



CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

Thursday, November 15, 2007

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

(A Thanksgiving lunch will be served after the Board meeting)

AT THE CHINO BASIN WATERMASTER OFFICES
9641 San Bernardino Road
Rancho Cucamonga, CA 91730
(909) 484-3888





CHINO BASIN WATERMASTER

Thursday, November 15, 2007

9:00 a.m. – Advisory Committee Meeting

11:00 a.m. – Watermaster Board Meeting

(Lunch will served after Board Meeting)

AGENDA PACKAGE



CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING

9:00 a.m. – November 15, 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 Joint Appropriative and Non-Agricultural Pool Meeting held October 11, 2007
(Page 7)

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2007 (Page 13)
2. Watermaster Visa Check Detail (Page 17)
3. Combining Schedule for the Period July 1, 2007 through September 30, 2007 (Page 19)
4. Treasurer's Report of Financial Affairs for the Period September 1, 2007 through September 30, 2007 (Page 21)
5. Profit & Loss Budget vs. Actual July 2007 through September 2007 (Page 23)

II. BUSINESS ITEMS

A. CYCLIC STORAGE AGREEMENT

Consider Approval for the Cyclic Storage Agreement (Page 25)

B. FINAL WILDERMUTH MODELING REPORT

Consider Request to Receive and File the final Wildermuth Modeling Report (Page 29)

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. November 29, 2007 Peace II Hearing
2. November 15, 2007 MZ1 Hearing
3. Hanson Aggregates
4. Water Right Permit 19895

B. ENGINEERING REPORT

1. Engineering Update

C. FINANCIAL REPORT

1. Assessment Package Update

D. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update

E. INLAND EMPIRE UTILITIES AGENCY

1. Draft Recycled Water Three Year Business Plan *(Page 33)*
2. Adoption of Statement of Support for Water Recycling *(Page 69)*
3. Local Lateral and Retrofit Financing *(Page 71)*
4. Monthly Water Conservation Programs (handout)
5. Monthly Imported Water Deliveries Report (handout)
6. State and Federal Legislative Report *(Page 87)*
7. Community Outreach/Public Relations Report *(Page 117)*
8. Planning and Water Resources Quarterly Update *(Page 121)*

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Newspaper Articles *(Page 133)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

November 8, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
* November 13, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
* November 15, 2007	9:00 a.m.	Advisory Committee Meeting
* November 15, 2007	11:00 a.m.	Watermaster Board Meeting
December 13, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
December 18, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
* December 20, 2007	9:00 a.m.	Advisory Committee Meeting
* December 20, 2007	11:00 a.m.	Watermaster Board Meeting

* Notes a change in the normal monthly meeting date

Meeting Adjourn

CHINO BASIN WATERMASTER
BOARD MEETING
11:00 a.m. – November 15, 2007
At The Offices Of
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

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 Watermaster Board Meeting held October 25, 2007 *(Page 7)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2007 *(Page 13)*
2. Watermaster Visa Check Detail *(Page 17)*
3. Combining Schedule for the Period July 1, 2007 through September 30, 2007 *(Page 19)*
4. Treasurer's Report of Financial Affairs for the Period September 1, 2007 through September 30, 2007 *(Page 21)*
5. Profit & Loss Budget vs. Actual July 2007 through September 2007 *(Page 23)*

II. BUSINESS ITEMS

A. CYCLIC STORAGE AGREEMENT

Consider Approval for the Cyclic Storage Agreement *(Page 25)*

B. FINAL WILDERMUTH MODELING REPORT

Consider Request to Receive and File the final Wildermuth Modeling Report *(Page 29)*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. November 29, 2007 Peace II Hearing
2. November 15, 2007 MZ1 Hearing
3. Hanson Aggregates
4. Water Right Permit 19895

B. ENGINEERING REPORT

1. Engineering Update

C. FINANCIAL REPORT

1. Assessment Package Update

D. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update

IV. INFORMATION

1. Newspaper Articles (*Page 133*)

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

November 8, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
* November 13, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
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* December 20, 2007	9:00 a.m.	Advisory Committee Meeting
* December 20, 2007	11:00 a.m.	Watermaster Board Meeting

* Notes a change in the normal monthly meeting date

Meeting Adjourn



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting – October 25, 2007



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
October 25, 2007

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on October 25, 2007 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Ken Jeske, Chair	City of Ontario
Mark Kinsey	Monte Vista Water District
Robert Young	Fontana Union Water Company
Mike McGraw	Fontana Water Company
Dave Crosley	City of Chino
Anthony La	City of Upland
Bill Kruger	City of Chino Hills
Robert DeLoach	Cucamonga Valley Water District
J. Arnold Rodriguez	Santa Ana River 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	Ag Pool, Crops
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Watermaster Board Members Present

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

Watermaster Staff Present

Sheri Rojo	CFO/Asst. General Manager
Gordon Treweek	Project Engineer
Danielle Maurizio	Senior Engineer
Sheri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Rich Atwater	Inland Empire Utilities Agency
Patrick Shields	Inland Empire Utilities Agency
Robert Tock	Jurupa Community Services District
Tom Crowley	Western Municipal Water District
Marty Zvirbulis	Cucamonga Valley Water District
Bob Lemons	RBF Consulting
Kevin Sin	City of Pomona
Jennifer Novak	Department of Justice
Ron Craig	RBF Consulting
Steven G. Lee	Ag Pool Legal Counsel
Rick Hansen	Three Valleys Municipal Water District

Chair Jeske called the Advisory Committee meeting to order at 9:01 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 September 27, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2007
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2007 through August 31, 2007
4. Treasurer's Report of Financial Affairs for the Period August 1, 2007 through August 31, 2007
5. Profit & Loss Budget vs. Actual July 2007 through August 2007

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

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

II. BUSINESS ITEMS**A. INTERVENTION – FUJI NATURAL FOOD INC.**

This item was approved unanimously at the three pool committee meetings earlier this month with a motion made by the Non-Agricultural Pool to approve the intervention into the Chino Basin Watermaster Agricultural Pool party with the caveat that Chino Basin Watermaster staff conduct a complete audit of the pools to determine if the parties are indeed properly assigned. Mr. Bowcock offered comment regarding the motion made at the Non-Agricultural Pool meeting and stated he did not want to stop the intervention, but that his intentions were to make sure parties are properly placed into the correct pools. A discussion ensued with regard to this matter.

Motion by Kinsey, second by DeLoach and by unanimous vote, Non-Agricultural Pool voted no

Moved to approve Fuji Natural Foods, Inc. intervention into the Chino Basin Watermaster Agricultural Pool, as presented

B. PEACE II AND MZ1 LONG TERM PLAN

Counsel Fife stated conforming changes were made to the MZ1 Long Term Plan (MZ1 LTP) since the last Advisory Committee meeting. The only changes that have been made to the MZ1 LTP are conforming changes to the stipulation between Chino Basin Watermaster and the City of Chino Hills which were approved by the Watermaster Board at the Strategic Planning Conference on October 2, 2007. Staff is bringing this back to this committee, however, it has already been approved by the Watermaster Board and has been filed with the court. A more detailed report will be given for this item under the Legal Counsel section.

Counsel Fife stated we have all worked very hard at keeping the Peace II documents still over the past 24 to 48 hours; our goal is to file them today. There have been a number of nits that have come in over the last 24 hours. The main item that is being presented today for approval is the revisions to the Peace II Agreement and Exhibit G. The changes being presented are to assist in conforming the documents to the Socio-Economic process which was concluded last week. These changes were distributed recently in red-line form to all of the participants in the Socio-Economic process and we had a conference call recently where we got sign off from all of the parties. The document that is on the back table is what was agreed to by all who was involved in the Socio-Economic process. Counsel Fife stated the only additional change is from communication from the City of Chino Hills who asked for some additional changes that they felt would make the agreement more in conformance with the stipulation. Counsel Fife stated there is a single sheet on the back table which is 8.4 of the Peace II Agreement which shows some minor changes. Also on the back table is a revised copy of the Supplement to the OBMP

Implementation Plan; the changes that were made on this document were the mirrored changes made to the 8.4 section of the Peace II Agreement. Counsel Fife stated Mark Wildermuth has put out his technical report at yesterday's workshop. Counsel Fife stated in the course of writing that technical report Mr. Wildermuth did find an occasion to make slight alterations to the Project Description which is Exhibit A to the Resolution. The changes are all very small and represent insubstantial revisions; however, they do make the Project Description more consistent with what actually happens in the Wildermuth Report. Staff is asking this committee to accept these very small changes to these documents which do not change the substance in any way. Staff is seeking a motion to approve all of these conforming changes so that they can be filed with the court. Mr. Crosley asked for a recess so that the committee members could review the documents. After the recess, a discussion ensued with regard to the documents presented by counsel.

*Motion by DeLoach, second by Crosley and by unanimous vote
Moved to approve the conforming changes, as presented*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Peace II Documents – Transmittal Pleading re November 29, 2007 Hearing

Counsel Fife stated there is a copy of the transmittal pleading on the back table and comments have been received this week on the pleading. There is also the Wildermuth declaration on the back table with regard to the Peace II documents is available for everyone to review. The filing deadline is October 26, 2007 with a November 29, 2007 hearing on the Peace II documents at 1:30 p.m. Watermaster staff will be filing three items with the pleading; the Watermaster Resolution, the Wildermuth Modeling Report, and Mark Wildermuth's Declaration. There is no briefing schedule determined by the court so it will be according to the normal rules of court which means that Watermaster's filing takes the form of a motion and responses to a motion are due 10 days before the hearing. If any party wishes to file anything in response to our motion, you will have until 10 court days back from the 29th of November excluding any holidays.

2. Subsidence Long Term Plan November 15, 2007 Hearing

Counsel Fife stated the hearing regarding the Subsidence Long Term Plan is still scheduled for November 15, 2007 and it does not appear that there will be any opposition to the plan. There was a Special Referee Report that was filed with the court last week; it was a lengthy report and contained a lot of detailed comments with regard to the Long Term Plan. We have drafted a response to all of those issues with the assistance of the Wildermuth staff and a copy is on the back table. Counsel Fife stated we intend to file our responses today or tomorrow along with the Peace II motion. Formal oppositions were due last week and October 26, 2007 is the filing deadline for anybody who intends to present actual witnesses at the hearing. Counsel Fife stated Chino Basin Watermaster does not intend to present any live witnesses.

B. FINANCIAL REPORT

1. Water Activity Reports Update

Ms. Rojo stated the Water Activity Reports have all been mailed out and staff is working on processing the receipt of those submitted and clarifying issues as they have been communicated

C. CEO/STAFF REPORT

1. Legislative Update

No comment was made regarding this item.

2. Recharge Update

Ms. Rojo noted the Recharge handout is available on the back table for review.

3. Strategic Planning Report

Ms. Rojo noted the Strategic Planning Conference went good and was well attended.

D. INLAND EMPIRE UTILITIES AGENCY1. 8th Street basin Preparation and Delivery of Recycled Water

Mr. Shields gave a presentation on the 8th Street Basin Preparation and Delivery of Recycled Water presentation. Mr. Shields reviewed several maps of the basins. A review of the Phase I and II permit was presented. The installation of the Lysimeters was discussed. Before and after pictures were reviewed of the basins. Recycled water delivery to the 8th Street basin began in September of 2007 and will continue for six months; the average flow is 3 cfs or 6 acre-feet per day. Mr. Shields reviewed a chart for the recharge in 2007 for Banana, Hickory, Ely, Turner, and 8th Street basins. A brief discussion ensued with regard to the 8th Street basin presentation.

2. Monthly Water Conservation Programs

No comment was made regarding this item.

3. Monthly Imported Water Deliveries Report

No comment was made regarding this item.

4. State and Federal Legislative Report

No comment was made regarding this item.

5. Community Outreach/Public Relations Report

No comment was made regarding this item.

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. Hansen offered comment regarding the upcoming Drought Storage Plan.

IV. INFORMATION1. Newspaper Articles

No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

The next Advisory Committee meeting is scheduled for the Committee Members on November 15, 2007.

VII. FUTURE MEETINGS

October 23, 2007	9:00 a.m.	GRCC Meeting
October 25, 2007	9:00 a.m.	Advisory Committee Meeting
October 25, 2007	11:00 a.m.	Watermaster Board Meeting
November 8, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
* November 13, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
* November 15, 2007	9:00 a.m.	Advisory Committee Meeting
* November 15, 2007	11:00 a.m.	Watermaster Board Meeting

* Notes a date change due to the Thanksgiving holiday

The Watermaster Board meeting was dismissed by Chair Jeske at 9:50 a.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting – October 25, 2007



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
October 25, 2007

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on October 25, 2007 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

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

Watermaster Staff Present

Sheri Rojo	CFO/Asst. General Manager
Gordon Treweek	Project 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
Mark Kinsey	Monte Vista Water District
Jeff Pierson	Ag Pool – Crops
Rich Atwater	Inland Empire Utilities Agency
Kevin Sin	City of Pomona
Robert Tock	Jurupa Community Services District
Jack Safely	Western Municipal Water District
David DeJesus	Three Valleys Municipal Water District

The Watermaster Board Meeting was called to order by Chair Willis at 11:06 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 September 27, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2007
2. Watermaster Visa Check Detail

3. Combining Schedule for the Period July 1, 2007 through August 31, 2007
4. Treasurer's Report of Financial Affairs for the Period August 1, 2007 through August 31, 2007
5. Profit & Loss Budget vs. Actual July 2007 through August 2007

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

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

II. BUSINESS ITEMS

A. INTERVENTION – FUJI NATURAL FOOD INC.

Ms. Rojo stated staff is bringing forward the Fuji Natural Food intervention request and noted it was brought forward to this committee back in August and at that time it was recommended by the Advisory Committee to hold it over for further investigation. Staff did do some further investigation into this company and it was decided Fuji Natural Food should enter into the Agricultural Pool. Fuji Natural Food Inc. grows food hydroponically and uses approximately 600 acre-feet of water a year. They have been in operation since the early 1980's however; we did not know about their existence nor did they never intervene into the Judgment. This item was approved unanimously by the three pool committee members earlier this month with a separate motion being made by the Non-Agricultural Pool. The Advisory Committee had a no vote from the Non-Agricultural Pool. Ms. Rojo noted the Non-Agricultural Pool's motion was to approve the intervention into the Chino Basin Watermaster Agricultural Pool with the caveat that Chino Basin Watermaster staff conduct a complete audit of the pools to determine if parties are properly assigned. Mr. Bowcock offered comment regarding the motion made at the Non-Agricultural pool meeting and the comments made at this morning's Advisory meeting. Mr. Bowcock stated he did not want to stop the intervention, but that his intentions were to make sure parties intervening into the Judgment are being properly placed into the correct pools. Mr. Vanden Heuvel stated the Agricultural Pool is protective of their pool and would not be in favor of an investigation into parties that are already placed into the Agricultural Pool. Mr. Vanden Heuvel inquired as to the time frame of the look back for which parties were placed into their perspective pools. Mr. Hofer stated he is in agreement with what Mr. Vanden Heuvel stated and noted the Agricultural Pool would not like to see these rule changed now. Mr. Pierson stated on behalf of the Agricultural Pool he would like to understand what Director Bowcock is attempting to do with his suggestion of pool investigations. Mr. Pierson asked that Mr. Bowcock come to the next Agricultural Pool meeting to give a more detailed explanation of what outcome he is wanting from his request. Mr. Bowcock stated his request for inquiry was actually to protect the Agricultural Pool. A discussion regarding the number of years for the look back ensued. Counsel Slater stated the Watermaster proposed adopted policy is for a four year look back arrangements unless it is equivalent to fraudulent look back. Ms. Rojo commented on establishing guidelines on a go forward basis and noted staff is aware of other interventions that we will bring forward as well; staff will work with the parties to create some sort of guidelines in the near future.

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

Moved to approve Fuji Natural Food, Inc. intervention into the Chino Basin Watermaster Agricultural Pool party, as presented

B. PEACE II AND MZ1 LONG TERM PLAN

Counsel Slater stated the stipulation has already been approved with the City of Chino Hills and was filed with the court and there were conforming changes that are required with regard to the plan. There are also conforming changes that occur to the Peace II documents. Counsel Slater stated he will move through each segment of the documents allowing time for digestion and comment. Counsel Slater stated the Advisory Committee decided at their meeting this morning to approve this set of items in one motion which this Board can also do or if chosen can break apart each document with separate motions. Counsel Slater reviewed the discussions that took place at the last Watermaster Board meeting in September. Counsel Slater stated a memo was distributed this week that said we had reached closure on the process. The prior week a

notice was sent out regarding the principles and those principles were attached in the meeting packet. The principles provided methodology for addressing capital and O&M costs and they relate to future recharge facilities; the principles were supported unanimously by all members and are included in the document. Counsel Slater commented on the recycled water portion in the suite of documents and of equities related to the benefits and burdens of desalted water. Counsel Slater stated after two years the parties really wanted an assurance that they were done and to know that come 2008 they are not going to come up with a new issue which will pull at the thread of the Agreement. Counsel Slater stated everyone who participated in the process said they are done and we are not going to raise these issues again for the balance of the initial term of the Peace Agreement which will get us to 2030. Counsel Slater stated Peace I and II are completed. Counsel Slater offered comment with regard to Inland Empire Utilities Agency's (IEUA) involvement; and referred to paragraph 7 of the memorandum. IEUA is pledging its support but it wants to have some resolution of certain protocols related to carrying out the Peace II objectives. Since the time that the principles were approved staff has met with IEUA and have an understanding in writing allowing the Peace II process to move forward with an understanding that Watermaster and IEUA will independently sit down and work on cost procurement protocols and public bid requirements along with addressing outstanding invoices and some offsets related to services rendered in the last 12 to 24 months. Mr. Catlin commended Watermaster staff and counsel for a job well done on producing this suite of documents.

Counsel Slater stated the next step in the process would be to pick up the conforming changes that were required out of the City of Chino Hills stipulation as it related to the MZ1 Long Term Plan. There are two documents that reflect those changes; the Peace II Agreement and the Amendment to Exhibit G to the Judgment. These documents have been vetted through the many lawyers and principles and as of this morning, there is agreement on all pieces. Counsel Slater referred to handout 8.4 which is the completed version of section 8.4 of the Peace II Agreement; this has been signed off by all parties including the City of Chino Hills.

Counsel Slater stated the next item with regard to context is a revised Project Description that included some technical nits. A discussion ensued with regard to the documents presented this morning.

Motion by Willis, second by Bowman and by unanimous vote

Moved to authorize the approval of the proposed principles for Socio-Economic measures and to approve the conforming changes into the Peace II Legal Instruments to reflect the MZ1 stipulation as well as the Socio-Economic accommodation, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Peace II Documents – Transmittal Pleading re November 29, 2007 Hearing

Counsel Slater stated this item is to bring forth the pleadings to actually transmit the package we just approved to the court and to set a stage for the hearing on November 29, 2007. There is a proposed pleading and a copy is on the back table which is the vehicle that transmits the suite of documents that has been released for several days; we have received comments on this pleading and we are now ready to file the documents. As an attachment is the declaration of Mark Wildermuth; the declaration is intended to provide a narrative explanation on the Modeling Report. The declaration does inform the reader and ultimately the court on what we are doing. The attachment to the declaration is the Wildermuth Modeling Report which has been on the Watermaster ftp site for several days. Mr. Wildermuth has also been making interim presentations regarding the results for several weeks; there is also an executive summary. This report is final for purposes of decision making and Mr. Wildermuth does point out in his declaration that as we get more data. The model will continually be refined. A discussion ensued with regard to the Wildermuth Modeling Report. Mr. Wildermuth commented on the questions presented to

him regarding the report. A discussion regarding mitigation ensued and Counsel Slater read the portion in the documents regarding mitigation. A discussion regarding operating safe yield ensued. Counsel Slater stated the parties have a commitment under the Peace Agreement to address safe yield in 2011. Mr. Wildermuth offered comments on how safe yield was calculated for the Judgment and discussed historic safe yield calculations. Counsel Slater stated staff is seeking a motion to file the pleading, documents, allowing counsel to make grammatical corrections.

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

Moved to file Watermaster Pleading, Mark Wildermuth's Declaration, and the Wildermuth Modeling Report and to allow counsel to make grammatical changes to the documents, as presented

2. Subsidence Long Term Plan November 15, 2007 Hearing

Counsel Slater referred to the pleading titled Watermaster's Clarification RE: Special Referee's comments RE: Subsidence Management Plan which is on the back table. Counsel Slater stated if staff felt that it was necessary to clarify the record with regard to some of the comments that were made in the referee's report. Staff is proposing that we file this pleading and it requires no further action from the court or from the referee.

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

Moved to file motion regarding the Special Referee's comments on the Subsidence Long Term Plan, as presented

B. FINANCIAL REPORT

1. Water Activity Reports Update

Ms. Rojo stated the Water Activity Reports have all been mailed out and staff is working on processing the receipt of those submitted and clarifying issues as they have been communicated

C. CEO/STAFF REPORT

1. Legislative Update

No comment was made regarding this item.

2. Recharge Update

Ms. Rojo noted the Recharge handout is available on the back table for review.

3. Strategic Planning Report

Ms. Rojo noted the Strategic Planning Conference was well attended, and items discussed included follow up action items from the previous Strategic Planning Conference as well as new topics and issues.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

Due to the Thanksgiving holiday, the next Watermaster Board meeting will be November 15, 2007.

VII. FUTURE MEETINGS

October 23, 2007 9:00 a.m. GRCC Meeting

October 25, 2007	9:00 a.m.	Advisory Committee Meeting
October 25, 2007	11:00 a.m.	Watermaster Board Meeting
November 8, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
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* November 15, 2007	9:00 a.m.	Advisory Committee Meeting
* November 15, 2007	11:00 a.m.	Watermaster Board Meeting

* Notes a date change due to the Thanksgiving holiday

The Watermaster Board meeting was dismissed by Chair Willis at 12:20 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 October 2007
2. Watermaster Visa Check Detail
3. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2007 through September 30, 2007
4. Treasurer's Report of Financial Affairs for the Period September 1, 2007 through September 30, 2007
5. Profit & Loss Budget vs. Actual July 2007 through September 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: November 8, 2007
November 13, 2007
November 15, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – October 2007

SUMMARY

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

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

Fiscal Impact – Funds disbursed were included in the FY 2007-08 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 September 2007 were \$721,510.11. The most significant expenditures during the month were Wildermuth Environmental Inc. in the amount of \$316,739.77, Inland Empire Utilities Agency in the amount of \$190,000.00, and Hatch and Parent in the amount of \$109,832.34.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
October 2007

Type	Date	Num	Name	Amount
Oct 07				
Bill Pmt -Check	10/2/2007	11753	ETIWANDA GARDENS	
Bill Pmt -Check	10/3/2007	11754	JUAN POLLO	-1,355.85
Bill Pmt -Check	10/4/2007	11755	APPLIED COMPUTER TECHNOLOGIES	-140.06
Bill Pmt -Check	10/4/2007	11756	BOWCOCK, ROBERT	-1,837.50
Bill Pmt -Check	10/4/2007	11757	BOWMAN, JIM	-250.00
Bill Pmt -Check	10/4/2007	11758	CA SOCIETY OF MUNICIPAL FINANCE OFFICERS	-250.00
Bill Pmt -Check	10/4/2007	11759	DE BOOM, NATHAN	-110.00
Bill Pmt -Check	10/4/2007	11760	DELUXE BUSINESS FORMS & SUPPLIES	-500.00
Bill Pmt -Check	10/4/2007	11761	DURRINGTON, GLEN	-76.50
Bill Pmt -Check	10/4/2007	11762	FEENSTRA, BOB	-500.00
Bill Pmt -Check	10/4/2007	11763	GLOBAL PRESENTER.COM	-875.00
Bill Pmt -Check	10/4/2007	11764	HETTINGA, PETER	-250.00
Bill Pmt -Check	10/4/2007	11765	HSBC BUSINESS SOLUTIONS	-375.00
Bill Pmt -Check	10/4/2007	11766	HUITSING, JOHN	-1,080.95
Bill Pmt -Check	10/4/2007	11767	INLAND EMPIRE UTILITIES AGENCY	-375.00
Bill Pmt -Check	10/4/2007	11768	KOOPMAN, GENE	-190,000.00
Bill Pmt -Check	10/4/2007	11769	KUHN, BOB	-250.00
Bill Pmt -Check	10/4/2007	11770	MEDIA JIM	-250.00
Bill Pmt -Check	10/4/2007	11771	MONTE VISTA WATER DIST	-900.00
Bill Pmt -Check	10/4/2007	11772	OFFICE DEPOT	-500.00
Bill Pmt -Check	10/4/2007	11773	OFFICE DEPOT	-393.82
Bill Pmt -Check	10/4/2007	11774	PARK PLACE COMPUTER SOLUTIONS, INC.	-6,450.00
Bill Pmt -Check	10/4/2007	11775	PAYCHEX	-183.36
Bill Pmt -Check	10/4/2007	11776	POWERS ELECTRIC PRODUCTS CO.	-739.89
Bill Pmt -Check	10/4/2007	11777	PURCHASE POWER	-326.84
Bill Pmt -Check	10/4/2007	11778	REID & HELLYER	-19,222.14
Bill Pmt -Check	10/4/2007	11779	SAFETY CLEAN JANITORIAL SERVICES	-617.25
Bill Pmt -Check	10/4/2007	11780	TLC STAFFING	-656.00
Bill Pmt -Check	10/4/2007	11781	VANDEN HEUVEL, GEOFFREY	-250.00
Bill Pmt -Check	10/4/2007	11782	VERIZON	-50.11
Bill Pmt -Check	10/4/2007	11783	WILLIS, KENNETH	-375.00
Bill Pmt -Check	10/4/2007	11784	YUKON DISPOSAL SERVICE	-142.88
Bill Pmt -Check	10/4/2007	11784	PIERSON, JEFFREY	-1,250.00
General Journal	10/6/2007	07/10/4	PAYROLL	-7,167.81
General Journal	10/6/2007	07/10/4	PAYROLL	-22,601.57
Bill Pmt -Check	10/10/2007	11785	BERKELEY ECONOMIC CONSULTING, INC.	-21,700.00
Bill Pmt -Check	10/10/2007	11786	CITISTREET	-2,993.23
Bill Pmt -Check	10/10/2007	11787	HATCH AND PARENT	-109,832.34
Bill Pmt -Check	10/10/2007	11788	NORDBAK'S PROMOTIONAL PRODUCTS	-63.21
Bill Pmt -Check	10/10/2007	11789	OFFICE DEPOT	-577.75
Bill Pmt -Check	10/10/2007	11790	PETTY CASH	-540.18
Bill Pmt -Check	10/10/2007	11791	PREMIERE GLOBAL SERVICES	-1,309.66
Bill Pmt -Check	10/10/2007	11792	RICOH BUSINESS SYSTEMS-Maintenance	-1,001.00
Bill Pmt -Check	10/10/2007	11793	SAFEGUARD DENTAL & VISION	-13.32
Bill Pmt -Check	10/10/2007	11794	STANTEC CONSULTING, INC.	-1,998.00
Bill Pmt -Check	10/10/2007	11795	THE FURMAN GROUP, INC.	-2,570.00
Bill Pmt -Check	10/10/2007	11796	TLC STAFFING	-656.00
Bill Pmt -Check	10/10/2007	11797	UNION 76	-101.25
Bill Pmt -Check	10/10/2007	11798	UNITED PARCEL SERVICE	-417.22
Bill Pmt -Check	10/10/2007	11799	VERIZON	-366.76
Bill Pmt -Check	10/10/2007	11800	W.C. DISCOUNT MOBILE AUTO DETAILING	-100.00
Bill Pmt -Check	10/10/2007	11801	CITISTREET	-2,993.23
General Journal	10/20/2007	07/10/6	PAYROLL	-7,042.87
General Journal	10/20/2007	07/10/6	PAYROLL	-22,396.18
Bill Pmt -Check	10/25/2007	11802	ACWA SERVICES CORPORATION	-268.11
Bill Pmt -Check	10/25/2007	11803	ARROWHEAD MOUNTAIN SPRING WATER	-40.21
Bill Pmt -Check	10/25/2007	11804	BANK OF AMERICA	-4,144.30
Bill Pmt -Check	10/25/2007	11805	BLACK & VEATCH CORPORATION	-3,905.00
Bill Pmt -Check	10/25/2007	11806	CALPERS	-3,053.50
Bill Pmt -Check	10/25/2007	11807	CAROLLO ENGINEERS	-6,750.00
Bill Pmt -Check	10/25/2007	11808	ELLISON, SCHNEIDER & HARRIS, LLP	-35,793.02
Bill Pmt -Check	10/25/2007	11809	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
Bill Pmt -Check	10/25/2007	11810	GEOTECHNICAL SERVICES	-799.06
Bill Pmt -Check	10/25/2007	11811	INLAND EMPIRE UTILITIES AGENCY	-127.31
Bill Pmt -Check	10/25/2007	11812	MCI	-1,169.95
Bill Pmt -Check	10/25/2007	11813	PITNEY BOWES CREDIT CORPORATION	-473.40
Bill Pmt -Check	10/25/2007	11814	PRE-PAID LEGAL SERVICES, INC.	-103.60
Bill Pmt -Check	10/25/2007	11815	RICOH BUSINESS SYSTEMS-Lease	-4,480.25
Bill Pmt -Check	10/25/2007	11816	STANDARD INSURANCE CO.	-565.89

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
October 2007

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
Bill Pmt -Check	10/25/2007	11817	STATE WATER RESOURCES CONTROL BD	-549.70
Bill Pmt -Check	10/25/2007	11818	STAULA, MARY L	-136.61
Bill Pmt -Check	10/25/2007	11819	TLC STAFFING	-647.80
Bill Pmt -Check	10/25/2007	11820	VERIZON WIRELESS	-422.69
Bill Pmt -Check	10/25/2007	11821	W.C. DISCOUNT MOBILE AUTO DETAILING	-100.00
Bill Pmt -Check	10/25/2007	11822	WEST VALLEY ELECTRIC	-186.58
Bill Pmt -Check	10/25/2007	11823	WESTERN DENTAL SERVICES, INC.	-23.25
Bill Pmt -Check	10/25/2007	11824	WILDERMUTH ENVIRONMENTAL INC	-216,739.77
Bill Pmt -Check	10/25/2007	11825	RICOH BUSINESS SYSTEMS-Maintenance	-98.00
Bill Pmt -Check	10/25/2007	11826	STATE WATER RESOURCES CONTROL BD	-2,154.70
Bill Pmt -Check	10/25/2007	11827	TLC STAFFING	-656.00
Bill Pmt -Check	10/25/2007	11828	STATE WATER RESOURCES CONTROL BD	-909.70
Bill Pmt -Check	10/31/2007	11829	EL TORITO	-111.98
Oct 07				-721,510.11

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CHINO BASIN WATERMASTER
Check Detail
October 2007

Type	Num	Date	Name	Account	Paid Amount
Bill Pmt -Check	11804	10/25/2007	BANK OF AMERICA	1012 · Bank of America Gen'l Ckg	
Bill	402442...	9/30/2007		6909.1 · OBMP Meetings	-564.73
				6212 · Meeting Expense	-191.50
				6312 · Meeting Expenses	-191.50
				6191 · Conferences	-2,559.87
				6031.7 · Other Office Supplies	-498.86
				6191 · Conferences	-15.00
				6141.3 · Admin Meetings	-122.84
TOTAL					-4,144.30

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

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL APPROPRIATIVE	POOL AGRICULTURAL	POOL NON-AGRIC.	GROUNDWATER REPLENISHMENT	GROUNDWATER OPERATIONS SB222	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2007-2008
Administrative Revenues									5,201,052	\$7,540,370
Administrative Assessments			5,139,446		61,606				44,130	181,500
Interest Revenue			36,872	6,192	1,066				41,667	145,500
Mutual Agency Project Revenue		41,667							-	0
Grant Income									-	0
Miscellaneous Income									-	0
Total Revenues	-	41,667	5,176,318	6,192	62,672	-	-	-	5,286,849	7,867,370
Administrative & Project Expenditures										
Watermaster Administration	115,403								115,403	627,797
Watermaster Board-Advisory Committee	15,538								15,538	60,645
Pool Administration			4,172	41,027	1,910				47,109	127,333
Optimum Basin Mgmt Administration		953,505							953,505	1,857,337
OBMP Project Costs		1,271,639							1,271,639	5,183,883
Education Funds Use									-	375
Mutual Agency Project Costs									-	10,000
Total Administrative/OBMP Expenses	130,941	2,225,144	4,172	41,027	1,910				2,403,194	7,867,370
Net Administrative/OBMP Income	(130,941)	(2,183,477)							-	-
Allocate Net Admin Income To Pools	130,941		100,954	27,530	2,457				-	-
Allocate Net OBMP Income To Pools		2,183,477	1,683,439	459,063	40,975				-	-
Agricultural Expense Transfer			524,320	(524,320)					-	-
Total Expenses	2,312,865		3,300	2,892	45,342				2,403,194	7,867,370
Net Administrative Income	2,863,433				17,330				2,883,655	-
Other Income/(Expense)									-	0
Replenishment Water Purchases									-	0
MZ1 Supplemental Water Assessments									-	0
Water Purchases									-	0
MZ1 Imported Water Purchase									-	0
Groundwater Replenishment									(2,328,727)	0
Net Other Income									(2,328,727)	0
Net Transfers To/(From) Reserves	2,863,433		2,892	17,330					554,928	-
Working Capital, July 1, 2007	4,222,727		475,604	156,552	294,397	158,251	1,655		5,309,186	
Working Capital, End Of Period	7,086,160		478,496	173,882	(2,034,330)	158,251	1,655		5,864,114	

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

DEPOSITORIES:		
Cash on Hand - Petty Cash	\$	500
Bank of America		
Governmental Checking-Demand Deposits	\$	303,411
Zero Balance Account - Payroll		303,411
Local Agency Investment Fund - Sacramento		<u>5,004,271</u>
TOTAL CASH IN BANKS AND ON HAND		9/30/2007
TOTAL CASH IN BANKS AND ON HAND		8/31/2007
	\$	5,308,182
		5,223,932
PERIOD INCREASE (DECREASE)	\$	<u><u>84,250</u></u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets:		
Accounts Receivable	\$	(44,130)
Assessments Receivable		823,939
Prepaid Expenses, Deposits & Other Current Assets		(59,084)
Accounts Payable		(185,125)
Accrued Payroll, Payroll Taxes & Other Current Liabilities		1,800
Transfer to/(from) Reserves		<u>(453,150)</u>
PERIOD INCREASE (DECREASE)	\$	<u><u>84,250</u></u>

SUMMARY OF FINANCIAL TRANSACTIONS:

	Petty Cash	Gov't'l Checking Demand	Zero Balance Account Payroll	Local Agency Investment Funds	Totals
Balances as of 8/31/2007	\$ 500	\$ 219,161	\$ -	\$ 5,004,271	\$ 5,223,932
Deposits	-	825,614	-	-	825,614
Transfers	-	(56,628)	56,628	-	-
Withdrawals/Checks	-	(684,736)	(56,628)	-	(741,364)
Balances as of 9/30/2007	\$ 500	\$ 303,411	\$ -	\$ 5,004,271	\$ 5,308,182
PERIOD INCREASE OR (DECREASE)	\$ -	\$ 84,250	\$ -	\$ -	<u><u>84,250</u></u>

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

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
TOTAL INVESTMENT TRANSACTIONS							
				\$	-		

* The earnings rate for L.A.I.F. is a daily variable rate; 5.24% was the effective yield rate at the Quarter ended June 30, 2007

**INVESTMENT STATUS
September 30, 2007**

Financial Institution	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$ 5,004,271			
TOTAL INVESTMENTS	\$ 5,004,271			

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

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

Respectfully submitted,



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

CHINO BASIN WATERMASTER
Statement of Revenues & Expenses, Budget vs. Actual
July through September 2007

	<u>Jul - Sep 07</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	41,667	145,500	-103,833	28.64%
4100 · Administrative Assessments	5,201,052	0	5,201,052	100.0%
4110 · Admin Asmnts-Approp Pool	0	7,423,878	-7,423,878	0.0%
4120 · Admin Asmnts-Non-Agri Pool	0	116,492	-116,492	0.0%
4700 · Non Operating Revenues	44,130	181,500	-137,370	24.31%
Total Income	<u>5,286,849</u>	<u>7,867,370</u>	<u>-2,580,521</u>	<u>67.2%</u>
Gross Profit	5,286,849	7,867,370	-2,580,521	67.2%
Expense				
6010 · Salary Costs	111,601	477,247	-365,646	23.38%
6020 · Office Building Expense	26,044	101,580	-75,536	25.64%
6030 · Office Supplies & Equip.	8,880	46,500	-37,620	19.1%
6040 · Postage & Printing Costs	22,741	83,000	-60,259	27.4%
6050 · Information Services	50,039	132,000	-81,961	37.91%
6060 · Contract Services	17,390	117,500	-100,110	14.8%
6080 · Insurance	4,160	18,210	-14,050	22.85%
6110 · Dues and Subscriptions	1,529	16,750	-15,221	9.13%
6140 · WM Admin Expenses	690	4,650	-3,960	14.84%
6150 · Field Supplies	0	2,500	-2,500	0.0%
6170 · Travel & Transportation	3,656	25,000	-21,344	14.63%
6190 · Conferences & Seminars	6,318	22,500	-16,182	28.08%
6200 · Advisory Comm - WM Board	3,972	18,931	-14,959	20.98%
6300 · Watermaster Board Expenses	11,566	41,714	-30,148	27.73%
8300 · Appr PI-WM & Pool Admin	4,172	24,001	-19,829	17.38%
8400 · Agri Pool-WM & Pool Admin	4,363	24,004	-19,641	18.18%
8467 · Ag Legal & Technical Services	33,364	60,000	-26,636	55.61%
8470 · Ag Meeting Attend -Special	3,300	12,000	-8,700	27.5%
8500 · Non-Ag PI-WM & Pool Admin	1,910	7,328	-5,418	26.06%
6500 · Education Funds Use Expens	0	375	-375	0.0%
9500 · Allocated G&A Expenditures	-137,644	-419,640	281,996	32.8%
	<u>178,050</u>	<u>816,150</u>	<u>-638,100</u>	<u>21.82%</u>
6900 · Optimum Basin Mgmt Plan	900,695	1,716,138	-815,443	52.48%
6950 · Mutual Agency Projects	0	10,000	-10,000	0.0%
9501 · G&A Expenses Allocated-OBMP	52,810	141,199	-88,389	37.4%
	<u>953,505</u>	<u>1,867,337</u>	<u>-913,832</u>	<u>51.06%</u>
7101 · Production Monitoring	22,137	116,709	-94,572	18.97%
7102 · In-line Meter Installation	3,601	37,791	-34,190	9.53%
7103 · Grdwtr Quality Monitoring	28,216	162,104	-133,888	17.41%
7104 · Gdwtr Level Monitoring	38,443	212,667	-174,224	18.08%
7105 · Sur Wtr Qual Monitoring	1,516	40,553	-39,037	3.74%
7107 · Ground Level Monitoring	47,113	425,465	-378,352	11.07%
7108 · Hydraulic Control Monitoring	64,975	369,232	-304,257	17.6%

CHINO BASIN WATERMASTER
 Statement of Revenues & Expenses, Budget vs. Actual
 July through September 2007

	<u>Jul - Sep 07</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7109 · Recharge & Well Monitoring Prog	9,175	182,827	-173,652	5.02%
7200 · PE2- Comp Recharge Pgm	210,466	1,255,827	-1,045,361	16.76%
7300 · PE3&5-Water Supply/Desalte	28,816	159,509	-130,693	18.07%
7400 · PE4- Mgmt Plan	60,385	159,674	-99,289	37.82%
7500 · PE6&7-CoopEfforts/SaltMgmt	44,432	308,533	-264,101	14.4%
7600 · PE8&9-StorageMgmt/Conj Use	15,942	92,660	-76,718	17.21%
7690 · Recharge Improvement Debt Pymt	618,373	1,377,552	-759,179	44.89%
7700 · Inactive Well Protection Prgm	0	4,339	-4,339	0.0%
9502 · G&A Expenses Allocated-Projects	78,048	278,441	-200,393	28.03%
	<u>1,271,639</u>	<u>5,183,883</u>	<u>-3,912,244</u>	<u>24.53%</u>
Total Expense	<u>2,403,195</u>	<u>7,867,370</u>	<u>-5,464,175</u>	<u>30.55%</u>
Net Ordinary Income	2,883,654	0	2,883,654	100.0%
Other Income/Expense				
Other Expense				
5010 · Groundwater Replenishment	2,328,727			
9999 · To/(From) Reserves	554,928			
Total Other Expense	<u>2,883,654</u>			
Net Other Income	<u>-2,883,654</u>			
Net Income	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0.0%</u></u>



CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

A. CYCLIC STORAGE AGREEMENT





CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: November 8, 2007
November 13, 2007
November 15, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: 8th Amendment to Cyclic Storage Agreement Extending Term of Agreement

SUMMARY

Recommendation – Approve the 8th amendment to Agreement as presented extending the term of the Agreement until December 31, 2012.

BACKGROUND

In 1978, Watermaster and Metropolitan Water District entered into the Cyclic Storage Agreement in order to allow for the short term cyclic storage of water in the Chino Basin.

This agreement is of benefit to the Chino Basin as it allows for the short term pre-delivery of replenishment water. Watermaster is a beneficiary of the cyclic storage account as it has been an important tool for Watermaster in meeting its yearly replenishment obligations.

Because of this, the term of the Agreement has been extended seven previous times. The proposed amendment continues the terms of the previous Agreement and is fundamentally identical to the seventh amendment.

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**EIGHTH AMENDMENT TO THE
CHINO BASIN CYCLIC STORAGE AGREEMENT**

THIS AMENDATORY AGREEMENT (hereinafter, "Amendment") is made as of _____ 2007, by and between The Metropolitan Water District of Southern California (hereinafter "Metropolitan"), the Inland Empire Utilities Agency (hereinafter, "IEUA") and the Chino Basin Watermaster (hereinafter, "Watermaster"). Chino Basin Municipal Water District was renamed IEUA as of July 1, 1998.

RECITALS

WHEREAS, the parties to this Amendment entered into an agreement titled Chino Basin Cyclic Storage Agreement (hereinafter, as amended "Agreement"), dated December 4, 1978, for the purpose of giving Metropolitan the right to store up to 100,000 acre-feet of water in the Chino Basin.

WHEREAS, the Agreement has been extended by previous amendments.

WHEREAS, Metropolitan has, as of April 9, 2007, no water stored in its Cyclic Account with IEUA.

WHEREAS, water stored under the Agreement is used to meet IEUA's groundwater replenishment demands pursuant to specific criteria set forth in Article 6 of the Agreement.

NOW, THEREFORE, the parties hereby enter into this Amendment to the Agreement as follows:

COVENANTS

1. Article 9(a) of the Agreement is hereby amended by extending the term of the Agreement from December 31, 2007 to December 31, 2012.

2. Additional water shall not be placed into the cyclic storage account except with the written consent of Watermaster, IEUA and Metropolitan.

3. Certifications to reclassify water previously certified into the Cyclic Storage Account to another class of service will not be accepted except when needed to correct errors as determined by Metropolitan. Certifications to reclassify water previously certified as another class of service, other than Full Service, to the Cyclic Storage Account will not be accepted except when needed to correct errors as determined by Metropolitan.

4. If the parties do not further renew this Agreement by December 31, 2012, then on that date IEUA and Watermaster will purchase any amount of water remaining in the Cyclic Storage Account at the replenishment rate at the time of the sale.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

By: _____
Jeffrey Kightlinger
General Manager

Date: _____

APPROVED AS TO FORM:
Karen Tachiki
General Counsel

By: _____
Sydney Bennion
Assistant General Counsel

Date: _____

INLAND EMPIRE UTILITIES AGENCY

By: _____
Richard Atwater
General Manager

Date: _____

APPROVED AS TO FORM:

By: _____
Jean Cihigoyenette
General Counsel

Date: _____

CHINO BASIN WATERMASTER

By: _____
Kenneth R. Manning
Chief Executive Officer

Date: _____

APPROVED AS TO FORM:

By: _____
Michael Fife
General Counsel

Date: _____

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CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

B. FINAL WILDERMUTH MODELING REPORT





CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: November 15, 2007
TO: Committee Members
Watermaster Board Members
SUBJECT: Receive and File Wildermuth Peace II Modeling Report

SUMMARY

Recommendation – Staff recommends that the Advisory Committee and Board receive and file the final Wildermuth Peace II Modeling Report

BACKGROUND

On October 25, 2007, Watermaster filed its Motion for Approval of Peace II Documents with the Court. Attached to the Motion as supporting evidence was the DRAFT Wildermuth Peace II Modeling Report. Prior to filing, this Report was available on the Watermaster website.

Since that time, Mr. Wildermuth has been in the process of completing the Report, primarily by making non-substantive changes and corrections.

The Report is too large to include as a hard copy in the agenda package, but the final form of the Report will be available and posted to the Watermaster website prior to the Advisory Committee and Board meetings. Mr. Wildermuth will be available at the Advisory Committee and Board meetings to explain any changes between the draft Report and the final Report and Watermaster will be filing a Declaration with the Court that explains these differences.

Staff recommends that the Advisory Committee and Board receive and file the Report.

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CHINO BASIN WATERMASTER

III. REPORTS / UPDATES

D. INLAND EMPIRE UTILITIES AGENCY

1. Draft Recycled Water Three Year Business Plan
2. Adoption of Statement of Support for Water Recycling
3. Local Lateral and Retrofit Financing
6. State and Federal Legislative Reports
7. Community Outreach/Public Relations Report
8. Planning and Water Resources Quarterly Update



CHINO BASIN WATERMASTER

ADVISORY COMMITTEE

November 15, 2007

AGENDA

INTERAGENCY WATER MANAGERS' REPORT

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

15-20 Minutes

Discussion Items:

- Draft Recycled Water Three Year Business Plan
- Adoption of Statement of Support for Water Recycling
- Local Lateral and Retrofit Financing

Written Updates:

- Monthly Water Conservation Programs Report - (Conservation Report will be handed out at meeting)
- Monthly Imported Water Deliveries Report (Handout)
- State and Federal Legislative Reports
- Community Outreach/Public Relations Report
- Planning and Water Resources Quarterly Update

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Date: November 1, 2007

To: Regional Committees

From: Inland Empire Utilities Agency

Subject: Recycled Water Three Year Business Plan and Adoption of Statement of Support for Water Recycling

RECOMMENDATION

It is recommended that the Regional Committees approve the adoption of the attached Statement of Support for Water Recycling. The Final Recycled Water Three Year Business Plan will be presented for approval in December 2007.

BACKGROUND

The current drought conditions and possible reduction in imported water supplies from MWD during the next few years has resulted in the IEUA Board requesting an accelerated implementation schedule for recycled water projects to reduce the possibility of shortages. The Chino Basin Watermaster Sunding Economic Report highlighted the broad economic benefits to all communities from the increased use of recycled water. In addition, the RAND Climate Change Report and workshop highlighted the economic and financial benefits of accelerated implementation of the recycled water program. The Business Plan has been developed in coordination with the member agencies through a series of workshops and individual meetings in an effort to understand the member agencies priorities and effectively communicate objectives and expectations. Workshops with all the agencies in the Chino Basin area have been held to review and discuss the draft reports (July 12, August 22, and October 11).

The result of these workshops and the regional coordination dialogue has been the "final draft" Three Year Business Plan for the Regional Recycled Water Program. The focus of the Recycled Water Three Year Business Plan is to increase the amount of recycled water delivered with a structured Business Plan (Plan). The immediate need for the development of this additional local water supply is emphasized by the current statewide low water supply. The Plan will have annual usage goals, metrics, and requirements for monthly progress reports. The Plan is scheduled to be updated annually based on the progress in implementing the projects recommended.

The following is a summary of the Three Year Business Plan

- **Focus:** “Rapidly” and cost effectively increase the current amount of recycled water (RW) with a structured Business Plan (Plan). The Plan will have annual usage goals, metrics, and requirements for monthly progress reports. The Plan will be revised and updated annually.
- **Goals:** Connected Demand (direct and indirect) June 2010: **50,000 AFY connected customers to the IEUA regional system**
- **Cost:** 3 Year Capital Improvement Budget including laterals and retrofit financing: **\$123 million**
- **Capital Funding Sources:**
 - **Grant (State and Federal)** **\$28 million**
 - **SRF Loans** **\$87 million**
 - **2008 IEUA Bond Funds** **\$5 – 10 million**

Annual Revenues (2011 when 50,000 AFY sales):

- **Recycled water sales** **\$4.5 million (annually)**
- **MWD LRP Program** **\$6 million (annually)**
- **Recycled Water Sales revenues and MWD LRP Revenues sufficient to meet Debt Service and O&M Costs at 50,000 AFY.**
- **Recommended Policy Resolutions:**
 - ✓ **Adopt Three Year Business Plan (IEUA Board and Regional Committees)**
 - ✓ **Adopt Lateral and On-Site Retrofit Financing (IEUA Board and Regional Committees)**
 - ✓ **Adopt Regional Statement of Support for Water Recycling (All Stakeholders).**

The annual goals for connected demand for the program are:

Year 1 (ending 6/30/08)	-	21,500 afy*
Year 2 (ending 6/30/09)	-	35,800 afy
Year 3 (ending 6/30/10)	-	50,000 afy

* Reference: Year ending 6/30/07 13,029 afy

In order to achieve these goals the recycled water distribution system will be expanded to increase deliveries to direct reuse customers and recharge basins. Preliminary analysis indicates that expansion in the Northern portion of the service area has a significant potential to increase recycled water deliveries. In addition recycled water storage and pumping improvements in the Southern area will provide sufficient delivery capacity for additional customers near existing pipelines. The areas of planned expansion are summarized as follows:

- San Sevaine Area – Fontana, Rancho Cucamonga, San Sevaine area basins
- Red Hill/Upland Hills – Upland, Rancho Cucamonga (potential satellite plant)
- Northwest Area – Montclair, Upland
- Southern Area – Chino, Chino Hills, Ontario (storage & pumping improvements)

Capital and O&M Funding:

The capital cost of the planned expansion projects total \$123 million over a three year period. These projects will be funded with a combination of state and federal grants, state low interest loans and regional capital (local) funds as follows:

Projected Three Year Capital Expenditures and Funding

Projected (\$ million)	FY 2007/08	FY 2008/09	FY 2009/10	Totals
Capital Expenditures	\$41.0	\$41.0	\$41.0	\$123.0
Grants (DWR, SWRCB, USBR)	\$13.5	\$6.7	\$7.5	\$27.7
SWRCB SRF Loan	\$24.7	\$30.0	\$32.5	\$87.2
Regional Capital (Bond Funds)	\$2.8	\$4.3	\$1.0	\$8.1

Program revenue consists of recycled water sales (\$72/AF in 2010) and the MWD Local Projects Program resulting in a total recycled water revenue of over \$10 million. This revenue will fully fund the SRF and Bond debt service of \$6 million and estimated operations cost of \$4 million. These revenue sources combined with grant funds fully fund the capital and operations cost of the program.

Local Facilities and Customer Connections:

The success of the Three Year Business Plan depends on the actual delivery of recycled water to new customers. In order to assist with the construction of local laterals (distribution pipelines) and customers on-site retrofits the following financing programs are recommended:

- Local laterals financed by IEUA 2.2% over 20 years. SRF low interest loans will be used for this financing to the full extent possible.
- Public agency facilities (parks, schools, etc.) “on-site” conversion (retrofits)
 - MWD rebate of \$250 per Acre-Foot for 2 years use
 - IEUA financing (0%, term based on net savings from potable rates)
- Privately owned facilities
 - IEUA financed at IEUA’s cost of funds (approx. 4.5%)
 - Term based on savings and total use

These financing programs will be presented to the IEUA Board in November with a recommendation for adoption.

Three Year Business Plan Summary:

The implementation of the Three Year Business Plan will result in multiple benefits summarized below. The program is self funding through recycled water sales and the MWD local projects program. In addition, the recycled water supply is not impacted by drought and will mitigate the impacts of regional or statewide water supply limitations.

- *New Water Supply* ...37,000AFY (50,000AFY total)
- *Capital Projects* ...\$41M/yr over 3 years (\$123M total with SRF and Grant funding for about \$115M & other sources)
- *Direct Revenue* ...Over \$10M/yr (Pays debt service and O&M)
- *Avoided Cost*...\$25M/yr (\$250/AF Recharge & \$600/AF Direct)
- *Drought Proof Supply*...avoid drought penalties \$38M

Recycled Water Three Year Business Plan

Revised Draft November 1, 2007

Prepared By:
Inland Empire Utilities Agency
"Red Team"

Inland Empire Utilities Agency
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TABLE OF CONTENTS

Acknowledgements.....	1
Preamble	2
Introduction	4
Section 1 - Executive Summary	5
A. Overview.....	5
B. Business Plan	5
C. Recycled Water Marketing and Connections Plan	6
D. Financial Plan	6
E. Red Team.....	7
F. Recommendations	7
G. Recommended Policy Resolutions	8
Section 2 - Mission statement & Recycled Water Policy	9
H. IEUA Mission Statement.....	9
I. IEUA Mission Statement on Recycled water	9
J. IEUA's Goal For Recycled Water	9
K. IEUA's Policy for Recycled Water.....	9
Section 3 - Statement of Problem	11
Section 4 - Background and Recent Developments.....	12
L. Background/History	12
Section 5 - Current Recycled Water Use	13
Section 6 - The Business Plan	17
A. Strategy	17
B. Focus and Goals	17
C. Red Team Organization.....	18
D. Summary of Supplies and Demands	19
E. Funding.....	21
F. Studies and Reports.....	23
Section 7 - Recycled Water Marketing and Connections Plan	
A. Overview of Resuse Site Conversions	24
B. Tasks Required for Onsite Conversions	24

Section 8 - Capital Budget and Funding Plan	25
C. Local Lateral Funding Policy.....	25
D. Financing of On-site Retrofit Costs	25
E. Recommendations	25
F. Recommended Policy Resolutions.....	26
 Exhibit A - Recycled Water Capital Projects Business Plan	 27
 Appendix 1 User Lists – Current and Projected	
Appendix 2 Recharge Use and Permits	
Appendix 3 MWD Accelerated Public Sector Water Efficiency Partnership Demonstration Program	
Appendix 4 Implementation Agreement (Statement of Support)	
Appendix 5 Ordinance No. 75	

ACKNOWLEDGEMENTS

This Business Plan represents the efforts and contributions of the staff, consultants, and municipalities. The Board of Directors of the Inland Empire Utilities Agency expresses its sincere appreciation to the staff and consulting team who developed the Business Plan for the implementation of recycled water.

PREAMBLE

Southern California is currently experiencing the driest year on record and may be entering an extended drought. These drought conditions, coupled with the recent legal decisions affecting the operation of the State Water Project, will significantly reduce the availability of imported water to the Chino Basin, creating immediate water and economic impacts to the cities and water agencies served by the Inland Empire Utilities Agency.

Recycled water has been identified by the State of California as an alternative that can serve many water uses that are currently served with potable water. The State of California has made water recycling an important element of California's water supply policy and has adopted a statewide goal of achieving 1,000,000 acre-feet of reuse by the year 2010. The use of recycled water has several incentives to IEUA and its member agencies: it is the only source of additional water supply within California, it is reliable during drought and conditions of climate change, it requires significantly less energy to deliver to customers and can reduce greenhouse gas emissions. The State of California has implemented laws and regulations that are fully protective of human health and require a specific level of water quality and treatment.

The Inland Empire Utilities Agency has recognized and embraced the advantages of using recycled water and currently produces over 60 million gallons per day. This high quality recycled water is available for landscape irrigation, industrial cooling, groundwater recharge, environmental enhancement and other uses identified under California law. By using recycled water the IEUA is helping to ensure that the Chino Basin has water to meet the current and future demands of the growing population and economy.

The Inland Empire Utilities Agency, in partnership with Chino Basin Watermaster and the cities and water agencies, has invested almost \$500 million over the last ten years to increase the availability of local water supplies through water recycled as well as through conservation, recharge improvements, the MWD groundwater storage and recovery project, Chino Desalter, and other water management programs that will reduce the region's need for imported water, especially during drought and other conditions when imported water supplies will not be available.

The IEUA and its member agencies, recognize that the water supply situation facing Southern California is very serious. It is in the best interest of all residents and businesses to prepare for immediate reductions in imported water supplies and encourage all cities, public agencies, and businesses to make every effort to use available recycled water for outdoor irrigation and industrial uses so that drinking water supplies can be conserved for potable uses. They must commit to work together and to offer technical and financial services to help expedite the actions needed to deliver and hook up recycled water for use by all cities, schools, parks and businesses within the Chino Basin.

This Business Plan (Plan) is intended to guide IEUA through the expansion of the recycled water system. The Plan will focus on the most cost effective and rapid ways to increase the amount of recycled water available and used within IEUA's service area. The Plan is intended to focus on the next three years and will be revised and updated on an annual basis. Metrics and an annual usage goal will be identified every year. A monthly progress report will be created to track these

metrics and assess the progress toward the annual usage goal. This progress report will allow IEUA to make changes necessary to meet the goals for the year.

INTRODUCTION

The Inland Empire Utilities Agency was initially formed in 1950 to import supplemental water from Metropolitan Water District of Southern California (MWD) to augment the local stream and groundwater supplies. IEUA has since expanded its service to include sewage, co-composting of manure and municipal biosolids, energy generation, desalinization of groundwater supplies, disposal of non-reclaimable industrial wastewater and brine, and the production and distribution of recycled water. IEUA currently serves approximately 800,000 residents in a 242-square mile area in San Bernardino County including the cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Rancho Cucamonga, and Upland.

Southern California continues to develop rapidly increasing demand on the limited potable water supply. In the past, local and imported water supplies were sufficient to meet the potable water demands; however due to Colorado River cutbacks, drought conditions, historical overproduction from groundwater, groundwater quality and environmental regulations, the regional water supplies are subject to shortages as the region continues to grow.

As documented in the RAND workshop on September 17 the economic benefits of accelerating implementation of the recycled water program are very large (in excess of \$1 billion). Chino Basin Watermaster has also documented the economic benefits of additional water supplies (i.e. use of recycled water). The expansion of a recycled water system is an important supply of water that can be used to meet the growing water demands. Due to population increases (about 1.2 million in 2025), the expansion of IEUA's recycled water system offers tremendous opportunities to offset the need for more imported water from MWD.

The Business Plan (Plan) is intended to guide the expansion of the IEUA recycled water system. The Plan will focus on the most cost effective and rapid ways to increase the amount of recycled water available and used within IEUA's service area. The Plan is intended to focus on the next three years and will be revised and updated on an annual basis. Metrics and an annual usage goal will be identified every year. A monthly progress report will be created to track these metrics and assess the progress toward the annual usage goal. This progress report will allow IEUA to make changes necessary to meet the goals for the year.

Section 1 - Executive Summary

A. Overview

Southern California is currently facing a serious water supply shortage due to statewide drought conditions and court decisions affecting the State Water Project operations. In response to potential water supply shortages and potential reductions in MWD imported water supplies this report was developed to accelerate implementation of the Regional Recycled Water Implementation Plan (2005). IEUA and its member agencies will make every effort to use available recycled water wherever appropriate, as well as make an effort to increase the use of recycled water within the agencies' boundaries. By committing to the 3-Year Business Plan, the implementation of recycled water projects will be coordinated with all agencies within the Chino Basin area. This will increase the delivery of recycled water quickly to ensure reliable supplies to avoid shortages to residents and customers. This will allow IEUA and its member agencies to continue to provide a reliable water supply to its customers in the future when shortages of imported supplies could be over a multiple year period as documented in the RAND September 17, 2007 workshop.

The implementation of the Three Year Business Plan will result in multiple benefits summarized below. The program is self-funding through recycled water sales and the MWD local projects program. In addition, the recycled water supply is not impacted by drought and will mitigate the impacts of regional or statewide water supply limitations.

- New Water Supply – 37,000 AFY (50,000 AFY Total)
- Capital Projects - \$41 million/year over three years (\$123 million total with SRF and Grant funding for approximately \$115 million and other sources).
- Direct Revenue – Over \$10 million/year (pays debt service and O&M)
- Avoided Cost - \$25 million/year (\$250/AF Recharge and \$600/AF Direct Reuse)
- Drought Proof Supply – avoided drought penalties of approximately \$38 million

B. Business Plan

The 3-Year Business Plan is intended to be a “short-term” action oriented document that will guide the IEUA recycled capital improvement program through the expansion of its recycled water distribution system. The 3-Year Business Plan will be updated annually to adjust the goals, timelines and projects that will expand the use of recycled water. Currently, this document focuses on the 2007-2010 fiscal years. The annual goals for connecting customers to recycled water are summarized in the Table 1 below.

**Table 1
Annual Goals for Connected Demand and Sales**

Year		Connected Demand (AFY)	Increase		Estimated Sales*
			AFY	%	AFY
Base Year	2006/07	13,000		----	----
1	2007/08	21,500	8,500	65%	15,000*
2	2008/09	35,800	22,800	175%	24,000*
3	2009/10	50,000	37,000	285%	35,000*

*Estimated sales lag connections

C. Recycled Water Marketing and Connections Plan

As regional backbone and local distribution recycled water facilities are constructed to provide capacity to serve existing and new recycled water customers there is a significant amount of work that must be done onsite to prepare the site to receive recycled water. Based on preliminary estimates there will be approximately 400-500 sites that will be converted to use recycled water over the next three years. Assuming 200 working days per year that will require that approximately one site be converted every day for the next 2 – 3 years.

The tasks required for each site include an initial site assessment and development of system drawings, preparation of connection details, preparation of an engineer's report, retrofitting the site with signs and marking the system purple, performing a cross-connection shutdown test, and finally connecting the onsite recycled water system to the new service connection.

D. Financial Plan

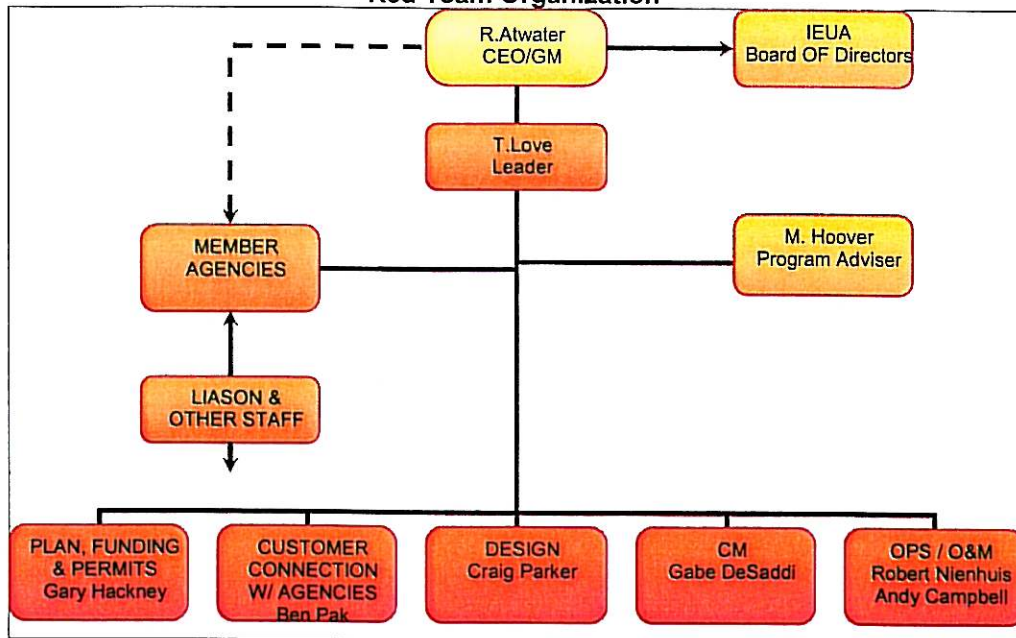
In order to accomplish the goals of the Three Business Plan a financial plan has been developed which includes an evaluation of the cost of the Plan, the funding sources that pay the costs of the Plan, and estimates of annual revenues.

- a. Cost – the three year capital improvement budget for the Plan, including laterals and retrofit financing will be approximately \$123 million.
- b. Capital Funding Sources – funding will be obtained from three sources, State and Federal Grants (\$28 million), State Revolving Fund loans (\$87 million), and 2008 IEUA Bond Funds (\$5 - \$10 million).
- c. Annual Revenues – based on 50,000 AFY in sales in the Year 2011, recycled water sales will generate \$4.5 million annually, and the MWD LRP Program will generate \$6 million annually. At 50,000 AFY the revenues from recycled water sales and the MWD LRP program will be sufficient to meet the debt service on the loans and meet the O&M costs.

E. Red Team

The Red Team prepared this 3-Year Business Plan. The purpose of the Red Team is to provide a group of people that will be able to lead the projects through the design, construction and permitting phases. The Red Team will consist mainly of IEUA staff but will also include key staff from member agencies. The purpose behind this is to open avenues of communication to aid with the construction of projects as well as potentially identify new recycled water projects. The member agencies are listed later in the Business Plan. The organization of the Red Team is shown in Figure 1 below.

**Figure 1
Red Team Organization**



F. Recommendations

Several steps need to be taken to ensure that the implementation of the business plan proceeds with minimal interruptions.

1. First, the Board of Directors should adopt the concept of the 3-year Business Plan after review and approval by the Regional Technical and Policy Committees. IEUA staff would then present the Board of Directors with budget amendments, resolutions and other policy recommendations included in the Business Plan for Board approval. As part of the three year business plan existing IEUA ordinances must be modified to include the

funding mechanisms described in the Plan. The revised Ordinance No. 75 is contained in Appendix 5.

2. Second, IEUA staff should work with the member agencies on the implementation of the Business Plan. More specifically, identifying projects and project schedules that will be implemented within the three year period and the increase in recycled water delivery capacity that will result from these projects.
3. Third, the Board of Directors should encourage all member agencies to adopt and endorse the Statement of Support for Water Recycling. A statement of support for the recycled water business plan has been developed for execution by IEUA and the member agencies. It is recommended that the IEUA Board approve the statement, execute it on behalf of IEUA, and endorse approval by each of the member agencies. The statement of support is contained in Appendix 4.
4. Authorize recycled water financing policies to encourage recycled water use such as financing for local laterals and on-site retrofits to convert to recycled water use consistent with Health Department requirements.

The steps outlined above are the initial action items in the implementation of the business plan. These steps will change on an annual basis to adapt to the direction and focus of the business plan. Additional action items will be incorporated into the Business Plan as needed.

G. Recommended Policy Resolutions

1. Adopt Three Year Business Plan (IEUA Board and Regional Committees)
2. Adopt Lateral and On-site Retrofit Financing (IEUA Board and Regional Committees)
3. Adopt Regional Statement of Support for Water Recycling (All Stakeholders).

SECTION 2 - MISSION STATEMENT & RECYCLED WATER POLICY

The Inland Empire Utilities Agency has adopted a Mission Statement for the guidance of the agency as a whole as well as a Mission Statement aimed specifically at the use of recycled water. Both mission statements are listed below.

A. IEUA Mission Statement

The mission of the IEUA (Agency) is to supply imported drinking water and recycled water, collect, treat, and dispose of wastewater, and provide other utility-related services to the communities it serves. The Agency strives to provide these services in a regionally planned, managed, and cost effective manner. Priorities of the Agency include protecting public health and the environment, maximizing the reuse of water and solids in the service area, protecting and cleaning up of the Chino Groundwater Basin, and maintaining a high level of public awareness and customer satisfaction.

B. IEUA Mission Statement on Recycled water

Inland Empire Utilities Agency, in cooperation with its seven Member Agencies, is offering Disinfected Tertiary Recycled Water that meets all the requirements for the highest level of Title 22 Water Recycling Criteria.

IEUA is dedicated to offering a clean, safe and drought-proof source of water, thereby reducing the dependence on expensive imported water. This recycled water can be used for a variety of non-potable purposes, such as landscape irrigation, agricultural irrigation, construction, and industrial cooling. By replacing these water-intensive applications with high quality recycled water, fresh water can be conserved or used for other purposes such as drinking and bathing. Every drop of recycled water made is potentially a drop of potable water saved.

C. IEUA's Goal For Recycled Water

The IEUA has adopted the following goal for recycled water:

“The overall goal of the IEUA Recycled Water Program is to encourage maximum use of the recycled water resource for beneficial purposes, thereby conserving water within the Chino Basin and reducing the dependency on imported water.”

D. IEUA's Policy for Recycled Water

The IEUA has also adopted a Policy for the use of recycled water. This policy is outlined in Resolution 2007-6-15 and is summarized below.

The drought condition that are being experienced in Southern California, may seriously impact IEUA's water supplies. Two of Southern California's main sources of water, the California Sierra Nevada and the Colorado River, are also experiencing extremely dry conditions, thus reducing the availability of imported water. In addition to the decrease in water supply, legal decisions affecting the operation of the State Water Project may reduce or even halt the

availability of imported water to the Metropolitan Water District of Southern California as early as this summer. Therefore, the IEUA recognizes that aggressive action must be taken by the cities, residents, business and agencies within its service area to reduce their reliance on imported water supplies.

The IEUA Board of Directors advocates the efficient use of water which can be accomplished by the following:

- Encouraging the use of recycled water for outdoor irrigation and industrial users
- Offering its technical and financial services to all cities, agencies and businesses to help expedite the process needed for them to connect to recycled water source
- Encouraging all cities, agencies, businesses and residents to promote water wise education and implementation of conservation programs

Currently, the IEUA and its contracting cities and local agencies have been offering high quality recycled water for outdoor irrigation and industrial uses that can cost-effectively replace potable water uses and contribute to a reduction in imported water demand. IEUA in cooperation with the MWD, California Department of Water Resources and U.S. Bureau of Reclamation, offers a variety of money-saving conservation rebates to residents of the cities within the IEUA's service area.

SECTION 3 - STATEMENT OF PROBLEM

The Inland Empire region faces serious water shortage issue due to the following conditions:

- Drought conditions;
- Climate change;
- Increase in population and urban development;
- Supply Reliability of the State Water Project; and
- Protection of Groundwater Quality.

Due to these conditions, the Inland Empire Utilities Agency has embraced the use of recycled water to supplement the potable water demands within its service area. As a result IEUA and Chino Basin Watermaster have shifted their priorities to increase the amount of recycled water used locally.

The following is a message from the Chief Executive Officer, from the Operating and Capital Program Budget – Fiscal Year 2007/08, June 20, 2007. This message addresses the shift in priorities for the next fiscal year.

“Water supply issues are front page because of drought conditions and the endangered species ‘regulatory’ and litigious environment. As a result IEUA priorities during the next fiscal year will be significantly affected by the potential reduction of MWD imported supplies to our service area. To compound the water problems, during the past winter it was the lowest annual rainfall total on record in southern California. Utilizing our MWD drought groundwater storage account, increasing recycled water use and additional conservation measures will be critical to assuring adequate supply to our 800,000 residents.....”

SECTION 4 - BACKGROUND AND RECENT DEVELOPMENTS

This section of the Business Plan reports background information on IEUA's recycled water program.

A. Background/History

IEUA's experience with recycled water dates back as far as 1972, when IEUA began to deliver recycled water. Then in 1991 the State of California adopted the "Water Recycling Law."

In 1993, MWH Americas, Inc. (MWH) conducted the first recycled water implementation plan for IEUA. In 1995, the Carbon Canyon Water Reclamation Facility (CCWRF) operation began and its facility continues to work in tandem with RP-2. CCWRF currently serves the cities of Chino, Chino Hills, Montclair and Upland.

The preliminary design report for IEUA's distribution system began in 1996. Two years later, Carbon Canyon Recycled Water System sent its first delivery.

In February, 1998 the Court appointed a new Watermaster Board to develop and implement the Optimum Basin Management Program (OBMP). As part of implementing the OBMP, a "Peace Agreement" was approved through the Watermaster process on June 29, 2000. The Peace Agreement provides the framework under which components of OBMP will be implemented for the next 30 years. Goals from the OBMP included enhancing the Chino Basin water supplies and protecting and improving groundwater quality.

In 2001, Carollo completed the Recycled Water Facilities Planning study for IEUA. The model developed by Carollo would later be used as a basis for the Recycled Water Implementation Plan (RWIP, 2002). The RWIP report is update of the Recycled Water Feasibility Study (IEUA, 2002). This report plans and sizes the recycled water system pipelines and facilities required to serve recycled water throughout the IEUA's service area and prepare a Capital Improvement Program (CIP). The RWIP updates the three previous report and hydraulic model that was developed as part of the Recycled Water Facilities Planning Study. The objective of this RWIP is to provide IEUA with a document that provides a guideline for the development of the ultimate recycled water system.

Over the next several years a series of steps were taken to assist IEUA with the implementation of recycled water in the area. These steps are listed below.

- 2002 Programmatic EIR (June 29th certified by IEUA Board)
- 2003 SWRCB Grant (\$5 million) Loan (\$22 million) Approved
- 2003 Initiate Construction of Phase I Facilities
- 2005 Regional Recycled Water Program Implementation Plan
- 2004 Initiate Design of Phase II Facilities
- 2005 Phase III Design initiated

SECTION 5 - CURRENT RECYCLED WATER PROGRAM

The IEUA currently produces over 60 million gallons per day of recycled water to be used within its service area, and there are several projects under way to expand the use of recycled water. These projects and the location of the projects are shown in **Figure 2** below.

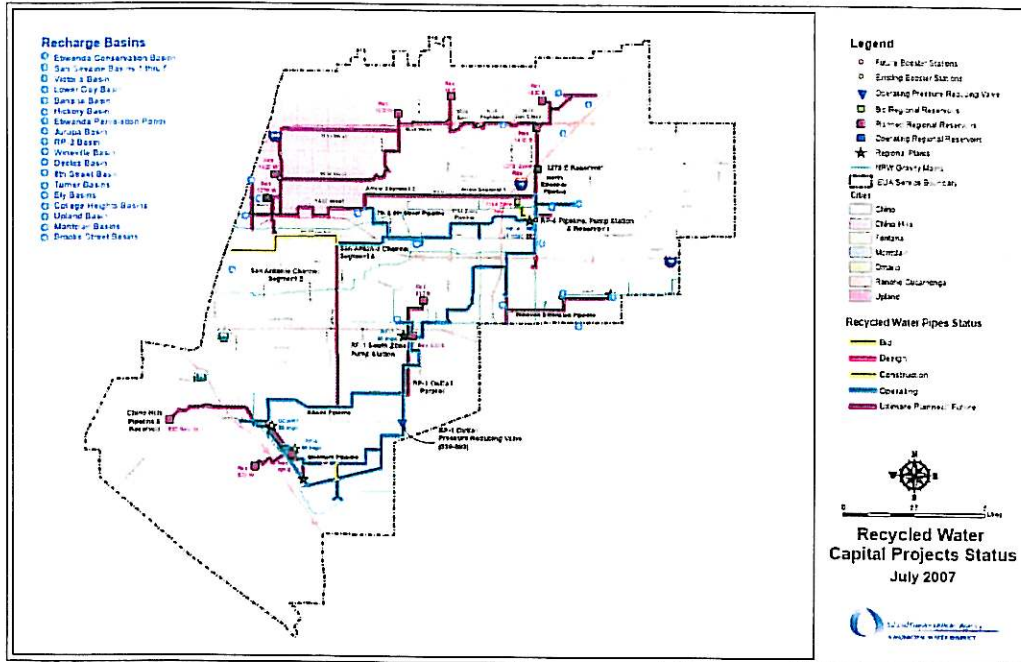
Figure 2
Recycled Water Capital Projects Status
July 2007

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Details of the projects listed on the figure that are currently in design or construction are summarized below. Each project has an associated status report on the bottom of each update.

Wineville Pipeline Extension - The Wineville Extension Pipeline is part of Zone 1158 and has a total length of approximately 5,300 lineal feet. This pipeline has a north-south alignment in the City of Ontario. The pipeline branches off of the existing Wineville Pipeline near the intersection of Wineville Avenue and Jurupa Street and heads south across Philadelphia Street ending at the JCSD service area boundary. Midway along the alignment, the Francis Segment 1 Pipeline ties in as well, and extends east, ultimately connecting to the Jurupa Basin Force Main pipeline, to deliver recycled water to the RP-3 recharge site. The estimated ultimate recycled water demand on this pipeline is (the demand should be much higher) acre-ft/yr. **Status: Pipeline has been designed but has not been advertised. Project is on hold to secure letters of intent to use recycled water from key customers. Critical to the 3-year business plan.**

Edison Avenue Pipeline – The Edison Pipeline is part of Zone 930 and has a total length of approximately 34,100 lineal feet. This pipeline has an alignment that runs east-west primarily along Edison Avenue in the cities of Ontario and Chino. The alignment is as follows: beginning west of the intersection of Edison Avenue and the existing RP-1 Outfall Line to which it connects, the pipeline runs west on Edison Avenue, south on Bon View Avenue, west on Eucalyptus Avenue, continuing west just south of Eucalyptus Avenue, ties into an existing recycled water pipeline along Edison Avenue and 12th Street, heads south on Central Avenue and ties into the existing pipeline at the intersection of Central Avenue and Chino Hills Parkway. *Status: Pipeline has been constructed and is in operation.*

7th/8th Street Pipeline - The 7th/8th Street Basin Pipeline is part of Zone 1270 and has a total length of approximately 10,500 lineal feet. This pipeline has an alignment that runs north and west from the intersection of 4th Street and Corona Street to the 8th Street Basin in the City of Ontario. The alignment is as follows: beginning at the intersection of 7th Street and Corona Street, the pipeline runs north on Corona Street, west on 6th Street, north on Glenn Avenue, west on 7th Street, north on Del Norte Avenue, west on 8th Street and ends at the 8th Street Basin. At the turnout to the 8th Street Basin at the city boundary of Ontario and Upland, a tee is provided as a potential temporary recycled water connection to the City of Upland. However, service beyond 8th Street would require a pump station. *Status: Pipeline has been constructed and is supplying recycled water to the 8th Street Basin. The plan is to connect two customers along the pipeline as well as expanding into the City of Upland.*

TP-1 South Pump Station - The TP-1 South Pump Station is located at the RP-1 site southeast of the intersection of the Cucamonga Creek and State Highway 60 in the City of Ontario. This station will initially pump from RP-1 and discharge to the north-south aligned RP-1 Outfall Pipeline in the 930 Zone. Under the initial conditions, the TP-1 Pump Station will serve both the 930 Zone and the 800 Zone, with the 800 Zone being served through a PRV station. Under future conditions, the TP-1 Pump Station will only serve the 930 Zone through a new parallel 60/54/36-inch diameter pipeline, while the existing 30-inch diameter RP-1 Outfall Pipeline will serve the 800 Zone via gravity. Under ultimate conditions, this 1,400 HP station will have a TDH of 120 feet and an installed capacity of 27,300 gpm. *Status: TP-1 Pump Station has been constructed and is in start up operations.*

San Antonio Channel Pipeline Segment A – The San Antonio Channel Pipeline (SACP) Segment A is part of Zone 1270 and has a total length of approximately 14,925 lineal feet. This pipeline has an alignment that runs west to east from the intersection of 4th Street and Del Rio Street to the intersection of Sultana Street and Granada Street in the City of Ontario. The alignment is as follows: beginning at the intersection of 4th Street and Del Rio Street, the pipeline runs west on 4th Street, south on Mariposa, west on Granada Street, and ends at the intersection of Granada Street and Sultana Street. *Status: Pipeline has been constructed and is supplying recycled water to customers along the pipeline.*

San Antonio Channel Pipeline Segment B – The San Antonio Channel Pipeline (SACP) Segment B is part of Zone 1270 and has a total length of approximately 23,420 lineal feet. This

pipeline has an alignment that runs west to east from the intersection of Sultana Street and Granada Street to a discharge point at the San Antonio Channel in the City of Montclair. The alignment is as follows: beginning at the intersection of Sultana Street and Granada Street, the pipeline runs north on Sultana Street, west on 4th Street, south on Vernon Street, west on Orchard Street and ends at the Discharge point of the San Antonio Channel in the City of Montclair. *Status: Pipeline construction has been started and is scheduled for completion in June 2008.*

RP-4 1158/1270 Pump Stations - The RP-4 1158/1270 Zone Pump Stations are two pump stations supplying the 1158 Zone and 1270 Zone, respectively. The project includes 800 linear feet of 1270 Zone pipeline. The pump stations are located on the south side of RP-4 between the CCB and the storm water basins. The 1158 Zone Pump Station is a conversion of 3 existing vertical turbine pumps rated for the 1270 Zone to 1158 Zone as well as the installation of two new vertical turbines. The 1270 Zone Pump station is installing six horizontal split case pumps supplied with the supply from the 1158 Zone Pump Station discharge header. The 1270 Zone Pump Station requires the installation of 800 linear feet of 42-inch pipeline from the pump station to Etiwanda Avenue along the south side of the storm water basins. *Status: Pump stations and pipeline design have been completed, project has been advertised and IEUA has issued a Notice to Proceed.*

RP-4 1158 Zone Pipeline Segment A - The RP-4 1158 Zone Pipeline Segment A is part of Zone 1158 and has a total length of approximately 1,340 lineal feet. This pipeline has an alignment that runs west from the 1158 Zone Pump Station to the western property of RP-4 then north terminating at 6th Street. The alignment is as follows: beginning at the 1158 Zone Pump Station the pipeline runs west within RP-4 just south of the Chlorine Contact Tanks, north along the western property of RP-4 and terminates on the south side of 6th Street. *Status: Pipeline is in construction and should be completed by December 2007.*

RP-4 1158 Zone Pipeline Segment B - The RP-4 1158 Zone Pipeline Segment B is part of Zone 1158 and has a total length of approximately 2,850 linear feet. This pipeline has an alignment that turns west on 6th Street, runs north through a Southern California Edison (SCE) property terminating at the 1158 Reservoirs. The alignment is as follows: beginning at the south side of 6th Street the pipeline runs north to a 40-foot wide dirt road easement within property owned by SCE, then west to the 1158 Reservoirs. *Status: Pipeline design has been completed, the project has been advertised and IEUA has issued a Notice to Proceed.*

RP-4 Reservoirs - The RP-4 Reservoirs are a part of the 1158 Zone and are two 5.5 MG above ground steel reservoirs. The RP-4 Reservoirs formerly were fuel oil tanks utilized for supplying SCE facilities. IEUA purchased the property and reservoirs and has completed the design to clean, blast, and recoat the inside of both reservoirs to bring into AWWA compliance. The design also included the connection point from RP-4 1158 Zone Pipeline Segment B along with demolition, site improvements, level sensors and security requirements. *Status: Reservoir design has been completed, project has been advertised and IEUA has issued a Notice to Proceed.*

North Etiwanda Pipeline - The North Etiwanda Pipeline is part of 1270 Zone and has a total length of approximately 1,770 lineal feet. This 42-inch pipeline has an alignment that runs north

along Etiwanda Avenue between Whittman Avenue and Arrow Highway. *Status: Pipeline is in construction and should be completed by December 2007.*

Satellite Plants - Also underway is an evaluation of a satellite water recycling plant at Red Hill Park. This satellite plant will serve Red Hill Park, Red Hill Golf Course, and Upland Hill Golf Course. This evaluation will also investigate other satellite plant sites in Upland. *Status: On-going.*

RP-5 Utility Water Pump Station Upgrade – the RP-5 Utility Water Pump Station needs to be upgraded to insure that RP-5 continues to supply recycled water to the distribution system. *Status: Under evaluation.*

930 Zone Storage – Additional storage capacity is needed in the 930 pressure zone. A reservoir site has been identified and preliminary engineering is complete for a 5 MG Reservoir in Chino Hills. *Status: Preliminary design complete.*

SECTION 6 - THE BUSINESS PLAN

This Business Plan is intended to guide IEUA through the expansion of the recycled water system. This section of the Business Plan will present the overall strategy of the Plan, the focus and goals, the Red Team purpose and organization, and a summary of the future demands for each agency.

A. Strategy

The overall strategy of meeting the Plan’s goals is to increase the use of recycled water within IEUA’s service area by working with the cities and water agencies. Recycled water will be increased through two avenues; one will be through the expansion and retrofit for recycled water customers and the other will be through the increase in groundwater recharge. An important element to the strategy of increasing recycled water demand is the development of a team, consisting of IEUA staff, that will be utilized to implement recycled water projects and monitor the progress toward the annual goals. This team will be called the Red Team. Member agencies will also contribute key staff to coordinate with, and be part of, the Red Team, with emphasis on their agency’s recycled water program.

B. Focus and Goals

The Plan focuses on the most cost effective and rapid ways to increase the amount of recycled water available and used within IEUA’s service area. It is the intent that this Business Plan will be a live document that is updated on an annual basis. The Plan will look at the next three years and will be updated at the end of each fiscal year. The purpose of looking only at the three year horizon is to allow reasonable goals to be set and tracked. It will also make it easier for IEUA to address Stakeholder priorities and secure funding for upcoming projects. Annual reuse goals have been identified for the next three years. These goals are listed in **Table 2** below:

**Table 2
Annual Recycled Water Connection Goals**

Year		Connected Demand (AFY)	Increase		Estimated Sales*
			AFY	%	AFY
Base Year	2006/07	13,000		----	----
1	2007/08	21,500	8,500	65%	15,000*
2	2008/09	35,800	22,800	175%	24,000*
3	2009/10	50,000	37,000	285%	35,000*

*Estimated sales lag connections

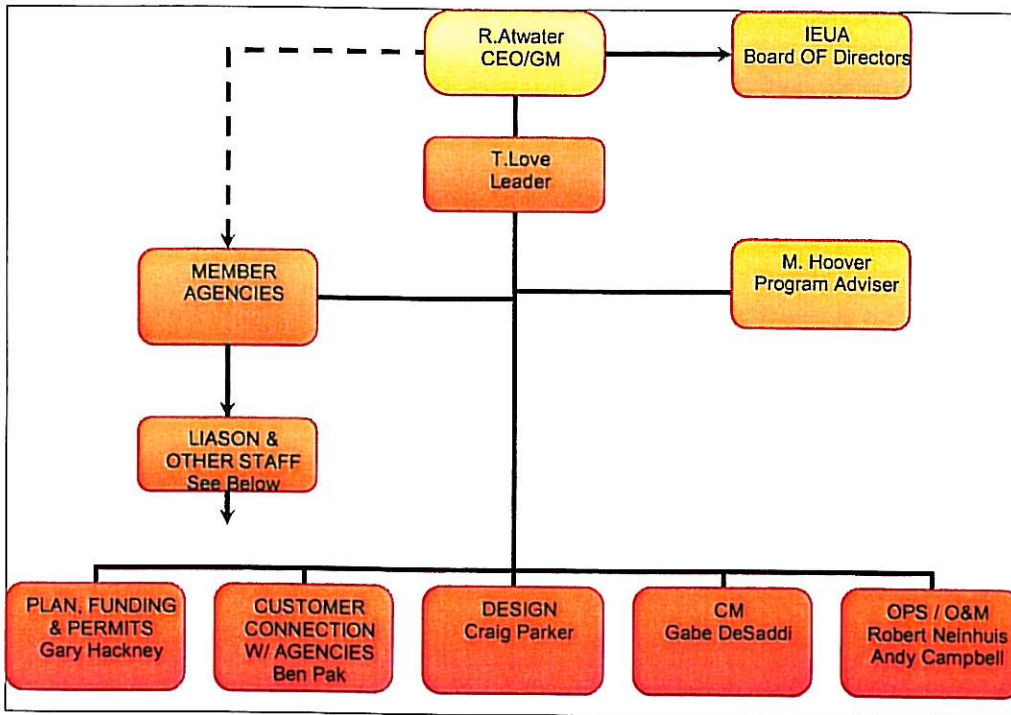
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C. Red Team Organization

The Red Team will consist of IEUA staff and will have the organization shown in **Figure 3** below. The purpose of the Red Team is to provide a group of people to lead the design and construction of the projects identified in the Recycled Water Implementation Plan. This team may also assist with the connection of new customer connections and in identifying new projects. The Red Team will consist mainly of IEUA staff and will be split into teams to increase the efficiency of the process.

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Figure 3
Red Team Organization



The Red Team will meet on a weekly basis to provide progress reports and identify action items that need to be taken. Another important element to the Red Team are the member agencies. Each of the member agencies will appoint a representative to attend these meetings and provide an avenue for information to be distributed within their respective agencies. The strategy is to

involve the member agencies throughout the entire process. This will aid in the identification of new projects or demands, as well as critical path items. The member agencies and cities that will be involved include:

Member Agency Liaison:

- City of Chino – Gil Aldaco and Jim Hill
- City of Chino Hills – Mike Maestas and Steve Nix
- City of Ontario – Scott Burton
- City of Upland – Rosemary Hoerning
- Cucamonga Valley Water District – Rita Kurth
- Monte Vista Water District – Van Jew and John Reddick
- City of Fontana – Chuck Hays and Brian A. Wren

Others:

- City of Montclair – Mike Hudson
- City of Rancho Cucamonga – Jeff Barnes
- Fontana Water Company – Michael J. McGraw and Robert K. Young
- City of Pomona – Jim Taylor
- Jurupa Community Services District – Robert Tock
- Chino Basin Watermaster – Gordon Treweek
- Chino Basin Water Conservation District – Eunice Ulloa
- San Bernardino County Flood Control District – Ken Eke
- Department of Public Health – Sean McCarthy

D. Summary of Supplies and Demands

The Business Plan focuses on the increase of recycled water through one of two ways: one is through the expansion and retrofit of recycled water connections, the other is through an increase in groundwater recharge. However, the supplies need to be taken into account as well. Currently, the wastewater treatment plants in the IEUA service area treat 60.5 mgd (67,760 acre-feet/year). It should be noted that of this amount 16,875 acre-feet/year is mandated to be discharged to the Santa Ana River as required by the 1969 Court Judgment. IEUA will continue to discharge the excess recycled water to the Santa Ana River, and will meet the annual goal. However, it is anticipated that the amount of excess flow during the summer months will be minimal due to increase in irrigation demands.

Each of the cities and water agencies within the IEUA's service area were polled to determine the projected reuse in the future years. Projected reuse for the recycled water is summarized in Table 3 below.

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Table 3
Projected Direct Reuse Connections By Agency (AFY)

Member Agency	Existing	2007/08	2008/09	2009/10	2010/11	Subtotal (AFY)
Chino	2,304	2,490	750			5,544
Chino Hills	1,631	750		750		3,131
CVWD	600	210	2,919	594		4,323
Fontana				1,656	5,000	6,656
MVWD		366				366
Ontario	3,760	4,194	728			8,682
Upland		40		610		650
IEUA	2,674	200				2,874
Pomona				1,550		1,550
JCSD					1,850	1,850
Total*	10,969	8,250	4,397	5,160	6,850	35,626

*Ready to sell

The second avenue of increasing recycled is through groundwater recharge. The following tables summarize the basin recharge capacity. Table 4 summarizes the recharge capacity utilizing the existing system. Table 5 summarizes the recharge capacity with the recycled water system expanded.

Table 4
Groundwater Basin Recharge Existing System (AFY)

Basin	Ely	Banana	Hickory	Turner	8 th St.	Brooks	Total Capacity (AFY)
FY 07/08	870	870	870	1,040	870	0	4,520
FY 08/09	870	870	870	1,040	870	870	5,390
FY 09/10	870	870	870	1,040	870	870	5,390

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**Table 5
Groundwater Basin Recharge
Expanded System (AFY)**

Basin	RP3	Declez	Victoria	San Sevaine	Etiwanda DB	New Capacity	Total Capacity** (AFY)
FY 07/08	---	---	---	---	---	---	4,520
FY 08/09	---	---	1,040	8,670	---	9,760	15,100
FY 09/10	1,210	1,040			1,210	3,460	18,560

** Includes AFY from Table 4

E. Funding

The funding for the recycled water projects can be split into two categories, secured and pending funding. The type of funding has been identified. There are three types of funding that could be used: State Revolving Fund Loans (SRF), State and Federal Grants, Local Resources Program (LRP) and USBR Title 16 funds. These types of funding are described in more detail below.

State Revolving Fund – A State Revolving Fund provides a significant financial incentive for municipalities to finance upgrades or expansion of recycled water systems. The programs usually provide a low interest rate financing for the construction of projects that are eligible for funding. As financing is repaid, this money becomes available to fund the next set of projects.

Grants – A federal Grant is an award of financial assistance from a federal agency to a recipient in order to carry out a public purpose of support or stimulation authorized by a law of the United States. Grants are not federal assistance or loans to individuals. Most of the grants that have been available for IEUA are State grants from the Department of Water Resources or the State Water Resources Control Board.

Local Resources Program - The Local Resources Program (LRP) is offered through the Metropolitan Water District of Southern California. (MWD) to provide funding for the development of water recycling and groundwater recovery supplies that replace an existing demand or prevent a new demand on MWD’s imported water supplies, through either direct replacement of potable water or increased regional groundwater production. The LRP is usually set up in such a way that it will pay IEUA a certain dollar amount per acre-foot of water that is recycled. The dollar amount varies as well as the time frame for which the MWD will reimburse IEUA.

USBR – The U.S. Bureau of Reclamation, under the Title 16 program provides up to 25% funding for construction of recycled water facilities. IEUA has strong legislative support for up to \$30 million under Title 16. IEUA received \$1 million grant funds from the program in 2006.

The Three Year Business Plan Capital Improvement Program is summarized in **Table 6** along with expected funding sources. Approximately \$145 million is estimated to be needed to complete the program. The status of current projects under construction is shown on **Table 7**.

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Table 6

Recycled Water Project Funding Summary

2006 - 2010

	Project Budget	Grant & Loan Funds	Local Funding	Demand Served	On-Line Date
Projects Under Construction In 2006/2008					
Edison & Eucalyptus Recycled Water Pipeline	\$ 9,075,000	\$ 7,075,000	\$ 2,000,000	2,633	October '06
San Antonio Channel Pipeline (Segment A)	\$ 6,803,000	\$ 5,699,000	\$1,104,000	675	April '07
San Antonio Channel Pipeline (Segment B)	\$ 9,803,000	\$ 9,410,000	\$ 393,000	1,844	June '08
RP-1 South Zone Pump Station	\$ 5,201,000	\$ 3,644,000	\$ 1,557,000	7,500	June '07
7th & 8th Street Basins Pipeline	\$ 3,309,000	\$ 1,644,000	\$ 1,655,000	1,750	May '07
RP-4 Reservoirs & Pump Station	\$ 19,912,000	\$ 16,400,000	\$ 3,512,000	7,000	July '08
Totals	\$ 54,103,000	\$ 43,872,000	\$ 10,213,000	# 21,402	
Design Phase Projects 2007/2010 (1)					
North Etiwanda Pipeline, 1299 Reservoir, Pump Station	\$ 15,000,000	\$ 15,000,000		TBD	TBD
Chino Hills Reservoir and Pipeline, 930 Zone	\$ 16,100,000	\$ 16,100,000		TBD	TBD
Wineville Extension Pipeline	\$ 8,270,000	\$ 8,270,000		TBD	TBD
RP-5 Utility Water PS	\$ 3,000,000	\$ 2,000,000	\$ 1,000,000	TBD	TBD
1630 Zone Reservoir & Pump Station	\$ 8,000,000	\$ 8,000,000	\$ -	TBD	TBD
1430 Zone West Reservoir & Pump Station	\$ 15,350,000	\$ 15,000,000	\$ 350,000	TBD	TBD
Red Hill Satellite Plant	\$ 40,100,000	\$ 35,000,000	\$ 5,100,000	TBD	TBD
Local Laterals	\$ 18,100,000	\$ 17,500,000	\$ 600,000	TBD	TBD
Totals	\$ 123,920,000	\$ 116,870,000	\$ 7,050,000	# 0	
Grand Total	\$ 175,411,000	\$ 160,989,000	\$ 14,422,000	\$ 21,402	

(1) Funding goal for projects under design is 100% grants and loans. Funding applications are in process.

**Table 7
Current Project Status**

Project Title	Status
San Antonio Channel Pipeline - Segment B	Designed and in Construction – Hold
RP-4 1158 Pipeline – Segment A	Construction
RP-4 1158 Pipeline – Segment B	Construction
RP-4 1158 Pipeline – Reservoirs	Construction
RP-4 1158/1270 Pump Station	Construction
N. Etiwanda Pipeline – Segment A	Construction
MVWD Laterals	Design
Euclid Laterals	Design

F. Studies and Reports

This Business Plan was developed through reports and studies from IEUA and their member agencies. Below is a list of documents that were used to develop this business plan.

- California Department of Health Services, *Summary of Public Hearing Phase I Chino Basin Groundwater Recharge Project*, July 19, 2004.
- City of Chino Hills, *Existing Recycled Water Customers*, 2004.
- Chino Basin Watermaster, *Twenty-Fifth Annual Report Fiscal Year 2001-02*, 2002.
- Wastewater Facilities Programmatic EIR, June 2002.
- Cucamonga Valley Water District. <http://www.ccwdwater.com>
- IEUA, *Resolution 2007-6-17*, June 2007.
- Monte Vista Water District. <http://www.mvwd.org>
- MWH, *Water and Recycled Water Master Plan Update* - prepared for the City of Chino, 2003.
- MWH, *Water and Recycled Water Master Plan Update* - prepared for the City of Ontario, 2005.
- MWH, *Recycled Water Implementation Plan* – prepared for IEUA, 2005.

SECTION 7 – RECYCLED WATER MARKETING AND CONNECTIONS PLAN

As regional backbone and local distribution recycled water facilities are constructed to provide capacity to serve existing and new recycled water customers there is work that must be done onsite to prepare the site to receive recycled water. Based on preliminary estimates there will be approximately 400-500 sites that will be converted to use recycled water over the next three years. Assuming 200 working days per year that will require that approximately one site be converted every day for the next 2 – 3 years.

A. Overview of Reuse Site Conversions

The objective at each potential use site is the conversion of the landscape irrigation to recycled water. There may be some sites which present the potential for expanded uses such as cooling towers, water features, making concrete products, industrial process water, and commercial laundries. Depending on the complexity of the site, and the available information, the tasks that are required and the associated resources will be adjusted. The largest number of recycled water conversion sites will include schools, parks, golf courses, cemeteries, agricultural operations, and industrial users.

B. Tasks Required for Onsite Conversions

1. Basic Tasks - there are seven basic tasks required to convert a retrofit site:
 - d. Initial customer contact and ongoing customer development and prioritize the largest users
 - e. Water service connection design
 - f. Site assessment and as-built drawings
 - g. Preparation of an Engineer's Report
 - h. Construction of onsite retrofit connections and system marking
 - i. Cross Connection Shutdown Testing
 - j. Onsite Supervisor and Member Agency Staff Training
2. Program Management Tasks - in addition to the site specific tasks there are three additional activities needed to move the retrofit connections program forward.
 - a. IEUA program management assistance and inter-departmental/inter-agency communication
 - b. Administrative Support and Recording Keeping/Data Input/Information Bulletins
 - c. Onsite Retrofit Financing Assistance Support

SECTION 8 - CAPITAL BUDGET AND FUNDING PLAN

The Business Plan will be evaluated on an annual basis, allowing IEUA to reevaluate the annual goals that have been set and update these goals for the next three years. As mentioned previously, there are several methods of funding for these projects. IEUA has evaluated the cash flow for funding the recycled water projects in Table 6 for the next 3 years. This projected cash flow is shown in Table 8 below. IEUA has been successful in obtaining low interest loans and grant funds for the majority of the capital costs. Low interest loans and grants are an integral part of the recycled water program funding strategy.

IEUA has adopted the following philosophies when it comes to financing local laterals and on-site retrofit costs.

A. Local Lateral Financing Policy

IEUA will apply for SRF funding for all laterals and will provide 100 percent funding for the costs for all laterals not funded by SRF SWRCB low interest loans. All repayment agreements by the retail agency serving the recycled water customers via the local lateral will be consistent with SRF requirements (e.g., MVWD draft agreement).

1. 20 year repayment at approximately 2.5 percent interest rate.
2. Fixed annual payments consistent with SRF payment schedules.
3. Operation and maintenance of laterals is responsibility of retail water agency.
4. Ownership transfers after completion of repayment of capital costs.

B. Financing of On-Site Retrofit Costs

IEUA will attempt to secure MWD funding for all future "on-site" retrofit plumbing costs to convert to recycled water. However, IEUA will offer to all public facilities 100 percent financing of the initial retrofit plumbing costs to be repaid within a maximum of 5 years through the savings in lower customer water rates (percentage discount from potable versus recycled water). Attached is the MWD funding program for on-site plumbing retrofit of public facilities.

General Terms

1. Five year repayment at 0% for public facilities; for private facilities, rate will be at IEUA's average bond rate (approximately 4.5%).
2. Repayment based on potable and recycled water rate differential.
3. IEUA provides engineering report and obtains DPH approval.

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IEUA will prepare general agreements for each retail agency to provide the funding for on-site plumbing retrofits of public facilities and develop administrative agreements for the repayment of the financing through savings on the monthly water charge. For example, recycled water has a twenty-five percent lower commodity rate than potable water for city parks. Twenty percent of the savings will be used to repay the retrofit costs, while providing the City with a net five percent savings until the retrofit costs have been repaid. After full repayment of the retrofit costs the City will begin to realize the full twenty-five percent savings.

C. Recommendations

1. First, the Board of Directors should adopt the concept of the 3-year Business Plan after review and approval by the Regional Technical and Policy Committees. IEUA staff would then present the Board of Directors with budget amendments, resolutions and other policy recommendations for Board approval included in the Business Plan. As part of the three year business plan existing IEUA ordinances must be modified to include the funding mechanisms described in the Plan. The revised Ordinance No. 75 is contained in Appendix 5.
2. Second, IEUA staff should work with the member agencies on the implementation of the Business Plan. More specifically, identifying projects and project schedules that will be implemented within the three year period and the increase in recycled water delivery capacity that will result from these projects.
3. Third, the Board of Directors should encourage all member agencies to adopt and endorse the Statement of Support for Water Recycling. A statement of support for the recycled water business plan has been developed for execution by IEUA and the member agencies. It is recommended that the IEUA Board approve the statement, execute it on behalf of IEUA, and endorse approval by each of the member agencies. The statement of support is contained in Appendix 4.
4. Authorize recycled financing policies to encourage recycled water use such as financing for local laterals and on-site retrofits to convert to recycled water use consistent with Health Department requirements.

D. Recommended Policy Resolutions

1. Adopt Three Year Business Plan (IEUA Board and Regional Committees)
2. Adopt Lateral and On-site Retrofit Financing (IEUA Board and Regional Committees)
3. Adopt Regional Statement of Support for Water Recycling (All Stakeholders).

Table 8
 Recycled Water Capital Improvement Program
 Fiscal Year 2007-2010 Projected Cash Flow Update

Project (Fund) (Project No.)	Prior to 07 Expense or Payments	Total Grants, Loans	FUNDING							Totals
			FY 06/07 07 Budget	07 Actuals	07/08	08/09	09/10	10/11		
FUNDING										
GRANTS										
DWR	1,595	10,250	5,624	1,666	6,989					10,250
SWRCB	0	4,000	1,900	1,424	2,576					4,000
SWRCB Prop 50 Cpt 8	0	4,700	0	0	3,000	1,700				4,700
USBR	0	30,000	980	980	980	5,000	7,500	7,400		21,860
Subtotal Grants	1,595	48,950	8,504	4,070	13,545	6,700	7,500	7,400		40,810
SRF LOANS										
SWRCB*	0	31,222	17,850	0	24,702	29,975	32,550	27,340		114,567
\$25 Million Adjustment										
Subtotal Grants & Loans	1,595	80,172	26,354	4,070	38,247	36,675	40,050	34,740		155,377
RC Fund Contribution **			5,688	17,956	0	1,611	6,850	6,260		42,144
Total Revenue			32,040	22,026	38,247	38,286	46,900	41,000		197,521

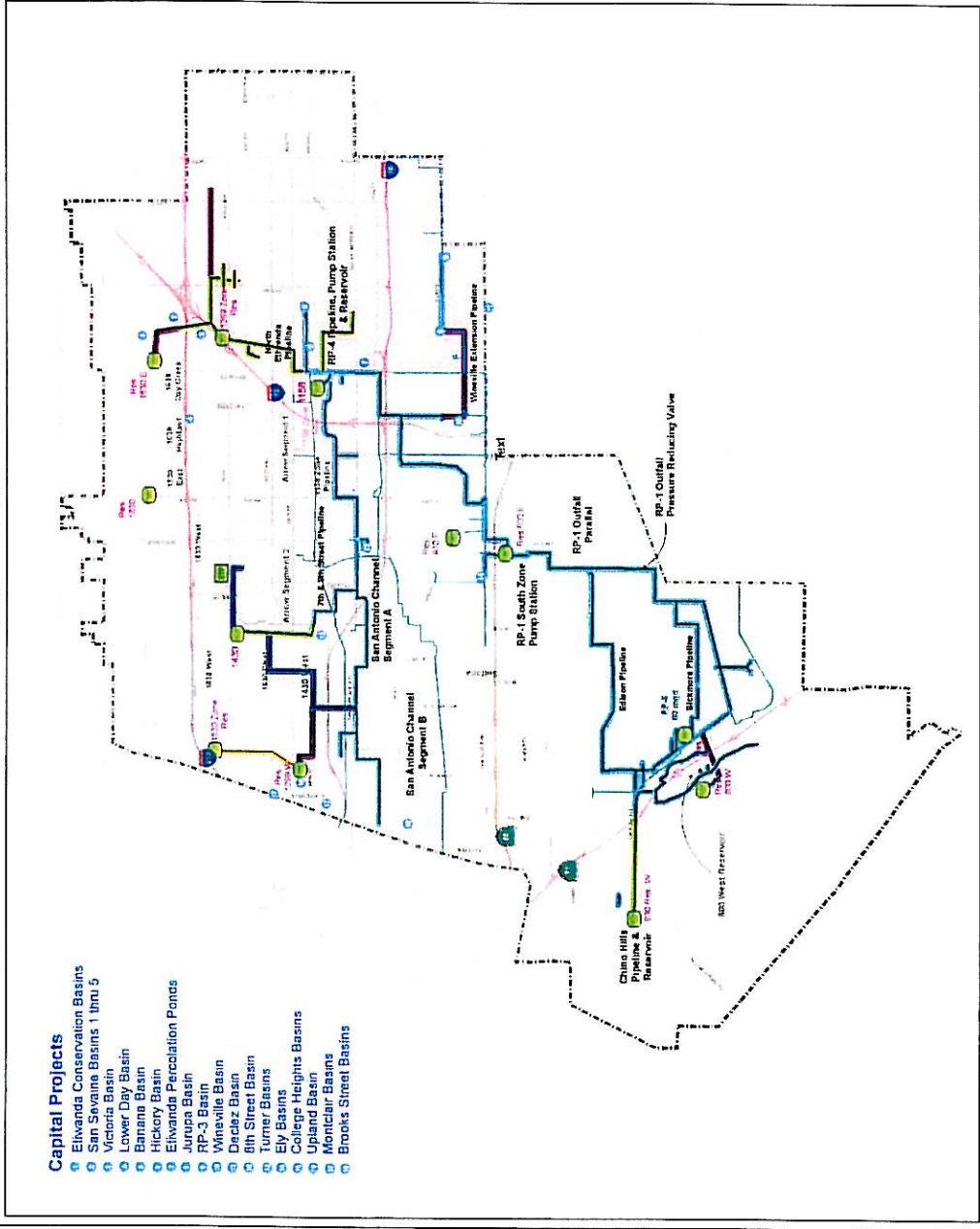
* \$6 million SRF red. Aug 2007 will accrue in '07 actuals

** RC Fund Contribution calculation does not include admin, operation costs or sales/lrp revenue

Grant/Loan Funding 79%

Project (Fund) (Project No.)	Prior Expense	Total Budget	EXPENSE							Totals
			07 Budget	07 Actuals	07/08	08/09	09/10	10/11		
Recycled Water Dist. Syst.	11,062	164,405	31,110	21,084	31,505	42,868	45,700	39,800		192,019
Miscellaneous Projects (marketing, tech sup, etc.)			930	942	960	1,200	1,200	1,200		5,502
Total Expenditures	11,062	164,405	32,040	22,026	32,465	44,068	46,900	41,000		197,521
Grants, Loans, & Reserves - Expenditures	-9,467	-84,233	-5,686	-17,956	-5,782	-1,611	-6,850	-6,260		-42,144
Ending Reserve Balance			1,000	1,000	6,782	1,000	1,000	1,000		1,000

EXHIBIT A



- Capital Projects**
- Eivanda Conservation Basins
 - San Sevanna Basins 1 thru 5
 - Victoria Basin
 - Lower Day Basin
 - Banana Basin
 - Hickory Basin
 - Eivanda Percolation Ponds
 - Jurupa Basin
 - RP-3 Basin
 - Wineville Basin
 - Declez Basin
 - 8th Street Basin
 - Turner Basins
 - Ely Basins
 - College Heights Basins
 - Upland Basin
 - Montclair Basins
 - Brooks Street Basins

- Recycled Water Pipes Status**
- NRW Gravity Mains
 - Reservoirs
 - Priority 1
 - Priority 2
 - Priority 3
 - Priority 4
 - Operating
 - IEUA Service Boundary



**Recycled Water
Capital Projects
Business Plan**
October 2007



Statement of Support for Water Recycling in the Chino Basin

The Inland Empire Utilities Agency, city of Chino, city of Chino Hills, city of Fontana, city of Montclair, city of Ontario, city of Rancho Cucamonga, city of Upland, Cucamonga Valley Water District, Monte Vista Water District, Fontana Water Company, San Antonio Water Company, San Bernardino County, Chino Basin Water Conservation District, Chino Basin Watermaster, and Metropolitan Water District of Southern California adopt the following joint statement of support for water recycling:

Whereas, California is experiencing the driest year on record and may be entering an extended drought that will seriously impact available water supplies to the cities and water agencies served by the Inland Empire Utilities Agency; and,

Whereas, recent legal decisions affecting the operation of the State Water Project will significantly reduce the availability of imported water to Southern California for the foreseeable future, creating immediate water and economic impacts to the cities and water agencies served by the Inland Empire Utilities Agency; and,

Whereas, recycled water is the *only* source of new additional water supply within California, and is the *only* water supply that is reliably available during droughts and conditions of climate change; and,

Whereas, State of California has made water recycling an important element of California's water supply policy, and adopted the statewide goal that the state achieve the reuse of over 1,000,000 acre-feet by the year 2010; and,

Whereas, California law and regulations are fully protective of human health and require a specific level of water quality and treatment corresponding to each beneficial reuse

Whereas, recycled water requires significantly less energy to deliver to customers than other sources of water and using recycled water is one of the significant actions that can be taken to reduce greenhouse gas emissions and address the long term impacts of climate change on the State; and,

Whereas, the Inland Empire Utilities Agency produces over 60 million gallons per day of high quality recycled water that is currently available for beneficial use for landscape irrigation, industrial cooling, groundwater recharge, environmental enhancement and other uses that are called out under California law; and,

Whereas, every drop of recycled water that is used by the cities and water agencies served by the Inland Empire Utilities Agency represents 100% conservation of the region's drinking water supplies and will help ensure that Chino Basin has the water it needs to meet current and future water demands of its growing population and economy; and,

Whereas, the Inland Empire Utilities Agency, in partnership with the cities and water agencies it serves, has invested almost \$500 million over the last ten years to increase the availability of local water supplies through water recycling as well as through conservation, groundwater storage and recovery projects, and other water management programs that will reduce the region's need for imported water, especially during droughts and other conditions when imported water supplies will not be available;

Now, therefore, be it resolved on this xx day of xx, 2007, the undersigned cities and agencies:

- Recognize that the water supply situation facing Southern California is very serious and that it is in the best interest of all residents and businesses to prepare for immediate reductions in imported water supplies;
- Encourage all cities, public agencies, and businesses to make every effort to use available recycled water for outdoor irrigation and industrial uses so that drinking water supplies can be conserved for potable uses; and,
- Commit to work together and to offer technical and financial services to help expedite the actions needed to deliver and hook up recycled water for use by all cities, schools, parks and businesses within the Chino Basin.

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Date: November 1, 2007

To: Regional Committees

From: Inland Empire Utilities Agency

Subject: Recycled Water Three Year Business Plan –Local Lateral and Retrofit Financing

RECOMMENDATION

It is recommended that the Regional Committees support the IEUA Board's adoption of local lateral and on-site retrofit financing policies.

BACKGROUND

The current drought conditions and possible reduction in imported water supplies from MWD during the next few years has resulted in the IEUA Board requesting an accelerated implementation schedule for recycled water projects to reduce the possibility of shortages. During workshops with all the agencies in the Chino Basin area (July 12, August 22, and October 11) a key acceleration component was determined to be local lateral and retrofit financing options. Financial assistance is available from the State Water Resources Control Board in the form of low interest loans through the SRF program. In addition, the Metropolitan Water District has recently initiated a recycled water on-site retrofit financial assistance program for public agencies. IEUA is proposing to augment these programs by providing low interest loans for local laterals and retrofits not covered by the state and MWD programs.

Local Facilities and Customer Connections:

The success of the Three Year Business Plan depends on the actual delivery of recycled water to new customers. In order to assist with the construction of local laterals (distribution pipelines) and customers on-site retrofits the following financing programs are recommended:

- Local laterals financed by IEUA 2.5% over 20 years. SRF low interest loans will be used for this financing to the full extent possible.
- Public agency facilities (parks, schools, etc.) "on-site" conversion (retrofits)
 - MWD rebate of \$250 per Acre-Foot for 2 years use
 - IEUA financing of cost not covered by MWD (0%, term based on net savings from potable rates)

- Privately owned facilities “on-site” conversion (retrofits)
 - IEUA financed at IEUA’s cost of funds (approx. 4.5%)
 - Term based on savings and total use

Whether local laterals are financed with SRF funds or IEUA funds, the terms will be the same (2.5% for 20 years with annual payments of debt service). An example Reimbursement Agreement when SRF funds are utilized is attached as Exhibit A. The example assumes that IEUA constructs the laterals and is reimbursed for the cost by the member agency.

An example “On-Site” Retrofit loan agreement is attached as Exhibit B. The terms are as outlined above and the example assumes that the cost of retrofits are loaned to the member agency for either public or private plumbing conversions as illustrated below.

Public Sector “On-Site” Retrofit Financing Example

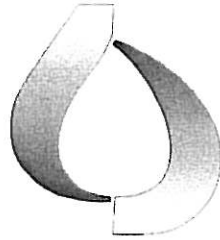
- School Site
 - Use 50 acre feet per year(AFY)
 - Retrofit Cost \$40,000
 - Potable Rate \$550/AF
 - Recycled Rate \$440/AF (80%)
- Retrofit Financing
 - MWD Rebate \$25,000
 - Balance Financed \$15,000
 - Annual Payment \$5,225 (95% of rate differential savings)
 - Payoff Term 2.9 years
 - Customer Savings during payoff \$225 annually
 - Customer Savings Long Term \$5,500 annually

Private Sector “On-Site” Retrofit Financing Example

- XYZ Business Park
 - Use 50 AFY
 - Retrofit Cost \$25,000
 - Potable Rate \$550/AF
 - Recycled Rate \$440/AF (80%)
- Retrofit Financing
 - MWD Rebate NA
 - Balance Financed \$25,000
 - Annual Payment \$5,225 (95% of rate differential savings)
 - Payoff Term 5.5 years (at 4.5%)
 - Customer Savings during payoff \$225 annually
 - Customer Savings long term \$5,500 annually

These financing programs will be presented to the IEUA Board of Directors in November with a recommendation for adoption.

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Inland Empire
UTILITIES AGENCY

REIMBURSEMENT AGREEMENT NUMBER: _____

FOR

RECYCLED WATER LOCAL DISTRIBUTION LATERALS - (MEMBER AGENCY NAME)

THIS REIMBURSEMENT AGREEMENT (the "Agreement"), is made and entered into this _____ day of _____, 2007, by and between the INLAND EMPIRE UTILITIES AGENCY, a Municipal Water District, organized and existing under and by virtue of the laws of the State of California in the County of San Bernardino (hereinafter referred to as "IEUA"); and THE (MEMBER AGENCY NAME), a water district organized and existing under and by virtue of the laws of the State of California in the County of San Bernardino (hereinafter referred to as "(MEMBER AGENCY NAME)") for the reimbursement of the cost for Recycled Water Local Laterals in (MEMBER AGENCY NAME) service area (hereinafter referred to as "FACILITIES") as described herein (see Exhibit "A") and shown on the attached construction drawings, (Exhibit "B").

RECITALS

WHEREAS, IEUA produces Title 22, tertiary treated water, also known as recycled water, at IEUA's Wastewater Reclamation Facilities, for delivery to the (MEMBER AGENCY NAME); and,

WHEREAS, IEUA has designed and constructed a distribution pipeline system (Regional Recycled Water Distribution System) for the delivery of recycled water to its purveyors and customers; and,

WHEREAS, IEUA has applied for and anticipates receipt of a State Revolving Fund (SRF) Loan from the State Water Resources Control Board (SWRCB) to finance the construction of the FACILITIES

WHEREAS, a portion of the Regional Recycled Water Distribution System will reside within the (MEMBER AGENCY NAME) service area in the City of; and, (MEMBER AGENCY NAME) will agree to reimburse IEUA for the cost of the FACILITIES including design, administration, construction and permit fees under the same terms and conditions as the SRF Loan repayment schedule applicable to IEUA; and

WHEREAS, IEUA will transfer title and ownership of the FACILITIES to (MEMBER AGENCY NAME), upon the reimbursement of the cost of the FACILITIES; and

WHEREAS, IEUA's Board of Directors adopted Ordinance No. 69, regulating the availability and use of recycled water from the Regional Recycled Water Distribution System, and Resolution No. 2000-6-7, establishing the wholesale price of recycled water.

COVENANTS

NOW, THEREFORE, for valuable consideration the receipt of which is hereby acknowledged, and the mutual promises of the parties, it is agreed as follows:

1. Reimbursement, Title Transfer and Conditions

- A. (MEMBER AGENCY NAME) hereby agrees to reimburse IEUA, the cost of the FACILITIES including design, administration, construction and permit fees in an amount which has not been determined but which shall not exceed one million dollars (\$1,000,000) in total. The FACILITIES are described in Exhibit "A," and are also shown on the attached map, as Exhibit B, both of which are incorporated herein by reference. Reimbursement shall be in equal annual payments including principal and interest at the rate of 2.5% per annum over a term of twenty years. The same terms applicable in the agreement between IEUA and SWRCB as shown in Exhibit C which is attached hereto and incorporated herein by reference shall apply to the parties in this agreement. In promising to reimburse IEUA for the cost of the FACILITIES, (MEMBER AGENCY NAME) agrees to commit its full financial net revenue resources, including income from operations and sales, capital income and ad valorem property taxes and other amounts legally available to (MEMBER AGENCY NAME) for the payment of each annual installment in a timely manner. (MEMBER AGENCY NAME) shall make the first reimbursement installment payment 15 days prior to the date payment is due from IEUA to the SWRCB, which is on or before one year after completion of the construction of the FACILITIES and shall thereafter in annual installments 15 days prior to the succeeding anniversaries of such date until paid in full.
- B. IEUA shall transfer title to the FACILITIES concurrently with the receipt of full payment from (MEMBER AGENCY NAME), effectively the last annual payment under the SRF loan agreement. IEUA shall provide (MEMBER AGENCY NAME) a recordable document describing the facilities that are transferred. IEUA warrants that the FACILITIES will be free and clear of all claims, liens or encumbrances, and that IEUA is duly authorized to transfer its right, title and interest in FACILITIES to (MEMBER AGENCY NAME).
- C. During the repayment term (MEMBER AGENCY NAME) accepts the operation and maintenance responsibilities of the FACILITIES, in "as is and like is," condition and assumes all liability relative to operation of the FACILITIES as of the date of project acceptance by IEUA.
- D. (MEMBER AGENCY NAME) will solely be responsible, at its own cost, to operate, maintain and repair all respective pipelines, meters, and related appurtenances, of the FACILITIES, and to prevent degradation of the water quality from the (MEMBER AGENCY NAME)'s connection points to its Recycled Water Customers. (MEMBER AGENCY NAME) will be solely responsible for the degradation of the water quality occurring as a result of its operation, maintenance, and repairs, or lack thereof, of the FACILITIES, or occurring as a result of damage to the FACILITIES.

Exhibit A

- E. (MEMBER AGENCY NAME) and IEUA further agrees to comply with all rules and regulations of the California Department of Public Health (DPH), the Regional Water Quality Control Board (RWQCB), Santa Ana Region, and the requirements of the California Code of Regulations, Title 22, Division 4, Chapter 3, Water Recycling Criteria, Sections 60301 et seq., and Title 17, as well as the San Bernardino County Public Health Code.
- F. IEUA shall operate, maintain and repair all respective pipelines, meters, and related appurtenances, for the Regional Recycled Water Distribution System that are not included in the Facilities described herein, and which remain an IEUA asset. IEUA shall be solely responsible for the quality of Recycled Water to (MEMBER AGENCY NAME)'s connection points.
- G. IEUA and (MEMBER AGENCY NAME) mutually agree that all other aspects of the Regional Recycled Water Distribution System other than as expressed herein shall be in accordance with IEUA's Ordinance No. 69 as may be amended from time to time and successive ordinances and resolutions, which are incorporated herein by this reference.
2. **TERM:** The term of this Agreement shall extend from the date of its execution, and remain in effect indefinitely, unless mutually terminated by both parties.
3. **ADDITIONAL DOCUMENTS:** The parties agree to execute any further documents, and take any further actions, as may be reasonable and appropriate in order to carry out the purpose and intent of this Agreement.
4. **DISPUTE RESOLUTION:** All disputes arising out of or in relation to this Agreement shall be determined in accordance with this section. Notice shall be given in accordance with Section 6, below. Both parties agree to make every effort to resolve any disputes collectively, and in a mutually beneficial manner, prior to submitting disputes to Arbitration. By entering into this Agreement, however, both parties are obligated, and hereby agree, to submit all disputes arising under or relating to this Agreement that remain unresolved after ninety (90) days from the initial time of notice, and after the exhaustion of attempts to mutually resolve, to independent arbitration. Except as otherwise provided herein, arbitration shall be conducted under California Code of Civil Procedure Section 1280, et. Seq, or their successor.
5. **ATTORNEYS' FEES:** In the event an action is commenced by a party to this Agreement against the other to enforce its rights or obligations arising from this Agreement, the prevailing party in such action, in addition to any other relief and recovery ordered by the court or arbitration, shall be entitled to recover all statutory costs, plus reasonable attorneys' fees.

Exhibit A

6. NOTICES: Any notice may be served upon either party by delivering it in person, or by depositing it in a United States Mail deposit box with the postage thereon fully prepaid, and addressed to the party at the address set forth below:

Agency: Cameron B. Langner, Manager of Contracts, Procurement
and Facilities Management
Inland Empire Utilities Agency
P.O. Box 9020
Chino Hills, California 91709

(MEMBER AGENCY NAME):
, General Manager
(member agency name and address)

Any notice given hereunder shall be deemed effective in the case of personal delivery, upon receipt thereof, or, in the case of mailing, at the moment of deposit in the course of transmission with the United States Postal Service.

7. SUCCESSORS AND ASSIGNS: All of the terms, conditions and provisions of this Agreement shall inure to the benefit of and be binding upon the Agency, the (MEMBER AGENCY NAME), and their respective successors and assigns. Notwithstanding the foregoing, no assignment of the duties or benefits of the (MEMBER AGENCY NAME) under this Agreement may be assigned transferred or otherwise disposed of without the prior written consent of the Agency; and any such purported or attempted assignment, transfer or disposal without the prior written consent of the Agency shall be null, void, and of no legal effect whatsoever.
8. INTEGRATION: The Agreement Documents represent the entire Agreement of the Agency and the (MEMBER AGENCY NAME) as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered by the Agreement Documents. This Agreement may not be modified, altered or amended except by written mutual agreement by the Agency and the (MEMBER AGENCY NAME).
9. GOVERNING LAW: This Agreement shall be governed by and constructed in accordance with the laws of the State of California and under the jurisdiction of the Superior Court of the State of California located in San Bernardino County.
10. FORCE MAJEURE: Neither party shall hold the other responsible for the effects of acts occurring beyond their control; e.g. war, riots, strikes, natural disasters.

Exhibit A

IN WITNESS WHEREOF, the parties hereto have caused the Agreement to be entered as of the day and year written above.

INLAND EMPIRE UTILITIES AGENCY

(MEMBER AGENCY NAME)

Richard W. Atwater (Date)
Chief Executive Officer
General Manager

(Date)

ATTEST:

(Date)
General Manager

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RETROFIT FINANCING AGREEMENT NO. W000
Between
INLAND EMPIRE UTILITIES AGENCY and (MEMBER AGENCY NAME)

As of (Date), Inland Empire Utilities Agency, herein "AGENCY", the (member agency name), herein "DISTRICT", agree as follows:

SECTION 1. PURPOSE

DISTRICT has constructed a system to distribute recycled water produced at the AGENCY Water Recycling Plants (hereinafter "Water Recycling Plants") on a retail basis. DISTRICT will resell recycled water within DISTRICT's service area in accordance with DISTRICT rates, rules and regulations and agreements for the sale and distribution of recycled water. DISTRICT wishes to use recycled water for irrigation or other non-potable purposes at the locations and for the uses specified in Attachment A, in lieu of continued use of potable water for these purposes. Recycled water cannot be used without improvements (hereinafter "retrofit improvements") to assure recycled water and potable water pipelines are not cross-connected. AGENCY will loan the cost of the construction of retrofit improvements to DISTRICT in accordance with the **SECTION 3.**

SECTION 2. DESCRIPTION OF WORK

DISTRICT shall:

1. Submit a letter application to AGENCY providing the information on Attachment A for each user proposing to use AGENCY financing. Attachment A may be amended from time to time, based on mutual consent.

2. With AGENCY assistance, furnish proof of compliance with California Department of Public Health (hereinafter "DPH") requirements for the use of recycled water at the location requested and specified in Attachment A.

3. Hire and manage or request AGENCY to hire and manage, a contractor to complete the retrofit improvements in accordance with DPH requirements at the location specified. DISTRICT shall comply with statutes concerning public works contracts. The contractor shall be required to name the AGENCY as added insured.

Exhibit B

4. Forward documented costs for retrofit improvements to AGENCY.

5. Provide AGENCY with periodic up-dated project schedules including expected date for completing retrofit improvements and expected start-up date. (The up-dated schedule shall be based on the schedule in the original DISTRICT application for AGENCY retrofit financing).

5. Provide AGENCY with one copy of approved plans for retrofit improvements along with a construction cost quotation or engineers estimate.

SECTION 3. CONSIDERATION

(a) AGENCY shall loan to DISTRICT 100% of the actual cost of construction, design and administration when the retrofit improvements are complete and recycled water is turned on.

(b) DISTRICT shall re-pay the net amount paid by AGENCY for retrofit improvements in accordance with Section 3a, after deducting any grant proceeds received by AGENCY. Re-payment terms are as follows:

(1) Repayment shall be achieved using 95% of the difference between DISTRICT's potable water rate and DISTRICT's recycled water rate. The remaining 5% of the difference shall be passed along to the customer as water cost savings. DISTRICT shall remit the re-payment amount monthly as a part of the normal billing cycle payments to the AGENCY. The repayment term will be established at the time of application based on water cost savings.

(2) No interest will be charged for retrofit improvement loans made to public agencies. Retrofit improvement loans made to private enterprises will be made at the AGENCY's current cost of money (presently 4.5%).

(c) DISTRICT and AGENCY shall keep records with regard to the total invoiced amounts and retrofit repayment amounts received at each location in Attachment A; DISTRICT shall furnish timely and accurate monthly reports of recycled water usage to be used to calculate the water bill and retrofit repayment amount at each location; and

(d) In the event that recycled water is no longer being used, full payment of the loan shall become due.

SECTION 4. INDEMNIFICATION

AGENCY shall indemnify the DISTRICT for negligent acts or omissions committed by AGENCY in performance of its obligations under this Agreement. Similarly, DISTRICT shall indemnify AGENCY for negligent acts or omissions committed by DISTRICT in performance of its obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the date first above written.

APPROVED:

INLAND EMPIRE UTILITIES AGENCY

By: _____
CEO/General Manager

APPROVED AS TO FORM:

By _____
AGENCY Counsel

APPROVED:

(member agency name)

By: _____
General Manager

By: _____
DISTRICT Attorney

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Inland Empire
UTILITIES AGENCY

Date: November 21, 2007
To: The Honorable Board of Directors
Through: Public, Legislative Affairs, and Water Resources Committee (11/14/07)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: October Legislative Report from Innovative Federal Strategies, LLC

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:mef

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Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Martha Davis and Rich Atwater
IEUA

From: Letitia White and Alex Shockey

Date: October 26, 2007

Re: October Monthly Legislative Update

As of October 26th, the month of October on Capitol Hill has not been a terribly productive one in terms of getting appropriations bills (or other major reauthorization legislation for that matter) completed. The Senate, however, passed several more appropriations bills this month - - Commerce-Justice-State, Defense, and Labor-Health and Human Services-Education - - bringing its total to seven out of twelve appropriations bills passed off the Senate floor. Yet the pace remains slow, as the Congress has still not finished a single House-Senate conference or sent a bill to the President for his consideration and signature.

Since fiscal year 2008 started on October 1st, the federal government is currently being funded by a continuing resolution (CR) that runs until November 16th. Another CR will be required to cover the funding of federal agencies and programs for a second interval, which probably will be into December or longer if the Administration and the Congress cannot agree on a framework for a budget deal.

Many here in Washington feel that Congress will not wrap up the FY08 appropriations process until just before Christmas. President Bush and Congress have both been readying themselves for a veto fight; the President has threatened to veto many of the appropriations bills pending in the House and Senate because they spend more in total than he requested in his fiscal year 2008 budget request. The showdown over the first bill may happen as soon as next week, however, and we anticipate that it will be over the Labor- HHS bill which the President has already formally indicated he would veto because of its much higher spending level than his budget request.

The Labor-HHS showdown will come on the heels of another recent veto battle that the President and Congress have had over SCHIP (State Children's Health Insurance Program) authorization legislation that will expire on November 16th. The Congress sent Bush a SCHIP bill several weeks ago, which he quickly vetoed. Since the House and Senate were not able to override the veto, the House has passed another new version of the bill that will start the process over again. They did so while many California Members were out west in their Congressional districts dealing with the horrific fires and mass evacuations, further exacerbating the strife between parties. Despite the bill's passage, again, the margin was not veto-proof and rancor over

Innovative Federal Strategies LLC

the way the SCHIP vote was handled will make it even harder to convince Members to switch their votes to support the new approach and override the imminent Presidential veto. The Senate is slated to vote on this latest SCHIP version at the end of next week and it should be sent to the President soon thereafter.

Like 2008 appropriations, the long delayed farm bill is slowly dragging along in the Senate. It was passed out of Senate Committee on October 25th and is expected on the Senate floor next week, although no definite day or time has been formally announced. The House passed its version of the farm bill in July.

Congress did, however, send Bush the long anticipated Water Resources Development Act (WRDA) reauthorization bill this week. While the President has threatened to veto this legislation due to its high price tag, both the House and Senate have the votes to override a veto. If Bush does not veto it within ten days, the bill will become law without his signature.

We are hoping that the waning days of October and the month of November will show some serious progress on FY08 appropriations. As always, we will keep you posted.



Date: November 21, 2007

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (11/14/07)

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

Submitted by: Martha Davis
Executive Manager of Policy Development

Subject: October Legislative Report from Geyer and Associates

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:mef

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MEMORANDUM

TO Rich Atwater and Martha Davis
FROM: Jennifer West
DATE: October 26, 2007
RE: Legislative Report

Water Bond: What's Next?

The well publicized failure to reach a water bond deal for the February ballot has many in Sacramento asking "What's next?" The likely answer is look to the November 2008 ballot and a flurry of activity in early to late summer -- the legislative deadline for putting a water bond on the November ballot.

Going into 2008, IEUA will continue to seek a comprehensive water bond proposal that includes short term water supply solutions, including significant funding for recycled water. Despite failure to reach a deal, IEUA, working closely with WateReuse, elevated the importance of funding for recycled water and was successful in getting significantly more funding for recycled water in the bond than has ever been included in an initiative before. This was a major victory, considering that all sides were initially reluctant or opposed to its inclusion in late summer. Hopefully, we can continue to build acceptance for major funding for recycled water as the 2008 bond discussions move forward.

Competing Ballot Measures?

While the Legislature has not given up hope of a deal, both sides of the surface storage debate are lining up their initiative proposals for possible direct submission to the voters. After SB 2XX failed to pass off the Senate floor with the needed 2/3 vote, Senators Perata and Machado filed a similar water bond proposal with the Attorney General's office for title and summary for the November 2008 ballot. This proposal includes \$250 million for recycled water, which IEUA specifically requested, and other funding for local projects and Delta conveyance and restoration. It does not include separate funding for surface storage, which is the centerpiece of the Governor's proposal. While it is not publicly available, there is another initiative measure being prepared for direct submission to the voters by some in the business and agricultural communities that includes significant funding for surface storage.

At this point the environmental community and the business community are threatening to defeat the other's initiatives. Since no water bond has ever passed with significant opposition, this signals mutually assured destruction for the initiative efforts unless some sea change occurs.

Still Hope for Legislative Solution

Depending upon the changing circumstances of the water crisis in the Delta and continuing drought, there is still significant hope to pass a water bond through the Legislature by this summer. Voters will want to know what their legislators have done to protect them from water shortages and steep water bill increases. This may be the catalyst for a deal. Certainly, to overcome the Legislative deadlock there will need to be major involvement from the Assembly Democratic leadership. While the Senate was tapped to take the lead on the water bond effort, all four caucuses are needed to put a deal together.

Inland Empire Utilities Agency Legislative Tracking 10/25/07 (Prepared by Geyer Associates)		
Bond Funding/Prop. 84 and 1E	Bill Summary	Status
SB 59 (Cogdill) Water Bond 08	Authorizes a \$3.9 billion water bond for the 2008 ballot. Includes \$2 billion for two surface storage facilities. SB 3XX is the new Cogdill bond that the Governor is supporting.	Senate Nat. Resources Two year bill
SB 167 (Negrete McLeod) General Plans: planning grants	Establishes grant and loan program at the Office of Planning and Research for Prop. 84 (Chapter 9(c) \$90 million). Allows cities and counties to apply for funding to update their general plans.	Senate Approp. Two year bill
SB 292 (Wiggins) State Bond Funds: allocation	Requires Cal-EPA and the Resource Agency to develop grant criteria for the urban greening funding in Prop. 84, which contains \$90 million.	Senate Approp. Two year bill
SB 378 (Steinberg) Flood Prevention Bond Act 2006	Specifies that the \$300 million in Prop. 1E for stormwater management would be made available through a joint SWRCB and DWR grant program. The bill authorizes the agencies to prepare guidelines by March 2008. The agencies are required to conduct outreach to disadvantaged communities. There are no north/south split provisions mentioned in the bill.	Assembly WPW Two year bill
SB 732 (Steinberg) Prop. 84	Amendments were taken in the last policy committee to delete the references to the IRWMP "statewide criteria." Now the bill deals with implementing the sustainable communities section of Prop. 84.	Assembly Floor Two Year Bill
SB 1002 (Perata) Prop. 84	Appropriates \$610.89 million in bond funding to the Department of Water Resources for a variety of water-related projects, particularly related to the Sacramento-San Joaquin Delta. This bill was reintroduced in the Special Session as SB 1XX.	Vetoed

AB 739 (Laird) Stormwater Discharge	Establishes criteria by which SWRCB and DWR award grants for stormwater management projects funded by a portion of the proceeds of Prop 1E flood bonds and Prop 84.	Chaptered
AB 909 (Wolk) Mercury Monitoring	Allows stormwater grant funds in Prop. 84 to be used for grants to public agencies for addressing mercury contamination.	Two year bill
AB 1297 (Arambula) IRWMP	IRWMP implementation bill.	Two year bill
AB 1303 (Smyth) Urban Greening Act 2007	Establishes an urban greening grant program for Prop. 84 funds. (Chapter 9, (a)).	Assembly Approp. Two year bill
AB 1489 (Huffman & Wolk) Resource Bond Funds	Codifies the Prop. 50 guidelines for the IRWMP and deletes the references to the 2000 Costa bill. Author agreed to remove language that implied all groundwater basins were mismanaged. IEUA and SAWPA have been participating in negotiations with the author and the sponsors. Measure was held in Senate Appropriations Suspense. It might resurface with the water special session.	Senate Approps. Two year bill
AB 1602 (Nunez) Sustainable Communities & Urban Greening	Establishes a grant program in the Resources Agency "Sustainable Communities and Urban Greening Grant Program." There is \$90 million in Prop. 84 for this purpose.	Senate E.Q. Two year bill
Flood Control		
SB 5 (Machado) Flood Management	Establishes the roles and responsibilities for the state of California, local governments and landowners in flood management. Double joined to AB 5 (Wolk).	Chaptered
SB 17 (Florez) Reclamation Board and Powers	Gives the "Central Valley Flood Protection Board" new authority over flood control activities in the Central Valley. The bill is backed by Senate leadership.	Chaptered

SB 34 (Torlakson) Delta User Fee	Requires the strategic financing plan for the Delta include recommendations in accordance with a "beneficiaries pay" principle, as to persons and entities on which a fee would be imposed, and proposed fee categories in order to create a dedicated revenue stream to pay for maintenance and improvements to delta levees, project levees, and the levee conveyance system.	Veto
AB 5 (Wolk) Flood Protection	Clean up measure double joined to SB 5 (Machado) on flood control.	Chaptered
AB 1507 (Emmerson) Floodplain Management	Requires DWR to establish an Alluvial Fan Task Force.	Assembly Approp. Two year bill
Urban Water Management Plans/Conservation		
SB 862 (Kuehl/ Steinberg) UWMP	Requires the UWMPs to assess energy consumption and Bulletin 160 to assess energy consumption.	Veto
AB 1435 (Salas) Water Charges	Requires a local water purveyor that supplies water to retail customers to institute a conservation rate structure based on the amount of water used for other than agricultural purposes for each customers that has a service connection for which a water meter has been installed.	Senate Natural Resources Two year bill
Groundwater		
SB 178 (Steinberg and Kuehl) Groundwater	Established a statewide groundwater elevation monitoring program. Under the provisions of the program, DWR would be required to receive and evaluate qualifications of those seeking to conduct the required monitoring. If there is no entity willing to do the monitoring, DWR would be required to step in. Amendments were taken that removed the opposition from agricultural interests.	Veto
Water Quality/Water Supply		

AB 559 (Ruskin) Public Water Systems	Asks the University of California (UC) to direct the UC Center for Water Resources to study the potential adverse affects on human health of compounds used to disinfect drinking water and byproducts resulting from disinfection, with emphasis on chloramine use by the San Francisco Public Utilities Commission, and to report the center's findings to the Legislature by July 1, 2009.	Assembly Approps. Two year bill
AB 690 (Jones) Water Corp. Rates/Contamin ation	States that if a private water corporation receives monetary compensation for damage resulting from contamination of the utility's water supply, the PUC shall require the utility to equitably allocate the compensation between the ratepayers and investors of the utility.	Senate Floor Two year bill
AB 1127 (Carter) Perchlorate	Would authorize DHS to contract with SAWPA for the purposes of assessing and treating drinking water for perchlorate contamination in and around the City of Rialto.	Assembly E.S. & T.M. Two year bill
	Green Buildings	
AB 35 (Ruskin) State Green Buildings	Requires the California Integrated Waste Management Board by 2009 to adopt regulations for sustainable building standards for the construction or renovation of state buildings. Similar language is contained in a budget trailer bill.	Veto

Positions/Recommended Positions		
SB 55 (Florez) Biosolids	<p>Broadly defines "biosolids" to include any product with human waste, which would include some compost. Requires POTWs to certify to the regional boards that biosolids meet "the requirements and standards for any pollutant listed in the waste discharge requirement for the POTW, including, but not limited to, any requirements of standards governing the 126 priority toxic pollutants listed in 40 CFR 131.38." This list is designed for surface water issues and includes many compounds not found in biosolids.</p> <p>The bill was held in the Senate Appropriations Committee.</p>	<p>Oppose</p> <p>Senate Approps.</p> <p>Two year bill</p>
SB 201 (Florez) Recycled Water Leafy Green	<p>We asked that a section of the bill be deleted that requires extra field testing for recycled water.</p> <p>The Assembly Agriculture Committee did not like the approach of the bill and it was held in committee with no discussion of the recycled water issue.</p>	<p>Oppose unless amended</p> <p>Assembly Ag.</p> <p>Two year bill</p>
SB 220 (Corbett) Bottled Water	<p>Establishes a system for the regulation and inspection of water vending machines and imposes additional labeling requirements on water bottlers and vendors.</p>	<p>Support</p> <p>Chaptered</p>
SB 1029 (Ducheny) Drinking water regulations	<p>Places a time limit on the Department of Finance of 60 days to review drinking water regulations that are already adopted on the federal level. ACWA is the sponsor.</p>	<p>Support</p> <p>Chaptered</p>
AB 224 (Wolk) Climate Change/Water Supply Planning	<p>Requires DWR to assess the possible affects of climate change on water supply. Requires that this information be incorporated into state and local water planning documents. States that if DWR does not provide the information the requirement does not apply. Requires SWRCB to conduct a study on the energy savings and GHG reductions associated with increased use of recycled water and water conservation. The bill was held on</p>	<p>Sponsor</p> <p>Senate Approps.</p> <p>Two year bill</p>

	suspense apparently for political reasons because of issues between the Senate and Assembly. <u>This bill may resurface in the special session.</u>	
AB 503 (Swanson) Overtime Notice/public agencies	<p>Would have prohibited an agency from requiring any employee entitled to receive overtime compensation pursuant to any federal statute or regulation to perform services outside the employee's normal work schedule unless a minimum of 8 hours' written notice of that work assignment has been provided to the employee.</p> <p>Recently amended to a study only, looking at issues related to requiring state and local agencies to provide eight-hours' prior written notice when requiring an employee to work overtime.</p>	<p>Oppose to Neutral</p> <p>Senate Floor</p>
AB 662 (Ruskin) Water use efficiency	Requires the California Energy Commission (CEC) to prescribe cost effective measures to promote the use of water efficient appliances.	<p>Support</p> <p>Chaptered</p>
AB 566 (Plescia) Landscape Water Conservation	Requires the model landscape ordinance to include climate information for irrigation scheduling based on the California Irrigation Management Information System. IRWD sponsor.	<p>Support</p> <p>Chaptered</p>
AB 715 (Laird) Low-flush Water Closets	Phases in requirements that water closets and water-using urinals have lower flush volumes, requiring manufacturers to produce an increasing percentage of high-efficiency models until 2014 when all new water closets and urinals would have to meet the high-efficiency definition. Allows cities and counties to enact ordinances that would exempt them from this requirement if it was determined that an older system would result in more water being used.	<p>Support</p> <p>Chaptered</p>
AB 885 (Calderon) MWD Board Composition	Restructures the MWD Board of Directors so that no one agency would lose representation, only gain representation. Also requires that MWD study the manner in which members of the Board are designated and selected and the criteria that it uses for determining the number of directors allocated to each member public agency. Central Basin is the sponsor. The bill was held in Senate Local Government. MWD intends to form an internal workgroup to	<p>Oppose</p> <p>Senate Local Government Two Year Bill</p>

	discuss Board representation issues.	
AB 888 (Lieu & Laird) Green Building Standards	Requires CalEPA to develop and adopt building standards for commercial construction that meet or exceed the Leadership in Energy and Environmental Design (LEED) Gold Standard. Requires that by 2012 all new commercial buildings, 50,000 square feet or larger, meet these new standards. Small newly constructed buildings can waive this requirement for economic purposes.	Support Veto
AB 1260 (Caballero) Taxes and Fees	Clarifies how a public agency may provide notice when proposing a new, or increasing an existing, property-related fee or charge, and establishes a 120-day statute of limitations for any challenges to any property-related fee or charge. This bill is sponsored by ACWA and was introduced in response to the <u>Big Horn</u> decision last fall.	Support Chaptered
AB 1404 (Laird) Water use Reporting	Establishes comprehensive system for reporting water use. Specifically, it requires DWR, the SWRCB and DPH to develop a coordinated water use reporting database.	Support Chaptered
AB 1406 (Huffman) Recycled Water in Condos	Allows the use of recycled water in toilets and urinals in condominiums. Sponsored by IRWD. Recently opposed by DPH and Department of Finance because of concern over cross-connections.	Support Chaptered
AB 1420 (Laird) UWMP Conservation	As recently amended, would require DWR to use a urban water agency's compliance with the demand management measures in the UWMP as the eligibility criteria for grants and loans. It allows for an agency to not be implementing all the demand measures and still be eligible for grants if it submits documentation demonstrating that those measures it is not implementing are not locally cost effective. Allows DWR to consider the BMPs when developing the guidelines and leaves to the department's discretion what conservation measures known and unknown it will require. Provide for a technical panel that will provide advice to the Legislature for potential amendments to the 14 demand measures in the UWMP.	Support Chaptered

AB 1481 (De LaTorre) Water Recycling General Permit	Sponsored by LADWP. Requires that SWRCB prepare a general permit by 2010 for water recycling for landscape irrigation.	Support Chaptered
AB 1560 (Huffman) Building Standards	Requires the CEC to prescribe by regulation, water conservation design standards for new residential construction and new nonresidential buildings.	Support Chaptered

Water Special Session Legislation (10/26/07)

Bills	Summary	Status	Position
SB 2X 1 (Perata)	Appropriates \$610 million from Prop. 84 and Prop 1E for near term actions in the Delta and for groundwater and flood control purposes. Same as SB 1002 (Perata), which was vetoed.	Senate Floor	
SB 2X 2 (Perata)	<p>Authorizes a \$5.8 billion water bond for the February 2008 ballot.</p> <ul style="list-style-type: none"> • \$1 billion for Delta ecosystem restoration • \$1.4 billion for implementing Blue Ribbon Task Force recommendation on the Delta (conveyance) • \$2 billion for IRWMP • \$1 billion for watershed protection • \$400 million for groundwater. • <u>\$250 million for recycled water.</u> <p><u>IEUA specifically asked for the inclusion of recycled water funding in this bill and the Governor's water bond measure.</u></p>	Senate Floor Failed Passage	Support with Amendments
SB 2X 3 (Cogdill)	<p>Authorizes a water bond for the Feb. 2008 ballot:</p> <ul style="list-style-type: none"> • \$5.1 billion in surface storage • \$500 million for groundwater storage • \$1.9 billion for Delta restoration and conveyance • \$1 billion for IRWMP • \$500 million for watershed protection 	SNR Failed Passage	Support with Amendments
SB 2X 4 (Cogdill)	The bill appropriates \$552 million in previously authorized bond funds from Prop. 84 and IE for near term Delta projects and for projects that clean up groundwater and help reduce flooding.	SRN Oct. 4	
AB 2X 1 (Laird)	This bill would state the intent of the Legislature to enact a comprehensive delta sustainability, water reliability, and water quality general obligation bond act to be submitted for voter approval in an unspecified 2008 election.		
AB 2X 2 (Laird)	This bill would declare the intent of the Legislature to invest state funding in programs and projects that improve the state's water supply reliability and promote certain principles.		

<p>AB 2X 3 (Laird)</p>	<p>This bill would declare the intent of the Legislature to review and adopt a comprehensive strategy to resolve the issues of water supply reliability, ecosystem restoration, water quality, and levee system integrity in the Sacramento-San Joaquin Delta.</p>		
<p>AB 2X 4 (Villines)</p>	<p>Nearly identical to SB 2X4. It appropriates \$552 million in previously authorized bond funds from Prop. 84 and IE for near term Delta projects and for projects that clean up groundwater and help reduce flooding.</p>		
<p>AB 2X 5 (De Vore)</p>	<p>This bill would authorize the Energy Commission to certify one new nuclear fission thermal reactor located at the site of an existing operating nuclear fission thermal powerplant, if not less than 20% of the electricity generated by the reactor is dedicated to powering desalinization facilities to produce additional fresh water from salt water and the generating capacity of the reactor does not exceed 2,000 megawatts.</p>		



Inland Empire
UTILITIES AGENCY

Date: November 21, 2007
To: The Honorable Board of Directors
Through: Public, Legislative Affairs, and Water Resources Committee (11/14/07)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: October Legislative Report from Dolphin Group

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:mef

Enclosure

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October 29, 2007

To: Chino Basin/OBMP Coalition

From: Michael Boccadoro
Senior Vice President

RE: October Status Report

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

On the legislative front, the month of October was largely related to the Governor's actions upon the several hundred measures passed by the Legislature in the last few days of session. Governor Schwarzenegger had until October 14th to act upon each measure. The results of the session were that Governor Schwarzenegger signed 750 bills and vetoed 214 bills.

In the regulatory world, the California Air Resources Board was preparing to hold their public workshop to discuss the draft mandatory GHG reporting requirements, while the CPUC continues to struggle with issues related to benefits associated with renewable energy production.

Chino Basin / OBMP Coalition

Status Report – October 2007

ENERGY/REGULATORY

AB 1969 Implementation

After SB 451 (Kehoe D-San Diego) was vetoed by Governor Schwarzenegger, attention has returned to the pending advice letters and tariffs submitted by the utilities to implement AB 1969 (Yee – 2006). It is likely that the CPUC was awaiting action on that measure, which would have affected the tariffs and standard contracts submitted by the utilities, until the Governor acted on the bill. The tariffs, which were protested by a number of groups, have been pending for nearly two months. Parties expect a determination from the CPUC Energy Division soon.

On October 24th, DGI and other parties held a number of meetings at the CPUC to discuss the issues related to the implementation of AB 1969 and other distributed generation and net-metering programs. The meetings were focused on the protested aspects of the utilities' filings related to environmental attributes associated with producing renewable energy.

While historically the CPUC has ruled that environmental attributes associated with distributed generation are retained by the customer, Edison has proposed to also claim those attributes, such as greenhouse gas reductions, attributable to the electricity used on-site under AB 1969, as opposed to just energy that is exported.

The CPUC has solicited two series of comments on this issue, due on October 31st and November 15th. IEUA and DGI are coordinating with other customer groups on these requests for comments, and will file comments where appropriate.

GHG Regulation

The staff at the California Air Resources Board spent most of October working to prepare for a workshop to be held on October 31st, related to mandatory GHG reporting requirements. These requirements may apply to a variety of industries and governmental agencies, and are expected to be adopted before the end of 2007.

DGI will be in attendance at the workshop.

EXTRAORDINARY LEGISLATIVE SESSION ON WATER ISSUES

On September 11, Governor Schwarzenegger called two special legislative sessions: one pertaining to health care and the other to address water issues. The declaration came only two days before the Legislature was to recess from the regular session.

While both sides expressed optimism that a mutually agreed-upon proposal could be reached, weeks of negotiations failed to produce an agreement. Republicans continued to insist on dedicated funds for surface storage and dam construction, while the Democratic leaders remained opposed to the concept of dedicated dam construction funds in the bond language.

As of the end of October, an agreement has yet to be reached, although parties continue to hold discussions.

END OF LEGISLATIVE SESSION

By the end of the 2007 legislative session, the California Legislature had approved 964 measures for consideration by the Governor. The Governor had until October 14th to act upon all the measures submitted for his approval. Although Governor Schwarzenegger retained the right to simply allow certain bills to pass into law without action, he did rule specifically on each measure, signing 750 bills and vetoed 214 measures.

SB 451

Key among the vetoed measures was SB 451 (Kehoe D-San Diego). This bill changed the language of AB 1969, the aforementioned piece of legislation that allowed public water and wastewater agencies to sell renewable power to the utilities at the established market price. Although the CPUC had already expanded the concept of the program to non-public agency customers through the establishment of a "sister program", SB 451 would have codified this development and would have expanded the program size from ~470 MW to 1000 MW.

However, the measure would have also predetermined ownership issues related to environmental attributes discussed earlier in favor of the utilities' positions. IEUA, as well as other parties, pushed for a veto of the measure as a result of this unfortunate development in language late in session. On October 13th, Governor Schwarzenegger vetoed the bill.

CA SB 451	AUTHOR:	Kehoe [D]
	TITLE:	Energy: Renewable Electric Generation Facilities
	DISPOSITION:	Vetoed
	LOCATION:	Vetoed
	SUMMARY:	
		Requires every electrical corporation to make the tariff available to any customer of the corporation on a first-come-first-served basis until the corporation meets its proportionate share of a combined statewide

cumulative rated generating capacity of electrical generating facilities of 1,000 megawatts. Provides the electricity generated by a facility counts toward the corporation's renewables portfolio. Allows a customer to receive service pursuant to an alternative net metering program.

Position: Oppose

Legislative Results

- CA AB 118 **AUTHOR:** Nunez [D]
TITLE: Alternative Fuels and Vehicle Technologies: Funding
DISPOSITION: Enacted
LOCATION: Chaptered
SUMMARY:
Creates the Alternative and Renewable fuel and Vehicle Technology Program and fund to provide grants and loans to entities to develop technologies that will transform the fuel and vehicle types. Increases motor vehicle and vessel registration fees for deposit into the fund. Creates the Air Quality Improvement Program and fund to fund air quality projects relating to fuel and vehicle technologies. Increases the smog abatement fees. Creates a program for the retirement of high polluting vehicles.
Position: Watch
- CA AB 140 **AUTHOR:** Garcia [R]
TITLE: Desert Water Agency
DISPOSITION: Enacted
LOCATION: Chaptered
SUMMARY:
Authorizes the Desert Water Agency to construct, operate, and maintain facilities for the generation of electricity that are hydroelectric or specified eligible renewable energy resources for the control, conservation, diversion, and transmission of water, and for the construction, treatment, and disposal of sewage, and to enter into contracts for the sale of electricity generated by the agency for a specified term.
Position: Watch
- CA AB 739 **AUTHOR:** Laird [D]
TITLE: Stormwater Discharge
DISPOSITION: Enacted
LOCATION: Chaptered
SUMMARY:
Requires the Department of Water Resources to develop project selection and evaluation guidelines to implement a specified stormwater flood management grant program. Provides the design and construction of projects for specified combined municipal sewer and stormwater system are eligible for the program. Requires the state Water Resources Control Board to develop program guidelines. Requires coordination with regard to the development of project selection and evaluation guidelines. Requires a task force.

	Position:	Watch
CA AB 1470	AUTHOR:	Huffman [D]
	TITLE:	Solar Energy: Solar Hot Water Heat and Efficiency Act
	DISPOSITION:	Enacted
	LOCATION:	Chaptered
	SUMMARY:	Creates the Solar Water Heating and Efficiency Act. Requires the Public Utilities Commission to design and implement a program to incentivize the installation of 200,000 solar water heating systems in homes and business throughout the state in 2007. Requires the commission to establish criteria for such systems receiving gas customer funded incentives. Requires the commission to fund the program through a surcharge to gas customers in gas corporation service areas. Provides exemptions.
	Position:	Watch
CA AB 1613	AUTHOR:	Blakeslee [R]
	TITLE:	Energy: Waste Heat and Carbon Emissions Reduction
	DISPOSITION:	Enacted
	LOCATION:	Chaptered
	SUMMARY:	Enacts the Waste Heat and Carbon Emissions Reduction Act to advance the efficiency of the state's use of natural gas by capturing waste heat, reduce wasteful consumption of energy through use of waste heat, and support and facilitate both customer and utility owned combined heat and power systems. Allows the Public Utility Commission to require an electrical corporation to purchase excess electricity delivered by eligible systems and requires the PUC to establish tariff provisions that facilitate the act.
	Position:	Watch
CA SB 210	AUTHOR:	Kehoe [D]
	TITLE:	Greenhouse Gas Emissions: Fuel Standard
	DISPOSITION:	Vetoed
	LOCATION:	Vetoed
	SUMMARY:	Requires the State Air Resources Board to adopt, implement, and enforce, a low-carbon fuel standard by regulation, that achieves the maximum technologically feasible and cost-effective reductions in carbon intensity of transportation fuels, and at least a 10% reduction in, the carbon intensity of transportation fuels. Provides the standard would apply to refiners, blenders, producers, and importers of such fuels. Requires the development of related environmental reports requirements.
	Position:	Watch
CA SB 1001	AUTHOR:	Perata [D]
	TITLE:	Regional Water Quality Control Boards
	DISPOSITION:	Vetoed
	LOCATION:	Vetoed

SUMMARY:

Relates to regional water boards and their responsibilities under the federal Clean Water Act and Porter-Cologne. Requires the State Water Resources Control Board, with the Department of Finance, to prepare a detailed report on the financial basis and programmatic effectiveness of its water quality programs. Requires the Legislative Analyst's office to prepare a report on the financial basis and programmatic effectiveness of the board's fee-based water quality programs. Requires related regulations.

Position: Watch

CA SB 1036

AUTHOR: Perata [D]
TITLE: Energy: Renewable Energy Resources
DISPOSITION: Enacted
LOCATION: Chaptered
SUMMARY:

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

Position: Watch



Inland Empire
UTILITIES AGENCY

Date: November 21, 2007

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (11/14/07)

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

Submitted by: Martha Davis
Executive Manager of Policy Development

Subject: October Legislative Report from Agricultural Resources

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:mef

Enclosure

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October 25, 2007

Legislative Report

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

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

SU: Legislative Report, October 2007

Highlights:

- Senate Energy Committee, Action Still Pending on Recycling Legislation
- House Passes \$110 Million in New Authority for Santa Ana River Prado Wetlands, Desalters and Brine Lines
- Delta Situation, New Justification for Title XVI
- Southern California Fires, Relief Legislation and Title XVI
- Drought Profile
- Senate Ag Reports Farm Bill – November Consideration in full Senate Pending
- News and Notes
- IEUA Working Partners

Senate Energy Committee Action Pending on Recycling Legislation.. The Senate Energy Committee is totally focused on two major issues. The first is the Energy Bill. The second is a situation on the Senate floor in which all Energy Committee bills are being blocked. The House and Senate is trying to conference an energy bill. It is/has been/continues to be an enormous

institutional challenge. It's not just disagreements between the House and Senate. It's not a partisan issue. There are huge substantive policy issues that are far more regional than partisan, with the auto industry (Michigan and surrounding areas) battling to protect embattled industries and vigorously opposing CAFÉ standards and "coal states" such as Pennsylvania and West Virginia doing the same over coal. Meanwhile, consumers and the general public are "voting" with their pocketbooks. Prius sales of 45mpg cars are going through the roof. And in Kansas, a major utility just scrapped a proposed coal burning plant. These seemingly disconnected, far away events and circumstances reflect the tension that exists over energy policy. And, these same tensions have the pending energy bill tied up in knots – and what appears to be a ten-way political tug-of-war. While these policy issues dominate, another semi-unrelated development is occurring. That is, two senators, Senators Tom Coburn (R-OK) and James DeMint (R-SC) are blocking consideration of some 80 Energy Committee bills that were already reported (park bills, mining bills, public land bills, water bills). They are blocking ALL bills on the grounds that there are deficits and new federal financial commitments are therefore not appropriate. It's an anti-spending posture. As a result, a fair amount of tension is building within the Senate. Energy Committee Chairman, Senator Jeff Bingaman (D-NM), is diligently working behind the scenes with Senators Harry Reid (D-NV) and Dick Durbin (D-IL), the Majority Leader and Majority Whip, to devise a solution. In the intervening period, the Energy Committee is in a hurry up and wait posture. Pressure to break this impasse is building – and droughts and fire are contributing to that pressure. As previously report, the IEUA-Cucamonga (Feinstein-Dreier) bill is cleared for markup in the Senate Energy Committee. All questions and issues have been addressed and the Committee is committed to moving the IEUA bill.

Santa Ana River Natural Treatment, Brine Line and Low Chino Desalter – Part of Title XVI – Passed by Resources Committee, House Floor – Pending in Senate.. On October 22, legislation (H.R. 813) advanced by Rep. Gary Miller, and cosponsored by Reps. Ken Calvert, John Campbell, David Dreier, Dan Rohrabacher, Ed Royce and Loretta Sanchez, to provide authority to authorize \$50 million Federal cost-shared funds desalination, \$40 million in Federal Funds to underwrite brine removal and \$20 million to provide develop large-scale wetlands in the Prado Basin (natural treatment) passed unanimously in the House. Rep. Grace Napolitano's Water Subcommittee had responsibility for the bill and the Chairwoman actively supported the bill. The following day, the bill was received in the Senate and immediately referred to the Senate Energy Committee and is now on the Committee Calendar.

Delta Situation – Court Actions in California New Justification for Title XVI. Chairwoman Grace Napolitano's Water Subcommittee is actively tracking the situation in the Delta, and the resulting discussions (proposals for bonds, specifics of pending court decisions and related actions). The implications for reduced water deliveries from the SWP to Southern California are potentially severe. The Court is expected to issue a decision in mid-November. As routinely reported, and restating what's crystal clear to Southern California water leaders, recycled water "stretches" existing supplies, can be placed on line faster than other forms of new water and once on line, keeps producing new supplies. Over and over again, IEUA is making this argument with the Committees, members and leadership.

Southern California Fires – and Relief Legislation. The fires were huge news – even back here. Relief legislation is being prepared. Chairman Napolitano and her Subcommittee are exploring whether or not funding for Title XVI can be included. Again, stating the obvious – water is the critical tool of the fire fighter. Much of the water used to fight these fires was already treated. In other words, our most expensive and most treated supplies were tapped to fight fires. In turn, that is leading to the question – why aren't we using recycling water for this purpose rather than highly treated supplies? This discussion provides another new justification for Title XVI – the protection of life and property. I've met with MWD, the Subcommittee, the Speaker's Office and others about this. It's being put "on the table" for consideration. Given the Interior Department's antipathy towards the program, this might be a new way to revitalize it. It's being considered.

Drought Conditions. At the end of October, the "drought profile" remained constant from a month ago. According to the USDA/NOAA Drought Monitor drought conditions throughout the West are centered – north to south – up and down the Rocky Mountain states. Approximately one-third (or slightly more) of the entire State of California is in a condition described by the Drought Monitor as "extreme," almost all of which is located/centered throughout Southern California (and all of the MWD service area). More than 90% of the California is in some drought condition. Portions of Nevada and the entire border region of Arizona that adjoin California are classified as Extreme Drought.

Farm Bill Policy-Schedule for Farm Bill. At long last, the Senate finally marked up a farm bill, reported that bill and now, the Majority Leaders has advised the Committee that it will be brought to the Floor in early November. A Regional Watershed Enhancement Program (RWEP) program was included with dedicated funding as part of the Partners and Cooperation Program (in the conservation title). This enables funding to go to watershed scale projects (moving USDA away from the limitation of working exclusively with a single farmer at a time) and allows regional projects to be funded. The amount of funding remains an issue as does whether or not the program is mandatory. Significant obstacles for the bill include:

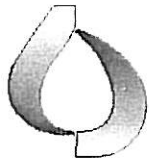
- * Getting a bill off the floor.
- * Bill is very controversial (especially Title I – traditional farm programs).
- * Getting to and through a conference – and doing it in a timely fashion.
- * Designing a bill in conference that will get administration agreement – not another veto.

News and Notes. Domenici to Step Down. Senator Pete Domenici announces retirement at end of 110th Congress. Senator Domenici served as Chair, Senate Energy Committee and presently is the ranking Republican on the Committee. On Appropriations, he previously chaired and currently serves as ranking member of the Subcommittee on Energy and Water Development, the funding subcommittee that provides annual funding for Bureau of Reclamation

programs. He is a supporter of water recycling. *MWD in DC on Drought*. MWD's Jeff Kightlinger led a delegation of board members to DC to conduct drought conditions and water supply briefings. A bi-partisan House/Senate briefing was given to a packed room in late October. *WRDA Veto Signaled*. WRDA was finally submitted to the White House. While almost everyone expects a veto, the White House has yet to clarify its intention. *Secretary of Agriculture*. The White House named Chuck Conner, Acting Secretary, but a replacement has yet to be nominated. Administration is not expected to act before the end of the year (they don't want confirmation hearings while the farm bill is being debated). *NY Times Magazine – Major Story on Drought, The Future is Drying Up*. Major story on drought and Colorado River. Discussion includes likely impacts associated with climate change. *Bureau of Reclamation*. From last month – and nothing has changed. “With drought, climate change, court restrictions on pumping and other risk factors looming, the Bureau has been silent. The propose nothing to Congress. This is noted, and members on both sides of the aisle and in both Houses are becoming increasingly impatient with the deliberate lack of initiative.”

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

- a. Metropolitan Water District of Southern California (MWD)
- b. Milk Producer's Council (MPC)
- c. Santa Ana Watershed Project Authority (SAWPA)
- d. Water Environment Federation (WEF)
- e. Association of California Water Agencies (ACWA)
- f. WaterReuse Association
- g. CALStart
- h. Orange County Water District (OCWD)
- i. Cucamonga Valley Water District (CVWD)
- j. Western Municipal Water District
- k. Chino Basin Watermaster



Date: November 21, 2007

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (11/14/07)

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

Submitted by: Sondra Elrod
Public Information Officer

Subject: Public Outreach and Communications

RECOMMENDATION

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

Outreach/Tours/Workshop

November 15, 2007, California Integrated Waste Management Board tour of RP-5 and RP-5 Solids Handling Facility, 9:00 a.m.

Calendar of Upcoming Events

November 2007

- **November 5, 2007**, SCAP workshop (AB 32), 9:00 a.m. to noon, IEUA Event Center.
- **November 8, 2007**, MWD Legislative Breakfast. 7:30 a.m. to 9:00 a.m., San Dimas Golf Course.
- **November 29, 2007**, American Ground Water Trust – Teacher/Educator Workshop, 4:00 p.m. to 8:00 p.m., IEUA Event Center.
- **November 30, 2007**, American Ground Water Trust – Teacher/Educator Workshop, 8:00 a.m. to 4:00 p.m., IEUA Event Center.

December 2007

- **December 4, 2007**, CWEA Conference, 8:00 a.m. to 5:00 p.m., IEUA Event Center
- **December 20, 2007**, IEUA Holiday Luncheon, Los Serranos Country Club, 11:30 a.m.

April 2008

- April 25 – 27, 2008, IEUA/MWD Director Koopman's Agricultural Inspection Trip.

OUTREACH/EDUCATIONAL INLAND VALLEY DAILY BULLETIN NEWSPAPER CAMPAIGN

- Conservation tip, November 2007.
- Education Ad – Garden in Every School Program, November 2007.

WATER CONSERVATION OUTREACH

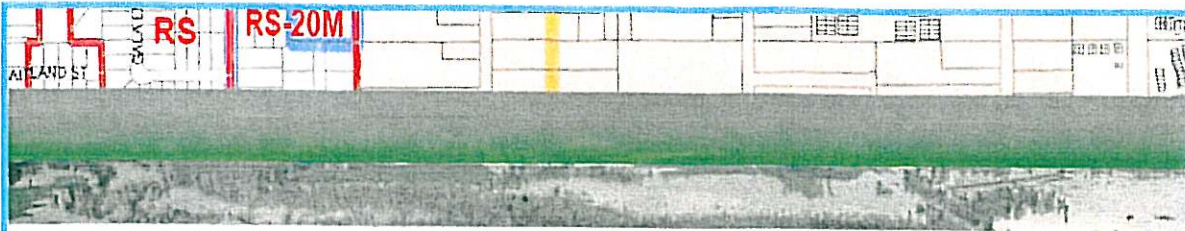
IEUA is working with its local retail agencies and school districts to get our 20 Gallon Challenge conservation tips into our elementary schools. IEUA is submitting conservation tip messages to our local chambers for their newsletters and to our local newspapers. IEUA is also working on getting a PSA on all of our local TV channels.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.



Landscape Alliance Lunch

Sustainable General Plans

*model language for sustainability, water efficiency,
watershed and community health*

**Inland Empire Utilities Agency
Anza Conference Room
Wednesday, November 28, 2007
12:00 pm to 2:00 pm**

The Inland Empire Landscape Alliance is pleased to invite you to a working lunch to discuss proposed model language to incorporate sustainability, and watershed-wise policies into general plans and local ordinances.

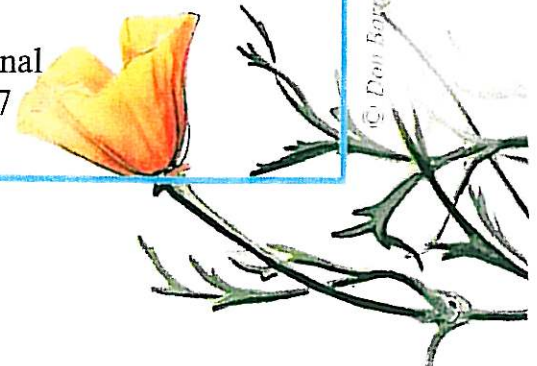
Some of the topics that will be covered include:

- How watershed policies can help implement Healthy Community objectives
- What works as an incentive or disincentive to sustainable development and landscape design.
- How to leverage watershed management to enhance economic development
- Model language that can be used in every part of a General Plan and what that means for supporting ordinances, including Landscape Ordinances.

This workshop will be geared towards city planners, elected officials and consultants working on general plans and local ordinances. *Please bring your City's #1 issue so that we can discuss how the Landscape Alliance can assist you in finding a watershed friendly solution!

The workshop will include a complimentary lunch as well as a presentation and discussion led by Siri Eggebraten of Connective Issue Watershed Management Consulting. We look forward to your participation!

Please RSVP by November 26, 2007. If you need additional information, please contact Sondra Elrod at (909) 993-1747 or selrod@ieua.org.



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IEUA Planning and Water Resources Activities 1st Quarter Highlights

▪ Record Dry Year

Southern California is experiencing the driest year on record. The U.S. National Climatic Data Center has determined that one-third of the United States is experiencing drought conditions. Storage on the Colorado River is at its lowest level since Lake Mead started filling. Runoff from the Sierra Nevada is at 27% of normal with State Water Project deliveries cut back by 40%. Water agencies throughout California have initiated calls for 10% voluntary conservation. The California Department of Water Resources has established a drought monitoring site at <http://watersupplyconditions.water.ca.gov> and held drought planning workshops throughout the State in late summer/early fall.

▪ Drought Planning & Dry Year Yield Implementation

MWD has initiated a drought allocation planning process that will lead to the adoption of a plan by December 2007. MWD has been drawing down its storage to accommodate near record demands for imported water and will enter the next calendar year with constrained supplies. Court imposed constraints on State Water Project pumping to protect Delta Smelt and other fisheries in the San Francisco Bay Delta are expected to further reduce available water supplies. Even if rainfall next year is normal, imported water supplies could be reduced by 15%-30%, triggering the need for mandatory reductions. MWD is expected to call for implementation of the Dry Year Yield agreements in addition to drought allocations. IEUA held a drought planning workshop in October with its Board and staff is working with MWD to evaluate and develop the drought planning and DYY performance scenarios.

▪ Expansion of Chino Basin MWD Dry Year Yield Program

On June 12, 2007, the MWD Board of Directors approved the proposed expansion of the Chino Basin Dry Year Yield Program, increasing the existing storage agreement from 100,000 acre-feet to 150,000 acre-feet with a corresponding increase in dry-year yield from 33,000 acre-feet per year to 50,000 acre-feet per year. MWD authorized \$1.5 million in funding to begin preliminary design of facilities, groundwater modeling and CEQA compliance. MWD also approved increased funding for the Chino Desalters, increasing the reimbursement to \$250 per acre-foot over the next 25 years. At the end of June, 2007, 81,000 acre-feet of water was stored in MWD's DYY storage account. Work on the expansion of the DYY program and the expansion of the Chino Desalters was initiated in August.

▪ SWRCB Approval of Phase II of the Chino Groundwater Recharge Program

The SWRCB approved the second phase of the IEUA Chino Groundwater Recharge Program, expanding the number of recharge basins by six that will receive the additional water and increasing the ratio at which recycled water can be mixed with rain water and imported water. By 2015, about 22,000 acre-feet could be recharged into the water supply.

▪ Recycled Water 3 Year Business Plan

In response to the record dry conditions, IEUA is fast-tracking the development of its recycled water program with the goal of having the ability to serve 50,000 acre-feet within three years. A "red-team" comprised of IEUA staff and representatives from each of the cities and water agencies within IEUA's

service area have been formed to implement the 3 year business plan. Workshops have been held with all of the agencies within the Chino Basin to review and discuss the proposed business plan. The business plan will provide an additional 37,000 acre-feet above current plans, with expenditures of \$41 million over 3 years (\$123 million total with state revolving fund and grant funds and avoided costs estimated at \$25 million per year and \$38 million in avoided drought penalties.

- **Twenty-Gallon Challenge Water Conservation Campaign**

IEUA joined other southland water agencies in promoting voluntary water conservation through a "Twenty Gallon Challenge" that encourages residents and businesses to reduce the amount of daily water use by 20 gallons per person. IEUA has expanded its advertising to promote conservation and is meeting with each of the cities within its service area to review the serious water conditions facing southern California. IEUA has also created a monthly "drought watch" newsletter to track water conditions and circulate recommendations for water conservation.

- **New IEUA Rebate Programs**

- * **Synthetic Turf Rebate (Residential)**

During the first quarter of FY 07-08, the Synthetic Turf Rebate Program was approved by the IEUA Board of Directors for implementation. An application and program marketing sheet was developed and posted to the IEUA website for customer accessibility and downloading. No applications have been received to date.

- * **Pilot Water-Wise Residential Turf Reduction Rebate (Residential)**

During the first quarter of FY 07-08, the Water-Wise Residential Turf Reduction Rebate Program was approved by the IEUA Board of Directors for implementation. An application and program marketing sheet was developed and will be posted to the IEUA website for customer accessibility and downloading. No applications have been received to date.

- **Garden In Every School**

The 2007/08 GIES program is currently underway. In September a mandatory informational workshop with presentations by principals and teachers who participated in the program was held at Liberty Elementary for applicants. The 2007/08 participants were selected in October and include Chaparral Elementary School in Chino Hills, E. J. Marshall Elementary School in Chino, Linda Vista Elementary School in Ontario, Los Amigos Elementary School in Rancho Cucamonga, Oak Park Elementary School in Fontana, Our Lady of Lourdes School in Montclair, and Pepper Tree Elementary School in Upland. Since the program's inception in 2004, 26 elementary schools have been selected to develop water-wise demonstration gardens.

- **Grants**

IEUA was notified in June by the California Department of Water Resources that it has been awarded a grant of \$194,476 from 2007 Proposition 50 Water Use Efficiency Program for its Large Landscape Water Audit Training and Technical Assistance Program. This conservation program was jointly developed with the Chino Basin Water Conservation District to build local capacity for provision of landscape water audits. IEUA was also awarded an \$87,000 grant through MWD's Enhanced Conservation Program to develop a pilot rebate program for the installation of pervious concrete that will encourage infiltration of storm water into groundwater basins. The Santa Ana Watershed Project Authority was notified in late March that it would receive \$25 million from Proposition 50 Integrated Regional Water Management Plan (IRWMP) funds for implementation of projects in SAWPA IRWMP. \$4 million of these funds will be used to support the Inland Empire Regional Recycled Water Program.

MWD Activities

- **MWD Water Sales**

For the first quarter of FY 07/08, full service water sales totaled 26,948 acre-feet. This is about 7,823 AF greater than full service deliveries in FY 06/07. Calendar Year 2007 Tier 1 deliveries through 9/30/07

totaled 52,247 AF. This is 87% of the Tier 1 annual limit of 59,752.

- **MWD Integrated Water Resources Plan Update**

MWD is developing a plan for updating its integrated regional plan that will be presented to the MWD board in December 2007. Topics under current discussion include options for MWD's role in seawater desalination, review of the Bay-Delta Visioning process recommendations, and a review of the regional groundwater storage strategies based on MWD's final groundwater assessment study.

- **MWD Conservation Campaign**

MWD kicked off a media campaign over Memorial Weekend promoting water conservation and has approved a \$6 million advertising campaign for FY 07/08. MWD is proposing a new \$5 million public sector water conservation partnership demonstration program and enhanced conservation rebates in response to the dry conditions and uncertainties over State water project operations in the coming year.

- **New MWD Rebate Programs**

- * **Commercial, Industrial and Institutional (CII) Rebates** - On July 10, 2007, the MWD Board of Directors approved all CII devices that were recommended through the PAC group, which includes funding for high efficiency/multi-load clothes washers, high efficiency urinals, synthetic turf for commercial, industrial, institutional and residential programs, dry vacuum pumps and high efficiency rotator nozzles for large landscapes, such as golf courses.

- * **Region-wide Residential Program** - On July 10, 2007, the MWD Board of Directors approved the Region-wide Residential Rebate Program. A Request for Proposal was distributed by MWD staff in July and vendor selection is expected to be completed in October 2007. Upon committee selection of new vendor, a Board letter will be prepared for approval in December 2007. The regional program is tentatively scheduled to begin in March 2008.

- * **Accelerated Public Sector Water Efficiency Partnership Demonstration Program** – Funds of \$15 million were authorized by the MWD Board on August 21, 2007. MWD will work with member agencies to identify those agencies that have the highest potential for reductions in water demand through the implementation of recommended water efficiency improvements. This is a competitive program based on a first come, first served basis, and it is recommended that interested participants expeditiously identify those public sites within the IEUA service area who would receive the greatest benefit under this program. This program will offer conservation audits to identify water efficiency improvements, pay for enhanced device incentives—paid up front—to purchase proven water-saving retrofit technologies, Pay-for-Performance water use reduction incentives and will also include hook-up of recycled water for use by public agencies, including schools.

State-Wide Planning

- **Bay Delta/State Water Project/CALFED**

Between May 25 and June 17, pumping from the Bay Delta was severely constrained in order to protect the endangered Delta Smelt. Water deliveries were made by pulling down storage in the San Luis Reservoir, which has resulted in greatly reduced storage in this reservoir. Full pumping conditions were resumed in late June, but continuing litigation in both the state and federal courts is anticipated to result in additional pumping constraints before the end of the year. In May, the Alameda Superior Court ruled that the State Water Project did not have valid permits consistent with the State's endangered species act. In June, the federal Fresno court ruled that the biological opinion that had been relied upon by the U.S. Bureau of Reclamation was inadequate and the opinion needed to be redone by the U.S. Fish and Wildlife Service. The State reached an agreement with the environmental plaintiffs to stay the State case until January while the federal court coordinated proceedings to determine an interim operations plan for state and federal pumping while the biological opinion was being reviewed. The federal court is now expected to issue a ruling in September 2007. U.S. Fish and Wildlife Service is expected to issue the revised biological opinion in spring, 2008. Progress on planning improvements to the Bay Delta is moving under three parallel processes. Governor Schwarzenegger created the Delta Vision Blue Ribbon

Task Force (Executive Order S-17-06) to develop recommendations for a sustainable management program for the Sacramento-San Joaquin Bay Delta system. The independent task force is being led by Phil Isenberg, former California legislator, and will produce its findings and recommendations by January 1, 2008, and a strategic plan by October 31, 2008 (see www.deltavison.org). This initiative is being implemented in parallel with the CALFED planning process which was restructured in spring 2007 to focus on implementation of the four core elements: water supply reliability, levee system integrity, water quality and ecosystems. A third initiative is the development of the Bay Delta Conservation Plan which is being led by the Department of Water Resources in coordination with the CALFED program. Water Bond discussions during the fall special session failed to produce agreement on a bond measure that could be placed on the February ballot. These bond discussions are expected to continue next spring.

▪ **State Water Plan Update (Bulletin 160-09)**

The California Department of Water Resources has kicked off its two-year process for the update of the 2005 State Water Plan. The appointed advisory committee has been streamlined from sixty participants to thirty. DWR expects to produce the draft State Water Plan by December 2008 and to approve the plan in December 2009 upon completion of public review. Workshops on the draft plan were held throughout the State during August and September and a plenary session was held in October. Updates on the planning process are available at www.dwr.gov.

▪ **California Urban Water Conservation Council (CUWCC) Activities**

The CUWCC has been working on a revision to BMP No. 3, "System Water Audits, Leak Detection and Repair." For general information about the CUWCC, please go to www.cuwcc.org.

▪ **California Perchlorate Water Quality Standard Adopted**

As expected, California adopted a drinking water standard for perchlorate of 6 micrograms per liter, equal to the public health goal that was set in large part to protect the fetuses of women from iodide deficiencies. The standard is effective October 18th, 2007. The U.S. Environmental Protection Agency is in the process of reviewing the creation of a federal standard.

Regional Planning

▪ **RAND Assessment of Climate Change Impacts on Chino Basin Water Supplies**

RAND Corporation completed the first phase of its assessment of the potential impacts of climate change on water supplies as part of a broader study to explore how different descriptions of uncertainty influence planning by water agencies. A presentation of their findings was made to the Water Leadership breakfast in May, 2007. Rand developed additional scenarios for a September 17th workshop to evaluate additional actions that could be implemented to better prepare the region for the impacts of climate change. RAND determined that IEUA's service area could avert over \$ 3 billion in costs through aggressive, early implementation of conservation, recycled and groundwater management projects. The final RAND report will be released in November, 2007.

▪ **IEUA Greenhouse Gas Reductions**

IEUA is working with MWH to complete an assessment of the Agency's carbon footprint. The report will be available in November, 2007. IEUA is also participating in the California Wastewater Climate Change Group (CWCCG) to develop an emission inventory protocol for adoption by the California Climate Action Registry as part of an industry-wide process to respond to the requirements of AB 32. The draft report was released in September.

▪ **Building Activity Report & Growth Forecasting**

IEUA completed its annual building activity and growth forecast summary in October. Building activity within IEUA's service area has slowed down significantly. In FY 06/07, 5,910 equivalent dwelling units (EDU's) were reported which was lower than the original agency forecast of 8,775 EDU's within the service area. The building activity forecast for FY 07/08 is 5,091 EDU's and is likely to be revised downward again based upon current trends. The Inland Empire remains the most competitive market in southern California, and growth is expected to continue at a steady pace with build out predicted for 2030.

The ten year forecast total of 69,000 EDU's is slightly higher than last year's prediction. The region has the capacity to meet flows, with current levels at 60 MGD out of a system-wide capacity of 84 MGD . By 2017, flows are projected to range between 71 MGD and 80 MGD.

- **SAWPA's Integrated Regional Water Management Plan – One Water One Watershed (OWOW)**
The Santa Ana Watershed Project Authority (SAWPA) kicked off a regional process in June to update its Integrated Regional Water Management Plan. The update is focused on ten pillars that address core planning issues for the watershed. IEUA is the pillar chair for Climate Change and is working with RAND to adapt its assessment of the climate change impacts on Chino Basin water supplies for the Santa Ana watershed. A draft of the report is expected to be available in early January.
- **Optimization Model Update**
IEUA received a final copy of the model from Carollo Engineers in August and is now developing planning scenarios to evaluate the how to optimize the regional water treatment system. The model has already been utilized to show that there is enough recycled water supply to meet the demand forecasted in the new Recycled Water 3-Year Business Plan, with improvements to the distribution system.
- **Sewer Model Update**
Staff continued their efforts to correct and update the IEUA physical model for regional collection system and participated in meetings with PT&SC and Engineering Staff for discussions concerning the issues related to the sewer model and the need for additional flow monitoring to close the data gaps. Monitoring locations have been recommended to capture the complete flows within the regional system where such information is desired. Staff has attended meetings with city staff in Ontario and Montclair to request updated maps of their sewer systems for verification of the tributary area boundaries and/or service connection points.
- **Chino Creek Integrated Plan**
The purpose of the Chino Creek Integrated Plan is to identify agreed-upon goals and potential projects that will result in improved water quality, flood control, habitat restoration, recreation and water conservation with Chino Creek and related drainages with the Prado Basin. Three priority projects identified in the Plan have been approved for funding through the State Water Resources Control Board and work started: Mill Creek Wetlands (City of Ontario), Magnolia Channel Improvements (IEUA and City of Chino) and the Greater Prado Basin Clean-up (IEUA, the Cities of Chino, Chino Hills and Ontario, and other public agency landowners).

Conservation Program Activities

- **Inland Empire Landscape Alliance**
The Inland Empire Landscape Alliance held a series of "Breakfast in the Garden" workshops on a variety of landscaping topics, including plant palettes and irrigation technology in response to requests from city staffs. The Alliance also held a series of technical meetings with city staffs since August to discuss, develop, and review the proposed Landscape Alliance Goals and Objectives. The Goals and Objectives are the guiding principles which will be the basis of recommendations in the Model Ordinance and includes future tasks for the Alliance. IEUA staff produce a monthly Inland Empire Landscape Alliance newsletter and maintain a web page to provide information and regional support on water efficiency and related landscape programs.
- **Ontario Cares Program**
Ontario Cares is a pilot landscape project funded in cooperation with IEUA, MWD and the United States Bureau of Reclamation to integrate California-Friendly® landscape designs into the city's existing Ontario Cares Program which provides home improvements for homeowners residing in low-income neighborhoods. On September 29, 2007, the City of Ontario held a neighborhood block party for the Ontario Cares Program within a new targeted demographic area. During the event, the Ontario Mayor invited Director Gene Koopman to speak and he delivered a brief presentation to the residents on IEUA's relationship with the Ontario Cares Program and on California-Friendly® Landscaping. There were approximately 100+ neighbors in attendance at the event. The first California-Friendly® landscape

site was completed on August 16, 2007 with the second site completion on September 28, 2007 and unveiled at the Block Party.

▪ **Phase II Landscape Audit Program**

The program consists of 150 commercial audits and 50 large landscape residential audits. To date HydroEarth has completed all 150 Commercial field audits as well as 15 residential field audits. IEUA staff has reviewed and provided comments on the reports. The final reports will be posted to the FTP site by November 5 for review by the respective member agencies. HydroEarth's contract ended on September 28, 2007, but under written agreement, HydroEarth is responsible for any corrections or modifications to the reports for up to one year after contract expiration.

▪ **Phase III Landscape Audit Program**

IEUA was awarded a grant from the Department of Water Resources in the amount of \$194,476 to perform 300 Landscape Audit evaluations within IEUA's service area over a three-year period. The Chino Basin Water Conservation District (CBWCD) in cooperation with IEUA is developing and will be administering the program. Both CBWCD and IEUA staff attended training in August with the Irrigation Association (IA) to obtain Landscape Irrigation Auditor Certifications. Both CBWCD and IEUA staff will be performing actual audits, under the guidance of RCRC staff, the last week of October to complete the certification requirements to become a Certified Landscape Auditor through the Irrigation Association (IA). Additionally, staff from CBWCD, IEUA, Upland, Monte Vista and Chino attended two days of training in September.

▪ **Solar Cup 2007**

Four schools within IEUA's service area will participate in the 2007 Solar Cup program including Rancho Cucamonga High School (CVWD), Upland High School (Upland), Ayala High School and Chino Hills High School (Chino Hills). The Solar Cup event will take place May 17-19, 2008.

▪ **National Theatre For Children**

The National Theatre for Children (NTC) has scheduled 17 performances over the last quarter to be performed in October and November within the service areas of Cucamonga Valley Water District, City of Chino Hills, Fontana Water Company, Monte Vista Water District, City of Ontario and City of Upland.

▪ **Water Fair**

The 2007 water fair was held on Saturday October 20th at Montclair Plaza. The event promoted water conservation and educated customers on the various conservation rebates and programs that are available within the Chino Basin. The fair was co-sponsored with Three Valleys Municipal Water District, Chino Basin Watermaster, Chino Basin Water Conservation District and Metropolitan Water District of Southern California.

IEUA Rebate Programs

* **Toilet Rebate Program (Residential)**

During the first quarter of FY 07-08, there have been zero toilet rebates processed. The total number of toilet rebates processed for FY 06/07 was 195.

* **High Efficiency Clothes Washer Rebate Program (Residential)**

During the first quarter of FY 07-08, there have been 227 washer rebates processed. The total number of washer rebates processed during FY 06/07 was 1,320.

* **"SmarTimer" Controller Rebate Program (Residential)**

There have been 5 SmarTimer controller rebates processed for first quarter FY 2007-08. There were a total of 121 rebates processed in FY 2006-07 for a total of 126 controllers installed since October 2006. In addition, there have been 244 SmarTimers distributed through direct distribution programs. Total program devices distributed to date are 370 controllers.

* **Rotating Nozzles for Pop-up Spray heads (Residential)**

During the first quarter of FY 07-08, there have been 9 rebates processed for payment on 339 nozzles. There were 3 nozzle rebates processed in FY 06-07 representing 158 nozzles. To date, there have been 497 nozzles rebated.

*** Multi-Family ULFT Exchange Programs**

Bottom Line Utilities Solutions (BLUS) began toilet retrofits for the Multi-Family Direct Installation Program in October, 2006. To date, there have been 10,969 toilet retrofits completed. During the first quarter of FY 2007-08, there have been 837 retrofits completed. Through this grant program, there have been 22,500 ultra-low flush toilets allocated for installation over three years with a scheduled completion date of October 2008.

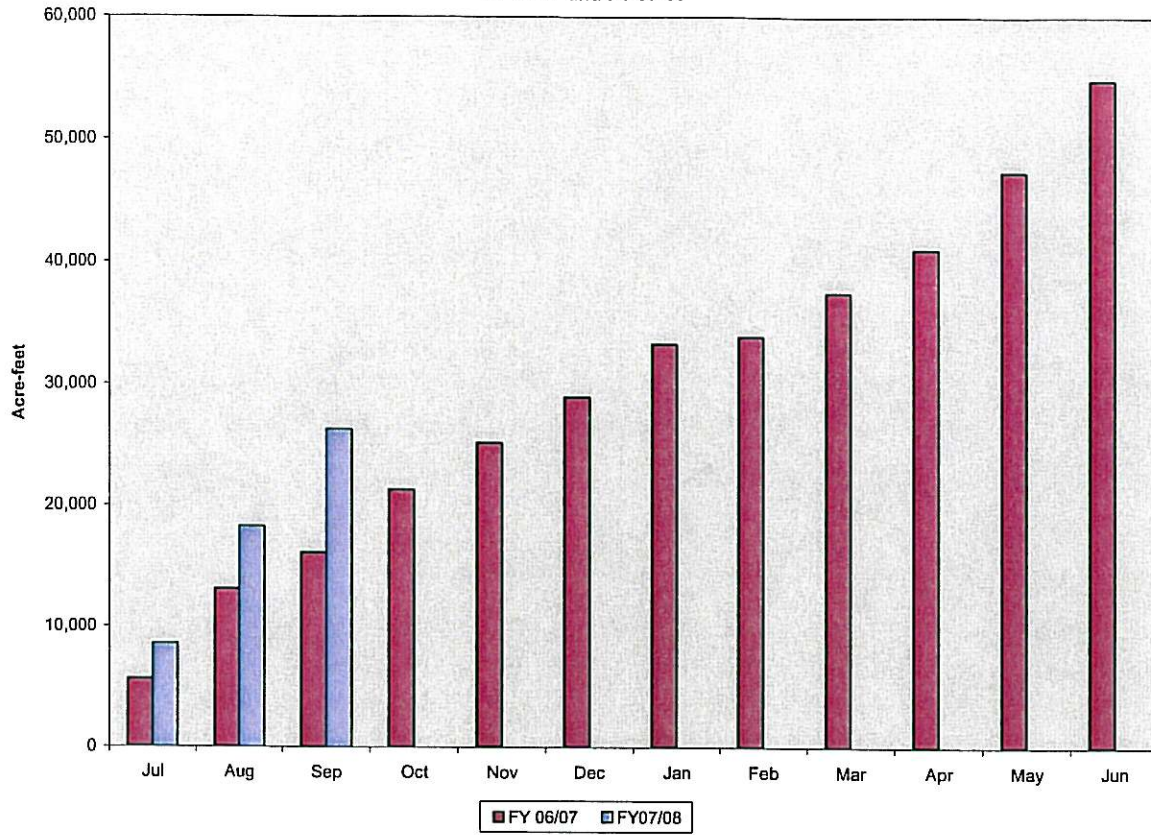
*** Commercial/Industrial/Institutional (SAVE-A-BUCK) Program**

During the first quarter of FY 07-08 there have been 1,050 devices distributed through the CII Program. These devices include high efficiency clothes washers, high efficiency toilets, waterless urinals and a conductivity controller. Collectively, the devices represent an annual acre foot savings of 80 with a lifetime savings of 1,598 AF. A \$100,000 was budgeted for FY 07-08 and expended over the first quarter. Another \$100,000 was appropriated for the program out of FY 06-07 encumbered funds. By the program's momentum, it is anticipated that the additional \$100,000 will be spent by January 2008.

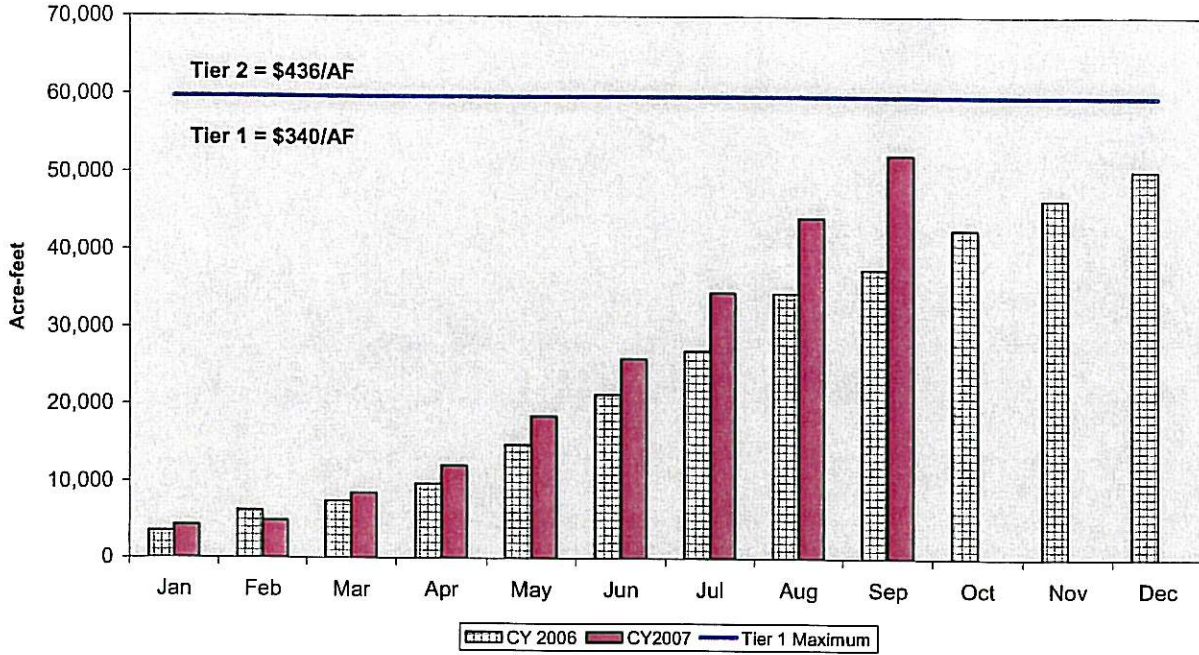
▪ **Water Conservation Activity Summary**

The Regional Conservation Partnership has been meeting once a month at IEUA offices. Over the last quarter, major topics discussed were the development of a Turf Reduction Rebate, approval of augmented rebates amounts for the CII program, and completion of the Phase II Landscape Audits.

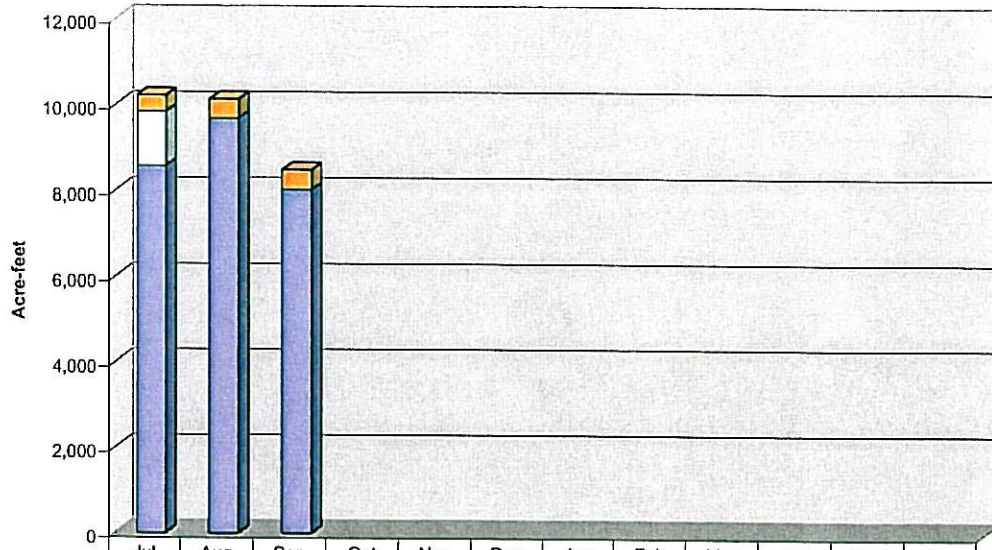
**Cumulative Monthly Full Service Imported Water Deliveries
Within IEUA's Service Area
FY 06-07 and FY 07-08**



IEUA
Cumulative Monthly Full Service Imported Water Deliveries
Calendar Year 2006 and Calendar Year 2007

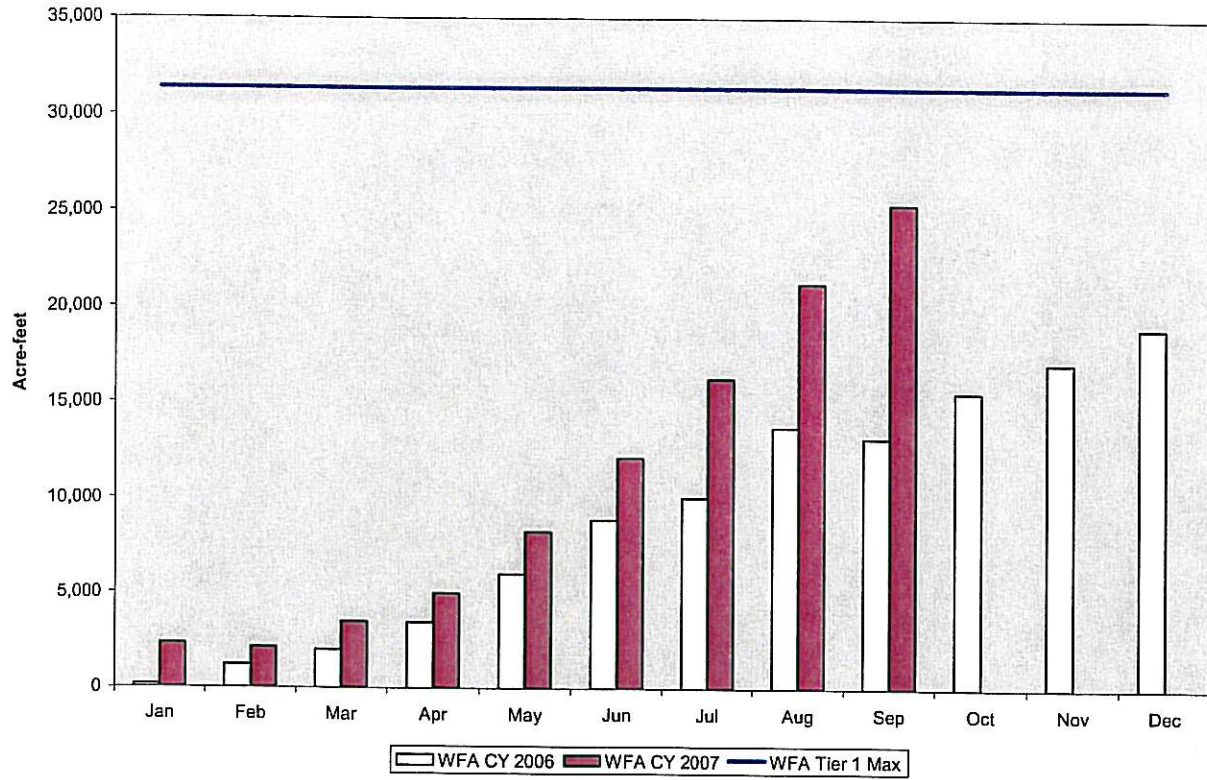


FY 07/08 Monthly Water Production From Within IEUA's Service Area Imported, Desalter, and Recycled Sources

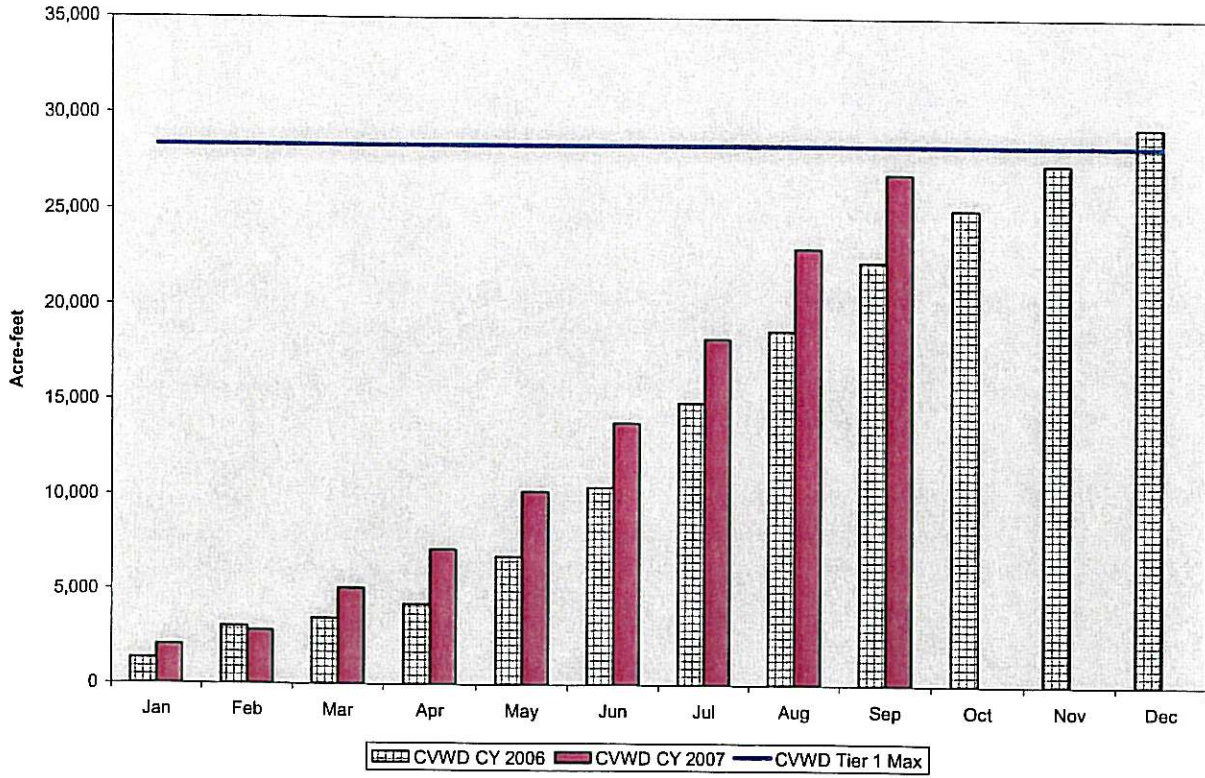


	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
■ CDA - Desalter Water	381.6	450.9	466.5									
□ IEUA - Recycled Water	1267.4											
□ MWD - Agricultural Cert.	0	0	0									
■ MWD - Conj. Use Cert.	0	0	0									
■ MWD - Full Service Cert.	8574.8	9689.7	8020.9									

WATER FACILITIES AUTHORITY
Cumulative Monthly Full Service Imported Water Deliveries
Calendar Year 2007



CUCAMONGA VALLEY WATER DISTRICT
Cumulative Monthly Full Service Imported Water Deliveries
Calendar Year 2007





CHINO BASIN WATERMASTER

IV. INFORMATION

1. Newspaper Articles





The Metropolitan Water District of Southern California

NEWS RELEASE

P. O. Box 54153, Los Angeles, California 90054-0153 • (213) 217-6485 • www.mwdh2o.com

Contact: Rob Hallwachs, (213) 217-6450; (213) 324-1255, mobile
Bob Muir, (213) 217-6930; (213) 324-5213, mobile

Oct. 12, 2007

**RECORD DRY YEAR, POTENTIAL 2008 WATER SHORTAGES
SET STAGE FOR SOUTHERN CALIFORNIA WORLD WATER FORUM
Year-long grant competition encourages college students
to address regional, world water issues**

With record dry conditions and possible 2008 water shortages serving as the backdrop, a year-long grant competition that will mobilize hundreds of college students throughout Southern California to help address regional and global water issues kicked off today.

Students from more than 30 community colleges and universities throughout the Southland joined officials from the Metropolitan Water District, the federal Bureau of Reclamation and UNICEF to launch the Southern California World Water Forum during a five-hour workshop at Metropolitan's headquarters in downtown Los Angeles.

"This program is a great opportunity for our next generation of great young thinkers to tackle the water problems of today and to prepare for the water problems we face tomorrow," said U.S. Rep. Grace F. Napolitano (D-Norwalk), honorary chairperson of the Southern California World Water Forum, in a taped address.

"I trust your participation in this program will challenge you to get more involved in addressing water issues affecting California and the western United States, with national implications of global warming," Napolitano told students.

This year's competition gets underway as water agencies throughout Southern California plan to deal with continuing record dry conditions and potential water shortages in 2008 and beyond.

Metropolitan board Chairman Timothy F. Brick noted that the World Water Forum's principles were consistent with the district's current water conservation advertising campaign emphasizing, "It's Time to Get Serious."

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“In that same serious manner, we’re looking for students participating in the World Water Forum to propose ways to develop new conservation technology prototypes to save water,” Brick said. “We also looking for them to develop new approaches and policies that challenge people to think about using or allocating water differently, and to create new, innovative ways to communicate and educate people about ways to access, clean, use and save water in their everyday lives.”

The United Nations estimates that more than one billion people worldwide do not have sustainable access to safe drinking water, and 2.6 billion do not have access to adequate sanitation. In response, the U.N.’s General Assembly has proclaimed 2005-2015 as the International Decade for Action, “Water for Life,” which includes a commitment by all 191 member nations to reduce by half the proportion of people unable to reach or afford safe drinking water.

“A third of the world's population lives in water-stressed countries. By 2025, this is expected to rise to two-thirds. However, there is more than enough water available, in total, to meet everyone's basic needs,” said Vanessa Tobin, deputy director of UNICEF’s water, environment and sanitation program division.

“It is recommended that people need a minimum of 40 liters of water a day for drinking, washing, cooking and sanitation, but we measure basic standards based upon providing 20 liters per day. Still, more than a billion people are lacking access to even that small amount,” Tobin said.

The Southern California World Water Forum program will award \$10,000 grants to as many as 18 college teams to research, develop and communicate water-use efficiency technology that can be employed cost-effectively in water-stressed regions, locally or internationally. Grant proposals are due to Metropolitan by Dec. 14.

Program co-sponsors include Metropolitan; federal Bureau of Reclamation; the Sanitation Districts of Los Angeles County; the Los Angeles Chapter of the American Society of Civil Engineers; Friends of the United Nations; and Water for People.

“Meeting the needs for safe and reliable water supplies—whether on a local, regional or global scale—has always brought challenges,” said Lorri Gray, director of the Bureau’s Lower Colorado Region.

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“Issues such as drought and population growth will only make the challenges more difficult. Programs such as this offer a unique opportunity for state, local and federal water management entities to partner with college students to explore potential new and innovative ways of meeting those challenges,” Gray said.

Jeff Kightlinger, Metropolitan’s general manager, said the program also would help address the critical nationwide need to educate and develop a committed and skilled workforce in the engineering fields.

“Metropolitan, like other public agencies, is facing an impending need for new, young professionals trained and motivated to become involved in the water industry. Climate change, population increases and water quality, as well as environmental standards and constraints will continue to generate significant challenges for water agencies in science, engineering, policy development, planning and public outreach strategies,” Kightlinger said.

“I’m confident the World Water Forum will continue to promote the kind of creativity, debate, analysis and outreach to help us meet those serious challenges,” he added.

Benita Lynn Horn, Metropolitan’s coordinator of the Southern California Water Forum, said the interdisciplinary program will bring together students from academic applications ranging from international studies, urban planning and political science to civil engineering, economics and environmental sciences.

“To qualify, these student teams must design a rendering or prototype of a technology or process that improves water-use efficiency,” Horn said. “They also must develop a business plan that includes a budget and timeline, as well as addresses the environmental, financial, societal and public policy implications of their proposal.”

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The Metropolitan Water District of Southern California is a cooperative of 26 cities and water agencies serving 18 million people in six counties. The district imports water from the Colorado River and Northern California to supplement local supplies, and helps its members to develop increased water conservation, recycling, storage and other resource-management programs.

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California water crisis demands action by the Legislature

By James V. Curatalo Jr., Randall James Reed, Jerome M. Wilson, Kathy Tiegs and Ron Sakala

You may have noticed a recent media blitz on television describing a mounting water crisis. Over the past year you may have also seen an abundance of newspaper articles and opinion pieces outlining how the state of California's water supply is in dire straights and the need to conserve is paramount.

In fact, some water agencies, such as Long Beach water department, have already implemented lawn-watering restrictions for their customers in the face of what could shape up to be a precarious year for water providers throughout the state and particularly here in Southern California.

We can no longer deny some of the basic facts and events that are before us today relating to our water supply. Last year was one of the driest on record. In fact, extended periods of drought increase other negative effects on our environment such as the widespread wildfires we have just experienced, which could become a regular occurrence in the future. The environmental degradation of the Sacramento-San Joaquin Delta, an estuary that over 20 million

Californians rely on for their water supply, is at a breaking point. In May of this year a federal judge issued a ruling requiring reductions in water exports from the Delta to protect an endangered species of fish known as the Delta Smelt. The Cucamonga Valley Water District receives nearly 50 percent of its water supply from imported water that comes from the Delta. In recent years, our customers have already experienced first hand what it is like without our imported water source for short periods while the Metropolitan Water District of Southern California has closed the pipeline to conduct routine maintenance or emergency repairs.

Finally, the intricate levee system within the Delta is in an extremely fragile state and most experts agree that it's not if, but when a levee breach occurs this source of water supply would be lost for years before it could be restored. Most experts have compared a breach in the Delta levee system to have disaster-like effects such as to Hurricane Katrina.

Recently, a special legislative session was called by the governor in order to address water infrastructure issues. To our chagrin, the Legislature failed to come to a compromise that addressed the looming water crisis in California.

One of the deal-breaking points was the philosophical discussion of whether or not it makes sense to construct new, large above-ground surface water storage projects in California. The surface water storage projects included in the governor's proposal provided benefits to regions north and south of the Delta

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with some ancillary benefit to Southern California associated with the capture of storm water run-off and the ability to better manage rising water levels in the Delta.

We understand that any water bond proposal will need to provide benefits to a wide variety of interests in California in order to receive a wide range of support from all voters. As a local water provider we are supportive of bond proposals that provide funding for a variety of different alternatives to generate water supply.

More specifically, our region is focused on the need to expand the use of recycled water for landscape and industrial purposes as well as the increase in programs that capture and recharge storm water, recycled water and imported water into local groundwater basins.

Funding local supply development projects is cost-effective and ultimately decreases our dependence on imported water supplies that pass through the Delta.

As a region we are moving toward reducing our reliance on imported water; however, we realize that CVWD and other local and regional agencies may always rely, to some extent, on imported water supplies to supplement local water supplies in the future.

Therefore, it is important to increase the reliability of our water supply from the Delta by ensuring that any future bond proposal includes funding to develop a conveyance system that diverts flows around the fragile Delta levee

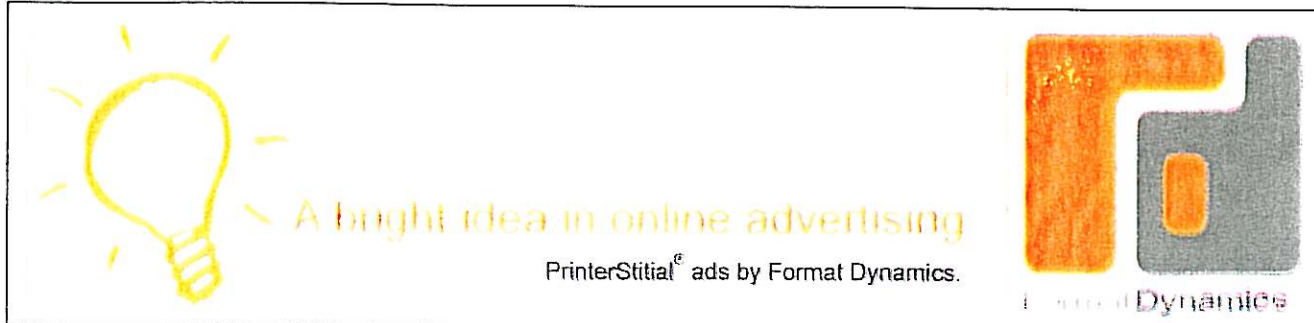
system, thereby reducing the vulnerability of California's water infrastructure.

So as you wake up tomorrow morning and you turn on the faucet to brush your teeth or take a shower, think about what it would be like to use 50 percent less water. Is it possible? Consumers in our region need to understand that the issue of water supply reliability and sustainability of the Delta is of paramount importance, and that steps must be taken now to restore the integrity of the state's water system.

CVWD urges its customers to stay engaged and focused on this issue as the legislative process moves forward during the coming months.

James V. Curatalo Jr., president; Randall James Reed, vice-president; and directors Jerome M. Wilson, Kathy Tiegs and Ron Sakala comprise the Cucamonga Valley Water District Board of Directors.

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San Bernardino Co.

Rialto asks company for cleanup help

PERCHLORATE: Goodrich Corp. is one of 42 companies that may have contributed to the plume.



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10:00 PM PDT on Wednesday, October 17, 2007

By **MARY BENDER**
The Press-Enterprise

Days after a judge dismissed a lawsuit filed by Goodrich Corp. against the city of Rialto, the City Council sent a letter to the aerospace firm urging it to help clean up the underground reservoir polluted by perchlorate.

The letter sent Wednesday to Marshall Larsen, Goodrich's president and chief executive officer, was signed by city council members Winnie Hanson, Ed Scott, Joe Baca Jr. and Deborah Robertson.

In the letter, the City Council requests that Goodrich help Rialto pressure the state government to "fund an emergency cleanup of our underground drinking water supply and underground storage reservoir, while our attorneys and yours continue to argue in court ... over who will ultimately pay for this ongoing disaster."

Aquifer Polluted

Rialto City Attorney Bob Owen said Rialto's underground aquifer is "11 miles long and four miles wide and 1,000 feet deep, but we've got a plume of perchlorate sitting smack in the middle of it," he said. "We would like to clean that up and have Goodrich help us."

Perchlorate is a component of rocket fuel, explosives and fireworks.

Perchlorate "is contaminating 360 million gallons of water every month that they delay the legal proceedings," Owen said.

On Friday, San Bernardino Superior Court Judge Brian McCarville ruled that Goodrich didn't have legal standing in the claim it brought this year against Rialto and the City Council.

Goodrich "does not have an interest in uncontaminated waters within Rialto. Its interest is clearly in avoiding or shifting the cost of cleanup," McCarville wrote said in his ruling.

The contamination occurred on a 160-acre industrial site north of Highway 210, in the northern part of Rialto.

Over the decades, several companies operated on the land.

Testing Rockets

Goodrich operated in Rialto from 1957 to 1963.

"They were developing and testing solid rocket propellant for small missiles," said Jeffrey Dintzer, legal counsel for Goodrich, headquartered in Charlotte, N.C.

Goodrich is one of 42 "potentially responsible parties" named in a federal lawsuit filed by Rialto in 2004 in U.S. District Court in Los Angeles.

The company, founded in 1870 in Akron, Ohio, previously was known as BF Goodrich, a rubber manufacturer that made automobile and airplane tires.

Goodrich also developed aircraft de-icing systems, pressure suits that allowed pilots to fly at high altitudes, space suits for NASA's Mercury Seven astronauts and wheels and brakes for the space shuttles.

Goodrich quit the tire business and shifted its focus to the aerospace.

The company contends that the city hasn't pressed a current occupant of the site, Kenneth Thompson Inc. and its wholly owned subsidiary, Rialto Concrete Products, to properly clean up a contaminated portion of the land known as the McLaughlin Pit, where fireworks waste was dumped.

Reach Mary Bender at 909-806-3056 or mbender@PE.com



Columns

Cassie MacDuff

Inland cities could learn from Santa Fe., N.M.'s water restrictions

10:00 PM PDT on Monday, October 22, 2007

CASSIE MACDUFF

As a native Californian, I'm genetically programmed to be distressed by water waste. Seeing a neighbor hosing off his driveway instead of using a broom makes my blood boil.

California's water shortage is now worse than ever. The southern portion of the Golden State experienced the driest year on record this winter.

Yet cities in the parched Inland Empire seem reluctant to impose mandatory restrictions on water use. Most prefer to rely on voluntary cooperation with conservation tips.

They could learn from their neighbor to the east.

I just returned from a week in Santa Fe, N.M., where mandatory water-use restrictions have been in place for most of the past decade.

Since 1996, Santa Fe residents have been allowed to water their lawns only three days a week, and they can't do it between 10 a.m. and 6 p.m. from May 1 to Oct. 31.

You can wash your car only once a month (unless you do it at a carwash that uses recycled water). Hotels change your sheets only every four days.

And forget about spraying down the sidewalk. Letting landscape irrigation overflow down a gutter is against the law.

These measures have enabled the city to keep its water use stable while the population grew 1.3 percent per year, said Claudia Borchert, water resources coordinator.

When I told her about Inland growth rates, she wondered where the water will come from for all the new homes.

"Conservation is the cheapest source of water," Borchert said. "Anybody who's not doing it is missing out on a great opportunity."

The San Bernardino Valley rests on a water-rich aquifer. But drought has shrunk it.

The state water project supplements it, but a recent court ruling means state water will be withheld for 90 days beginning in January to protect an endangered fish. That could be a looming problem.

All water agencies have contingency plan for drought emergencies, said John McMains, Yucaipa's community development director.

But mandatory conservation measures haven't been invoked.

It's not that the Inland officialdom doesn't want you to save water.

Missives are being published on ways to cut use, from turning off the tap when you brush your teeth to replacing your lawn with drought-tolerant plants.

But mandatory restrictions are being avoided.

Redlands' new water conservation coordinator, Woody Hynes, said his city is seeking residents' voluntary cooperation with an "educational" approach, providing them with information on how to save water and curb waste. Hynes also will do free water audits at people's homes, tracking leaks and helping get them fixed.

Since landscapes account for 70 percent of residential water use, he urges people to invest in "smart" irrigation systems with soil-moisture gauges that limit watering.

But Redlands won't go Santa Fe's route of offering free low-flow toilets, which enabled Santa Fe to get 8,000 water-guzzling old toilets out of homes and into crushers, where they were recycled as a pavement additive.

Nor will it fine offenders up to \$200 for repeated violations of water-waste rules, which Santa Fe's law permits it to do.

Too bad. Because I don't think the voluntary route is working in Southern California.

Cassie MacDuff can be reached at 909-806-3068 or emacduff@PE.com



Board votes to censure Alvarez

Water board member funneled benefits to ex-wife

By Will Bigham, Staff Writer

CLAREMONT - Xavier Alvarez was formally censured Friday by the Three Valleys Municipal Water District board of directors for illegally funneling benefits, paid for by the district, to a woman he claimed was his wife.



Audio: Alvarez claims Medal of Honor award

That woman, Juanita Diana Ruiz, divorced Alvarez in 2002.

The censure vote passed unanimously, 7-0, at the conclusion of a 25-minute special meeting.

Alvarez declined to oppose the motion.

Board President Bob Kuhn said allegations against Alvarez of misuse of public money will be forwarded to the Los Angeles County District Attorney's Office for possible criminal prosecution.

Alvarez, elected in November as Pomona's representative on the board, is now prohibited from serving on board committees and will not be reimbursed for attending any meetings besides those of the district board.

He will continue to receive health benefits and still is eligible to vote at board meetings.

The censure went into effect at 10 a.m. Friday.

The terms of the censure will last indefinitely, and the censure can only be removed by a "super-majority" vote of five board members.

Alvarez, 49, was charged by federal authorities in September with falsely claiming to have received the Medal of Honor, a misdemeanor charge.

The medal is the nation's highest award for military valor.

Alvarez declined an interview request after the meeting.

When he was asked during the meeting by board President Bob Kuhn if he wished to speak, Alvarez responded: "I have nothing to say."

Kuhn called for Alvarez to resign during an interview after the meeting.

"I think he should resign," Kuhn said.

"I think what's going to happen personally is there will be a barrage of e-mails from other people - directors, districts - saying, 'Put pressure on this guy to resign.'"


Alvarez is scheduled to be arraigned on the misdemeanor charges on Nov. 26 in a Los Angeles federal court.

"What we're told is that the only way we can vacate his seat is if he has a felony," Kuhn said. "What he's going up for is a misdemeanor.

"But if he ... has to go to jail for six months, if he's not here for three consecutive months, we can abandon the seat. That's the way the law reads."

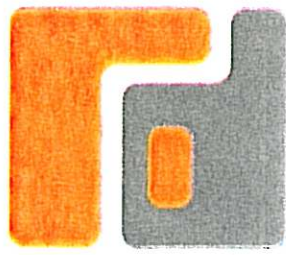
Kuhn said the charge of misusing public money

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would be a felony because the money spent by the district on the health benefits for Ruiz, 55, totaled more than \$500.

The district spent \$4,873.76 on Ruiz's benefits.

Kuhn said that Alvarez has promised to pay back the money spent by the district on Ruiz's benefits, although he has not specified when he will repay the money.

Before the vote to censure, Director Dan Horan accused Alvarez of fraud.

"This is a very serious offense," he said. "It's ratepayer money, and we should watch that at all costs."

Since Alvarez was charged with falsely claiming to have received the Medal of Honor - he never served in the military - several additional claims he has made about his past have been proved false.

He claimed to have earned an engineering degree from Cal Poly Pomona. School records show he never attended.

He told fellow board members that he worked as an engineer, Kuhn said. Alvarez also listed his occupation as "engineer" in his campaign filings for the November election. When confronted by Kuhn after Friday's meeting, Alvarez said he only had an interest in engineering, Kuhn said.

When board member Brian Bowcock initially met Alvarez, he asked Alvarez if he was married.

Alvarez said he was, Bowcock said.

But Alvarez said his wife could not attend a board meeting to see him sworn in because she was a

celebrity and was hounded by paparazzi when she left the home.

The attention Alvarez has received since the federal charges against him were issued last month has been an embarrassment to the district, several Three Valleys board members have said.


Despite the embarrassment he has caused to the low-profile public agency, Alvarez has not once offered an apology to the district, Kuhn said.

"He didn't apologize on Tuesday," Kuhn said. "You heard what he said today, which was zero. And back in the boardroom he never apologized."

"... That's why I tried to give him an opportunity to speak at the meeting today, just to say 'I'm sorry, guys.' But it didn't happen. I'm amazed."


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California needs infrastructure `Plan B'

By George Argyros, John Hawkins, Pete Wilson, Gray Davis and George Deukmejian
Inland Valley Daily Bulletin

Southern California needs two essential elements for its future success - economic prosperity and quality of life. We can't have one without the other, and we won't have either if we don't plan for the future. Unfortunately, Plan A - relying on the government to fund our critical infrastructure needs - is no longer a viable option.

Over the next 20 years, our region will grow by more than five million people - more than two Chicagos! And most of this population growth will be internally created, not "imported." Meanwhile, goods movement to and from booming Asian economies will triple along our trade corridors. As the port of entry for more than 40 percent of the nation's waterborne imports, Southern California faces both the challenges (congestion and air quality) and the opportunities (more than one million new, good paying logistics industry jobs) linked to this growth.

We need to plan and build the necessary infrastructure if we are to preserve our future success. Such needs include modern, clean transportation systems for people and goods; more reliable water supplies; additional schools; health-care and other public service facilities to meet the needs of an aging population; new housing for our children; and wide-area communication and data networks to attract and grow future technology-based industries.

California took a dramatic first step last November by passing Propositions 1A-1E to help fund our future transportation, water, school, housing and environmental needs. However, a year later little of this funding has been put to work. In order to balance the state's 2007 budget, one billion dollars of the gas tax money was again diverted to other state needs. None of the Proposition 1B goods movement infrastructure funds were authorized either.

Now the state treasurer is warning that the fiscal imbalance could continue for 20 more years. The federal government echoes much of the same: too many needs, not enough money.

It's clear we need a new solution, a Plan B, to ensure our state's future success. We can do so by creating "Public Private Partnerships" or "P3." Through P3, most of the highway, bridge, rail, water conveyance, public health and other facilities projects are paid for out of a combination of taxpayer supported bonds, private equity and debt, and fees charged to those who actually use or benefit from the infrastructure and services.

One successful model in British Columbia created a "state enterprise agency" to identify P3 opportunities and then impartially evaluate private- or public-sector involvement while focusing on ensuring the long-term protection and benefit of the community.

Why haven't we started? Because Sacramento needs to pass legislation enabling P3 to function in this state. Senate Bill 61 (Runner), supported by the governor, is a first step but is stuck in the Assembly because of opposition by public employee unions who believe their jobs may be threatened. What they don't understand is that without this Plan B, a lagging economy and dwindling state revenue stream will indeed threaten their jobs and retirements.

We need a bigger solution. We need a fair, open process that clears the way to plan for major new infrastructure projects that attract private sector planning, management and financial skills, while protecting the long-term interests of the broader community.

The time to move forward is now. Each year we fall farther behind. We already have the worst congestion and air quality in the nation. Either we implement Plan B and ensure a vibrant future for all, or we face impending gridlock and a slow decline into a Third World existence.

Former Ambassador George Argyros and John Hawkins serve as co-chairs of the Southern California Leadership Council, a group of regional business leaders. Pete Wilson, Gray Davis and George Deukmejian are former governors of California.

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From the Los Angeles Times

California has enough water

The trick is to conserve the valuable state resource, make wise decisions about how to use it and cut waste.
By Dorothy Green and Jamie Simons

October 23, 2007

For all the doom and gloom about water in California, here's a surprising truth: California has enough water to meet its needs today and tomorrow without new dams, peripheral canals or catastrophic costs. But there is a rub. It will take political will and better management.

If, given the notorious stranglehold of special interests on Sacramento, you are rolling your eyes and saying, "Give up. It's hopeless," hold on a moment. There is a road map that can lead to a better future for Californians. Here's how:

Conservation. Stop hosing down the driveway, buy more efficient appliances and plug leaks. And by all means, every house should have a water meter; believe it or not, millions of houses in the great Central Valley still do not. With this kind of affordable and existing technology, we can save about one-third of the water used indoors, according to the nonpartisan Pacific Institute. Planting California-friendly, drought-tolerant plants and installing smart sprinkler systems can help to conserve more than half our outdoor residential water.

Store groundwater more efficiently. Right now, Los Angeles County's Department of Public Works puts winter and spring storm water (and some reclaimed water from the county sanitation districts) into ponds so it can soak into the ground and be available for use during the dry summer months. Why not also do it with wet-year rain surpluses for use in dry years? There is plenty of storage capacity underground in the huge aquifers that lie beneath the San Gabriel Valley, San Fernando Valley and Chino areas. And a bonus: Water doesn't evaporate when stored underground.

Reuse nearly all of our wastewater. Before anyone yells "toilet to tap," let's establish that the last time there was "new" water on the planet was in the Garden of Eden. As it stands now, wastewater is treated until it is almost potable, and then most of it is thrown away. Los Angeles' Hyperion sewage treatment plant produces the seventh-biggest freshwater river in the state. It flows dependably, year round -- but directly into the ocean. What if, instead, this water was reused for landscape irrigation and industrial processes? Or better yet, allowed to seep through the soil -- completing the filtering process -- back into the aquifer, where it could then be pumped up for drinking water.

Thinking "yuck?" Consider this: The Colorado River, a major source of water for Southern California, contains the treated wastewater of Las Vegas. The delta that stretches from Sacramento to the San Francisco Bay, another major source of imported water to Southern California, contains the water from 10 sewage treatment plants that serve the communities in and around the delta. As we said, there is no such thing as new water.

Stop throwing away storm water. The Army Corps of Engineers and others built a marvelously efficient storm-drain system to prevent flooding. You may have seen it's centerpiece. It's called the Los Angeles River. This concrete channel is very efficient at pushing flood water through the county and out into the ocean, but that no longer makes sense. Building multipurpose projects, such as parks designed to hold water until it soaks into the ground, has multiple rewards: an increased water supply, improved water quality, additional green space, more recreational space, enhanced wildlife habitat and an increase in nearby property values.

Cut agricultural water use. This is the biggie, the one that makes politicians run for cover only to reappear in the Central Valley during campaign fundraising time. Agriculture uses about 80% of California's developed water -- the water delivered from dams and aqueducts. That has to change, or nothing will change.

If we can reduce agricultural water use by just 10%, that would almost double the water available for our cities. Can this be done effectively and efficiently? Try asking arid nations such as Israel. They know how to make the most of every drop of water, and we should too.

Almost half of the state's agricultural water is used on four crops of little economic value: cotton, rice, irrigated pasture and alfalfa. Farmers are businessmen. As federal subsidies for cotton and rice dry up, and the cost of water goes up, farmers will change their ways.

So let's celebrate the defeat of the dueling water bonds in the Legislature. Let's also spare voters the expensive initiative campaigns that both Republican and Democratic sides are planning to launch. The problem is not water. The problem is persuading citizens and agencies to put aside their business-as-usual mentality and cooperate for the greater good. And when the goal has been accomplished through good leadership and smart stewardship, let's all raise a glass of water and toast ourselves.

Dorothy Green is the founder of Heal the Bay and the author of "Managing Water: Avoiding Crisis in California." Jamie Simons is a writer living in Los Angeles.

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Perchlorate enforcement

State to begin to regulate toxin levels in drinking water

Elise Kleeman, Staff Writer
San Bernardino County Sun

Article Launched: 10/06/2007 09:01:48 PM PDT

PASADENA - This month, for the first time, the state will begin regulating the amount of the toxin perchlorate in drinking water.

As of Oct. 18, California will require that water contain no more than six parts per billion of the rocket-fuel additive, putting regulatory force behind what had been just a suggested limit for the past five years.

That amount is about the same as a tablespoon of ink in an Olympic-size pool.

The change, lauded by some environmentalists, will make California only the second state, behind Massachusetts, to regulate the chemical in drinking water.

But there are also concerns that even the seemingly minuscule amount set by the new limit is still too high.

Perchlorate has been shown to block the release of thyroid gland hormones critical for normal growth and nervous system development, making it particularly dangerous for pregnant women and young children.

"We believe there is really no safe level of rocket fuel in our drinking water," said Bernadette Del Chiaro of the advocacy group Environment California. "We are disappointed."

The Association for California Water Agencies, however, supports the new standard. It notes that the state's Office of Environmental Health Hazard Assessment has declared that the six-parts-per-billion limit would cause no ill effects even after 70 years of water consumption.

"Six parts per billion has been a good, health-effective, cost-effective number," said Krista Clark, the association's director of regulatory affairs. "There's no justifiable reason to have a standard lower than that. To treat lower than that would be to spend public tax dollars on a standard that provides zero net health benefits."

However, the chemical's health impacts remain under debate.

In a 2002 study, the U.S. Environmental Protection Agency recommended a maximum limit of one part per billion for perchlorate in drinking water, a limit which Massachusetts adopted last year.

The EPA estimates perchlorate contamination exists in at least 25 states.

In Los Angeles County alone, according to the California Department of Public Health, 67 water sources have exceeded six parts per billion of perchlorate at some point during the past five years. Several of those sources are in the San Gabriel Valley.

In Pasadena, the major sources of perchlorate contamination are waste pits used at JPL during the 1940s and 1950s.

At a treatment plant on the laboratory grounds, water drawn from beneath the surface has perchlorate levels of about 400 parts per billion, said Steve Slaten, the plant project's manager for the National Aeronautics and Space Administration.

After treatment, he said, the water is returned to the ground with a concentration of less than two parts per billion.

Drinking water from wells in Altadena tainted by the plume of JPL toxins is cleaned until it has less than six parts per billion of perchlorate.

Although some of Pasadena's water sources do contain perchlorate, the new regulations will have little impact on Pasadena Water and Power, said Shan Kwan, the agency's director of water.

Six parts per billion "is what we originally thought that the maximum contaminant level would be, so we were already keeping

that in mind," Kawn said.

"When we blend (water sources), we always put a big safety factor in there," he added.


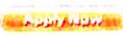
But although Pasadena has been "pretty careful," said Tim Brick, chairman of the Metropolitan Water District, "I, frankly, believe that there are some agencies that are blending water for whom this will be a problem."

Still, he said, "personally, I have concerns that six parts might not be fully protective for the health of pregnant women and children."

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From the Los Angeles Times

MWD warns of water cuts, higher rates

The agency says that if dry weather continues, local districts may have to consider rationing for the first time in years.

By Hector Becerra and Catherine Saillant

Los Angeles Times Staff Writers

October 9, 2007

Concerned about future supplies, the Metropolitan Water District announced Monday that it would cut shipments to Southern California agriculture by 30% and that customers would eventually pay higher rates.

The action by the giant water wholesaler, which provides water to 18 million people across Southern California, marks its first step in dealing with upcoming reductions in water supply and the record dry conditions locally.

MWD General Manager Jeffrey Kightlinger said that if the dry weather continues into this winter, local agencies would have to consider mandatory rationing, an extreme measure not seen since the severe drought of the early 1990s.

"People will feel this," he said. "We really want to see if people are willing to conserve absent rationing."

A federal judge this summer issued a ruling that is expected to slash water deliveries from the Sacramento-San Joaquin Delta by about a third, part of an effort to save the endangered delta smelt.

As a result, the MWD will have to import costlier water through transfers from places such as the Central Valley, ultimately raising customer rates by roughly 10%. That's on top of rate hikes many water agencies had previously planned to make up for infrastructure costs and other expenses.

The MWD already has locked in rates with local water agencies through the end of next year. Though customers might not face rate hikes until 2009, it's also possible some agencies might consider increases more quickly -- potentially to encourage conservation.

"Rates are going to go up," Kightlinger said. "It used to be we only had to go to those expensive [sources] to replace water 25% to 30% of the time. Now we're doing that 70% of the time."

Despite such concerns, Southern California's water situation is still significantly less dire than it was during the last major drought, in 1990-91. The region has seen less than 4 inches of rain this year, and the Sierra snowpack -- a key barometer of water supply -- is down sharply.

But most of the major reservoirs that serve the Southland are full, and the MWD's overall water reserve is several times larger than it was during the last drought.

On Monday, agriculture officials were still assessing how farmers would deal with the cut in water supplies, coming on top of an already bone-dry year.

In Riverside County, which has a \$1.1-billion agricultural industry, officials said cutbacks could threaten farmers' ability to continue growing certain crops, notably some water-thirsty nursery stock. The county also produces table grapes, bell peppers and dates.

Officials from the local water districts will meet with growers next month in a workshop sponsored by the Riverside County Farm Bureau, said Executive Director Steve Pastor.

"They know it's coming," Pastor said. "We just want to get them together to talk about what to do."

Cities and other agencies in the region differ greatly in their reliance on the MWD's imported water.

Los Angeles will probably be less affected than some neighbors because the city's Department of Water and Power receives a large portion of its supply from the Owens Valley -- a source that has thus far been uninterrupted. Still, L.A. receives 34% of its water from the MWD.

But across Southern California, many cities receive anywhere from a third to two-thirds of their water from the MWD, with the proportion depending largely on local groundwater supplies.

Anaheim gets 31% of its water from the MWD, but San Diego relies on the district for 73%. Long Beach gets about 50% of its water from the agency, and Santa Monica 82%.

San Diego officials say that until the MWD proposes specific rate changes, they don't know what kind of rate increases they will implement. But the city is so dependent on imported water that officials said they are worried.

"We're very concerned," said Bill Harris, deputy press secretary for San Diego Mayor Jerry Sanders. "For the foreseeable future, we're dependent on Metropolitan and what they do."

Harris said San Diego has been aggressively pushing conservation measures, including a "20-gallon challenge" in which residents are asked to

conserve that much water a day.

On Monday, officials with the San Diego County Water Authority addressed the City Council about the city's water outlook.

Locally, Long Beach has taken the most radical action on water conservation. The city's water board has prohibited residents from watering their lawns during the day or more than three times a week. Residents cannot use water hoses to clean driveways, patios, sidewalks or other paved areas unless they use a pressurized broom device.

Long Beach restaurants are barred from serving water unless diners expressly request it.

"Let's not just sit around and pray for rain. Everyone has to get serious about conservation," said Kevin Wattier, general manager of the Long Beach Water District, adding that the agency expects to raise rates within the next year or so.

MWD officials said other factors could worsen the water crunch over the next few months.

Besides the tiny smelt, the fate of chinook salmon that migrate through the delta could soon lead to another court decision, which could further restrict supplies.

"The court has heard arguments about the salmon, and we're awaiting their ruling on it," Kightlinger said. "That could make the situation that much tougher to deal with."

The Metropolitan Water District has had to draw from stored reserves, which are meant to be tapped in the event of a natural disaster or other catastrophe. Unless something changes, those reserves could be expended within a few years.

"We're faced with the prospect that Metropolitan could deplete those reserves as quickly as three years if this critical drought condition continues and if nothing is done," said Debra Man, the MWD's chief operating officer and assistant general manager.

Timothy Quinn, executive director of the Assn. of California Water Agencies, said the anxiety he and others are feeling is comparable to that felt during the prolonged drought and water crisis of the early '90s.

"I remember the angst felt back during the last drought, especially in 1991. I remember it like yesterday," Quinn said. "I have the same sense of foreboding today."

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Inland News

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10:00 PM PDT on Monday, October 8, 2007

By JENNIFER BOWLES and JIM MILLER
The Press-Enterprise

With the ongoing drought and a court-imposed water shortage to come, Southern California's largest urban water supplier said Monday that a worst-case scenario could bring mandatory conservation by the spring and a 5 to 10 percent rate increase by 2009.

But officials at Metropolitan Water District at Southern California said the agency is hoping that stronger yet voluntary conservation measures to be considered in January will prevent that, said Bob Muir, a water district spokesman. The agency serves 18 million Southern Californians.

"First, we'll ratchet up the call for conservation, clearing the cupboards to voluntarily reduce water," Muir said, noting it will focus on outdoor water use, which accounts for 60 to 80 percent of a home's use.

While residential users face voluntary calls, farmers, including those in western Riverside County, will be the first to feel a mandatory pinch with a 30 percent cutback starting Jan. 1, Muir said. However, farmers in the Coachella Valley, which accounts for most of Riverside County's \$856 million in crops, get their water through the Coachella Valley Water District, which has no immediate plan to cut back on water supplies, said Steve Robbins, the agency's general manager and chief engineer.

The agency gets agriculture irrigation water from the Colorado River, which has been gripped by an eight-year drought. Water shortages elsewhere won't pose an immediate problem to the Coachella Valley, but in a year or two that could change, Robbins said.

"Right now, our Colorado River supplies haven't been cut," Robbins said.

Metropolitan Water District's board will consider a plan in January that will divvy up supplies during shortages to its customers, including two large water agencies in western Riverside County and one based in Chino, Muir said. That could lead to those customers -- cities and water agencies -- to impose mandatory conservation on residents and businesses, he said.

Some Metropolitan water is stored at Diamond Valley Lake near Hemet, Lake Skinner near Temecula and Lake Mathews near Riverside.

Though no Inland cities have imposed mandatory conservation measures, Long Beach officials recently began limiting the days residents may water their lawns and are encouraging people to report water wasters.

Cut Up to 33 Percent

Peter Odencrans, a spokesman for Perris-based Eastern Municipal Water District, said a 5 to 10 percent rate increase by Metropolitan, if it happens, doesn't necessarily mean it will be that high for Eastern's water customers. Eastern has its own supplies as well, he said. They could offset Metropolitan's price increases.

Despite the drought on the Colorado River, the state's latest water woes are focused on the Sacramento-San Joaquin River Delta. A federal judge recently ruled that supplies from the delta will be cut by up to 33 percent in late December to protect a tiny fish threatened with extinction.

To get by, Muir said the district could tap reservoirs, including Diamond Valley Lake near Hemet, but may have a hard time replenishing them if the supply cut continues.

"Before this federal court decision, we were able to take advantage of wet years to meet the demands of dry years, so our reserves gave us a cushion," he said. "But the fact remains, if we continue to face challenges beyond 2008, we could deplete reserves in three years."

Hoping to fix the problems in the delta and boost California's water supply, the state Senate is expected to vote today on Democrat-backed legislation for a \$6.8 billion water bond on the February ballot.

Political Differences

Monday, though, the measure still seemed short the two Republican votes needed for passage.

"I don't know how to solve the 'dams-are-us' approach," Senate President Pro Tem Don Perata, D-Oakland, complained about Republicans, who demand that any water bond legislation include money for new reservoirs.

The Senate Natural Resources Committee approved Perata's \$6.8 billion bond proposal Monday.

But the Democrat-controlled committee blocked a \$9 billion water bond measure sponsored by Gov. Schwarzenegger and supported by Republicans. The legislation includes money to build two Central Valley reservoirs and enlarge a third.

John Rossi, general manager of the Western Municipal Water District, testified Monday that the district, which serves western Riverside County, backs the governor's water bond package.

Recent amendments to the Perata measure seem tailored to appeal to the Inland area's GOP delegation. Changes add money for storm water management and groundwater cleanup, major issues in Riverside and San Bernardino counties.

Lawmakers are racing against the clock. The secretary of state's office has said next Monday is the last

day the Legislature can pass something in time to place it on the February ballot.

Legislators still could put a water bond on a supplemental ballot, which would give them a few more weeks to negotiate.

There already is a possible supplemental ballot in the works. County elections officials are reviewing voter signatures to qualify referendum measures on recently approved tribal casino agreements. The last petitions were turned in Monday.

Staff writer Kim Pierceall contributed to this story.

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