



CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

Thursday, February 24, 2005

9:00 a.m. – Advisory Committee Meeting

And

11:00 a.m. – Watermaster Board Meeting

(Lunch will be served)

AT THE CHINO BASIN WATERMASTER OFFICES

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

(909) 484-3888



CHINO BASIN WATERMASTER

February 24, 2005

9:00 a.m. – Advisory Committee Meeting

And

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(Lunch will be served)

AGENDA PACKAGE

**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

9:00 a.m. – February 24, 2005

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 Annual Advisory Committee Meeting held January 27, 2005 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of January 2005 *(Page 21)*
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2004 through December 31, 2004 *(Page 25)*
3. Treasurer's Report of Financial Affairs for the Period December 1, 2004 through December 31, 2004 *(Page 27)*
4. Profit & Loss Budget vs. Actual July 2004 through December 2004 *(Page 29)*

II. BUSINESS ITEMS

A. CONSULTANT AGREEMENT WITH THE FURMAN GROUP

Consider Agreement with The Furman Group for Consulting on Federal Issues *(Page 31)*

B. APPROVAL OF STIPULATION

Consider Approval of Stipulation between East Valley Water District and Watermaster Concerning Watermaster's Santa Ana River Water Rights Application *(Page 35)*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Attorney-Manager Meetings
2. Santa Ana River Application Process
3. Kuehl Legislation *(Page 43)*

B. CEO/STAFF REPORT

1. Storm Report
2. State of the Basin *(Page 47)*
3. Federal Update

C. INLAND EMPIRE UTILITIES AGENCY

1. MWD Status Report – Rich Atwater
2. MWD Projected Rates and Changes – Rich Atwater *(Page 53)*
3. Colorado River Alert – Rich Atwater *(Page 83)*
4. Recycled Water Report
5. Water Resources Report (handout)
6. State/Federal Legislation Reports *(Page 93)*
7. Public Relations Report *(Page 113)*

D. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Newspaper Articles *(Page 115)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

February 24, 2005	9:00 a.m.	Advisory Committee Meeting
February 24, 2005	11:00 a.m.	Watermaster Board Meeting
March 10, 2005	9:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
March 15, 2005	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 15, 2005	12:00 p.m.	Managers Meeting @ IEUA
March 21, 2005	1:00 p.m.	AGWA Meeting
March 24, 2005	9:00 a.m.	Advisory Committee Meeting
March 24, 2005	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

11:00 a.m. – February 24, 2005

At The Offices Of

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

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1. Newspaper Articles (*Page 115*)

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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.

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Meeting Adjourn



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Annual Advisory Committee Meeting – January 27, 2005

Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL ADVISORY COMMITTEE MEETING

January 27, 2005

The Annual Advisory Committee Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on January 27, 2005 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Ken Jeske, Chair	City of Ontario
Nathan deBoom	Milk Producers Council
Mark Kinsey	Monte Vista Water Company
Dave Crosley	City of Chino
Robert DeLoach	Cucamonga Valley Water District
Mike McGraw	Fontana Water Company
Ray Wellington	San Antonio Water Company
J. Arnold Rodriguez	Santa Ana River Water Company
Mike Maestas	City of Chino Hills
Bill Stafford	Marygold Mutual Water Company
Raul Garibay	City of Pomona

Agricultural Pool

John Huitsing	Crops
Pete Hall	State
Peter von Haam	State

Non-Agricultural Pool

Bob Bowcock	Vulcan Materials Company (Calmat Division)
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Watermaster Board Members Present

John Anderson	Inland Empire Utilities Agency
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Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
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.

Others Present

Craig Stewart	Geomatrix Consultants, Inc.
Barrett Kehl	Chino Basin Water Conservation District
Rich Atwater	Inland Empire Utilities Agency
Josephine Johnson	Monte Vista Water Company
Rick Hansen	Three Valleys Municipal Water District
Justin Brokaw	Marygold Mutual Water Company
Steven G. Lee	Ag Pool Legal Counsel

The Advisory Committee meeting was called to order by Chair Jeske at 9:05 a.m.

ADVISORY COMMITTEE OFFICERS, CALENDAR YEAR 2005 - Information

<u>Ken Jeske</u>	Chair	(Appropriative Pool) – (Non-Ag waived)
<u>Nathan deBoom</u>	Vice-Chair	(Agricultural Pool)
<u>Bob Bowcock</u>	Second Vice-Chair	(Non-Agricultural Pool)
<u>Ken Manning</u>	Secretary/Treasurer	(Chief Executive Officer)

AGENDA - ADDITIONS/REORDER

There were not additions or reorders made to the agenda.

II. CONSENT CALENDAR

A. MINUTES

- 1. Minutes of the of the Advisory Committee Meeting held November 18, 2004

B. FINANCIAL REPORTS

- 1. Cash Disbursements for the month of November 2004
- 2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2004 through October 31, 2004
- 3. Treasurer’s Report of Financial Affairs for the Period October 1, 2004 through October 31, 2004
- 4. Profit & Loss Budget vs. Actual July 2004 through October 2004
- 5. Cash Disbursements for the month of December 2004
- 6. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2004 through November 30, 2004
- 7. Treasurer’s Report of Financial Affairs for the Period November 1, 2004 through November 30, 2004
- 8. Profit & Loss Budget vs. Actual July 2004 through November 2004

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, 2004

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 05-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster’s Investment Policy

E. LOCAL AGENCY INVESTMENT FUND

Resolution 05-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

F. ASSESSMENTS

Resolution 05-03 – Resolution of the Chino Basin Watermaster Levying Replenishment and Administrative Assessments for Fiscal Year 2004-2005

G. NOTICE OF INTENT

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

Item B Financial Reports number 1 and number 5 were pulled by Mark Kinsey for inquiry.

Number 1 was pulled for detailed description on check no. 9106 and 9139

Ms. Rojo gave a detailed description to whom the check was made out to and the reason the check was written. No other inquiries were made.

Number 5 was pulled for detailed description on check no. 9166, 1982, and 9250

Ms. Rojo gave a detailed description to whom the check was made out to and the reason the check was written. No other inquiries were made.

*Motion by DeLoach, second by Kinsey, and by unanimous vote
Moved to approve Consent Calendar Items A through G, as presented*

III. BUSINESS ITEMS

A. **ESTABLISH TWO NEW POSITIONS**

Mr. Manning noted this item ties into the CEO goals and objectives item to follow. Watermaster is in the process of coming into conformity with the IRS rules regarding contract employees with the field staff that is now housed at Chino Basin Watermaster (CBWM). In discussions with the Personnel Committee and the Board it was felt if CBWM returned the leased employees back to Wildermuth, Inc., it would leave Watermaster understaffed. The intention is to retain two of the positions on CBWM staff, one being the GIS position and the other would be an engineering position. The GIS position offers Watermaster access to services best available internally. The engineering position would be utilized by all three of our senior staff to make sure current activities are being addressed. Salaries were decided upon after surveys of the same or similar positions at other water agencies were performed. Mr. Manning noted this recommendation comes with unanimous approval from the Personnel Committee, Appropriative, Non-Agricultural, and Agricultural Pools; this also includes the legal counsel's review of compliance. Chair Jeske stated this discussion started prior to the present C.E.O. coming on board and due to the gap in that position the ball to get this done did not start until recently even though this is an older issue. It was noted that it would be beneficial to the committee members to see a line item on the front page of the staff report noting previous action from other committees and/or pools regarding the issue being presented in order for give a clearer perspective while trying to make decisions. The question of whether or not Watermaster would have to purchase hardware or equipment for these new positions was presented. Mr. Manning stated the equipment that the Wildermuth employees are presently using now belongs to the Chino Basin Watermaster and no new or additional items will be needed for the employees to perform their jobs as Watermaster employees.

*Motion by DeLoach, second by Kinsey, and by unanimous vote
Moved to approve establishing two new Chino Basin Watermaster positions for a
GIS Specialist and an Environmental Specialist, as presented*

B. **SALE OF WATERMASTER TRUCKS TO WILDERMUTH ENVIRONMENTAL, INC.**

Mr. Manning noted this item was in conjunction with item A. Staff is proposing the sale for three of Watermaster's five trucks to Wildermuth, Inc. This will allow the remainder of the staff which is moving into a location nearby to perform their duties under Wildermuth's direction. The three trucks would keep the Chino Basin Watermaster logo (as a familiar recognition reference) and Wildermuth's logo would be added. The sold trucks would then be the sole property and responsibility of Wildermuth, Inc.

*Motion by DeLoach, second by Garibay, and by unanimous vote
Moved to approve the sale of three Watermaster trucks to Wildermuth
Environmental, Inc., as presented*

IV. REPORTS/UPDATES

A. **WATERMASTER GENERAL LEGAL COUNSEL REPORT**

1. Attorney-Manager Meetings

Counsel Fife noted the Attorney Manager meetings are ready to resume and due to time constraints the parties will be pressed to set up a date and compose an agenda. Counsel Fife stated that Mr. Wildermuth will be giving a short technical presentation today that will provide background on the Hydraulic Control/Water Supply Plan and a technical meeting has been scheduled for February 2, 2005 at 1:00 p.m. to go into more detail regarding the water supply plans and the review of the technical report. Counsel Fife reminded the committee members of the reappointment of the nine member board in September and that there are many issues on the table that will need to be resolved in 2005.

2. Comments to Western/Muni EIR

Counsel Fife noted this issue arose in December when the committee members were not meeting. Counsel Fife referred to page 97 of the packet which is a comment letter written by Hatch & Parent submitted on behalf of Watermaster. Counsel Fife stated this was a very generic comment letter due to finding no substantive problems with the Western report; however, it has been one of Watermaster's goals to try and get the entire Santa Ana process more locally controlled rather than organized through the State Water Resources Control Board. There is a meeting scheduled for February 9, 2005 with John Rossi, Ken Manning, Virginia Grebbien, and Scott Slater to try and come up with a solution to the whole Santa Ana application process.

3. Santa Ana Water Rights Application

Counsel Fife stated due to all the EIR's coming out, staff is looking for ways to move the joint effort process forward. Counsel Fife referred to page 99 in the packet which is the draft stipulation that has been sent in by East Valley Water District. There were a number of protests to Watermaster's application; mostly were generic protests that parties filed to all of the applications expressing concerns regarding withdrawals from the Santa Ana River. Counsel Fife noted these protests can likely be resolved by providing assurances that we do not divert water from the Santa Ana River. Counsel Fife stated this item might be put on the agenda for February asking for approval to sign the stipulation to try and resolve the protests to Watermaster's application.

4. North Gualala Decision

Counsel Fife noted the entire decision was put into the packet because of the magnitude of the lower court decision. The substance of this decision is the court has found that some groundwater pumping in the North Gualala Groundwater Basin had an impact on a surface stream. Counsel Fife stated counsel does not know if the parties plan to appeal the decision and if they do Watermaster will want to be involved with an amicus brief at some level.

5. Santa Ana Sucker Critical Habitat Decision

Counsel Fife stated on January 4, 2005 the Fish and Wildlife Service made its final determination on the Santa Ana Sucker; the decision was to not list unit 1A and unit 1B (which are our areas of the Santa Ana River) as designated critical habitat.

Added Question:

The question regarding any new updates on the spreading basins patent was presented. Counsel Fife stated counsel has not heard from him recently. It was understood by conversations that other agencies reacted to him in the same manner that Chino Basin Watermaster did and actually threatened to file a law suit against him. The gentleman did extend an offer to Watermaster to give us a license agreement for a dollar for anything we are doing in the Chino Basin if we agreed to not help any other party sue him. He was asked to put something into writing for legal counsel to review but to date we have not heard back from him.

B. **CEO/STAFF REPORT**

1. Storm Report 1 – 5

Mr. Manning noted that Watermaster was going to keep the committee members informed as to the status of the storm events including the performance of the spreading basins during the particular storm events. The Pools were give a summation of storm events 1 – 5 however storm event 1 – 6 is now available for review on the back table. The basins have captured approximately 6,000 acre-feet of storm water from storms 1 – 6 so far this year. During the process of these recent storms Watermaster has been able to test a number of the facilities; unfortunately the SCADA system is still not operating at 100%. Mr. Manning stated that in terms of the physical characteristics of the spreading basins Watermaster has been able to test a lot of the basins and have found a large number of

them are performing operationally sound but have also found that some need minor corrections to be made in order to make them work more efficiently. These past few months have been a good testing period and in general the basins have performed exceptionally well. A question regarding College Heights' was presented. Mr. Manning noted there is no water going into College Heights presently and all activity has been suspended at that facility. Water is going into Upland, although, the extra monitoring wells that were going to be put in at Upland will not be operational for another few weeks. The monitoring well which was not agreed to be put in by Watermaster a few months ago has been agreed to be installed by Three Valleys for their behalf and information. Upland Basin in performing very well as a storm capturer based upon our visual evidence.

2. Information Regarding AB2733 Retro Act

Mr. Manning stated the AB2733 is a piece of legislation which went through State Legislature last year. Currently pumpers are required, if they are pumping more than 25 acre feet a year, to file a State Water Resources Control Board Annual Notice of Extraction with the State Water Resources Control Board. AB2733 essentially moves that authorization down to the local level giving Watermaster the authority to be able to capture and house that data. Staff is working with SAWPA and other agencies locally in determining a general sphere of influence for the capturing of that data because there is overlap with San Bernardino Municipal Water District and with Western Municipal Water District. Mr. Manning stated eventually what will take place is a report that will be submitted to the State Water Resources Board and all of the pumpers within our area will be notified to now send that information to Watermaster instead of sending it to the State. At this point in time this item is for information purposes only.

3. Chief Executive Officer Goals and Objectives Report

Mr. Manning noted while going through the process of refining his goals and objectives in working with the Personnel Committee and the Board, the Board requested at the pool meetings an overview be given on those goals and objectives which were set up for the year. The goals were set up in four separate areas, 1) OBMP, 2) Personnel, 3) Budget and Assessment Process, and 4) Community Relations. Each one of those areas has sub-goals within themselves. In OBMP the first area is recharge, maximizing recharge, and working on building relationships with Flood Control. The second area of the OBMP is water quality planning, funding, and looking at opening up the water quality process. In the area of personnel, the previous action item in dealing with the IRS conflicts and contract employees. In the area of the budget and assessment; at the assessment workshop some of the changes that would take place for the assessment package were introduced and the decision to split the water activity reporting. Assessment and budget workshops will continue to be held at Watermaster. In the area of community relations staff is discussing on building relationships with local government, our community, and state and federal agencies. These goals are written out in more detail and can be made available to those who wish to have them in writing.

4. Redesign of Chino Basin Watermaster Logo

Mr. Manning stated the redesign of the Watermaster logo came about during the work being done for the public information campaign that we are presently working on with Inland Empire Utilities Agency (IEUA). In the ad that will be coming out for the public information campaign, all logos from participating organizations that funded the project will be placed at the bottom of the ad and if we are going to start to have our logo branded we want to have a distinguishable and also reproducible logo. Our current Watermaster logo is almost impossible to reproduce because the center pictures run together and are not distinguishable as to what they are. The comment was made at the Appropriative Pool meeting that the new logo which was presented at that meeting looked too similar to another water districts logo. Also, the comment was made at that same meeting that staff should look at having a unique logo that might also portray a partnership with other water agencies. Mr. Manning stated the logo which was presented at the Pool meetings has been revised and Watermaster feels it has come up with an eye catching logo that is

functional for reproductions as well as capturing a feel for our partnership logo are available at the back table for review. Mr. Manning stated if there were no objections to this new logo Watermaster will begin using it on various items and noted all letterhead and related items will be used up first with the old logo as to not to put a strain on the budget for this year for this change.

5. Public Information Campaign Update

Mr. Manning commented that many of the committee members have received phone calls from the Daily Bulletin which is starting to put together the first issue of the public information campaign. Mr. Manning stated the Water Conservation District, Western Municipal Water District, Three Valleys Municipal Water District, and Chino Basin Watermaster along with working with IEUA on the development of this one year program to inform the public on what is happening regarding water issues. The program is designed to instill confidence in the constituents and in the law makers within our area that we in fact are taking care of the water issues and staff feels the message is going to be a first-rate and constant over a year's time frame. Mr. Manning stated the first section which will be coming out will be previewing sometime in early February and will highlight the six agencies, including Watermaster, in terms of giving a brief overview of the agencies that are involved. There will also be a page dedicated to the congressional staff representing the basin and what work they have done over the past few years in helping the water industry achieve some of its goals. The idea is Watermaster is going to use this publication for those of us who are going to Washington in February as a "lead in piece" for us to be able to talk to members of the congressional delegation about other issues that are necessary for Watermaster to resolve. The question of which agencies contributed to this endeavor was presented. Mr. Manning stated, Inland Empire Utilities Agency, Three Valleys Municipal Water District, Western Municipal Water District, Chino Basin Water Conservation District, Chino Basin Watermaster, and the Milk Producers Counsel. A discussion regarding the Agricultural Pools contribution ensued. It was noted the importance of getting the Agricultural message out to the public through this publication. The question regarding the publication only mentioning the agencies who contributed financially was presented. Mr. Manning stated that the first publication will mention the contributors in the first publication solely as a united front; however several agencies will be mentioned in the future 30+ publications that will come out to get a wide variety of messages out there over the year. Mr. deBoom noted that the Agricultural Pool will actually not be taking the money out of the \$400,000 available funds but will be waiting to fund their portion from the Watermaster Special Projects section in the 2005-2006 budget. Mr. Hansen added comment that Three Valleys has done the same type of project with the Los Angeles news paper group and it has proven to be very effective with community leaders and legislators. Mr. Hansen also noted that participating in these types of outreaches gets your name and messages out there and keeps issues and parties more visible, which is a great thing for state and federal funding.

6. Revised Water Supply Plans for the OBMP

Mr. Wildermuth noted that last summer Wildermuth Environmental was tasked to re-evaluate Hydraulic Control. Wildermuth had Black & Veatch, who was performing similar work for Inland Empire Utilities Agency at the time, go out and get from each agency their updated water supply plans for the next twenty to thirty years. This information was compiled and brought back to Wildermuth; at that time Black & Veatch was told more information was needed. Black & Veatch went back and got well capacities and determined whether the wells were usable; the document was critiqued a second time and sent back to Black & Veatch for more information. Mr. Wildermuth referred to the slide presentation "Comparison of Chino Basin Groundwater Production from the Peace Agreement, Dry-Year Yield Planning and Peace II Process" which has been updated since the presentation for the Pool members. The total production for Appropriators was reviewed in detail noting a very large increase. In reviewing the submitted numbers Wildermuth went back to the three agencies which had the highest increase and asked them to verify the plans. A meeting has been set for Wednesday, February 2, 2005 at

1:00 p.m. for a full technical review of all gathered data; after that meeting concludes the Attorney Manager meetings will resume. The question of how much, overall, did the water supply demand in the Chino Basin go up was presented. Mr. Wildermuth stated that he needed to look up the exact number and would have it available for the technical meeting on the 2nd. A brief discussion ensued regarding water supply and current water technologies. Mr. Atwater noted that Inland Empire Utilities Agency has been working on their Water Management Plan for the past six months and has reviewed with Metropolitan Water District (MET) their overall projections. It as noted that MET's overall water supply demand has not changed that significantly, what has changes is the use of recycled water for recharge. Mr. Atwater briefly discussed the DWR grant and the money that will be used from that grant on various projects. Mr. Manning noted that there are number of variables that are involved in the decisions that go into maintenance; Watermaster is working with Flood Control, the Conservation District, and others on how we are going to shorten the periods of maintenance in order to maximize the time that we can use our basins. A brief discussion ensued regarding unit demand and market costs.

7. Status of the State of the Basin

Mr. Manning stated that the full State of the Basin report is now available on Chino Basin Watermaster's and Wildermuth Environmental's web site for review; only the Executive Summary was put into the packet due to the length of the report. This report is in draft form and will remain to be a draft form for a few weeks while we are waiting for comments to be submitted. Mr. Manning asked that comments and or suggestions on this report be submitted as soon as possible so that this report can be finalized and distributed in a timely manner.

C. INLAND EMPIRE UTILITIES AGENCY

1. Rialto Pipeline Shutdown Update – Richard Atwater

Mr. Atwater stated that Rick Hansen and himself were at MET about a week ago and had an excellent meeting. The key item that the committee members need to be aware of is there is a shut down coming up in a week in a half. The planning of that shut down is going well and during the shut down a new connection for Fontana Water Company will be installed. In discussions with MET, Inland Empire Utilities Agency has asked MET to start the design of the new isolation valves. MET will present the new design for installation, which will cost approximately six to seven million dollars, in approximately four months which will entail another shutdown.

Mr. Atwater noted that Inland Empire Utilities Agency is going to pursue some active discussions with the San Gabriel Valley Municipal Water District for emergency backup connections. This is all going in a positive direction and Mr. Atwater stated he was very pleased.

2. Proposition 50 Grant Funding Opportunities – Richard Atwater

No comment was made regarding this item.

3. MWD Status Report – Richard Atwater

Mr. Atwater noted that he met with a small group of member agencies on water rates and charges for calendar year 2006 The Association of Groundwater Agencies is recommending a ten dollar replenishment rate reduction for next year; if approved by the Metropolitan Water District's Board that would result in a net result of a five dollar drop from last year. Mr. Atwater reviewed other surcharges not related to the Chino Basin.

Mr. Atwater commented on a possible growth charge; this is a complicated situation and is being discussed presently with several parties. A brief discussion ensued regarding the growth in this area and the increase in water use. The idea behind the growth charge is that new homes should be paying a fair share in the new capital. Mr. Atwater commented that

he would be available to discuss this issue further for any committee members who needed more insight.

4. Recycled Water Report – Tom Love

Mr. Atwater stated that IUEA is working very closely WITH all members on a retail level and the overall implementation plan is being worked on presently and is going well. IEUA has increased their estimated demands for the direct use for outdoor landscaping. Mr. Atwater spoke on the new 10,000 home development with Lewis Homes in Chino with regard to dual plumbing. Through Martha Davis' efforts we have been working very closely with the Conservation District regarding outdoor landscaping and irrigation efficiencies.

5. Water Resources Report (handout)

No comment was made regarding this item.

6. Chino Basin Facilities Improvement Project Report

No comment was made regarding this item.

7. State/Federal Legislation Reports

No comment was made regarding this item.

8. Public Relations Report

No comment was made regarding this item.

Added Comment:

Mr. Atwater noted that over the past five weeks there has been a number of grant applications submitted for groundwater desalters and expanding Chino II desalter. Mr. Atwater gave a detailed description on the Chapter 8 applications. The question regarding the pre-applications and when they would be reviewed and/or submitted for Chapter 4B was presented. Mr. Atwater noted the one on the Chino Desalter has a lot of competition for funds, however in reviewing a recent email it looks like applications will begin to be reviewed some time in April

D. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. Hansen commented on the public outreach campaign and noted that all parties are invited to the Three Valley's Leadership Breakfast on Thursday, February 17 at 7:30 a.m. at the Sheraton Hotel; Ron Wood will be the guest speaker at that breakfast.

V. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

2. Mapping the System – GIS Conversion Keeps Data Current

No comment was made regarding this item.

3. Replenishment Service Availability Update for Calendar Year 2005

No comment was made regarding this item.

VI. POOL MEMBER COMMENTS

No comment was made regarding this item.

VII. OTHER BUSINESS

No comment was made regarding this item.

VIII. FUTURE MEETINGS

January 27, 2005	9:00 a.m.	Advisory Committee Annual Meeting
January 27, 2005	11:00 a.m.	Watermaster Board Annual Meeting
February 10, 2005	9:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
February 15, 2005	9:00 a.m.	Agricultural Pool Meeting @ IEUA
February 24, 2005	9:00 a.m.	Advisory Committee Meeting
February 24, 2005	11:00 a.m.	Watermaster Board Meeting

The Annual Advisory Committee Meeting Adjourned at 10:10 a.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Annual Watermaster Board Meeting – January 27, 2005

Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL BOARD MEETING
January 27, 2005

The Annual Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on January 27, 2005 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Robert Neufeld, Chair	Fontana Union Water Company
John Anderson	Inland Empire Utilities Agency
Paul Hamrick	Jurupa Community Services District
Robert Kuhn	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Paul Hofer	Agricultural Pool, Crops
Bill Kruger	City of Chino Hills
Geoffrey Vanden Heuvel	Agricultural Pool

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	Finance Manager
Danielle Maurizio	Senior Engineer
Sheri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Scott Slater	Hatch & Parent
Michael Fife	Hatch & Parent
Andrew Lazenby	Black & Veatch
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Barrett Kehl	Chino Basin Water Conservation District
Jack Smith	Jurupa Community Services District
Carole McGreevy	Jurupa Community Services District
Terry Catlin	Inland Empire Utilities Agency
Raul Garibay	City of Pomona
Robert DeLoach	Cucamonga Valley Water District
Henry Pepper	City of Pomona
David De Jesus	Three Valleys Municipal Water District
Josephine Johnson	Monte Vista Water District
Ken Jeske	City of Ontario
Dave Crosley	City of Chino
Mark Kinsey	Monte Vista Water District
Rich Atwater	Inland Empire Utilities Agency

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

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

PUBLIC COMMENTS

INTRODUCTIONS - CALENDAR YEAR 2005 WATERMASTER BOARD MEMBERS

Chair Neufeld introduced the “new faces” sitting at the table as the calendar year 2005 Watermaster Board members, who were John Anderson from the Inland Empire Utilities Agency and Paul Hamrick from Jurupa Community Services. The 2005 Watermaster Board members are:

Bob Bowcock	Non-Agricultural Pool (Vulcan Materials Company)
John Anderson	Inland Empire Utilities Agency
Paul Hofer	Agricultural Pool (Crops)
Bill Kruger	Appropriative Pool (City of Chino Hills)
Bob Kuhn	Three Valleys Municipal Water District
Robert Neufeld	Appropriative Pool (Fontana Union Water Company)
Paul Hamrick	Appropriative Pool (Jurupa Community Services)
Don Galleano (not present)	Western Municipal Water District
Geoffrey Vanden Heuvel	Agricultural Pool (Dairy)

I. CALENDAR YEAR 2005 OFFICERS – Action

A. ELECTION OF OFFICERS

Nominations were heard for Watermaster Board Chair – First by Vanden Heuvel and second by Kuhn to nominate Robert Neufeld. Hearing no other nominations, Chair Neufeld was unanimously reelected as chair.

Nominations were heard for Watermaster Board Vice-Chair – First by Vanden Heuvel, and second by Anderson to nominate Bill Kruger. It was decided that a roll call would be taken for the process of voting counts for the Vice-Chair position.

Roll call for Vice-Chair Kruger:

- Kruger – aye
- Hamrick – no
- Hofer – aye
- Vanden Heuvel - aye
- Anderson – aye
- Kuhn – aye
- Bowcock – aye

Chair Neufeld declared this a majority vote and welcomed Mr. Kruger as the new Vice-Chair.

Nominations were heard for Watermaster Board Secretary/Treasurer – First by Neufeld, and second by Kuhn to nominate Bob Bowcock. Hearing no other nominations, Mr. Bowcock was unanimously elected as Secretary/Treasurer.

Nominations were closed by Chair Neufeld.

RECOGNITION OF OUTGOING WATERMASTER BOARD MEMBERS

1. Mr. Donald Schroeder

Chair Neufeld asked Mr. Schroeder to come forward for a presentation. Chair Neufeld recognized that Mr. Schroeder has been the representative for Western Municipal Water District for several years and has contributed an extensive amount of knowledge and assistance to the Chino Basin. Mr. Schroeder thanked Chair Neufeld and noted his appreciation for working with the Watermaster and Watermaster staff for all these years.

2. Mr. Terry Catlin

Chair Neufeld asked Mr. Catlin to come forward for his presentation. Chair Neufeld stated on behalf of the Chino Basin Watermaster and personally that it has been a pleasure working with him over the past several years. Chair Neufeld noted that Mr. Catlin will be Don Galleano's alternate so this will not be the last we see of him on this Board. Mr. Catlin commented when he had started the Chino Basin Watermaster was still called Chino Basin Municipal Water District which is now Inland Empire Utilities Agency and he has seen much growth and good things develop for this organization over the past several years. Mr. Catlin acknowledged Watermaster's new C.E.O. and noted it has been a pleasure working with him and all Watermaster staff.

3. Ms. Paula Lantz

Chair Neufeld noted that Ms. Lantz from the City of Pomona was not available to attend the meeting today and asked that the Watermaster staff forward her plaque to her in recognition of her service on the Watermaster Board.

II. CONSENT CALENDAR

A. **MINUTES**

1. Minutes of the of the Watermaster Board Meeting held November 18, 2004
2. Minutes of the Watermaster Closed Board Meeting held December 9, 2004

B. **FINANCIAL REPORTS**

1. Cash Disbursements for the month of November 2004
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2004 through October 31, 2004
3. Treasurer's Report of Financial Affairs for the Period October 1, 2004 through October 31, 2004
4. Profit & Loss Budget vs. Actual July 2004 through October 2004
5. Cash Disbursements for the month of December 2004
6. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2004 through November 30, 2004
7. Treasurer's Report of Financial Affairs for the Period November 1, 2004 through November 30, 2004
8. Profit & Loss Budget vs. Actual July 2004 through November 2004

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, 2004

D. **CHINO BASIN WATERMASTER INVESTMENT POLICY**

Resolution 05-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

E. **LOCAL AGENCY INVESTMENT FUND**

Resolution 05-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

F. **ASSESSMENTS**

Resolution 05-03 – Resolution of the Chino Basin Watermaster Levying Replenishment and Administrative Assessments for Fiscal Year 2004-2005

G. **NOTICE OF INTENT**

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

*Motion by Kruger, second by Bowcock, and by unanimous vote
 Moved to approve Consent Calendar Items A through G, as presented*

III. BUSINESS ITEMS**A. ESTABLISH TWO NEW POSITIONS**

Mr. Manning noted that Watermaster is in the process of coming into conformity with the IRS rules regarding contract employees with the field staff that is now housed at Chino Basin Watermaster (CBWM). In discussions with the Personnel Committee and the Board it was felt if CBWM released all of the positions held with Wildermuth, Inc. staff, it would leave Watermaster understaffed. The intention is to retain two of the positions on CBWM staff, one being the GIS position and the other would be an engineering position. Mr. Manning noted that if it were not for our GIS capabilities the Jurupa situation would not have come to light or be resolved noting this is an important position to retain at Watermaster. The engineering position would be utilized by all three of our senior staff to make sure current activities are being addressed and in the event staff is on vacation or maternity leave that an engineer's position would be filled at all times to meet Watermaster needs. Salaries were decided upon after surveys of the same or similar positions at other water agencies were performed. Mr. Manning noted this recommendation comes from unanimous recommendation from the Personnel Committee, Pools, and Advisory Committee; this also includes the legal counsel's review to bring Watermaster into IRS compliance. The question regarding the funds for these two positions being available in the current budget was presented. Mr. Manning noted they are currently covered in the budget; most of the expenses incurred by having a shift from the contract with Wildermuth Environmental over into Watermaster's salary schedule. There will be an increase over the course of next years budget of about 35% to 40% over and above what Wildermuth was charging Watermaster for these positions mainly due to their increase in responsibilities, benefits, and keeping with the current rate of pay in this area for the same positions. Ms. Rojo stated the average annual impact increase by \$45,000 is due to a slight increase in salary and mainly due to the PERS contribution and overhead that Watermaster would be obligated for.

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

Moved to approve establishing two new Chino Basin Watermaster positions for a GIS Specialist and an Environmental Specialist, as presented

B. SALE OF WATERMASTER TRUCKS TO WILDERMUTH ENVIRONMENTAL, INC.

Mr. Manning noted this item was in conjunction with item A Staff is proposing the sale for three of Watermaster's five trucks to Wildermuth, Inc. This will allow the remainder of the staff which is moving into a location nearby to perform their duties under Wildermuth's direction. The three trucks would keep the Chino Basin Watermaster logo (as a familiar recognition reference) and Wildermuth's logo would be added also. The sold trucks would then be the sole property and responsibility of Wildermuth, Inc. The question regarding the sale of the trucks causing Watermaster a net gain was presented. Ms. Rojo acknowledged this statement as a gain for Watermaster since the trucks are fully appreciated.

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

Moved to approve the sale of three Watermaster trucks to Wildermuth Environmental, Inc., as presented

IV. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Attorney-Manager Meetings**

Counsel Slater reminded the board members that at the end of 2004 the attorney manager meetings were placed on hold while waiting for the completion of some technical work. It is anticipated that the technical analysis is completed and staff is prepared to go forward at a technical meeting workshop on Wednesday, February 2, 2005 at 1:00 p.m. at the Chino Basin Watermaster office. This will provide an opportunity for Watermaster staff and consultants to present parties with water supply plans and implications of those plans on future deal making. Once there has been an opportunity to for that report to be presented and a review, it is anticipated that the attorney manager meetings will reconvene and address any issues the group deems necessary.

2. Comments to Western/Muni EIR

Counsel Slater noted this is an ongoing process for completing applications for diverting water from the Santa Ana River system. Counsel Slater reviewed the Orange County process and noted that Western has moved forward and staff has filed comments which were intended to be constructive and also offer an invitation to Western along with Orange County for the agencies who are most impacted by a removal of decision making from a regional basis to Sacramento to try and convene an effort to amicably set goals and avoid problem issues. Both Western and Orange County have noted that they along with IEUA would be delighted to sit down and see if this can be worked out. Counsel Slater noted that Watermaster would prefer to take control over the management of those issues rather than leave them to outsiders to pressure Watermaster in directions we do not want to go. A tentative meeting has been scheduled for the second week of February to start this process.

3. Santa Ana Water Rights Application

Counsel Slater stated this item deals with the application process itself; under the water code there is a procedural requirement that an applicant must make a good faith effort with protestants to try to resolve protests to the application. East Valley has come forward and made a suggestion whereby they would dismiss their protest of Watermaster's application. This suggestion is designed to clarify that Watermaster's points of diversion would not be in the main stem of the Santa Ana River and on that basis East Valley is seeking assurance so long as that is true that they would withdraw their protest. Counsel Slater noted that staff is not seeking an approval of this at this time that will be submitted through the normal Pool process and take feedback at those meetings in this regard.

4. North Gualala Decision

Counsel Slater noted this item is for informational and a heads up purposes only at this time. There is a recent decision (North Gualala Decision) which rises out of the Mendocino County. The judge in this decision has come to the conclusion that there is an impact test that ought to be associated on whether groundwater use is subject to State Water Resources Control Board jurisdiction. This is meaningful because just about every groundwater use that you find, of any significance, will have some impact on surface water resources. If the parties follow the reasoning of this decision it would suggest that many of the wells in Chino Basin would theoretically be subject to State Board jurisdiction; this would implicate a lot of production facilities in California and counsel wonders about the viability of the decision on appeal. Counsel is calling this to the Board members attention because this is a lower court case, it has some potential bearing on the Chino Basin, and we want to monitor the case. At its present level this case no bearing on us, however, if this case starts making its way through the appellate system there perhaps may be the need to suggest that Watermaster consider coordinating friend of the court or amicus briefs with other parties or filing its own.

5. Santa Ana Sucker Critical Habitat Decision

Counsel Slater stated that in the first week of January the federal government published the new 50 CFR 113 stating that the Santa Ana Sucker is not going to be a concern for us.

Added Comment:

Counsel Slater stated an additional EIR item for the purposes of summation of where legal counsel was in 2004 and a brief road map of where counsel expects legal efforts to lead Watermaster in 2005 has been included in the Board packet.

Added Question:

The question regarding the Santa Ana River being removed from the habitat, however, there still remains to be other critical habitat that is designated for the Santa Ana Sucker was presented. Counsel Slater acknowledged that statement as being true and that only our reach was taken off.

B. CEO/STAFF REPORT**1. Storm Report 1 – 5**

Mr. Manning noted back in October he had made a commitment to the Board and Advisory Committee that Watermaster was going to keep the committee members informed as to the status of the storm events including the performance of the spreading basins during the particular storm events. The Pools were give a summation of storm events 1 – 5 however storm event 1 – 6 is now available for review on the back table. The basins have captured approximately 6,000 acre-feet of storm water from storms 1 – 6 so far this year. During these recent storms Watermaster has been able to test a number of the facilities; unfortunately the SCADA system is still not operating at 100%. Mr. Manning stated that in terms of the physical characteristics of the spreading basins Watermaster has been able to test a lot of the basins and have found a large number of them are performing operationally but have also found that some need minor corrections to be made in order to make them work more efficiently. Mr. Manning noted that Watermaster over the past several months has started to build a good relationship with Flood Control in that they are allowing Watermaster to be able to utilize these basins, which is very pleasing to Watermaster. These past few months have been a good testing period and in general the basins have performed exceptionally well.

Chair Neufeld stated he wished to compliment Mr. Manning and Watermaster staff for a great job during the Prado Dam incident. Chair Neufeld noted that during the most recent storm event when we were notified that releases were being made out of the Prado Dam due to problems, and that Watermaster was still not utilizing all the Flood Control basins, which was understood by a conversation with Mr. Manning that morning. By the end of that day Watermaster had acquired additional turnouts from the County Flood Control District to be able to put additional waters in those basins, which in fact, did help relieve some of the pressure on the Prado Dam.

2. Information Regarding AB2733 Retro Act

Mr. Manning commented on AB2733 which is a piece of legislation that went through the State Legislature last year. Currently pumpers are required, if they are pumping more than 25 acre feet a year, to file a State Water Resources Control Board Annual Notice of Extraction with the State Water Resources Control Board. AB2733 essentially moves that authorization down to the local level giving Watermaster the authority to be able to capture and house that data. Staff is working with SAWPA and other agencies locally in determining a general sphere of influence for the capturing of that data because there is overlap with San Bernardino Municipal Water District and with Western Municipal Water District. Mr. Manning stated eventually what will take place is a report that will be submitted to the State Water Resources Board and all of the pumpers within our area will be notified to now send that information to Watermaster instead of sending it to the State. At this point in time this item is for information purposes only.

3. Chief Executive Officer Goals and Objectives Report

Mr. Manning stated that at the November Watermaster Board meeting the Board had asked that when they reviewed the C.E.O. goals and objectives that they be shared with the Pools and Advisory Committee members. Mr. Manning noted that those goals and objectives were reviewed with those committee members and an offer was extended to the parties if they wanted to see that it would be arranged. This item was to let the Board members know that Mr. Manning complied with the Board's wishes.

4. Redesign of Chino Basin Watermaster Logo

Mr. Manning stated the redesign of the Watermaster logo came about during the work being done for the public information campaign that we are presently working on with Inland Empire Utilities Agency (IEUA). In the ad that will be coming out for the public information campaign, all logos from participating organizations that funded the project will be placed at the bottom of the ad and if we are going to start to have our logo branded we

want to have a distinguishable and also reproducible logo. Our current Watermaster logo is almost impossible to reproduce because the center pictures run together and are not distinguishable as to what they are. The comment was made at the Appropriative Pool meeting that the new logo which was presented at that meeting looked too similar to another water districts logo. Also, the comment was made at that same meeting in that staff should look at having a unique logo that might also portray a partnership with other water agencies. Mr. Manning stated the logo which was presented at the Pool meetings has been revised and Watermaster feels it has come up with an eye catching and functional for reproduction as well as capturing a feel for our partnership logo that is available at the back table for review. Mr. Manning stated if there were no objections to this new logo Watermaster will begin using it on various items and noted all letterhead and related items will be used up first with the old logo as to not to put a strain on the budget for this year for this change. Chair Neufeld noted that unless Watermaster hears any negative comments about the new logo to get started using it as presented as soon as possible.

5. Public Information Campaign Update

Mr. Manning stated the Water Conservation District, Western Municipal Water District, Three Valleys Municipal Water District, Chino Basin Watermaster, and the Agricultural Pool, along with working with IEUA on the development of this one year program to inform the public on what is happening regarding water issues. This program is being kicked off with an eight page insert that will be published sometime early in February; this particular insert will highlight the agencies who are funding this project. There will also be a page dedicated to the congressional staff representing the basin and what work they have done over the past few years in helping the water industry achieve some of its goals. The first insert will be used during the upcoming Washington trip in an attempt to get our message out and facilitate discussions on funding. Mr. Manning noted this program was overall designed to instill confidence in the constitutions and in the law makers within our area that we in fact are taking care of the water issues and staff feels the message is going to be a first-rate and constant over a year's time frame. Even though there are six contributing agencies those agencies will not be the only ones mentioned in the 30+ ads that come out. The ads will be talking about the different water agencies that supply water to the residents to this valley, efforts made by Flood Control will be highlighted, and all ads will be spread out to talk about water efforts and in general giving the message that their interests as it relates to water are being protected.

6. Revised Water Supply Plans for the QBMP

Mr. Wildermuth noted Wildermuth Environmental was tasked to re-evaluate Hydraulic Control. Wildermuth had Black & Veatch, who was performing similar work for Inland Empire Utilities Agency at the time, go out and get from each agency their updated water supply plans for the next twenty to thirty years. This information was compiled and brought back to Wildermuth; at that time Black & Veatch was told more information was needed. Black & Veatch went back and got well capacities and if the wells were usable; it was critiqued a second time and sent back again to Black & Veatch for more information. Mr. Wildermuth referred to the slide presentation "Comparison of Chino Basin Groundwater Production from the Peace Agreement, Dry-Year Yield Planning and Peace II Process" which has been updated since the presentation for the Pool members. The total production for Appropriators was reviewed in detail noting a very large increase. In reviewing the submitted numbers Wildermuth went back to the three agencies which had the highest increase and asked them to verify the plans. A meeting has been set for Wednesday, February 2, 2005 at 1:00 p.m. for a full technical review of all gathered data; after that meeting concludes the Attorney Manager meetings will resume. The question regarding the 2005 number being the actual number pumped or what the plans say are going to be pumped this year was presented. Mr. Wildermuth noted that those numbers are what they say they are going to pump. The question regarding the actual tracking record of actual pumping versus projected pumping was presented. Mr. Wildermuth stated he would need to go back and review the records to answer that question. A brief

discussion ensued with regard to pumping and the numbers which were represented in the OBMP. The question of how large is the storage bank by all of our own agencies plus whatever is available in our MET storage accounts was presented. Mr. Wildermuth stated he would need to look into those numbers before answering. A discussion ensued with regard to managing plans. Mr. Atwater reminded the Board members that this spring IEUA is wrapping up \$40 million dollars worth of improvements and that over the next 30 months IEUA is going to spend another \$10 million dollars to enhance those improvements. Mr. Atwater reviewed several of the projects that IEUA is currently working on along with future projects with regard to this discussion. Chair Neufeld noted that this is an indicator of something we have experienced for a number of years in this area. It is hard to put your finger on a moving target and predict exactly what the production is going to be. Chair Neufeld stated that ten years ago probably no one anticipated the tremendous amount of growth that would be coming to the Chino Basin. Chair Neufeld stated that Watermaster might want to review this update more than once a year.

7. Status of the State of the Basin

Mr. Manning stated that the full State of the Basin report is now available on Chino Basin Watermaster's and Wildermuth Environmental's web site for review; only the Executive Summary was put into the packet due to the length of the report. This report is in draft form and will remain to be a draft form for a few weeks while we are waiting for comments to be submitted. Mr. Manning asked that comments and or suggestions on this report be submitted as soon as possible so that this report can be finalized and distributed in a timely manner.

Added Comment:

Mr. Manning noted that the gentleman (Mr. Jim Johnson) taking pictures during the meeting handles the Watermaster web page and also photographs for the Inland Valley Daily Bulletin. Watermaster was in need of new photographs of the Board and Mr. Johnson made himself available to take some photos today.

V. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

2. Mapping the System – GIS Conversion Keeps Data Current

No comment was made regarding this item.

3. Replenishment Service Availability Update for Calendar Year 2005

No comment was made regarding this item.

VI. BOARD MEMBER COMMENTS

Chair Neufeld asked the two new Board members if they wanted to say anything for today's Board meeting and again welcomed them to the Chino Basin Watermaster's Board. Mr. Hamrick stated that he was thankful for the opportunity to serve on the Board and that he has a long history in water and sewer. Mr. Anderson stated that he also appreciates being at this meeting at on the Board and noted that Mr. Catlin will be his alternate for when he is not able to attend meetings. Mr. Hamrick also noted that his alternate Jack Smith is in attendance today and will be filling in for him when he is not available. Mr. Kruger thanked the Board members for the vote of confidence in regards to him being nominated for Vice-Chair this year. Mr. Hofer inquired about the Prado Dam incident and how many acre-feet of water were spilled during that problem. Mr. Wildermuth noted that he could calculate that figure out for him later. Mr. Atwater spoke regarding a recent army core engineering briefing that he attended recently and noted that at no time was there a dam safety issue or dam treat. The question regarding the status of the SCADA system was presented. Mr. Manning noted that portions of the SCADA system are coming up for periodically for testing and Watermaster is getting some data back it, noting that is meaningful so far, however Watermaster is anticipating within the next sixty days that there will be a system that Watermaster can actually test and operate

and finally fine tune. Mr. Bowcock welcomed Mr. Hamrick and Mr. Anderson. Mr. Kuhn welcomed Mr. Hamrick and Mr. Anderson and personally thanked Mr. Catlin for the leadership that was shown last year in the selection process for the Watermaster Chief Executive Officer. Mr. Kuhn thanked staff for the wonderful job in picking up the slack while absent a CEO. Chair Neufeld agreed to the comments made to Mr. Catlin and staff and noted Watermaster is going to have a busy year in 2005 with the re-opener on the nine member board issue and many other issues being presented to the court. Chair Neufeld stated that the San Bernardino Flood Control has done an outstanding in working with Watermaster to establish our recharge element as part of the OBMP. Chair Neufeld spoke regarding the newly appointed Senator Dutton and his recent phone call to the Senator regarding a cooperative spirit with Flood Control. Chair Neufeld spoke on the recent reception held at Inland Empire Utilities Agency and the allegiances that were starting to form with several assemblymen.

VII. OTHER BUSINESS

No comment was made regarding this item.

VIII. 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.

No confidential session was called to order.

IX. FUTURE MEETINGS

January 27, 2005	9:00 a.m.	Advisory Committee Annual Meeting
January 27, 2005	11:00 a.m.	Watermaster Board Annual Meeting
February 10, 2005	9:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
February 15, 2005	9:00 a.m.	Agricultural Pool Meeting @ IEUA
February 24, 2005	9:00 a.m.	Advisory Committee Meeting
February 24, 2005	11:00 a.m.	Watermaster Board Meeting

The Annual Watermaster Board Committee Meeting Adjourned at 12:07 p.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements January 2005
2. Combining Schedule of Revenue, Expenses and changes in Working Capital for the Period July 1, 2004 through December 31, 2004
3. Treasurer's Report of Financial Affairs for December 1 through December 31, 2004
4. Profit & Loss Budget vs. Actual July 2004 through December 2004



CHINO BASIN WATERMASTER

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KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: February 10, 2005
February 15, 2005
February 24, 2005

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – January 2005

SUMMARY

Issue – Record of cash disbursements for the month of January 2005.

Recommendation – Staff recommends the Cash Disbursements for January 2005 be received and filed as presented.

Fiscal Impact – All funds disbursed were included in the FY 2004-05 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 2005 were \$7,849,284.96. The most significant expenditures during the month were Inland Empire Utilities Agency in the amount of \$7,559,682.91, and Wildermuth Environmental Inc. in the amount of \$155,067.64.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
January 2005

	Type	Date	Num	Name	Amount
Jan 05	Bill Pmt -Check	1/3/2005	9252	CAFE CALATO	-88.36
	Bill Pmt -Check	1/5/2005	9253	OFFICE DEPOT	-358.55
	Bill Pmt -Check	1/5/2005	9254	SAVIN CORPORATION dba RICOH BUSINESS	-630.00
	Bill Pmt -Check	1/5/2005	9255	SAVIN CORPORATION dba RICOH BUSINESS	-36.00
	Bill Pmt -Check	1/5/2005	9256	SAVIN CORPORATION dba RICOH BUSINESS	-639.50
	Bill Pmt -Check	1/5/2005	9257	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	0.00
	Bill Pmt -Check	1/5/2005	9258	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-4,215.33
	Bill Pmt -Check	1/5/2005	9259	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-4,031.41
	Bill Pmt -Check	1/5/2005	9260	VERIZON	-381.54
	Bill Pmt -Check	1/5/2005	9261	APPLIED COMPUTER TECHNOLOGIES	-1,687.35
	Bill Pmt -Check	1/5/2005	9262	ARROWHEAD MOUNTAIN SPRING WATER	-41.66
	Bill Pmt -Check	1/5/2005	9263	CALPERS	-2,135.65
	Bill Pmt -Check	1/5/2005	9264	DIRECTV	-71.98
	Bill Pmt -Check	1/5/2005	9265	HSBC BUSINESS SOLUTIONS	-310.51
	Bill Pmt -Check	1/5/2005	9266	INLAND EMPIRE UTILITIES AGENCY	-6,666.67
	Bill Pmt -Check	1/5/2005	9267	NEXTEL COMMUNICATIONS	-701.05
	Bill Pmt -Check	1/5/2005	9268	PARK PLACE COMPUTER SOLUTIONS, INC.	-3,465.00
	Bill Pmt -Check	1/5/2005	9269	PATRAL CUSTOM CABINETS	-2,549.40
	Bill Pmt -Check	1/5/2005	9270	PAYCHEX	-232.45
	Bill Pmt -Check	1/5/2005	9271	REMINGTON PARTNERS, INC.	-750.00
	Bill Pmt -Check	1/5/2005	9272	STATE COMPENSATION INSURANCE FUND	-1,416.70
	Bill Pmt -Check	1/5/2005	9273	UNION 76	-252.43
	Bill Pmt -Check	1/5/2005	9274	VELASQUEZ JANITORIAL	-1,200.00
	Bill Pmt -Check	1/5/2005	9275	VERIZON	-41.38
	Bill Pmt -Check	1/5/2005	9276	YUKON DISPOSAL SERVICE	-123.90
	Bill Pmt -Check	1/5/2005	9277	AMERICAN GROUND WATER TRUST	-100.00
	Bill Pmt -Check	1/5/2005	9278	JAMES JOHNSTON	-795.00
	Bill Pmt -Check	1/7/2005	9280	PETTY CASH	-454.05
	General Journal	1/15/2005	05/01/4	PAYROLL	-6,033.92
	General Journal	1/15/2005	05/01/4	PAYROLL	-14,601.09
	Bill Pmt -Check	1/18/2005	9281	JEEP CHRYSLER OF ONTARIO	-1,495.79
	Bill Pmt -Check	1/18/2005	9282	WILDERMUTH ENVIRONMENTAL INC	-155,067.64
	Bill Pmt -Check	1/18/2005	9283	ACWA SERVICES CORPORATION	-162.90
	Bill Pmt -Check	1/18/2005	9284	CHEVRON	-73.00
	Bill Pmt -Check	1/18/2005	9285	CITIZENS CONFERENCING	-126.10
	Bill Pmt -Check	1/18/2005	9286	CUCAMONGA VALLEY WATER DISTRICT	-4,900.00
	Bill Pmt -Check	1/18/2005	9287	INLAND COUNTIES INSURANCE SERVICES, INC.	-216.77
	Bill Pmt -Check	1/18/2005	9288	MCI	-900.15
	Bill Pmt -Check	1/18/2005	9289	REID & HELLYER	-1,269.50
	Bill Pmt -Check	1/18/2005	9290	REMINGTON PARTNERS, INC.	-2,834.19
	Bill Pmt -Check	1/18/2005	9291	RICOH BUSINESS SYSTEMS-Lease	-3,591.31
	Bill Pmt -Check	1/18/2005	9292	U S POSTMASTER	-20.00
	Bill Pmt -Check	1/18/2005	9293	UNITED PARCEL SERVICE	-102.36
	Bill Pmt -Check	1/18/2005	9294	UNITEK TECHNOLOGY INC.	-776.88
	Bill Pmt -Check	1/18/2005	9295	BANK OF AMERICA	-4,175.36
	Bill Pmt -Check	1/18/2005	9296	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
	Bill Pmt -Check	1/18/2005	9297	MWH MONTGOMERY WATSON HARZA	-508.30
	Bill Pmt -Check	1/18/2005	9298	STAULA, MARY L	-136.61
	Bill Pmt -Check	1/26/2005	9299	ARROWHEAD MOUNTAIN SPRING WATER	-24.66
	Bill Pmt -Check	1/26/2005	9301	CALIFORNIA WATER AWARENESS CAMPAIGN	-908.00
	Bill Pmt -Check	1/26/2005	9300	CALPERS	-2,135.65
	Bill Pmt -Check	1/26/2005	9302	CUCAMONGA VALLEY WATER DISTRICT	-4,900.00
	Bill Pmt -Check	1/26/2005	9303	ELLISON, SCHNEIDER & HARRIS, LLP	-5,524.50
	Bill Pmt -Check	1/26/2005	9304	EXCEL LANDSCAPE	-1,440.00
	Bill Pmt -Check	1/26/2005	9305	JUAN POLLO	-129.29
	Bill Pmt -Check	1/26/2005	9306	McMASTER-CARR SUPPLY CO	-252.37
	Bill Pmt -Check	1/26/2005	9307	NEXTEL COMMUNICATIONS	-708.60
	Bill Pmt -Check	1/26/2005	9308	OFFICE DEPOT	-398.58
	Bill Pmt -Check	1/26/2005	9309	PITNEY BOWES CREDIT CORPORATION	-468.72
	Bill Pmt -Check	1/26/2005	9310	QUILL	-475.89
	Bill Pmt -Check	1/26/2005	9311	R&D PEST SERVICES	-85.00
	Bill Pmt -Check	1/26/2005	9312	STANDARD INSURANCE CO.	-461.24
	Bill Pmt -Check	1/26/2005	9313	YUKON DISPOSAL SERVICE	-123.90
	Bill Pmt -Check	1/26/2005	9314	INLAND EMPIRE UTILITIES AGENCY	-7,559,682.91
	Bill Pmt -Check	1/28/2005	9315	CITISTREET	-4,269.19
	Bill Pmt -Check	1/28/2005	9316	CITISTREET	-9,053.14
	Bill Pmt -Check	1/28/2005	9317	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-2,223.40
	Bill Pmt -Check	1/28/2005	9318	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-3,817.86

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
January 2005

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
Bill Pmt -Check	1/28/2005	9319	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-2,326.32
General Journal	1/29/2005	05/01/6	PAYROLL	-5,419.58
General Journal	1/29/2005	05/01/6	PAYROLL	-13,784.92
Bill Pmt -Check	1/31/2005	9320	AUTO GLASS TECH	-178.50
Jan 05				<u>-7,849,284.96</u>

CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2004 THROUGH DECEMBER 31, 2004

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATION AND SPECIAL PROJECTS APPROPRIATIVE POOL	AGRICULTURAL POOL	NON-AGRIC. POOL	GROUNDWATER OPERATIONS GROUNDWATER REPLENISHMENT	SB222 FUNDS	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2004-05
Administrative Revenues										
Administrative Assessments			4,807,004		74,241				4,881,245	\$3,984,888
Interest Revenue			55,353	4,738	2,379			14	62,484	78,330
Mutual Agency Project Revenue		-							-	0
Grant Income									-	0
Miscellaneous Income	-								-	0
Total Revenues	-	-	4,862,357	4,738	76,620	-	-	14	4,943,729	4,063,218
Administrative & Project Expenditures										
Watermaster Administration	407,002								407,002	621,784
Watermaster Board-Advisory Committee	23,983								23,983	37,018
Pool Administration			4,972	36,568	1,016				42,556	91,153
Optimum Basin Mgmt Administration		655,149							655,149	1,019,183
OBMP Project Costs		1,230,072							1,230,072	3,733,694
Education Funds Use								-	-	375
Mutual Agency Project Costs	33,333								33,333	80,004
Total Administrative/OBMP Expenses	464,318	1,885,221	4,972	36,568	1,016			-	2,392,095	5,583,211
Net Administrative/OBMP Income	(464,318)	(1,885,221)								
Allocate Net Admin Income To Pools	464,318		349,591	107,278	7,449				-	0
Allocate Net OBMP Income To Pools		1,885,221	1,419,405	435,571	30,244				-	0
Agricultural Expense Transfer			574,893	(574,893)					-	0
Total Expenses			2,348,861	4,525	38,709	-	-	-	2,392,095	5,583,211
Net Administrative Income			2,513,496	213	37,911			14	2,551,634	(1,519,993)
Other Income/(Expense)										
Replenishment Water Purchases						8,097,107			8,097,107	0
MZ1 Supplemental Water Assessments						1,625,000			1,625,000	2,179,500
Water Purchases									-	0
MZ1 Imported Water Purchase									-	(2,278,500)
Groundwater Replenishment						(1,290,815)			(1,290,815)	0
Net Other Income						8,431,292			8,431,292	(99,000)
Net Transfers To/(From) Reserves			2,513,496	213	37,911	8,431,292		14	10,982,926	(1,618,993)
Working Capital, July 1, 2004			3,471,229	463,055	173,739	4,133,061	158,251	2,195	8,401,530	
Working Capital, End Of Period			5,984,725	463,268	211,650	12,564,353	158,251	2,209	19,384,456	
03/04 Production			136,795.139	41,978.182	2,914.774				181,688.095	
03/04 Production Percentages			75.291%	23.105%	1.604%				100.000%	

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
DECEMBER 1 THROUGH DECEMBER 31, 2004**

DEPOSITORIES:

Cash on Hand - Petty Cash		\$	500
Bank of America			
Governmental Checking-Demand Deposits	\$ 153,196		
Savings Deposits	9,641		
Zero Balance Account - Payroll	-		162,837
Vineyard Bank CD - Agricultural Pool			401,440
Local Agency Investment Fund - Sacramento			8,867,217
TOTAL CASH IN BANKS AND ON HAND	12/31/2004	\$	9,431,994
TOTAL CASH IN BANKS AND ON HAND	11/30/2004		5,837,070
PERIOD INCREASE (DECREASE)		\$	<u>3,594,924</u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets: Accounts Receivable		\$	(30,268)
Assessments Receivable			4,426,756
Prepaid Expenses, Deposits & Other Current Assets			2,404
(Decrease)/Increase in Liabilities: Accounts Payable			(548,299)
Accrued Payroll, Payroll Taxes & Other Current Liabilities			6,456
Transfer to/(from) Reserves			(262,125)
PERIOD INCREASE (DECREASE)		\$	<u>3,594,924</u>

SUMMARY OF FINANCIAL TRANSACTIONS:

	Petty Cash	Gov't'l Checking Demand	Zero Balance Account Payroll	Savings	Vineyard Bank	Local Agency Investment Funds	Totals
Balances as of 11/30/2004	\$ 500	\$ 159,071	\$ -	\$ 9,635	\$ 400,647	\$ 5,267,217	\$ 5,837,070
Deposits		4,427,090	-	6	793		4,427,889
Transfers		(3,658,019)	58,019	-	-	3,600,000	-
Withdrawals/Checks		(774,946)	(58,019)	-	-	-	(832,965)
Balances as of 12/31/2004	\$ 500	\$ 153,196	\$ -	\$ 9,641	\$ 401,440	\$ 8,867,217	\$ 9,431,994
PERIOD INCREASE OR (DECREASE)	\$ -	\$ (5,875)	\$ -	\$ 6	\$ 793	\$ 3,600,000	\$ 3,594,924

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
DECEMBER 1 THROUGH DECEMBER 31, 2004**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
12/6/2004	Withdrawal	L.A.I.F.	\$ (250,000)				
12/16/2004	Withdrawal	L.A.I.F.	(400,000)				
12/24/2004	Deposit	L.A.I.F.	4,250,000				
TOTAL INVESTMENT TRANSACTIONS			\$ 3,600,000	-			

* The earnings rate for L.A.I.F. is a daily variable rate; 2.00% was the effective yield rate at the Quarter ended December 31, 2004

**INVESTMENT STATUS
December 31, 2004**

<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	\$ 8,867,217			
Time Certificates of Deposit	-			
TOTAL INVESTMENTS	\$ 8,867,217			

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 2004

	<u>Jul - Dec 04</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	0	132,000	-132,000	0.0%
4110 · Admin Asmnts-Approp Pool	4,807,004	3,755,236	1,051,768	128.01%
4120 · Admin Asmnts-Non-Agri Pool	74,241	97,652	-23,411	76.03%
4700 · Non Operating Revenues	62,484	78,330	-15,846	79.77%
Total Income	<u>4,943,729</u>	<u>4,063,218</u>	<u>880,511</u>	<u>121.67%</u>
Gross Profit	4,943,729	4,063,218	880,511	121.67%
Expense				
6010 · Salary Costs	228,449	401,704	-173,255	56.87%
6020 · Office Building Expense	53,582	100,800	-47,218	53.16%
6030 · Office Supplies & Equip.	23,709	45,500	-21,791	52.11%
6040 · Postage & Printing Costs	41,548	67,100	-25,552	61.92%
6050 · Information Services	61,473	105,076	-43,603	58.5%
6060 · Contract Services	104,135	106,000	-1,865	98.24%
6080 · Insurance	12,417	21,710	-9,293	57.19%
6110 · Dues and Subscriptions	383	16,600	-16,217	2.31%
6140 · Other WM Admin Expenses	1,244	2,500	-1,256	49.74%
6150 · Field Supplies	506	4,250	-3,744	11.92%
6170 · Travel & Transportation	8,111	24,650	-16,539	32.91%
6190 · Conferences & Seminars	7,734	16,000	-8,266	48.34%
6200 · Advisory Comm - WM Board	5,229	13,459	-8,230	38.85%
6300 · Watermaster Board Expenses	18,754	23,559	-4,805	79.6%
8300 · Appr PI-WM & Pool Admin	4,972	13,659	-8,687	36.4%
8400 · Agri Pool-WM & Pool Admin	8,358	16,417	-8,059	50.91%
8467 · Agri-Pool Legal Services	23,685	45,000	-21,315	52.63%
8470 · Ag Meeting Attend -Special	4,525	10,000	-5,475	45.25%
8500 · Non-Ag PI-WM & Pool Admin	1,016	6,077	-5,061	16.72%
6500 · Education Funds Use Expens	0	375	-375	0.0%
9500 · Allocated G&A Expenditures	-136,289	-290,106	153,817	46.98%
Subtotal G&A Expenses	<u>473,540</u>	<u>750,330</u>	<u>-276,790</u>	<u>63.11%</u>
6900 · Optimum Basin Mgmt Plan	600,752	933,566	-332,814	64.35%
6950 · Mutual Agency Projects	33,333	80,004	-46,671	41.67%
9501 · G&A Expenses Allocated-OBMP	54,398	85,617	-31,219	63.54%
Subtotal OBMP Expenses	<u>688,483</u>	<u>1,099,187</u>	<u>-410,704</u>	<u>62.64%</u>
7101 · Production Monitoring	18,139	54,957	-36,818	33.01%
7102 · In-line Meter Installation	8,343	93,969	-85,626	8.88%
7103 · Grdwtr Quality Monitoring	67,582	148,792	-81,210	45.42%
7104 · Gdwtr Level Monitoring	39,742	135,072	-95,330	29.42%
7105 · Sur Wtr Qual Monitoring	63,249	282,220	-218,971	22.41%
7106 · Wtr Level Sensors Install	0	19,114	-19,114	0.0%
7107 · Ground Level Monitoring	169,269	433,720	-264,451	39.03%
7108 · Hydraulic Control Monitoring	147,433	437,987	-290,554	33.66%
7200 · PE2- Comp Recharge Pgm	262,770	413,177	-150,407	63.6%
7300 · PE3&5-Water Supply/Desalte	0	20,885	-20,885	0.0%
7400 · PE4- Mgmt Plan	59,787	795,099	-735,312	7.52%

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through December 2004

	<u>Jul - Dec 04</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7500 · PE6&7-CoopEfforts/SaltMgmt	14,290	251,343	-237,053	5.69%
7600 · PE8&9-StorageMgmt/Conj Use	23,406	140,400	-116,994	16.67%
7690 · Recharge Improvement Debt Pymt	274,169	274,169	0	100.0%
7700 · Inactive Well Protection Prgm	0	28,302	-28,302	0.0%
9502 · G&A Expenses Allocated-Projects	81,892	204,488	-122,596	40.05%
Subtotal G&A Expenses	1,230,072	3,733,694	-2,503,622	32.95%
Total Expense	2,392,095	5,583,211	-3,878,610	16.91
Net Ordinary Income	2,551,634	-1,519,993	4,071,627	-167.87%
Other Income/Expense				
Other Income				
4231 · MZ1 Assigned Water Sales	0	600,000	-600,000	0.0%
4210 · Approp Pool-Replenishment	8,094,622	0	8,094,622	100.0%
4220 · Non-Ag Pool-Replenishment	2,485	0	2,485	100.0%
4230 · MZ1 Sup Wtr Assessment	1,625,000	1,579,500	45,500	102.88%
Total Other Income	9,722,108	2,179,500	7,542,608	446.07%
Other Expense				
5010 · Groundwater Replenishment	1,290,815	2,278,500	-987,685	56.65%
9999 · To/(From) Reserves	10,982,927	-1,618,993	12,601,920	-678.38%
Total Other Expense	12,273,742	659,507	11,614,235	1,861.05%
Net Other Income	-2,551,634	1,519,993	-4,071,627	-167.87%
Net Income	0	0	0	0.0%



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

A. CONSULTANT AGREEMENT WITH THE FURMAN GROUP



CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
Chief Executive Officer

Staff Report

DATE: February 24, 2005
TO: Committee Members
Watermaster Board Members
SUBJECT: Consultant Services Agreement, The Furman Group

Summary

Issue - Consulting on federal legislative issues

Discussion – The Chino Basin Watermaster, in its support of member agencies, is requesting to hire under contract The Furman Group. As efforts to acquire federal dollars for programs aimed at supporting the OBMP gear up, it is felt that Watermaster needs to have a contact person in Washington DC that understands the issues and can assist in coordinating activities there.

This is not a lobbying contract. It is a consulting services contract only and the activities will be limited to advising and monitoring Watermaster and member agency funding requests.

Fiscal Impact – The funds necessary to fund this contract will be spread over two fiscal years. The dollars required to fund the program in this fiscal year will be transferred from the dollars originally budgeted for the Cerrell contract and no longer needed. The dollars needed to fund next years expenditures will be included in the 05-06 budget.

Previous Action – Each of the three Pool Committees unanimously recommend approval of this item.

Recommendation:

Approve the Consulting Services Contract with The Furman Group for the term of one year at the cost of \$2,500.00 per month, and authorize the CEO to execute all the necessary documents.

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February 11, 2005

MEMORANDUM OF AGREEMENT

1. PARTIES. This Memorandum of Agreement is by and between The Furman Group, Inc. (hereinafter "TFG") and the Chino Basin Watermaster (hereinafter "Watermaster").
2. PURPOSE. Pursuant to this Agreement, TFG will provide Watermaster with professional consulting services related to Watermaster's activities associated with the Optimum Basin Management Program (OBMP) objectives.
3. TERM. This Agreement shall remain in effect for one year, commencing on February 1, 2005 and ending on January 31, 2006 unless extended pursuant to a mutual agreement by the parties.
4. FEES. In consideration for services to be rendered pursuant to this Memorandum of Agreement, Watermaster shall pay to TFG a fee of \$30,000 payable in twelve (12) monthly advance payments of \$2,500.
5. EXPENSES. Watermaster shall reimburse TFG for all out-of-pocket expenses incurred by TFG in its work on behalf of Watermaster. It is understood that out-of-pocket expenses shall include travel, business related meals, taxi fares, telephone, mail, facsimile, computer aided research, courier, and related charges.
6. TERMINATION. Either party to this Memorandum of Agreement may terminate the Agreement for any reason by providing ninety days (90) written notice to the other party.
7. INDEPENDENT CONTRACTOR STATUS. It is understood and agreed that TFG does at all times in performing services under this Agreement act as an independent contractor and is neither an employee or agent of Watermaster. As such, TFG warrants that it maintains the required amounts of workers compensation and related insurance as well as professional liability insurance.

8. ENTIRE AGREEMENT. This Memorandum of Agreement supersedes any and all other Agreements, either oral or written, between the parties hereto. No other agreement, statement or promise relating to the subject matter of this Agreement that is contained herein shall be valid or binding upon the parties hereto.

This Agreement is entered into as of the date first above written.

AGREED:

AGREED:

for The Furman Group, Inc.

for Chino Basin Watermaster



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

B. APPROVAL OF STIPULATION



CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: February 24, 2005

TO: Committee Members
Watermaster Board Members

SUBJECT: Approval of Stipulation

Summary

Issue – Approval of Stipulation between East Valley Water District and Watermaster concerning Watermaster's Santa Ana River Water Rights Application.

Recommendation – Staff and legal counsel recommend approval of the stipulation.

Fiscal Impact – None

Previous Action – Each of the three Pool Committees unanimously recommended approval of this item.

Background

On November 4, 2002, Watermaster filed Application No. 31369 with the State Water Resources Control Board ("SWRCB") in trust for the parties to the 1978 Judgment, to divert to underground storage 97,000 acre-feet of storm water that flows in the Chino Basin Watershed in tributary streams to the Santa Ana River. On April 1, 2003, East Valley Water District ("EVWD") filed a protest to Watermaster's Application.

EVWD has agreed to withdraw its protest if Watermaster will stipulate to two conditions:

- (1) That none of the points of diversion within the scope of Watermaster's Application will result in the diversion of water from the Santa Ana River; and
- (2) That Watermaster's Application shall not be construed to seek any water rights as against EVWD.

Watermaster's Application was submitted in order to confirm the right of the Chino Basin parties to capture and conserve the storm water that flows through the Chino Basin watershed pursuant to the OBMP and the OBMP Recharge Master Plan. This is one of the principal goals of the recently completed Chino Basin Facilities

Improvement Project ("CBFIP") and results in the stormwater New Yield. The quantification of this diversion as 97,000 acre-feet per year is based on a long term analysis of the greatest amount of flow that may ever be expected in a single year. In other words, the quantification represents an assertion of the Chino Basin parties' right to divert and conserve *all* of the storm water available in the Chino Basin watershed.

Consequently, the points of diversion identified in Watermaster's Application 31369 are the recharge basins that were included in the CBFIP. These facilities are used solely for supplemental water, recycled water, and for the diversion of storm water from creeks tributary to the Santa Ana River. Utilization of these points of diversion does not result in the diversion of water from the Santa Ana River. Thus, it is appropriate for Watermaster to stipulate to point number (1), above.

As described above, Watermaster's Application was submitted for the sole purpose of confirming the rights of the Chino Basin parties to capture and conserve the storm flows in the Chino Basin watershed. This is not water that would be available under any circumstances to EVWD. Furthermore, Watermaster has consistently taken the position that the 1969 Judgment in *Orange County Water District v. City of Chino* is the ultimate authority regarding the water rights of the parties inter se, and that Watermaster has no intention of in any way altering this allocation of rights. Thus, it is appropriate for Watermaster to stipulate to point number (2), above.

For these reasons, Watermaster staff and counsel recommend that the Pool Committees recommend approval of the Stipulation to the Advisory Committee and the Board.

Steven M. Kennedy, Esq. [Bar No. 141061]

EAST VALLEY WATER DISTRICT

STATE WATER RESOURCES CONTROL BOARD

DIVISION OF WATER RIGHTS

In the Matter of:)	Application No. 31369
)	
PETITIONS TO REVISE DECLARATION OF)	STIPULATION TO DISMISS
FULLY APPROPRIATED STREAMS TO)	PROTEST BY EAST VALLEY
ALLOW PROCESSING OF SPECIFIED)	WATER DISTRICT TO NOTICE OF
APPLICATIONS TO APPROPRIATE WATER)	APPLICATION TO APPROPRIATE
FROM THE SANTA ANA RIVER)	WATER BY PERMIT
)	

IT IS HEREBY STIPULATED by and between EAST VALLEY WATER DISTRICT (hereinafter "EVWD") and CHINO BASIN WATERMASTER (hereinafter "CBWM") as follows:

RECITALS

A. On or about November 4, 2002, CBWM filed Application No. 31369 with the State Water Resources Control Board (hereinafter "SWRCB") to divert to underground storage 97,000 acre-feet of water that flows within the watershed of the Chino Basin for the purposes of industrial, irrigation, stockwatering (dairy use), and municipal use.

B. On or about April 1, 2003, EVWD filed a protest to Application No. 31369 with the SWRCB.

C. CBWM and EVWD wish to resolve their dispute with respect to Application No. 31369 before the SWRCB in the manner set forth herein.

COVENANTS

In consideration for EVWD's agreement to dismiss its protest to Application No. 31369 before the SWRCB, CBWM agrees as follows:

1. None of the points of diversion within the scope of Application No. 31369 before the SWRCB will result in the appropriation, extraction, or withdrawal of water from the Santa Ana River; and
2. Application No. 31369 before the SWRCB shall not be construed to seek any water rights as against EVWD or otherwise to claim that the water rights held by EVWD are not valid and/or have been diminished, lost, or abandoned.

Dated: _____

CHINO BASIN WATERMASTER

By: _____

[Name]
President, Board of Directors

Dated: _____

EAST VALLEY WATER DISTRICT

By: _____

[Name]
President, Board of Directors

PROOF OF SERVICE

STATE OF CALIFORNIA

COUNTY OF SAN BERNARDINO

I am employed in the County of San Bernardino, State of California. I am over the age of 18 and not a party to the within action; my business address is 1839 Commercenter West, San Bernardino, California.

On _____, I served the foregoing document described *Stipulation to Protest by East Valley Water District to Notice of Application to Appropriate Water by Permit* on the interested parties in this action by placing a true copy thereof enclosed in sealed envelopes addressed as follows:

See Attached Service List

X As follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. Postal Service on that same day with postage thereon fully prepaid at San Bernardino, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

X (STATE) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on _____, at San Bernardino, California.

Melissa Morgan

(Signature)

Stipulation re: Protest

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Service List

Page 1

City of San Bernardino Municipal Water
Department
c/o Joel Moskowitz
1880 Century Park East, Ste. 350
Los Angeles, CA 90067-1603

Orange County Flood Control District
c/o Anne J. Schneider / Robert E. Donlan
Ellison and Schneider
2015 H Street
Sacramento, CA 95814

Chino Basin Water Conservation District
c/o William J. Brunick, Esq.
Brunick, Battersby, McElhaney & Beckett
P.O. Box 6425
San Bernardino, CA 92412

Daniel J. McHugh, City Attorney
City of Redlands
P.O. Box 3005
Redlands, CA 92373

Cucamonga Co. Water District and
City of Ontario
c/o Eric L. Garner
Best, Best & Krieger LLP
P.O. Box 1028
Riverside, CA 92502

Inland Empire Utilities Agency
c/o Jean Cihigoyenetche
Cihigoyenetche, Grossberg & Clouse
8038 Haven Avenue, Suite E
Rancho Cucamonga, CA 91730

San Bernardino Valley Municipal Water
District, et al.
c/o David Aladjem
Downey, Brand, Seymour & Rohwer
555 Capitol Mall, 10th Floor
Sacramento, CA 95814

Pillsbury Madison & Sutro LLP
725 S. Figueroa Street, Suite 1200
Los Angeles, CA 90017-5443

San Bernardino Valley Water
Conservation District
c/o David B. Cosgrove
Rutan & Tucker
611 Anton Blvd., Suite 1400
Costa Mesa, CA 92626

City of Riverside
c/o Eric L. Garner
Best, Best & Krieger LLP
P.O. Box 1028
Riverside, CA 92502

City of Chino
Jimmy L. Gutierrez
12616 Central Ave.
Chino, CA 91710

Sheila Hamilton
Big Bear Municipal Water District
P.O. Box 2863
Big Bear Lake, CA 92315-2863

State of California
c/o Marilyn H. Levin
300 South Spring Street, Suite 5212
Los Angeles, CA 90013

Monte Vista Water District
c/o Arthur J. Kidman
McCormick, Kidman, & Behrens LLP
695 Town Center Drive, Suite 1400
Costa Mesa, CA 92626

U.S. Forest Service
c/o Jack Gipsman
Office of the Attorney General
33 New Montgomery Street, 17th Floor
San Francisco, CA 94105-4511

Orange County Water District
c/o Christopher J. McNevin

Service List
Page 2

Nancee Murray
Department of Fish and Game
Legal Office
1416 9th Street, 12th Floor
Sacramento, CA 95814

Big Bear Watermaster
Donald E. Evenson
1340 Treat Boulevard, Suite 300
Walnut Creek, Ca 94596

Gene Zimmerman
U.S. Forest Service
1824 S. Commercenter Circle
San Bernardino, CA 92408

Chino Basin Watermaster
c/o Michael Fife
Hatch & Parent
21 E. Carrillo Street
Santa Barbara, CA 93101

City of Pomona
c/o Thomas S. Bunn, III
Lagerlof, Senecal, Bradley, Gosney,
& Kruse, LLP
301 North Lake Ave., 10th Floor
Pasadena, CA 91101-4108

Fish and Wildlife Service
Jim Bartel
2730 Loker Avenue West
Carlsbad, CA 92008

Western Municipal Water District
of Riverside County
c/o David Aladjem
Downey, Brand, Seymour & Rohwer
555 Capitol Mall, 10th Floor
Sacramento, CA 95814



CHINO BASIN WATERMASTER

III. REPORTS/UPDATES

A. LEGAL COUNSEL REPORT

3. Kuehl Legislation

Background On Senator Kuehl's Water Bill

Purpose of the Bill:

1. Strengthen water conservation policy,
2. Reduce uncertainty about the use and abundance of our water resources, and
3. Increase the integrity and integration of water resources planning and management.

1. Water Conservation Policy:

Cost Effective Conservation

This Bill:

- Establishes that "a rebuttable presumption of waste arises whenever any person (as defined in WC §19) does not implement cost effective water conservation practices."
- Presumption is effective January 1, 2011.

Key Issues:

- Definition of "conservation."
- Definition of "cost effective."

Comments: We commit to working with all interested parties to develop workable definitions of "cost effective" and "conservation."

2. Use and Abundance of Water Resources:

Fully Appropriated Streams

This Bill:

- Requires the executive director of the SWRCB to establish, maintain, and publish a list of stream systems that are candidates for being declared fully appropriated.
- Specifies that streams are to be included based on information known to the executive director and the executive director's best judgment of the likelihood of the board declaring the stream system fully appropriated.
- Declares that this list is to be used for information purposes only.

Reporting of Annual Surface Water Use

This Bill:

- Establishes that failing to file with the SWRCB reports required under existing law on annual water use will be deemed to mean that there was no water used for the years not reported.
- Extends the SWRCB's authority to impose civil liability for material misstatements in the reports on annual water use to include failing to file the required reports.
- Requires filing of report on annual use as condition of receiving state grant funds.

Reporting of Annual Groundwater Use

This Bill:

- Requires all groundwater users who extract over 25 acf/yr to report annual extractions to SWRCB or a designated collection agency beginning 2006.
- Requires filing of annual extraction reports as a condition of receiving state grant funds.

Key Issues: When should the first reports be due?

Comments:

- Expands existing requirement for reporting of groundwater extraction in Riverside, San Bernardino, Los Angeles, and Ventura counties to statewide.
- We commit to working with all interested parties to develop a workable schedule for beginning reporting of groundwater use.

3. Water Resources Planning and Management:

Improve Urban Water Management Plans

This bill:

- Removes the CEQA exemption for Urban Water Management Plans.
- Eliminates the December 31, 2005 sunset on the requirement that an urban water management plan be filed with DWR as condition of receiving state grant funds.
- Adds energy use and costs as required elements in Urban Water Management plans.

Key Issues:

- Analysis of alternatives, greater transparency and public participation – CEQA or what alternative?
- Precise language for energy use and cost requirements.

Comments: We commit to working with all interested parties to:

- Explore alternatives to removing the CEQA exemption.
- Develop workable requirements for energy use and cost requirements.

Improve California Water Plan

This bill: Adds energy use and costs as required elements in the California Water Plan.

Update Groundwater Management Plans Periodically

This Bill:

- Requires groundwater management plans (3030 plans) to be updated by December 31, 2008, and every five years thereafter.
- Requires the update to evaluate the progress made in achieving the adopted basin management objectives, identify successes and shortcomings in meeting those objectives, revise the basin management objectives as appropriate, and develop a plan to achieve the basin management objectives as they may or may not be revised.
- Exempts groundwater management plans adopted on or after January 1, 2004 from the December 31, 2008 update requirement.

Reestablish and Improve Agricultural Water Management Plans

This bill:

- Reestablishes agricultural water management plans beginning December 31, 2010, and every five years thereafter.
- Applies to agricultural water suppliers providing 2,000 acf/yr or more.
- Requires filing agricultural water management plans as condition of receiving state grant funds.

Key Issues:

- Precise requirements for and contents of the agricultural water management plans.

Comments:

- Statutes amended to parallel those now governing urban water management plans.
- Required elements drawn from the "Efficient Water Management Practices By Agricultural Water Suppliers In California" MOU.
- We commit to working with all interested parties to develop workable requirements for the agricultural water management plans.

Establish SWP Reliability Report in Statute

This Bill: Requires DWR to biennially publish the SWP Reliability Report.

Comments: Language was taken verbatim from the Monterey Agreement Settlement Agreement.

Align Report Schedules

This bill: Aligns the schedule for water management reports as follows:

Schedule	Change?	Report
Biennially	Current Requirement	SWP Reliability Report
3/8	New	Groundwater Management Plans
0/5	No Change	Urban Water Management Plans
0/5	New	Ag Water Management Plans
2/7	No Change	California Water Plan: Assumptions & Estimates Report
3/8	No Change	California Water Plan

Improve Access To All Water Management Plans

This Bill:

- Expands distribution list for all plans to include all relevant water resources planning and management agencies.
- Requires all plans be deposited with the State Library and local library and to be posted on the World Wide Web.

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CHINO BASIN WATERMASTER

III. REPORTS/UPDATES

B. CEO/STAFF REPORT

2. State of the Basin – Executive Summary

EXECUTIVE SUMMARY

The baseline for the Initial State of the Basin is on or about July 1, 2000 – the point in time that represents the start of Optimum Basin Management Program (OBMP) implementation. This initial state or baseline is one metric that can be used to measure progress from implementation of the OBMP.

Section 2 Geology and Hydrogeology

Since 2002, three investigations to support OBMP-related programs have improved Watermaster's hydrogeologic understanding of Chino Basin. These investigations were related to (1) the Hydraulic Control Monitoring Program (HCMP) in southern Chino Basin, (2) subsidence and fissuring in Management Zone 1, and (3) basin-wide groundwater modeling to predict the effects of various storage-and-recovery program alternatives on groundwater levels and quality. These investigations resulted in a new, three-dimensional, hydrogeologic conceptual model of Chino Basin. Current and future well drilling programs to support monitoring of the HCMP and recycled water recharge projects will provide additional hydrogeologic data, and likely will refine the hydrogeologic conceptual model.

Section 3 Groundwater Levels and Storage

Watermaster has established three groundwater-level monitoring programs for the Chino Basin – a semiannual basin-wide program; an intensive key well monitoring program associated with the Chino Desalter well fields and the Hydraulic Control Monitoring Program (HCMP); and an intensive piezometric monitoring program associated with the land subsidence and ground fissuring investigations in Management Zone 1. Since 2003, Watermaster has been installing pressure transducers/data loggers in many of the wells it monitors for water levels. The transducers provide highly-detailed groundwater level data (one data point per 15 minutes) that can reveal aquifer-system details (e.g. groundwater barriers, head responses to nearby pumping) that are not typically revealed through analysis of infrequently-collected data. Nine (9) nested sets of monitoring wells are currently being installed in the southern Chino Basin for the HCMP, and will provide highly-detail, depth-specific piezometric (and water quality) data. Additional monitoring wells likely will need to be constructed in southern Chino Basin as private wells (that are currently being used for monitoring by Watermaster) are destroyed as agricultural land uses convert to urban.

A groundwater elevation contour map of the uppermost saturated aquifer system in Chino Basin was created for Fall 2003. A storage model was created (using data obtained and generated in Section 2) to estimate storage change in the basin over the Fall 2000 to Fall 2003 time period. Basin-wide, the groundwater storage decreased by about 93,000 acre-feet over this three-year period. Sub-areas of Chino Basin that experienced a decrease in storage were in the northwest near Pomona and Montclair; in the northeast near Fontana, eastern Ontario, and Rancho Cucamonga; and near the Chino-I Desalter well field which began producing water in 2000. Sub-areas that experienced an increase in storage were in the southwest near Chino; and in the south (just north of the Santa Ana River) where many agricultural wells are being destroyed as urban land uses replace agricultural.

Section 4 Groundwater Quality

Watermaster has completed an initial comprehensive assessment of groundwater quality in the Chino Basin that included every well that could be sampled. Watermaster continues to monitor water quality in the Basin and stores these data in a relational database, which also includes all the historical data that



Watermaster has been able to acquire for wells in the region. Watermaster has instituted a cooperative process whereby water quality data are acquired on a routine basis from the appropriators. This alleviates some of the data quality control issues with downloading data from the state water quality database.

The groundwater quality in Chino Basin is generally very good, with better groundwater quality found in the northern portion of Chino Basin where recharge occurs. Salinity (TDS) and nitrate concentrations increase in the southern portion of Chino Basin. Seventy-two percent of the private wells south of the 60 Freeway (169 wells) had TDS concentrations above the secondary MCL. About 83 percent of the private wells south of the 60 Freeway had nitrate concentrations greater than the MCL. The other constituents that have the potential to impact groundwater quality from a regulatory or Basin Plan standpoint are certain VOCs, arsenic, and perchlorate. There are a number of point source releases of VOCs in Chino Basin. These are in various stages of investigation or cleanup. Likewise, there are known point source releases of perchlorate (MVSL area, Stringfellow, *et cetera*) as well as what appears to be non-point source-related perchlorate contamination from currently undetermined sources. Arsenic at levels above its WQS appears to be limited to the deeper aquifer zone within the City of Chino. Total chromium and hexavalent chromium, while currently not a groundwater issue for Chino Basin, may become so depending on the promulgation of future standards.

Watermaster formed the Water Quality Committee (WQC) in Spring 2003 to reflect that Watermaster is the "go-to" entity because of its role as an arm of the Court. The WQC is reviewing both existing and emerging contaminants. The WQC is developing plans to collect data on the active cleanup of basin contaminants, so that lessons learned concerning mitigation measures and cleanup technologies can be effectively shared.

Section 5 Ground-Level Monitoring

Monitoring of land surface deformation in Chino Basin focuses on land subsidence and ground fissuring that likely is related to fluid withdrawal. Specifically, the area underlying the City of Chino and the California Institution for Men (CIM) has experienced ground fissuring (likely associated with land subsidence) as early as 1973, but an accelerated occurrence of ground fissuring ensued after 1991.

Watermaster has developed and implemented a Management Zone 1 (MZ-1) Interim Monitoring Program (IMP) to investigate the mechanisms that cause land subsidence in MZ-1, and to use the results of the IMP to develop a long-term plan to minimize or abate future subsidence and fissuring. The IMP employs traditional ground level surveying, remote-sensing analysis of satellite radar data, and monitoring of the aquifer-system hydraulics and mechanics. The centerpiece of the IMP is the Ayala Park Extensometer facility, which was constructed in 2002-03 and consists of multi-depth piezometers and a dual-extensometer.

Under current conditions of aquifer utilization in MZ-1, the aquifer-system deformation appears to be mainly elastic, with up to 0.13 feet of land subsidence and 0.13 feet of rebound during the pumping and recovery seasons, respectively. Minor amounts (~0.02 feet) of permanent compaction and associated land subsidence occurred over this same period. However, a recent pumping test in this area demonstrated that permanent compaction can be triggered when the magnitude and duration of drawdown exceeds certain threshold limits. Analytical and numerical computer models are being constructed to predict future drawdown and associated land subsidence that would result from potential basin management practices (*i.e.* the models can evaluate the effectiveness of various long-term plan alternatives). One unforeseen but



key finding of the IMP has been the discovery of a previously unknown groundwater barrier that exists within the deep aquifer-system in the same location as the historic fissure zone.

Section 6 Recharge Basin Monitoring

Watermaster, working with the Chino Basin Water Conservation District, is conducting a program to monitor the volumetric recharge at the Montclair, Brooks, and Turner 1, and Grove basins. In addition, the water quality of recharge is being monitored at these and other basins that have some level of storm water conservation. This recharge monitoring program is important to Watermaster because of new yield implications associated with storm water recharge and water quality mitigation requirements associated with recycled water recharge. Implementation of the Chino Basin Facilities Improvement Program resulted in an increased ability to capture and recharge storm water at several basins.

Section 7 Basin Plan Update for the Chino Basin

The TIN/TDS Task Force was formed in the mid 1990s to perform certain investigations that would lead to the establishment of new total dissolved solids (TDS) and nitrate-nitrogen objectives for groundwater basins in the Santa Ana River Watershed. The Regional Water Quality Control Board (RWQCB), Chino Basin Watermaster, water-recycling agencies, and many other entities participated in the Task Force. The RWQCB used the reports and other information developed by the Task Force to amend the Water Quality Control Plan for the Santa Ana River Watershed (Basin Plan) in 2004.

The TIN/TDS Task Force developed estimates of historical ambient water quality (objectives) and current ambient water quality by management zone. A comparison of these values determines whether or not assimilative capacity exists in a given management zone. The Task Force demonstrated that there is no assimilative capacity in any of the management zones in Chino Basin for TDS or nitrate. For much of the Chino Basin, the TDS and nitrate objectives would be below 300 mg/L and 5 mg/L, respectively.

The new water quality objectives would, from a practical standpoint, make the large-scale use of recycled water very difficult and potentially impractical in the Chino Basin. However, the OBMP anticipated the use of about 26,000 acre-ft/yr of recycled water for direct use by 2025, and about 20,000 to 30,000 acre-ft/yr for recharge by 2025. Recycled water is a critical resource that the OBMP stakeholders are counting on to implement the OBMP. If the groundwater objectives were adopted, Watermaster, the parties to the Judgment, and IEUA would have substantial mitigation obligations for the use of recycled water.

In December 2002, Watermaster and IEUA proposed to the RWQCB to develop new TDS and nitrate objectives based on criteria contained in California Water Code Section 13241 and "the need to develop and use recycled water." The Task Force modified the delineation of the Chino Basin management zones, and established the new (elevated) TDS and nitrate-nitrogen objectives of 420 mg/L and 5 mg/L, respectively, that would permit recycled water re-use in Chino Basin. In exchange, Watermaster and IEUA committed to establishing and documenting "hydraulic control" of the groundwater basin (see Section 8). The Basin Plan Amendment, as it pertains to managing the Chino Basin, is now in effect.

Section 8 Hydraulic Control Monitoring Program

Under virgin conditions in Chino Basin (pre- to early-1900s), groundwater flowing in a southerly direction from the northern part of the basin would rise to become surface flow in the southwestern part of



ADMINISTRATIVE DRAFT STATE OF THE BASIN REPORT
EXECUTIVE SUMMARY

the basin, ultimately discharging to the Santa Ana River. Since the onset of pumping and associated regional drawdown of groundwater-levels, this southerly flow of groundwater is thought to be intercepted by agricultural wells, and in the last few years, by desalter wells before rising as surface flow in significant quantities. The condition where groundwater is intercepted before discharging to the Santa Ana River is herein referred to as "hydraulic control." Past data collection and groundwater modeling efforts suggest that hydraulic control could be occurring, but are not sufficient to conclude that hydraulic control is actually occurring.

As part of the 2004 Basin Plan update, Watermaster and IEUA committed to establishing and documenting "hydraulic control" of the groundwater basin in exchange for elevated groundwater quality objectives that would permit and encourage recycled water re-use in Chino Basin (see Section 7). Subsequently, Watermaster and IEUA developed and began implementation of the Hydraulic Control Monitoring Program (HCMP). The HCMP employs four engineering or scientific showings can be used to corroboratively demonstrate the state of hydraulic control in the southern portion of Chino Basin:

- analysis of surface water and groundwater chemistry
- estimation of hydrologic balance
- analysis of piezometric levels
- groundwater modeling

While any individual demonstration may not be adequate to demonstrate complete containment, all four elements can be combined to assess the state of hydraulic control and to optimize the management of the basin to maximize yield and minimize discharge of poor quality groundwater to the Santa Ana River and Prado Basin (*i.e.* protect downstream beneficial uses).





CHINO BASIN WATERMASTER

IV. REPORTS/UPDATES

C. INLAND EMPIRE UTILITIES AGENCY WATER MANAGERS REPORT

2. MWD Projected Rates and Changes
3. Colorado River Alert
6. State/Federal Legislation
7. Public Relations

**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE
February 24, 2005**

AGENDA

INTER-AGENCY WATER MANAGERS' REP ORT

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

20 – 30 Minutes

Discussion Items:

- MWD Status Report – Richard Atwater
- MWD Projected Rates and Charges – Richard Atwater
- Colorado River Alert – Richard Atwater
- Recycled Water Report – Tom Love

Written Monthly Updates:

- Water Resources Report (handout)
- State/Federal Legislation Reports
- Public Relations Report

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Metropolitan Water District
Staff Recommendation
Rates and Charges
Effective January 1, 2006

12/8/2004

Office of the CFO

1

Overview

- Current estimate of 2004/05
- 2005/06 revenue requirement and cost drivers
- Rates and charges recommendation
- Rate forecast risk

2004/05 Summary

- Estimated total sales of 2.40 million acre-feet versus budget of 2.34 million acre-feet
- Expenditures about \$71 million less than budget
- Receipts about \$12 million over budget
- Expecting to add about \$52 million to reserves rather than take out about \$31 million as budgeted
- Expecting to be at maximum reserve level at year end

2004/05 Budget to Current Estimate

	2004/05 Budget	2004/05 Estimated	Variance Over/(Under) Budget
<i>Expenditures and Obligations</i>			
Power	206.7	166.2	(40.6)
Demand Management	46.8	42.1	(4.7)
Supply Programs	21.9	44.9	23.0
O&M	281.9	282.7	0.8
SWP (w/o power)	273.6	234.2	(39.4)
Capital Financing Costs	328.7	327.6	(1.2)
Increase/(Decrease in Required Reserves)	2.1	(6.8)	(8.9)
Total Expenditures and Obligations	1,161.8	1,090.8	(70.9)
<i>Other Revenues</i>			
Taxes and Annexation	97.4	96.3	(1.1)
Interest	16.7	15.8	(0.9)
Power	33.5	33.7	0.1
Total Other Revenues	147.7	145.7	(1.9)
Revenue Requirement	1,014.1	945.1	(69.0)
<i>Water Revenues</i>			
Water Sales	872.5	883.3	10.8
Readiness-to-Serve	80.0	82.4	2.4
Capacity Charge	30.7	31.0	0.4
Total Water Revenues	983.1	996.7	13.6
(Decrease)/Increase in Reserves	(31.0)	51.6	82.6

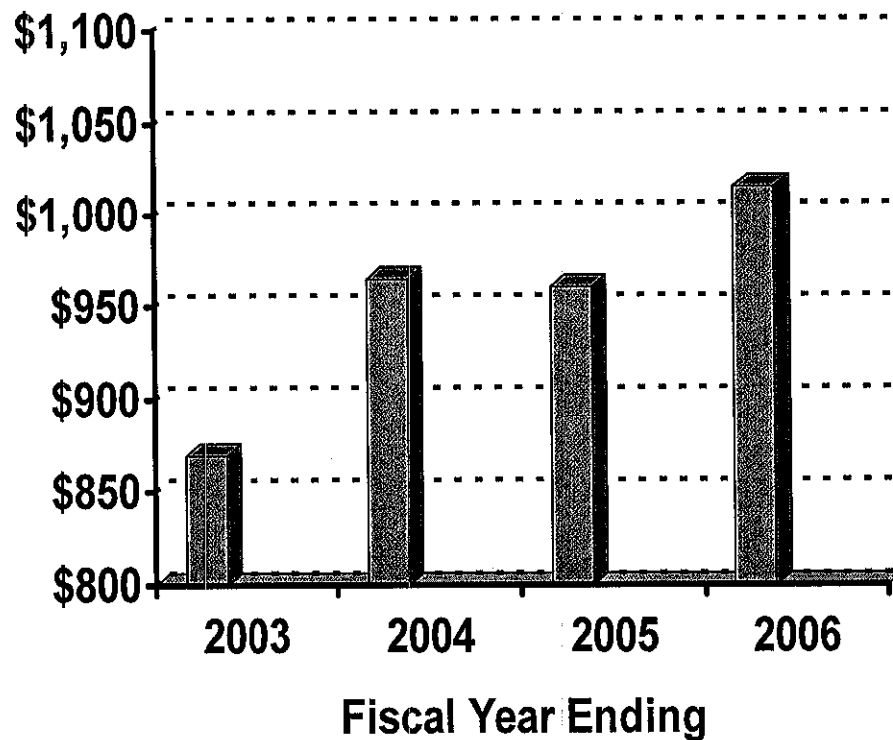
Estimated 2004/05 Amount Over/(Under) Maximum Reserve Level

July 1, 2004 Reserve Balance	\$364.5
Estimated Increase in Reserve Balance as of December 12, 2004	51.6
less transfer to cash defeasance escrow account	(26.0)
Estimated June 30, 2005 Reserves	390.1
Estimated June 30, 2005 Maximum Reserve Balance	392.0
<hr/>	
Estimated June 30, 2005 Amount Over/(Under) Maximum Reserve Balance	\$ (1.9)

2005/06 Revenue Requirement Assumptions

- 2.25 million acre-feet total sales
- 1.64 million acre-feet of deliveries through the SWP
- 0.75 million acre-feet of CRA deliveries
- \$541 million in capital costs
- MWD O&M cost increase limited to regional rate of inflation (2.9%)

Total Revenue Requirement



The total revenue requirement has increased about \$91 million from 2002/03 through 2004/05. The total revenue requirement is expected to increase \$70 million in 2005/06.

Cost Drivers (\$millions)

	\$ Millions			2005/06 Change from:	
	2003/04 Actuals	2004/05 Estimate	2005/06 Test Year	2003/04	2004/05
Capital Financing Costs	\$332.6	\$327.6	\$353.4	\$20.7	\$25.8
State Water Project (without power)	\$248.3	\$234.2	\$252.7	\$4.4	\$18.4
Change in required reserves	\$12.6	-\$6.8	\$17.4	\$4.8	\$24.2
Departmental and Other O&M (w/o Variable Treatment)	\$227.8	\$253.2	\$261.8	\$34.0	\$8.5
Power Costs (CRA and SWP)	\$181.1	\$166.2	\$162.0	-\$19.1	-\$4.1
Water Management Program Costs	\$39.9	\$42.1	\$42.1	\$2.2	\$0.1
Chemicals, Sludge and Power for Treatment	\$30.7	\$29.5	\$28.6	-\$2.1	-\$0.9
Supply Program Costs	\$45.0	\$44.9	\$37.9	-\$7.1	-\$7.0
Sub-total expenditures	\$1,118.0	\$1,090.8	\$1,155.9	\$38.0	\$65.1
Revenue Offsets	-\$156.8	-\$145.7	-\$140.9	\$15.9	-\$4.9
Total Revenue Requirement	\$961.1	\$945.1	\$1,015.0	\$53.9	\$69.9

Recommended Rates and Charges

	Effective January 1, 2005	Recommendation (12/04) to be Effective January 1, 2006
Tier 1 Supply Rate (\$/AF)	\$73	\$73
Tier 2 Supply Rate (\$/AF)	\$154	\$169
System Access Rate (\$/AF)	\$152	\$152
Water Stewardship Rate (\$/AF)	\$25	\$25
System Power Rate (\$/AF)	\$81	\$81
Full Service Untreated Volumetric Cost (\$/AF)		
Tier 1	\$331	\$331
Tier 2	\$412	\$427
Replenishment Water Rate Untreated (\$/AF)	\$238	\$238
Interim Agricultural Water Program Untreated (\$/AF)	\$241	\$241
Treatment Surcharge (\$/AF)	\$112	\$132
Full Service Treated Volumetric Cost (\$/AF)		
Tier 1	\$443	\$463
Tier 2	\$524	\$559
Treated Replenishment Water Rate (\$/AF)	\$325	\$345
Treated Interim Agricultural Water Program (\$/AF)	\$329	\$349
Readiness-to-Serve Charge (\$M)	\$80	\$80
Capacity Charge (\$/cfs)	\$6,800	\$6,800

12/8/2004

Office of the CFO

9

Recommended Rates and Charges

	Rates Effective January 1, 2006		
	LRFP Low Forecast (10/11/04)	Recommendation (12/04)	LRFP High Forecast (10/11/04)
Tier 1 Supply Rate (\$/AF)	\$73	\$73	\$73
Tier 2 Supply Rate (\$/AF)	\$154	\$169	\$156
System Access Rate (\$/AF)	\$152	\$152	\$156
Water Stewardship Rate (\$/AF)	\$25	\$25	\$27
System Power Rate (\$/AF)	\$81	\$81	\$81
Full Service Untreated Volumetric Cost (\$/AF)			
Tier 1	\$331	\$331	\$339
Tier 2	\$412	\$427	\$420
Replenishment Water Rate Untreated (\$/AF)	\$238	\$238	\$246
Interim Agricultural Water Program Untreated (\$/AF)	\$241	\$241	\$249
Treatment Surcharge (\$/AF)	\$123	\$132	\$127
Full Service Treated Volumetric Cost (\$/AF)			
Tier 1	\$454	\$463	\$466
Tier 2	\$535	\$559	\$547
Treated Replenishment Water Rate (\$/AF)	\$336	\$345	\$348
Treated Interim Agricultural Water Program (\$/AF)	\$340	\$349	\$352
Readiness-to-Serve Charge (\$M)	\$87	\$80	\$87
Capacity Charge (\$/cfs)	\$7,500	\$6,800	\$7,500

Treated Water Costs (\$millions)

	2004/05		2005/06 Revenue Requirement	2005/06 Change from:	
	Revenue Requirement Estimate (December 2003)	Current Estimate (December 2004)		Revenue Requirement Estimate (December 2003)	Current Estimate (December 2004)
O&M	\$98	\$102	\$105	\$7	\$3
Capital financing costs	\$68	\$70	\$84	\$16	\$14
Total	\$166	\$172	\$189	\$23	\$17
Less other revenues	-14.8	-\$13	-\$15	\$0	-\$2
Treatment Surcharge Revenue Requirement	151.3	\$159	\$174	\$23	\$15

Tier 2 Supply Rate

Including PVID Program increases the Tier 2 Supply Rate	Relative Unit Value (\$/af)	Percent of Total Expected Water Transfer Yield	Weighted Average Unit Cost (\$/af)
Imperial Irrigation District/MWD Conservation Program	\$153	52%	\$78
Sacramento Valley Transfer	\$127	4%	\$5
San Bernardino Valley Municipal Water District Water Transfer Program	\$201	10%	\$21
State Water Project Dry Year Water Purchase	\$95	11%	\$11
PVID Land Management, Crop Rotation, and Water Supply Program	\$234	23%	\$54
Tier 2 Supply Rate*		100%	\$169

* Total may not foot due to rounding.

2005/06 Revenue Requirement and Revenues by Rate Structure Component

Rate Elements	Revenues if Rates Effective Full Test Year*	Revenue Requirements	Difference	% Over/(Under) Collected
Supply	168.1	167.6	0.5	0%
System Access Rate	330.2	330.6	(0.4)	0%
Water Stewardship Rate	54.3	50.9	3.4	7%
System Power Rate	176.0	177.6	(1.6)	-1%
Treatment Surcharge	174.8	174.1	0.8	0%
Readiness-to-serve Charge	80.0	83.4	(3.4)	-4%
Capacity Charge	32.7	31.0	1.8	6%
Total	1,016.1	1,015.0	1.1	0%

* With rates effective January 1, about \$24 million of the revenue requirement will be funded from reserves

Risks to Rate Increases within 3 to 5 Percent

- Weather
 - two wet winters and reserves drop below minimum level and rate increases of 8% (\$40/af) to 12% (\$60/af) may be necessary in 2007 and 2008
- Costs in excess of LRFP forecast
 - Capital – inflation in construction cost, additional facilities and R&R
 - O&M costs grow faster than regional rate of inflation – labor, materials and supplies, chemicals and outside services costs pose a challenge to meeting the O&M budget guideline
 - Supply cost uncertainty – CALFED, LCR-MSHCP, FERC re-licensing, Hyatt-Thermalito

2006 Rate Recommendation Summary

- \$1.02 billion total 2005/06 revenue requirement
- Rate increase within range of planned increases in Long-range Finance Plan (3.1 percent increase in average rate)
- \$20 per acre-foot increase in treated Tier 1, replenishment and agricultural rates
- \$35 per acre-foot increase in treated Tier 2 rate
- Expecting to use about \$24 million from reserves in 2005/06 with rates effective January 1st, 2006

Next Steps

- Additional meetings with member agencies
- January Board letter with CEO rate Recommendation
- February public hearing
- March Board action

**9-1 Recommended
Rates and Charges
(Effective January 1, 2006)**

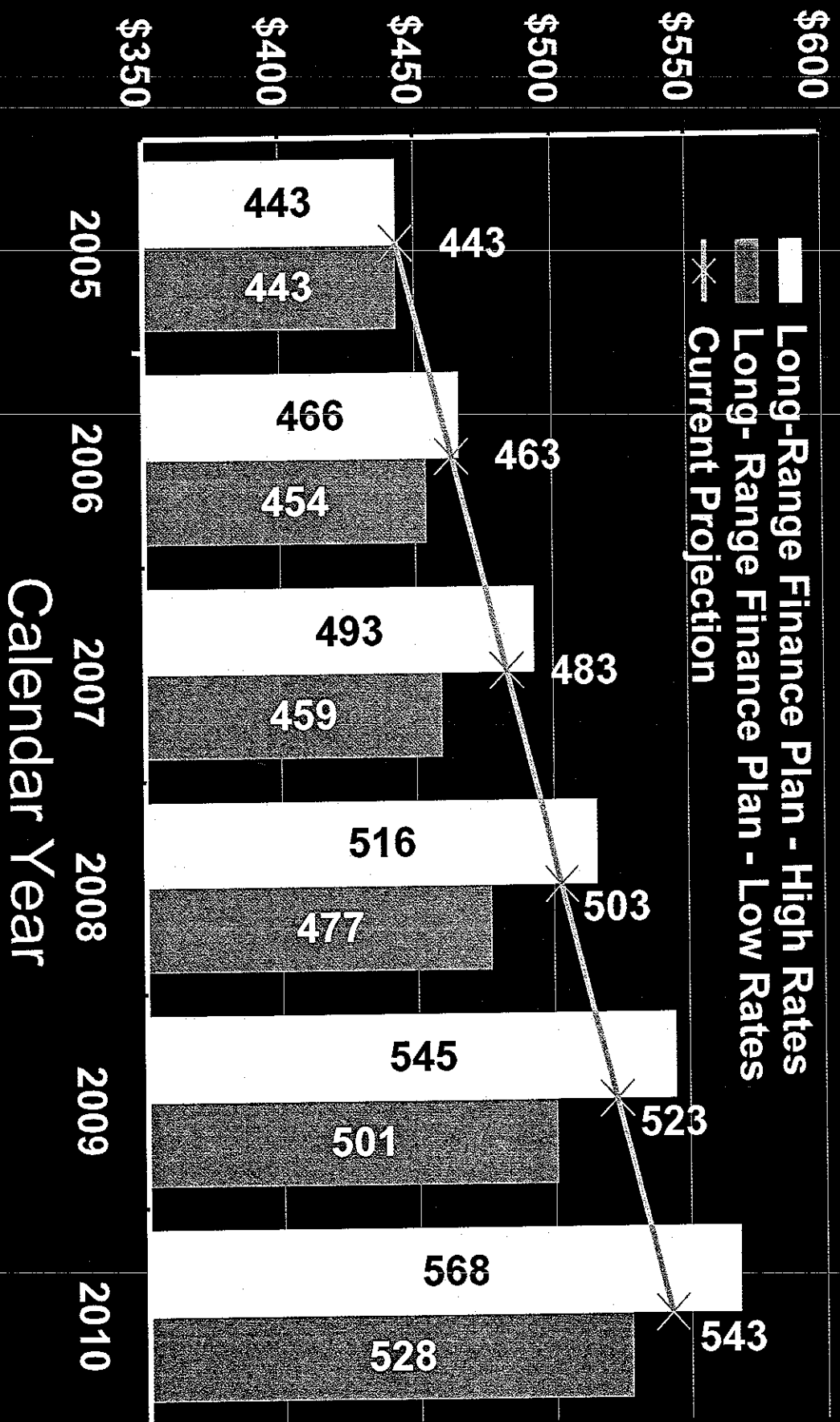
**Budget, Finance and Investment Committee
January 10, 2005**

Office of the Chief Financial Officer

Rate Cycle Schedule

- January** Adopt CEQA determination, revenue requirement, resolutions of intent to levy RTS and Capacity Charge and set a time for a public hearing.
- February** Public hearing
- March** Board considers recommended rates and charges
- April** Public hearing on Standby Charge
- May** Board considers Standby Charge

Treated Tier 1 Rate Increases



Office of the Chief Financial Officer

Water Sales

- Actual Sales
- Average Sales (1990 to 2004)
- Projection - High
- Projection - Expected
- Projection - Low



Cash Year Ending

Office of the Chief Financial Officer

Overview

- **\$1.02 billion total 2005/06 revenue requirement**
- **\$20 per acre-foot increase in Treatment Surcharge**
- **\$15 per acre-foot increase in Tier 2 Supply rate reflecting inclusion of PVID program**

Overview (continued)

- **Expecting to use about \$24 million from reserves in 2005/06 if rate increase approved**
- **Rate increase will generate about \$28 million of additional revenue**

Major Cost Drivers and Assumptions

- Debt service costs up by \$25.8 million
- SWC costs (w/o power) up \$18.4 million
- O&M up by 2.9%
- 1.64 million acre-feet of SWP deliveries
- 0.75 million acre-feet of CRA deliveries

Total Obligations

(\$millions)

Estimated Projected

2004/05* 2005/06

State Water Contract (w/o Power)	\$234	\$253
Power (CRA & SWP)	166	162
Water Transfers	45	38
Water Management Programs	42	42
Capital Financing Program	328	353
Operations and Maintenance	283	290
<u>Change in Required Reserves</u>	<u>-7</u>	<u>17</u>
Total Obligations	\$1,091	\$1,155

*November 2004

Office of the Chief Financial Officer

Revenue Requirements* (\$millions)

	<u>2004/05**</u>	<u>2005/06</u>
Total Obligations	\$1,091	\$1,155
Other Revenues	(146)	(141)
Revenue Requirement	945	1,015
Water Rates & Charges	997	991
Change in Reserves	\$52	(\$24)

* Totals may not foot due to rounding

** Estimated November 2004

Office of the Chief Financial Officer

Treated Water Costs (\$Millions)

2005/06

Change from:

	2004/05 Revenue Req. (12/03)	2004/05 Revenue Req. (11/04)	2005/06 Revenue Req. (11/04)	2004/05 Revenue Req. (12/03)	2004/05 Revenue Req. (11/04)
O&M	\$98	\$102	\$105	\$7	\$3
Capital financing	68	70	84	16	14
Total	166	172	189	23	17
Less other rev.	-15	-13	-15	0	-2
Treatment Surch.	\$151	\$159	\$174	\$23	\$15
Revenue Req.					

Rates and Charges

	Current	Proposed
Tier 1 Supply Rate (\$/af)	\$73	no change
Tier 2 Supply Rate (\$/af)	154	169
System Access Rate (\$/af)	152	no change
Water Stewardship Rate (\$/af)	25	no change
System Power Rate (\$/af)	81	no change
Treatment Surcharge (\$/af)	112	132
Readiness-to-Serve Charge (\$M)	80	no change
Capacity Charge (\$/cfs)	6,800	no change

Office of the Chief Financial Officer

11

Rates and Charges

	Current	Proposed
Full service untreated volumetric cost (\$/af)		
Tier 1	\$331	\$331
Tier 2	\$412	\$427
Full service treated volumetric cost (\$/af)		
Tier 1	\$443	\$463
Tier 2	\$524	\$559

Rates and Charges

	Current	Proposed
Untreated replenishment (\$/af)	\$238	\$238
Treated replenishment (\$/af)	\$325	\$345
Untreated interim agricultural water program (\$/af)	\$241	\$241
Treated interim agricultural water program (\$/af)	\$329	\$349

Recommended Action

- **Adopt CEQA determination**
- **Approve revenue requirement**
- **Set a time for a public hearing**
- **Adopt resolutions of intent to levy RTS and Capacity Charge**

PLEASE NOTE: In most BUT NOT ALL instances, the page and line numbering of bills on this web site correspond to the page and line numbering of the official printed version of the bills.

REFERENCE TITLE: CAP water priority

State of Arizona
House of Representatives
Forty-seventh Legislature
First Regular Session
2005

HCM 2007

Introduced by

Representatives Mason, Chase, Landrum Taylor, O'Halleran, Pierce, Weiers J, Senators Bee, Blendu, Harper, Martin, Miranda: Representatives Allen J, Biggs, Boone, Brown, Gallardo, Gray C, Jones, Kirkpatrick, Knaperek, McClure, Meza, Murphy, Nelson, Nichols, Quelland, Reagan, Robson, Rosati, Stump, Weiers JP, Yarbrough, Senators Bennett, Brotherton, Burns, Huppenthal, Verschoor

A CONCURRENT MEMORIAL

URGING THE CONGRESS OF THE UNITED STATES TO ENACT LEGISLATION THAT WOULD RESTORE THE PRIORITY STATUS OF THE CENTRAL ARIZONA PROJECT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 To the Congress of the United States:

2 Your memorialist respectfully represents:

3 Whereas, in 1964, the United States Supreme Court decreed that Arizona
4 is entitled to 2.8 million acre-feet of water from the Lower Colorado River
5 each year. The water allocations for California and Nevada, the other lower
6 basin states, were determined in the same litigation and each state was given
7 equal priority under the Supreme Court's decree; and

8 Whereas, despite prevailing in the litigation, Arizona was unable to
9 practically use its entitlement to the water until the Central Arizona
10 Project (CAP) was constructed. As a condition of obtaining congressional
11 approval for the construction of the CAP, Arizona was forced to accept a
12 limitation on its water entitlement that effectively gives the state the
13 lowest priority in times of shortage; and

14 Whereas, CAP provides one-third of Arizona's renewable water supplies
15 and without this water, the many cities, towns, Indian communities and
16 agricultural water users that depend on the CAP in Central Arizona would face
17 critical water supply shortages. Because of Arizona's lowest priority in
18 times of shortage, the CAP's water supply in Arizona would be reduced to zero
19 before California's water supply would be reduced by a single drop; and

20 Whereas, in order for Arizona to obtain its court-decreed right to
21 Colorado River water in times of shortage, Congress must repeal the
22 provisions of the Colorado River Basin Project Act that impose a lower
23 priority to Colorado River water on the CAP.

24 Wherefore your memorialist, the House of Representatives of the State of
25 Arizona, the Senate concurring, prays:

26 1. That the Congress of the United States enact legislation that would
27 restore Arizona's equal priority with respect to Colorado River water on the
28 Central Arizona Project.

29 2. That the Secretary of State of the State of Arizona transmit
30 copies of this Memorial to the President of the United States Senate, the
31 Speaker of the United States House of Representatives and each Member of
32 Congress from the State of Arizona.

COLORADO RIVER BOARD OF CALIFORNIA

770 FAIRMONT AVENUE, SUITE 100
GLENDALE, CA 91203-1035
(818) 543-4676
(818) 543-4685 FAX



February 14, 2005

The Honorable «First_Name» «Last_Name»
«Office»
«Address»
«City» «Zip»-«Extension»

RE: Arizona's efforts to place California's existing water rights and investments in jeopardy and undermine the existing "Law of the River"

Dear «Affiliation» «Last_Name»:

The Colorado River Board of California, the state agency charged with the protection of California's water and power rights and interests in the Colorado River, voted unanimously to adamantly oppose efforts by the Arizona State legislature and entities within the State of Arizona to usurp "The Law of the River" and place California's existing water rights and investments in jeopardy. The California Department of Water Resources also strongly opposes this action by the Arizona legislature and entities in Arizona.

House Concurrent Memorial (HCM) 2007 has been introduced into the Arizona House of Representatives urging the Congress of the United States to enact legislation that would revise the water use priority status of the Central Arizona Project that was established in the 1968 by the Colorado River Basin Project Act (refer to the enclosed HCM 2007). This action would undermine California's major investments and water supply and management programs for both the Colorado River and CALFED. Furthermore, this action would be a return to the days of water wars and endless litigation.

Also, enclosed for your reference are two documents: 1) a Congressional Alert that further describes this action by the State of Arizona and the impact that such an action would have on the State of California and 2) a Fact Sheet that provides a factual description regarding Central Arizona Project's water right priority, the legislative history the Central Arizona Project's authorization and the effect that the proposed action would have on California and its citizens.

The Colorado River Board of California encourages you to take all necessary actions to join it in protecting California's water and power rights in the Colorado River for the future of all Californians.

Sincerely,

Gerald R. Zimmerman
Executive Director

Enclosures (3)

The Honorable «First_Name» «Last_Name»

February 14, 2005

Page 2

- c: The Honorable Arnold Schwarzenegger, Governor of California
- The Honorable Mike Chrisman, Secretary of the Resources Agency
- The Honorable Don Perata, President Pro Tempore of the California Senate
- The Honorable Fabian Nunez, Speaker of the California Assembly
- The Honorable Gloria Romero, Senate Majority Leader
- The Honorable Dick Ackerman, Senate Minority Leader
- The Honorable Dario Frommer, Assembly Majority Floor Leader
- The Honorable Kevin McCarthy, Assembly Minority Floor Leader
- The Honorable Denise Ducheny, Chairman of the Select Committee on Colorado River Matters
- Lester Snow, Director California Department of Water Resources

Identical Letters Were Sent to California's Congressional Delegation

Distribution List

Senator Barbara Boxer	Senator Dianne Feinstein
Congressman Joe Baca	Congressman Howard L. Berman
Congressman Mike Thompson	Congressman Wally Herger
Congressman John T. Doolittle	Congresswoman Lynn Woolsey
Congressman George Miller	Congresswoman Nancy Pelosi
Congresswoman Barbara Lee	Congresswoman Ellen O. Tauscher
Congressman Richard Pombo	Congressman Tom Lantos
Congressman Fortney H. Stark	Congresswoman Anna Eshoo
Congressman Michael M. Honda	Congresswoman Zoe Lofgren
Congressman Jim Costa	Congressman Daniel Lungren
Congressman Sam Farr	Congressman Dennis Cardoza
Congressman George P. Radanovich	Congressman Devin Nunes
Congressman William M. Thomas	Congresswoman Lois Capps
Congressman Elton Gallegly	Congressman Howard McKeon
Congressman David Dreier	Congressman Brad Sherman
Congressman Adam Schiff	Congressman Henry A. Waxman
Congressman Xavier Becerra	Congresswoman Hilda L. Solis
Congresswoman Diane Watson	Congresswoman Lucille Roybal-Allard
Congresswoman Maxine Waters	Congresswoman Jane Harman
Congresswoman Juanita Millender-McDonald	Congresswoman Grace F. Napolitano
Congresswoman Linda T. Sanchez	Congressman Ed Royce
Congressman Jerry Lewis	Congressman Gary G. Miller
Congressman Ken Calvert	Congresswoman Mary Bono
Congressman Dana Rohrabacher	Congresswoman Loretta Sanchez
Congressman Christopher Cox	Congressman Darrell Issa
Congressman Randy Cunningham	Congressman Bob Filner
Congressman Duncan Hunter	Congresswoman Susan A. Davis
Office of the Fifth Congressional District	

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February 14, 2005

California Congressional Alert

Arizona's state legislature is calling for a reversal of existing federal law governing how shortages are shared on the Colorado River. This legislation would upset "The Law of the River" and would be a return to the days of water wars and endless litigation. This proposal is aimed at California and would unfairly prejudice California's planning and water resource investments.

In return for significant federal financial assistance, the Central Arizona Project (CAP) users agreed in 1968 to accept a junior priority in times of shortage on the Colorado River compared to water users that were using water prior to the 1968 Act. This was with the understanding that, in shortage years, Arizona could recover the Colorado River water stored in central Arizona groundwater aquifers that would not have been stored but for the federally funded CAP. This trade off was placed in federal law and agreed to by the Arizona delegation. In exchange, billions of federal dollars have been invested in the CAP.

CAP users now seek to revise the 1968 Act to shift their shortage obligations and associated costs to others, chiefly California. This would undermine California's major investments and water supply and management programs for both the Colorado River and CALFED.

House Concurrent Memorial (HCM) 2007 has been recently introduced in the Arizona House of Representatives to urge the President and Congress to eliminate the junior priority status of the CAP. California must not give up its Colorado River water rights.

California is actively working with the other Basin states on Colorado River drought management to help avoid or minimize shortages. The principal beneficiary of these programs would be Arizona. These cooperative efforts should be the focus as we deal with ongoing drought conditions on the river.

Arizona argues that the 1968 agreement is unfair and antiquated due to subsequent growth. This ignores what others view as other inequities on the River and the growth that is occurring in all states. Rewriting The Law of the River for Arizona reopens all issues and will only result in decades of litigation.

California has lived up to its obligations in reducing reliance on the Colorado River water. Since 2001, California has been cut back on its Colorado River water deliveries. California has responded by entering into the Quantification Settlement Agreement which invests millions of state and local dollars in conservation and agricultural water transfers. Arizona needs to live up to its obligations. The State of California and the California agencies with Colorado River water and power contracts have taken positions, through the California Department of Water Resources and the Colorado River Board of California, in strong opposition to revising the 1968 Act.

Should HCM 2007 or other efforts to revise the 1968 Act come before the Congress, please join with your other California colleagues in opposing this threat to California's Colorado River water rights and its major water management programs. A copy of HCM 2007 and a more detailed fact sheet are provided for your information.

Junior Priority Status of the Central Arizona Project

Fact Sheet

The Central Arizona Water Conservation District (CAWCD)* and the Arizona House of Representatives unfairly seek to overturn the Central Arizona Project's (CAP)* existing junior priority, upsetting the 36-year old agreement on "The Law of the River" memorialized in federal legislation (Public Law 90-537) on which California and the other Basin States have based their water resources planning decisions and investments.

House Concurrent Memorial (HCM) 2007 has been introduced in the Arizona House of Representatives to urge Congress to enact legislation to "restore" the priority status of the CAP. CAWCD's Perspective on CAP's Junior Priority Status, that CAP water supplies could be reduced to zero before California's water supplies are reduced by a single drop, ignores the fact that, beginning in 2003, the Department of the Interior has already reduced California's Colorado River water supplies by over 0.8 million acre-feet (maf) from what has historically been available, including 0.6 maf from urban southern California. Furthermore, urban southern California elected not to use 0.8 maf of special surplus water made available under the Interim Surplus Guidelines to lessen the impact of Colorado River drought and has voluntarily agreed to pay back Colorado River water that was overused by California agriculture, from which Arizona is the principal beneficiary.

CAWCD's perspective is misleading when it characterizes its initiative as "restor[ing] CAP's priority as decreed in 1964 in the Supreme Court." In its 1963 Opinion and its 1964 implementing Decree in *Arizona v. California*, the U.S. Supreme Court did not grant a priority of any kind to CAP under a shortage condition; rather, the Court left to the Secretary of the Interior the determination of the allocation of shortage. Subsequently enacted by Congress in 1968, the CAP junior priority provisions of Public Law 90-537 provided protection to pre-existing uses in Arizona, Nevada and California (up to its 4.4 maf basic apportionment), and established the certainty necessary for making water management decisions in the three Lower Colorado River Division states.

When the CAP authorization was debated in Congress in the 1960s, Arizona's delegation to Congress agreed to the shortage provisions with the understanding that, in non-shortage years, CAP would assist in the recovery of central Arizona aquifers that could be relied upon during periods when CAP supplies are reduced due to shortage. Indeed, since 1997 the Arizona Water Banking Authority has utilized CAP water to recharge central Arizona aquifers at rates of 200,000 to over 300,000 acre-feet per year, and has accumulated over 2.1 maf of storage to firm-up CAP's supplies during shortage. To date, the CAP has not experienced a shortage, and thus, has not been required to draw on its stored groundwater.

As authorized in 1968, and since that time, CAP has been constructed with \$3 billion of financial assistance from the Federal Government. Subsequently, through litigation and the 2004 enactment of the Arizona Water Settlements Act (Public Law 108-451), CAP was provided with \$2 billion of additional financial assistance from the Federal Government. In 1968, the CAP's

*Note that CAWCD references itself as the "CAP" in its communications with the public.

February 14, 2005

reimbursable portion of Federal funding advances was anticipated to be 85 percent, but has now dropped to 37 percent under Public Law 108-451.

In contrast to central Arizona, in order to develop and manage water supplies to meet its demands, urban southern California and its water rate payers have made investments of \$12 billion dollars without generous financial assistance from the Federal Government. These investments include funding for programs to address the 0.6 maf reduction of dependable supplies from the Colorado River that began in 2003, as well as to meet future water demands through investments in agricultural-to-urban water transfers, water conservation, water recycling, recovery of contaminated water, desalting, water storage, groundwater conjunctive-use programs, water supply options, and the California State Water Project.

The level of financial assistance granted to the development and construction of CAP has allowed CAWCD to levy substantially lower charges onto its customers than would otherwise be necessary. The sum of all charges levied by CAWCD onto its customers, including property taxes, amounts to an equivalent water rate of \$112 per acre-foot. The Bureau of Reclamation has determined that the full-cost of CAP water is approximately \$400 per acre-foot. As a comparison to a large water supply purveyor that did not receive generous financial assistance from the Federal Government, the equivalent water rate charged by The Metropolitan Water District of Southern California is \$399 per acre-foot.

Central Arizona has also received assistance from the Federal Government in resolving Indian water rights disputes in the form of non-reimbursable federal financial assistance and the reallocation of unused water from Federal projects to Indian Tribes in central Arizona. Conversely, the Federal Government negotiated concessions from California entities to facilitate the San Luis Rey Indian Water Rights Settlement in the County of San Diego using non-federal funds to line the All-American and Coachella Canals, from which a portion of the conserved water previously used by California agriculture is to be permanently allocated to the Settlement parties.

CAWCD seeks to be relieved of its shortage obligation that Arizona's leadership committed to when CAP was authorized. Since the 1968 authorization, urban southern California gave its support to the appropriation of Federal funds to assure the timely completion of CAP in all its component parts. Now 36 years later, after the completion of CAP construction and after Congress granted additional financial assistance to CAP in 2004, CAWCD's proposal would have the effect of transferring the benefits of California's agriculture to urban water transfers and other water supply programs to Arizona at no cost and shifting the impact of Arizona's obligation to California's Sacramento-San Joaquin Delta and other water supplies.

The Arizona Water Banking Authority and CAWCD are both leveraging Nevada's support in terms of relieving CAP of its obligation under The Law of the River by guaranteeing Nevada a 1.25 million acre-foot water supply through forbearance of Colorado River water made available to CAP. To replace the water made available to Nevada, CAWCD would withdraw groundwater from central Arizona aquifers, much of which may in effect come from California's water supply gained by Arizona if it is successful in overturning CAP's junior priority.

February 14, 2005

Rather than pursuing legislation to revise provisions of "The Law of the River" that would undo the agreement made by Arizona in the 1960s and benefit central Arizona only at the expense of California, the focus of the Basin states and Federal Government should be on the development and implementation of drought management programs that would avoid or minimize a shortage declaration that would be beneficial to all. California is playing a lead role in the current Basin States drought management efforts to which Arizona would be the principal beneficiary.

In summary, Arizona made a deal in the 1960s that was to protect pre-existing Lower Basin Colorado River water users in exchange for support from them for federal funding assistance on the CAP. Now that the CAP is complete and additional federal funding has been obtained, Arizona wants to rewrite the deal. California water users have relied on Arizona's word as included in the 1968 Colorado River Basin Project Act in planning and developing water resources with the investment of billions of dollars and now they are being put at risk of shortage. Rewriting the 1968 agreement now would create a need to "re-plan" California's water future at an additional cost of billions of state and local dollars. Arizona needs to implement the conjunctive use program to provide shortage protection that was part of the original CAP plan and honor its agreement of the 1960s. California is willing to work with Arizona, the other Basin states and the federal government to develop and implement drought management programs.



Inland Empire
UTILITIES AGENCY

Date: February 16, 2005
To: Honorable Board of Directors
Through: Public, Legislative Affairs & Water Resources Committee (2/9/05)
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 for the Board of Directors to receive and file.

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.

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Chino Basin / OBMP Coalition

Status Report – January 2005

ENERGY/REGULATORY

Community Choice Aggregation

Phase II of this proceeding, pertaining to administrative and implementation issues, has begun at the Commission.

The utilities will file draft tariffs for consideration by parties and the Commission on February 14, 2005. Phase II will address all tariff issue. Once those tariffs are approved by the CPUC, Community Choice Aggregators may begin to form and serve customers.

Water District Self-Generation (Implementation of SB 1755)

This proceeding has remained stalled since a pre-hearing conference held in January 2004. DGI spoke again with the presiding Administrative Law Judge on January 26, 2005, and she again indicated that she would resume the proceeding very shortly.

Biogas Net Metering

The working group coordinated by DGI with representatives of the dairy industry, IEUA and Sustainable Conservation is completing work on a draft “White Paper” regarding the Biogas Net Metering Program.

Initial legislation will be introduced by Gloria Negrete-McLeod (D-Chino) to address three specific issues:

1. Removal of the sunset provision
2. Elimination of the statewide limit of 15 MW (5 per utility)
3. Increases the maximum project size to 10 MW

The working group will be meeting again on February 1st to finalize the strategy as well as consider amendments to be introduced at a later time to expand and improve the program.

Southern California Edison General Rate Case

On January 25, 2005, the Administrative Law Judge in this proceeding issued a draft decision approving the all-party Settlement filed at the Commission in November. The settlement resolves all Phase II issues.

The draft decision may be considered by the CPUC in early March, unless an alternate decision is sponsored by a Commissioner, though this seems unlikely as there have been no significant protests filed against the Settlement.

The following table illustrates the rate changes by class:

**Southern California Edison General Rate Case
Phase II Revenue Allocation**

Rate Group	Bundled Service		Direct Access Service		Retail Service	
	Capped Revenue (\$MM)	% Change	Capped Revenue (\$MM)	% Change	Capped Revenue (\$MM)	% Change
Domestic						
CARE	455.0	3.70%	1.0	-11.92%	456.0	3.66%
Non-CARE	2,926.0	3.70%	21.2	-1.57%	2,947.2	3.66%
Group Total	3,381.0	3.70%	22.2	-2.07%	3,403.2	3.66%
Lighting, Small Med. Power						
GS-1	649.3	-5.20%	7.8	-13.03%	657.1	-5.30%
TC-1	8.3	-7.88%	0.1	11.16%	8.4	-7.63%
GS-2	2,554.7	-2.60%	216.0	11.64%	2,770.7	-1.63%
Time of Use (TOU) - GS-2	61.9	-20.53%	4.5	-13.60%	66.4	-20.09%
Group Total	3,274.1	-3.55%	228.5	9.93%	3,502.6	-2.77%
Large Power						
TOU-8 - Sec	783.2	-0.91%	122.1	3.14%	905.3	-0.38%
TOU-8 - Pri	476.5	-1.99%	98.1	-1.71%	574.6	-1.94%
TOU-8 - Sub	280.8	-0.64%	156.6	-0.64%	437.4	-0.64%
Group Total	1,540.4	-1.20%	376.8	0.27%	1,917.3	-0.91%
Agricultural and Pumping						
PA-1	56.4	-4.71%	0.4	11.64%	56.8	-4.62%
PA-2	38.2	-2.63%	1.2	3.69%	39.5	-2.43%
TOU - Ag	95.1	2.00%	3.2	3.99%	98.3	2.06%
TOU - PA - 5	88.1	2.00%	0.4	11.64%	88.4	2.04%
Group Total	277.8	-0.08%	5.2	4.91%	283.0	0.00%
Street and Area Lighting	84.8	-7.71%	1.3	11.64%	86.2	-7.46%
Grand Total	8,558.2	-0.30%	634.0	3.52%	9,192.2	-0.05%

LEGISLATIVE

With the February 18 bill introduction deadline looming on the horizon, legislation has begun to trickle in on energy issues. The two most significant measures to date are SB 1 (Murray D-Los Angeles), relating to solar home energy incentives and SB 107 (Simitian D-Palo Alto), relating to expanding renewable energy generation requirements. Both measures are reintroductions of major efforts that failed last year. Surprisingly, it appears Southern California Edison will not be seeking reintroduction of their AB 2006 (Nuñez D-Los Angeles) which sought to reregulate electricity markets in California.

The Utility Reform Network (TURN), a residential ratepayer organization, however, is picking up the reregulation ball. On January 25th, TURN filed a two versions of a statewide initiative designed to reregulate energy markets, largely reflective of AB 2006.

Specific provisions include:

- eliminates Direct Access (currently only suspended under AB 1X (2001));
- requires current Direct Access Customers returning to bundled service must give one year notice to utility;
- specifically precludes time-of-use metering for residential customers; and
- reaffirms utility default service and Commission protection of ratepayers through strengthening anti-market manipulation provisions and reliability.

The only difference between the two versions is that Version II requires utilities to meet 2010 deadline to achieve 20% of generation from renewable resources (current statutory requirement is 2017, though the CPUC has informally adopted a 2010 goal).

LOCAL GOVERNMENT/BUDGET 2005-2006

The Governor released his Budget Proposal on January 10, 2005. The state is facing an ongoing budget deficit of \$8-10 billion over each of the next two years. While revenues are expected to increase by 11% over this period, expenditures are expected to rise by 22% unless cuts are made.

On January 12, 2005 the Legislative Analysts' Office released an overview of the budget, stating "while the 2005-06 proposal has several positive attributes, it falls well short of fully addressing the state's ongoing projected fiscal imbalances."

The budget retains the \$1.3 billion property tax shift from local governments, as was adopted in the 2004-05 State Budget. No significant changes to this shift have been proposed by either the Governor or the LAO.

Revenues and transfers are expected to rise by 7.1%, with total expenditures budgeted for a 4.2% increase

**Governor's Budget
General Fund Condition**

(Dollars in Millions)

	2003-04	2004-05	Proposed for 2005-06	
			Amount	Percent Change
Prior-year fund balance	\$5,060	\$3,489	\$1,425	
Revenues and transfers	74,762	78,219	83,772	7.1%
Deficit bond proceeds	—	2,012	1,683	
Total resources available	(\$79,822)	(\$83,720)	(\$86,879)	
Expenditures	\$76,333	\$82,295	\$85,738	4.2%
Ending fund balance	\$3,489	\$1,425	\$1,141	
Encumbrances	\$641	\$641	\$641	
Reserve	\$2,847	\$783	\$500	

General Fund Spending by Major Program Area

(Dollars in Millions)

	Actual 2003-04	Estimated 2004-05	Proposed for 2005-06	
			Amount	Percent Change
Education				
K-12 Proposition 98	\$28,154	\$30,992	\$33,117	6.9%
CCC Proposition 98	2,272	3,036	3,321	9.4
UC/CSU	5,527	5,212	5,413	3.9
Other	2,159	4,559	4,076	-10.6
Health and Social Services				
Medi-Cal	\$9,879	\$11,965	\$12,948	8.2%
CalWORKs	2,064	2,146	1,940	-9.6
SSI/SSP	3,123	3,444	3,523	2.3
Other	7,696	7,988	8,297	3.9
Youth and Adult Corrections	\$5,389	\$6,933	\$7,014	1.2%
All Other	\$10,069	\$6,021	\$6,089	1.1%
Totals	\$76,333	\$82,295	\$85,738	4.2%



Inland Empire
UTILITIES AGENCY

Date: February 16, 2005

To: Honorable Board of Directors

Through: Public, Legislative Affairs & Water Resources Committee (2/9/05)

From: Richard W. Atwater
Chief Executive Officer/General Manager

Submitted by: Martha Davis
Executive Manager of Policy Development

Subject: January Legislative Report from Agricultural Resources

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

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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 27, 2005

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 2005

Highlights:

- 109th Congress Convenes, Inauguration Occurs
- State of the Union Pending, Budget Submission to Occur Early February
- New Cabinet Members at DOE, USDA and EPA
- Key Committee Changes, Additions and Retentions, House and Senate
- IEUA Washington Trip, Legislative Priorities Established
- Rep. Gary Miller Reintroduces Santa Ana River Water Recycling/Treatment Bill
- Reps. Pombo and Baca Reintroduce Perchlorate Cleanup Bills
- Feinstein readies Perchlorate Cleanup Bill
- National Academy of Sciences Releases Perchlorate Report, Confusion Ensues
- Dreier to Introduce IEUA Water Recycling Bill
- Domenici Water Technology Bill Planned
- Drought – Despite Rain and Snow, Drought Persists
- Prado and Corps of Engineers
- IEUA Working Partners

109th Congress Convened, Inauguration Occurs. In early January, the new Congress convened, members were sworn in, leadership reelected and the new Congress began to “organize itself” – name members to committees, reorganize, and select chairman and ranking members. Significant changes occurred, and in other instances, some members remained in previous positions where changes could have taken place. On January 20, in between snow storms and bitterly cold winter blasts, George W. Bush was sworn in for his second term.

State of the Union Pending, Budget Submission to Occur Early February. In early February, the President will come to a joint-session and deliver his annual “State of the Union” address. The following Monday, February 7, the Administration will submit to Congress its proposed budget for the fiscal year beginning the next October 1.

New Cabinet Members at DOE, USDA and EPA – Interior’s Norton To Remain. Immediately after the election, DOE’s Secretary Abraham and USDA’s Secretary Ann Veneman announced they would be stepping down. The President nominated Sam Bodman for Energy and Nebraska Governor Mike Johanns for USDA. Both were confirmed in late January. The EPA Administrator, Mike Leavitt (former Governor of UT) was asked to become head of HHS and the Senate confirmed him this month as well. A replacement at EPA is pending, but may not be made for several more weeks. DOI’s Secretary, Gail Norton, is remaining in the Cabinet, at least for now.

New Leaders on Committees, House and Senate. Some key decisions include:

- Rep. Jerry Lewis was selected to serve as Chair, House Appropriations Committee.
- House leadership asked David Dreier to continue as Chairman, Rules Committee.
- Senator Feinstein remained on the Energy Committee (important because of water recycling, water technology and renewable energy). Other unrelated Senate changes could have forced her to relinquish her seat, but she was able to retain it.
- Rep. George Radanovich (R-CA) was named by Resources Committee Chairman, Richard Pombo, to serve as Chair, Subcommittee on Water and Power Resources, replacing Rep. Ken Calvert.
- Senator Tim Johnson (D-SD) is the new ranking Democrat on the Senate Energy Committee’s Subcommittee on Water and Power.
- Rep. Joe Baca has requested a waiver to continue his service on Resources. That request will be acted upon in early February.
- Rep. Grace Napolitano is expected to continue as ranking democrat on Water and Power
- House and Senate leaders are meeting to discuss major changes in the Appropriation

Committee structure. Initiated by the House, this funding proposal would eliminate as many as three funding subcommittees (out of 13) and consolidate all resource funding in the current "Interior Department" funding bill. The Senate's reaction is initially cool. It is expected that this will be resolved in February. It has the potential to impose major changes.

IEUA Washington Trip, Legislative Priorities Established. General Manager Atwater came to Washington, as did Robert DeLoach, GM, Cucamonga Valley Water District and meetings were held with Boxer and Feinstein's staff, the offices of Calvert, Gary Miller, Grace Napilatano, Dreier and Baca, the House and Senate Water Subcommittees as well as Commissioner of Reclamation, John Keys. Legislative priorities were reviewed, consistent with those reported last month. A meeting was also held with MWD, ACWA and reps from other agencies in the Santa Ana watershed.

Rep. Gary Miller Reintroduces Santa Ana River Water Recycling/Treatment Bill. When the Congress convened, Rep. Gary Miller introduced his water recycling bill. The new bill number is H.R. 177 (it was H.R. 142 in the last session). This bill provides for the authorization, pursuant to Title XVI, desalters, natural treatment systems and the SARI line. Miller's bill also incorporates OCWD's water recycling proposal. This bill was approved by the House in the last Congress.

Reps. Pombo and Baca Reintroduce Perchlorate Cleanup Bills. Last Congress, both Chairman Pombo and Rep. Joe Baca introduced regional perchlorate cleanup bills, one for the Santa Clara Valley and the other for Southern California. Both were reported by Committee and passed the House unanimously. Neither was taken up or approved in the Senate. Both bills have been reintroduced. Rep. Baca's Southern California bill is being co-sponsored by Rep. Ken Calvert, Grace Napolitano and Gary Miller.

Feinstein readies Perchlorate Cleanup Bill. Senator Feinstein is finalizing preparation of a perchlorate cleanup bill. Discussions have been occurring with State and Federal agencies, water districts, including IEUA, and other Senators. Introduction of this national bill authorizing \$200 million for perchlorate cleanup is anticipated in February. The Senator announced that this issue will be among her highest priorities in this Congress.

National Academy of Sciences Releases Perchlorate Report, Confusion Ensues. On January 11, the long-awaited and much-delayed National Academy report on perchlorate was publicly released. The report, *Health Implications of Perchlorate Ingestion*, was greeted with confusion and controversy. The National Academy did NOT recommend a new standard (most anticipated it) and instead, presented a weight-based formula for health effects. When calculated, the recommendation turned out to be approximately 24-25 ppb, but that apparently does not include children or various at-risk communities. When those factors are considered, the MCL would likely be lowered. The State of California informally has indicated that the NAS approach was similar to that used by DHS (which calculates to approximately 6 ppb. Evaluations of the

National Academy report are still coming forth. AWWA, American Chemical Society and others have presented evaluations (both of which were more clear than the Academy presentation). DOD contractors are slated to make presentations next week. The White House has convened an inter-agency task force to evaluate the report and that working group is confronting the same "confusion" issues. At that work group, DOD is predictably arguing for a higher standard. So far, the National Academy report is amplifying the conflicts, not resolving them. Finally, GM Atwater noted that pending rules on other contaminants – such as arsenic – may impact more communities than perchlorate. This issue will continue to get more attention.

Dreier to Introduce IEUA Water Recycling Bill. The Dreier water recycling bill includes the water recycling programs for IEUA and Cucamonga Valley Water District. Rep. Dreier's office was advised the IEUA's recycling program will now produce almost 100,000 af of water, up approximately 25%.

Domenici Water Technology Bill Planned. Near the end of the last Congress, Energy Committee Chairman, Senator Pete Domenici (R-NM) introduced a water technology bill. Senator Feinstein was an original cosponsor and nearly identical legislation was introduced in the House by Chairman Pombo and Rep. Calvert was an original co-sponsor. Domenici's staff held a staff briefing in January and a February introduction is presently planned. The WaterReuse Association has worked with Senator Domenici and the Energy Committee staff to prepare this legislation and is among its earliest supporters. It is hoped that Senator Domenici will hold hearings early in the session.

Drought – Despite Rain and Snow, Drought Persists Particularly on Colorado River. Early winter brought rain and snow in California. Some of the precipitation extended to the Colorado River Basin, but notwithstanding the rain/snow to date, drought still persists throughout the basin. Drought legislation is actively under consideration, including not just "relief," but is focusing on initiatives that will expand water in these regions, such as Title XVI, the Federal water recycling program. Lake Powell, on the Colorado River, is still "down" 100 vertical feet or more.

Prado and Corps of Engineers. My role with the situation with Prado was limited, but I worked with the Assistant Secretary of the Army, J.P. Woodley, to arrange an site-visit, and meeting/briefing with IEUA and others throughout the Basin (SAWPA, OCWD, Orange County Sanitation District, local officials and others). Secretary Woodley later remarked that he was especially impressed with how well all the various interests – water agencies, communities, flood control districts, local government and citizens groups were working together to address the Prado issue.

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)
- WaterReuse Association
- CALStart
- OCWD
- CVWD
- Western Municipal Water District
- Others

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Inland Empire
UTILITIES AGENCY

Date: February 16, 2005

To: Honorable Board of Directors

Through: Public, Legislative Affairs & Water Resources Committee (2/9/05)

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 for the Board of Directors to receive and file.

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\2005\05063 January Leg Report from Geyer

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MEMORANDUM

TO: Richard Atwater and Martha Davis

FROM: Jennifer West

DATE: January 27, 2005

RE: January Legislative Report

Attached is a list of bills, both introduced and still in draft form, of interest to IEUA. Next month all the bills will be introduced and we will provide you with a full list, along with recommended positions.

Budget

On January 10 Governor Schwarzenegger released the first version of his State Budget. The Governor's \$111 billion budget emphasizes a number of areas for "reform, including state reorganization, state pension, state redistricting, and education. While the budget contains significant program cuts, it falls well short of fully addressing the state's deficit.

Immediately upon its release the Democratic leadership declared early war on the spending plan and have begun early budget hearings. While stating that the proposed deep cuts to education and pension plans are unacceptable, Democratic leadership has so far been hesitant to call for raising taxes.

Local Government Finance

The Governor's budget did not contain any proposal that would shift additional monies from special districts. IEUA has been working with SAWPA and ACWA to educate legislators and the Administration about the extent of the property tax hit to the agency and the region. Statewide more than 300 enterprise special districts lost 100% of their property tax revenues and an additional 200 lost 10% of their total revenues. It appears that any change in the property tax formula will take a two-thirds vote. (This was a requirement of Prop. 1A.) That means that any adjustment to the Controllers Special District report, which the shift was based upon, or any other minor correction, will need to have wide acceptance and be part of the overall state budget deal for 05/06. There may be a local budget subcommittee hearing on the impacts of the hit in February.

Special District Reserves

While agencies are still grappling with the impact of the property tax hit, the new Senate Pro Tem Don Perata recently suggested that special districts reserves could also be on the table this year. In a post-budget press conference, Perata stated in a question and answer session with reporters that special districts had hundreds of million of dollars kept off limits to tax payers. This has set off intense speculation that the Democratic leadership will go after special district reserves as a means of balancing the budget. Currently, this would be illegal and perhaps unconstitutional. But the Legislature is desperate for funding and there has been speculation about the Legislature taking reserves ever since the Little Hoover Commission did a report on special district reserves in 2000. Protecting agency reserves may become a primary focus of the 2005 legislative session.

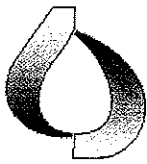
DWR's Flood Control Proposals

This month DWR released a comprehensive flood control briefing paper that recommended a variety of legislative changes needed to limit the state's liability for flood-related damages. DWR is pursuing an aggressive flood control agenda primarily as a result of two court cases, *Paterno v. State of California* 2003 and *Arreola v. Monterey County* 2002, which greatly increased the exposure of public agencies and the state specifically, to enormous financial liability for flood damage. One of the primary proposals is to enact a constitutional amendment to exempt flood control projects from inverse condemnation liability and exempt local flood control districts from the Proposition 218 two-thirds voting requirements. Other suggestions include the creation of a "California Flood Insurance Fund," a sustainable State insurance fund to compensate property owners for flood damage. And the creation of a Central Valley Flood Control Assessment District with the authority to assess fees that would provide adequate flood control protection for regional participants.

**Inland Empire Utilities Agency
Watch List
January 31, 2005**

Bill	Summary	Status
Water Rights		
SB 21 (Florez) Water rights	Bars the state from interfering with water contract between federal government and a person or agency so long as that water is being used for "reasonable and beneficial reasons". Florez says he is introducing the bill because of water disputes involving the Friant Dam.	
SB 31 (Florez) Water Rights Filing	Revises the SWRCB's water rights filing system and fees. Intended to allow General Fund monies to be used to fund water rights programs, actions, or proceedings that involve protection of the public interest, natural resources or the environment.	
Special District Governance		
Assemblyman Salinas Governance	Not yet introduced. The bill would apply to special districts, cities and counties. Key provisions: allows compensation to members of a "legislative body" for attendance at a meeting of a legislative body, a meeting of an advisory body and a conference. There is no specified rate of compensation. Requires governance bodies to adopt a written policy regarding reimbursements. Requires members to receive ethics training.	
Senator Ortiz Governance	Not yet introduced. She is expected to reintroduce some version of SB 1272 from last year. That bill failed passage. It severely limited the types of meetings for which a special district board member could receive compensation and capped the level of allowed compensation.	
Cal-Fed/Delta		
SB 113 (Machado) Cal- Fed User Fee	Requires the Bay-Delta Authority to include a "beneficiary pay principle" when approving and making recommendations on programs and long-term expenditure plans. "Beneficiary pays principle" is defined as including a "user benefit," which is as yet, undefined. As part of the release of the budget, the Governor suggested that water users pay a total of \$761 million (9% of CALFED budget) over a 10-year period in order to fulfill the "beneficiary pays" concept contained in the ROD. In a recent budget hearing Senator Kuehl said she intended to zero out the CALFED budget until some formula for "beneficiary pays" is adopted.	
Energy		
AB 177 (Bogh) Biomass conversion	Revises the definition of "biomass conversion" to mean the controlled combustion, thermal conversion, chemical conversion or biological conversion, other than composting, of biomass	

	waste used for producing electricity, heat or a reconstituted product that meets the quality standards for use in the marketplace.	
AB 32 (Pavley) Greenhouse Gas Emissions	Commits the state to coordinate greenhouse gas emissions programs with other states and regions until a national program is established to limit global warming gases. Requires the state to adopt procedures and protocols for monitoring and estimating greenhouse gas emissions for a variety of activities including municipal solid waste disposal.	
Net metering	IEUA is participating in the development of legislation to extend and enhance the current net metering program. The bill is not yet in print, but as introduced it will remove the 2006 sunset for the net metering program and make a few other changes to the program. The full scope of the bill has not yet been determined. Recommend that IEUA support the bill when it is out in print.	
Habitat/Water Bonds		
Senator Chesbro Habitat Bond	This north-coast Senator has announced he will introduce a \$3 billion park bond, largely on the Prop. 40 model, with block grants going to state conservancies for habitat purposes. The bill is probably a placeholder for north coast habitat issues. The environmental community and other interests are forming a steering committee to put together another habitat or water bond. That bond has not yet been introduced.	
Special District Finances		
ACA 5 (Richman) Defined benefit plans	Prohibits on or after 2007, defined benefit plan for all public agencies. The measure is a priority for the Governor. ACWA has a watch position on the bill at this time, but has asked its members for comments.	
ACA 7 (Nation) Taxation	Changes the 2/3 voter-approved requirement to authorize a city, county or special district to impose a special tax with only 55% of the voters.	
Water Conservation/UWMP		
Landscape Water Meters	The NRDC sponsored bill is not yet out in print. The proposal will require the installation of landscape water meters for new landscapes of a certain size that are not occupied by the single-family residential dwelling.	
Recycled Water Omnibus	WaterReuse is sponsoring a recycled water bill that contains a number of the recommendations contained in the Recycled Water Task Force report. The bill is not yet in print.	
Senator Kuehl	Not yet in print. She intends to introduce a bill that will require an UWMP to CEQA.	



Date: February 16, 2005

To: The Honorable Board of Directors

Through: Public and Legislative Affairs and Water Resources
Committee (02-09-05)

From: Richard W. Atwater
Chief Executive Officer/General Manager

Submitted by: Sondra Elrod
Public Information Officer

Subject: Public Outreach and Communications

RECOMMENDATION

This is an informational item regarding a status update on public outreach and communications.

BACKGROUND

Outreach/Tours

- December 8, 2004, Chino Valley Independent Fire District toured IEUA's HQ.
- December 8, 2004, Fontana Unified School District, Garden in Every School presentation.
- December 14, 2004, Chino Basin Green tree planting at Moreno Elementary School in Montclair.
- December 16, 2004, Lewis Operating Corp. presentation on the Chino Preserve.
- January 17, 2005, Cal State San Bernardino tour of IEUA facilities at 9 a.m.
- January 22, 2005, MWD's Leadership Tomorrow Inspection Tour/IEUA HQ.
- January 31, 2005, Planting at Alta Loma Elementary School for the Garden in Every School.
- February 5, 2005, Planting at Butterfield Elementary School in Chino Hills for the Garden in Every School.
- February 19, 2005, Planting at Rhodes Elementary School in Chino for the Garden in Every School.

Calendar of Upcoming Events

- February 10, 2005, The Preserve VIP Grand Opening

- February 23, 2005, Inland Empire Utilities Agency Leadership Breakfast at 7:30am.
- February 25, 2005, Dedication of the Garden in Every School at Alta Loma Elementary School at 8am.
- March 19, 2005, Fontana Earth/Arbor Day at Miller Park, Arrow Blvd., Fontana from 10 a.m. to 2 p.m.
- March, 21, 2005, IEUA sponsored Special District Dinner at the Panda Inn in Ontario.
- April 15, 16 & 17, 2005, MWD AG Inspection Trip.
- April 12 – 21, 2005, MWD's Calendar Art Display at IEUA.
- April 23 and 24, 2005, Upland Lemon Festival.
- April 23, 2005, Cal State San Bernardino Environmental Expo.
- April 28, 2005, SAWPA Watershed Awards Banquet, Mission Inn, 5:30pm to 9pm.
- April 29, 2005, SAWPA Watershed Conference, Mission Inn, 7:30am to 3pm.
- May 14, 2005, Cucamonga Valley Water District Water Awareness Day from 11 a.m. to 2 p.m.
- "T" May 18, 2005, Dedication of the Garden in Every School at Grant Elementary School in Fontana.
- June 4, 2005, Chino Dairy Festival from 9 a.m. to 4 p.m.

PRIOR BOARD ACTION

None

IMPACT ON BUDGET

None

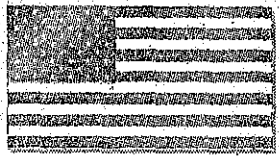


CHINO BASIN WATERMASTER

VI. INFORMATION

1. Newspaper Articles

INLAND VALLEY



Daily Bulletin

WEDNESDAY | FEBRUARY 2, 2005

*** 50¢ PLUS TAX

WWW.DAILYBULLETIN.COM

State to get \$93M for acid pits

Insurance companies agree to help pay toxic dump cleanup costs

TOXIC LEGACY

By **SARA A. CARTER**
STAFF WRITER

GLEN AVON — A number of insurance companies have agreed to pay the state \$93 million to reimburse the cost of cleaning up and maintaining the so-called Stringfellow Acid Pits,

one of the nation's worst toxic dump sites.

Since 1972, when cancer-causing chemicals were first detected in water wells at a nearby elementary school, a long and arduous battle ensued among residents, the state and the

company.

It was a battle that went in and out of federal courts and cost the state hundreds of millions of dollars to deal with the underground contamination during the past 30 years.

In a settlement reached Tuesday,

Attorney General Bill Lockyer said the bill will be paid on behalf of those companies and agencies that dumped toxic materials during the landfill's 18 years of existence.

See **CLEANUP** / page A7

Environmental tests at Stringfellow Acid Pits found that the groundwater contains various volatile organic compounds and heavy metals including: cadmium, nickel, chromium and manganese. Test showed soil contaminants included: pesticides, polychlorinated biphenyls, sulfates and heavy metals.

Source: EPA

Cleanup

continued from page A1

The negotiated funds announced Tuesday will come from major insurance companies that insured the dumpers and the state.

"Stringfellow is California's highest priority Superfund site and we have spent more than 30 years and hundreds of millions of dollars to clean up the site," Lockyer said. "These settlements will help California recoup some of its expenses and allow us to focus our attention on the remaining defendants who are legally obligated to cover the Stringfellow cleanup."

The Stringfellow dumping grounds are in a canyon on the south side of the Jurupa Mountains less than a mile from the Southridge area of Fontana.

In the agreement, Lloyd's of London, the state's main insurer, is required to pay the bulk of the cost totaling \$49 million, according to the Attorney General's Office. Fifteen other insurance companies will pay the state a combined total of \$44 million.

"What portion of the funds will go back to the state and what will be left is still uncertain," said H.D. Palmer, the governor's budget spokesman. "We're going to have to look at this from a legal angle as well as a policy statement."

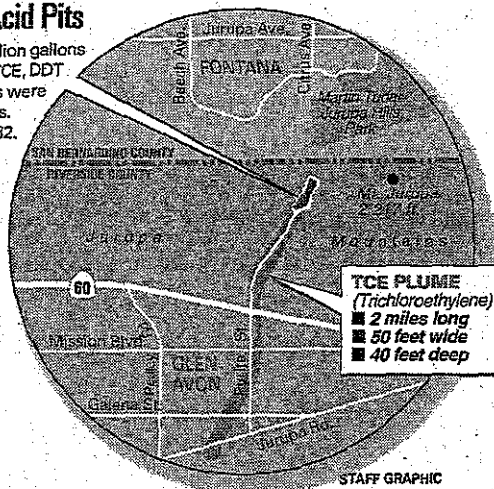
In 1983, the U.S. Justice Department filed a lawsuit against generators, transporters and owners of the Stringfellow site to recover cleanup costs and to provide funding for future efforts.

The state was not immune to re-

Stringfellow Acid Pits

From 1966-72, 34 million gallons of acids, pesticides, TCE, DDT and other chemicals were dumped into the pits. It was capped in 1982.

The federal government has installed wells in the vicinity of the Stringfellow pits to capture the chemicals that have migrated underground and threatened the local water supply.



sponsibility either and was also forced by the courts to pay for the majority of cleanup costs at the Superfund site, said Penny Newman, the executive director of Center for Community Action and Environmental Justice.

Newman, a resident of Glen Avon, has been fighting Stringfellow for more than 25 years.

"Up until now the money used for cleanup has been part of the state's general fund," Newman said. "It meant that our cleanup was dependent on the budget. And you can't always count on the budget."

The state was sued in the federal courts in 1983 by companies that generated most of the dumping on the site, Newman said. In 1998, the state lost its battle and was found liable for Stringfellow based on negligently investing in the site during the 1950s and 1960s and failure to address issues of pollution in the 1970s.

In effect, the state became a de-

facto owner of Stringfellow and responsible for the cleanup, Newman said.

"The state permitted the site to be established, allowed it to dump, and the courts made the state of California is 90 percent liable," Newman said.

But for Newman, the settlement was a victory for the community and the state.

"I think the thing that's really exciting about this is that for every dollar the insurance company is putting forward is one dollar less that the taxpayer won't have to pay," Newman said. "This gives a pot of money for us to move forward with the cleanup."

Unfortunately, she said, the land will be contaminated for the next 400 years even with cleanup efforts. But the cleanup efforts are halting the contaminants from moving underground into residential areas and domestic water wells, she said.

Science should guide setting of water standards

Feb 2, 2005
Daily Bulletin

Few things hit closer to home than the purity and safety of our drinking water. Ideally, every drop would be free of impurities and contaminants. In our modern world, that doesn't happen.

Treating water to remove every bit of every foreign substance would be prohibitively expensive, even if it were technically possible — which it is not.

So the challenge for government regulators and water-delivery professionals is to determine which substances in drinking water are most harmful to humans and the levels at which harm occurs, and to remove at least enough of each contaminant to protect the public health.

The federal and state governments are working right now on establishing a safety level for perchlorate, which is of particular interest to Southern California because perchlorate is known to have contaminated wells in Rialto's groundwater basin and many other areas. The chemical has been found in 350 drinking water sources statewide.

Perchlorate is used in the manufacture of rocket fuel, munitions, flares and fireworks, and has been found in some fertilizers that were used when the Inland Valley was dotted with citrus groves.

In sufficient concentration, perchlorate decreases the thyroid's ability to absorb iodine, which could impair fetal and newborn brain development.

That's the rub: Determining the concentration sufficient to do harm so that public safety standards can be set below that level. It's a long and intricate scientific process that is ongoing.

A report last month from the National Academy of Sciences indicated that California's public health goal of 6 parts per billion provides adequate protection for the public. But that finding brought criticism from state Sen. Nell Soto, D-Ontario, and many others. Activists are calling for the state to set a binding maximum level of 1 ppb.

That push seems to be based more on emotion than on scientific research. "I am not a scientist, but I am a mother and a grandmother," Soto said at a recent forum. "I believe when it comes to our children we should err on the side of caution." But that's exactly what the state's goal of 6 ppb does, according to the NAS scientists.

In 2002, the federal Environmental Protection Agency issued a draft risk assessment that proposed a daily reference dose of 0.03 micrograms per kilogram of body weight, which the agency equated to a concentration of 1 ppb. Controversies regarding that assessment's scientific conclusions prompted the federal government to refer the issue to NAS, which concluded in January that daily ingestion of up to 0.7 micrograms per kilogram would not adversely affect the health of even the most sensitive populations. The scientists' recommendation has been interpreted as meaning that a federal perchlorate standard will land between 4 ppb and 20 ppb, though it's likely to take five more years of study and policy work before the standard is set.

That makes the state's 6 ppb goal look reasonably safe, at least unless and until scientists determine otherwise.

Cutting the maximum to 1 ppb could triple water bills in the affected Rialto area and cost the region \$30 billion during 20 years, according to local water professionals. For now, there's no scientific justification.

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Activists urge strong perchlorate limits

Clean-water proponents ask state to adopt stricter EPA standards

PERCHLORATE

By NAOMI KRESGE
STAFF WRITER

What is it?: Perchlorate is both a naturally occurring and man-made chemical. Most perchlorate manufactured in the United States is the main ingredient of solid rocket propellant. It is also used in fireworks, flares and other products.

Effect on humans: Perchlorate is associated with disruption of thyroid functioning, which plays an important role in fetal and newborn brain development. The thyroid also helps regulate metabolism in adults and children.

SOURCE: U.S. ENVIRONMENTAL PROTECTION AGENCY

FONTANA — Clean-water activists pushed for tougher state drinking water standards on perchlorate at a Saturday forum.

They attacked a National Academy of Sciences report that said this month the chemical, a rocket-fuel byproduct, is safe at levels about 20 times those recommended by the Environmental Protection Agency.

California should adopt the EPA recommendation, they argued, in order to protect the health of children, babies and fetuses.

"I am not a scientist, but I am a mother and a grandmother," said state Sen. Nell Soto, D-Ontario. "I believe when it comes to our children we should err on the side of caution."

Soto co-chaired the forum along with Assemblywoman Gloria N. McLeod, D-Montclair.

Sponsored by Environment California and

WATER continues on A7

Sunday, January 23, 2005 **A7**

WATER

• FROM A1

the Center for Community Action and Environmental Justice, the forum at Fontana City Hall drew about 75 people, including residents from at least 10 Inland Valley cities as well as legislators, water officials and environmentalists.

Perchlorate is thought to reduce thyroid function and to have a disproportionate effect on babies and young children.

Penny Newman, executive director of CCAEJ, and Environment California clean water advocate Sujatha Jahagirdar said the chemical can interfere with brain development in babies and may be linked to reduced intelligence and difficulty learning.

"We think it actually makes children more stupid, to be frank," Jahagirdar said.

The National Academy of Sciences study said it is unclear whether exposure to perchlorate can interfere with brain development in children.

Residents quizzed the environmentalists and water officials on how much of the chemical current technology can extract from the water supply, whether it is safe to drill private wells and whether a tough perchlorate standard might cause water shortages.

Newman and Jahagirdar asked atten-

dees to sign a petition asking California to set stricter standards for perchlorate.

The current state public health goal for perchlorate is six parts per billion. The petition called on the state to adopt the EPA draft recommendation of one part per billion when it sets a binding maximum level for the contaminant, which is expected later this year.

"The health goal that California sets will basically be the standard (nationally), we think. Now California's on the wrong track," Jahagirdar said.

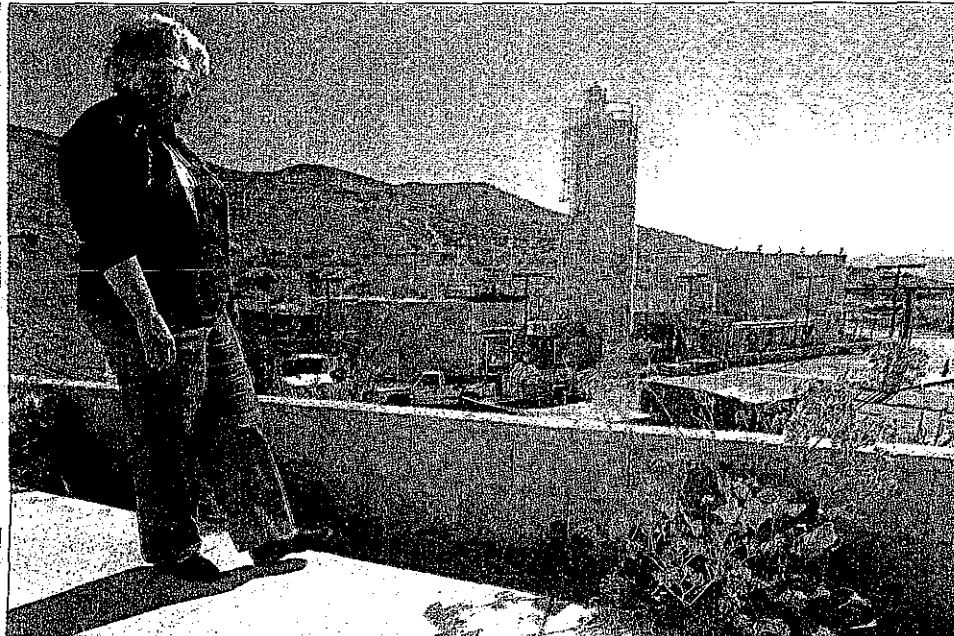
A tougher standard for perchlorate would make cleanup more expensive, both because more drinking water sources would require cleanup and because of the technology necessary to detect and extract perchlorate.

More than 11 million people in 35 states, including California, currently drink water with perchlorate levels above four parts per billion.

According to the California Department of Health Services, perchlorate has been found in more than 350 drinking water sources statewide — mostly in Los Angeles, San Bernardino and Riverside counties — as well as in the Colorado River.

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IRFAN KHAN Los Angeles Times
RELIEF: Activist Penny Newman looks over a Stringfellow-treatment plant. Of the settlement, Newman said: "It means the everyday taxpayer isn't going to have to pay for the wrongdoings of 200 major corporations and the bad judgment of state bureaucrats."

A Deal to Get Waste Pits Clean

Led by Lloyd's, insurers agree to pay the state \$93 million for restoring the notorious Stringfellow site in Riverside County.

By JANET WILSON
Times Staff Writer

Lloyd's of London and 15 other insurers have agreed to pay \$93 million to California for cleanup of the Stringfellow acid pits in Riverside County, one of the state's most notorious Superfund sites.

State officials and environmentalists who have fought for decades for cleanup of the site, in an impoverished rural pocket of the county where children once played in puddles of industrial waste, said the payments were long overdue.

California Atty. Gen. Bill Lockyer on Tuesday said the Lloyd's settlement for \$49 million was particularly significant because Lloyd's was one of the major insurers for the state, which was liable for the contaminated site. The company's attorneys had been leading the defense.

When they agreed to settle late last week, Lockyer said, more than a dozen other insurers quickly fell into line.

"They're the leader of the pack, and so when they're willing to settle, many of these other companies decided to settle too," Lockyer said.

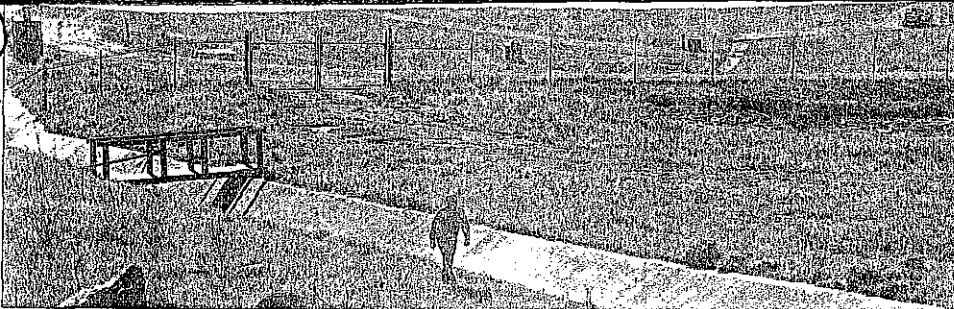
Some of the other companies include subsidiaries of Chubb Group and Commercial Union; American Reinsurance, St. Paul; and Mutual Fire, Marine & Inland Insurance Co. A trial is set for March in Riverside Superior Court involving nine insurance companies that have not settled.

Lockyer said that although the settlement would not cover the \$300-million-plus in cleanup costs, it was a "fair resolution" and a victory in a case that had already dragged on for 15 years and could have cost millions more in legal fees.

"Stringfellow is sort of the poster boy for toxic dump cleanup [in the nation] and all the lessons learned of how hard it is to hold anybody accountable, how litigious these cases are, and how expensive to resolve in the normal legal system," Lockyer said.

California has spent more than 30 years and hundreds of millions of dollars to try to clean up the site, Lockyer said, and the settlements will allow officials to recoup a major chunk of expenses and focus on remaining defendants.

Local activists agreed. "This settlement is so important. It means the everyday taxpayer isn't going to have to pay [See Waste, Page B9]



Photographs by IRFAN KHAN Los Angeles Times
BIG JOB: State hazardous-substances engineer Zbigniew Kostecki, foreground, is dwarfed against the fenced 19 acres of the contaminated Stringfellow site, dotted with water pumps and wells to extract contaminated groundwater.

Insurers Will Pay \$93 Million for Stringfellow Site Cleanup

[Waste, from Page B1] for the wrongdoings of 200 major corporations and the bad judgment of state bureaucrats," said Penny Newman, executive director of the Center for Community Action and Environmental Justice, who has fought for cleanup of the site for a quarter-century. "Anybody who has had to struggle with their insurance company to get paid... understands what a big step forward this is."

Located in the blue-collar community of Glen Avon in Riverside County, Stringfellow was a rock quarry owned by the Stringfellow family. The quarry was turned into an industrial waste site that accepted 35 million gallons of bulk liquid hazardous wastes from hundreds of military, aerospace and other heavy-industry companies between 1956 and 1972.

When it was abandoned by its former owner, the state took over the site and purchased numerous insurance policies to cover the potential liability.

Newman was a young mother of two and special-education teacher at a local elementary school in 1978 when she and other teachers were told that holding ponds at the nearby Stringfellow dump site had overflowed into the neighborhood after heavy rains. The teachers defied an order not to tell parents, who were already familiar with the acrid stench that emanated from the open, unlined pits.

It was "a real toxic soup of chemicals," including DDT, chromium, TCE solvents, and



AT LAST: Penny Newman, who has fought for cleanup of the site for a quarter-century, called the settlement "a big step forward."

others, leached from the 20-acre site into the air, ground and drinking water, said Newman.

Ultimately 3,800 residents were paid \$114 million in wrongful-death, property depreciation and injury damages. Newman said she and her children were among those who suffered a variety of neurological diseases, asthma and other problems stemming from exposure to the chemicals, and she received part of the settlement.

In 1983, the state was also sued by many of the companies that had generated waste disposed at the site. Newman said the companies were eager to take advantage of federal law that allowed cleanup costs and blame to be placed on one polluter, and they won. In 1993, the

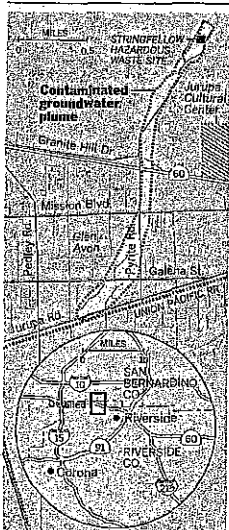
state was found liable for contamination of the acid pits because it regulated them and promoted Stringfellow as a destination for industrial and chemical waste.

"Unfortunately the state was so involved in writing the rules... how to set it up, how to operate it," said Lockyer. "And then the state not only did not design it correctly, they didn't investigate when they learned there was pollution 25 years ago, and they didn't do anything in a timely way to try to stop the spread of pollution."

Kockwell, Lockheed, Weyerhaeuser, Northrop, McDonnell Douglas Corp. and others used the site.

Exposure to potential toxins has been effectively eliminated

Waste site



Source: U.S. Environmental Protection Agency
Los Angeles Times

there. Water users no longer rely on local wells, and a cap, dam and extraction systems have been put in place. But a giant waste plume still burgesons underground.

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Tuesday
JAN 11, 2005

Study: Perchlorate not so toxic

Environmental group denounces results

By **SCOTT VANHORNE**
STAFF WRITER

A water pollutant also found in some produce and milk is not as dangerous as the U.S. Environmental Protection Agency determined in a preliminary risk assessment two years ago, a panel of scientists announced Monday.

The National Academy of Sciences concluded that daily perchlorate intake at levels 20 times higher than those posed by the EPA are safe even for sensitive populations, such as fetuses and pregnant women.

The Natural Resources Defense Council, an environmental group, denounced the panel's report and claimed the White House, Pentagon and defense industry strong-armed scientists to downplay the chemical's hazards.

Academy officials brushed off the defense council's accusations as unfounded and said the recommendations were based on the best scientific research available, including some funded by perchlorate-linked businesses.

"We looked at all the data we could get hold of and evaluated the data on its own merits, not on sources of funding," said Dr. Richard B. Johnston Jr., chairman of the 16-member National Academy of Sciences committee.

Perchlorate is a salt used in rocket fuel, fireworks, flares and other products. It has contaminated 20 wells in the Rialto-Colton groundwater basin, and a plume inching south from a former military munitions storage area threatens to pollute more.

At certain levels, the chemical can impair thyroid functioning,

which plays an important role in fetal and newborn brain development.

In 2002, EPA researchers came up with figures that put the recommended safe perchlorate level in drinking water at 1 part per billion, or ppb. One ppb is equivalent to half a teaspoon of perchlorate in an Olympic-sized swimming pool.

The academy came up with what's known as a reference dose after examining the research, but the panel did not recommend a water standard.

The panel concluded that even sensitive individuals could consume up to 0.0007 milligrams of perchlorate per kilogram of body weight with no effect. The EPA's reference dose is 0.00003 milligram per kilogram of body weight.

The two numbers differ partly because the EPA examined animal exposure studies the academy deemed unreliable, and the federal agency also applied a safety factor that was 30 times higher than what the panel used.

Even so, the EPA did not consider perchlorate exposure from sources other than water, such as milk and lettuce, and health officials will have to factor that in before developing a water standard, said Dr. Gina Solomon, a senior scientist for the defense council.

"Depending on what they assume, they are going to come up with some very different numbers," she said.

The academy report could prompt the California Department of Environmental Health Hazard Assessment to lower the state's 6 ppb public health goal for perchlorate, but it will likely cause federal regulators to inch their recommended level higher, Solomon said.

Allan Hirsch, spokesman for Environmental Health Hazard Assessment, said the public health goal may need some fine-tuning after the academy recommendations are considered.

"It's too early to say whether we would change it or whether it would be up or down," he said.

The public health goal is not an enforceable drinking water standard, but it is a step toward state regulation.

Water providers are encouraged not to serve water that exceeds the goal. Locally, water providers have refused to serve water with even detectable amounts of perchlorate.

Besides the reference dose, the academy also concluded that perchlorate exposure is unlikely to cause thyroid tumors.

The panel also advised pregnant women exposed to the chemical to take iodine pills because perchlorate impairs the thyroid's ability to uptake the element.

Solomon scoffed at that suggestion.

"That's like putting a pregnant woman in a room full of smokers and asking her to wear a gas mask," she said.

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Storms help water supply

By **DON THOMPSON**
ASSOCIATED PRESS

SACRAMENTO — The recent storms that swamped Southern California, causing fatal mudslides, stranding motorists and causing general havoc, in fact bode well for this summer's water supply, new snowpack figures showed Tuesday.

Some portions of the southern Sierra Nevada range had nearly double the typical snowfall for this time of year.

The snowpack dwindled a bit farther north, but still was nearly half-again above average as water watchers conducted the season's second snow survey.

"The Southern California mountains are doing a lot better than they have in six or seven years," said Don Strickland, a spokesman for the state Department of Water Resources.

"All of this water we had, which caused flooding in Southern California, helped fill a lot of reservoirs."

Most of California's winter rain runs off into the ocean. Where it falls as snow, it accumulates into a vast virtual reservoir that slowly feeds rivers and groundwater as it melts each spring.

California gets more than a third of its drinking and irrigation water from Sierra snow,



ASSOCIATED PRESS

Hydrologist Frank Gehrke, right, carries a snow depth measuring pole as he skis across an open field during the Department of Water Resources snow survey held near Echo Summit on Tuesday.

while snow-fed hydroelectric plants produce about a quarter of the state's power.

"We really rely on that snowpack," Strickland said. "All things considered, it's shaping up to be pretty good right now."

Across the Sierra, the snowpack was 143 percent of average. About 90 percent of all the snow that would usually be on the ground on April 1 already had fallen, the department's automated and manual snow measurements found.

Researchers who conducted snow surveys at four locations southwest of Lake Tahoe on Monday and Tuesday found deep snow throughout the region. Snow measurements there ranged from 142 percent of average to 163 percent of a typical snowpack for this time of year.

But it was a sunny day with no new storms in the forecast. "Of course they want some new storms to come in," Strickland said. "It's just a little too early in the year to get overconfident."

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LA TIMES 1/11/05

Scientific Panel, EPA Disagree on Perchlorate

Report says the chemical is a health risk, but at higher levels of intake.

By MARLA CONE AND LISA GETTER
Times Staff Writers

In a long-awaited report, a national panel of scientists wrote Monday that perchlorate, an ingredient of solid rocket fuel that has contaminated drinking water and food throughout the country, poses a public health risk at low doses but not at amounts as low as the U.S. Environmental Protection Agency had calculated.

The chemical, used primarily by the military, NASA and their contractors, has seeped into hundreds of wells in Southern California and contaminated Colorado River water used for drinking and for irrigating crops in the region.

The scientific controversy over what level of the chemical is safe for human consumption pits the Pentagon against environmentalists and drew the attention of top-level White House officials. Environmental groups Monday accused the White House and Pentagon of influencing the panel's findings.

The National Research Council panel, led by Richard B. Johnston Jr. of the University of Colorado's School of Medicine in Denver, concluded that perchlo-

[See Perchlorate, Page B9]

Report Disagrees With EPA on Chemical's Risk

[Perchlorate, from Page B1] rate posed a health threat because it can interfere with the human thyroid gland, which controls how the brain develops in infancy.

The scientists said their recommendation of a safe daily dose "would protect the health of even the most sensitive populations": babies born to women with a thyroid problem or iodide deficiency.

The panel did not suggest a specific limit for drinking water, but it did recommend an amount, called a reference dose, that would cause no human health effects if consumed daily in water and food. The number is meant to be used by the EPA and state health departments to calculate a standard for the amount allowable in drinking water.

The maximum daily dose of perchlorate recommended by the scientists is about 23 times higher than recently proposed by the EPA. The panel recommended 0.0007 milligrams per kilogram of body weight per day compared with EPA's 0.00003.

It remains uncertain how stringent a standard would result from the panel's recommendation. Several toxicologists said Monday they anticipated it would probably be in the range of 2 to 6 parts per billion. That is more than the 1 part per billion that environmentalists advocate but far less than the 200 parts per billion that industry groups have suggested.

In comparison, California has set a public health goal — not yet an enforceable limit — of 6 parts per billion. Allan Hirsch of the state Office of Environmental Health Hazard Assessment said that the scientists' report generally supports the state's recommendation, although "some fine-tuning" may result.

The number that EPA uti-

mately uses will determine which water supplies are safe and how large cleanups by the military and aerospace companies will have to be. Those cleanups could cost billions of dollars. More than 11 million people in the United States drink water with perchlorate levels of 4 parts per billion or higher. Thirty-five states are affected.

Environmentalists' reaction to the report varied. The Environmental Working Group, which specializes in exploring the health effects of contaminants, supported the findings.

"It is evident that there has been a lot of political pressure, so we are pleased that, in this climate, the National Academy of Sciences has come out with this recommendation," said Bill Walker of the Environmental Working Group.

But the Natural Resources Defense Council said the panel's findings will "threaten the health of millions of American children." The group said the report "was likely shaped by a covert campaign by the White House, Pentagon and defense contractors to twist the science and strong-arm the academy."

The EPA, the Pentagon and NASA had requested a report to clear up questions about the results of various academic and industry tests on humans and lab animals.

The Natural Resources Defense Council, which filed a lawsuit to obtain records from the White House, Defense Department and EPA, contends that the administration waged a "behind-the-scenes campaign" to limit the scope of the study and help select panel members favorable to industry.

The group cited a string of e-mails from the White House and Defense Department that discussed such topics as what the

scientists should look at and who should be on the panel. The administration refused to disclose the messages but instead described them to the environmental group. The e-mails also suggest that Defense Department contractors and chemical companies — including Lockheed Martin and Kerr-McGee — weighed in on the perchlorate discussion and met with White House officials.

Bob Hopkins, a spokesman for the White House Office of Science and Technology Policy, said the participation of senior White House political officials is "standard procedure" when multiple federal agencies request a study from the National Research Council. Defense Department officials declined to comment.

Perchlorate has leaked from chemical factories and aerospace plants into aquifers in at least 10 California counties, including Riverside, San Bernardino, Orange, Los Angeles and San Diego. Los Angeles County alone has 138 wells with traces of perchlorate, according to a report by the Environment California Research and Policy Center.

The chemical also has been detected in lettuce and milk, apparently from contaminated irrigation water.

The scientists dismissed animal tests that the EPA used in its assessment, calling them flawed. They also said there was no cancer risk. Instead, they based their recommended dose on thyroid tests on 37 healthy adults given various doses of perchlorate, which was used in the past to treat hyperthyroidism.

They said, however, that large-scale clinical tests on humans or monkeys should be initiated "to provide a more complete understanding of the array of effects of perchlorate."

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Development fee to cover habitat restoration

\$10.6M in funding will stem from mitigation charges imposed by Chino

By MASON STOCKSTILL
STAFF WRITER

CHINO — Development is coming to hundreds of acres used as wildlife habitat, but city officials are hoping it won't spell the animals' end.

With money collected from developers building in the preserve, a master-planned community being constructed in south Chino, several habitat improvements will be undertaken to give those animals somewhere else to go.

Among the steps to be taken is the establishment of a 300-acre conservation area and the enhancement of riparian habitat along Cucamonga Creek.

The funding for these projects will come from a mitigation fee imposed on the project by the

city — more than \$5,000 per acre of developable land, which comes to \$10.6 million.

That money will allow land to be set aside for habitat preservation, and for its upkeep, said Chuck Coe, Chino's director of community development.

"One of the mitigation measures looks to the city to partner with a conservancy for the development and long-term management of the habitat conservation areas," Coe said.

The city hasn't yet begun the process of finding a conservancy or other environmental group to steward the land, Coe said.

But several parcels are already being developed by Lewis Operating Corp., including a 322-acre segment near Chino Hills State Park.

The city plans to give that land to the state so it can be managed as an addition to the state park.

Coe said that has been held up by a moratorium set by the state on accepting donated land because of concerns about the cost of managing it.

"It has been acquired, and we're still in the process of conveying title of that to the state," he said.

The conservation areas are being set aside as replacement habitat for raptors such as the golden eagle and other animals, including the burrowing owl, which typically lives in burrows made by squirrels and other mammals.

Though the burrowing owl is not listed as an endangered species, its habitat is dwindling, according to the California Department of Fish and Game.

This is largely because the areas where it thrives are also areas that are ideal for develop-

ment — open, flat and gently rolling grasslands.

"Because of the intense pressure for urban development within suitable burrowing owl nesting and foraging habitat ... in California, conflicts between owls and development projects often occur," according to a Fish and Game report.

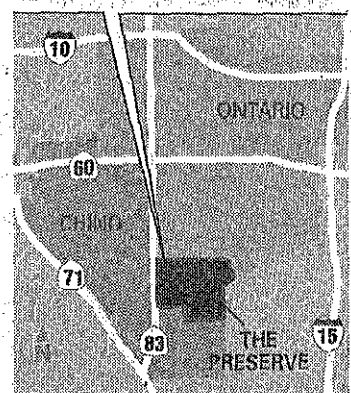
Protecting the owl by building alternate burrows — called "passive relocation," as opposed to trapping and moving them — is one of the mitigation measures outlined in the Preserve's planning documents.

The City Council approved the fee for the planned 7,000-home project at its Dec. 21 meeting.

Mason Stockstill can be reached by e-mail at mason.stockstill@dailybulletin.com, or by phone at (909) 483-4643.

Preserve mitigations planned

The city of Chino plans to collect fees from developers working on the Preserve, a large master-planned community, in order to pay for programs that will offset the loss of wildlife habitat in the area.



RICHARD HASELRIG • STAFF ARTIST

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