to \$6,800/cfs, offset by an \$11 per acre-foot decrease in the system access rate and a \$5 per acre-foot decrease in the water stewardship rate.

The recommended rates and charges were determined based on a total revenue requirement of \$995.8 million. The existing rates, which are effective through December 31, 2004, and the recommended rates, which are effective January 1, 2005, would generate combined revenue of \$959.5 million. This assumes total sales of 2.23 million acre-feet. About \$36 million from the water rate stabilization fund are expected to be utilized to meet obligations during 2004/05 to help reduce impacts to member agencies.

Table 2. Recommended Rates and Charges		
Description:	Effective January 1, 2004	Effective January 1, 2005
Tier 1 Supply Rate (\$/AF)	\$73	\$73
Tier 2 Supply Rate (\$/AF)	\$154	\$154
System Access Rate (\$/AF)	\$163	\$152
Water Stewardship Rate (\$/AF)	\$30	\$25
System Power Rate (\$/AF)	\$60	\$81
Full Service Untreated Volumetric Cost (\$/AF)		
Tier 1	\$326	\$331
Tier 2	\$407	\$412
Replenishment Water Rate Untreated (\$/AF)	\$233	\$238
Interim Agricultural Water Program Untreated (\$/AF)	\$236	\$241
Treatment Surcharge (\$/AF)	\$92	\$112
Full Service Treated Volumetric Cost (\$/AF)		
Tier 1	\$418	\$443
Tier 2	\$499	\$524
Treated Replenishment Water Rate (\$/AF)	\$300	\$325
Treated Interim Agricultural Water Program (\$/AF)	\$304	\$329
Readiness-to-Serve Charge (\$M)	\$80	\$80
Capacity Charge (\$/cfs)	\$6,100	\$6,800

#5/AF
 \$5/AF
 ← \$5/AF
 \$20/AF

- a. **Tier 1 Supply Rate.** It is recommended that the Tier 1 Supply Rate remain unchanged at \$73 per acre-foot. The Tier 1 Supply Rate recovers Metropolitan's supply costs that are not recovered by sales at the

Tier 2 Supply Rate and a portion of the long-term storage and agricultural water sales. The Tier 1 Supply Rate will be charged on a dollar per acre-foot basis for system supply delivered to meet firm demands that are less than the Tier 1 Annual Limit as shown in Schedule 12, **Attachment 1**.

- b. **Tier 2 Supply Rate.** The Tier 2 Supply Rate is set at a level that reflects Metropolitan's cost of developing supplies. Based on the costs of the additional supply programs that have been implemented and provided benefit to Metropolitan since the Tier 2 Supply rate was set last year, it is recommended that the Tier 2 Supply Rate remain unchanged at \$154 per acre-foot. The Tier 2 Supply Rate will be charged on a dollar per acre-foot basis for system supply delivered to meet firm demands that are greater than the Tier 1 Annual Limit. Appendix 1 of **Attachment 1** summarizes the calculation of the Tier 2 supply unit cost and subsequent rate.
- c. **System Access Rate.** It is recommended that the System Access Rate be reduced to \$152 per acre-foot. The System Access Rate recovers a portion of the costs associated with the conveyance and distribution system, including capital and operating and maintenance costs. All users (including member agencies and third-party wheeling entities) of the Metropolitan system pay the System Access Rate. This reduction reflects expected sales volumes of 2.23 million acre-feet.
- d. **Water Stewardship Rate.** It is recommended that the Water Stewardship Rate be decreased from the current level of \$30 per acre-foot to \$25 per acre-foot. The Water Stewardship Rate will be charged on a dollar per acre-foot basis to collect revenues to support Metropolitan's financial commitment to conservation, water recycling, groundwater recovery and other demand management programs approved by the Board. Previous estimates of demand management revenue requirements overestimated Metropolitan's incentive payments for local supply production. Based on more recent work with the member agencies regarding local resources production, a Water Stewardship Rate of \$25 per acre-foot, producing over \$50 million in annual revenue, should be sufficient to fund Metropolitan's commitment to local resources investments in 2005. The Water Stewardship Rate is charged for every acre-foot of water conveyed by Metropolitan.
- e. **System Power Rate.** It is recommended that the System Power Rate be increased from \$60 per acre-foot to \$81 per acre-foot. The System Power Rate will be charged on a dollar per acre-foot basis to recover the cost of power necessary to pump water from the State Water Project and Colorado River through the conveyance system. The System Power Rate will be charged for all Metropolitan supplies. The increased use of SWP supplies, which require more energy to pump, due to the reduction in available supplies from the Colorado River, and the higher estimated price of power led to an increase in the System Power Rate.
- f. **Treatment Surcharge.** It is recommended that the treatment surcharge be increased from the current level of \$92 per acre-foot to \$112 per acre-foot. The treatment surcharge recovers the cost of providing treated water service, including allocated capital financing costs and operating and maintenance cost. This increase is due to higher power, chemical and sludge disposal costs, an increase in capital financing costs for treatment plant refurbishments/replacement, the Ozone Retrofit Program and treatment plant expansion and higher departmental operations and maintenance costs.
- g. **Capacity Charge.** The Capacity Charge is recommended to increase from the current level of \$6,100 per cubic-foot-second to \$6,800 per cubic-foot-second. The Capacity Charge is a fixed charge levied on the maximum summer day demand placed on the system between May 1 and September 30 for the three calendar-year period ending December 31, 2003. The Capacity Charge recovers the cost of providing peak capacity within the distribution system. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Charge will include all deliveries made by Metropolitan to a member agency or member agency customer including water transfers, exchanges and agricultural deliveries, but excluding replenishment service. The resolution of intent to impose a capacity charge is shown in **Attachment 3**.
- h. **Readiness-to-Serve Charge.** It is recommended that the Readiness-to-Serve Charge remain unchanged at the current level of \$80 million. Metropolitan's Readiness-to-Serve Charge recovers costs associated

with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge is allocated among the member agencies on the basis of each agency's ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity). Revenues equal to the amount of Standby Charges will continue to be credited against the member agency's Readiness-to-Serve Charge obligation unless a change is requested by the member agency. Each agency's estimated Readiness-to-Serve Charge is shown in **Attachment 2**.

- i. **Replenishment Water Rate.** It is recommended that the untreated replenishment water rate be increased from its current level of \$233 per acre-foot to \$238 per acre-foot. It is also recommended that the treated replenishment water rate increase from its current level of \$300 per acre-foot to \$325 per acre-foot, reflecting the increase in treatment and power costs.
- j. **Agricultural Water Rate.** It is recommended that the agricultural water rate be increased from its current level of \$236 per acre-foot to \$240 per acre-foot. It is also recommended that the treated agricultural water rate increase from its current level of \$304 per acre-foot to \$329 per acre-foot, consistent with the increase in treatment and power costs.

Policy

Metropolitan Water District Administrative Code § 4304: Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenues

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed actions are not defined as a project under CEQA, because they involve continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed actions are not subject to CEQA because they involve the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed actions are not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Determine that revenues required from rates and charges during FY 2004/2005 should not be less than \$995.8 million, and use this determination in establishing water rates and charges to be effective January 1, 2005.
- b. Set a time for a public hearing of the Budget, Finance and Investment Committee at which interested parties may present their views regarding the Chief Executive Officer's recommendation for rates and charges to be effective January 1, 2005.
- c. Adopt the following resolutions:
 1. Resolution of intention to impose the Readiness-to-Serve Charge in the form shown as **Attachment 2** to this letter, declaring the Board's intention (i) at its March 9, 2004 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a Readiness-to-Serve Charge and (ii) at its May 11, 2004 meeting to consider and act upon the Chief Executive Officer's recommendation to impose standby charges within the territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS Charge.
 2. Resolution of intention to impose a Capacity Charge in the form shown as **Attachment 3** to this letter, declaring the Board's intention at its March 9, 2004 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a Capacity Charge.

Fiscal Impact: Revenues from rates and charges of \$959.5 million in 2004/05, and an overall increase in average revenues of 4.4 percent if the rates and charges are adopted as recommended.

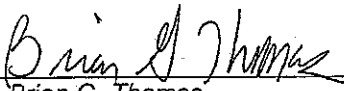
Option #2

Adopt the CEQA determination, adopt the resolutions, and instruct staff to revise the 2004/05 revenue requirements, and to modify the recommended rates and charges per board direction.

Fiscal Impact: Unknown

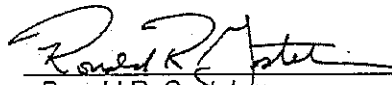
Staff Recommendation

Option #1



Brian G. Thomas
Chief Financial Officer

12/23/2003
Date



Ronald R. Gastelum
Chief Executive Officer

12/23/2003
Date

Attachment 1 – Metropolitan Water District of Southern California, FY 2004/05 Cost of Service

Attachment 2 – Resolution of Intent (Readiness-to-Serve Charge)

Attachment 3 – Resolution of Intent (Capacity Charge)

BLA #2639

Table 1
Fiscal Year 2004/05 READINESS-TO-SERVE CHARGE

Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre- Feet) FY1992/93 - FY2001/02	RTS Share	6 months @ \$80 million per year (7/04-12/04)	Rolling Ten-Year Average Firm Deliveries (Acre- Feet) FY1993/94 - FY2002/03	RTS Share	6 months @ \$80 million per year (1/05-6/05)	Total RTS Charge
Anaheim	17,356	1.12%	\$ 446,116	17,464	1.09%	\$ 435,120	\$ 881,236
Beverly Hills	13,301	0.85%	341,899	13,363	0.83%	332,960	674,859
Burbank	14,120	0.91%	362,930	13,514	0.84%	336,719	699,650
Calleguas MWD	95,365	6.13%	2,451,255	97,828	6.09%	2,437,467	4,888,722
Central Basin MWD	63,983	4.11%	1,644,617	64,476	4.02%	1,606,477	3,251,094
Compton	4,006	0.26%	102,968	3,733	0.23%	93,014	196,982
Eastern MWD	58,751	3.78%	1,510,133	62,106	3.87%	1,547,431	3,057,565
Foothill MWD	9,358	0.60%	240,530	9,675	0.60%	241,057	481,587
Fullerton	7,427	0.48%	190,904	7,738	0.48%	192,802	383,706
Glendale	27,153	1.74%	697,879	26,752	1.67%	666,562	1,364,441
Inland Empire Utilities Agency	44,473	2.86%	1,143,137	47,034	2.93%	1,171,888	2,315,024
Las Virgenes MWD	19,803	1.27%	608,957	20,184	1.26%	502,896	1,011,854
Long Beach	37,953	2.44%	975,531	37,670	2.35%	938,575	1,914,106
Los Angeles	190,217	12.22%	4,889,336	202,968	12.64%	5,057,144	9,946,480
Municipal Water District of Orange County	213,813	13.74%	5,495,840	216,197	13.47%	5,386,753	10,882,593
Pasadena	16,274	1.05%	418,304	17,963	1.12%	447,563	865,867
San Diego County Water Authority	414,479	26.63%	10,653,763	432,316	26.93%	10,771,569	21,425,332
San Fernando	76	0.00%	1,964	61	0.00%	1,520	3,484
San Marino	1,168	0.08%	30,025	1,111	0.07%	27,674	57,699
Santa Ana	11,670	0.75%	299,971	11,784	0.73%	293,600	593,571
Santa Monica	9,134	0.59%	234,791	9,907	0.62%	246,847	481,638
Three Valleys MWD	63,146	4.06%	1,623,095	65,362	4.07%	1,628,560	3,251,655
Torrance	21,416	1.38%	550,464	21,527	1.34%	536,359	1,086,823
Upper San Gabriel Valley MWD	9,172	0.59%	235,760	10,220	0.64%	254,646	490,406
West Basin MWD	147,247	9.46%	3,784,845	146,263	9.11%	3,644,289	7,429,135
Western MWD	45,923	2.91%	1,164,988	48,183	3.00%	1,208,519	2,373,507
MWD Total	1,556,178	100.00%	\$ 40,000,000	1,605,396	100.00%	\$ 40,000,000	\$ 80,000,000

TABLE 5
FISCAL YEAR 2004/05
ESTIMATED STANDBY CHARGE REVENUE

Member Agencies	Total Parcel Charge	Number Of Parcels Or Acres	Gross Revenues (Dollars) ¹
Anaheim	\$ 8.55	68,248	\$ 583,517
Beverly Hills			
Burbank	14.20	28,122	399,332
Calleguas MWD	9.58	256,073	2,453,178
Central Basin MWD	10.44	338,469	3,533,614
Compton	8.92	17,991	160,478
Eastern MWD	6.94	387,711	2,690,716
Foothill MWD	10.28	29,986	308,254
Fullerton	10.71	33,962	363,737
Glendale	12.23	44,172	540,223
Inland Empire Utilities Agency	7.59	229,922	1,745,108
Las Virgenes MWD	8.03	60,850	488,626
Long Beach	12.16	88,525	1,076,459
Los Angeles			
Municipal Water District of Orange County ²	10.09	620,031	6,256,108
Pasadena	11.73	36,743	430,996
San Diego County Water Authority	11.51	1,071,111	12,328,492
San Fernando	7.87	5,125	40,330
San Marino	8.24	4,938	40,685
Santa Ana	7.88	53,711	423,241
Santa Monica			
Three Valleys MWD	12.21	150,027	1,831,826
Torrance	12.23	38,930	476,114
Upper San Gabriel Valley MWD	9.27	209,292	1,940,132
West Basin MWD			
Western MWD	9.23	363,253	3,352,825
MWD Total (2)		4,224,146	\$ 42,472,654

[1] Estimates per FY2001 actual receipts

(2) Adjusted for inclusion of Coastal MWD

TABLE 4
FISCAL YEAR 2004/05
ESTIMATED READINESS-TO-SERVE CHARGE REVENUE

Member Agency	Amount
Anaheim	\$ 881,236
Beverly Hills	674,859
Burbank	699,650
Calleguas MWD	4,888,722
Central Basin MWD	3,251,094
Compton	195,981
Eastern MWD	3,057,565
Foothill MWD	481,587
Fullerton	383,706
Glendale	1,364,431
Inland Empire Utilities Agency	2,315,024
Las Virgenes MWD	1,011,854
Long Beach	1,914,106
Los Angeles	9,946,480
Municipal Water District of Orange County	10,882,593
Pasadena	865,867
San Diego County Water Authority	21,425,332
San Fernando	3,481
San Marino	57,699
Santa Ana	593,571
Santa Monica	481,638
Three Valleys MWD	3,251,655
Torrance	1,086,823
Upper San Gabriel Valley MWD	490,406
West Basin MWD	7,429,135
Western	2,365,506
Total	\$ 80,000,000

Long Range Finance Plan

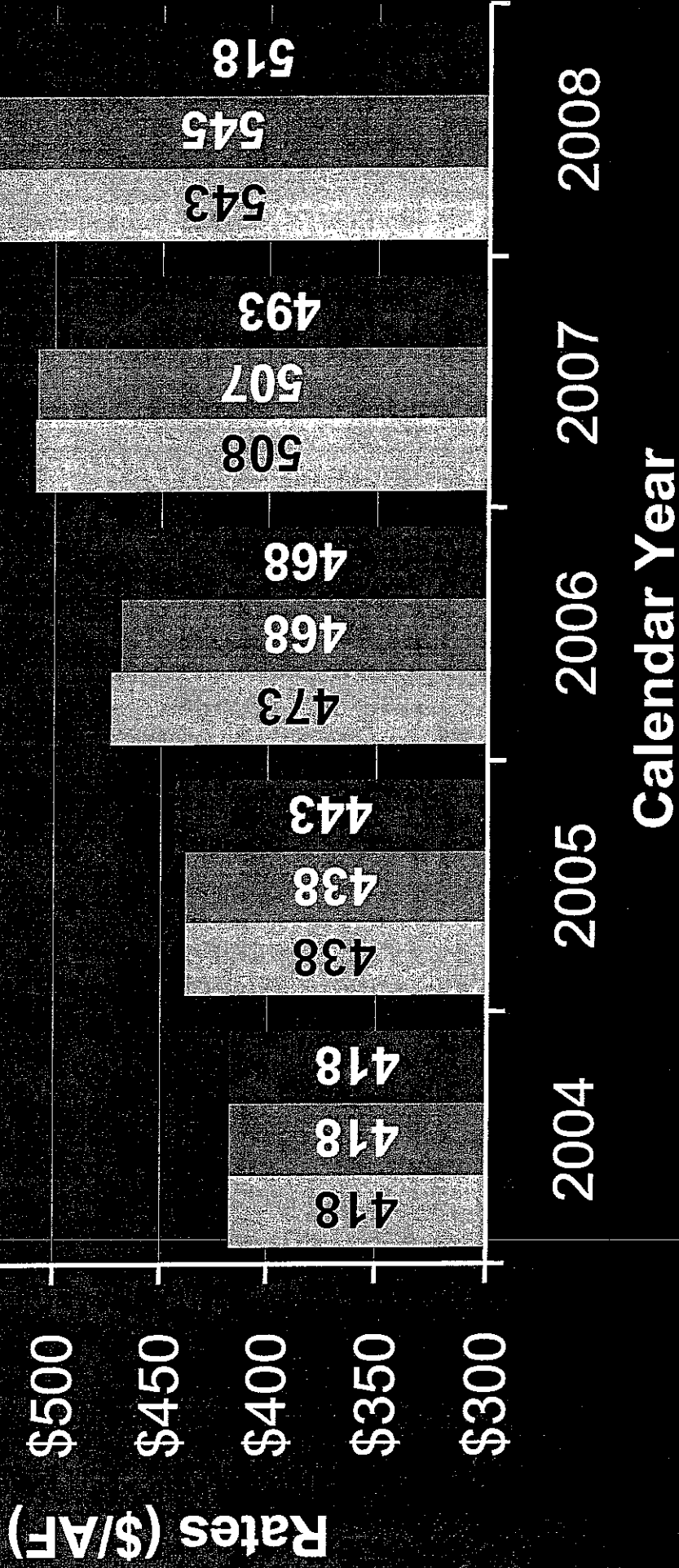
Member Agency Workshop
December 12, 2003

Overview

- **Potential actions to mitigate rate increases**
- **Sensitivity analysis**
- **Current rate forecast**
- **Linkage to the IRP**

Treated Full Service Tier 1 Water Rate

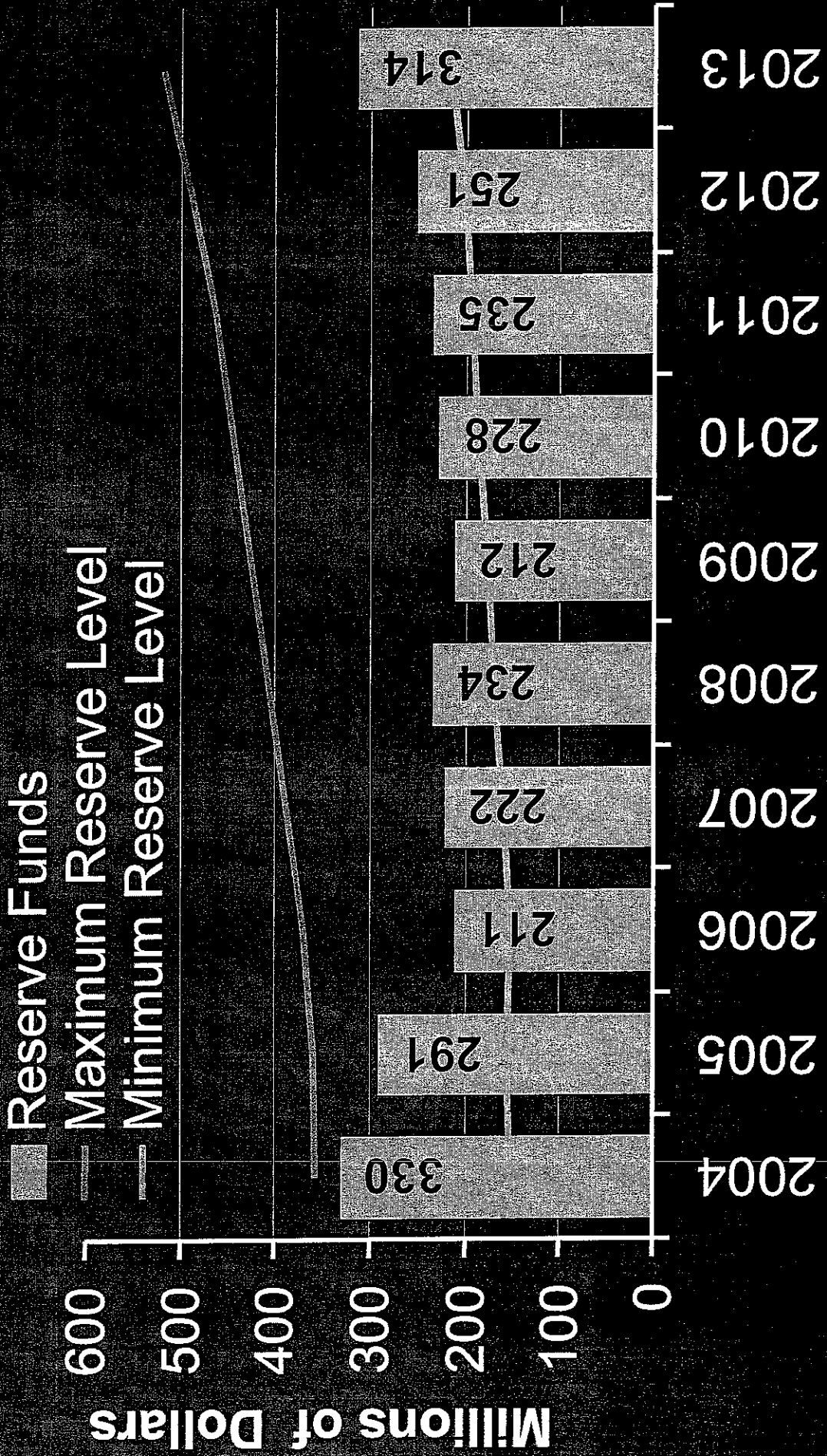
- 2003/04 Budget Forecast (March 2003)
- Preliminary Draft LRFP (September 2003)
- Current Estimate (December 2003)



Potential Actions to Mitigate Rate Increases

- Use of reserves
- Reduce CIP
- Manage O&M costs
- Refine local resources development schedules
- Alternative revenues

Reserve Fund Balance

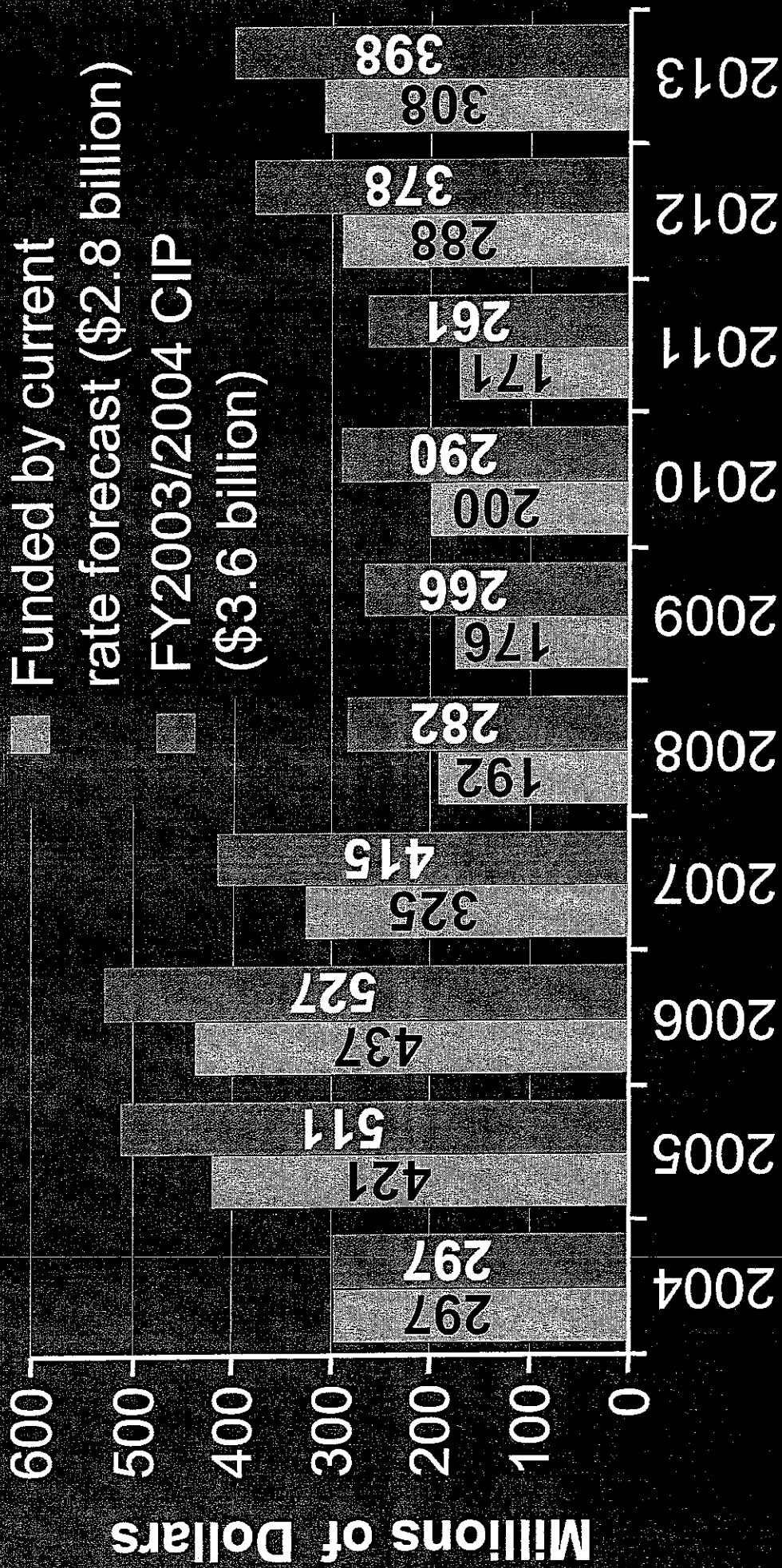


CIP Management

- **Reduced ten-year CIP by \$810 million**
 - \$90 million per year
 - Debt service decrease by \$56 million by 2013
 - Average rate decreases by \$27/acre-foot by 2013
 - Annual CIP review process underway since September to evaluate, rank, defer, eliminate projects
 - Impacts of project deferral/elimination to be considered by Board

- **Deferred CPA project five-years from current ten-year CIP forecast**
 - Debt service decreases by about \$19 million by 2013
 - Average rate decreases by \$9/acre-foot by 2013
 - Awaiting results of System Overview Study
 - Board direction

2003/2004 CIP Forecast vs. Funded CIP in Current Rate Forecast

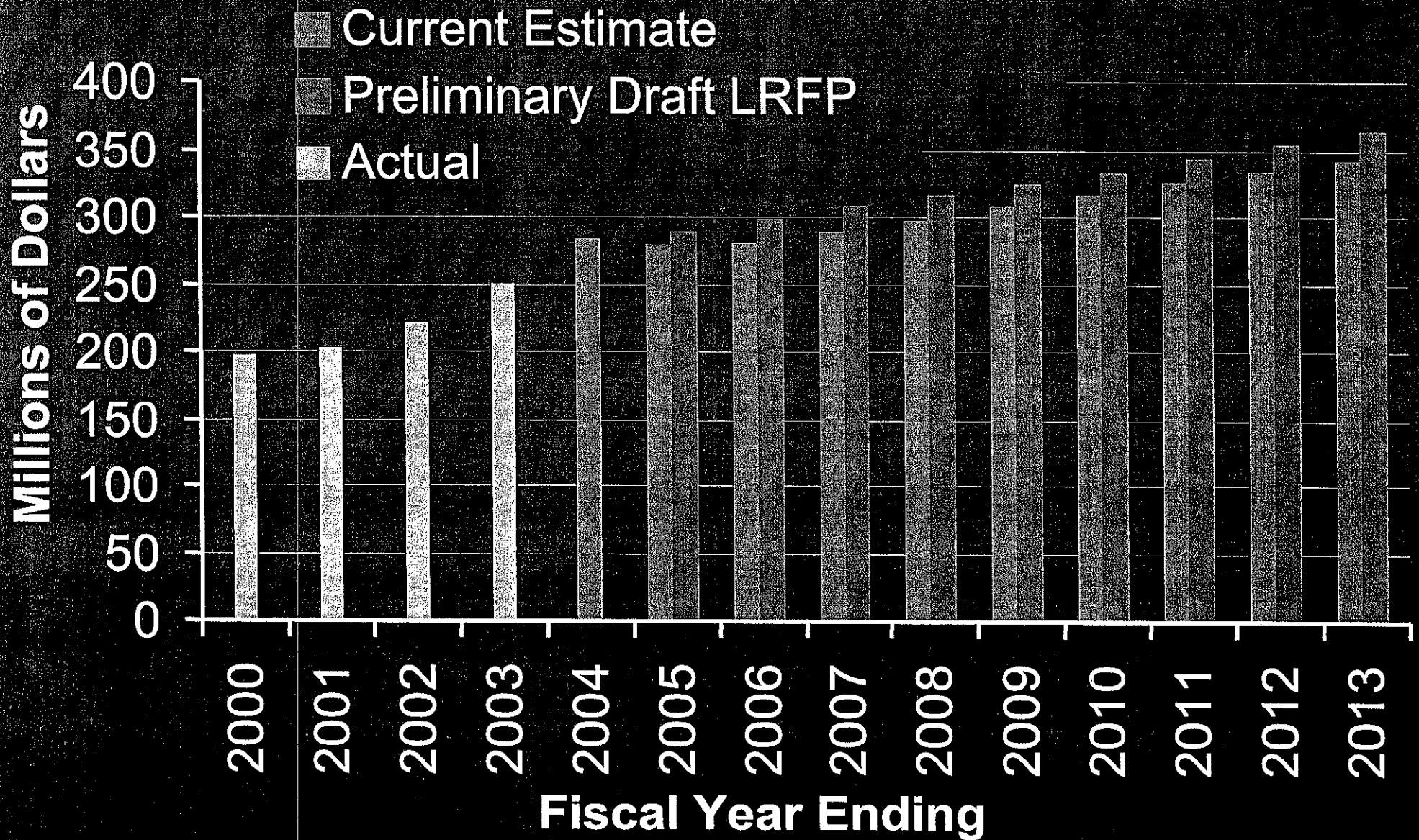


Fiscal Year Ending

Manage O&M to a flat budget

- **2004/2005 and 2005/2006 O&M budget held flat escalate at inflation thereafter**
 - **Service level impacts to be determined in 2004/2005 budget cycle**
- **Reduces total O&M by \$23 million per year by 2013**
- **Average rate decreases by \$12/acre-foot by 2013**

O&M Cost Management

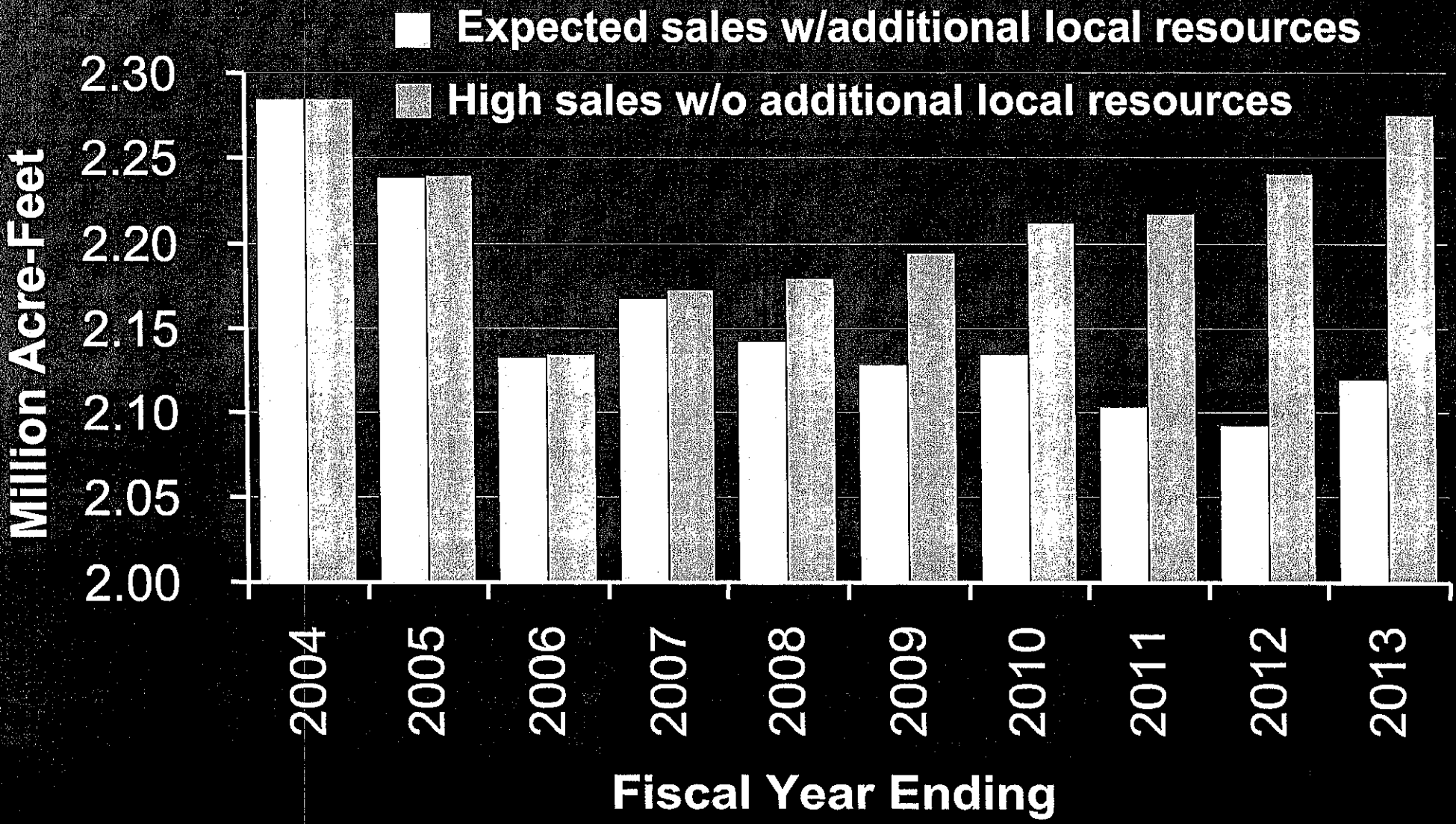


Rate of Increase in Local Resources

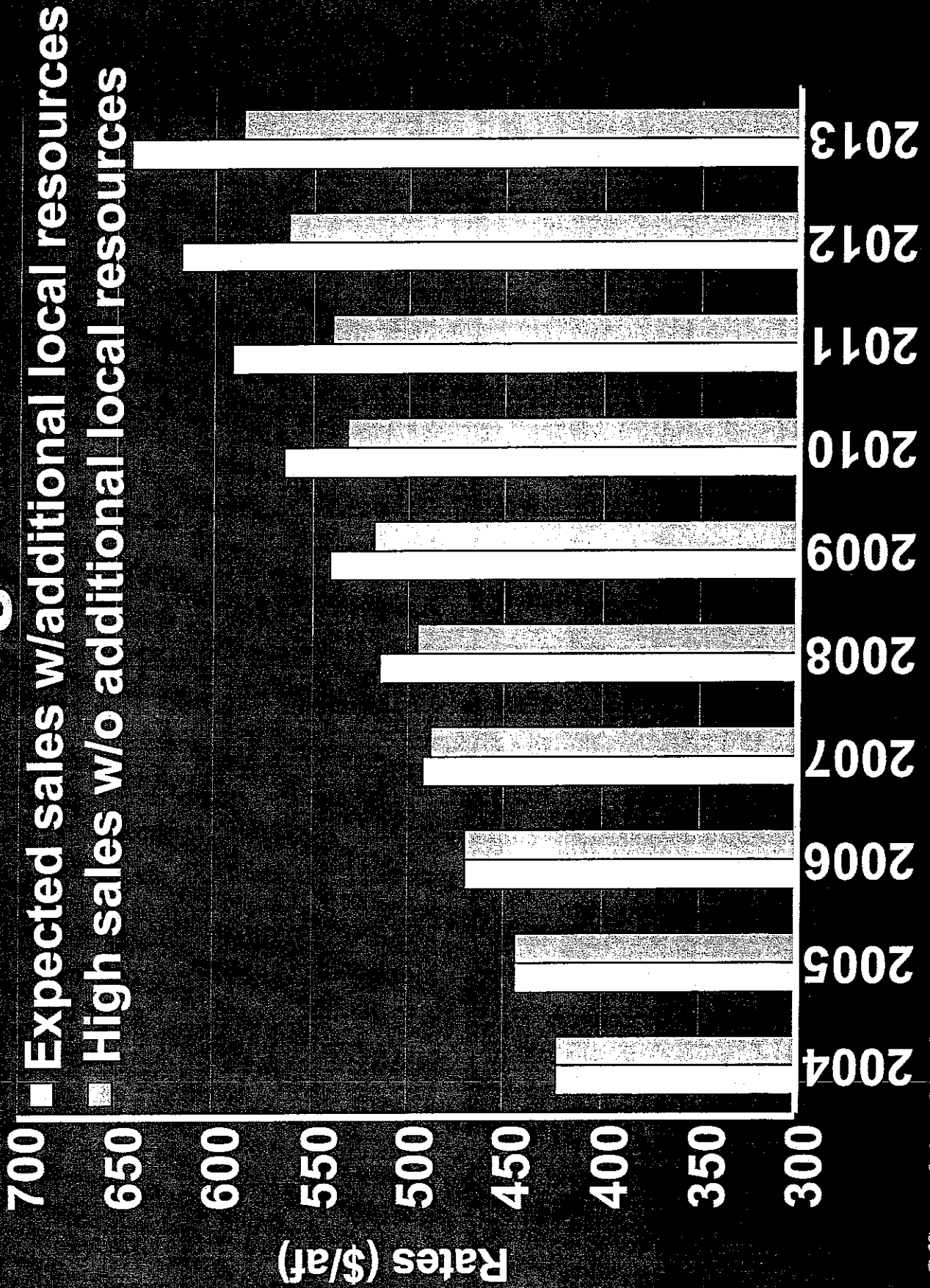
- **Removed desalination and additional recycling/groundwater recovery from resource mix in next ten-years**
- **MWD average demands increase by about 160,000 acre-feet by 2013**
- **Revenue requirement decreases by \$25 million in 2013**
 - Higher power costs (\$9M/yr.)
 - Increased treatment operating costs (\$2M/yr.)
 - Supply program costs (\$1M/yr.)
 - Lower demand management costs (-\$37M/yr.)
- **Average rate is \$57/acre-foot lower**

Change in MWD Demand

(Slower Development of Local Resources)



Average Rate



CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

III. REPORTS/UPDATES

C. Inland Empire Utilities Agency

IEUA Regional Recycled Water Program Status Report February 2004

This report provides a summary of the past and planned activities related to the planning and implementation of the IEUA Regional Recycled Water Program and the status of the current activities. The following information is provided:

- History and Background
- Regional Recycled Water Program – Summary Description and Status
- Funding Sources and Status
- Permitting Requirements and Status
- Customer Development Activities
- Summary

BACKGROUND:

IEUA has been serving recycled water since the beginning of the Regional Contract in 1972. Initially recycled water was delivered to Whispering Lakes Golf Course and Westwind Park in Ontario and Prado Park and Golf Course. In the early 1990's IEUA planned and build the first phase of the Carbon Canyon Recycled Water Project which now serves several customers in Chino and Chino Hills.

IEUA also initiated planning of a regional recycled water delivery system. This planning effort culminated with the completion of the IEUA Regional Recycled Water Program Feasibility Study in January 2002. The Feasibility Study identifies facilities to deliver over 70,000 acre-feet of recycled water per year (AFY) to customers and recharge sites throughout the service area. Implementation of the Regional Recycled Water Program is planned in five project phases with an estimated cost of \$120 million to be funded by a combination of state and federal grants, state low-interest loans, MWD LRP rebates and Regional Program funds. Implementation is planned over a ten-year period depending on availability of grant funding. The following are significant events leading up to the 2002 Feasibility Study and to present:

- 1972 Regional Contract , IEUA begins delivery of recycled water
- 1993 Recycled Water Master Plan
- 1995 Carbon Canyon Recycled Water System Plan
- 1998 Carbon Canyon Recycled Water System Initial Deliveries
- 2002 Regional Recycled Water Program Feasibility Study
- 2002 Programmatic EIR
- 2003 SWRCB Grant (\$5 million) Loan (\$22 million) Approved
- 2003 Initiate Construction of Phase I Facilities

REGIONAL RECYCLED WATER PROGRAM:

The 2002 Feasibility Study included an assessment of the potential recycled water customers within the IEUA service area. Staff worked with the regional agencies to identify over 2,700 potential customers. This information was used to plan the regional and local recycled water distribution pipelines. The distribution system pipeline locations were selected to provide recycled water to the largest customers or groups of customers resulting in more cost effective facilities. Based on this distribution system layout over 1,000 of the largest customers can be served totaling over 45,000 AFY plus 25,000 AFY for recharge.

Regional Recycled Water Facilities – In September 2000 the IEUA Board and Regional Technical and Policy Committees adopted a recycled water policy document which defines the roles and responsibilities of IEUA and the Regional Contracting Agencies for the construction and ownership of the regional and local facilities. Regional facilities are defined as facilities, pipelines, pump stations, reservoirs which serve recycled water to a recharge site or to more than one contracting agency. Regional facilities will be constructed and owned by IEUA. Local facilities will deliver recycled water from the regional facilities to customers within a contracting agencies service area and will be the responsibility of the respective agency. Local facilities will primarily be pipelines (local laterals) and may also include some pump stations and reservoirs.

The Regional Recycled Water Facilities consist of a looped pipeline system which connects all four Regional Water Recycling Plants. Future satellite plants, identified in the Wastewater Master Plan, will also be connected to the regional facilities. The regional facilities have been described in 29 separate projects of pipelines, pump stations and reservoirs. These projects have been grouped into five program phases scheduled in order of priority from one to five. The priority of each phase was determined based on the amount of recycled water each phase could serve and the proximity of each phase to one of the plants or existing recycled water supply. Phase I and II of the program will deliver recycled water to most of the recharge sites since the recharge sites represent a significant recycled water use. The Regional Recycled Water Program facilities and phases are shown in the attached map.

Local Recycled Water Facilities - As described above, local recycled water facilities are those which serve only one contracting agency. Each local agency is responsible for the planning, design, construction and operation of local laterals within their service area. The Feasibility Study identified 40 local laterals to serve recycled water customers in each agency's service area. IEUA staff are working closely with each agency to coordinate their recycled water planning efforts. In order to assist the local agencies with the implementation of their recycled water systems IEUA is providing technical assistance and, if requested, financing of the local agencies facilities. Funds for this financing are in IEUA's budget and Ten Year Capital Improvement Plan (TYCIP), however, the amount of funding will depend on the agencies needs. A similar financing was used for the construction of the Carbon Canyon Recycled Water Project in the

1990's. The following is a summary of the recycled water policies adopted by the Regional Committees and IEUA Board:

- 2002 Ordinance 69 – Recycled Water Rate \$57.83/AF
 - Revised in 2003 to \$60/AF, \$75/AF for non-contract agencies
- 2002 Definition of Regional and Local Recycled Water Facilities
- 2002 Financial Assistance (loans) Local Facilities and Customer Retrofits

Regional Recycled Water Program Summary - The following table summarizes the Regional Recycled Water Program phases and schedule:

Program Phase	Schedule	Number of Customers	Rec. Water Demand(AFY)	Capital Cost (millions)
Existing System	Complete	100*	7,420*	-
Phase I	2003/04	110	11,100	\$27
Phase II	2004/05	170	16,290	\$28
Phase III	2005/07	290	13,590	\$25
Phase IV	2006/10	230	11,790	\$23
Phase V	2007/12	140	11,040	\$22
Total		1,040	71,230	\$125

* Includes potential customers near existing facilities. Current demand 5,000 AFY.

Program Status and current activities – In 2003 construction of the Phase I facilities was initiated. To date two of the Phase I projects have been completed, two are under construction and design is substantially complete on the remaining two. All of the Phase I facilities will be complete by 2005.

Staff have begun the design phase for the Phase II facilities and the selection process for a design consultant. The consultant will also prepare a preliminary design report for the entire regional recycled water distribution system. The preliminary design will refine pipeline sizes and alignments, identify sites for reservoirs and pump stations and coordinate with each city on traffic, utilities and street paving schedules. Design of Phase II will be complete in early 2005 and construction complete by late spring 2006. With the availability of additional funding from DWR as described below staff will also begin design on the first project of the Phase III facilities.

FUNDING:

Implementation of the Regional Recycled Water Program has been planned and scheduled with the use of state and federal funds to minimize use of regional capital funds. The following funding goals have been identified:

Capital

- Regional Capital Funds 15 – 25%
- State Grants (SWRCB, DWR) 25%
- Federal Grants (USBR) 25%
- SWRCB Loans 25 – 35%

Operations/Loan Repayment

- MWD LPP \$2,000,000
- MWD LRP \$1,800,000

Funding Status –

SWRCB: To date IEUA has received funding contracts from the SWRCB for \$5 million in grant funds (SWRCB caps grants at \$5 million) and up to \$22 million in SRF loans for Phase I. The amount of SRF loan funds will depend on SWRCB staff review of eligibility. Based on their review of the first four Phase I projects IEUA anticipates receiving \$19 million in SRF loan funds and the full \$5 million in grant funds.

In September 2003 IEUA submitted a Financial Assistance Application to SWRCB for Phase II. IEUA has requested \$5 million in grant funds and up to \$23 million in SRF loans for the Phase II projects. SWRCB review of the application will occur concurrent with the design of the projects.

Federal Funding (USBR): IEUA has also worked with Cucamonga Valley Water District and Congressman Dreier to obtain \$30 million in federal grant funds through the U.S. Bureau of Reclamation, \$20 million of which is allocated to IEUA's recycled water program. The grant funds are limited to 25 % of the project costs, but can be matched with state and local funding. These federal grant funds will be available at the beginning of the next federal budget in October 2004.

DWR: In 2003 IEUA and Chino Basin Watermaster submitted an application to the Department of Water Resources for Proposition 50 grant funds for : conjunctive use, recharge improvements and recycled water facilities. A total of \$15 million are anticipated for these programs, \$5million for recycled water facilities. These funds will be used for the Edison Avenue Pipeline, the first of the Phase III projects. The Edison Avenue Pipeline will interconnect RP-1 with the Carbon Canyon Recycled Water System and serve a significant agricultural demand in the near term and landscape irrigation demand as the area develops.

MWD: IEUA has an existing Local Projects Program (LPP) agreement with MWD for a \$154/AF rebate for recycled water delivered up to 13,500 AFY (excluding recharge deliveries). The original agreement, executed in 1996, was limited to deliveries from the Carbon Canyon Recycled Water System. In 2003 the agreement was amended to include the Regional Recycled Water Program. This agreement will provide over \$2 million in annual revenue to the program. In December 2003 IEUA staff submitted a proposal to MWD under the Local Resources Program for an additional 11,500 AFY of direct reuse

and 9,500 AFY of recharge deliveries. IEUA has requested a rebate of \$110/ AF for direct reuse and \$60/AF for recharge deliveries. If this proposal is accepted the annual revenue will be \$1.8 million. Combined the rebate from the LPP agreement and the LRP proposal will be \$3.8 million annually. These funds will enable IEUA to maintain an attractive rate for recycled water deliveries and help fund the debt service for the SRF loans thereby reducing the regional capital contribution for debt service.

Funding Summary- The following table summarizes the status of funding for the program (millions):

Funding Source	Phase I	Phase II	Phase III	Phase IV	Phase V	Total	% of Total
SWRCB Grants	\$5*	\$5**		\$5	\$5	\$20	16%
SWRCB Loans	\$19*	\$11**	\$11			\$41	34%
DWR Grant			\$5*			\$5	4%
USBR Grants		\$7*	\$7*	\$6*	\$5	\$25	20%
Regional Capital	\$3	\$2	\$2	\$12	\$12	\$31	25%
Total	\$27	\$28	\$25	\$23	\$22	\$125	100%

I

* Funding secured or in process

** Application submitted

PERMITTING

Several regulatory and environmental permits and approvals are required to implement the Regional Recycled Water Program and deliver recycled water. IEUA has made significant progress and has completed many of the regulatory requirements. The following are the regulatory requirements and the current status:

- CEQA – IEUA certified a Programmatic EIR in June 2002 which included IEUA's Wastewater Master Plan, Organics Management Business Plan and the Regional Recycled Water Program. Supplements to the Programmatic EIR are prepared, when necessary, as specific project elements are better defined during each project design.
- Chino Basin Watermaster Article X approval for groundwater recharge is required under Watermasters rules and regulations. IEUA obtained Watermasters approval for the recharge of up to 33,000 AFY in 2002.

- Basin Plan Amendment – In order to recharge recycled water in the Chino Groundwater Basin IEUA and Watermaster prepared a Maximum Benefit Concept Proposal to the Santa Ana Regional Water Quality Control Board for the basin plan amendment. The proposal was approved by the RWQCB and incorporated into the basin plan amendment in February 2004.
- RWQCB Waste Discharge Requirements and NPDES permit for direct reuse – All of IEUA’s Water Recycling Plants have existing permits from the RWQCB for recycled water deliveries for direct reuse customers, i.e. irrigation, industrial, recreational impoundments. On a quarterly basis IEUA reports new customers connected to the recycled water system and recycled water use for each customer.
- DHS Title 22 Engineering Report – In order to assure that recycled water is not “cross-connected” to any potable water system the California Department of Health Services requires an engineering report which identifies the potable and non-potable plumbing systems for each recycled water customer.
- DHS Title 22 Engineering Report for Groundwater Recharge - Prior to recharge of recycled water an engineering report is required. The report is reviewed by DHS and a public hearing is required to solicit comments. IEUA prepared and submitted the Title 22 Engineering report for the seven recharge basins served by the Phase I facilities. A public hearing was held in December 2003 and several supportive letters and comments were provided. DHS with IEUA’s assistance will prepare their findings which will be submitted to the RWQCB for incorporation into a permit for recycled water recharge.

Summary of Permitting Status

- | | |
|--------------------------------|----------------------------------|
| • CEQA | Certified 2002 |
| • CBWB Article X | Approved 2002 |
| • SARWQCB Basin Plan Amendment | Approved 2004 |
| • SARWQCB Discharge Permit | Issued for all plants |
| • DHS customer retrofits | Approved for connected customers |
| • DHS recharge approval | |
| ○ Ely Basin 2,300 AFY | Approved 1998 |
| ○ Phase I Recharge 7,700 AFY | June 2004 |
| ○ Phase II Recharge 17,300 AFY | June 2005 |

CUSTOMER DEVELOPMENT

As described above there are over 1,000 potential recycled water customers which can be served by the regional and local recycled water facilities. IEUA is working with the staffs of the local agencies to connect new customers to recycled water. Priority is given to the larger customers, typically over 25 AFY, which can be served immediately or in the near future. Currently there are 12 significant customers in Chino, Chino Hills, Ontario and CVWD which agency and IEUA staff are working with. In some cases a

significant effort is required in order to get a customer connected to recycled water, particularly industrial customers and golf courses. These customers initially have concerns related to water quality and impacts on their systems, retrofit costs and the cost of the recycled water.

In order to effectively communicate with recycled water customers and provide a consistent message staff is preparing an updated recycled water marketing packet with the following information:

- Background on recycled water use Nationally and in California
- Overview of IEUA and Regional Recycled Water Program
- Summary of recycled water quality
- Comparison of potable and recycled water rates (specific to each agency)
- Technical assistance available (DHS approval, water quality concerns)
- Financing of on-site retrofit (up to ten years with interest)
- Benefits of using recycled water
 - Drought proof the region (improves reliability of potable supply)
 - Recycled water is not subject to mandatory rationing during drought
 - Recycled water provides regional environmental benefits
 - Cost savings
- Contacts with regional agency and IEUA

In addition to addressing the customers concerns about recycled water use IEUA with the regional agency is preparing the Title 22 engineering reports for each site and coordinates the approval with DHS. Most of these reports have been prepared by staff, however, with the number of new customers and the more complicated industrial sites staff resources will be exceeded. Staff is preparing a request for proposals for consultant services to prepare the Title 22 engineering reports and to assist marketing recycled water to the potential customers. Staff anticipates that up to three firms will be selected, based on qualifications, in order to meet the need for customer development.

SUMMARY

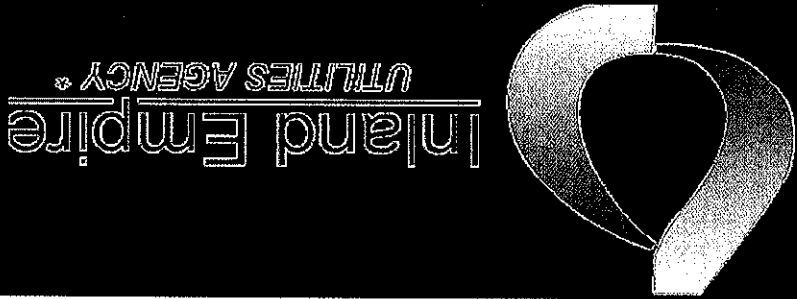
Recent Completed Activities:

- | | |
|-------------------------------|-------------------------------------|
| • Program Planning | Feasibility Study 2002 |
| • Environmental Documentation | PEIR 2002 |
| • Phase I Funding | SWRCB 2003 |
| • MWD LPP Rebate Agreement | Amended 2003 |
| • New Customer Connections | 9 in 2003 |
| • DHS Recharge Permit | Public Hearing 2003 (no opposition) |
| • RWQCB Basin Plan Amendment | Approved February 2004 |

Current/ Near Term Status as of February 2004:

- Phase I Design 90% Complete
- Phase I Construction 30% Complete
- Phase II Funding
 - SWRCB Grant & Loan SWRCB Review
 - DWR Grant Tentative Approval
 - USBR Grant Appropriations Process
- Phase II Design RFP February 2004
- DHS and RWQCB Recharge Permit (Phase I) June 2004
- DHS and RWQCB Recharge Permit (Phase II) June 2005
- Customer Technical Assistance RFP March 2004
- Customer Marketing Package April 2004

Regional Recycled Water Program
IEUA
Status Report
February 2004



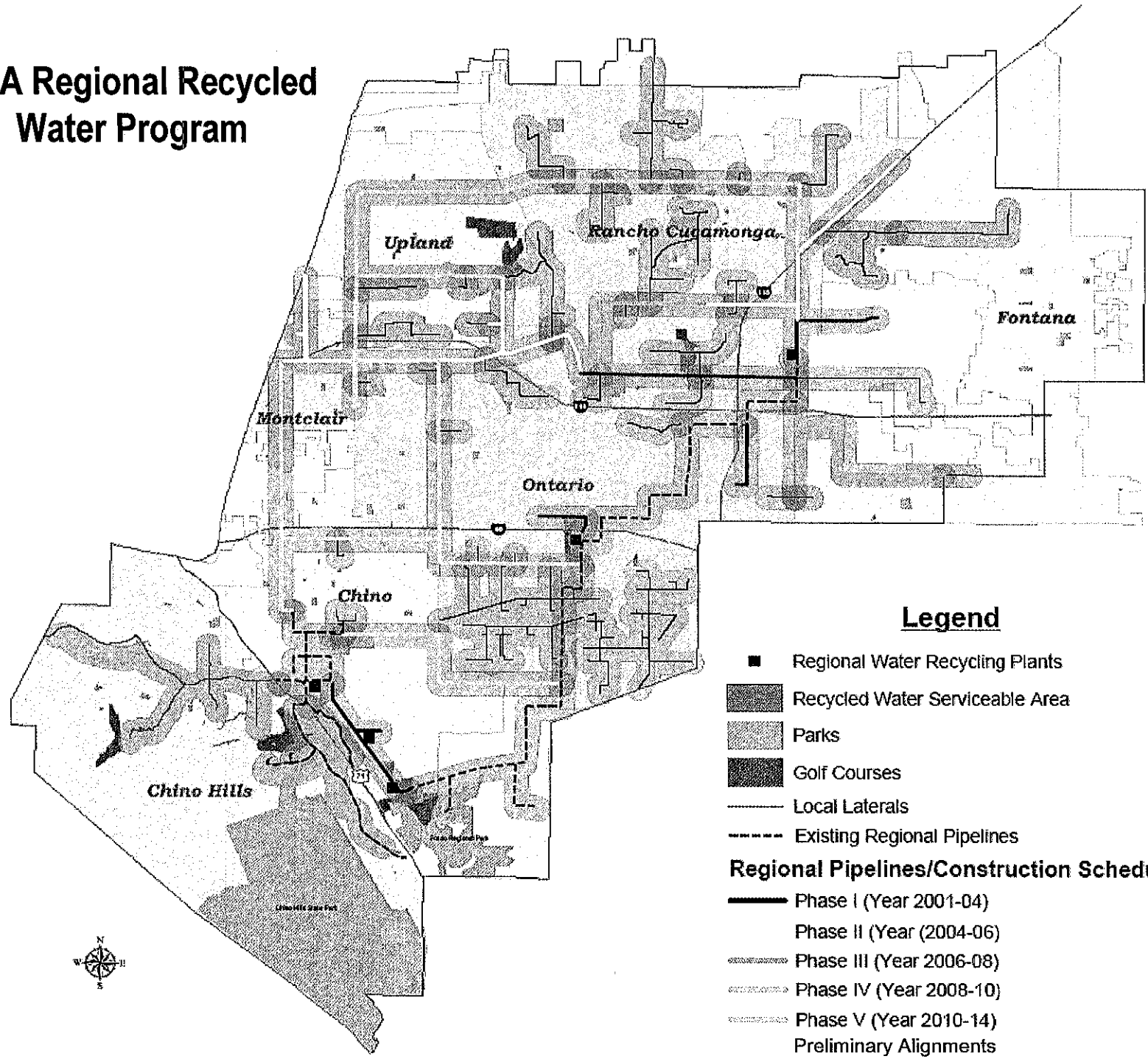
IEUA Recycled Water Program Status Report

- Regional Program Summary Description
- Funding Sources
- Permitting
- Customer Development
- Summary

Regional Recycled Water Program

- Planning Document -- Feasibility Study 2002
 - Over 1000 Customers
 - 45,000 AFY Irrigation, Industrial, Recreation
 - 25,000 AFY Groundwater Recharge
- Regional Facilities (pipelines, pumps, reservoirs)
 - 29 Projects
 - IEUA Responsibility
- Local Facilities (local laterals)
 - 40 Projects
 - Contracting Agency Responsibility
 - Potential IEUA Financing

IEUA Regional Recycled Water Program



Legend

- Regional Water Recycling Plants
- Recycled Water Serviceable Area
- Parks
- Golf Courses
- Local Laterals
- Existing Regional Pipelines

Regional Pipelines/Construction Schedule

- Phase I (Year 2001-04)
- Phase II (Year 2004-06)
- Phase III (Year 2006-08)
- Phase IV (Year 2008-10)
- Phase V (Year 2010-14)
- Preliminary Alignments

Regional Recycled Water Program Summary

Program Phase	Schedule	Number of Customers	Demand (AFY)	Capital Cost (millions)
Existing System	Complete	100*	7,420*	-
Phase I	2003/04	110	11,100	\$27
Phase II	2004/05	170	16,290	\$28
Phase III	2005/07	290	13,590	\$25
Phase IV	2006/10	230	11,790	\$23
Phase V	2007/12	140	11,040	\$22
Total		1,040	71,230	\$125

* Includes potential customers near existing facilities. Current demand 5,000 AFY.

Funding Goals

- Capital Cost
- SWRCB Loans 25-35%
- State Grants 25%
- Federal Grants 25%
- Regional Capital Funds 15-25%

- O&M/Loan Repayment
- MWD LPP Rebate \$2 Million Annually
- MWD LRP Rebate \$1.8 Million Annually

Funding Status

Funding Source	Phase I	Phase II	Phase III	Phase IV	Phase V	Total	% of Total
SWRCB Grants	\$5*	\$5**		\$5	\$5	\$20	16%
SWRCB Loans	\$19*	\$11**	\$11			\$41	34%
DWR Grant			\$5*			\$5	4%
USBR Grants		\$7*	\$7*	\$6*	\$5	\$25	20%
Regional Capital	\$3	\$2	\$2	\$12	\$12	\$31	25%
Total	\$27	\$28	\$25	\$23	\$22	\$125	100%

* Funding secured or in process

** Application submitted

Permitting Status

- CEQA Certified 2002
- CBWB Article X Approved 2002
- RWQCB Basin Plan Amendment Approved 2004
- RWQCB Recycling Issued for all plants
- DHS Customer Retrofits As Needed
- DHS/RWQCB Recharge
 - Ely Basin 2,300 AFY Approved 1998
 - Phase I Recharge 7,700 AFY June 2004
 - Phase II Recharge 17,300 AFY June 2005

Customer Development

- Coordination with Agencies
- Customer Marketing Package
 - Water Quality
 - Cost Savings, Other Benefits
 - Resources
- Consultant Technical Support
- New Customers in 2003 – 9
- Significant Customers Targeted - 12

Summary

Recent Completed Activities

- Program Planning Feasibility Study 2002
- Environmental Documentation PEIR 2002
- Phase I Funding SWRCB 2003
- MWD LPP Rebate Agreement Amended 2003
- New Customer Connections 9 in 2003
- DHS Permit Public Hearing 12/2003
- RWQCB Basin Plan Amendment February 2004

Summary

Current/Near Term Status (02/04)

- Phase I Design 90% Complete
- Phase I Construction 30% Complete
- Phase II Funding
 - SWRCB Grant & Loan SWRCB Review
 - DWR Grant Tentative Approval
 - USBR Grant Appropriations Process

Summary

Current/Near Term Status (02/04)

- Phase II Design RFP February 2004
- Recharge Permit (Phase I) June 2004
- Recharge Permit (Phase II) June 2005
- Customer Technical Assistance RFP March 2004
- Customer Marketing Package April 2004

Water Resources Planning Activity

Highlights

- **Santa Ana Watershed Project Authority (SAWPA)**
SAWPA is relocating the SARI Pipeline at Prado Dam as a part of the Army Corps of Engineers' Prado Dam enlargement project. SAWPA has prepared a legislative proposal to seek \$65 million from state and federal funding to address the impact of the fires on the watershed. SAWPA will work with Senator Brulte to expand language in SB 1132 to provide funding to address water supply as well as water quality impacts resulting from the Fall 2003 fires.
- **Metropolitan Water District of Southern California (MWD)**
During December 2003, the IEUA service area imported 3,076 acre-feet of water. (see page 4 for a summary of IEUA service area total water demand and page 5 for the calendar y-t-d Tier I imported water purchases). In calendar year 2003, Imported water purchases for the IEUA service area exceeded the Tier I allocation, however certifications may reduce the final Tier II numbers. In February, IEUA received a credit of \$1.1 million of MWD surplus funds. The funding will be given to the retail agencies to financially support new local supply projects. MWD held a Public Hearing on rate increases for 2005 on February 9, 2004. IEUA and Chino Basin Watermaster provided testimony. MWD is establishing a water quality committee to develop a unified message on water quality issues.
- **CALFED: Updates**
The Bay Delta Authority met on February 11th. Meeting focused on informational items including a discussion of the NAPA agreement, coordination of planning for Proposition 50, Chapter 8 Integrated Water Management funds, release of final environmental documents on Authority's Environmental Water Account, and the completion of a strategy for addressing mercury contamination within the Bay Delta watershed. President Bush's budget includes \$15 million for identified programs.
- **Colorado River: Updates and Issues**
For 2003, California used 4.4 million acre-feet from the Colorado River consistent with the maximum permitted by the Bureau of Reclamation (except when surplus conditions are declared). Water supply conditions within the lower Colorado system continue to worsen with the drought conditions in the Colorado River basin. Current storage within the system is at 32.1 million acre-feet or about 40 percent of capacity. At the same time last year, storage within the Colorado system was at 36 million acre-feet or about 60 percent capacity. Recent congressional hearings on the Salton Sea have focused on air quality and other environmental problems.
- **Water Conservation Activity Summary**
The 2002-03 Regional Water Conservation Program Report has been submitted to conservation coordinators requesting their review and comments. IEUA will final the document on March and provide copies to all agencies and cities in the service area. In March, the MWD Board of Directors will be considering a proposal to create a Model Home Program that provides plumbing fixtures to model homes that go beyond current plumbing standards and will include native plants as part of the landscaping. A brainstorming meeting with the U.S. Bureau of Reclamation and local water agencies has been scheduled for February 19th to discuss funding opportunities through Reclamation's "2025 Grant Program."
- **State Water Plan (Bulletin 160-03)**
The Department of Water Resources has released a draft of the "California Water Plan Update 2003, an Investment Guide for California's Water Future." The new schedule for the review of the draft plan is to release the public draft on April 15th. DWR will hold public workshops through the late spring and early summer. The final copy of the State Water Plan will be released December 31, 2004.
- **Water Resources Coordination Calendar**
A comprehensive Agency-wide water resources calendar is being maintained on page 6 of this report.

Water Conservation Budget/Actual (FY 2003-04)

<u>Revenues (est)</u>	<u>Annual Budget</u>	<u>Est. Actual to date (July-Jan)</u>
Imported \$3/AF Surcharge	\$195,000	\$138,645
Retail Meter Revenue	\$ 60,000	\$ 35,000
Property Tax	\$ 75,000	\$ 43,750
Regional Sewage Fund Transfer	\$ 50,000	\$ 29,166
FY 02/03 Surplus	\$ 44,000	\$ 0
Total	\$368,000	\$246,561
Other Agency Funding		
MWD (est CCP Credits and Rebates)	\$ 892,000	\$ 288,910
DWR Grants—X-Ray Processors	\$ 330,000	\$ 0
Sub Total	\$1,222,000	\$ 288,910
Total Budget	\$1,590,000	\$535,471

*Total budget does not include a grant from DWR for the CIM project in the amount of \$2,060,000

Expenditures

<u>Individual Projects/Programs</u>	<u>Budget</u>	<u>Actual (July-Jan)</u>	<u>Source of Funding</u>
HECWs	\$282,500	\$112,972	MWD, IEUA
ULFTs	\$771,800	\$236,301	MWD, IEUA
X-Ray Film Processor	\$330,000	\$ 47,146	DWR, IEUA, MWD
Landscape Programs	\$50,000	\$ 440	IEUA
Pool Cover Rebate	\$12,000	\$ 9,146	IEUA
CUWCC Dues	\$12,000	\$ 0	IEUA, MWD
Educational Programs	\$40,000	\$ 20,065	IEUA
Inter-Agency Grants	\$16,000	\$ 0	IEUA
Water Brooms	\$57,000	\$ 52,311	IEUA, MWD
Pool Cover Survey	\$ 8,500	\$ 0	MWD
Restaurant Water Awareness	\$ 5,000	\$ 0	IEUA, MWD
Agency Dues	\$ 2,300	\$ 1,300	IEUA
Other	\$ 2,900	\$ 506	IEUA
Totals	\$1,590,000	\$480,187	

Water Conservation Rebate Programs 2003-04

- **ULFT Rebate Program** - A total of 117 rebates were issued in the month of January, bringing the total number of rebates up to 1,098 for the length of the program and 883 rebates within the current FY. The FY goal is to complete 1,000 rebates.
- **High Efficiency Clothes Washer Rebate Program** — Currently, over 2,596 rebates have issued over the length of the program, 1,037 rebates issued during the current FY. The current FY goal is 2,500 rebates. This is a continuing rate of 40 to 50 per week.
- **Swimming Pool Cover Customer Survey** — There were 432 rebates were issued to residents within the IEUA service area. IEUA is now conducting a "Swimming Pool Cover Customer Survey" as part of an \$8,500 Innovative Conservation Program (ICP) grant received from MWD. As of mid-December, all of the 38 customer surveys have been completed. The data is being compiled and reviewed by IEUA's consultant, John Koeller. A final report is expected to be completed by late February 2004.

Water Conservation Programs FY 2003-04

- **Spring Retail Agency ULFT Programs** – These events happen once or twice each fiscal year per retail agency. Below are the events currently scheduled during spring 2004 and the number of toilets available.

Agency	Date	Location	Number of Toilets
City of Chino	April 3, 2004	City Hall	400
Monte Vista Water District	April 24, 2004	Headquarters	300
City of Ontario	May 1, 2004	Public Works Yard	400

Spring IEUA Regional ULFT Exchange Program – These regional events happen twice each fiscal year with a Fall event and a Spring event. The next regional event is expected to occur in Fontana within the next three to four months.

Agency	Date	Location	Number of Toilets
Inland Empire Utilities Agency	May 8, 2004	California Speedway, Fontana	800

- **Multi-Family ULFT exchange Programs** – At the end of January 1,284 ULFT's have been installed during the current FY. The FY goal is to install 3,900 ULFT's.
- **X-Ray Film Processors** – This program, funded with a \$230,000 DWR grant and additional funding from MWD, will install up to 50 X-Ray film processor rinsing/flushing water recycling units at area hospitals. Through the end of January, 10 Processors have been installed at area hospitals and clinics. Hospital contact is continuing.
- **"Think Earth: It's Magic" School Education Program** – A marketing poster to promote the "Think Earth: It's Magic" assembly has sent out to all elementary schools that did not participate last year. Below is the current schedule:

School	City	Date	Time(s)	Number of Students
Moreno Elementary	Montclair	Feb 5, 2004	9:35, 10:30, & 11:45 AM	466
S. Tamarind Elementary	Fontana	Feb 20, 2004	1:15 & 2:15 PM	
Shadow Hills Elementary	Fontana	Feb 23, 2004	8:30 AM and 9:30 AM	509
Litel Elementary	Chino	Feb 26, 2004	8:30 & 9:50 AM	761
Richard Gird Elementary	Chino	Feb 27, 2004	8:30 & 9:30 AM	
Shadow Hills Elementary	Fontana	March 1, 2004	8:30 AM and 9:30 AM	
Creek View Elementary	Ontario	March 5, 2004	8:30 AM, 9:30 AM & 1:30 PM	796
S. Tamarind Elementary	Fontana	March 8, 2004	1:15 & 2:15 PM	
Jasper Elementary	Alta Loma	March 9, 2004	11:15 AM & 12:30 PM	454

- **Schools and Parks Irrigation Program Initiative** – In the coming months, IEUA and our retail water agencies will offer a program for schools and parks that will evaluate opportunities for increasing irrigation efficiency and saving water through the use of "smart (weather sensitive) irrigation controllers" and other landscape management improvements.
- **California Urban Water Conservation Council (CUWCC) Activities** – The next Plenary session will be held at the offices of Cucamonga County Water District on March 9, 2004.
- **Water Education Water Awareness Committee (WEWAC) Activities** – WEWAC completed a "Project WET" workshop for 24 teachers in November. EduGrants will be awarded to teachers in December. There are 10 EduGrant proposals that have been received. The 9th Annual High School Video Contest announcements were mailed to area high schools in December.

Drinking Water Quality Issues/Activities

- **Perchlorate Contamination Issues**

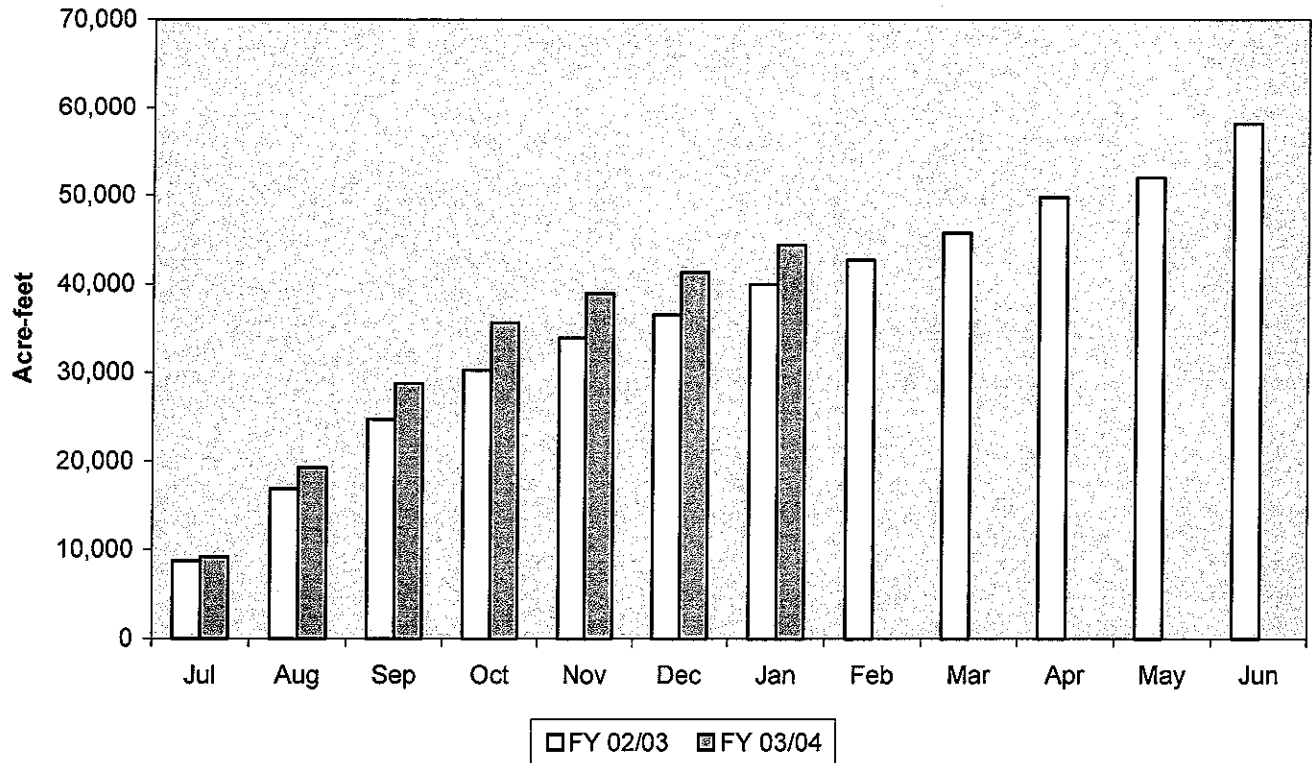
On July 28th, the Senate Select Committee on Perchlorate Contamination, chaired by Nell Soto, reviewed the status of the State's efforts to set a public health goal. Despite strong statements of concern from Senator Sher and others, it appears that the new administration will be moving slowly to establish the public health goal for Perchlorate. MWD's new Perchlorate task force will focus on identification of drinking water wells within MWD's service area that have been closed due to Perchlorate contamination and will coordinate development of a remediation plan to return the wells to service.

- **Salinity Management Issues**

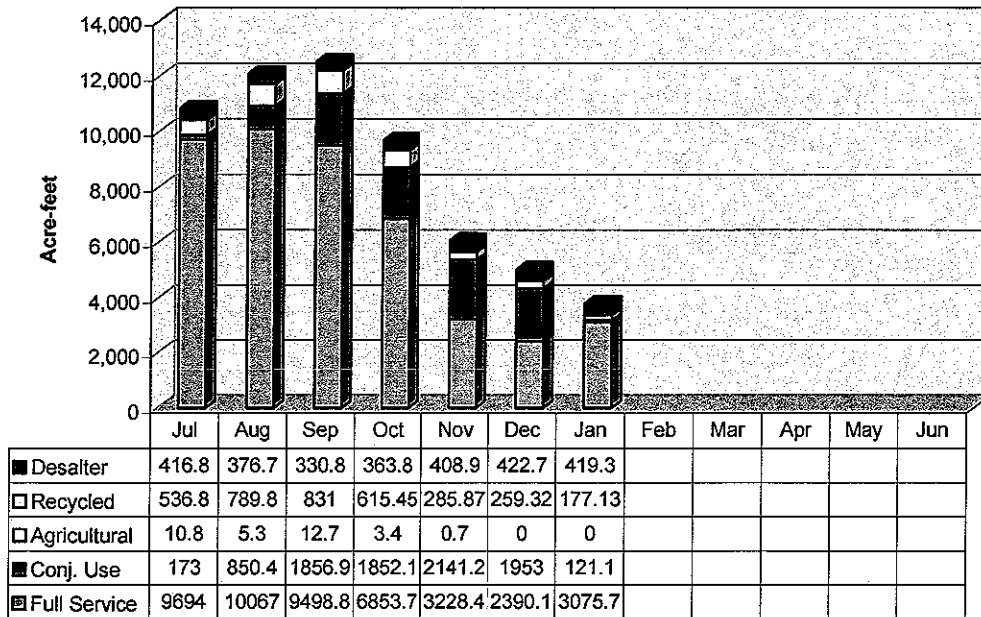
A draft model water softener ordinance is being developed for the Chino Basin. The AWWARF study to characterize salinity within the regional sewage system is scheduled to be complete in April, 2004. On February 25, IEUA will host with the National Water Research Institute a salinity summit with representatives from the regional boards in Southern California.

Y-T-D FY 2003/2004 vs FY 2002/2003

IEUA
Cumulative Monthly Full Service Imported Water Deliveries

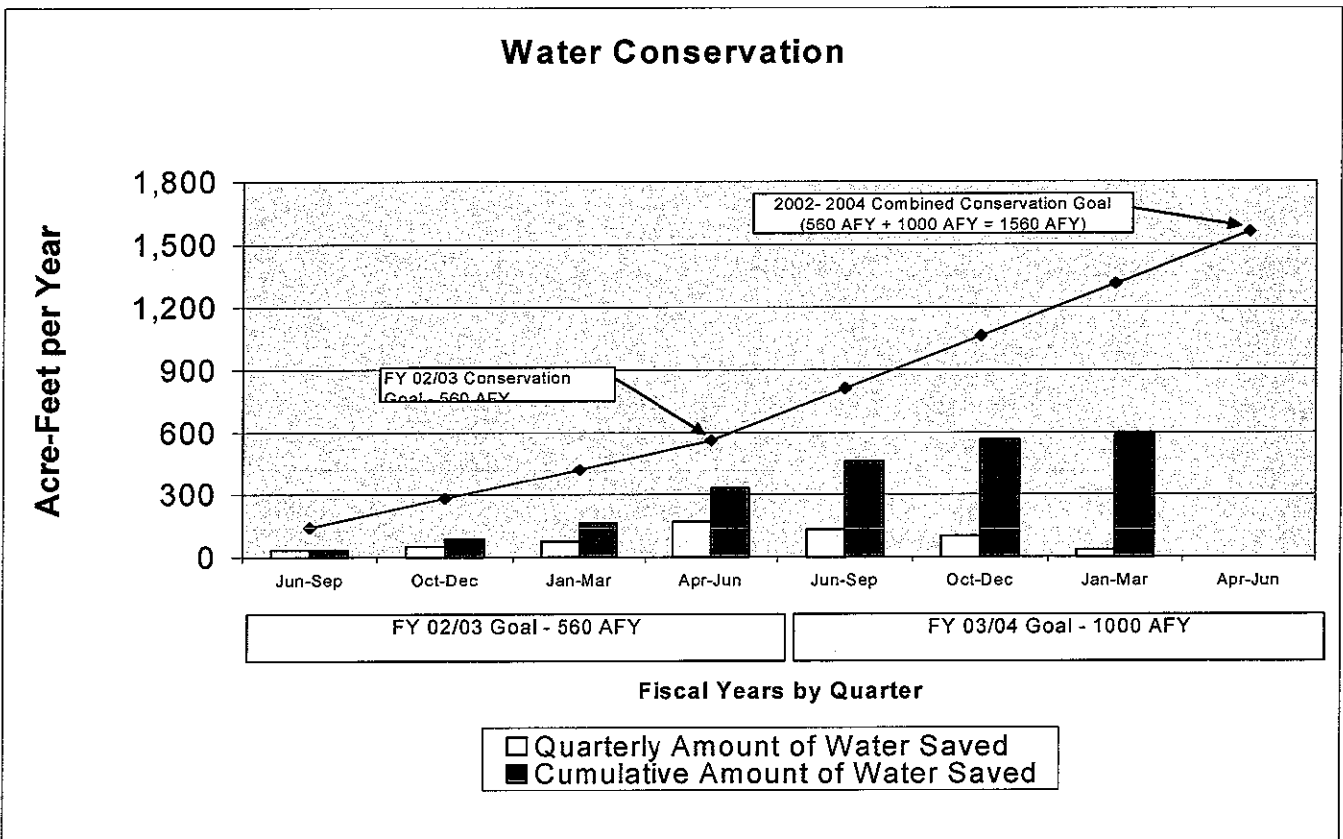
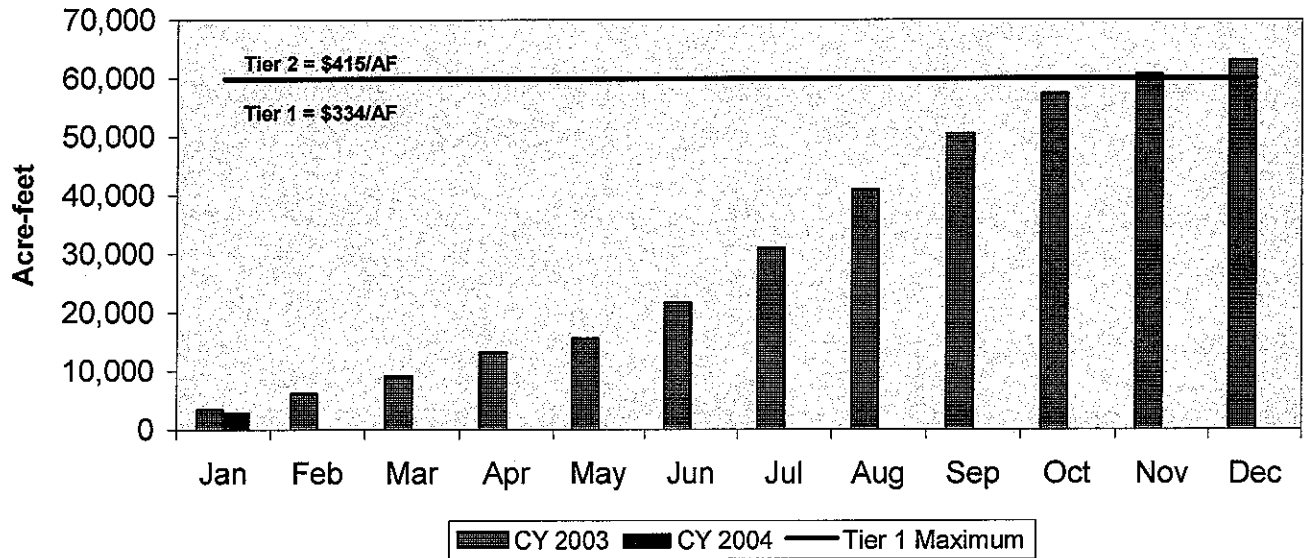


IEUA FY 03/04 Monthly Water use



CALENDAR YEAR 2003 TIER I/II PURCHASES

IEUA Cumulative Monthly Tier 1 Imported Water Deliveries 2003-2004

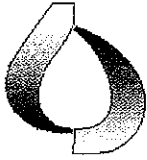


March 2004

SUN	MON	TUES	WED	THUR	FRI	SAT
	1 Think Earth— Fontana Chino Basin Water- master Board	2 IEUA Conservation Workgroup Mtg @ Monte Vista WD	3 IEUA Board Mtg	4 Regional Tech Committee Mtg @ Fontana	5 Think Earth— Ontario MWD Conservation Planning Mtg	6
7	8 IEUA Water Re- sources Committees Mtg	9 Fontana Arbor Day Think Earth—R.C. CUWCC Plenary @ CVWD	10 IEUA Committee Mtg Day	11 Regional Policy Committee Mtg @ Ontario	12 MWD Member Agency Managers Mtg	13
14	15	16 Conservation Workgroup Mtg @ Ontario	17 IEUA Board Mtg	18	19	20
21	22	23	24	25 MWD Monthly Conservation Mtg Chino Basin Watermas- ter Advisory and Board Meetings	26	27 IEUA Residential PDA Classes Begin
28	29	30	31			

April 2004

SUN	MON	TUE	WED	THU	FRI	SAT
				1 Regional Tech Committee Mtg @ Fontana	2	3 IEUA Residential PDA Classes Begin Chino ULFT Prog
4	5	6	7 IEUA Board Mtg	8 Regional Policy Committee Mtg @ Ontario	9 MWD Member Agency Managers Mtg	10 IEUA Residential PDA Classes Begin
11	12 IEUA Water Re- sources Committee	13	14 IEUA Committee Mtg Day	15	16	17 IEUA Residential PDA Classes Begin
18	19	20	21 IEUA Board Mtg	22 MWD Monthly Conservation Mtg Chino Basin Watermas- ter Advisory and Board Meetings	23	24 Monte Vista Wa- ter District ULFT
25	26	27	28	29	30	



Date: February 26, 2004
 To: Inter-Agency Water Managers' Report
 From: Inland Empire Utilities Agency
 Subject: Water Conservation Report

RECOMMENDATION

For Information Only

BACKGROUND

ULF TOILET REBATE PROGRAM

A total of 117 rebates were issued in the month of January, bringing the total number of rebates up to 1,098 for the length of the program, and 883 rebates within the current FY. The current fiscal year goal is to complete 1,000 rebates.

HECW REBATE PROGRAM

Currently over 2,596 rebates have been issued over the length of the program, 1,037 rebates issued during the current FY. The current fiscal year goal is 2,500 rebates. This is a continuing rate of 40 to 50 per week.

SWIMMING POOL COVER SURVEY PROGRAM

John Koeller of Koeller and Company Consultants has completed the 38 homeowner interviews to determine customer attitudes toward the use of pool covers. After evaluation of the results of the survey, a draft final report will be issued in February.

AGENCY ULFT EXCHANGE PROGRAMS

Below are the events that have been scheduled and the total number of ULF toilets anticipated to be distributed.

Agency	Date	Location	Toilets
Monte Vista WD	April 24, 2004	Montclair HS	300
City of Ontario	May 1, 2004	Ontario Public Works	400
City of Chino	April 3, 2004	Chino City Hall	400
IEUA Reg. Program	May 8, 2004	California Speedway, Fontana	800

MULTI-FAMILY ULF TOILET EXCHANGE PROGRAM

IEUA and its retail water agencies provide free ULF toilets to multi-family property owners throughout the year. The number of ULF toilets installed in the month of January is 513. For the current FY, the program has installed 1,284 toilets. The goal for the FY is to complete 3,900 installations.

THINK EARTH: IT'S MAGIC SCHOOL EDUCATION PROGRAM SCHEDULE

Below is a list of the next scheduled "Think Earth: It's Magic" assemblies.

School	City	Date	Time(s)	Director
S. Tamarand Elementary	Fontana	Feb 20, 2004	1:15 & 2:15 pm	Santiago
Shadow Hills Elementary	Fontana	Feb 23, 2004	8:30 & 9:30am	Santiago
Litel Elementary	Chino	Feb 26, 2004	8:30, 9:50 & 10:45 am	Anderson
Richard Gird Elementary	Chino	Feb 27, 2004	8:30 & 9:30 am	Anderson
Shadow Hills Elementary	Fontana	March 1, 2004	8:30 & 9:30 am	Santiago
Creek View Elementary	Ontario	March 5, 2004	8:30, 9:30 am & 1:30 pm	Koopman
S. Tamarand Elementary	Fontana	Feb 20, 2004	1:15 & 2:15 pm	Santiago
Jasper Elementary	Alta Loma	March 9, 2004	11:15am & 12:30pm	Troxel

MWD MODEL HOME WATER CONSERVATION PROGRAM

This \$250,000 pilot program will help promote water conservation with residents by upgrading developer "model" homes beyond the existing plumbing standards. Items that will be included in the new homes are dual-flush toilets, high-efficiency clothes washers, weather-sensitive irrigation controllers, native landscaping, and water-softeners. MWD and IEUA will promote centrally discharged canister type water softeners, rather than the self-regenerating models and explain why these damage the ability of water agencies to recycle water. MWD staff will produce informational pieces on each of the devices installed. MWD has registered the name "California Friendly Home" for each of the new homes that have these devices. The MWD Board will consider this item on March 9.

Capital Projects Summary

Active Projects - Phase I

■ RP-1/RP-4 Pump Station (Budget \$7,748,000)

The pump station will deliver recycled water from RP-1 to RP-4 to meet the anticipated demand in the RP-4 service area. The project also included a pump station at RP-4 to pressurize the distribution system. The construction contract was awarded in March 2003. Construction will be completed by July 2004.

■ RP-1 Chlorination Tank (Budget \$4,817,000)

TP-1 Outfall line has been used for chlorine contact time. The chlorination tank will increase the availability of the TP-1 Outfall line as a transmission main to deliver recycled water to farmers and dairies plus businesses and residential developments along the pipeline rather than using it for chlorine contact to meet the Title 22 requirement. The construction contract was awarded in March 2003. Construction will be completed by July 2004.

■ Pine Avenue Intertie (Phase I: Budget—Phase I & II \$1,066,000)

The Pine Avenue Intertie will connect the RP-2/CCWRF recycled water system with the RP-1 outfall thereby connecting all IEUA facilities. The Phase I construction contract was awarded in February 2003 and was completed in October 2003. Phase II is under construction and was completed in December 2003.

■ Wineville Pipeline (Budget \$2,307,200)

The Wineville Pipeline will convey recycled water from the RP-4 outfall to Inland Paperboard and other customers in Ontario. The construction contract was awarded in March 2003 and is completed. Inland Paperboard Packaging will begin taking recycled water in February 2004.

■ Reliant Pipeline (Budget \$1,115,476)

The Phase I Etiwanda recycled water pipeline delivers to the Reliant Energy Plant from RP-4 and when extended in Phase II will serve future demands to the North along Etiwanda Ave. The construction is completed and Reliant started to use recycled water in August 2003.

■ Philadelphia Pipeline (Budget \$3,935,400)

The Philadelphia Pipeline will deliver recycled water to the Ely Basins for recharge and irrigation water to the new Kaiser Hospital facility and to other customers. The portion of the pipeline in front of the Kaiser facility is completed, however, the original alignment of the pipeline coming from RP-1 is redesigned to go along the parameter of the existing golf course due to the City of Ontario's termination of development of the planned soccer field. The construction will be completed in July 2004.

■ Whittram Pipeline (Budget \$3,620,000)

The Whittram Pipeline will serve recycled water to the Banana and Hickory Basins. Project design is at 100% complete, construction is scheduled for completion by Summer 2004.

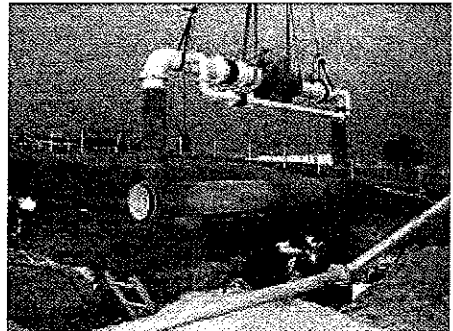
■ RP-4 West Branch (Budget \$9,849,000)

Design for the RP-4 West Branch is in process and will be completed in early 2004. The pipeline will serve the Turner Recharge Basins and Empire Lakes Golf Course as well as other customers in Ontario and CCWD. The project will be completed by Spring 2005.

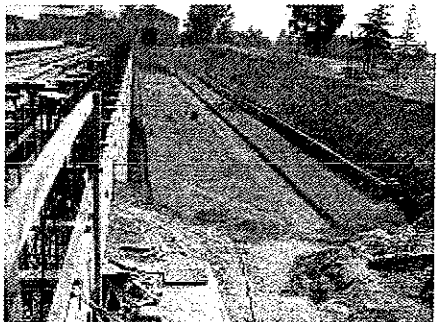
Total Budget—Active Projects—\$34,458,076



RP-1/RP-4 Pump Station construction site



New V-1 Regulating Valve installation next to the dechlorination station



RP-1 New Chlorination Tank construction

Total Implementation Plan

ID	Task Name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
1	Phase I	\$34,000,000.00														
2	Phase II				\$28,000,000.00											
3	Phase III					\$15,000,000.00										
4	Phase IV							\$21,000,000.00								
5	Phase V									\$22,000,000.00						

Phase I Implementation Plan

ID	Task Name	Budget	Actual	Remaining	2003												2004											
					May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov					
1	RP-1/RP-4 Pump Station	\$7,748,000	\$676,171	\$7,071,829																								
2	RP-1 Chlorination Tank	\$4,817,000	\$597,101	\$4,219,899																								
3	Pine Avenue Intertie	\$1,066,000	\$261,228	\$814,772																								
4	Wineville Pipeline	\$2,307,200	\$257,415	\$2,049,785																								
5	Reliant Pipeline	\$1,115,476	\$371,207	\$744,269																								
6	Philadelphia Pipeline	\$3,935,400	\$262,053	\$3,673,347																								
7	Whittram Pipeline	\$3,620,000	\$76,151	\$3,543,849																								
8	RP-4 West Branch	\$9,849,000	\$88,549	\$9,762,451																								

Financing Plan

Program Financing Plan:

- Regional Capital Fund 25-30%
- SWRCB Grants 10-15%
- Federal Grants 20%
- SWRCB Loans 20-35%

Annual Revenue:

- MWD LPP (Loan Repayment) \$2 Million
- MWD LRP* \$1.8 Million
- Recycled Water Sales \$4-6 Million

*Proposal submitted December 2003.

Funding Phase I

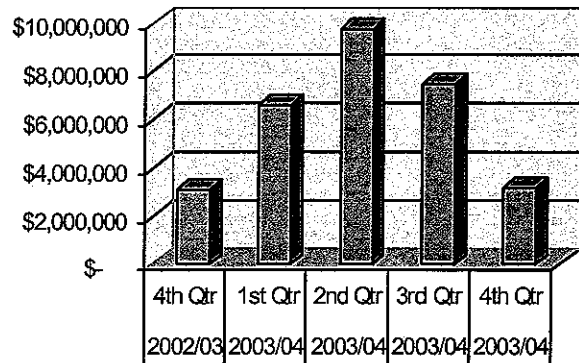
- Regional Capital Fund \$7,000,000
- SWRCB Recycling Grant \$5,000,000
- SWRCB Recycling Loan \$22,000,000

Funding Phase II

- Regional Capital Fund \$3,000,000
- SWRCB Recycling Grant* \$5,000,000
- SWRCB Loan* \$20,000,000

*SWRCB Funding application submitted in September 2003

Regional Recycled Water Phase I—Projected Cash

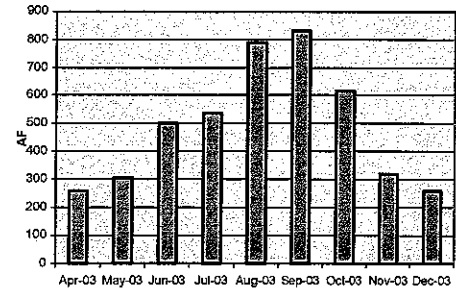


Activity Summary

New Customers in 2003

- CW Farm (former Arthur Farms)
Started to use recycled water in March.
- Lewis Homes Corporation
Started using recycled water in September 2003 for their grading operation.
- Big League Dreams
Started to use recycled water in March.
- Fairfield Ranch Neighborhood Park
Started to use recycled water in March.
- Higgins Brick
Started to use recycled water in July
- Engelsma Dairy
Started to use recycled water in August
- DBRS Medical System
Started to use recycled water in August
- Central Chino Business Park
Started to use recycled water in August
- Artesian HOA
Started to use recycled water in August
- Reliant Energy
Started to use recycled water in August
- Fairfield Ranch Business park Phase I
Started to use recycled water in August
- Macro-Z Technology
Started to use recycled water in December
- Industrial Real Estate Development
Started to use recycled water in December

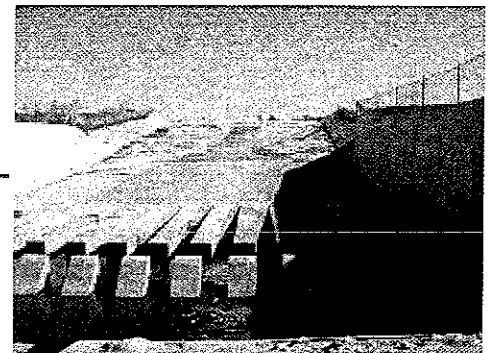
Recycled Water Sales



Delivery Period	FY 2002-03	FY 2003-04
December	199	259
Year to Date	4,431	5,030
FY Total	2,787	3,319
Budget		6,950

Operation & Planning

- Due to the cold temperature, sodium bisulfate in the dechlorination station at Prado Park solidified. Roof and a heater is being added around the chemical tanks. The modification would be completed in the first week of February. Until this modification is completed the lake will not be flowing.



Prado Lake Spillway

New Customers in 2004

- Fairfield Ranch Business Park Phase II
Received an approval for the engineer's report from DHS. Needs to complete the cross-connection test prior to using recycled water.
- New Chino Hills High School and elementary school
The school board has accepted to use recycled water on the school ground. The City of Chino Hills is in the process of preparing the engineer's report.
- Inland Paper Board
In the process of negotiating with Inland Paper Board to use recycled water.
- Kaiser Hospital
In the process of preparing the engineer's report. With the completion of Philadelphia pipeline in June, Kaiser will start to use recycled water.

Potential Customers in 2005

- City of Chino
CIM (CalPoly & Laundry facility), OLS Energy, Paradise Textile, and Mission Linen
- City of Chino Hills
Oak Crest Golf Course
- City of Ontario
Ontario Mills, Crothall Laundry, and Agricultural customers
- City of Rancho Cucamonga
Empire Lakes Golf Course

Customer Development

■ Agricultural customers along the TP-1 Outfall line

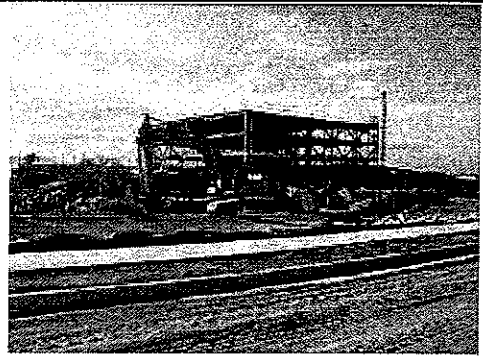
Once the RP-1 chlorine contact basin is completed, many agricultural customers and other outfall customers could be served as early as early summer 2004. In the process of preparing priority list of customers now.

■ Focused Customer Marketing

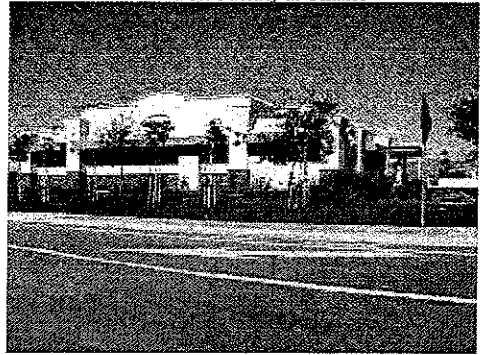
Large customers with annual usage over 100 AFY will be targeted. IEUA staff is working closely with the retail agencies to develop an updated customer list and to coordinate marketing effort. The recycled water marketing database was distributed to the Cities of Chino, Chino Hills, Ontario, and Cucamonga Water District to aid with the customer and recycled water use tracking.

■ Targeted Major Customers in 2004

1. Empire Lakes Golf Course (May 2004)	800 AFY
2. Additional Farms on Outfall (April 2004)	1,200 AFY
3. Ontario Center Owners Association	260 AFY
4. California Co-generation	250 AFY
5. Oak Crest Golf Course	500 AFY
6. CIM (Farming Operation & Laundry Facility)	1,500 AFY



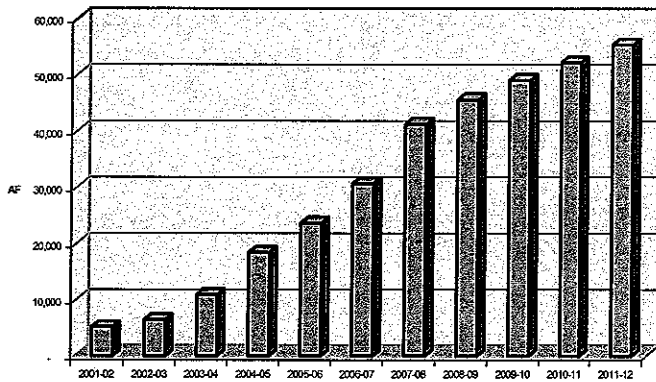
New Kaiser Facility at Ontario



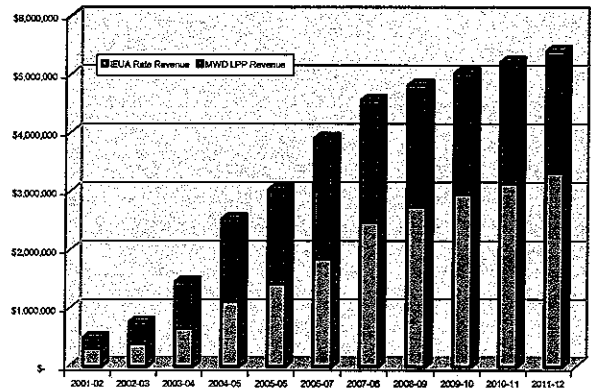
New Arco Gas Station on Central Avenue

Projected Sales & Revenue

Projected Recycled Water Sales



Projected Recycled Water Revenue



Regulatory/Permits

■ CEQA-PEIR Certified	06/02
■ CBWM Article X-Approved	05/02
■ SARWQCB Basin Plan Amd.	02/04
■ DHS Title 22 Report (Recharge)	03/04
■ SARWQCB Discharge Permit	03/04



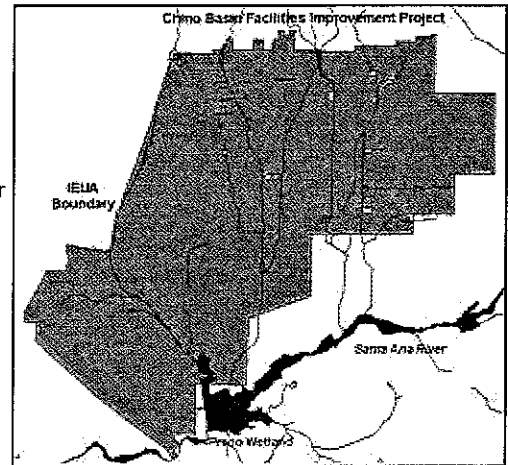
New Denny's Restaurant in Chino Hills

JANUARY 2004 CHINO BASIN FACILITIES IMPROVEMENT PROJECT SUMMARY

Program Description

The Chino Basin Facilities Improvement Program (CBFIP) is a joint effort of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), the Inland Empire Utilities Agency (IEUA), and the San Bernardino County Flood Control Department (SBCFCD). IEUA was selected as the "Contracting Agency" to establish financing for the CBFIP and to apply for grants through the Santa Ana Water Project Authority (SAWPA) under Proposition 13 in June 1999. The CBFIP is a system comprised of activation of three Metropolitan Water District turnouts from the Rialto Pipeline; modifications to several flood control channels for conveying imported water, storm water and recycled water; and four rubber dams and three drop inlets diversion structures in the flood control channels to divert the water to the 19 groundwater recharge sites. The 19 sites have 42 recharge basins varying from 1 to 9 basins at the respective site. The groundwater recharge sites, when fully developed will have a total capacity per year to recharge 18,790 to 23,700 ac. ft. of storm water; 81,800 to 122,100 ac. ft. of imported water; and 18,790 to 23,700 ac. ft. of recycled water; making an annual accumulative total of 119,380 to 169,500 ac. ft. of water recharged to the Chino Basin aquifer.

The construction of the CBFIP will be in seven phases, with seven different contractors, totaling \$38,700,000. Construction is projected for completion in Summer 2004.



Project Purpose:

The purpose of the project is to provide storm water and imported water recharge facilities improvements required to increase groundwater recharge in the Chino Basin and to implement the Recharge Master Plan and Optimum Basin Management Program (OBMP)

Project Participant:

- Inland Empire Utilities Agency (Lead, Contracting Agency)
- Chino Basin Watermaster
- San Bernardino County Flood Control District
- Chino Basin Water Conservation District
- SAWPA

Design and Construction Management Team:

- Tettermier & Associates (Design Consultant)
- Black & Veatch (Program & Construction Management)
- URS (Geotechnical Consultant)

Bid Package No. 1 (Budget \$8,600,000)

Bid Package No. 1 includes six basins: Banana Basin, College Height Basins, Lower Day Basin, RP-3 Basins, Turner Basin No. 1, Turner Basins No. 2, 3, & 4

Work Accomplished:

- RP-3 - Excavation under the contract with LTE at the RP-3 site is completed; quantities are being finalized. Sluice gates and the staff gages are installed; concrete lining in RP-3 Trap Channel – 100% complete.
- College Heights Basins – Excavation in the College Heights Basins is completed; quantities are being finalized. The sluice gate and the staff gage are installed.
- Turner Basins 2, 3, & 4 – The 24", 30" and 36" RCP has been installed in the berms; structures are completed for the sluice gates. Staff gauges are installed.
- Turner Basin 1 – Excavation is completed; quantities are now being finalized. The sluice gate and the staff gage have been installed.
- Lower Day Basin – Excavation in the Lower Day Basin is completed; now finalizing quantities. Sluice gates and the staff gage are now installed.
- Banana Basin – LTE has completed all excavation at this basin; quantities are now being finalized. The contractor has completed placing all soil berms and installing the sluice gates.
- Final completion date February 2004

Bid Package No. 2 (Budget \$7,700,000)

Bid Package No. 2 includes three basins: Declerz Basin, Ely Basins 1, 2, & 3, and 8th Street Basins; four rubber dams: College Heights (San Antonio Channel), Lower day Basin (Day Creek Channel), RP-3 Basins (Declerz Channel), Turner Basin No. 1 (Cucamonga Channel); and three drop inlets: Brooks Basin (San Antonio Channel), Turner Basins 2, 3, & 4 (Deer Creek Channel), and Victoria Basin (Etiwanda Channel); a fourth drop inlet has been added at Victoria Basin (San Sevaine Channel).

(Continued on page 2)

(Continued from page 1)

Basins status:

- Declez Basin – earthwork at Declez Basin completed. Work on the soil-cement berms and sluice gates is nearing completion.
- Ely Basins 1, 2, & 3 – earthwork at Ely Basins 1, 2, & 3 is completed. Work on the soil-cement berms and sluice gates is nearing completion.
- 8th Street Basins – earthwork at 8th Street Basins is underway. Work on the soil-cement berms and sluice gates will get underway after excavation is completed in the areas for construction and installation.

Rubber dams status:

- The four inflatable rubber dams are installed in the channels and control structures are being constructed at the sites, namely, College Height Basins (San Antonio Channel), Turner Basins No. 1 (Cucamonga Channel); and Lower Day Basin (Day Creek Channel) and RP-3 Basins (Declez Channel). The rubber dams have been test inflated; control buildings are nearing completion.

Drop Inlets:

- The three drop inlets: Brooks Basin (San Antonio Channel), Victoria Basin (Etiwanda Channel), and Turner Basins No. 1, 2, 3, & 4 (Deer Creek Channel) are all nearing the 98% completion; sluice gates and controls are being installed.

Bid Package No. 2 is scheduled for completion in Spring 2004.

Bid Package No. 3 (Budget \$3,200,000)

Bid Package No. 3 includes the construction of the Jurupa force main pipeline from the Jurupa Basin at Mulberry Avenue to Beech Avenue at the RP-3 Basins.

The contractor has completed the potholing along Jurupa Avenue and has located the existing utilities in the Jurupa Avenue. The pipe is on order. Construction is scheduled to begin in January 2004. Rasic is still awaiting approval of the Traffic Control Plans from the City of Fontana and San Bernardino County; and receipt of their respective permits.

The City of Fontana is improving the intersection of Mulberry and Jurupa avenues. In agreement IEUA the City will place a temporary asphalt cap and temporary stripping; IEUA will then pave the entire street and install permanent stripping; the City will reimburse IEUA for 50% of the costs incurred.

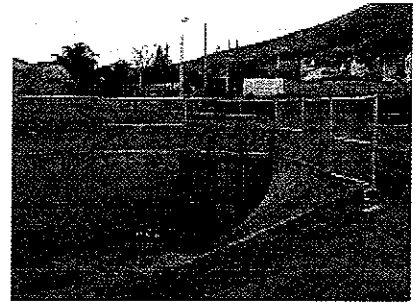
Bid Package No. 4 (Budget \$2,300,000)

Bid package No.4 consists of constructing (1) a canal and 100 lineal feet of 48" pipe to convey water to (2) the Jurupa Pump Station and (3) 400 lineal feet of 36" diameter cement mortar lined & coated (CML & C) steel pipe force main.

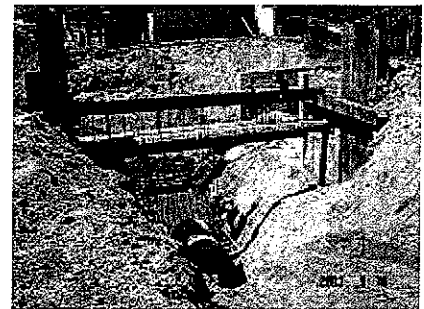
The Jurupa Basin Pump Station was bid November 20, 2003 and was awarded December 3, 2003 but issuance of the "letter to proceed" has not been issued due to delays in permit review by the SBCFCD; the County is reviewing the possible impact to reduction in storage capacity in the Jurupa Basin.

SBCFCD has committed to constructing a section of concrete channel with a drop inlet and pipeline to deliver water to the Jurupa Basin for delivering stormwater, imported water, and recycled water to the Basin for pumping to the RP-3 Basins and the Declez Basin. The remainder of the San Sevaine Channel between Valley Boulevard and the Jurupa Basin drop inlets will be completed as part of SBCFCD's San Sevaine Project.

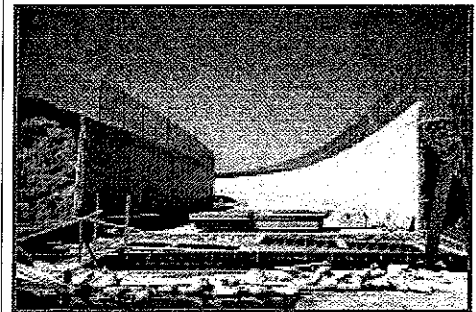
Construction of the pump station and improvements to the Jurupa Basin is projected to take 200 calendar days.



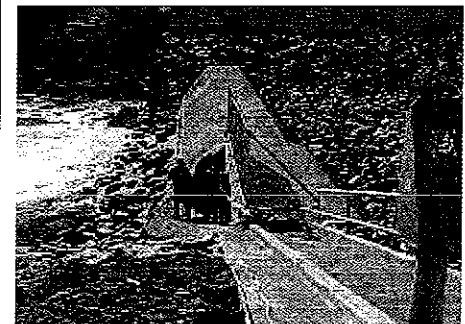
Sluice Gate Inlet Structure at RP-3



Brooks Basin San Antonio Channel Water Diversion Pipeline



Turner 2,3,& 4- Deer Creek Drop Inlet Structure



Banana Basin-Sluice Gate Structure

Bid Package No. 5 (Budget \$3,080,000)

- The SCADA Control and Monitoring System bid opening was January 9, 2004.
- A courtesy tour of the construction sites was held on November 21, 2003
- Bid opening was extended from December 30, 2003 to January 9, 2004/All bids were rejected on January 21, 2004
- Award of bid is scheduled for early March.
- Radio controls will monitor and govern water levels in all the basins, control the drop inlets and rubber dams; four monitoring sites will be established at the CBWM, CBWCD and SBCFCD offices with the master controls located at RWRP-1. The SBCFCD offices will have a satellite control station.

Bid Package No. 6 (Budget \$1,820,000)

Bid Package No. 6 includes the MWD CB Turnouts No. 11T, 15T and a new connection on the Etiwanda Intertie @ Station 211 + 47. Tom Dodson & Associates (TDA) completed the necessary CEQA documentation for permitting the projects in August and a public hearing was held September 17, 2003. No public comments were received.

- The Redevelopment of the two existing MWD turnouts and development of a new turnout from the Etiwanda Intertie @ location 200+47 was announced for bid December 2, 2003.
- A job walk was held for December 9, 2003.
- Bid opening is scheduled for January 29, 2004
- Award of bid is scheduled for February 4, 2004
- The construction period is for 150 calendar days.

It has been determined that connections at CB Turnouts No. 11T and 15T can be made without shutdown of the Foothill Feeder Pipeline that is taking place in January 12 through January 16, 2004. However, the Etiwanda Intertie @ Station 211 + 47 will need to be coordinated with shutdown of the Intertie in April 2003, allowing for tapping the line and tie-in.

Bid Package No. 7 (Budget \$3,140,000)

This bid package is a "catch-all" bid package. Depending upon the bids received on the above bid packages, the CBFIP Committee will prioritize the remaining projects, keeping the ultimate CBFIP within budget.

- Announcement of Bid Package No. 7, will be in February 2004, a courtesy tour of the prioritized construction sites will be conducted. The scheduled bid opening is April 2004, and award of contract is anticipated April 2004.
- The projects and the percentage of the design that is completed are listed by priority as follows:

Project	Design	Estimated Cost
1. RP-3 Mitigation Project, Cell #2	10% complete	\$ 500,000
2. Victoria Basin (excavation will be deleted)	100% complete	\$ 500,000
3. Upland Basin	90% complete	\$ 900,000
4. Hickory Basin improvements	20% complete	\$1,000,000
5. Banana Basin discharge	100% complete	\$ 70,000
6. Portable pump	100% complete	\$ 100,000
7. San Sevaine channel bridge** @ Hickory Basin	100% complete	\$ 75,000
<u>Deferred Projects</u>		
8. Etiwanda Conservation Basins (Ponds)	5% complete	\$1,500,000

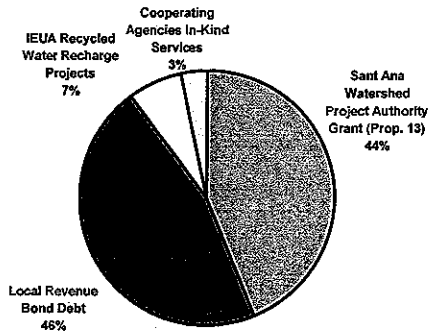
** The San Sevaine channel bridge structure at Hickory Basin was designed at the request of the SBCFCD for easier access to their basin.

- Victoria Basin - Windrow Earth Transport Contract (WET)
- Dispatch Trucking, a subsidiary of WET, will remove the 200,000 cubic yards of soil from RP-3 which will save an estimated \$1,200,000 and also remove 100,000 cubic yards from Victoria Basin which will save \$600,000. Permits for earth work in Victoria Basin have been issued by the SBCFCD.

CBFIP Active Projects Construction Schedule

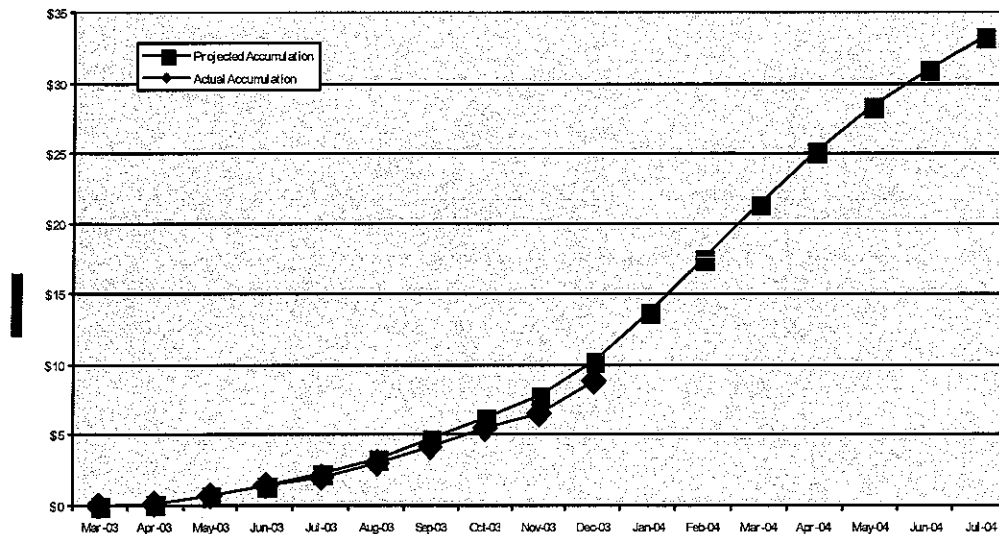
ID	Project Name	2003												2004											
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov			
1	Bid Package No. 1	[Gantt bar from Mar-03 to Feb-04]																							
2	Bid Package No. 2	[Gantt bar from Jul-03 to Apr-04]																							
3	Bid Package No. 3	[Gantt bar from Jul-03 to Sep-04]																							
4	Bid Package No. 4	[Gantt bar from Jan-04 to Oct-04]																							
5	Bid Package No. 5	[Gantt bar from Feb-04 to Oct-04]																							
6	Bid Package No. 6	[Gantt bar from Mar-04 to Oct-04]																							
7	Bid Package No. 7	[Gantt bar from Apr-04 to Oct-04]																							

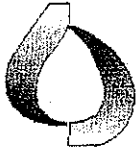
Project Financing



- Santa Ana Watershed Authority Grant (Prop. 13) \$19 Million
- Local revenue bond debt \$20 Million
- Cooperating Agencies in-kind Services \$1.5 Million

Projected vs. Actual Costs





Inland Empire
UTILITIES AGENCY

Date: February 18, 2004
To: Honorable Board of Directors
Through: Public and Legislative Affairs Committee (2/11/04)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: January Legislative Report from Geyer and Associates

RECOMMENDATION

This is an informational item regarding the January legislative report from Geyer and Associates.

BACKGROUND

Bill Geyer and Jennifer West provide a monthly report on their state activities on behalf of IEUA.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:jbs
G:\board-rec\2004\04077 January Leg Report from Geyer

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Inland Empire Utilities Agency

WATCH

("C" lowest level, "B" mid level, "A" high level watch)

January 30, 2004

Bill # / Title	Summary	Watch Level	Status
Propositions 50 and 40			
AB 107 (Corbett) Prop. 50 Chapter 3	Prop. 50 funding vehicle for Chapter 3 funds. Some components of this bill were placed into the omnibus Prop. 50 trailer bill (AB 1747, which was chaptered.	B	Senate Ag. Water & Resources
AB 1300 (Laird) Prop. 50: Reporting	Requires Secretary of Resources to prepare annual report on Prop. 50 expenditures.	C	Senate Ag. Water & Resources
SB 909 (Machado) Water Grant	Allows grants of state bond funds to be made to public water utilities and mutual water companies.	B	Assembly W.P.W.
SB 1132 (Brulte) Prop. 50	Requires DWR to develop a \$50 million competitive grant program within Southern California counties impacted the 2003 fires for flood control programs and other water management projects to prevent or reduce the likelihood of flooding and degradation of water quality. The bill specifically excludes these funds from the Chap. 8 matching requirement contained in last year's Prop. 50 trailer bill. IEUA and SAWPA will evaluate whether grant criteria should be expanded to address impacts of flooding on water supply projects.	A	
Drinking Water Contaminates			
AB 1020 (Laird) Contaminates: Civil Action	Authorizes a public water system to bring civil action against any RP for the presence of any contaminate in surface or groundwater supplies utilized by the water district. Recoverable costs include investigation, replacement water and attorney's fees.	A	Senate Floor

Groundwater			
SB 543 (Machado) Groundwater	Sponsored by a southern California private water company, the bill appears to alter the water rights for those entities that are under order to clean up contamination. Watermaster helped secure recent amendments clarify that the bill will not impact water rights in adjudicated basins.	A	Assembly Enviro. Quality
Water Quality/Water Quality Penalties and Fees			
AB 1353 (Matthews) Waste Discharge	States that annual discharge fees cannot be charged if it can demonstrated that pollution is not entering waters of the state. Applies to waivers only anticipating that waivers will be subject in the future to an annual fee. Sponsored by the Wine Institute.	C	Senate Enviro. Quality
AB 1522 (Parra) NPDES permits	Expands the authority of the Regional Water Quality Control Board's (RWQCB) executive officers to include the ability to issue National Pollutant Discharge Elimination System (NPDES) permits without regional board action. SWRCB sponsor.	B	Senate Ag. and Water Resources
Watersheds and Habitat Funding			
AB 496 (Correa) Santa Ana Conservancy	Establishes the Santa Ana River Conservancy by 2012. The conservancy would acquire lands within ½ mile on either side of the river. Establishes a 13-member board. One member would be designated from SAWPA. Last year OCWD opposed the bill and SAWPA and IEUA did not take a formal position.	A	Senate Natural Resources

BILL GEYER
JENNIFER WEST



CONSULTING AND ADVOCACY IN CALIFORNIA GOVERNMENT 1029 K ST., SUITE 33, SACRAMENTO, CA 95814, (916) 444-9346 FAX: (916) 444-7484, EMAIL: geyerw@pacbell.net

TO: Richard Atwater and Martha Davis
FROM: Jennifer West and Bill Geyer
DATE: January 31, 2004
RE: Legislative Report

We have just passed a major legislative deadline for bills introduced in 2003. All 2003 bills that failed to pass out of their house of origin are now dead. You will find that IEUA's bill lists are considerably pared down as a result.

Water Supply/Land Use Bill Dies

One of the significant water bills that failed to make the deadline is AB 1015 (Laird) -- a water supply/land use measure. The bill was never taken up on the Assembly Floor and it is likely, that as written, the bill would not have garnered the needed votes. AB 1015 would have required a water component be incorporated into the Land Use element of all county and city General Plans. But expect this issue to be back in 2004. Other legislators, such as Senator Machado, are interested in using General Plans as a water supply tool for local governments.

Bond Funds Not Included in Governor's Budget

When the Governor released his budget it did not contain any bond funds for resources, including Proposition 50, 40 and 13. In a statement released with the budget, the Governor said all resource bonds will be incorporated into the budget when it is revised in May. How much, if any bond funds will be appropriated for 2004/05, will depend on what happens to the overall budget after the March election on the deficit reduction bond. Despite the uncertainty over the bonds, IEUA is supportive of all relevant state agencies establishing funding criteria for Proposition 50 in 2004.

Proposition 50 implementation

This month IEUA submitted comments to the Department of Health Services (DHS) on its draft criteria for the \$261 million contained in Chapter 4 of Proposition 50. In general, the agency's comments were focused on ensuring that the funds are made available through a competitive grant process for local water quality projects in Southern California. Two public hearings are scheduled in February to receive additional comments on Chapter 4 and criteria DHS has established for Chapter 3 (water security \$50 million) and Chapter 6 (desalinization ocean/brackish up to \$50 million).

To date DWR and the SWRCB have not yet established criteria for the chapters within Prop.50 under their jurisdiction, including Chapter 8, which has \$250 million for Southern California. Senator Machado has scheduled a Proposition 50 oversight hearing for February 3 (hearing report and agenda attached). IEUA will monitor and testify at the hearing if appropriate.

Senator Brulte recently introduced SB 1132, which uses \$50 million from Chapter 8 and establishes a competitive grant program for water impacts within the fire region of Southern California. Grants are

capped at \$5 million and are not subject to the matching requirements contained in the rest of the bond (legislation attached). The grant criteria are tailored to address flood control issues. IEUA and SAWPA are reviewing the criteria to evaluate whether it should be expanded to include the impacts of flooding on water supply facilities.

Senator Soto's Perchlorate Hearing

Senator Soto, Chair of the Select Committee on Perchlorate, recently held an informational hearing in Sacramento. Participating legislators included Senators Sher, Kuehl, Knight and Hollingsworth and Assemblyman Laird. The five-hour hearing dealt with a wide range of subjects and included many witnesses from the environmental community that claimed perchlorate was causing widespread harm to humans through the water supply and through contaminated food. Leafy vegetables, fruits, milk and all dairy products were cited as potentially causing a major health problem. Legislators focused their questions on potential lettuce contamination.

Some representatives from industry advocated that California wait until the National Academy of Sciences releases its report on perchlorate before it sets a Public Health Goal (PHG). This is expected out in fall, 2004. In general, Senator Soto, Senator Byron Sher and the other Democrats on the Committee dismissed this idea as another delay tactic from industry and urged OEHHA to immediately set the Public Health Goal for California.

IEUA and Robert Deloach from Cucamonga Valley Water District were prepared to testify at the hearing, but this proved unnecessary. No other water district testified.

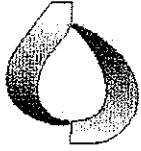
Inland Empire Utilities Agency

Positions/Position Recommendations

January 30, 2004

Bill # / Title	Summary	Position	Status
Desalination			
SB 318 (Alpert) UWMP: Desal	Requires UWMP to describe the opportunities for development of desalinated water, including brackish water. SCWA is the sponsor. Possible vehicle for desalination funding (Chap.6 \$50 M) in Proposition 50. Careful watch.	Support	Assembly Floor
ERAF			
SB 407 (Torlakson) Local district financing	Would have redirected property tax revenue from Monte Vista Water District and at least one other SAWPA member agency. IEUA and SAWPA helped defeat this measure on the Assembly Floor. Senator Torlakson is planning to bring it up again in January.	Oppose	Assembly Floor

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Inland Empire
UTILITIES AGENCY

Date: February 18, 2004
To: Honorable Board of Directors
Through: Public and Legislative Affairs Committee (2/11/04)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: January Legislative Report from Dolphin Group

RECOMMENDATION

This is an informational item regarding the January legislative report from Dolphin Group.

BACKGROUND

Michael Boccodoro provides a monthly report on his activities on behalf of the Chino Basin/Optimum Basin Management Program Coalition.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:jbs
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Chino Basin / OBMP Coalition

Status Report

January 2004

The Dolphin Group (DGI) and Lang, Hansen, O'Malley, and Miller (LHOM) continue to monitor and pursue a number of efforts and issues on behalf of the Chino Basin Coalition. The following is a brief update on those activities:

- 1) Legislative Update** -- The California State Legislature reconvened on January 5th, for the second year of the continuing 2003-2004 legislative session. Work began in earnest as legislators faced mid-month and end-of-month deadlines to move legislation introduced in 2003 into the second house for consideration. New bills in 2004 face a February 20th deadline for introduction. Serious policy committee debate and deliberation will begin in mid March and continue through April. Budget discussion and negotiation will again preoccupy much of the legislative agenda in 2004 as the state faces a continuing \$16 billion budget deficit.

- 2) Budget / ERAF** -- On January 9th, the Governor released his proposed plan for addressing the state's continuing budget problems. The Governor's budget proposal relies on substantial budget cuts; a large property tax shift from local governments (ERAF); as well as additional borrowing, deferrals, and fund shifts. Notably, the proposal avoids new taxes. Over the course of the next several months, the legislature will grapple with the important policy issues the plan raises. Issues expected to be addressed by the legislature include the mix between borrowing, spending reduction, and revenue augmentations.

Figure 1
General Fund Spending
By Major Program Area

(Dollars in Millions)

	Actual 2002-03	Estimated 2003-04	Proposed for 2004-05	
			Amount	Percent Change
Education Programs				
K-12 Proposition 98	\$26,106	\$27,846	\$27,233	-2.2%
Community Colleges Proposition 98	2,642	2,244	2,414	7.6
UC/CSU	5,874	5,530	5,080	-8.1
Other	3,653	2,660	4,284	61.1
Health and Social Services Programs				
Medi-Cal	\$10,554	\$9,765	\$11,569	18.5%
CalWORKs	2,078	2,060	1,995	-3.1
SSI/SSP	3,004	3,144	3,346	6.4
Other	7,423	7,821	7,689	-1.7
Youth and Adult Corrections	\$5,837	\$5,326	\$5,732	7.6%
Vehicle License Fee Subventions	\$3,797	\$2,703	\$4,062	50.3%
Deficit Recovery Fund Transfer	—	\$3,012	-\$3,012	—
All Other	\$6,512	\$5,918	\$5,669	-4.2%
Totals	\$77,482	\$78,028	\$76,062	-2.5

The proposed budget includes an ongoing \$1.3 billion property tax shift from local governments to schools. The proposed "ERAF" shift is a direct extension of the '92-'93 ERAF Shift and is expected to impact special districts to the tune of \$98-\$105 million annually.

Figure 2
Allocations of Governor's
Proposed Budget Solutions

(Dollars in Billions)

	2003-04 And Prior	2004-05	Two-Year Total
Program reductions/savings	\$0.8	\$6.5	\$7.3
Economic Recovery Bond:			
Proceed amounts	-1.4	3.0	1.6
Reduced debt service	—	1.3	1.3
Other—loans/borrowing	1.6	1.0	2.6
Local government-related	—	1.8	1.8
Transfers/other revenues and fund shifts	0.9	0.8	1.6
Totals	\$1.9	\$14.4	\$16.2

Detail may not total due to rounding.

The budget discussion will also be impacted by the voter's consideration and action on several state initiatives and bond measures on the March 3, Primary Ballot, including:

- Proposition 56 – State Budget Voting Requirements
- Proposition 57 – Economic Recovery Bond Act
- Proposition 58 – California Balanced Budget Act

The outcome of these 3 ballot measures will have a significant impact on the final shaping of the '04-'05 state budget.

3) SB 1755 Implementation / Water Agency Energy Generation – The California Public Utilities Commission recently initiated a rulemaking to implement appropriate "exit fees" for water agency self generation projects. The central question before the CPUC is how to treat water agency energy generation projects under SB 1755.

Dolphin Group staff attended a pre-hearing conference in early January. It appears the ALJ will solicit further comments through written arguments and render a decision. The presiding judge is also expected to suggest a confidential settlement process to resolve the outstanding issues between parties.

A final decision on this issue is not expected until spring or summer 2004.

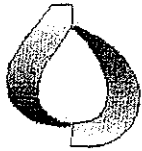
4) Dairy Biogas Digester Funding – The Dolphin Group and Lang, Hansen, O'Malley, & Miller are currently developing strategies to target additional funding potentially available at the CEC for digester funding. As much as \$4 million in unused bio-digester funding appropriated by legislature in 2001 may still be available.

5) Special District Reform -- The special district reform controversy and discussion continues to evolve in Sacramento. In late December, the Senate Local Government Committee released its Summary Report from the November 24th interim hearing, exploring special district governance. The report identifies broad areas for statutory reform, as follows:

- Ethical Behavior
- Director's Compensation
- District Auditing Procedures

Additionally, several audits by state agencies commissioned last year are now continuing with findings expected in early or late summer of this year. No specific legislation has been introduced to date.

6) Community Aggregation -- The California Public Utilities Commission (CPUC) recently established workshops to implement "Community Aggregation" programs authorized by the Legislature in 2002. Community aggregation will enable municipal entities to establish energy purchasing cooperatives for local residents or customers. DGI and LHOM will begin exploring community aggregation opportunities for the Chino Basin. Dolphin Group staff will also monitor and participate in the CPUC workshops to preserve the broadest opportunities for the coalition.



Inland Empire
UTILITIES AGENCY

Date: February 18, 2004
To: Honorable Board of Directors
Through: Public and Legislative Affairs Committee (2/11/04)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis *MD*
Executive Manager of Policy Development
Subject: January Legislative Report from Agricultural Resources

RECOMMENDATION

This is an informational item regarding the January legislative report from Agricultural Resources.

BACKGROUND

Dave Weiman provides a monthly report on his federal activities on behalf of IEUA.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:jbs
G:\board-rec\2004\04076 January Leg Report from Ag Resources

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Agricultural Resources

635 Maryland Avenue, N.E.
Washington, D.C. 20002-5811
(202) 546-5115
(202) 546-4472-fax
agresources@erols.com

January 30, 2004

Legislative Report

TO: Richard W. Atwater
General Manager, Inland Empire Utility Agency

FR: David M. Weiman
Agricultural Resources
LEGISLATIVE REPRESENTATIVE, IEUA

SU: Legislative Report, January 2004

Highlights:

- Congress Reconvenes – New Session Underway
- Key Issues, Top of Session
- Administration Budget to Be Submitted Shortly
- Water Recycling and Water 2025 Funding, FY 2005
- Water Recycling – Southern California Feasibility Study
- IEUA Water Recycling Bills Pending Resource Committee Action
- Water Recycling and Calvert CALFED Bill
- IEUA Working Partners

108th Congress, Second Session Convenes, State of the Union Presented. Congress returned to work on January 20. The first order of business, the President's State of the Union.

Key Issues Pending From Last Session. Several major issues were pending at the top of this session, including:

- * **Major Funding Bills Pending.** The first week back, the Senate passed

the Omnibus funding bill, providing funding for the current fiscal year (which began last October 1) for seven of the 13 major funding bills. This massive legislation was immediately signed into law. Now, all funding bills for the current fiscal year are enacted.

- * **Energy Bill.** The Energy Bill remains stuck. Votes to overcome either a filibuster and/or technical issues involving the Budget are not there – not at this time. There is speculation that the bill might be broken up into various titles and then moved separately (or attempted). Fate of this bill is uncertain. Based on what we know now, the prognosis is poor.
- * **CBO and New Deficit Projects.** The Congressional Budget Office has just published its financial projects for the current fiscal year. The conclusion – this fiscal year will have a \$500 billion deficit. This has set off alarm bells. It's quickly becoming a major issue back here. The implication – one response, reduce domestic spending (USDA, Interior and DOE programs would be among those vulnerable to cuts).

Administration Proposed Budget – Due for Submission to Congress. Next week, the Administration will release its overall budget and spending priorities. Several days later, the various agencies and programs will submit their detailed requests and justifications. Budget requests for USDA, DOE and DOI will be tracked.

Water Recycling (Title XVI) and Water 2025 – Funding for FY 2005. Until the budget is submitted, details will not be known. Based on what is believed at this time, anticipate the following – Title XVI to be minimally funded, if at all. Interior issued a press release indicating that it will request \$21 million for Water 2025, their water crisis funding program. This is up from \$11 million requested last year, but significantly less than the \$49 million they were seeking from OMB this year. Earlier this year, Interior also said that a formal report on Water 2025 would be forthcoming. So far, no report has been issued or submitted to Congress.

Southern California Comprehensive Water Reclamation and Reuse Feasibility Study. As reported repeatedly, this feasibility study was completed in April 2001. It has not, as required, been submitted to Congress. Interior is attempting to rewrite the report. Inquiries from SAWPA, Chairman Calvert and Napolitano and others to Interior have not been answered. It remains in limbo.

Water Recycling Legislation, Pending in House Resources Committee. Three Title XVI authorization bills are pending. One expands the program in Orange County. Two (Rep. Gary Miller and Rep. David Dreier) impact the IEUA service area. All three bills were reported by the Calvert Subcommittee and are pending in the full Committee. In recent days, IEUA has met with the Subcommittee Majority and Minority. Both have requested action on these bills. The decision rests with Chairman Pombo. Discussions are underway with the Full Committee. We

are requesting that a markup be held at the first business meetings of the Committee.

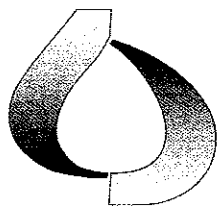
Water Recycling – Calvert CALFED Bill. The CALFED bill is also pending. Title I of that bill authorizes a new national (not just western) water recycling program. During this break, Calvert ordered that the provision be reviewed and modified. WateReuse and IEUA were among those asked to review the provision. Recommendations have been submitted.

Other Issues. Issues such as perchlorate and other matters will emerge as the session unfolds. DOD was recently criticized by GAO on perchlorate.

IEUA Continues to Work With Various Partners. On an on-going basis in Washington, IEUA continues to work with:

- Metropolitan Water District of Southern California
- Milk Producer's Council
- SAWPA
- Water Environment Federation (WEF)
- Association of California Water Agencies (ACWA)
- WateReuse Association
- OCWD
- CCWD

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Inland Empire
UTILITIES AGENCY

Date: February 26, 2004
To: Inter-Agency Water Managers' Report
From: Sondra Elrod
Subject: IEUA Outreach Update

CALENDAR OF EVENTS

- February 28, 2004 - California Regional Environmental Education Community (CREEC) Network (workshop on grant writing, service learning, water education and environmental health
8:am to 5:pm IEUA Event Center
- March 9, 2004 – Fontana Arbor Day
Mary Vagle Nature Center
- March 17, 2004 MWD's 2004 Calendar 'Art Show'
8:am to 5:pm IEUA Lobby Building A

AGENCY TOURS

- Terry Tamminen, Secretary California Environmental Protection Agency and A.G. Kawamura, Secretary California Food and Agriculture toured IEUA's HQ and manure digester on Thursday, February 12, 2004.
- Representative from the Gabrieleno Tribe and Sam Pedroza, LA County Sanitation District tour of HQ and manure digester on Friday, February 13, 2004

AGENCY OUTREACH

- Chino Basin Green 'tree planting' Sequoia Middle School (2-19-04)
- Association for the San Bernardino Special District seminar (2-20-04)
- IEUA Leadership Breakfast (2-24-04)
- Salinity Workshop (2-25-04)

CERRELL AND ASSOCIATES

- Working on power point for educational programs
- Working on IEUA 2003 Annual Report
- Updating brochures
- Provided general media relation support

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CHINO BASIN WATERMASTER

February 26, 2004

10:00 a.m. – Advisory Committee Meeting

March 1, 2004

1:00 p.m. – Watermaster Board Meeting

IV. INFORMATION

1. Refund from MWD

John V. Rossi

From: Richard Atwater [atwater@ieua.org]
Sent: Monday, February 02, 2004 10:38 AM
To: Ken Jeske; Robert DeLoach (E-mail); Mark Kinsey (E-mail); Mike Maestas (E-mail); Rob Turner (E-mail); Dave Crosley (E-mail); John V. Rossi
Cc: Larry Rudder; Kathy Tiegs; Dave Hill; Martha Davis; Tom Love
Subject: FW: Return of Funds to Member Agencies - Follow-up and Administration

MWD has revised slightly the Surplus Revenue Refund allocation between member agencies. IEUA's pro rata share increased slightly by \$5, 754 (from \$1,117,731 to \$1,123,485). Attached is the revised refund to CVWD, WFA and Watermaster. If you have any questions please contact Kathy Tiegs.

Rich Atwater
 909/993-1740
 atwater@ieua.org

-----Original Message-----

From: Ivey, Gilbert F [mailto:givey@mwdh2o.com]
Sent: Friday, January 30, 2004 3:17 PM
To: Anthony C. Zampielo (E-mail); Anthony Pack (E-mail); Benjamin F. Lewis Jr. (E-mail); Brooks Bell Jr. (E-mail 2); Brooks Bell Jr. (E-mail); Darryl Miller (E-mail); David Pettijohn (E-mail); David Schickling (E-mail); Donald C. Calkins (E-mail); Donald R. Kendall (E-mail 2); Donald R. Kendall (E-mail); Ed Otsuka (E-mail); Edelen, Nona E; Edwin Galvez (E-mail); Gastelum, Ronald R; Gilbert Borboa (E-mail); Ivey, Gilbert F; Jerry Gewe (E-mail); Joann Gonzales; John Mundy (E-mail); Kambiz Shoghi (E-mail); Kelly, Brenda S; Kevin Wattier; Man, Debra C; Maureen Stapleton (E-mail); Norman L. Thomas (E-mail); Phyllis Currie (E-mail); Richard Atwater; Richard W. Hansen (E-mail); Ronald E. Davis (E-mail 2); Ronald E. Davis (E-mail); Stanley E. Sprague (E-mail); Thom Coughran (E-mail); Thomas, Brian G; Timothy C. Jochem (E-mail); Troncoso (E-mail 2); Troncoso (E-mail); Wakiro, Rosalind; Walters, Geraldine J; Wheeler, Margie; Wiggs (E-mail)
Cc: Bermudez, Carmen; Walters, Geraldine J; Jackson, Beverly; Marks, Christa V; Medina, Sergio; Scurlock, Carole E; Furukawa, David I; Chapman, Shane O; Man, Debra C
Subject: Return of Funds to Member Agencies - Follow-up and Administration

MWD

METROPOLITAN
 WATER DISTRICT
 OF SOUTHERN
 CALIFORNIA

Date:
 January 30,
 2004

To:
 Member
 Agency
 Managers

From:
 Brian G.

2/4/2004

MWD Refund for Untreated Water Sales Revenue Contributed During Fiscal Year 2002/03

IEUA Credit: \$1,123,485

Allocation to IEUA Retail Agencies

	<u>AF Purchased</u>	<u>% of Total</u>	<u>Refund by Agency</u>
CCWD	29,176.3	39.5%	\$443,604.52
WFA	32,075.5	43.4%	\$487,684.75
Reliant Energy	268.5	0.4%	\$4,082.35
Watermaster	<u>12,372.4</u>	<u>16.7%</u>	<u>\$188,113.38</u>
Total:	73,892.7	100.0%	\$1,123,485.00

Watermaster total includes 3,883.2 AF Cyclic, and 8,489.2 AF Replenishment.

kjt
2/2/2004