



CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

Thursday, June 28, 2007

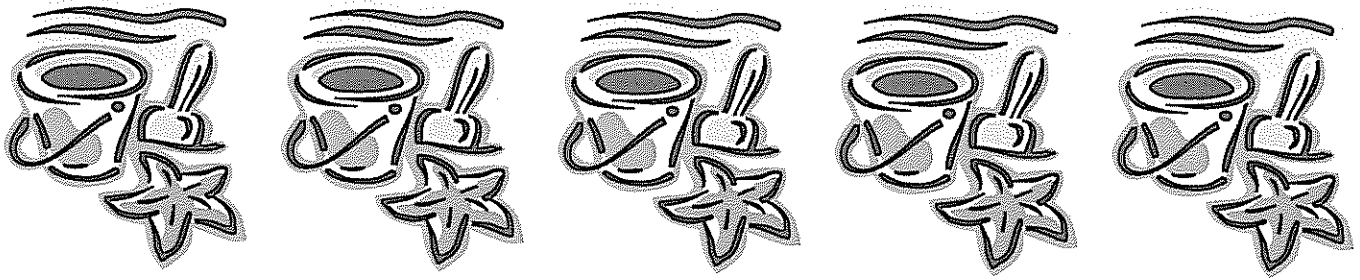
9:00 a.m. – Advisory Committee Meeting
11:00 a.m. – Watermaster Board Meeting

(Lunch will be served)

AT THE CHINO BASIN WATERMASTER OFFICES

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





CHINO BASIN WATERMASTER

Thursday, June 28, 2007

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

(Lunch will be served)

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

9:00 a.m. – June 28, 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 May 24, 2007 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2007 *(Page 15)*
2. Watermaster Visa Check Detail *(Page 19)*
3. Combining Schedule for the Period July 1, 2006 through April 30, 2007 *(Page 21)*
4. Treasurer's Report of Financial Affairs for the Period April 1, 2007 through April 30, 2007 *(Page 23)*
5. Profit & Loss Budget vs. Actual July 2006 through April 2007 *(Page 25)*

C. WATER TRANSACTION

1. Consider Approval for Notice of Sale or Transfer – The City of Upland has agreed to purchase from West End Consolidated Water Company a portion of West End's water in storage in the amount of 3,800 acre-feet. The 85/15 rule does not apply and a recapture plan has not been completed as Upland intends to immediately sell 10,000 acre-feet of water in storage to the Fontana Water Company. Date of application: April 11, 2007 *(Page 27)*

II. BUSINESS ITEMS

A. MZ1 LONG TERM PLAN AND MZ1 PLEADING

Consider Approval for the Monitoring Zone 1 Long Term Plan and to Receive and File the MZ1 Pleading with the Court *(Page 37)*

B. 2007/2008 BUDGET

Consider Approval for the Chino Basin Watermaster 2007/2008 Budget *(Page 85)*

C. MICRO-ECONOMIC ANALYSIS STUDY

Consider Approval for the Scoping Work for the Micro-Economic Analysis Study Performed by Dr. David Sunding *(Page 109)*

D. VOLUME VOTE

Discuss and Consider Adoption of the Volume Vote *(Page 115)*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

- 1. Santa Ana River Hearing Closing Brief *(Page 119)*

B. ENGINEERING REPORT

- 1. Model Update

C. CEO/STAFF REPORT

- 1. Legislative Update
- 2. Recharge Update
- 3. Dry Year Yield Report

E. INLAND EMPIRE UTILITIES AGENCY

- 1. Drought Plan for 2008 – Rich Atwater - Verbal
- 2. Summer Conservation Efforts - Verbal
- 3. Status of Delta SWP Pumping Issues - Verbal
- 4. Monthly Water Conservation Programs *(Page 182)*
- 5. Monthly Imported Water Deliveries Report - Handout
- 6. State and Federal Legislative Report *(Page 185)*
- 7. Community Outreach/Public Relations Report *(Page 221)*

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

- 1. Newspaper Articles *(Page 227)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

June 28, 2007	8:00 a.m.	MZ1 Technical Committee Meeting
June 28, 2007	9:00 a.m.	Advisory Committee Meeting
June 28, 2007	11:00 a.m.	Watermaster Board Meeting
July 12, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
July 17, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
July 24, 2007	9:00 a.m.	GRCC Meeting
July 26, 2007	9:00 a.m.	Advisory Committee Meeting
July 26, 2007	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn



CHINO BASIN WATERMASTER



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(Lunch will be served)

AT THE CHINO BASIN WATERMASTER OFFICES
9641 San Bernardino Road
Rancho Cucamonga, CA 91730
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**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

11:00 a.m. – June 28, 2007

At The Offices Of

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

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- 1. Legislative Update
- 2. Recharge Update
- 3. Dry Year Yield Report

IV. INFORMATION

- 1. Newspaper Articles (*Page 227*)

V. BOARD MEMBER COMMENTS

VI. OTHER BUSINESS

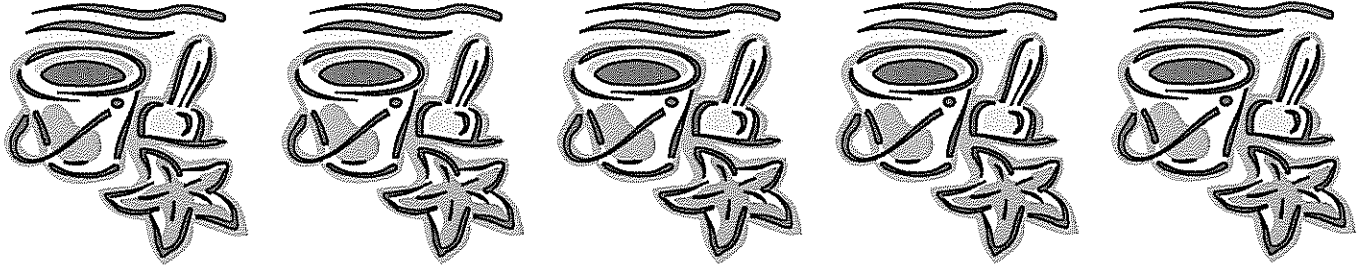
VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

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

VIII. FUTURE MEETINGS

June 28, 2007	8:00 a.m.	MZ1 Technical Committee Meeting
June 28, 2007	9:00 a.m.	Advisory Committee Meeting
June 28, 2007	11:00 a.m.	Watermaster Board Meeting
July 12, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
July 17, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
July 24, 2007	9:00 a.m.	GRCC Meeting
July 26, 2007	9:00 a.m.	Advisory Committee Meeting
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Meeting Adjourn

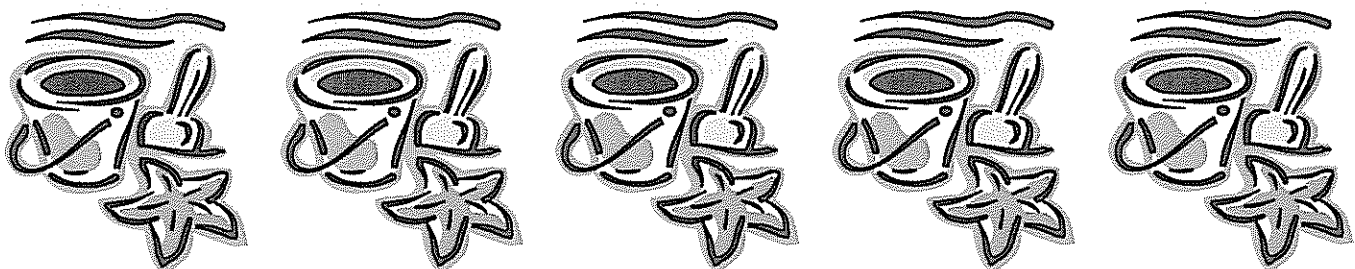


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting – May 24, 2007



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
May 24, 2007

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on May 24, 2007 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Ken Jeske, Chair	City of Ontario
Raul Garibay	City of Pomona
Dave Crosley	City of Chino
Anthony La	City of Upland
Robert DeLoach	Cucamonga Valley Water District
J. Arnold Rodriguez	Santa Ana River Water Company
Mark Kinsey	Monte Vista Water District
Robert Young	Fontana Union Water Company
Charles Moorrees	San Antonio Water Company

Non-Agricultural Pool

Bob Bowcock	Vulcan Materials Company (Calmat Division)
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Agricultural Pool

Jeff Pierson	Agricultural Pool, Crops
Bob Feenstra	Agricultural Pool, Dairy
Pete Hall	State of California CIM
Nathan deBoom	Agricultural Pool, Dairy

Watermaster Board Members Present

Sandra Rose	Monte Vista Water District
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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

Gary Meyerhofer	Carollo Engineering
Steve Orr	Richards Watson Gershon
Marty Zvirbulis	Cucamonga Valley Water District
Bill Kruger	City of Chino Hills
Tom Love	Inland Empire Utilities Agency
Martha Davis	Inland Empire Utilities Agency
Rick Hansen	Three Valleys Municipal Water District
Steve Lee	Reid & Hellyer
Tom Crowley	West Valley Water District
Rich Atwater	Inland Empire Utilities Agency
Jennifer Novak	State of California

Chair Jeske called the Advisory Committee meeting to order at 9:05 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

- 1. Minutes of the Advisory Committee Meeting held April 26, 2007

B. FINANCIAL REPORTS

- 1. Cash Disbursements for the month of April 2007
- 2. Combining Schedule for the Period July 1, 2006 through March 31, 2007
- 3. Treasurer's Report of Financial Affairs for the Period March 1, 2007 through March 31, 2007
- 4. Profit & Loss Budget vs. Actual July 2006 through March 2007

C. WATER TRANSACTION

- 1. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 500 acre-feet of water from West Valley Water District's storage account to Monte Vista Water District. This lease is made first from WVWD's net underproduction, if any, in Fiscal Year 2006-07, with any remainder to be recaptured from storage. Date of Application: October 31, 2006
- 2. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust water in storage in the amount of 0.720 acre-feet, and annual production right in the amount of 6.974 acre-feet

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

II. BUSINESS ITEMS

A. MEMORANDUM OF AGREEMENT 2006-2008 MANAGEMENT ZONE 3 MONITORING PROGRAM

Mr. Manning stated this Memorandum of Agreement (MOA) is for the Management Zone 3 (MZ3) area and is for Chino Basin Watermaster to engage in the construction and development of two wells that are funded by the AB 303 grant. In July, 2002, there was a letter from the Regional Board expressing some concern about the MZ3 contaminants. At that point in time Chino Basin Watermaster staff initiated the monitoring program and started monitoring the existing wells within the area and staff has been looking at additional wells. Inland Empire Utilities Agency (IEUA) was able to acquire an AB 303 grant that allowed us to get \$250,000 to fund a portion of these wells. The arrangements are simple in terms; the cost of the wells are about \$545,000, additional IEUA expenses are approximately \$90,000 dollars and all will be paid by Chino Basin Watermaster minus the \$250,000 grant funds. This grant will be administered by IEUA staff. Mr. Manning stated staff is seeking approval for this MOU at this time.

*Motion by DeLoach, second by Kinsey, and by unanimous vote – Non-Ag concurred
Moved to approve the Memorandum of Agreement 2006-2008 for the Management Zone 3 Monitoring Program, as presented*

B. MZ1 LONG TERM PLAN – NO ACTION REQUIRED

Mr. Manning stated this item is on the agenda for information only and to begin answering questions. Staff intends to bring this item back next month for approval. In 2002, Chino Basin Watermaster began its interim plan for the management of subsidence which called for a forbearance program to be established. A technical committee was established at that time.

That committee worked with Wildermuth Environmental Inc. to develop a scientific approach to understanding what was going on in the subsidence area. In May, 2005, we had a workshop with the Special Referee and her technical assistant whereby we explained the information we had developed at that point in time. At the same time staff was developing Guidance Criteria. The Guidance Criteria was adopted by the Watermaster Board in May 2006 and it is now May, 2007, and the court is anxious for the adoption of a Long Term Plan (LTP). The court has made it clear over the last six months that they believe staff has enough information based upon the workshop to develop a Long Term Plan. Mr. Manning stated in conversations we have had in the past basically we have two separate elements here; we have the LTP and the Alternative Water Supply Program that we are developing. The Alternative Water Supply Program is an important element and staff is going to continue to develop that program. However, the LTP itself stands independently from the Alternative Water Supply Program. Staff is working with the parties in MZ1 to develop the water program and if the parties in MZ1 decide that there is a hybrid or variation of this program that they feel would work better, staff will work with them to help initiate that plan as well. This item is on the agenda as notification that staff is going to be working through this and hopes to have it approved in June for the Long Term Plan. Mr. Manning stated that Counsel Fife and he have an appointment with the City of Chino Hills on May 31, 2007 to discuss the program. The City of Chino Hills has expressed some concerns with the plan as it has been presented. Staff will report on that meeting with Chino Hills at the June meeting. Mr. Kruger stated with regards to Mr. Manning's comments, the City of Chino Hills agrees this item needs to be further discussed because the plan that is being presented does not satisfy the needs of Chino Hills. Mr. Crosley inquired if the written comments that the City of Chino had submitted to the Chino Basin Watermaster were going to be distributed. Mr. Manning stated the comments were received and they will be distributed at the appropriate time to the parties. Chair Jeske noted he was pleased to hear that a meeting was finally scheduled for Chino Basin Watermaster staff and the City of Chino Hills staff to reconcile this situation.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Fife stated the hearing regarding the Santa Ana River Water Rights Application took place starting on Wednesday, May 2, 2007 and it was finished on Tuesday, May 8, 2007. It was a very good hearing for Chino Basin Watermaster. We had no opposition to our evidence and we worked out deals with all the parties in advance of the hearing. Counsel now needs to finish up our closing brief and submit a proposal to the State Board for our permit and we are anticipating filing the brief by June 6, 2007. The relationship with Orange County was very cordial and we worked out a very detailed stipulation with them in advance that took some of the harder issues off the table. All in all the hearing went extremely well and there is a DVD copy of the entire hearing for any party who would like a copy.

2. Referee Report Regarding Status Report Transmittal

Counsel Fife stated Chino Basin Watermaster served all the parties with the actual transmittal from the Special Referee; a copy of that transmittal is in the meeting packet and there is a scheduled hearing today at 1:30 p.m. We have not only had Watermaster's submittals of the Status Report and the Referee's comments about the Status Report, we also had a pleading by the Conservation District joining in the Referee's recommendations. A few days ago we had received a pleading from Monte Vista Water District (MVWD). Both of these pleadings were served on the parties. The substance of the MVWD pleading was requesting the court, in addition to all of the recommendations made by the Special Referee, to also order Chino Basin Watermaster to hold a scoping workshop on the economic report by Dr. Sunding. MVWD requested the workshop be held by July 1, 2007; staff had already intended to schedule that workshop and we were going to talk about that at today's meeting, we wanted to schedule that immediately. A notice was sent out yesterday regarding the workshop for Dr. Sunding's scoping analysis which has been

scheduled for June 7, 2007 from 1:00 to 3:00 p.m. here at the Chino Basin Watermaster office. The morning of June 7, 2007, Dr. Sunding will be made available for individual 30 minute appointments with parties who have not yet met with him or would like to have an additional meeting. Dr. Sunding has met with several parties already; if any party wants to schedule a meeting with Dr. Sunding on that morning, please call the Watermaster office to set that appointment. Counsel is going to attend the hearing this afternoon and we are anticipating obtaining an order that looks a lot like what the Referee recommended in her report.

3. Sunding Report

Counsel Fife stated this item was covered in the previous item and no further comments were made.

B. ENGINEERING REPORT

1. 2007 Watermaster Model Update

It was noted this presentation was given at the Pool meetings and the Advisory Committee members opted to skip the presentation for this meeting. Mr. Wildermuth stated the full presentation would be given at the Watermaster Board meeting later today if any party wishes to stay and see it then.

C. FINANCIAL UPDATES

1. Budget Presentation

Mr. Manning stated as mentioned at the pool meetings earlier this month, the 2007/2008 Watermaster budget was not ready to be presented at the pool meetings and that it is ready to be presented today at the Advisory Committee and the Watermaster Board meetings in draft form. The actual 2007/2008 budget will be presented for approval on the June agendas. Ms. Rojo stated the Appropriative Pool formed a Budget Advisory Committee and they have been meeting over the last couple months to go over some of the issues relating to the budget and assessment process. Ms. Rojo stated she will cover in her presentation some of those issues discussed at the Budget Advisory Committee and at the Budget Workshop which was recently held. Ms. Rojo commented on the Watermaster Assessments and noted Watermaster is primarily a budget driven organization. Ms. Rojo stated at the very first meeting of the Budget Advisory Committee the subject of options for stabilizing assessments was discussed. Ms. Rojo reviewed the 2005/2006 and 2006/2007 budgets and the differences for the assessments in various categories. An optional assessment calculation was also presented. Ms. Rojo discussed the Assessment History from the 2001/2002 through 2006/2007 fiscal years. The administrative costs for the 2007/2008 budget which included Cola @ 4%, Reduction in Public Relations/Outside Consultants, and a new and reduced increase in Information Technology. Ms. Rojo reviewed budgeted work and accounting of categories for general OBMP Engineering, Production Monitoring, In-Line Meter Installation/Maintenance, Groundwater Quality Monitoring, Groundwater Level Monitoring, Recharge Basin Water Quality Monitoring, Ground Level Monitoring, Hydraulic Control Monitoring, Recharge and Well Monitoring, PE2 Comprehensive Recharge Program, PE3/5 Water Supply Plan – Desalter, PE4 Management Zone Strategies, PE6/7 Cooperative Efforts/Salt Management, PE8/9 Storage Management/Conjunctive Use, and the Inactive Well Protection Program. A lengthy discussion regarding abandoned wells ensued. Mr. Manning stated the actual budget will be presented next month for approval on the June agendas.

D. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated a detailed legislative report was given at the recent pool meetings and in adding to those comments, yesterday the Senate passed the Water Resources Development Act (WRDA). The President has expressed some concerns about it in the past and whether or not that is enough for him not to pass it, we do not know. Mr. Manning

stated in the Inland Empire Utilities Agency section of the packet starting on page 111 are very detailed reports regarding both federal and state legislative issues.

2. Recharge Update
No comment was made regarding this item.

E. INLAND EMPIRE UTILITIES AGENCY

1. Recycled Water and Environmental Compliance Update- Tom Love
Mr. Love gave his presentation on Environmental Compliance & Recycled Water Systems. A chart of recycled water use in acre-feet from March 2006 to March 2007 was reviewed. Mr. Love discussed the new upcoming connections in Chino, Chino Hills, and Ontario. It was noted there will be 1,350 acre-feet of new usage in April through July 2007. The projected ground water recharge for each of the Chino basins was reviewed. The recycled water projects estimated completion dates for the 7th & 8th street pipelines are April 2007, South Zone Pump Station for June 2007, RP4 1158 PZ Pump Station for April 2008, San Antonio Channel Pipeline Segment B for spring of 2008, and RP4 1158 Zone Reservoirs for spring 2008 were discussed. Mr. Love discussed the upcoming pipeline cleaning and what it will take to meet the summer time demands. The Rialto Feeder shutdown was discussed. Mr. Love stated the Chino Creek Wetlands consist of a detention pond, surface flow wetlands, sub-surface flow wetlands and a wetland stream. The total flow rate will be 1-2 MGD. Under normal operating conditions, the wetlands will be fed recycled water from a 10" recycled water line from the RP-5 RWPS. In the event of a storm the recycled water feed will be shut off and overflows from the detention pond will escape through the spillway and travel to the El Prado Road culverts in the stream. Photos of the Chino Creek Wetlands were reviewed. Mr. Love reviewed the Water Quality Compliance Summary and the Air Quality Compliance from January 2007 to present.
2. Summer Conservation and Delta Pump Issue – Rich Atwater
Mr. Atwater stated Southern California is having the driest year in record. Northern California and the High Sierras is about a third of their normal record. The Colorado River Basin is still in its sixth or seventh year of drought. Last Friday, Rick Hansen, John Rossi, and he participated in Metropolitan Water District Managers meeting; Jeff Kightlinger, the manager of MWD, talked extensively about the litigation on the Delta Pumps. The new news is that only about 25 shrimp were found when normally thousands are found. The result of all that with the litigation and the issues of the Fish & Game Permit for the Delta Pumps is this is going to add fuel to curtailment of pumping this fall; and that was also the conclusion of the MWD staff. A discussion regarding Mr. Atwater's comments ensued. If next year is dry, we are probably looking at a 2008 Drought Allocation Plan. In fact, in June, at the next meeting of the member agencies, the MWD staff will start working on a draft drought plan for next year. A discussion regarding drought allocations ensued.
3. Landscape Alliance Update
Mr. Atwater stated the Landscape Alliance began in March and IEUA has held a few workshops. The goal is to wrap up this program by the end of the year. With the drought, outdoor landscaping is going to be critical. The Metropolitan Water District will be having upcoming spots on the radio that will be running all summer about a voluntary 10% conservation message. IEUA is continuing our programs in working with home owners and landscapers in the area to reduce water usage for outdoor landscaping.
4. Draft Water Conservation Work Plan
No comment was made regarding this item.
5. Monthly Water Conservation Programs
No comment was made regarding this item.
6. Monthly Imported Water Deliveries Report

No comment was made regarding this item.

- 7. State and Federal Legislative Report
No comment was made regarding this item.

- 8. Community Outreach/Public Relations Report
No comment was made regarding this item.

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. Hansen commented on the possible drought issues and noted there are public information pieces that will hit in the papers this weekend. Three Valleys will be holding their leadership breakfast in a few weeks at the Sheraton Fairplex in Pomona and the speaker is Dr. Eric Scott who is a paleontologist. Mr. Hansen noted the he has seen Dr. Scott's presentations before and they are very entertaining and all are invited to that breakfast which will start at 7:30 a.m.

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

No comment was made regarding this item.

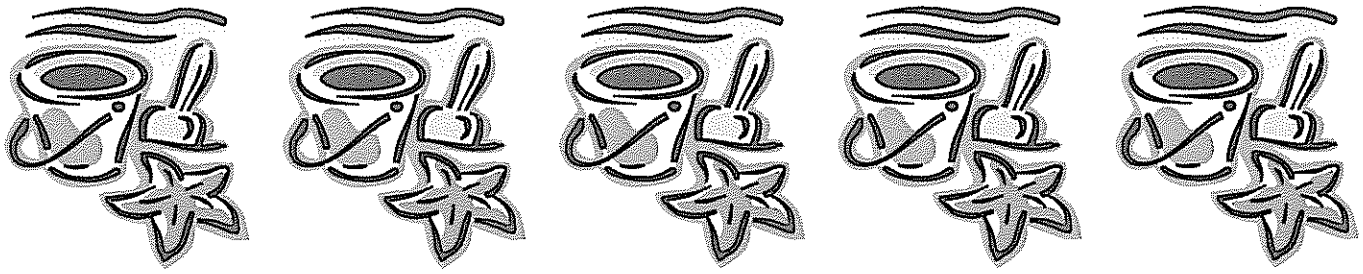
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June 14, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
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June 28, 2007	9:00 a.m.	Advisory Committee Meeting
June 28, 2007	11:00 a.m.	Watermaster Board Meeting

The Advisory Committee meeting was adjourned by Chair Jeske at 10:17 a.m.

Secretary: _____

Minutes Approved: _____

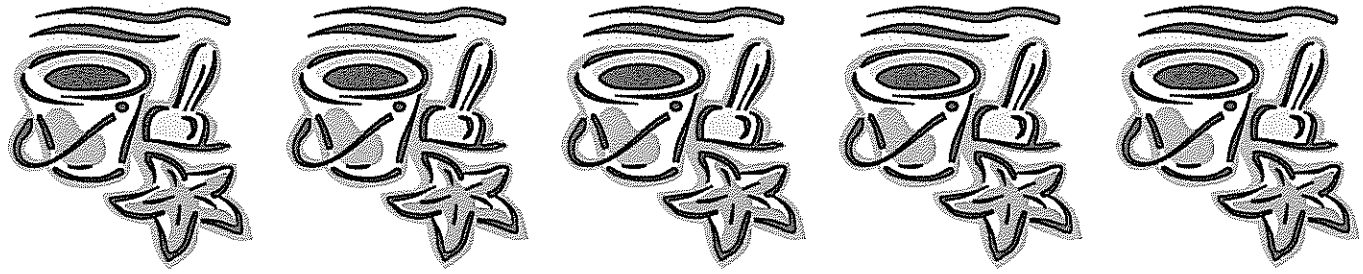


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting – May 24, 2007



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
May 24, 2007

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on May 24, 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
Charles Field	Western Municipal Water District
David DeJesus	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Jeff Pierson	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

Dave Crosley	City of Chino Basin Watermaster
Bill Kruger	City of Chino Hills
Gary Meyerhofer	Carollo Engineering
Rick Hansen	Three Valleys Municipal Water District
Raul Garibay	City of Pomona
Martha Davis	Inland Empire Utilities Agency
Ken Jeske	City of Ontario
Steve Orr	Richards Watson Gershon

The Watermaster Board Meeting was called to order by Chair Willis at 11:02 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting held April 26, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of April 2007
2. Combining Schedule for the Period July 1, 2006 through March 31, 2007
3. Treasurer's Report of Financial Affairs for the Period March 1, 2007 through March 31, 2007
4. Profit & Loss Budget vs. Actual July 2006 through March 2007

Ms. Rose asked that a more detailed breakdown of the Credit Card Statements be made available with the other financial reports which are supplied in the meeting packets. Ms. Rojo stated she would put that in starting on the June meeting packages.

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 500 acre-feet of water from West Valley Water District's storage account to Monte Vista Water District. This lease is made first from WVWD's net underproduction, if any, in Fiscal Year 2006-07, with any remainder to be recaptured from storage. Date of Application: October 31, 2006
2. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust water in storage in the amount of 0.720 acre-feet, and annual production right in the amount of 6.974 acre-feet

Motion by Rose, second by Pierson, and by unanimous vote

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

II. BUSINESS ITEMS**A. MEMORANDUM OF AGREEMENT 2006-2008 MANAGEMENT ZONE 3 MONITORING PROGRAM**

Mr. Manning stated this Memorandum of Agreement (MOA) is for the Management Zone 3 (MZ3) area and is for Chino Basin Watermaster to engage in the construction and development of two wells that are funded by the AB 303 grant. In July, 2002, there was a letter from the Regional Board expressing some concern about the MZ3 contaminants. At that point in time Chino Basin Watermaster staff initiated the monitoring program and started monitoring the existing wells within the area and staff has been looking at additional wells. Inland Empire Utilities Agency (IEUA) was able to acquire an AB 303 grant that allowed us to get \$250,000 to fund a portion of these wells. The arrangements are simple in terms; the cost of the wells are about \$545,000, additional IEUA expenses are approximately \$90,000 dollars and all will be paid by Chino Basin Watermaster minus the \$250,000 grant funds. This grant will be administered by IEUA staff. Mr. Manning stated staff is seeking approval for this MOU at this time.

Motion by DeJesus, second by Rose, and by unanimous vote – Non-Ag concurred

Moved to approve the Memorandum of Agreement 2006-2008 for the Management Zone 3 Monitoring Program, as presented

B. MZ1 LONG TERM PLAN – NO ACTION REQUIRED

Mr. Manning stated this item is on the agenda for information only and to begin answering questions. Staff intends to bring this item back next month for approval. In 2002, Chino Basin Watermaster began its interim plan for the management of subsidence which called for a forbearance program to be established. A technical committee was established at that time. That committee worked with Wildermuth Environmental Inc. to develop a scientific approach to understanding what was going on in the subsidence area. In May, 2005, we had a workshop with the Special Referee and her technical assistant whereby we explained the information we had developed at that point in time. At the same time staff was developing Guidance Criteria. The Guidance Criteria was adopted by the Watermaster Board in May 2006 and it is now May, 2007, and the court is anxious for the adoption of a Long Term Plan (LTP). The court has made

it clear over the last six months that they believe staff has enough information based upon the workshop to develop a Long Term Plan. Mr. Manning stated in conversations we have had in the past, we have two separate elements here; we have the LTP and an Alternative Water Supply Program that we are developing. The Alternative Water Supply Program is an important element and staff is going to continue to develop that program. However, the LTP itself stands independently from the Alternative Water Supply Program. Staff is working with the parties in MZ1 to develop the water program and if the parties in MZ1 decide that there is a hybrid or variation of this program that they feel would work better, staff will work with them to help initiate that plan as well. This item is on the agenda as notification that staff is going to be working through this and hopes to have it approved in June for the Long Term Plan. Mr. Manning stated that Counsel Fife and he have an appointment with the City of Chino Hills on May 31, 2007 to discuss the program. The City of Chino Hills has expressed some concerns with the plan as it has been presented. Staff will report on that meeting with Chino Hills at the June meeting. Mr. Kruger stated Chino Hills is very concerned about the stated water plan has a city there needs to be in control for our destiny. There are residents who need to be provided good water at a reasonable rate. The City of Chino Hills is unable to accept taking a large portion of water on a purchase basis that is not in their control and they are objecting the plan as it exists. Mr. Vanden Heuvel inquired if the Water Supply Plan being presented leaves in place any pumping volume that the City of Chino Hills would have in their control or will all of it be taken from them and then they would utilize an outside source. Mr. Manning stated this is, as stated several times in the past, a voluntary program and the science that was developed established a level which we know if the pumpers within that zone pump below, that they are going to create a condition where subsidence could occur. We have built in a number of criteria into the Water Supply Program. Mr. Wildermuth stated the basic plan provides for a managed water level condition and allows the pumpers in that area to pump. There is no control telling them they cannot pump; we merely say we know that if the water level passes through or drops below a certain threshold that subsidence could begin. The plan says that we will provide them with that information. We know which wells we should be concerned about and existing wells that may lead to that water level falling below that trigger level. We are asking that you do what you can and to try and coordinate with each other to try and not pump below that level. There is no one telling Chino Hills or the City of Chino, or anyone that they can't pump. We have made estimates of what could be pumped on a seasonal basis and that information has been provided to all the parties in the area. The plan itself is not a command and control; Watermaster's responsibility to the parties is to provide the information to the parties only. Mr. Vanden Heuvel inquired if staff had a calculation of amount of yield that the various parties that pump out of that area could get and still stay above the danger line. Mr. Wildermuth stated that calculation has been made. A lengthy discussion ensued with regard to this matter and the issue concerning the City of Chino Hills. Chair Willis asked the City of Chino Hills if they agreed or disagreed with the technical data that has been produced by the Board's consultants regarding subsidence. Mr. Kruger stated they have no way of refuting it; the City of Chino Hills does not disagree. Mr. Manning stated we have hopes that on the 31st we can mutually work out some arrangement. Mr. Bowcock stated Chino Basin Watermaster is providing technical information and they are not acting as a mediator, they are basically providing technical information to producers in MZ1 and if MZ1 producers choose they may seek injunctions upon each other but Watermaster will not engage in that activity. Counsel Slater stated the Judgment itself has certain things that were reserved to the parties at the time the Judgment was entered. One of those included disputes between specific producers about the effects one producer might have on another. In the Peace Agreement, there was a provision that related to an action or a compulsion by Watermaster to a party to move a specific facility. Watermaster was extremely careful in not deviating from a policy of allowing each producer to have control over their facilities and to exclusively limit its conduct to publishing Guidance Criteria. The plan being proposed is the publishing of Guidance Criteria which is in effect, information about the consequences of production. The second element which is completely severable and not part of the plan is how to provide access to water for Chino Hills in the event that there are consequences associated with producing. The historical treatment within the Judgment has been to reserve disputes regarding individual facilities to the individual parties as they have not

waived any rights. It would be a question of policy for this Board to become legally involved, however, the past practice has been hands off.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Slater stated the hearing went forward as expected on May 2, 3, and 4, 2007. Counsel Slater stated Michael Fife, Mark Wildermuth, and Ken Manning did a great job. We even heard from the hearing officer that the presentation was professional and effective. There was no opposition to our application, and our mission was accomplished in terms of the presentation. Counsel Slater noted that it appeared the State Board lacked staff and resources and the responsibility for drafting our decision is likely to fall on the hearing officer. That can actually result in further delays for us. Counsel Fife stated we had a number of stipulations going into the hearing which was very effective for the presentation of our case. We had good witnesses; SAWPA lent us the head of the Sucker Committee who testified very clearly in our favor. Most of the load was carried by Ken Manning and Mark Wildermuth, they were on almost every panel and they did a fantastic job at this four day hearing. We are in the process right now of drafting our closing briefs and those briefs will be due June 6, 2007. Counsel Fife noted the hearing was recorded on a DVD and if any one is interested in obtaining a copy of those four days; let staff know and they will get a copy of that DVD.

2. Referee Report Regarding Status Report Transmittal

Counsel Slater stated we received the Special Referee's report and we were pleased by the report because it relied on Watermaster's transmittal in making the recommendations. We are fully prepared to respond to each of the recommendations in a report. We are perfectly comfortable with those recommendations and notably the schedule was acceptable to the referee and she has asked the court to allow us to proceed in accordance with that proposed schedule. If we are not in a position to adopt a plan for MZ1 in accordance with the schedule proposed with the court we are going to have to file a subsequent pleading with the court to tell them when we will file. If we deviate from the proposed schedule, we are going to have to tell the court why we are deviating and this can be expected to be part of the routine until we conclude this issue. We are pleased with the report we have seen joinders filed and we have also seen a pleading that was filed by Monte Vista Water District.

3. Sunding Report

Counsel Slater stated in the Peace II Term Sheet, specifically there is a requirement that there be a Watermaster sponsored workshop on the scoping associated with Dr. Sunding's report. There was some concern that the process would not be public and that it would be controlled by legal counsel. As was stated at the last Board meeting in April, what staff is trying to do is establish a control point up until the public report so we could begin the process of public input. The ultimate decision regarding the scoping lied with the Watermaster process and this Board. In response to the Monte Vista Water District's (MVWD) pleading, we have indicated to MVWD counsel that we have no opposition and in fact we were intending to comply with the provision. In the interim a notice has gone out proposing a scheduled workshop on June 7, 2007 with Dr. Sunding. The court is aware of that workshop date and on that basis we believe this afternoons order will be a non-event.

Mr. Vanden Heuvel inquired as to the status of the Peace II matter because it is not listed on the agenda and he has been absent the past few months from the Watermaster Board meetings. Counsel Slater stated that he prepared a memo and distributed it to the Board in advance of the last Board meeting regarding the requirement under the Peace II Term Sheet and the context of the Scalmanini Report. Counsel's view was there actually are three categories of comments by Mr. Scalmanini and one related to improvements on the model; he listed a dozen or so areas for suggested improvement in the model. Mr. Wildermuth had previously stated that he had already begun to make those improvements

and they were in process. We made a parallel commitment to the court that all of those improvements would be made before we ran an analysis on the new project description. Those features were clearly acknowledged and addressed. The second item is quoted in the Referee's report and was in our transmittal; on a planning level the model was appropriate for use. However, on a future run that the model needed to be upgraded and matched against the precise project we proposed to implement, because earlier runs had a more vague definition of what the project was. They were definitional but they not exactly what the parties were proposing to do. The court is now expecting from us and we have already proposed to produce the precise project description that we are intending to implement and then analyze those impacts. There was a third set of comments in the document which would be characterized as interesting but superfluous to the purpose of the report and that is where the Special Referee's special assistant wondered how the data was being interpreted and used in the deal making process. That is based on subjective views that we cannot corroborate. Mr. Vanden Heuvel stated that he has read the Scalmanini Report and noted that his memory of the Peace II deal and of the give and take that we engaged in that led up to the adoption of the Peace II deal to have Scalmanini review the model. What triggered the Agricultural Pool concern about mining and the extent of mining that was in the original submittal on what now is known as Peace II. Mr. Vanden Heuvel stated there was some volleying on the numbers and he had made a counter proposal of significantly less mining and 400,000 was agreed to at that time as a place holder. We also agreed to do whatever the science would allow us to do and necessary to achieve Hydraulic Control. Counsel Slater stated the number was a part of a process and each party who had input into the development of that number had different things they were thinking about with regard to why that number was the proper number to use. There were features of that and the feature was, when asked Mark took a thought as what he believed was a proper place to draw a line, a black and white number. Mark was asked to carefully analyze the issue and give us a number. That number ultimately became the 400,000. There is a provision in the Peace II which suggests that the number was being used in our planning phase which is now and indeed Mr. Scalmanini says for the reason that we discussed earlier that the model needs to be upgraded; we would need more information and that we quite possibly could achieve the goal for less forgiveness. We are in the process of obtaining public finance on a multi-million facility and there needs to be certainty with regard to the economic consequences. Mr. Vanden Heuvel stated that he totally understands what Counsel Slater stated and he is in agreement. A discussion ensued to regard to this matter.

B. ENGINEERING REPORT

1. 2007 Watermaster Model Update

Mr. Wildermuth stated today's presentation is on the progress on Watermaster's Groundwater Model Update. The presentation will include topics on the Geologic Conceptual Model, the Percolation Model, estimated Evapotranspiration (ET) which is in the in process, the Recharge and Routing Model which is in the calibration period, and our next steps. Mr. Wildermuth stated there are specific questions to be answered with the new model. What will be the impact of re-operation on subsidence in MZ1? What will be the impact on riparian resources in the Prado reservoir area from new desalter pumping and re-operation, and what does the new equilibrium look like when re-operation is terminated? Watermaster's Groundwater model is incorporating the latest (since 2002) information from new wells and monitoring programs. We are also incorporating vadose zone flow and transport models along with non-linear ET functions for riparian vegetation. We have also extended the calibration from 11 years to about 40 years. New data sources for the conceptual model will include; subsidence investigation in the MZ1 area, 9 new HCMP well clusters, Chino II desalter wells, and other new monitoring wells, new appropriator wells, and OBMP water-level and water quality monitoring programs. A map of the new wells was reviewed in detail. The thickness of unsaturated zone ranges from as low as 0 feet (Near Prado Basin) to as high as 1000 feet (north Chino basin). Mr. Wildermuth stated the vadose zone lithology varies from clay to gravel and sand and the vadose zone lithology is based on well completion reports which describe soil types based on USCS. Mr.

Wildermuth gave a detailed presentation on how the deep percolation of precipitation and applied water moves through the vadose zone and the probably lag time between water entering the soil at the ground surface and its arrival at the water table. Mr. Wildermuth discussed Evapotranspiration. A question regarding vegetation was presented. Mr. Wildermuth discussed the next steps to be taken which will include the completion of the extended calibration period hydrology, (May), construction of the groundwater flow model (June), the calibration of the groundwater flow model (June/July), the building of the compaction model (June/July), the running of the planning scenarios (August/September), and the documentation of planning scenarios (October). Mr. Vanden Heuvel inquired into the water table and where that water will be in five years because there is a gradation and the water is moving. Mr. Wildermuth clarified that the vadose zone model is a one dimensional model that simulates the movement of water from the ground surface to the water table and the discharge from the vadose zone enters the saturated system and once there moves in the along the gradient that Mr. Vanden Heuvel referred to. Mr. Vanden Heuvel inquired as to how the model captures the current. Mr. Wildermuth stated what is being shown is only the vadose zone, one dimensional vertical flow. A discussion ensued with regard to Mr. Wildermuth's model presentation.

C. FINANCIAL UPDATES

1. Budget Presentation

Mr. Manning stated that at the pool meetings earlier this month, the 2007/2008 Watermaster budget would be presented at the Advisory Committee and the Watermaster Board meetings in draft form. The actual 2007/2008 budget will be presented for approval on the June agenda after going through the Watermaster process. Ms. Rojo stated the Appropriative Pool put together a Budget Advisory Committee and they have been meeting over the last couple months to go over some of the issues relating to the Watermaster process regarding the budget and the assessments. Ms. Rojo commented on the Watermaster Assessments and noted Watermaster is a budget driven organization. Ms. Rojo stated at the very first meeting of the Budget Advisory Committee the subject of options for stabilizing assessments was discussed. Ms. Rojo reviewed the 2005/2006, 2006/2007 and the differences for the assessments in various categories. An optional assessment calculation was also presented. Ms. Rojo discussed the Assessment History from the 2001/2002 through 2006/2007 years. The administrative costs for the 2007/2008 budget include Cola @ 4%, a reduction in Public Relations/Outside Consultants, and a cost increase for Information Technology was reviewed. Ms. Rojo reviewed the budget categories for OBMP Implementation Projects, debt service, and cost sharing projects. A discussion regarding the breaking out of cost shared items ensued.

D. CEO/STAFF REPORT

1. Legislative Update

Due to time constraints Mr. Manning will forego his detailed legislative report, however, noted in the Inland Empire Utilities Agency section of the packet starting on page 111 are very detailed reports regarding both federal and state legislative issues.

2. Recharge Update

No comment was made regarding this item.

E. INLAND EMPIRE UTILITIES AGENCY REPORT

1. Landscape Alliance Program Update

Ms. Davis thanked all the parties for their support and stated that as a reminder a goal of this alliance is to provide a unified voice on landscaping policies and also to help develop information that will help support the agencies in implementing landscaping programs. There now is a legal requirement that in 2009/2010 cities will have to update their landscaping ordinances. This will help build the base of information that will support the effort. Given the current record dry conditions that we are experiencing now we need to change how we think in terms how our water supplies are increasingly uncertain and the

role that outdoor conservation can play at helping us to reduce the amount of our water needs. Some of the things that we are trying to do in meeting with all the cities is to put up a web page regarding water conservation. Some of the feedback we received is that they want to see is plant lists for the Inland Empire that are California friendly, top water saving strategies, and scheduled for developing workshops on things like rain catching gardens/storm water management and recycled water. Ms. Rose asked, how does one go about taking your yard off grass to a more water friendly landscape and do it in a cost effective way. One of the things we understood from these meetings is that people want to attend informational workshops. We have now started those workshops and the first one was held on April 24, 2007. The first workshop was held at the Maloof Historic Residence & Garden and we talked about the whole concept of California friendly landscape design and some of the resources that are available from Metropolitan Water District. The second workshop was held yesterday morning over at the Rancho Santa Ana Botanical Garden. At that workshop a presentation was given by the San Gabriel Rivers Watershed Council regarding parking lot, median, sidewalk and public rite of way runoff management. Also residential street and landscape retrofits. A tour of Rancho Santa Ana Botanic Garden also took place. Ms. Davis reviewed the Landscape Alliance Informal Workshops that are going to take place now until December 2007.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Vanden Heuvel commented on the fact that it is good that the assessment process is being reviewed, hopefully, as a result, the Non-Agricultural Pool will pay more Watermaster assessments based on the benefits the are receiving. Ms. Rose commented that she appreciated the budget presentation and thought it was very insightful for the Board to receive information that allows them to make informed discussions.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

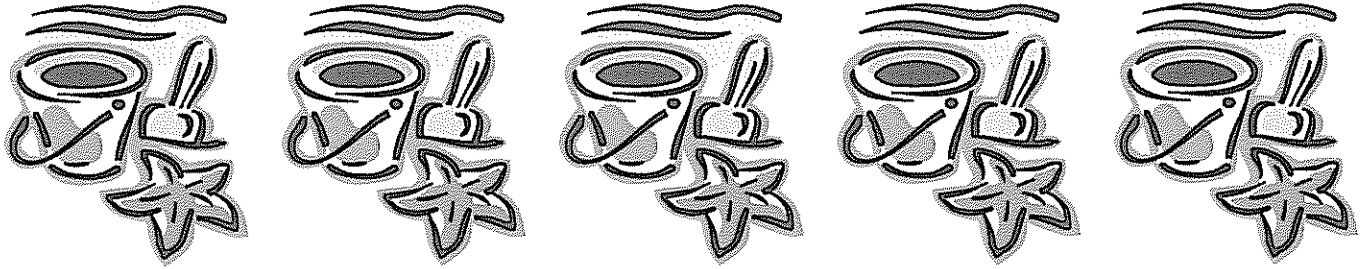
June 14, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
June 19, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
June 28, 2007	9:00 a.m.	Advisory Committee Meeting
June 28, 2007	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board meeting was adjourned by Chair Willis at 1:10 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 May 2007
2. Watermaster Visa Check Detail
3. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through April 30, 2007
4. Treasurer's Report of Financial Affairs for the Period April 1, 2007 through April 30, 2007
5. Profit & Loss Budget vs. Actual July 2006 through April 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: June 14, 2007
June 19, 2007
June 28, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – May 2007

SUMMARY

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

Recommendation – Staff recommends the Cash Disbursements for May 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 May 2007 were \$2,273,373.01. The most significant expenditures during the month were Inland Empire Utilities Agency in the amount of \$1,688,859.01, Wildermuth Environmental Inc. in the amount of \$309,246.35, and Hatch and Parent in the amount of \$103,398.08.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
May 2007

Type	Date	Num	Name	Amount
May 07				
General Journal	5/1/2007	0705006	PAYROLL	280.02
Bill Pmt -Check	5/3/2007	11370	APPLIED COMPUTER TECHNOLOGIES	-3,696.10
Bill Pmt -Check	5/3/2007	11371	CITISTREET	-3,652.94
Bill Pmt -Check	5/3/2007	11372	COSTCO	-567.53
Bill Pmt -Check	5/3/2007	11373	MATHIS & ASSOCIATES	-907.50
Bill Pmt -Check	5/3/2007	11374	MEDIA JIM	-900.00
Bill Pmt -Check	5/3/2007	11375	PARK PLACE COMPUTER SOLUTIONS, INC.	-4,725.00
Bill Pmt -Check	5/3/2007	11376	PAYCHEX	-191.02
Bill Pmt -Check	5/3/2007	11377	R&D PEST SERVICES	-85.00
Bill Pmt -Check	5/3/2007	11378	REID & HELLYER	-6,777.82
Bill Pmt -Check	5/3/2007	11379	VERIZON	-50.57
Bill Pmt -Check	5/3/2007	11380	CITISTREET	-3,652.94
Bill Pmt -Check	5/3/2007	11381	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,202.96
Bill Pmt -Check	5/3/2007	11382	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,202.96
General Journal	5/5/2007	070503	PAYROLL	-6,606.61
General Journal	5/5/2007	070503	PAYROLL	-22,396.33
Bill Pmt -Check	5/16/2007	11383	ACWA SERVICES CORPORATION	-235.70
Bill Pmt -Check	5/16/2007	11384	BANK OF AMERICA	-2,660.86
Bill Pmt -Check	5/16/2007	11385	BOWCOCK, ROBERT	-125.00
Bill Pmt -Check	5/16/2007	11386	BOWMAN, JIM	-125.00
Bill Pmt -Check	5/16/2007	11387	CUCAMONGA VALLEY WATER DISTRICT	-5,340.00
Bill Pmt -Check	5/16/2007	11388	DEPARTMENT OF CONSUMER AFFAIRS	-125.00
Bill Pmt -Check	5/16/2007	11389	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
Bill Pmt -Check	5/16/2007	11390	HATCH AND PARENT	-103,398.08
Bill Pmt -Check	5/16/2007	11391	INLAND EMPIRE UTILITIES AGENCY	-764,101.51
Bill Pmt -Check	5/16/2007	11392	KOOPMAN, GENE	-125.00
Bill Pmt -Check	5/16/2007	11393	KUHN, BOB	-250.00
Bill Pmt -Check	5/16/2007	11394	MONTE VISTA WATER DIST	-500.00
Bill Pmt -Check	5/16/2007	11395	OFFICE DEPOT	-510.39
Bill Pmt -Check	5/16/2007	11396	PIERSON, JEFFREY	-125.00
Bill Pmt -Check	5/16/2007	11397	PREMIERE GLOBAL SERVICES	-196.33
Bill Pmt -Check	5/16/2007	11398	RICOH BUSINESS SYSTEMS-Lease	-4,480.25
Bill Pmt -Check	5/16/2007	11399	STATE COMPENSATION INSURANCE FUND	-901.01
Bill Pmt -Check	5/16/2007	11400	STAULA, MARY L	-136.61
Bill Pmt -Check	5/16/2007	11401	THE FURMAN GROUP, INC.	-2,550.00
Bill Pmt -Check	5/16/2007	11402	UNION 76	-103.54
Bill Pmt -Check	5/16/2007	11403	UNITED PARCEL SERVICE	-447.56
Bill Pmt -Check	5/16/2007	11404	VERIZON	-369.40
Bill Pmt -Check	5/16/2007	11405	VERIZON WIRELESS	-162.30
Bill Pmt -Check	5/16/2007	11406	WESTERN DENTAL SERVICES, INC.	-23.25
Bill Pmt -Check	5/16/2007	11407	WILLIS, KENNETH	-125.00
Bill Pmt -Check	5/16/2007	11408	INLAND EMPIRE UTILITIES AGENCY	-28,935.93
Bill Pmt -Check	5/16/2007	11409	RICOH BUSINESS SYSTEMS-Maintenance	-45.00
Bill Pmt -Check	5/16/2007	11410	STATE COMPENSATION INSURANCE FUND	-84.98
Bill Pmt -Check	5/16/2007	11411	INLAND EMPIRE UTILITIES AGENCY	-924,757.50
Bill Pmt -Check	5/17/2007	11412	ELLISON, SCHNEIDER & HARRIS, LLP	-15,639.33
Bill Pmt -Check	5/17/2007	11413	MATHIS & ASSOCIATES	-2,500.00
Bill Pmt -Check	5/17/2007	11414	WHEELER METER MAINTENANCE	-750.00
General Journal	5/19/2007	70505	PAYROLL	-6,903.21
General Journal	5/19/2007	70505	PAYROLL	-22,099.73
Bill Pmt -Check	5/23/2007	11415	CALPERS	-3,058.44
Bill Pmt -Check	5/23/2007	11416	PRE-PAID LEGAL SERVICES, INC.	-103.60
Bill Pmt -Check	5/23/2007	11417	SOUTHERN CALIFORNIA WATER COMMITTEE	-60.00
Bill Pmt -Check	5/23/2007	11418	STANDARD INSURANCE CO.	-565.63
Bill Pmt -Check	5/23/2007	11419	STATE OF CALIFORNIA BOARD OF EQUALIZATI...	-27.59
Bill Pmt -Check	5/23/2007	11420	SWRCB	-40.00
Bill Pmt -Check	5/23/2007	11421	TOM DODSON & ASSOCIATES	-2,400.00
Bill Pmt -Check	5/23/2007	11422	WILDERMUTH ENVIRONMENTAL INC	-309,246.35
Bill Pmt -Check	5/24/2007	11423	PETTY CASH	-332.79
Bill Pmt -Check	5/24/2007	11424	SAFEGUARD DENTAL & VISION	-13.32
Bill Pmt -Check	5/24/2007	11425	EL TORITO	-232.56
Bill Pmt -Check	5/24/2007	11426	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	0.00
Bill Pmt -Check	5/24/2007	11427	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	0.00
				-2,273,373.01

May 07

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CHINO BASIN WATERMASTER
Check Detail
May 2007

<u>Type</u>	<u>Num</u>	<u>Date</u>	<u>Name</u>	<u>Account</u>	<u>Paid Amount</u>
Bill Pmt -Check	11384	5/16/2007	BANK OF AMERICA	1012 · Bank of America Gen'l Ckg	
Bill	4024...	4/30/2007		8312 · Meeting Expenses	-230.15
				6170 · Travel & Transportation	-1,191.25
				6141.2 · Committee Meetings	-42.35
				6141.3 · Admin Meetings	-220.32
				6212 · Meeting Expense	-200.89
				6312 · Meeting Expenses	-200.90
				6055 · Computer Hardware	-575.00
TOTAL					-2,660.86

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CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2006 THROUGH APRIL 30, 2007

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATION AND SPECIAL PROJECTS APPROPRIATIVE POOL	AGRICULTURAL POOL	NON-AGRIC. POOL	GROUNDWATER OPERATIONS GROUNDWATER REPLENISHMENT	SB222 FUNDS	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2006-2007
Administrative Revenues										
Administrative Assessments			7,800,290		123,212				7,923,502	\$7,308,205
Interest Revenue			158,855	12,629	5,938			67	177,489	136,500
Mutual Agency Project Revenue		-							-	138,000
Grant Income		-							-	0
Miscellaneous Income									-	0
Total Revenues	-	-	7,959,145	12,629	129,150	-	-	67	8,100,991	7,582,705
Administrative & Project Expenditures										
Watermaster Administration	613,479								613,479	601,598
Watermaster Board-Advisory Committee	41,102								41,102	52,123
Pool Administration			18,732	72,506	5,445				96,683	118,245
Optimum Basin Mgmt Administration		1,971,994							1,971,994	1,855,795
OBMP Project Costs		3,513,415							3,513,415	5,089,269
Education Funds Use								375	375	375
Mutual Agency Project Costs	10,000								10,000	5,000
Total Administrative/OBMP Expenses	664,581	5,485,409	18,732	72,506	5,445	-	-	375	6,247,048	7,722,405
Net Administrative/OBMP Income	(664,581)	(5,485,409)								
Allocate Net Admin Income To Pools	664,581		512,385	139,724	12,471				-	0
Allocate Net OBMP Income To Pools		5,485,409	4,229,195	1,153,275	102,939				-	0
Agricultural Expense Transfer			1,357,355	(1,357,355)					-	0
Total Expenses	6,117,668	8,150	6,117,668	8,150	120,855	-	-	375	6,247,048	7,722,405
Net Administrative Income			1,841,477	4,479	8,295			(308)	1,853,943	(139,700)
Other Income/(Expense)										
Replenishment Water Purchases						2,690,983			2,690,983	0
MZ1 Supplemental Water Assessments									-	0
Water Purchases									-	0
MZ1 Imported Water Purchase									-	0
Groundwater Replenishment						(4,002,449)			(4,002,449)	0
Net Other Income						(1,311,466)			(1,311,466)	0
Net Transfers To/(From) Reserves			1,841,477	4,479	8,295	(1,311,466)	-	(308)	542,477	(139,700)
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			6,280,634	475,040	195,279	(171,851)	158,251	1,634	6,938,987	
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
APRIL 1 THROUGH APRIL 30, 2007**

DEPOSITORIES:

Cash on Hand - Petty Cash			\$	500
Bank of America				
Governmental Checking-Demand Deposits		\$		623,328
Zero Balance Account - Payroll				-
Local Agency Investment Fund - Sacramento				623,328
				7,025,449
TOTAL CASH IN BANKS AND ON HAND	4/30/2007		\$	7,649,277
TOTAL CASH IN BANKS AND ON HAND	3/31/2007			8,881,528
PERIOD INCREASE (DECREASE)				<u>\$ (1,232,251)</u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets: Accounts Receivable			\$	66,581
Assessments Receivable				936,755
Prepaid Expenses, Deposits & Other Current Assets				(87,929)
(Decrease)/Increase in Liabilities: Accounts Payable				(983,922)
Accrued Payroll, Payroll Taxes & Other Current Liabilities				5,539
Transfer to/(from) Reserves				(1,169,275)
				(1,169,275)
PERIOD INCREASE (DECREASE)				<u>\$ (1,232,251)</u>

SUMMARY OF FINANCIAL TRANSACTIONS:

	Petty Cash	Gov'tl Checking Demand	Zero Balance Account Payroll	Vineyard Bank	Local Agency Investment Funds	Totals
Balances as of 3/31/2007	\$ 500	\$ 2,788,114	\$ -	\$ 434,046	\$ 5,658,868	\$ 8,881,528
Deposits	-	936,989	-	-	66,581	1,003,570
Transfers	-	(923,745)	57,791	(434,046)	1,300,000	-
Withdrawals/Checks	-	(2,178,030)	(57,791)	-	-	(2,235,821)
						(2,235,821)
Balances as of 4/30/2007	\$ 500	\$ 623,328	\$ -	\$ -	\$ 7,025,449	\$ 7,649,277
	-	-	-	-	-	-
PERIOD INCREASE OR (DECREASE)	\$ -	\$ (2,164,786)	\$ -	\$ (434,046)	\$ 1,366,581	\$ (1,232,251)

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
APRIL 1 THROUGH APRIL 30, 2007**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
4/15/2007	Interest	L.A.I.F.	\$ 66,581				
4/5/2007	Deposit	L.A.I.F.	\$ 1,800,000				
4/23/2007	Deposit	L.A.I.F.	\$ (500,000)				
TOTAL INVESTMENT TRANSACTIONS			\$ 1,366,581	-			

* The earnings rate for L.A.I.F. is a daily variable rate; 5.17% was the effective yield rate at the Quarter ended March 31, 2007

**INVESTMENT STATUS
April 30, 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	\$ 7,025,449			
TOTAL INVESTMENTS	\$ 7,025,449			

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.

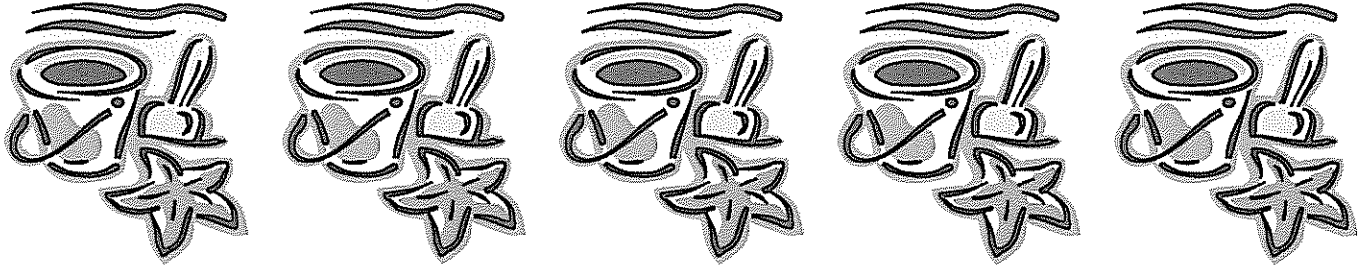
Respectfully submitted,



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

	<u>Jul '06 - Apr 07</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	0.00	138,000.00	-138,000.00	0.0%
4110 · Admin Asmnts-Approp Pool	7,800,290.33	7,227,619.00	572,671.33	107.92%
4120 · Admin Asmnts-Non-Agri Pool	123,211.83	80,586.00	42,625.83	152.9%
4700 · Non Operating Revenues	177,488.73	136,500.00	40,988.73	130.03%
Total Income	8,100,990.89	7,582,705.00	518,285.89	106.84%
Gross Profit	8,100,990.89	7,582,705.00	518,285.89	106.84%
Expense				
6010 · Salary Costs	462,851.87	447,037.00	15,814.87	103.54%
6020 · Office Building Expense	90,294.69	102,000.00	-11,705.31	88.52%
6030 · Office Supplies & Equip.	29,421.42	45,000.00	-15,578.58	65.38%
6040 · Postage & Printing Costs	75,505.58	78,500.00	-2,994.42	96.19%
6050 · Information Services	110,410.87	112,500.00	-2,089.13	98.14%
6060 · Contract Services	110,593.76	131,000.00	-20,406.24	84.42%
6080 · Insurance	15,108.00	25,210.00	-10,102.00	59.93%
6110 · Dues and Subscriptions	16,582.25	16,750.00	-167.75	99.0%
6140 · WM Admin Expenses	2,629.60	6,500.00	-3,870.40	40.46%
6150 · Field Supplies	872.18	4,000.00	-3,127.82	21.81%
6170 · Travel & Transportation	21,213.12	19,350.00	1,863.12	109.63%
6190 · Conferences & Seminars	22,808.74	22,500.00	308.74	101.37%
6200 · Advisory Comm - WM Board	11,907.02	15,168.00	-3,260.98	78.5%
6300 · Watermaster Board Expenses	29,194.61	36,955.00	-7,760.39	79.0%
8300 · Appr PI-WM & Pool Admin	18,731.73	15,918.00	2,813.73	117.68%
8400 · Agri Pool-WM & Pool Admin	16,884.10	18,633.00	-1,748.90	90.61%
8467 · Ag Pool Legal & Technical Services	47,471.98	65,000.00	-17,528.02	73.03%
8470 · Ag Meeting Attend -Special	8,150.00	12,000.00	-3,850.00	67.92%
8500 · Non-Ag PI-WM & Pool Admin	5,445.33	6,694.00	-1,248.67	81.35%
6500 · Education Funds Use Expens	375.00	375.00	0.00	100.0%
9500 · Allocated G&A Expenditures	-344,813.52	-408,749.00	63,935.48	84.36%
	751,638.33	772,341.00	-20,702.67	97.32%
6900 · Optimum Basin Mgmt Plan	1,841,941.65	1,713,780.00	128,161.65	107.48%
6950 · Mutual Agency Projects	10,000.00	5,000.00	5,000.00	200.0%
9501 · G&A Expenses Allocated-OBMP	130,052.46	142,015.00	-11,962.54	91.58%
	1,981,994.11	1,860,795.00	121,199.11	106.51%
7101 · Production Monitoring	78,994.10	61,565.00	17,429.10	128.31%
7102 · In-line Meter Installation	25,792.88	64,904.00	-39,111.12	39.74%
7103 · Grdwtr Quality Monitoring	119,112.79	149,713.00	-30,600.21	79.56%
7104 · Gdwtr Level Monitoring	168,065.25	191,953.00	-23,887.75	87.56%
7105 · Sur Wtr Qual Monitoring	4,514.70	32,247.00	-27,732.30	14.0%
7107 · Ground Level Monitoring	106,535.15	160,984.00	-54,448.85	66.18%
7108 · Hydraulic Control Monitoring	246,059.78	268,258.00	-22,198.22	91.73%
7109 · Recharge & Well Monitoring Prog	57,016.44	146,350.00	-89,333.56	38.96%
7200 · PE2- Comp Recharge Pgm	756,472.37	1,472,997.00	-716,524.63	51.36%
7300 · PE3&5-Water Supply/Desalte	3,344.02	4,676.00	-1,331.98	71.52%
7400 · PE4- Mgmt Plan	168,784.62	578,762.00	-409,977.38	29.16%

	<u>Jul '06 - Apr 07</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7500 · PE6&7-CoopEfforts/SaltMgmt	186,589.95	310,507.00	-123,917.05	60.09%
7600 · PE8&9-StorageMgmt/Conj Use	18,957.88	6,698.00	12,259.88	283.04%
7690 · Recharge Improvement Debt Pymt	1,358,414.50	1,358,000.00	414.50	100.03%
7700 · Inactive Well Protection Prgm	0.00	14,921.00	-14,921.00	0.0%
9502 · G&A Expenses Allocated-Projects	214,761.04	266,734.00	-51,972.96	80.52%
	<u>3,513,415.47</u>	<u>5,089,269.00</u>	<u>-1,575,853.53</u>	<u>69.04%</u>
Total Expense	<u>6,247,047.91</u>	<u>7,722,405.00</u>	<u>-1,475,357.09</u>	<u>80.9%</u>
Net Ordinary Income	1,853,942.98	-139,700.00	1,993,642.98	-1,327.09%
Other Income/Expense				
Other Income				
4210 · Approp Pool-Replenishment	2,683,974.49	0.00	2,683,974.49	100.0%
4220 · Non-Ag Pool-Replenishment	7,008.67	0.00	7,008.67	100.0%
Total Other Income	<u>2,690,983.16</u>	<u>0.00</u>	<u>2,690,983.16</u>	<u>100.0%</u>
Other Expense				
5010 · Groundwater Replenishment	4,002,448.80			
9999 · To/(From) Reserves	542,477.34	-139,700.00	682,177.34	-388.32%
Total Other Expense	<u>4,544,926.14</u>	<u>-139,700.00</u>	<u>4,684,626.14</u>	<u>-3,253.35%</u>
Net Other Income	<u>-1,853,942.98</u>	<u>139,700.00</u>	<u>-1,993,642.98</u>	<u>-1,327.09%</u>
Net Income				

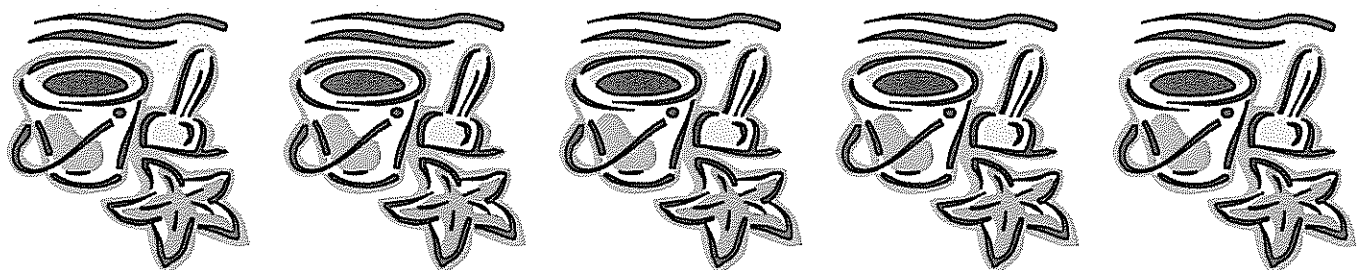


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

C. WATER TRANSACTION

1. Consider Approval for Notice of Sale or Transfer – The City of Upland has agreed to purchase from West End Consolidated Water Company a portion of West End’s water in storage in the amount of 3,800 acre-feet.



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

May 3, 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: **April 11, 2007**

Date of this notice: **May 3, 2007**

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

- A. Notice of Sale or Transfer – The City of Upland has agreed to purchase from West End Consolidated Water Company (West End) a portion of West End’s water in storage in the amount of 3,800 acre-feet. The 85/15 rule does not apply and a recapture plan has not been completed as Upland intends to immediately sell 10,000 acre-feet of water in storage to the Fontana Water Company.

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

Appropriative Pool: May 17, 2007

Non-Agricultural Pool: May 17, 2007

Agricultural Pool: May 15, 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: May 3, 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: May 3, 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 –The City of Upland has agreed to purchase from West End Consolidated Water Company (West End) a portion of West End's water in storage in the amount of 3,800 acre-feet. The 85/15 rule does not apply and a recapture plan has not been completed as Upland intends to immediately sell 10,000 acre-feet of water in storage to the Fontana Water Company.

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).

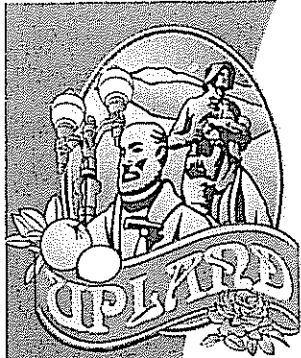
The following application for water transaction is attached with the notice of application.

- Notice of Sale or Transfer –The City of Upland has agreed to purchase from West End Consolidated Water Company (West End) a portion of West End's water in storage in the amount of 3,800 acre-feet. The 85/15 rule does not apply and a recapture plan has not been completed as Upland intends to immediately sell 10,000 acre-feet of water in storage to the Fontana Water Company.

Notice of the water transaction identified above was mailed on May 3, 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.



PUBLIC WORKS DEPARTMENT

Telephone (909) 931-4230

Facsimile (909) 931-4274

APR 11 2007

April 11, 2007

Mr. Kenneth R. Manning, CEO
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA. 91730

Subject: Purchase of Water in Storage in the Chino Basin – FY 2006-2007

Dear Mr. Manning:

Please take notice that the City of Upland has agreed to purchase from West End Consolidated Water Company (West End) a portion of West End's water in storage in an amount of 3,800 acre-feet.

Enclosed is an executed Application For Sale or Transfer of Right to Produce Water From Storage for consideration by Watermaster. A recapture plan has not been completed as Upland intends to immediately sell 10,000 acre-feet of water in storage to the Fontana Water Company. Please place the proposed purchase on the next available agenda.

If you have any questions or require additional information concerning this matter, please contact me at (909) 291-2931.

Sincerely,

Anthony M. La
Public Works Director, City of Upland

CITY OF UPLAND

460 North Euclid Avenue, Upland, CA 91786-4732 • (909) 931-4000 • Fax (909) 931-9923 • TDD (800) 735-2929 • www.ci.upland.ca.us
Mayor John "JP" Pomierski • Mayor Pro Tem Brendan Brandt • Council Members: Ray Musser, Tom Thomas, Kenneth W. Willis, City Manager Robb Quincey

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

TRANSFER FROM LOCAL STORAGE AGREEMENT # _____

West End Consolidated Water Co.
Name of Party

April 26, 2007
Date Requested Date Approved

1370 N. Benson Avenue
Street Address

3,800 Acre-feet _____ Acre-feet
Amount Requested Amount Approved

Upland CA 91786
City State Zip Code

Telephone: (909) 291-2960

Facsimile: (909) 931-4274

Rosemary Hoerning
Applicant
Rosemary Hoerning, General Manager

TRANSFER TO:

City of Upland
Name of Party

Attach Recapture Form 4

1370 N. Benson Avenue
Street Address

Upland, CA 91786
City State Zip Code

Telephone: (909) 291-2931

Facsimile: (909) 931-4274

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?

MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Anthony M. La
Applicant

Anthony M. La, Public Works Director

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

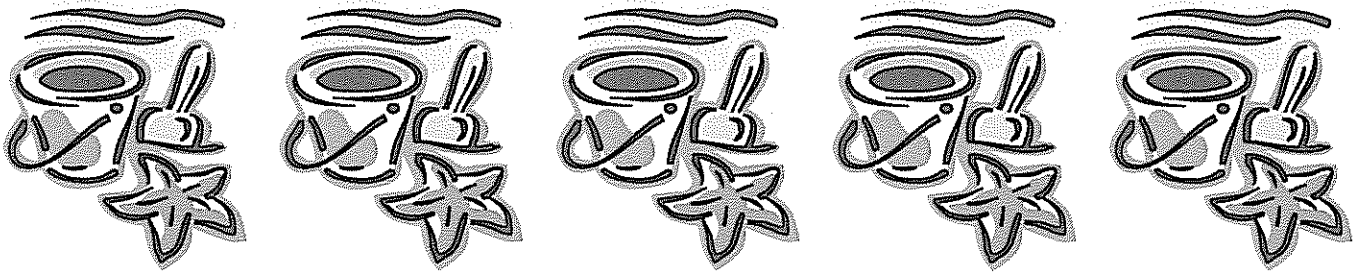
DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____



CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

- A. MZ1 LONG TERM PLAN /
MZ1 PLEADING





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: June 28, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: Management Zone 1 Long Term Plan for the Management of Subsidence

Recommendation: Staff recommends that after full consideration of the Watermaster Staff Report and evidence presented that the Board adopt the proposed findings set forth in Exhibit "A" to this staff report, and that the Long Term Plan be approved as presented and transmitted to the Court with the pleading included with this staff report.

Introduction

As described in the chronology below, the Management Zone 1 Long Term Plan for the Management of Subsidence has been under development for many years. The Long Term Plan as presented for approval has been the subject of numerous meetings of the MZ1 Technical Committee and represents a plan that will continue the success of the Interim Plan which has been in the implementation phase since 2002.

The Long Term Plan was approved unanimously by all three Pools with the caveat that non-substantive revisions to the Plan would be considered by the MZ1 Technical Committee at a meeting to be held prior to the Advisory Committee and Board meetings. Any revisions to the Plan that result from this meeting will be presented to the Advisory Committee and Board.

Management Directives: Judgment, Peace Agreement and OBMP

In implementing the physical solution for the Chino Basin, Watermaster must consider that the Basin is a "common supply" for all stakeholders that rely upon the Basin. Exhibit "I" to the Judgment provides that it is a management objective that no party be deprived of access to groundwater because of unreasonable pumping patterns or regional or localized Recharge or Replenishment, "insofar as such result may be practically avoided." (Judgment, Exhibit "I"; Watermaster Rules and Regulations 5.3(a).) In addition, financial feasibility, economic impact and the physical facilities of the parties is of equal

importance to water quantity and water quality considerations. (Judgment Exhibit "I"; Watermaster Rules and Regulations 5.3(c).)

The Peace Agreement was executed by the Parties to the Judgment in June of 2000 in furtherance of the Physical Solution. Although Watermaster is not a signatory to the Peace Agreement it approved it and agreed to act in accordance with its terms. Watermaster was subsequently ordered to proceed in accordance with its terms by the Court on July 13, 2000.

The OBMP Implementation Plan was Exhibit "B" to the Peace Agreement. Program Element 4 required the development of an "interim management plan" to "minimize subsidence" while information was being collected. The Interim Plan was to be voluntary. (Implementation Plan, Peace Agreement Exhibit "B" at p. 26.)

The Long Term Plan was to be formulated while the collection of data was ongoing. (Implementation Plan at P. 27) The only requirement of the Long Term Plan was that it be adaptive in nature. It was permissible to include modifications to groundwater pumping rates, pumping location, recharge and monitoring. However, there was no requirement that the Long Term Plan include these provisions.

As long as the Long Term Plan is in accordance with these criteria, Watermaster expects the support of the Parties pursuant to Peace Agreement Article IV, Section 4.2 which provides that no Party to the Peace Agreement will oppose the implementation of the OBMP. All producers within Management Zone 1 are signatories to the Peace Agreement.

Chronology of Interim Plan and Long Term Plan

While Watermaster was preparing an Interim Plan in accordance with Program Element 4 of the OBMP Implementation Plan, on December 7, 2001, the City of Chino Hills filed a Petition for Writ of Mandate against the City of Chino. Chino Hills requested: (1) a judicial declaration related to the City of Chino's encroachment permit process; (2) a preemptory writ requiring Chino to permit Chino Hills to enter its right of ways to allow completion of a pipeline project known as the "Monte Vista Interconnect Transmission Main"; (3) invalidation of Chino's Urgency Ordinance 2001-08 and Regular Ordinance 2001-09 related to Chino's encroachment permit process. (Petition, pp. 26-28.) The Petition specifically requested that it be assigned to the Hon. J. Michael Gunn under his continuing jurisdiction of the Chino Basin adjudication. (Chino Hills Petition, p. 3.)

On December 19, 2001, the Supervising Judge of the San Bernardino Superior Court determined that the Petition encompassed two separate matters. (Dec. 19, 2001 Order, p. 2.) The first matter was construed as a mandamus proceeding brought under the Public Utility Code. The second matter was construed as a motion brought under Paragraph 15 of the Judgment which encompasses all claims pertaining to the rights and obligations of the parties with respect to the production of water in the Chino Basin, including any issues relating to subsidence. This matter was assigned to Judge Gunn.

Also on December 19, 2001, Judge Gunn ordered all parties to report on the status of the technical work performed by Watermaster and others concerning subsidence and related issues, and set a hearing for February 28, 2002 on those issues. (December 19, 2001 Order, p. 2.)

In response, on January 31, 2002, the City of Chino filed a motion pursuant to Paragraph 15 requesting the Court to assume jurisdiction over its dispute with Chino Hills regarding water production and subsidence. (Chino Motion, p. 4.) The purpose of this request was to resolve the following issues: (1) whether Chino Hills' production of water from the deep aquifers within the City of Chino is causing land subsidence and if so, to fashion a remedy to abate the land subsidence; and (2) whether Chino Hills' proposed purchase of groundwater from the Monte Vista Water District will have the potential to degrade the quantity or quality of water that Chino extracts from its northerly wells and if so, to fashion a remedy. (Chino Motion, pp. 3-4.)

On January 29, 2002, Watermaster filed its *Report of Watermaster Activities Regarding Subsidence and Request for Finding and Further Order*. This Report was accompanied by a Declaration from Mr. Wildermuth. On February 14, 2002, Monte Vista Water District filed a Motion to Strike portions of the City of Chino's Motion. Similarly, on February 18, 2002, the City of Chino Hills filed an objection to the City of Chino's Motion. Chino Hills joined in Monte Vista's Motion and also joined in Watermaster's Motion.

Following these filings, Watermaster filed a Motion for a Continuance asking the Court to defer ruling on the pleadings that had been filed and to direct the parties to convene a stakeholder process in order to develop a consensus-based Interim Plan to address subsidence. Twelve parties, including Chino and Chino Hills, joined in this Motion. On February 25, 2002, the Special Referee filed a *Report and Recommendation Concerning Motions Filed Related to Subsidence*. This Report recommended granting Watermaster's Motion. On February 28, 2002, the Court continued the hearing in order to allow a stakeholder process to convene. Watermaster was asked to report back on any consensus that had been achieved, and a hearing was set for June 19, 2002.

On May 1, 2002, Watermaster filed a *Report on Progress of the Interim Plan Stakeholder Process*. On June 17, 2002, Watermaster transmitted the Interim Plan to the Court and requested the Court to schedule a workshop on the Interim Plan. On June 19, 2002, the Court granted this request, and on August 29, 2002 the workshop was held.

On September 18, 2002, the Special Referee filed her report titled *Special Referee's Report on Interim Plan Workshop and Recommendation Concerning Subsidence Issues*. Oppositions and comments to the Referee's Report were filed by several parties. On September 30, 2002, Watermaster filed its comments to the Referee's Report and asked the Court for an order to proceed in accordance with the Interim Plan. Watermaster's Motion was accompanied by a revised version of the Interim Plan.

On October 17, 2002, the Court ordered Watermaster to implement the Interim Plan, to continue reporting regularly to the Court, and to begin the process of developing the Long Term Plan.

The initial term of the Interim Plan was three years, and involved the development of an extensive monitoring program and a forbearance program to reduce pumping in the area of concern. Since then, the Cities of Chino and Chino Hills have annually elected to participate in the forbearance program. On April 28, 2005, Watermaster approved continuation of the forbearance program for the fourth year (2005/2006).

Near the end of the three-year period another workshop was held on May 25, 2005. The scope of the workshop was limited to a presentation of the technical data and analysis that had been completed. On June 16, 2005 the Special Referee filed her *Report on Progress Made on Implementation of the Watermaster Interim Plan for Management of Subsidence*. The Referee's Report recommended that Watermaster prepare a Summary Report on the technical work completed, and issue Guidance Criteria in order to formally alert the parties about the technical determination that drawdown below a certain level in the MZ1 area is likely to cause inelastic compaction. (June 16, 2005 Referee Report, pp. 6-7.)

The MZ-1 Summary Report and Guidance Criteria were completed in February 2006 and submitted to the Appropriative Pool in March 2006. At the Appropriative Pool meeting, the City of Chino Hills expressed reservation about the Summary Report and Guidance Criteria. Action on these items was delayed in order to allow the development of an alternate proposal that would resolve the expressed concerns. (March 9, 2006 Appropriative Pool Meeting Minutes.) By the next regularly scheduled monthly meeting no alternative was forthcoming and the Appropriative Pool approved the Summary Report and Guidance Criteria at the April meeting with one dissenting vote from Chino Hills. (April 13, 2006 Appropriative Pool Meeting Minutes.) The Non-Agricultural Pool and Agricultural Pool unanimously approved the Summary Report and Guidance Criteria at their April meetings.

The Advisory Committee unanimously approved the Summary Report and Guidance Criteria at its April meeting, with Chino Hills absent from the meeting. (April 27, 2006 Advisory Committee Meeting Minutes.) In order to allow additional time to resolve Chino Hills' concerns, the Board voted to delay

action on the item to allow for further attempts to engage Chino Hills in a dialogue regarding their concerns. (April 27, 2006 Board Meeting Minutes.)

During the month of May the Watermaster Board Chair, Mr. Willis, met with representatives from the City of Chino Hills and reported at the May 2006 Board meeting that Chino Hills was in the process of preparing a document that would provide guidance concerning how the Long Term Plan should be formulated. (May 25, 2006 Board Meeting Minutes.) Comments by the representative from Chino Hills at this meeting indicated that the City of Chino Hills is concerned about the method of compensation or assistance for any loss of production that the City of Chino Hills might experience due to subsidence concerns. (Id.) At this meeting the Board also authorized staff to submit the Non-Binding Term Sheet to the Court for approval. (Id.) Article XI of the Non-Binding Term Sheet included a provision for Watermaster to publish guidance criteria and to adopt a final plan.

Following the May Board meeting, the MZ1 Technical Committee suspended its scheduled meetings in order to allow Chino Hills the opportunity to submit a proposal before work on the Long Term Plan continued.

On July 26, 2006, another Special Referee workshop was held in order to present the Non-Binding Term Sheet to the Special Referee and her technical assistant. At that meeting, Counsel for Chino Hills expressed reservations about the Non-Binding Term Sheet. (Reporter's Transcript July 26, 2006 p. 40:6-24.) On July 28, 2006, Watermaster Counsel wrote to Chino Hills' Counsel and requested clarification concerning Chino Hills' concerns. (Watermaster General Counsel Letter of July 28, 2006.) Watermaster Counsel also noted that no proposal had yet been forthcoming from Chino Hills and that the Technical Committee was not meeting in anticipation of such a proposal. (Id.) There was no reply to this correspondence.

Watermaster received no proposal from Chino Hills and eventually reconvened the Technical Committee in October 2006, in order to resume work on the Long Term Plan. Watermaster has formulated and proposed a complete Long Term Plan. As of the date of this Staff Report, Watermaster is unaware of any specific written proposal for the management of subsidence that will comport with the provisions of the OBMP Implementation Plan other than the plan proposed by Watermaster.

Long Term Plan

1. Development and Approach

Consistent with the directives of the OBMP Implementation Plan Program Element 4, the Long Term Plan is adaptive. It includes extensive data collection. It is also completely voluntary. The proposed plan would reserve to each of the producers within Management Zone 1 the right to operate their individual systems with the full suite of information developed and analyzed by Watermaster.

The proposed plan will not require any specific action by any party under the theory that each producer is best suited to weigh the risks and benefits of producing groundwater under the identified conditions. To the extent further actions may be required, Watermaster has reserved whatever discretion it may have under the Judgment to address problems should they arise in the future.

2. Progress Under the Interim Plan

To date, the participation in the Interim Plan, on the Technical Committee, as well as in the Forbearance Program has been completely voluntary. Staff sees no evidence to suggest that the voluntary participation by the parties is unsuccessful. To the contrary, the outcome of implementation of the Interim Plan is that the parties have been able to collectively prevent water levels from dropping below a level that is projected to cause inelastic subsidence. The five years of data gathering and experimentation have produced a better and more comprehensive understanding of the groundwater system. For example, Watermaster is now able to measure very small amounts of inelastic

subsidence and the measures that have been taken over the last several years have brought the subsidence problem under control. The Summary Report says that: "The current state of aquifer –system deformation in south MZ-1(in the vicinity of Ayala Park) is essentially elastic. Little, if any, inelastic (permanent) compaction is now occurring in this area, which is in contrast to the past" (Summary Report p. ES-1; See also Summary Report p. 2-1.) The proposed Long Term Plan also acknowledges this: "The current state of aquifer-system deformation in south MZ-1 (in the vicinity of Ayala Park) is essentially elastic. Very little inelastic (permanent) compaction is now occurring in this area" (MZ-1 Plan, p. 1-1.) Accordingly, the challenge presented for the Long Term Plan is to maintain the effectiveness of the solution that has been established by the parties through voluntary cooperation rather than trying to remediate an existing problem.

3. Elements of the Long Term Plan

The Long-Term Plan contains the following elements that are consistent with and contemplated by OBMP Program Element Four: (1) voluntary producer participation; (2) continuation and expansion of monitoring; (3) publication of Guidance Criteria.

The Summary Report and Guidance Criteria previously adopted by the Watermaster Board on May 25, 2006 have been included in the Long Term Plan as Appendix A. Since the Summary Report and Guidance Criteria were formally adopted, Watermaster has continued working with the affected parties to develop the Long Term Plan. Based on this outreach and the numerous meetings held with the MZ1 parties, Watermaster has now formulated a proposal which recommends the continuation of monitoring established during the Interim Plan.

The Summary Report also identified other areas in MZ1 and MZ2 that have experienced subsidence in the past, but were not the focus of the Interim Plan. As such, the proposed Long Term Plan recommends additional monitoring and technical work to further Watermaster's understanding of the mechanisms of subsidence in these other areas of MZ1 and MZ2. Watermaster believes that the affected parties in MZ1 are sufficiently concerned with the potential to cause subsidence that the continuation of a voluntary program consistent with the approach utilized by the Interim Plan is the most efficient and effective means to manage subsidence in MZ1 on a long-term basis.

Thus, Watermaster will continue and expand its monitoring efforts to other areas in MZ1, and within the previous area of concern, will ensure that the parties are aware of changes in groundwater levels, will provide direct electronic access to real time groundwater levels, and are clearly alerted if groundwater levels begin to approach the control point. Similarly, the parties are requested to maintain accurate records of the operation of the Managed Wells, including production rates and periods of operation. The parties are requested to provide these records to Watermaster monthly. The parties are further requested to promptly notify Watermaster of all operational changes made to maintain the water level in PA-7 above the Guidance Level. (MZ-1 Plan p. 2-2.)

The Long Term Plan Is Adaptive

As required by OBMP Program Element Four, the proposed Long Term Plan is intended to be adaptive in nature. (MZ-1 Plan, Section 3.) This means that while the Plan sets out a set of actions to be taken by Watermaster, this plan of activities may change through time as additional information is obtained and analyzed.

Watermaster will not presume that any of the producers operating within MZ-1 will disregard the guidance criteria for extended periods or in a manner that will cause unmitigated harm. To the contrary, the essence of the proposed Long Term Plan is to reserve the day to day operational discretion to the operators – not the Watermaster as a regulator. However, if conditions change, Watermaster has reserved whatever discretion it may have under the Judgment to make constructive improvements.

The Long Term Plan is Adequate without an Alternative Water Supply Proposal

Consistent with the intention to reserve operational discretion to the producers within MZ-1 with regard to whether to produce groundwater, in which locations and in which quantities, the proposed Long-Term Plan will also reserve to each of the producers the right to evaluate supplemental water supply options that may be right for them. To date, the Technical Committee has not advocated the relocation of any wells or any specific supplemental water strategy.

It is the opinion of Watermaster staff and consultants that the existing wells in MZ1 can continue to be operated. So long as the aggregate pumping does not cause water levels to drop below the control point, there is no reason why the existing wells cannot continue to be used in order to make use of the economic value remaining in the wells. Moreover, the decision as to whether to operate outside of the Guidance Criteria is the producer's alone, given their respective balancing of competing considerations. Of course, the success of the Long Term Plan is likely dependent upon whether operations vary from the Guidance Criteria as temporary excursions or the rule.

Staff does note that it has been nearly eight years since deep zone pumping was identified in the Phase I Report as the potential source of subsidence in MZ-1 and it is reasonable to conclude that if parties had concerns regarding the provision of supplemental water to off-set groundwater production, that they would take whatever actions required to redress the problem. On other hand, if Watermaster should subsequently determine that it is necessary to make the provision for supplemental water to offset production as a part of the Long Term Plan, the Plan can be amended accordingly.

Likewise, if a producer demonstrates that their operations have become constrained by subsidence, then it can make a supplemental water proposal for Watermaster's consideration. If appropriate, the Long Term Plan can be amended to add the proposal to the Plan.

Watermaster's Alternative Water Supply Proposal

While Watermaster is cognizant of the interest of the affected MZ1 parties to find a cost effective way to prevent themselves from causing groundwater levels to fall below the 245 foot recommended level, there is no necessary connection between the Long Term Plan and an alternative water supply proposal. Nevertheless, Watermaster is evaluating a replacement water supply proposal to assist the affected parties in voluntarily reducing their pumping from the deep zone in order to avoid causing water levels to drop below the guidance level. This proposal remains preliminary and under consideration by the parties and Watermaster.

Long Term Plan Costs

The management of subsidence was recognized by the OBMP as an important management element for the entire Basin, and Program Element 4 (Develop and Implement Comprehensive Groundwater Management Plan for Management Zone 1) emphasizes management specifically in order to minimize subsidence. Some of the action items included in Program Element 4 include the development of a comprehensive groundwater level and quality monitoring program in MZ1, and development of a groundwater management program for MZ1 consisting of increased stormwater and supplemental water recharge, management of production to minimize subsidence, and the increased use of supplemental water in MZ1.

Thus, measures to address subsidence are an established component of the overall OBMP. In recognition of this, the parties throughout the Basin incur OBMP costs associated with subsidence management. The parties as a whole pay for the monitoring efforts relating to subsidence and have in the past incurred costs associated with increased supplemental water recharge into MZ1. Similarly, Watermaster's proposed alternative water supply plan may involve additional OBMP costs on the parties as a whole. However, at this time there is no commitment in the Long Term Plan for any party or Watermaster to assume a financial responsibility for supplemental water relating to subsidence management.

The Peace Agreement also addressed costs associated with subsidence. Section 5.4(d) says:
Watermaster shall adopt reasonable procedures to evaluate requests for OBMP credits against future OBMP assessments or for reimbursement. Any Producer or party to the Judgment, including but not limited to the State of California, may make application to Watermaster for reimbursement or credit against future OBMP Assessments for any capital or operations and maintenance expenses incurred in the implementation of any project or program, including the cost of relocating groundwater Production facilities, that carries out the purposes of the OBMP including but not limited to those facilities relating to the prevention of subsidence

Thus, the Peace Agreement contemplated potential reimbursement to parties for costs associated with facilities relating to the prevention of subsidence. Such reimbursement is obtained through an Application to Watermaster in advance of construction. One of the considerations with regard to such an Application will be the availability of alternate funding sources, and such an Application will not be approved where the Producer was otherwise legally compelled to make the improvement. It is potentially relevant in this regard that no party has a right to cause Material Physical Injury to other parties or to the Basin.

It is notable that under the Stakeholder Non-Binding Term Sheet, section 5.4(d) of the Peace Agreement is proposed to be deleted.

Furthermore, the Peace Agreement section 5.4(e) says that:

Any Producer that Watermaster compels to move a groundwater Production facility that is in existence in the Date of Execution shall have the right to receive a credit against future Watermaster assessments or reimbursement up to the reasonable cost of the replacement groundwater Production facility.

This provision is not invoked by the proposed Long Term Plan because the proposed Plan is voluntary. No Producer is compelled by Watermaster to move a groundwater production facility. In fact, Watermaster has seen no evidence to date suggesting any necessity to move any groundwater production facilities.

Recommended Action

Staff recommends that the Advisory Committee adopt the findings as described in Exhibit "A" to this staff report and approve the Long Term Plan as presented and direct that it be filed with the Court.

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Exhibit "A"

Proposed Findings

Based on the contents of the staff report, as well as the prior discussions of subsidence management before the Advisory Committee and Board, as well as the contents of the Long Term Plan and the Summary Report, the Advisory Committee and Board find as follows:

1. The Interim Plan for the Management of Subsidence has successfully accomplished its goals of minimizing subsidence and fissuring in the short term, and collecting the information necessary to understand the extent and causes of subsidence and fissuring.
2. The Long Term Plan as proposed will be an effective means to continue the success of the Interim Plan.
3. The Long Term Plan as proposed is voluntary for all parties.
4. While the Long Term Plan is voluntary, this does not in any way constitute a waiver of any powers of Watermaster under the Judgment to compel compliance with subsidence management efforts if necessary.
5. The effectiveness of the Long Term Plan does not depend on an alternative water supply plan.
6. The Long Term Plan is adaptive and thus will continue to evolve as circumstances warrant.
7. The Long Term Plan as presented is consistent with the Judgment, the OBMP and the Peace Agreement.
8. The Long Term Plan as presented does not trigger the reimbursement provision of section 5.4(e) of the Peace Agreement.

Chronology of Interim Plan and Long Term Plan

On December 7, 2001, the City of Chino Hills filed a Petition for Writ of Mandate against the City of Chino. Chino Hills requested: (1) a judicial declaration related to the City of Chino's encroachment permit process; (2) a preemptory writ requiring Chino to permit Chino Hills to enter its right of ways to allow completion of a pipeline project known as the "Monte Vista Interconnect Transmission Main"; (3) invalidation of Chino's Urgency Ordinance 2001-08 and Regular Ordinance 2001-09 related to Chino's encroachment permit process. (Petition, pp. 26-28.) The Petition specifically requested that it be assigned to the Hon. J. Michael Gunn under his continuing jurisdiction of the Chino Basin adjudication. (Petition, p. 3.)

On December 19, 2001, the Supervising Judge of the San Bernardino Superior Court determined that the Petition encompassed two separate matters. (Dec. 19, 2001 Order, p. 2.) The first matter was construed as a mandamus proceeding brought under the Public Utility Code. The second matter was construed as a motion brought under Paragraph 15 of the Judgment which encompasses all claims pertaining to the rights and obligations of the parties with respect to the production of water in the Chino Basin, including any issues relating to subsidence. This matter was assigned to Judge Gunn.

Also on December 19, 2001, Judge Gunn ordered all parties to report on the status of the technical work performed by Watermaster and others concerning subsidence and related issues, and set a hearing for February 28, 2002 on those issues. (December 19, 2001 Order, p. 2.)

In response, on January 31, 2002, the City of Chino filed a motion pursuant to Paragraph 15 requesting the Court to assume jurisdiction over its dispute with Chino Hills regarding water production and subsidence. (Chino Motion, p. 4.) The purpose of this request was to resolve the following issues: (1) whether Chino Hills' production of water from the deep aquifers within the City of Chino is causing land subsidence and if so, to fashion a remedy to abate the land subsidence; and (2) whether Chino Hills' proposed purchase of groundwater

from the Monte Vista Water District will have the potential to degrade the quantity or quality of water that Chino extracts from its northerly wells and if so, to fashion a remedy. (Chino Motion, pp. 3-4.)

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Minutes.) The Non-Agricultural Pool and Agricultural Pool unanimously approved the Summary Report and Guidance Criteria at their April meetings.

The Advisory Committee unanimously approved the Summary Report and Guidance Criteria at its April meeting, with Chino Hills absent from the meeting. (April 27, 2006 Advisory Committee Meeting Minutes.) In order to allow additional time to resolve Chino Hills' concerns, the Board voted to delay action on the item to

allow for further attempts to engage Chino Hills in a dialogue regarding their concerns. (April 27, 2006 Board Meeting Minutes.)

During the month of May the Watermaster Board Chair, Mr. Willis, met with representatives from the City of Chino Hills and reported at the May 2006 Board meeting that Chino Hills was in the process of preparing a document that would provide guidance concerning how the Long Term Plan should be formulated. (May 25, 2006 Board Meeting Minutes.) Comments by the representative from Chino Hills at this meeting indicated that the City of Chino Hills is concerned about the method of compensation or assistance for any loss of production that the City of Chino Hills might experience due to subsidence concerns. (Id.) At this meeting the Board also authorized staff to submit the Non-Binding Term Sheet through the Watermaster process for approval. (Id.)

Following this, the MZ1 Technical Committee suspended its meetings in order to allow Chino Hills the opportunity to submit a proposal before work on the Long Term Plan continued.

On July 26, 2006, another Special Referee workshop was held in order to present the Non-Binding Term Sheet to the Special Referee and her technical assistant. At that meeting, Counsel for Chino Hills expressed reservations about the Non-Binding Term Sheet. (Reporter's Transcript July 26, 2006 p. 40:6-24.) On July 28, 2006, Watermaster Counsel wrote to Chino Hills' Counsel and requested clarification concerning Chino Hills' concerns. (Watermaster General Counsel Letter of July 28, 2006.) Watermaster Counsel also noted that no proposal had yet been forthcoming from Chino Hills and that the Technical Committee was not meeting in anticipation of such a proposal. (Id.) There was no reply to this correspondence.

Watermaster received no proposal from Chino Hills and eventually reconvened the Technical Committee in October 2006, in order to resume work on the Long Term Plan. Watermaster has formulated and proposed both a complete Long Term Plan as well as a proposed Alternative Water Supply Plan.

The Long Term Plan that has been proposed by Watermaster follows the spirit of the Interim Plan. It is *Watermaster's* plan that primarily specifies those activities that Watermaster will perform in its attempt to maintain the status quo that has been established under the Interim Plan.

Long Term Plan Development and Approach

A key feature of the Interim Plan was that it was Watermaster's Plan that did not involve commitment from any party. Participation on the Technical Committee as well as in the Forbearance Program was completely voluntary for all parties.

At the time of the Interim Plan's development, the Special Referee suggested that it was not even appropriate to call it a "plan," because, the Referee asserted, it was nothing more than a collection of "generally related," and at some level "arbitrary," activities. (Special Referee's September 18, 2002 Report, pp. 36-37.) In fact, the outcome of implementation of the Interim Plan is that the parties have been able to prevent their pumping from causing water levels to drop below the level that will cause inelastic subsidence, and the availability of supplemental water has allowed the parties to turn on and off their pumps at the request of the Technical Committee in order to better monitor and learn about the dynamics of the system and how better to avoid subsidence. The three years of data gathering and

experimentation have produced a subtle understanding of the groundwater system. Watermaster is now able to measure very small amounts of inelastic subsidence and is able to say that the measures that have been taken over the last several years have brought the subsidence problem under control. The Long Term Plan says that: "The current state of aquifer-system deformation in south MZ-1 (in the vicinity of Ayala Park) is essentially elastic. Very little inelastic (permanent) compaction is now occurring in this area" (MZ-1 Plan, p. 1-1.)

Not only was the Interim Plan in fact a "plan," but as implemented it turns out to have charted exactly the right course to accomplish the goals of the plan: to bring subsidence under control, to come to understand the mechanisms of subsidence in the Chino Basin, and to determine what needs to happen on a long term basis. The challenge for the Long Term Plan, rather than trying to remediate an existing problem, is thus to maintain the solution that has been established.

The Summary Report and Guidance Criteria were adopted by the Watermaster Board on May 25, 2006, and are included in the Long Term Plan as Appendix A. Since the Summary Report and Guidance Criteria were adopted Watermaster has been working with the affected parties to develop the Long Term Plan. Based on this outreach and the numerous meetings held with the MZ1 parties, Watermaster has formulated a proposal which recommends the continuation of monitoring established during the Interim Plan. The Summary Report also identified other areas in MZ1 and MZ2 that have experienced subsidence in the past, but were not the focus of the Interim Plan. As such, the proposed Long Term Plan recommends additional monitoring and technical work to further Watermaster's understanding of the mechanisms of subsidence in these other areas of MZ1 and MZ2. Watermaster believes that the affected parties in MZ1 are sufficiently concerned with the potential to cause subsidence that the continuation of a voluntary program consistent with the approach utilized by the Interim Plan is the most efficient and effective means to manage subsidence in MZ1 on a long-term basis.

Thus, Watermaster will continue and expand its monitoring efforts to other areas in MZ1, and within the previous area of concern, will ensure that the parties are aware of changes in groundwater levels, will provide direct electronic access to real time groundwater levels, and are clearly alerted if groundwater levels begin to approach the control point. Similarly, the parties are requested to maintain accurate records of the operation of the Managed Wells, including production rates and periods of operation. The parties are requested to provide these records to Watermaster monthly. The parties are further requested to promptly notify Watermaster of all operational changes made to maintain the water level in PA-7 above the Guidance Level. (MZ-1 Plan p. 2-2.)

The Long Term Plan Is Intended to be Adaptive

The Long Term Plan as presented is intended to be adaptive in nature. (MZ-1 Plan, Section 3.) This means that while the Plan sets out a set of actions to be taken by Watermaster, this plan of activities may change through time as additional information is obtained and analyzed.

Indeed, last month Watermaster received additional suggestions for alterations to the Long Term Plan from the City of Chino. While some of these proposed alterations were accommodated in the version of the Plan that is now presented to the Pools, others were of a technical nature that should be considered by the Technical Committee prior to incorporation into the Plan.

Similarly, there will no doubt be other issues that become relevant to be included in the Long Term Plan as time moves on. There is no intention that the Long Term Plan be a static plan, and there is no reason why it should be so. Included within the items that may in the future be relevant to the Plan is the concept of an alternative water supply plan. Watermaster presently has no information to suggest that the affected parties are either unwilling or unable to voluntarily manage their pumping from the deep zone, and has no information that draws a necessary link between the Long Term Plan and an alternative water supply plan. However, if in the course of time this situation changes, then such changes can be accommodated by the Long Term Plan.

The Long Term Plan is Adequate without an Alternative Water Supply Proposal

While the OBMP made reference to the possibility that wells in MZ1 would need to be replaced, the work of the Technical Committee does not seem to support a need for such an extreme measure. All of the existing wells in MZ1 can continue to be used. So long as the aggregate pumping does not cause water levels to drop below the control point, there is no reason why the existing wells cannot continue to be used in order to make use of the economic value remaining in the wells.

Rather, to the extent that MZ1 producers feel themselves constrained in their water supply by subsidence issues, they should seek out supplemental supplies that will enable them to modify their production so as not to cause subsidence. Watermaster does not have the intimate familiarity with the systems of these parties to be able to tell them what they can or cannot do to meet their demands, and Watermaster cannot tell them the best way to supplement their supply portfolios so that they are not overly dependant on problematic wells. Watermaster has committed to assist the parties where possible in developing such supplies, and Watermaster believes that it has formulated a proposal which does just that. It is notable that no other party has put forward an alternate proposal.

The Long Term Plan can move forward even in the absence of an alternative water supply proposal. There is no necessary connection between the two. Since it has been nearly eight years since deep zone pumping was identified in the Phase I Report as the potential source of subsidence, it is reasonable to assume that the MZ1 parties have been gradually developing alternative sources of supply. Again, Watermaster does not have the familiarity with the details of the parties' systems to know whether this is true. If at a later time a producer feels constrained in its supply by the subsidence issue, then it can make a proposal for consideration. If such is appropriate to be a part of the Long Term Plan, then it can be added to the Plan at a later date.

Watermaster's Alternative Water Supply Proposal

While Watermaster is cognizant of the interest of the affected MZ1 parties to find a cost effective way to prevent themselves from causing groundwater levels to fall below the 245 foot recommended level, there is no necessary connection between the Long Term Plan and an alternative water supply proposal. Nevertheless, Watermaster has developed a replacement water supply proposal to assist the affected parties in voluntarily reducing their pumping from the deep zone in order to avoid causing water levels to drop below the guidance level. The replacement water supply plan is a logical follow on management tool that assists the affected parties in reducing their deep zone pumping if they determine that such assistance is needed, and the plan as proposed by Watermaster would reduce Watermaster's operations and maintenance costs at existing recharge facilities and may reduce the need to construct future recharge facilities to meet replenishment obligations.

According to this proposed plan, excess WFA treatment capacity is used to treat replenishment water and to deliver this water to the affected parties through existing conveyance facilities. Provided that there is surplus treatment capacity at the WFA and surplus capacity in existing conveyance systems, the proposed replacement water program could help Watermaster meet its replenishment capacity needs in a way that does not require the construction of additional recharge facilities. To the extent that there is not enough treatment capacity at WFA or capacity in the conveyance systems, then Watermaster may invest in creating new treatment capacity at the WFA treatment plant and or the conveyance systems.

There are still many details to be resolved with this proposal, and the consent of the WFA agencies will need to be obtained. No party has endorsed this plan, and there has been no indication from any party that they would take advantage of the supplemental water if it was made available. For this reason, Watermaster has not yet brought forward the alternative water supply proposal as an action item. The lack of endorsement for the proposal in combination with the lack of an alternative proposal from any party suggests that the idea of a supplemental supply plan may be premature.

However, after many meetings with the Technical Committee and other affected parties, Watermaster believes that if an alternative water supply plan ever becomes necessary, that its proposed

alternative water supply plan is the best approach for the Watermaster to encourage the affected parties to reduce pumping from the deep zone.

Long Term Plan Costs

The management of subsidence was recognized by the OBMP as an important management element for the entire Basin, and Program Element 4 (Develop and Implement Comprehensive Groundwater Management Plan for Management Zone 1) emphasizes management specifically in order to minimize subsidence. Some of the action items included in Program Element 4 include the development of a comprehensive groundwater level and quality monitoring program in MZ1, and development of a groundwater management program for MZ1 consisting of increased stormwater and supplemental water recharge, management of production to minimize subsidence, and the increased use of supplemental water in MZ1.

Thus, measures to address subsidence are an established component of the overall OBMP. In recognition of this, the parties throughout the Basin incur OBMP costs associated with subsidence management. The parties as a whole pay for the monitoring efforts relating to subsidence and have in the past incurred costs associated with increased supplemental water recharge into MZ1. Similarly, Watermaster's proposed alternative water supply plan may involve additional OBMP costs on the parties as a whole.

The Peace Agreement also addressed costs associated with subsidence. Section 5.4(d) says:

Watermaster shall adopt reasonable procedures to evaluate requests for OBMP credits against future OBMP assessments or for reimbursement. Any Producer or party to the Judgment, including but not limited to the State of California, may make application to Watermaster for reimbursement or credit against future OBMP Assessments for any capital or operations and maintenance expenses incurred in the implementation of any project or program, including the cost of relocating groundwater Production facilities, that carries out the purposes of the OBMP including but not limited to those facilities relating to the prevention of subsidence

Thus, the Peace Agreement contemplated potential reimbursement to parties for costs associated with facilities relating to the prevention of subsidence. Such reimbursement is obtained through an Application to Watermaster in advance of construction. One of the considerations with regard to such an Application will be the availability of alternate funding sources, and such an Application will not be approved where the Producer was otherwise legally compelled to make the improvement. It is potentially relevant in this regard that no party has a right to cause Material Physical Injury to other parties or to the Basin.

It is notable that under the Stakeholder Non-Binding Term Sheet, section 5.4(d) of the Peace Agreement is proposed to be deleted.

Furthermore, the Peace Agreement section 5.4(e) says that:

Any Producer that Watermaster compels to move a groundwater Production facility that is in existence in the Date of Execution shall have the right to receive a credit against future Watermaster assessments or reimbursement up to the reasonable cost of the replacement groundwater Production facility.

This provision is not invoked by the proposed Long Term Plan because the proposed plan is voluntary. No Producer is compelled by Watermaster to move a groundwater production facility. In fact, Watermaster has seen no evidence to date suggesting any necessity to move any groundwater production facilities.

Recommended Action

Staff recommends that the Pools approve the Long Term Plan as presented and direct that it be filed with the Court via a transmittal consistent with the content of this Staff Report. A proposed transmittal pleading will be submitted for consideration by the Advisory Committee and Board.

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1. PROBLEM DESCRIPTION AND MANAGEMENT GOALS

One of the earliest indications that land subsidence was occurring in Chino Basin was the appearance of ground fissures in the City of Chino. These fissures appeared as early as 1973, but an accelerated occurrence of ground fissuring ensued after 1991 and resulted in damage to existing infrastructure. The scientific studies that followed attributed the fissuring phenomenon to differential land subsidence caused by pumping of the underlying aquifer system and the consequent drainage and compaction of aquitard sediments.

In 1999, the Phase I Report of the Optimum Basin Management Program (OBMP) identified pumping-induced drawdown and subsequent aquifer-system compaction as the most likely cause of the land subsidence and ground fissuring observed in MZ-1. Program Element 4 of the OBMP – *Develop and Implement a Comprehensive Groundwater Management Plan for Management Zone 1* called for the development and implementation of an interim management plan for MZ-1 that would:

- Minimize subsidence and fissuring in the short-term
- Collect information necessary to understand the extent, rate, and mechanisms of subsidence and fissuring
- Formulate a management plan to reduce to tolerable levels or abate future subsidence and fissuring

In 2000, the Implementation Plan in the Peace Agreement called for an aquifer-system and land subsidence investigation in the southwestern region of MZ-1 to support the development of a management plan for MZ-1 (second and third bullets above). This investigation was titled the *MZ-1 Interim Monitoring Program (IMP)*. From 2001-2005, Watermaster developed, coordinated and conducted the IMP under the guidance of the MZ-1 Technical Committee, which is composed of representatives from all major MZ-1 producers and their technical consultants. Specifically, the producers represented on the MZ-1 Technical Committee include: the Agricultural Pool, City of Chino, City of Chino Hills, City of Ontario, City of Pomona, City of Upland, Monte Vista Water District, Southern California Water Company, and the State of California (CIM).

As of October 2005, the main conclusions derived from the investigation were:

1. Groundwater production from the deep, confined aquifer system in this area causes the greatest stress to the aquifer system. In other words, pumping of the deep aquifer system causes water level drawdowns that are much greater in magnitude and lateral extent than drawdowns caused by pumping of the shallow aquifer system.
2. Water level drawdowns due to pumping of the deep aquifer system can cause inelastic (permanent) compaction of the aquifer-system sediments, which results in permanent land subsidence. The initiation of inelastic compaction within the aquifer system at the Ayala Park Extensometer was identified during this investigation when water levels fell below a depth of about 250 feet in the PA-7 piezometer at Ayala Park.
3. The current state of aquifer-system deformation in south MZ-1 (in the vicinity of Ayala Park) is essentially elastic. Very little inelastic (permanent) compaction is now occurring in this area, which is in contrast to the recent past when about 2.2 feet of land subsidence occurred, accompanied by ground fissuring, from about 1987-1995.
4. Through this study, a previously undetected barrier to groundwater flow was identified. The barrier is located within the deep aquifer system and is aligned with the historical zone of ground fissuring. Pumping from the deep aquifer system is limited to the area west of the barrier, and the resulting

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SECTION 1
PROBLEM DESCRIPTION AND MANAGEMENT GOALS

drawdowns do not propagate eastward across the barrier. Thus, compaction occurs within the deep system on the west side of the barrier, but not on the east side, which causes concentrated differential subsidence across the barrier and creates the potential for ground fissuring.

- 5. InSAR and ground level survey data indicate that permanent subsidence in the central region of MZ-1 (north of Ayala Park) has occurred in the past and continues to occur today. The InSAR data also suggest that the groundwater barrier extends northward into central MZ-1. These observations suggest that the conditions that very likely caused ground fissuring near Ayala Park in the 1990s are also present in central MZ-1, and should be studied in more detail.

The investigation methods, results, and conclusions (listed above) are described in detail in the MZ-1 Summary Report (October 2005), which is included as Appendix A. The investigation provided enough information for Watermaster to develop Guidance Criteria for the MZ-1 producers in the investigation area that, if followed, would minimize the potential for subsidence and fissuring during the completion of the MZ-1 Subsidence Management Plan (this document). The Guidance Criteria are the basis for the MZ-1 Subsidence Management Plan (hereafter, the MZ-1 Plan) and are included in Section 4 of the MZ-1 Summary Report (Appendix A).

The goal of the MZ-1 Plan is:

To develop a pumping and recharge plan to reduce to tolerable levels or abate future land subsidence and ground fissuring.

This initial version of the MZ-1 Plan is specific to southwestern MZ-1 where:

- 1. Historical subsidence was accompanied by ground fissuring
- 2. The aquifer-system and land subsidence investigation was focused

However, the investigation also has shown that land subsidence has occurred, (or could possibly occur) in other regions of MZ-1, and possibly in other regions of the Chino Basin. In addition, the hydrogeologic conditions that very likely caused ground fissuring in southwestern MZ-1 are also likely present in other regions of MZ-1. For these reasons, the Watermaster conducts aquifer-system and subsidence monitoring efforts in other regions of Chino Basin.

A key element of the MZ-1 Plan is its *adaptive* nature. As new data are collected and periodically analyzed to evaluate the on-going effectiveness of the plan, the plan will be revised accordingly and approved through the Watermaster process.

Section 2 of this plan describes the current version of the MZ-1 Plan. Section 3 addresses the evaluation and periodic update of the MZ-1 Plan.

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2. MZ-1 SUBSIDENCE MANAGEMENT PLAN

Managed Wells within the Area of Subsidence Management

Table 2-1 lists the existing wells (hereafter the Managed Wells) and their owners (hereafter the Parties) that are currently subject to the MZ-1 Plan. The Parties are the City of Chino, the City of Chino Hills, and the State of California. Figure 2-1 shows the Area of Subsidence Management (hereafter, the Managed Area). Within the boundaries of the Managed Area, ~~other existing wells and/or newly-~~ constructed wells are subject to being classified as Managed Wells.

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The Managed Area was delineated based on:

- Measurements of historical land subsidence
- Proximity to historical ground fissuring
- Areal extent of intensive investigation of the MZ-1 Interim Monitoring Program (IMP)

The Managed Well designations were based upon the observed and/or predicted effects of ~~their~~ pumping on groundwater levels and aquifer-system deformation. Managed Well designations for wells that pumped during the IMP were based on effects measured at the Ayala Park Piezometer/Extensometer Facility. Managed Well designations for wells that were not pumped during the IMP were based on analysis of well construction, geology, and their water level responses to nearby pumping.

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Definition of Managed Well: Any production well (regardless of current status) located within the Managed Area that has casing perforations deeper than 400 feet below the ground surface.

The Guidance Level

The IMP showed that water-level drawdowns due to pumping ~~from the deep aquifer system within the~~ Managed Area can cause inelastic (non-recoverable) compaction of the aquifer-system sediments, which results in permanent land subsidence. The initiation of inelastic compaction within the aquifer system was identified during the IMP ~~at the Ayala Park Extensometer~~ when water levels fell below a depth of about 250 feet in the PA-7 piezometer at Ayala Park.

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Definition of the Guidance Level: The Guidance Level is a specified depth to water measured in Watermaster's PA-7 piezometer at Ayala Park. It is defined as the threshold water level at the onset of inelastic compaction of the aquifer system as recorded by the extensometer, minus 5 feet. The 5-foot reduction is meant to be a safety factor to ensure that inelastic compaction does not occur. The Guidance Level is established by Watermaster and subject to change based on the periodic review of monitoring data collected by Watermaster. The initial Guidance Level is 245 feet below the top of the well casing (ft-btoc) in PA-7.

Watermaster recommends that the Parties manage their groundwater production so that the water level in PA-7 remains above the Guidance Level. If the water level in PA-7 falls below the Guidance Level, Watermaster recommends that the Parties curtail their production from the Managed Wells as required to (1) allow for water-level recovery and (2) maintain the water level in PA-7 above the Guidance Level.

The magnitude of water level drawdown at which aquifer compaction is initiated in areas other than at the Ayala Park Extensometer has not been directly evaluated. Therefore, caution is recommended when pumping from Managed Wells in order to minimize water level drawdown within the Managed Area.

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SECTION 2
MZ-1 SUBSIDENCE MANAGEMENT PLAN

Guidance Levels for wells and/or piezometers in addition to PA-7 may be specified in the future as a result of ongoing monitoring and evaluation of groundwater production, groundwater levels, and land subsidence.

Data Exchange between Watermaster and the Parties

Watermaster will provide the Parties with current water level data from PA-7 beginning on Oct 1, 2007.

The Parties are requested to maintain accurate records of the operation of the Managed Wells, including production rates and on-off dates and times. The Parties are requested to provide these records to Watermaster monthly. The Parties are requested to promptly notify Watermaster of all operational changes made to maintain the water level in PA-7 above the Guidance Level.

Continued Monitoring within the Managed Area

Watermaster will continue the scope and frequency of monitoring that was implemented during the IMP within the Managed Area. These monitoring efforts are necessary to:

- Supply the Parties with the requisite information to comply with the MZ-1 Plan
- Assess the Parties' compliance with the MZ-1 Plan
- Evaluate the effectiveness of the MZ-1 Plan to reduce to tolerable levels or abate future land subsidence and ground fissuring.

Watermaster will continue the monitoring of:

Piezometric Levels. Watermaster recommends that the Parties allow Watermaster to continue monitoring piezometric levels at their wells listed in Table 2-2. Currently, a pressure-transducer/data-logger is installed at each of these wells and records one water level reading every 15 minutes. In addition, Watermaster will continue to record depth-specific water levels at the piezometers located at the Ayala Park Extensometer facility every 15 minutes.

Watermaster will maintain all pressure-transducers/data-loggers in good working order in an effort to collect a continuous and reliable record of piezometric levels within the Managed Area.

Aquifer-System Deformation. Watermaster will continue to record aquifer-system deformation at the Ayala Park Extensometer facility. At this facility, two extensometers, completed at 550 ft-bgs and 1,400 ft-bgs, will continue to record the vertical component of aquifer-system compression and/or expansion once every 15 minutes (synchronized with the piezometric measurements).

Watermaster will maintain the Ayala Park Extensometer facility in good working order in an effort to collect a continuous and reliable record of aquifer-system deformation at Ayala Park.

Vertical Ground-Surface Deformation. Watermaster will continue the monitoring of vertical ground-surface deformation via ground level surveying and remote sensing (Synthetic Aperture Radar Interferometry [InSAR]) techniques that were established during the IMP.

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Currently, Watermaster is attempting to collect synchronous ground-level survey and InSAR data on a semi-annual frequency (Spring/Fall) over a two-year period. By the end of Fall 2007, Watermaster will analyze and compare the survey and InSAR data sets, and recommend a new scope and frequency of data collection for both ground-level surveys and InSAR. Factors that will be considered during the comparative analysis and recommendation will be accuracy, reliability, areal extent, and cost.

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Horizontal Ground-Surface Deformation. Watermaster will continue the monitoring of horizontal ground-surface displacement across the eastern side of the subsidence trough and the adjacent area east of the barrier/fissure zone. These data, obtained by electronic distance measurements (EDMs), are used to characterize the horizontal component of land surface displacement caused by groundwater production on either side of the fissure zone. Currently, Watermaster is collecting EDMs on a semi-annual frequency (Spring/Fall) between east-west-aligned benchmarks on Eucalyptus, Edison, and Schaefer Avenues.

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Contemplated Testing and Monitoring within the Managed Area

Currently, Watermaster and the MZ-1 Technical Committee are contemplating additional testing and monitoring within the Managed Area. During FY 2007/08, the MZ-1 Technical Committee will consider for future implementation the following activities:

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- Detailed monitoring of horizontal strain across the fissure zone by installing high-resolution instrumentation or by experimental InSAR. The high-resolution instrumentation will comprise three measurement technologies that function over a range of spanned distances (12 - 400 ft) and strain resolutions (1e-5 to 1e-8). Data from the highest-resolution, short-span strain gages and tiltmeters would be quasi-continuous, and, when plotted against quasi-continuous water level (stress) measurements in wells, would reveal stress-strain relationships at work in and immediately adjacent to the fissure zone. This work is contemplated to occur just south of Schaefer Avenue across the historic zone of fissuring.

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As an alternate or supplement to the high-resolution monitoring, InSAR could be used to measure horizontal deformation. The use of InSAR to monitor horizontal deformation is experimental, but holds the promise of monitoring over large areas and at a finer spatial resolution than the EDMs.

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Monitoring and evaluation of horizontal ground-surface deformation across the fissure zone will improve the current understanding of the stress conditions in this area, particularly as groundwater production and associated drawdowns increase to the east (e.g. in MZ-2). Understanding the stress-strain relationships over a larger area will be important to effectively managing groundwater production to minimize strain and potential future fissuring. Results of the evaluation would be used to update management options in the MZ-1 Plan.

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- An injection feasibility study at a production well within the Managed Area. This test would help determine if aquifer injection is a viable tool to manage subsidence within the Managed Area while maximizing the use of existing infrastructure (i.e. wells). The proposed project would construct improvements to an existing well to allow injection of water from the City of



Chino Hills distribution system into the aquifer during off peak demand periods, and recovery of the stored water through the same well for municipal use during peak periods.

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By the end of March 2008, the MZ-1 Technical Committee will have discussed and evaluated the above activities, and for the activities that the Committee recommends for implementation, will have composed specific scope(s) of work and detailed cost estimates. These recommendations and supporting documentation will be forwarded to Watermaster for inclusion in the budgeting process for FY 2008/09.

Expanded Monitoring in Areas of Subsidence Concern

The results of the IMP showed that land subsidence and ground fissuring concerns are not spatially limited to the Managed Area. Specifically, the IMP showed that:

- Hydrogeologic conditions conducive to land subsidence are present in other areas of MZ-1 and the Chino Basin
- Land subsidence is occurring (or has occurred in the past) in other regions of MZ-1 and the Chino Basin
- Hydrogeologic conditions that presumably caused ground fissuring in southwestern MZ-1 are also present in other areas of MZ-1
- Groundwater production (and associated drawdowns) is active, planned, and/or proposed within or near these areas that are susceptible to subsidence and fissuring

For these reasons, Watermaster conducts limited monitoring of the aquifer system and land subsidence outside of the Managed Area (hereafter, Areas of Subsidence Concern). Figure 2-2 shows the three Areas of Subsidence Concern: Central MZ-1, Southeast Area, and Northeast Area.

Central MZ-1. All available data collected and analyzed during the IMP (including historical InSAR [1992-2000] and recent ground level surveys [2003-2005]) indicate that permanent subsidence in the central parts of MZ-1 (north of Ayala Park) has occurred in the past. The InSAR data also suggest that the groundwater barrier extends northward into central MZ-1. These observations suggest that the conditions that very likely caused ground fissuring near Ayala Park in the 1990s are also present in Central MZ-1.

Currently in Central MZ-1:

- In fiscal year 2005/06, Watermaster installed pressure-transducers/data-loggers in about 10 existing production wells within Central MZ-1 to record water levels once every 15 minutes. This initial data collection effort is a Watermaster attempt to better understand the relationships between nearby groundwater production, water levels, and the observed subsidence in Central MZ-1.
- Watermaster monitors vertical ground-surface deformation via ground level surveying and InSAR techniques as part of the same program that is conducted for the Managed Area. These data have revealed the extent, rate, and spatial distribution of land subsidence in Central MZ-1, and has revealed a zone of potential future ground fissuring.
- Watermaster conducts monitoring of horizontal ground-surface displacement across the zone of potential future ground fissuring (near the intersection of Central Avenue and Philadelphia Street). These data, obtained by EDMs on a semi-annual frequency (Spring/Fall) between east/west-aligned

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benchmarks on Philadelphia Street, are used to characterize the horizontal component of land surface displacement caused by groundwater production in the region. The data collected as part of this effort can be used to design a program for *detailed* monitoring of horizontal strain across this zone of potential ground fissuring, if deemed necessary by Watermaster.

Watermaster will continue the above listed monitoring efforts. If future data from existing monitoring efforts in this area indicate the potential for adverse impacts due to subsidence, Watermaster will revise the MZ-1 Plan pursuant to the process outlined in Section 3.

Southeast Area. All available data collected and analyzed during the IMP (including historical InSAR [1992-2000] and recent ground level surveys [2003-2005]) indicate that very little permanent subsidence has occurred in the Southeast Area (east of Ayala Park) since the early 1990s. However:

- the historical InSAR data is incoherent (absent) across much of this area
- the geologic conditions that are necessary for land subsidence and ground fissuring are present in this region
- Watermaster's historical records indicate that very little groundwater production has occurred within the deep aquifer system in this region, which would suggest that new groundwater production from the deep aquifer system could cause permanent land subsidence and ground fissuring
- some MZ-1 producers have plans to produce groundwater from the deep aquifer system in this region
- very little is known about the site-specific controls on subsidence and fissuring that are unique to this region, such as the drawdown threshold that would initiate inelastic compaction in the aquifer system, or the effects that land subsidence in this region would have on the historic fissure zone within the adjacent Managed Area

Currently in the Southeast Area:

- Watermaster monitors vertical ground-surface deformation via ground level surveying and InSAR techniques as part of the same program that is conducted for the Managed Area. These data reveal the extent, rate, and spatial distribution of land subsidence across a portion of the Southeast Area.
- Watermaster has installed pressure-transducers/data-loggers in about 16 existing production wells and monitoring wells within the Southeast Area to record water levels once every 15 minutes as part of the MZ-1 and HCMP monitoring programs.

Watermaster will continue the above listed monitoring efforts. If future data from existing monitoring efforts in this area indicate the potential for adverse impacts due to subsidence, Watermaster will revise the MZ-1 Plan pursuant to the process outlined in Section 3.

Northeast Area. All available data collected and analyzed during the IMP (including historical InSAR [1992-2000] and recent ground level surveys [2003-2005]) indicate that minor but persistent permanent subsidence has occurred in the Northeast Area since the early 1990s. The available data does not indicate that any areas are experiencing focused differential subsidence that would indicate the threat of ground fissuring.

Currently in the Northeast Area:

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SECTION 2
MZ-1 SUBSIDENCE MANAGEMENT PLAN

- Watermaster monitors vertical ground-surface deformation via ground level surveying and InSAR techniques as part of the same program that is conducted for the Managed Area. These data reveal the extent, rate, and spatial distribution of land subsidence across a portion of the Northeast Area.

Watermaster will continue the above listed monitoring efforts. If future data from existing monitoring efforts in this area indicate the potential for adverse impacts due to subsidence, Watermaster will revise the MZ-1 Plan pursuant to the process outlined in Section 3.

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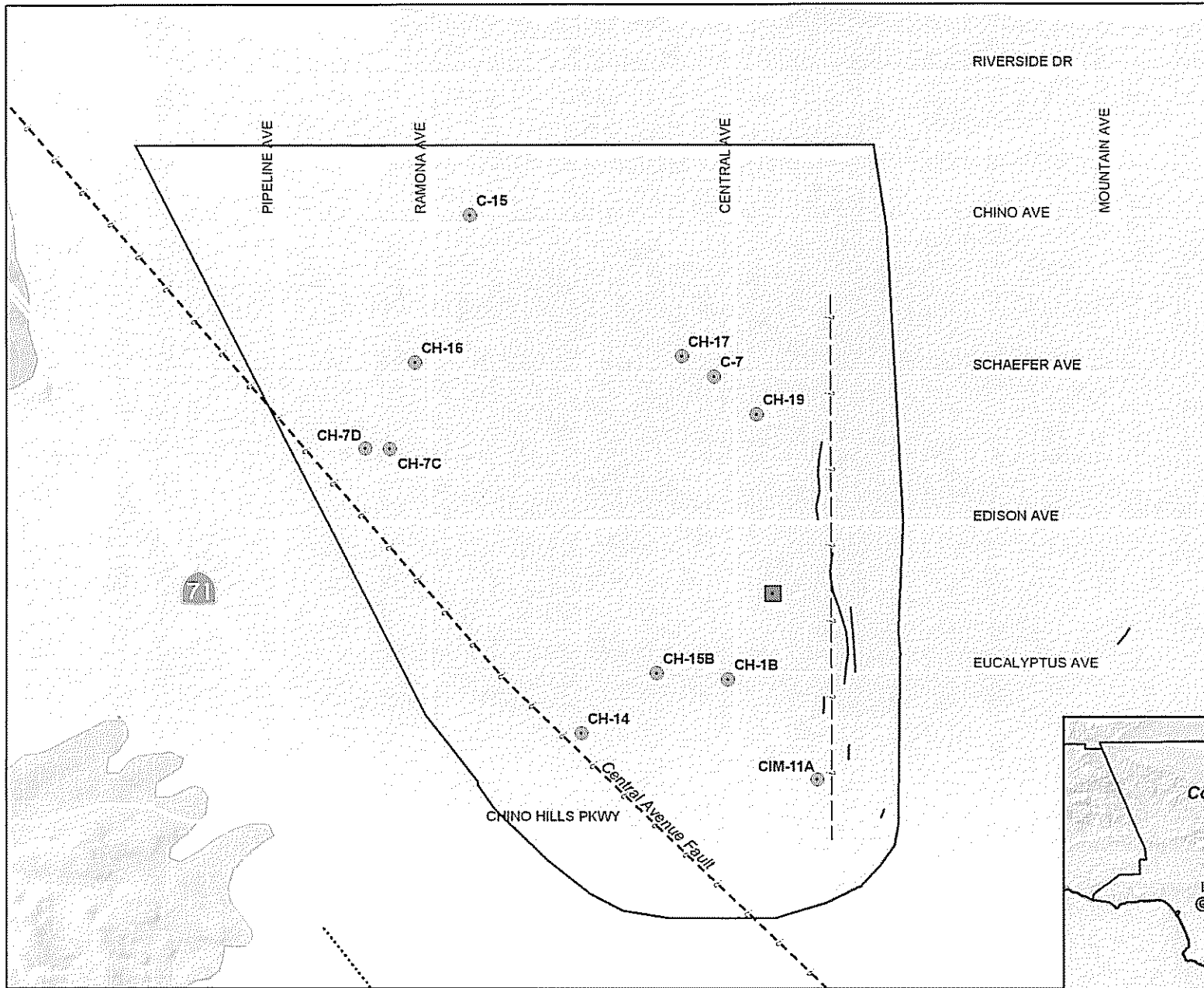


**Table 2-1
MZ-1 Managed Wells**

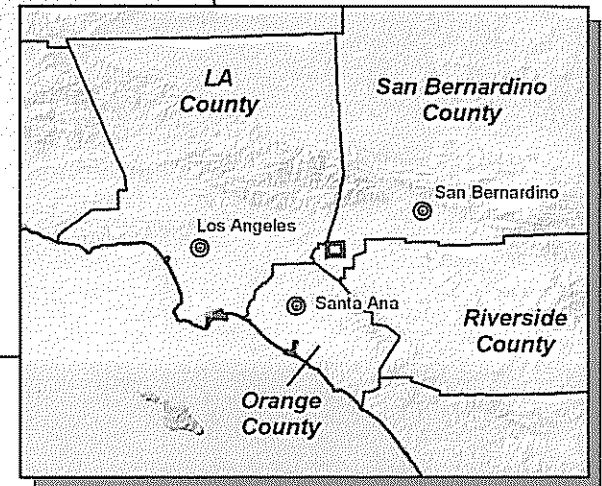
CBWM_ID	Owner	Well Name	Status	Screened Interval ft-bgs	Capacity gpm
600487	Chino Hills	1B	Inactive	440-470, 490-610, 720-900, 940-1180	up to 1200
600687	Chino Hills	7C	Not Equipped	550-950	--
600498	Chino Hills	7D	Inactive	320-400, 410-450, 490-810, 850-930	400
600495	Chino Hills	14	Inactive	350-860	300-400
600488	Chino Hills	15B	Active	360-440, 480-900	1500
600489	Chino Hills	16	Inactive	430-940	800
600499	Chino Hills	17	Inactive	300-460, 500-980	700
600500	Chino Hills	19	Active	340-420, 460-760, 800-1000	1100-1500
3600461	Chino	7	Not Equipped	180-780	
600670	Chino	15	Not Equipped	270-400, 626-820	
3602461	CIM	11A	Active	135-148, 174-187, 240-283, 405-465, 484-512, 518-540	500-600

**Table 2-2
Wells Used for Water Level Monitoring
During the MZ-1 Interim Monitoring Program**

CBWM_ID	Owner	Well Name	Status	Screened Interval ft-bgs	Capacity gpm
	Chino Hills	1A	Active	166-317	700-800
	Chino Hills	1B	Inactive	440-470, 490-610, 720-900, 940-1180	up to 1200
	Chino Hills	7C	Not Equipped	550-950	--
	Chino Hills	5	Active		
	Chino Hills	14	Inactive	350-860	300-400
	Chino Hills	15A	Not Equipped	190-310	--
	Chino Hills	15B	Active	360-440, 480-900	1500
	Chino Hills	16	Inactive	430-940	800
	Chino Hills	17	Inactive	300-460, 500-980	700
	Chino Hills	18	Not Equipped	420-460, 480-980	--
	Chino Hills	19	Active	340-420, 460-760, 800-1000	1100-1500
	Chino	4	Active	160-200, 200-275	350-750
	Chino	6	Active	200-375	500-750
	Chino	7	Not Equipped	180-780	
	Chino	15	Not Equipped	270-400, 626-820	
	Chino	Schaefer	Abandoned		
	Chino	YMCA	Abandoned		
	Chino	12th&G	Abandoned		
	CIM	1A	Active	160-213, 484-529	1100-1200
	CIM	11A	Active	135-148, 174-187, 240-283, 405-465, 484-512, 518-540	500-600
	CIM	MW-22DR	Monitoring	514.5-528.9	
	CIM	MW-24S	Monitoring	94-103.6	
	CIM	MW-24I	Monitoring	157.1-171.7	
	CIM	MW-33S	Monitoring	97.3-107	

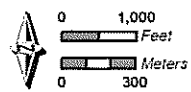


- MZ-1 Managed Well
- Ayala Park Extensometer
- Area of Subsidence Management
- Ground Fissure (1994)
- Approximate Location of Groundwater Barrier



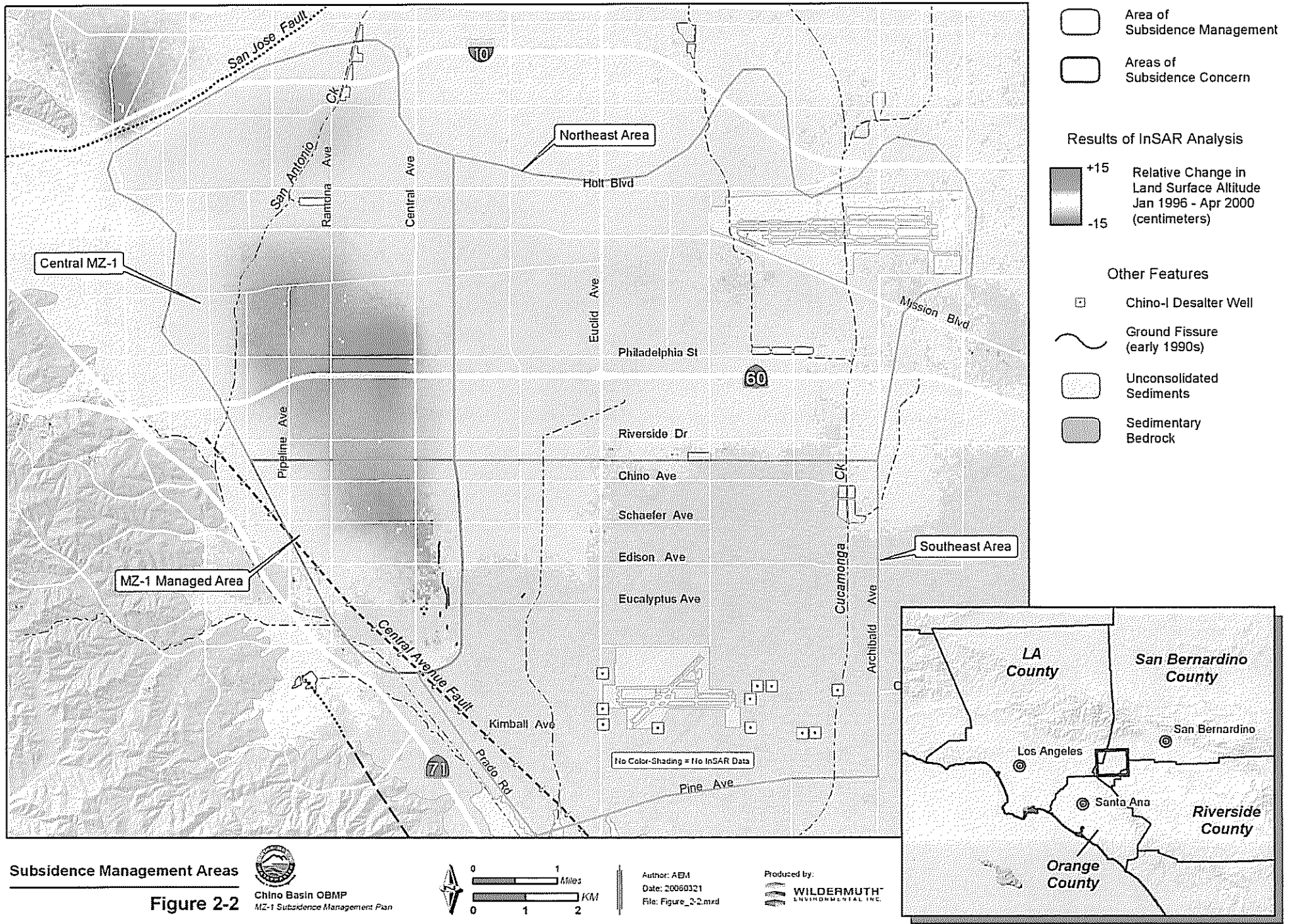
MZ-1 Managed Area and Managed Wells
Figure 2-1

MZ-1 Subsidence Management Plan



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 Date: 20080318
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Produced by:
 WILDERMUTH ENVIRONMENTAL INC.



3. EVALUATION AND UPDATE OF THE MZ-1 SUBSIDENCE MANAGEMENT PLAN

A key element of the MZ-1 Plan is the verification of the protective nature of the plan as related to permanent land subsidence and ground fissuring. This verification is accomplished through continued monitoring and reporting by Watermaster and revision of the MZ-1 Plan when appropriate. In this sense, the MZ-1 Plan is adaptive.

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Within the Managed Area, Watermaster recommends that all deep aquifer-system pumping cease for a continuous 2- to 6-month period between October 1 and March 31 of each year. The recovery period will begin with 6 months the first year of the program, 4 months the second year, 3 months the third year, 2 months the fourth year, and 6 months for the fifth year of the program. The cessation of pumping is intended to allow for sufficient water level recovery at PA-7 to recognize inelastic compaction, if any, at the Ayala Park Extensometer.

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During April of each year, the MZ-1 Technical Committee will convene to review all available data collected and analyses performed over the past year, and to formally recommend revisions or additions to the MZ-1 Plan. Following the fifth year of the program, the effectiveness of the recovery period duration will be assessed and an appropriate annual recovery period will be recommended for the MZ-1 Plan. These recommendations will be run through the Watermaster process during May and, if approved, will be budgeted for and implemented during the following fiscal year.

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At the conclusion of each fiscal year (June 30), Watermaster will produce a MZ-1 Annual Report that will include:

- Stress-strain diagrams from the Ayala Park Extensometer facility with interpretation
- Maps of ground surface deformation as measured by the ground level surveys and/or InSAR
- The revised MZ-1 Plan, that may include changes to:
 - The delineation of the Managed Area
 - The list of Managed Wells
 - Definition of the Guidance Level
 - On-going monitoring of the aquifer system and ground surface

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APPENDIX A – MZ-1 SUMMARY REPORT (OCTOBER 2005)

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8 Attorneys for CHINO BASIN WATERMASTER

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 FOR THE COUNTY OF SAN BERNARDINO

11 CHINO BASIN MUNICIPAL WATER
12 DISTRICT,

13 Plaintiff,

14 vs.

15 CITY OF CHINO, ET AL.,

16 Defendant.

Case No. RCV 51010

Assigned for All Purposes to the
Honorable J. MICHAEL GUNN

**TRANSMITTAL OF WATERMASTER'S
LONG TERM PLAN FOR THE
MANAGEMENT OF SUBSIDENCE**

Date: TBD
Time: TBD
Place: R-8

17
18
19 **I. Introduction**

20 In 2002, the Chino Basin Watermaster ("Watermaster") embarked on an ambitious plan to
21 address subsidence in Management Zone 1 ("MZ1"). That plan involved the installation and use of
22 state of the art monitoring equipment, extensive technical analysis, and the modification of pumping
23 patterns that allowed for empirical testing of theories about aquifer system behavior. Subsidence in
24 the area of investigation is now well understood and has been generally brought under control. The
25 challenge that remains is to put a plan in place that will allow this success to continue on a
26 permanent basis. With the advice of the MZ1 Technical Committee, Watermaster has developed a
27 Long Term MZ1 Subsidence Management Plan ("Long Term Plan") that Watermaster believes will
28 accomplish this goal.

1 Watermaster respectfully requests the Court to issue an Order that makes findings consistent
2 with section VII of this pleading.

3
4 **II. Jurisdiction**

5 Watermaster is before the Court with the Long Term Plan pursuant to a process that began
6 with the filing of Motions by the Cities of Chino Hills and Chino pursuant to Paragraph 15 of the
7 Judgment. While the completion of the Long Term Plan is intimately related to these Motions, it is
8 properly a separate Watermaster activity implementing Program Element 4 of the Optimum Basin
9 Management Program (“OBMP”). Court review of the Long Term Plan is thus most properly
10 conducted under Paragraph 31 of the Judgment.

11 According to Paragraph 31, the Court’s review shall be de novo. Watermaster’s findings or
12 decision, if any, may be received in evidence at the hearing, but shall not constitute presumptive or
13 prima facie proof of any fact in issue. (Judgment Paragraph 31(d).)

14
15 **III. Planning Background of Subsidence Management**

16
17 In implementing the physical solution for the Chino Basin, Watermaster must consider that
18 the Basin is a “common supply” for all stakeholders that rely upon the Basin. Exhibit “I” to the
19 Judgment provides that it is a management objective that no party be deprived of access to
20 groundwater because of unreasonable pumping patterns or regional or localized Recharge or
21 Replenishment, “insofar as such result may be practically avoided.” (Judgment, Exhibit “I”;
22 Watermaster Rules and Regulations 5.3(a).) In addition, financial feasibility, economic impact and
23 the physical facilities of the parties is of equal importance to water quantity and water quality
24 considerations. (Judgment Exhibit “I”; Watermaster Rules and Regulations 5.3(c).)

25
26 The Peace Agreement was executed by the Parties to the Judgment in June of 2000 in
27 furtherance of the Physical Solution. Although Watermaster is not a signatory to the Peace
28

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1 Agreement it approved it and agreed to act in accordance with its terms. Watermaster was
2 subsequently ordered to proceed in accordance with its terms by the Court on July 13, 2000. The
3 OBMP Implementation Plan was Exhibit "B" to the Peace Agreement.
4

5 Subsidence management in the Chino Basin is a recognized component of the OBMP.
6 Program Element 4, *Develop and Implement Comprehensive Groundwater Management Plan for*
7 *Management Zone 1 (MZ1)* is the central locus for subsidence management issues in the OBMP,
8 though Program Element 1, *Develop and Implement a Comprehensive Monitoring Program* is also
9 a significant component of Watermaster's activities relating to subsidence management.

10 As early as the OBMP Phase I Report (August, 1999), the relationship between deep zone
11 pumping and subsidence was recognized as a management issue of concern. The Phase I Report
12 said that:

13 Unless certain actions are taken, piezometric levels in the deep
14 aquifers of Management Zone 1 will continue to decline adding to the
15 potential for additional subsidence and fissures, lost production
16 capability and water quality problems. This impediment speaks to a
17 localized subsidence and fissuring problem within the City of Chino
18 and to a potentially larger and similar problem in the southern end of
19 Management Zone 1 in the former artesian area. This part of the
20 Basin contains a higher fraction of fine-grained materials that
21 originated from sedimentary deposits in the Chino and Puente Hills.
22 This area also consists of a multiple aquifer system. The upper
23 aquifer(s) are moderately high in TDS and are often very high in
24 nitrate. The City of Chino Hills has drilled a series of wells into the
25 deeper aquifer(s) to obtain better quality water. The storage and
26 hydraulic properties of the deeper aquifers are quite limited relative to
27 the upper aquifer. The correlation of the recent groundwater
28 production in the deep aquifers and the timing of the subsidence and
fissuring, and a review of the hydrogeologic data from the area very
strongly suggest that deep aquifer production is the likely cause of the
subsidence.

(Phase I Report, p. 4-25.)

24 One of the impediments to achievement of the goals of the OBMP identified by the Phase I
25 Report was that, "existing production patterns are not balanced, cause losses, can cause local
26 subsidence, and water quality problems." (Phase I Report, Table 3-8, p.6.) One of the action items
27 intended to resolve this impediment was to, "develop new production patterns that maximize yield
28

1 and beneficial use; and develop incentive programs and policies that encourage (or rules that
2 enforce) new production patterns.” (Id.)

3 Toward this end, Watermaster has been working with the producers in MZ1 for many years
4 to develop a voluntary program that will resolve the issues identified in the Phase I Report.

5
6 **IV. Chronology of Interim Plan and Long Term Plan**

7 On December 7, 2001, the City of Chino Hills filed a Petition for Writ of Mandate against
8 the City of Chino. Chino Hills requested: (1) a judicial declaration related to the City of Chino’s
9 encroachment permit process; (2) a preemptory writ requiring Chino to permit Chino Hills to enter
10 its right of ways to allow completion of a pipeline project known as the “Monte Vista Interconnect
11 Transmission Main”; (3) invalidation of Chino’s Urgency Ordinance 2001-08 and Regular
12 Ordinance 2001-09 related to Chino’s encroachment permit process. (Petition, pp. 26-28.) The
13 Petition specifically requested that it be assigned to the Hon. J. Michael Gunn under his continuing
14 jurisdiction of the Chino Basin adjudication. (Chino Hills Petition, p. 3.)

15 On December 19, 2001, the Supervising Judge of the San Bernardino Superior Court
16 determined that the Petition encompassed two separate matters. (Dec. 19, 2001 Order, p. 2.) The
17 first matter was construed as a mandamus proceeding brought under the Public Utility Code. The
18 second matter was construed as a motion brought under Paragraph 15 of the Judgment which
19 encompasses all claims pertaining to the rights and obligations of the parties with respect to the
20 production of water in the Chino Basin, including any issues relating to subsidence. This matter
21 was assigned to Judge Gunn.

22 Also on December 19, 2001, Judge Gunn ordered all parties to report on the status of the
23 technical work performed by Watermaster and others concerning subsidence and related issues, and
24 set a hearing for February 28, 2002 on those issues. (December 19, 2001 Order, p. 2.)

25 In response, on January 31, 2002, the City of Chino filed a motion pursuant to Paragraph 15
26 requesting the Court to assume jurisdiction over its dispute with Chino Hills regarding water
27 production and subsidence. (Chino Motion, p. 4.) The purpose of this request was to resolve the
28 following issues: (1) whether Chino Hills’ production of water from the deep aquifers within the

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1 City of Chino is causing land subsidence and if so, to fashion a remedy to abate the land subsidence;
2 and (2) whether Chino Hills' proposed purchase of groundwater from the Monte Vista Water
3 District will have the potential to degrade the quantity or quality of water that Chino extracts from
4 its northerly wells and if so, to fashion a remedy. (Chino Motion, pp. 3-4.)

5 On January 29, 2002, Watermaster filed its *Report of Watermaster Activities Regarding*
6 *Subsidence and Request for Finding and Further Order*. This Report was accompanied by a
7 Declaration from Mr. Wildermuth. On February 14, 2002, Monte Vista Water District filed a
8 Motion to Strike portions of the City of Chino's Motion. Similarly, on February 18, 2002, the City
9 of Chino Hills filed an objection to the City of Chino's Motion. Chino Hills joined in Monte Vista's
10 Motion and also joined in Watermaster's Motion.

11 Following these filings, Watermaster filed a Motion for a Continuance asking the Court to
12 defer ruling on the pleadings that had been filed and to direct the parties to convene a stakeholder
13 process in order to develop a consensus-based Interim Plan to address subsidence. Twelve parties,
14 including Chino and Chino Hills, joined in this Motion. On February 25, 2002, the Special Referee
15 filed a *Report and Recommendation Concerning Motions Filed Related to Subsidence*. This Report
16 recommended granting Watermaster's Motion. On February 28, 2002, the Court continued the
17 hearing in order to allow a stakeholder process to convene. Watermaster was asked to report back
18 on any consensus that had been achieved, and a hearing was set for June 19, 2002.

19 On May 1, 2002, Watermaster filed a *Report on Progress of the Interim Plan Stakeholder*
20 *Process*. On June 17, 2002, Watermaster transmitted the Interim Plan to the Court and requested the
21 Court to schedule a workshop on the Interim Plan. On June 19, 2002, the Court granted this
22 request, and on August 29, 2002 the workshop was held.

23 On September 18, 2002, the Special Referee filed her report titled *Special Referee's Report*
24 *on Interim Plan Workshop and Recommendation Concerning Subsidence Issues*. Oppositions and
25 comments to the Referee's Report were filed by several parties. On September 30, 2002,
26 Watermaster filed its comments to the Referee's Report and asked the Court for an order to proceed
27 in accordance with the Interim Plan. Watermaster's Motion was accompanied by a revised version
28 of the Interim Plan.

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1 On October 17, 2002, the Court ordered Watermaster to implement the Interim Plan, to
2 continue reporting regularly to the Court, and to begin the process of developing the Long Term
3 Plan.

4 The initial term of the Interim Plan was three years, and involved the development of an
5 extensive monitoring program and a forbearance program to reduce pumping in the area of concern.
6 Since then, the Cities of Chino and Chino Hills have annually elected to participate in the
7 forbearance program. On April 28, 2005, Watermaster approved continuation of the forbearance
8 program for the fourth year (2005/2006).

9 Near the end of the three-year period another workshop was held on May 25, 2005. The
10 scope of the workshop was limited to a presentation of the technical data and analysis that had been
11 completed. On June 16, 2005 the Special Referee filed her *Report on Progress Made on*
12 *Implementation of the Watermaster Interim Plan for Management of Subsidence*. The Referee's
13 Report recommended that Watermaster prepare a Summary Report on the technical work
14 completed, and issue Guidance Criteria in order to formally alert the parties about the technical
15 determination that drawdown below a certain level in the MZ1 area is likely to cause inelastic
16 compaction. (June 16, 2005 Referee Report, pp. 6-7.)

17 The MZ-1 Summary Report and Guidance Criteria were completed in February 2006 and
18 submitted to the Appropriative Pool in March 2006. At the Appropriative Pool meeting, the City of
19 Chino Hills expressed reservation about the Summary Report and Guidance Criteria. Action on
20 these items was delayed in order to allow the development of an alternate proposal that would
21 resolve the expressed concerns. (March 9, 2006 Appropriative Pool Meeting Minutes.) By the next
22 month's regularly scheduled meeting no alternative was proposed, and so the Appropriative Pool
23 approved the Summary Report and Guidance Criteria at the April meeting with one dissenting vote
24 from Chino Hills. (April 13, 2006 Appropriative Pool Meeting Minutes.) The Non-Agricultural
25 Pool and Agricultural Pool unanimously approved the Summary Report and Guidance Criteria at
26 their April meetings.

27 The Advisory Committee unanimously approved the Summary Report and Guidance
28 Criteria at its April meeting, with Chino Hills absent from the meeting. (April 27, 2006 Advisory

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1 Committee Meeting Minutes.) In order to allow additional time to resolve Chino Hills' concerns,
2 the Board voted to delay action on the item to allow for further attempts to engage Chino Hills in a
3 dialogue regarding their concerns. (April 27, 2006 Board Meeting Minutes.)

4 During the month of May the Watermaster Board Chair, Mr. Willis, met with
5 representatives from the City of Chino Hills and reported at the May 2006 Board meeting that
6 Chino Hills was in the process of preparing a document that would provide guidance concerning
7 how the Long Term Plan should be formulated. (May 25, 2006 Board Meeting Minutes.) Comments
8 by the representative from Chino Hills at this meeting indicated that the City of Chino Hills was
9 concerned about the method of compensation or assistance for any loss of production that the City
10 of Chino Hills might experience due to subsidence concerns. (Id.) At this meeting the Board also
11 authorized staff to submit the Non-Binding Term Sheet through the Watermaster process for
12 approval. (Id.)

13 Following the May Board meeting, the MZ1 Technical Committee suspended its meetings in
14 order to allow Chino Hills the opportunity to submit a proposal before work on the Long Term Plan
15 continued.

16 On July 26, 2006, another Special Referee workshop was held in order to present the Non-
17 Binding Term Sheet to the Special Referee and her technical assistant. At that meeting, Counsel for
18 Chino Hills expressed reservations about the Non-Binding Term Sheet. (Reporter's Transcript July
19 26, 2006 p. 40:6-24.) On July 28, 2006, Watermaster Counsel wrote to Chino Hills' Counsel and
20 requested clarification concerning Chino Hills' concerns. (Watermaster General Counsel Letter of
21 July 28, 2006.) Watermaster Counsel also noted that no proposal had yet been forthcoming from
22 Chino Hills and that the Technical Committee was not meeting in anticipation of such a proposal.
23 (Id.) There was no reply to this correspondence.

24 Watermaster received no proposal from Chino Hills and eventually reconvened the
25 Technical Committee in October 2006, in order to resume work on the Long Term Plan.
26 Watermaster has formulated and proposed a complete Long Term Plan.

27 The Long Term Plan that has been proposed by Watermaster follows the spirit of the Interim
28 Plan. It is *Watermaster's* plan that specifies those activities that Watermaster will perform in its

1 attempt to maintain the status quo that has been established under the Interim Plan. The Long Term
2 Plan was approved unanimously by the Appropriative Pool and the Non-Agricultural Pool on June
3 14, 2007, and by the Agricultural Pool on June 19, 2007. On June 28, 2007, the Advisory
4 Committee and Board took action to _____.

5
6 **V. Development of the Interim Plan was consistent with the Phase I Report and**
7 **Implementation of the Plan has accomplished the goals identified for the Plan.**

8 The Phase I Report said that:

9 The continued occurrence of subsidence and fissuring in Management
10 Zone 1 is not acceptable and must be reduced to tolerable levels or
11 completely abated. However, there is some uncertainty as to the
12 causes of subsidence and fissuring and more information is necessary
13 to distinguish among potential causes. An interim management plan
14 must be developed and implemented to:

- 15 • Minimize subsidence and fissuring in the short-term;
- 16 • Collect the information necessary to understand the extent and
17 causes of subsidence and fissuring; and
- 18 • Formulate and effective long-term management plan

19 The interim management plan would consist of the following
20 activities:

- 21 • Voluntarily modify groundwater production patterns in
22 Management Zone 1 for a five-year period. For example, there is
23 some indication that deep aquifer production beneath the City of
24 Chino contributed to recent subsidence and fissuring in the area.
25 Reduction or elimination of deep aquifer production beneath the
26 area of subsidence and fissuring is a logical short-term mitigation
27 strategy.
- 28 • Balance recharge and production in Management Zone 1. Based
on preliminary engineering investigations with RAM tool, it
appears that current levels of pumping and recharge are balanced.
However, increases in pumping should be balanced with increases
in recharge.
- Determine gaps in existing knowledge. Primarily, there is a lack
of understanding of Management Zone 1 hydrogeology, of the
nature and extent of subsidence and fissuring, and of the exact
causes of subsidence and fissuring.
- Implement a process to fill the gaps in existing knowledge. This
would include hydrogeologic, geophysical, and remote sensing
investigations of Management Zone 1, as well as certain

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1 monitoring programs, such as piezometric, production, water
2 quality, ground level, and subsidence monitoring.

- 3 • Formulate a long-term management plan. The long-term
4 management plan will include goals, activities to achieve those
5 goals, and a means to evaluate the success of the plan.

(Phase I Report pp. 4-25 – 4-26.)

6 Similarly, the OBMP Implementation Plan identified the following activities as components
7 of the Interim Plan:

- 8 • Voluntary modifications to groundwater production patterns.
- 9 • Monitoring of long term balance of recharge and production on
10 MZ1.
- 11 • Determine gaps in existing knowledge.
- 12 • Implement a process to fill the gaps in existing knowledge.
- 13 • Formulate a long-term management plan.

(OBMP Implementation Plan, pp.26-27.)

14 To date, the participation in the Interim Plan, on the Technical Committee, as well as in the
15 Forbearance Program has been completely voluntary. Staff sees no evidence to suggest that the
16 voluntary participation by the parties is unsuccessful. To the contrary, the outcome of
17 implementation of the Interim Plan is that the parties have been able to collectively prevent water
18 levels from dropping below a level that is projected to cause inelastic subsidence. The five years of
19 data gathering and experimentation have produced a better and more comprehensive understanding
20 of the groundwater system. For example, Watermaster is now able to measure very small amounts
21 of inelastic subsidence and the measures that have been taken over the last several years have
22 brought the subsidence problem under control.

23 According to an April 4, 2007 , technical memorandum from Wildermuth Environmental
24 analyzing the potential for Material Physical Injury from a proposed transfer of production rights,

25 . . . during the spring 2005 to spring 2006 period, [two of the
26 benchmarks in MZ1] recorded a light rebound of the land surface.
27 The rebound in the MZ-1 Managed Area is closely tied to the
28 recovery of groundwater levels in the deep aquifer . . . which is due to
decreased pumping from the deep aquifer. This conclusion is
supported by the data that was collected and analyzed as part of the
MZ-1 Interim Management Program.

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1 The causes of rebound in Central MZ-1 are not as well understood
2 due to the lack of a comprehensive land subsidence monitoring
3 program in that area. This rebound does however appear to coincide
4 with the resumption of wet-water recharge in MZ-1 since the Peace
5 Agreement (with significant increases occurring in 2003/04 through
6 2005/06), with decreases in production associated with MZ-1
7 producers participation in in-lieu recharge through the Metropolitan
8 DYY program, and with general water level recovery throughout MZ-
9 1.

6 (April 4, 2007 Technical Report p.4.)

7 Further, the Summary Report says that: "The current state of aquifer –system deformation in
8 south MZ-1(in the vicinity of Ayala Park) is essentially elastic. Little, if any, inelastic (permanent)
9 compaction is now occurring in this area, which is in contrast to the past" (Summary Report p.
10 ES-1; See also Summary Report p. 2-1.) Additionally, the Long Term Plan says that: "The current
11 state of aquifer-system deformation in south MZ-1 (in the vicinity of Ayala Park) is essentially
12 elastic. Very little inelastic (permanent) compaction is now occurring in this area" (MZ-1
13 Plan, p. 1-1.)

14 As implemented, the Interim Plan turns out to have charted exactly the right course to
15 accomplish the goals of the plan: to bring subsidence under control, to come to understand the
16 mechanisms of subsidence in the Chino Basin, and to determine what needs to happen on a long
17 term basis. Accordingly, the challenge presented for the Long Term Plan is to maintain the
18 effectiveness of the solution that has been established by the parties through voluntary cooperation
19 rather than trying to remediate an existing problem.

21 VI. The Long Term Plan is consistent with the Phase I Report, the Judgment, and the 22 Peace Agreement

23 The Phase I Report said:

24 The long-term management plan will be formulated during the interim
25 management plan based on investigations, monitoring programs and
26 data assessment. It will likely include modifications to groundwater
27 pumping rates and the locations of pumping, recharge, and
28 monitoring. The long-term management plan will be adaptive in
nature – meaning monitoring and periodic data assessment will be
used to evaluate the success of the management plan to modify the
plan, if necessary.

The subsidence and fissuring problem appears to be currently focused

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1 in the City of Chino and the California Institution for Men (CIM).
2 However, it is reasonable given the current knowledge, to expand the
3 minimum area of concern to the entire former artesian area . . . and
4 slightly beyond that area. Changes in pumping and recharge patterns
5 in Management Zone 1, and more generally the area of concern, will
6 most likely be part of the management plan. The producers in the
7 area include the cities of Chino, Chino Hills, Ontario, Pomona and
8 Upland, the Monte Vista Water District (MVWD), San Antonio
9 Water Company (SAWC), Southern California Water Company
10 (SCWC) the State of California (CIM) California Institution for
11 Women [CIW]), and SAWPA. Watermaster may need to have
12 entities that increase their production to provide for the recharge of an
13 equivalent amount of water to maintain the balance of pumping and
14 recharge. Watermaster will take the leadership role in the
15 development and implementation of the Management Zone 1
16 management plan.

17 (Phase I Report p.4-26.)

18 Similarly, the OBMP Implementation Plan says that:

19 The long-term management plan will be formulated while the interim
20 management plan is in-place based on investigations, monitoring
21 programs and data assessment. It may include modifications to
22 groundwater pumping rates and the locations of pumping, recharge,
23 and monitoring. The long-term management plan will be adaptive in
24 nature – meaning monitoring and periodic data assessment will be
25 used to evaluate the success of the management plan and to modify
26 the plan, if necessary.

27 (OBMP Implementation Plan, p.27.)

28 The Summary Report and Guidance Criteria were adopted by the Watermaster Board on
May 25, 2006, and are included in the Long Term Plan as Appendix A. The Summary Report
provided a summation of the results of the technical investigations by the Technical Committee.
Based on the results of these technical investigations, the Summary Report also included Guidance
Criteria for the MZ1 Producers. (Summary Report Table 4-1.) The Guidance Criteria articulated a
Guidance Level which is the physical point where drawdowns of water below that level create the
risk of causing inelastic subsidence. The Guidance Criteria state that:

The Guidance Level is a specified depth to water measured in
Watermaster's PA-7 piezometer at Ayala Park. It is defined as the
threshold water level at the onset of inelastic compaction of the
aquifer system as recorded by the extensometer, minus 5 feet. The 5-
foot reduction is meant to be a safety factor to ensure that inelastic

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1 compaction does not occur. The Guidance Level is established by
2 Watermaster based on the periodic review of monitoring data
3 collected by Watermaster. The Initial Guidance Level is 245 feet
4 below the top of the PA-7 well casing.

5 If the water level in PA-7 falls below the Guidance Level,
6 Watermaster recommends that the Parties curtail their production
7 from designated Managed Wells as required to maintain the water
8 level in PA-7 above the Guidance Level.

9 (Summary Report, Table 4-1, items 3 and 4.)

10 Thus, while the Guidance Level is something that is established by Watermaster, it is based
11 purely on the results of the technical data and what that data says about the mechanisms of
12 subsidence. The Guidance Level is not a policy-based regulation by Watermaster, it is rather the
13 articulation of the physical properties of the aquifer system. The Guidance Criteria then represents
14 Watermaster's recommendations to the parties about how best to respond to these physical facts. At
15 this point in time Watermaster has no reason to believe that the parties will not make prudent
16 management decisions based on the information provided to them by Watermaster.

17 The Summary Report noted that in a sense, the Guidance Criteria were the first draft of the
18 Long Term Plan. (Summary Report p. 4-2.) Indeed, the Guidance Level is incorporated into the
19 Long Term Plan and forms the heart of the plan. (Long Term Plan p. 2-1.) Since the Summary
20 Report and Guidance Criteria were adopted Watermaster has been working with the affected parties
21 to develop the Long Term Plan. Based on this outreach and the numerous meetings held with the
22 MZ1 parties, Watermaster has formulated a proposal which also recommends the continuation of
23 the monitoring and technical work established during the Interim Plan.

24 The Summary Report also identified other areas in MZ1 and MZ2 that have experienced
25 subsidence in the past, but were not the focus of the Interim Plan. As such, the proposed Long
26 Term Plan recommends additional monitoring and technical work to further Watermaster's
27 understanding of the mechanisms of subsidence in these other areas of MZ1 and MZ2. Watermaster
28

1 believes that the affected parties in MZ1 are sufficiently concerned with the potential to cause
2 subsidence that the continuation of a voluntary program consistent with the approach utilized by the
3 Interim Plan is the most efficient and effective means to manage subsidence in MZ1 on a long-term
4 basis.

5
6 Thus, Watermaster will continue and expand its monitoring efforts to other areas in MZ1,
7 and within the previous area of concern, will ensure that the parties are aware of changes in
8 groundwater levels, will provide direct electronic access to real time groundwater levels, and are
9 clearly alerted if groundwater levels begin to approach the control point. Similarly, the parties are
10 requested to maintain accurate records of the operation of the Managed Wells, including production
11 rates and periods of operation. The parties are requested to provide these records to Watermaster
12 monthly. The parties are further requested to promptly notify Watermaster of all operational
13 changes made to maintain the water level in PA-7 above the Guidance Level. (MZ-1 Plan p. 2-2.)
14

15 **A. The Long Term Plan Is Adaptive**

16 Consistent with the Phase I Report and the OBMP Implementation Plan as described above,
17 the Long Term Plan as presented is intended to be adaptive in nature. (MZ-1 Plan, Section 3.) This
18 means that while the Plan sets out a set of actions to be taken by Watermaster, this plan of activities
19 may change through time as additional information is obtained and analyzed.

20 Watermaster will not presume that any of the producers operating within MZ-1 will
21 disregard the guidance criteria for extended periods or in a manner that will cause unmitigated
22 harm. To the contrary, the essence of the proposed Long Term Plan is to reserve the day to day
23 operational discretion to the operators – not the Watermaster as a regulator. However, if conditions
24 change, Watermaster has reserved whatever discretion it may have under the Judgment to make
25 constructive improvements.

26 **B. The Long Term Plan is Adequate without an Alternative Water Supply**
27 **Proposal**

28

1 Consistent with the intention to reserve operational discretion to the producers within MZ-1
2 with regard to whether to produce groundwater, in which locations and in which quantities, the
3 proposed Long-Term Plan will also reserve to each of the producers the right to evaluate
4 supplemental water supply options that may be right for them. To date, the Technical Committee
5 has not advocated the relocation of any wells or any specific supplemental water strategy.
6

7 It is the opinion of Watermaster staff and consultants that the existing wells in MZ1 can
8 continue to be operated. So long as the aggregate pumping does not cause water levels to drop
9 below the control point, there is no reason why the existing wells cannot continue to be used in
10 order to make use of the economic value remaining in the wells. Moreover, the decision as to
11 whether to operate outside of the Guidance Criteria is the producer's alone, given their respective
12 balancing of competing considerations. Of course, the success of the Long Term Plan is likely
13 dependent upon whether operations vary from the Guidance Criteria as temporary excursions or the
14 rule.
15

16 Staff does note that it has been nearly eight years since deep zone pumping was identified in
17 the Phase I Report as the potential source of subsidence in MZ-1 and it is reasonable to conclude
18 that if parties had concerns regarding the provision of supplemental water to off-set groundwater
19 production, that they would take whatever actions required to redress the problem. On other hand,
20 if Watermaster should subsequently determine that it is necessary to make the provision for
21 supplemental water to offset production as a part of the Long Term Plan, the Plan can be amended
22 accordingly.
23

24 Likewise, if a producer demonstrates that their operations have become constrained by
25 subsidence, then it can make a supplemental water proposal for Watermaster's consideration. If
26 appropriate, the Long Term Plan can be amended to add the proposal to the Plan.
27
28

C. Long Term Plan Costs

The management of subsidence was recognized by the OBMP as an important management element for the entire Basin, and Program Element 4 (Develop and Implement Comprehensive Groundwater Management Plan for Management Zone 1) emphasizes management specifically in order to minimize subsidence. Some of the action items included in Program Element 4 include the development of a comprehensive groundwater level and quality monitoring program in MZ1, and development of a groundwater management program for MZ1 consisting of increased stormwater and supplemental water recharge, management of production to minimize subsidence, and the increased use of supplemental water in MZ1.

Thus, measures to address subsidence are an established component of the overall OBMP. In recognition of this, the parties throughout the Basin incur OBMP costs associated with subsidence management. The parties as a whole pay for the monitoring efforts relating to subsidence and have in the past incurred costs associated with increased supplemental water recharge into MZ1.

The Peace Agreement also addressed costs associated with subsidence. Section 5.4(d) says:

Watermaster shall adopt reasonable procedures to evaluate requests for OBMP credits against future OBMP assessments or for reimbursement. Any Producer or party to the Judgment, including but not limited to the State of California, may make application to Watermaster for reimbursement or credit against future OBMP Assessments for any capital or operations and maintenance expenses incurred in the implementation of any project or program, including the cost of relocating groundwater Production facilities, that carries out the purposes of the OBMP including but not limited to those facilities relating to the prevention of subsidence

Thus, the Peace Agreement contemplated potential reimbursement to parties for costs associated with facilities relating to the prevention of subsidence. Such reimbursement is obtained through an Application to Watermaster in advance of construction. One of the considerations with regard to such an Application will be the availability of alternate funding sources, and such an Application will not be approved where the Producer was otherwise legally compelled to make the improvement. It is potentially relevant in this regard that no party has a right to cause Material Physical Injury to other parties or to the Basin.

It is notable that under the Stakeholder Non-Binding Term Sheet, section 5.4(d) of the Peace

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1 Agreement is proposed to be deleted.

2 Furthermore, the Peace Agreement section 5.4(e) says that:

3 Any Producer that Watermaster compels to move a groundwater
4 Production facility that is in existence in the Date of Execution shall
5 have the right to receive a credit against future Watermaster
6 assessments or reimbursement up to the reasonable cost of the
7 replacement groundwater Production facility.

8 This provision is not invoked by the proposed Long Term Plan because the proposed plan is
9 voluntary. No Producer is compelled by Watermaster to move a groundwater production facility. In
10 fact, Watermaster has seen no evidence to date suggesting any necessity to move any groundwater
11 production facilities.

12 **VII. Proposed Findings and Order**

13 Watermaster respectfully requests the Court to find as follows:

- 14 1. The OBMP requires Watermaster to address subsidence in the Chino Basin, but it
15 does not specify particular actions to be taken.
- 16 2. The Interim Plan has successfully addressed subsidence on a short term basis.
- 17 3. The Long Term Plan proposes a reasonable approach to the issue of subsidence on a
18 Long Term basis.
- 19 4. The Long Term Plan is consistent with the Judgment, the OBMP and the Peace
20 Agreement.
- 21 5. The Long Term Plan does not trigger the reimbursement provision of section 5.4(e)
22 of the Peace Agreement.

23 Watermaster respectfully requests the Court to direct Watermaster to proceed in accordance
24 with the Long Term Plan as presented and to report to the Court regarding implementation under
25 the plan as part of its regular OBMP implementation status reporting.
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Dated: June _____, 2007

HATCH & PARENT

By: _____
SCOTT S. SLATER
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