

CHINO BASIN WATERMASTER



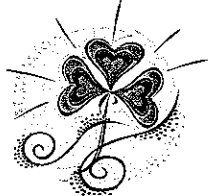
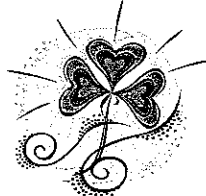
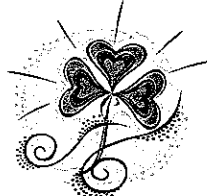
NOTICE OF MEETINGS

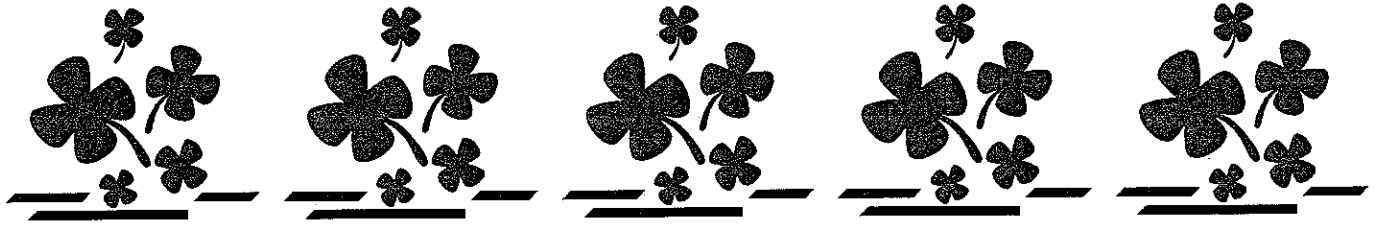
Thursday, March 22, 2007

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





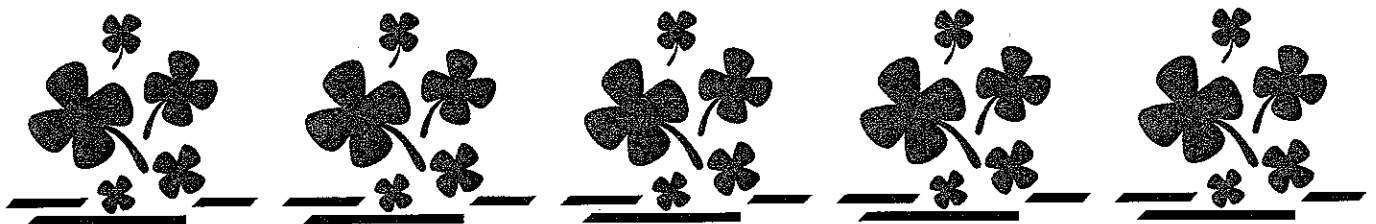
CHINO BASIN WATERMASTER

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AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

9:00 a.m. – March 2, 2007

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 February 22, 2007 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of February 2007 *(Page 15)*
2. Combining Schedule for the Period July 1, 2006 through January 31, 2007 *(Page 19)*
3. Treasurer's Report of Financial Affairs for the Period January 1, 2007 through January 31, 2007 *(Page 21)*
4. Profit & Loss Budget vs. Actual July 2006 through January 2007 *(Page 23)*

C. RESOLUTION 07-03

A Resolution of the Chino Basin Watermaster Levying Replenishment and Administrative Assessments for Fiscal Year 2007-2008 *(Page 25)*

D. STATUS REPORT 2006-02

Consider Approval of Status Report 2006-02 *(Page 29)*

E. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

Date of application: January 22, 2007 *(Page 35)*

II. BUSINESS ITEMS

A. PROPOSAL TO PERFORM THE SOCIOECONOMIC IMPACT ANALYSIS OF OBMP AND PEACE AGREEMENT

Consider Approval of the Proposal to Perform the Socioeconomic Impact Analysis of OBMP and Peace Agreement between Dr. David Sunding, Berkeley Economic Consulting, Inc. and Chino Basin Watermaster *(Page 53)*

B. ASR AGREEMENT BETWEEN CHINO BASIN WATERMASTER, INLAND EMPIRE UTILITIES AGENCY AND MONTE VISTA WATER DISTRICT

Consider Approval of the Agreement between Chino Basin Watermaster, Inland Empire Utilities Agency and Monte Vista Water District Regarding Incorporation of Groundwater Injection with State Water Project Water by Monte Vista Water District in the Chino Basin Watermaster and Inland Empire Utilities Agency Permit R8-2005-0033 *(Page 61)*

C. FILE WATERMASTER STATUS REPORT 2006-02 WITH THE COURT

Consider the Transmittal of Status Report 2006-02 to the Court Pursuant to the February 16, 2007 Court Order *(Page 69)*

III. REPORTS/UPDATES

A. GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application
2. Peace II Process
3. Potential Intervention *(Page 93)*
4. MZ1 Long Term Plan

B. FINANCIAL REPORT

1. Technology Update
2. Budget Advisory Committee Update

C. ENGINEERING REPORT

1. Regional Board Letter Dated February 14, 2007

D. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update
3. Progress Report on Desalter Expansion

E. INLAND EMPIRE UTILITIES AGENCY

1. Monthly Water Conservation Programs Report *(Page 99)*
2. Monthly Imported Water Deliveries Report - *handout*
3. State and Federal Legislative Report *(Page 103)*
4. Community Outreach/Public Relations Report *(Page 145)*

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Metropolitan Water District Letter *(Page 147)*
2. Newspaper Articles *(Page 149)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

March 22, 2007	8:00 a.m.	MZ1 Technical Committee Meeting
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting
April 12, 2007	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
April 17, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
April 26, 2007	9:00 a.m.	Advisory Committee Meeting
April 26, 2007	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

11:00 a.m. – March 2, 2007

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

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F. CERTIFICATE OF COMMENDATION FOR JOHN ANDERSON

Consider Approval of Certificate of Commendation for John Anderson *(Page 49)*

G. CERTIFICATE OF COMMENDATION FOR AL LOPEZ

Consider Approval of Certificate of Commendation for Al Lopez *(Page 51)*

II. BUSINESS ITEMS

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1. Technology Update
2. Budget Advisory Committee Update

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D. CEO/STAFF REPORT

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2. Recharge Update
3. Progress Report on Desalter Expansion

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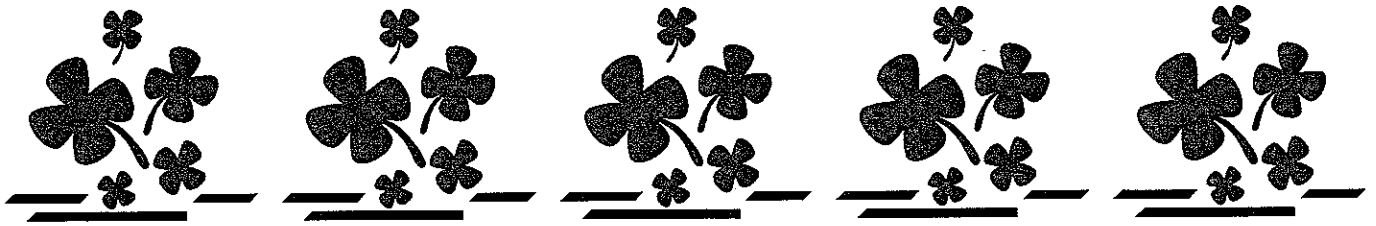
V. BOARD MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

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April 26, 2007	9:00 a.m.	Advisory Committee Meeting
April 26, 2007	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

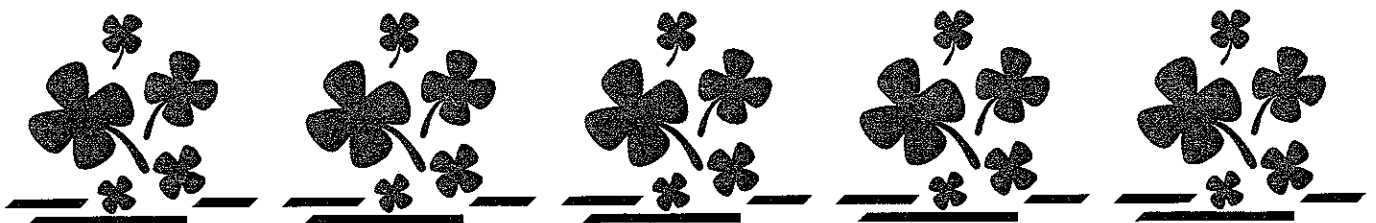


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting held February 22, 2007



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
February 22, 2007

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on February 22, 2007 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Ken Jeske, Chair	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Raul Garibay	City of Pomona
Anthony La	City of Upland
Dave Crosley	City of Chino
J. Arnold Rodriguez	Santa Ana River Water Company
Mark Kinsey	Monte Vista Water District
Mike Maestas	City of Chino Hills
Mike McGraw	Fontana Water Company
Chris Diggs	Fontana Union Water Company
Justin Brokaw	Marygold Mutual Water Company
Raul Garibay	City of Pomona
Charles Moorrees	Santa Ana River Water Company

Non-Agricultural Pool

Kevin Sage	Vulcan Materials Company (Calmat Division)
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Agricultural Pool

Jeff Pierson	Crops
Bob Feenstra	Dairy

Watermaster Board Members Present

Sandra Rose	Monte Vista Water District
Terry Catlin	Inland Empire Utilities Agency

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.

Others Present

Marty Zvirbulis	Cucamonga Valley Water District
Bill Kruger	City of Chino Hills
Rich Atwater	Inland Empire Utilities Agency
Tom Love	Inland Empire Utilities Agency
John Anderson	Inland Empire Utilities Agency
Rosemary Hoerning	City of Upland
Rick Hansen	Three Valleys Municipal Water District
Steve Lee	Reid & Hellyer
Tom Crowley	West Valley Water District

Chair Jeske called the Advisory Committee meeting to order at 9:04 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Annual Advisory Committee Meeting held January 25, 2007
2. Minutes of the Advisory Committee Meeting held December 21, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2006
2. Combining Schedule for the Period July 1, 2006 through November 30, 2006
3. Treasurer's Report of Financial Affairs for the Period November 1, 2006 through November 30, 2006
4. Profit & Loss Budget vs. Actual July 2006 through November 2006
5. Cash Disbursements for the month of January 2007
6. Combining Schedule for the Period July 1, 2006 through December 31, 2006
7. Treasurer's Report of Financial Affairs for the Period December 1, 2006 through December 31, 2006
8. Profit & Loss Budget vs. Actual July 2006 through December 2006

C. INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 2006

Independent Auditors' Report from Mayer Hoffman McCann P.C. an Independent CPA firm

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 07-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

E. LOCAL AGENCY INVESTMENT FUND

Resolution 07-02 - Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

F. NOTICE OF INTENT

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

G. COMMENDATION FOR MR. ROBERT NEUFELD

A Commendation to Recognize Mr. Robert Neufeld for His Dedication of Service with Chino Basin Watermaster

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

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

II. BUSINESS ITEMS

A. ASSESSMENTS FOR FISCAL YEAR 2006-2007

Mr. Manning stated the Watermaster Assessment Package was held over from a few months ago due to various changes that needed to be incorporated. The Assessment Package that is in the meeting packet has included all known needed changes and is being presented for approval today. Ms. Rojo reviewed the history of the 2006/2007 Assessment Package which is now on revision number four. Ms. Rojo reviewed the Assessment Package Timeline which began on July 15, 2006 when the Water Activity Reports (WAR) was sent out and concluded in February 2007 with the version being presented today. Ms. Rojo compared the 2005/2006 assessments with the 2006/2007 assessments which resulted in a net increase to all assessments. Ms. Rojo stated Watermaster Administrative Assessments are equal to \$6.23/af, OBMP/Special Projects assessments are equal to

\$34.49/af, and there is a 2% loss being charged on the beginning storage balances. Ms. Rojo stated additional costs will include, Agricultural Pool reallocation, replenishment assessments, 85/15 charges for replenishment and water transactions, the Pomona credit, and recharge debt service. Ms. Rojo acknowledged the recommendations for future assessment packages would be to modify the collection process, to shorten the WAR/Assessment timeframe, and to ensure WAR accuracy. Mr. Kinsey inquired as to when Chino Basin Watermaster will run into a cash flow shortage. Ms. Rojo stated it depends on water replenishment costs; from a cash standpoint, we normally have cash on hand that could carry us through several months because we were under expended in some of the project categories from the previous fiscal year. Mr. Kinsey offered comment on splitting Assessment payments as was done this past year. A discussion ensued with regard to this matter. Chair Jeske noted that it sounded like there were many questions regarding moving forward both with the Assessment Package and Budget packages and possibly a sub-committee needs to be put into place to allow for further and more in depth analyses. A discussion ensued regarding replenishment and replenishment costs. Mr. DeLoach noted a budget review committee clearly needs to be formed and the Committee Members agreed. Mr. DeLoach made the motion to approve the presented Assessment Package and to form a sub-committee and Mr. Kinsey asked that this be broken down into two separate motions.

Motion by DeLoach, second by Garibay, and by majority vote – one no vote from Monte Vista Water District

Moved to approve the Assessments for Fiscal Year 2006-2007, as presented

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

Moved to approve forming a budget review sub-committee from the Advisory Committee Members to work with Chino Basin Watermaster staff, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Fife stated staff and counsel went to Sacramento on January 17, 2007 and at that time we met with State Board staff, who are addressing our application, including the head of the hearings unit. A presentation regarding the Chino Basin was presented to them and when they were asked for feedback the State Board staff declined because they stated they were ready to issue a notice on our hearing to us. A hearing date has now been noticed and scheduled for May 2, 3, and 4, 2007 with a pre-hearing status conference scheduled for April 5, 2007. All notices of intent to appear are due by March 21, 2007. All materials such as witness lists, exhibits, etc. need to be submitted to the State Board by April 16, 2007. Watermaster counsel and staff are going to be busy over the next few months preparing for this case. There will be a confidential session today after the Watermaster Board meeting to discuss our hearing strategy. Counsel Fife noted that all parties interested in this case are welcome to attend the confidential session today.

Added Comments:

Counsel Fife stated we have received a letter from the Regional Water Quality Control Board asking us to give them an update on where we are in complying with the Basin Plan Amendments; particularly our progress towards Hydraulic Control and toward the planning of the third desalter. The Regional Board gave us a much shorter schedule than the court did so we need to have a report to the Regional Board by March 16, 2007 which does not give us much time.

Counsel Fife stated we have also received an order from the court. The court has set a hearing for May 24, 2007 to hear about the schedules for the Peace II Process, the desalters, MZ1 subsidence issues, and for anything else going on that is relevant on the calendar. On page four of the court order it describes the briefing schedule; we are to file a

report to the court by March 31, 2007 which will give the parties enough time and opportunity to respond.

Counsel Fife stated there is a letter from Baker, Manock & Jensen who represents CCG Ontario. They are considering entering into a transfer of all their water rights to an entity that is not currently a party to the Judgment and as we understand it, does not own any land in the Chino Basin. They wrote us a letter and asked us to respond to a list of questions about this transfer and we will be doing that; however, there is not a time schedule as to when that response will be completed. Counsel Fife stated that because this is an unusual transaction, in that these rights are going to somebody who is not currently a party to the Judgment, they will need to intervene but more importantly they don't own any land in the Chino Basin and these are overlying rights. They wanted to daylight this to all the parties so that if there are concerns they could be transmitted and articulated. Counsel will keep the parties informed and if there are any questions or comments please let counsel or staff know.

2. Peace II Process

Counsel Fife stated we still do not have the Scalmanini Report which was to be delivered to us today. In a recent conversation with the Special Referee, we are now anticipating the report to come into us in mid-March. A discussion regarding this late report and how it might be affecting our upcoming court dates and deadlines. Counsel Fife stated he will hand out the very first draft of the new gant chart referencing all the newly submitted dates except for the Scalmanini report. Please give us feedback on this rough draft after you have had time to digest it; this will be discussed in greater detail at the next Appropriative Pool meeting which is still before the March 16, 2007 deadline.

B. FINANCIAL REPORT

1. Budget Update for fiscal 2007/2008

No comment was made regarding this item.

C. CEO/STAFF REPORT

Added Comment:

Mr. Manning noted he has heard within the last couple of days some good news regarding Fontana Water Company and the City of Fontana. It appears that Inland Empire Utilities Agency is working with the City of Fontana on a plan for shared resources in the area of recycled water. This is very encouraging news that these discussions have begun.

1. Upland Basin Funding Assistance

Mr. Manning stated the City of Upland is in the process of approving the improvements for the Upland Basin for flood control needs and for conservation purposes. The City of Upland does have a \$5M dollar grant and originally the City of Upland had put together a set of plans for the improvements at the Upland Basin; however, there were improvements that Watermaster's staff wanted to see included within those plans. Staff has asked for an additional bid for what our staff thinks would significantly improve the amount of conservation within the basins; the City of Upland has agreed and is putting together an alternate bid package. Watermaster has an agreement with the Chino Basin Conservation District and Inland Empire Utilities Agency to sit down with them regarding cost sharing after the alternate bid is accepted for the improvements to be shared one third by each party. Mr. Manning stated the Upland and College Heights Basins, together, equal 25% of our percolation within the basin. We are very interested in those basins performing as well as they possibly can.

2. Legislative Update

Mr. Manning stated last week ACWA held their annual conference in Washington DC. Mr. Manning stated that Washington DC is a very interesting place to be at right now and noted he had a chance while attending that conference to meet with several of the members of congress who represent California. Jerry McNerney, who is a new freshman member of congress, seemed extremely enthusiastic and optimistic that he will make great changes in congress as a freshman. Meetings were held with John Doolittle and Grace Napolitano, who is the new chairperson of the Water and Power sub-committee. Kevin McCarthy, who is another freshman who spoke, seems to be a real up and comer in congress. George Radanovich did not show up as scheduled. Ellen Tauscher, Hilda Solis, and Jim Costa were there and Mr. Manning was able to speak with them briefly. In general, the picture in Washington is there are twenty members of the Senate who will be running for President; ten Republicans and ten Democrats and all are worried about what they say today may affect their platform next year. We are going to have to be very diligent in making sure our bills are heard in the Senate. The WORDA bill does appear to have some life and it will possibly go through. The farm bill is up this year and also appears to be going through. Mr. Feenstra offered comment on Agricultural legislation matters happening now in Washington with regard to the farm bill. Mr. Manning stated the ACWA Sacramento conference will take place on March 22, 2007 and as always, it should be a very informative conference.

3. Recharge Update

No comment was made regarding this item.

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.

5. Recycled Water Update

Mr. Love stated recycled water can be used for a number of applications including irrigation, industrial processes, groundwater recharge, and environmental enhancement. The goal of Inland Empire Utilities Agency (IEUA) is to achieve maximum reuse of all available recycled water. Mr. Love reviewed the Regional Recycled Water Program Summary and the Current Project Funding Summary in detail. A map of the design and construction was reviewed and discussed. Mr. Love noted the construction schedule for completion dates for the SACP – A is March 2007, SACP – B is spring of 2008, 7th and 8th Street is May 2008, RP-1 south zone PS is June 2007, and RP-4 reservoirs PS is October 2007. Mr. Love stated customer development is progressing in several areas. A review of the Recycled Water Deliveries from 2002 through 2008 was reviewed. The current operations along with Recycled Water Activities/Issues was reviewed and discussed. A discussion regarding storage needs for the future ensued.

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. Rossi commented on the Seven Oaks issue with regard to Western Municipal Water District and San Bernardino Valley Municipal Water District who are looking for a right of 27,000 acre-feet per year on an annual average with a peak of 200,000 acre-feet; this is a very significant future potential water supply. Mr. Rossi stated Western has spent a lot of time over the last

year or so when the Regional Board proposed a WDR for the control of imported water for recharge in the Santa Ana region; not as impactful on this basin because of the Chino Basin's progressive Maximum Benefit Basin Plan Amendment, but has potential impact on other rechargers and wholesale agencies in the Santa Ana region. Mr. Rossi stated Metropolitan Water District (MWD) water rates are on the forefront of a lot of peoples' minds and that the MWD board moved forward this month on rate changes that will take place January 2008 rates. They also applied the full incremental increase to the replenishment rate which is not a good trend for water agencies. Meetings and discussions with the City of Ontario regarding the desalter has been taking place in an effort not to lose the \$5M dollar grant which expires in September of 2008.

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

Mr. Manning noted Mr. Wildermuth will be giving an updated report on the modeling report at the upcoming Watermaster Board meeting today and all parties who are interested in this issue should stay to hear the report.

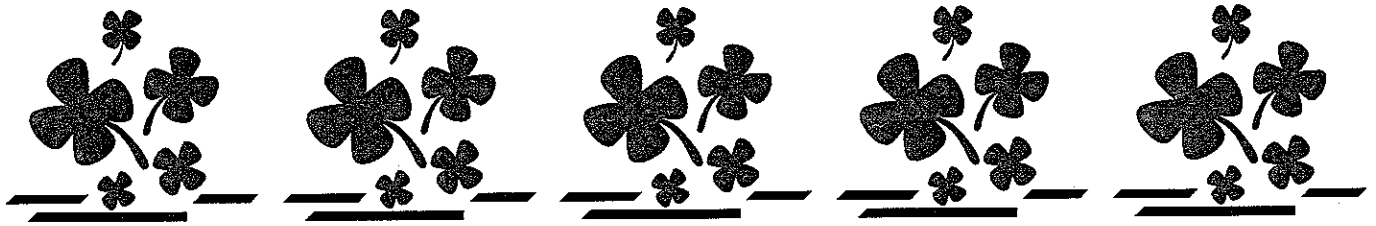
VII. FUTURE MEETINGS

February 22, 2007	9:00 a.m.	Advisory Committee Meeting
February 22, 2007	11:00 a.m.	Watermaster Board Meeting
February 27, 2007	9:00 a.m.	GRCC Meeting
March 8, 2007	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
March 19, 2007	1:00 p.m.	AGWA Meeting @ CBWM
March 20, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting

The Advisory Committee Meeting was adjourned at 10:04 a.m.

Secretary: _____

Minutes Approved: _____

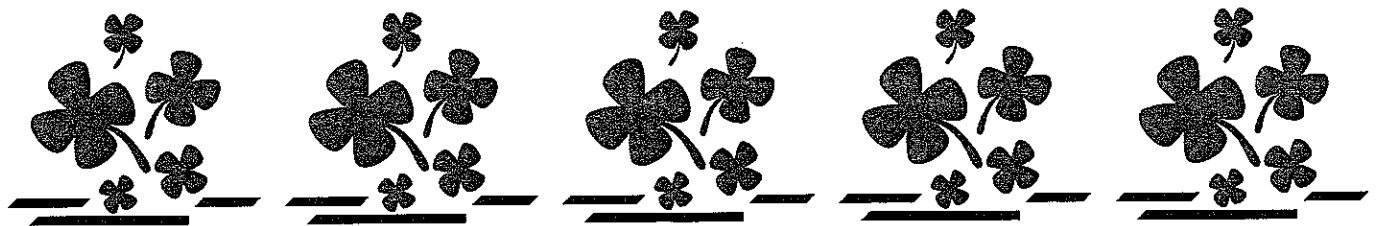


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting held February 22, 2007



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
February 22, 2007

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on February 22, 2007 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	West End Consolidated Water Company
Sandra Rose	Monte Vista Water District
Terry Catlin	Inland Empire Utilities Agency
Jim Bowman	City of Ontario
Al Lopez	Western Municipal Water District
Bob Kuhn	Three Valleys Municipal Water District
Kevin Sage	Vulcan Materials Company
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Paul Hofer	Agricultural Pool, Crops

Watermaster Staff Present

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

Watermaster Consultants Present

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

Others Present

Mark Kinsey	Monte Vista Water District
John Anderson	Inland Empire Utilities Agency
Jim Erickson	Law Offices of Jimmy Gutierrez
Ken Jeske	City of Ontario
Jeff Pierson	Crops
Raul Garibay	City of Pomona
Charles Moorrees	Santa Ana River Water Company
Mike McGraw	Fontana Water Company
Chris Diggs	Fontana Union Water Company
David De Jesus	Three Valleys Municipal Water District

The Watermaster Board Meeting was called to order by Chair Willis at 11:00 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 Annual Watermaster Board Meeting held January 25, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of January 2007
2. Combining Schedule for the Period July 1, 2006 through December 31, 2006
3. Treasurer's Report of Financial Affairs for the Period December 1, 2006 through December 31, 2006
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C. INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 2006

Independent Auditors' Report from Mayer Hoffman McCann P.C. an Independent CPA firm

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 07-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

E. LOCAL AGENCY INVESTMENT FUND

Resolution 07-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

F. NOTICE OF INTENT

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

G. COMMENDATION FOR MR. ROBERT NEUFELD

A Commendation to Recognize Mr. Robert Neufeld for His Dedication of Service with Chino Basin Watermaster

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

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

II. BUSINESS ITEMS**A. ASSESSMENTS FOR FISCAL YEAR 2006-2007**

Mr. Manning stated the Watermaster Assessment Package was held over from a few months ago due to various changes that needed to be incorporated. The Assessment Package that is in the meeting packet has included all known needed changes and is being presented for approval today. Ms. Rojo reviewed the history of the 2006/2007 Assessment Package which is now on revision number four. Ms. Rojo reviewed the Assessment Package Timeline which began on July 15, 2006 when the Water Activity Reports (WAR) was sent out and concluded in February 2007 with the version being presented today. Ms. Rojo compared the 2005/2006 assessments with the 2006/2007 assessments which resulted in a net increase to all assessments. Ms. Rojo stated Watermaster Administrative Assessments are equal to \$6.23/af, OBMP/Special Project assessments are equal to \$34.49/af, and there is a 2% loss on all beginning storage balances. In summary, Ms. Rojo stated, the additional costs will include, Agricultural Pool reallocation, replenishment assessments, 85/15 charges for replenishment and water transactions, the Pomona credit, and recharge debt service. Ms. Rose asked for the comparison of the 2005/2006 for the OBMP and Special Projects to be reviewed in more detail since there appears to be a doubling of the reserves. Ms. Rojo stated for the reserve balance for the past, what we used to budget was a 30% administrative reserve balance and a 15% for OBMP. This means that starting on July 1st of last fiscal year, Watermaster would have no money until staff bills all of the appropriators for their assessments; meaning Watermaster will have to go several months without any money. What is now being done as a result of the assessment package workshop was to increase both of the reserve numbers to 30% which will carry Watermaster through for more months of each beginning fiscal year regarding the cash flow. Ms. Rojo stated she has many more ideas which she will be presenting to the newly formed Advisory Budget sub-committee that was formed at this morning's Advisory Committee meeting. A discussion regarding the split billing ensued. Mr. Catlin inquired into how much discretion there is in the production category. Ms. Rojo commented on cost increases with

regard to Mr. Catlin's question. A discussion ensued with regard to recharge O & M costs. Ms. Rojo acknowledged the recommendations for future assessment packages would be to modify the collection process, to shorten the WAR/Assessment timeframe, and to ensure the WAR accuracy. Ms. Rose stated that when the funds to assess goes up and the production goes down, the cost per acre-foot goes higher and higher, so this is Monte Vista's big concern and why we will be voting no on the presented Assessment Package. Mr. Vanden Heuvel commented on the rising costs and stated he felt having a budget sub-committee would be a good step forward to look at making some changes.

Motion by Vanden Heuvel, second by Bowman, and by majority vote – one no vote from Monte Vista Water District

Moved to approve the Assessments for Fiscal Year 2006-2007, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Slater stated a hearing has now been scheduled for May 2, 3, and 4, 2007 with a pre-hearing date of April 5, 2007. There is a confidential meeting scheduled for today after the agenda process has been concluded. The reason for the confidential session is to discuss hearing strategy that would be pursued by Watermaster. Watermaster's ability to go onto a confidential session is controlled by Watermaster Rule 2.6 which means that at a minimum we must invite the heads of the various pools. We have received a strong interest from the stakeholders to broaden the group. Counsel Slater stated under Rule 2.6a the Watermaster Board has the discretion to add other people into the confidential setting. As long as we can confer with people in confidence and not waive our attorney client privilege we will, at your discretion, invite other parties/stakeholders who want to participate in this closed strategy session. General Counsel has received telephone calls from various counsels who represent stakeholders in this process and there is a deep interest in anything that affects the Santa Ana River. Counsel Slater stated the Watermaster Board is holding a closed session after this meeting and other people beyond the Board Members have expressed an interest in participating in the closed session. It was noted that all Pool Chairs were notified of today's closed session.

2. Peace II Process

Counsel Slater stated the Peace II Term Sheet was essentially completed several months ago, we have also received the Sunding Report, and we are still waiting on the last item to be completed which is the Scalmanini Review of the proficiency of the Wildermuth Model. It was anticipated that we would have that review completed by the end of January 2007; however, our most current estimate of delivery is mid-March. Counsel Slater stated counsel and staff were tasked by the Board members to see a schedule in implementing the Peace II process. In November 2006, a calendar of expected events was released to the members and then preparation of a gant chart would follow. Today we are presenting our draft gant chart for time and responsibility. Counsel Slater stated for each one of the items that is on this chart – there is nothing new presented here – is just a visual depiction of what was previously presented. There will be a detailed drop down menu for each one of these tasks which identifies who is doing what. The executive summary is that the strategy and the structure of what we are doing contemplates being to the court in the September/October time frame requesting a conditional approval of all our expected action and an approval of all the legal instruments that are necessary to implement our strategy. The key delay in going from that hearing, in the conditional approval, to actually constructing things i.e. putting in wells, operating the expanded desalter, and implementing Hydraulic Control will be the duration of the CEQA process that is associated with these actions. Even if we have to do a full Environmental Impact Report, this report suggests that we will have completed this exercise in the second or third quarter in 2008.

Added Comments:

Counsel Slater stated we have also received an order from the court. The court has set a hearing for May 24, 2007 to hear about the schedules for the Peace II Process, the desalters, for MZ1 subsidence issues, and for anything else going on that is relevant on the calendar. On page four of the court order it describes the briefing schedule; we are to file a report to the court by March 31, 2007 which will give the parties enough time and opportunity to respond. A lengthy discussion ensued with regard to going to the court with our proposed timeliness. Vanden Heuvel commented on the outline presented by counsel and stated he agreed with it. Mr. Vanden Heuvel inquired if the Scalmanini Report will be delivered via the mail/Fed Ex or will Mr. Scalmanini be coming down in person to present the report. Counsel Slater stated he believed it will be delivered as a report to Watermaster with no presentation from Mr. Scalmanini; however, if the Board at its pleasure wants to invite Mr. Scalmanini to come down and present it is a question left to the Board. Mr. Manning stated in anticipation of what is going to be in the report, because we have had some dialog with the court in terms of what they are looking at receiving, staff has asked Mr. Wildermuth to present an updated report on the issue of modeling and the progress that has been made. Mr. Vanden Heuvel commented on the Scalmanini report regarding this being the first time this has taken place with someone reviewing the modeling work that Wildermuth Environmental has done.

Counsel Slater stated we have received a letter from the Regional Water Quality Control Board asking us to give them an update on where we are in complying with the Basin Plan Amendments; particularly our progress towards Hydraulic Control and toward the planning of the third desalter. The Regional Board gave us a much shorter schedule than the court did so we need to have a report to the Regional Board by March 16, 2007 which does not give us much time.

Counsel Slater stated there is a letter from Baker Manock & Jensen who represents CCG Ontario. They are considering entering into a transfer of all their water rights to an entity that is not currently a party to the Judgment and as we understand it, does not own any land in the Chino Basin. They wrote us a letter and asked us to respond to a list of questions about this transfer and we will be doing that; however, there is not a time schedule as to when that response will be completed. Counsel Slater stated that because this is an unusual transaction, in that these rights are going to somebody who is not currently a party to the Judgment, they will need to intervene but more importantly they don't own any land in the Chino Basin and these are overlying rights. They wanted to daylight this to all the parties so that if there are concerns they could be transmitted and articulated. Counsel will keep the parties informed and if there are any questions or comments please let counsel or staff know.

B. FINANCIAL REPORT1. Budget Update for fiscal 2007/2008

No comment was made regarding this item.

C. CEO/STAFF REPORT

Added Comment:

Mr. Manning noted he has heard within the last couple of days some good news regarding the Fontana Water Company and the City of Fontana. It appears that Inland Empire Utilities Agency is working with the City of Fontana on a plan for shared resources in the area of recycled water. This is very encouraging news that these discussions have begun.

1. Upland Basin Funding Assistance

Mr. Manning stated the City of Upland is in the process of approving the improvements for the Upland Basin for flood control needs and for conservation purposes. The City of Upland does have a \$5M dollar grant and originally the City of Upland had put together a set of plans for the improvements at the Upland Basin; however, there were improvements that Watermaster's staff wanted to see included within those plans. Staff has asked for an alternate bid to improve what our staff thinks would significantly improve their changes and the amount of conservation within the basins; the City of Upland has agreed and is putting together an additional bid package. Watermaster has an agreement with the Chino Basin Conservation District and Inland Empire Utilities Agency to sit down with them regarding cost sharing after the alternate bid is accepted for the improvements to be shared one third by each party. Mr. Manning stated the Upland and the College Heights Basins, together, equal 25% of our percolation within the basin. We are very interested in those basins performing as well as they possibly can. Mr. Vanden Heuvel offered comment regarding the Upland Basin project and noted how pleased he was to see these improvements being made.

2. Legislative Update

Mr. Manning stated last week ACWA held their annual conference in Washington DC. Mr. Manning stated that Washington DC is a very interesting place to be right now and noted he had a chance while attending that conference to meet with several of the members of congress who represent California. Jerry McNerney, who is a new freshman member of congress, seemed extremely enthusiastic and optimistic that he will make great changes in congress as a freshman. Meetings were held with John Doolittle and Grace Napolitano, who is the new chairperson of Water and Power sub-committee. She spoke about her sub-committee and what her future plans are. Kevin McCarthy, who is the other freshman who spoke, seems to be a real up and comer in congress. George Radanovich did not show up as scheduled. Ellen Tauscher, Hilda Solis, and Jim Costa were there and Mr. Manning was able to speak with them briefly. In general, the picture in Washington is there are twenty members of the Senate who will be running for President; ten Republicans and ten Democrats and all are worried about what they say today it may affect their platform next year. We are going to have to be very diligent in making sure our bills are heard in the Senate. The WORDA bill does appear to have some life and it will possibly go through. The farm bill is up this year and also appears to be going through. Mr. Manning stated the ACWA Sacramento conference will take place on March 22, 2007 and as always, it should be a very informative conference.

Added: Introductory Progress Report Watermaster's Groundwater Model Update

Mr. Wildermuth stated the presentation outline today would include an update on the subsidence in MZ1 and the progress on Watermaster's groundwater model update. Mr. Wildermuth pulled up a subsidence area map for MZ1 and pointed out the subsidence areas including well areas. The groundwater benchmarks were reviewed. Mr. Wildermuth reviewed the time history of production, recharge, groundwater levels, and ground levels in MZ1 from 1993 through 2007 in detail. Mr. Wildermuth stated Wildermuth Environmental, Inc. (WEI) and Watermaster staff has developed a series of model updates and programmed these efforts into Watermaster's 2006/2007 budget in March 2006. Work began on these updates in July 2006 and will likely continue until the end of the current fiscal year. WEI will start presenting summaries of this effort through the Watermaster process starting in March 2007. WEI will incorporate the latest information from new wells and monitoring programs and will extend calibration from 11 years to about 40 years. WEI will incorporate a vadose zone flow and transport models along with developing a localized high resolution compaction model for part of MZ1 which is dynamically linked to the basin model. WEI will be refining boundary conditions for the Rialto-Colton fault and Bloomington Divide. WEI will incorporate non-linear ET functions for riparian vegetation and revise projected groundwater pumping and replenishment plans. WEI will extend the projection period from the present to 2060 and will also incorporate state-of-the-art visualization

software and VLA processing. The purpose for these actions will be to update the Watermaster model based on new hydrogeologic information collected since 2002. Our new data sources will include subsidence investigation in MZ1, nine new HCMP well clusters, Chino II Desalter wells and other new monitoring wells, new appropriator wells, OBMP water level and water-quality monitoring programs. Mr. Wildermuth reviewed detailed one dimensional area maps. Mr. Manning stated Mr. Wildermuth and staff has been working together on the evolution of this model. All of us are aware the Microsoft just came out with Vista and in reality Microsoft started working on Vista before XP was released. That is not too much different from what Wildermuth does with these models; the difference is that Mark does not label its versions. The models themselves keep evolving and that is what Watermaster and Wildermuth are trying to express; these models are evolving and what Mr. Scalmanini is looking at is a point in time. Mr. Wildermuth stated all the work that WEI has done on the Basin Plan that goes back to the early 90's, was peer reviewed and the technical group who reviews the work is a large group. Processes and procedures are reviewed before we calculate them and then we open the books for strict review; work is being reviewed all the time.

3. Recharge Update

Mr. Treweek referenced the recharge handout and reviewed the numbers through January. Mr. Treweek stated it appears that February will be a dry month at the rate we are going with lack of anticipated rainfall.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Manning noted Mr. Catlin would now be the Watermaster Board representative from the Inland Empire Utilities Agency and Mr. Anderson would be serving as Mr. Catlin's alternate. Chair Willis thanked Mr. Anderson for his past service on the board and noted a formal commendation would be presented to him at the March Watermaster Board meeting. Mr. Manning noted Mr. Lopez will be stepping down as a Watermaster Board member and will now be serving as an alternate for Mr. Fields who represents Western Municipal Water District. Chair Willis thanked Mr. Lopez for his past serves on the board and noted a formal commendation would be presented to him at the March Watermaster Board meeting.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

February 22, 2007	9:00 a.m.	Advisory Committee Meeting
February 22, 2007	11:00 a.m.	Watermaster Board Meeting
February 27, 2007	9:00 a.m.	GRCC Meeting
March 8, 2007	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
March 19, 2007	1:00 p.m.	AGWA Meeting @ CBWM
March 20, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting

The Watermaster Board meeting closed its regular session at 12:40 p.m. to allow the parties to take a break before the confidential session starts.

The Watermaster Board closed session began at 12:52 p.m.

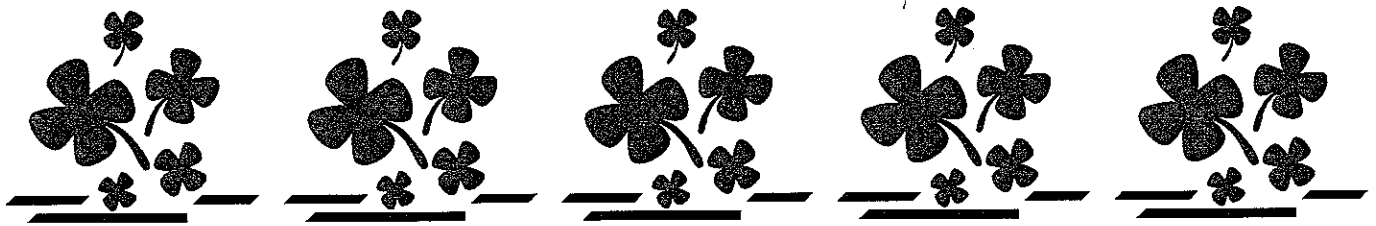
No report was given from the closed session to be recorded into the minutes.

The Watermaster Board meeting was adjourned by Chair Willis at 2:30 p.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of February 2007
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through January 31, 2007
3. Treasurer's Report of Financial Affairs for the Period January 1, 2007 through January 31, 2007
4. Profit & Loss Budget vs. Actual July 2006 through January 2007





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: March 8, 2007
March 20, 2007
March 22, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – February 2007

SUMMARY

Issue – Record of cash disbursements for the month of February 2007.

Recommendation – Staff recommends the Cash Disbursements for February 2007 be received and filed as presented.

Fiscal Impact – All funds disbursed were included in the FY 2006-07 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 February 2007 were \$1,410,035.21. The most significant expenditures during the month were Inland Empire Utilities Agency in the amount of \$854,429.50, Wildermuth Environmental Inc. in the amount of \$251,379.69, and Hatch and Parent in the amount of \$79,397.99.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
February 2007

Type	Date	Num	Name	Amount
Feb 07				
General Journal	2/1/2007	07/2/3	PAYROLL	-6,988.13
General Journal	2/1/2007	07/2/3	PAYROLL	-22,514.67
Bill Pmt -Check	2/8/2007	11140	AMERICAN WATER WORKS ASSOCIATION	-173.00
Bill Pmt -Check	2/8/2007	11141	ANDERSON, JOHN	-125.00
Bill Pmt -Check	2/8/2007	11142	APPLIED COMPUTER TECHNOLOGIES	-2,856.10
Bill Pmt -Check	2/8/2007	11143	BOWCOCK, ROBERT	-125.00
Bill Pmt -Check	2/8/2007	11144	BOWMAN, JIM	-125.00
Bill Pmt -Check	2/8/2007	11145	COMPUSA, INC.	-153.14
Bill Pmt -Check	2/8/2007	11146	CUCAMONGA VALLEY WATER DISTRICT	-50.00
Bill Pmt -Check	2/8/2007	11147	DIRECTV	-74.98
Bill Pmt -Check	2/8/2007	11149	HSBC BUSINESS SOLUTIONS	-390.25
Bill Pmt -Check	2/8/2007	11150	IDEAL GRAPHICS	-60.34
Bill Pmt -Check	2/8/2007	11151	INLAND COUNTIES INSURANCE SERVICES, INC.	-238.57
Bill Pmt -Check	2/8/2007	11152	KUHN, BOB	-125.00
Bill Pmt -Check	2/8/2007	11153	LOS ANGELES TIMES	-42.40
Bill Pmt -Check	2/8/2007	11154	MEDIA JIM	-1,035.00
Bill Pmt -Check	2/8/2007	11155	MONTE VISTA WATER DIST	-375.00
Bill Pmt -Check	2/8/2007	11156	OFFICE DEPOT	-698.71
Bill Pmt -Check	2/8/2007	11157	PARK PLAGE COMPUTER SOLUTIONS, INC.	-5,625.00
Bill Pmt -Check	2/8/2007	11158	PAYCHEX	-375.28
Bill Pmt -Check	2/8/2007	11159	QUILL	-34.01
Bill Pmt -Check	2/8/2007	11160	RAUCH COMMUNICATION CONSULTANTS, LLC	-93.75
Bill Pmt -Check	2/8/2007	11161	REID & HELLYER	-4,456.53
Bill Pmt -Check	2/8/2007	11162	SAGE, KEVIN	-125.00
Bill Pmt -Check	2/8/2007	11163	STATE COMPENSATION INSURANCE FUND	-902.61
Bill Pmt -Check	2/8/2007	11164	UNION 76	-118.75
Bill Pmt -Check	2/8/2007	11165	UNITED PARCEL SERVICE	-378.05
Bill Pmt -Check	2/8/2007	11166	UNITEK TECHNOLOGY INC.	-80.00
Bill Pmt -Check	2/8/2007	11167	VANDEN HEUVEL, GEOFFREY	-125.00
Bill Pmt -Check	2/8/2007	11168	VERIZON	-327.45
Bill Pmt -Check	2/8/2007	11169	WHEELER METER MAINTENANCE	-3,600.00
Bill Pmt -Check	2/8/2007	11170	WILLIS, KENNETH	-125.00
Bill Pmt -Check	2/8/2007	11171	CITISTREET	-3,521.19
Bill Pmt -Check	2/8/2007	11172	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,148.98
Bill Pmt -Check	2/8/2007	11173	CITISTREET	-3,521.19
Bill Pmt -Check	2/8/2007	11174	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,152.57
Bill Pmt -Check	2/8/2007	11175	CITISTREET	-3,652.94
Bill Pmt -Check	2/8/2007	11176	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,152.56
General Journal	2/15/2007	07/02/05	PAYROLL	-6,577.05
General Journal	2/15/2007	07/02/05	PAYROLL	-22,244.44
Bill Pmt -Check	2/16/2007	11177	ACWA SERVICES CORPORATION	-278.30
Bill Pmt -Check	2/16/2007	11178	BLACK & VEATCH CORPORATION	-5,785.00
Bill Pmt -Check	2/16/2007	11179	COMPUTER NETWORK	-316.66
Bill Pmt -Check	2/16/2007	11181	HATCH AND PARENT	-79,397.99
Bill Pmt -Check	2/16/2007	11182	INLAND EMPIRE UTILITIES AGENCY	-57,052.51
Bill Pmt -Check	2/16/2007	11183	MCI	-1,030.31
Bill Pmt -Check	2/16/2007	11184	PREMIERE GLOBAL SERVICES	-104.23
Bill Pmt -Check	2/16/2007	11185	QUILL	-101.59
Bill Pmt -Check	2/16/2007	11186	RICOH BUSINESS SYSTEMS-Lease	-4,480.25
Bill Pmt -Check	2/16/2007	11187	THE FURMAN GROUP, INC.	-2,625.00
Bill Pmt -Check	2/16/2007	11188	UNITEK TECHNOLOGY INC.	-2,394.21
Bill Pmt -Check	2/16/2007	11189	VELASQUEZ JANITORIAL	-1,200.00
Bill Pmt -Check	2/16/2007	11190	RICOH BUSINESS SYSTEMS-Maintenance	-1,047.00
Bill Pmt -Check	2/20/2007	11191	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
Bill Pmt -Check	2/20/2007	11192	STAULA, MARY L	-136.61
Bill Pmt -Check	2/20/2007	11193	VIP AUTO DETAILING	-800.00
Bill Pmt -Check	2/21/2007	11194	BANK OF AMERICA	-2,945.35
Bill Pmt -Check	2/21/2007	11195	ELLISON, SCHNEIDER & HARRIS, LLP	-19,382.75
Bill Pmt -Check	2/21/2007	11196	OFFICE DEPOT	-199.88
Bill Pmt -Check	2/21/2007	11197	PRE-PAID LEGAL SERVICES, INC.	-103.60
Bill Pmt -Check	2/21/2007	11198	STANDARD INSURANCE CO.	-560.58
Bill Pmt -Check	2/21/2007	11199	VERIZON WIRELESS	-161.70
Bill Pmt -Check	2/21/2007	11200	WILDERMUTH ENVIRONMENTAL INC	-251,379.69
Bill Pmt -Check	2/27/2007	11201	PETTY CASH	-695.90
Bill Pmt -Check	2/28/2007	11202	ARROWHEAD MOUNTAIN SPRING WATER	-31.42
Bill Pmt -Check	2/28/2007	11203	CALPERS	-3,058.44
Bill Pmt -Check	2/28/2007	11204	COMPUSA, INC.	-1,341.55
Bill Pmt -Check	2/28/2007	11205	CUCAMONGA VALLEY WATER DISTRICT	-5,340.00

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
February 2007

Type	Date	Num	Name	Amount
Bill Pmt -Check	2/28/2007	11206	RICOH BUSINESS SYSTEMS-Maintenance	-42.53
Bill Pmt -Check	2/28/2007	11207	INLAND EMPIRE UTILITIES AGENCY	-55,143.26
Bill Pmt -Check	2/28/2007	11208	INLAND EMPIRE UTILITIES AGENCY	-750,000.00
Bill Pmt -Check	2/28/2007	11209	INLAND EMPIRE UTILITIES AGENCY	-32,744.01
Bill Pmt -Check	2/28/2007	11210	INLAND EMPIRE UTILITIES AGENCY	-16,542.25
Feb 07				-1,410,035.21

CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2006 THROUGH JANUARY 31, 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			5,103,741		110,425				5,214,166	\$7,308,205
Interest Revenue			93,599	10,797	3,862			47	108,305	136,500
Mutual Agency Project Revenue		-							-	138,000
Grant Income		-							-	0
Miscellaneous Income									-	0
Total Revenues	-	-	5,197,340	10,797	114,287	-	-	47	5,322,471	7,582,705
Administrative & Project Expenditures										
Watermaster Administration	590,911								590,911	601,598
Watermaster Board-Advisory Committee	29,408								29,408	52,123
Pool Administration			12,439	46,826	3,899				63,164	118,245
Optimum Basin Mgmt Administration		1,237,976							1,237,976	1,855,795
OBMP Project Costs		3,035,528							3,035,528	5,904,269
Education Funds Use								375	375	375
Mutual Agency Project Costs	10,000								10,000	5,000
Total Administrative/OBMP Expenses	630,319	4,273,504	12,439	46,826	3,899	-	-	375	4,967,362	8,537,405
Net Administrative/OBMP Income	(630,319)	(4,273,504)								
Allocate Net Admin Income To Pools	630,319		485,970	132,521	11,829				-	0
Allocate Net OBMP Income To Pools		4,273,504	3,294,829	898,479	80,196				-	0
Agricultural Expense Transfer			1,072,276	(1,072,276)					-	0
Total Expenses	4,865,513	5,550	95,924	-	-	375	4,967,362	8,537,405		
Net Administrative Income			331,827	5,247	18,363		(328)		355,109	(954,700)
Other Income/(Expense)										
Replenishment Water Purchases						369,248			369,248	0
MZ1 Supplemental Water Assessments									-	0
Water Purchases									-	0
MZ1 Imported Water Purchase									-	0
Groundwater Replenishment						(1,625,062)			(1,625,062)	0
Net Other Income			-	-	-	(1,255,814)	-	-	(1,255,814)	0
Net Transfers To/(From) Reserves			331,827	5,247	18,363	(1,255,814)	-	(328)	(900,705)	(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			4,770,984	475,808	205,347	(116,199)	158,251	1,614	5,495,805	
05/06 Assessable Production			124,315,140	33,899,960	3,025,832				161,240,932	
05/06 Production Percentages			77.099%	21.024%	1.877%				100.000%	

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
JANUARY 1 THROUGH JANUARY 31, 2007**

DEPOSITORIES:

Cash on Hand - Petty Cash			\$	500
Bank of America				
Governmental Checking-Demand Deposits	\$	462,846		
Zero Balance Account - Payroll		-		462,846
Vineyard Bank CD - Agricultural Pool				431,443
Local Agency Investment Fund - Sacramento				5,658,868
TOTAL CASH IN BANKS AND ON HAND				\$ 6,553,657
TOTAL CASH IN BANKS AND ON HAND	1/31/2007			6,234,421
	12/31/2006			6,234,421
PERIOD INCREASE (DECREASE)				\$ 319,236

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets: Accounts Receivable			\$	35,646
Assessments Receivable				796,619
Prepaid Expenses, Deposits & Other Current Assets				(74,102)
(Decrease)/Increase in Liabilities: Accounts Payable				892,409
Accrued Payroll, Payroll Taxes & Other Current Liabilities				58,343
Transfer to/(from) Reserves				(1,389,679)
PERIOD INCREASE (DECREASE)				\$ 319,236

<u>SUMMARY OF FINANCIAL TRANSACTIONS:</u>	Petty Cash	Gov't Checking Demand	Zero Balance Account Payroll	Vineyard Bank	Local Agency Investment Funds	Totals
Balances as of 12/31/2006	\$ 500	\$ 3,730,748	\$ -	\$ 429,951	\$ 2,073,222	\$ 6,234,421
Deposits	-	797,361	-	1,492	3,585,646	4,384,499
Transfers	-	(3,610,488)	60,488	-	-	(3,550,000)
Withdrawals/Checks	-	(454,775)	(60,488)	-	-	(515,263)
Balances as of 1/31/2007	\$ 500	\$ 462,846	\$ -	\$ 431,443	\$ 5,658,868	\$ 6,553,657
PERIOD INCREASE OR (DECREASE)	\$ -	\$ (3,267,902)	\$ -	\$ 1,492	\$ 3,585,646	\$ 319,236

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
JANUARY 1 THROUGH JANUARY 31, 2007**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
1/15/2007	Interest	L.A.I.F.	\$ 35,646				
TOTAL INVESTMENT TRANSACTIONS			\$ 35,646	-			

* The earnings rate for L.A.I.F. is a daily variable rate; 5.11% was the effective yield rate at the Quarter ended December 31, 2006

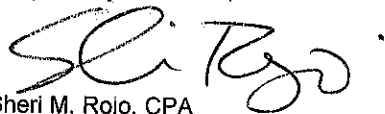
**INVESTMENT STATUS
January 31, 2007**

<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	\$ 5,658,868			
TOTAL INVESTMENTS	\$ 5,658,868			

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,



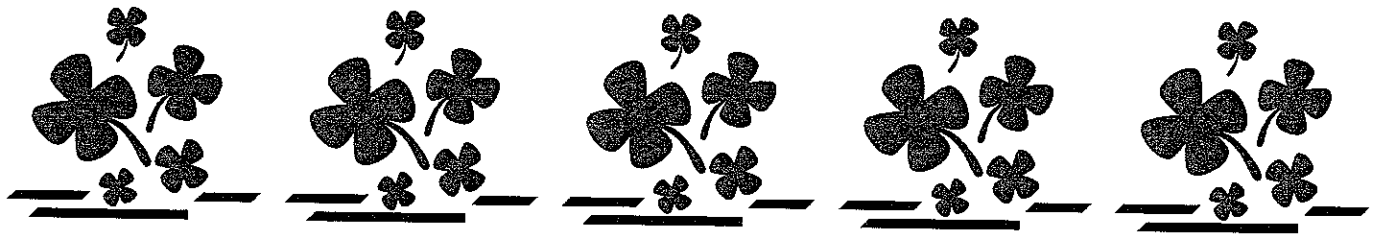
Sheri M. Rojo, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July 2006 through January 2007

	<u>Jul '06 - Jan 07</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%
4100 · Administrative Assessments	5,214,166	0	5,214,166	100.0%
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	108,305	136,500	-28,195	79.34%
Total Income	<u>5,322,471</u>	<u>7,582,705</u>	<u>-2,260,234</u>	<u>70.19%</u>
Gross Profit	5,322,471	7,582,705	-2,260,234	70.19%
Expense				
6010 · Salary Costs	459,852	447,037	12,815	102.87%
6020 · Office Building Expense	64,863	102,000	-37,137	63.59%
6030 · Office Supplies & Equip.	22,859	45,000	-22,141	50.8%
6040 · Postage & Printing Costs	54,682	78,500	-23,818	69.66%
6050 · Information Services	81,293	112,500	-31,207	72.26%
6060 · Contract Services	64,708	131,000	-66,292	49.4%
6080 · Insurance	15,108	25,210	-10,102	59.93%
6110 · Dues and Subscriptions	14,186	16,750	-2,564	84.69%
6140 · WM Admin Expenses	2,090	6,500	-4,410	32.15%
6150 · Field Supplies	872	4,000	-3,128	21.81%
6170 · Travel & Transportation	16,607	19,350	-2,743	85.82%
6190 · Conferences & Seminars	21,298	22,500	-1,202	94.66%
6200 · Advisory Comm - WM Board	8,535	15,168	-6,633	56.27%
6300 · Watermaster Board Expenses	20,873	36,955	-16,082	56.48%
8300 · Appr PI-WM & Pool Admin	12,439	15,918	-3,479	78.14%
8400 · Agri Pool-WM & Pool Admin	11,761	18,633	-6,872	63.12%
8467 · Agri-Pool Legal Services	29,516	65,000	-35,484	45.41%
8470 · Ag Meeting Attend -Special	5,550	12,000	-6,450	46.25%
8500 · Non-Ag PI-WM & Pool Admin	3,899	6,694	-2,795	58.24%
6500 · Education Funds Use Expens	375	375	0	100.0%
9500 · Allocated G&A Expenditures	-227,506	-408,749	181,243	55.66%
Subtotal Administrative Expenditures	<u>683,859</u>	<u>772,341</u>	<u>-88,482</u>	<u>88.54%</u>
6900 · Optimum Basin Mgmt Plan	1,154,646	1,713,780	-559,134	67.37%
6950 · Mutual Agency Projects	10,000	5,000	5,000	200.0%
9501 · G&A Expenses Allocated-OBMP	83,330	142,015	-58,685	58.68%
Subtotal OBMP Expenditures	<u>1,247,976</u>	<u>1,860,795</u>	<u>-612,819</u>	<u>67.07%</u>
7101 · Production Monitoring	58,889	61,565	-2,676	95.65%
7102 · In-line Meter Installation	15,980	64,904	-48,924	24.62%
7103 · Grdwtr Quality Monitoring	94,832	149,713	-54,881	63.34%
7104 · Gdwtr Level Monitoring	95,651	191,953	-96,302	49.83%
7105 · Sur Wtr Qual Monitoring	1,678	32,247	-30,569	5.2%
7107 · Ground Level Monitoring	82,393	160,984	-78,591	51.18%
7108 · Hydraulic Control Monitoring	145,360	483,258	-337,898	30.08%
7109 · Recharge & Well Monitoring Prog	40,385	146,350	-105,965	27.6%
7200 · PE2- Comp Recharge Pgm	722,812	1,822,997	-1,100,185	39.65%

CHINO BASIN WATERMASTER
 Profit & Loss Budget vs. Actual
 July 2006 through January 2007

	<u>Jul '06 - Jan 07</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7300 · PE3&5-Water Supply/Desalte	337	4,676	-4,339	7.21%
7400 · PE4- Mgmt Plan	117,761	578,762	-461,001	20.35%
7500 · PE6&7-CoopEfforts/SaltMgmt	143,934	310,507	-166,573	46.35%
7600 · PE8&9-StorageMgmt/Conj Use	12,926	6,698	6,228	192.98%
7690 · Recharge Improvement Debt Pymt	1,358,415	1,608,000	-249,586	84.48%
7700 · Inactive Well Protection Prgm	0	14,921	-14,921	0.0%
9502 · G&A Expenses Allocated-Projects	144,176	266,734	-122,558	54.05%
Subtotal Special Project Expenditures	<u>3,035,528</u>	<u>5,904,269</u>	<u>-2,868,741</u>	<u>51.41%</u>
Total Expense	<u>4,967,362</u>	<u>8,537,405</u>	<u>-3,570,043</u>	<u>58.18%</u>
Net Ordinary Income	355,109	-954,700	1,309,809	-37.2%
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	1,625,062	0	1,625,062	100.0%
9999 · To/(From) Reserves	-900,705	-954,700	53,995	94.34%
Total Other Expense	<u>724,357</u>	<u>-954,700</u>	<u>1,679,057</u>	<u>-75.87%</u>
Net Other Income	<u>-355,109</u>	<u>954,700</u>	<u>-1,309,809</u>	<u>-37.2%</u>
Net Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>100.0%</u>

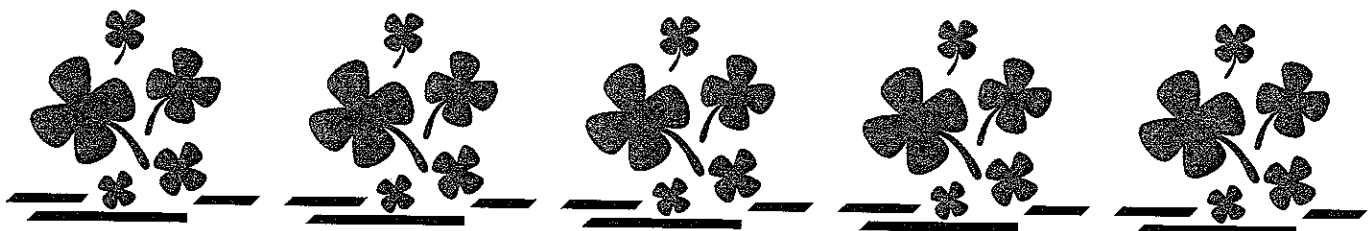


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

C. RESOLUTION 07-03

A Resolution of the Chino Basin Watermaster
Levying Replenishment and Administrative
Assessments for Fiscal Year 2006-2007



RESOLUTION 07-03

A RESOLUTION OF THE CHINO BASIN WATERMASTER LEVYING REPLENISHMENT AND ADMINISTRATIVE ASSESSMENTS FOR FISCAL YEAR 2006- 2007

WHEREAS, the Chino Basin Watermaster was appointed on January 27, 1978, under Case No. RCV 51010 (formerly case No. SCV 164327) entitled Chino Basin Municipal Water District v. City of Chino, et al., with powers to levy and collect administrative and replenishment assessments necessary to maintain water levels and to cover the cost of administering the Chino Basin Judgment; and

WHEREAS, the Watermaster Advisory Committee approved and the Watermaster Board adopted the Fiscal Year 2006-2007 Budget on May 25, 2006 to carry out the necessary Watermaster functions under the Judgment; and

WHEREAS, the parties named in this Judgment have pumped 9,249.94 acre-feet of water in excess of the operating safe yield, which is required to be replaced at the expense of the parties in accordance with the assessment formulas for the respective pools.

NOW, THEREFORE, BE IT RESOLVED that the Chino Basin Watermaster levies the respective assessments for each pool effective February 22, 2007 as showed on Exhibit "A" attached hereto.

BE IT FURTHER RESOLVED, that pursuant to the Judgment, each party has thirty-days from the date of invoice to remit the amount of payment for assessments due. After that date, interest will accrue on that portion which was due as provided for in Section 55 (c) of the Judgment.

THE FOREGOING RESOLUTION was

APPROVED by the Advisory Committee on the 22nd day of February 2007.

ADOPTED by the Watermaster Board on the 22nd day of February 2007.

By: _____
Chairman, Watermaster Board

APPROVED:

Chairman, Advisory Committee

ATTEST:

Secretary, Watermaster Board

Exhibit "A"
Resolution 07-03

Summary
of
Assessments
Fiscal Year 2006-2007
Production Year 2005-2006

1.	OVERLYING (NON-AGRICULTURAL) POOL	
a.	2006-2007 Budget	\$ <u>6.23</u> Per AF - Admin. \$ <u>34.49</u> Per - OBMP
b.	Replenishment	\$ <u>251.00</u> Per AF
2.	APPROPRIATIVE POOL	
a.	Administration	
	1. 2006-2007 Budget	\$ <u>6.23</u> Per AF - Admin. \$ <u>34.49</u> Per - OBMP
	2. Ag Pool Reallocated	\$ <u>4.32</u> Per AF - Admin. \$ <u>23.91</u> Per AF - OBMP
b.	100% Net Replenishment	\$ <u>251.00</u> Per AF
c.	15/85 Water Activity	
	15% Replenishment Assessments	\$ <u>256,867.88</u>
	15% Water Transaction Activity	\$ <u>1,115,741.71</u>
d.	Pomona Credit	\$ <u>66,667.00</u>
e.	Recharge Debt Payment	\$ <u>1,358,000.00</u>

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

I, Ken Manning, Secretary of the Chino Basin Watermaster, DO HEREBY CERTIFY that the foregoing Resolution being No. 07-03, was adopted at a regular meeting of the Chino Basin Watermaster Board by the following vote:

AYES: 0
NOES: 0
ABSENT: 0
ABSTAIN: 0

CHINO BASIN WATERMASTER

Secretary

Date: _____

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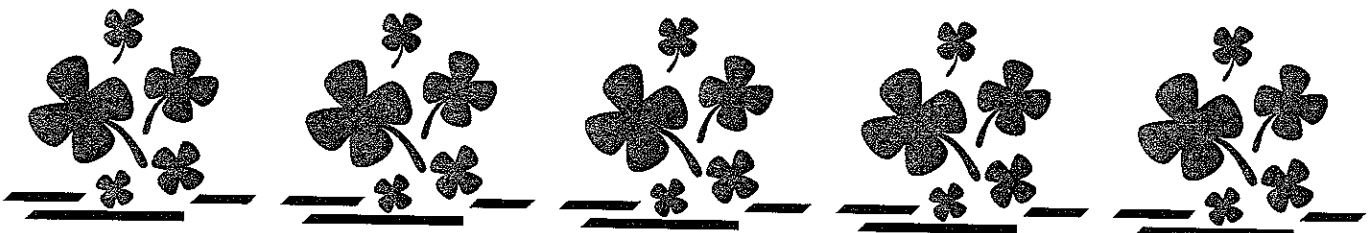


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

D. STATUS REPORT 2006-02

Consider Approval of Status Report 2006-02



Optimum Basin Management Program

Status Report 2006-2: July to December 2006

Status Report 2006 – 2: Covers activities from July 1 through December 31, 2006.

Introduction

This status report covers the period July 1, 2006 through December 31, 2006. The bulk of this report describes the activities that occurred and status of the work conducted for each program element of the Optimum Basin Management Program (OBMP). However, there are additional significant efforts that occurred during the reporting period that include:

- **First Strategic Planning Conference.** Watermaster convened its first strategic planning conference in October 2006. Participants included the Watermaster Board, the parties, Watermaster staff and consultants, invited guests including representatives of Metropolitan Water District and Orange County Water District, regulators and other observer/participants from other groundwater basins.
- **Revision of Watermaster's Groundwater Models.** Watermaster's groundwater models are being revised to incorporate new information obtained through OBMP investigations and monitoring, to extend the planning period from the current 30 year period to 60 years and beyond, and to explicitly incorporate subsidence.
- **Preparation of Grant Applications Related to Desalter Program Expansion.** Watermaster consultants worked with IEUA to develop Proposition 50 grant applications related to expanding the desalters. These applications were tentatively approved for up to \$45 million.
- **Ongoing Work to Prepare the 2006 State of the Basin Report.** The data necessary to prepare the SOB report were collected during the reporting period. The draft SOB will be available in the Spring of 2007.

Program Element 1: Develop and Implement a Comprehensive Monitoring Program

Groundwater Level Monitoring

Watermaster has three active groundwater level monitoring programs operating in the Chino Basin: 1) A semiannual basin-wide well monitoring program, 2) A key well monitoring program associated with the Chino I/II Desalter well fields and the Hydraulic Control Monitoring Program (HCMP), and 3) A piezometric monitoring program associated with land subsidence and ground fissuring in Management Zone 1 (MZ-1). The frequency of groundwater level monitoring varies with each program; depending on the needs of the data analyst. These groundwater level monitoring programs also rely on municipal producers, other government agencies, and private entities to supply their groundwater level measurements on a cooperative basis. Watermaster digitizes all these measurements and combines them into a relational database for general usage. During this period, Watermaster purchased and installed 7 pressure transducers/data loggers at key wells; principally in the northern portions of Chino Basin where more detailed groundwater level data are needed.

Groundwater Quality Monitoring

During this reporting period 53 wells were sampled. Watermaster continues a comprehensive data collection program whereby water quality data from other sources are routinely collected, QA/QC'd, and loaded into Watermaster's database.

Watermaster and the Inland Empire Utilities Agency (IEUA) are working closely with the Appropriative Pool members and their state-certified laboratories to obtain water quality data as an electronic data deliverable (EDD), which can be entered directly into Watermaster's relational database.

Groundwater-Production Monitoring

As of December 2006, Watermaster had installed an additional 12 new meters at active agricultural wells. All active wells (except for minimum user wells) are now metered. Watermaster reads the production data from the meters on a quarterly basis and enters these data into Watermaster's relational database.



Surface Water Monitoring

Water Quality and Quantity in Recharge Basins. Watermaster measures the quantity and quality of storm and supplemental water entering the recharge basins. Pressure transducers or staff gauges are used to measure water levels during recharge operations. In addition to these quantity measurements, imported water quality values for State Water Project water are obtained from the Metropolitan Water District of Southern California (MWDSC) and recycled water quality values for the RP1 and RP4 treatment plant effluents are obtained from IEUA. Watermaster monitors the storm water quality in the eight major channels (San Antonio, West Cucamonga, Cucamonga, Deer Creek, Day Creek, San Sevaine, West Fontana, and Declez) usually after each major storm event. Combining the measured flow data with the respective water qualities enables the calculation of the blended water quality in each recharge basin, the "new yield" to the Chino Basin, and the adequate dilution of recycled water.

Surface Water Monitoring in Santa Ana River (SAR). Watermaster measures the discharge of the river and selected water quality parameters to determine those reaches of the SAR that are gaining flow from Chino Basin and/or, conversely, those reaches that are losing flow into the Chino Basin. These bi-weekly flow and water quality measurements are combined with discharge data from permanent USGS and Orange County Water District (OCWD) stream gauges and discharge data from publicly owned treatment works (POTWs). These data are used in groundwater modeling to assess the extent of hydraulic control.

HCMP Annual Report

In January of 2004, the RWQCB amended the Water Quality Control Plan (Basin Plan) for the Santa Ana River Basin to incorporate an updated total dissolved solids (TDS) and nitrogen management plan. The Basin Plan Amendment includes both "antidegradation" and "maximum benefit" objectives for TDS and nitrate-nitrogen for the Chino and Cucamonga groundwater management zones. The application of the "maximum benefit" objectives relies on Watermaster and the IEUA's implementation of a specific program of projects and requirements, which are an integral part of the OBMP. On April 15, 2005, the RWQCB adopted resolution R8-2005-0064; thus approving the Surface Water Monitoring Program and Groundwater Monitoring Program in support of maximum benefit commitments in the Chino and Cucamonga Basins. Watermaster and the IEUA completed the 2005 Annual Report, which summarizes the results for those two programs, and submitted it to the RWQCB on April 14, 2006 in partial fulfillment of maximum benefit commitments. Watermaster and IEUA have begun drafting the 2006 Annual Report, which is due in April 2007.

Chino Basin Recycled Water Groundwater Recharge Program

The IEUA, Watermaster, Chino Basin Water Conservation District, and San Bernardino County Flood Control District jointly sponsor the Chino Basin Recycled Water Groundwater Recharge Program. This is a comprehensive water supply program to enhance water supply reliability and improve the groundwater quality in local drinking water wells throughout the Chino Groundwater Basin by increasing the recharge of stormwater, imported water, and recycled water. The recharge program is regulated under RWQCB Order No. R8-2005-0033 and Monitoring and Reporting Program No. R8-2005-0033.

Recharge Activities. Recycled water recharge in the Turner 1&2, and Turner 3&4 Basins began in July 2006. On going recharge activities at Ely, Hickory, and Banana Basins continued during this reporting period.

Monitoring Activities. Watermaster and the IEUA collect weekly and bi-weekly water quality samples from basins that are actively recharging recycled water and from lysimeters installed within those basins. During this reporting period, approximately 600 basin and lysimeter samples were collected. Monitoring wells located downgradient of the recharge basins were sampled every two weeks during the reporting period for a total of about 100 samples.

Construction Activities. Lysimeters and monitoring wells associated with the Banana, Hickory, and Turner Basins were installed in 2005. No other construction activities related to the monitoring of the recharge program occurred during this reporting period. Lysimeters and monitoring wells are expected to be constructed at the RP-3, Declez, and Ely Basins in fiscal year (FY) 2006/07.

Reporting. Watermaster and the IEUA completed the following required reports concerning the recharge program during the reporting period:

- Banana Start-Up Report – October 2006
- Hickory Start-Up Report – Not yet submitted



- Title 22 Engineering Report – March 2006: Addendum 1 Inclusion of Ely Basin in Phase II Recycled Water Groundwater Recharge Project – October 2006
- 2Q06 Quarterly Report – August 2006
- 3Q06 Quarterly Report – November 2006

Land Surface Monitoring

Watermaster developed a multifaceted land surface monitoring program to develop data for a long-term management plan for land subsidence in Management Zone 1 (MZ-1). The monitoring program consisted of three main elements:

- An aquifer system monitoring facility consisting of multiple depth piezometers and a dual bore extensometer.
- The application of synthetic aperture radar interferometry (InSAR) to measure historical land surface deformation.
- Benchmark surveys to measure land surface deformation, “ground truth” the InSAR data, and evaluate effectiveness of the long term management plan.

Following two years of data collection and analysis, Watermaster submitted the MZ-1 Summary Report in October 2005, which contained Guidance Criteria to minimize subsidence and fissuring. The Guidance Criteria included a listing of Managed Wells and their owners subject to the criteria, a map of the so-called Managed Area, an initial threshold water level (Guidance Level) of 245 feet below the top of the PA-7 well casing, and a plan for ongoing monitoring and notification. Since October 2005, the MZ-1 Summary Report and the Guidance Criteria contained therein have been discussed extensively by the parties involved, and were adopted by the Watermaster Board at its May 2006 Meeting .

The MZ-1 monitoring program has continued unabated. Water level monitoring has been expanded to the central regions of MZ-1 with the installation of transducers/data loggers at selected wells owned by the City of Chino, the Monte Vista Water District, and the City of Pomona. This expansion of the water level monitoring program is the initial effort to better understand the mechanisms behind ongoing land subsidence in this region.

Program Element 2: Develop and Implement a Comprehensive Recharge Program

Construction on the Chino Basin Facilities Improvement Project (CBFIP) Phase I was completed by December 31, 2005 at a cost of \$38M; 50% from a SWRCB Proposition 13 Grant, and 25% each from Watermaster and the IEUA. A CBFIP Phase II list of projects was developed by Watermaster and the IEUA, including monitoring wells, lysimeters, recycled water connections, SCADA system expansions, three MWDSC turnouts, and berm heightening and hardening. At a cost of approximately \$10M, these Phase II facilities will be financed through a 50% Grant from DWR and 25% each from Watermaster and the IEUA.

In FY 2005-2006, the CBFIP Phase I facilities were able to recharge 49,000 AF of storm and supplemental water . With the completion of the Phase II facilities in FY 2007-2008, the total recharge capacity will be about 75,000 AF. By the start of FY 2008-2009, most of the basins will be able to operate on a 12 months per year basis, with occasional downtime for silt and organic growth removal. Operations and basin planning are coordinated through the Groundwater Recharge Coordinating Committee (GRCC) which meets monthly.

Program Element 3: Develop and Implement Water Supply Plan for the Impaired Areas of the Basin; and

Program Element 5: Develop and Implement Regional Supplemental Water Program

Construction on the Chino I Desalter Expansion and the Chino II Desalter facilities was completed in February 2006 and an application has been made for \$1.6 M in Proposition 50 funds to add 8 MGD of ion exchange capacity to the Chino II Desalter. As currently configured, the Chino I Desalter provides 2.6 MGD of treated (air stripping for VOC removal) water from Wells 1-4, 4.9 MGD of treated (ion exchange for nitrate removal) water from Wells 5-15, and 6.7 MGD of treated (reverse osmosis for nitrate and TDS removal) water from Wells 5-15 for a total of 14.2 MGD (16,000 AFY). The Chino II Desalter provides 4.0 MGD of ion exchange treated water and 6.0 MGD of reverse osmosis treated water from 8 additional wells for a total of 10.0 MGD (11,000 AFY).



Watermaster has been conducting modeling investigations of various desalter expansion alternatives including the expansion of Chino I and II. The initial work was submitted by Wildermuth Environmental to Watermaster in April 2006. Black and Veatch developed reconnaissance-level engineering plans and costs for these desalter alternatives. Additional modeling work has been completed for a new set of alternatives with the desalter wells located between the Central Avenue fault and Chino I Well No. 5. The latter alternatives can be used to mitigate the Chino Airport plume and meet the hydraulic control objective of Watermaster.

Program Element 4: Develop and Implement a Comprehensive Groundwater Management Plan for Management Zone 1

In October 2005, Watermaster completed the MZ-1 Summary Report, including the Guidance Criteria. Since then the impacted parties have had numerous meetings in an effort to transform the Summary Report into a long-term management plan. The Summary Report and the Guidance Criteria were adopted by the Watermaster Board in May 2006. Presently, additional data are being developed by the impacted parties in an effort to achieve acceptable resolution of issues arising from the Guidance Criteria.

Program Element 6: Develop and Implement Cooperative Programs with the Regional Water Quality Control Board, Santa Ana Region (Regional Board) and Other Agencies to Improve Basin Management; and

Program Element 7: Develop and Implement a Salt Management Program

A Water Quality Committee meeting was held on December 13, 2006 to discuss the status of the investigations of the three major water quality plumes (Chino Airport, Ontario Airport, and Stringfellow Hazardous Waste site) in the Basin. On going discussions are being held with the RWQCB and the San Bernardino County Department of Airports in order to determine the engineering solution and costs for remediating the TCE plume at the Chino Airport. For the Ontario Airport plume, the Potentially Responsible Parties (PRPs) have been working with Watermaster to quantify the depth and extent of the TCE plume so that they can make a recommendation for further action in March 2007. In addition, Watermaster received the preliminary analyses of water samples taken throughout the Basin for perchlorate differentiation. The results are indicative of possible perchlorate contamination from use of specific types of fertilizer in some areas of the Chino Basin. Lastly, Watermaster continued to monitor the activities of General Electric's (GE) remediation at the Flat Iron facility and their efforts to develop a new location for recharge of their treated effluent.

MZ-3 Monitoring Program.

The former Kaiser plume has been incorporated into an overall monitoring program for the MZ-3 area. The MZ-3 monitoring program is also assessing the groundwater quality impairment from total dissolved solids (TDS), nitrate, and perchlorate. The perchlorate may have originated from the Mid-Valley Landfill (in Rialto Basin, across the Rialto-Colton fault) or it may be a non-point source that resulted from the historical application of Chilean fertilizer. Two rounds of quarterly samples were collected from 22 wells, including former Kaiser wells that Watermaster previously renovated: MP2 and KOFS. The MP2 cluster of wells (four depths) was in the heart of the Kaiser plume when the well was constructed; while KOFS was just beyond the leading edge of the plume. MP2 continues to show an impact from the Kaiser plume and the KOFS well is now impacted. Based on the analytical results, locations were identified for two new monitoring wells. Negotiations were successfully concluded with the City of Ontario to locate the two wells in street rights-of-way. Construction of these monitoring wells has now been awarded along with the construction of monitoring wells at recharge basins, so that Watermaster obtained a more competitive bid based on economies of scale.

Ontario International Airport (OIA) Volatile Organic Chemical Plume.

Watermaster met with the consultants to the PRPs on four occasions (September 9, October 5, November 8, and December 18, 2006). As a result of these meetings, Watermaster provided water quality, water level, and well construction data from more than 400 private wells and 200 public wells to the RWQCB, which in turn forwarded the database to the PRPs pursuant to their request. In addition to the database, the PRPs requested that they have access to the Chino Basin groundwater model developed by Wildermuth Environmental, Inc. (WEI). Watermaster and WEI agreed to share their modeling expertise with consultants from the PRPs in WEI's office. After the PRPs have had an opportunity to review the data, the model, and historical aerial



photos, Watermaster will propose to the RWQCB that a follow-up meeting be held in March 2007 to discuss future activities towards characterizing the plume.

Chino Airport VOC Plume.

Watermaster met with the RWQCB, the San Bernardino County Department of Airports, and their consultant Tetra Tech on November 6 and December 20, 2006 to discuss a joint remediation of the VOC plume from the airport. Such a joint remediation would help address other issues in the southwestern portion of Chino Basin such as maintenance of hydraulic control and the provision of high quality drinking water in an area of increasing demand. As a result of these meetings, Watermaster agreed to provide a database containing well construction information, water quality, water levels, and production for wells located southwest of the Chino airport. In addition, Watermaster provided results from sampling all the wells in this location to provide up-to-date analytical data on all the possible contaminants in these wells. Twenty-five wells were sampled by Watermaster in May and June of 2006, laboratory analyses were performed, and releases were obtained from the private well owners. These data are being reviewed with Tetra Tech to begin the engineering of appropriate remedial actions.

Perchlorate Isotope Study.

Neil Sturchio, Professor and Head of the Department of Earth and Environmental Sciences at the University of Illinois at Chicago, has developed a technique for using stable isotopes of chloride and oxygen to distinguish the origin of perchlorate (man-made vs. naturally occurring). There are several per mil shifts in isotopes of both ions between the two sources. He has tested several samples of leachate from fertilizer nitrogen (from the Atacama Desert in Chile) and rocket fuel sources. One of the innovations that Professor Sturchio has developed is the use of a flow-through column with an anion-exchange resin. These bifunctional anion exchange resins were originally developed at Oak Ridge National Laboratory and the University of Tennessee to selectively sorb the pertechnetate ion TcO_4^- (technetium is mobile with a long half-life, much like perchlorate). A resin regeneration step is added to recover the perchlorate ion. The exchange resin is required to concentrate the typically low levels of perchlorate in groundwater so that the perchlorate can be analyzed isotopically. Watermaster sampled 10 wells in Chino and Cucamonga Basins and submitted samples to a commercial laboratory for general mineral, general physical, and perchlorate analyses. The resin columns were sent to Professor Sturchio's laboratory at the University of Illinois and the preliminary results indicate that the perchlorate in groundwater in Chino Basin may derive from fertilizer sources.

GE Flat Iron Remediation.

Finally, with respect to the GE Flat Iron remediation, GE conducted a screening of options for the disposal of treated effluent from their operational pump and treat facilities. Currently, GE discharges their effluent into the Ely Basins, where it percolates back into the groundwater. However, this operation limits Watermaster's ability to recharge recycled water into the Ely Basins and, consequently, Watermaster has asked that GE develop alternative disposal means. As a result of their screening, GE has decided to investigate, in detail, the construction of groundwater injection wells that would be operated in conjunction with their own recharge basin. GE completed their planning in December 2006 and began detailed design based upon the RWQCB's approval of the concept.

TDS and Nitrogen Monitoring Pursuant to the 2004 Basin Plan Amendment

Pursuant to the 2004 Basin Plan Amendment and the Watermaster/IEUA permit to recharge recycled water, Watermaster and the IEUA have conducted groundwater and surface water monitoring programs. Quarterly HCMP reports that summarize data collection efforts were submitted to the RWQCB in July and October of 2006. An annual HCMP report for 2006 will be submitted to the RWQCB in April 2007.

Program Element 8: Develop and Implement a Groundwater Storage Management Program; and

Program Element 9: Develop and Implement a Storage and Recovery Program

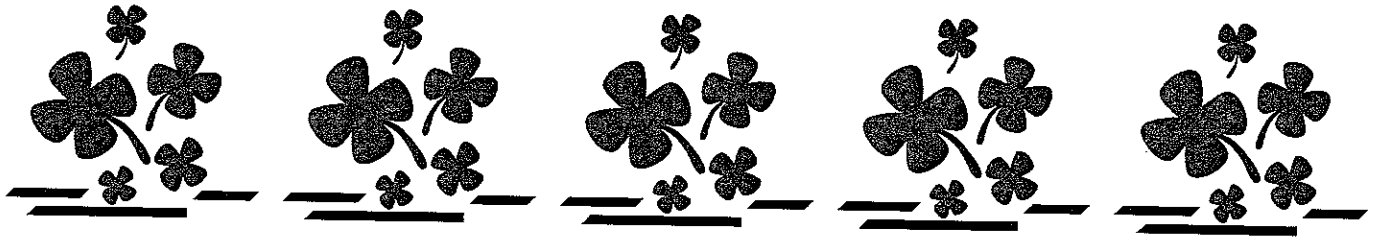
In March 2006, Watermaster submitted a proposal to the San Diego County Water Authority regarding SDCWA use of storage in the Chino Basin. Subsequently, in May 2006, Watermaster staff and legal counsel attended a meeting with SDCWA staff to discuss Watermaster's proposal. During the current reporting period, the SDCWA began discussions with the Watermaster to develop a storage and recovery program in the Chino Basin. Watermaster has also begun discussions with the Castaic Lake Water Agency and with the Metropolitan Water District of Southern California (Metropolitan) regarding new storage and recovery programs in the Chino Basin.



The existing Watermaster/IEUA/Metropolitan Dry Year Yield (DYY) program continued on during the reporting period. As of December 31, 2006, about 60,500 acre-ft had been stored in the Basin in Metropolitan's DYY account. The construction statuses of local facilities included in the DYY program for the participating parties are as follows:

- City of Ontario – Wellhead treatment facility: final design began in April 2006. DYY Wells: Drilling on Well No. 45 complete, pump testing on Well No. 47 complete, and drilling on Well No. 46 underway.
- Cucamonga Valley Water District – Six new wells (nos. 39-42, 44, and 45): construction completed for well nos. 39-42 and designs and CEQA documentations completed for well nos. 44 and 45.
- City of Upland – New IX treatment facility constructed and online.
- City of Pomona – Expansion of existing IX treatment facility: construction underway.
- City of Chino Hills – Refurbish Pellisier well and construct new treatment facility: design underway
- Monte Vista Water District – Well No. 31: well construction completed July 2006 and wellhead design is underway. Well No. 33 and treatment facility (joint MVWD/Chino project): Well construction is underway and treatment facility design will commence upon the completion of the well.
- Jurupa Community Services District – Expansion of the Teagarden IX facility completed in October 2006.



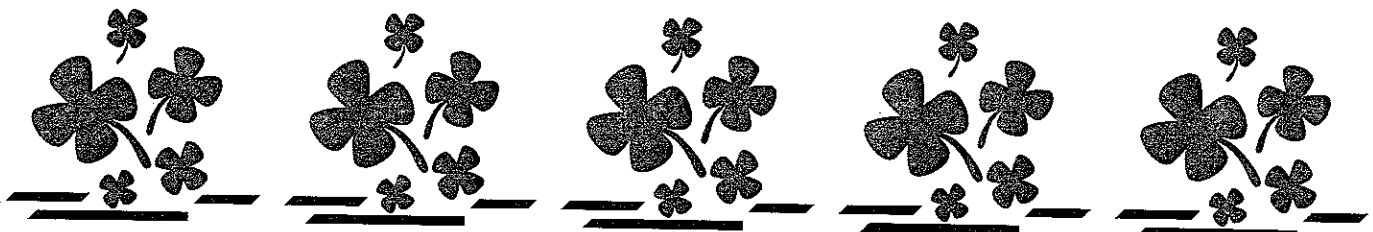


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

E. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Fontana Water Company has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

February 2, 2007

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **January 22, 2007**

Date of this notice: **February 2, 2007**

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

- A. Notice of Sale or Transfer –Fontana Water Company (“Company”) has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

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

Appropriative Pool: February 8, 2007

Non-Agricultural Pool: February 8, 2007

Agricultural Pool: February 20, 2007

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

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

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

Watermaster address:

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

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: February 2, 2007

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

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CHINO BASIN WATERMASTER

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

DATE: February 2, 2007
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary -

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

Issue -

- Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

Recommendation –

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

Fiscal Impact –

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

Background

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

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

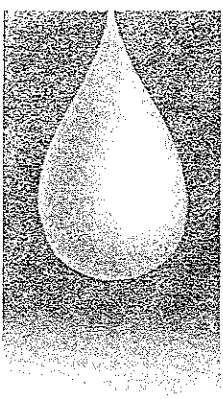
The following application for water transaction is attached with the notice of application.

- Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

Notice of the water transaction identified above was mailed on February 2, 2007 along with the materials submitted by the requestors.

DISCUSSION

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



FONTANA WATER COMPANY

A DIVISION OF SAN GABRIEL VALLEY WATER COMPANY

8440 NUEVO AVENUE • P.O. BOX 987, FONTANA, CALIFORNIA 92334 • (909) 822-2201

JAN 25 2007

January 22, 2007



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

Subject: Purchase of Water in Storage
Chino Basin-Fiscal Year 2006/2007

Dear Mr. Manning:



Please take notice that Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

Enclosed are fully executed Chino Basin Watermaster Forms No. 3 and 4, along with the company's Recapture Plan for consideration by Watermaster. Please agendize this proposed transfer at the earliest possible opportunity.

If you should have any question or require additional information concerning this matter, please call me.

Very truly yours,

Michael J. McGraw
General Manager

MJM:bf
Enclosures

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

TRANSFER FROM LOCAL STORAGE AGREEMENT # _____

Cucamonga Valley Water District
Name of Party
December 20, 2006
Date Requested
Date Approved

10440 Ashford Street
Street Address
2,500 Acre-feet
Amount Requested
Acre-feet
Amount Approved

Rancho Cucamonga CA 91729
City State Zip Code

Telephone: (909) 987-2591
Facsimile: (909) 476-8032

Robert A. DeLoach
Robert A. DeLoach, General Manager
Cucamonga Valley Water District

TRANSFER TO:

Fontana Water Company
Name of Party

Attach Recapture Form 4

8440 Nuevo Avenue
Street Address

Fontana CA 92334
City State Zip Code

Telephone: (909) 822-2201
Facsimile: (909) 823-5046

Have any other transfers been approved by Watermaster
between these parties covering the same fiscal year? Yes [] No [X]

WATER QUALITY AND WATER LEVELS

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

Recapture by Fontana Water Company accomplished by pumping of 15 wells-static water levels vary from 375'
to 684'. Of the wells routinely pumped, nitrate levels vary from a low of 8 mg/l to a high of 33 mg/l.

MATERIAL PHYSICAL INJURY

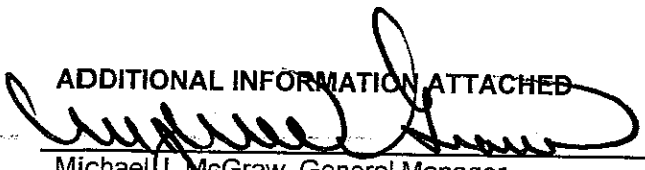
Is the Applicant aware of any Material Physical Injury to a party to the judgment or the Basin that
may be caused by the action covered by the application? Yes [] No [X]

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

N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]



Michael J. McGraw, General Manager
Fontana Water Company

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION OR AMENDMENT TO APPLICATION TO RECAPTURE WATER IN STORAGE

APPLICANT

Fontana Water Company Name of Party, December 20, 2006 Date Requested, Date Approved, 8440 Nuevo Avenue Street Address, 2,500 Acre-feet Amount Requested, Amount Approved, Fontana CA 92335 City State Zip Code, Projected Rate of Recapture, Projected Duration of Recapture, Telephone: (909) 822-2201, Facsimile: (909) 823-5046

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

IDENTITY OF PERSON THAT STORED THE WATER: Cucamonga Valley Water District

PURPOSE OF RECAPTURE

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

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

N/A

PLACE OF USE OF WATER TO BE RECAPTURED

Within Fontana Water Company's Service Area

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

N/A

WATER QUALITY AND WATER LEVELS

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

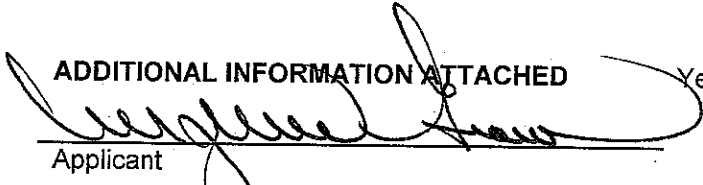
Recapture by Fontana Water Company accomplished by pumping of 15 wells-static water levels vary from 375' to 684'. Of the wells routinely pumped, nitrate levels vary from a low of 8 mg/l to a high of 33 mg/l.

MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED Yes [] No [X]


Applicant

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

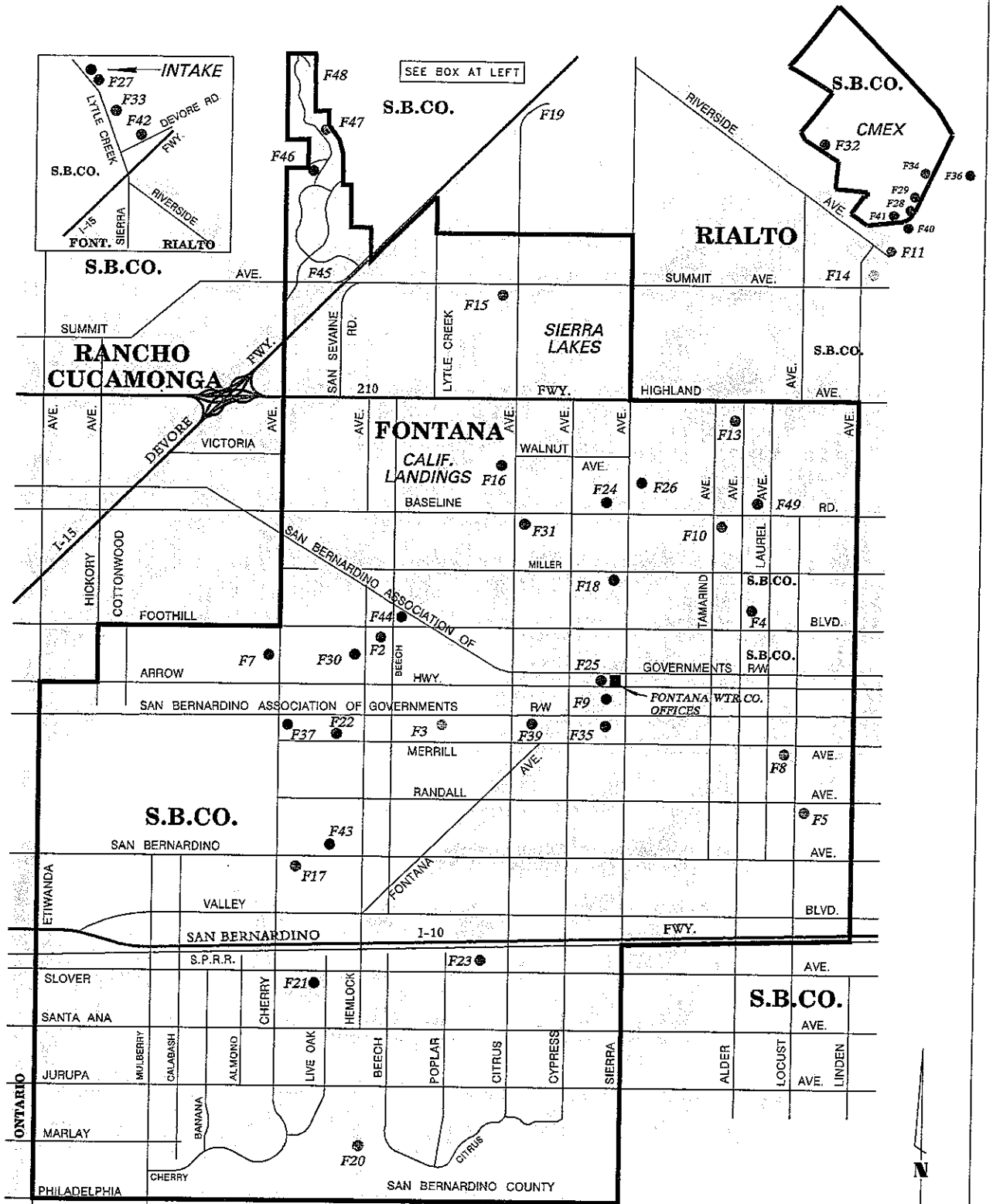
DATE OF BOARD APPROVAL: _____ Agreement # _____

FONTANA WATER COMPANY
Recapture Plan

The subject water is a transfer of stored groundwater from Cucamonga Valley Water District to Fontana Water Company (FWC) of 2,500 acre-feet to satisfy a portion of FWC's replenishment obligation for FY 2006/2007. Recapture of the stored water is accomplished by the production of any or all of the 15 wells owned and operated by FWC within Management Zone 3 of the Chino Groundwater Basin. The approximate daily production capacity of these wells is as follows:

<u>Well</u>	-	<u>Production Acre-Feet/Day</u>
F23A	-	10.6
F21A	-	5.7
F37A	-	5.7
F7A	-	11.0
F22A	-	8.2
F24A	-	8.4
F26A	-	8.6
F31A	-	7.3
F2A	-	10.6
F30A	-	5.1
F44A	-	11.0
F44B	-	10.6
F44C	-	10.6
F17B		5.7
F17C		7.1
Daily Total		<u>126.2</u>

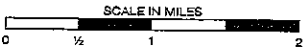
The attached map shows the location of these wells within FWC's service area. Prior to 1992, water produced from the majority of these wells was pumped within Management Zone 3 by Fontana Union Water Company with safe yield rights in the Chino Groundwater Basin. However, as a result of a bankruptcy settlement agreement dated February 7, 1992 all of Fontana Union's Chino Groundwater Basin water, including overlying (agricultural) pool reallocation, is annually transferred to Cucamonga Valley Water District's storage account. Pursuant to the same 1992 bankruptcy settlement agreement, Fontana Water Company acquired Fontana Union's water production wells and continues to produce water from Management Zone 3, in the same manner and for the same purpose as had been done prior to 1992.



LEGEND

- - WELL
- ⊙ - WELL & BOOSTERS
- ⊕ - BOOSTERS
- ⊖ - WELL, BOOSTERS & RESERVOIR
- ⊗ - TREATMENT FACILITY
- ⊘ - RESERVOIR
- ⊙ - P.R. VALVE
- ⊖ - BOOSTERS & RESERVOIR
- ⊗ - AFTERBAY
- - INTAKES

FONTANA WATER COMPANY
SYSTEM NO. 3610041

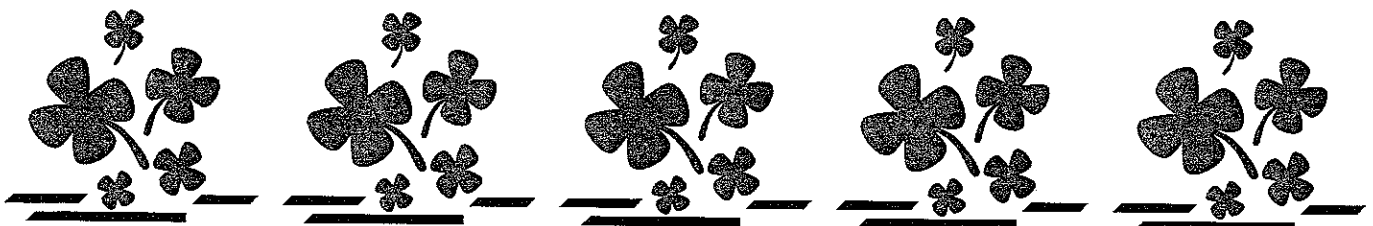




CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

F. CERTIFICATE OF COMMENDATION FOR JOHN ANDERSON





COMMENDATION

TO

John Anderson

Whereas, John Anderson has completed his service as a member of the Board of Directors for the Chino Basin Watermaster after many years of dedicated service, and in recognition of the valuable leadership he provided to the organization during his tenure, and his exemplary record of career and civic leadership, he is deserving of special public commendation; and

Whereas, John Anderson was appointed to the Chino Basin Watermaster by the Inland Empire Utilities Agency (IEUA) as their representative to the Chino Basin Watermaster Board of Directors from December 2005 to December 2006 where John represented the interests of the constituents within the IEUA service area to the Chino Basin Watermaster with distinction; and

Whereas, Mr. Anderson has worked tirelessly toward the betterment of the Chino Basin and the water industry with his active involvement in the Association of California Water Agencies, Inland Empire Regional Composting Authority and the Special Districts Association of San Bernardino County where he twice served as President of their Board of Directors; and

Whereas, John Anderson has served with distinction on various community and civic Boards and Committees where he has shared his insight on water related issues; now, therefore, be it declared that

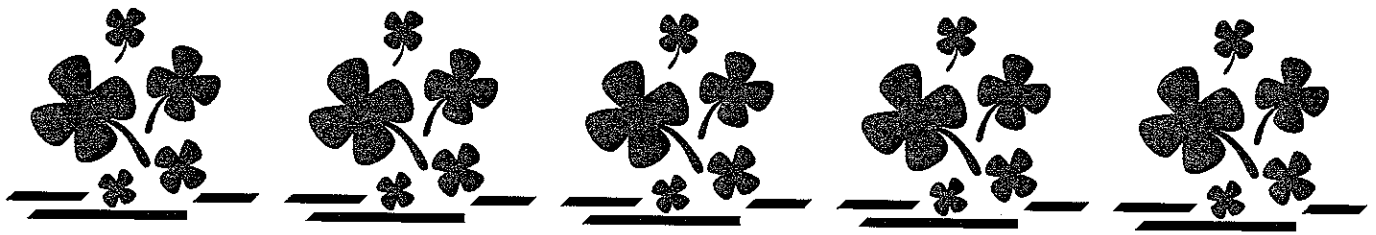
The Chino Basin Watermaster commends John Anderson for his many years of outstanding public service and his unwavering commitment to ensuring a safe, reliable and affordable supply of water to the residents of our region.

For this reason, the Watermaster Board, Parties, Stakeholders and Staff extend their sincere thanks and convey to John their best wishes for a future filled with continued success.

Declared this 22nd day of March, 2007

Kenneth R. Manning
CEO, Chino Basin Watermaster

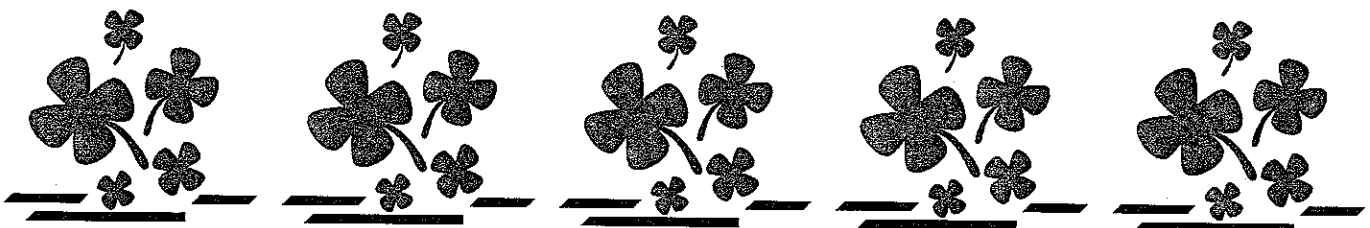
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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

G. CERTIFICATE OF COMMENDATION FOR AL LOPEZ





COMMENDATION

TO

S.R. "Al" Lopez

Whereas, Al Lopez has completed his service as a member of the Board of Directors for the Chino Basin Watermaster after many years of dedicated service, and in recognition of the valuable leadership he provided to the organization during his tenure, and his exemplary record of career and civic leadership, he is deserving of special public commendation; and

Whereas, Al Lopez was appointed to the Chino Basin Watermaster by the Western Municipal Water District as their representative to the Chino Basin Watermaster Board of Directors from December 2004 through January 2007 where Al represented the interests of the constituents within the Western Municipal Water District's service area to the Chino Basin Watermaster with distinction; and

Whereas, Mr. Lopez has worked tirelessly toward the betterment of the Chino Basin and the water industry with his active involvement in the Association of California Water Agencies, the ACWA/JPIA, the ACWA Utility Service Agency, and the Santa Ana Watershed Project Authority (SAWPA) where he served as chairman; and

Whereas, Al Lopez has served with distinction on various community and civic Boards and Committees where he has shared his insight on water related issues; now, therefore, be it declared that

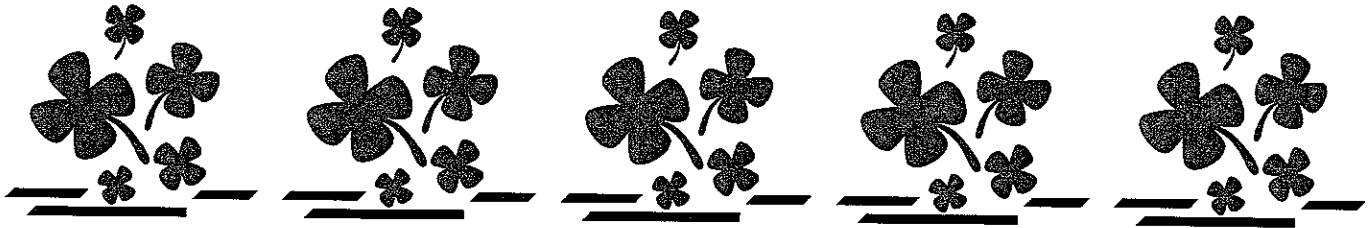
The Chino Basin Watermaster commends Al Lopez for his many years of outstanding public service and his unwavering commitment to ensuring a safe, reliable and affordable supply of water to the residents of our region.

For this reason, the Watermaster Board, Parties, Stakeholders and Staff extend their sincere thanks and convey to Al their best wishes for a future filled with continued success.

Declared this 22nd day of March, 2007

Kenneth R. Manning
CEO, Chino Basin Watermaster

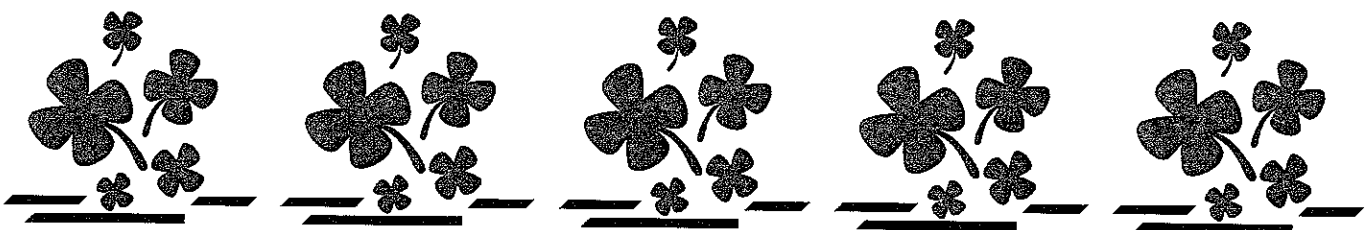
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CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

A. PROPOSED SOCIOECONOMIC IMPACT ANALYSIS OF OBMP AND PEACE AGREEMENT





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: March 8, 2007
March 20, 2007
March 22, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: Retain Dr. Sunding to begin the analysis of socioeconomic impacts

RECOMMENDATION: Staff recommends that it be authorized to retain Dr. Sunding to begin the analysis of socioeconomic impacts.

BACKGROUND:

According to the Stakeholder Non-Binding Term Sheet dated May 23, 2006, Watermaster will update earlier analysis of socioeconomic impacts conducted pursuant to the Judgment prior to requesting Court approval of the final agreement and Judgment Amendments. The analysis of socioeconomic impacts will consider the impacts (positive and negative) of implementing the OBMP and the Peace Agreement as well as those that may arise from Watermaster pursuing the suite of actions set forth in this Non-Binding Term Sheet, including but not limited to Watermaster assessments. The analysis will specifically address the potential distribution of costs and benefits among the parties that were initiated with the approval of the Peace Agreement in 2000. This socioeconomic impact study will be considered by Watermaster as it discharges its continuing duties under Exhibits "H" and "I" of the Judgment.

The Stakeholder Non-Binding Term Sheet required that study will be completed by March 1, 2007, so that each party and Watermaster will have the benefit of the socioeconomic analysis prior to executing a binding agreement. While the implementation of this element of the Non-Binding Term Sheet has fallen behind schedule, the parties have not yet been asked to execute a binding agreement, and so this element remains timely. However, Watermaster believes it is important to move forward on this item in order to get back on schedule.

The scope of this analysis will be set in a public Watermaster workshop among the stakeholders.

Dr. David Sunding performed the macro-economic review also required by the Stakeholder Non-Binding Term Sheet. Because of this, Watermaster staff believes that Dr. Sunding has the background information and preparation in order to efficiently perform this next level of review. Dr. Sunding has previously indicated that he believes the study can be performed for \$160,000, which is inclusive of the scoping workshop, meetings with the stakeholders, and preparation of the final report. Further refinement of the cost estimate will not be possible until

after the scope of the analysis has been determined. Watermaster staff believes it would be more efficient to retain Dr. Sunding for this task prior to the scoping workshop so that he may participate in that scoping.

Watermaster staff believes it is important to move forward on this required element under the Stakeholder Non-Binding Term Sheet in order to advance the schedule toward completion of the Peace II process and for this reason recommend authorization to retain Dr. Sunding to begin the analysis.

Berkeley Economic Consulting, Inc.
2550 Ninth Street, Suite 102
Berkeley, CA 94710

February 1, 2007

BEC No. 07-06

Mr. Michael Fife
Hatch & Parent
21 E. Carrillo Street
Santa Barbara, California 93101

Re: Socioeconomic Impact Analysis of OBMP and Peace Agreement

Dear Michael:

I am pleased to confirm that, subject to your return of a signed counterpart of this letter, effective February 1, 2007, Hatch & Parent and Chino Basin Watermaster retained Berkeley Economic Consulting, Inc. (BEC) on behalf of you and your client to provide consulting services in the above captioned matter pertaining to your client, Chino Basin Watermaster. Please return a copy of this letter, countersigned as indicated below, to indicate your agreement with its terms.

In establishing and maintaining good relationships with clients, we have found it important to provide each client with a statement of our engagement practices and our billing policies. These practices and policies are intended to safeguard our client information, establish reasonable fees for our services, and provide for the billing and collection of fees in a timely manner.

All documents provided to BEC by Hatch & Parent or Chino Basin Watermaster are the property of Hatch & Parent or Chino Basin Watermaster. BEC shall use reasonable efforts to maintain and protect its copies of all such documents following termination of the engagement, unless and until instructed by you to return or destroy these documents.

All of BEC's work for law firms is confidential. BEC staff members and consultants have signed confidentiality agreements and are obligated not to disclose any confidential information or documents used or obtained in the course of our studies. This obligation of confidentiality does not apply to data or information which: (1) is or becomes generally available to the public other than as a result of a disclosure by BEC or any of its representatives; or (2) is required to be disclosed pursuant to any subpoena, order or

February 27, 2007

Page 2

decree of any appropriate court or governmental agency; or (3) was in BEC's possession prior to the time it was disclosed to BEC by you or your client; or (4) is disclosed to BEC by a third party who is under no obligation of confidentiality to you or your client. The terms of this paragraph shall survive termination and/or expiration of this agreement.

The relationship of BEC and Chino Basin Watermaster and Hatch & Parent is solely that of independent contractors. In no event shall this agreement or any work performed by BEC create a relationship of employer and employee, principal and agent, partnership or joint venture or any fiduciary relationship between the parties.

Under this Agreement, BEC will provide consulting expert services to Hatch & Parent at client's request. BEC will report to Hatch & Parent on the progress of BEC's work, either orally or, if requested by client, in written form. BEC will offer independent, objective opinions and analysis, leading to testimony if Hatch & Parent requests.

Under no circumstances shall BEC be liable for consequential, punitive, incidental or special damages or claims in the nature of lost profits, lost revenue or lost opportunity costs. The terms of this paragraph shall survive termination and/or the expiration of this agreement.

All invoices will be submitted to Hatch & Parent for payment. Although BEC has been retained by Hatch & Parent to provide consulting services with respect to matters pertaining to Chino Basin Watermaster, we recognize that both Hatch & Parent and Chino Basin Watermaster are our clients. BEC will look initially to Chino Basin Watermaster for payment of sums due BEC, but both Chino Basin Watermaster and Hatch & Parent are ultimately responsible. Our billing and payment policies are described in Exhibit A to this letter, which is incorporated herein.

The terms of our relationship, and this agreement, shall be governed by California law.

Thank you for your confidence in our ability to assist you and your client. We look forward to working with you.

February 27, 2007

Page 3

Sincerely yours,

BERKELEY ECONOMIC CONSULTING, INC.

David Sunding
Principal

Enclosure

We agree to the foregoing, including attachments and enclosures.

Hatch & Parent

By _____

Chino Basin Watermaster

By _____

Exhibit A

Hourly Rates

Principal	\$400
Senior Consultant	\$285
Analyst	\$150
Research Assistant	\$100

BEC provides consulting services in connection with projects on a time-and-materials basis and bills clients for actual hours worked according to the rates shown above. Ordinarily, we submit invoices every four weeks, but we may submit them more frequently, if appropriate, in light of the engagement. All invoices are due and payable upon receipt. BEC reserves the option to charge interest on invoices that are outstanding more than 30 days, at a rate equal to the lower of 1.5 percent per month or the maximum rate permitted under applicable law. To ensure that our work proceeds uninterrupted, it is important to keep your account with us current. BEC requires that all outstanding invoices be paid in full prior to the provision of testimony in a matter. We reserve the right to discontinue work, to decline to give testimony or provide other work product, if bills are overdue. At any time, BEC may request a retainer to be applied against the final invoice. In the event that BEC is required to undertake collection efforts for unpaid invoices, client shall also be responsible for payment of BEC's attorneys' fees and costs associated therewith. BEC shall be paid for services (including any legal fees and expenses) provided in connection with responding to any subpoena, administrative or legal proceeding or discovery requests that may arise after conclusion of the services provided herein or termination of this agreement, provided only that BEC has given the client prior written notice, and a reasonable opportunity to object and/or move to quash, before BEC complies with such subpoena or discovery request.

Expenses for travel, outside photocopying and data acquisition are billed at cost. In the event of a dispute arising out of this retention, the laws of the State of California shall govern without regard to conflicts of laws. The parties to this Agreement hereby waive the right to a trial by jury on any matters arising under or related to this Agreement. These hourly rates and costs are subject to periodic change.

Payment by **wire** may be made, as follows:

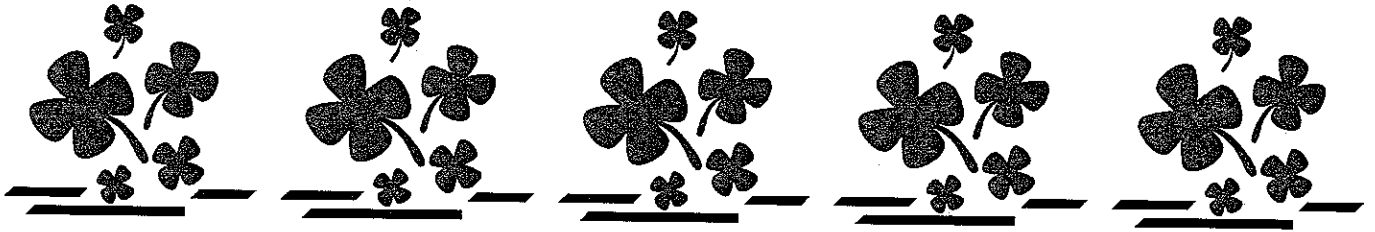
February 27, 2007

Page 5

Payment by **check** may be made, as follows:

Berkeley Economic Consulting, Inc.
2550 Ninth Street, Suite 102
Berkeley, CA 94710

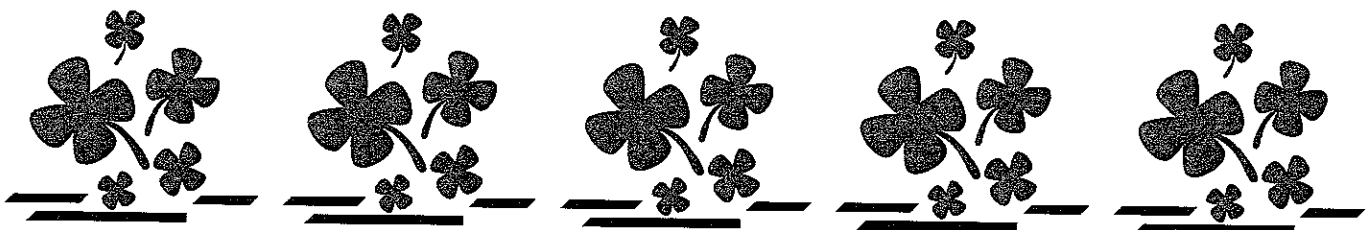
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CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

- B. ASR AGREEMENT BETWEEN
CHINO BASIN WATERMASTER,
INLAND EMPIRE UTILITIES
AGENCY, AND MONTE VISTA
WATER DISTRICT





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: March 8, 2007
March 20, 2007
March 22, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: Agreement with Monte Vista Water District regarding operation of Monte Vista ASR project.

SUMMARY

Recommendation – Approve the Agreement as presented.

Background

According to the Peace Agreement: "All Recharge of the Chino Basin with Supplemental Water shall be subject to Watermaster approval." (Peace Agreement section 5.1(a), see also Rules and Regulations section 7.2.) In order to obtain Watermaster's approval to Recharge the Chino Basin with Supplemental Water, a party must submit an Application using Form 2 as attached to the Rules and Regulations.

Under the Peace Agreement, Watermaster shall not approve a Recharge Application if it is inconsistent with the Peace Agreement or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any Party or the Basin caused by the Recharge of Supplemental Water shall be fully and reasonably mitigated as a condition of approval.

On November 1, 2005, Monte Vista Water District ("MVWD") submitted an Application to recharge up to 3,500 acre-ft/yr of treated State Project Water by injection at its wells 1, 4, 30 and 32, ("ASR Project") and to subsequently recover most of this water within the same year in order to offset a portion of the MVWD annual replenishment obligation. This water will be treated to CCR Title 22 drinking water standards at the Water Facilities Authority treatment plant prior to injection.

MVWD completed an investigation titled, *Groundwater Recharge Facilities Program Feasibility Study* in April 2003, and a related CEQA document titled, *Findings of Consistency, Groundwater Recharge Facility Feasibility Study* in May 2003 that was tiered off the OBMP PEIR completed in 2000.

In addition to Watermaster approval, the Regional Water Quality Control Board ("RWQCB") requires MVWD to obtain a permit for the operation of the ASR Project. However, the RWQCB also indicated that MVWD could enter into an agreement with Watermaster and IEUA in order for the ASR Project to be included in the joint permit described in RWQCB Order R8-2005-0033.

MVWD's Application was considered by the Pool Committees at the December 2005 meetings and by the Advisory Committee and Board at their January 2006 meetings. The Application was approved conditioned upon MVWD either obtaining a permit from the RWQCB or pursuing the alternate process through the Watermaster.

MVWD elected to pursue the alternate process through the Watermaster, and Watermaster and MVWD have reached the subject agreement according to which MVWD's ASR Project may be included within the joint Watermaster and IEUA permit.

Summary of the Agreement

The agreement includes an Operations and Monitoring Program for the operation of the ASR project. So long as MVWD's ASR Project complies with this program, it shall be included within the Watermaster IEUA joint permit. If necessary, Watermaster and IEUA may modify the Operations and Monitoring Program. If this happens, then MVWD may either comply with the modified Operations and Monitoring Program or terminate the agreement.

Under the Monitoring and Operations Program, Monte Vista will report to Watermaster on a monthly basis the volume of water injected at each well. MVWD will also submit all water quality determinations used to demonstrate compliance with Title 22 Drinking water requirements at the WFA and in the water recovered from the ASR wells to Watermaster. Finally, during the first year of operation, and otherwise if directed by Watermaster, MVWD shall obtain and analyze TDS and TIN samples from the ASR wells when they are being used to recover injected water. These samples will be taken when the cumulative water pumped at these wells equals approximately 20, 40, 60, 80, 100 and 120 percent of the injected water volume.

All of this data will be included in the quarterly monitoring reports that are submitted to the Regional Board, and the annual compliance reports submitted to the Regional Board.

This Agreement will terminate on or around April 15, 2010.

Recommendation

Watermaster staff and consultants believe that the agreement as proposed is protective of the Parties and of the Chino Basin and allows Monte Vista the benefit of the Maximum Benefit standards through the avoidance of the RWQCB permitting process and requirements, and thus recommend approval of the agreement as presented.

**AGREEMENT BETWEEN CHINO BASIN WATERMASTER, INLAND EMPIRE UTILITIES
AGENCY AND MONTE VISTA WATER DISTRICT
REGARDING INCORPORATION OF GROUNDWATER INJECTION WITH STATE WATER
PROJECT WATER BY MONTE VISTA WATER DISTRICT IN THE CHINO BASIN
WATERMASTER AND INLAND EMPIRE UTILTY AGENCY PERMIT R8-2005-0033**

WHEREAS, Monte Vista Water District (MVWD) proposes to recharge up to 3,500 acre-ft/yr of treated State Water Project (SWP) water by injection at its wells 1, 4, 30 and 32 (ASR project), and to subsequently recover most this water within the same year.

WHEREAS, this water will be treated to CCR Title 22 drinking water standards at the Water Facilities Authority treatment plant prior to injection.

WHEREAS, injection will generally occur in the seven-month period of October through April and recovery will generally occur in the five-month period May through September.

WHEREAS, the injected water will be used to offset a portion of the MVWD annual overproduction in the Chino Basin.

WHEREAS, MVWD completed an investigation entitled *Groundwater Recharge Facilities Program Feasibility Study* in April 2003 and a related CEQA document entitled *Findings of Consistency, Groundwater Recharge Facility Feasibility Study* in May 2003 that was tiered off of the OBMP Program EIR completed in 2000.

WHEREAS, on November 1, 2005, MVWD sent an application to the Chino Basin Watermaster (Watermaster) pursuant to the Peace Agreement and Watermaster's Rules and Regulation requesting to recharge to the Chino Basin up to 3,500 acre-ft/yr of treated SWP water.

WHEREAS, the Watermaster approved this application in its January 2006 Watermaster process meetings.

WHEREAS, the Watermaster and the Inland Empire Utilities Agency (IEUA) received a permit to recharge supplemental waters in the Chino Basin from the Regional Water Quality Control Board (RWQCB) pursuant to RWQCB Order R8-2005-0033 adopted on April 15, 2005 (hereafter Watermaster and IEUA joint permit).

WHEREAS, the RWQCB requires that MVWD either apply for and receive an individual permit to inject treated SWP water through its ASR project or apply to Watermaster and IEUA for inclusion of its ASR project under their joint permit described in RWQCB Order R8-2005-0033.

WHEREAS, MVWD desires to have the operation of its ASR project included in the Watermaster and IEUA joint permit.

WHEREAS, MVWD has reviewed the Watermaster and IEUA joint permit described in R8-2005-0033 and agrees to perform appropriate monitoring and reporting as required by the Watermaster.

THEREFORE, the parties do hereby agree as follows:

1. The Watermaster and IEUA have developed an Operations and Monitoring Program for the injection of treated SWP water through MVWD ASR project pursuant to RWQCB Order R8-2005-0033 and other criteria as the Watermaster and IEUA deem necessary based on the OBMP, the Peace Agreement, mitigation requirements contained in the ASR project CEQA document, and sound basin management based, a copy of which is attached hereto as Exhibit A.

2. MVWD will, at its sole expense, operate its ASR project pursuant to the Operations and Monitoring Program referenced in Paragraph 1 above, its recharge application to the Watermaster dated November 1, 2005 and the MVWD ASR project CEQA document .
3. Watermaster and IEUA will notify the RWQCB that MVWD's ASR project is included in the Watermaster and IEUA joint permit.
4. Failure to comply with the Operations and Monitoring Program will result in immediate termination of this Agreement and MVWD ASR project will no longer be included in the Watermaster and IEUA joint permit. The RWQCB will be notified immediately if this Agreement is terminated.
5. From time to time the Watermaster and IEUA may determine it necessary to modify the supplemental water recharge in the Basin to remain in compliance with the Watermaster and IEUA joint permit. If this occurs the Watermaster and IEUA may, at their sole discretion, modify the Operations and Monitoring Program and MVWD agrees to comply with the revised Operations and Monitoring Plan.
6. From time to time MVWD may apply to Watermaster and IEUA to modify the operation of the ASR project. Watermaster and IEUA will consider this application and, at their sole discretion, modify the Operations and Monitoring Program.
7. The term of this Agreement shall coincide with the Watermaster and IEUA joint permit. To be clear, this Agreement will terminate automatically when the Watermaster and IEUA joint permit is revised by the RWQCB or if the Watermaster and IEUA joint permit is terminated by the RWQCB. The Watermaster and IEUA joint permit should expire on or around April 15, 2010.
8. Notices among the parties to this agreement may be sent shall be as follows:

Chino Basin Watermaster:	Kenneth R. Manning Chief Executive Officer 9641 San Bernardino Road Rancho Cucamonga, CA 91730
Inland Empire Utilities Agency	Richard Atwater Chief Executive Officer P.O. Box 9020 Chino Hills, CA 91709
Monte Vista Water District	Mark Kinsey General Manager 10575 Central Avenue Montclair, CA 91763

9. Approved:

Monte Vista Water District

By: _____
Robb D. Quincey, President
Board of Directors

By: _____
Mark N. Kinsey
General Manager

Date: _____

Date: _____

Chino Basin Watermaster

By: _____
(name)
(title)

By: _____
(name)
(title)

Date: _____

Date: _____

Inland Empire Utilities Agency

By: _____
(name)
(title)

By: _____
(name)
(title)

Date: _____

Date: _____

Attachment: Exhibit A: Operations and Monitoring Program for the MVWD ASR Project

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Exhibit A

Operations and Monitoring Program for the MVWD ASR Project

This Exhibit contains the operations and monitoring requirements for the injection of State Water Project (SWP) water through the Monte Vista Water District (MVWD) ASR Project and is provided for in the Agreement among the MVWD, the Chino Basin Watermaster (Watermaster) and the Inland Empire Utilities Agency (IEUA) Regarding Incorporation of Groundwater Injection with State Water Project Water by Monte Vista Water District in the Chino Basin Watermaster and Inland Empire Utility Agency Permit R8-2005-0033. Pursuant to its authorities in Chino Basin Judgment, the Peace Agreement, the Agreement for Operations and Maintenance of Facilities to Implement the Chino Basin Recharge Master Plan, and the Chino Basin Recharge Facilities Operations Procedures, the Watermaster regulates and coordinates all recharge activities in the Chino Basin. It is the intent of the Watermaster to revise this Exhibit from time to time to reflect new regulatory requirements, R8-2005-0033 (hereafter the Watermaster and IEUA joint permit), other new information, and sound basin management practices.

Source Water for Injection

1. The source water used by MVWD for injection shall be State Water Project water treated to drinking water standards as described in Title 22 of the California Code of Regulations.

Integrated Recharge Operations

2. The Watermaster and the IEUA have integrated recharge operations to maximize the use of storm, recycled and imported waters. Pursuant to Watermaster and IEUA's joint permit (R8-2005-0033), the five-year, volume-weighted average total dissolved solids (TDS) and total inorganic nitrogen (TIN) limits for recharge must not exceed 420 mg/L and 5 mg/L-N, respectively. The Watermaster and the IEUA, pursuant to the Watermaster and IEUA joint permit, must monitor and make determinations to the Regional Board to demonstrate compliance. The MVWD ASR project will inject treated SWP water into the Chino Basin during non-peak water use periods and will pump the injected water and groundwater from the basin such that the amount of pumped water will equal or exceed the volume of water injected. Operated this way, there should be no increase in TDS or TIN in groundwater associated with the ASR project.

Monitoring and Reporting

3. The volume of water injected in and pumped from each well will be reported to the Watermaster monthly as direct meter readings and computations based on the meter readings.

4. All water quality determinations used to demonstrate compliance with Title 22 Drinking water requirements at the WFA and in the water recovered from the ASR wells shall be submitted to the Watermaster in hardcopy and electronic formats at the same frequency that this information is submitted to the Department of Health Services.

5. During the first year of operation and otherwise if directed by the Watermaster, MVWD shall obtain and analyze TDS and TIN samples from the ASR wells when they are being

used to recover injected water. These samples will be taken when the cumulative water pumped at these wells equals approximately 20, 40, 60, 80, 100 and 120 percent of the injected water volume. These data shall be submitted on to the Watermaster on a timely basis in hardcopy and electronic formats.

6. The Watermaster and the IEUA will use the information described in paragraphs 4, 5 and 6 along with production data from the ASR wells reported to the Watermaster pursuant to the Judgment to determine compliance with Watermaster and IEUA joint permit. This information will then be included in the quarterly monitoring reports that are submitted to the Regional Board, and the annual compliance reports submitted to the Regional Board.

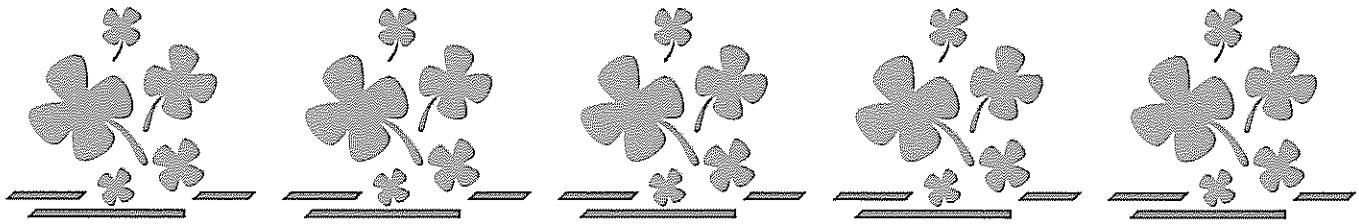
Effective Date

7. These requirements are effective as of _____, 2007 and will remain in effect until modified by the Watermaster.

Approved

Kenneth R. Manning, CEO
Chino Basin Watermaster

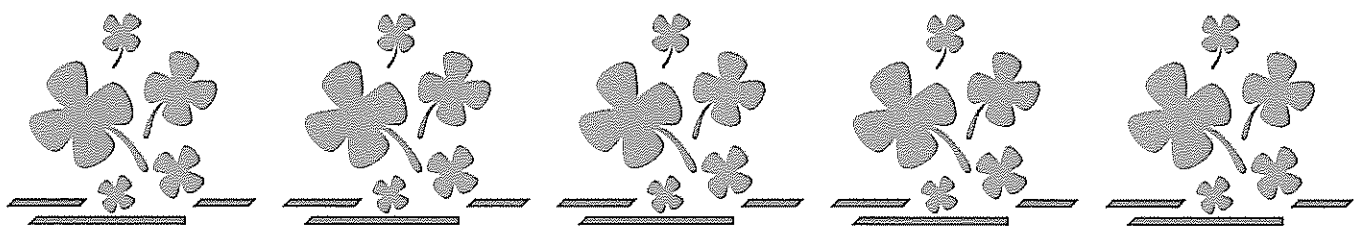
Date



CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

- C. FILE WATERMASTER STATUS REPORT 2006-02 WITH THE COURT



1 SCOTT S. SLATER (State Bar No. 117317)
MICHAEL T. FIFE (State Bar No. 203025)
2 **HATCH & PARENT, A LAW CORPORATION**
21 East Carrillo Street
3 Santa Barbara, CA 93101
Telephone No: (805) 963-7000
4 Facsimile No: (805) 965-4333

DRAFT

5 **Attorneys For**
CHINO BASIN WATERMASTER

6
7
8 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
9 **FOR THE COUNTY OF SAN BERNARDINO**

10 CHINO BASIN MUNICIPAL WATER
11 DISTRICT

12 Plaintiff,

13 vs.

14 CITY OF CHINO, ET AL.

15 Defendant.

Case No. RCV 51010

[Assigned for All Purposes to the
Honorable MICHAEL GUNN]

**TRANSMITTAL OF STATUS REPORT
2006-02**

Hearing Date: May 24, 2007
Time: 1:30 pm
Department: 8

16
17
18 Attached to this pleading as Exhibit "A" is Chino Basin Watermaster's Status Report 2006-
19 02. This Status Report was approved for filing by all three Pools at their regularly scheduled
20 meeting, and by vote of the Advisory Committee and Board at their March 22, 2007 meetings.
21 Watermaster respectfully requests the Court to receive and file this status report.
22

23 On February 16, 2006, the Court on its own motion ordered Watermaster to include with the
24 transmittal of Status Report 2006-02 an update regarding the status of future desalting in the Chino
25 Basin and a report on the status of Watermaster's long-term plan for MZ1 and the publication of
26 guidance criteria. These reports are provided below.
27
28

HATCH AND PARENT
21 East Carrillo Street
Santa Barbara, CA 93101

1 **Status of Plans for Future Desalting**

2 Section seven of the Peace Agreement contained an extensive discussion of Desalter I and
3 the anticipated construction of Desalter II. At the time of the Peace Agreement it was expected that
4 Inland Empire Utilities Agency and Western Municipal Water District, acting independently or
5 acting through the Santa Ana Watershed Project Authority's Project Committee 14, would bear the
6 primary responsibility regarding the Chino I and II Desalters. Since the time of the Peace
7 Agreement, this responsibility has been supplanted by the joint powers agency known as the Chino
8 Desalter Authority ("CDA"). Desalter II went in to operation in the 2006, and currently
9 Watermaster desalter pumping is approximately 30,000 acre-feet per year.
10

11 Even though Desalter I and II implementation and operation has been assumed by CDA, the
12 Peace Agreement still articulates various responsibilities held by IEUA and Western relative to the
13 initiation of further desalter capacity. These responsibilities relate primarily to the pursuit of funding
14 sources to assist in alleviating the burden associated with the desalters. IEUA and Western, as well
15 as the other Chino Basin parties, have been very active in pursuing grant funding to assist in the
16 construction of the next increment of desalter capacity. Attached here as Exhibit "B" is the most
17 recent Funding Priority Ranking for projects under Proposition 50. According to this ranking, the
18 CDA is ranked third for a grant of \$15,000,000, and Western has been ranked 8th and 14th for
19 desalter grants totaling another \$33,000,000.
20

21 In addition, Western has currently been approved for over \$5 million in grant funding for use
22 on design and construction for desalter capacity. These grant funds have an expiration date of
23 November 2008 and are a current motivator for the scheduling relating to the next increment of
24 desalter capacity, as the parties do not want to lose any funding opportunities.
25

26 A key planning element for the next increment of desalter capacity is the finalization of the
27 agreement terms under the Stakeholder Non-Binding Term Sheet (Term Sheet"). The Watermaster
28

HATCH AND PARENT
21 East Carrillo Street
Santa Barbara, CA 93101

1 Board adopted the Term Sheet on May 23, 2006, and various preliminary items have been under
 2 development under this Term Sheet before it can progress further. Of particular importance is the
 3 peer review by Mr. Scalmanini of the validity of the model to be used by Watermaster in the
 4 planning and implementation of the ambitious Basin management techniques anticipated under the
 5 Term Sheet. These Basin management techniques will have a significant impact on the manner in
 6 which the next increment of desalting capacity is designed, and so it is difficult to progress further
 7 with the desalter planning prior to finalization of the Term Sheet which has been dependent on the
 8 review by Mr. Scalmanini. Mr. Scalmanini's Report was provided to Watermaster on _____, so
 9 that now the parties can proceed to finalize the Term Sheet.
 10

11 A detailed schedule which begins with completion of the Scalmanini Report and includes
 12 completion of the Term Sheet process, development of a project description, and the completion of
 13 CEQA is attached to this pleading as Exhibit "C." Note that according to this schedule all of these
 14 processes are designed to be complete by September/October of 2008, in order to allow the initiation
 15 of construction on the desalter facilities to begin prior to the November 2008 grant funding deadline.
 16
 17

18 **Status of Watermaster's Long-Term Plan for MZ1 and the Publication of Guidance Criteria**

19 In 2002, Watermaster began implementation of its Interim Plan for Management of
 20 Subsidence. This plan involved the construction of extensive monitoring facilities and the formation
 21 of a Technical Committee in order to investigate the causes of subsidence in Management Zone 1.
 22 The Interim Plan also created a three year Forbearance Program whereby substitute water was
 23 provided to certain parties if they agreed to voluntarily reduce their pumping from certain wells
 24 listed in the Interim Plan. At the end of the initial three year period, the Forbearance Program was
 25 extended for another year. A key feature of the Interim Plan was that it was Watermaster's Plan that
 26
 27
 28

HATCH AND PARENT
 71 Ear Carnillo Street
 Santa Barbara, CA 93101

1 did not involve commitment from any party. Participation in the Technical Committee as well as in
2 the Forbearance Program was completely voluntary for all parties.

3 On May 25, 2005, a workshop was held to update the Special Referee on progress of the
4 Technical Committee investigation and on the development of a long-term plan for MZ1. After the
5 workshop, the Special Referee issued a report to the Court that summarized the workshop and
6 requested that Watermaster produce a Summary Report of the results of the Technical Committee
7 investigation and provide "Guidance Criteria" to the MZ1 producers based on the results of the
8 technical investigation. The Guidance Criteria consist mainly of setting a "control" water level of
9 245 feet below the reference point for the PA-7 piezometer at Ayala Park. Watermaster recommends
10 that the producers in MZ1 not cause water levels to fall below the control level.
11

12 The Summary Report and Guidance Criteria were adopted by the Watermaster Board on May
13 25, 2006. Since that time Watermaster has been working with the affected parties to develop a "Long
14 Term Plan" for the management of subsidence in MZ1. Based on this outreach and the numerous
15 meetings held with the MZ1 parties, Watermaster has formulated a draft proposal which outlines
16 further monitoring and technical work to further refine Watermaster's understanding of the
17 mechanisms of subsidence in MZ1. Watermaster has also developed a draft alternative water supply
18 proposal to assist the affected parties in voluntarily modifying their pumping in order to avoid
19 causing water levels to drop below the guidance level.
20

21 After many months of meeting with the technical committee and other affected parties,
22 Watermaster believes this draft proposal will be the best opportunity to offer the affected parties
23 with assistance to help them avoid deep zone pumping that may cause subsidence. Watermaster
24 believes that the affected parties in MZ1 are sufficiently concerned with the potential to cause
25 subsidence if they cause water levels to drop below the 245 foot control point, that the continuation
26 of a voluntary program consistent with the approach utilized by the Interim Plan is the most efficient
27
28

HATCH AND PARENT
21 East Carrillo Street
Santa Barbara, CA 93101

1 and effective means to manage subsidence in MZ1 on a long-term basis. Watermaster believes that
2 the most helpful role it can play in this regard is to offer the parties a voluntary program through
3 which they will be able to modify their production in a way that best suits their own water supply
4 needs.
5

6 This Long Term Plan has not yet been circulated outside the MZ1 Technical Committee and
7 Watermaster anticipates introducing it in to the Pool process in April.
8

9 **DRAFT**

10
11 Dated: March 31, 2007

By: _____
HATCH & PARENT
Scott S. Slater
Michael T. Fife
Attorneys for Chino Basin Watermaster

HATCH AND PARENT
21 East Carrillo Street
Santa Barbara, CA 93101

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Exhibit A

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Optimum Basin Management Program

Status Report 2006-02: July to December 2006

Status Report 2006 – 2: Covers activities from July 1 through December 31, 2006.

Introduction

This status report covers the period July 1, 2006 through December 31, 2006. The bulk of this report describes the activities that occurred and status of the work conducted for each program element of the Optimum Basin Management Program (OBMP). However, there are additional significant efforts that occurred during the reporting period that include:

- **First Strategic Planning Conference.** Watermaster convened its first strategic planning conference in October 2006. Participants included the Watermaster Board, the parties, Watermaster staff and consultants, invited guests including representatives of Metropolitan Water District and Orange County Water District, regulators and other observer/participants from other groundwater basins.
- **Revision of Watermaster's Groundwater Models.** Watermaster's groundwater models are being revised to incorporate new information obtained through OBMP investigations and monitoring, to extend the planning period from the current 30 year period to 60 years and beyond, and to explicitly incorporate subsidence.
- **Preparation of Grant Applications Related to Desalter Program Expansion.** Watermaster consultants worked with IEUA to develop Proposition 50 grant applications related to expanding the desalters. These applications were tentatively approved for up to \$45 million.
- **Ongoing Work to Prepare the 2006 State of the Basin Report.** The data necessary to prepare the SOB report were collected during the reporting period. The draft SOB will be available in the Spring of 2007.

Program Element 1: Develop and Implement a Comprehensive Monitoring Program

Groundwater Level Monitoring

Watermaster has three active groundwater level monitoring programs operating in the Chino Basin: 1) A semiannual basin-wide well monitoring program, 2) A key well monitoring program associated with the Chino I/II Desalter well fields and the Hydraulic Control Monitoring Program (HCMP), and 3) A piezometric monitoring program associated with land subsidence and ground fissuring in Management Zone 1 (MZ-1). The frequency of groundwater level monitoring varies with each program; depending on the needs of the data analyst. These groundwater level monitoring programs also rely on municipal producers, other government agencies, and private entities to supply their groundwater level measurements on a cooperative basis. Watermaster digitizes all these measurements and combines them into a relational database for general usage. During this period, Watermaster purchased and installed 7 pressure transducers/data loggers at key wells; principally in the northern portions of Chino Basin where more detailed groundwater level data are needed.

Groundwater Quality Monitoring

During this reporting period 53 wells were sampled. Watermaster continues a comprehensive data collection program whereby water quality data from other sources are routinely collected, QA/QC'd, and loaded into Watermaster's database.

Watermaster and the Inland Empire Utilities Agency (IEUA) are working closely with the Appropriate Pool members and their state-certified laboratories to obtain water quality data as an electronic data deliverable (EDD), which can be entered directly into Watermaster's relational database.

Groundwater-Production Monitoring

As of December 2006, Watermaster had installed an additional 12 new meters at active agricultural wells. All active wells (except for minimum user wells) are now metered. Watermaster reads the production data from the meters on a quarterly basis and enters these data into Watermaster's relational database.



Surface Water Monitoring

Water Quality and Quantity in Recharge Basins. Watermaster measures the quantity and quality of storm and supplemental water entering the recharge basins. Pressure transducers or staff gauges are used to measure water levels during recharge operations. In addition to these quantity measurements, imported water quality values for State Water Project water are obtained from the Metropolitan Water District of Southern California (MWDSC) and recycled water quality values for the RP1 and RP4 treatment plant effluents are obtained from IEUA. Watermaster monitors the storm water quality in the eight major channels (San Antonio, West Cucamonga, Cucamonga, Deer Creek, Day Creek, San Sevaine, West Fontana, and Declez) usually after each major storm event. Combining the measured flow data with the respective water qualities enables the calculation of the blended water quality in each recharge basin, the “new yield” to the Chino Basin, and the adequate dilution of recycled water.

Surface Water Monitoring in Santa Ana River (SAR). Watermaster measures the discharge of the river and selected water quality parameters to determine those reaches of the SAR that are gaining flow from Chino Basin and/or, conversely, those reaches that are losing flow into the Chino Basin. These bi-weekly flow and water quality measurements are combined with discharge data from permanent USGS and Orange County Water District (OCWD) stream gauges and discharge data from publicly owned treatment works (POTWs). These data are used in groundwater modeling to assess the extent of hydraulic control.

HCMP Annual Report

In January of 2004, the RWQCB amended the Water Quality Control Plan (Basin Plan) for the Santa Ana River Basin to incorporate an updated total dissolved solids (TDS) and nitrogen management plan. The Basin Plan Amendment includes both “antidegradation” and “maximum benefit” objectives for TDS and nitrate-nitrogen for the Chino and Cucamonga groundwater management zones. The application of the “maximum benefit” objectives relies on Watermaster and the IEUA’s implementation of a specific program of projects and requirements, which are an integral part of the OBMP. On April 15, 2005, the RWQCB adopted resolution R8-2005-0064; thus approving the Surface Water Monitoring Program and Groundwater Monitoring Program in support of maximum benefit commitments in the Chino and Cucamonga Basins. Watermaster and the IEUA completed the 2005 Annual Report, which summarizes the results for those two programs, and submitted it to the RWQCB on April 14, 2006 in partial fulfillment of maximum benefit commitments. Watermaster and IEUA have begun drafting the 2006 Annual Report, which is due in April 2007.

Chino Basin Recycled Water Groundwater Recharge Program

The IEUA, Watermaster, Chino Basin Water Conservation District, and San Bernardino County Flood Control District jointly sponsor the Chino Basin Recycled Water Groundwater Recharge Program. This is a comprehensive water supply program to enhance water supply reliability and improve the groundwater quality in local drinking water wells throughout the Chino Groundwater Basin by increasing the recharge of stormwater, imported water, and recycled water. The recharge program is regulated under RWQCB Order No. R8-2005-0033 and Monitoring and Reporting Program No. R8-2005-0033.

Recharge Activities. Recycled water recharge in the Turner 1&2, and Turner 3&4 Basins began in July 2006. On going recharge activities at Ely, Hickory, and Banana Basins continued during this reporting period.

Monitoring Activities. Watermaster and the IEUA collect weekly and bi-weekly water quality samples from basins that are actively recharging recycled water and from lysimeters installed within those basins. During this reporting period, approximately 600 basin and lysimeter samples were collected. Monitoring wells located downgradient of the recharge basins were sampled every two weeks during the reporting period for a total of about 100 samples.

Construction Activities. Lysimeters and monitoring wells associated with the Banana, Hickory, and Turner Basins were installed in 2005. No other construction activities related to the monitoring of the recharge program occurred during this reporting period. Lysimeters and monitoring wells are expected to be constructed at the RP-3, Declez, and Ely Basins in fiscal year (FY) 2006/07.

Reporting. Watermaster and the IEUA completed the following required reports concerning the recharge program during the reporting period:

- Banana Start-Up Report – October 2006
- Hickory Start-Up Report – Not yet submitted



- Title 22 Engineering Report – March 2006: Addendum 1 Inclusion of Ely Basin in Phase II Recycled Water Groundwater Recharge Project – October 2006
- 2Q06 Quarterly Report – August 2006
- 3Q06 Quarterly Report – November 2006

Land Surface Monitoring

Watermaster developed a multifaceted land surface monitoring program to develop data for a long-term management plan for land subsidence in Management Zone 1 (MZ-1). The monitoring program consisted of three main elements:

- An aquifer system monitoring facility consisting of multiple depth piezometers and a dual bore extensometer.
- The application of synthetic aperture radar interferometry (InSAR) to measure historical land surface deformation.
- Benchmark surveys to measure land surface deformation, “ground truth” the InSAR data, and evaluate effectiveness of the long term management plan.

Following two years of data collection and analysis, Watermaster submitted the MZ-1 Summary Report in October 2005, which contained Guidance Criteria to minimize subsidence and fissuring. The Guidance Criteria included a listing of Managed Wells and their owners subject to the criteria, a map of the so-called Managed Area, an initial threshold water level (Guidance Level) of 245 feet below the top of the PA-7 well casing, and a plan for ongoing monitoring and notification. Since October 2005, the MZ-1 Summary Report and the Guidance Criteria contained therein have been discussed extensively by the parties involved, and were adopted by the Watermaster Board at its May 2006 Meeting .

The MZ-1 monitoring program has continued unabated. Water level monitoring has been expanded to the central regions of MZ-1 with the installation of transducers/data loggers at selected wells owned by the City of Chino, the Monte Vista Water District, and the City of Pomona. This expansion of the water level monitoring program is the initial effort to better understand the mechanisms behind ongoing land subsidence in this region.

Program Element 2: Develop and Implement a Comprehensive Recharge Program

Construction on the Chino Basin Facilities Improvement Project (CBFIP) Phase I was completed by December 31, 2005 at a cost of \$38M; 50% from a SWRCB Proposition 13 Grant, and 25% each from Watermaster and the IEUA. A CBFIP Phase II list of projects was developed by Watermaster and the IEUA, including monitoring wells, lysimeters, recycled water connections, SCADA system expansions, three MWDSC turnouts, and berm heightening and hardening. At a cost of approximately \$10M, these Phase II facilities will be financed through a 50% Grant from DWR and 25% each from Watermaster and the IEUA.

In FY 2005-2006, the CBFIP Phase I facilities were able to recharge 49,000 AF of storm and supplemental water . With the completion of the Phase II facilities in FY 2007-2008, the total recharge capacity will be about 75,000 AF. By the start of FY 2008-2009, most of the basins will be able to operate on a 12 months per year basis, with occasional downtime for silt and organic growth removal. Operations and basin planning are coordinated through the Groundwater Recharge Coordinating Committee (GRCC) which meets monthly.

Program Element 3: Develop and Implement Water Supply Plan for the Impaired Areas of the Basin; and

Program Element 5: Develop and Implement Regional Supplemental Water Program

Construction on the Chino I Desalter Expansion and the Chino II Desalter facilities was completed in February 2006 and an application has been made for \$1.6 M in Proposition 50 funds to add 8 MGD of ion exchange capacity to the Chino II Desalter. As currently configured, the Chino I Desalter provides 2.6 MGD of treated (air stripping for VOC removal) water from Wells 1-4, 4.9 MGD of treated (ion exchange for nitrate removal) water from Wells 5-15, and 6.7 MGD of treated (reverse osmosis for nitrate and TDS removal) water from Wells 5-15 for a total of 14.2 MGD (16,000 AFY). The Chino II Desalter provides 4.0 MGD of ion exchange treated water and 6.0 MGD of reverse osmosis treated water from 8 additional wells for a total of 10.0 MGD (11,000 AFY).



Watermaster has been conducting modeling investigations of various desalter expansion alternatives including the expansion of Chino I and II. The initial work was submitted by Wildermuth Environmental to Watermaster in April 2006. Black and Veatch developed reconnaissance-level engineering plans and costs for these desalter alternatives. Additional modeling work has been completed for a new set of alternatives with the desalter wells located between the Central Avenue fault and Chino I Well No. 5. The latter alternatives can be used to mitigate the Chino Airport plume and meet the hydraulic control objective of Watermaster.

Program Element 4: Develop and Implement a Comprehensive Groundwater Management Plan for Management Zone 1

In October 2005, Watermaster completed the MZ-1 Summary Report, including the Guidance Criteria. Since then the impacted parties have had numerous meetings in an effort to transform the Summary Report into a long-term management plan. The Summary Report and the Guidance Criteria were adopted by the Watermaster Board in May 2006. Presently, additional data are being developed by the impacted parties in an effort to achieve acceptable resolution of issues arising from the Guidance Criteria.

Program Element 6: Develop and Implement Cooperative Programs with the Regional Water Quality Control Board, Santa Ana Region (Regional Board) and Other Agencies to Improve Basin Management; and

Program Element 7: Develop and Implement a Salt Management Program

A Water Quality Committee meeting was held on December 13, 2006 to discuss the status of the investigations of the three major water quality plumes (Chino Airport, Ontario Airport, and Stringfellow Hazardous Waste site) in the Basin. On going discussions are being held with the RWQCB and the San Bernardino County Department of Airports in order to determine the engineering solution and costs for remediating the TCE plume at the Chino Airport. For the Ontario Airport plume, the Potentially Responsible Parties (PRPs) have been working with Watermaster to quantify the depth and extent of the TCE plume so that they can make a recommendation for further action in March 2007. In addition, Watermaster received the preliminary analyses of water samples taken throughout the Basin for perchlorate differentiation. The results are indicative of possible perchlorate contamination from use of specific types of fertilizer in some areas of the Chino Basin. Lastly, Watermaster continued to monitor the activities of General Electric's (GE) remediation at the Flat Iron facility and their efforts to develop a new location for recharge of their treated effluent.

MZ-3 Monitoring Program.

The former Kaiser plume has been incorporated into an overall monitoring program for the MZ-3 area. The MZ-3 monitoring program is also assessing the groundwater quality impairment from total dissolved solids (TDS), nitrate, and perchlorate. The perchlorate may have originated from the Mid-Valley Landfill (in Rialto Basin, across the Rialto-Colton fault) or it may be a non-point source that resulted from the historical application of Chilean fertilizer. Two rounds of quarterly samples were collected from 22 wells, including former Kaiser wells that Watermaster previously renovated: MP2 and KOFS. The MP2 cluster of wells (four depths) was in the heart of the Kaiser plume when the well was constructed; while KOFS was just beyond the leading edge of the plume. MP2 continues to show an impact from the Kaiser plume and the KOFS well is now impacted. Based on the analytical results, locations were identified for two new monitoring wells. Negotiations were successfully concluded with the City of Ontario to locate the two wells in street rights-of-way. Construction of these monitoring wells has now been awarded along with the construction of monitoring wells at recharge basins, so that Watermaster obtained a more competitive bid based on economies of scale.

Ontario International Airport (OIA) Volatile Organic Chemical Plume.

Watermaster met with the consultants to the PRPs on four occasions (September 9, October 5, November 8, and December 18, 2006). As a result of these meetings, Watermaster provided water quality, water level, and well construction data from more than 400 private wells and 200 public wells to the RWQCB, which in turn forwarded the database to the PRPs pursuant to their request. In addition to the database, the PRPs requested that they have access to the Chino Basin groundwater model developed by Wildermuth Environmental, Inc. (WEI). Watermaster and WEI agreed to share their modeling expertise with consultants from the PRPs in WEI's office. After the PRPs have had an opportunity to review the data, the model, and historical aerial



photos, Watermaster will propose to the RWQCB that a follow-up meeting be held in March 2007 to discuss future activities towards characterizing the plume.

Chino Airport VOC Plume.

Watermaster met with the RWQCB, the San Bernardino County Department of Airports, and their consultant Tetra Tech on November 6 and December 20, 2006 to discuss a joint remediation of the VOC plume from the airport. Such a joint remediation would help address other issues in the southwestern portion of Chino Basin such as maintenance of hydraulic control and the provision of high quality drinking water in an area of increasing demand. As a result of these meetings, Watermaster agreed to provide a database containing well construction information, water quality, water levels, and production for wells located southwest of the Chino airport. In addition, Watermaster provided results from sampling all the wells in this location to provide up-to-date analytical data on all the possible contaminants in these wells. Twenty-five wells were sampled by Watermaster in May and June of 2006, laboratory analyses were performed, and releases were obtained from the private well owners. These data are being reviewed with Tetra Tech to begin the engineering of appropriate remedial actions.

Perchlorate Isotope Study.

Neil Sturchio, Professor and Head of the Department of Earth and Environmental Sciences at the University of Illinois at Chicago, has developed a technique for using stable isotopes of chloride and oxygen to distinguish the origin of perchlorate (man-made vs. naturally occurring). There are several per mil shifts in isotopes of both ions between the two sources. He has tested several samples of leachate from fertilizer nitrogen (from the Atacama Desert in Chile) and rocket fuel sources. One of the innovations that Professor Sturchio has developed is the use of a flow-through column with an anion-exchange resin. These bifunctional anion exchange resins were originally developed at Oak Ridge National Laboratory and the University of Tennessee to selectively sorb the pertechnetate ion TcO_4^- (technetium is mobile with a long half-life, much like perchlorate). A resin regeneration step is added to recover the perchlorate ion. The exchange resin is required to concentrate the typically low levels of perchlorate in groundwater so that the perchlorate can be analyzed isotopically. Watermaster sampled 10 wells in Chino and Cucamonga Basins and submitted samples to a commercial laboratory for general mineral, general physical, and perchlorate analyses. The resin columns were sent to Professor Sturchio's laboratory at the University of Illinois and the preliminary results indicate that the perchlorate in groundwater in Chino Basin may derive from fertilizer sources.

GE Flat Iron Remediation.

Finally, with respect to the GE Flat Iron remediation, GE conducted a screening of options for the disposal of treated effluent from their operational pump and treat facilities. Currently, GE discharges their effluent into the Ely Basins, where it percolates back into the groundwater. However, this operation limits Watermaster's ability to recharge recycled water into the Ely Basins and, consequently, Watermaster has asked that GE develop alternative disposal means. As a result of their screening, GE has decided to investigate, in detail, the construction of groundwater injection wells that would be operated in conjunction with their own recharge basin. GE completed their planning in December 2006 and began detailed design based upon the RWQCB's approval of the concept.

TDS and Nitrogen Monitoring Pursuant to the 2004 Basin Plan Amendment

Pursuant to the 2004 Basin Plan Amendment and the Watermaster/IEUA permit to recharge recycled water, Watermaster and the IEUA have conducted groundwater and surface water monitoring programs. Quarterly HCMP reports that summarize data collection efforts were submitted to the RWQCB in July and October of 2006. An annual HCMP report for 2006 will be submitted to the RWQCB in April 2007.

Program Element 8: Develop and Implement a Groundwater Storage Management Program; and

Program Element 9: Develop and Implement a Storage and Recovery Program

In March 2006, Watermaster submitted a proposal to the San Diego County Water Authority regarding SDCWA use of storage in the Chino Basin. Subsequently, in May 2006, Watermaster staff and legal counsel attended a meeting with SDCWA staff to discuss Watermaster's proposal. During the current reporting period, the SDCWA began discussions with the Watermaster to develop a storage and recovery program in the Chino Basin. Watermaster has also begun discussions with the Castaic Lake Water Agency and with the Metropolitan Water District of Southern California (Metropolitan) regarding new storage and recovery programs in the Chino Basin.



The existing Watermaster/IEUA/Metropolitan Dry Year Yield (DYY) program continued on during the reporting period. As of December 31, 2006, about 60,500 acre-ft had been stored in the Basin in Metropolitan's DYY account. The construction statuses of local facilities included in the DYY program for the participating parties are as follows:

- City of Ontario – Wellhead treatment facility: final design began in April 2006. DYY Wells: Drilling on Well No. 45 complete, pump testing on Well No. 47 complete, and drilling on Well No. 46 underway.
- Cucamonga Valley Water District – Six new wells (nos. 39-42, 44, and 45): construction completed for well nos. 39-42 and designs and CEQA documentations completed for well nos. 44 and 45.
- City of Upland – New IX treatment facility constructed and online.
- City of Pomona – Expansion of existing IX treatment facility: construction underway.
- City of Chino Hills – Refurbish Pellisier well and construct new treatment facility: design underway
- Monte Vista Water District – Well No. 31: well construction completed July 2006 and wellhead design is underway. Well No. 33 and treatment facility (joint MVWD/Chino project): Well construction is underway and treatment facility design will commence upon the completion of the well.
- Jurupa Community Services District – Expansion of the Teagarden IX facility completed in October 2006.



Exhibit B

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9/24/2006

Proposition 50 – Chapter 4b Grant Requests
(Southern California Projects to Reduce Demand on Colorado River)

- Eligible
- Partially Eligible

38 Records

Funding Priority Ranking
(Does NOT Include Disadvantaged Communities)

1	Sys. No. 3310031 – Riverside, City of Proj. Title: <i>Riverside Canal and Gage Canal Exchange</i>	2	Ranking Score * 5 + 15 + 15 = 35	● \$3,000,000 (Matching Funds: \$3,000,000)
2	Sys. No. 3310031 – Riverside, City of Proj. Title: <i>Palmyrita Booster Station</i>	1	Ranking Score * 26 + 10 + 1 = 37	● \$100,000 (Matching Funds: \$100,000)
3	Sys. No. 3610075 – Chino Basin Desalter Auth. - DESALTER 1 Proj. Title: <i>Chino I Desalter Expansion Phase II</i>	2	Ranking Score * 3 + 4 + 30 = 37	● \$15,000,000 (Matching Funds: \$15,080,000)
4	Sys. No. 3610034 – ONTARIO, CITY OF Proj. Title: <i>Ontario Groundwater Recovery Project (OGRP)</i>	2	Ranking Score * 11 + 2 + 28 = 41	● \$20,000,000 (Matching Funds: \$20,800,000)
5	Sys. No. 1910234 – WALNUT VALLEY WATER DISTRICT Proj. Title: <i>Regional Water Supply Plan</i>	1	Ranking Score * 12 + 13 + 17 = 42	● \$4,000,000 (Matching Funds: \$4,200,000)
6	Sys. No. 3010092 – Irvine Ranch Water District Proj. Title: <i>Irvine Desalter Project</i>	1	Ranking Score * 4 + 12 + 27 = 43	● \$3,296,000 (Matching Funds: \$9,887,000)
7	Sys. No. 3610034 – ONTARIO, CITY OF Proj. Title: <i>Well No. 15 Wellhead Treatment</i>	1	Ranking Score * 18 + 20 + 7 = 45	● \$1,000,000 (Matching Funds: \$1,000,000)
8	Sys. No. 3310049 – Western MWD Proj. Title: <i>Chino III Desalter</i>	2	Ranking Score * 7 + 3 + 35 = 45	● \$20,000,000 (Matching Funds: \$34,050,000)
9	Sys. No. 3710020 – San Diego - City of Proj. Title: <i>San Pasqual Brackish Groundwater Desalination and Denitrification Project</i>	1	Ranking Score * 2 + 8 + 37 = 47	● \$19,000,000 (Matching Funds: \$29,000,000)
10	Sys. No. 1910124 – PASADENA-CITY, WATER DEPT. Proj. Title: <i>Upgrade of John L. Behner Surface Water Treatment Plant</i>	1	Ranking Score * 1 + 23 + 24 = 48	● \$2,250,000 (Matching Funds: \$2,250,000)
11	Sys. No. 3310037 – Corona, City of Proj. Title: <i>Resin Treatment of Nitrate Sources (Project 2)</i>	1	Ranking Score * 10 + 21 + 18 = 49	● \$2,320,000 (Matching Funds: \$2,320,000)
12	Sys. No. 1910098 – Golden State WC- NORWALK Proj. Title: <i>Pioneer Plant - GAC Treatment to Remove VOC's(SCWC R2/NOR/4b/WST/#5)</i>	1	Ranking Score * 30 + 16 + 3 = 49	● \$750,000 (Matching Funds: \$750,000)
13	Sys. No. 3010004 – Mesa Consolidated WD Proj. Title: <i>Colored Water Treatment Facility Expansion</i>	1	Ranking Score * 21 + 6 + 22 = 49	● \$7,500,000 (Matching Funds: \$7,500,000)
14	Sys. No. 3310049 – Western MWD Proj. Title: <i>Chino II Desalter Ultimate Expansion from 14 MGD to 18 MGD</i>	2	Ranking Score * 6 + 9 + 34 = 49	● \$13,000,000 (Matching Funds: \$13,000,000)
15	Sys. No. 1910039 – SAN GABRIEL VALLEY WATER CO.-EL MONTE/WHITTIER SYSTEM Proj. Title: <i>SAN GABRIEL VALLEY WATER COMPANY PLANT NO. 8</i>	2	Ranking Score * 17 + 17 + 16 = 50	● \$2,770,000 (Matching Funds: \$2,770,000)
16	Sys. No. 3710014 – Oceanside, City of Proj. Title: <i>Mission Basin Groundwater Contaminant Removal</i>	1	Ranking Score * 32 + 14 + 5 = 51	● \$1,250,000 (Matching Funds: \$1,250,000)

17	Sys. No. 1910126 – POMONA- CITY, WATER DEPT. Proj. Title: <i>Well#37 Drilling, Equipping and Treatment System</i>	① Ranking Score * 8 + 31 + 12 = 51	● \$800,000 (Matching Funds: \$800,000)
18	Sys. No. 5610059 – SOUTHERN CALIFORNIA WATER CO - SIMI Proj. Title: <i>Niles Plant Reverse Osmosis Treatment System</i>	① Ranking Score * 16 + 24 + 13 = 53	● \$1,300,000 (Matching Funds: \$1,300,000)
19	Sys. No. 3710042 – San Diego County Water Authority Proj. Title: <i>Authority Water Treatment Plant</i>	① Ranking Score * 19 + 1 + 36 = 56	● \$20,000,000 (Matching Funds: \$120,000,000)
20	Sys. No. 1910126 – POMONA- CITY, WATER DEPT. Proj. Title: <i>Well#35 Piping, Pumping and Treatment Equipment</i>	① Ranking Score * 20 + 32 + 4 = 56	● \$330,000 (Matching Funds: \$330,000)
21	Sys. No. 3610012 – CITY OF CHINO Proj. Title: <i>Chino Groundwater Recovery Project (CGRP)</i>	② Ranking Score * 13 + 5 + 38 = 56	● \$20,000,000 (Matching Funds: \$40,200,000)
22	Sys. No. 3310037 – Corona, City of Proj. Title: <i>GAC Resin for Sobrante Well Field</i>	① Ranking Score * 9 + 22 + 26 = 57	● \$2,785,000 (Matching Funds: \$2,785,000)
23	Sys. No. 1910004 – Golden State WC- ARTESIA Proj. Title: <i>Massinger Plant - Treatment for Arsenic (SCWCR2/ART/4b/WSI/#4)</i>	① Ranking Score * 23 + 29 + 9 = 61	● \$750,000 (Matching Funds: \$750,000)
24	Sys. No. 1910059 – SUBURBAN WATER SYSTEMS-LA MIRADA Proj. Title: <i>Plant 410 Iron & Manganese Removal Treatment Facility</i>	① Ranking Score * 37 + 19 + 8 = 64	● \$1,180,000 (Matching Funds: \$1,180,000)
25	Sys. No. 5610023 – VENTURA WWD NO. 8 - SIMI VALLEY Proj. Title: <i>"Tapo Canyon Water Treatment Plant"</i>	① Ranking Score * 35 + 27 + 2 = 64	● \$121,020 (Matching Funds: \$121,020)
26	Sys. No. 1910139 – CALIAM WATER COMPANY - SAN MARINO Proj. Title: <i>San Marino - Patton Well & Oak Knoll Circle Treatment - VOCs</i>	① Ranking Score * 28 + 25 + 14 = 67	● \$1,125,000 (Matching Funds: \$1,125,000)
27	Sys. No. 1910213 – TORRANCE-CITY, WATER DEPT. Proj. Title: <i>Well Nos. 7 & 8 Nanofiltration Water Treatment System</i>	① Ranking Score * 33 + 11 + 23 = 67	● \$5,350,000 (Matching Funds: \$5,350,000)
28	Sys. No. 1910028 – CRESCENTA VALLEY CWD Proj. Title: <i>CVWD Production Wells for Nitrate Compliance & Additional Water Supply</i>	① Ranking Score * 15 + 33 + 19 = 67	● \$1,182,882 (Matching Funds: \$1,182,882)
29	Sys. No. 3010018 – City of La Habra Proj. Title: <i>Capacity Improvement and Back-Up Generation for Idaho Street Well</i>	① Ranking Score * 36 + 26 + 6 = 68	● \$452,320 (Matching Funds: \$452,320)
30	Sys. No. 1910004 – Golden State WC- ARTESIA Proj. Title: <i>Hawaiian Plant - Treatment to Remove Arsenic (SCWC R2/ART/4b/WST/#2)</i>	① Ranking Score * 24 + 34 + 11 = 69	● \$650,000 (Matching Funds: \$650,000)
31	Sys. No. 1910004 – Golden State WC- ARTESIA Proj. Title: <i>Armstrong Plant - New Well with Arsenic Removal (SCWC R2/ART/4b/WST/#1)</i>	① Ranking Score * 22 + 28 + 20 = 70	● \$1,500,000 (Matching Funds: \$1,500,000)
32	Sys. No. 1910126 – POMONA- CITY, WATER DEPT. Proj. Title: <i>Well#32 Piping, Pumping and Treatment Equipment</i>	① Ranking Score * 27 + 38 + 10 = 75	● \$285,000 (Matching Funds: \$285,000)
33	Sys. No. 1910004 – Golden State WC - ARTESIA Proj. Title: <i>Elaine Plant - New Well with Arsenic Removal (SCWCR2/ART/4b/WST/#3)</i>	① Ranking Score * 25 + 30 + 21 = 76	● \$1,500,000 (Matching Funds: \$1,500,000)

34	Sys. No. 5610018 – VENTURA CWWWD NO. 1 - MOORPARK Proj. Title: <i>Moorpark Desalter</i>	① Ranking Score * 38 + 7 + 32 = 77	● \$13,071,802 (Matching Funds: \$13,071,802)
35	Sys. No. 1910139 – CAL/AM WATER COMPANY - SAN MARINO Proj. Title: <i>San Marino - Oswego Wells + La Munda</i>	① Ranking Score * 14 + 36 + 33 = 83	● \$2,000,000 (Matching Funds: \$2,000,000)
36	Sys. No. 1910213 – TORRANCE-CITY, WATER DEPT. Proj. Title: <i>Groundwater Desalter and West Coast Basin Brine Disposal System</i>	① Ranking Score * 34 + 18 + 31 = 83	● \$5,000,000 (Matching Funds: \$5,000,000)
37	Sys. No. 1910139 – CAL/AM WATER COMPANY - SAN MARINO Proj. Title: <i>San Marino - TCE @ Roanoke Well</i>	① Ranking Score * 29 + 35 + 25 = 89	● \$1,125,000 (Matching Funds: \$1,125,000)
38	Sys. No. 1910052 – CAL/AM WATER COMPANY - BALDWIN HILLS Proj. Title: <i>Baldwin Hills - Vernon Well - VOCs and Sulfate</i>	① Ranking Score * 31 + 37 + 29 = 97	● \$1,125,000 (Matching Funds: \$1,125,000)

* Note:

Score 1 is based on the project description.
Score 2 is based on water savings.
Score 3 is based on project cost per acre-foot water savings.

Total \$196,869,024

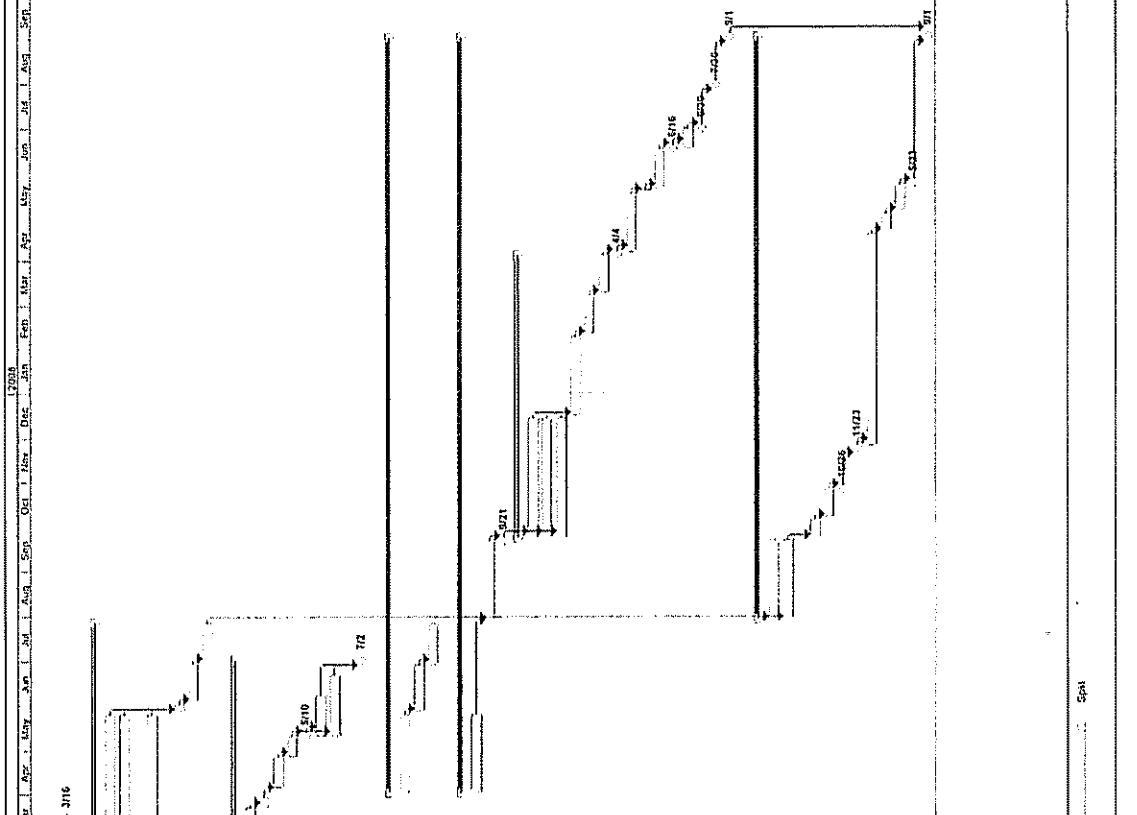
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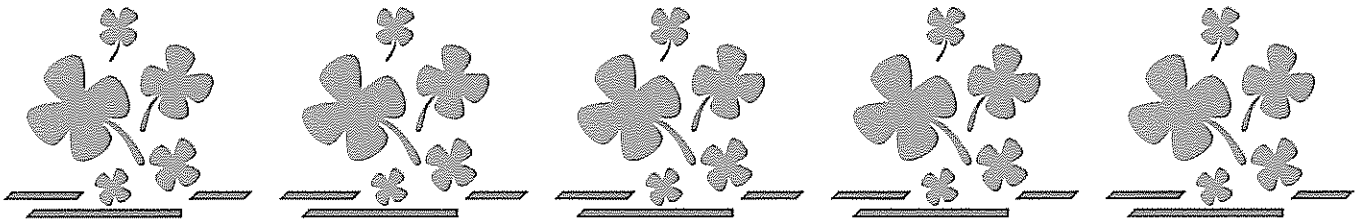
Exhibit C

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ID	Task Name	Duration	Start	Finish	Forecasters
1	Receive Stakeholder Report	0 days	Fr 31/07	Fr 31/07	
2	Develop Permit Application	105 days	Mon 3/08	Fr 12/10	
3	Develop Draft EIS/EA Project Description	60 days	Mon 3/08	Fr 5/09	
4	Develop Draft Rehabilitation and Rehabilitation Project Description	60 days	Mon 3/08	Fr 5/09	
5	Develop Draft Storage and Recovery Project Description	60 days	Mon 3/08	Fr 5/09	
6	Complete Integrated Project Description	5 days	Mon 3/08	Fr 6/08	
7	Run Through Watermaster Process	20 days	Mon 3/08	Fr 6/08	
8	Agree Integrated Project Description	20 days	Mon 3/08	Fr 6/08	
9	Develop and Implement Long Term MZ1 Plan	173 days	Wed 11/08	Mon 7/09	
10	Develop LTMZ1 Plan Description	102 days	Wed 11/08	Thu 3/09	
11	Prepare Documents for Court Submittal	5 days	Thu 3/09	Thu 3/09	
12	Run Through Watermaster Process	15 days	Thu 3/09	Thu 4/09	
13	Re-visit LTMZ1 Plan and Court Documents	10 days	Thu 3/09	Thu 4/09	
14	Submit to Court	0 days	Thu 3/09	Thu 3/09	
15	Court Review and Approval	20 days	Thu 3/09	Thu 4/09	
16	Verify Implementation of Procedures to Implement LTMZ1 Plan	30 days	Thu 3/09	Thu 4/09	
17	Formally Issue LTMZ1	0 days	Mon 7/09	Mon 7/09	
18	Complete Micro Exercise Analysis	311 days	Mon 4/09	Mon 9/10	
19	Conduct Initial Work and Preparation of Draft Report	40 days	Mon 4/09	Mon 5/09	
20	Presentation at Watermaster Process Meetings	24 days	Mon 4/09	Thu 6/09	
21	Prepare Final Report	29 days	Fr 6/09	Thu 7/09	
22	CEQA Process	371 days	Mon 4/09	Mon 9/10	
23	Select Consultant	40 days	Mon 4/09	Fr 5/09	
24	Complete Initial Study	40 days	Mon 4/09	Fr 5/09	
25	Determine Type of CEQA Compliance	0 days	Fr 5/09	Fr 5/09	
26	Prepare Draft PEIR	143 days	Mon 4/09	Fr 8/09	
27	Complete SVI and GW Modeling Assessment	60 days	Mon 4/09	Fr 6/09	
28	Complete Other Assessments	60 days	Mon 4/09	Fr 6/09	
29	Prepare Draft EIS/EA	60 days	Mon 4/09	Fr 6/09	
30	Circulate Initial Draft	20 days	Mon 4/09	Fr 5/09	
31	Review Comments and Revise Draft	20 days	Mon 4/09	Fr 5/09	
32	Release Draft PEIR	0 days	Fr 5/09	Fr 5/09	
33	Conduct Public Meetings (2)	1 day	Fr 5/09	Fr 5/09	
34	Review Comments and Prepare Responses	20 days	Mon 4/09	Mon 5/09	
35	Finalize Mitigation Measures	0 days	Mon 5/09	Mon 5/09	
36	Complete Comments and Responses Monthly	10 days	Mon 5/09	Mon 6/09	
37	Final PEIR	0 days	Mon 5/09	Mon 5/09	
38	CEQA Process Completed	0 days	Mon 5/09	Mon 5/09	
39	Complete Phase II Agreement	285 days	Mon 7/09	Mon 9/10	
40	Negotiate Binding Term Sheet Among the Parties for Phase II Agreement	40 days	Mon 7/09	Fr 8/09	
41	Run Through Watermaster Process	10 days	Mon 7/09	Fr 8/09	
42	Submit Binding Term Sheet to Court	0 days	Fr 8/09	Fr 8/09	
43	Court Approval of Binding Term Sheet	0 days	Fr 8/09	Fr 8/09	
44	Negotiate Phase II Agreement	105 days	Mon 7/09	Mon 9/10	
45	Prepare Court Documents	14 days	Mon 7/09	Mon 8/09	
46	Run Through Watermaster Process	0 days	Mon 7/09	Mon 7/09	
47	Court Approval of Phase II Agreement	0 days	Mon 7/09	Mon 7/09	



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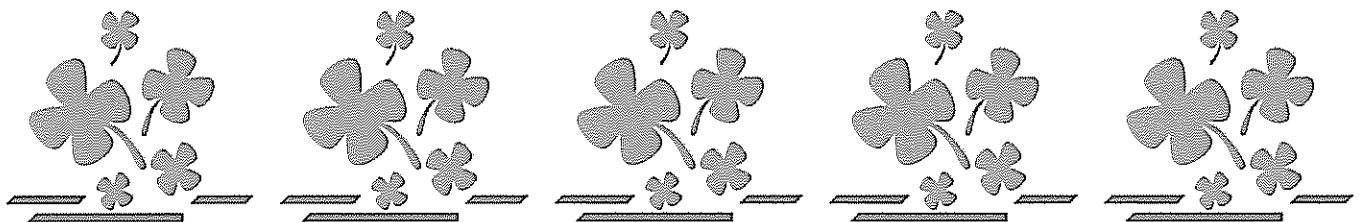


CHINO BASIN WATERMASTER

III. REPORTS/UPDATES

A. GENERAL LEGAL COUNSEL

3. Possible Intervention





AQUA CAPITAL MANAGEMENT LP
444 Regency Parkway Drive, Suite 300
Omaha, NE 68114

RECEIVED

FEB 27 2007

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Mr. Manning,

Please accept this letter as a request for intervention into the Chino Basin Judgment (Chino Basin Municipal Water District vs. City of Chino, San Bernardino Superior Court Case No. RCV 51010) and more particularly into the Overlying (Non-Agricultural) Pool.

Aqua Capital Management LP (ACM) is an environmental resource management and investment group that currently owns and administers water rights in several Southern California adjudicated basins. We are a party to the Mojave Basin adjudication and the Central Basin adjudication. We are proposing to purchase the water rights of CCG Ontario LLC.

Concurrently with this letter, we are submitting a Form 5 Application to Transfer Annual Production Rights in order to transfer the CCG Ontario water rights to ACM. Upon Court approval of ACM's intervention, ACM will become the successor in interest to these water rights.

If you have any further questions or need any additional information, please feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas Solon", written over a horizontal line.

Thomas Solon
Managing Director

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APPLICATION
TO
TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2006 – 2007

CCG Ontario LLC ("Transferor") hereby applies to permanently transfers to Aqua Capital Management LP ("Transferee") the quantity of 630.27 acre-feet of Corresponding Safe Yield, 8223.41 acre-feet of Non-Agricultural Pool Storage Account, and any remaining balances adjudicated to Transferor for its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

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

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

CCG Ontario LLC does not currently produce water under its water rights. Rather, the rights accumulate in CCG's storage account. Aqua Capital Management LP will continue CCG's practice. Thus, there will be no change in the location or amount of water produced under the water rights and there will be no impact on the groundwater basin.

WATER QUALITY AND WATER LEVELS

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

None

MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED Yes No



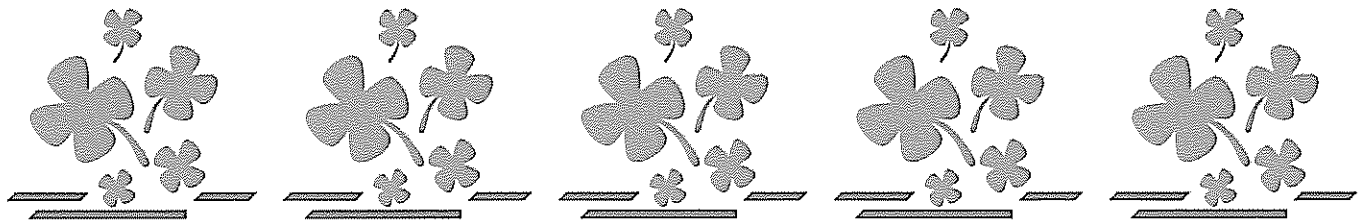
Transferor
CCG Ontario LLC



Transferee
Aqua Capital Management LP

TO BE COMPLETED BY WATERMASTER:

- DATE OF APPROVAL FROM NON-AGRICULTURAL POOL:
- DATE OF APPROVAL FROM AGRICULTURAL POOL:
- DATE OF APPROVAL FROM APPROPRIATIVE POOL:
- HEARING DATE, IF ANY:
- DATE OF ADVISORY COMMITTEE APPROVAL:
- DATE OF BOARD APPROVAL: Agreement #

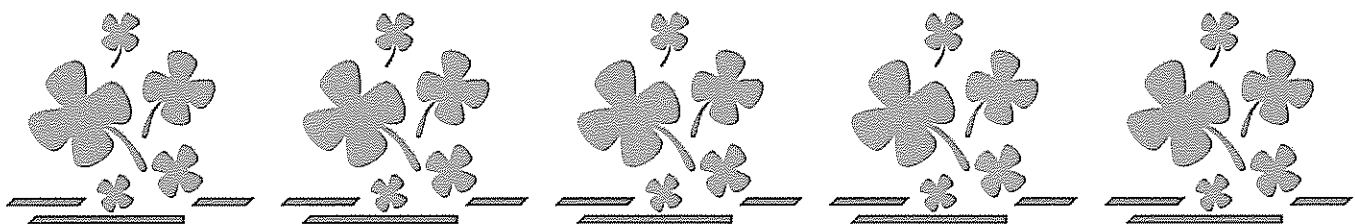


CHINO BASIN WATERMASTER

II. 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



CHINO BASIN WATERMASTER

ADVISORY COMMITTEE

March 22, 2007

AGENDA

INTERAGENCY WATER MANAGERS' REPORT

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

15-20 Minutes

Discussion Items:

- Update on Phase 2 Recharge Permit –Andy Campbell & Patrick Shields
- Findings of Fact from DHS

Written Updates:

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

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Regional Conservation Programs

Monthly Report – February 2007

MWD Activities

- **California-Friendly® Marketing Campaign** - MWD is currently planning the next phase of their California Friendly® marketing campaign for spring 2007. The 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.

Landscape Programs

- **Landscape Audit Program** - HydroEarth has completed 18 commercial audits. The completed sites' maps have been inputted onto GPS and the reports are currently being produced. To date no residential audits have been completed. The program consists of 150 commercial audits and 50 large landscape residential audits to be completed by September 2007.
- **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 retrofitted using California-Friendly® protocols (example photos attached). IEUA is seeking approval from the U.S. Bureau of Reclamation to increase the rebate from \$300 to \$500 per site based on larger than average property sizes and the City's interest in adding California-Friendly® plantings.
- **Inland Empire Landscape Alliance** - The formation of the Inland Empire Landscape Alliance is underway. The following is a list of agencies and cities who have adopted resolutions of support: IEUA, Chino Basin Water Conservation District, CVWD, MVWD, San Antonio Water Co., Chino Basin Watermaster, the Cities of Chino Hills, Montclair, Rancho Cucamonga, and Upland. The kickoff workshop is being rescheduled at the request of a number of agencies for March.
- **PDA Landscape Classes** - Several retail agencies are holding local PDA classes this year to educate their residents on California-Friendly® plants and efficient irrigation. The City of Ontario is holding the first PDA class of 2007 on February 10th, and the City of Upland, MVWD and CVWD have PDA classes scheduled in March (see calendar).

Commercial/Industrial/Institutional Program

- **(CII SAVE-A-BUCK)** - There were numerous CII rebates issued in the month of December; a total of 352 rebates. The following is a list of the most recent rebate activity within the IEUA service area:
 - **High Efficiency Clothes Washers** - There were 27 clothes washers rebated for the month of December bringing the total for FY 06/07 to 62. To date 397 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 December bringing the total to 16 conductivity controllers installed through the Save-a-Buck program since FY 00/01.
 - **ULF Toilets** - 319 ULFTs were rebated in December bringing the total to 1,821 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.
 - **ULFT Flushometers** - 4 flushometers were rebated in December. These are the first flushometers installed and rebated for in IEUA's service area.
 - **Water Broom** - 1 water broom was rebated in December bringing the total to 695 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. Within Phase I & II approximately 1,192 spray heads were installed. Phase III is underway and 42 spray heads have been installed.

Residential Rebate Programs

- **ULFT & HET Rebate Program** - In the month of January, 6 ULFT rebates were processed. This brings the total number of rebates processed for FY 06/07 to 104; 102 ULFT rebates and 2 HET rebates. Since the start of the program in 2002, a total of 2,936 rebates have been processed.
- **High Efficiency Clothes Washer Rebate** - The total number of rebates processed in January was 110 bringing the number of rebates issued for FY 06/07 to 779. The total number of rebates processed since the rebate program began in 2002 is approximately 7,203.
- **"SmarTimer of Inland Empire" Program** - One SmarTimer was rebated in January. Since the start of the program in April 2006, 8 SmarTimer Irrigation Controller rebates have been processed.
- **Rotating Nozzles for Pop-up Spray Heads** - The new rebate program for rotating nozzles will kick off late January 2007. The incentive is \$4 per rotating nozzle replaced. The rotating nozzles save up to 6,600 gallons of water over five years.

Other Residential Programs

- **Multi-Family ULFT Program** - The Multi-Family ULFT retrofit program, conducted by Bottom Line Utility Solutions, Inc. is underway. In December, 902 toilet installations were completed bringing the total installed to 2,938 toilets.

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. Currently designs are being created for each garden. Schools began breaking ground to prepare sites for irrigation installation in December. Planting will begin in February and continue through April.
- **National Theatre for Children** - The National Theatre for Children (NTC) performances at elementary schools within IEUA's service area began late November and will continue through May 2007. Currently 35 performances have been scheduled.
- **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.
- **MWD Solar Cup 2007** - The Solar Cup 2007 program kicked off with two boat-building workshops in December with a record high of 47 teams participating. The next workshop is February 3rd, and workshops will continue till May. Five schools within IEUA's service area have been accepted 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). The Solar Cup event will take place May 18-20, 2007.
- **Chino Youth Museum** - Over the past year the Chino Youth Museum along with the City of Chino, MVWD, Chino Basin Water Conservation District and IEUA have been meeting to rejuvenate and improve the water exhibit that was constructed in 2002. The planning committee has received drawings from the consultant for the design of the new exhibit. Construction of the exhibit will begin in February. Sponsors of the new exhibit, including MWD will present checks to the Chino Youth Museum at the City of Chino Council Meeting on February 6th, 2007.

Outreach

- **Water Fair** - The planning committee began meeting for the Water Fair 2007 in December. In addition to the participating agencies for the 2006 event, Three Valleys MWD has joined in the planning and implementation of the 2007 event. The planning committee applied for the Community Partnering Program through MWD for funding assistance. The Water Fair 2007 will be held next fall.
- **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 applications for the Edu-Grant program, which awards teachers and their classes \$500 to conduct water focused lessons and projects, were due November 10th. The committee reviewed the applications early December and have selected the following schools to receive Edu-Grants: Nogales High School in La Puente (3), Rorimer Elementary School in La Puente (3), Upland High School in Upland (1).

CALENDAR

February 7, 2007	CUWCC Steering Committee Meeting (MWD)
February 10, 2007	PDA Mini-Landscape Class (City of Ontario)
March 1, 2007	Leadership Breakfast (IEUA)
March 3, 2007	PDA Landscape Series-Design Class (City of Upland)
March 10, 2007	PDA Mini-Landscape Class (Monte Vista Water District)
March 14, 2007	CUWCC Plenary Session (City of Santa Barbara)
March 17, 2007	PDA Landscape Series-Plants Class (City of Upland)
March 24, 2007	PDA Landscape Series-Systems Class (City of Upland)
March 31, 2007	PDA Landscape Series-W&F Class (City of Upland)
March 31, 2007	PDA Mini-Landscape Class (Cucamonga Valley Water District)
April 13, 2007	CVWD Kids Environmental Festival (Cucamonga Valley Water District)
May 18-20, 2007	MWD Solar Cup 2007 (Lake Skinner)

IMPORTANT NOTICE

of Temporary Pipeline Shut Down

Remember to Conserve
February 5 -11, 2007

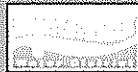
Every Drop of Water Saved Will Help

From Monday, February 5, through Sunday, February 11, the Metropolitan Water District of Southern California, will shut down the main water line that serves our region in order to perform improvements.

Since outdoor water use accounts for about 60 percent of the water used in a typical home, the local water suppliers are requesting that all outdoor water use be significantly reduced as well as all non-essential indoor water use.

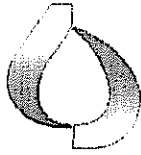
During this shut down your cooperation is essential to help ensure sufficient water supplies are available.

For more information, residents are encouraged to contact their water provider directly.



City of Chino	909.464.8368	www.cityofchino.org
City of Chino Hills	909.364.2806	www.chinohills.org
City of Ontario	909.395.2678	www.ci.ontario.ca.us
City of Upland	909.291.2935	www.ci.upland.ca.us
Fontana Water Company	909.822.2201	www.fontanawater.com
Cucamonga Valley Water District	909.987.2591	www.cvwwater.com
Monte Vista Water District (portions of Chino and Montclair)	909.624.0035	www.mvwd.org

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Date: March 21, 2007

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (03/14/07)

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

Submitted by: Martha Davis *MD*
Executive Manager of Policy Development

Subject: February 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 Alex Shockey

Date: February 28, 2007

Re: February Monthly Legislative Update

The month of February has been another busy and productive month for the Inland Empire Utilities Agency in Washington, DC. We have submitted our project requests and all of the necessary forms - - for the Inland Empire Regional Water Recycling Project and the Renewable Energy and Dairy Waste Treatment Initiative - - to our Senators and Representatives. While his first trip was cancelled due to snowstorms, Rich was able to make it safely back for Capitol Hill visits to advocate for these two projects. We are looking forward to seeing Martha next month when she is in DC.

February has also been productive for the Congress. The House and Senate finished the ten remaining fiscal year 2007 bills by wrapping them into a long term continuing resolution (CR) which President Bush signed into law on February 15th, the day the last continuing resolution was set to expire. This CR basically funded programs at the fiscal year 2006 level.

President Bush's Budget came out on February 5th which kicked off the fiscal year 2008 buzz. Congressional Leadership finalized Committee memberships and picked Chairmen and Ranking Members. The Appropriations Committee received ten new members, bringing the total to 38. Among the ten were three Californians -- Reps. Barbara Lee (Oakland), Adam Schiff (Pasadena), and Mike Honda (Campbell). They will join Reps. Sam Farr (Carmel) and Lucille Roybal-Allard (Los Angeles) thereby raising California's membership on the key money-spending panel Democrats from two to five. On the Republican side, Rep. Jerry Lewis (Redlands) will remain the Ranking Republican in the 110th Congress, and Rep. John Doolittle (Granite Bay) is expected to remain on the Committee. In the Senate, Dianne Feinstein remains on the Senate Appropriations Committee and will chair the Interior Subcommittee.

Interestingly, the Subcommittee on Water and Power (of the Natural Resources Committee) has a very Southern California-based membership with Congresswoman Grace F. Napolitano (Santa Fe Springs) Chairing the Committee. Of the eleven total subcommittee members, six are from California. They include Grace Napolitano (Santa Fe Springs), Jim Costa (Fresno), George Miller (Concord), Joe Baca (San Bernardino), Hilda L. Solis (El Monte), and Ken Calvert (Corona).

This month, with their rosters complete, Committees started holding hearings with the new Chairs presiding. Members of Congress and Senators set their deadlines for appropriations

Suite 800 • 525 Ninth Street, NW • Washington, DC 20004 • 202-347-5990 • Fax 202-347-5941

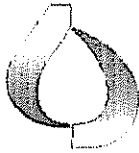
*Innovative Federal Strategies*_{LLC}

requests, most of which fell in the mid-to-late February range, with many offices requiring new, internal forms in addition to the usual subcommittee forms. While it is unclear exactly what the fiscal year 2008 earmark process will hold, House Appropriations Committee Chairman Obey is promising 50% fewer earmarks in the appropriations bills.

President Bush also sent the Congress the supplemental appropriations bill, legislation to pay for the escalating costs of the Iraq war. House Democrats are continuing to negotiate how to craft a war spending bill that makes clear their opposition to the war without alienating parts of their caucus. Democratic moderates don't want to appear to be harmfully restricting the military while liberals want the bill to lead to the end of U.S. involvement in Iraq. Liberals are irked by a plan Democratic Leaders outlined requiring troops sent to Iraq to meet certain readiness standards but allowing the President to waive the standards; they want the bill to do more. An earlier plan proposed by Defense Appropriations Chairman Murtha would have limited the use of these funds based on troops' readiness — a plan many moderates weren't willing to sign off on. The House Appropriations Committee is set to mark up the bill March 7.

Meanwhile, Democrats also want to add funding to the supplemental bill unrelated to the war. In both chambers they are pushing for approximately \$4 billion in farm drought funding. House Appropriations Chairman Obey has said he will add about \$750 million to the bill for the State Children's Health Insurance Program (SCHIP). Both Obey and Senate Appropriations Chairman Byrd have said the bill will include most, if not all, of the \$3.1 billion in funding for the Pentagon's base closing program they removed from the fiscal 2007 spending resolution. House Minority Leader Boehner is criticizing Democrats for considering the added funding.

As always, we will keep you posted on the comings and goings of the Congress.



Date: March 21, 2007

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (03/14/07)

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

Submitted by: Martha Davis *MD*
Executive Manager of Policy Development

Subject: February 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

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MEMORANDUM

TO: Richard W. Atwater and Martha Davis

FROM: Jennifer West, Geyer Associates

DATE: March 1, 2007

RE: February Legislative Report

Bill Introductions

More 2,700 bills were introduced in the last month. Approximately half of these measures were introduced last Friday. Attached is a bill this that categorizes these measures into broad subject areas. As you can see, there are many bond implementation measures specifying funding requirements and appropriating different types of funding within Propositions 84 and 1E.

Next month many of these bills will begin to be heard in their first policy committee. Within the next two weeks we should finish reviewing and recommending positions on some of these measures, as appropriate.

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Inland Empire Utilities Agency Legislative Tracking 3/1/07 (Prepared by Geyer Associates)		
Bond Funding/Prop. 84 and 1E	Bill Summary	Status
SB 59 (Cogdill) Water Bond 08	<p><u>Authorizes a \$3.9 billion water bond for the 2008 ballot.</u> Includes \$2 billion for two surface storage facilities; \$500 million for local groundwater storage projects statewide; \$500 million for the development and implementation of a bay delta conservation plan; \$300 million for fish and game restoration projects; \$200 million to implement the water quality component of the CALFED Bay Delta Program; \$200 million for urban and agricultural water conservation programs; \$250 million for restoration of the San Joaquin and Sacramento River systems.</p> <p>The proponents of the measure are considering taking their measure straight to the ballot if it fails in the Legislature. They have begun organizing for the campaign, including polling.</p>	Introduced
SB 167 (Negrete McLeod) General Plans: planning grants	Establishes grant and loan program at the Office of Planning and Research for Prop. 84 (Chapter 9(c) \$90 million). Allows cities and counties to apply for funding to update their general plans.	Introduced
SB 187 (Ducheny) Salton Sea Restoration Fund	Legislative intent language to specify how Prop. 84 funds would be spent on the Salton Sea.	Introduced
SB 292 (Wiggins) State Bond Funds: allocation	States legislative intent to develop grant criteria for two categories of funding in Prop. 84 – urban greening and regional planning. Both categories contain \$90 million each. (Chapter 9, (a) and (c))	Introduced

SB 378 (Steinberg) Flood Prevention Bond Act 2006	Specifies that the \$300 million in Prop. 1E for stormwater management would be made available through a joint SWRCB and DWR grant program. The bill authorizes the agencies to prepare guidelines by March 2008. The agencies are required to conduct outreach to disadvantaged communities. There are no north/south split provisions mentioned in the bill.	Introduced
SB 424 (Denham) Flood Bond	States that \$16.4 million from Prop. 1E's flood protection corridors program should be spent on two specific projects in Stanislaus and Merced counties.	Introduced
SB 732 (Steinberg) Prop. 84	Changes many provisions in Prop. 84, including the IRWMP program. States that DWR should revise the IRWMP guidelines in consultation with the SWRCB, DFG and DHS.	Introduced
SB 917 (Migden) Watershed Conservation Protection Plan	Creates the "Watershed Conservation Protection Fund" administered by the Resources Agency.	Introduced
SB 1002 (Perata) Prop. 84	Appropriates \$50 million to DHS for grants to small communities for drinking water system improvements. Appropriates \$15 million to DWR to complete feasibility studies for new surface storage under Cal-Fed. Appropriates \$15 million to DWR to develop a plan for reoperation of the state's flood protection and water supply system.	Introduced
AB 41 (LaMalfa) Surface Storage	Legislative intent language to use bond funds from Proposition 1E and Proposition 84 to address California's "critical lack of adequate surface storage."	Introduced
AB 655 (Swanson) Public Contracts	Provides that any entity awarding bond funds must consider the employment practices of the bidder with respect to hiring residents from low income areas.	Introduced
AB 739 (Laird) Stormwater Discharge	Legislative intent to prioritize and develop criteria for awarding stormwater grants from Prop. 84. (Chapter 5, (m))	Introduced
AB 772 (Portantino) DPR	Prop. 84 Department of Parks and Recreation spending priorities.	Introduced

AB 783 (Arambula) Drinking Water Improvements	Makes changes to DHS grant funding in Prop. 84 for small and disadvantaged communities. (Chapter 2, Section 7022)	Introduced
AB 822 (Levine) Urban Greening Projects	Appropriates \$2 million in Prop. 84 for urban greening projects. Establishes a grant program under the Resources Agency for this purpose. (Chapter 9, (a)).	Introduced
AB 832 (Bass) Environment Bond Funds	Prop. 84 spot bill.	Introduced
AB 909 (Wolk) Mercury Monitoring	Allows stormwater grant funds in Prop. 84 to be used for grants to public agencies for addressing mercury contamination.	Introduced
AB 992 (Brownley) Roads: Stormwater Containment	Intent language to give priorities in awarding transportation bond funds to projects that address stormwater contamination.	Introduced
AB 997 (Arambula) Prop. 84 Capitol Outlay Project	Allows Prop. 84 monies to be used for grants for planning and infill development.	Introduced
AB 1026 (Caballero) Water Quality: Leafy Green Vegetables	Intent language to present to voters a bond measure to fund the treatment of water sources used to wash leafy green vegetables, for the purpose of preventing "dangerous contamination of critical food supply."	Introduced
AB 1250 (Parra) IRWMP	Spot bill on the IRWMP program. \$1 billion is contained in this program in Prop. 84. ACWA sponsored.	Introduced
AB 1253 (Caballero) Land Use	Legislative intent to develop grant program for "sustainable communities" funding in Prop. 84. There is \$90 Million in this account.	Introduced
AB 1284 (Eng) Water Quality	Makes changes to the IRWMP program in Prop. 84. States that all local agencies that are water suppliers within the boundaries of an IRWMP plan should be allowed to become a member of the group. Requires the IRWMP to address water pollution that poses a threat to human health and to identify disadvantaged communities in the area within the IRWM plan boundary.	Introduced

AB 1297 (Arambula) IRWMP	Spot bill on the IRWMP.	Introduced
AB 1303 (Smyth) Urban Greening Act 2007	Establishes an urban greening grant program for Prop. 84 funds. (Chapter 9, (a)).	Introduced
AB 1315 (Ruskin) Flood Protection	Legislative intent to establish program goals and priorities for selecting flood projects for funding from Prop. 84 and Prop. 1E.	Introduced
AB 1380 (Ruskin) Bond Funds:	Spot bill on Prop. 84 and Prop. 1E.	Introduced
AB 1489 (Huffman & Wolk) Resource Bond Funds	Requires IRWMP applicants to identify the manner in which the proposed project will contribute to meeting the performance standards included in the plan. Makes of number other program changes in Prop. 84 grant programs.	Introduced
AB 1602 (Nunez) Sustainable Communities & Urban Greening	Establishes a grant program in the Resources Agency "Sustainable Communities and Urban Greening Grant Program." There is \$90 million in Prop. 84 for this purpose.	Introduced
AB 1641 (Huff) Natural Resources	Spot bill on conservancy funding in Prop. 84.	Introduced
AB 1664 (Strickland) State Bond Funds	States the legislature's intent that in allocating bond funding the state give preference to a project that would raise water or sewer rates by 100% that is a result of an enforcement order.	Introduced
Flood Control/Delta Conveyance		
SB 5 (Machado) Flood Management	Comprehensive flood management legislation backed by Senate leadership. It establishes the roles and responsibilities for the state of California, local governments and landowners in flood management.	Introduced

SB 17 (Florez) Reclamation Board and Powers	Gives the "Central Valley Flood Protection Board" new authority over flood control activities in the Central Valley. The bill is backed by Senate leadership.	Introduced
SB 27 (Simitian) Delta ByPass Canal	Authorizes the issuance of \$5 billion in bonds to build a water conveyance facility around the Delta, under certain conditions. Declares that this is necessary for the protection of fish and wildlife in the Delta and for the protection of the state's water supply.	Introduced
SCA 2 (Simitian) Bond	Places Delta bypass bond measure on the 2007 ballot.	Introduced
SB 34 (Torlakson) Delta User Fee	Declares that the Reclamation Board, in consultation with DWR, establish a "beneficiary pays system" and collect user fees and assessments for levee maintenance and other flood control purposes in the Delta. States that a significant portion of the state bond funds approved in Prop. 1E be prioritized in conjunction with the "beneficiary pays system."	Introduced
SB 310 (Machado) State Water Project	Spot bill on the State Water Project.	Introduced
SB 326 (Aanestad) Water Resources	Legislative intent to fund water storage and conveyance facilities.	Introduced
SB 399 (Dutton) Water Infrastructure	States legislative intent that additional conveyance will be needed in California due to global warming.	Introduced
AB 5 (Wolk) Flood Protection	Gives priority for state funds to be given to local agencies that have adopted a local plan of flood protection. Prohibits local governments in the Central Valley from approving new development within high-risk flood prone areas, unless adequate flood protection is assured.	Introduced

AB 930 (Jones) Flood	Legislative intent to establish a flood plain management task force.	Introduced
AB 1507 (Emmerson) Floodplain Management	Requires DWR to establish an Alluvial Fan Task Force.	Introduced
Urban Water Management Plans/Conservation/Recycling		
SB 825 (Padilla) Water Conservation Policy	Intent language to promote water conservation, water recycling and water efficiency.	Introduced
SB 1030 (Negrete McLeod) Urban Water Suppliers	Spot bill on the UWMP regarding water demand management.	Introduced
SB 862 (Kuehl/ Steinberg) UWMP	Requires the UWMP to assess energy consumption and Bulletin 160. Contains all of the provisions of SB 1640 (Kuehl), 2006, except for the groundwater provisions. SB 1640 was vetoed last year because of the groundwater reporting language.	Introduced
AB 566 (Plescia) Landscape Water Conservation	Requires the model landscape ordinance to include climate information for irrigation scheduling based on the California Irrigation Management Information System.	Introduced
AB 715 (Laird) Low-flush Water Closets	Spot bill on low flush toilets.	Introduced
AB 1132 (Berryhill) Graywater Irrigation	Allows a tax credit for the costs paid or incurred for the installation of a graywater irrigation system.	Introduced
AB 1376 (Berryhill) UWMP Comments	In developing an UWMP, the bill requires each water supplier to seek comments from city and county planning departments in the area served by the urban water supplier at least 60 days prior to the public hearing on the plan.	Introduced

AB 1404 (Laird) Water Use	Requires DWR, SWRCB and DHS to jointly, in consultation with water suppliers and stakeholders, to develop and implement a coordinated water use reporting database. By 2010 these agencies would notify all identified water users and water suppliers to report water use information.	Introduced
AB 1406 (Huffman) Recycled Water	Allows the use of recycled water in toilets and urinals in condominiums. Sponsored by IRWD.	Introduced
AB 1420 (Laird) Water Demand Management	Conditions water bond funding on whether an agency has implemented water demand management measures in the UWMP.	Introduced
AB 1435 (Salas) Water Charges	Requires a local water purveyor that supplies water to retail customers to institute a conservation rate structure based on the amount of water used for other than agricultural purposes for each customers that has a service connection for which a water meter has been installed.	Introduced
AB 1481 (De La Torre) Water Recycling	Requires the SWRCB by 2010 to adopt a general WDR for the application of landscape irrigation uses of recycled water. Sponsored by LADWP.	Introduced
AB 1560 (Huffman) Building Standards	Requires the CEC to prescribe by regulation, water conservation design standards for new residential construction.	Introduced
Groundwater		
SB 178 (Steinberg and Kuehl) Groundwater	Contains the groundwater components that were in SB 1640 from last year. That measure was vetoed.	Introduced
SB 395 (Cox) Groundwater Aquifers	Spot bill on groundwater in the Central Valley.	Introduced
Water Quality/Water Supply		
SB 516 (Aanestad) Water Quality	Spot bill on water quality penalties.	Introduced

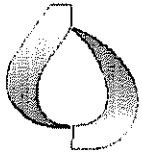
SB 1029 (Ducheny) Drinking Water Standards	Requires the enforcement of primary and secondary drinking water standards by DHS.	Introduced
AB 19 (Devore) Santa Ana Water Quality	Establishes the Santa Ana Regional Water Quality Improvement Fund and would authorize the developer of a development project, if the developer has become subject to regulations by the Santa Ana RWQB, to agree to pay a fee to the appropriate city or county, based on the acreage and density of the proposed development project, for deposit in the Fund.	Introduced
AB 559 (Ruskin) Public Water Systems	Requires DHS to identify treatment methods, technologies and other management options that reduce or eliminate the need to add disinfectants or additives to drinking water and report to the Legislature by 2009.	Introduced
AB 640 (De La Torre) WDR waivers	Spot bill on waste discharge requirements.	Introduced
AB 690 (Jones) Water Corp. Rates/Contamin ation	States that if a private water corporation receives monetary compensation for damage resulting from contamination of the utility's water supply, the PUC shall require the utility to equitably allocate the compensation between the ratepayers and investors of the utility.	Introduced
AB 800 (Lieu & Krekorian) Discharge Notification	Shortens notification requirements for discharges of waste or hazardous materials under Porter-Cologne.	Introduced
AB 938 (Calderon) Urban Runoff	Authorizes local water districts to acquire, construct, operate, maintain and furnish facilities for the diversion of urban runoff.	Introduced
AB 1127 (Carter) Perchlorate	Requires DHS by 2008 to prepare and submit a report reviewing state standards for perchlorate in drinking water, which is currently 6 ppb.	Introduced
AB 1703 (La Malfa) Storm Water Monitoring	Spot bill on storm water	Introduced
	Compost	

SB 697 (Wiggins) Compost	Spot bill on compost.	Introduced
AB 1150 (Lieu) Solid Waste Transformation	Spot bill on compost	Introduced
AB 1207 (Smyth) Biosolids	Requires the CIWMB to prescribe minimum standards for land application of biosolids.	Introduced
Green Buildings/Climate Change		
AB 35 (Ruskin) State Green Buildings	Requires the California Integrated Waste Management Board by 2009 to adopt regulations for sustainable building standards for the construction or renovation of state buildings.	Introduced
AB 224 (Wolk) Water Supply Planning	Requires DWR to include an analysis of the effects of climate change on future water supplies in B-160 and UWMPs. Requires SWRCB and RWQCB to consider climate change when updating basin plans. Requires every agricultural water supplier to prepare and adopt an ag. water management plan.	Introduced
AB 888 (Lieu & Laird) Green Building Standards	Requires the Building Standards Commission to develop standards to ensure that green building elements are integrated into the standards.	Introduced
AB 109 (Nunez) Global warming	Spot bill to implement the California Global Warming Solutions Act of 2006.	Introduced
AB 1327 (Ma) Green Building	Legislative intent to develop a uniform definition for "green building" and to extend tax and planning incentives to developers to build green.	Introduced
Employment/Local Public Agencies		
AB 489 (Calderon) MWD Overtime	Will be amended in next 30 days to address a different subject, according to MWD lobbyist.	Introduced

AB 503 (Swanson) Overtime Notice/public agencies	Will be amended soon to apply to all local agencies and special districts. Would prohibit an agency from requiring any employee entitled to receive overtime compensation pursuant to any federal statute or regulation to perform services outside the employee's normal work schedule unless a minimum of 8 hours' written notice of that work assignment has been provided to the employee.	Introduced
AB 928 (Solorio) OCWD	Technical changes to the OCWD authorizing act.	Introduced
SB 435 (Cogdill) Water Districts	Legislative intent to facilitate cooperation between local governments and water districts to establish community walking trails.	Introduced
Energy		
AB 946 (Krekorian) Energy Resources	Amends the definition of "electric generation facility" created by IEUA sponsored legislation.	Introduced
AB 1428 (Galgiani) Energy: Biomass Conversion Pilot Program	Would require electrical corporations to provide eligible biomass conversion customer-generators with net metering, as defined, in a pilot project.	Introduced
Positions/Recommended Positions		

<p>SB 55 (Florez) Biosolids</p>	<p>Broadly defines "biosolids" to include any product with human waste, which would include some compost.</p> <p>Requires POTWs to certify to the regional boards that biosolids meet "the requirements and standards for any pollutant listed in the waste discharge requirement for the POTW, including, but not limited to, any requirements of standards governing the 126 priority toxic pollutants listed in 40 CFR 131.38. This list is designed for surface water issues and includes many compounds not found in biosolids.</p> <p>POTWs would be required to submit the certification to the person/facility and county that accepts the biosolids, and may be required to indemnify the receiving part "for any liability for remediation costs associated with the disposal or processing of the sewage sludge. It further requires POTWs to certify to haulers that the biosolids are nonhazardous.</p> <p>Requires CDFA, SWRCB, IWMB, CARB to conduct a study of biosolids and its reuse options.</p>	<p>Oppose</p>
<p>SB 642 (Negrete-McLeod) Unemployment</p>	<p>States the legislature's intent to not require public employers to pay unemployment insurance benefits to former employees that voluntarily retire from the agency and are receiving pension benefits from that agency. IEUA sponsored.</p>	<p>Sponsor</p>

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Date: March 21, 2007

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (03/14/07)

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

Submitted by: Martha Davis *MD*
Executive Manager of Policy Development

Subject: February 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

Enclosure

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March 1, 2007

To: Chino Basin/OBMP Coalition

From: Michael Boccadoro
Senior Vice President

RE: February Status Report

Please find attached the status report from The Dolphin Group for the month of February 2007.

Legislators were quite busy in February, introducing a flurry of new measures prior to the deadline of February 23. Over 1,000 pieces of legislation were introduced in the last two days alone.

On final analysis, the Assembly has proposed 1,706 new pieces of legislation, while Senators proposed 1,036, for a combined total of 2,742 bills.

Additionally, in February the California Air Resources Board began to hold workshops and hearings on the implementation of AB 32, which aims to reduce greenhouse gas emissions in California to 1990 levels by 2020. Senate Democrats also introduced a package of bills designed to expedite GHG regulation in California, further adding to the debate.

Chino Basin / OBMP Coalition

Status Report – January 2007

ENERGY/REGULATORY

Energy Efficiency Funding for Water Conservation Efforts

On February 20, DGI submitted comments on behalf of IEUA to the California Public Utilities Commission concerning the proposed \$10 million pilot projects aimed at getting a better understanding of the potential of utilizing water conservation efforts to achieve energy efficiency savings.

In the comments, IEUA cautioned the Commission to not overly complicate the proceeding, in the attempt to ensure that the pilot programs are at least as effective as traditional energy efficiency programs, which some parties have suggested. Rather, the comments argued that the entire object of the pilot process is to understand whether or not these types of projects produce anticipated savings. Additionally, the comments suggested that in addition to the limited proposed pilot programs, that “paper studies” be undertaken as well, in order to gain a broader understanding of the breadth of potential projects, such as storm water management.

Workshops also began on February 26th, which ran through February 28th. The first day revealed many challenges in approving an effective pilot program in time for summer implementation, namely the general disconnect between the water and energy communities, as well as the demands of the ratepayer advocate communities. The next two days showed an improvement in the dialogue, with much more constructive conversations taking place on the specific provisions and needs of the pilot programs.

Following these workshops, the presiding Commissioner, Dian Grueneich, is expected to issue a ruling to further clarify the scope of the case, followed by more workshops in March and April.

The Commission expects to act on a final proposal in May 2007.

AB 1969 Implementation

The utilities are still working on an advice filing to implement AB 1969, which allows public water and wastewater agencies to sell their excess renewable generation to investor-owned utilities, such as SCE, for the market price referent. The MPR is a proxy price set by the

Commission for the value of renewable power; it is currently set at approximately 8 cents/kWh.

Once the utilities file the advice filing at the Commission, it generally goes into affect 30 days following its submittal, unless protests are filed. If protests are filed, the matter generally requires action by the Commission to resolve the dispute. DGI will review the draft filings when they are made available, and will file any comments or protests as necessary to ensure that the new law is properly implemented.

AB 32 – GREENHOUSE GAS REGULATION

Only a month after becoming law on January 1, 2007, the California Air Resources Board (CARB) has launched a flurry of hearings and workshops to begin laying the foundation for the implementation of AB 32 (Nuñez – 2006). This measure mandates that emissions of greenhouse gases in California be reduced to 1990 levels by 2020.

CARB has set up a number of subcommittees and working groups as part of the plan to adopt regulations by January, 2012. These groups will address the following topics

Emissions Inventory & Mandatory Reporting

The aim of this group is to identify the 1990 levels of GHG, as well as the current level of emissions. It will also outline reporting requirements, either through the California Climate Registry or other vehicle. The first meeting was held on February 28th, though no specific recommendations have yet been made.

Environmental Justice Advisory Committee

This group will advise CARB on the environmental justice impacts of proposed regulations. The first meeting will be held in late March 2007.

Discrete early actions

AB 32 allows CARB to adopt actions by 2009 for discrete industries, prior to the general adoption of regulations in 2012. Staff is expected to issue its preliminary report on proposed industries by April of 2007

Economic and Technology Advancement Advisory Committee

This group will advise CARB on current available technologies, economic studies and incentive opportunities. The first meeting of this group occurs on March 1, 2007.

Additionally, CARB will be holding a symposium on March 5-7 in Sacramento to study near-term mitigation opportunities. Manure management and sewage treatment facilities will be among the topics discussed.

EXECUTIVE ACTIONS

Governor Arnold Schwarzenegger continues to focus on greenhouse gas regulation and strategies to address global warming as key features of his administration. In late January Schwarzenegger issued Executive Order S-01-07, which requires the California Air Resources Board to consider standards to reduce the carbon intensity of California's passenger vehicle fuels by at least 10 percent by 2020. The EO also orders the California Public Utilities Commission to provide strategies for GHG reductions in the energy sector, and requires the Secretary for Environmental Protection to provide a report biennially to the Governor and the Legislature on progress towards the 2020 reduction goal.

On February 26, Governor Schwarzenegger signed a memorandum of understanding (MOU) with the Governors of Washington, Oregon, Arizona and New Mexico to promote a joint regional strategy for addressing GHG regulation.

LEGISLATION

Legislators completed their introduction of new measures on February 23, with over 2,700 new measures set to be considered by the Assembly and the Senate. Among the hottest topics were bills relating to greenhouse gas regulation and renewable power.

A bill must be in print for 30 days prior to having a public hearing on the measure. As a result, most policy committees will not begin the bulk of their work until late March, with hearings continuing throughout the spring. Each policy committee has until May 25th to consider proposed measures.

SB 463- Dairy Biogas Net Metering

This measure, sponsored by IEUA, will allow an investor-owned utility to purchase surplus generation from an eligible biogas net metering customer. This allowance currently exists in the net metering statute for solar and wind self-generation.

CA SB 463	AUTHOR:	Negrete McLeod [D]
	TITLE:	Energy: Biogas Digester Customer-Generator
	INTRODUCED:	02/21/2007
	DISPOSITION:	Pending
	LOCATION:	SENATE
	SUMMARY:	Provides that an electrical corporation would retain any excess kilowatthours generated if the electrical corporation and the eligible biogas digester customer-generator have entered into a contract for the purchase and sale of excess electricity generated during periods if the eligible biogas digester customer-generator is a net electricity producer.
	Position:	Support

Senate Democrat GHG Package

In February, Senate President Pro Tem Don Perata (D-Oakland) announced a package of seven measures similarly aimed at strategies to reduce greenhouse gases emissions, dubbed the "California First" Greenhouse Gas Reduction Bill Package. Governor Schwarzenegger expressed openness to working with the Senate Democrats on these measures, but noted that AB 32 has only been law for little more than a month.

- CA SB 660 **AUTHOR:** Perata [D]
 TITLE: Renewable Energy Resources: Supplemental Energy
 INTRODUCED: 02/23/2007
 DISPOSITION: Pending
 LOCATION: SENATE
 SUMMARY:
 States the intent of the Legislature to enact legislation to reform the awarding of supplemental energy payments pursuant to the Renewables Portfolio Standard program to accomplish certain objectives.
 Position: Watch
- CA SB 210 **AUTHOR:** Kehoe [D]
 TITLE: Greenhouse Gas Emissions: Fuel Standard
 INTRODUCED: 02/08/2007
 DISPOSITION: Pending
 LOCATION: Senate Transportation and Housing Committee
 SUMMARY:
 Requires the State Air Resources Board to administer a program to reduce carbon content for transportation fuels sold and refined. Requires the state board to implement a low-carbon fuel standard applicable to refiners, blenders, producers, and importers of transportation fuel. Requires the Public Utilities Commission to address how investor-owned utilities can contribute to reductions in greenhouse gas emissions in the transportation sector.
 Position: Watch
- CA SB 494 **AUTHOR:** Kehoe [D]
 TITLE: Vehicular Air Pollution Control: Alternative Fuels
 INTRODUCED: 02/22/2007
 DISPOSITION: Pending
 LOCATION: SENATE
 SUMMARY:
 Requires the Air Resources Board to develop and adopt regulations that will ensure that an unspecified percentage of new passenger vehicles and light-duty trucks sold in the state each year are clean alternative vehicles, and that commencing January 1, 2020, one-half of new passenger vehicles and light-duty trucks sold in the state each year are clean alternative vehicles.
 Position: Watch
- CA SB 140 **AUTHOR:** Kehoe [D]
 TITLE: Vehicular Air Pollution: Renewable Diesel Fuel
 INTRODUCED: 01/25/2007

DISPOSITION: Pending
LOCATION: Senate Transportation and Housing Committee
SUMMARY:

Requires all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain a percentage of renewable diesel fuel no later than one year after a specified finding is made by the state board, and, no later than 2 years after the implementation of standard. Requires all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain a percentage of renewable diesel fuel.

CA SB 375

AUTHOR: Steinberg [D]
TITLE: CEQA: Urban Infill Projects
INTRODUCED: 02/21/2007
DISPOSITION: Pending
LOCATION: SENATE
SUMMARY:

Relates to an urban infill effect on the environment if revisions in the project would avoid or mitigate that effect. Provides that a project may be within 1/2 mile of a major transit stop or result in a reduction of vehicle miles traveled by residents of the project when compared to the average vehicle miles traveled within the county or major metropolitan area.

Position: Watch

CA SB 9

AUTHOR: Lowenthal [D]
TITLE: Trade Corridor Improvement: Transportation Project
INTRODUCED: 12/04/2006
DISPOSITION: Pending
LOCATION: Senate Rules Committee
SUMMARY:

Amends existing law, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act. Requires a sum to be transferred to the Trade Corridors Improvement Fund. Provides for infrastructure improvements along federally designated Trade Corridors of National Significance. Sets forth the intent of the Legislature to enact legislation that establishes a process for the selection of transportation projects.

Position: Watch

CA SB 19

AUTHOR: Lowenthal [D]
TITLE: Trade Corridor: Projects to Reduce Emissions: Funding
INTRODUCED: 12/04/2006
DISPOSITION: Pending
LOCATION: Senate Rules Committee
SUMMARY:

Declares the intent of the Legislature to enact legislation that establishes conditions and criteria for projects funded under provisions of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.

Position: Watch

Other Legislation

- CA AB 6 **AUTHOR:** Houston [R]
TITLE: Greenhouse Gases: Market-Based Compliance Mechanisms
INTRODUCED: 12/04/2006
DISPOSITION: Pending
LOCATION: Assembly Natural Resources Committee
SUMMARY:
Requires the State Air Resources Board to adopt market-based compliance mechanisms to reduce emissions of greenhouse gases.
Position: Watch
- CA AB 94 **AUTHOR:** Levine [D]
TITLE: Renewable Energy
INTRODUCED: 12/20/2006
DISPOSITION: Pending
LOCATION: Assembly Utilities and Commerce Committee
SUMMARY:
Revises the intent language so that the amount of electricity generated per year from eligible renewable energy resources is increased to an amount that equals at least 33% of the total electricity sold to retail customers in California per year by a specified date. Requires that each retail seller increase its total procurement of eligible renewable energy resources by at least an additional 1% of retail sales per year so that 33% of its retail sales are procured from eligible renewable energy resources.
Position: Watch
- CA AB 109 **AUTHOR:** Nunez [D]
TITLE: Global Warming Solutions Act of 2006: Annual Report
INTRODUCED: 01/05/2007
DISPOSITION: Pending
LOCATION: Assembly Natural Resources Committee
SUMMARY:
Requires the State Air Resources Board to report to the Legislature annually on the status and progress of implementing the Global Warming Solutions Act of 2006. Requires the state to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990 to be achieved by 2020.
Position: Watch
- CA AB 114 **AUTHOR:** Blakeslee [R]
TITLE: Public Resources: Carbon Dioxide Containment Program
INTRODUCED: 01/09/2007
DISPOSITION: Pending
LOCATION: Assembly Natural Resources Committee
SUMMARY:
Requires the Energy Commission to develop a program to facilitate and

encourage the implementation of cost effective containment, scrubbing, and capture technologies to decrease carbon dioxide emission from industrial processes.

Position: Watch

CA AB 118

AUTHOR: Nunez [D]
TITLE: Alternative Fuels: Funding
INTRODUCED: 01/09/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:

Declares legislative intent to provide ongoing funding for alternative fuel research, development, and deployment in order to advance the state's leadership in clean technologies, meet the state's clean air and greenhouse gas emission reduction standards, develop public-private partnerships, and ensure a reliable fuel supply.

Position: Watch

CA AB 140

AUTHOR: Garcia [R]
TITLE: Desert Water Agency
INTRODUCED: 01/16/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:

Authorizes the Desert Water Agency to develop energy for the construction, treatment, and disposal of sewage.

Position: Watch

CA AB 242

AUTHOR: Blakeslee [R]
TITLE: Energy Policy: Emissions of Greenhouse Gases
INTRODUCED: 02/01/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:

Makes legislative findings and declarations regarding the policy and intent of the state with regard to reductions in emissions of greenhouse gases.

Position: Watch

CA AB 578

AUTHOR: Blakeslee [R]
TITLE: Energy: Renewable Energy Generation: Study
INTRODUCED: 02/21/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:

Requires the Energy Resources Conservation and Development Commission to study and submit a report to the Legislature and the Governor, on the impacts of renewable energy generation on the states distribution and transmission grid.

Position: Watch

CA AB 657 **AUTHOR:** Jeffries [R]
TITLE: Greenhouse Gas Emissions
INTRODUCED: 02/21/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
Relates to existing law which designates the State Air Resources Board as the agency charged with monitoring and regulating sources of emissions of greenhouse gases that cause global warming.
Position: Watch

CA AB 739 **AUTHOR:** Laird [D]
TITLE: Stormwater Discharge
INTRODUCED: 02/22/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
Requires the Water Resources Control Board to develop a comprehensive framework for assessing the effectiveness, as measured by receiving water quality, of stormwater management programs. Requires the state board and regional boards to include requirements for evaluating and reporting on program and effectiveness in stormwater permits.
Position: Watch

CA AB 938 **AUTHOR:** Calderon C [D]
TITLE: Water Districts: Urban Runoff
INTRODUCED: 02/22/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
Authorizes a local water district to acquire, construct, operate, maintain, and furnish facilities for the diversion of urban runoff from a drainage course within that district, the treatment of the urban runoff, the return of the water to the drainage course, or the beneficial use of the water.
Position: Watch

CA AB 1207 **AUTHOR:** Smyth [R]
TITLE: Solid Waste: Biosolids
INTRODUCED: 02/23/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
Relates to existing law that requires the State Water Resources Control Board to adopt minimum standards for solid waste facilities. Requires those minimum standards to include standards for the land application of biosolids which would include standards for the land application of biosolids according to sound principles of land use, agriculture, conservation, resource management, public health, and protection of ground water.
Position: Watch

CA AB 1285 **AUTHOR:** Parra [D]
TITLE: Clean Equipment and Technology Investment Initiative
INTRODUCED: 02/23/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
Declares the intent of the Legislature to enact the Clean Equipment and Technology Investment Initiative of 2007, for taxable years beginning on or after January 1, 2008 and before January 1, 2014, to exempt from the sales and use taxes the purchases of specified manufacturing equipment and to allow a deduction from, or a credit against, taxes for research and development expenses of new products for the purpose of reducing greenhouse gas emissions.
Position: Watch

CA AB 1327 **AUTHOR:** Ma [D]
TITLE: Environment: Green Building
INTRODUCED: 02/23/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
States the intent of the Legislature to enact legislation to develop a uniform definition for green building and to extend tax and planning incentives to developers to build green buildings.
Position: Watch

CA AB 1428 **AUTHOR:** Galgiani [D]
TITLE: Energy: Biomass Conversion Customer Generator
INTRODUCED: 02/23/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
Authorizes California State University, Fresno, to receive a bill credit to benefiting account, electricity supplied to the electrical grid by a biomass conversion facility. Requires the commission to adopt a rate tariff for the benefiting account. Requires electrical corporations to provide eligible biomass conversion customer-generators with net energy metering under a pilot program.
Position: Watch

CA AB 1506 **AUTHOR:** Arambula [D]
TITLE: Energy Independence/Early Adapter Bus Incentive Act
INTRODUCED: 02/23/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:
Authorizes small business financial development corporations to provide direct loans and loan guarantees for capital expenditures that reduce greenhouse gas emissions or generate renewable energy. Authorizes the Infrastructure and Economic Development Bank to make loans on capital

equipment directly result in a measurable reduction of greenhouse gas emissions.

Position: Watch

CA AB 1532

AUTHOR: Parra [D]
TITLE: Energy: Eligible Resources Recovery Projects Pilot
INTRODUCED: 02/23/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:

Requires electrical corporations to provide eligible resource recovery projects with net energy metering under a pilot program. Prescribes conditions under which these customers may participate in the pilot program established by the bill and would require the electrical corporation to file a standard tariff providing for net energy metering for eligible resource recovery projects.

Position: Watch

CA AB 1613

AUTHOR: Blakeslee [R]
TITLE: Energy: Waste Heat and Carbon Emissions Reduction
INTRODUCED: 02/23/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:

Enacts the waste heat and carbon emissions reduction act. Requires a load-serving entity to purchase the incidental electricity generated by eligible customers utilizing distributed generation that employs combined heat and power technology that comply with the regulations, or interim guidelines. Requires that the rates be time or use rates that encourage energy conservation and net generation of electricity during periods of peak system demand. Relates to state building energy efficiency.

Position: Watch

CA AB 1703

AUTHOR: La Malfa [R]
TITLE: Water: Storm Water Monitoring Requirements
INTRODUCED: 02/23/2007
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:

Repeals the provisions of the Porter-Cologne Water Quality Control Act. Requires the state Water Resources Control Board to develop minimum monitoring requirements for regulated municipalities that were subject to a storm water permit and minimum standard monitoring requirements for regulated industries to be included in all applicable storm water permits.

Position: Watch

CA SB 247

AUTHOR: Ashburn [R]
TITLE: Greenhouse Gases
INTRODUCED: 02/14/2007
DISPOSITION: Pending

LOCATION: Senate Rules Committee

SUMMARY:

Relates to provisions of the California Global Warming Solutions Act of 2006 which designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases that cause global warming in order to reduce emissions of greenhouse gases.

Position: Watch

CA SB 411

AUTHOR: Simitian [D]

TITLE: Energy: Renewable Energy Resources

INTRODUCED: 02/21/2007

DISPOSITION: Pending

LOCATION: SENATE

SUMMARY:

Prohibits the Public Utilities Commission from requiring a retail seller with 20% of retail sales procured from eligible renewable energy resources to increase its procurement of renewable energy resources in the following year, unless the PUC determines that additional procurement would facilitate the achievement of the greenhouse gas emissions limit adopted pursuant to the Global Warming Solutions Act of 2006.

Position: Watch

CA SB 572

AUTHOR: Cogdill [R]

TITLE: California Global Warming Solutions Act

INTRODUCED: 02/22/2007

DISPOSITION: Pending

LOCATION: SENATE

SUMMARY:

Relates to global warming. Declares the intent of the Legislature to enact legislation urging the State Air Resources Board to consider emissions created by catastrophic wildfire, as well as the benefits created by carbon sequestration within forests.

Position: Watch

CA SB 1001

AUTHOR: Perata [D]

TITLE: Regional Water Quality Control Boards: Membership

INTRODUCED: 02/23/2007

DISPOSITION: Pending

LOCATION: SENATE

SUMMARY:

Amends the Porter-Cologne Water Quality Control Act. Relates to the membership of regional water quality control boards.

Position: Watch

CA SB 1036

AUTHOR: Perata [D]

TITLE: Energy: Renewable Energy Resources

INTRODUCED: 02/23/2007

DISPOSITION: Pending

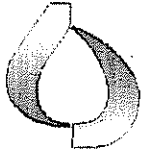
LOCATION: SENATE

SUMMARY:

Repeals provisions providing for the New Renewable Resources Account within the Renewable Resource Trust Fund. Deletes the requirement that the Energy Commission award the production incentives and allocate and award supplemental energy payments to eligible renewable energy resources to cover above-market costs of renewable energy. Requires the Commission to terminate production incentives unless the project began generating electricity by a certain date.

Position: Watch


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Date: March 21, 2007

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (03/14/07)

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

Submitted by: Martha Davis 
Executive Manager of Policy Development

Subject: February 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

February 28, 2007

Legislative Report

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

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

SU: Legislative Report, February 2007

Highlights:

- Administration Proposed Budget Submitted to Congress, Recycling Program Shorted
- House Appropriators Blast Bureau Budget – Lack of Funding for Title XVI
- Dreier Water Recycling Bill To House Floor – Request Pending
- Reps. Miller and Sanchez Introduce Pair of Bills for Santa Ana River, Prado and OCWD Recycling
- Farm Bill Action Initiated – Administration Proposal Initially Well-Received
- News and Notes
- IEUA Working Partners

Administration Proposed Budget Submitted to Congress, Recycling Program Shorted – 1%. The Administration – Department of the Interior/Bureau of Reclamation – submitted the proposed budget to the Congress for the Fiscal Year that begins October 1, 2007 and extends through September 30, 2008. The Bureau's proposed total budget is \$1.3 Billion and requests approximately \$1.0 Billion in new appropriations. From these requests, the entire Title XVI program is limited to a mere \$10.1 million – 1% or less. Since the Senate Energy Committee

hearing last August, the Department and Bureau – at the urging of Senator Feinstein – has been working with water users in California and the rest of the West to remove obstacles to Title XVI. This budget request strongly suggests that the Department and Bureau want to continue to “devolve” the program as Secretary Norton declared in 2003. Additionally, a separate water recycling “research” request was also slashed, with the majority of funds – a little more than a million dollars – assigned to desalination research or internal Bureau overhead. For actual research, they recommended a paltry \$200,000.

House Appropriators Blast Bureau Budget – Lack of Funding and Support for Title XVI. The House Energy and Water Appropriations Committee held a hearing on the Bureau’s proposed budget. This was Commissioner Bob Johnson’s first appearance before appropriators. On a bi-partisan basis, Chairman Visclosky (D-IN) and Rep. John Doolittle (R-CA) both questioned the lack of funding requested for Title XVI as well as the funding requested for the Department’s Water 2025 Program since Congress never authorized the program. Commissioner Johnson explained that the urban areas had the capacity to finance the program themselves, implying that the lack of “Federal” funding request was justified for that reason. In the past, this program has been criticized by former Assistant Secretary of the Interior, Bennett Raley, because it served what he called were “rich cities.”

Rep. Dreier Water Recycling Bill Expected on the House Floor Shortly. As previously reported, on the first day of the 110th Congress, Rep. David Dreier introduced the IEUA and CVWD Title XVI water recycling bill. Cosponsors include Rep. Calvert, Gary Miller and Grace Napolitano and was referred to the House Natural Resources Committee. Rep. Dreier has requested that the bill be placed on a Special Calendar that allows expedited consideration of the bill. It is expected that the bill will be considered in the House in early March.

Reps. Gary Miller and Loretta Sanchez Introduce Pair of Bills to Authorize Prado Basin Natural Treatment System, Construct Regional Brine Lines, Bureau of Reclamation Participation in the Lower Chino Area desalination program and Reauthorization of OCWD’s Water Recycling Program. Rep. Gary Miller’s bill, H.R. 813 and Rep. Sanchez’s bill, H.R. 1175 have been introduced, referred to the Natural Resources Committee and are awaiting hearings and markup.

Congressional Action on Farm Bill Initiated. Administration Farm Bill Recommendations Initially Well-Received. Farm bill consideration is now just beginning. The current Farm Bill expires September.

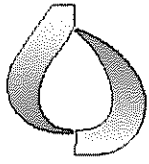
News and Notes. Weiman Attended Cucamonga Valley Water District Dinner Honoring Bob Neufeld. While in the region, I spent a day touring the region, inspecting facilities, and being briefed on issues. ***Energy, Science and Technology Panel Created.*** Senator Harkin (D-IA), Chair, Senate Ag Committee, joined by Senator Chambliss (R-GA), announced the creation of a new subcommittee to address Energy, Science and Technology. It is expected to consider “renewable energy issues” in the pending farm bill. ***ACWA Mid-Winter Meeting.*** In mid-

February (amid freezing weather and Winter Storms), ACWA hosted its annual Washington, DC meeting. *NASA Study Concludes Climate Change Could Mean More Droughts in Southwest.* Science Daily reports that NASA scientists at Goodard Institute for Space Study are concluding that "rainfall could decrease further in already in water-stressed regions such as the southwest United States." Among other things, this further justifies the Bureau of Reclamation's Title XVI water recycling program. *Water Recycling Programs In San Joaquin Valley.* Turlock is now asking for federal support for water recycling. That means that Valley Members of Congress will now be paying more attention to Title XVI. *Colorado River Shortage Allocations.* The Bureau of Reclamation released an EIS on "Proposed Guidelines for Managing Colorado River During Drought Conditions." This EIS is very important to all Southern California water users. Public hearings will be held are being scheduled for April. *Water Recycling TV Special* ACWA Announces that 11th Episode of 'California Water' public television series to address Water Recycling. The episode is entitled "Water Recycling Imitates Nature." *PPIC "Future of Water in California" Report.* The Public Policy Institute of California (PPIC) releases study, conducts briefing in DC on "The Future of California Water in California – Evaluating Options for the Bay Delta Region." *Governor Names New Head of California's DC Office.* Governor Schwarzenegger appoints Linda Ulrich as the Director, the State of California's DC Office. Prior to this appointment, Linda worked for Rep. Ken Calvert. *Dan Beard, Former Commissioner, Bureau of Reclamation, Appointed Chief Administrative Officer, House of Representatives.* Speaker Pelosi appointed Dan Beard to be CAO, House of Representatives. In his new, he will oversee a \$1.2 Billion budget, and some 700 employees who, collectively, run all aspects of the institution. As Commissioner, Beard was a major supporter of Title XVI.

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

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Date: March 21, 2007

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (03/14/07)

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

Submitted by: Sondra Elrod
Public Information Officer

Subject: Public Outreach and Communications

RECOMMENDATION

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

Outreach/Tours

- Tour of Desalter for Daily Bulletin Reporter
- Article on RP-5 ran in the Inland Valley Daily Bulletin's City News on Friday, March 9, 2007.

Calendar of Upcoming Events

- March 5, 2007, Chino Planning Commission meeting, IEUA Board Room, 7:30 p.m.
- March 19, 2007, Chino Planning Commission meeting, IEUA Board Room, 7:30 p.m.
- March 19, 2007, IEUA hosted Special District dinner, Panda Inn, 6:30 p.m.
- March 20, 2007, Chino Council Meeting, IEUA Board Room, 7:30 p.m.
- March 21, 2007, Water Agencies of the Inland Empire (IEUA, CVWD, EMWD, WMWD, and others), Chops Steakhouse, Sacramento, 5:30 p.m. to 7:30 p.m.
- March 23, 2007, SCWC meeting, Ontario Hilton, 10 a.m. to 2:00 p.m.
- March 28, 2007, Montclair State of the City Address, Montclair Community Center, 11:30 a.m.
- April 2, 2007, Chino Planning Commission meeting, IEUA Board Room, 7:30 p.m.
- April 3, 2007, Chino Council meeting, IEUA Board Room, 7:30 p.m.
- April 10, 2007, San Bernardino County State of the County Address, Ontario Convention Center, 11:30 a.m.
- June 2, 2007, Chino Creek Wetlands and Educational Park dedication, 10:00 a.m.

**OUTREACH/EDUCATIONAL INLAND VALLEY DAILY BULLETIN NEWSPAPER
CAMPAIGN**

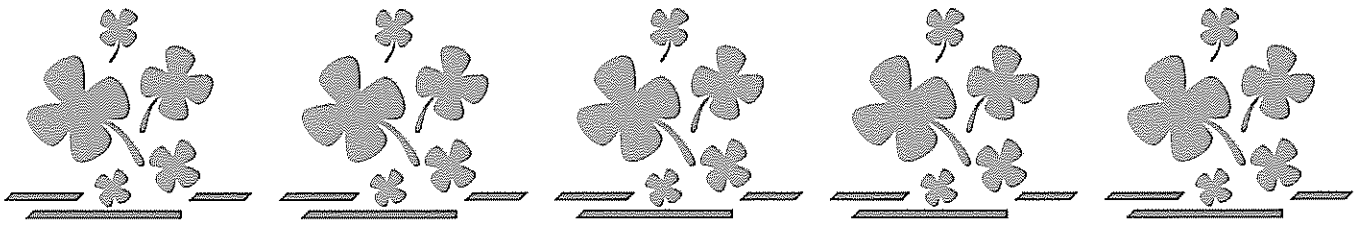
- Eight-Page ad, February 28, 2008
- Two-page ad, Civic Leadership, March

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

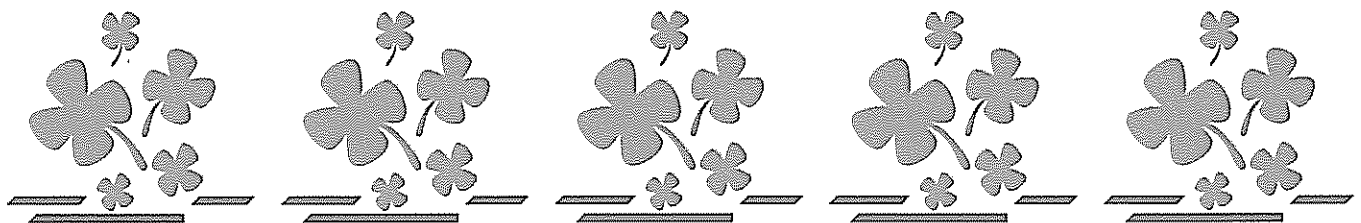
None.

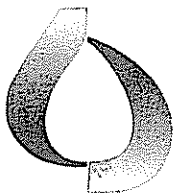


CHINO BASIN WATERMASTER

IV. INFORMATION

1. Metropolitan Water District Letter





Inland Empire
UTILITIES AGENCY*
* A Municipal Water District

6075 Kimball Avenue • Chino, CA 91710
P.O. Box 9020 • Chino Hills, CA 91709
TEL (909) 993-1600 • FAX (909) 993-1983
www.ieua.org

February 13, 2007

Mr. Jeff Kightlinger, General Manager
Metropolitan Water District
P.O. Box 54153
Los Angeles, CA 90054

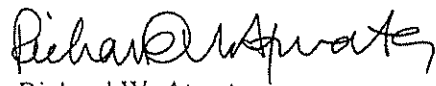
Dear Mr. Jeff Kightlinger:

The Chino Basin Watermaster and Inland Empire Utilities Agency would like to request that Cyclic Storage Account be extended for another 5 year period. The current Cyclic Storage Agreement (Amendment # 7) will expire on December 31, 2007. During the past few years, IEUA and Watermaster have expended over \$50 million dollars to retrofit 20 basins within the Chino Basin to recharge imported water, storm flows and recycled water. The current account balance is zero in the Cyclic Storage Account and therefore we have an opportunity given the very dry winter to continue taking surplus MWD replenishment supplies for future Chino Basin Watermaster replenishment needs. That program has been very successful and currently allows us to recharge more water than we need to meet our current replenishment obligations. Currently this fiscal year over 50,000 AF of SWP replenishment water supplies delivered through the Rialto Pipeline will be recharged into the Chino Basin. The cyclic storage account will allow Watermaster the additional flexibility needed to ensure maximum use of "surplus" SWP supplies for replenishment of the Chino Basin in excess of our current fiscal year financial capability.

In addition, next year we will be renovating the Upland Basin to accept much larger flows for both flood control and imported water recharge. That project will not only eliminate the Upland basin for recharge during 2007 and much of 2008, it will reduce the amount of water we can recharge in the College Heights basins over that same period of time. The Cyclic Storage account, if extended, will provide Watermaster with options in meeting our long term needs by storing water over the next couple of months and then purchasing it out of cyclic storage account next year when we will need it to meet replenishment obligations.

We anticipate that water in the account would be cycled in and out over short periods of time during the next five year period. And as stipulated in the current agreement Watermaster would be obligated to purchase the remaining balance at the end of the new five year term. If you have any questions or want to discuss any of the elements within the agreement, please do not hesitate to contact us.

Sincerely,
INLAND EMPIRE UTILITIES AGENCY


Richard W. Atwater
Chief Executive Officer/
General Manager

CHINO BASIN WATERMASTER


Kenneth R. Manning
Chief Executive Officer

G:\AM\Exec\Cyclic Storage Request 07 RWA 2-8-07.doc

Fifty-Five Years of Excellence in Water Resources & Quality Management

John L. Anderson
President

Wyatt Troxel
Vice President

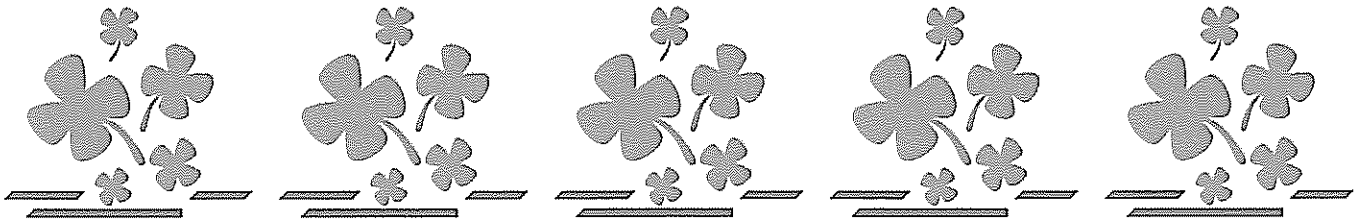
Gene Koopman
Secretary/Treasurer

Angel Santiago
Director

Terry Catlin
Director

Richard W. Atwater
Chief Executive Officer
General I

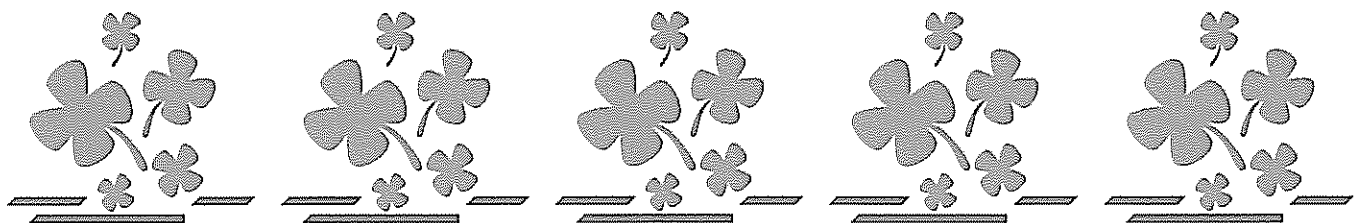
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CHINO BASIN WATERMASTER

IV. INFORMATION

2. Newspaper Articles



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Water at prisons still bad

Nitrates from dairy runoff remain despite millions spent

By Mason Stockstill, Staff Writer
Inland Valley Daily Bulletin

Article Launched:02/24/2007 12:00:00 AM PST

CHINO - After spending millions on a facility to clean up groundwater at the California Institution for Men, officials said the plant has not done its job.

The Department of Health Services reports that at various inspection times since 2001, CIM has exceeded the allowable nitrate level in the water supplied to the distribution system.

Special Section: Criminal Neglect

DHS issued a compliance order to CIM in 2005 after finding the treatment plant was in need of improvements and not performing properly.

The order required numerous improvements and possible expansion to the system if it could not be found capable of treating CIM's current source capacity.

Corrosion is one of the problems identified, said Terry Thornton, spokeswoman for the California Department of Corrections and Rehabilitations.

"Continued degeneration of various controls and valves also contributed to why it is shut down," she said.

Because of the water contamination, which includes high nitrates, CIM administrators regularly issue memos warning visiting parents not to give water from the prison's taps to infants younger than 6 months old. Pregnant women are also warned away from the water.

"Excessive levels of nitrate in drinking water have caused serious illness and sometimes death in infants less than 6 months of age," read one memo distributed in 2005 at the prison.

More than a decade ago, the state budget included a \$5.5 million line item for construction of the denitrification plant, payable from the Public Safety Bond Act of 1996. That's on top of the nearly \$1 million approved in 1994 for plans and engineering work prior to building the plant.

But is the denitrification system fighting a losing battle?

The groundwater in and around the prison grounds is high in nitrates, mostly caused by runoff from decades of agricultural use in Chino.

"Dairies and other agricultural operations in Chino basin are one of the sources of nitrogen or salt in Chino basin," said Kurt Berchtold, assistant executive officer of Santa Ana Regional Water Quality Control Board, which serves Chino basin in its coverage area.

Other contaminants are present in the groundwater, according to the California Department of Health Services and the Chino Basin Water Master. Previous tests have turned up chloroform, tetrachloroethylene, toluene, carbon tetrachloride and trichloroethane.

"I'm personally concerned because this is a huge taxpayer concern," CIM Correctional Officer Marty Aroian said.

Aroian said he began drinking mostly bottled water in the early 1990s when somebody at the Institution began questioning the water quality.

"The problem with the water as I understand is excess nitrates from dairies. Most workers here do not drink the water," he said.

"The people who do drink it are the inmates."

Nearby California Institution for Women, which draws groundwater from some of the same wells used by CIM, provides bottled water to its inmates.

"About 15 years ago CIW began getting their water from CIM because the wells here were considered to be so high in nitrates," said Lt. Larry Aaron, administrative assistant at CIW.

The cost for CIW to supply inmates with bottled water, which also includes bagged ice and five gallon jugs used for cooking, is \$43,520 monthly.

Aaron said in 2001 CIW began to give all of the inmates bottled water because the warden at the time, John Dovey, didn't want to take any chances with the health of women, especially pregnant ones.

"Since pregnant women didn't have the option, he decided to be proactive because he didn't know what high nitrates would do to an unborn child," Aaron said.

According to DHS, consuming elevated levels of nitrate or nitrite are particularly dangerous to infants and pregnant women because they can reduce oxygen in the blood.

CDCR expects the denitrification plant to be operating properly in the 2008-09 fiscal year, Thornton said.

"A consultant has been hired and identified what needs to be repaired to make it operational," she said.

Currently the repairs and upgrades are being designed.

"Once the consultant has completed the design we'll have a construction cost estimate," Thornton said.

DHS conducted a field inspection at CIM in January to follow up on the progress of the needed repairs, but Patti Roberts, DHS spokeswoman, said the findings were represented as they were in 2005 when the compliance order was issued.

She said the department will perform another nitrate inspection in March.

BY THE NUMBERS

2,251 - California Institution for Women inmates
\$43,520 - Monthly amount spent on bottled water and ice at CIW
\$6.5 million - Amount spent to construct a denitrification plant

Staff writer Shelli DeRobertis contributed to this article.

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Aerojet cleanup sails past 7,000-munitions mark

By Marianne Napoles

Despite years of testing and cleanup and the expenditure of millions of dollars, work at the Aerojet Ordnance site in Chino Hills remains unfinished.

More than 7,000 munitions and explosives have been found at Aerojet since 1995 and have been destroyed, according to company officials who spoke at a city study session Tuesday.

The company has spent more than \$40 million so far to clean the facility on Woodview Road, south of the new

Vellano development.

City manager Doug LaBelle said he asked for the study session because the state's Department of Toxic Substances Control (DTSC) is in the final stages of reviewing an ordnance document submitted by Aerojet in August called a "site conceptual model."

Nobody from the public attended the 5 p.m. study session, a far cry from 1999 when residents packed town hall meetings to talk about explosives and chemicals at Aerojet.

Under the oversight of the state, tons

of soil containing ordnance, explosives, depleted uranium, and perchlorate, a chemical used in the manufacture of solid rocket propellants, have been removed.

Aerojet tested and assembled munitions systems for the federal government, including the Dragontooth mine used in Vietnam, and the Minuteman intercontinental ballistic missile.

Chemical warfare agents were tested and developed from 1964 to the 1980s, including lethal nerve gases such as sarin and mustard gas.

The production of the organic chemicals was conducted under a confidential government contract, so the exact nature of the chemicals is unknown, according to Aerojet-related documents.

Waste chemicals were treated in two ponds filled with caustic solutions, and then allowed to evaporate. The ponds were closed in 1979 and 1980, after the facility stopped manufacturing the chemicals, according to a preliminary

See AEROJET, Page A4

A4 - Champion Aerojet

Continued from Page A1
assessment report.

Two additional ponds, used to evaporate wastewater from the cleaning of equipment and explosives runoff, closed in 1979.

Hassan Amini, vice president of Geomatrix, a technical consulting firm hired by Aerojet for the cleanup, briefed the city council on the closure activities, which await final approval of the DTSC and the Department of Health Services (DHS).

Dr. Amini said more than 47,000 suspected ordnance items and 120,000 pounds of ordnance fragments were recovered from the eastern portion of the facility called the "open burn/open detonation" unit, which was used from 1968 to 1994 for burning and detonating explosives. This area was excavated and processed, he said. The soil was screened mechanically and segregated.

Aerojet leased the 180-acre site from landowner Clyde McDermont. Aerojet recently purchased the McDermont Ranch, said Aerojet spokesman Tim Murphy.

The 800-acre Aerojet site previously consisted of 400 acres of its own land, and another 400 privately owned acres that were used as a buffer zone for the outlying community, although operations occurred on some of those buffer lands. With the purchase of the McDermont Ranch, Aerojet now owns 580 acres.

Approximately 1,700 tons of soil contaminated with the explosive RDX were removed from the open burn

Saturday, February 17, 2007

and detonation area, according to a remediation report.

The final ordnance removal report for the detonation area is expected to be submitted to the DTSC in a month or so, Dr. Amini said.

More than 3,000 tons of soil containing depleted uranium in 19 areas were removed under the oversight of DHS's Radiologic Health Branch. DHS evaluates the radioactive component of depleted uranium and the DTSC looks at its toxicity, Mr. Murphy said.

Depleted uranium projectiles, able to pierce armor, were fired into target plates and sand to test performance. The material is considered low-grade radioactive. The DTSC concluded in a 2004 report that depleted uranium levels in the soil, surface water and groundwater were within acceptable levels.

However, in a letter to Aerojet dated Jan. 11, the DTSC informed Aerojet that the values reported for uranium in subsurface water at one area of the site were higher than results from previous sampling efforts.

Karen Baker, branch chief of the DTSC, said the depleted uranium levels were reported at 400 parts per billion in a preliminary assessment report, and recent testing shows levels at 1,410 parts per billion. The cleanup goal is 1,300 parts per billion, she said. A part per billion is about the same as one drop in 10,000 gallons.

The DHS is still reviewing the results and will complete its own testing as part of its review process, Dr. Amini said.

Responding to questions from city council members about soil and water

testing off site, Dr. Amini said more than 180 surface water samples and 230 subsurface water samples were collected throughout the facility. He said testing didn't occur offsite because onsite samplings showed no concentrations exceeding acceptable levels.

According to reports produced by Dr. Amini, groundwater contamination is unlikely to migrate due to the hydrology beneath the site.

Dr. Amini said 10 areas on Aerojet required remediation and 8,000 tons of materials were taken offsite in trucks that were covered with tarps and brushed before leaving the site.

Of the 10 areas requiring remediation, one was Redwater Pond, where wastewater was generated from the cleaning of equipment used in the loading of explosives. This pond, which was closed in the 1980s, contained RDX, one of the three chief chemicals of concern at Aerojet. The other two are HMX, an explosive chemical, and perchlorate.

Dr. Amini said the 10 areas are undergoing additional testing and remediation. Aerojet anticipates submitting a report on these 10 areas this summer.

Dr. Amini said four "proveouts" took place in which munitions and explosives were swept using geophysical detection equipment. A proveout is a field demonstration that requires third-party technicians. Weapons are buried at various depths, and an ordnance team sweeps the area to see how many are recovered, in the presence of DTSC officials.

The city of Chino Hills hired Parsons Infrastructure and

Technology Group of Pasadena to provide a "second set of eyes" and technical input to the city. As a result of concerns expressed by Parsons, the DTSC required Aerojet to do another field demonstration.

DTSC official Jim Austreng, coordinator of unexploded ordnance, said the agency's mission is to protect public health and the environment. He discussed four cleanup projects, including the Tourtelot project, a former defense site in Benicia certified for residential development by the DTSC in 2004. The former arsenal will now contain 417 homes on 220 acres. Mr. Austreng showed several photos and a map of the project, stating that he would live there if he could afford it.

City attorney Mark Hensley said Mr. Austreng made a lot of statements about "success" but not all cleanup projects have been successful. "I was a little surprised at some of the comments," he said, looking directly at Mr. Austreng.

After the meeting, he said he thought it was "highly unusual" for a technical person to become an advocate for a particular land use, especially when the Chino Hills site is still in the analysis phase of additional testing and cleanup. Mr. Hensley said the effective rates from field demonstration sweeps is anywhere from 80 percent to 95 percent.

"With the number of ordnance that has been found at the Chino Hills site, that potentially leaves a large number of ordnance that hasn't been found," Mr. Hensley said.

"The policy makers may not find that to be an acceptable risk for residential development."

Freeway dive kills driver; baby survives

By Josh Thompson

A driver who died Thursday afternoon when her car plunged nearly 100 feet off an Orange County freeway overpass was identified as a 21-year-old woman from Chino. The woman's 10-month-old son was strapped in a car seat and was treated for minor injuries.

Natalie Canton was pronounced dead at the scene, authorities said.

Police said Ms. Canton was driving a black Acura Integra at about 80 mph on the eastbound 91 Freeway transition to the northbound 57 Freeway when for some reason she slammed on the brakes and lost control. The car went airborne over the side of the freeway and landed 100 feet below.

The crash was reported at 2:06 p.m., authorities said.

Authorities said the car landed on its bumper and then its wheels on a dirt pile underneath the freeway transition. A witness unstrapped the baby, Aiden Koch, from his car seat before police arrived. The baby was expected to be released from the hospital late Thursday night.

The California Highway Patrol is investigating.

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Ontario taps Rancho for water reservoir

By Wendy Leung, Staff Writer
Inland Valley Daily Bulletin

Article Launched:02/06/2007 12:00:00 AM PST

RANCHO CUCAMONGA - Just a stone's throw away from Victoria Gardens, on one of the city's busiest thoroughfares, is a piece of property belonging to an unlikely owner - the city of Ontario.

Rancho Cucamonga's southern neighbor has hopes of installing a water reservoir on the southeast corner of Rochester Avenue and Foothill Boulevard.

Ontario acquired the 12-acre property in 2004 because the area's elevated location would provide adequate water pressure for the Ontario Municipal Water System.

"Physically (the water tanks) need to be uphill so there's water pressure," said Jim Strodbeck, Ontario's redevelopment director. "We had to put our reservoir north of city limits."

But according to Strodbeck, only a portion of the land is needed for the two water tanks, leaving more than seven acres of prime property open for development.

"It's not important for us to have street frontage," Strodbeck said. "What we decided to do was to sell off excess to somebody to develop that property in accordance to plans by Rancho Cucamonga."

Plans are under way to build office and retail space at the site facing Foothill Boulevard.

Funds from selling a portion of the property will go toward the purchase of the water reservoir, Strodbeck said.

Ontario recently extended the escrow closing date with Commercial Realty Advisors Inc. as it waits approval from Rancho Cucamonga.

Adjacent to the property is a historic house built in 1938, once part of the Aggazzotti winery. The house, still owned by the Aggazzotti family, is not part of the Ontario property and is expected to remain.

Dan James, senior civil engineer for Rancho Cucamonga, said the city is awaiting Ontario to clear up property line issues with the owners of the Aggazzotti house.

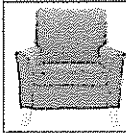
Rancho Cucamonga City Manager Jack Lam said it's not unusual for cities to own property in neighboring communities.

"Utility facilities can be built anywhere," Lam said. "What Ontario did was being neighborly and contacted us about getting the best project."

Ontario also owns a utility property in Upland.

Staff writer Wendy Leung can be reached by e-mail at wendy.leung@dailybulletin.com, or by phone at (909) 483-9376.

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State board to hear local perchlorate case

Jason Pesick, Staff Writer

Article Launched: 02/06/2007 12:00:00 AM PST

After nearly a week of procedural feuding, state officials will decide whether three suspected polluters will have to clean up perchlorate in Rialto and Colton's water.

On Monday, the acting executive director of the State Water Resources Control Board wrote a letter saying that the agency will hold a hearing on the issue.

A dispute between the state board and the local Santa Ana Regional Water Quality Control Board began on Jan. 30 when the acting director of the state board, Thomas Howard, questioned the process the regional board was following to hold hearings and issue a cleanup order.

Howard challenged the appointment of an independent hearing officer that the regional board chose to issue a cleanup order. The appointment was made because of charges that the regional board was biased.

After Howard questioned his appointment, hearing officer Walt Pettit stepped down, sending the regional board into a tizzy.

Regional water board officials charged three companies and San Bernardino County with contributing to contaminating the Rialto-Colton basin with perchlorate. The chemical, used in rocket fuel, fireworks and other explosives, can interfere with the thyroid gland. It has been found

moving south and toward Colton from Rialto's north end.

The contaminated water is not being served to local residents.

The county has already begun the cleanup. Now the local water board wants Goodrich Corp., Emhart Industries Inc. - a subsidiary of Black & Decker Corp. - and Pyro Spectaculars Inc. to take responsibility for polluting the basin and pay for the cleanup.

William L. Rukeyser, public affairs director for the state board, said Howard decided the state board will hear the issue because he believes it is the most efficient and fastest way to proceed.

He said the goal is to reach a decision that will be "bullet proof" and will not lead to years of court battles.

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A letter from Howard said the state board "intends to hold a hearing on this matter at the earliest possible date."

Davin Diaz of the Center for Community Action and Environmental Justice said he has mixed feelings about the state board hearing the issue. He said he hopes this decision will speed up the cleanup by eliminating a step in the process, but he also said it will be more difficult for people in Rialto and Colton to participate.

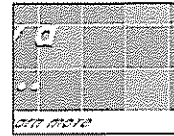
He said he hopes the hearing will be held in Rialto, not Sacramento.

Diaz also had tough words for the regional board for failing to get the contamination cleaned up 10 years after it was discovered and for opening itself up for the bias charges.

"I believe the state's stepping in because this regional board dropped the ball."

Kurt Berchtold, the regional board's assistant executive officer, said although the regional board disagrees there was any bias against any of the suspected polluters, he thinks Howard's decision is a good one because it eliminates any claim of bias at the regional level.

He said over the summer the regional board asked the state board to hear the case before it appointed Pettit.



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The state board declined to hear the case at that time.

Rialto City Attorney Bob Owen said speed is a top priority for the city.

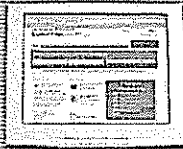
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State to Aerojet: You're not done

Perchlorate, explosive chemicals remain on Chino Hills property

By Shelli DeRobertis, Staff Writer
Inland Valley Daily Bulletin

Article Launched:02/05/2007 12:00:00 AM PST

CHINO HILLS - After seven years of overseeing the cleanup of the former Aerojet munitions facility in the city, the state still can't give the property a clean bill of health.

But the project is nearing a major milestone.

The main task left for the property is the search for and removal of explosives and its residue from the facility's open burn/open detonation area, said Tim Murphy, public affairs director for Aerojet GenCorp in Sacramento.

He said the cleanup has been moving forward at a good pace, but the greatest scope of work is the ongoing sweep of the property for materials left from past testing.

"Our goal is to meet the highest potential future use for the site," said Murphy, adding that being thorough is more important than speed in the cleanup of the Department of Defense testing site.

From 1954 to 1995, Aerojet assembled and tested military weapons on 400 acres of rolling hills at the end of Woodview Road. The entire area is 800 acres, of which 400 acres were either leased or used as a buffer zone.

After Aerojet closed the site in 1995, the state Department of Toxic Substances Control began its investigation and determined that among the contaminants in the soil and surface water were unexploded ordnance, perchlorate and depleted uranium.

Murphy said cleanup has focused on those three materials.

In 2003, the removal of uranium was completed followed by a health risk assessment. DTSC determined in 2004 that uranium levels there were within acceptable human health-based levels.

Chino Hills City Manager Douglas La Belle has met with Aerojet and DTSC officials to review a conceptual site model that details how Aerojet will complete the site's cleanup.

La Belle said the meeting is one of many to come, because the city and Aerojet have agreed to keep residents informed of cleanup efforts.

"As they get closer to the final cleanup activities on the site, it starts a couple-year process on community information," he said.

La Belle said the city requested Vellano Country Club officials to inform prospective buyers about the history of the Aerojet property, because of the proximity of the private gated community to the site. Vellano is located west of the Ferree Street and Woodview Road intersection.

"We made a request to Vellano to make an outreach to their prospective buyers because DTSC has received calls from buyers," who inquire about the Aerojet land, La Belle said.

The Vellano neighborhood, which encompasses nearly 600 acres and borders the Aerojet property, is being developed to include 205 single-family houses, each of which will be priced starting from at least \$1 million.

Prior to home ownership in Vellano, buyers are now required to sign a disclosure statement that details activities on Aerojet property.

Jeanne Garcia, spokeswoman for DTSC, said part of the upcoming meetings include a plan with Aerojet to educate residents in surrounding areas on what to do if they come in contact with explosives or their residue.

She said it will be the first site-specific Community Education Plan that DTSC has prepared. Encroaching development in the area is making that necessary.

She said it is impossible to guarantee that every bit of the ordnance will be found.

"We don't know if we'll clear it all, just a portion, or none of it," she said.

Residents are urged not to touch any suspected ordnance they may find.

Six different properties along the Aerojet property have also been subject to investigation.

"We've been performing sweeps on and around the surrounding properties since 1995 when corrective measures began," Murphy said.

Murphy said cleanup is taking place in targeted areas by using a scientific methodology of defined lanes that form a pattern, where the cleanup crew take readings with a magnetometer to seek any ordnance.

Garcia said even though Aerojet's final cleanup report on uranium has been submitted, perchlorate, other explosive chemicals and unexploded ordnance are still on the property and need to be removed.

Murphy said that in some cases during detonation of ordnance too much explosives were used, which propelled dirt, rocks and fragments into the surrounding land.

"One concern is we are dealing with the potential of live rounds to be out there," Murphy said.

In 2002, magnesium munition was found during a sweep at nearby Chino Hills State Park, and ongoing cleanup efforts have retrieved other ordnance in properties adjacent to Aerojet.

On 73 acres east of Aerojet, 2,571 munitions and explosives have been found since cleanup began in 1999.

In 2003, a highly explosive 30mm projectile was found, along with several other ordnance components.

"Once everything is completed - the contaminants are removed or either stay in place - DTSC will either certify the land for development or a deed restriction may be placed on it," Garcia said.

Such a restriction could mean, for example, that the Aerojet property could be zoned only industrial, Garcia said, and have certain conditions for development.

Hazard country



Will Lester/Staff Photographer

An abandoned testing site and building sit on the southern edge of the Aerojet facility in Chino Hills. While the open land and hillsides might be enticing to developers, Aerojet is still cleansing 10 sites on the property of uranium.

Aerojet site may look serene, but several areas still contaminate

By Shelli DeRobertis
Staff Writer

CHINO HILLS — The road to the 400-acre Aerojet site winds for about a mile and a half along grass-covered hills that act as a haven to grazing cows.

Near the entryway of the former military equipment-testing site, an abandoned administration building on one hill overlooks a parking lot and helicopter pad.

The cracked pavement leads through dry, rugged brush and tall weeds that cover hills of various sizes. Branching off the road are lots showing the different testing sites that once claimed their own

spaces, like campers in a campground.

But it's not what's on top of the ground that's of interest to Aerojet officials and Chino Hills residents. It's what lies beneath.

Of 29 identified locations on the Aerojet site where munitions testing took place, 10 continue to be the focus of the company's \$40 million cleanup effort, which started soon after Aerojet closed the plant in 1995.

Aerojet, a rocket and missile propulsion systems maker based in Sacramento, is a subsidiary of GenCorp, headquartered in Rancho Cordova. Aerojet's development and testing methods caused

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Visit our Web site for related stories and a photo gallery of the Aerojet property, a former munitions testing ground, in Chino Hills.

toxic contamination of the Rancho Cordova site, which was designated as an Environmental Protection Agency Superfund site.

GenCorp reported 2006 sales of \$621.1 million and a net loss for the year of \$38.5 million, which included an \$8.5 million charge for settlement of environmental toxic tort cases.

In order for Aerojet's land in Chino Hills to be cleared for sale, the state Department of Toxic Substances Control must deem the

site relatively free of harmful chemicals, including depleted uranium.

Terrance Griffin, executive vice president of Aerojet/GenCorp, said Aerojet didn't make depleted uranium on site, but the company used it for testing "because it was a dense metal that would penetrate thick armor."

A narrow dirt path teeters along the edge of a steep cliff where approximately 300 feet below, densely vegetated canyon walls were used for testing weapons. Most guns were fired here.

The location is known as the Open Burn/Open Detonatic

Se

AEROJET

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Continued from Page A1

area, or I Charlie. The site's subsurface water is being monitored for the presence of perchlorate, a chemical used in manufacturing rocket fuel that has contaminated some Southern California groundwater basins.

Aerojet already has swept I Charlie for ordnance — leftover munitions and explosives. Eighty-five thousand tons of material were processed as part of corrective measures, Aerojet Director Scott Goulart said.

Heading farther south on the main road, the vegetation becomes colorful near a seasonal wash that has water trickling through its mile-long stretch.

Various places along the wash have been tested repeatedly, Goulart said, but the wash hasn't been a cleanup concern.

"None of the concentrations detected at any point in the creek, to date, pose a risk," Goulart said.

Goulart also said equipment used to monitor air had reported uncontaminated air.

DTSC required strategic placement of the air monitors, equipment that resemble a bladeless windmill.

Aerojet submitted a report on recent surface water tested from one of its areas called Upper A 12, and DTSC Branch Chief Karen Baker said the levels of depleted uranium came back as being too high.

Baker said a report filed by Aerojet on the area in 2004 showed acceptable levels of depleted uranium at 400 parts per billion.

But the November 2006 report filed by Aerojet on depleted uranium levels for Upper Area A 12 showed 1,410 parts per billion.

She said that when depleted uranium exceeds 1,300 parts per billion, it poses a public safety and health concern.

Baker said DTSC recently informed Aerojet that "because of the increase, your concentration is now above the level, and therefore you need to go back and re-evaluate the Upper A 12, and continue to do sampling after rainfall events."

Before Aerojet receives permission to sell or develop the property, it must first work with the city of Chino Hills to decide what the future land use will be.

It is currently zoned rural residential, allowing two units per acre, with a minimum lot size of 20,000 square feet.

"As we start looking at how we need to clean things up," Goulart said, Aerojet will use hypothetical scenarios for the future use of the property.

Those scenarios could include residential, industrial, or office zoned land uses.

He said within the next 18-24 months, the series of scenarios will be presented to DTSC as alternatives for the property's use, which will be a cooperative effort between the city and Aerojet.

Mayor Pro Tem Curt Hagman said the city is restricted on what it can do, and when Chino Hills incorporated in 1991 the zoning on the Aerojet property was part of the master plan.

"It's rural residential, and we have gone over no scenarios to change it," Hagman said, adding that he agreed with Mayor Gwenn Norton-Perry that the council's main goal is the safety of the city's residents.

"We need to ensure the safety of our residents and future residents of Chino Hills," Norton-Perry said.

"At the sake of not developing the area — that's fine with me."

Baker said that DTSC will continue meeting with Aerojet in the next two years until a decision on the fate of the land is reached.

"They will formally propose to us what they want to do with the land," Baker said. "If we agree, we then formally put it out for public comment and the city decides what they want, and follow a process designated to land use."

Norton-Perry said that two years isn't enough time for the decisions to be made, because "it's not a rosy picture."

Staff writer Shelli DeRobertis can be reached by e-mail at shelli.derobertis@dailybulletin.com, or by phone at (909) 483-8555.

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State takeover of perchlorate fight welcome

Article Launched:02/12/2007 12:00:00 AM PST

It's been 10 years since perchlorate was found to be contaminating the groundwater in Rialto and Colton, and still, little has been accomplished in getting the suspected polluters to pay for the cleanup.

Though the Santa Ana Regional Water Quality Control Board has accused three corporations and the county of leaking or dumping the chemical into the groundwater, not to mention Rialto's and Colton's lawsuits naming an assortment of defendants, it has been unsuccessful at getting the issue resolved.

Though the tainted water is not being served to local residents and the county - which was not responsible for the original contamination but bought land tainted by the chemical - has begun the cleanup to safeguard local wells, it is a major, costly headache that nags on year after year. At least 22 wells in Rialto, Colton and Fontana have been fouled with the chemical that threatens thyroid function, and several have been shut down.

Aggravated at the regional board's lack of progress - as we all are - as the perchlorate plume continues to push southeastward, the state Water Resources Control Board has shoved aside the local agency and plans to hold a hearing at the earliest possible date.

At long last, accountability may be at hand. And, we would hope, some definitive action.

The local board has long pressed Goodrich Corp., Emhart Industries Inc. and Pryo Spectaculars Inc. to take responsibility, to no avail. Goodrich has paid \$4 million so far, but it has been just a drop in the bucket compared with the anticipated \$200 million to \$300 million total cost of wellhead treatment and cleanup.

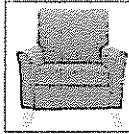
Further stalling the effort, Emhart, a subsidiary of Black & Decker Corp., has lodged bias charges against the regional board, though it has as yet paid nothing toward the cleanup.

So now, the state board has decided to hear the issue. And we'd have to agree, it looks to be the quickest, and we hope the most effective, way to go.

For his part, the state agency's acting executive director, Thomas Howard, has made it his goal to reach a decision that will be "bullet proof" and not lead to years of court battles. We can only hope that turns out to be the case.

Over the last decade, as the suspected polluters have balked at accepting responsibility for the cleanup, perchlorate has continued to creep from Rialto's north end toward Colton - about on a par with the crawling pace of justice. It's about time the state stepped in and forced those liable for the mess to pay their share.

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Water conservation urged; workers upgrading pipes
By Matt Wrye, Staff Writer

Article Launched: 02/08/2007 11:00:00 PM PST

While Chino Valley and the surrounding areas are halfway through a water conservation period, there are still three days left to conserve this precious fluid.

"It's a time for people to remember to conserve and not waste water," said Sondra Elrod, spokesperson for the Inland Empire Utility Agency.

The water wholesaler and the Metropolitan Water District are asking residents to reduce water usage indoors and outside from Feb. 5-11 while the district upgrades sections of its Rialto Feeder.

"That pipeline will be cut off, and there will be no water flowing through it," Elrod said. "We'll be relying on ground water. Luckily, we have the Chino Basin groundwater."

The district's 30-mile feeder pipeline extends from north of San Bernardino to MWD's San Dimas Power Plant, supplying up to 450,000 gallons of imported water a minute for 6 million residents, according to an IEUA news release. It's the agency's only source to help keep up with water demands from Chino, Chino Hills, Ontario, Upland, Montclair, Fontana and Rancho Cucamonga residents and businesses.

"(A) pipeline is bringing Northern California water down to Southern California," Elrod said. "This one feeder brings it down to our cities

- cities affected by the Inland Empire Utilities Agency."

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The agency relies on MWD for 30 percent of its water, with the rest coming from the Chino Groundwater Basin.

Like other winters, MWD is taking advantage of the season's lower water demand to install vaults in an 8-foot diameter pipeline, which will include isolation valves.

"Once we're able to put in isolation valves, we won't have to shut down the whole feeder," said Bob Muir public affairs manager for the water district. "We'll be able to isolate portions of the pipeline (for service)."

A 20-foot pipeline section will also be installed, maintaining a pipeline area affected by a major shutdown back in 2004, and work crews will inspect other portions of the water line.

The winter maintenance and inspection process isn't anything new, Elrod said.

Both water entities encourage residents to water landscapes and lawns less often, hand wash vehicles and use less water when filling swimming pools.

Indoor usage tips include running full laundry and dishwasher loads, taking 10-minute showers and not leaving water faucets turned on.

Matt Wrye can be reached at (909) 483-9367 or by e-mail at matt.wrye@dailybulletin.com.

FYI:

WHEN: Feb. 5-11

WHERE: Chino, Chino Hills, Ontario, Upland, Montclair, Fontana and Rancho Cucamonga

INFORMATION: Local water agencies and districts are asking residents and businesses to conserve water. Water-saving tips can be found at www.bewaterwise.com.

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Cucamonga Valley Water District, (909) 987-2591

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