



CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

Thursday, November 16, 2006

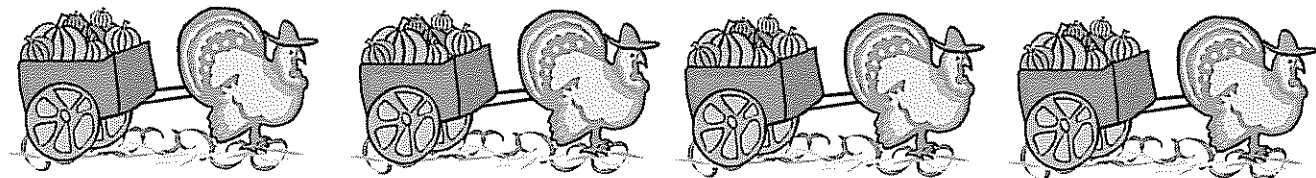
9:00 a.m. – Advisory Committee Meeting
11:00 a.m. – Watermaster Board Meeting

(Lunch will be served)

AT THE CHINO BASIN WATERMASTER OFFICES

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





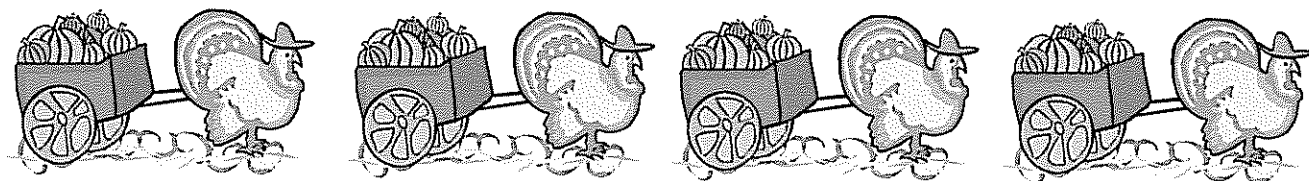
CHINO BASIN WATERMASTER

Thursday, November 16, 2006

9:00 a.m. – Advisory Committee Meeting
11:00 a.m. – Watermaster Board Meeting

(Lunch will be served)

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

9:00 a.m. – November 16, 2006

At The Offices Of

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

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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

A. MINUTES

1. Minutes of the Advisory Committee Meeting held on September 28, 2006 *(Page 1)*
2. Minutes of the Advisory Committee Meeting held on October 26, 2006 *(Page 7)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2006 *(Page 27)*
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through September 30, 2006 *(Page 31)*
3. Treasurer's Report of Financial Affairs for the Period September 1, 2006 through September 30, 2006 *(Page 33)*
4. Profit & Loss Budget vs. Actual July 2006 through September 2006 *(Page 35)*

II. BUSINESS ITEMS

A. NEW YIELD ALLOWANCES FOR FY 05-06 ASSESSMENT PACKAGE

Consider Approval for the New Yield Allowances for the FY 06-07 Assessment Package at 30% of Desalter Production *(Page 37)*

B. FY 06-07 ASSESSMENT PACKAGE

Consider Approval of the Fiscal Year 2006-2007 Watermaster Assessment Package *(Page 43)*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Application
2. Peace II Term Sheet
3. Waste Discharge Requirements re Santa Ana River

B. WATERMASTER ENGINEERING REPORT

1. Progress on the Western Desalter Well Field

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report
2. Legislative/Bond Update
3. Strategic Planning
4. RAND Workshop Review
5. Invitation from French Government

D. INLAND EMPIRE UTILITIES AGENCY

1. Monthly Water Conservation Programs Report *(Page 64)*
2. Monthly Imported Water Deliveries Report *(Handout)*
3. State and Federal Legislative Report *(Page 71)*
4. Community Outreach/Public Relations Report *(Handout)*
5. Water Production Summary *(Page 91)*

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Newspaper Articles *(Page 117)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

November 16, 2006	9:00 a.m.	Advisory Committee Meeting
November 16, 2006	11:00 a.m.	Watermaster Board Meeting
November 20, 2006	1:00 p.m.	AGWA Meeting @ CBWM
November 30, 2006	10:00 a.m.	MZ1 Technical Committee Meeting
December 13, 2006	1:00 p.m.	Water Quality Meeting
December 14, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
December 19, 2006	1:00 p.m.	Agricultural Pool Meeting @ IEUA
December 21, 2006	9:00 a.m.	Advisory Committee Meeting
December 21, 2006	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

11:00 a.m. – November 16, 2006

At The Offices Of

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

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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A. MINUTES

1. Minutes of the Watermaster Board Meeting held on September 28, 2006 *(Page 13)*
2. Minutes of the Watermaster Board Meeting held on October 26, 2006 *(Page 21)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2006 *(Page 27)*
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4. Profit & Loss Budget vs. Actual July 2006 through September 2006 *(Page 35)*

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A. NEW YIELD ALLOWANCES FOR FY 05-06 ASSESSMENT PACKAGE

Consider Approval for the New Yield Allowances for the FY 06-07 Assessment Package at 30% of Desalter Production *(Page 37)*

B. FY 06-07 ASSESSMENT PACKAGE

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III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Application
2. Peace II Term Sheet
3. Waste Discharge Requirements re Santa Ana River

- B. WATERMASTER ENGINEERING REPORT**
 - 1. Progress on the Western Desalter Well Field

- C. CEO/STAFF REPORT**
 - 1. Storm Water/Recharge Report
 - 2. Legislative/Bond Update
 - 3. Strategic Planning
 - 4. RAND Workshop Review
 - 5. Invitation from French Government

- IV. INFORMATION**
 - 1. Newspaper Articles (*Page 117*)

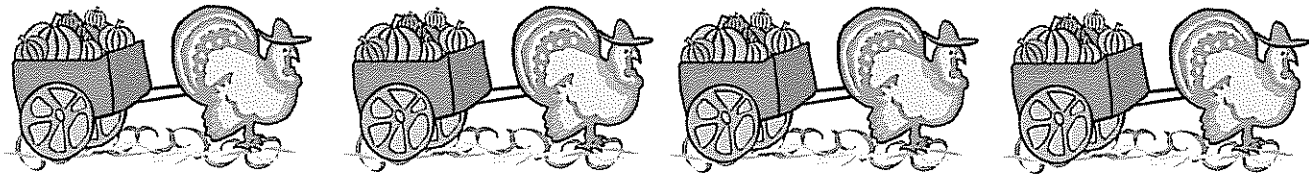
- V. BOARD MEMBER COMMENTS**

- VI. OTHER BUSINESS**

- VII. FUTURE MEETINGS**

November 16, 2006	9:00 a.m.	Advisory Committee Meeting
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November 30, 2006	10:00 a.m.	MZ1 Technical Committee Meeting
December 13, 2006	1:00 p.m.	Water Quality Meeting
December 14, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
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December 21, 2006	9:00 a.m.	Advisory Committee Meeting
December 21, 2006	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

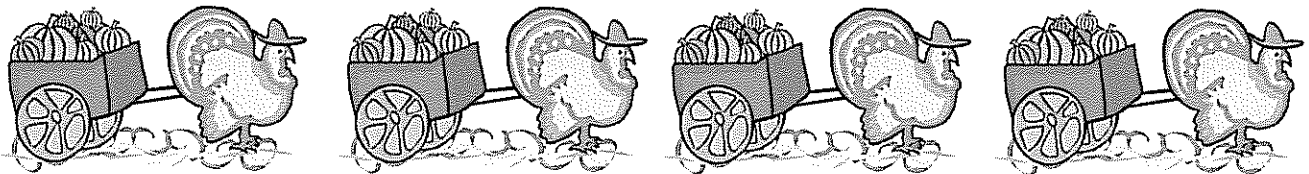


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting – September 28, 2006
2. Advisory Committee Meeting – October 26, 2006



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
September 28, 2006

The Advisory Committee meeting was held at the offices of the Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on September 28, 2006 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Agricultural Pool

Nathan deBoom, Chair	Ag Pool/Dairy
Jeff Pierson	Ag Pool/Crops

Appropriative Pool

Chris Diggs	Fontana Union Water Company
Dave Crosley	City of Chino
Mike Maestas	City of Chino Hills
Robert Tock	Monte Vista Water District
Charles Moorrees	San Antonio Water Company
Ken Jeske	City of Ontario
Jim Taylor	City of Pomona
Rosemary Hoerning	City of Upland

Non-Agricultural Pool

Justin Scott-Coe	Vulcan Materials Company (Calmat Division)
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Watermaster Board Members Present

Al Lopez	Western Municipal Water District
Sandra Rose	Monte Vista Water District

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Gordon Treweek	Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.
Andy Malone	Wildermuth Environmental Inc.

Others Present

Steven G. Lee	Ag Pool Legal Counsel
Ashok K. Dhingra	City of Pomona
Rich Atwater	Inland Empire Utilities Agency
Martha Davis	Inland Empire Utilities Agency
Rick Hansen	Three Valleys Municipal Water District
Bill Kruger	City of Chino Hills

The Advisory Committee meeting was called to order by Chair deBoom at 9:12 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Advisory Committee Meeting held on August 24, 2006

B. FINANCIAL REPORTS

1. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through June 30, 2006
2. Treasurer's Report of Financial Affairs for the Period June 1, 2006 through June 30, 2006
3. Profit & Loss Budget vs. Actual July 2005 through June 2006
4. Cash Disbursements for the month of August 2006

C. WATER TRANSACTION

1. **Consider Approval for Transaction of Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from San Antonio Water Company water in storage in the amount of 5,000 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2005/2006. Date of application: June 26, 2006

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

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

II. BUSINESS ITEMS**A. INLAND EMPIRE LANDSCAPING ALLIANCE**

Mr. Manning stated this resolution has already been approved by Inland Empire Utilities Agency, Chino Basin Water Conservation District, and other agencies within this basin. The alliance is a group effort to coordinate activities that have to do with conservation efforts. Mr. Jeske inquired into the verbiage on the resolution appointing members of the board to sit on the committee and asked for clarification on any legal formation or status of this alliance. A discussion ensued with regard to this committee's member formation. Ms. Davis noted this is not a closed committee; the more input from others the better. This is a totally voluntary and consensus driven committee. Ms. Davis stated the reason for the recommendation for the appointment from each of the parties was to ensure policy leaders were involved in the discussions. The committee decided to replace a representative from the Chino Basin Watermaster Board with Mr. Manning.

Motion by deBoom, second by Crosley, and by unanimous vote

Moved to approve Resolution 06-04 for the support of the Inland Empire Landscaping Alliance with the change from a Chino Basin Watermaster Board Member to Ken Manning, CEO as the representative on the committee, as presented

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT**

1. Storage and Recovery Negotiations

Counsel Fife stated there are a number of entities with whom we have engaged conversations over a long period of time regarding storage and recovery efforts. San Diego submitted an RFP to which we responded and in turn they accepted our proposal to engage in further discussions. A meeting did take place with San Diego staff yesterday which went very well. Castaic Lake Water Agency has contacted Watermaster staff and counsel and we will be meeting with their staff within the next few weeks. Metropolitan Water District has also expressed a desire to expand their Dry Year Yield Program. All three of these entities are now actively engaged in discussions with Watermaster. A discussion ensued with regard to storage deals and the possible formation of an ad hoc Water Policy Committee to work with staff on these negotiations.

2. Desalter Negotiations

Counsel Fife stated staff and counsel have met with Western Municipal Water District who has retained John Schatz to help them negotiate a desalter project with Watermaster. One

meeting has taken place and at that meeting Western reiterated their interest in the Chino Basin. Counsel Fife noted we have not discussed terms yet with them and are just now resuming the discussions on how to proceed.

3. Peace II Term Sheet
Counsel Fife stated there is no new information to report on this item since the last time this committee met; there are meetings scheduled with the referee to further discuss issues raised following the workshop. Mr. Sunding has contacted us stating he is finished with his revisions and staff will be reviewing his report shortly.
4. Hanson Aggregates
Counsel Fife noted nothing new to report on this item since the last meeting. The Regional Board and the Department of Fish and Game have expressed concern about the discharge of sediment from Hanson's facility and have verbally told counsel that they are going to be initiating action against Hanson Aggregate.
5. Goodrich Subpoena
Counsel Fife stated this data request issue has been discussed in great detail at several of the committee meetings. There have been recent discussions between Watermaster and Goodrich and in those discussions, we are basically in the same position we were several weeks ago, however, they have agreed to sit down and tell us in greater detail what they are looking for and what they specifically need from us. We are representing to them that we are willing to be reasonable and cooperative. A brief discussion ensued with regard to the subpoena items.

Added Items:

Counsel Fife stated the Chino Paragraph 15 motion has been continued to September 2007. As in past years, the City of Chino, Chino Basin Watermaster, and the court have agreed to move the hearing out another year. Once we receive the order it will be served on all parties.

B. WATERMASTER ENGINEERING REPORT

1. Monitoring Performed for the Annual Monitoring Program
(This presentation will only be given at the Watermaster Board Meeting)

C. WATERMASTER FINANCIAL REPORT

1. Audit
Ms. Rojo stated Watermaster has been very busy over the past few months. Watermaster had its annual audit last month and we should be expecting the final report within the next couple of months from the auditors; all went well during the auditing process.
2. Budget vs. Actual
Ms. Rojo stated there were some questions raised on the process for budget vs. actual expenditures and how people wanted to handle those on an on going forward basis. The determination by staff regarding this issue was more of a notification process when items looked like they would be going over budget, as long as the funds were still available.
3. Water Activity Report (WAR's)
Ms. Rojo stated we are waiting to hear from a few agencies regarding their water activity reports, these reports are required to tie out the production numbers which were submitted to Watermaster so that staff can start preparing the Assessment Package.
4. Assessment Package
Ms. Rojo stated that since the assessment package was reformatted, a lot of questions are coming forward that are going to need to be addressed prior to completion of this year's

Assessment Package. This ties into what Mr. Manning was speaking about regarding the formation of a Water Policy Committee to assist in issues that arise. Our reserve percentages are somewhat low; there is also the issue of reserves for replenishment water. As long as we are continuously replenishing, our costs to IEUA are in the one to two million a month to pay for water. If we don't get our money in for the current year soon we could have to look at doing some sort of special assessments. Our fiscal year begins right at July 1, and we do not get money that we budgeted to spend until we send assessments and then we usually start to receive that money in December and January. We need to look at building up our reserves to carry us through that first six month period and possibly take a look at closing the gap between the start of our fiscal year and when we send out invoices for the upcoming assessment package. The other issues with the assessment package this year are the application of storage losses which need to be written into the database program and renewed.

5. Governmental Savings Account

Ms. Rojo noted Watermaster currently has a governmental savings account which has approximately \$9,000 dollars in it and earns about \$12 dollars of interest every quarter. We have never done anything with this account and we are going to look at some options to roll this money over into another account.

D. CEO/STAFF REPORT

1. Storm Water/Recharge Report

Mr. Treweek stated we got back on our recharge schedule and received approximately 5,500 acre-feet of recharge water in August. September looks more favorable as far as recharge is concerned. We have now renovated the Lower Day Basin which was silted up and Metropolitan stated they have water to keep replenishing us in September. Orange County, which used to take a lot of water out of OC-59 has now shifted to taking most of their water out of another turnout; this is very encouraging news and greatly simplifies our operation when do not have to involve them when we share a turnout.

2. Legislative/Bond Update

Mr. Manning stated Ms. Davis is here from Inland Empire Utilities Agency and she will be giving a full legislative report during IEUA's section.

3. Water Fair

Ms. Maurizio stated there is a flyer on the back table for the Water Fair that is coming up on October 14, 2006. The Water Fair is going to be held at the Montclair Plaza. This event is being sponsored by Inland Empire Utilities Agency and all its member agencies, Chino Basin Water Conservation District, Metropolitan Water District, and Chino Basin Watermaster. The emphasis will be on conservation. There will be information on rebates, ways to save water and save money indoors, outdoors and also at businesses. There will be vendors with products and staff there helping from all the sponsored agencies to answer questions. Activities for kids have been planned which will help in getting the parents to attend. This should be a really nice event and will become an annual event. A water savings washer will be raffled off along with other prizes.

4. Strategic Planning/Pre-Strategic Planning Conference

Mr. Manning stated the organization of our upcoming Strategic Planning Conference in Indian Wells is proceeding nicely and we should have a good turn out at the conference according to conversations with people who are interested in attending. A detailed agenda will be forthcoming.

5. Treatment of Desalter Forgiveness

Mr. Manning stated that research has been done regarding this item by staff of Watermaster and a possible action needs to be taken. In October 2001, the Watermaster Board took action; the motion was in fiscal year 2001/2002 for the 2001/2002 Assessment Package,

50% of fiscal year 2000/2001 desalter production be counted as new yield for the Chino Basin. Staff believes this was a very wise decision in 2001; the same action should have been taken in the subsequent years. Watermaster has continued to take the 50% forgiveness on an annual basis. Staff is recommending for this next year that a similar resolution be adopted in October that would continue to credit a percentage of desalter production that is based on analysis by Wildermuth. This is consistent with our Rules and Regulations and this will now be done through the Watermaster process on an annual basis. This item will be placed as an action item on the October agenda.

Added Item:

Mr. Manning stated the Chino Basin Conservation District has made a verbal request regarding them considering moving the boundaries to incorporate a large portion of the Chino Basin in San Bernardino and out to the Fontana area. This request was asked by Mr. Manning to be put into writing. Some discussions have take place regarding this request between parties in this basin. This is an awareness item only that this is an activity that is being requested of Watermaster in anticipation that your agencies will also be contacted by the Conservation District. Once staff receives something in writing it will be made available to all parties. A brief discussion ensued with regard to this item.

E. INLAND EMPIRE UTILITIES AGENCY

1. Monthly Water Conservation Programs Report

Ms. Davis stated she and many others are very excited about the upcoming Water Fair, and encourage everyone to attend The Garden in Every School Program held their workshop with teachers and had a very successful meeting. Seventeen schools were in attendance and staff is anticipating that we will be getting some great applications for this program by the end of this month. Staff will be working in October to review those applications.

Ms. Davis stated Metropolitan Water District has added a couple of new rebates to their program on the landscape side; particularly for outdoor irrigation. A consultant has been retained to perform landscape audits to see how irrigation can be improved. These consultants will be meeting with various agencies to try an initiate a pilot audit program.

2. Monthly Imported Water Deliveries Report

There was no comment regarding this item.

3. State and Federal Legislative Report

Ms. Davis noted on the state side of legislation the legislature closed its two year session at the end of August. Most bills are at a standstill waiting for the governor's signature. The governor has approximately one thousand bills on his desk waiting for his signature. The bills which the water agencies are following are in that stack of bills. It is possible for those bills to become law if the governor does not take action on them. The other large topic we are waiting to hear on, as we are getting close to the election, is regarding the issues relating to the funding initiatives. Ms. Davis stated on the federal side of legislation, the legislation that would both provide some reform to the Title 16 Bureau of Reclamation Program would authorize the Regional Recycled Water Program and is stuck in the senate. Staff is working with a committee and with Senator Feinstein's staff trying to get those bills out of the committee. Ms. Davis stated that Senator Feinstein has taken a very hands on approach in wanting to move this bill through congress. Mr. Manning inquired if agencies will be able to see the mark up on the Recycled Water bill. Mr. Atwater stated when congress comes back from their lame duck session there will be ample opportunity for congress to authorize this and move it forward. Staff feels there is a very significant opportunity after that session for review.

4. Community Outreach/Public Relations Report

There was no comment regarding this item.

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

There was no comment regarding this item.

IV. INFORMATION

1. Newspaper Articles

There was no comment regarding this item.

V. COMMITTEE MEMBER COMMENTS

There was no comment regarding this item.

VI. OTHER BUSINESS

There was no comment regarding this item.

VII. FUTURE MEETINGS

September 26, 2006	9:00 a.m.	GRCC Meeting
September 28, 2006	9:00 a.m.	Advisory Committee Meeting @ IEUA
September 28, 2006	11:00 a.m.	Watermaster Board Meeting @ IEUA
September 28, 2006	12:00 p.m.	RAND / IEUA Workshop @ IEUA
October 1, 2 & 3, 2006		Strategic Planning Conference – Hyatt Grand Champions Hotel, Indian Wells

The Advisory Committee Meeting Adjourned at 10:00 a.m.

Secretary: _____

Minutes Approved: _____

Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
October 26, 2006

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on October 26, 2006 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Agricultural Pool

Nathan deBoom, Chair	Ag Pool/Dairy
Bob Feenstra	Ag Pool/Dairy
Pete Hettinga	Ag Pool

Appropriative Pool

Chris Diggs	Fontana Union Water Company
Mark Kinsey	Monte Vista Water District
J. Arnold Rodriguez	Santa Ana River Water Company
Justin Brokaw	Marygold Mutual Water Company
Charles Moorrees	San Antonio Water Company
Ken Jeske	City of Ontario
Jim Taylor	City of Pomona
Anthony La	City of Upland

Non-Agricultural Pool

Justin Scott-Coe	Vulcan Materials Company (Calmat Division)
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Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.
Andy Malone	Wildermuth Environmental Inc.

Others Present

Steven G. Lee	Ag Pool Legal Counsel
Ashok K. Dhingra	City of Pomona
Terry Catlin	Inland Empire Utilities Agency
Rosemary Hoerning	City of Upland
Jennifer Novak	Department of Justice – State of California

The Advisory Committee meeting was called to order by Chair deBoom at 9:07 a.m.

AGENDA - ADDITIONS/REORDER

Mr. Manning asked if the CEO Report & Update section could be heard prior to the Watermaster Legal Counsel Report.

I. CONSENT CALENDAR**A. FINANCIAL REPORTS**

1. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through July 31, 2006
2. Treasurer's Report of Financial Affairs for the Period July 1, 2006 through July 31, 2006
3. Profit & Loss Budget vs. Actual July 2006
4. Cash Disbursements for the month of September 2006
5. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through August 31, 2006
6. Treasurer's Report of Financial Affairs for the Period August 1, 2006 through August 31, 2006
7. Profit & Loss Budget vs. Actual July 2006 through August 2006

B. GOVERNMENTAL SAVINGS ACCOUNT

1. Transfer from Bank of America Governmental Savings Account to the Bank of America Chino Basin Watermaster Governmental Checking Account

C. WATER TRANSACTION

1. **Consider Approval for Transaction of Notice of Sale or Transfer** – Santa Ana River Water Company leased and assigned Jurupa Community Services District the quantity of 2,000 acre-feet of corresponding Annual Production Right for Fiscal Year 2005-06. Date of application: August 23, 2006
2. **Consider Approval for Transaction of Notice of Sale or Transfer** – The transfer of Monte Vista Irrigation Company Fiscal Year 2006-2007 annual production rights in the Chino Basin to the Monte Vista Water District. The total quantity of water to be transferred is estimated at 1,300 acre-feet. Date of application: August 23, 2006

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

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

II. BUSINESS ITEMS**A. NEW YIELD ALLOWANCES FOR FY 05-06 ASSESSMENT PACKAGE**

1. New Yield Allowances for the FY 05-06 Assessment Package at 30% of Desalter Production
This item will be discussed as an information only item. It was asked this item be moved to CEO Reports.

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

Moved to approve moving this item to CEO Report & Update section of the agenda, as presented

C. CEO/STAFF REPORT

This item was moved from Business Items:

New Yield Allowances for the FY 05-06 Assessment Package at 30% of Desalter Production

Mr. Manning stated all three pools deferred action until next month on this item and noted this item is not being presented as an action item today. This item is regarding how we will handle the inflow from the Santa Ana River as it regards to desalter production. The recommendation from staff this year which was based upon Wildermuth analysis and a technical report is that Watermaster use a 30% desalter production credit. There is a workshop scheduled for October 27, 2006 to discuss this matter in detail. Mr. Manning stated Mr. Wildermuth will be leading the workshop. The special referee's technical assistant, Joe Scalmanini, will be in attendance for this workshop. Mr. Kinsey inquired into some of the verbiage written in the technical report and wanted to know if the Chino Desalter Authority (CDA) was recognized as a party to the judgment. Counsel Fife stated the CDA itself is not parties to the judgment, the individual members of the CDA are parties to the judgment. Mr. Kinsey inquired if the judgment required Watermaster to levy an administrative assessment on desalter production. Counsel Fife stated that it an unresolved question and is not clear at this point in time.

1. Storm Water/Recharge Report
Mr. Manning stated Mr. Treweek who normally gives this update is currently on vacation. As reported at the pool meetings it appears we are on our way to recharge 60,000 acre-feet this year. We had a very good month in September for recharge and this month we will be looking at catching any storm water.
2. Legislative/Bond Update
Mr. Manning stated there are some very good reports in the meeting packet from Inland Empire Utilities Agency on state and federal issues. The governor signed nine hundred and ten bills and he vetoed two hundred and sixty two at the last few weeks of the period of signing. Some of the noted bills that the governor did sign was 2915 (Goldberg) regarding public agencies who charge for water, sewage, and electricity. AB 371 (Goldberg) regarding recycled use for state agencies was signed. SB 1210 and 1650 which relates to eminent domain legislation was also signed. SB 1574 (Kuehl) the Blue Ribbon Committee was signed and the initiation of the Blue Ribbon Committee on Delta is starting to take shape.
3. Water Fair
Mr. Manning stated the Water Fair took place on October 14, 2006 and was very successful. It was a great function for all who attended and it was estimated there were well over a thousand attendees who came by during the four hour event. This was the first year we have put on an event like this and it appears there was enough interest to put this on each year.
4. Strategic Planning Conference Recap
Mr. Manning stated it was hoped there would be a hand out today of at least a draft matrix, however, there was not enough information given back to Watermaster from the breakout sessions to date. The exit reviews are available on the back table and from examining those it seems the conference was a success. The overall average rating came in at 9.6 out of a score from 1 to 10, 10 being best.
5. Treatment of Desalter Forgiveness
Mr. Manning stated this item that was discussed previously and there was no further comment.

Added Item:

Mr. Manning stated he had one further item to add to his report concerning the Vulcan/San Antonio Assignment. There will not be a staff report coming out on this item because the application has been withdrawn from Watermaster.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Storage and Recovery Negotiations
Counsel Fife stated as reported at the pool meetings, staff and counsel has been discussing a storage program with a few potential partners who include San Diego, Castaic Water Agency, and Metropolitan Water District. We have indicated to each of these parties that before we could go on in the negotiation process, we needed to confer with the Appropriators and get input about where they would like to see those deals go. That meeting is scheduled with the Appropriators on November 9, 2006 right after the Appropriative and Non-Agricultural Pool meeting.

2. Desalter Negotiations
Counsel Fife stated staff and counsel have been in discussions with Western Municipal Water District about a desalter deal that Western has been talking to Watermaster about for quite some time. Western would like to move as quickly as possible on this matter. There are technical questions about what would be the most feasible project for them to do. Under the Peace II Term Sheet in order for the forgiveness water to become eligible for everybody, we need to build some kind of desalter III facility in the southern portion of the basin – south of the existing desalters.
3. Peace II Term Sheet
Counsel Fife stated not much has taken place regarding the Peace II Term Sheet in the past month. Staff and counsel have been talking to the special referee about her report and to Mr. Scalmanini about his technical review of the model. Staff feels that Mr. Scalmanini is nearing the end of his analysis and we should have results fairly soon. In terms of talking with the special referee about her report following the workshop, it seems the most expeditious means of getting a report from the referee and interacting with the court would be if Watermaster counsel came to the court with a motion asking for review of the Basin Re-Operation Hydraulic Control concept. That motion is currently being worked on and will be brought through the Watermaster process. A discussion ensued with regard to going to court.
4. Hanson Aggregates
Counsel Fife stated staff had hoped to have a meeting with Hanson in order to have something new to report on, however, Hanson had asked to put the meeting off. It is currently scheduled for next week. Counsel has presented to them evidence about why we believe they are responsible for the silt contamination at the Lower Day Basin and why they should have to pay for costs associated with the contamination. Hanson has indicated they do not believe they are responsible for the contamination, although, no creditable evidence has been given to us to back up their claim. A question regarding Hanson's lease with the county was presented. Counsel Fife stated he did not have the answer on that issue.
5. Goodrich Subpoena
Counsel Fife noted there is paper work on the back table regarding this item. A few months back Goodrich served Watermaster with a subpoena and asked for every document in Watermaster's possession. Counsel had a discussion with Goodrich and finally was able to convince them that it would be much more expeditious if they would submit their request as a document request through the normal Watermaster channels and then if they would also narrow it to something specific. Goodrich has now given us a list of the type of documents they want and then a map on which they drew a circle around a specific area in which they are looking for information. In looking at the map they provided, about 75% of the information they are looking for is outside the Chino Basin and we tried to explain to them that this particular area in which they were seeking information is not something Watermaster collected. With regard to information being needed for the Fontana area, they will be advised that under our policy Watermaster does not give out this kind of information without specific written approval from the entity it would affect. Currently Mr. Wildermuth is working up a cost estimate for how much staff time it will take for Wildermuth to provide all this information. Once we have that cost estimate we will give that to Goodrich and will ask for some sort of deposit.

Added Item:

Counsel Fife noted there was a handout on the back table regarding the Santa Ana River Water Rights Applications. Counsel Fife stated the San Bernardino Valley Municipal Water District and Western Municipal Water District of Riverside County, San Bernardino Valley Water Conservation District, City of Riverside, Chino Basin Watermaster, and Orange County Water District has water right applications pending before the State Water Resources Control Board.

There are unresolved protests pending against each of the applications. Therefore, it will be necessary for the Division of Water Rights to schedule a hearing before the State Water Board to resolve the issues raised by the protests to determine the amount of water that may be available to each applicant, and to determine if water right permits should be issued. The Division intends to issue a hearing notice by the end of November.

B. WATERMASTER FINANCIAL REPORT

1. Water Activity Report (WAR)
Ms. Rojo stated Watermaster has received all the Water Activity Reports and will move forward with the Assessment Package process.
2. Assessment Package
Ms. Rojo stated now that we have received all the Water Activity Reports staff is starting to prepare the new Assessment Package. Ms. Rojo gave the 2006/2007 Assessment Package presentation regarding the assessment package. Ms. Rojo reviewed in detail the assessment analysis and debt service changes. Ms. Rojo noted the importance of attending the October 30th Assessment Package Workshop at 9:00 a.m. for a full presentation which will also allow for comments and questions. A lengthy discussion ensued with regard to the increase in assessments that are proposed for the upcoming assessment package.

E. INLAND EMPIRE UTILITIES AGENCY

1. Monthly Water Conservation Programs Report
No comment was made regarding this item.
2. Monthly Imported Water Deliveries Report
No comment was made regarding this item.
3. State and Federal Legislative Report
No comment was made regarding this item.
4. Community Outreach/Public Relations Report
No comment was made regarding this item.

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

No comment was made regarding this item.

IV. INFORMATION

1. Newspaper Articles
No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

Ms. Rojo noted due to the Thanksgiving holiday the next Advisory Committee and Watermaster Board meeting has been moved up one week to accommodate the Thanksgiving holiday as noted in the Future Meeting section of the agenda.

VII. FUTURE MEETINGS

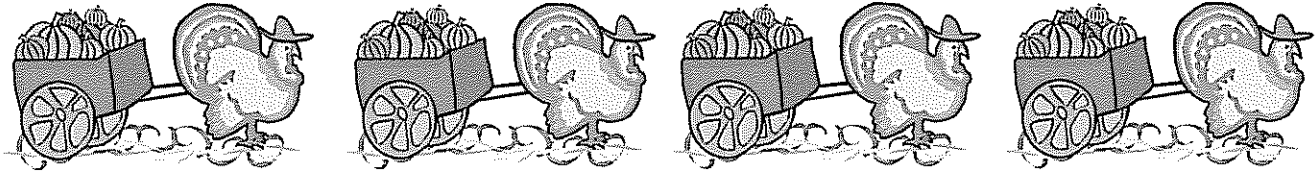
October 24, 2006	9:00 a.m.	GRCC Meeting
October 26, 2006	9:00 a.m.	Advisory Committee Meeting
October 26, 2006	11:00 a.m.	Watermaster Board Meeting
October 27, 2006	1:00 p.m.	Induced Santa Ana River Recharge from Desalters Workshop
October 30, 2006	9:00 a.m.	Assessment Package Workshop
November 9, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting

November 15, 2006	1:00 p.m.	Agricultural Pool Meeting @ IEUA
November 16, 2006	9:00 a.m.	Advisory Committee Meeting
November 16, 2006	11:00 a.m.	Watermaster Board Meeting

The Advisory Committee Meeting Adjourned at 9:50 a.m.

Secretary: _____

Minutes Approved: _____

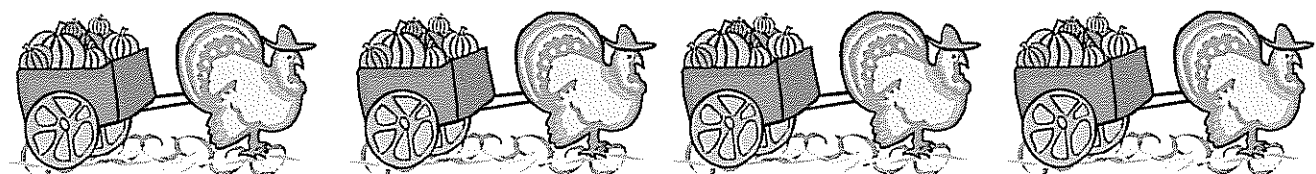


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting – September 28, 2006
2. Watermaster Board Meeting – October 26, 2006



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

September 28, 2006

The Watermaster Board Meeting was held at the offices of the Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on September 28, 2006 at 9:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	West End Consolidated Water Company
Sandra Rose	Monte Vista Water District
John Anderson	Inland Empire Utilities Agency
David DeJesus	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Paul Hofer	Agricultural Pool, Crops
Paul Hamrick	Jurupa Community Services District
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Al Lopez	Western Municipal Water District

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Gordon Treweek	Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Scott Slater	Hatch & Parent
Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.
Andy Malone	Wildermuth Environmental Inc.

Others Present

Charles Moorrees	Santa Antonio Company
Rosemary Hoerning	City of Upland
Dave Crosley	City of Chino
Justin Scott-Coe	Vulcan Materials Company
Ken Jeske	City of Ontario
Ashok K. Dhingra	City of Pomona
Jim Taylor	City of Pomona
Bill Kruger	City of Chino Hills
Jeff Pierson	Ag Pool/Crops

The Watermaster Board Meeting was called to order by Chair Willis at 11:05 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting held on August 24, 2006

The minutes were pulled for discussion:

Ms. Rose stated she wanted to make some corrections to the August 24, 2006 draft minutes prior to them being approved and noted the deletions that were to be made. The committee members agreed to the changes and stated this item would be approved in the consent calendar per the changes Ms. Rose made.

B. FINANCIAL REPORTS

1. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through June 30, 2006
2. Treasurer's Report of Financial Affairs for the Period June 1, 2006 through June 30, 2006
3. Profit & Loss Budget vs. Actual July 2005 through June 2006
4. Cash Disbursements for the month of August 2006

C. WATER TRANSACTION

1. **Consider Approval for Transaction of Notice of Sale or Transfer – Fontana Water Company has agreed to purchase from San Antonio Water Company water in storage in the amount of 5,000 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2005/2006. Date of application: June 26, 2006**

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

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

II. BUSINESS ITEMS

A. INLAND EMPIRE LANDSCAPING ALLIANCE

Mr. Manning stated this resolution has already been approved by Inland Empire Utilities Agency, Chino Basin Water Conservation District, and other agencies within this basin. The alliance is a group effort to coordinate activities that have to do with conservation efforts. This item was approved by Advisory Committees with a change to the person who will be appointed on the committee for representation by Chino Basin Watermaster, being Ken Manning. Chair Willis stated he still wants to be personally involved in this effort. It is an important committee who will be doing good things for our communities. A brief discussion ensued with regard to the make up of the committee.

Motion by Anderson, second by Lopez, and by unanimous vote

Moved to approve Resolution 06-04 for the support of the Inland Empire Landscaping Alliance with the change from a Chino Basin Watermaster Board Member to Ken Manning, CEO as the representative on the committee, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Storage and Recovery Negotiations

Counsel Slater stated what we are attempting to do by opening up storage and recovery negotiations are to carry out the provisions of the Peace Agreement which sets aside certain quantities of storage space within the basin. Over the last twelve months there has been heightened interest in this program; there are three prospective parties that are pursuing or are expressing a strong interest in developing a relationship with the Chino Basin. These entities are Metropolitan Water District, San Diego County Water Authority, and Castaic Lake Water Agency. We are in the process of gathering information and we are now at a point where we need some further input from the stakeholders. Mr. Manning stated under the CEO section of the agenda is a placeholder to discuss the possibility of forming a water policy committee comprised of various members. Counsel Slater stated

staff does feel it necessary to have advice from the Appropriate Pool to determine the negotiating strategy with regard to storage and recovery. Staff will be asking that an ad-hoc committee be established. Staff has asked the chairman of the Appropriate Pool, Mr. Robert DeLoach to lead and appoint this committee.

2. Desalter Negotiations

Counsel Slater stated this item is to start the next level of desalting despite the fact that we have a Peace II Term Sheet which is under consideration. We have a continuing obligation under existing board approvals and court directives to develop a plan to address future desalters. The term sheet proposes a methodology to satisfy our obligation and one of the things that is anticipated is an expansion of existing desalter capacity. Staff is presently on their way to follow up on earlier discussions with Western Municipal Water District and others regarding desalting opportunities. This is not intended to supersede what is in the Peace II Term Sheet, it is complimentary and we are moving it along.

3. Peace II Term Sheet

Counsel Slater stated counsel and staff have been trying to bring the Peace II Term Sheet to conclusion. Our economist's evaluation of economic methods which was being updated from the outcome of the referee's workshop has been received by Hatch & Parent by electronic delivery this morning. This does not mean his report is final; we are now in the phase of distributing the document into the Watermaster process to allow for review and comment. If all goes well through that process the report should be in front of the board shortly. Counsel has also been meeting with, via telephone and in person, with the special referee, Anne Schneider and her technical assistant, Joe Scalmanini to go over technical issues. These meetings have been very constructive, positive, and collaborative.

Counsel Slater stated there was a past City of Chino Form 7 motion and that motion has been continued to allow counsel and staff the opportunity to move through the Peace II process. Watermaster has filed their 28th Annual Report and will be serving both of those items on the parties shortly.

Mr. Vanden Heuvel stated he was thankful to hear good reports on the recent meetings with the special referee; however, until we get verification from the referee's technical assistant it seems premature to finalize the Sunding Report. Counsel Slater stated Dr. Sunding has completed his report and submitted it knowing there might be some changes as it goes through the Watermaster process.

4. Hanson Aggregates

Counsel Slater stated we are currently waiting to see what the Regional Board and the Department of Fish and Game are going to do. Both parties have expressed concern about the discharge of sediment from Hanson's facility and have verbally told counsel that they are going to be initiating action against Hanson Aggregate.

5. Goodrich Subpoena

Counsel Slater stated this data request issue has been discussed in great detail at several of the committee meetings. There have been recent discussions between Watermaster and Goodrich and following those discussions, we are basically in the same position we were several weeks ago. They have agreed to sit down and tell us in greater detail what they are looking for and what they specifically need from us. We are representing to them that we are willing to be reasonable and cooperative.

B. WATERMASTER ENGINEERING REPORT

1. Monitoring Performed for the Annual Monitoring Program

Mr. Manning noted this presentation was given to the Agricultural Pool on September 19, 2006 by Andy Malone. Mr. Malone stated the presentation which is being given today is a result of a request from the Agricultural Pool committee members last month. The

presentation will include a review of monitoring programs, describe why Chino Basin Watermaster (CBWM) and Inland Empire Utilities Agency (IEUA) are conducting these programs, describe cost sharing between CBWM and IEUA, and describe use of data, who receives the data, and in what format. Mr. Malone addressed different monitoring programs and stated the basin wide Key Well Program is a 50/50 split between CBWM and IEUA, the MZ1 Subsidence Monitoring Program is 100% cost for CBWM, the MZ3 Monitoring Program is 100% cost for CBWM, the Recycled Water Recharge Monitoring Program is 100% cost for IEUA, the Hydraulic Control Monitoring Program is a 50/50 split between CBWM and IEUA, and the Desalter Monitoring Program is a 100% cost for CBWM. Some of the data uses for the basin-wide programs are requirements of the court, some data is the result of data requests. These requests are presented to the Agricultural Pool and no data is released without the consent of individual owners. Mr. Malone reviewed several area maps and discussed them in detail. Our Annual Report is required by the Basin Plan for the determination of hydraulic control which is one of the requirements to secure "maximum benefit" water quality objectives. Mr. Malone discussed the Desalter programs and the Recycled Water Recharge Programs. A discussion ensued with regard to desalter well locations. Mr. Malone noted Lysimeter data and groundwater monitoring well data are required by the Recycled Water Recharge Permit. The MZ1 and MZ3 programs were reviewed and several maps were utilized to show the locations of the MZ1 and MZ3 areas. A discussion ensued with regard to the plumes which were depicted in some of the maps. A question regarding World War II dumping sites was presented. Chair Willis offered comment on this question and a discussion ensued. Mr. Jeske noted this is a topic of great concern and one that should be discussed in closed session and not in a public setting. Counsel Slater stated this is an item that under the Rules and Regulations could be discussed in closed session once the topic is noticed to the parties. Chair Willis stated he wanted to poll the board members if they wished this item to be discussed in a closed session. It was the decision of the Watermaster Board that this item will not be discussed further today and does not need to be noticed or placed on a future agenda at this point in time.

C. WATERMASTER FINANCIAL REPORT

1. Audit

Ms. Rojo stated Watermaster has been very busy over the past few months. Watermaster had its annual audit last month and we should be expecting the final report within the next couple of months from the auditors; all went well during the auditing process.

2. Budget vs. Actual

Ms. Rojo stated there were some questions raised on the process for budget vs. actual expenditures and how people wanted to handle those on an on going forward basis. The determination by staff regarding this issue was more of a notification process when items looked like they would be going over budget, as long as the funds were still available.

3. Water Activity Report (WAR's)

Ms. Rojo stated we are waiting to hear from a few agencies regarding their water activity reports, these reports are required to tie out the production numbers which were submitted to Watermaster so that staff can start preparing the Assessment Package.

4. Assessment Package

Ms. Rojo stated that since the assessment package was reformatted, a lot of questions are coming forward that are going to need to be addressed prior to completion of this year's Assessment Package. This ties into what Mr. Manning was speaking about regarding the formation of a Water Policy Committee to assist in issues that arise. Our reserve percentages are somewhat low; there is also the issue of reserves for replenishment water. As long as we are continuously replenishing, our costs to IEUA are in the one to two million a month to pay for water. If we don't get our money in for the current year soon we could have to look at doing some sort of special assessments. Our fiscal year begins right at July

1, and we do not get money that we budgeted to spend until we send assessments and then we usually start to receive that money in December and January. We need to look at building up our reserves to carry us through that first six month period and possibly take a look at closing the gap between the start of our fiscal year and when we send out invoices for the upcoming assessment package. The other issues with the assessment package this year are the application of storage losses which need to be written into the database program and renewed.

5. Governmental Savings Account

Ms. Rojo noted Watermaster currently has a governmental savings account which has approximately \$9,000 dollars in it and earns about \$12 dollars of interest every quarter. We have never done anything with this account and we are going to look at some options to roll this money over into another account.

D. CEO/STAFF REPORT

1. Storm Water/Recharge Report

Mr. Treweek stated we got back on our recharge schedule and received approximately 5,500 acre-feet of recharge water in August. September looks more favorable as far as recharge is concerned. We have now renovated the Lower Day Basin which was silted up and Metropolitan stated they have water to keep replenishing us in September. Orange County, which used to take a lot of water out of OC-59 has now shifted to taking most of their water out of another turnout; this is very encouraging news and greatly simplifies our operation when do not have to involve them when we share a turnout.

2. Legislative/Bond Update

Mr. Manning stated Ms. Davis is here from Inland Empire Utilities Agency and she will be giving a full legislative report during IEUA's section.

3. Water Fair

Ms. Maurizio stated there is a flyer on the back table for the Water Fair that is coming up on October 14, 2006. The Water Fair is going to be held at the Montclair Plaza. This event is being sponsored by Inland Empire Utilities Agency and all its member agencies, Chino Basin Water Conservation District, Metropolitan Water District, and Chino Basin Watermaster. The emphasis will be on conservation. There will be information on rebates, ways to save water and save money indoors, outdoors and also at businesses. There will be vendors with products and staff there helping from all the sponsored agencies to answer questions. Activities for kids have been planned which will help in getting the parents to attend. This should be a really nice event and will become an annual event. A water savings washer will be raffled off along with other prizes.

4. Strategic Planning/Pre-Strategic Planning Conference

Mr. Manning stated the organization of our upcoming Strategic Planning Conference in Indian Wells is proceeding nicely and we should have a good turn out at the conference according to conversations with people who are interested in attending. A detailed agenda will be forthcoming.

5. Treatment of Desalter Forgiveness

Mr. Manning stated that research has been done regarding this item by staff of Watermaster and a possible action needs to be taken. In October 2001, the Watermaster Board took action; the motion was in fiscal year 2001/2002 for the 2001/2002 Assessment Package, 50% of fiscal year 2000/2001 desalter production be counted as new yield for the Chino Basin. Staff believes this was a very wise decision in 2001; the same action should have been taken in the subsequent years. Watermaster has continued to take the 50% forgiveness on an annual basis. Staff is recommending for this next year that a similar resolution be adopted in October that would continue to credit a percentage of desalter production that is based on analysis by Wildermuth. This is consistent with our Rules and

Regulations and this will now be done through the Watermaster process on an annual basis. This item will be placed as an action item on the October agenda. This is consistent with our Rules and Regulations and this will now be done through the Watermaster process on an annual basis. This item will be placed as an action item on the October agenda. Mr. Vanden Heuvel stated he believes we have a significant problem and are caught in a timing issue. The Peace II Term Sheet that is being that is being evaluated right now by the referee addresses the whole issue of forgiveness of replenishment whereby the replenishment will be forgiven if certain criteria are met. The half forgiveness that has taken place to this point was based on a verbal presentation made in 2001. When the Hydraulic Control plan that was embedded in the original Peace II Term Sheet was day lighted, Mr. Vanden Heuvel was working under the assumption that the Chino Basin already had Hydraulic Control because half of the replenishment was being forgiven. We progressed and learned more about this basin. Mr. Vanden Heuvel stated he objects right now that staff has the basis to come forward with a policy that half forgiveness on the desalter is sound policy whether or not Peace II is adopted. Mr. Vanden Heuvel stated he does not think staff has the technical data/record to support that recommendation. Mr. Vanden Heuvel inquired as to what to do about the other half and noted staff has been drawing down the desalter storage account on that amount and that we should be out of stored water by this assessment package. Peace II does have a section to deal with this but Peace II has not yet been adopted or ordered by the court. A lengthy discussion ensued as to the comments made by Mr. Vanden Heuvel. Mr. Lopez inquired if there is any paperwork to substantiate what Mr. Vanden Heuvel was talking about. Mr. Manning stated there was no corresponding paperwork in the agenda packet because this item was in the CEO Reports and Update section for information only and a full written report will be included in the October package when this item will be presented for further consideration. Counsel Slater stated in reviewing past minutes and documentation, that decision/action in 2001 was only for one year. To the extent there was earlier action, the only legal basis for Watermaster to address the assessments related to the desalters is by determining there is new yield. There had to be a technical basis for Watermaster to make a determination that under existing law. Counsel Slater stated that Mr. Manning has pointed out that the information associated with the earlier decision and in reviewing past minutes and documentation, that decision/action in 2001 was only for one year. A discussion ensued with regard to this item being taken care of prior to the assessment package. Chair Willis asked that Mr. Vanden Heuvel's questions be bulleted and handed out at the next meeting for all to see and comment on.

6. Establish a Water Policy Committee

Mr. Manning stated Watermaster is looking to have input by appropriators and others regarding decisions that are being made regarding upcoming storage and recovery agreements. Staff is looking to possibly form an ad-hoc committee of some sort to review agreements and give direction. Mr. Vanden Heuvel offered comment regarding ad-hoc committees and stated he personally did not want another committee set up which acts independently of the board. A discussion ensued with regard to forming this committee. It was noted this committee will only be discussing storage and recovery items and that the Board chairman, Mr. Willis, will be working with the appropriate pool on the formation of this committee. It was noted that Mr. DeLoach will be the head of the Storage and Recovery Ad-Hoc Committee.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

September 26, 2006	9:00 a.m.	GRCC Meeting
September 28, 2006	9:00 a.m.	Advisory Committee Meeting @ IEUA
September 28, 2006	11:00 a.m.	Watermaster Board Meeting @ IEUA
September 28, 2006	12:00 p.m.	RAND / IEUA Workshop @ IEUA
October 1, 2 & 3, 2006		Strategic Planning Conference – Hyatt Grand Champions Hotel, Indian Wells

The Watermaster Board Meeting Adjourned at 12:45 p.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

October 26, 2006

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on October 26, 2006 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	West End Consolidated Water Company
Sandra Rose	Monte Vista Water District
John Anderson	Inland Empire Utilities Agency
Bob Kuhn	Three Valleys Municipal Water District
Justin Scott-Coe	Vulcan Materials Company
Paul Hofer	Agricultural Pool, Crops
Paul Hamrick	Jurupa Community Services District
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Al Lopez	Western Municipal Water District

Watermaster Staff Present

Sheri Rojo	CFO/Asst. General Manager
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Scott Slater	Hatch & Parent
Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.
Andy Malone	Wildermuth Environmental Inc.

Others Present

Mark Kinsey	Monte Vista Water District
Jennifer Novak	Department of Justice – State of California
Rick Hansen	Three Valleys Municipal Water District
Rosemary Hoerning	City of Upland
Jeff Pierson	Ag Pool Representative
Dave Crosley	City of Chino
David De Jesus	Three Valleys Municipal Water District
Ken Jeske	City of Ontario
Ashok K. Dhingra	City of Pomona
Jim Taylor	City of Pomona
Bill Kruger	City of Chino Hills

The Watermaster Board Meeting was called to order by Chair Willis at 11:01 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. FINANCIAL REPORTS

- 1. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through July 31, 2006
- 2. Treasurer's Report of Financial Affairs for the Period July 1, 2006 through July 31, 2006
- 3. Profit & Loss Budget vs. Actual July 2006
- 4. Cash Disbursements for the month of September 2006
- 5. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through August 31, 2006
- 6. Treasurer's Report of Financial Affairs for the Period August 1, 2006 through August 31, 2006
- 7. Profit & Loss Budget vs. Actual July 2006 through August 2006

B. GOVERNMENTAL SAVINGS ACCOUNT

- 1. Transfer from Bank of America Governmental Savings Account to the Bank of America Chino Basin Watermaster Governmental Checking Account

C. WATER TRANSACTION

- 1. **Consider Approval for Transaction of Notice of Sale or Transfer** – Santa Ana River Water Company leased and assigned Jurupa Community Services District the quantity of 2,000 acre-feet of corresponding Annual Production Right for Fiscal Year 2005-06. Date of application: August 23, 2006
- 2. **Consider Approval for Transaction of Notice of Sale or Transfer** – The transfer of Monte Vista Irrigation Company Fiscal Year 2006-2007 annual production rights in the Chino Basin to the Monte Vista Water District. The total quantity of water to be transferred is estimated at 1,300 acre-feet. Date of application: August 23, 2006

*Motion by Anderson, second by Hamrick, and by unanimous vote
Moved to approve Consent Calendar Items A through C, as presented*

II. BUSINESS ITEMS

A. NEW YIELD ALLOWANCES FOR FY 05-06 ASSESSMENT PACKAGE

- 1. New Yield Allowances for the FY 05-06 Assessment Package at 30% of Desalter Production
Ms. Rojo stated the business item listed references the new yield from the desalter production and reminded all the parties there is a workshop scheduled on this item tomorrow which will be conducted by Mr. Wildermuth at 1:00 p.m. Ms. Rojo noted all three pools deferred action until next month on this item and noted this item is not being presented as an action item today.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

- 1. Storage and Recovery Negotiations
Counsel Slater stated counsel and staff has been meeting frequently with various interested parties with regard to their interest in storage and recovery in the Chino Basin. The three parties who have expressed an interest are San Diego County Water Authority, Castaic Lake Water Agency, and the Metropolitan Water District. An MOU was approved by this board over a year ago in which we opened up discussions with Castaic about the prospect of them storing water in our basin. The last time this board met the chair indicated there would be an ad-hoc committee set up to discuss the response to these interested parties and that meeting has been scheduled immediately following the next Appropriative and Non-Agricultural Pool meeting on November 9, 2006. This meeting is available to all who want to participate; Watermaster staff and counsel are looking for direction and input on how to approach the three parties. Counsel Slater stated it is apparent by the discussions with these three parties that they would fully use all of the available storage, which was

authorized under the Programmatic Environmental Impact Report. This is also consistent with the Peace Agreement.

2. Desalter Negotiations

Counsel Slater stated under the Peace II Term Sheet there was a set of discussions/negotiations that were contemplated between Watermaster's staff and Western Municipal Water District. Those meetings have been taking place in person and by telephone in which parties are trying to come up with the "project description" as to what the Western involvement would look like. Those discussions are still in progress.

3. Peace II Term Sheet

Counsel Slater stated Watermaster has effectively completed our own stakeholder process and we are now in the phase of receiving a technical review from Joe Scalmanini who is the special technical assistant to the referee. Mr. Scalmanini has been working with the Wildermuth Environmental office to get comfortable with the model, the input, the output, and how it operates. Watermaster staff and counsel have had numerous conversations with the special referee and her assistant in an effort to firm up how we are going to proceed. The view is that we have an existing OBMP that was approved and court ordered as a part of the Peace Agreement and if we are going to move forward on Hydraulic Control and the Basin Re-Operation, we are going to have to amend the OBMP. The amendment to the OBMP will need a project description; Watermaster staff and stakeholders would then be obliged to prepare a project description, which is effectively the Peace II Term Sheet translated into physical project. That physical project would then be the basis for a proposed amendment to the OBMP. After that we would then engage in a proposed study period, a CEQA review, and a negotiation period to take what is in the Peace II Term Sheet and translate that into a formal binding agreement, subject to court approval. A lengthy discussion ensued with regard to the Peace II Term Sheet.

4. Hanson Aggregates

Counsel Slater stated there has been some discussion and investigation regarding the responsibility for the clogging of our Lower Day recharge basin. Those discussions and investigations are continuing; there is a meeting scheduled for next Tuesday with Hanson Aggregate. A brief discussion ensued with regard to this matter.

5. Goodrich Subpoena

Counsel Slater stated there is paperwork on the back table regarding this item. A few months back Goodrich served Watermaster with a subpoena and asked for every document in Watermaster's possession. Counsel had a discussion with Goodrich and finally was able to convince them that it would be much more expeditious if they would submit their request as a document request through the normal Watermaster channels and then if they would also narrow it to something specific. Goodrich has now given us a list of the type of documents they want and a map on which they drew a circle around a specific area in which they are looking for information. In looking at the map they provided, about 75% of the information they are looking for is outside the Chino Basin and we tried to explain to them that this particular area in which they were seeking information is not something Watermaster collected. With regard to information being needed for the Fontana area, they will be advised that under our policy Watermaster does not give out this kind of information without specific written approval from the entity it would affect. Currently Mr. Wildermuth is working up a cost estimate for how much staff time it will take for Wildermuth to provide all this information. Once we have that cost estimate we will give that to Goodrich and will ask for some sort of deposit.

Added Item:

Counsel Slater noted there was a handout on the back table regarding the Santa Ana River Water Rights Applications. Counsel Slater stated the San Bernardino Valley Municipal Water District and Western Municipal Water District of Riverside County, San Bernardino Valley Water Conservation District, City of Riverside, Chino Basin Watermaster, and Orange County Water District has water right applications pending before the State Water Resources Control Board. There are unresolved protests pending against each of the applications. Therefore, it will be necessary for the Division of Water Rights to schedule a hearing before the State Water Board to resolve the issues raised by the protests to determine the amount of water that may be available to each applicant, and to determine if water right permits should be issued. The Division intends to issue a hearing notice by the end of November.

B. WATERMASTER FINANCIAL REPORT1. Water Activity Report (WAR)

Ms. Rojo stated all the Water Activity Reports have been turned in and the Assessment Package is now being formulated. There is an Assessment Package Workshop scheduled for Monday, October 30, 2006 at 9:00 a.m.

2. Assessment Package

This item was discussed under the Water Activity Report.

C. CEO/STAFF REPORT1. Storm Water/Recharge Report

Ms. Rojo stated the monthly storm water recharge update is available on the back table for review. September had a lot of recharge activity.

2. Legislative/Bond Update

Ms. Rojo stated Mr. Manning went through an extensive review for all the current legislative at the Advisory Committee meeting and noted there were very informative reports in the meeting package regarding the updates.

3. Water Fair

Ms. Rojo stated the Water Fair was held October 14, 2006 and was a well attended event.

4. Strategic Planning Conference Recap

Ms. Rojo stated the Strategic Planning Conference went very well and a summary of all the different breakout sessions is being worked on presently; however, we are still meeting with some of the moderators to translate their notes. The exit interview that was handed out at the end of the conference is available on the back table; the overall rating of the conference was a 9.6 out of a possible score of 10.

5. Treatment of Desalter Forgiveness

This item will be discussed at the upcoming workshop on October 27, 2006 at 1:00 p.m.

Added Item:

Ms. Rojo stated she had one further item to add to her report concerning the Vulcan/San Antonio Assignment. There will not be a staff report coming out on this item because the application has been withdrawn from Watermaster.

IV. INFORMATION1. Newspaper Articles

No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

Chair Willis stated several parties attended a recent event which was put on by the Southern California Gas Company at the Energy Center in Downey. The entire program had to do with pervious concrete. Chair Willis stated it was extremely informative and interesting and encouraged all who could attend the upcoming Pervious Concrete event at IEUA on November 9, 2006 to do so.

VI. OTHER BUSINESS

Ms. Rojo noted due to the Thanksgiving holiday the next Advisory Committee and Watermaster Board meeting has been moved up one week to accommodate the Thanksgiving holiday as noted in the Future Meeting section of the agenda.

VII. FUTURE MEETINGS

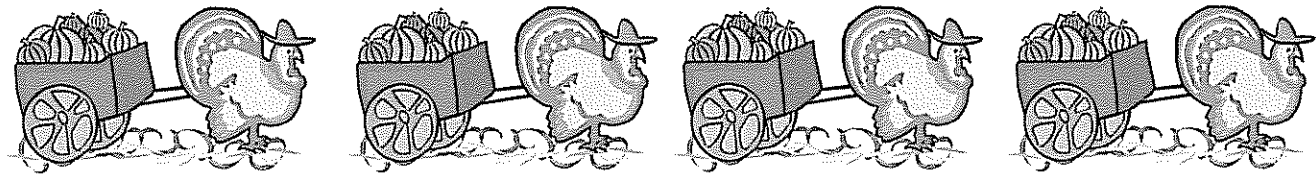
October 24, 2006	9:00 a.m.	GRCC Meeting
October 26, 2006	9:00 a.m.	Advisory Committee Meeting
October 26, 2006	11:00 a.m.	Watermaster Board Meeting
October 27, 2006	1:00 p.m.	Induced Santa Ana River Recharge from Desalters Workshop
October 30, 2006	9:00 a.m.	Assessment Package Workshop
November 9, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
November 15, 2006	1:00 p.m.	Agricultural Pool Meeting @ IEUA
November 16, 2006	9:00 a.m.	Advisory Committee Meeting
November 16, 2006	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board Meeting Adjourned at 11:35 a.m.

Secretary: _____

Minutes Approved: _____

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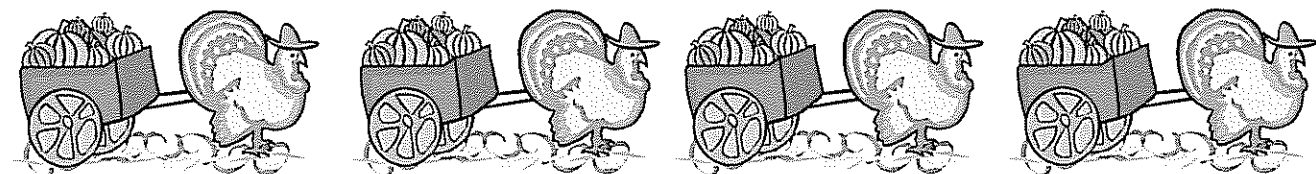


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2006
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through September 30, 2006
3. Treasurer's Report of Financial Affairs for the Period September 1, 2006 through September 30, 2006
4. Profit & Loss Budget vs. Actual July 2006 through September 2006





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: November 9, 2006
November 15, 2006
November 16, 2006

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – October 2006

SUMMARY

Issue – Record of cash disbursements for the month of October 2006.

Recommendation – Staff recommends the Cash Disbursements for October 2006 be received and filed as presented.

Fiscal Impact – All funds disbursed were included in the FY 2005-06 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 October 2006 were \$1,578,510.05. The most significant expenditures during the month were Inland Empire Utilities Agency in the amount of \$1,109,824.41, Wildermuth Environmental Inc. in the amount of \$182,823.40 and Hatch and Parent in the amount of \$73,541.75.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
October 2006

	Type	Date	Num	Name	Amount
Oct 06	Bill Pmt -Check	10/5/2006	10844	MEDIA JIM	-900.00
	Bill Pmt -Check	10/11/2006	10845	EL TORITO	-146.44
	Bill Pmt -Check	10/11/2006	10846	ANDERSON, JOHN	-125.00
	Bill Pmt -Check	10/11/2006	10847	APPLIED COMPUTER TECHNOLOGIES	-1,685.35
	Bill Pmt -Check	10/11/2006	10848	BOWCOCK, ROBERT	-125.00
	Bill Pmt -Check	10/11/2006	10849	CUCAMONGA VALLEY WATER DISTRICT	-5,340.00
	Bill Pmt -Check	10/11/2006	10850	DE BOOM, NATHAN	-750.00
	Bill Pmt -Check	10/11/2006	10851	DIRECTV	-74.98
	Bill Pmt -Check	10/11/2006	10852	DURRINGTON, GLEN	-375.00
	Bill Pmt -Check	10/11/2006	10853	FEENSTRA, BOB	-375.00
	Bill Pmt -Check	10/11/2006	10854	HAMRICK, PAUL	-125.00
	Bill Pmt -Check	10/11/2006	10855	Hettinga, Peter	-500.00
	Bill Pmt -Check	10/11/2006	10856	HOSTETLER, DAN	-125.00
	Bill Pmt -Check	10/11/2006	10857	HUITSING, JOHN	-500.00
	Bill Pmt -Check	10/11/2006	10858	INLAND COUNTIES INSURANCE SERVICES, INC.	-238.57
	Bill Pmt -Check	10/11/2006	10859	KOOPMAN, GENE	-125.00
	Bill Pmt -Check	10/11/2006	10860	MATHIS & ASSOCIATES	-1,335.00
	Bill Pmt -Check	10/11/2006	10861	MONTE VISTA WATER DIST	-500.00
	Bill Pmt -Check	10/11/2006	10862	NORDBAK'S PROMOTIONAL PRODUCTS	-41.03
	Bill Pmt -Check	10/11/2006	10863	OFFICE DEPOT	-915.93
	Bill Pmt -Check	10/11/2006	10864	PAYCHEX	-182.52
	Bill Pmt -Check	10/11/2006	10865	PIERSON, JEFFREY	-625.00
	Bill Pmt -Check	10/11/2006	10866	PURCHASE POWER	-135.33
	Bill Pmt -Check	10/11/2006	10867	R&D PEST SERVICES	-85.00
	Bill Pmt -Check	10/11/2006	10868	REID & HELLYER	-2,928.96
	Bill Pmt -Check	10/11/2006	10869	SOUTHERN CALIFORNIA WATER COMMITTEE	-850.00
	Bill Pmt -Check	10/11/2006	10870	SPRINT	-389.53
	Bill Pmt -Check	10/11/2006	10871	UNION 76	-147.08
	Bill Pmt -Check	10/11/2006	10872	VANDEN HEUVEL, GEOFFREY	-125.00
	Bill Pmt -Check	10/11/2006	10873	VELASQUEZ JANITORIAL	-1,200.00
	Bill Pmt -Check	10/11/2006	10874	VERIZON	-374.01
	Bill Pmt -Check	10/11/2006	10875	WILLIS, KENNETH	-375.00
	Bill Pmt -Check	10/11/2006	10876	YUKON DISPOSAL SERVICE	-134.72
	Bill Pmt -Check	10/12/2006	10877	ADVANCED ORNAMENTAL IRON	-2,375.00
	Bill Pmt -Check	10/12/2006	10878	ADVANCED ORNAMENTAL IRON	-2,375.00
	Bill Pmt -Check	10/13/2006	10879	PETTY CASH	-593.32
	General Journal	10/15/2006	06/10/3	PAYROLL	-6,400.63
	General Journal	10/15/2006	06/10/3	PAYROLL	-22,174.52
	Bill Pmt -Check	10/17/2006	10880	ACWA SERVICES CORPORATION	-221.50
	Bill Pmt -Check	10/17/2006	10881	BANK OF AMERICA	-2,908.67
	Bill Pmt -Check	10/17/2006	10882	BLACK & VEATCH CORPORATION	-3,612.50
	Bill Pmt -Check	10/17/2006	10883	CALPERS	-2,427.95
	Bill Pmt -Check	10/17/2006	10884	COMPUSA, INC.	-4,090.14
	Bill Pmt -Check	10/17/2006	10885	Diehl, Evans & Co, LLP	-225.00
	Bill Pmt -Check	10/17/2006	10886	ELLISON, SCHNEIDER & HARRIS, LLP	-39,361.41
	Bill Pmt -Check	10/17/2006	10887	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
	Bill Pmt -Check	10/17/2006	10888	HATCH AND PARENT	-73,541.75
	Bill Pmt -Check	10/17/2006	10889	HSBC BUSINESS SOLUTIONS	-754.69
	Bill Pmt -Check	10/17/2006	10890	IMPRESSIONS GOURMET CATERING	-309.20
	Bill Pmt -Check	10/17/2006	10891	LOS ANGELES TIMES	-42.40
	Bill Pmt -Check	10/17/2006	10892	MATHIS & ASSOCIATES	-7,463.33
	Bill Pmt -Check	10/17/2006	10893	MCI	-907.73
	Bill Pmt -Check	10/17/2006	10894	OFFICE DEPOT	-682.84
	Bill Pmt -Check	10/17/2006	10895	PRE-PAID LEGAL SERVICES, INC.	-103.60
	Bill Pmt -Check	10/17/2006	10896	RICOH BUSINESS SYSTEMS-Lease	-4,480.25
	Bill Pmt -Check	10/17/2006	10897	STANTEC CONSULTING, INC.	-4,000.00
	Bill Pmt -Check	10/17/2006	10898	STATE COMPENSATION INSURANCE FUND	-1,342.65
	Bill Pmt -Check	10/17/2006	10899	STAULA, MARY L	-136.61
	Bill Pmt -Check	10/17/2006	10900	CITISTREET	-2,632.30
	Bill Pmt -Check	10/17/2006	10901	RICOH BUSINESS SYSTEMS-Maintenance	-1,612.21
	Bill Pmt -Check	10/17/2006	10902	THE FURMAN GROUP, INC.	-2,655.00
	Bill Pmt -Check	10/17/2006	10903	UNITED PARCEL SERVICE	-510.35
	Bill Pmt -Check	10/17/2006	10904	VERIZON	-42.50
	Bill Pmt -Check	10/17/2006	10905	CITISTREET	-2,632.30
	Bill Pmt -Check	10/17/2006	10906	INLAND EMPIRE UTILITIES AGENCY	-1,109,824.41
	Bill Pmt -Check	10/17/2006	10907	INLAND EMPIRE UTILITIES AGENCY	-40.00
	Bill Pmt -Check	10/17/2006	10908	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,104.95
	Bill Pmt -Check	10/17/2006	10909	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,098.62

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
October 2006

Type	Date	Num	Name	Amount
Bill Pmt -Check	10/25/2006	10910	WILDERMUTH ENVIRONMENTAL INC	-182,823.40
Bill Pmt -Check	10/25/2006	10911	CREATIVE BENEFITS, INC.	-162.00
Bill Pmt -Check	10/25/2006	10912	GLOBAL PRESENTER.COM	-9,987.90
Bill Pmt -Check	10/25/2006	10913	HYATT GRAND CHAMPIONS RESORT AND SPA	-13,687.08
Bill Pmt -Check	10/25/2006	10914	CREATIVE BENEFITS, INC.	-400.00
Bill Pmt -Check	10/25/2006	10915	ARROWHEAD MOUNTAIN SPRING WATER	-44.39
Bill Pmt -Check	10/25/2006	10916	COLBURN INSURANCE SERVICE, INC.	-1,200.00
Bill Pmt -Check	10/25/2006	10917	CUCAMONGA VALLEY WATER DISTRICT	-5,340.00
Bill Pmt -Check	10/25/2006	10918	INLAND COUNTIES INSURANCE SERVICES, INC.	-238.57
Bill Pmt -Check	10/25/2006	10919	PITNEY BOWES CREDIT CORPORATION	-39.17
Bill Pmt -Check	10/25/2006	10920	POWERS ELECTRIC PRODUCTS CO.	-391.46
Bill Pmt -Check	10/25/2006	10921	SPRINT	-388.90
Bill Pmt -Check	10/25/2006	10922	STANDARD INSURANCE CO.	-555.18
Bill Pmt -Check	10/25/2006	10923	THREE VALLEYS MUNICIPAL WATER DIST	-15.00
Bill Pmt -Check	10/25/2006	10924	PARK PLACE COMPUTER SOLUTIONS, INC.	-4,565.00
General Journal	10/25/2006	06/10/5	PAYROLL	6,612.98
General Journal	10/25/2006	06/10/5	PAYROLL	-23,164.14
Bill Pmt -Check	10/27/2006	10925	CAFE CALATO	-102.36
Bill Pmt -Check	10/27/2006	10926	DIRECTV	-74.98
Bill Pmt -Check	10/27/2006	10927	OFFICE FURNITURE.COM	-2,822.40
Bill Pmt -Check	10/27/2006	10928	VIP AUTO DETAILING	-793.60
Bill Pmt -Check	10/27/2006	10929	WEST VALLEY ELECTRIC	-1,530.00
Bill Pmt -Check	10/27/2006	10930	YUKON DISPOSAL SERVICE	-134.72
				-1,578,510.05

Oct 06

CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006

	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 2006-2007
Administrative Revenues										
Administrative Assessments			-		-				-	\$7,308,205
Interest Revenue			59,855	4,718	2,573			24	67,170	136,500
Mutual Agency Project Revenue		-							-	138,000
Grant Income		-							-	0
Miscellaneous Income									-	0
Total Revenues	-	-	59,855	4,718	2,573	-	-	24	67,170	7,582,705
Administrative & Project Expenditures										
Watermaster Administration	231,346								231,346	601,598
Watermaster Board-Advisory Committee	10,733								10,733	52,123
Pool Administration			5,600	18,631	2,027				26,258	118,245
Optimum Basin Mgmt Administration		466,840							466,840	1,855,795
OBMP Project Costs		1,608,206							1,608,206	5,904,269
Education Funds Use									-	375
Mutual Agency Project Costs	7,871								7,871	5,000
Total Administrative/OBMP Expenses	249,950	2,075,046	5,600	18,631	2,027	-	-	-	2,351,254	8,537,405
Net Administrative/OBMP Income	(249,950)	(2,075,046)								
Allocate Net Admin Income To Pools	249,950		192,364	52,210	5,376				-	0
Allocate Net OBMP Income To Pools		2,075,046	1,596,972	433,443	44,630				-	0
Agricultural Expense Transfer			501,460	(501,460)					-	0
Total Expenses	2,296,396	2,825	52,033	-	-	-	-	-	2,351,254	8,537,405
Net Administrative Income			(2,236,541)	1,893	(49,460)			24	(2,284,084)	(954,700)
Other Income/(Expense)										
Replenishment Water Purchases						1,346,904			1,346,904	0
MZ1 Supplemental Water Assessments									-	0
Water Purchases									-	0
MZ1 Imported Water Purchase									-	0
Groundwater Replenishment						(237,207)			(237,207)	0
Net Other Income						1,109,697			1,109,697	0
Net Transfers To/(From) Reserves			(2,236,541)	1,893	(49,460)	1,109,697		24	(1,174,387)	(954,700)
Working Capital, July 1, 2006			4,439,157	470,561	186,984	1,139,615	158,251	1,942	6,396,510	
Working Capital, End Of Period			2,202,616	472,454	137,524	2,249,312	158,251	1,966	5,222,123	
05/06 Assessable Production			124,900.575	33,899.960	3,490.589				162,291.124	
05/06 Production Percentages			76.961%	20.888%	2.151%				100.000%	

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
SEPTEMBER 1 THROUGH SEPTEMBER 30, 2006**

DEPOSITORIES:

Cash on Hand - Petty Cash			\$	500
Bank of America				
Governmental Checking-Demand Deposits	\$	711,467		
Savings Deposits		9,722		
Zero Balance Account - Payroll		-		721,189
Vineyard Bank CD - Agricultural Pool				425,955
Local Agency Investment Fund - Sacramento				<u>3,510,200</u>
TOTAL CASH IN BANKS AND ON HAND			\$	4,657,844
TOTAL CASH IN BANKS AND ON HAND	9/30/2006			5,158,156
	8/31/2006			
PERIOD INCREASE (DECREASE)			\$	<u>(500,312)</u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets: Accounts Receivable			\$	420,824
Assessments Receivable				-
Prepaid Expenses, Deposits & Other Current Assets				3,051
(Decrease)/Increase in Liabilities: Accounts Payable				861,802
Accrued Payroll, Payroll Taxes & Other Current Liabilities				27,698
Transfer to/(from) Reserves				<u>(1,813,687)</u>
PERIOD INCREASE (DECREASE)			\$	<u>(500,312)</u>

SUMMARY OF FINANCIAL TRANSACTIONS:

	Petty Cash	Govt'l Checking Demand	Zero Balance Account Payroll	Savings	Vineyard Bank	Local Agency Investment Funds	Totals
Balances as of 8/31/2006	\$ 500	\$ 213,175	\$ -	\$ 9,709	\$ 424,572	\$ 4,510,200	\$ 5,158,156
Deposits	-	549,029	-	13	1,383	-	550,425
Transfers	-	910,751	89,249	-	-	(1,000,000)	-
Withdrawals/Checks	-	(961,488)	(89,249)	-	-	-	<u>(1,050,737)</u>
Balances as of 9/30/2006	\$ 500	\$ 711,467	\$ -	\$ 9,722	\$ 425,955	\$ 3,510,200	\$ 4,657,844
PERIOD INCREASE OR (DECREASE)	\$ -	\$ 498,292	\$ -	\$ 13	\$ 1,383	\$ (1,000,000)	\$ (500,312)

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
SEPTEMBER 1 THROUGH SEPTEMBER 30, 2006**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
9/18/2006	Withdrawal		\$ 1,000,000				
TOTAL INVESTMENT TRANSACTIONS			\$ 1,000,000	-			

* The earnings rate for L.A.I.F. is a daily variable rate; 4.93% was the effective yield rate at the Quarter ended September 30, 2006

**INVESTMENT STATUS
September 30, 2006**

<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	\$ 3,510,200			
TOTAL INVESTMENTS	\$ 3,510,200			

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,



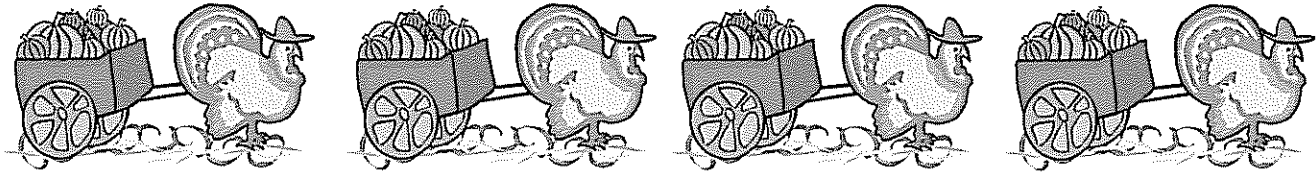
Sheri M. Rojo, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through September 2006

	<u>Jul - Sep 06</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	0	138,000	-138,000	0.0%
4110 · Admin Asmnts-Approp Pool	0	7,227,619	-7,227,619	0.0%
4120 · Admin Asmnts-Non-Agri Pool	0	80,586	-80,586	0.0%
4700 · Non Operating Revenues	67,170	136,500	-69,330	49.21%
Total Income	<u>67,170</u>	<u>7,582,705</u>	<u>-7,515,535</u>	<u>0.89%</u>
Gross Profit	67,170	7,582,705	-7,515,535	0.89%
Expense				
6010 · Salary Costs	193,299	447,037	-253,738	43.24%
6020 · Office Building Expense	20,793	102,000	-81,207	20.39%
6030 · Office Supplies & Equip.	10,836	45,000	-34,164	24.08%
6040 · Postage & Printing Costs	26,434	78,500	-52,066	33.67%
6050 · Information Services	40,645	112,500	-71,855	36.13%
6060 · Contract Services	20,128	131,000	-110,872	15.37%
6080 · Insurance	0	25,210	-25,210	0.0%
6110 · Dues and Subscriptions	1,491	16,750	-15,259	8.9%
6140 · WM Admin Expenses	937	6,500	-5,563	14.41%
6150 · Field Supplies	795	4,000	-3,205	19.88%
6170 · Travel & Transportation	5,115	19,350	-14,235	26.43%
6190 · Conferences & Seminars	8,759	22,500	-13,741	38.93%
6200 · Advisory Comm - WM Board	2,342	15,168	-12,826	15.44%
6300 · Watermaster Board Expenses	8,391	36,955	-28,564	22.71%
8300 · Appr PI-WM & Pool Admin	5,600	15,918	-10,318	35.18%
8400 · Agri Pool-WM & Pool Admin	4,570	18,633	-14,063	24.52%
8467 · Agri-Pool Legal Services	11,237	65,000	-53,763	17.29%
8470 · Ag Meeting Attend -Special	2,825	12,000	-9,175	23.54%
8500 · Non-Ag PI-WM & Pool Admin	2,027	6,694	-4,667	30.28%
6500 · Education Funds Use Expens	0	375	-375	0.0%
9500 · Allocated G&A Expenditures	-97,885	-408,749	310,864	23.95%
Subtotal G&A Expenditures	<u>268,337</u>	<u>772,341</u>	<u>-504,004</u>	<u>34.74%</u>
6900 · Optimum Basin Mgmt Plan	433,826	1,713,780	-1,279,954	25.31%
6950 · Mutual Agency Projects	7,871	5,000	2,871	157.42%
9501 · G&A Expenses Allocated-OBMP	33,014	142,015	-109,001	23.25%
Subtotal OBMP Expenses	<u>474,711</u>	<u>1,860,795</u>	<u>-1,386,084</u>	<u>25.51%</u>
7101 · Production Monitoring	27,183	61,565	-34,382	44.15%
7102 · In-line Meter Installation	4,820	64,904	-60,084	7.43%
7103 · Grdwtr Quality Monitoring	19,635	149,713	-130,078	13.12%
7104 · Gdwtr Level Monitoring	41,834	191,953	-150,119	21.79%
7105 · Sur Wtr Qual Monitoring	1,678	32,247	-30,569	5.2%
7107 · Ground Level Monitoring	13,471	160,984	-147,513	8.37%
7108 · Hydraulic Control Monitoring	68,080	483,258	-415,178	14.09%
7109 · Recharge & Well Monitoring Prog	10,986	146,350	-135,364	7.51%
7200 · PE2- Comp Recharge Pgm	673,070	1,822,997	-1,149,927	36.92%
7300 · PE3&5-Water Supply/Desalte	0	4,676	-4,676	0.0%
7400 · PE4- Mgmt Plan	38,053	578,762	-540,709	6.58%

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through September 2006

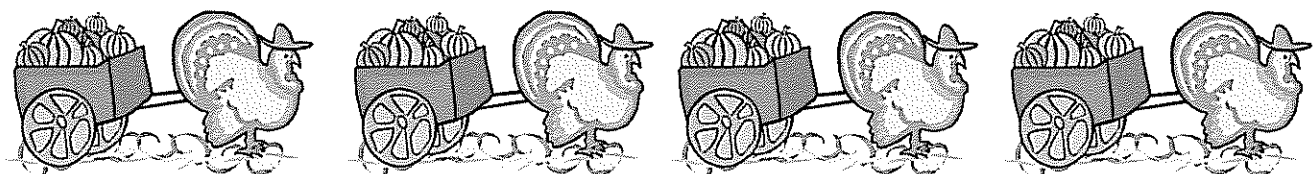
	Jul - Sep 06	Budget	\$ Over Budget	% of Budget
7500 · PE6&7-CoopEfforts/SaltMgmt	28,117	310,507	-282,390	9.06%
7600 · PE8&9-StorageMgmt/Conj Use	7,993	6,698	1,295	119.34%
7690 · Recharge Improvement Debt Pymt	608,415	1,608,000	-999,586	37.84%
7700 · Inactive Well Protection Prgm	0	14,921	-14,921	0.0%
9502 · G&A Expenses Allocated-Projects	64,871	266,734	-201,863	24.32%
Subtotal Special Project Expenses	<u>1,608,206</u>	<u>5,904,269</u>	<u>-4,296,063</u>	<u>27.24%</u>
Total Expense	<u>2,351,253</u>	<u>8,537,405</u>	<u>-6,186,152</u>	<u>27.54%</u>
Net Ordinary Income	-2,284,083	-954,700	-1,329,383	239.25%
Other Income/Expense				
Other Income				
4210 · Approp Pool-Replenishment	369,248	0	369,248	100.0%
Total Other Income	<u>369,248</u>	<u>0</u>	<u>369,248</u>	<u>100.0%</u>
Other Expense				
5010 · Groundwater Replenishment	1,346,904	0	1,346,904	100.0%
9999 · To/(From) Reserves	-3,261,739	-954,700	-2,307,039	341.65%
Total Other Expense	<u>-1,914,835</u>	<u>-954,700</u>	<u>-960,135</u>	<u>200.57%</u>
Net Other Income	<u>2,284,083</u>	<u>954,700</u>	<u>1,329,383</u>	<u>239.25%</u>
Net Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

A. NEW YIELD ALLOWANCES





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: November 9, 2006
November 15, 2006
November 16, 2006

TO: Committee Members
Watermaster Board Members

SUBJECT: New Yield Allowance for the FY 09-07 Assessment Package at 30% of Desalter Production

SUMMARY

Issue Adopt a finding for New Yield based upon "proven increases" and authorize its use in FY 06-07 assessment package?

Recommendations –

- A. Based upon a technical assessment prepared by Wildermuth Environmental and Watermaster Staff, New Yield attributable to the 05-06 Desalter production is equal to 30% of Desalter production or about 4,950 acre feet.
- B. Incorporate the identified New Yield into the assessment package and further describe the conditions in the Annual Report.
- C. Approve the proposed findings and support the Watermaster determination.

BACKGROUND

A. Legal Framework

The initial Safe Yield for the Basin was established in the Judgment at 140,000 acre feet per year ("afy"). (Judgment § 6.) Paragraph 15 of the Judgment provides that the Court retains jurisdiction to modify the Safe Yield at any time after 1988 (10 years following the entry of the Judgment). The Judgment requires that all production of groundwater in excess of a party's respective share of Operating Safe Yield is subject to a Replenishment Assessment. (Judgment § 45.)

Any subsequent change in the Safe Yield shall be debited or credited to the Appropriative Pool. (Judgment § 44.) This means that the Appropriative Pool is the beneficiary of any water that is made available by increasing the Safe Yield of the Basin by any amount greater than 140,000 afy.

In 2000 the Court ordered Watermaster to proceed in accordance with the Peace Agreement and the OBMP Implementation Plan which is an Exhibit to the Peace Agreement. Program Element 8 of the OBMP Implementation Plan requires Watermaster to evaluate the condition of the Basin, storage and loss rate determinations that may lead to a revision in Safe Yield. A ten year period between 2000/2001 and 2010/2011 will be used to examine the conditions that may suggest that the Safe Yield be changed in accordance with best available information and prevailing conditions. (OBMP Implementation Plan, Program Element 8(f).)

Watermaster also recognizes the need to continuously manage the Basin during the periods in which a more complete technical record can be created in connection with a 2010/2011 review of Safe Yield. Specifically, the Peace Agreement created a new term "New Yield" which serves as the legal basis for Watermaster to temporarily account for proven increases in yield on an interim basis and to allocate this supply to the Appropriative Pool without triggering the more formal calculation of Safe Yield.

The complete definition for New Yield is set forth in Peace Agreement Section I (aa) as follows:

"New Yield" means proven increases in yield in quantities greater than historical amounts from sources of supply including but not limited to, capture of rising water, capture of available storm flow, operation of the Desalters (including the Chino I Desalter), induced Recharge and other management activities implemented and operational after June 1, 2000."

Consequently, New Yield can be construed to encompass increases in yield in excess of conditions that existed on June 1, 2000. Conversely, to the extent that there may be cultural conditions contributing to an increased supply that occurred prior to June 1, 2000, they may qualify for consideration in a recalculation of Safe Yield but do not constitute New Yield.

Except for Stormwater, all New Yield must be first be assigned to offsetting Desalter Replenishment Obligations in the immediately following year. (Peace Agreement § 7.5(b); Rules and Regulations § 6.2(d).) This means that to the extent Watermaster makes a determination that New Yield exists as result of capturing rising water or inducing inflow from the Santa Ana River, that water must be dedicated as Desalter replenishment.

B. Timing and Methodology of Watermaster Determination

The Rules and Regulations require that as a part of Watermaster's determination of assessments and for inclusion in its annual report, Watermaster will provide a summary of whether there is a change in condition that will support a determination of New Yield. (Watermaster Rules and Regulations § 6.2(c).) Accordingly, Watermaster is providing this Staff Report and the accompanying Technical memorandum prepared under the direction of Mark Wildermuth estimating the New Yield attributable to the Desalters under present physical conditions.

C. Prior Watermaster Actions

On October 25, 2001 the Watermaster Board previously addressed the subject of New Yield in connection with its approval of the assessment package and approved a motion finding that 50% of desalter production for FY 2001-02 was New Yield. The evidentiary support for this finding was largely a technical memorandum prepared by Mark Wildermuth that was submitted to the Pools, Advisory Committee and the Board. The report referenced the benefits of securing hydraulic control in the lower Chino Basin, potential draw down and flow inducement caused by the then existing and proposed Desalters.

The 2001 investigation also included an analysis of the interaction of the Santa Ana River and it's tributaries with groundwater levels in the lower Chino Basin. Based on these investigations, Mr.

Wildermuth opined that it was reasonable to *assume* that the desalter production will capture rising water and induce recharge from the Santa Ana River by at least half of the Desalter production. It was reported at the time that these technical findings are entirely consistent with those reported in the Chino Basin Water Resources Management Study and the first TIN/TDS Study.

In the years following this initial approval, staff and consultants continued to act in accordance with the 50% of desalter production determination as if New Yield from a combination of induced recharge and interception of outflow remained applicable as an appropriate and beneficial Basin management approach. As required by § 6.2(c) of the Rules and Regulations the quantity of New Yield has been accounted for in the annual assessment package. The Advisory Committee and the Board have approved the assessment packages in each year 2001-02 and there has been no objection to the inclusion of the New Yield as a form of Desalter Replenishment.

D. Summary of Present Substantial Evidence

It is Mr. Wildermuth's opinion that 30 percent of the water produced from the Desalters under present conditions should be attributable to the Santa Ana River. Attached to this Staff Report is a letter report prepared by Mark Wildermuth that explains the basis for his technical opinion. In brief summary, Mr. Wildermuth reviewed the desalter and replenishment model scenarios that match the existing desalter configuration and historical pumping schedule as previously published in his April 2006 Report. Specifically, his review of Tables B-2-3 a-e and in particular B-2-3-e lead him to revise his earlier estimate of New Yield that is attributable to the operations of the Desalters.

In his opinion, groundwater models are customarily used to evaluate hydrologic conditions including River inflow. His model and the most recent modeling results represent the best available information to estimate actual hydrologic conditions related to evaluating inflow from the Santa Ana River and that portion of which is attributable to the Desalters.

E. Proposed Findings

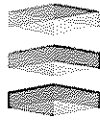
1. Wildermuth Environmental has compiled and maintained the most complete and comprehensive model of groundwater conditions within the Chino Basin.
2. Reliance upon a model to interpret present hydrologic conditions, including Santa Ana River inflow is a widely accepted, customary and prudent scientific methodology.
3. In April of 2006, Wildermuth Environmental caused an evaluation of inflow from the Santa Ana River as a result of Desalter production under conditions that closely approximate the present circumstances.
4. The results of the simulation that most closely resembles present conditions is represented in Tables B-2-3 a-e from which it can be derived that new Santa Ana River inflow occurred in 2005/06 in an amount equivalent to approximately 30 percent of Desalter production.
5. Thirty percent of 16,500 is equal to 4,950 acre-feet in Fiscal Year 2005-2006.

F. Impact of Earlier Determinations

Watermaster is empowered to levy assessments, approve assessment packages and file annual reports with the Court. Any party seeking to review earlier determinations of Watermaster is bound to seek review of a Watermaster action in accordance with the times set forth in § 31 of the Judgment. Pursuant to § 31(c) a party that wishes to object to the Watermaster determination of New Yield would be required to seek review within 90 days of the Watermaster action. Thereafter, in the event there is an erroneous reporting in the assessments the only process to seek review of a Watermaster action or modify an assessment determination is by Watermaster electing to take action in accordance with § 4.4 of the Rules and Regulations.

In this case, there has been no identified error. Since 2001/2002 Watermaster has continue to improve its understanding of hydrologic conditions in the Basin and the extent to which the operation of the Desalters are creating New Yield. Watermaster has requested a current evaluation of New Yield attributable to the operation of the Desalters so that a fresh determination can be included in the assessment package and in the annual report in accordance with §6.2(d) of the Rules and Regulations.

To the extent that the 2001/2002 determination may have overestimated the quantity of New Yield available in some the years when viewed from the presently best available information, the impact on the Basin and the parties is de minimus. Therefore, Watermaster is not recommending any further adjustments to the earlier determinations or to the prior assessment packages.



October 10, 2006

Chino Basin Watermaster
Attention: Mr. Kenneth R. Manning, Chief Executive Officer
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

Subject: Replenishment for Desalters I & II for Watermaster Production Year 2005/06

Dear Mr. Manning:

Per your direction, Wildermuth Environmental, Inc. (WEI) prepared an estimate of the new recharge from the Santa Ana River to the Chino Basin caused by pumping at the Chino I and II Desalters. This information is to be considered by the Watermaster in determining new yield, pursuant to the Peace Agreement and Watermaster's Rules and Regulations. Pursuant to the Peace Agreement, desalter induced recharge of the Santa Ana River and desalter induced decreases in groundwater discharge from the Chino Basin to the Santa Ana River are both considered new yield and are to be used to offset an equal volume of the replenishment obligation of the desalters.

Background

The Watermaster Rules and Regulations anticipate that new yield would result from a variety of conditions, including but not limited to enhanced Basin Management, increased stormwater recharge, induced Recharge from operation of the Desalters as well as other sources. (Rules and Regulations §6.2(e).) According to the Watermaster Rules and Regulations, "Pursuant to the Peace Agreement, any new yield shall first be assigned to offsetting Desalter Replenishment Obligations in the immediately following year and as reasonably required to satisfy expected future Replenishment Obligations arising from the Desalter." (Rules and Regulations § 6.2(d).) An amendment to the Peace Agreement exempted the commitment of new yield resulting from increased stormwater recharge from this requirement.

Consistent with the Peace Agreement and the Watermaster Rules and Regulations, on October 25, 2001 the Watermaster Board approved a motion allowing 50% of desalter production for FY 2001-02 on the basis the new yield would be created. The technical basis for this finding was an investigation by WEI that was submitted to the Pools, Advisory Committee and the Board. The investigation included an analysis of the interaction of the Santa Ana River and its tributaries with groundwater levels in the lower Chino Basin. Based on this investigation, WEI concluded that Watermaster should assume that the desalter production will capture rising water and induce recharge from the Santa Ana River by at least half of the Desalter production. It was reported at that time that these technical findings are entirely consistent with those reported in the Chino Basin Water Resources Management Study and the first TIN/TDS Study.

2005/06 Estimate of the Capture Rising Water and Induced Recharge from the Santa Ana River

Subsequent to the earlier estimates of the capture rising water and induced recharge from the Santa Ana River, Watermaster and the Inland Empire Utilities Agency retained WEI to develop a high resolution groundwater model of the Chino Basin. The initial use of this model was to evaluate the impacts to surface and ground water from the 100,000 acre-ft Dry Year Yield Program. A report entitled the *Chino*

Basin Dry-Year Yield Modeling Report (WEI, 2002) was prepared to document the development of this model and the use of the model for the Dry-Year Yield Program. Starting in 2004 this model has been used to evaluate the impacts to surface and ground water from various desalter and replenishment scenarios. This later work was documented in a report entitled *Analysis of Future Replenishment and Desalter Plans Pursuant to the Peace Agreement and the Peace II Process* (WEI, 2006), hereafter the April 2006 Report. Additional simulations were recently completed to optimize the location of future desalter well fields and these results will be documented in an addendum to the April 2006 report.

The April 2006 Report contains several desalter and associated replenishment scenarios one of which is similar to the historical condition through 2005/06. This scenario uses only the existing desalters and wells with the Desalter I expansion and the new Desalter II coming on line during 2005/06. This alternative is described in Section 4 and is referred to as the baseline desalter plan. Each desalter plan has three alternative replenishment plans – full, half and no replenishment. The combination of the baseline desalter plan and the no desalter replenishment plan represents fairly closely what has happened through 2005/06. For reference you should consult Section 4 of the April 2006 Report and Tables B-2-3a through e. Our professional opinion, based on our analysis of the above referenced model simulation results, is that the groundwater pumping at Desalter I and II created new yield from the capture rising groundwater and induced recharge from the Santa Ana River totaling about 30 percent of the total desalter pumping for 2005/06. Currently Watermaster staff estimates that the total groundwater pumping from Desalters I and II for 2005/06 was about 16,500 acre-ft. This means that about 4,950 acre-ft (30 percent of 16,500 acre-ft) of new yield was derived from the River and the remainder of about 11,550 acre-ft (70 percent of 16,500 acre-ft) was drawn from storage – in this case the Kaiser settlement account.

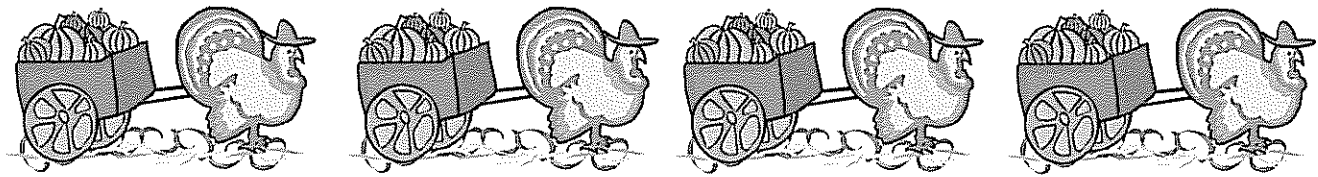
We appreciate the opportunity to serve the Watermaster and the Parties to the Judgment. Please call me if you have any questions or need additional information.

Very truly yours,

Wildermuth Environmental, Inc.



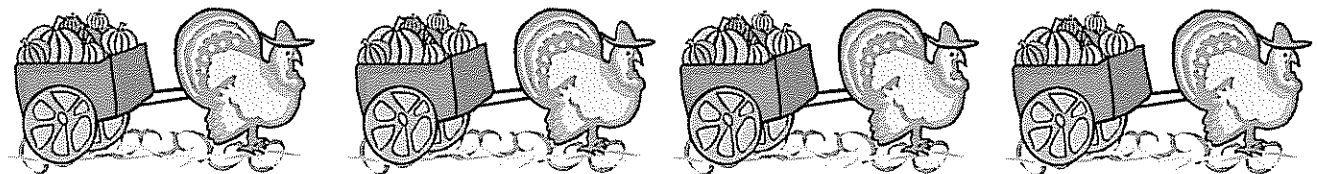
Mark J. Wildermuth, PE
President



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

B. FY 06-07 ASSESSMENT PACKAGE





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: November 9, 2006
November 15, 2006
November 16, 2006

TO: Committee Members
Watermaster Board Members

SUBJECT: FY 2006-2007 Assessment Package

SUMMARY

Issue – FY 2006-2007 Assessment Package

Recommendation – Staff recommends approval:

- Of the assessments and adoption of the resolution levying the assessments as presented.
- Of a reduction in the 2006/2007 adopted budget by \$565,000 as referenced in this report.
- To renegotiate the cost sharing agreement with Inland Empire Utilities Agency regarding the DWR grant repayment terms as referenced in this report.

BACKGROUND

The members of the Overlying Non-Agricultural Pool and the Appropriative Pool were sent a copy of their Water Activity Report that summarized their water activity for the previous year – including production, land use conversions, transfers and assignments – and each party was asked to verify the data gathered and summarized by Watermaster. The Water Activity Reports were received and discrepancies in the reports addressed and resolved.

Watermaster held an Assessment Package Workshop on October 30, 2006. The purpose of the workshop was to review the current year cash requirements pursuant to the adopted budget and the resulting impact on assessments. Discussed at the workshop was a breakdown of how assessments are calculated, which include adding administrative and OBMP budgeted costs, a small reserve balance and offsetting that number with cash on hand at the end of the previous fiscal year to determine the "funds required to be assessed". This number is divided by the previous year's production to result in a per acre-foot assessment.

Discussed at the workshop was the fact that Watermaster presents its budget for approval each March/April yet the money to fund the budget is not received until six months into the year, following approval of the assessment package. In past years, this has not been an issue as each year was under-expended according to the adopted

FY 2006-2007 ASSESSMENT PACKAGE STAFF LETTER

budget. The previous year was under-expended as well, but the amount under-expended was substantially less than in previous years, resulting in less cash on hand to sustain operations during the first few months of the fiscal year. This reduction of cash on hand has necessitated Watermaster to review the amount of operating reserves assessed annually. Previously through the assessment process, Watermaster included a reserve balance of 33% of administrative costs and 15% of OBMP costs to its annual "funds required to be assessed".

If all budgeted funds were expensed, Watermaster would need to consider alternative funding options to sustain operations during the first few months of a new fiscal year. Other options would include shortening the timeframe following the end of the fiscal year and when assessments are invoiced to the parties.

Many variables exist in determining the rate of assessment for a given year, the amount budgeted for costs, the amount of cash on hand and the amount of assessable production. For the 2006/2007 fiscal year, budgeted costs increased approximately \$750,000 for both administrative and OBMP costs, which by itself would necessitate an increase in costs. The cash on hand used to offset the rate decreased substantially. Another factor contributing to an overall increase in rates was the fact that production has actually declined over the previous fiscal year. These variables combined with staffs recommendation to increase the reserves generated large increases in all assessment categories.

Following discussions at the workshop, some options to mitigate the increases have been considered and are incorporated into the presented assessment package.

- The reserve balances for both Administrative and OBMP expenses are both set at 30%.
- Following a review of the adopted budget, costs for OBMP expenses have been reduced by \$565,000
 - Account 7108, Hydraulic Control Monitoring Program will be reduced by \$215,000. Staff recommends that the drilling, installation, surveying and monitoring of these wells be delayed until FY 2007/2008.
 - Account 7202, Recharge will be reduced by \$350,000. As part of Program Element 2, Watermaster had proposed two optional tasks (i) Develop FORTRAN Program to estimate recharge using SCADA Data and (ii) Estimate recharge and load into DataX. The parties have decided not to implement these two optional tasks at this time. In addition, the engineering tasks relating to the Vulcan Pit have been completed – staff does not anticipate further engineering activity on this task for this fiscal year. Staff further recommends postponing portions of the Recharge Master Plan until FY 2007/2008.
- The terms of the debt repayment by Watermaster to IEUA will be paid at the rate of \$750,000 for three years with the balance owed to IEUA paid in full during the fourth year.

The financial impact of these recommendations result in a per acre-foot administrative assessment of \$6.19 and an OBMP assessment of \$34.26. The amount assessed for debt service will decrease from \$1,608,000 as presented at the workshop to \$1,358,000 which will be invoiced based on each parties share of OSY.



DRAFT

ASSESSMENT PACKAGE

FY 2006-2007

**CHINO BASIN WATERMASTER
ASSESSMENT CALCULATION
FISCAL YEAR 2006-2007
RESERVES @ 30/30%**

PRODUCTION BASIS

2004-2005 Production & Exchanges in Acre-Feet
2005-2006 Production & Exchanges in Acre-Feet

ASSESSMENT TOTALS (Acre-Feet)	APPROPRIATIVE POOL		AGRICULTURAL POOL		NON-AGRICULTURAL POOL	
	Amount (Acre-Feet)	Ratios & Rates (\$/Acre-Feet)	Amount (Acre-Feet)	Ratios & Rates (\$/Acre-Feet)	Amount (Acre-Feet)	Ratios & Rates (\$/Acre-Feet)
164,588.252	127,810.967	77.655%	34,450.449	20.931%	2,326.836	1.414%
162,291.124	124,900.575	76.961%	33,899.960	20.888%	3,490.589	2.151%

BUDGET

Administration, Advisory Committee & Watermaster Board (1)
OBMP & Special Projects
Expenses funded by General Admin & OBMP Assessments

	General Administration		OBMP	General Administration		OBMP	General Administration		OBMP
	Amount	OBMP		Amount	OBMP		Amount	OBMP	
Administration, Advisory Committee & Watermaster Board (1)	\$772,341	\$594,400		\$161,329			\$16,612		
OBMP & Special Projects	5,592,064		\$4,303,698		\$1,168,091				\$120,275
Expenses funded by General Admin & OBMP Assessments	6,364,405	594,400	4,303,698	161,329	1,168,091		16,612		120,275

TOTAL BUDGET

Contributions from Outside Agencies
CASH DEMAND for FY 2006/2007

6,364,405	594,400	4,303,698	161,329	1,168,091	16,612	120,275
(138,000)		(106,206)		(28,826)		(2,968)
6,226,405	594,400	4,197,492	161,329	1,139,265	16,612	117,307

OPERATING RESERVE

Administrative 30%
OBMP 30%
Replenishment 0%

\$231,702	\$178,320		\$48,399		\$4,983	
1,677,619		\$1,291,109		\$350,427		\$36,083
0		0		0		0

Less: Funds On Hand Utilized for Assessments (2)

(1,571,249)		(1,209,246)		(328,208)		(33,795)
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FUNDS REQUIRED TO BE ASSESSED

\$6,564,477	\$772,720	\$4,279,355	\$209,728	\$1,161,484	\$21,595	\$119,595
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2006-07 Proposed Assessments

General Administration Assessments
Minimum Assessments

Per Acre-Foot	\$6.19	\$34.26	\$6.19	\$34.26	\$6.19	\$34.26
Per Producer	\$5.00				\$5.00	

Prior Year Assessments (For Information Only)

Per Acre-Foot	\$5.92	\$22.02	\$5.92	\$22.02	\$5.92	\$22.02
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(1) Total costs are allocated to Pools by actual production percentages. Does not include Recharge Debt Payment or Replenishment water purchases.
(2) Cash on Hand is June 30 fund balances less funds required for carryover replenishment obligations, SB 22 funds, Education funds, & Agricultural Pool Reserves.



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 3 Water Production Summary

DRAFT

	Percent of Safe Operating Yield	Assigned Share of Operating Safe Yield	Carryover Beginning Balance	Prior Year Adjustments	2% Carryover Storage Loss	Net Ag Pool Reallocation	Water Transaction Activity	New Yield	Annual Production Right	Actual Fiscal Year Production	Storage and Recovery Program(s)	Total Production and Exchanges	Net Over-Production		Under Production Balances		
													85/15%	100%	Total Under-Produced	Carryover: Next Year Begin Bal	To Excess Carryover Account
Arrowhead Mtn Spring Water Co	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	259.794	0.000	259.794	0.000	259.794	0.000	0.000	0.000
Chino Hills, City Of	3.85%	2,111.422	1,994.699	0.000	(39.893)	2,086.031	110.500	462.120	6,724.879	458.263	3,550.000	4,008.263	0.000	0.000	2,716.616	2,111.422	605.194
Chino, City Of	7.36%	4,033.857	4,033.857	0.000	(80.677)	7,982.063	(5,227.600)	882.839	11,624.339	3,261.913	1,500.000	4,761.913	0.000	0.000	6,862.425	4,033.857	2,828.568
Cucamonga Valley Water District	6.60%	3,619.454	3,619.454	0.000	(72.389)	2,481.622	19,740.104	792.120	30,180.364	14,458.036	0.000	14,458.036	0.000	0.000	15,722.328	3,619.454	12,102.874
Desalter Authority	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	16,541.611	0.000	16,541.611	0.000	16,541.611	0.000	0.000	0.000
Fontana Union Water Company	11.66%	6,391.736	0.000	0.000	0.000	3,325.728	(11,116.304)	1,398.840	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Fontana Water Company	0.00%	1.000	0.000	0.000	0.000	834.571	9,508.623	0.240	10,344.433	15,137.240	0.000	15,137.240	4,792.806	0.000	0.000	0.000	0.000
Golden State Water Company	0.75%	411.476	411.476	0.000	(8.229)	213.974	0.000	90.000	1,118.697	438.343	0.000	438.343	0.000	0.000	680.354	411.476	268.878
Inland Empire Utilities Agency	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.675	0.000	0.675	0.675	0.000	0.000	0.000	0.000
Jurupa Community Services District	3.76%	2,061.118	0.000	0.000	0.000	11,941.834	2,000.000	451.080	16,454.032	17,093.124	0.000	17,093.124	639.091	0.000	0.000	0.000	0.000
Los Serranos Country Club	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Marygold Mutual Water Company	1.20%	655.317	655.317	0.000	(13.106)	340.932	0.000	143.400	1,781.860	136.390	0.000	136.390	0.000	0.000	1,645.469	655.317	990.152
Metropolitan Water District	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	0.000	0.000
Monte Vista Irrigation Company	1.23%	676.759	232.195	0.000	(4.643)	352.059	(1,050.000)	148.080	354.449	0.000	0.000	0.000	0.000	0.000	354.449	354.449	0.000
Monte Vista Water District	8.80%	4,823.954	0.000	0.000	0.000	2,564.849	6,104.600	1,055.640	14,549.042	8,337.713	8,500.000	16,837.713	2,288.671	0.000	0.000	0.000	0.000
Niagara Water Company	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	762.584	0.000	762.584	0.000	762.584	0.000	0.000	0.000
Nicholson Trust	0.01%	4.000	4.000	0.000	(0.080)	1.997	(8.623)	0.840	2.134	0.000	0.000	0.000	0.000	0.000	2.134	2.134	0.000
Norco, City Of	0.37%	201.545	201.545	0.000	(4.030)	104.990	0.000	44.160	548.209	0.000	0.000	0.000	0.000	0.000	548.209	201.545	346.664
Ontario, City Of	20.74%	11,373.816	65.706	0.000	(1.314)	7,060.525	16,499.100	2,489.040	37,486.873	28,419.444	1,208.000	29,627.444	0.000	0.000	7,859.429	7,859.429	0.000
Pomona, City Of	20.45%	11,215.852	3,338.032	0.000	(66.760)	5,835.502	(2,500.000)	2,454.480	20,277.106	9,826.408	4,083.820	13,910.228	0.000	0.000	6,366.878	6,366.878	0.000
San Antonio Water Company	2.75%	1,506.888	1,506.888	0.000	(30.137)	784.001	0.000	329.760	4,097.400	1,837.317	0.000	1,837.317	0.000	0.000	2,260.083	1,506.888	753.195
San Bernardino County Shtg Prk	0.00%	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	12.640	0.000	12.640	12.640	0.000	0.000	0.000	0.000
Santa Ana River Water Company	2.37%	1,301.374	781.166	0.000	(15.623)	677.014	(2,000.000)	284.760	1,028.691	415.129	0.000	415.129	0.000	0.000	613.562	613.562	0.000
Upland, City Of	5.20%	2,852.401	2,852.401	0.000	(57.048)	1,484.124	14,549.000	624.240	22,305.118	2,201.744	3,001.000	5,202.744	0.000	0.000	17,102.374	2,852.401	14,249.973
West End Consolidated Water Company	1.73%	947.714	947.714	0.000	(18.954)	492.996	0.000	207.360	2,576.830	0.000	0.000	0.000	0.000	0.000	2,576.830	947.714	1,629.116
West Valley Water District	1.18%	644.317	644.317	0.000	(12.886)	335.226	0.000	141.000	1,751.974	0.000	0.000	0.000	0.000	0.000	1,751.974	644.317	1,107.657
	100%	54,834.000	21,288.767	0.000	(425.769)	48,900.039	46,609.400	11,999.999	183,206.430	119,599.366	21,842.820	141,442.186	7,733.883	17,564.989	67,063.114	32,180.843	34,882.271
Less Desalter Production												16,541.611					
Total Assessable Production												124,900.575					
	1A	1B	1C	1D	1E	1F	1G	1H	1I	1J	1K	1L	1M	1N	1O	1P	1Q



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 3 Storage Account Transactions

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	Storage and Recovery Program(s)				Excess Carry Over Account (ECO)						Local Supplemental Storage Account					Combined	
	Carryover Beginning Balance	2% Carryover Storage Loss	Storage Exchanges	Ending Balance	Carryover Beginning Balance	2% Carryover Storage Loss	Transfers to / from	From Local Supplemental Storage	From Under Production	Ending Balance	Carryover Beginning Balance	2% Carryover Storage Loss	Tranfers to / from	MZI 6,500 Eligible for Storage	Transfer to Excess Carryover	Ending Balance	Combined Storage Account Balance
Arrowhead Mtn Spring Water Co	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Chino Hills, City Of	0.000	0.000	0.000	0.000	784.764	(15.695)	(5,000.000)	3,665.630	605.194	39.893	8,395.070	(167.901)	0.000	59.860	(3,665.630)	4,621.399	4,661.292
Chino, City Of	0.000	0.000	0.000	0.000	6,122.281	(122.445)	0.000	0.000	2,828.568	8,828.404	3,583.108	(71.662)	0.000	114.357	0.000	3,625.803	12,454.207
Cucamonga Valley Water District	0.000	0.000	0.000	0.000	5,212.539	(104.250)	(2,500.000)	0.000	12,102.874	14,711.163	13,804.149	(276.082)	0.000	102.606	0.000	13,630.673	28,341.836
Desalter Authority	0.000	0.000	0.000	0.000	12,448.973	(248.979)	(11,579.128)	0.000	0.000	620.866	0.000	0.000	0.000	0.000	0.000	0.000	620.866
Fontana Union Water Company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2,091.803	(41.836)	0.000	181.196	0.000	2,231.164	2,231.164
Fontana Water Company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.031	0.000	0.031	0.031	0.031
Golden State Water Company	0.000	0.000	0.000	0.000	595.377	(11.907)	0.000	0.000	268.878	852.348	1,784.584	(35.691)	0.000	11.658	0.000	1,760.551	2,612.899
Inland Empire Utilities Agency	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Jurupa Community Services District	0.000	0.000	0.000	0.000	5,847.112	(116.942)	0.000	0.000	0.000	5,730.170	1,163.208	(23.264)	0.000	58.430	0.000	1,198.374	6,928.544
Los Serranos Country Club	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Marygold Mutual Water Company	0.000	0.000	0.000	0.000	2,528.587	(50.571)	0.000	0.000	990.152	3,468.168	2,266.309	(45.326)	0.000	18.575	0.000	2,239.558	5,707.726
Metropolitan Water District	29,721.492	(594.429)	21,842.820	50,969.883	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	50,969.883
Monte Vista Irrigation Company	0.000	0.000	0.000	0.000	220.810	(4.416)	0.000	0.000	0.000	216.394	7,397.170	(147.943)	0.000	19.181	0.000	7,268.408	7,484.802
Monte Vista Water District	0.000	0.000	0.000	0.000	1,300.000	(26.000)	0.000	0.000	0.000	1,274.000	6,689.557	(133.791)	0.000	136.741	0.000	6,692.506	7,966.506
Niagara Water Company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Nicholson Trust	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.623	(0.012)	0.000	0.109	0.000	0.720	0.720
Norco, City Of	0.000	0.000	0.000	0.000	387.752	(7.755)	0.000	0.000	346.664	726.661	113.876	(2.277)	0.000	5.720	0.000	117.319	843.980
Ontario, City Of	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	15,642.390	(312.847)	0.000	322.414	0.000	15,651.957	15,651.957
Pomona, City Of	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	15,168.426	(303.368)	0.000	317.937	0.000	15,182.995	15,182.995
San Antonio Water Company	0.000	0.000	0.000	0.000	11,598.448	(231.968)	(5,000.000)	0.000	753.195	7,119.675	850.358	(17.007)	0.000	42.715	0.000	876.066	7,995.741
San Bernardino County Shtg Prk	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Santa Ana River Water Company	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	559.956	(11.199)	0.000	36.886	0.000	585.643	585.643
Upland, City Of	0.000	0.000	0.000	0.000	6,512.994	(130.259)	(16,000.000)	0.000	14,249.973	4,632.708	8,440.091	(168.801)	0.000	80.860	0.000	8,352.150	12,984.858
West End Consolidated Water Company	0.000	0.000	0.000	0.000	18,071.764	(361.435)	(14,425.000)	0.000	1,629.116	4,914.445	534.723	(10.694)	0.000	26.860	0.000	550.889	5,465.334
West Valley Water District	0.000	0.000	0.000	0.000	4,448.975	(88.979)	(2,500.000)	0.000	1,107.657	2,967.653	363.599	(7.271)	0.000	18.264	0.000	374.592	3,342.245
	29,721.492	(594.429)	21,842.820	50,969.883	76,080.376	(1,521.601)	(57,004.128)	3,665.630	34,882.271	56,102.548	88,848.999	(1,776.972)	0.000	1,554.400	(3,665.630)	84,960.797	192,033.228
	2A	2B	2C	2D	2E	2F	2G	2H	2I	2J	2K	2L	2M	2N	2O	2P	2Q



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Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 3 Assessment Fee Summary

	Appropriative Pool			Ag Pool SY Reallocation			Replenishment Assessments			85/15 Water Transaction Activity			ASSESSMENTS DUE				
	AF Production	\$6.19 AF/Admin	\$34.26 AF/OBMP	AF Total Reallocation	\$209,728.00	\$1,161,484.00	\$37.65 AF/15%	\$213.35 AF/85%	\$251.00 AF/100%	15% Producer Credits	15% Pro-rated Debits	Pomona Credit	Previous Year Adj	Total Production Based	MZ1 Supp- lemental Water	Recharge Debt Payment	Total Due
					\$4.29 AF/Admin	\$23.75 AF/OBMP											
Arrowhead Mtn Spring Water Co	259.794	1,608.13	8,900.54	0.000	0.00	0.00	0.00	0.00	65,208.29	0.00	0.00	0.00	0.00	75,716.96	0.00	0.00	75,716.96
Chino Hills, City Of	4,008.263	24,811.15	137,323.08	2,086.031	8,946.80	49,547.84	10,626.63	0.00	0.00	(160,650.00)	40,718.95	2,567.35	0.00	113,891.79	0.00	52,296.58	166,188.37
Chino, City Of	4,761.913	29,476.24	163,143.14	7,982.063	34,234.37	189,591.65	12,624.69	0.00	0.00	0.00	48,375.10	4,904.69	0.00	482,349.89	0.00	99,908.06	582,257.95
Cucamonga Valley Water District	14,458.036	89,495.24	495,332.31	2,481.622	10,643.46	58,944.00	38,330.87	0.00	0.00	(81,675.00)	146,875.61	4,400.69	0.00	762,347.18	0.00	89,641.58	851,988.76
Fontana Union Water Company	0.000	5.00	0.00	3,325.728	14,263.76	78,993.40	0.00	0.00	0.00	0.00	0.00	7,771.37	0.00	101,033.53	0.00	158,302.06	259,335.59
Fontana Water Company	15,137.240	93,699.51	518,601.83	834.571	3,579.40	19,822.90	40,131.56	1,022,545.16	0.00	(63,281.71)	153,775.48	1.33	0.00	1,788,875.46	0.00	27.16	1,788,902.62
Golden State Water Company	438.343	2,713.34	15,017.61	213.974	917.72	5,082.36	1,162.13	0.00	0.00	0.00	4,453.01	500.00	0.00	29,846.17	0.00	10,185.00	40,031.17
Inland Empire Utilities Agency	0.675	5.00	23.13	0.000	0.00	0.00	1.79	144.01	0.00	0.00	6.86	0.00	0.00	180.78	0.00	0.00	180.78
Jurupa Community Services District	17,093.124	105,806.44	585,610.42	11,941.834	51,217.48	283,644.96	45,316.96	136,350.28	0.00	0.00	173,644.82	2,506.01	0.00	1,384,097.38	0.00	51,047.22	1,435,144.60
Los Serranos Country Club	0.000	5.00	0.00	0.000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00	5.00
Marygold Mutual Water Company	136.390	844.25	4,672.72	340.932	1,462.23	8,097.89	0.00	0.00	0.00	0.00	0.00	796.67	0.00	15,873.76	0.00	16,228.10	32,101.86
Metropolitan Water District	1.000	6.19	34.26	0.000	0.00	0.00	0.00	0.00	251.00	0.00	0.00	0.00	0.00	291.45	0.00	0.00	291.45
Monte Vista Irrigation Company	0.000	5.00	0.00	352.059	1,509.95	8,362.17	0.00	0.00	0.00	(37,485.00)	0.00	822.67	0.00	(26,785.21)	0.00	16,757.72	(10,027.49)
Monte Vista Water District	16,837.713	104,225.45	576,860.06	2,564.849	11,000.41	60,920.83	44,639.82	488,287.96	0.00	0.00	171,050.17	5,864.70	0.00	1,462,849.39	0.00	119,463.26	1,582,312.65
Niagara Water Company	762.584	4,720.40	26,126.13	0.000	0.00	0.00	0.00	0.00	191,408.58	0.00	0.00	0.00	0.00	222,255.11	0.00	0.00	222,255.11
Nicholson Trust	0.000	5.00	0.00	1.997	8.57	47.44	0.00	0.00	0.00	0.00	0.00	4.67	0.00	65.67	0.00	95.06	160.73
Norco, City Of	0.000	5.00	0.00	104.990	450.29	2,493.74	0.00	0.00	0.00	0.00	0.00	245.33	0.00	3,194.37	0.00	4,997.44	8,191.81
Ontario, City Of	29,627.444	183,393.88	1,015,036.21	7,060.525	30,281.98	167,703.08	78,547.71	0.00	0.00	0.00	300,977.88	13,828.07	0.00	1,789,768.80	0.00	281,676.36	2,071,445.16
Pomona, City Of	13,910.228	86,104.31	476,564.40	5,835.502	25,027.96	138,606.07	0.00	0.00	0.00	0.00	0.00	(53,030.93)	0.00	673,271.81	0.00	277,765.32	951,037.13
San Antonio Water Company	1,837.317	11,372.99	62,946.48	784.001	3,362.51	18,621.76	4,871.06	0.00	0.00	(168,750.00)	18,664.85	1,832.01	0.00	(47,078.34)	0.00	37,317.84	(9,760.50)
San Bernardino County Shtg Prk	12.640	78.24	433.06	0.000	0.00	0.00	33.51	2,696.74	0.00	0.00	128.41	0.00	0.00	3,369.98	0.00	0.00	3,369.98
Santa Ana River Water Company	415.129	2,569.65	14,222.30	677.014	2,903.65	16,080.58	1,100.58	0.00	0.00	(69,900.00)	4,217.19	1,582.01	0.00	(27,224.04)	0.00	32,225.34	5,001.30
Upland, City Of	5,202.744	32,204.98	178,246.00	1,484.124	6,365.28	35,251.24	13,793.41	0.00	0.00	(534,000.00)	52,853.39	3,468.02	0.00	(211,817.68)	0.00	70,643.16	(141,174.52)
West End Consolidated Water Company	0.000	5.00	0.00	492.996	2,114.42	11,709.75	0.00	0.00	0.00	0.00	0.00	1,152.01	0.00	14,981.18	0.00	23,466.24	38,447.42
West Valley Water District	0.000	5.00	0.00	335.226	1,437.76	7,962.36	0.00	0.00	0.00	0.00	0.00	783.34	0.00	10,188.45	0.00	15,956.50	26,144.95
	124,900.575	773,170.38	4,279,093.70	48,900.039	209,728.00	1,161,484.00	291,180.73	1,650,024.15	256,867.88	(1,115,741.71)	1,115,741.71	0.00	0.00	8,621,548.85	0.00	1,358,000.00	9,979,548.85
	3A	3B	3C	3D	3E	3F	3G	3H	3I	3J	3K	3L	3M	3N	3O	3P	3Q



Assessment Year 2006-2007 (Production Year 2005-2006)

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Watermaster Replenishment Calculation

Cost of Replenishment Water per acre foot:

MWD Replenishment Rate	\$238.00
Projected Spreading - IEUA Surcharge	\$9.00
Projected Spreading - OCWD Connection Fee	\$2.00
Projected Spreading - Watermaster Maintenance	\$2.00
Total Replenishment Cost per acre foot	\$251.00

Replenishment Obligation:	AF	@ \$251.00
Appropriative - 100	1,023.38	\$256,867.88
Appropriative - 15/85	7,733.88	\$1,941,204.63
Non-Agricultural - 100	584.19	\$146,631.69
	9,341.45	\$2,344,704.20

Company	AF Production and Exchanges	85/15 Producers	Fee Assessment
Arrowhead Mtn Spring Water	259.79		-
Chino Hills, City Of	4,008.26	4,008.26	\$10,626.63
Chino, City Of	4,761.91	4,761.91	\$12,624.69
Cucamonga Valley Water Dist	14,458.04	14,458.04	\$38,330.87
Desalter Authority	16,541.61		-
Fontana Water Company	15,137.24	15,137.24	\$40,131.56
Golden State Water Company	438.34	438.34	\$1,162.13
Inland Empire Utilities Agency	0.68	0.68	\$1.79
Jurupa Community Services D	17,093.12	17,093.12	\$45,316.96
Marygold Mutual Water Comp	136.39		-
Metropolitan Water District	1.00		-
Monte Vista Irrigation Compan	0.00	0.00	-
Monte Vista Water District	16,837.71	16,837.71	\$44,639.82
Niagara Water Company	762.58		-
Norco, City Of	0.00	0.00	-
Ontario, City Of	29,627.44	29,627.44	\$78,547.71
Pomona, City Of	13,910.23		-
San Antonio Water Company	1,837.32	1,837.32	\$4,871.06
San Bernardino County Shtg	12.64	12.64	\$33.51
Santa Ana River Water Comp	415.13	415.13	\$1,100.58
Upland, City Of	5,202.74	5,202.74	\$13,793.41
West End Consolidated Water	0.00	0.00	-
West Valley Water District	0.00	0.00	-
	141,442.19	109,830.58	** \$291,180.73

** Fee assessment total is 15% of Appropriate 15/85 replenishment obligation



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Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 3 Water Transactions

Water Transactions					
	Assigned Rights	General Transfer	Transfer from ECO Account	Recharged Recycled Water	Total Water Transactions
Arrowhead Mtn Spring Water Co	0.000	0.000	0.000	0.000	0.000
Chino Hills, City Of	0.000	(5,000.000)	5,000.000	110.500	110.500
Chino, City Of	0.000	(5,350.000)	0.000	122.400	(5,227.600)
Cucamonga Valley Water District	11,116.304	5,850.000	2,500.000	273.800	19,740.104
Desalter Authority	0.000	0.000	0.000	0.000	0.000
Fontana Union Water Company	(11,116.304)	0.000	0.000	0.000	(11,116.304)
Fontana Water Company	0.000	9,508.623	0.000	0.000	9,508.623
Golden State Water Company	0.000	0.000	0.000	0.000	0.000
Inland Empire Utilities Agency	0.000	0.000	0.000	0.000	0.000
Jurupa Community Services District	0.000	2,000.000	0.000	0.000	2,000.000
Los Serranos Country Club	0.000	0.000	0.000	0.000	0.000
Marygold Mutual Water Company	0.000	0.000	0.000	0.000	0.000
Metropolitan Water District	0.000	0.000	0.000	0.000	0.000
Monte Vista Irrigation Company	0.000	(1,050.000)	0.000	0.000	(1,050.000)
Monte Vista Water District	0.000	6,050.000	0.000	54.600	6,104.600
Niagara Water Company	0.000	0.000	0.000	0.000	0.000
Nicholson Trust	0.000	(8.623)	0.000	0.000	(8.623)
Norco, City Of	0.000	0.000	0.000	0.000	0.000
Ontario, City Of	0.000	16,000.000	0.000	499.100	16,499.100
Pomona, City Of	0.000	(2,500.000)	0.000	0.000	(2,500.000)
San Antonio Water Company	0.000	(5,000.000)	5,000.000	0.000	0.000
San Bernardino County Shtg Prk	0.000	0.000	0.000	0.000	0.000
Santa Ana River Water Company	0.000	(2,000.000)	0.000	0.000	(2,000.000)
Upland, City Of	0.000	(1,575.000)	16,000.000	124.000	14,549.000
West End Consolidated Water Company	0.000	(14,425.000)	14,425.000	0.000	0.000
West Valley Water District	0.000	(2,500.000)	2,500.000	0.000	0.000
	0.000	0.000	45,425.000	1,184.400	46,609.400
	4A	4B	4C	4D	4E



DRAFT

Chino Basin Watermaster Assessment Breakdown 2006-2007 Water Transactions

Assessment Year 2006-2007 (Production Year 2005-2006)

To:	From:	Date of Submittal	Quantity	\$ / Acre Feet	Total \$	85%	15% WM Pays	
Cucamonga Valley Water District	Chino, City Of	5/10/2006	5,350.000	220.00	1,177,000.00	0.00	0.00	
	Pomona, City Of	5/30/2006	2,500.000	226.90	567,250.00	0.00	0.00	
	West Valley Water District	1/10/2006	500.000	210.00	105,000.00	0.00	0.00	
Fontana Water Company	Cucamonga Valley Water District	5/11/2006	2,500.000	217.80	544,500.00	462,825.00	81,675.00	Cucamonga Valley Water District
	Nicholson Trust	4/14/2006	8.623	217.80	1,878.09	1,596.38	281.71	Fontana Water Company
	San Antonio Water Company	6/26/2006	5,000.000	225.00	1,125,000.00	956,250.00	168,750.00	San Antonio Water Company
	West Valley Water District	4/7/2006	2,000.000	210.00	420,000.00	357,000.00	63,000.00	Fontana Water Company
Jurupa Community Services District	Santa Ana River Water Company	6/30/2006	2,000.000	233.00	466,000.00	396,100.00	69,900.00	Santa Ana River Water Company
Monte Vista Water District	Chino Hills, City Of	10/18/2005	5,000.000	214.20	1,071,000.00	910,350.00	160,650.00	Chino Hills, City Of
	Monte Vista Irrigation Company	7/20/2005	1,050.000	238.00	249,900.00	212,415.00	37,485.00	Monte Vista Irrigation Company
Ontario, City Of	Upland, City Of	8/1/2005	16,000.000	222.50	3,560,000.00	3,026,000.00	534,000.00	Upland, City Of
Pomona, City Of	Upland, City Of	10/5/2005	0.000	0.00	0.00	0.00	0.00	
	<i>This transaction was approved for 1,000 AF, but never occurred.</i>							
Upland, City Of	West End Consolidated Water Company	8/1/2005	14,425.000	49.00	706,825.00	0.00	0.00	
	<i>The 85/15 Rule does not apply because the water was immediately re-sold.</i>							
			56,333.623		\$9,994,353.09	\$6,322,536.38	\$1,115,741.71	

Total Credits \$1,115,741.71

55



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 3 Agricultural Pool Reallocation Summary

	Assigned Share of Operating Safe Yield (AF)	Reallocation of Agricultural Pool Safe Yield				Net Ag Pool Reallocation
		32,800 AF Early Transfer	Land Use Conversions	Potential for Reallocation (AF)	Difference: Potential vs. Net	
Arrowhead Mtn Spring Water Co	0.000	0.000	0.000	0.000	0.000	0.000
Chino Hills, City Of	2,111.422	1,263.128	987.346	2,250.473	(164.442)	2,086.031
Chino, City Of	4,033.857	2,413.096	5,883.120	8,296.216	(314.153)	7,982.063
Cucamonga Valley Water District	3,619.454	2,165.128	598.364	2,763.492	(281.870)	2,481.622
Desalter Authority	0.000	0.000	0.000	0.000	0.000	0.000
Fontana Union Water Company	6,391.736	3,823.496	0.000	3,823.496	(497.768)	3,325.728
Fontana Water Company	1.000	0.656	834.000	834.656	(0.085)	834.571
Golden State Water Company	411.476	246.000	0.000	246.000	(32.026)	213.974
Inland Empire Utilities Agency	0.000	0.000	0.000	0.000	0.000	0.000
Jurupa Community Services District	2,061.118	1,232.952	10,869.396	12,102.348	(160.514)	11,941.834
Los Serranos Country Club	0.000	0.000	0.000	0.000	0.000	0.000
Marygold Mutual Water Company	655.317	391.960	0.000	391.960	(51.028)	340.932
Metropolitan Water District	0.000	0.000	0.000	0.000	0.000	0.000
Monte Vista Irrigation Company	676.759	404.752	0.000	404.752	(52.693)	352.059
Monte Vista Water District	4,823.954	2,885.416	55.075	2,940.491	(375.642)	2,564.849
Niagara Water Company	0.000	0.000	0.000	0.000	0.000	0.000
Nicholson Trust	4.000	2.296	0.000	2.296	(0.299)	1.997
Norco, City Of	201.545	120.704	0.000	120.704	(15.714)	104.990
Ontario, City Of	11,373.816	6,803.376	1,142.857	7,946.233	(885.708)	7,060.525
Pomona, City Of	11,215.852	6,708.912	0.000	6,708.912	(873.410)	5,835.502
San Antonio Water Company	1,506.888	901.344	0.000	901.344	(117.343)	784.001
San Bernardino County Shtg Prk	0.000	0.000	0.000	0.000	0.000	0.000
Santa Ana River Water Company	1,301.374	778.344	0.000	778.344	(101.330)	677.014
Upland, City Of	2,852.401	1,706.256	0.000	1,706.256	(222.132)	1,484.124
West End Consolidated Water Company	947.714	566.784	0.000	566.784	(73.788)	492.996
West Valley Water District	644.317	385.400	0.000	385.400	(50.174)	335.226
	54,834.000	32,800.000	20,370.158	53,170.157	(4,270.118)	48,900.039

5A

5B

5C

5D

5E

5F



Chino Basin Watermaster Assessment Breakdown 2006-2007 Land Use Conversion Summary

Assessment Year 2006-2007 (Production Year 2005-2006)

AGRICULTURAL POOL SUMMARY IN ACRE FEET

Agricultural Pool Safe Yield	82,800.00
Agricultural Total Pool Production	(33,899.96)
Early Transfer	(32,800.00)
Total Land Use Conversions	(20,370.16)
Under(Over) Production:	(4,270.12)

	Prior Converted	Acres Converted @ 1.3 af/ac		Total Prior to Peace Agrmt Converted AF	Acres Converted @ 2.0 af/ac		Total Land Use Conversations Acre-Feet
		Acres	Acre Feet		Acres	Acre Feet	
Chino Hills, City Of	0.000	670.266	871.346	871.346	58.000	116.000	987.346
Chino, City Of	196.235	1,454.750	1,891.175	2,087.410	1,897.855	3,795.710	5,883.120
Cucamonga Valley Water Distric	0.000	460.280	598.364	598.364	0.000	0.000	598.364
Fontana Water Company	0.000	0.000	0.000	0.000	417.000	834.000	834.000
Jurupa Community Services Dist	0.000	2,756.920	3,583.996	3,583.996	3,642.700	7,285.400	10,869.396
Monte Vista Water District	0.000	28.150	36.595	36.595	9.240	18.480	55.075
Ontario, City Of	209.400	527.044	685.157	894.557	124.150	248.300	1,142.857
	405.635	5,897.410	7,666.600	8,072.200	6,148.945	12,297.890	20,370.158

Assessment Package References and Definitions

REPORT REFERENCE	NAME	DESCRIPTION
1A	Percent of Safe Operating Yield	The Party's yearly percentage of operating safe yield as delineated in the judgment.
1B	Assigned Share of Operating Safe Yield (AF)	The Party's yearly volume of operating safe yield as delineated in the judgment.
1C	Carryover Beginning Balance	The beginning balance in each Annual Account. This number carries forward from the ending balance in the previous period Assessment Package.
1D	Prior Year Adjustments	This number reflects the adjusted production rights from a previous Assessment Package, in the event that corrections are needed.
1E	2% Carryover Storage Loss	Carryover beginning balance [1C] \times 0.02.
1F	Net Ag Pool Reallocation	Reallocation of Ag Pool Safe Yield. Copied from [5F]. The calculations that lead to this are made on Page 5.
1G	Water Transaction Activity	Water transactions. Copied from [4E]. The calculations that lead to this are made on Page 4.
1H	New Yield	New yield \times percent share of operating safe yield [1A].
1I	Annual Production Right	Current Year Production Rights. [1B] + [1C] + [1D] + [1E] + [1F] + [1G] + [1H].
1J	Actual Fiscal Year Production	Actual production from CBWM's production system (as verified by each party on their Water Activity Report).
1K	Storage and Recovery Program(s)	Total exchanges for the period including MZ1 forbearance and DYY deliveries (as reported to CBWM by IEUA and TVMWD and as verified by each party on their Water Activity Report).
1L	Total Production and Exchanges	Actual production [1J] $+$ Storage and Recovery exchanges [1K]. Includes a sub note subtracting Desalter production.
1M	Net Over-Production—85/15%	For 85/15 rule participants: Production rights [1I] $-$ total production and exchanges [1L], equaling less than zero.
1N	Net Over-Production—100%	For non-85/15 rule participants: Production rights [1I] $-$ total production and exchanges [1L], equaling less than zero.
1O	Under Production Balances—Total Under-Produced	Production rights [1I] $-$ total production and exchanges [1L], equaling more than zero.
1P	Under Production Balances—Carryover: Next Year Begin Bal	Either total under-produced [1O] or share of operating safe yield [1B], whichever is less.
1Q	Under Production Balances—To Excess Carryover Account	Total under produced [1O] $-$ carryover to next year [1P].

Assessment Package References and Definitions

REPORT REFERENCE	NAME	DESCRIPTION
2A	Storage and Recovery Program(s)—Carryover Beginning Balance	The beginning balance in each S&R partner's account. This number carries forward from the ending balance in the previous period Assessment Package.
2B	Storage and Recovery Program(s)—2% Carryover Storage Loss	Carryover beginning balance [2A] <times> 0.02.
2C	Storage and Recovery Program(s)—Storage Exchanges	Total exchanges with each S&R partner for the period, including MZ1 forbearance and DYY deliveries.
2D	Storage and Recovery Program(s)—Ending Balance	The current balance in each S&R partner's account. [2A] + [2B] + [2C].
2E	Excess Carryover Account (ECO)—Carryover Beginning Balance	The beginning balance in the ECO account. This carries forward from the ending balance in the previous period Assessment Package.
2F	Excess Carryover Account (ECO)—2% Carryover Storage Loss	ECO beginning balance [2E] <times> 0.02.
2G	Excess Carryover Account (ECO)—Transfers to / from	Total of water transferred to the Annual Account.
2H	Excess Carryover Account (ECO)—From Local Supplemental Storage	Total of water transfers from Local Supplemental Storage.
2I	Excess Carryover Account (ECO)—From Under Production	Total of water transferred from the Annual Account due to under production.
2J	Excess Carryover Account (ECO)—Ending Balance	The current balance in each ECO account. [2E] + [2F] + [2G] + [2H] + [2I].
2K	Local Supplemental Storage Account—Carryover Beginning Balance	The beginning balance in the Local Supplemental Storage account. This number carries forward from the ending balance in previous period Assessment Package.
2L	Local Supplemental Storage Account—2% Carryover Storage Loss	Local Supplemental Storage account beginning balance [2K] <times> 0.02.
2M	Local Supplemental Storage Account—Transfers to / from	General transfers to the Local Supplemental Storage account.
2N	Local Supplemental Storage Account—MZI 6,500 Eligible for Storage	Total MZI amount eligible for storage <times> percent share of safe yield [1A].
2O	Local Supplemental Storage Account—Transfer to Excess Carryover	Local Supplemental Storage water transferred to the ECO account.
2P	Local Supplemental Storage Account—Ending Balance	The current balance in each Local Supplemental Storage account. [2K] + [2L] + [2M] + [2N] + [2O].
2Q	Combined—Combined Storage Account Balance	The combined amount in all storage accounts [2J] + [2P].

Assessment Package References and Definitions

REPORT REFERENCE	NAME	DESCRIPTION
3A	AF Production	Total production and exchanges, excluding Desalter production. Copied from [1L].
3B	Appropriative Pool—AF/Admin	Production [3A] <times> per acre foot Admin fee.
3C	Appropriative Pool—AF/OBMP	Production [3A] <times> per acre foot OBMP fee.
3D	Ag Pool SY Reallocation—AF Total Reallocation	Reallocation of Ag Pool Safe Yield. Copied from [1F] and [5F].
3E	Ag Pool SY Reallocation—AF/Admin	Party Ag Pool reallocation [3D] <divided by> Total Ag Pool Reallocation [3D Total] <times> total dollar amount needed for Ag Pool administration.
3F	Ag Pool SY Reallocation—AF/OBMP	Party Ag Pool reallocation [3D] <divided by> Total Ag Pool Reallocation [3D Total] <times> total dollar amount needed for Ag Pool OBMP.
3G	Replenishment Assessments—AF/15%	For parties participating in the 85/15 Rule: Percentage of total 85/15 participant production <times> required credit amount.
3H	Replenishment Assessments—AF/85% Assessments	For parties participating in the 85/15 Rule: Total overproduced [1M] <times> 85% of the replenishment rate.
3I	Replenishment Assessments—AF/100%	For parties not participating in the 85/15 Rule: Total overproduced [1M] <times> 100% of the replenishment rate.
3J	85/15 Water Transaction Activity—15% Producer Credits	For parties participating in the 85/15 Rule: Credit amount equals 15% of the cost of the water purchased.
3K	85/15 Water Transaction Activity—15% Pro-rated Debits	For parties participating in the 85/15 Rule: Percentage of total 85/15 participant production <times> required credit amount.
3L	Pomona Credit	Debit amount to Pomona <times> -1 <times> percent share of operating safe yield [1A].
3M	Previous Year Adj	This number reflects the difference between the assessment amount reported in the last period Assessment Package and the adjusted assessment amount from a revised package, if necessary.
3N	ASSESSMENTS DUE—Total Production Based	Total fees assessed based on party production. [3B] + [3C] + [3E] + [3F] + [3G] + [3H] + [3I] + [3J] + [3K] + [3L] + [3M].
3O	ASSESSMENTS DUE—MZ1 Supplemental Water	Total AF required to purchase <times> AF price <times> percent share of operating safe yield [1A].
3P	ASSESSMENTS DUE—Recharge Debt Payment	Total recharge debt payment <times> percent share of operating safe yield [1A].
3Q	ASSESSMENTS DUE—Total Due	Total production based assessments [3N] + MZ1 Supplemental Water [3O] + Recharge Debt Payment [3P].

Assessment Package References and Definitions

REPORT REFERENCE	NAME	DESCRIPTION
4A	Water Transactions—Assigned Rights	Total of assignment transactions for this period.
4B	Water Transactions—General Transfer	Total of water transfers between parties for this period.
4C	Water Transactions—Transfer from ECO Account	Water transferred from ECO Account [2G], excluding Desalter transfer.
4D	Water Transactions—Recharged Recycled Water	Recycled water recharged during the period, as allocated to IEUA parties based on EDUs.
4E	Water Transactions—Total Water Transactions	Total water transactions. [4A]+ [4B] + [4C] + [4D].

REPORT REFERENCE	NAME	DESCRIPTION
5A	Assigned Share of Operating Safe Yield (AF)	The Party's yearly volume of operating safe yield as delineated in the judgment. Copied from [1B].
5B	Reallocation of Agricultural Pool Safe Yield—32,800 AF Early Transfer	The Party's percent share of operating safe yield [1A] multiplied by 32,800.
5C	Reallocation of Agricultural Pool Safe Yield—Land Use Conversions	Total land use conversions claimed (as verified by each party on their Water Activity Report).
5D	Reallocation of Agricultural Pool Safe Yield—Potential for Reallocation (AF)	Ag Pool early transfer [5B] <plus> land use conversions [5C].
5E	Reallocation of Agricultural Pool Safe Yield—Difference: Potential vs. Net	(Total Ag Pool Safe Yield <minus> total Ag Pool production <minus> Ag Pool early transfer [5A] <minus> land use conversions [5C]) <times> party's percent share of operating safe yield [1A].
5F	Reallocation of Agricultural Pool Safe Yield—Net Ag Pool Reallocation	Net Ag Pool reallocation to each party. [5D] + [5E].



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 2 Water Production Summary

	Carryover Beginning Balance	Prior Year Adjustments	2% Carryover Storage Loss	Assigned Share of Operating Safe Yield (AF)	Water Transaction Activity	Annual Production Right	Actual Fiscal Year Production	Net Over Production	Under Production Balances		
									Total Under-Produced	Carryover: Next Year Begin Bal	To Local Storage Account
Ameron Inc	97.858	0.000	(1.957)	97.858	0.000	193.759	0.000	0.000	193.759	97.858	95.901
Angelica Textile Service	0.000	0.000	0.000	18.789	0.000	18.789	27.759	8.970	0.000	0.000	0.000
California Speedway	1,000.000	0.000	(20.000)	1,000.000	0.000	1,980.000	506.377	0.000	1,473.622	1,000.000	473.622
California Steel Industries Inc	1,300.000	0.000	(26.000)	1,300.000	0.000	2,574.000	595.700	0.000	1,978.300	1,300.000	678.300
CCG Ontario, Llc	630.274	0.000	(12.605)	630.274	0.000	1,247.943	0.000	0.000	1,247.943	630.274	617.669
General Electric Company	0.000	0.000	0.000	0.000	0.000	0.000	17.090	17.089	0.000	0.000	0.000
Praxair Inc	427.446	0.000	(8.548)	427.446	0.000	846.344	146.431	0.000	699.913	427.446	272.467
Reliant Energy Etiwanda	954.540	0.000	(19.090)	954.540	0.000	1,889.990	769.096	0.000	1,120.893	954.540	166.353
San Bernardino Cty (Chino Airport)	133.870	0.000	(2.677)	133.870	0.000	265.063	65.073	0.000	199.989	133.870	66.119
Southern California Edison Company	27.959	0.000	(0.559)	27.959	0.000	55.359	0.000	0.000	55.359	27.959	27.400
Space Center Mira Loma Inc.	0.000	0.000	0.000	104.121	0.000	104.121	662.252	558.131	0.000	0.000	0.000
Sunkist Growers Inc	1,873.402	0.000	(37.468)	1,873.402	0.000	3,709.336	435.929	0.000	3,273.406	1,873.402	1,400.004
Swan Lake Mobile Home Park	464.240	0.000	(9.284)	464.240	0.000	919.196	260.762	0.000	658.433	464.240	194.193
Vulcan Materials Company	317.844	0.000	(6.356)	317.844	0.000	629.332	4.119	0.000	625.213	317.844	307.369
West Venture Development	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	7,227.434	0.000	(144.544)	7,350.343	0.000	14,433.232	3,490.589	584.190	11,526.830	7,227.433	4,299.397



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 2 Water / Storage Account Transactions

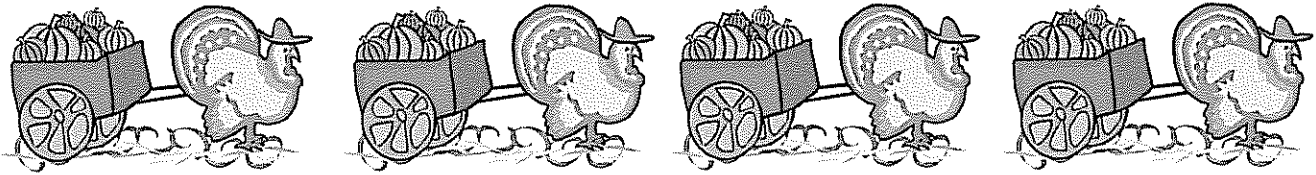
	Local Storage Account			
	Carryover Beginning Balance	2% Carryover Storage Loss	Transfers to / from Annual	Ending Balance
Ameron Inc	1,853.853	(37.077)	95.901	1,912.677
Angelica Textile Service	0.000	0.000	0.000	0.000
California Speedway	715.389	(14.307)	473.622	1,174.704
California Steel Industries Inc	2,600.000	(52.000)	678.300	3,226.300
CCG Ontario, Llc	8,223.414	(164.468)	617.669	8,676.615
General Electric Company	0.000	0.000	0.000	0.000
Kaiser Ventures Inc	0.000	0.000	0.000	0.000
Loving Savior Of The Hills	0.000	0.000	0.000	0.000
Praxair Inc	4,114.936	(82.298)	272.467	4,305.105
Reliant Energy Etiwanda	5,954.138	(119.082)	166.353	6,001.409
San Bernardino Cty (Chino Airport)	124.132	(2.482)	66.119	187.769
Southern California Edison Company	167.754	(3.355)	27.400	191.799
Space Center Mira Loma Inc.	93.379	(1.867)	0.000	91.512
Sunkist Growers Inc	11,362.358	(227.247)	1,400.004	12,535.115
Swan Lake Mobile Home Park	2,172.520	(43.450)	194.193	2,323.263
Vulcan Materials Company	8,506.323	(170.126)	307.369	8,643.566
West Venture Development	0.000	0.000	0.000	0.000
	45,888.196	(917.759)	4,299.397	49,269.834



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 2 Assessment Fee Summary

	AF Production	Non-Agricultural Pool		Replenishment Assessments		Previous Year Adj	Total Assessments Due
		\$6.19 Per AF Admin	\$34.26 Per AF OBMP	AF Exceeding Safe Yield	\$251.00 Per AF		
Ameron Inc	0.000	0.00	0.00	0.000	0.00	0.00	0.00
Angelica Textile Service	27.759	171.83	951.04	8.970	2,251.47	0.00	3,374.34
California Speedway	506.377	3,134.47	17,348.48	0.000	0.00	0.00	20,482.96
California Steel Industries Inc	595.700	3,687.38	20,408.68	0.000	0.00	0.00	24,096.07
CCG Ontario, Llc	0.000	0.00	0.00	0.000	0.00	0.00	0.00
General Electric Company	17.090	105.79	585.50	17.089	4,289.59	0.00	4,980.87
Kaiser Ventures Inc	0.000	0.00	0.00	0.000	0.00	0.00	0.00
Loving Savior Of The Hills	0.000	0.00	0.00	0.000	0.00	0.00	0.00
Praxair Inc	146.431	906.41	5,016.73	0.000	0.00	0.00	5,923.13
Reliant Energy Etiwanda	769.096	4,760.71	26,349.24	0.000	0.00	0.00	31,109.94
San Bernardino Cty (Chino Airport)	65.073	402.80	2,229.42	0.000	0.00	0.00	2,632.22
Southern California Edison Company	0.000	0.00	0.00	0.000	0.00	0.00	0.00
Space Center Mira Loma Inc.	662.252	4,099.34	22,688.76	558.131	140,090.88	0.00	166,878.98
Sunkist Growers Inc	435.929	2,698.40	14,934.93	0.000	0.00	0.00	17,633.33
Swan Lake Mobile Home Park	260.762	1,614.12	8,933.71	0.000	0.00	0.00	10,547.83
Vulcan Materials Company	4.119	25.49	141.10	0.000	0.00	0.00	166.59
West Venture Development	0.000	0.00	0.00	0.000	0.00	0.00	0.00
	3,490.589	21,606.74	119,587.57	584.190	146,631.94	0.00	287,826.26

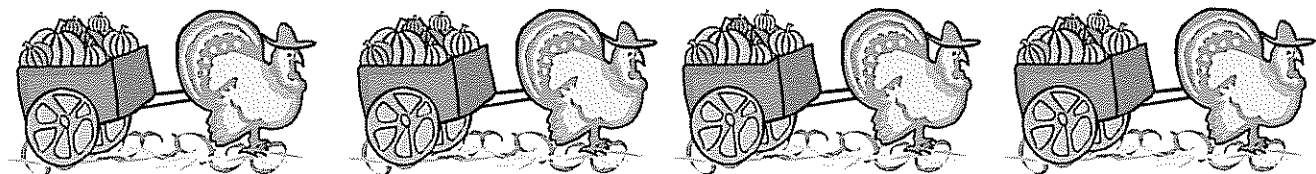


CHINO BASIN WATERMASTER

IV. REPORTS/UPDATES

E. INLAND EMPIRE UTILITIES AGENCY

1. Monthly Water Conservation Programs Report
2. Monthly Imported Water Deliveries Report
3. State and Federal Legislative Reports
4. Community Outreach/Public Relations Report
5. Water Production Summary



CHINO BASIN WATERMASTER

ADVISORY COMMITTEE

November 16, 2006

AGENDA

INTERAGENCY WATER MANAGERS' REPORT

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

15-20 Minutes

Discussion Items:

Water Production Summary – Martha Davis

Best Management Practices – Martha Davis

Written Updates:

- Monthly Water Conservation Programs Report
- Monthly Imported Water Deliveries Report
- State and Federal Legislative Reports
- Community Outreach/Public Relations Report

Regional Conservation Programs

Monthly Report – November 2006

MWD Activities

- **California Friendly Marketing Campaign** - The “California Friendly” campaign is an effort by MWD and its member agencies to encourage people to conserve resources by using water and energy efficient products along with changing to water efficient landscapes. The fall campaign is focusing on California Friendly landscaping in effort to save water outdoors. MWD is currently contacting nurseries to partner in their efforts to promote drought tolerant plants.
- **Newly Approved Rebates** - On August 15th, the MWD board approved the addition of two new devices to their rebate program. As part of their five-year conservation strategic plan which began December 2005 rebates for rotating sprinkler nozzles for pop-up spray heads and retrofitted steam sterilizers have been approved and will soon be available. The rotating sprinkler nozzles save up to 6,600 gallons of water over five years and the retrofitted steam sterilizers save more than 400,000 gallons of water per year.

Landscape Programs

- **“SmarTimer of Inland Empire” Program** - Due to the high interest expressed by many residents at the first SmarTimer exchange event in July, IEUA held a second exchange event on September 30th at their headquarters where an additional 85 controllers were exchanged. In addition to these two exchanges residents have the opportunity to participate in the SmarTimer rebate program. To date, four SmarTimer rebates have been processed.
- **Landscape Audit Program** - Phil Regli of HydroEarth is currently meeting with each retail agency to discuss materials and potential customers to participate in the Landscape Audit Program.
- **Ontario Cares** - The City of Ontario is implementing a pilot project to integrate “California Friendly” into the city’s existing Ontario Cares program to improve neighborhoods. A MWD consultant presented “California Friendly” templates to Ontario Cares inspection staff and landscape contractors. Two homes have been selected as pilot projects and will be retrofitted to CA Friendly landscapes.
- **Inland Empire Landscape Alliance** - Over the last several months IEUA staff has been meeting with city officials to consider the formation of a landscape task force to coordinate water efficient landscaping throughout the regions programs and policy recommendations. Chino Basin Water Conservation District and IEUA have both approved resolutions of support. IEUA, CBWCD and Ken Willis with the City of Upland have been meeting with other city officials to implement the formation.
- **PDA Landscape Classes** - Several retail agencies will be holding local PDA classes this year in effort to educate their residents on CA Friendly plants and efficient irrigation. CVWD held the first PDA class of FY 06/07 on September 23rd. MVWD will also hold a residential PDA class on November 11th.

Commercial/Industrial/Institutional Program

- **(CII SAVE-A-BUCK)** - No rebates were issued in September. The following is a list of the most recent rebate activity within the IEUA service area:
 - **High Efficiency Clothes Washers** - There were 29 clothes washers rebated for the month of August bringing the total for FY 06/07 to 30. To date 365 commercial high efficiency clothes washers have been installed in our service area since FY 00/01.
 - **Conductivity Controller Cooling Tower** - 1 controller was installed in FY 05/06 bringing the total to 15 conductivity controllers installed through the Save-a-Buck program since FY 00/01.
 - **ULF Toilets** - 161 ULFTs were rebated in June bringing the total to 1,502 ULFTs in our service area since FY 00/01.
 - **Waterless Urinals** – 6 waterless urinals were installed in the month of July. This was the second installation of waterless urinals rebated for in the IEUA service area bringing the total to 10.
 - **Water Broom** – 1 water broom was rebated in June bringing the total to 694 since FY 00/01.
 - **SmarTimer Controllers** – 14 SmarTimer Controllers were rebated in July. This brings the total to 36 SmarTimers installed and rebated through the CII program in the IEUA service area.
- **Restaurant Spray Heads** - This program is being implemented by the CUWCC. Phase II was completed in December, 2005 with approximately 861 spray nozzles installed in our service area. To date approximately 1,192 spray heads have been installed. Phase III is currently underway and will end in December 2006.

Residential Programs

- **Multi-Family ULF Toilet Program** - The Multi-family ULFT retrofit program, conducted by Bottom Line Utilities, Inc. (BLUS), is currently underway. BLUS began installations in October and have completed 441 toilet retrofits.

- **Toilet Rebates** - In addition to the current ULFT (Ultra Low Flush Toilet) Rebate for a toilet that uses 1.6 gallons of water or less per flush, the Conservation Workgroup is now offering an HET (High Efficiency Toilet) Rebate for toilets that use 1.3 gallons of water or less per flush. The new rebate offers residents a reimbursement of \$150 if they purchase a qualifying HET. In October the first two HET rebates were processed.
- **High Efficiency Clothes Washer Rebate** - The total number of rebates processed during October was 115 bringing the number of rebates issued for FY 06/07 to 449. The total number of rebates processed since the rebate program began in 2002 is approximately 6,873.

School Education Programs

- **Garden in Every School** - In October seven schools were chosen for the 2006/07 Garden in Every School Program. The selected schools are Litel Elementary in Chino Hills, El Rancho Elementary in Chino, Liberty Elementary in Ontario, Sycamore Elementary in Upland, Victoria Groves Elementary in Rancho Cucamonga, Buena Vista Arts-integrated School in Montclair and Poplar Elementary in Fontana. Gardens will begin cultivation in late November.
- **National Theatre for Children** – The National Theatre for Children (NTC) began contacting elementary schools in August and is in the process of setting the schedule to present the Water Pirates of Neverland production. The first performances will begin in November.
- **Groundwater Model** - Chino Hills’ and IEUA’s staffs are now in the process of learning how to operate the model. It is anticipated that the model will be ready for presentations in spring 2007.
- **Solar Cup (2007)** - The MWD Solar Cup event will take place May 18-20, 2007. Five schools within IEUA’s service area have been excepted as participants for the 2007 Solar Cup program including Rancho Cucamonga High School (CVWD), Montclair High School (MVWD), Upland High School (Upland), Ayala High School and Chino Hills High School (Chino Hills).
- **Chino Youth Museum** - In 2002, the City of Chino, Monte Vista Water District and IEUA joined with the Chino Youth Museum to create a water exhibit to educate children on different elements of water. Over the past year the group has rejoined together, along with the City of Chino Hills and the Chino Basin Water Conservation District to rejuvenate and improve the exhibit. Plans have been made and construction of the exhibit will begin this winter.

Outreach

- **Huell Howser’s “California’s Water” Series** - As host of the “California’s Water” series, Huell Howser visited developments in Irvine and Chino in August for his September segment, “Using Water Wisely” which features residential conservation including landscape, irrigation controllers, and indoor water saving devices. Part of the segment features the water efficiency displayed through different capacities at the Preserve in Chino. The show aired several times in September on KCET where viewers were able to learn about being water efficient.
- **Water Fair** - The Water Fair 2006 took place on October 14th at Montclair Plaza from 10:00a.m.-2:00p.m. The event was a success with almost 1,000 attendees. Attendees had the opportunity to learn about conservation devices and methods available to help save water. In addition, residents within IEUA’s service area were able to learn about the rebates and programs offered to them by their retail water providers. A free raffle took place and several prizes including CA Friendly plants, a water broom, an ULF toilet, a SmarTimer and a high efficiency clothes washer were given away.
- **Conservation Ads (monthly and special)** - Conservation tips are printed in the Daily Bulletin monthly. The ads are normally printed the last Sunday of each month. See attachment.
- **Water Education Water Awareness Committee (WEWAC)** - The WEWAC committee participated in the garden section of the LA County Fair, where they created and maintained a demonstration garden consisting of CA friendly plants and water efficient landscaping. The garden was viewed by the public through the duration of the fair. Project WET, originally scheduled for October 18th was cancelled due to lack of teacher registering.

Upcoming Events

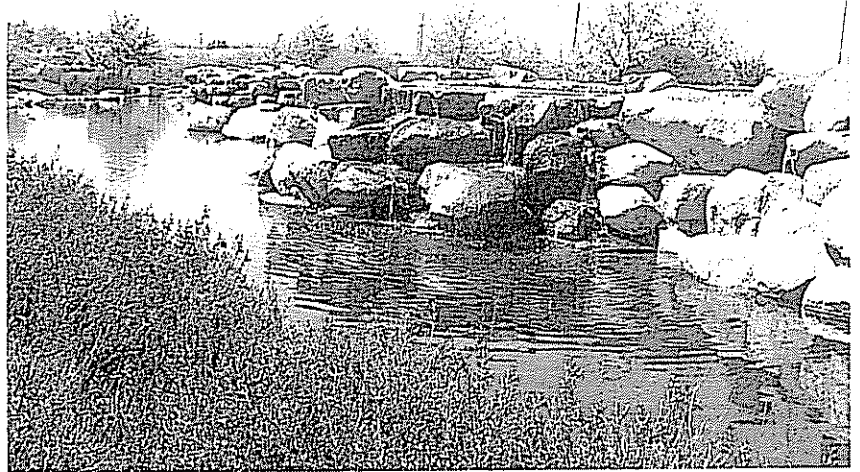
CALENDAR

November 8, 2006	CUWCC Steering Committee Meeting (San Jose)
November 11, 2006	PDA Mini Landscape Class (Monte Vista Water District)
December 13, 2006	CUWCC Plenary Session (MWD)

Water Smart in the Chino Basin

Did you know that lawns use the most water in the garden? They can easily drink up to 90 percent of all garden water. The good news is there are a couple of simple things you can do to significantly reduce the amount of water your lawn areas need.

"California friendly plants are the perfect choice for easy-care gardens with regional appeal. In this age of water restrictions and our unpredictable weather cycle, reducing outdoor watering is the surest solution. Native and California friendly plants accomplish this without sacrificing beauty." John L. Anderson, Inland Empire Utilities Agency Board President



California Friendly plants at IEUA's headquarters

By replacing a portion of your lawn with beautiful native and California friendly plants you will save 1,000 to 1,800 gallons of water a month, depending on the size of your yard.

"Over watering not only wastes your money and the region's resources, it prevents your plants from getting the oxygen they need and makes them vulnerable to disease. Install a new "smart" sprinkler controller – and receive a money saving rebate – that figures out the right amount of water for your landscape based on information about your plants and garden environment. By installing a "smart" controller you will reduce your outdoor water use by an estimated 15% to 20%." Gene Koopman, Inland Empire Utilities Agency Board Secretary/Treasurer



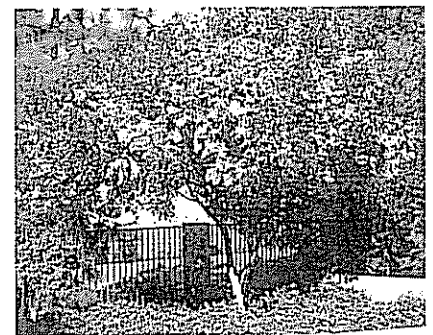
Chino Basin Water Conservation District's demonstration garden

And of course, composting plays a vital role in this process by allowing your plants to use water and nutrients more effectively.

How Much Compost Do You Need?

- β For Mulching spread 1-3 inches of compost on beds in fall or spring.
- β As a Soil Amendment before planting new beds, use 1-3 inches dug or tilled into the soil. (Use 3 inches to improve sandy soils, or 1-2 inches for heavy clay soils).

California friendly gardens do exist.



Western Municipal Water District's Landscape, Southern California style

"Please visit the Chino Basin Water Conservation District's demonstration garden and Native Oak project, located at 4594 San Bernardino Street in Montclair. The garden is open 7 days a week except certain holidays. Your local garden nursery can also provide advice on water efficient and drought tolerant plants suitable for your garden." Paul Hofer, Chino Basin Water Conservator District Board President

Senator Dianne Feinstein Supports New Water Supplies Through Water Recycling Projects

Recycled water enables southern California to stretch our existing water supplies through its wide variety of use, such as irrigation of golf courses, parks and playgrounds, freeway landscaping, commercial car washes and laundries, dust control and numerous industrial applications.

"A critical partner in making recycled water supplies available in our region is the federal government. With the help of federal legislation sponsored by U.S. Senator Dianne Feinstein and our local congressional delegation, over \$30 million will be available to dramatically expand the recycled water distribution system for the Inland Empire. Over 95,000 acre-feet of water will be available to cities, schools and businesses within the next ten years," stated Inland Empire Utilities Agency (IEUA) Board President John L. Anderson.

IEUA's service area population is expected to

double during the next 20 years. "IEUA is not depending on new imported supplies to meet our future water needs. Instead, we have developed an integrated water resource plan that, with the help from our federal delegation, will develop enough new water to meet the needs of 300,000 new residents in San Bernardino County," commented IEUA Board Member Angel Santiago.

"The Inland Empire region is the 'economic engine' of California and among the top 10 job creating regions in the U.S. By implementing an aggressive recycled water program to reuse our existing water supplies, we have reduced our potable water demand by 20% over the past five years," IEUA Board Secretary/Treasurer Gene Koopman. "In addition, the use of recycled water in IEUA's service area reduces our water costs by not needing to construct additional potable water facilities to meet our future demands."

"California is facing two daunting challenges simultaneously. The first is drought and the impacts of continued climate gyration and the second is the unprecedented growth throughout California.

"We must find ways to expand our water supplies, and do so without generating regional or environmental conflict. Reusing our existing supplies and stretching those supplies is a significant part of the solution."

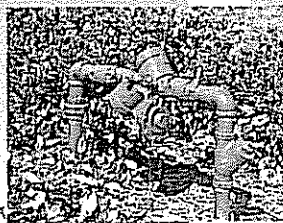
United States Senator Dianne Feinstein



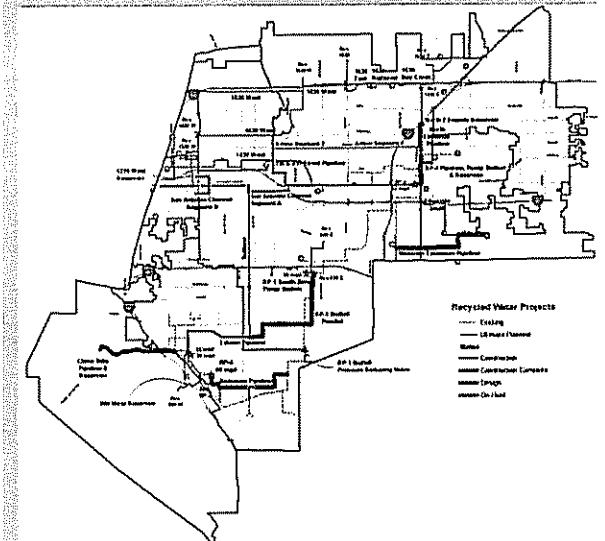
"Senator Feinstein understands the importance of spending money to build new water supplies and not studying projects endlessly," said Chino Basin Water Conservation Board President Paul Hofer.

Special thanks to our Federal Legislators for sponsoring legislation to improve the water quality of the Chino Basin

- US Senator Dianne Feinstein
- Congressman David Dreier
- US Senator Barbara Boxer
- Congressman Joe Baca
- Congressman Ken Calvert
- Congressman Jerry Lewis
- Congressman Gary Miller
- Congresswoman Grace Napolitano



Purple pipe means recycled water



Recycled Water Projects

Regional NRW Capital Projects Status Map



Current and Future Projects Dates

PROJECT	START	COMPLETE
San Antonio Recycled Water Pipeline Segment B	09/14/06	07/09/06
7th and 8th Street Pipeline	10/18/06	04/18/07

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The Inland Empire Utilities Agency

Fighting global climate change, conserving water and energy

By Jeff Schenkel

THE INLAND EMPIRE UTILITIES AGENCY (IEUA), a municipal water district that handles treatment of wastewater from homes and industry, water recycling, water conservation and more, is leading the Inland Empire in fighting global climate change amid predictions that California will become significantly hotter and drier by the end of the century.

"The predictions for California's water supply are really quite worrisome," said John L. Anderson, president of the IEUA Board of Directors. "We've been reading the scientific studies and believe that municipal water agencies like IEUA need to play a leadership role in promoting the use of renewable energy, water conservation and reducing greenhouse gases."

Since 2000, IEUA has been working to develop innovative programs that have placed the agency in the forefront of California's fight against climate change.

Six major efforts have been undertaken in the last three years alone, with a major national award heading the list.

Three years ago, IEUA was recognized by the United States Green Building Council's LEED Leadership in Energy and Environmental Design as the first public agency to receive the Council's highest honor — a "Platinum" rating for its administrative headquarters buildings.

This accomplishment led to the agency receiving California's Environmental and Excellence Award from Gov. Arnold Schwarzenegger.

In addition, the agency's headquarters has been recognized by the U.S. Environmental Protection Agency as a premier demonstration project for renewable energy and energy conservation.

Key features include such things as solar panels on the roof providing electricity for the building. By using waste heat from the adjacent water recycling plant, IEUA's headquarters will be completely off the electricity grid by next year.

To place the energy savings in perspective, IEUA's headquarters complex's 66,000 square feet of office space is equivalent in size to 40 average-sized homes, but the energy consumption equals that of approximately three-to-four average-sized homes.

"Our goal by next year is to convert this tremendous facility into a zero energy building," Anderson said, adding that much of the energy savings comes from the design of the building itself.

Energy efficient features include everything from the amount of insulation to lighting design and the use of natural light where possible to highly efficient cooling and heating systems.

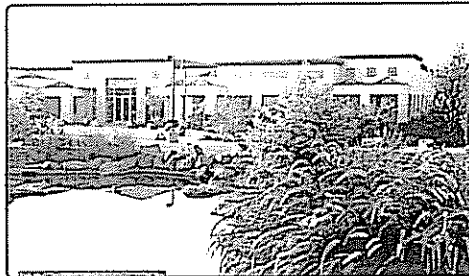
"It demonstrates the ability to design a building that saves a tremendous amount of energy for the agency and also for the state of California," said IEUA Board Member Terry Catlin.

"We're very proud of the building because when we constructed it, a comparable building would have cost between \$200 and \$300 per square foot. This building cost us only \$154 per square foot."

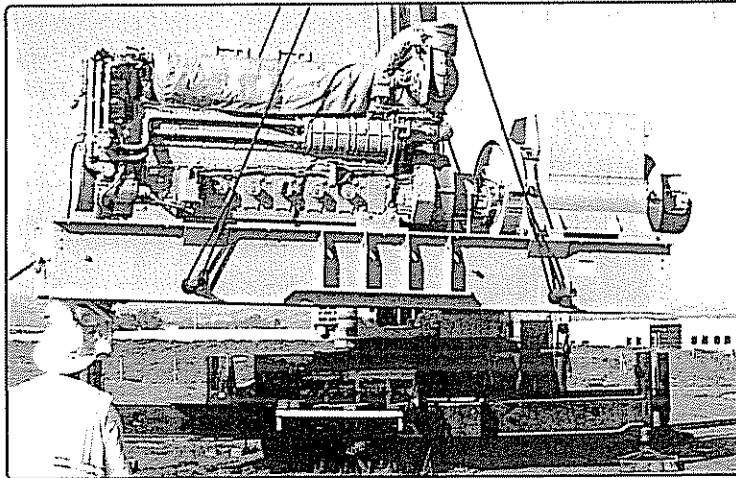
"Not only are we saving on our energy bills now, but we were also able to design and build the building for less than comparable conventional construction," Catlin added. "It is a great demonstration project and shows what everyone else could do."

The headquarters was completed in 2003 and now houses over 200 of the agency's 308 employees in administrative and engineering operations positions.

The agency also saved considerable costs by locating the headquarters next door to the agency's new water recycling plant and bringing staff from the treatment



The IEUA headquarters has won several awards for energy conservation. With smart design that makes use of natural light, insulation, efficient heating and cooling systems and solar power, the complex is expected to be completely off the power grid next year.



Good partners do more than their share — the IEUA's anaerobic digester helps reduce air pollution by processing dairy manure to produce methane, a renewable energy source. The methane helps reduce costs to power a desalter (at right) which removes pollutants from local groundwater.

plant into the building. This avoided the need for another office building.

Catlin pointed out that this action also reduced gasoline consumption and air pollution as well as saved employee time. "We operate more efficiently because the staff is integrated into the headquarters."

IEUA anaerobic digester reduces energy costs

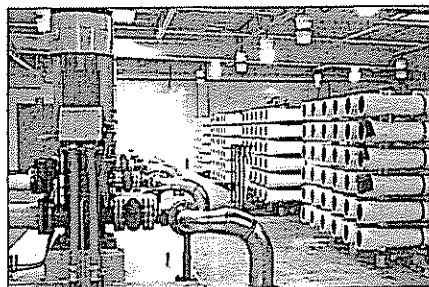
In another area, IEUA helped address global warming by building the nation's first and largest centralized anaerobic digester in 2003 to process an organic material — dairy manure — to generate renewable energy.

"The digester itself is really an enclosed composting tank," said IEUA Board Secretary/Treasurer Gene Koopman.

"A combination of pressurization and heat actually speeds up the natural decomposition of organic material, enabling the capture of the methane produced which can be used as a fuel source rather than being released or flared into the atmosphere," he explained.

"With this project, we're taking dairy manure which normally would be stockpiled, bringing it into the facility and, after going through the digestion process, sending the methane gas that is produced by pipeline a quarter of a mile away to run the engines at the Chino 1 Desalter," Koopman said.

The desalter is actually owned jointly by agencies including the cities of Chino, Ontario, Chino Hills and Norco and the Jurupa Community Services District to reduce salt from the groundwater basin that is present as a result of



agricultural activities in years past. "It takes a lot of energy to run the desalter — over 1 megawatt," Koopman explained. "As we all know, the price of energy is rising rapidly which means that it is increasingly expensive to run the desalter. By using methane gas, we can cut our power costs almost in half and that saves our cities money."

Recognized for selling state's first 'dairy manure' renewable energy credits

In yet another area, IEUA was recognized in 2004 for selling the first renewable energy credits in California derived from the processing of dairy manure.

The credits are a part of the governor's goals for utilities to create a percentage of their energy from renewable energy sources. The utilities have the option of producing the energy or purchasing it by investing in and supporting the production of renewable energy.

Sold first greenhouse gas credits in state derived from dairy manure processing

In a related area, IEUA in 2005 sold the first greenhouse gas credits in California that were derived from the processing of dairy ma-

South Coast Air Quality Management District, Southern California's air pollution control agency.

One of top 10 local governments honored by EPA for renewable energy purchases

IEUA also was honored by the EPA as one of the nation's top 10 local government renewable energy purchasers based on IEUA's on-site renewable energy production this year.

This recognition, based on Commonwealth's purchase of the renewable energy credits, placed the agency in the national arena with top 10 governmental entities including the cities of Portland and San Diego, among others.

"We're serving ourselves and the community in the renewable energy arena," said IEUA Board Member Angel Santiago. "Our board is extremely pleased for this recognition. Our accomplishments placed us near the top in the nation working shoulder to shoulder with cities and agencies much larger than we are."

Electricity needed to pump water reduced by 50 megawatts

And finally, IEUA has been able to reduce the electricity needed to pump water from Northern California in the State Water Project by 50 megawatts using a variety of award-winning water conservation and recycled water programs.

"In the State of California, the actual process of producing, moving, treating and delivering water to customers represents 19 percent of the state's total electricity demand," Santiago

said. "People are looking more closely at this energy requirement than ever before."

"Our strategy of developing local water supplies in both reduce water use and reduce the energy required to move it around has been so successful that we've been able to keep our need for imported water flat over the past five years," Santiago added. "This has translated into a tremendous energy benefit for us locally and for the entire State of California."

"We are proud of all of our achievements and of the fact that we are helping to save our ratepayers' money at the same time that we do the right thing for California," Koopman said. "IEUA has some of the lowest rates for water and wastewater treatment services in the state."

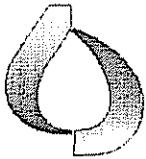
"This is just the beginning of what we can do to reduce renewable power and reduce greenhouse gases," Santiago said. "Within the next year we expect to generate more than three megawatts of clean, renewable energy."

"In the end, using renewable energy, conserving water and energy, and reducing greenhouse gases makes good sense for everyone involved. IEUA clearly is leading the way for the Inland Empire to become the state's center for renewable energy and environmental improvements," Anderson concluded.

The Inland Empire Utilities Agency was formed in 1950 to supply supplemental water to the Chino basin. Today, the agency is involved in recycled water distribution, desalting, water conservation and power generation as a by-product of methane gas energy recovery — all in one of the fastest growing areas in the United States.

For more information, contact the Inland Empire Utilities Agency, 6075 Kimball Ave., Chino, CA 91710, (909) 993-1600, or visit the Web site at www.ieua.org.

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Inland Empire
UTILITIES AGENCY

Date: November 15, 2006
To: The Honorable Board of Directors
Through: Public, Legislative Affairs and Water Resources Committee (11/08/06)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: October Legislative Report from Innovative Federal Strategies, LLC

RECOMMENDATION

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

BACKGROUND

Letitia White provides a monthly report on their federal activities on behalf of IEUA.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:mef

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Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Rich Atwater and Martha Davis, IEUA

From: Letitia White and Heather McNatt

Date: October 25, 2006

Re: October Monthly Legislative Update

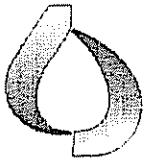
During October, IFS continued to monitor the Hill for signs that water authorization legislation would be considered after the election. Needless to say, it is very hard to predict what could happen. We remain hopeful that authorization bills will move while Members negotiate the remaining appropriations bill, and we will advocate for that to happen whenever it is possible.

Congress was in recess for all of October so that the Members could campaign before the November mid-term elections. Typically, Washington is fairly quiet during recess with legislators out of town and back in their home districts. This month, however, was charged with scandal and politicking with many legislators remaining in Washington scrapping for sound bytes. Everyone on and around Capitol Hill is focused on the upcoming elections and the changes that may be in store afterwards.

No matter what happens in the elections, Congress will return the week of November 13th. Since the Congress has only completed two of the eleven appropriations bills - - Defense and Homeland Security - - and the fiscal year ended on September 30th, a Continuing Resolution (CR) has been necessary to fund the federal government. With the CR set to expire on November 17th, the House and Senate must either pass the remaining appropriations bills or enact another CR. Because so much work remains to be done on the appropriations bills, most of which have not yet passed the Senate, Congress will probably enact another CR during the week of the 13th and return to Washington after Thanksgiving to complete work on the remaining appropriations bills. There is much speculation as to whether the Congress can complete these remaining bills as stand alone bills or if they will have to be rolled into one large "omnibus" appropriations bill which could also contain a host of non-related items, including non-appropriations related language and legislation that the 109th Congress failed to enact. The current Chairmen of the House and Senate Appropriations Committees, Chairman Lewis and Chairman Cochran respectively, vehemently oppose an Omnibus bill and are urging their colleagues to get the bills passed in regular order - - one at a time and without extraneous, non-related attachments.

As you have probably heard in the media, it is possible that one or both houses of Congress could change hands in the November election. Come January, when the new Congress is sworn in, this party switch would change the Congressional landscape, rearranging leadership positions and committee assignments as well as political priorities. Since the outcome of the elections is impossible to predict, all of Washington is engaged in a wait and see game. As always, we will keep you posted!

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Inland Empire
UTILITIES AGENCY

Date: November 15, 2006
To: The Honorable Board of Directors
Through: Public, Legislative Affairs and Water Resources Committee (11/08/06)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: October Legislative Report from Dolphin Group

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:mef

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October 26, 2006

To: Chino Basin/OBMP Coalition

From: Michael Boccadoro
Senior Vice President

RE: October Status Report

Please find attached the status report from The Dolphin Group for the month of October 2006. With the Legislature adjourned for the 2005-2006 session, legislative activity is fairly quiet in Sacramento. Legislators instead are focused on partisan attacks as we approach the final few days of the upcoming election. The outcome of that election will set the tone for the next few years as it relates to water, energy, environmental and resource issues.

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Chino Basin / OBMP Coalition

Status Report – October 2006

ENERGY/REGULATORY

Energy Efficiency Funding for Water Conservation Efforts

Dian Grueneich, the assigned Commissioner in the proceeding at the Public Utilities Commission to determine if energy efficiency portfolios should be expanded to recognize embedded energy savings from water conservation efforts, issued an additional ruling on October 16th. The ruling orders the four major investor-owned utilities to file applications on January 15th to launch a pilot program aimed at water conservation efforts.

Specifically, the ruling asked each utility to partner with at least one public water agency to develop a pilot program to be implemented by July 2007, with the hopes that project outcome to be available in time for the 2009-2011 energy efficiency program cycle. The ruling further orders that the budget for the pilot programs should be approximately \$10 million statewide, with monies to be provided from “carryover” funds from existing underutilized portfolio programs. The utilities will not be able to apply any energy savings towards their shareholder reward/penalty incentive programs.

The ruling did not address procedural problems with the five-month timeline for the proceeding. If protests are filed, or parties wish to file testimony on the applications, little time remains for the Commission to fully adjudicate the issue and issue a formal decision by June 2006. It is clear that working with the utilities to ensure their January applications are amenable to water agencies is the best method to ensure that effective and valuable pilot programs are launched in the next nine months.

On the same day, the California Urban Water Conservation Council hosted a workshop on the opportunities and the obstacles of including embedded energy costs. Both DGI and IEUA were in attendance at the meeting, where much of the conversation revolved around the implications of the ruling issued earlier that morning.

On October 20th, DGI attended the Water Energy Partnership Meeting, where again these issues were discussed. The utilities are still interpreting the ruling and holding internal conversations about how they will be structuring their applications; as a result the Partnership will meet again on November 15 at which time the utilities are expect to share their initial thoughts on their respective applications.

DGI will continue to monitor this proceeding at the CPUC.

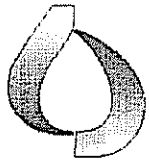
NOVEMBER GENERAL ELECTION

Californians are preparing for the November 7th General Election, with a many interesting political battles heating up. While Governor Schwarzenegger has enjoyed a strong lead in the polls, current State Treasurer Phil Angelides has struggled to connect with voters. The latest independent poll shows the incumbent Governor holding an 18% lead over Angelides.

The ballot also includes a full complement of thirteen propositions. Six initiatives are bond measures aimed at bolstering the state's aging infrastructure. Propositions 1E and 84 would allocate nearly \$10 billion for flood prevention, water quality, and other related conservation efforts. Recent polling by the Public Policy Institute of California (PPIC) shows Proposition 1E, the \$4.1 billion levee and flood control bond passing with 53% "Yes" and 36% "No". The same poll shows Proposition 84, the \$5.4 billion water, parks and resources bond, struggling with 42% "Yes" and 43% "No".

LEGISLATIVE/PLANNING

The Dolphin Group participated in ACWA's October 20 Legislative Planning workshop where 12 legislative proposals for 2007 were discussed. In addition, ACWA circulated a framework for a 2008 water bond developed by an ACWA-appointed task force. ACWA will be working over the next several months to further refine that proposal. Obviously, the outcome of Proposition 84 will have significant impacts as well.



Inland Empire
UTILITIES AGENCY

Date: November 15, 2006

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (11/08/06)

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

Submitted by: Martha Davis
Executive Manager of Policy Development

Subject: October 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:mef

Enclosure

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MEMORANDUM

TO: Rich Atwater and Martha Davis

FROM: Jennifer West, Geyer Associates

DATE: October 26, 2006

RE: October Legislative Report

***E. Coli* Outbreak Informational Hearing: Possible Legislation for 2007**

Recently Senator Dean Florez held an informational hearing on the *E. Coli* outbreak in the Salinas Valley. Senator Florez grilled witnesses from the Department of Health Services and Department of Food and Agriculture and the RWQCB over possible reasons for the contamination, including the application of recycled water to croplands and raw and composted manure. Curtis Weeks of the Monterey County Resources Agency, testified that recycled water is used on approximately 12,000 acres in the northern part of Monterey County. He said the recycled water is fully chlorinated and meets tertiary treatment standards. He testified that the agency tests the water once a day in the fields to ensure that there is no regrowth of *E. Coli* after the water has left the treatment plant. He also explained that the type of *E. Coli* causing the outbreak was bovine in origin and could not have come from the application of recycled water.

Senator Florez said the purpose of the hearing was to help him prepare legislation for 2007 to help protect the food supply. Based on testimony at the hearing and a subsequent discovery that the *E. Coli* DNA from the outbreak matched *E. Coli* found in adjacent pastureland, it is not clear whether he intends to address recycled water in his legislation. Legislation that addresses manure and composting is likely.

Association of Compost Producers Considering "Labeling" Legislation

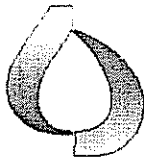
IEUA and ACP are considering introducing legislation to create a voluntary labeling section in California law for bulk compost. The goal of the legislation would be to provide compost users with the information they need in order to manage their soils, crops, and landscapes in an efficient, productive, and environmentally sustainable manner. Recently, IEUA and ACP had a productive meeting with staff at the Department of Food and Agriculture to discuss the concept and issues that must be addressed as the legislation moves forward. These include DFA costs, quantifying compost labeling claims when the product is quite changeable and compost labeling issues with regard to organically certified crops. DFA also encouraged ACP and IEUA to work with the fertilizer industry to develop consensus on the proposal. In the next few months ACP will be getting feedback about the labeling initiative from its members.

Water Bond for 2008?

While the fate of Proposition 84 will be decided in the next two weeks, ACWA is already preparing for the next water bond. ACWA has solicited comment from the water community on a draft water bond proposal which contains \$500 million for the Integrated Regional Water Management Program, \$100 million each for water recycling, agriculture water conservation, urban water conservation, and water desalination. The proposal also calls for funding surface storage and a number of other water quality programs, but does not specify funding levels. The proposal contains no funding for habitat programs like those found in Proposition 50 and 84. IEUA will be participating with ACWA in the development of the bond.

Unemployment/Pension Legislative Proposal

Based on action taken by the Board in September, IEUA has been laying the foundation for the introduction of legislation in 2007 to protect an employer and the state's taxpayers from paying both a retirees' defined benefit pension and subsequent full unemployment insurance at the same time. ACWA, League of Cities, and the California Special Districts Association have agreed to survey their membership to see how frequently this situation arises. Initial feedback indicates that the practice is fairly uncommon and many agencies were not aware that this is legal under California law. ACWA's Legal Affairs Committee has additionally agreed to work with IEUA on possible legislative solutions to this problem. They will be meeting next in early December at the ACWA Disneyland Conference.



Date: November 15, 2006
To: The Honorable Board of Directors
Through: Public, Legislative Affairs and Water Resources Committee (11/08/06)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: October 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.

RWA:MD:mef

Enclosure

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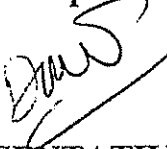
Agricultural Resources

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

October 29, 2006

Legislative Report

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

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

SU: Legislative Report, October 2006

Highlights:

- Congress Out Until After Election – Funding Bills Not Passed, Federal Government Operating by Continuing Resolution (CR)
- Feinstein Directed Title XVI Report from Interior – Reclamation Fails Again (and Again)
- Senate Energy Committee Water Recycling Hearing July 27
- Administration Testimony, Position(s)
- Baca Perchlorate Cleanup Bill Passed House
- News and Notes
- IEUA Working Partners

Congress Adjourns Until November 13 (post mid-term election). Majority of Funding Bills Remain Pending, and Federal Government Operation By "CR." The House and Senate adjourned on September 29 until after the Mid-Term Elections. A CR or Continuing Resolution was passed to fund the operations of Government until November 17 (end of the week Congress returns). While DOD and Homeland Security funding bills were enacted, action on all other funding bills were postponed until after the election.

Presently, the CR allows the non-defense departments and agencies to function until another CR or the bills are enacted. During the break, little progress has been made between the House and Senate appropriators on these bills. It is assumed that another CR will be required – and whether or not – and when – these funding bills are finalized is unknown....and subject to change based on the outcome of the election. This includes the Energy and Water Appropriations bill which contains proposed funding for the Bureau of Reclamation [CALFED account in the House proposes \$ 1 million for the IEUA water recycling program].

Bureau of Reclamation Determines IEUA Water Recycling Project Complies with Bureau Guidelines – Only Contemporary Recycling Project So Designated (so far). On October 10, the Bureau of Reclamation formally determined that the IEUA water recycling project conformed to the nine review categories found in the Bureau of Reclamation Title XVI Guidelines. However, the manner in which the document is framed implies that IEUA “finally” overcame various deficiencies. In fact, Reclamation failed to request certain information, never communicated the need and other similar problems. The manner in which the Bureau prepared this report is considered misleading.

Bureau of Reclamation’s Water Recycling Report to Congress – Projects in Three Bills (Dreier, Calvert and Gary Miller) – Finally, Sort of. The Bureau of Reclamation, as previously reported, was directed by Senator Feinstein and the Senate Energy Committee to review the various six projects in the three House-passed bills (now pending in the Senate and before the Energy Committee) to determine whether or not these projects met the Bureau’s recommended Guidelines (BuRec, published, 1998). It was due at the end of August. Then it was promised immediately after Labor Day and then, two different times during September prior to the congressional break. The Bureau missed EVERY deadline.

This month, the Bureau informally submitted a report on the three bills (impacting six water districts including IEUA, Cucamonga, OCWD and others). The Bureau concluded that ONLY the IEUA project met their requirements and the others did not. What’s curious about this – the Bureau told IEUA that we met the criteria back in August, but it took more than two months to communicate that to the Energy Committee and Senator Feinstein. The other projects – unresolved, and overdue.

Congressional Research Service (CRS) Study on Water Recycling. The House and Senate Resource and Energy Committees asked the CRS to conduct a review of the Title XVI program. It was released a few days ago. Among other things, this Report shows that:

- * Title XVI projects are being planed, designed, constructed and operated in areas designated as water conflict/drought “hot spots.”
- * Projects are highly leveraged and are the most cost-shared in the Federal family.
- * Federal interests (Bureau of Reclamation, DOI and OMB) want a smaller, more focused

program)

- * Title XVI projects have the capacity, across the West, to produce a significant amount of new water – annually.

Bureau of Reclamation Stakeholder Meeting, Title XVI. I attended the meeting, held at the SF PUC Offices in California. Rich Atwater attended. Water interests from five Western States were represented. This is the second of what will be a series of such meetings. MWD and others participated. An outstanding presentation was made by DWR on their Recycling Task Force Report as well as the State Water Resources Control Board. The Bureau of Reclamation was apparently unaware of the State's Report (Rich Atwater participated in the preparation of that study).

Many of the Districts who attended voiced their frustration with the Bureau over the management of this program.

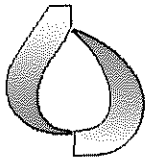
WEF Hosts Farm Bill – Cow Power – Initiative. Water Environmental Federation (WEF) hosted a one-day conference in early September to review an informal coalition position on the Farm Bill. Rich Atwater made a presentation. A policy paper is emerging and currently under review that is to be submitted to the House and Senate. It will serve as the basis for recommended changes to the Farm Bill.

News and Notes. House-Senate Schedule. The House and Senate adjourned for the election, but have scheduled a Lame Duck Session which is slated to convene on November 13. **Continuing Resolution (CR).** Interim funding for the fiscal year beginning October 1 was provided by the enactment of a CR – which expires on November 17. Presumably, the House and Senate will complete action on each individual bill during the Lame Duck. Whether or not bills are finalized, another short-term CR is passed or a long-term CR is considered will not be known until after the election. **Senate Confirm Bob Johnson, as Commissioner, Bureau of Reclamation.** Bob Johnson, the current Regional Director, Bureau of Reclamation for the Lower Colorado Region (which includes IEUA), was confirmed just before the Senate completed its work in September. As previously reported, Johnson is a supporter of the Title XVI water recycling program. He was sworn in early last week.

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

- a. Metropolitan Water District of Southern California (MWD)
- b. Milk Producer's Council (MPC)
- c. Santa Ana Watershed Project Authority (SAWPA)
- d. Water Environment Federation (WEF)
- e. Association of California Water Agencies (ACWA)
- f. WateReuse Association
- g. CALStart

- h. Orange County Water District (OCWD)
- i. Cucamonga Valley Water District (CVWD)
- j. Western Municipal Water District
- k. Chino Basin Watermaster



Date: November 15, 2006

To: The Honorable Board of Directors

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

Submitted by: Martha Davis
Executive Manager of Policy Development

Eliza Jane Whitman
Manager of Planning and Water Resources

Subject: FY 2005/06 Annual Water Production Summary

RECOMMENDATION

The Board of Directors receives and files the FY 2005/06 Annual Water Production Summary

BACKGROUND

The Inland Empire Utilities Agency (IEUA) Planning and Water Resources staff continuously tracks water production data from each of the retail water agencies in the service area as a part of the UWMP planning process. For the past several years, staff has compiled this data into a Water Production Report for the previous Fiscal Year (FY). Attached is the FY 2005/06 Annual Water Production Summary for the IEUA Service Area.

The report breaks out the data into three distinct areas for each of the eight water retailers: 1) monthly water production by class of water, 2) Agency water production as a percentage of the entire service area, and 3) an Agency five-year history of production. Also included is a ten-year historical water production chart, by class of water, for the entire IEUA service area, and a recap of the Dry Year Yield Groundwater Conjunctive Use Storage Program (DYY) deliveries.

In FY 2005/06, the total water produced to meet urban (residential, commercial, industrial and institutional) water demand was approximately 230,000 acre-feet, up from 214,000 acre-feet in FY 2004/05. Included in the FY 2005/06 production number is approximately 18,000 acre-feet of water of in lieu deliveries to the DYY storage program. Since the DYY's program inception in 2002, approximately 58,000 acre feet has been stored in the Chino Groundwater Basin for use during dry years.

Water use within IEUA's service area has not increased during the past five years despite population growth of more than 80,000 residents. In FY 2005/06, water demand was about

212,000 acre-feet, with Southern California experiencing normal rainfall. The regional conservation programs implemented by IEUA in partnership with the retail agencies are helping to keep water use as low as possible while the region is growing.

Overall, the mix of water supplies produced within the region's service area has diversified over the past five years, with the Chino Basin Desalter projects and recycled water representing a significant new supply for the area. The development of these local sources of supply has helped retail agencies to stay within Tier 1 imported water purchases in 2005 and 2006. As a result, IEUA is on track to meet the water reliability goals set in the 2005 Regional Urban Water Management Plan.

The Draft Annual Water Production Summary Report was provided to the retail agencies for review and comment on October 17, 2006. No comments have been received by staff.

PRIOR BOARD ACTION

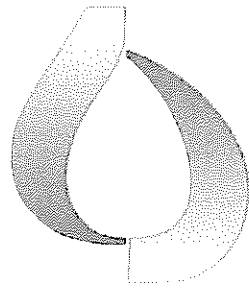
None.

IMPACT ON BUDGET

There is no impact on the Agency's Fiscal Year 2006/07 Budget as a result of this item.

RWA:MD:EJW

Attachment



Inland Empire
UTILITIES AGENCY

**Annual Water Production Summary
Report for IEUA Service Area**

**FY 2005-06
Retail Agency
Monthly Water Production and
Five-Year History**

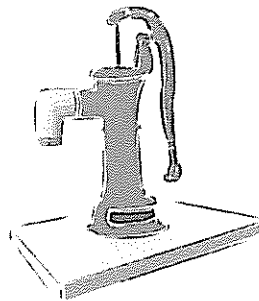


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Preface
2005-2006 Production Report

The Annual Water Production Summary Report provides an overview of the total water supplies produced within IEUA's service area to meet urban (residential, commercial, industrial and institutional) water and dry-year demands.

In FY 2005-2006, the total water produced to meet urban water demand was approximately 230,000 acre-feet, up from 214,000 acre-feet in FY 2004-2005. Included in the FY 05-06 production number is approximately 18,000 acre-feet of water dedicated to the Dry Year Yield Groundwater Conjunctive Use Storage Program (DYY). The purpose of the DYY program is to store additional imported water in local aquifers, and pump it back out when needed during dry spells and droughts.

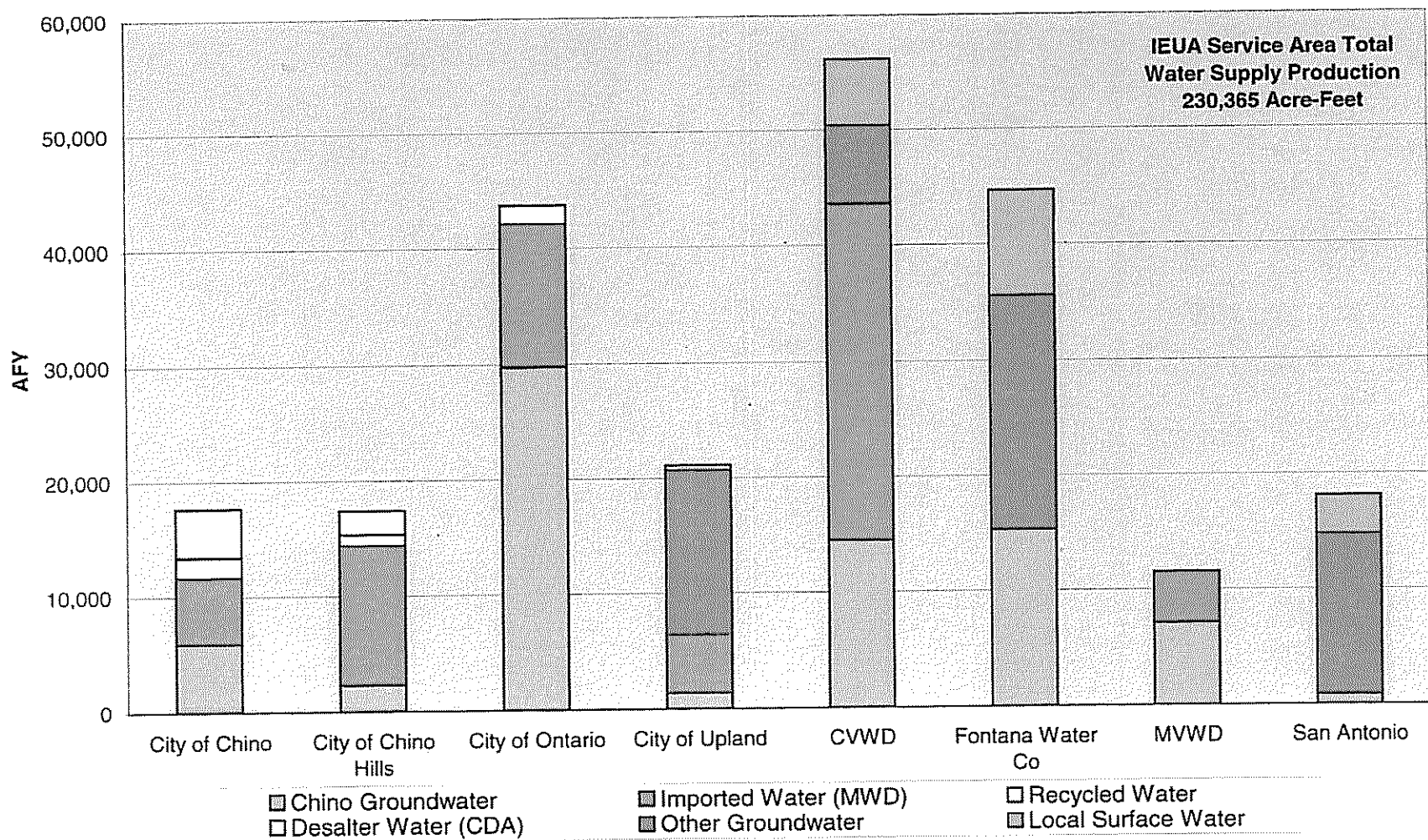
The area experienced close to normal rainfall recorded in Southern California during the fiscal year. Water use in general has not increased during the past five years. The expansion of the regional water conservation programs over the last five years are also helping to keep water use as low as possible while the region is growing.

The mix of water supplies produced within the Agency's service area has diversified over the past five years, with the Chino Basin desalter projects and recycled water representing a significant new supply for the area. The development of these local sources of supply has helped retail agencies to stay within the Tier 1 imported water purchases in 2005 and likely in 2006.

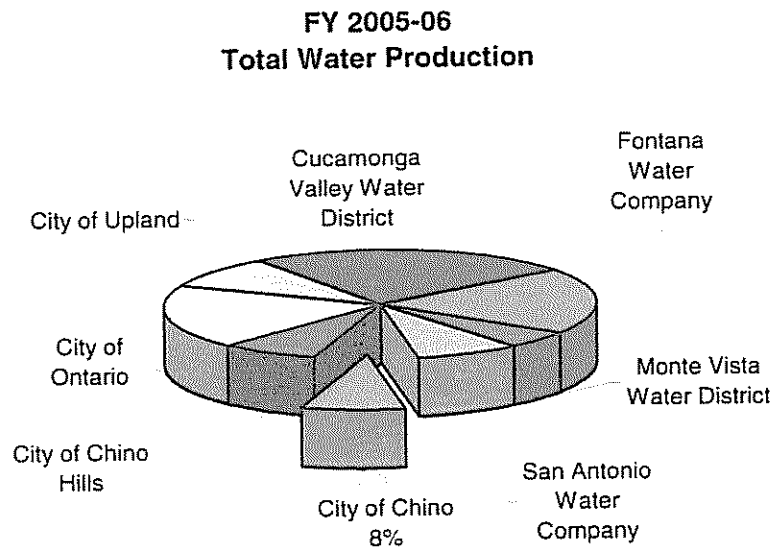
IEUA would like to thank the cities, retail water agencies and Chino Basin Watermaster for their assistance in compiling the data contained in this production report.

Richard W. Atwater
CEO/General Manager
Inland Empire Utilities Agency

Total IEUA Service Area Water Production for FY 2005-06

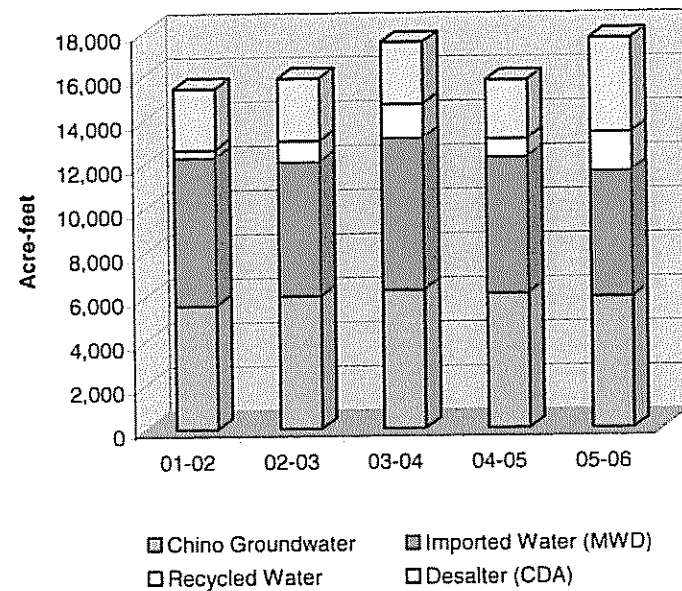


City of Chino FY 2005-06 Water Production Report

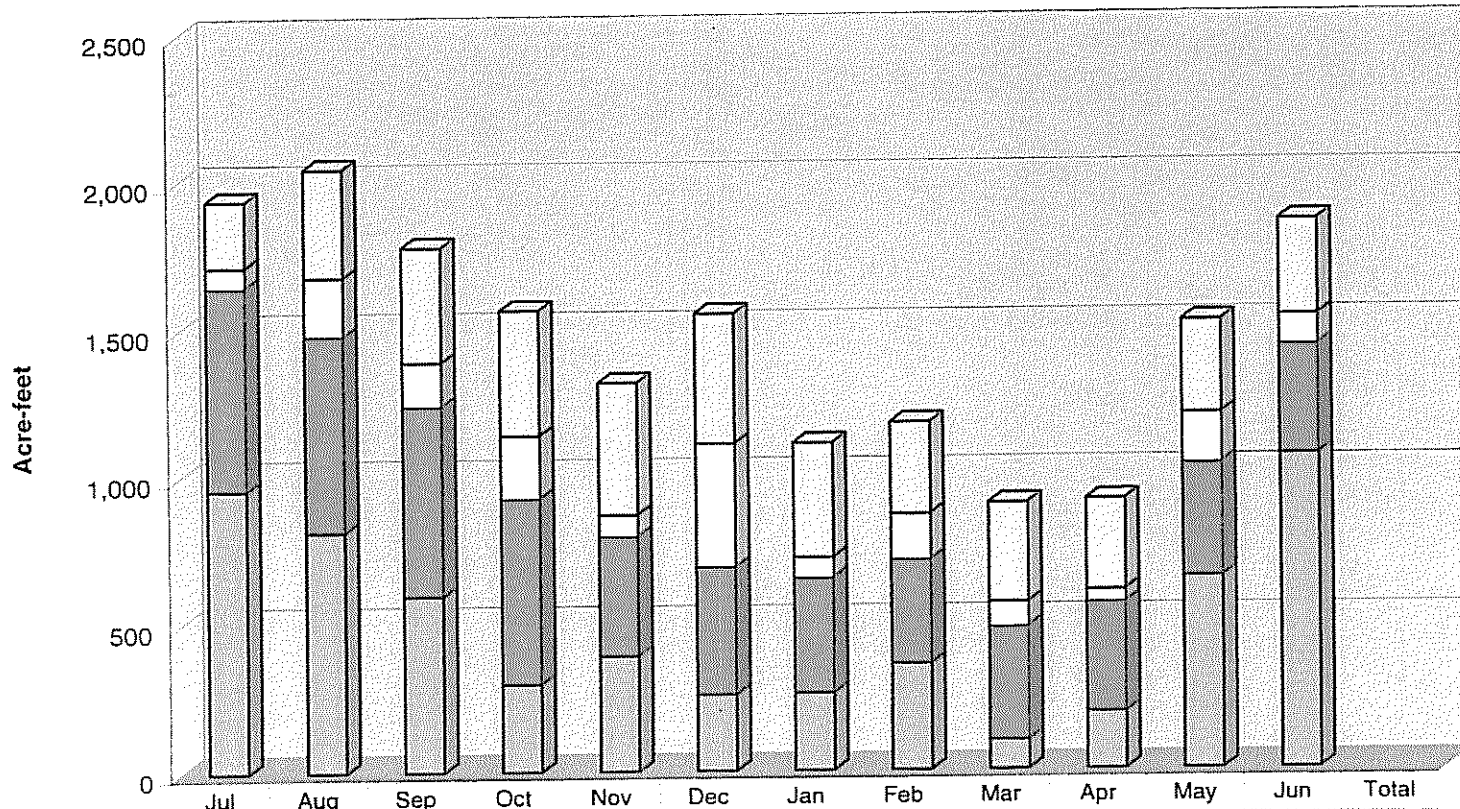


The City of Chino is 8 percent (17,714 acre-feet) out of a total production of 230,365 acre-feet in the IEUA service area.

5 Year Water Production



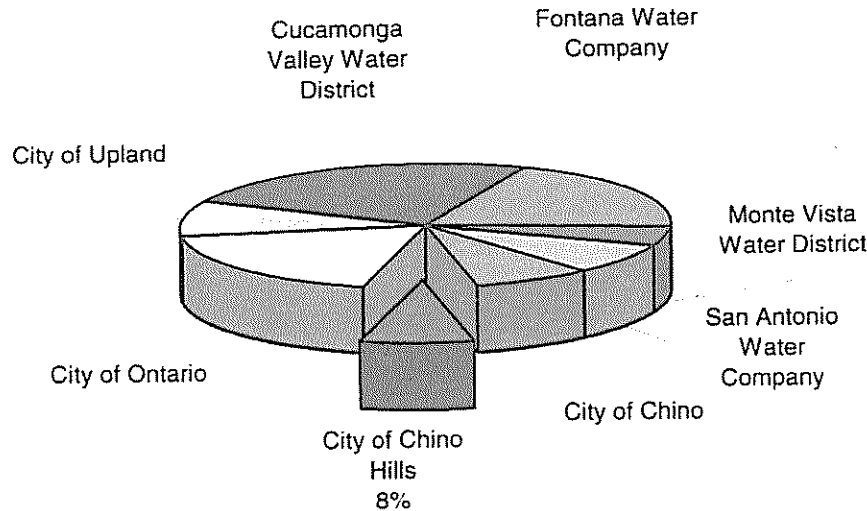
City of Chino FY 2005-06 Monthly Water Production Report



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Total	1,936.4	2,041.8	1,777.5	1,562.9	1,316.2	1,547.4	1,107.2	1,175.1	901.1	911.0	1,514.9	1,850.2	17,641.8
Desalter Water (CDA)	222.6	362.9	389.7	425.9	448.3	441.0	387.7	309.2	334.8	305.2	315.1	320.2	4,262.5
Recycled Water	68.5	200.5	149.3	214.0	74.5	418.9	68.9	156.5	85.7	43.1	169.8	102.0	1,751.6
Imported Water (MWD)	689.0	665.5	645.1	626.7	401.6	428.7	388.2	349.7	381.6	369.1	381.3	369.5	5,696.1
Chino Groundwater	956.3	812.9	593.4	296.3	391.8	258.8	262.4	359.7	99.0	193.7	648.7	1,058.5	5,931.6

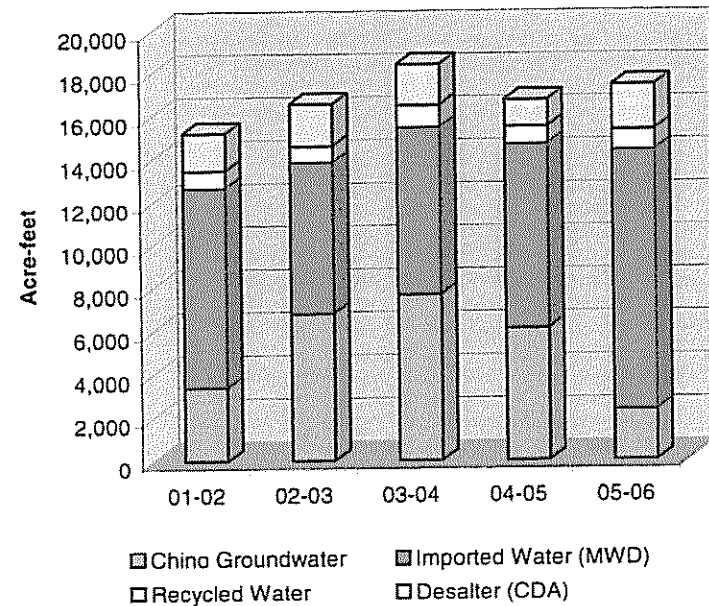
City of Chino Hills FY 2005-06 Water Production Report

**FY 2005-06
Total Water Production**

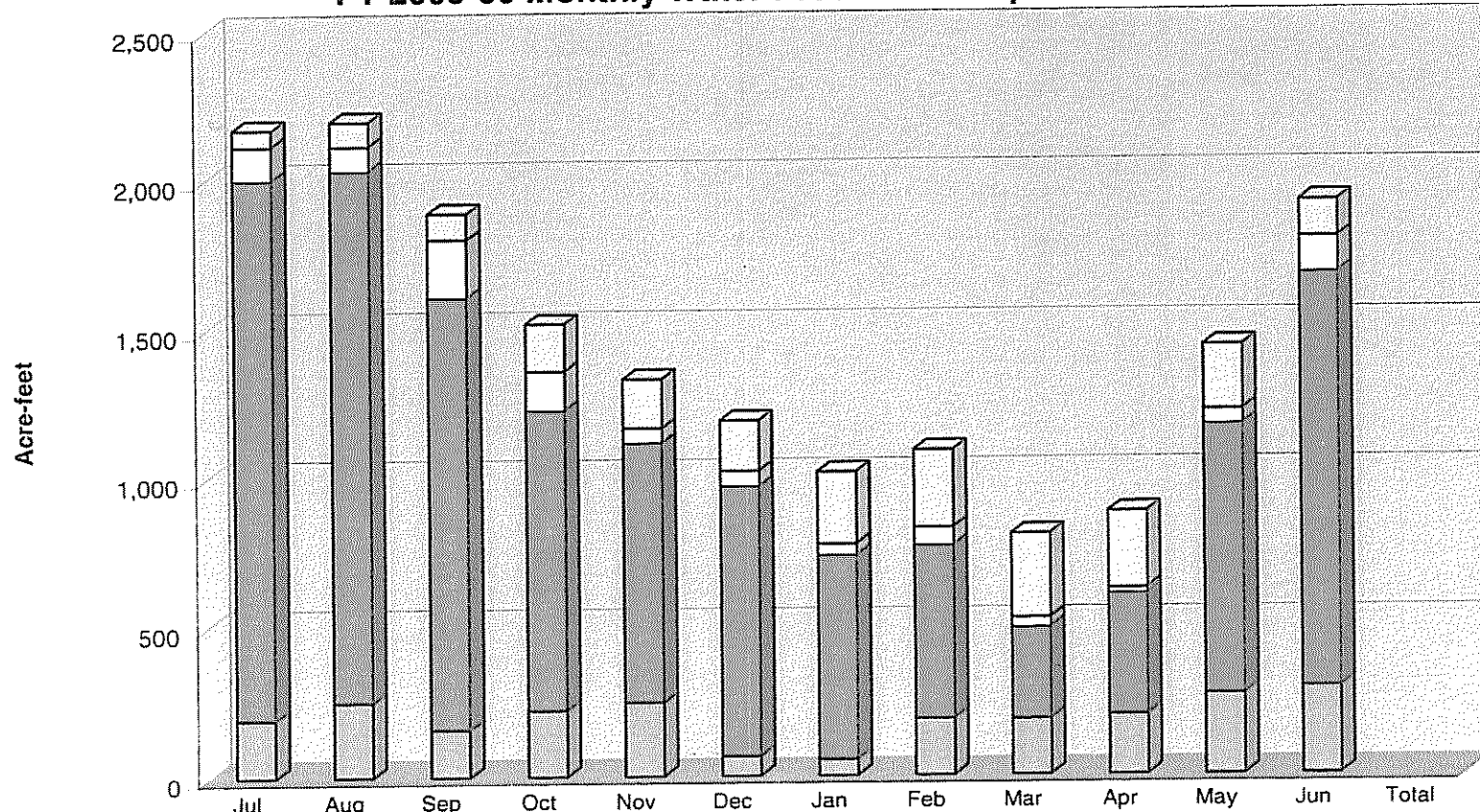


The City of Chino Hills is 8 percent (17,406 acre-feet) out of a total production of 230,365 acre-feet in the IEUA service area.

5 Year Water Production

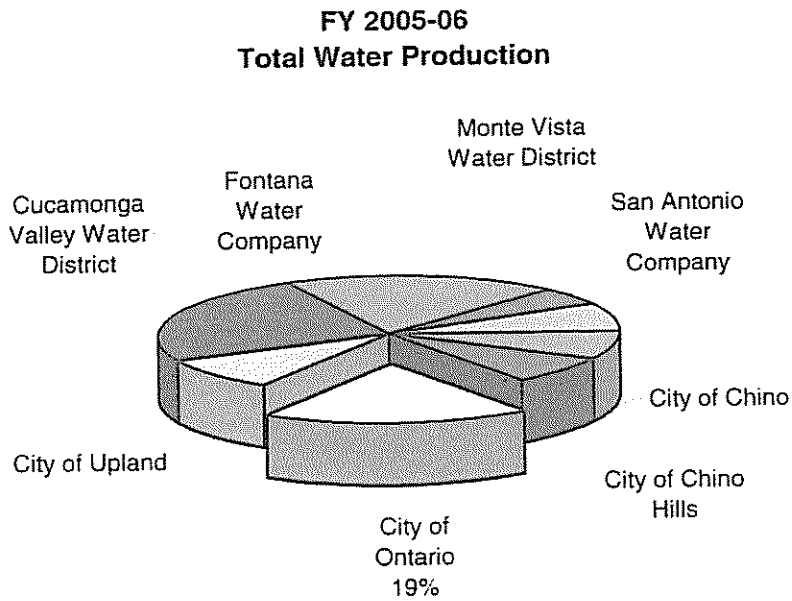


City of Chino Hills FY 2005-06 Monthly Water Production Report



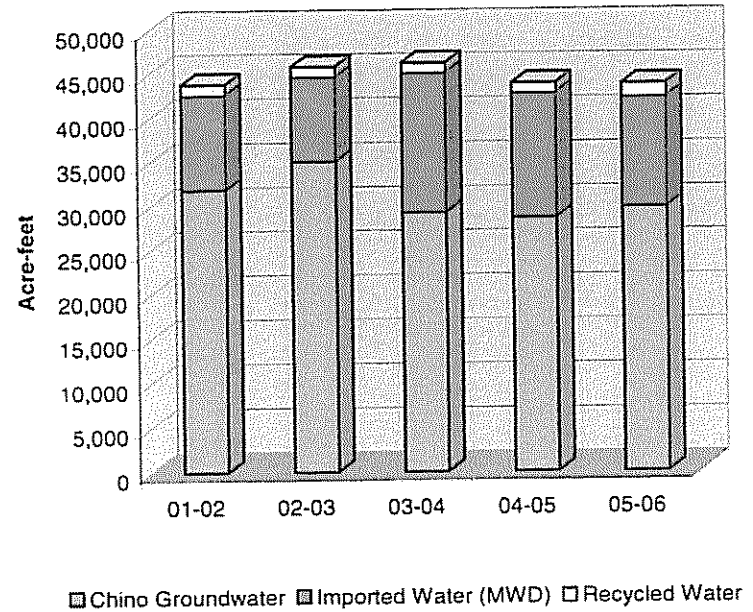
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Total	2,169.3	2,194.6	1,886.7	1,515.0	1,328.5	1,188.4	1,012.9	1,084.6	802.5	875.9	1,432.8	1,914.8	17,406.0
Desalting Water (CDA)	54.7	81.2	86.9	159.0	164.6	171.2	241.1	259.6	280.5	257.8	216.4	121.8	2,094.8
Recycled Water	112.8	82.5	196.5	130.1	50.7	51.6	40.1	61.6	32.8	18.1	49.9	121.0	947.8
Imported Water (MWD)	1,809.7	1,782.7	1,444.9	1,005.6	866.6	900.0	678.7	575.0	303.8	400.8	899.9	1,381.7	12,049.4
Chino Groundwater	192.2	248.2	158.3	220.3	246.6	65.6	53.0	188.4	185.4	199.2	266.6	290.3	2,314.0

City of Ontario FY 2005-06 Water Production Report

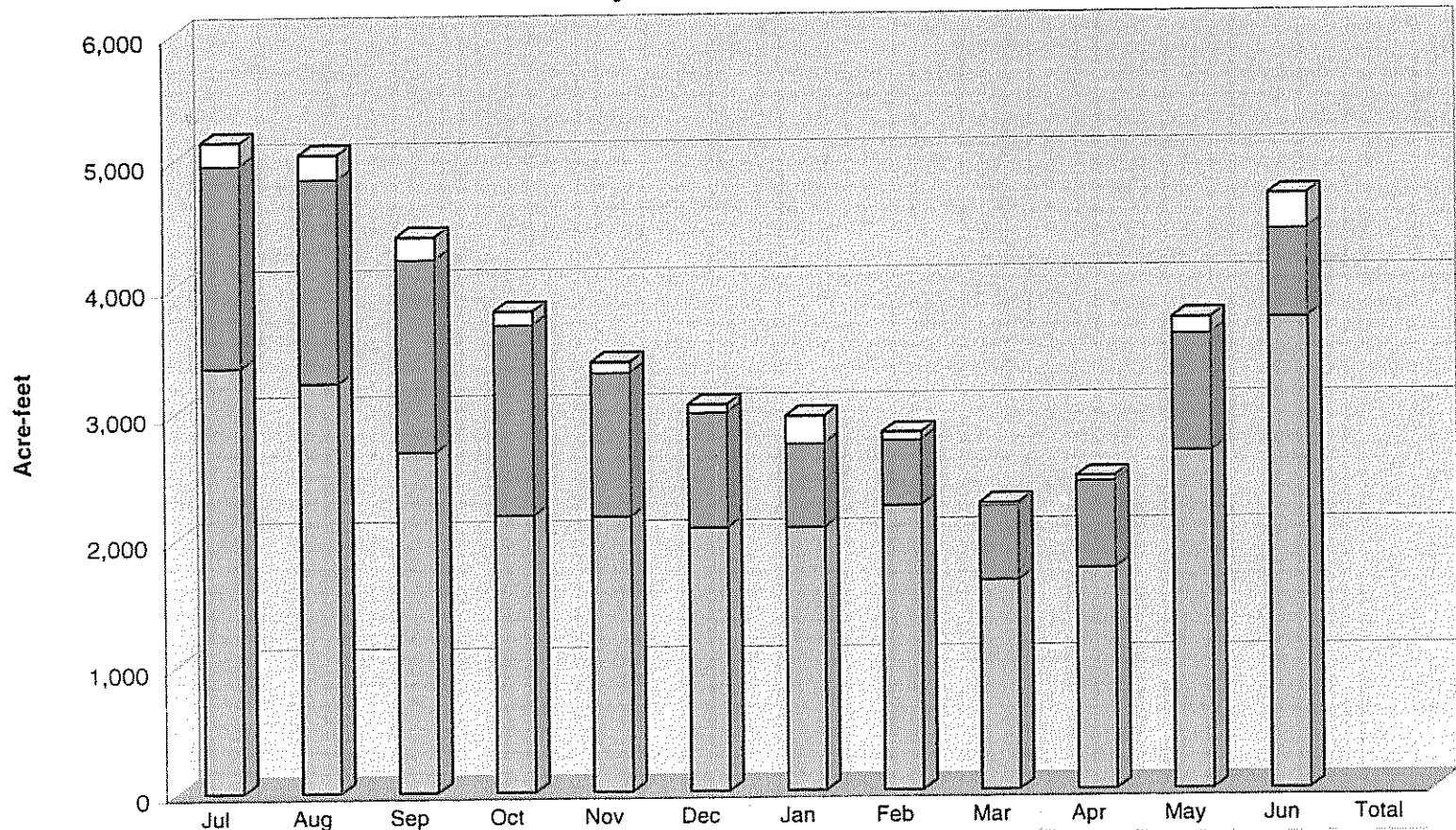


The City of Ontario is 19 percent (43,729 acre-feet) out of a total production of 230,365 acre-feet in the IEUA service area.

5 Year Water Production



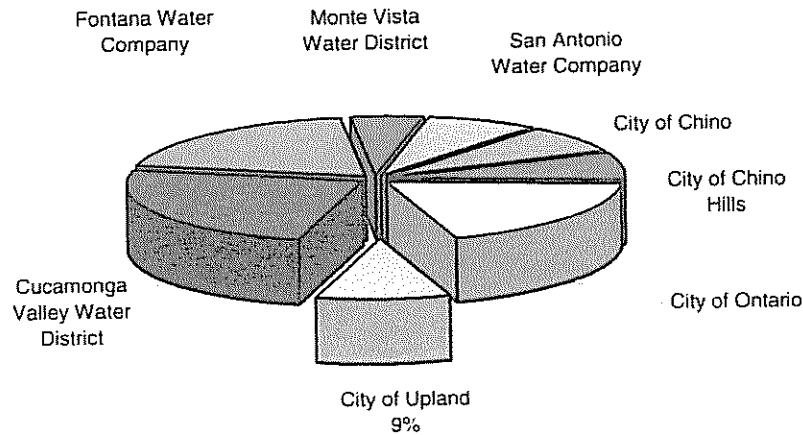
City of Ontario FY 2005-06 Monthly Water Production Report



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Total	5,148.3	5,047.2	4,394.6	3,797.4	3,393.0	3,051.6	2,955.9	2,820.6	2,253.2	2,464.8	3,713.3	4,689.0	43,728.9
□ Recycled Water	186.6	199.4	181.0	110.2	85.7	65.8	223.2	61.5	22.4	43.6	126.5	280.9	1,586.8
■ Imported Water (MWD)	1,599.1	1,608.5	1,525.5	1,507.1	1,138.1	910.0	658.4	517.1	583.0	681.9	928.1	697.6	12,354.4
■ Chino Groundwater	3,362.6	3,239.3	2,688.1	2,180.1	2,169.3	2,075.8	2,074.2	2,242.0	1,647.8	1,739.3	2,658.7	3,710.5	29,787.7

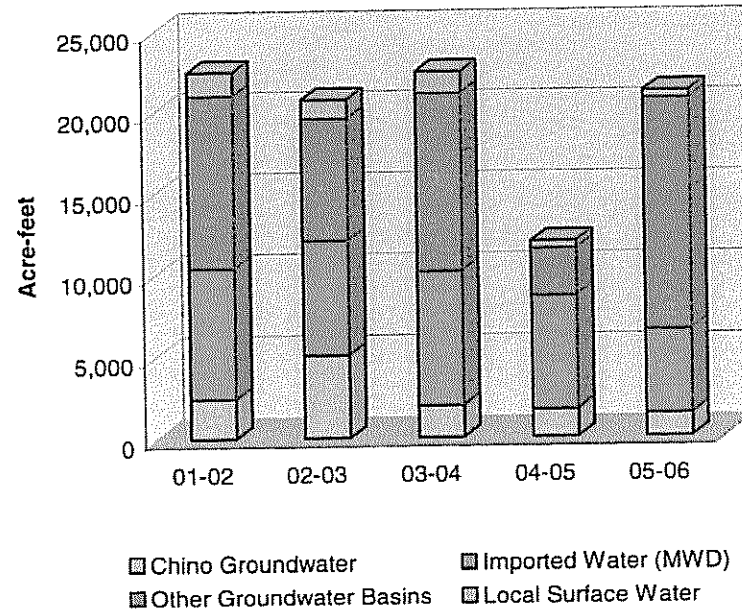
City of Upland FY 2005-06 Water Production Report

**FY 2005-06
Total Water Production**

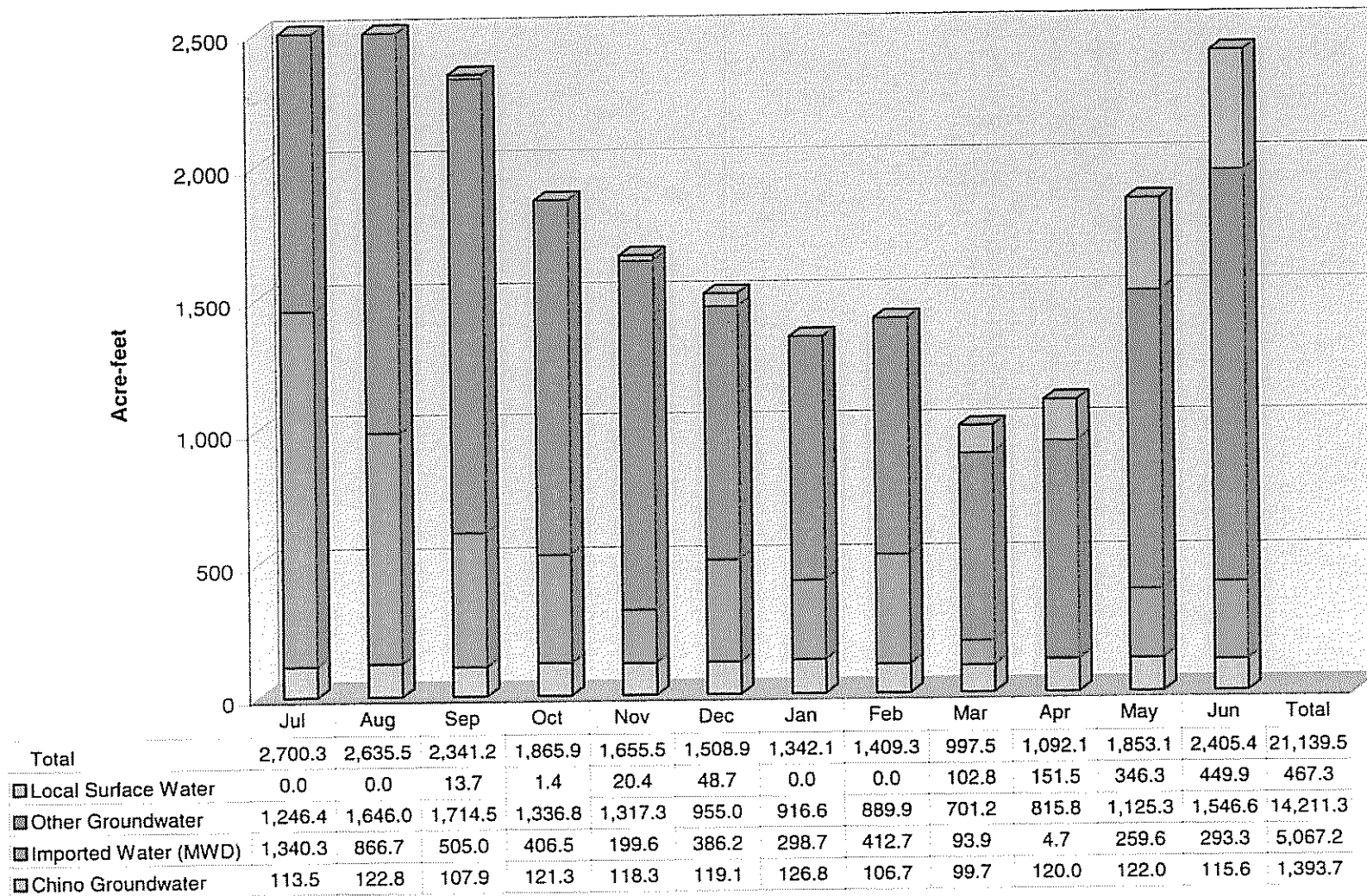


The City of Upland is 9 percent (21,140 acre-feet) out of a total production of 230,365 acre-feet in the IEUA service area.

5 Year Water Production

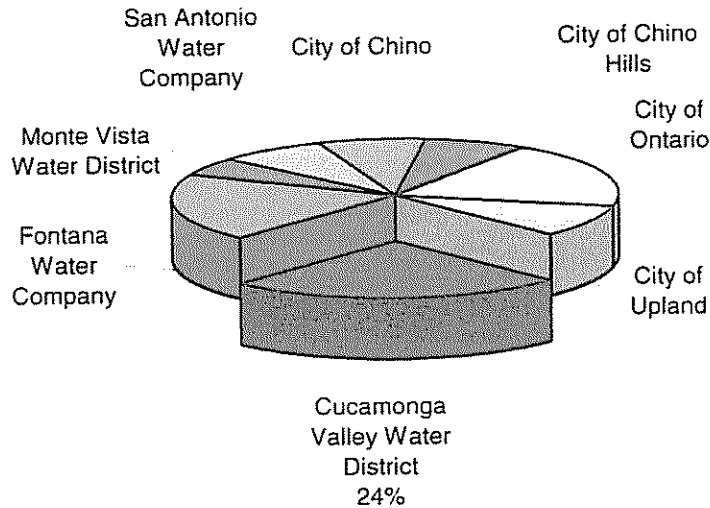


City of Upland FY 2005-06 Monthly Water Production Report



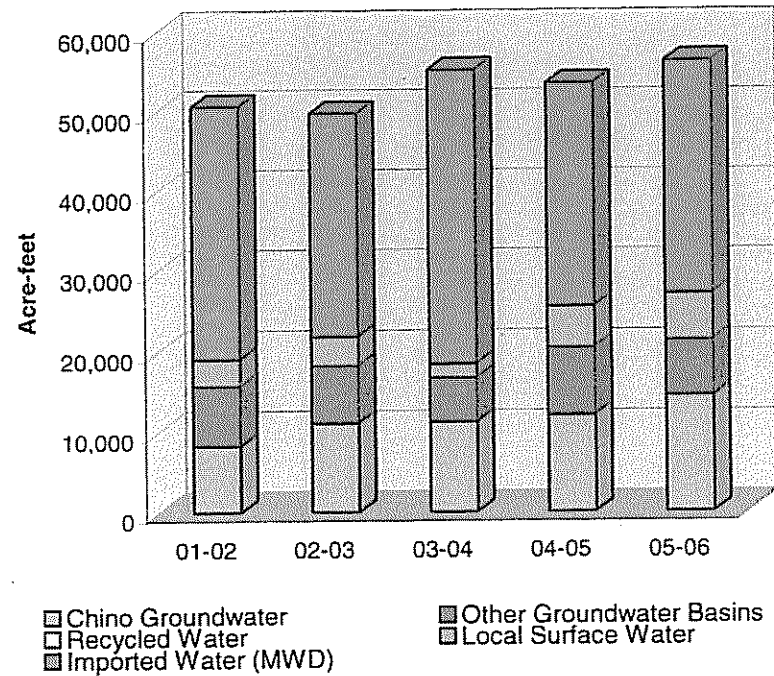
Cucamonga Valley Water District FY 2005-06 Water Production Report

**FY 2005-06
Total Water Production**

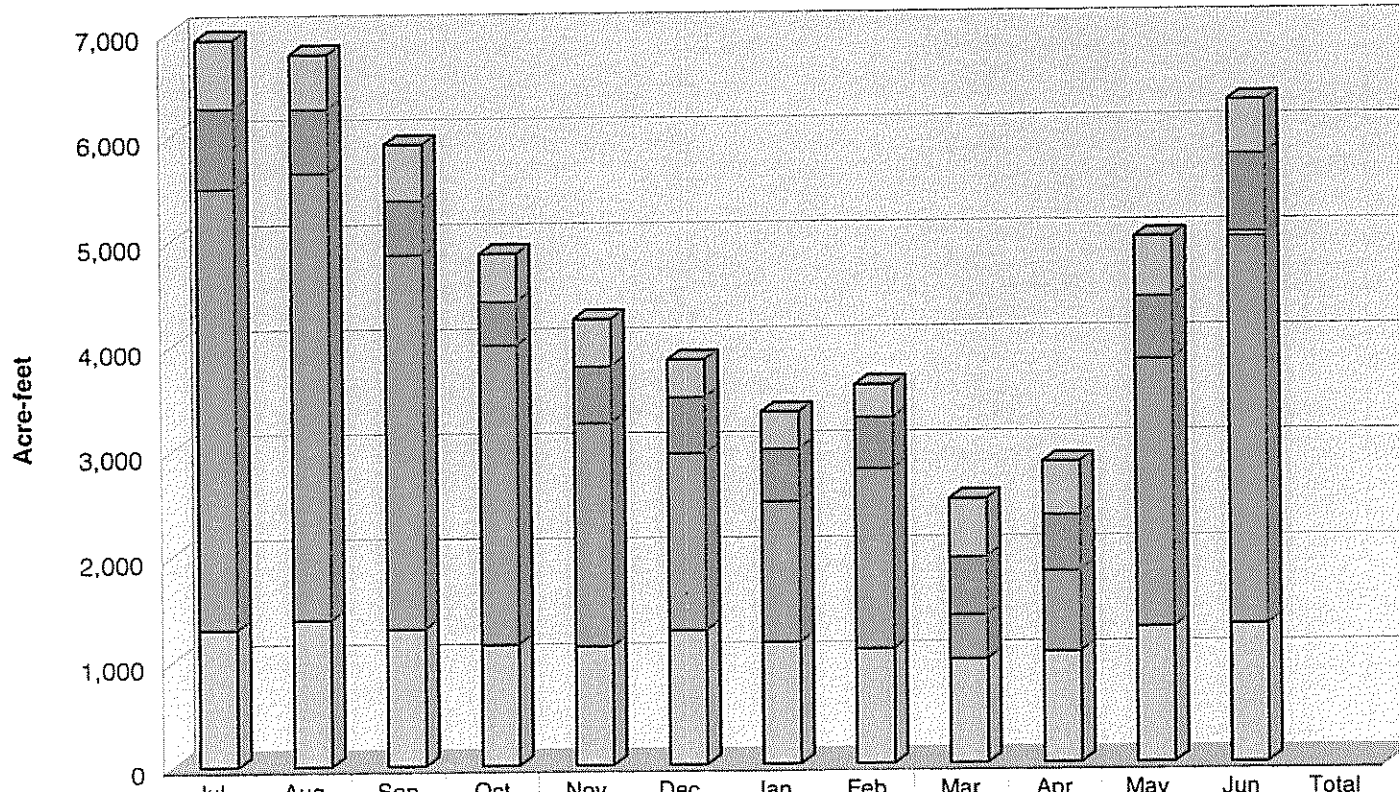


The Cucamonga Valley Water District is 24 percent (56,132 acre-feet) out of a total production of 230,365 acre-feet in the IEUA service area.

5 Year Water Production



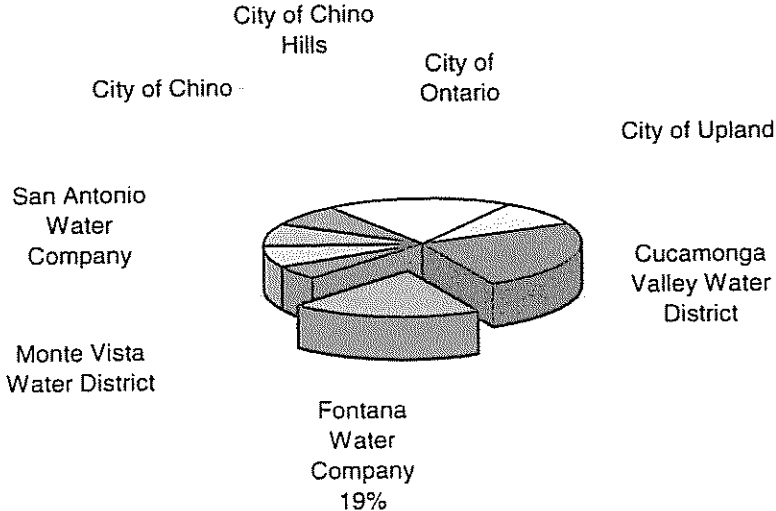
Cucamonga Valley Water District FY 2005-06 Monthly Water Production Report



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Total	6,923.3	6,783.1	5,920.0	4,871.5	4,241.8	3,848.6	3,347.7	3,598.4	2,510.0	2,852.3	4,990.9	6,282.9	56,170.5
Local Surface Water	651.9	520.7	536.9	455.7	452.1	357.2	360.7	309.7	555.3	505.7	572.4	507.6	5,785.9
Other Groundwater	768.5	609.3	514.4	417.8	537.6	538.5	494.2	491.7	546.1	527.5	596.0	748.4	6,789.8
Recycled Water												38.7	38.7
Imported Water (MWD)	4,197.0	4,261.6	3,563.8	2,846.2	2,116.7	1,675.3	1,332.3	1,703.1	424.0	759.6	2,533.3	3,678.4	29,091.3
Chino Groundwater	1,305.9	1,391.6	1,305.0	1,151.9	1,135.4	1,277.6	1,160.4	1,094.0	984.6	1,059.4	1,289.2	1,309.8	14,464.8

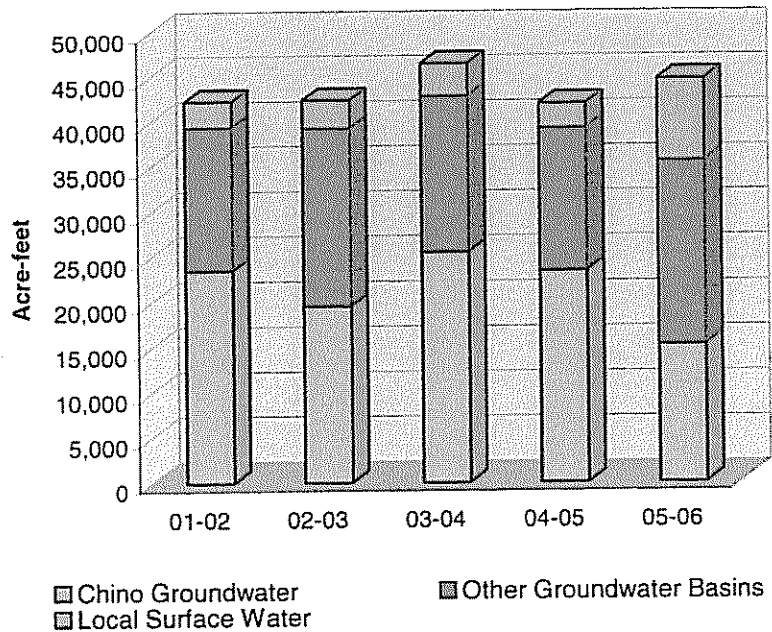
Fontana Water Company FY 2005-06 Water Production Report

**FY 2005-06
Total Water Production**

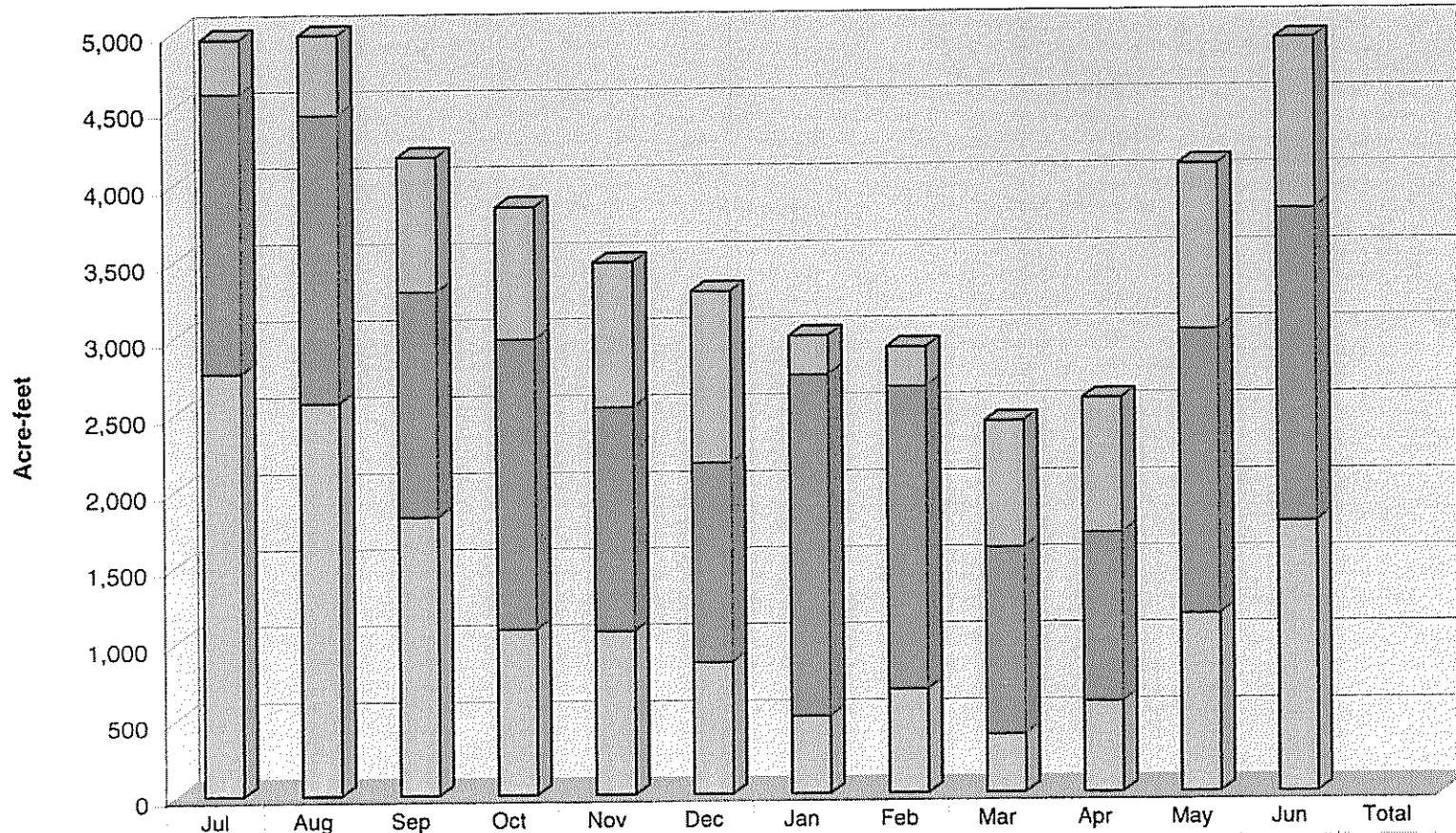


The Fontana Water Company is 19 percent (44,657 acre-feet) out of a total 230,365 acre-feet in the IEUA service area.

5 Year Water Production



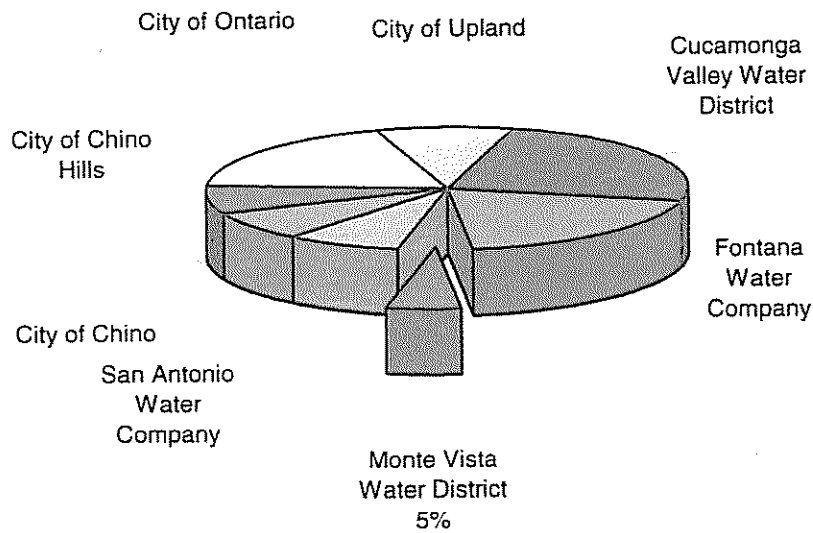
Fontana Water Company FY 2005-06 Monthly Water Production Report



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Total	4,953.8	4,979.1	4,175.9	3,849.4	3,483.6	3,289.9	2,991.6	2,915.5	2,429.4	2,575.1	4,098.8	4,914.7	44,656.7
Local Surface Water	355.8	526.3	880.5	870.8	949.5	1,122.5	255.8	257.4	823.5	877.1	1,078.9	1,107.2	9,105.2
Other Groundwater	1,828.0	1,880.6	1,469.2	1,894.0	1,463.3	1,304.8	2,227.3	1,978.2	1,226.0	1,101.4	1,856.8	2,038.3	20,267.9
Chino Groundwater	2,770.0	2,572.2	1,826.2	1,084.7	1,070.9	862.6	508.4	679.9	379.9	596.7	1,163.1	1,769.1	15,283.7

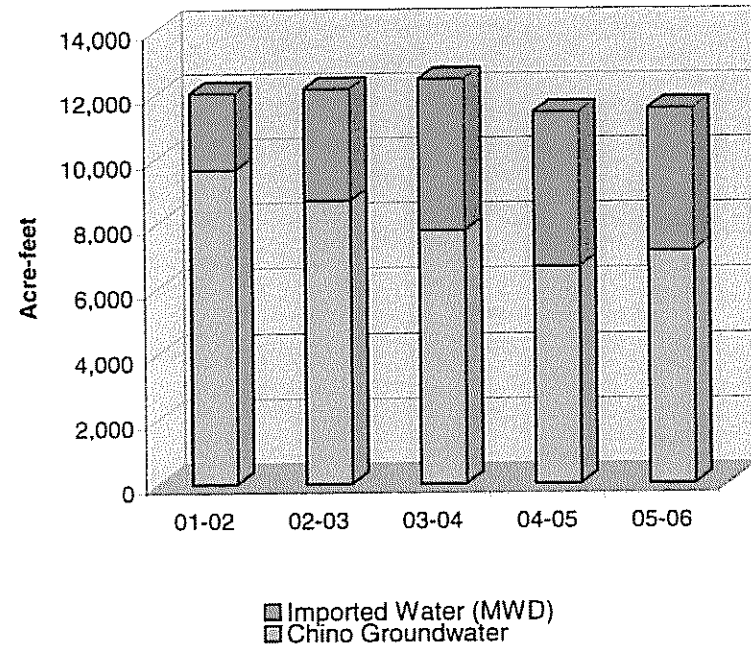
Monte Vista Water District FY 2005-06 Water Production Report

**FY 2005-06
Total Water Production**

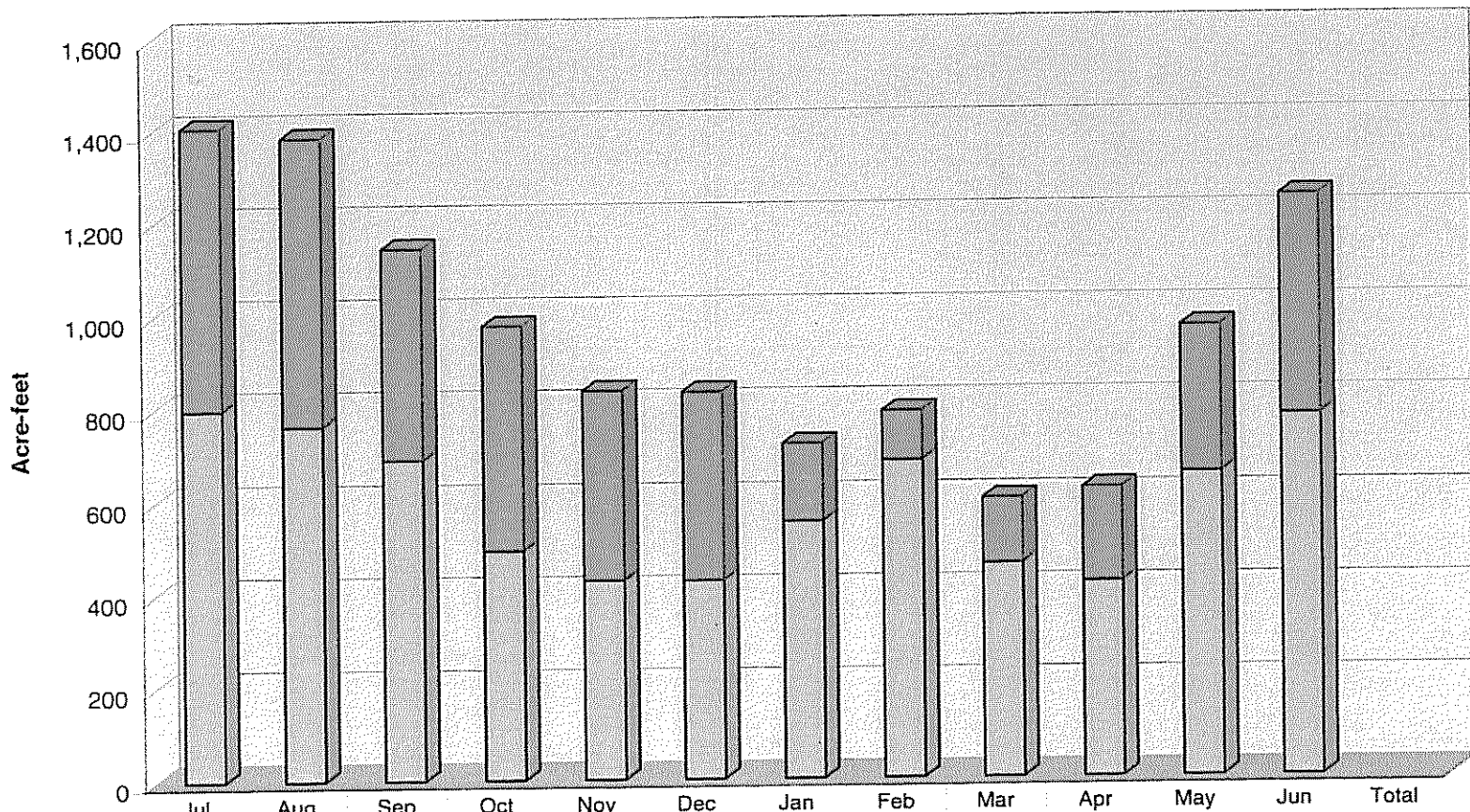


The Monte Vista Water District is 5 percent (11,517 acre-feet) out of a total production of 230,365 acre-feet in the IEUA service area.

5 Year Water Production



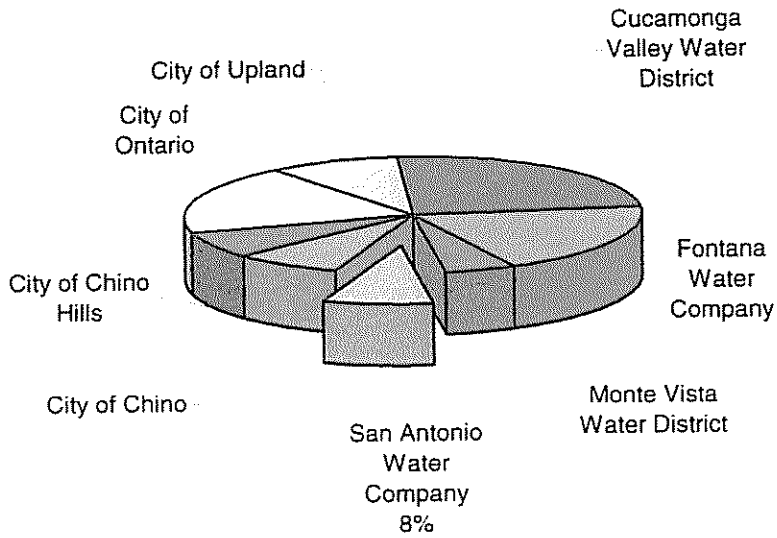
Monte Vista Water District FY 2005-06 Monthly Water Production Report



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Total	1,406.5	1,384.2	1,144.0	976.4	835.0	830.8	718.5	786.7	600.2	622.3	965.9	1,246.5	11,517.1
■ Imported Water (MWD)	609.1	621.4	454.5	481.7	406.8	403.4	164.8	103.9	139.9	202.6	312.6	471.8	4,372.5
■ Chino Groundwater	797.4	762.8	689.5	494.7	428.2	427.4	553.7	682.8	460.3	419.7	653.3	774.7	7,144.6

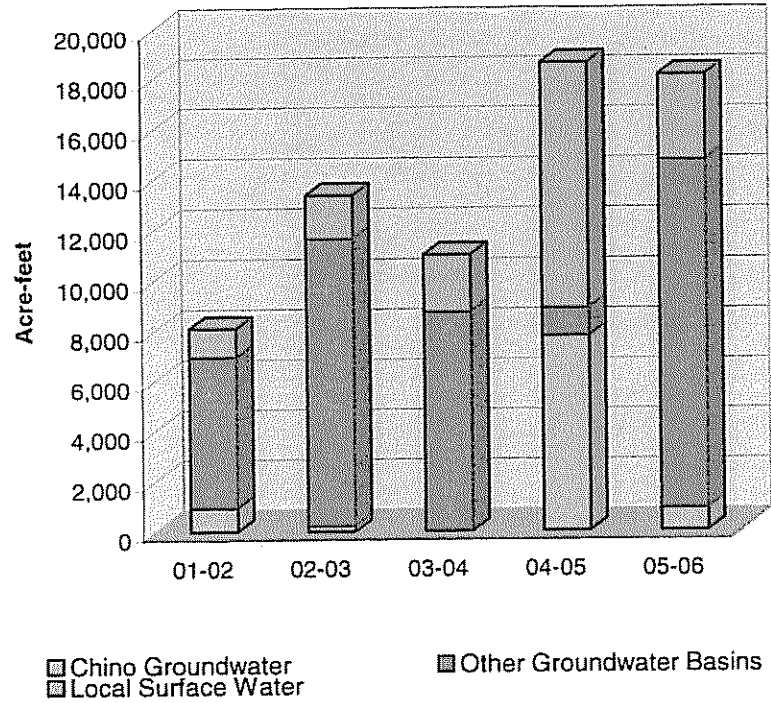
San Antonio Water Company FY 2005-06 Water Production Report

**FY 2005-06
Total Water Production**

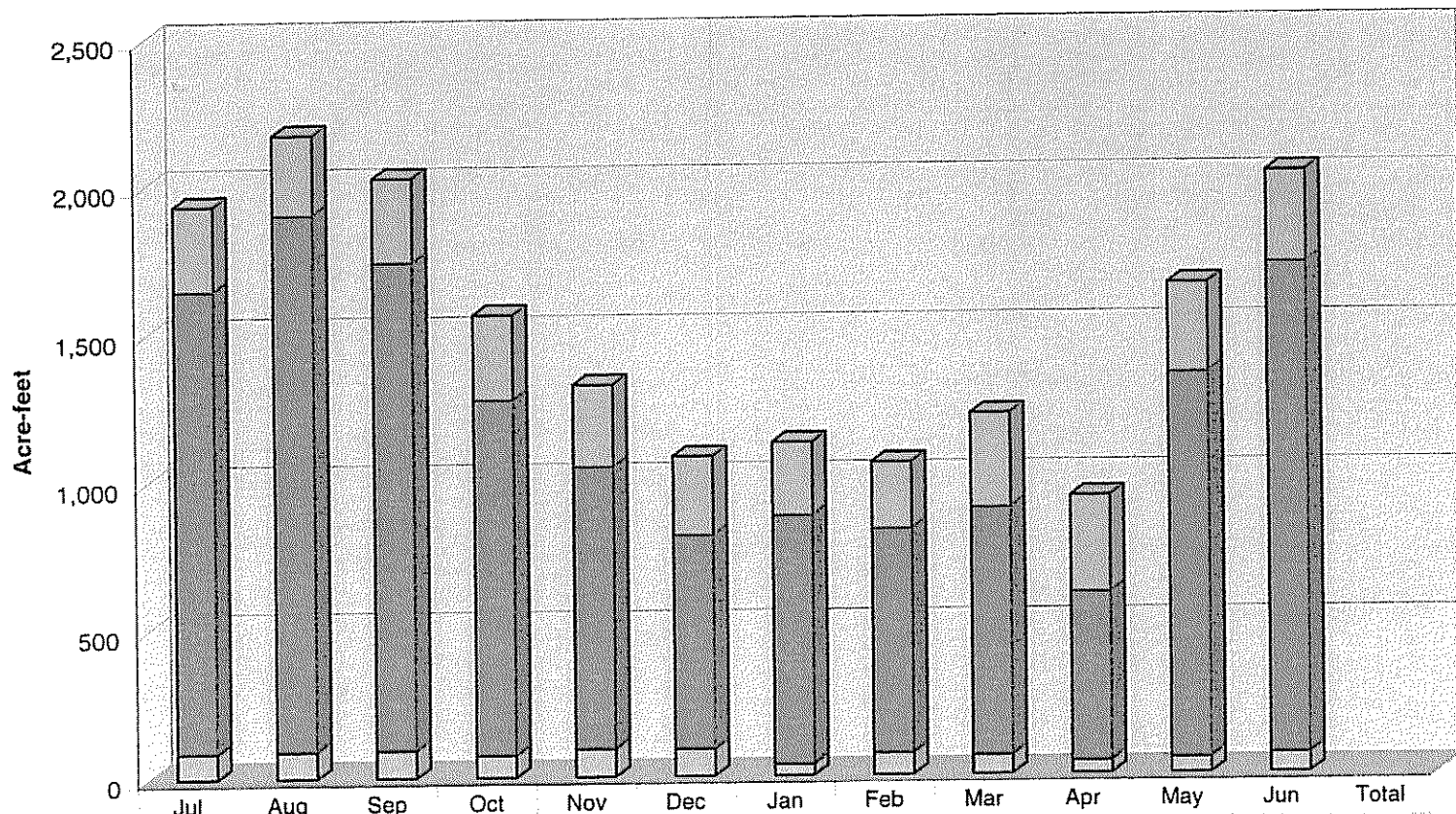


The San Antonio Water Company is 8 percent (18,105 acre-feet) out of a total production of 230,365 acre feet in the IEUA service area.

5 Year Water Production

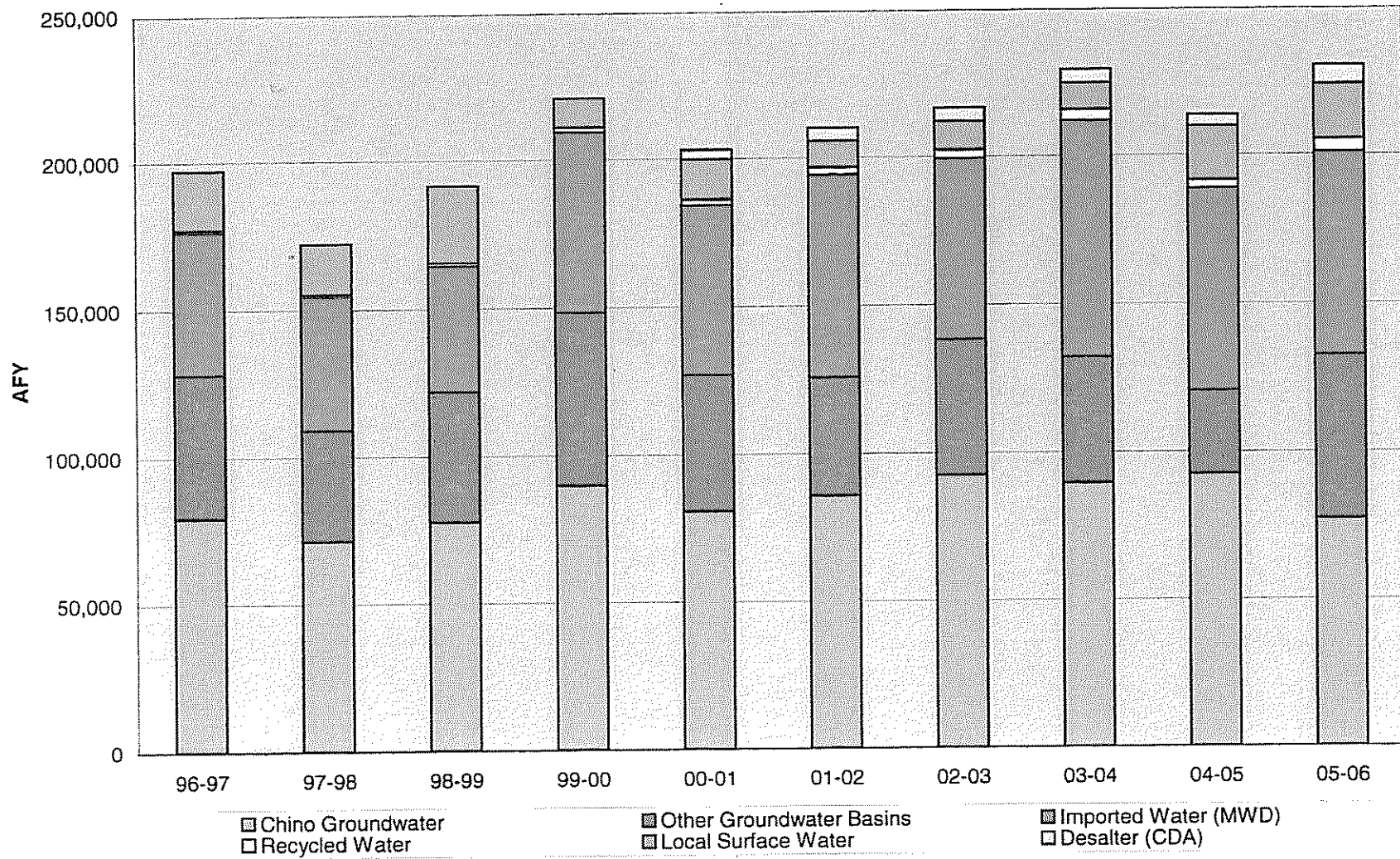


San Antonio Water Company FY 2005-06 Monthly Water Production Report



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Total	1,933.4	2,173.0	2,022.9	1,561.3	1,324.3	1,079.7	1,124.8	1,055.3	1,218.2	938.9	1,649.7	2,023.5	18,105.0
Local Surface Water	285.9	271.2	285.1	286.4	277.2	266.0	246.8	225.0	317.3	328.1	300.8	308.0	3,397.7
Other Groundwater	1,560.0	1,809.7	1,644.0	1,200.3	951.6	720.8	839.0	756.8	836.5	567.0	1,297.1	1,649.4	13,832.2
Chino Groundwater	87.5	92.2	93.8	74.6	95.5	92.8	39.0	73.5	64.5	43.9	51.8	66.1	875.1

IEUA Service Area 10-Year Historical Water Production



Definitions

Desalter Water – Means product water from Chino Desalter I owned and operated by the Chino Desalter Authority (CDA). Groundwater, with high levels of TDS, is treated and distributed to several retail water agencies within the Inland Empire Water Agency (IEUA) service area for potable uses.

Chino Groundwater – Means water pumped from the Chino Basin aquifer and treated by retail water agencies for all potable uses within the IEUA service area.

MWD Imported Water – Means water from Northern California and supplied by the Metropolitan Water District of Southern California (MWD), and water transferred from other groundwater basins to retail water agencies operating within the IEUA service area. All Tier I and Tier II deliveries are included in this category.

Recycled Water – Means Title 22 recycled water produced by IEUA at its water recycling plants for distribution through separate pipelines to retail water agency customers for all non-potable uses.

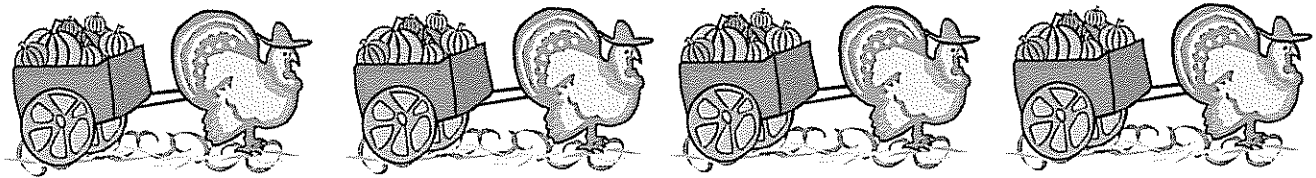
Surface Water – Means water collected by retail water agencies from mountain runoff and storm flows, which is collected and treated for potable use.

Water From Other Groundwater Basins – Means water produced from other local groundwater basins to retail water agencies operating within the IEUA service area. In this report, “water from other basins” is shown within the category of “other groundwater.”

Appendix A
10 Year Historical Water Production Data by Agency

BY AGENCIES		96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	
City of Chino	Chino Groundwater	10,231	8,821	10,081	10,201	7,147	5,613	6,020	6,282	6,096	5,932	
	Imported Water (MWD)	4,325	4,182	4,071	5,195	5,534	6,693	6,076	6,866	6,180	5,696	
	Recycled Water			100	368	293	368	958	1,544	830	1,752	
	Desalter (CDA)					1,488	2,773	2,835	2,802	2,554	4,263	
	Subtotal	14,556	13,003	14,252	15,764	14,463	15,447	15,888	17,494	15,759	17,642	
City of Chino Hills	Chino Groundwater	2,202	2,909	4,343	4,264	4,063	3,398	6,799	7,671	6,108	2,314	
	Imported Water (MWD)	12,846	10,276	9,759	12,940	10,251	9,300	7,058	7,778	8,553	12,049	
	Recycled Water				129	569	798	767	1,058	815	948	
	Desalter (CDA)					1,725	1,746	1,944	1,895	1,250	2,095	
	Subtotal	15,050	13,185	14,102	17,333	16,608	15,242	16,567	18,402	16,726	17,406	
City of Ontario	Chino Groundwater	34,096	33,426	34,603	36,523	33,988	31,968	35,050	29,214	28,620	29,788	
	Imported Water (MWD)	7,961	4,726	7,009	8,824	5,351	10,636	9,531	15,772	14,012	12,354	
	Recycled Water	809	690	1,003	1,073	1,001	1,232	1,197	1,160	1,169	1,587	
	Subtotal	42,866	38,841	42,614	46,420	40,340	43,836	45,778	46,146	43,802	43,729	
	City of Upland	Chino Groundwater	2,119	1,851	2,189	1,570	1,566	2,390	5,026	1,926	1,674	1,394
Imported Water (MWD)		2,553	3,811	278	3,717	5,039	7,998	7,012	8,206	6,902	5,067	
Other Groundwater Basins		14,705	11,478	14,071	17,406	11,684	10,609	7,532	10,930	2,875	14,211	
Local Surface Water		2,353	1,257	4,115	346	1,999	1,499	1,155	1,364	467	467	
Subtotal		21,730	18,397	20,653	23,038	20,289	22,496	20,725	22,426	11,917	21,140	
Cucamonga Valley Water District	Chino Groundwater	7,942	5,079	6,083	7,250	6,765	8,282	11,088	11,204	12,051	14,465	
	Other Groundwater Basins	14,855	9,461	12,485	12,800	8,200	7,461	7,191	5,468	27,937	6,790	
	Recycled Water										38.7	
	Local Surface Water	6,414	5,681	7,258	4,862	4,770	3,361	3,550	1,785	8,351	5,786	
	Imported Water (MWD)	18,024	19,111	18,155	26,920	28,801	31,565	27,908	36,662	5,087	29,091	
Subtotal	47,236	39,332	43,981	51,831	48,536	50,669	49,737	55,119	53,425	56,170		
Fontana Water Company	Chino Groundwater	13,509	12,448	11,853	21,152	18,104	23,565	19,606	25,527	23,436	15,284	
	Other Groundwater Basins	16,104	15,062	14,566	18,985	18,825	15,871	19,714	17,267	15,811	20,268	
	Local Surface Water	8,835	6,418	11,487	4,160	5,575	2,905	3,127	3,642	2,742	9,105	
	Subtotal	38,448	33,928	37,907	44,317	42,605	42,341	42,448	46,436	41,989	44,657	
	Monte Vista Water District	Chino Groundwater	9,126	6,829	8,624	8,626	9,166	9,658	8,707	7,781	6,668	7,145
Imported Water (MWD)		2,692	3,309	3,452	3,298	2,569	2,368	3,442	4,667	4,750	4,373	
Subtotal		11,818	10,138	12,076	11,924	11,735	12,026	12,149	12,448	11,418	11,517	
San Antonio Water Company		Chino Groundwater	234	98	52	294	72	932	205	11	7,758	675
		Other Groundwater Basins	2,905	1,658	2,827	9,428	7,279	6,023	11,439	8,712	1,089	13,832
	Local Surface Water	2,375	3,832	3,113	536	1,099	1,138	1,721	2,267	9,765	3,398	
	Subtotal	5,515	5,588	5,992	10,257	8,450	8,093	13,365	10,990	18,612	18,105	
	Total	197,216	172,411	191,577	220,883	203,025	210,150	216,657	229,459	213,647	230,365	
	Chino Groundwater	79,459	71,459	77,828	89,879	80,871	85,806	92,501	69,615	92,411	77,195	
	Other Groundwater Basins	48,570	37,658	43,950	58,618	45,989	39,954	45,876	42,377	47,711	55,101	
	Imported Water (MWD)	48,403	45,415	42,724	60,892	57,545	69,560	61,027	79,951	45,484	68,631	
	Recycled Water	809	690	1,103	1,570	1,863	2,398	2,921	3,762	2,814	4,286	
	Local Surface Water	19,978	17,169	25,973	9,924	13,543	8,903	9,554	9,058	21,325	18,756	
	Desalter (CDA)	0	0	0	0	3,213	4,519	4,778	4,696	3,904	6,357	
	Total	197,216	172,411	191,577	220,883	203,025	210,150	216,657	229,459	213,647	230,327	

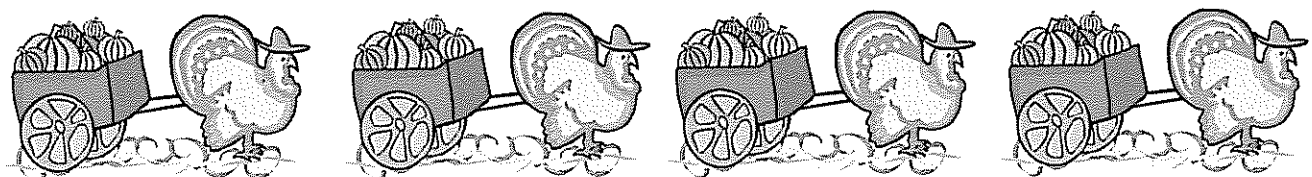
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CHINO BASIN WATERMASTER

V. INFORMATION

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Colonies, county fail to settle 'Progress' cited; further talks scheduled for Nov. 1

By Jeff Horwitz, Staff Writer

Article Launched: 10/20/2006 12:00:00 AM PDT

ONTARIO - After more than eight hours of negotiations Thursday, San Bernardino County's Board of Supervisors and an Upland developer failed to settle a four-year, potentially \$100 million-plus flood-control lawsuit.

Although they came up short of a settlement in their first meeting since April, both county supervisors and the Colonies Partners LP claimed to have found common ground in a jointly approved note.

"We are pleased to report we made great progress today under the guiding hands of retired California Supreme Court Judge Edward Panelli," Panelli read after the day's mediation concluded. "We have scheduled additional talks Nov. 1 and hope to resolve this matter to the satisfaction of all parties at that time."

Neither the county supervisors who were present nor the Colonies Partners offered any further comment.

"Justice Panelli invoked the gag rule," said Jeff Burum, one of two managing co-partners for the Colonies.

But Supervisor Dennis Hansberger, who left the meeting shortly after 12:30 p.m. for another appointment, said earlier that there had been grounds for cautious optimism during the first half of the talks.

"I came into this worrying it would be a total waste of time," he said, describing the meetings

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as "more productive" than any in the past. But there is far more work to be done "before we put a capstone on this," he said.

During the negotiations, held at a professional mediation company's offices in Ontario, the two sides never bargained face to face. The county supervisors, along with county administrators and the county's legal team, remained in one room, the Colonies partners and their attorneys in another.

Justice Panelli, who has mediated between the two sides in the past, shuttled between the two rooms, making proposals on how to apportion responsibility - and liability - for flood control on the

Colonies' property.

Flood protections are the basis of the dispute, with the developer alleging that the county violated its property rights by building a massive outlet for floodwaters on its land - but not the 67-acre retention basin needed to contain a deluge. Consequently, the developer has said, the county owes it as much as \$300 million for the basin, the land it's built on, and lost revenue and construction delays caused by the dispute.




The case has been through three court trials with the most recent tentative decision, issued by county Superior Court Judge Christopher J. Warner, finding that the county acted in bad faith and had no right to any use of the Colonies' property.

In the wake of Warner's tentative ruling, supervisors Bill Postmus and Gary Ovitt called for a settlement, while Hansberger found fault with the ruling and suggested that the developers were owed little, if anything at all.

Following the last trial, the developer and the county swapped written settlement offers but rejected them. The developer proposed \$150 million, a sum it said was half-price, while the county offered \$77 million.

A prior round of talks on Sept. 11 was called off at the last minute with the county stating that top officials were sick.

Jeff Horwitz can be reached by e-mail at jhorwitz@sbsun.com or at (909) 386-3856.

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Ontario, CA, 10/19/2006

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EDITORIAL: STATE BONDS
Transportation bonds necessary, rest unaffordable
OUR VIEW: Faced with tough spending choices, voters will have to narrow it down to best one

Article Launched: 10/19/2006 12:00:00 AM PDT

A couple of years ago, we advised voters to turn down every bond measure on the ballot, because state government was already in hock up to its eyeballs and was running a large structural deficit in its operating budget.

Now that the state's economy and tax revenues have improved, large debt remains, but at least the structural deficit has been reduced significantly under Gov. Arnold Schwarzenegger.

The Nov. 7 ballot is chock-full of bond measures agreed on by the governor and Legislature to attend to the state's badly neglected infrastructure. The state can afford to take on some additional debt now, but certainly not all of the \$42.7 billion in general obligation bonds appearing on the ballot - even though each individual bond proposition aims to address a very real need.

Accordingly, we advise a yes vote on only one of five bond measures: Proposition 1B, which would authorize the state to sell \$19.9 billion in bonds to finance spending on highway safety, traffic reduction, port security and air quality.

This is the biggest of the five bond measures and the area most crucial to the long-term economic vitality of the Golden State.

Anyone who has driven California's urban and suburban

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freeways and streets knows the roads have not kept up with the state's population and automotive growth. Traffic congestion threatens to bring the most vital parts of the state to a standstill, if our transportation system is not updated.

A huge part of Southern California's economy is goods movement, involving foreign products that are unloaded at the twin ports of Los Angeles and Long Beach, and then trucked or trained through the Inland Empire. To keep things humming without trashing our quality of life, issues of truck traffic, grade separations for rails, air pollution and port security must be addressed - and Proposition 1B would help in those crucial regards.

And yet, that \$19.9 billion would be just enough to get our transportation system up to where it should be right now - not even taking future growth into account. But if we don't make this investment now, we'll fall hopelessly behind, threatening our economy and lifestyles.

We suggest voting no on the other four bond measures:

- **Proposition 1C:** \$2.85 billion for housing and development programs. These expenditures should come from the operating budget, not bonded indebtedness.
- **Proposition 1D:** \$10.4 billion for kindergarten through university education facilities. We like aspects of this measure, like building facilities for vocational training at community colleges, and don't like other parts, like financing over 30 years school buses that will not last nearly that long.
- **Proposition 1E:** \$4.1 billion for flood-control projects, primarily repair of levees in Northern California. The state would be better off to spend this money building a "peripheral canal," which would safeguard our water supply from possible damage to the Sacramento-San Joaquin Delta because of levee failure.
- **Proposition 84:** \$5.4 billion for a variety of water- and resource-related projects. There are some good projects here, but only \$380 million would go toward safe drinking water. We just can't afford this now.

Why can't we take on all of this debt? Because our annual debt-service costs on previously approved bonds will reach \$8.4 billion in 2009-10 - more than twice what we spend on the University of California system. If voters pass all of the current measures, \$2 billion annually will be added to that figure, and debt-service would reach 6 percent of annual revenues - making it difficult to borrow for anything else, even emergencies.

Vote yes on Proposition 1B, no on the rest.

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Proposal aims to clean up perchlorate

Jason Pesick, Staff Writer

Article Launched: 10/18/2006 12:00:00 AM PDT

A draft of a proposed order from the Santa Ana Regional Water Quality Control Board would force three corporations to clean up drinking water contamination in Rialto and Colton.

The report, scheduled for release today by the staff of the board, would force Goodrich Corp., Pyro Spectaculars Inc. and Black & Decker Inc. to take action to clean up contamination of perchlorate and trichloroethylene, both of which can be harmful to people.

"This is what we have asked for," Rialto City Attorney Bob Owen said.

He said he is pleased with the proposed order because it would require the corporations to assess the extent of the contamination, design a system to clean the contamination and provide replacement water in the meantime.

The order would also require the corporations to reimburse Rialto, Colton and the West Valley Water District for costs incurred because of the contamination.

After complaints from Black & Decker that the regional board is biased, the board delegated its authority to issue cleanup orders to Walt Pettit, a retired state water official.

He will hold hearings on the perchlorate contamination and decide whether to issue the proposed order, a modified order or

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follow a different course of action.

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Ontario, CA, 10/18/2006

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Water fees prod action from farmers

Robin Hindery, Associated Press

Article Launched: 10/18/2006 12:00:00 AM PDT

CHICO -- In a state where water disputes often have played out like old Sunday morning Westerns, Kevin Taylor is one of those who tries to keep the peace.

Taylor, a government "water cop," enforces court-decreed water rights under the state watermaster program.

But his job and the program itself may be in for big changes as farmers and ranchers faced with the prospect of soaring water-use fees fight to wrest control from the state and put it in the hands of individual counties.

"I'm not against people looking to save money, but I'm not sure if they realize how complicated this can be," said Taylor, a watermaster in Northern California. "When you regulate water, you are taking food off a man's table and clothes off his kids' backs."

The effort is a response to one of several recent attempts by the state Department of Water Resources to create revenue through consumer-financed programs.

Agency officials said public investment is necessary to secure the future of California's water supply. But those who object to the fees said they are the government's way of trying to fund their own projects without dipping into the state budget.

Amid escalating disputes over water rights,

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California in 1924 established the watermaster program, overseen by the Department of Water Resources. The program affects about 1,600 owners of water rights in Northern California most of them farmers from Napa to Siskiyou counties.

Watermasters measure stream flow and diversions to make sure water is allocated to users according to priorities and assigned rights. The service normally runs from April through September, during the peak irrigation season.

Until recently, the program's cost was split evenly between the department and the water users, who paid their annual fees through property taxes.

But a 2004 state Senate bill placed the financial burden solely on the water users. That year, the Department of Water Resources

reevaluated its estimate of the eight-person program's cost, doubling it from about \$800,000 to \$1.6 million.

In 2005, the estimate increased again, to \$2.2 million.

Jack Hanson, who runs a cattle and hay ranch near Susanville in Lassen County, said the proposed increases would have raised his annual water fees from about \$876 to about \$4,000.

"I don't know if it would have put me out of business, but it's another straw that goes on my back," he said. "Each and every incremental cost squeezes us pretty hard."

Bill Eiler, president of the Siskiyou County Farm Bureau, said the soaring costs for the watermaster program would be unbearable for some farmers and ranchers.

"Many of them can barely afford what they've got laid on them already," he said.

Various provisions in the state budget over the past two years have prevented the department from collecting on its proposed fees, temporarily aiding the farmers. The total program cost has remained steady at \$780,000 for the past two fiscal years.

But officials in many counties don't want to wait until they have to bear the full cost. They have been working to transfer control of the program from the state to a local entity such as a resource conservation district.

County officials and farmers said the locally controlled programs would be less expensive.

Current fees pay the watermasters' salaries, as well as transportation costs, supplies and some of the operating costs of Department of Water Resources offices in Sacramento and Red Bluff.

Many area farmers and farm organizations question the need for higher watermaster fees and wonder if they are the department's way of trying to make up for recent budget cuts.

"We want to know how the DWR is coming up with these numbers," said Tony Francois, director of water resources for the California Farm Bureau Federation. "After all, this is a six-month-a-year job and a relatively simple program."

The DWR says the fees are legitimate and that the transfer of financial responsibilities was a necessary way of dealing with the larger challenge of meeting California's long-term water needs.

"We're trying to diversify how we invest in water resources in California," said Jerry Johns, the department's deputy director of water planning and management. "Shouldn't beneficiaries of the water supply help pay for it?"

He said the department supports the idea of local control of the watermaster program, as long as it is funded by the users.

"We don't have a problem with that concept of a shift in control as long as (the counties) take control of everything," Johns said. "We're either in it or we're not no responsibilities, no liabilities."

Johns acknowledged local agencies likely could operate on a smaller budget than the state can, due to the department's high overhead costs.

But Taylor whose service area encompasses Napa, Butte, Tehama and Shasta counties said he worries about the ability to maintain the program's quality under local or private control.

"This isn't a job just anybody could do," he said.

Looking for someone to blame when water is in short supply, irate landowners have even tried to assault him, Taylor said. He also worries putting locals in charge of the program could lead to biased allocation of water, he said.




"No one can get to me out here, and I'm not beholden to anybody," Taylor said while making his rounds at Butte Creek in Chico in late September. "But I can see how with someone else, there could be temptation."

Under state law, water users in areas that are designated to be served by a state watermaster must participate in the program. County courts must approve any transfer in authority.

That process will be helped by a bill signed in September by Gov. Arnold Schwarzenegger, which makes it easier to transfer the watermaster program from the state to a local agency.

Such a change would be welcome to farmers such as Eiler, the county farm bureau president who also grows grain and hay on his land just south of the Oregon border.

"Right now, it feels like we're playing Russian roulette with the government, trying to figure out if they're going to protect us from these fees for another year," he said.

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Educational wetlands park groundbreaking today

By Joanna Parsons Staff Writer

Article Launched: 10/12/2006 12:00:00 AM PDT

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"Visitors will come and experience what a wetlands is and how it cleans the water and what kind of birds will be in the wetlands area," said Sondra Elrod, spokeswoman for the agency.

The property doesn't look like much now, save a huge area that has been graded. But by next year, the park will be decorated with sycamore oak trees, a wetlands marsh and ponds that are replenished with recycled water from IEUA's treatment plant nearby.

The wetlands park is partially funded by the State Water Resources Control Board, which contributed \$1.2 million to the \$2 million project. The rest of the money will come through donations, Elrod said.

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Chino Basin providing an exhibit of pipes that will tell visitors how much water they use doing simple tasks such as brushing teeth or washing cars.

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The Inland Empire receives a portion of its water from outside sources, while most of it comes from the Chino Basin, said Kenneth Manning, chief executive officer for Chino Basin

Watermaster.

Water conservation is a concern due to projected population growth. While the area has plenty of water now, Manning said 1.25 million people are projected to move into the western part of San Bernardino County in the next 20 to 30 years. As demand for water goes up, resources will be strained.

"The amount of water we get today on average will be the same that we'll get in the future," Manning said.

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"There's not too many oak trees left in Chino," he said.

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Joanna Parsons can be reached at (909) 483-8555 or by e-mail at joanna.parsons@dailybulletin.com.

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Governor kills Soto water bill

Perchlorate cleanup funding approved

Jason Pesick, Staff Writer

Action was taken late this week on three measures in Sacramento and Washington that could affect the quality of water in Southern California.

A bill to change the way the state determines standards for drinking water died on the governor's desk, and two funding plans to clean up perchlorate contamination moved a step forward.

On Thursday, Gov. Arnold Schwarzenegger vetoed the drinking-water standards bill sponsored by state Sen. Nell Soto, D-Ontario.

"We're disappointed that the governor has sided with polluters over public health," said Sujatha Jahagirdar of Environment California.

The legislation would have made the process of determining a drinking-water standard more transparent and would have allowed the state to look more closely at a standard's potential impact on public health and compare its standard with those of other states.

Soto's chief of staff, Paul Van Dyke, said the legislation had bipartisan support, passing the state Senate by a vote of 29-11 and the Assembly by a vote of 46-31.

Van Dyke said Soto sponsored the bill because of perchlorate contamination in the region. Perchlorate is a chemical used in the production of explosives and can cause thyroid

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problems in humans. Rialto and Colton have both sued a number of parties they say are responsible for the contamination.

California is likely to adopt a maximum perchlorate standard of six parts per billion, although Massachusetts adopted a standard of two parts per billion.

Schwarzenegger said in a statement that he vetoed the bill because it ignores the importance of considering economic factors and technological feasibility in determining a drinking-water standard, a claim Soto called "nonsense" in a statement.

"We didn't do anything to that," Van Dyke said of the existing economic and technological considerations that are already part of the process.

One of the only organizations to lobby against the legislation was

the Whittaker Corp., a defendant in Rialto's lawsuit. Whittaker hired the lobbying firm California Strategies & Advocacy LLC in the days leading up to the votes in the Legislature.

On Friday, the U.S. Senate followed the House in approving the National Heritage Areas Act, which includes a provision authorizing the secretary of the interior to distribute \$25 million obtained by Sen. Dianne Feinstein, D-Calif., for perchlorate cleanup in California.

If the president signs the legislation, further legislation would be needed to appropriate the funds.

Rialto City Attorney Bob Owen said every dollar helps the city's perchlorate problem. He also said every dollar the city receives from the federal government is a dollar the city can't claim from the defendants in its lawsuit, which include the Department of Defense, San Bernardino County and a number of corporations. The city contends the polluters, not the taxpayers, should pay for the cleanup.

On Friday, the U.S. Senate also passed the Defense Appropriations Conference Report, which includes \$1.1 million obtained by Rep. Joe Baca, D-Rialto, for the Inland Empire Perchlorate Task Force, made up of local government entities and water suppliers, to clean up perchlorate contamination. The president is expected to sign the legislation.

Contact writer Jason Pesick at (909) 386-3861 or via e-mail at jason.pesick@sbsun.com.

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Rialto, county square off again

Lawsuit focuses on perchlorates

Jason Pesick, Staff Writer

The city of Rialto plans to file another lawsuit against San Bernardino County in connection with the city's perchlorate contamination problem.

The latest lawsuit, which the city plans to file today in state court, claims the county is violating a 1998 agreement made when the county was expanding the Mid-Valley Sanitary Landfill. The landfill is leaking perchlorate, according to City Attorney Bob Owen.

Owen said that when the county sought to expand the landfill, it agreed that the city would not be responsible for costs associated with the environmental impact of the landfill expansion, including potential lawsuits.

In 2004, the city sued the county and 41 other entities, including the U.S. Department of Defense and a number of corporations, in an effort to force them to pay to clean up the contamination the city says was caused during landfill operations in the city's north end.

Bob Page, Supervisor Josie Gonzales' chief of staff, said the agreement requires the county to protect the city only if it is sued. In addition, he said, the city is not incurring financial damage.

"We haven't financially damaged the city in any way," he said.

Scott Sommer, Rialto's

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external counsel in its perchlorate lawsuits, said the 1998 agreement is broader than merely forcing the county to protect Rialto against lawsuits. He contends the agreement covers the city's expenses for clean-up efforts.

He said the city paid for perchlorate cleanup for years before the county began its cleanup effort. City residents have a surcharge on their water bills to fund the cleanup effort.

Perchlorate is a chemical used in the production of explosives, rocket fuels and fireworks and can cause thyroid problems in humans.

The new lawsuit is narrower than the 2004 federal suit because it is filed only against the county and focuses on the county's alleged violation of the 1998 agreement.

The Santa Ana Regional Water Quality Control Board issued an order compelling the county to investigate and clean up perchlorate contamination flowing from its property in 2003.




Last year, city and county officials agreed to a tentative settlement deal to the overall federal lawsuit in which the county would have paid the city \$2.5 million, but the settlement was never implemented. City and county officials met again on the issue in late August, but the meeting devolved into a shouting match.

Page said the county is protecting the city's residents because it is providing them with clean water. He charged that Gonzales is focused on cleanup not lawsuits.

Owen said the City Council voted to file the suit during the closed session of last week's meeting. He said the council voted to proceed because Gonzales has refused to negotiate with the city.

Reached at home Monday, Rialto Mayor Grace Vargas, one of Gonzales' political allies, said she did not want to comment on the lawsuit or whether she voted in favor of filing the suit. She said she prefers to work with the county. "We get more done, I believe, if we work together," she said.

Councilman Ed Scott said he does not recall Vargas raising serious concerns against the lawsuit. "There was no opposition to it," he said.

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EDITORIAL: PERCHLORATE SOLUTION
Rialto needs to try new tack with the county
OUR VIEW: City more likely to get county's help using sugar instead of salt

Rialto may have a case against the county in expecting it to help resolve the issue of perchlorate contamination polluting city wells. But it is going about the process of seeking compensation for its efforts entirely the wrong way.

Rather than suing the county once again, as it did this week, Rialto needs to gain the county's cooperation in going after the real culprits - the companies that actually leaked the pollutant into the groundwater. And it's hard to see how filing another lawsuit will achieve that salutary effect.

Having failed to get satisfactory results from a lawsuit it filed in 2004 against the county and 41 other entities, Rialto now has veered off on a sidetrack to go after the county alone in a lawsuit filed in state court. The city claims the county is in violation of a 1998 agreement to hold the city harmless in the county's expansion of the Mid-Valley Sanitary Landfill in the north end of town.

What that means exactly is up to legal conjecture, what with the county insisting it is providing clean water to residents, and the city insisting the county owes it for perchlorate-related costs so far.

But let's remember, though the county bought the landfill, it

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isn't the one that did the dumping. And it's beyond us why Rialto would want the county to take the fall, when the real bandits are getting away.

Whatever the case, it is city residents, whose water bills include a surcharge to fund the cleanup effort, who are paying the costs of the city's inability to get the true polluters to pay the damages.

More to the point, perhaps, is the Santa Ana Regional Water Quality Control Board's 2003 order to the county to investigate and clean up perchlorate contamination flowing from its property.

That is what Rialto should be pressing with the county - not some new lawsuit, which remains a sideshow to the ongoing federal litigation.




The city's initial lawsuit targets not only the county, but the U.S. Department of Defense and 40 corporations suspected of dumping the chemical used in the manufacture of fireworks and explosives

into the groundwater decades ago.

It is those companies that should be in Rialto's, and the county's, sights. It is those companies that should be paying the estimated \$200 million to \$300 million worth of cleanup and treatment costs, without leaving it to ratepayers to pony it up over the next 50 years.

We'd bet Rialto would have a lot better luck in pursuing that outcome, if it were to bring the county on board in seeking reimbursement from the companies at fault. Cooperation tends to work better than holding a stick over someone's head.

But neither is the county innocent. It needs to fulfill its obligations and stop playing an adversary role. Most important, it must step up to the plate to help Rialto recoup its losses. Let's just say it's for the sake of ratepayers more than it is Rialto's.

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By Joanna Parsons Staff Writer
Inland Valley Daily Bulletin

Article Launched: 10/12/2006 12:00:00 AM PDT

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Colonies legal spat continues

By Jeff Horwitz, Staff Writer

Article Launched: 10/26/2006 12:00:00 AM PDT

Whatever San Bernardino County officials said during last week's mediation of the Colonies Partners dispute, it wasn't this.

During a Wednesday hearing, the county's legal team strenuously argued that a judge's tentative ruling in favor of the Upland developer's potentially nine-figure lawsuit was legally indefensible and in stark defiance of a higher court's ruling.

Only six days prior, however, the county and the Colonies announced that they were making "great progress" toward settling the Colonies' flood control suit.

The judge in the case, Christopher J. Warner, left little doubt about which approach he felt stood a better chance of success.

"I continue to believe that resolution is preferred over continued litigation in this matter," Warner said, urging that the county settle before he issues an official ruling that becomes case law.

"The dynamic will change and it will impact what you do at the bargaining table," the judge said.

The judge gave little indication during the course of the hearing that his thoughts on the case might have changed, stating on two occasions that assumptions the county made about his ruling were wrong. But the judge also said he will not release that final ruling for a month, in part

to give the two parties a chance to bring their settlement talks to fruition.

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The case, which has been through three courts in four years, revolves around the Colonies Partners' contention that San Bernardino

County's Flood Control District channeled floodwaters onto the Colonies' property without the developer's consent - and without building the 67-acre basin needed to contain the deluge that the drain would release during a massive flood.

The county's attorneys have argued that it had both the right to use the land and the Colonies' consent for the project, given in a 1999 agreement.

Wednesday's hearing began with remarks by Warner, who suggested that even if the county's attorneys disagreed with his decision, he had given all parties' arguments careful consideration.

"I have read and annotated, Post-it-Noted, red-lined, green-lined, blue-lined the documents," Warner said, holding up a stack of case files in front of him.

Yet, following an early admonition by the judge that neither legal team should "throw gasoline on the fire," the county's attorneys argued that Warner's decision massively overreached the boundaries laid out in the previous decision by the 4th District Appellate Court.

"There are a number of inconsistencies" within Warner's own decision, said Mark Kemple, an attorney for the county. "But more importantly, there are contradictions with the court of appeal."

Under the county's reading of the higher court's ruling, the appeals court had entirely reversed a previous judge's findings for the Colonies and remanded to Warner only the very narrow question of whether the county had used more of the Colonies land than it was entitled.

In ruling that the county's legal claim to the Colonies land had been so abused as to be "fully and permanently extinguished," Kemple said, the judge had disregarded the higher court's ruling that "the relevant easements still exist," and that the county's rights "have not been abandoned or extinguished."

For the Colonies' rebuttal, attorney Scott Sommer challenged the county's broad reading of the appellate court's ruling, asserting that Warner had been correct to review how the county had used its easements.

And as for the county's argument that the Colonies had failed to object to the burden of the storm waters when it had the chance, Sommer argued that the developer had made its opposition known.

"The Colonies did object, and object strenuously, throughout the water summits," he said. "There were several years of objections."

The county had failed to bring up any reasons for Warner to reconsider his tentative ruling, Sommer said.

"In short, we are doing nothing more than elaborating the same arguments," he said. "We feel that, frankly, that (the case) has been argued, briefed, and argued again."

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The bitter basin battle

Flood-control disputes as much a part of the Colonies as the houses

By Mark Petix, Mason Stockstill and Jeff Horwitz, Staff Writers

Article Launched: 10/22/2006 12:00:00 AM PDT

It was a hole in the earth -- an old gravel pit, a final destination for stormwater runoff, discarded asphalt, oil, concrete and tires.

Around it was 448 acres of barren scrub land. Attempts at development had failed. One prospective builder had gone bankrupt.

But where others saw wasteland, Jeff Burum and Dan Richards saw what would become the Colonies, a master-planned community of upscale homes. Restaurants and a shopping center just a stroll away.

For cash-strapped Upland, it looked like financial salvation. But now, nearly a decade later, that old gravel pit looks increasingly like a nine-figure liability for San Bernardino County.

In 1997, the Colonies project seemed a winning proposition for all parties.

The development's partners would create a community of 1,150 homes and a 1.1-million-square-foot retail center.

Upland would reap the benefits of increased sales and property taxes.

Burum, an Upland developer with regional renown for his nonprofit affordable housing work, met the demands of the land's owner, the San Antonio Water Co. Along with at least 28 other investors, Burum bought the land for \$16 million.

And while it couldn't be developed without city approval, Upland was more than eager, facing bankruptcy and already having been forced to lay off public safety and parks personnel. The Colonies' project would generate as much as \$3.5 million in sales tax for the city of 70,000, said Upland's then city manager, G. Michael Milhiser.

"We had desperately -- and I mean desperately -- tried to get seven other developers to purchase that property," Milhiser said.

By 2002, however, the Colonies project had become the center of a bitter dispute between the developers and the county about who would pay for flood-control improvements necessitated by the Interstate 210 extension.

The developers demanded \$25 million to turn the old gravel pit into a state-of-the-art flood basin. But the necessary work, the county said, could be done for as little as \$3 million.

Five years and three trials later, the Colonies still wants the county to pay for the basin. But after making significant gains in court, the developer wants a lot more, as much as \$300 million in costs, delays, and damages.

Attempts to negotiate a settlement have not only failed but also have fueled conflict among members of the county Board of Supervisors.

"The Colonies issue has been an incredible distraction to the board," said Supervisor Dennis Hansberger, who has opposed settling for anything near what the Colonies is demanding. "It has created a real schism between board members."

ROOTS OF DISPUTE

At the center of the Colonies' land, and at the center of the dispute, is the gravel pit -- now a 67-acre flood-control basin.

Homes would be built around the basin, which would be landscaped into a grassy valley with trails, benches and bridges over a winding stream.

A nearby commercial area would provide high-end retail and restaurants, and 20 acres of the development would be set aside for a school, park and fire station.

"We wanted to up the bar," Burum told the Upland Planning Commission in 1998. "We wanted to make this a little more of a community development than had been originally proposed."

The I-210 extension would be a boon to the community, bolstering sales in the commercial center and giving residents easy access to other major freeways.

It also brought complications.

Upland residents successfully petitioned to have the freeway built below ground level through much of the city, forcing state, county and local officials to come up with a plan for rerouting stormwater runoff from the San Gabriel Mountains and from the freeway itself.

The Colonies property had historically served as a buffer against floodwaters. After a series of devastating floods in the 1930s, the county received easements on the property, granting the county Flood Control District limited rights to build and maintain drainage facilities there.

In a Dec. 7, 1999, agreement, the Colonies consented to the placement of the 20th Street Storm Drain on its property in exchange for the county's abdication of its flood-control rights on the development's first phase of about 305 homes.

The county's easements on the project's second phase would be lifted, the agreement stated, as soon as the Flood Control District and Upland signed off on the developer's flood-protection plan and all parties involved "entered into mutually acceptable agreements" about "the disposition of flood waters."

No such agreements were reached. But the idea that the county should have to pay for anything related to the drain is farfetched, Hansberger said.

"That was built to accommodate Upland, Caltrans and Sanbag (San Bernardino Associated Governments, the county's transportation authority)," Hansberger said in a recent interview. "The district was simply acting to aid other agencies. If there was a need to ask permission, it would have been Caltrans' duty to do that."

The developers, however, say they expected the county to foot the bill.

"It was definitely understood that the county Flood Control District and the county would have to pay for it," Burum said in a deposition.

OVER BEFORE IT BEGAN'

Despite the vagaries of the agreement, the respective projects moved forward.

By 2002, the Flood Control District's 20th Street storm drain -- a concrete pipe capable of delivering more than 23,000 gallons a second -- was complete. Construction on the basin improvements, however, had not even begun.

The Colonies demanded \$25 million from the county to cover basin upgrades that included landscaping and aesthetic improvements.

County officials refused, countering that the flood-control facilities could be built for far less, possibly as little as \$3 million.

The Colonies developers stood fast, threatening to sue the county for as much as \$200 million.

Then-County Supervisor Jon Mikels said at the time that the Colonies' demands were a scam against taxpayers.

Milhiser blames Mikels and his hot temper for the breakdown between the Colonies and the county.

"You can lay this whole thing in Jon Mikels' lap," Milhiser said.

Hansberger disagreed.

"Mr. Mikels never believed it was a public entity's job to subsidize development," he said. "I think it's curious to want to blame the guy who's not here anymore."

In a January 2002 meeting, Burum brandished a book on easements in arguing that the county's rights to Colonies land hinged on the county's willingness to pay for improvements.

Mikels was not impressed, Burum recalls.

"Now you can take that book and shove it. Get it out from in front of my face now," Mikels said, according to Burum.

"I stood up and I said, I think the meeting's over," Burum recalled. "He said, It was over before it began."

Two months later, in March 2002, the Colonies sued to have the Flood Control District's easements invalidated.

POLITICAL INFLUENCE

During the course of the next year, the developers took their battle to the voters, pouring hundreds of thousands of dollars into local elections.

They contributed more than \$75,000 to the campaign of Rancho Cucamonga Councilman Paul Biane, who was running against Mikels for his seat on the Board of Supervisors.

"We play pretty heavily in politics," Burum said in a recent interview. "It wasn't that Mikels was rude to me. It was that he was a bad politician."

The developers also gave \$255,000 to the San Bernardino County Safety Employees Association, which contributed \$144,750 to the election campaigns of Biane and supervisors Gary Ovitt and Bill Postmus.

In addition, the Colonies also invested heavily in City Council races in Upland, giving Mayor John "JP" Pomierski more than \$33,000 and three other council members \$2,500 each.

After unseating Mikels in November, Biane pushed for a settlement with the Colonies.

His relationship with the developer, however, would eventually sour as attempts at settling the Colonies' lawsuit continued to stall.

"I've always been interested in settling the case based on the merits," Biane said in a recent interview. But not, he added, for "numbers that are out of the stratosphere."

Mikels, who has since moved out of state, declined to comment for this report, although he said he was interested to hear that Biane was now at odds with the Colonies.

"Both those parties are going to learn something," he said before ending the phone call.

DAYS IN COURT

As hopes for an amicable agreement faded, the Colonies turned to the courts.

The developer had already filed a lawsuit against Caltrans seeking to be reimbursed for land used for the I-210 extension and costs associated with additional runoff directed onto Colonies land because of the freeway.

State attorneys turned down the Colonies' pretrial settlement offer of \$12 million, arguing that "just compensation" for 38 acres of the Colonies' property was only about \$1.25 million.

After several unfriendly preliminary decisions by Superior Court Judge Peter H. Norell, who presided over the case, Caltrans eventually agreed to an \$18 million settlement.

Caltrans officials, Burum said, "stepped in and said, 'There's no way the land's worth that kind of money.' And they ended up paying for it."

In pursuing their case against Caltrans, Colonies attorneys argued that the state should pay for the basin improvements necessitated by construction of the freeway and the 20th Street storm drain. Included in the bill, the Colonies attorneys argued, should be the costs of containing the flood waters - the flood-control basin and the extra 40 acres of land needed to build it.

"Caltrans required that the drain be built and must pay for damages caused by diverting storm flows onto the Colonies property," attorney George Speir argued in a trial brief.

The settlement holds Caltrans responsible for damage "to the remainder" of the Colonies' property, but does not definitively state whether the floodwaters the project produced should be considered a Caltrans liability.

In a separate letter submitted to the court, Speir asked that the judgment be rewritten to state that San Bernardino County could still be found liable for the storm drain.

Burum claims the \$18 million Caltrans paid for the land needed for the freeway and devaluation caused by the freeway's presence, not for the basin improvements.

In its case against the county, Colonies lawyers attacked the county's land rights, arguing that the easements granted in the 1930s were obsolete and that the current project did not fall within their scope.

County officials didn't budge, and on the day the lawsuit went to trial, the Colonies took its original offer - that the county simply pay \$25 million for the basin improvements - off the table.

"Because no one stepped up to make any settlement offers, we filed our lawsuits contesting the validity of the easements," Burum said in an early deposition in the case. "And if we win that, you will have to pay us for the land."

In response to the suit, the county challenged the Colonies' grading permits in 2002, effectively halting construction on the development's next phase.

A judge ultimately allowed the Colonies to proceed with construction, but the time spent haggling with the county and its ultimately unsuccessful efforts to stop the development cost the Colonies three years of commercial income and tens of millions of dollars in construction delays, Burum said.

The county should pay for that too, he said.

"They were not acting in a good business sense, a good political sense, or a good Christian sense," he said.

JUDGES WEIGH IN

As the matter progressed through the county's courts, the Colonies built the flood-control improvements needed to accommodate the completed 20th Street storm drain.

In August 2003, the same judge who presided over the Colonies-Caltrans case ruled that the county's easements had been abandoned and that along with the construction of the flood-control basin, the county was liable for the cost of the land upon which the basin had been built.

While the decision did not include a monetary award for the Colonies, it did bolster the developers' case in a second lawsuit against the county in which the developers are seeking unspecified damages that could exceed \$300 million.

It also marked a point of no return in the dispute, Burum said.

"I will never settle with you now without getting compensation for our land," Burum told county lawyers in a deposition.

The county appealed Norell's ruling, and an appellate court overturned his decision, finding that the county's easements had not been erased. The appellate judges sent the case back to trial court to determine to what extent the easements covered the current improvements.

County spirits were buoyed, but only briefly.

Superior Court Judge Christopher J. Warner, appointed to the case by Norell when Norell retired, ruled in July that the county had far overreached its easements, to the point of rendering them moot.

In a scathing tentative decision issued in July, Warner blasted the county's handling of the entire matter.

"Defendant has continuously violated and repudiated its obligations to maintain, repair, operate, insure, properly permit, or take ownership of any of the facilities," he wrote of the county.

Because it had shirked its obligations, he wrote, the county had lost all right to the Colonies' land. Citing different reasons than Norell, Warner arrived at a virtually identical result.

The county "constructed and turned on' the 20th Street drain, and then attempted to walk away,' from the consequences of those actions," Warner wrote.

Response from county officials ranged from dismay to incredulity.

"Why didn't Judge Warner impose his own thought process on this?" Hansberger said of Warner's ruling. "Why are we hearing what Mr. Burum had to say, which the court of appeal said was entirely incorrect?"

Others faulted the county and their own colleagues.

In a statement released the day after the verdict, Postmus, chairman of the Board of Supervisors, blasted the county Counsel's Office, the county's outside attorneys and the media.

Supervisor Ovitt was more succinct: "We have been spanked pretty badly."

DEAL OR NO DEAL

Between the appellate court's ruling and Warner's decision, county officials came close to settling the case.

In March 2005, Postmus and Biane sat down with Burum and managing co-partner Dan Richards. At the meeting were lawyers from both sides and Jim Brulte, a former state senator who had done consulting work for both sides but said he represented neither in the negotiation.

"I saw my role as trying to help mediate," Brulte said.

According to a memo by county attorneys, the talks were supposed to be preliminary, and for a few hours, the conversation remained general.

But at 3:45 p.m., Postmus and Biane asked the attorneys to leave the room.

Three attorneys waited outside for more than an hour. When they were called back in, Biane informed them that a tentative settlement had been reached.

The county would pay more than \$77.5 million for 37 acres of the flood-control basin it valued at \$1.5 million an acre. Part of the settlement might include a swap of surplus county land, such as a portion of a 1,137-acre parcel below Deer Canyon north of Rancho Cucamonga.

Brulte later said he thought the deal would work out to both sides' advantage.

"I clearly was wrong," he said. "I thought a great deal of progress had been made, and I expected we were in the end game."

But the supervisors' negotiating methods, the timing of the agreement and its proposed compensation -- virtually everything about the deal -- had been ill-advised, the attorneys believed.

"We have serious concerns about whether it is in the Flood Control District's best interests," they wrote in a confidential memo.

A judge might later deem the settlement unreasonable, the attorneys suggested, preventing the county from recovering some of the costs from other potentially liable parties, including the city of Upland, Caltrans and Sanbag.

The attorneys also pointed out that the Colonies land in question was worth only "perhaps \$1 million."

The deal collapsed.

Within a few months, the county attorneys who wrote the memo were off the case. County officials offered no explanation for their departure.

INTERNAL CONFLICT

While the negotiations went nowhere, the legacy of the confidential attorneys' memo lingered.

County officials ordered an investigation to determine how the memo was leaked to the public. Several board members suspected Hansberger, who had consistently opposed settling with the Colonies.

In a June 2005 Board of Supervisors meeting, Biane challenged his colleagues to take a polygraph test, the results of which he thought he knew.

"Dennis Hansberger broke the law," Biane said. "He should be in jail and shouldn't be a supervisor anymore."

Hansberger denied it, saying, "I have never violated the privilege of closed session, would never violate it."

Within a month, the District Attorney's Office closed its investigation.

"There was no significant chance of solving it," said Deputy District Attorney Frank Vanella.

Relations among the county supervisors remained heated and have only recently begun to cool.

That tension has dissipated, said Biane, who is expected to become chairman of the board next year.

"Every board member needs to be included in this discussion," he said. "Looking back, it might have been a problem on my part to think I could solve (the Colonies dispute) on my own."

STILL BUILDING

Even as the litigation has dragged on, the Colonies have been building.

The Colonies Crossroads shopping center is 60 percent complete and growing, with a supermarket and bank on the way. Ninety percent of the development's 1,100 homes are complete, Burum said.

The developers have not disclosed the financial status of the project, but it appears lucrative:

The Colonies' settlement with Caltrans exceeded the price paid for the land by \$2 million.

Taylor-Woodrow homes, one of five builders working with the Colonies, paid \$75 million for a 102-acre chunk of the land.

Burum said Upland was hoping for homes in the \$300,000 to \$400,000 range. But in the heady housing market of recent years, Colonies homes have sold in the \$600,000 to \$800,000 range.

"Nothing like a hot housing market to make a developer look smart," he said, adding that the Colonies partners haven't made as much money as some have suggested.

Besides, he said, the focus should be on the county's actions, not the Colonies' profits.

"If they had done this to somebody's house, you'd be up in arms about it," Burum said.

BACK TO THE TABLE

The county has filed a response to Warner's ruling, attacking a decision "with rare exception, taken verbatim" from Colonies legal briefs.

But the county has also returned to the bargaining table. After an eight-hour session of negotiations last week, county officials and the Colonies released a joint statement citing "great progress" and promising to return to the table on Nov. 1.

Still, a wide gap remains between the county's last public settlement offer and the Colonies' demands.

After Warner's decision, the Colonies offered to settle for \$150 million - and said the number would continue to rise if the county didn't immediately accept.

The county countered with an offer of \$77 million, contingent on Upland and Sanbag repaying the county a "significant" portion of the money.

Both the offer and the conditions were unacceptable, Burum said.

Observers in and out of county government say that four years of botched settlements, personal rancor and political intrigue has likely muddied the water to such an extent that a settlement would be impossible.

"I think the county wants to end it, but the cost of ending it now outweighs the price of keeping it going," Brulte said. "They're in a bad relationship, and I don't think they know how to get out."

Yet some county officials have publicly suggested that a settlement might be appropriate on limited grounds. During settlement talks last spring, Postmus said the county should have paid for the basin from the start.

And in a recent interview, Biane said the county's challenges to the Colonies' grading permits had been a mistake the county may have to pay for.

"There are different ways you can get to why you should be settling," he said, noting that he was unconvinced by the Colonies argument that the county's easements aren't valid. "My sense for why we should be engaged in settlement is more the delay and the impediments that the district staff caused."

With retired California Supreme Court Justice Edward Panelli, who mediated last week's negotiations, requiring confidentiality on the Colonies case at least until the next round of talks, there are no indications of whether either side's position has changed.

But before last week's settlement talks, Burum said he expected the county to fight the court until the end.

Though he remained open to a county offer, "I don't have confidence the county is going to settle this," Burum said.

Unless the developers accept far less money than they've asked for, that's for the best, Hansberger said in a recent interview.

Settling the case with the Colonies would set a precedent for similar payouts to other developers, he said.

"It deserves a decision by the appellate court or the state Supreme Court because of the long-term impact," Hansberger said.

And county attorneys, both in an outside of the county Counsel's Office, have consistently maintained that the Colonies' suit is trumped up.

"They're not playing their hand like a winner," Hansberger said. "They hire a PR firm to spin the story and hope that political pressure, public opinion, press and so forth will win the day because they don't have the confidence to see it in court."

The Colonies would see the case as far as the county wishes to take it, Burum said.

"When dealing with political issues, there is resentment there," he said. "But you know? We've gone through it."

BIG MONEY

The Colonies developers say they are owed as much as \$301 million by San Bernardino County. Their claim is hotly disputed by county officials, and even the developers don't seem to think they'll get that much (they've offered to settle for half). Nevertheless, they contend, it's justified:

- \$108 million for property taken for flood control purposes. That's 72 acres at \$1.5 million each.
- \$75 million to create a nonprofit organization to maintain and operate the flood-control facilities.
- \$43 million in devaluation of land while the county impeded the developer's ability to sell 457 lots.
- \$36 million lost due to a three-year delay in opening the Colonies Crossroads shopping center.
- \$28 million for for construction of the flood-control basin and other facilities.
- \$11 million in higher infrastructure costs.

Source: *The Colonies*

AT A GLANCE

COLONIES CONFLICT

A dispute between the developers of the Colonies in Upland and San Bernardino County could cost taxpayers hundreds of millions of dollars.

At issue is responsibility for a 67-acre flood-control basin at the heart of the Colonies development in northeast Upland. The basin is needed to handle runoff from the San Gabriel Mountains and was expanded with the construction of the 210 Freeway.

Colonies Partners LP, which built the facility, says the county is liable for as much as \$301 million for the basin's cost and the partnership's losses due to consistent bungling by the county officials.

The county, however, says that total is absurd. County officials contend their rights to the land allowed them to require that the flood-control facilities be built, and that the Colonies' original plan for the basin was too extravagant.

On the issue of land rights, a Superior Court judge has tentatively ruled in favor of the developers, meaning the taxpayers could be on the hook for millions. However, settlement talks are under way, and the issue is far from resolved.

TIMELINE

1930s - San Bernardino County acquires easements on San Antonio Water Co. property in Upland, allowing the county to use a portion of the land for flood control.

1997 - The Colonies developers, then called the San Antonio Lakes Partners, purchase more than 400 acres of the the San Antonio Water Co. property with plans to build a major commercial-residential development.

1999 - The Colonies developers, along with the county, city of Upland, San Bernardino Associated Governments and Caltrans, agree to work together on a regional flood-control project to accommodate runoff from the mountains and the impending 210 Freeway extension.

2002 - San Bernardino County rejects the Colonies' request for \$25 million to pay for flood-control facilities on its property. The Colonies sues the county.

The 20th Street storm drain is completed, redirecting runoff to the Colonies property, where new flood-control facilities have not yet been built.

2003 - A Superior Court judge rules against the county in the Colonies lawsuit. The county appeals the decision.

The county attempts to halt construction on the Colonies project, but a judge allows work on the flood-control basin to continue, finding that a lack of appropriate facilities is a threat to public safety.

Caltrans pays the Colonies nearly \$18 million for taking 38 acres of land for development of the 210 Freeway extension.

2004 - The developers file a complaint against the county, seeking construction costs, reimbursement for land and other damages. The county sues Upland, Caltrans and San Bernardino Associated Governments, arguing they are also responsible for the cost of the basin.


2005 - An appellate court panel reverses the previous ruling on the Colonies' first lawsuit, finding that the county's easements remain valid. The case is sent back to trial court.

2006 - A Superior Court judge rules that while the county's easements are valid, they do not cover recent flood-control improvements. Both sides go back and forth over settlement talks, with the Colonies threatening to ask a

jury for as much as \$301 million if no settlement is reached.

Source: The Colonies, court documents, staff reports

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Helping students be water wise

Canan Tasci, Staff Writer

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As a means to increase water conservation and awareness, the Cucamonga Water District is providing learning tools to help students educate themselves through hands-on activities at the water district's Environmental Learning Center.

The Cucamonga Water District has been a supporter of education by providing schools the opportunity to visit its facility and tour the treatment plant. However, the concern was that its message wasn't getting across.

"During our treatment plant tours, we're always concerned about the kids and if they're really getting to know and understand the value of water resource," said Jo Lynne Russo-Pereyra, assistant general manager for external affairs at the Cucamonga Water District. "But if we can break it down and simplify it, then you have a winner."

The Environmental Learning Center provides students in kindergarten through high school with work stations covering topics such as Earth science, life science, language arts, reading and math.

The hands-on activities include learning about community water uses and groundwater contamination, an owl pellet investigation, tap water testing and a Shakespearean lab where students look at micro-organisms under a microscope

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and rename them using a list of Shakespearean compliments or insults or characters, such as fish monger.

ensure teachers are meeting their curriculum goals," said Shelley A. Cirrito, public affairs specialist and teacher/adviser at the Environmental Learning Center.

"All activities have been developed around the California State Curriculum standards to help

Amy Culler's fifth- grade students of Alta Loma Elementary School were the first to visit the Environmental Learning Center on Oct. 18.

"I can stand up in front of my class and talk and lecture and read, read, read, but until they can touch it, smell it, see it and experience it first hand then that's the best way they're going to learn," Culler said. "If they can come away with one or two ideas that they would like to investigate further, then it as been a valuable field trip."

Culler is one of the Cucamonga Valley Water District Environmental Learning Center's focus group teachers. Cirrito said that the teacher focus group was designed with every grade in mind.

"We went though each activity and grade level and made sure that it was aligned with the state standards and that particular grade," Cirrito said.

Culler said that the Cucamonga Water District has the students' educational interest at heart.

"They are student-centered. They want to teach children at a young age to be good water stewards," Culler said. "The water district has had a long history of generosity to students, learning and the community. It is a visionary organization where they want to train the students to be better adults."

Culler's class of 29 students was separated into groups and engaged themselves in the different work stations.

The students picked at bones, detected micro-organisms and created an urban runoff -- all to help educate the students about Earth science and water conservation.

"I don't like science very much, but seeing something in 3D, visually and getting to participate and getting to inspect it was fun," said 10-year-old Brittany Besnyl. "In a science book there are words in there that adults use and kids don't know about. Here it explains it better than just in a book, you get to understand it and people are here to help you -- you can't ask the book and expect it to tell you what it means."

Jamie Alvares worked at the urban runoff station with Brittany, where they polluted different areas, such as a forest, construction area, farm, roads and lake shores.

Culler and Cirrito assisted by reading the directions to the pupils then explaining how their actions can cause pollution.

"I think this is a great exercise because it extends the freedom to the children to discover and gives them the opportunity to explore how water works in the grounds and in the runoff," Culler said. "It gives them the support they need to discover on their own, and that is one of the best ways of learning."

The girls along with their other classmates used power and liquid materials to represent fertilizer, sludge and pesticides. In the end the girls used water bottles to spray the land area as if it were raining and watched how water was used as a transportation to create pollution into other parts of the land.

"It's important that we see visually over time what happens to the land when we pollute it," Jamie said. "To understand everything and to see it visually, instead of a book where you see pictures, it's more important to do it, because if you see it in a book you just don't get it."

Many of the pupils learned the basics when it came to the urban runoff.

"It is really nasty when everything goes into the lakes," said Miranda Ford, 10. "I now know what happens when I don't clean up my dog's poop and how when it rains it will go into the ground and water and runoff into the ocean."

In another group, Connor Ross deemed himself a paleontologist while dissecting owl pellets.

"The goal here is to find all the bones," Connor said while sifting through the pellets. "Bones can tell you that maybe they once belonged to an animal, and they're valuable because they tell what the parts were."

Students let out echoes of "eww" and "that's gross" over discovering the micro-organisms in the water or viewing for the first time the fertilizer they created.

"It is important for you to learn about water because you have to know what you are drinking before it goes into your body and how to keep it clean," said Taylor Coffee.





Russo-Pereyra said that the education they provide is timeless.

"The community should know that we are doing our part in reaching out to our youth in that we take it seriously that we are stewards to them in doing everything in our powers with education to teach about the importance of water resource, conservation, recycling and what they can do to prevent polluting from now and into the future," Russo-Pereyra said.

Culler hopes that her students learned that water is a precious resource rather than something to be taken for granted.

"When I was a little girl I used to think that you could turn the faucet and water would come out forever, but that is not the case," Culler said. "If we used it up or pollute it then when we need water to drink there won't be enough to go around. If we don't care for what you got -- you're not going to have it."

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GUEST COLUMN

Water supply is critical for area's growth

Richard Atwater, Guest Columnist

Article Launched: 10/29/2006 01:00:00 AM PDT

As the general manager of the Inland Empire Utilities Agency, I would like to update you on our ongoing efforts to increase water conservation, develop new local supplies and our ongoing efforts to continue to keep water and sewer rates in the Inland Empire the lowest in Southern California.

Adequate water supply is a critical issue facing the Inland Empire region because of our rapid urban growth. The strategy of the Board of Directors at the Inland Empire Utilities Agency is to work closely with the cities, community groups, schools and other water agencies to meet their long-term needs. In recent years we have developed new regional partnerships to conserve water and invest in local water supply facilities. This is essential to drought-proofing our area from potential shortages from the Colorado River and Northern California and to improve the quality and quantity of our precious groundwater.

The agency's efforts have not gone unnoticed. We have received top awards from Gov. Schwarzenegger, the U.S. Environmental Protection Agency, the American Society of Civil Engineers, the South Coast Air Quality Management District, the Santa Ana Regional Water Quality Control Board, and the U.S. Department of Agriculture,

to name a few.

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One key example of the regional partnerships is our success with the Chino Basin Watermaster to preserve and enhance our local groundwater basin drinking water

supplies. A comprehensive water quality plan developed by IEUA and adopted by the state in 2000 provides for the use of over \$200 million from the state water bonds (and federal matching grants) approved in March 2000 and March 2002 for new water and wastewater infrastructure to clean up the Chino groundwater basin, capture and store additional storm water runoff and imported water locally to further protect against future droughts.

In addition, our award-winning and internationally acclaimed office complex in Chino - located at 6075 Kimball Ave. - represents a state-of-the-art, environmentally friendly facility through the use of renewable energy, California-friendly landscapes, the use of cost-effective recyclable building materials, and of course maximum conservation of water. At all of IEUA's facilities we are "leading the way" to fight global warming through the maximum use of renewable energy.

A little known fact is that using water in California represents about 20 percent of all the electrical use in the state. Therefore, conserving water not only saves you money on your water bill but it also saves on our electrical consumption, which as a result helps to reduce global warming emissions.

Today IEUA is recognized as the premier water agency in watershed management in California. Over 3,000 jobs have been created by our construction projects through building state-of-the-art water treatment facilities and other water infrastructure to enhance our local water supplies.

As for the future, the Inland Empire Utilities Agency has implemented a 20-year plan to keep water and sewer rates low. This is being done through innovative and cooperative infrastructure investments with utilities and cities within the Santa Ana River watershed. This will eliminate future water pollution and preserve our local water resources for our children through the end of the 21st Century. That is why we call it "Water Smart Planning."

- Richard W. Atwater is CEO/general manager of Inland Empire Utilities Agency (formerly known as the Chino Basin Municipal Water District).

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