



CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

Thursday, October 23, 2008

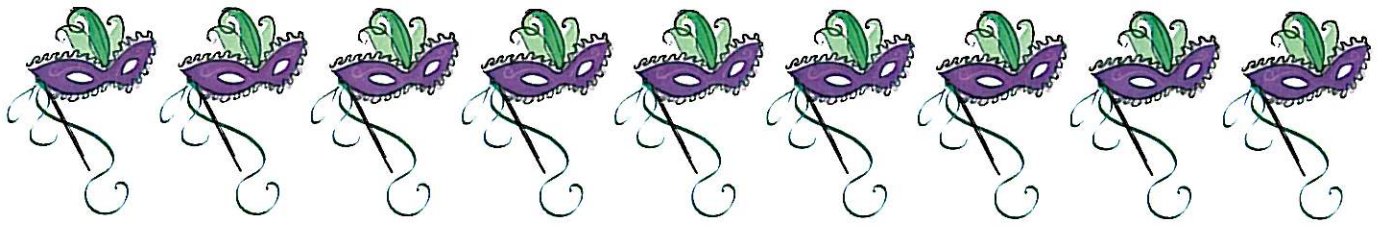
9:00 a.m. – Advisory Committee Meeting
11:00 a.m. – Watermaster Board Meeting

(Lunch will be served)

AT THE CHINO BASIN WATERMASTER OFFICES

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



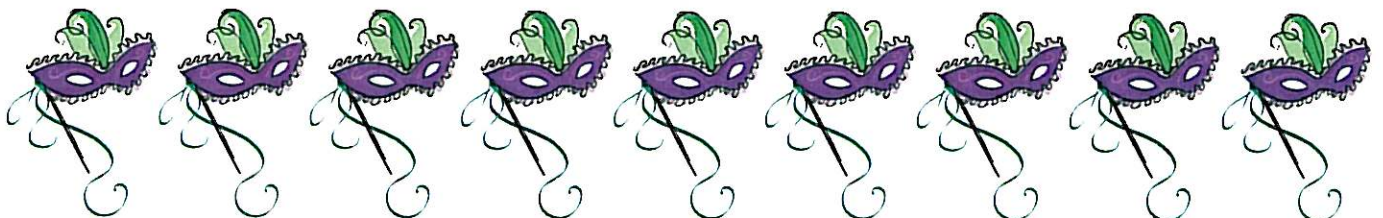


CHINO BASIN WATERMASTER

Thursday, October 23, 2008

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

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

9:00 a.m. – October 23, 2008
At The Offices Of
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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

A. MINUTES

1. Minutes of the Advisory Committee Meeting held September 25, 2008 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2008 *(Page 17)*
2. Watermaster Visa Check Detail *(Page 21)*
3. Combining Schedule for the Period July 1, 2008 through August 31, 2008 *(Page 23)*
4. Treasurer's Report of Financial Affairs for the Period August 1, 2008 through August 31, 2008 *(Page 25)*
5. Budget vs. Actual July 2008 through August 2008 *(Page 27)*

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer – Fontana Water Company** ("Company") has agreed to purchase from The Nicholson Trust annual production right in the amount of 8.185 acre-feet. Date of Application: May 16, 2008 *(Page 30)*
2. **Consider Approval for Notice of Sale or Transfer – Cucamonga Valley Water District** is purchasing 2,500 acre-feet of water from Marygold Mutual Water Company. Date of Application: September 4, 2008 *(Page 41)*
3. **Consider Approval for Notice of Sale or Transfer – The City of Ontario** (as an Overlying Non-Agricultural Party) is purchasing from Sunkist Growers, Inc. all of the amount of Sunkist's water in storage as of June 30, 2008. In addition, Sunkist's annual safe yield production rights in the amount of 1,851.402 acre-feet will be permanently transferred to the City of Ontario (as an Overlying Non-Agricultural Party). Date of Application: August 19, 2008 *(Page 53)*

II. BUSINESS ITEMS

A. GOVERNANCE

Determination of Satisfactory Completion on the Issue of Governance *(Page 75)*

B. WAIVER OF INTEREST CHARGES

Consider Request to Waive Interest Charges for Payment of Assessments *(Page 77)*

C. MOU OF WATER ACCOUNTING PROCEDURE

Review and Provide Staff Direction on Request for Signature *(Page 83)*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. October 14 and October 16 Ex Parte Hearings
2. November 13, 2008 Hearing
3. Report on Board Closed Session

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, August – September 2008
2. Progress on Condition Subsequent No. 7

C. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update
3. Thanksgiving & Christmas Meetings

D. INLAND EMPIRE UTILITIES AGENCY

1. Groundwater Recharge Update Presentation *(Page 97)*
2. MWD Water Supply (Drought) Allocation Plan *(Page 109)*
3. ACWA Drought Alert Flyer *(Page 129)*
4. Recycled Water Newsletter *(Page 131)*
5. Monthly Water Conservation Programs Report *(Page 137)*
6. Monthly Imported Water Deliveries Report *(Page 145)*
7. State and Federal Legislative Report *(Page 149)*
8. Community Outreach/Public Relations Report *(Page 171)*

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Newspaper Articles *(Page 173)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

October 22, 2008	2:00 p.m.	Agricultural Pool Meeting @ CBWM
October 23, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
October 23, 2008	9:00 a.m.	Advisory Committee Meeting
October 23, 2008	11:00 a.m.	Watermaster Board Meeting
November 13, 2008	8:30 a.m.	CBWM Hearing
November 18, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA
November 18, 2008	1:30 p.m.	Joint Appropriative & Non-Agricultural Pool Meeting
November 20, 2008	9:00 a.m.	Advisory Committee Meeting
November 20, 2008	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

**CHINO BASIN WATERMASTER
BOARD MEETING**

11:00 a.m. – October 23, 2008
At The Offices Of
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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A. MINUTES

1. Minutes of the Watermaster Board Meeting held September 25, 2008 *(Page 9)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2008 *(Page 17)*
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Review and Provide Staff Direction on Request for Signature (*Page 83*)

III. REPORTS/UPDATES

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1. October 14 and October 16 Ex Parte Hearing
2. November 13, 2008 Hearing

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, August – September 2008
2. Progress on Condition Subsequent No. 7

C. CEO/STAFF REPORT

1. Agricultural Well Meter Status Update
2. Legislative Update
3. Recharge Update
4. Thanksgiving & Christmas Meetings

IV. INFORMATION

1. Newspaper Articles (*Page 173*)

V. BOARD MEMBER COMMENTS

VI. OTHER BUSINESS

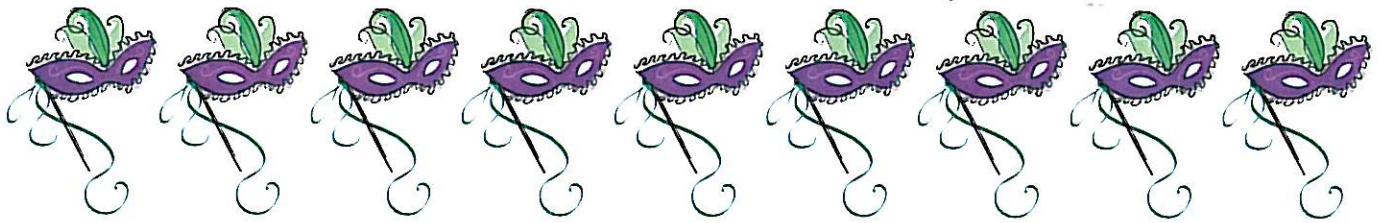
VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

VIII. FUTURE MEETINGS

October 22, 2008	2:00 p.m.	Agricultural Pool Meeting @ CBWM
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Meeting Adjourn

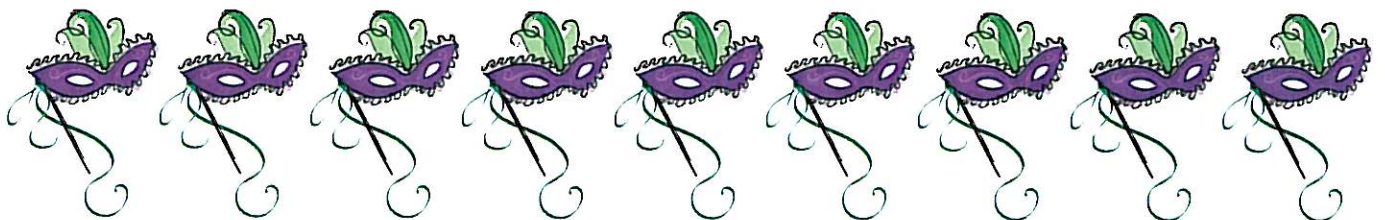


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting – September 25, 2008



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
September 25, 2008

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on September 25, 2008 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Robert DeLoach, Chair	Cucamonga Valley Water District
Ken Jeske	City of Ontario
Bill Kruger	City of Chino Hills
Mark Kinsey	Monte Vista Water District
Umesh Shah	Jurupa Community Services District
J. Arnold Rodriguez	Santa Ana River Water Company
Anthony La	City of Upland
Rich Atwater	Inland Empire Utilities Agency
Mike McGraw	Fontana Water Company
Robert Young	Fontana Union Water Company
Gil Aldaco	City of Chino
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona

Non-Agricultural Pool

Bob Bowcock	Vulcan Materials Company (Calmat Division)
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Agricultural Pool

Jeff Pierson	Ag Pool, Crops
Jennifer Novak	Department of Justice/CIM
Nathan Mackamul	State of California/CIW

Watermaster Board Members Present

Terry Catlin	Inland Empire Utilities Agency
Ken Willis	City of Upland
Charles Field	Western Municipal Water District

Watermaster Staff Present

Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Brent Yumasaki	Metropolitan Water District
Mohamad El-Amamy	City of Ontario
Tammy Jones	Sunkist
Ron Craig	RBF Consulting
Eric Schoenen	City of Pomona
Michael Camacho	Visitor
David Penrice	Aqua Capitol Management

Eunice Ulloa
Martha Davis

Chino Basin Water Conservation District
Inland Empire Utilities Agency

Chair DeLoach called the Advisory Committee meeting to order at 9:08 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 July 24, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of July 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2007 through June 30, 2008
4. Treasurer's Report of Financial Affairs for the Period June 1, 2008 through June 30, 2008
5. Budget vs. Actual July 2007 through June 2008
6. Cash Disbursements for the month of August 2008
7. Watermaster Visa Check Detail
8. Combining Schedule for the Period July 1, 2008 through July 31, 2008
9. Treasurer's Report of Financial Affairs for the Period July 1, 2008 through July 31, 2008
10. Budget vs. Actual July 2007 through July 2008

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

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

C. INTERVENTION

1. Consider Approval for Intervention into the Overlying (Non-Agricultural Pool) – City of Ontario (as an Overlying Non-Agricultural Party)

Item C was pulled for separate discussion and motion. Mr. Kinsey offered comment on the intervention. Ms. Rojo stated Watermaster received an application for an intervention from the City of Ontario pursuant to the arrangements agreed to in the Peace II Agreement, paragraph 4.4. Staff has reviewed the application and feels it is in compliance with intervention approved in the past. The City of Ontario will be considered a Non-Agricultural Pool member. Staff recommends this intervention be approved. A discussion regarding this item ensued.

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

Moved to approve Consent Calendar Item C, as presented

II. BUSINESS ITEMS

A. SEMI-ANNUAL STATUS REPORT

Ms. Rojo stated this Semi-Annual Status Report will be filed with the court and will give the court an update on work and achievement occurring within the basin over a six month period. This report used to be a quarterly report; however, the court requested that it be changed to a semi-annual report. Ms. Rojo stated staff is looking at different ways to change the formatting on the report which will make it easier to read. Staff is seeking approval to receive and file this report.

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

Moved to receive and file the Semi-Annual Status Report with the court, as presented

B. BUDGET AMENDMENT

Ms. Rojo stated this item is in conformance with the new policies adopted recently regarding budget amendments. This item pertains to the debt service paid to Inland Empire Utilities Agency which was previously budgeted for the Phase I aspect of the Recharge Master Plan project. Watermaster provides that money to IEUA and at the end of the year IEUA uses that money to pay our portion of the debt service. This year the amount was originally budgeted at \$360,000 which was the amount that IEUA told Watermaster would be the amount necessary to cover the debt service; however, the invoice was received at \$560,000 also noting a \$45,000 credit, which would then require a budget amendment of \$151,594 for approval. A discussion regarding this item ensued. Mr. Atwater stated this item originated in 2002 and was set up with a variable rate. IEUA staff originally estimated the payment based on estimates of the variable interest rate which is currently at 1.5% and IEUA staff is estimating a rate for the year of 3% which is how the \$500,000+ number came to be. A discussion regarding this matter ensued. Ms. Rojo stated that this debt service payment will be charged to the appropriators based on their percent share of operating safe yield.

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

Moved to approve Budget Amendment, as presented

C. INLAND EMPIRE UTILITIES AGENCY DRY YEAR YIELD REPORT BY IEUA STAFF

Mr. Atwater noted his presentation was given at all three Pool meetings and if the parties agree, he would just answer any questions instead of giving the presentation again. The Pool members agreed. A discussion regarding the DYY Expansion and possible modifications to the Peace II Agreement ensued.

No motion was made regarding this item; it was presented as information only

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Santa Ana River Water Right Final Decision**

Counsel Fife stated the Watermaster application was unanimously approved on September 2, 2008. Counsel Fife noted the Orange County Water District and Western Municipal Water District's applications are still in the process of being reviewed and counsel will monitor the progress of those applications.

Counsel Fife commented on a Tongva American Indian person who is claiming to be the Tongva tribal litigator. This person also commented on our decision and was adamant that the decision was illegal and everything about the process was illegal and he stated a claim to the water rights in the Chino Basin. A great deal of correspondence has taken place between him and counsel, Watermaster staff, and the State Board staff over the last 30 days. This matter will be brought back as things progress with regard to this person and possible litigation.

2. LRP Funding Agreement

Counsel Fife stated this item is part of the agreement with MWD concerning the LRP Funding. There are commitments made to MWD about the expansion of the Dry Year Yield Program and those commitments must be met by September 1, 2009; a process will be gone through to accomplish completion by this date. On page 97 it states that by September 1, 2009 Watermaster needs to have approval of expansion of the DYY Program and Watermaster must waive losses on the MWD Storage Account; both for the original 100,000 acre-feet and this additional expansion. These are conditions which will allow us to hold onto the LRP money.

3. Report on the Issue of Governance

Counsel Fife stated this item came up due to a joint pleading filed by the City of Chino Hills, City of Chino, and Monte Vista Water District about the Special Referee and although Watermaster is not participating in those discussions, one of the issues those parties raised was the issue of governance. The allegation states that Watermaster has failed to fulfill its duties under a prior stipulation. In August, a Watermaster Board conference call took place and MVWD who was on that call asserted to the committee that Watermaster and Watermaster staff had not adequately addressed the governance issue. Counsel and staff's understanding was that at the last Strategic Planning Conference in 2007, the issue of governance was covered and the parties participating at that time felt that the issue had been adequately covered and Watermaster had fulfilled its responsibilities under the stipulations that it entered into and that the matter could be tabled. Due to the issues in the pleadings with the court; and because of the statements made, counsel felt this matter should be put under the Legal Counsel Report and to then make an inquiry of the Advisory Committee as to whether Watermaster has or has not fulfilled its responsibility comment regarding this matter. Ms. Rojo stated staff needs some sort of statement that this committee concurred that the issue has been resolved or that it has not been resolved. Counsel Fife stated at the Appropriative Pool that committee asked that this item be brought back as an action item in October with a detailed staff letter outlining events. A discussion regarding actions taken by each pool ensued.

4. Status of Judge Selection

Counsel Fife stated Chino Basin Watermaster has been assigned a new judge, Judge Wade. That assignment was made on September 15, 2008; notice to the parties was sent out on September 16, 2008. Judge Wade serves at the San Bernardino Court. A discussion regarding this matter ensued.

5. MOU of Water Accounting Procedures in Chino Basin

Counsel Fife stated staff has received a proposed MOU from Metropolitan Water District concerning the accounting procedures regarding the Dry Year Yield account. It is being distributed to all the parties for review and comment. Counsel Fife reviewed page 125 in the meeting packet in detail and asked for the parties to review this and provide comment. This item will be brought back as an action item in October. A discussion regarding this item ensued.

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, July – August 2008

Mr. Wildermuth referenced tables that were extracted items taken from a report that Wildermuth Environmental did for a consortium of agencies. They are recalculations of ambient TDS and total inorganic nitrogen or nitrate in groundwater. The importance to this committee is that this is how the Regional Board keeps track of what the ambient TDS is in the north management zone and part of our compliance obligation with the Max Benefit. Mr. Wildermuth reviewed the two tables in detail. A discussion regarding Mr. Wildermuth report ensued.

C. CEO/STAFF REPORT

1. Legislative Update

Ms. Rojo stated that the State budget has finally passed.

2. Financial Audit Update

Ms. Rojo stated Watermaster recently went through its annual financial statement audit and new auditing regulations will be presented to the today. As a result of new auditing standards that have passed; auditors will have to do a lot more field work. This will require increased communications with those charged with governance. Ms. Rojo discussed governing boards and audit committees. Mr. Rojo noted in an audit committee there needs to be at least one person who understands/has financial knowledge. Those standards did

affect Watermaster this year in that the auditors did a lot of increased internal control testing along with assessing and preparing a documentation of Watermaster's internal control procedures. They not only spoke to the CFO, they also spoke with the CEO, Board members, and Watermaster staff. Ms. Rojo noted staff is expanding our current internal control systems documentation to codify what we are already doing and assist the auditors in their testing. Staff will be exploring the establishment of an audit committee. Staff continuously performs risk assessments to seek ways to improve our process. A discussion regarding the revised audit standards ensued.

3. Recharge Update

Ms. Rojo stated the most recent recharge spreadsheet is available as a handout for review.

4. MWD Groundwater Conjunctive Use Study

Ms. Rojo stated staff has participated with MWD in a groundwater conjunctive use study since December, 2005. MWD has put together member agency representatives, and basin managers to formulate a groundwater assessment study. That committee is looking at formulating a report that would include an assessment of the overall basin management, the existing facilities and operations, historical production, recharge and water levels, water quality, and groundwater storage opportunities in their service area. Ms. Rojo stated that Ben Pak from Watermaster staff has been attending those meetings with Mr. Manning. Mr. Rossi offered comment on what that committee is doing.

5. Report on Anticipated Board Closed Session Items

Ms. Rojo stated there will be a closed Board session held at the Watermaster Board meeting today regarding Hanson Aggregates, Tongva American Indian tribe, and the two airport plumes.

6. Strategic Planning Conference Update

Ms. Rojo stated the Strategic Planning Conference in Lake Arrowhead will be held this weekend.

7. Regional Board Meeting on Max Benefit

Counsel Fife stated this item was reported on by Mr. Manning at the Pool meetings. A series of letters were received a few months ago about our schedule with regard to compliance with Max Benefit. The Regional Board expressed its displeasure at the pace of the development of our achievement of Hydraulic Control; we are about one year behind schedule. In summary, the executive director of the Regional Board did plan to ask the Board to schedule a hearing to consider whether the Max Benefit objectives should be removed from Chino Basin. Mr. Manning and Mr. Atwater attended that board meeting which was held on September 5, 2008 and assured the board that we were in fact moving forward. After discussions at that board meeting, the Regional Board directed Mr. Thibeault to hold off on the item but that if this process was not completed by October then they would schedule a hearing again to consider whether Chino Basin could still have access to the Max Benefit Objectives. Counsel Fife stressed that this is a very important item.

8. November and December Meeting Dates

Ms. Rojo noted as in previous years the Advisory Committee and the Watermaster Board meetings will need to be moved up one week to accommodate Thanksgiving Day and Christmas Day. The committee members agreed to move the meeting up one week in November and December.

D. INLAND EMPIRE UTILITIES AGENCY

1. Drought and MWD IRP/5 Year Supply Plan Update

Mr. Atwater noted there were several written reports on all the IEUA items for review.

2. Water Softener Rebate Program
No comment was made on this item.
3. Final Water Demand and Supply Forecasts for Chino Basin Dry Year Yield Expansion Program CEQA Analysis
No comment was made on this item.
4. Recycled Water Newsletter
No comment was made on this item.
5. Monthly Water Conservation Programs Report
No comment was made on this item.
6. Monthly Imported Water Deliveries Report
No comment was made on this item.
7. State and Federal Legislative Report
No comment was made on this item.
8. Community Outreach/Public Relations Report
No comment was made on this item.

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. Rossi commented on Western Municipal Water District's effort to join the CDA.

IV. INFORMATION

1. Chino Basin Recycled Water Groundwater Recharge Program Quarterly Monitoring Report for April Through June 2008
No comment was made regarding this item.
2. Senator Dianne Feinstein Secures Senate Committee Approval of Key Water Supply Legislation for the Chino Basin
No comment was made regarding this item.
3. Newspaper Articles
No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

No comment was made on this item.

VI. OTHER BUSINESS

No comment was made on this item.

VII. FUTURE MEETINGS

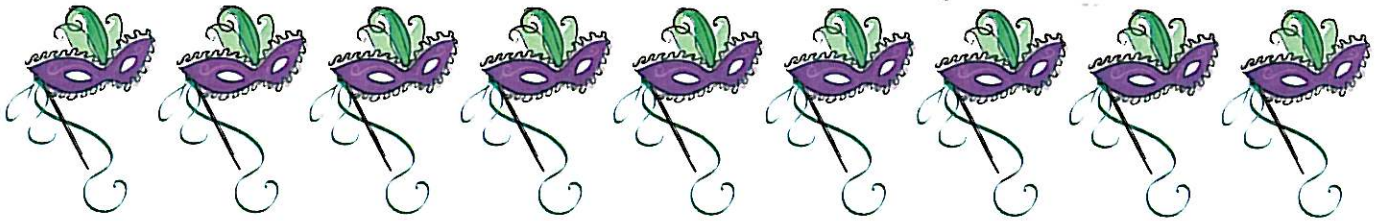
September 25, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
September 25, 2008	9:00 a.m.	Advisory Committee Meeting
September 25, 2008	11:00 a.m.	Watermaster Board Meeting
September 28-30, 2008		Strategic Planning Conference, Lake Arrowhead Resort
October 9, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
October 21, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA
October 23, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
October 23, 2008	9:00 a.m.	Advisory Committee Meeting
October 23, 2008	11:00 a.m.	Watermaster Board Meeting

The Advisory Committee meeting was dismissed by Chair DeLoach at 10:00 a.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting – September 25, 2008



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
September 25, 2008

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on September 25, 2008 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	City of Upland
Bob Kuhn	Three Valleys Municipal Water District
Jim Curatalo	Cucamonga Valley Water District
Jim Bowman	City of Ontario
Charles Field	Western Municipal Water District
Terry Catlin	Inland Empire Utilities Agency
Bob Bowcock	Vulcan Materials Company
Jeff Pierson/Paul Hofer	Agricultural Pool
Geoffrey Vanden Heuvel	Agricultural Pool

Watermaster Staff Present

Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Scott Slater	Brownstein, Hyatt, Farber & Schreck
Michael Fife	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental, Inc.

Others Present

Jennifer Novak	Department of Justice/CIM
Robert DeLoach	Cucamonga Valley Water District
Ken Jeske	City of Ontario
Mohamed El-Amamy	City of Ontario
Marty Zvirbulis	Cucamonga Valley Water District
Rich Atwater	Inland Empire Utilities Agency
Hank Stoy	Visitor
David DeJesus	Three Valleys Municipal Water District
Eldon Horst	Jurupa Community Services District
Ron Craig	RBF Consulting/Chino Hills
Eunice Ulloa	Chino Basin Water Conservation District
Martha Davis	Inland Empire Utilities Agency

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

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting held July 24, 2008
2. Minutes of the Watermaster Board Conference Call held August 8, 2008
3. Minutes of the Watermaster Board Conference Call held August 13 & 14, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of July 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2007 through June 30, 2008
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10. Budget vs. Actual July 2007 through July 2008

C. INTERVENTION

1. Consider Approval for Intervention into the Overlying (Non-Agricultural Pool) – City of Ontario (as an Overlying Non-Agricultural Party)

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

Moved to approve Consent Calendar Items A, B, and C as presented

II. BUSINESS ITEMS

A. SEMI-ANNUAL STATUS REPORT

Ms. Rojo stated this report will be filed with the court. The Semi-Annual Status Report will give the court an update on all the aspects of the basin over a six month period. This report used to be a quarterly report; however, the court requested that it be changed to a semi-annual report. Ms. Rojo stated staff is looking at different ways to change the formatting on the report which will make it easier to read. Staff is seeking approval to receive and file this report. Mr. Catlin noted that he appreciated the history on this item.

Motion by Catlin, second by Willis, and by unanimous vote

Moved to receive and file the Semi-Annual Status Report with the court, as presented

B. BUDGET AMENDMENT

Ms. Rojo stated this item is in conformance with the new policies adopted recently regarding budget amendments. This item pertains to the debt services paid to Inland Empire Utilities Agency which was previously budgeted for the Phase I aspect of the Recharge Master Plan project. Watermaster provides that money to IEUA and at the end of the year IEUA uses that money to pay our portion of the debt service. This year the amount was originally budgeted at \$360,000 which was the amount that IEUA told Watermaster would be the amount necessary to cover the debt service; however, the invoice was received at \$560,000 also noting a \$45,000 credit, which would then require a budget amendment of \$151,594 for approval. A discussion regarding this item ensued. Mr. Atwater stated this item originated in 2002 and was set up with a variable rate. IEUA staff estimated the payment is based on estimates of the variable interest rate which is currently at 1.5% and IEUA staff is estimating, a rate for the year, of 3% which is how the \$500,000+ number came to be. A discussion regarding this matter ensued.

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

Moved to approve Budget Amendment, as presented

C. INLAND EMPIRE UTILITIES AGENCY DRY YEAR YIELD REPORT BY IEUA STAFF

Mr. Atwater gave the Updated Water Demand & Supply Forecasts and Dry Year Yield Status presentation. Mr. Atwater reviewed the updated demand and supply forecasts through the year 2035 in detail along with the forecasted production trends. Mr. Atwater reviewed the implications for groundwater replenishment options which included alternative options to construct new recharge facilities. The current and additional Chino Basin recharge capacities were reviewed for the basins, in-lieu, and ASR wells. The summary of initial and expanded DYY Program "puts" and "takes" per acre-foot was examined. Mr. Atwater reviewed the summary of program participants and facility requirements in detail along with reviewing the "condensed" project work plan and schedule. A discussion regarding Mr. Atwater's presentation and building trends ensued.

No motion was made regarding this item; it was presented as information only

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Santa Ana River Water Right Final Decision**

Counsel Slater stated the Watermaster application was unanimously approved on September 2, 2008. Counsel Fife noted the Orange County Water District and Western Municipal Water District's applications are still in the process of being reviewed and counsel will keep an eye on those. Counsel Slater thanked all the parties for the work put into getting this permit finalized.

2. LRP Funding Agreement

Counsel Slater stated this item begins on page 103 of the meeting packet as part of the agreement with MWD concerning the LRP Funding. There are commitments made to MWD about the expansion of the Dry Year Yield Program and those commitments must be fulfilled by September 1, 2009; a process will be gone through to accomplish completion by this date. On page 103 it states that by September 1, 2009 Watermaster needs to have approval of expansion of the DYY Program and Watermaster must waive losses on the MWD Storage Account; both for the original 100,000 acre-feet and this additional expansion. These are conditions which will allow us to hold onto the LRP money. A discussion regarding milestones ensued.

3. Report on the Issue of Governance

Counsel Slater stated this item is in the Legal Counsel portion of the agenda for clarification. Counsel Slater stated this item came up due to a joint pleading filed by the City of Chino Hills, City of Chino, and Monte Vista Water those discussions District about the Special Referee issue and although Watermaster is not participating in one of the issues those parties raised was the issue of governance. The allegation states that Watermaster has failed to fulfill its duties listed in the original stipulation. In August, a Watermaster Board conference call took place and MVWD who was on that call asserted to the board that Watermaster and Watermaster staff had not adequately addressed the governance issue. Counsel and staff's understanding was that at the last Strategic Planning Conference in 2007, the issue of governance was covered and the parties participating at that time felt that the issue had been adequately covered and Watermaster had fulfilled its responsibilities under the stipulations that it entered into and that the matter could be tabled. Chair Willis suggested that to take a look at governance, we should have somebody outside the Board with experience in governance come in and due a survey they would be able to tell us what the strong points are and points that are not so strong; which would then allow us to make a decision about going further with that process. Counsel Slater stated that this decision is within the province of the Board at any time to indulge in self examination and that is up to the Board members. Counsel Slater stated counsel and staff will follow the direction of the Board members on this matter. Chair Willis stated the Board members need to submit suggestions regarding this matter in writing so that an accurate record can be kept and at

some point in time have another discussion on this. Counsel Slater stated at the Appropriative Pool meeting, the committee asked that this item be brought back as an action item in October with a detailed staff letter outlining events.

4. Status of Judge Selection

Counsel Slater stated Chino Basin Watermaster has been assigned a new judge, Judge Wade. That assignment was made on September 15, 2008; notice to the parties was sent out on September 16, 2008. Judge Wade serves at the San Bernardino Court. Counsel Slater stated if no preemptory challenge is filed by the close of business tomorrow, we will have a judge for all purposes. A hearing is scheduled for October 21, 2008 to consider several various items that have been placed on hold while the judge selection has been taking place over the past few months. Counsel Slater stated in the context of the Conditions Subsequent, is our progress on implementing Hydraulic Control. The 400,000 acre-feet that we can access is dependent on making progress; there are some Max Benefit issues with Regional Board. Part of that issue involves the CDA expansion because the Peace II Agreement contemplates Western Municipal Water District (WMWD) joining CDA and contributing funding for the expansion of the desalters. That effort resulted in the negotiation of the Term Sheet and there will be a closed session today to go over the conceptual approval of picking up the prosecution responsibility for the contamination. This was agreed upon conceptually pending a presentation on budget and strategy which will be discussed in closed session today. If this Board is in agreement counsel will report out of closed session that you have authorized that action and at which point that would bring your responsibility in the context of the CDA effort to admit WMWD as a member; this would then bring this Board's responsibilities to a close. After that is done, counsel would turn to the parties themselves, who are in the process of approving the agreements. Counsel Slater stated all parties are presently poised to act within the October time frame; hopefully prior to October 21st hearing date. Counsel Slater stated it is his understanding that the City of Chino Hills is engaged in a due diligence process and they are reaching to each of the participants in the CDA process and the expansion group. A discussion regarding this matter ensued.

5. MOU of Water Accounting Procedures in Chino Basin

Counsel Slater stated this is an information item only and will be brought back next month as an agenda item.

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, July – August 2008

Mr. Wildermuth stated this item will be on the agenda monthly as an update on the engineering activities. Mr. Wildermuth stated he is currently working with Black & Veatch and the Dodson Group on the Dry Year Yield Expansion tasks. Mr. Wildermuth stated improvements to the groundwater model are being made. In the last two months, the Recharge Master Plan project schedule has been implemented based on the outline which was sent to the court. There has been a lot of work being done in the MZ1 area for repairs and maintenance of equipment. For MZ3 we were successful in getting another AB303 grant to look at specific water quality issues and work has been done in that area. Mr. Wildermuth reviewed the list of tasks performed by Wildermuth staff in July and August. Preparation has begun on the State of the Basin Report. Condition Subsequent Report no. 7 is being worked on and is due at the end of 2008. Mr. Wildermuth stated Wildermuth Environmental no longer supports Data X and that has been replaced by D.A.V.E. which is called Hydro DAVE. Watermaster staff has now has Hydro DAVE installed on their systems and if any of the Watermaster parties want this software installed, arrangements can be made to do so. Mr. Vanden Heuvel inquired into a recent meeting that Mr. Thibeault attended regarding taking Max Benefit away; if that did happen would we then go back to the Basin Plan that was in place prior to Max Benefit? Mr. Wildermuth stated "no" it would fall back to the Anti-Degradation Objectives for Management Zones 1, 2, and 3 that were established in 2004. A lengthy discussion regarding Mr. Vanden Heuvel's comments

ensued. Mr. Vanden Heuvel inquired into the court process for approval of the 400,000 acre-feet that was approved on a go forward basis. Counsel Slater stated the issue was mentioned on the groundwater storage agreement; however, there are other conditions that still exist related to the December order from last year. One of those conditions related to the reconciliation by the end of this year which is an extremely important topic for the parties to begin discussing in the month of October/November if we are to have a resolution to the court by December. A discussion regarding this issue ensued.

C. CEO/STAFF REPORT

1. Legislative Update

Ms. Rojo stated the State budget has finally passed.

2. Financial Audit Update

Ms. Rojo stated Watermaster recently went through its financial audit and this presentation is going to be presented to the Watermaster Board today. As a result of new auditing standards that have passed; there is a requirement that auditors will have to do a lot more work in doing their financial statement audits. This will require increased communications with those charged with governance. Ms. Rojo discussed governing boards and audit committees. Mr. Rojo noted in an audit committee there needs to be at least one person who understands/knows financial knowledge. Those standards did affect Watermaster this year in that the auditors did a lot of increased internal control testing along with assessment and documentation of Watermaster's internal controlled procedures. The auditors did increase risk assessments. They not only spoke to the CEO, they also spoke with the CFO, Board members, and Watermaster staff. Ms. Rojo noted staff is expanding our current internal control systems documentation to codify what we are already doing and assist the auditors in their testing. Staff will be exploring the establishment of an audit committee. Staff will be continuously performing risk assessments to seek ways to improve our process. Watermaster will be looking into forming an audit committee. A discussion regarding the audit committee ensued.

3. Recharge Update

Ms. Rojo stated the most recent recharge spreadsheet is available as a handout on the back table for review.

4. MWD Groundwater Conjunctive Use Study

Ms. Rojo stated staff has participated since December, 2005 MWD has put together member agency representatives, and basin managers to formulate a groundwater assessment study. That committee is looking at formulating a report that would include an assessment of the overall basin management, the existing facilities and operations, historical production, recharge and water levels, water quality, and groundwater storage opportunities in their service area. Ms. Rojo stated that Mr. Pak from Watermaster staff has been attending those meetings with Mr. Manning. Mr. Rossi offered comment on what that committee is doing.

5. Report on Anticipated Board Closed Session Items

Ms. Rojo stated there will be a closed Board session held at the Watermaster Board meeting today regarding Hanson Aggregates, Tongva American Indian tribe, and the two airport plumes.

6. Strategic Planning Conference Update

Ms. Rojo stated the Strategic Planning Conference in Lake Arrowhead will be held this weekend.

7. Regional Board Meeting on Max Benefit

Ms. Rojo stated this item was reported on by Mr. Manning at the Pool meetings. A series of letters were received a few months ago about our schedule with regard to compliance with

Max Benefit. The Regional Board expressed its displeasure at the pace of the development of our achievement of Hydraulic Control; we are about one year behind. In summary of those letters was that the executive director of the Regional Board did plan to ask the Board to schedule a hearing to consider whether the Max Benefit objectives should be removed from Chino Basin. Mr. Manning and Mr. Atwater attended that board meeting which was held on September 5, 2008 and assured the board that we were in fact moving forward. After discussions at that board meeting, that board directed Jerry Thibeault to hold off on the item but that if this process was not completed by October then they would schedule a hearing again to consider whether Chino Basin could still have access to the Max Benefit Objectives.

8. November and December Meeting Dates

Ms. Rojo noted as in previous years the Advisory Committee and the Watermaster Board meetings will need to be moved up one week to accommodate Thanksgiving Day and Christmas Day. The committee members agreed to move the meeting up one week in November and December.

IV. INFORMATION

- 1. Chino Basin Recycled Water Groundwater Recharge Program Quarterly Monitoring Report for April Through June 2008

No comment was made regarding this item.

- 2. Senator Dianne Feinstein Secures Senate Committee Approval of Key Water Supply Legislation for the Chino Basin

No comment was made regarding this item.

- 3. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session will be held during the Watermaster Board meeting for the purpose of discussion and possible action regarding three items:

- 1. Hanson Aggregates Litigation
- 2. Tongva American Indian Possible Litigation
- 3. OIA / Chino Airport Possible Litigation

Counsel Slater stated the Watermaster Board took action to reaffirm its conceptual decision and it will assume its primary responsibility for prosecuting the airport plume contamination.

VIII. FUTURE MEETINGS

September 25, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
September 25, 2008	9:00 a.m.	Advisory Committee Meeting
September 25, 2008	11:00 a.m.	Watermaster Board Meeting
September 28-30, 2008		Strategic Planning Conference, Lake Arrowhead Resort
October 9, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
October 21, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA

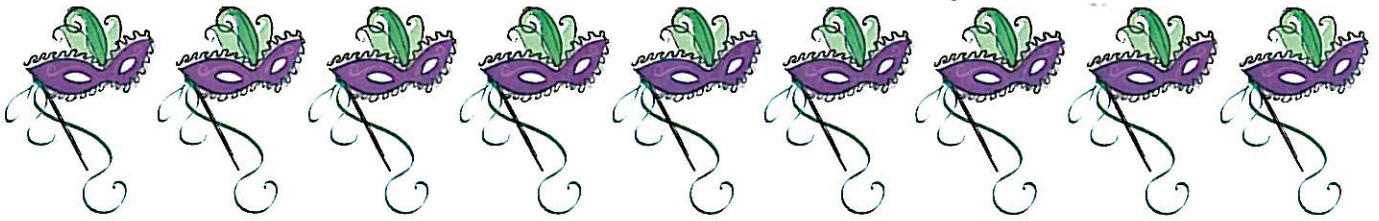
October 23, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
October 23, 2008	9:00 a.m.	Advisory Committee Meeting
October 23, 2008	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board meeting was dismissed by Chair Willis at 1:46 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 September 2008
2. Watermaster Visa Check Detail
3. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2008 through August 31, 2008
4. Treasurer's Report of Financial Affairs for the Period July 1, 2008 through August 31, 2008
5. Profit & Loss Budget vs. Actual July 2008 through August 2008





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: October 9, 2008
October 21, 2008
October 23, 2008

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report

SUMMARY

Issue – Record of cash disbursements for the month of September 2008.

Recommendation – Staff recommends the Cash Disbursements for September 2008 be received and filed as presented.

Fiscal Impact – Funds disbursed were included in the FY 2008-09 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 2008 were \$404,223.89. The most significant expenditures during the month were the Wildermuth Environmental Inc. in the amount of 162,632.29, Brownstein, Hyatt, Farber & Schreck in the amount of \$68,702.81, and Reid & Hellyer in the amount of \$13,455.19,

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
September 2008

Type	Date	Num	Name	Amount
Sep 08				
Bill Pmt -Check	9/2/2008	12611	APPLIED COMPUTER TECHNOLOGIES	-3,092.10
Bill Pmt -Check	9/2/2008	12612	ARROWHEAD MOUNTAIN SPRING WATER	-41.17
Bill Pmt -Check	9/2/2008	12613	BOWCOCK, ROBERT	-750.00
Bill Pmt -Check	9/2/2008	12614	BOWMAN, JIM	-500.00
Bill Pmt -Check	9/2/2008	12615	DCSE	-5,048.33
Bill Pmt -Check	9/2/2008	12616	DIRECTV	-76.98
Bill Pmt -Check	9/2/2008	12617	KONICA MINOLTA BUSINESS SOLUTIONS	-745.76
Bill Pmt -Check	9/2/2008	12618	KUHN, BOB	-375.00
Bill Pmt -Check	9/2/2008	12619	NIGRO NIGRO & WHITE, PC	-550.50
Bill Pmt -Check	9/2/2008	12620	OFFICE DEPOT	-574.14
Bill Pmt -Check	9/2/2008	12621	PARK PLACE COMPUTER SOLUTIONS, I...	-6,150.00
Bill Pmt -Check	9/2/2008	12622	PUBLIC EMPLOYEES' RETIREMENT SYS...	-5,903.50
Bill Pmt -Check	9/2/2008	12623	PURCHASE POWER	-39.99
Bill Pmt -Check	9/2/2008	12624	STANDARD INSURANCE CO.	-575.76
Bill Pmt -Check	9/2/2008	12625	STATE COMPENSATION INSURANCE FU...	-1,114.33
Bill Pmt -Check	9/2/2008	12626	TLC STAFFING	-464.00
Bill Pmt -Check	9/2/2008	12627	VANDEN HEUVEL, GEOFFREY	-250.00
Bill Pmt -Check	9/2/2008	12628	W.C. DISCOUNT MOBILE AUTO DETAILI...	-75.00
Bill Pmt -Check	9/2/2008	12629	WILLIS, KENNETH	-1,000.00
Bill Pmt -Check	9/2/2008	12630	PUBLIC EMPLOYEES' RETIREMENT SYS...	-5,734.20
Bill Pmt -Check	9/2/2008	12631	CITISTREET	-2,595.66
Bill Pmt -Check	9/2/2008	12632	CITISTREET	-1,300.00
Bill Pmt -Check	9/2/2008	12633	JAMES JOHNSTON	-855.00
General Journal	9/6/2008	08/09/04	PAYROLL	-7,300.97
General Journal	9/6/2008	08/09/04	PAYROLL	-25,135.03
Bill Pmt -Check	9/17/2008	12634	ACWA SERVICES CORPORATION	-222.91
Bill Pmt -Check	9/17/2008	12635	AUTOMOBILE CLUB OF SOUTHERN CAL...	-47.00
Bill Pmt -Check	9/17/2008	12636	BANC OF AMERICA LEASING	-4,117.72
Bill Pmt -Check	9/17/2008	12637	BANK OF AMERICA	-2,334.31
Bill Pmt -Check	9/17/2008	12638	BROWNSTEIN HYATT FARBER SCHRECK	-68,702.81
Bill Pmt -Check	9/17/2008	12639	CAROLLO ENGINEERS	-4,860.00
Bill Pmt -Check	9/17/2008	12640	CUCAMONGA VALLEY WATER DISTRICT	-5,495.00
Bill Pmt -Check	9/17/2008	12641	FIRST AMERICAN REAL ESTATE SOLUTI...	-125.00
Bill Pmt -Check	9/17/2008	12642	HSBC BUSINESS SOLUTIONS	-534.79
Bill Pmt -Check	9/17/2008	12643	INLAND EMPIRE UTILITIES AGENCY	-250.50
Bill Pmt -Check	9/17/2008	12644	LAKE ARROWHEAD RESORT	-3,000.00
Bill Pmt -Check	9/17/2008	12645	MCI	-1,169.95
Bill Pmt -Check	9/17/2008	12646	OFFICE DEPOT	-737.33
Bill Pmt -Check	9/17/2008	12647	PAYCHEX	-202.70
Bill Pmt -Check	9/17/2008	12648	POWERS ELECTRIC PRODUCTS CO.	-9.11
Bill Pmt -Check	9/17/2008	12649	PREMIERE GLOBAL SERVICES	-1,212.67
Bill Pmt -Check	9/17/2008	12650	PRINTING RESOURCES	-42.88
Bill Pmt -Check	9/17/2008	12651	PUMP CHECK	-190.00
Bill Pmt -Check	9/17/2008	12652	REID & HELLYER	-13,455.19
Bill Pmt -Check	9/17/2008	12653	RICOH BUSINESS SYSTEMS-Lease	-888.94
Bill Pmt -Check	9/17/2008	12654	SAFEGUARD DENTAL & VISION	-57.68
Bill Pmt -Check	9/17/2008	12655	SAFETY CLEAN JANITORIAL SERVICES	-678.20
Bill Pmt -Check	9/17/2008	12656	STAULA, MARY L	-136.61
Bill Pmt -Check	9/17/2008	12657	THE STANDARD INSURANCE COMPANY	-156.56
Bill Pmt -Check	9/17/2008	12658	TLC STAFFING	-1,448.00
Bill Pmt -Check	9/17/2008	12659	UNION 76	-299.65
Bill Pmt -Check	9/17/2008	12660	UNITED PARCEL SERVICE	-592.32
Bill Pmt -Check	9/17/2008	12661	USA-FACT INC	-362.40
Bill Pmt -Check	9/17/2008	12662	VERIZON	-463.70
Bill Pmt -Check	9/17/2008	12663	VERIZON WIRELESS	-539.87
Bill Pmt -Check	9/17/2008	12664	VISION SERVICE PLAN	-78.24
Bill Pmt -Check	9/17/2008	12665	W.C. DISCOUNT MOBILE AUTO DETAILI...	-75.00
Bill Pmt -Check	9/17/2008	12666	WESTERN DENTAL SERVICES, INC.	-26.50
Bill Pmt -Check	9/17/2008	12667	YUKON DISPOSAL SERVICE	-142.88
General Journal	9/20/2008	08/09/07	PAYROLL	-7,781.60
General Journal	9/20/2008	08/09/07	PAYROLL	-26,842.79
Bill Pmt -Check	9/25/2008	12669	WILDERMUTH ENVIRONMENTAL INC	-162,632.29
Bill Pmt -Check	9/25/2008	12670	CA-NV-AWWA	-500.00
Bill Pmt -Check	9/25/2008	12671	CALPERS	-3,906.43
Bill Pmt -Check	9/25/2008	12672	COMPUTER NETWORK	-161.63
Bill Pmt -Check	9/25/2008	12673	ESRI	-1,061.65
Bill Pmt -Check	9/25/2008	12674	INLAND EMPIRE UTILITIES AGENCY	-250.50
Bill Pmt -Check	9/25/2008	12675	NORDBAK'S PROMOTIONAL PRODUCTS	-632.66

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
September 2008

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
Bill Pmt -Check	9/25/2008	12676	OFFICE DEPOT	-395.92
Bill Pmt -Check	9/25/2008	12677	PITNEY BOWES CREDIT CORPORATION	-39.64
Bill Pmt -Check	9/25/2008	12678	PRE-PAID LEGAL SERVICES, INC.	-103.60
Bill Pmt -Check	9/25/2008	12679	STANDARD INSURANCE CO.	-575.76
Bill Pmt -Check	9/25/2008	12680	STATE COMPENSATION INSURANCE FU...	-726.76
Bill Pmt -Check	9/25/2008	12681	TLC STAFFING	-480.00
Bill Pmt -Check	9/25/2008	12682	W.C. DISCOUNT MOBILE AUTO DETAILI...	-50.00
Bill Pmt -Check	9/25/2008	12683	WHEELER METER MAINTENANCE	-600.00
Bill Pmt -Check	9/25/2008	12684	INLAND EMPIRE UTILITIES AGENCY	-3,338.81
Bill Pmt -Check	9/25/2008	12685	LAKE ARROWHEAD RESORT	-11,040.01
Bill Pmt -Check	9/25/2008	12686	STATE OF CA - DEPT OF CONSUMER A...	-200.00
Sep 08				<u>-404,223.89</u>

5:15 PM
10/02/08

CHINO BASIN WATERMASTER
Check Detail
September 2008

Type	Num	Date	Name	Account	Paid Amount
Bill Pmt -C...	12637	9/17/2008	BANK OF AMERICA	1012 · Bank of America Gen'l Ckg	
Bill	4024...	8/31/2008		6909.1 · OBMP Meetings	-258.22
				6022 · Telephone	-58.16
				6191 · Conferences	-1,871.71
				6054 · Computer Software	-146.22
TOTAL					-2,334.31

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CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2008 THROUGH AUGUST 31, 2008

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL APPROPRIATIVE	POOL AGRICULTURAL	POOL NON-AGRIC.	GROUNDWATER REPLENISHMENT	GROUNDWATER OPERATIONS	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2008-2009
Administrative Revenues										
Administrative Assessments										\$7,841,054
Interest Revenue			1,798						1,798	174,368
Mutual Agency Project Revenue										148,410
Grant Income										0
Miscellaneous Income										0
Total Revenues			1,798						1,798	8,163,832
Administrative & Project Expenditures										
Watermaster Administration	117,275								117,275	619,960
Watermaster Board-Advisory Committee	10,015								10,015	61,201
Pool Administration			2,484	22,727	399				25,610	166,523
Optimum Basin Mgmt Administration		197,642							197,642	1,913,484
OBMP Project Costs		1,178,552		13,474					1,192,026	5,392,289
Education Funds Use										375
Mutual Agency Project Costs										10,000
Total Administrative/OBMP Expenses	127,290	1,376,194	2,484	36,201	399				1,542,568	8,163,832
Net Administrative/OBMP Income	(127,290)	(1,376,194)								
Allocate Net Admin Income To Pools	127,290		97,107	27,683	2,501					
Allocate Net OBMP Income To Pools		1,376,194	1,049,866	299,292	27,036					
Agricultural Expense Transfer			363,175	(363,175)						
Total Expenses	1,512,632				29,936				1,542,568	8,163,832
Net Administrative Income	(1,510,834)				(29,936)				(1,540,770)	
Other Income/(Expense)										0
Replenishment Water Assessments										0
MZ1 Supplemental Water Assessments										0
Water Purchases										0
Balance Adjustment										0
Groundwater Replenishment										0
Net Other Income										0
Net Transfers To/(From) Reserves			(1,510,834)		(29,936)				(1,540,770)	

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
AUGUST 1 THROUGH AUGUST 31, 2008**

DEPOSITORIES:		
Cash on Hand - Petty Cash	\$	500
Bank of America		
Governmental Checking-Demand Deposits	\$	269,769
Zero Balance Account - Payroll		-
Local Agency Investment Fund - Sacramento		<u>4,490,455</u>
TOTAL CASH IN BANKS AND ON HAND	\$	4,760,724
TOTAL CASH IN BANKS AND ON HAND		<u>5,735,251</u>
PERIOD INCREASE (DECREASE)	\$	<u>(974,527)</u>

8/31/2008
7/31/2008

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets: Accounts Receivable	\$	-
Assessments Receivable		37,894
Prepaid Expenses, Deposits & Other Current Assets		(847)
(Decrease)/Increase in Liabilities: Accounts Payable		(36,597)
Accrued Payroll, Payroll Taxes & Other Current Liabilities		-
Transfer to/(from) Reserves		<u>(974,977)</u>
PERIOD INCREASE (DECREASE)	\$	<u>(974,527)</u>

	Petty Cash	Gov'tl Checking Demand	Zero Balance Account		Local Agency Investment Funds	Totals
			Payroll	Investment Funds		
\$	500	194,296	\$	-	\$	5,735,251
Deposits	-	44,921		-		44,921
Transfers	-	980,855		69,145	(1,050,000)	-
Withdrawals/Checks	-	(950,303)		(69,145)		(1,019,448)
Balances as of 8/31/2008	\$	269,769	\$	-	\$	4,490,455
PERIOD INCREASE OR (DECREASE)	\$	-	\$	-	\$	<u>(974,527)</u>

SUMMARY OF FINANCIAL TRANSACTIONS:

Balances as of 7/31/2008	\$	5,735,251
Deposits		44,921
Transfers		(1,050,000)
Withdrawals/Checks		(1,019,448)
Balances as of 8/31/2008	\$	4,760,724
PERIOD INCREASE OR (DECREASE)	\$	<u>(974,527)</u>

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
AUGUST 1 THROUGH AUGUST 31, 2008**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
8/4/2008	Withdrawal	L.A.I.F.	\$ (500,000)				
8/26/2008	Withdrawal	L.A.I.F.	\$ (550,000)				
TOTAL INVESTMENT TRANSACTIONS			\$ (1,050,000)				

* The earnings rate for L.A.I.F. is a daily variable rate; 3.11% was the effective yield rate at the Quarter ended June 30, 2008.

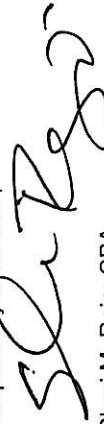
**INVESTMENT STATUS
August 31, 2008**

Financial Institution	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$ 4,490,455			
TOTAL INVESTMENTS	\$ 4,490,455			

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

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

Respectfully submitted,



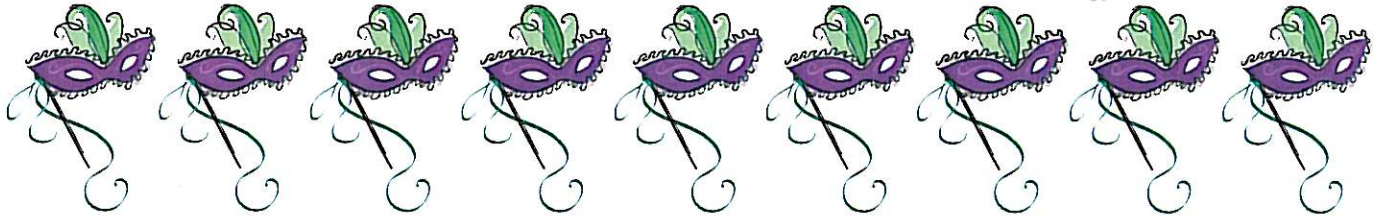
Sheri M. Rojo, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through August 2008

	<u>Jul - Aug 08</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	0	148,410	-148,410	0.0%
4110 · Admin Asmnts-Approp Pool	0	7,708,817	-7,708,817	0.0%
4120 · Admin Asmnts-Non-Agri Pool	0	132,237	-132,237	0.0%
4700 · Non Operating Revenues	1,798	174,368	-172,570	1.03%
Total Income	1,798	8,163,832	-8,162,034	0.02%
Gross Profit	1,798	8,163,832	-8,162,034	0.02%
Expense				
6010 · Salary Costs	92,971	484,302	-391,331	19.2%
6020 · Office Building Expense	10,038	102,000	-91,962	9.84%
6030 · Office Supplies & Equip.	4,668	46,500	-41,832	10.04%
6040 · Postage & Printing Costs	12,191	87,380	-75,189	13.95%
6050 · Information Services	26,986	144,000	-117,014	18.74%
6060 · Contract Services	11,876	98,000	-86,125	12.12%
6080 · Insurance	15,706	17,730	-2,024	88.58%
6110 · Dues and Subscriptions	46	16,750	-16,704	0.28%
6140 · WM Admin Expenses	350	4,000	-3,650	8.76%
6150 · Field Supplies	633	2,500	-1,867	25.31%
6170 · Travel & Transportation	4,349	39,200	-34,851	11.1%
6190 · Conferences & Seminars	-380	26,500	-26,880	-1.44%
6200 · Advisory Comm - WM Board	2,012	19,181	-17,169	10.49%
6300 · Watermaster Board Expenses	8,003	42,020	-34,017	19.05%
8300 · Appr PI-WM & Pool Admin	2,484	24,008	-21,524	10.35%
8400 · Agri Pool-WM & Pool Admin	2,039	24,820	-22,781	8.21%
8467 · Ag Legal & Technical Services	20,688	98,000	-77,312	21.11%
8470 · Ag Meeting Attend -Special	0	12,000	-12,000	0.0%
8500 · Non-Ag PI-WM & Pool Admin	399	7,695	-7,296	5.19%
6500 · Education Funds Use Expens	209	375	-166	55.81%
9500 · Allocated G&A Expenditures	-62,368	-448,902	386,534	13.89%
	152,901	848,059	-695,158	18.03%
6900 · Optimum Basin Mgmt Plan	179,126	1,775,525	-1,596,399	10.09%
6950 · Mutual Agency Projects	0	10,000	-10,000	0.0%
9501 · G&A Expenses Allocated-OBMP	18,516	137,959	-119,443	13.42%
	197,642	1,923,484	-1,725,842	10.28%
7101 · Production Monitoring	23,885	107,515	-83,630	22.22%
7102 · In-line Meter Installation	2,188	87,931	-85,743	2.49%
7103 · Grdwtr Quality Monitoring	27,938	210,458	-182,520	13.28%
7104 · Gdwtr Level Monitoring	43,606	342,538	-298,932	12.73%
7105 · Sur Wtr Qual Monitoring	255	46,717	-46,462	0.55%

CHINO BASIN WATERMASTER
 Profit & Loss Budget vs. Actual
 July through August 2008

	<u>Jul - Aug 08</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7107 · Ground Level Monitoring	39,437	651,468	-612,031	6.05%
7108 · Hydraulic Control Monitoring	90,107	743,476	-653,369	12.12%
7200 · PE2- Comp Recharge Pgm	208,440	1,115,883	-907,443	18.68%
7300 · PE3&5-Water Supply/Desalte	31,659	148,477	-116,818	21.32%
7400 · PE4- Mgmt Plan	17,587	217,371	-199,784	8.09%
7500 · PE6&7-CoopEfforts/SaltMgmt	10,933	216,307	-205,374	5.06%
7600 · PE8&9-StorageMgmt/Conj Use	140,246	76,909	63,337	182.35%
7690 · Recharge Improvement Debt Pymt	511,894	1,110,000	-598,106	46.12%
7700 · Inactive Well Protection Prgm	0	6,296	-6,296	0.0%
9502 · G&A Expenses Allocated-Projects	43,852	310,943	-267,091	14.1%
	<u>1,192,026</u>	<u>5,392,289</u>	<u>-4,200,263</u>	<u>22.11%</u>
 Total Expense	 <u>1,542,569</u>	 <u>8,163,832</u>	 <u>-6,621,263</u>	 <u>18.9%</u>
 Net Ordinary Income	 -1,540,771		 -1,540,771	 100.0%
 Other Income/Expense				
Other Expense				
9999 · To/(From) Reserves	<u>-1,540,771</u>			
Total Other Expense	<u>-1,540,771</u>			
 Net Other Income	 <u>1,540,771</u>			
 Net Income	 <u><u> </u></u>	 <u><u> </u></u>	 <u><u> </u></u>	 <u><u> </u></u>



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

D. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust annual production right in the amount of 8.185 acre-feet
2. **Consider Approval for Notice of Sale or Transfer** – Cucamonga Valley Water District is purchasing 2,500 acre-feet of water from Marygold Mutual Water Company
3. **Consider Approval for Notice of Sale or Transfer** – The City of Ontario (as an Overlying Non-Agricultural Party) is purchasing- from Sunkist Growers, Inc. all of the amount of Sunkist's water in storage as of June 30, 2008. In addition, Sunkist's annual safe yield production rights in the amount of 1,851.402 acre-feet will be permanently transferred to the City of Ontario (as an Overlying Non-Agricultural Party)



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

May 16, 2008

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **April 30, 2008**

Date of this notice: **May 16, 2008**

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

- A. Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 8.185 acre-feet.

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

Appropriative Pool:	June 12, 2008
Non-Agricultural Pool:	June 12, 2008
Agricultural Pool:	June 17, 2008

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

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

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

Watermaster address:

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

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: May 16, 2008

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

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CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: (909) 484.3888 Fax: (909) 484-3890 www.cbwm.org

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: May 16, 2008
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary –

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

Issue –

- Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 8.185 acre-feet.

Recommendation –

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

Fiscal Impact –

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

Background

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

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

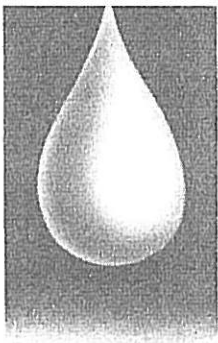
The following application for water transaction is attached with the notice of application.

- Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 8.185 acre-feet..

Notice of the water transaction identified above was mailed on May 16, 2008 along with the materials submitted by the requestors.

DISCUSSION

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



FONTANA WATER COMPANY

A DIVISION OF SAN GABRIEL VALLEY WATER COMPANY

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



April 30, 2008

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

Subject: Purchase of Annual Production Right
Chino Basin-Fiscal Year 2007/2008

Dear Mr. Manning:

Please take notice that Fontana Water Company ("Company") has agreed to purchase from The Nicholson Trust annual production right in the amount of 8.185 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2007/2008.

Enclosed is a fully executed Chino Basin Watermaster Form No. 5, along with the company's Recapture Plan for consideration by Watermaster. Please agendize this proposed transfer at the earliest possible opportunity.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael J. McGraw".

Michael J. McGraw
General Manager

MJM:yn
Enclosures

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APPLICATION TO TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2007 - 2008

Commencing on July 1, 2007 and terminating on June 30, 2008, The Nicholson Trust ("Transferor") hereby transfers to Fontana Water Company ("Transferee") the quantity of 8.185 acre-feet of corresponding Annual Production Right (Appropriative Pool) or Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

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

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

WATER QUALITY AND WATER LEVELS

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

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

MATERIAL PHYSICAL INJURY?

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

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

N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Robert H. Nicholson, Jr., Trustee
The Nicholson Trust
Robert H. Nicholson, Jr., Trustee

Michael J. McGraw
Michael J. McGraw, General Manager
Fontana Water Company

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

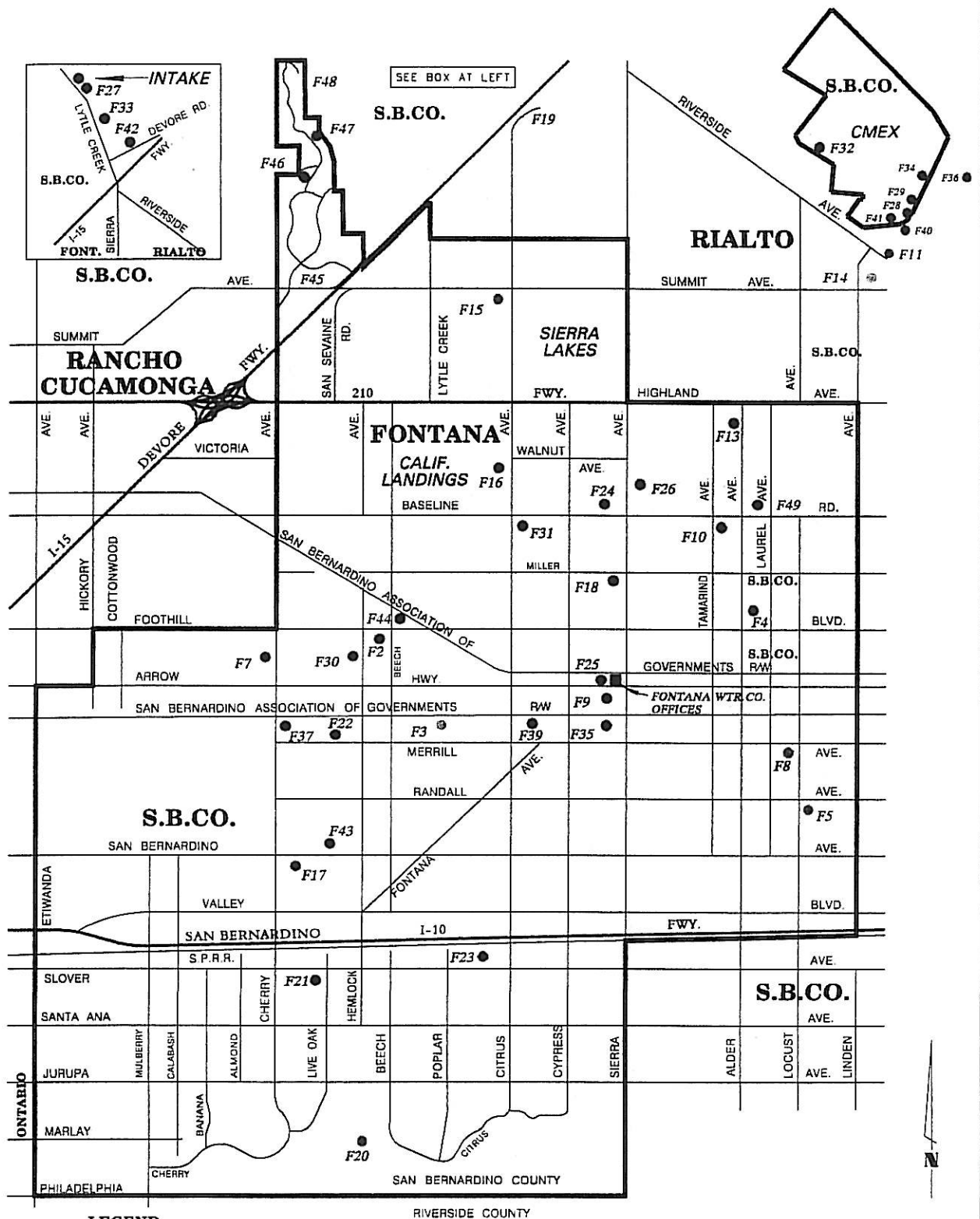
DATE OF BOARD APPROVAL: _____ Agreement # _____

FONTANA WATER COMPANY
Recapture Plan

The subject water is a transfer of annual production right from The Nicholson Trust to Fontana Water Company (FWC) of 8.185 acre-feet to satisfy a portion of FWC's replenishment obligation for FY 2007/2008. Recapture of the stored water is accomplished by the production of any or all of the 15 wells owned and operated by FWC within Management Zone 3 of the Chino Groundwater Basin. The approximate daily production capacity of these wells is as follows:

<u>Well</u>	-	<u>Production</u> <u>Acre-Feet/Day</u>
F23A	-	10.6
F21A	-	5.7
F7A	-	11.0
F7B		10.2
F22A	-	8.2
F24A	-	8.4
F26A	-	8.6
F31A	-	7.3
F2A	-	10.6
F30A	-	5.1
F44A	-	11.0
F44B	-	10.6
F44C	-	10.6
F17B	-	5.7
F17C	-	7.1
Daily Total		<u>126.2</u>

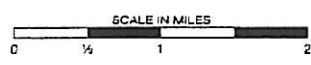
The attached map shows the location of these wells within FWC's service area. Prior to 1992, water produced from the majority of these wells was pumped within Management Zone 3 by Fontana Union Water Company with safe yield rights in the Chino Groundwater Basin. However, as a result of a bankruptcy settlement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



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

FONTANA WATER COMPANY

SYSTEM NO. 3610041



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

September 4, 2008

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **August 13, 2008**

Date of this notice: **September 4, 2008**

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

- A. Notice of Sale or Transfer – Cucamonga Valley Water District (CVWD) is purchasing 2,500 acre-feet of water from Marygold Mutual Water Company,

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

Appropriative Pool: September 11, 2008

Non-Agricultural Pool: September 11, 2008

Agricultural Pool: September 16, 2008

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

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

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

Watermaster address:

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

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: September 4, 2008

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

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CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: (909) 484.3888 Fax: (909) 484-3890 www.cbwm.org

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: September 4, 2008
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary –

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

Issue –

- **Notice of Sale or Transfer –** Cucamonga Valley Water District (CVWD) is purchasing 2,500 acre-feet of water from Marygold Mutual Water Company.

Recommendation –

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

Fiscal Impact –

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

Background

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

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

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

- Cucamonga Valley Water District (CVWD) is purchasing 2,500 acre-feet of water from Marygold Mutual Water Company.

Notice of the water transaction identified above was mailed on September 4, 2008 along with the materials submitted by the requestors.

DISCUSSION

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

Robert A. DeLoach
General Manager
Chief Executive Officer

August 13, 2008

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

**Re: Water transfer from Marygold Mutual Water Company to Cucamonga Valley
Water District**

Dear Mr. Manning:

This letter is to notify Watermaster that Cucamonga Valley Water District (CVWD) is purchasing 2,500 acre-feet of water from Marygold Water Company (SAWCO). This purchase is made from Marygold's water in storage. Please place this water into CVWD's Excess Carryover Account.

Executed copies of Forms 3 and 4 (Application for Sale or Transfer of Right to Produce Water from Storage and Application or Amendment to Application to Recapture Water in Storage) are attached. If you have any question or need additional information please call me.

Yours truly,



Martin E. Zvirbulis
Deputy General Manager

Attachment: Form 5 (Application to Transfer Annual Production Right or Safe Yield)

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

TRANSFER FROM LOCAL STORAGE AGREEMENT # _____

Marygold Mutual Water Company
Name of Party

July 23, 2008
Date Requested _____
Date Approved

9715 Alder Avenue
Street Address

2.500 Acre-feet _____ Acre-feet
Amount Requested Amount Approved

Fontana CA 92335
City State Zip Code

Telephone: (909) 877-0516 Facsimile: _____

Justin Buehler
Applicant: Marygold Mutual Water Company

TRANSFER TO:

Cucamonga Valley Water District

Attach Recapture Form 4

Name of Party
10440 Ashford Street
Street Address

Rancho Cucamonga CA 91730
City State Zip Code

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

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

WATER QUALITY AND WATER LEVELS

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

Static water levels vary from 462' to 583'. Of the wells routinely pumped, nitrate levels vary from 4 mg/l to 35 mg/l.

MATERIAL PHYSICAL INJURY

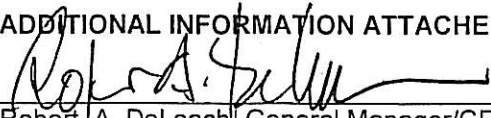
Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin
that may be caused by the action covered by the application? Yes [] No [X]

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

N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]


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

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION OR AMENDMENT TO APPLICATION
TO
RECAPTURE WATER IN STORAGE

APPLICANT

Cucamonga Valley Water District
Name of Party

July 23, 2008
Date Requested

Date Approved

10440 Ashford Street
Street Address

2,500 Acre-feet
Amount Requested

Acre-feet
Amount Approved

Rancho Cucamonga CA 91730
City State Zip Code

Varies
Projected Rate of
Recapture

July 1, 2008–June 30, 2009
Projected Duration of
Recapture

Telephone: (909) 987-2591

Facsimile: (909) 476-8032

IS THIS AN AMENDMENT TO A PREVIOUSLY APPROVED APPLICATION? YES NO

IF YES, ATTACH APPLICATION TO BE AMENDED

IDENTITY OF PERSON THAT STORED THE WATER: Marygold Mutual Water Company

PURPOSE OF RECAPTURE

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

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

N/A

PLACE OF USE OF WATER TO BE RECAPTURED

Within Cucamonga Valley Water District's service area (see attached map), Management Zone 2.

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

N/A

WATER QUALITY AND WATER LEVELS

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

Static water levels vary from 462' to 583'. Of the wells routinely pumped, nitrate levels vary from 4 mg/l to 35 mg/l.

MATERIAL PHYSICAL INJURY

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

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

N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]


Applicant

TO BE COMPLETED BY WATERMASTER

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

September 4, 2008

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **August 19, 2008**

Date of this notice: **September 4, 2008**

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

- A. Notice of Sale or Transfer – On August 19, 2008, Watermaster received Forms 3, 4, and 5 water transfer applications, with Sunkist Growers, Inc. as Transferor and the City of Ontario (as Overlying Non-Agricultural party) as Transferee in the amount of all of Sunkist's water in storage as of June 30, 2008, and a permanent transfer of its share of safe yield. Simultaneous with these applications, Watermaster received a request for Intervention into the Overlying Non-Agricultural) Pool from the City of Ontario.

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

Appropriative Pool: September 11, 2008

Non-Agricultural Pool: September 11, 2008

Agricultural Pool: September 16, 2008

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

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

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

Watermaster address:

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

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: September 4, 2008

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

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CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: (909) 484.3888 Fax: (909) 484-3890 www.cbwm.org

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: September 4, 2008
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

SUMMARY

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

Issue -

Notice of Sale or Transfer – On August 19, 2008, Watermaster received Forms 3, 4, and 5 water transfer Applications, with Sunkist Growers, Inc. as Transferor and the City of Ontario (as Overlying Non-Agricultural party) as Transferee in the amount of all of Sunkist's water in storage as of June 30, 2008, and a permanent transfer of its share of safe yield. Simultaneous with these applications, Watermaster received a request for Intervention into the Overlying (Non-Agricultural) Pool from the City of Ontario. This Staff Report provides a summary and analysis of the proposed transfer.

Recommendation –

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

Fiscal Impact –

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

BACKGROUND

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

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

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

- Notice of Sale or Transfer – On August 19, 2008, Watermaster received Forms 3, 4, and 5 water transfer Applications, with Sunkist Growers, Inc. as Transferor and the City of Ontario (as Overlying Non-Agricultural party) as Transferee in the amount of all of Sunkist's water in storage as of June 30, 2008, and a permanent transfer of its share of safe yield. Simultaneous with these applications, Watermaster received a request for Intervention into the Overlying (Non-Agricultural) Pool from the City of Ontario. This Staff Report provides a summary and analysis of the proposed transfer.

Notice of the water transaction identified above was mailed on September 4, 2008 along with the materials submitted by the requestors.

DISCUSSION

Under Exhibit G, paragraph 6, of the Judgment: "Rights herein decreed are appurtenant to that land and are only assignable with the land for overlying use thereon; provided however, . . . (b) the members of the Pool shall have the right to Transfer or lease their quantified production rights within the Pool or to Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000 for the term of the Peace Agreement." The Peace Agreement and Peace II Agreement thus modified the strict appurtenancy requirement to allow Transfers of the water rights under certain conditions.

In the 1978 Judgment, Sunkist Growers, Inc. was adjudicated rights of 1,873.403 acre-feet within the Overlying (Non-Agricultural) Pool. In 2006, Sunkist Growers, Inc. sold a portion (i.e., 15 acres) of its real property to Koll, and in 2008 permanently transferred 22.000 AFY of its adjudicated rights to Koll for use on the Koll Property. After the Koll transfer, Sunkist's remaining adjudicated right is 1,851.402 AFY. Sunkist is currently in escrow to sell the Sunkist plant property to the City of Ontario (11.1 acres consisting of parcel numbers 20108, 20207, 20206, and 104923221), with the exception of Sunkist's tank farm (parcel number 104922101), which will be retained by Sunkist.

Sunkist and the City of Ontario have submitted Form 3 (Application for Sale or Transfer of Right to Produce Water from Storage), Form 4 (Application or Amendment to Application to Recapture Water in Storage), and Form 5 (Application to Transfer Annual Production Right or Safe Yield). The Applications indicate that the amount of water rights to be permanently transferred is 1,851.402 acre-feet. In addition, Sunkist is transferring to the City (as an Overlying Non-Agricultural party) all of its water in storage as of June 30, 2008. According to the City of Ontario's request for Intervention, the groundwater extracted will be solely utilized for uses authorized in the Judgment including providing water service to properties in Ontario, which have been sold or still are retained by Sunkist.

Water transactions occur each year and are included as production by the respective entity (if produced) in any relevant analyses conducted by Wildermuth Environmental pursuant to the Peace Agreement and the Rules & Regulations. As part of the OBMP Implementation Plan, continued measurement of water levels and the installation of additional extensometers are planned. The Applications indicate that the Applicant is not aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the transfer. Wildermuth Environmental, Inc. performed a Material Physical Injury analysis (attached). Watermaster agrees that under the Transfer as proposed in the Applications, there will be no change that will result in Material Physical Injury.



August 19, 2008

Charles L. Woltmann
Senior Vice President
Law and General Counsel

Sunkist Growers
14130 Riverside Drive
Sherman Oaks, CA 91423-2313
Tel: (818) 379-7532
Fax: (818) 379-7381
cwoltmann@sunkistgrowers.com

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

Re. Permanent Transfer of Safe Yield and Water in Storage

Dear Mr. Manning:

This is to notify the Watermaster that Sunkist Growers, Inc. ("Transferor") is hereby requesting the permanent transfer to the City of Ontario ("Transferee") all of its groundwater in storage and all of its remaining groundwater production rights (Safe Yield, net of the 22AF annual rights previously transferred to KCO, Inc.), adjudicated to Transferor or its predecessor-in-interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al." RCV 51010 (formerly Case No. SCV 164327).

Executed original Watermaster forms and all supporting documentation shall be provided under separate cover. Please put the proposed purchase on the agenda for the next Watermaster meetings.

Sincerely,

Charles L. Woltmann
Sr. Vice President Law and
General Counsel

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PUBLIC WORKS AND
COMMUNITY SERVICES AGENCY

PAUL S. LEON
MAYOR

JASON ANDERSON
MAYOR PRO TEM

ALAN D. WAPNER
SHEILA MAUTZ
JIM W. BOWMAN
COUNCIL MEMBERS

August 19, 2008

GREGORY C. DEVEREAUX
CITY MANAGER

MARY E. WIRTES, MMC
CITY CLERK

JAMES R. MILHISER
TREASURER

KENNETH L. JESKE
PUBLIC WORKS / COMMUNITY
SERVICES DIRECTOR

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

Re: Request to Intervene in *Chino Basin Municipal Water
District v. City of Chino, et al*, San Bernardino Superior Court
Case No. RCV 51010 (Formerly Case No. 164327)

Dear Mr. Manning:

The City of Ontario (City) hereby submits this request to intervene in the above-referenced action (the "Judgment") as a member of the overlying non-agricultural pool. The City's request is based on the following facts:

A. The Judgment allocates water rights based on each party's land ownership. As an owner of real property overlying the Chino Groundwater Basin ("Basin"), Sunkist Growers, Inc. ("Sunkist") was provided under the Judgment with 1.873.40 AFY of adjudicated safe yield when the Judgment was first entered in 1978/1979. The real property held by Sunkist at that time included the real property described in the next paragraph.

B. Sunkist sold real property overlying the Basin to the City of Ontario, known as the Sunkist plant (11.1 acres consisting of parcels # 20108, 20207, 20206, and 104923221) with the exception of Sunkist's tank farm (parcel # 104922101), which will be retained by Sunkist.

C. As part of the sale transaction referenced in Section B above, Sunkist wishes to transfer all of its remaining adjudicated water rights (approximately 1,851.402 AFY), and all Sunkist water in storage (13,633.504 AF as of June 30, 2007, plus any additional Sunkist stored water for FY 2007-08) to the City of Ontario. Form 5 (Application to Transfer Annual Production Right or Safe Yield) and Form 3 (Application for Sale or Transfer of right to Produce Water from Storage) are attached.

D. The City of Ontario is requesting to intervene in the Judgment to become a member of the overlying Non-Agricultural Pool. A Motion to Intervene will be filed with the court if deemed necessary by the Watermaster.

E. The City's request to intervene is pursuant to Section 4.4 of the Peace II agreement which states: "Non-Agricultural Pool Intervention. The Parties acknowledge and agree that any Party to the Judgment shall have the right to purchase Non-Agricultural overlying property within the Basin and appurtenant water rights and to intervene in the Non-Agricultural Pool."

F. The City of Ontario will use the groundwater described under Section C above for uses authorized in the Judgment including providing water service to properties in Ontario, which have been sold or still are retained by Sunkist.

G. The transfer from Sunkist to the City of Ontario does not involve any additional groundwater extractions not provided for under the Judgment. As a result, the transfer will not result in any "material physical injury" to any party.

Based on the foregoing, the City of Ontario respectfully requests that the Watermaster approve its request to intervene in the Judgment to become a member of the overlying Non-Agricultural Pool and Sunkist's request to transfer its remaining adjudicated rights (approximately 1,851.402 AFY) of overlying groundwater rights, and all of Sunkist water in storage (13,633.504 AF as of June 30, 2007, plus any additional Sunkist stored water for FY 2007-08) to the City of Ontario. The City of Ontario shall comply with all provisions of the Judgment.

Please agendaize the City's request for the September Pool meetings. If you have any questions regarding the foregoing, please contact me.

Respectfully submitted,


Mohamed El-Amamy
Utilities Director

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

TRANSFER FROM LOCAL STORAGE AGREEMENT # _____

Charles L. Woltmann, Sunkist General Counsel

Name of Party

7/28/2008

Date Requested

Date Approved

14130 Riverside Drive

Street Address

13,633.504 (*) Acre-feet

_____ Acre-feet

Amount Requested

Amount Approved

(*) As of 6/30/2007, plus stored water from FY 2007-08

Sherman Oaks

CA

91423

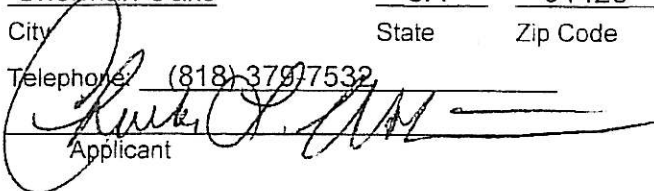
City

State

Zip Code

Telephone: (818) 379-7532

Facsimile: (818) 379-7381


Applicant

TRANSFER TO:

City of Ontario

Name of Party

Attach Recapture Form 4

1425 S. Bon View

Street Address

Ontario

CA

91761

City

State

Zip Code

Telephone: 909-395-2681

Facsimile: 909-395-2601

Have any other transfers been approved by Watermaster between these parties covering the same fiscal year?

Yes []

No [X]

WATER QUALITY AND WATER LEVELS

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

None

MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]



Applicant

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION OR AMENDMENT TO APPLICATION TO RECAPTURE WATER IN STORAGE

APPLICANT

City Of Ontario August 19, 2008
Name of Party Date Requested Date Approved
1425 S. Bon View Avenue 13,633.504 (*) Acre-feet
Street Address Amount Requested Amount Approved
Ontario CA 91761 Varies July 1, 2008 - June 30, 2028
City State Zip Code Projected Rate of (Amount varies each year)
Recapture Projected Duration of
Recapture
Telephone: 909-395-2600 Facsimile: 909-395-2601

(*) Amount requested is 13,633.504 as of June 30, 2007, plus Sunkist stored water from FY 2007-08.

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

IDENTITY OF PERSON THAT STORED THE WATER: Sunkist

PURPOSE OF RECAPTURE

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

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

N/A

PLACE OF USE OF WATER TO BE RECAPTURED

Management zones 2 and 3

N/A

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

WATER QUALITY AND WATER LEVELS

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

Static level varies from 272 feet to 524 feet. Of the wells routinely pumped, nitrate levels vary form less than 5 to 40 mg/L.

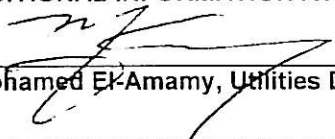
MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED

Yes [X] No []
See attached Recapture Plan


Mohamed El-Amamy, Utilities Director

TO BE COMPLETED BY WATERMASTER

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

CITY OF ONTARIO

Recapture Plan

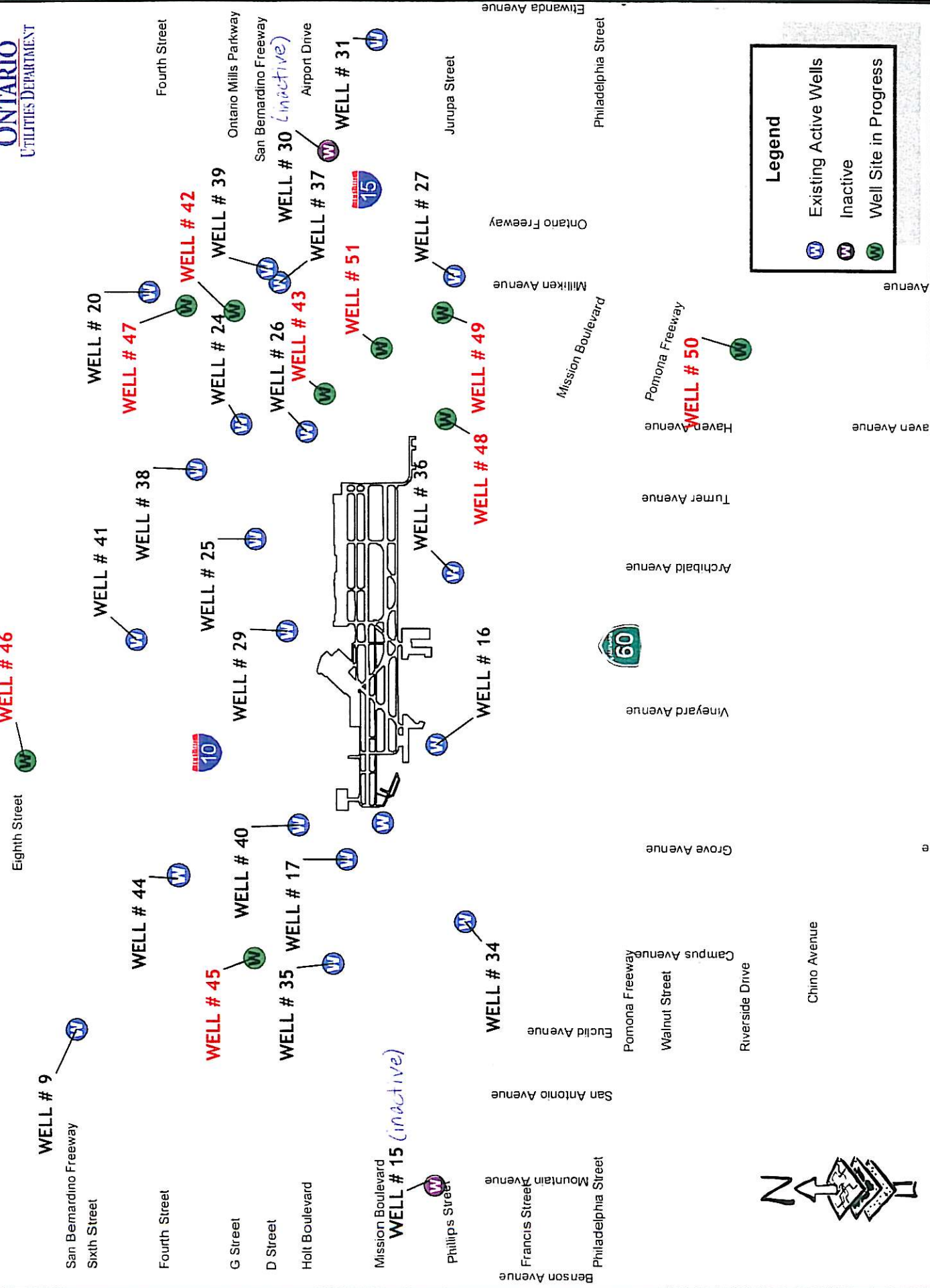
The subject water is a permanent transfer from Sunkist Growers, Inc. property located in the City of Ontario within Management Zone 2 to the City of Ontario. This transfer includes Sunkist's 1,851.402 acre-feet per year of corresponding Safe Yield (Non-Agricultural Pool), and Sunkist stored water (13,633.5.4 acre-feet of Sunkist stored water as of June 30, 2007, plus Sunkist stored water from FY 20087-08). Recapture of the this water is accomplished by the production of any of the wells listed below which are owned and operated by the City within Management Zones 2 and 3 of the Chino Groundwater Basin. The recaptured water will be utilized for uses authorized in the Judgment including providing water service to properties in Ontario, which have been sold or still are retained by Sunkist. The approximate daily production capacity of these wells is as follows:

Well No.	Capacity acre-feet/day
17	7.2
20	3.4
24	8.4
25	6.2
26	5.7
27	4.9
29	11.2
30	14.1
31	13.1
35	8.6
36	8.3
37	13.4
38	11.4
39	8.6
40	13.4
41	11.0

149.1

A map showing the locations of these wells is attached. The rate of extraction can vary significantly, depending upon system demand and seasonal changes.

WELL SITE STATUS MAP



Legend

- Existing Active Wells
- Inactive
- Well Site in Progress



1 inch equals 4,591,138,388 feet

APPLICATION
TO
TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Effective July 1, 2008, Sunkist Growers, Inc. ("Transferor") hereby requests a permanent transfer to the City of Ontario ("Transferee") the quantity of 1,851.402 acre-feet per year of corresponding Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al." RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

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

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

WATER QUALITY AND WATER LEVELS

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

None

MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Charles L. Woltmann, Sunkist General Counsel

Mohamed El-Amamy, Ontario Utilities Director

Transferor

Transferee

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: (909) 484.3888 Fax: (909) 484-3890 www.cbwm.org

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: September 4, 2008

TO: Watermaster Interested Parties

SUBJECT: Analysis of Material Physical Injury – City of Ontario August 19, 2008 Intervention into the Overlying Non-agricultural Pool and the Sale of the Sunkist's Water Right to the City of Ontario.

SUMMARY

Issue – On August 19, 2008, The City of Ontario sent a letter to the Chino Basin Watermaster requesting to intervene in the *Chino Basin Municipal Water District v, City of Chino, et al*, San Bernardino Superior Court Case No. RCV 51010 (formerly Case No. 164327) as a member of the overlying non-agricultural pool. This request included the appropriate Watermaster forms to convey all of the remaining adjudicated rights and water in storage from Sunkist, a party to the Judgment and a member of the overlying non-agricultural pool. In total the transaction conveys to the City 1,851.402 acre-ft/yr of adjudicated pumping rights, and all the Sunkist water in storage as of June 30, 2007 (13,633.504 acre-ft) plus any additional Sunkist stored water for fiscal year 2007-08. Upon receipt of such an application, Watermaster must conduct an analysis of Material Physical Injury, pursuant to the Peace Agreement and Watermaster's Rules and Regulations. Watermaster CEO directed staff to complete the analysis of Material Physical Injury pursuant to the Peace Agreement and Watermaster's Rules and Regulations. Wildermuth Environmental Inc. (WEI) completed this analysis and their results are summarized below. The requested intervention by itself will not cause material physical injury. Therefore only the proposed sale of Sunkist's water right and water in storage to the City of Ontario is analyzed herein. Based on WEI's analysis, Watermaster staff concludes that no material physical injury will occur from the proposed sale of Sunkist's water right and water in storage to the City of Ontario and the City's subsequent use of that water pursuant to its August 19, 2008 letter.

Recommendation – Provided that the Watermaster approves the City of Ontario's intervention into the overlying non-agricultural pool, Watermaster staff recommends that the Watermaster approve the transfer of water right and stored water from Sunkist to the City of Ontario as described in the City's August 19, 2008 letter.

BACKGROUND

Sunkist is a party to the Judgment and a member of the overlying non-agricultural pool. When the Judgment was entered in 1978, Sunkist was allocated 1873.402 acre-ft/yr of overlying groundwater pumping rights in the Chino Basin. Sunkist's current right is 1,851.402 acre-ft/yr.

Sunkist has sold 11.1 acres of their land that was associated with this overlying right and all their current overlying rights to the City of Ontario. Sunkist has also sold to the City its water in storage as of June 30, 2007 (13,633.504 acre-ft) plus any additional Sunkist water stored during fiscal year 2007-08: based on recent years Sunkist pumping this will provide the City about 15,000 acre-ft of stored water. The City intends to use the water right and stored water "for uses authorized in the Judgment including providing water service to properties in Ontario, which have been sold or still are retained by Sunkist" (paragraph F in the August 19, 2008 letter). In order to use this water right the City must intervene in the Judgment as a member of the overlying non-agricultural pool. The City intends to serve these properties from its wells as described in the recapture plan in their August 19, 2008 letter to the Watermaster.

Included in the August 19, 2008 submittal are the following Watermaster forms:

Form 3 *Application for Sale or Transfer of Right to Produce Water from Storage*, completed by Charles L. Woltmann, Sunkist General Counsel and Mohamed El-Amamy, City of Ontario, on July 28, 2008

Form 4 *Application or Amendment to Application to Recapture Water in Storage*, completed by Mohamed El-Amamy, City of Ontario Utilities Director on August 19, 2008

Recapture Plan for the City of Ontario that indicates that this water will be recaptured by City wells in Management Zone 2.

Form 5 *Application to Transfer Annual Production Right or Safe Yield*, completed by Charles L. Woltmann, Sunkist General Counsel and Mohamed El-Amamy, City of Ontario, effective July 1, 2008

Watermaster staff has reviewed these forms and concurs that these forms have been accurately completed by Sunkist and the City.

DISCUSSION

Article 10 of Watermaster Rules and Regulations (paragraph 10.10) requires that:

"...Watermaster prepare a written summary and analysis (which will include an analysis of the potential for material physical injury) of the Application and provide the Parties with a copy of the written summary and advanced notice of the date of Watermaster's scheduled consideration and possible action on any pending Applications."

Per the Peace Agreement, material physical injury is defined as:

"material injury that is attributable to Recharge, Transfer, storage and recovery, management, movement or Production of water or implementation of the OBMP, including, but not limited to, degradation of water quality, liquefaction, land subsidence, increases in pump lift and adverse impacts associated with rising groundwater." (Peace Agreement, page 8).

Watermaster staff analysis of material physical injury is summarized below.

Groundwater Level Impacts (liquefaction, land subsidence and increases in pump lift). This type of transfer was anticipated in the Peace II modeling work conducted by WEI for the Watermaster and reported in WEI's November 2007 report. WEI assumed in their modeling projections that unproduced water rights, regardless of party, would be used to satisfy replenishment obligations each year. The changes in groundwater levels from this transaction compared the changes projected in the WEI modeling work are negligible. WEI concluded that there would be no material injury from the activities permitted in the Peace II agreement and therefore the use of the Sunkist overlying Right by the City would have result in no material physical injury. Sunkist's stored water on June 30, 2008 is about 15,000 acre-ft and in magnitude is about 3.8 percent of the water allocated to reoperation. The groundwater level change from this 15,000 acre-ft reduction in storage will be negligible.

Balance of Recharge and Discharge in Every Area and Subarea. The City is proposing to serve this water to properties in Ontario, which have been sold or still are retained by Sunkist from City wells. Its recapture plan suggests that it will do so from wells predominantly in Management Zone 2, but also in Management Zone 3. Management Zone 2 is the same management zone that Sunkist historically pumped from. The City has historically served water to the Sunkist properties in lieu of Sunkist fully producing its rights: the magnitude of which was about 1,450 acre-ft/yr and 1,317 acre-ft/yr in 1999/00

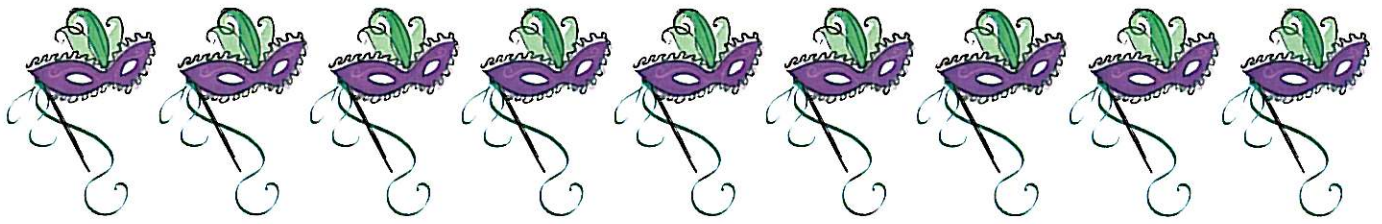
and 2000/01 respectively. There will be will be negligible change in the balance of recharge and discharge from the proposed transaction.

Water Quality Impacts on Other Pumpers. Given that there will be negligible changes in groundwater level and the balance of recharge and discharge there will be negligible change in groundwater quality from the proposed transaction.

CONCLUSION

The water transactions described in the City's August 19, 2008 intervention letter (and supported by the forms) were included in the material physical injury analysis of the activities permitted by Peace II agreement. In WEI's professional opinion there will be no material physical injury from the groundwater level changes due to this transaction.

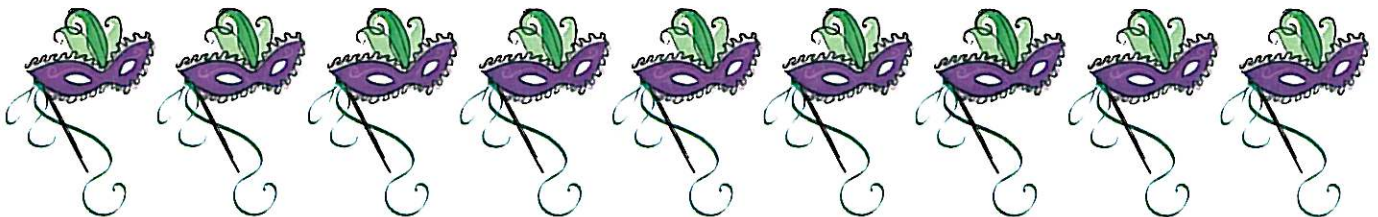
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CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

A. GOVERNANCE





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: October 9, 2008
October 21, 2008
October 23, 2008

TO: Committee Members
Watermaster Board Members

SUBJECT: Governance Committee

SUMMARY

A December 2005 Watermaster Board action directed staff to convene a Governance Committee to address certain issues by December 2007. Watermaster staff believed it had fulfilled its responsibilities pursuant to these directions. Staff seeks guidance as to whether further actions are required.

Recommendation: Watermaster staff recommends that the Pool Committees recommend to the Board that staff be directed either to take no further action on this item or to proceed to form a Governance Committee to address the issues described in the December 2005 Board motion.

In late 2005 the parties were engaged in negotiation of the Peace II measures and also faced the pending expiration of the appointment of the nine-member Board which had been reappointed for a five year term in 2000. While governance issues were not a part of the Peace II discussions, issues relating to membership on the Board were a part of the discussions and became relevant as Watermaster counsel sought approval from the Board to submit a Motion to reappoint the Board.

In December 2005 Watermaster sought approval from the various committees and from the Board to submit a pleading requesting reappointment of the Board for a further five-year term. As part of the discussions of this pleading, the parties reached an agreement whereby legal counsel would be directed to file a motion for reappointment so long as Watermaster would convene a Governance Committee by December 2007. The motion for approval at both the Advisory Committee and Board meetings of December 15, 2005 read as follows:

Moved to approve the recommendation of the reappointment of the nine member Watermaster Board contingent upon the formation of a Watermaster committee to review and make recommendations regarding possible changes in the Watermaster governance structure including the roles and functions of the Pools, Advisory Committee, and the Watermaster Board of Directors by no later than December 31, 2007, as presented.

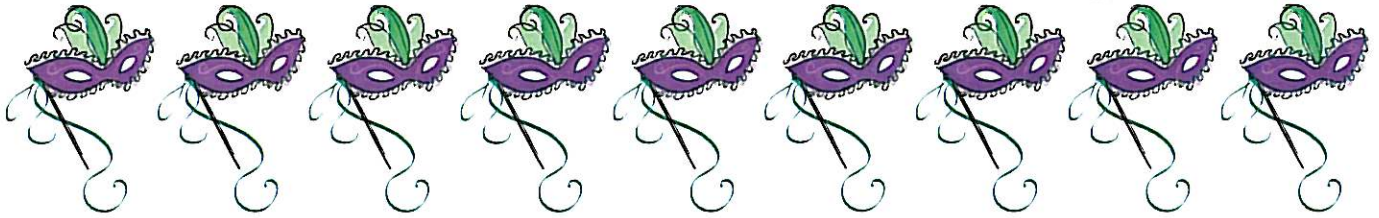
The lengthy period before which this committee was to be formed was intended to allow the parties to complete the Peace II negotiations before moving on to the issue of governance. At the October 2, 2007 Strategic Planning Conference Follow-Up Meeting, the issue of governance was agendized as a discussion topic. Peace II was nearly complete (the Peace II Measures were ultimately approved in December 2007), and the October conference was a fitting venue to begin the discussions about the governance issue and to initiate the formation of the required committee.

The discussion at the conference was facilitated by Watermaster General Counsel. No minutes of this discussion were kept, but it is the recollection of staff that the conference attendees agreed that the governance issue was no longer a pressing concern and that the issue could be tabled. In the year since, no party has complained that Watermaster failed to adequately address the Board's December 2005 direction.

However, in an August 11, 2008 pleading filed by the cities of Chino and Chino Hills and the Monte Vista Water District, these parties noted that, "Watermaster has not reported on its review and recommendations concerning its governing structure. It is [these parties'] understanding that Watermaster has not undertaken any steps to accomplish this review, including forming a separate committee as planned." (August 11, 2008 Pleading 9:24-27.) This was described by these parties as a, "failure to address this express condition of [Watermaster's] reappointment . . ." (August 11, 2008 Pleading 9:28.)

In response to this allegation, Watermaster raised the issue at the September committee and Board meetings. The Appropriative Pool requested that Watermaster prepare a staff report and request formal guidance from the parties as to whether the issue has been satisfactorily resolved or whether a Governance Committee should be formed.

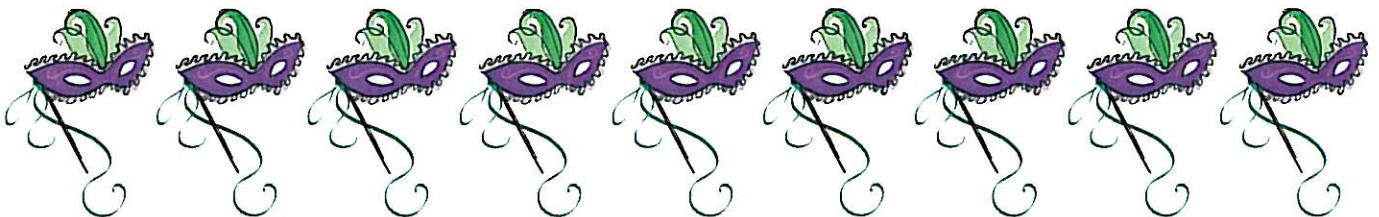
Watermaster staff recommends that the Pool Committees recommend to the Board that staff be directed either to take no further action on this item or to proceed to form a Governance Committee to address the issues described in the December 2005 Board motion.



CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

B. WAIVER OF INTEREST CHARGES





CHINO BASIN WATERMASTER

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

SHERI ROJO
Chief Financial Officer
Assistant General Manager

STAFF REPORT

DATE: October 9, 2008
October 21, 2008
October 23, 2008

TO: Committee Members
Watermaster Board Members

SUBJECT: Consider request for waiver of interest charges
\$ 4,828.53 Arrowhead Mountain Spring Water
\$31,582.97 Monte Vista Water District

SUMMARY

Issue – Waiver of interest charges

Recommendation - The Watermaster CEO is recommending that the fees be waived

BACKGROUND:

Watermaster has been actively attempting to pursue in-house collection efforts from assessments that were invoiced to parties of the judgment. Watermaster's collection efforts involve first sending out an initial invoice to the parties. That invoice indicates a date the payment is due to Watermaster, and once that date has passed, staff mails out a second invoice. Once the second invoices have been sent out, staff follows up with phone calls to the delinquent parties. Should there still be outstanding receivables, staff faxes and/or places phone calls to the delinquent parties in an effort to resolve our collection efforts. In some cases, invoices are sent out certified/registered mail in addition to the routine phone calls. During the course of those collection efforts, interest charges were assessed to the delinquent accounts as allowed in the judgment. The actual amount of the assessments was received by Watermaster, but the interest charges have not been received by all of the delinquent payees. The Watermaster delinquent policy is stated in the judgment as follows:

Any delinquent assessment shall bear interest at 10% per annum (or such greater rate as shall equal the average cost of borrowed funds to the Watermaster) from the due date thereof. Such delinquent assessment and interest may be collected in a show-cause proceeding herein instituted by the Watermaster, in which case the Court may allow Watermaster its reasonable costs of collection, including attorney fees.

There have been seven instances of interest charges being assessed to Overlying Non-Agricultural members and Appropriators. In all cases, the entire amount of the assessment has been received by Watermaster and, in all cases except for two; the interest charges assessed were remitted to Watermaster.

Currently, Arrowhead Mountain Spring Water has past due finances charges in the amount of \$4,828.53 and Monte Vista Water District owes \$31,582.97 in interest for delinquent remittance of their assessment payment.

DISCUSSION:

Watermaster currently lacks a policy for writing off or forgiving interest charges once they are assessed, and currently, Arrowhead Mountain Spring Water has remitted a letter requesting that their finance charges be waived.

Watermaster staff is currently working on the development of several policies, including one that would provide more clarity on late fees. We expect that those policies will be ready for Watermaster review in early 2009.

The Watermaster CEO has spoken with both parties and has asked that they submit a letter requesting a waiver of late fees with an acknowledgement that they will comply with future payment schedules.



Integrated Resource Management, LLC

September 16, 2008

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

RE: Arrowhead Mountain Spring Water Past Due Finance Charges Invoice FC37, FC41
Waiver of Finance Charge Assessment

Dear Mr. Manning:

I am writing to you in my capacity as the representative of Arrowhead Mountain Spring Water. I am their local water resources consultant. In said capacity I am seeking your forgiveness of the above referenced invoices for finance charges.

Approximately eighteen months ago, Arrowhead Mountain Spring Water consolidated its finance department accounts payable operation and lost track of the unique/non-routine invoices from entities like Watermaster.

Arrowhead Mountain Spring Water deeply regrets missing its payment to Watermaster, and commits herein that it should not fall delinquent again. In order to make sure this does not happen again, can you please have your accounting department copy my office with duplicate invoices. As you are aware we facilitate groundwater production reporting for Arrowhead Mountain Spring Water.

Sincerely,

Mr. Robert W. Bowcock
Integrated Resource Management, LLC

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Mark N. Kinsey
GENERAL MANAGER

October 3, 2008

Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730
Attention: Ken Manning, Chief Executive Officer

Re: Request for Waiver of Fees Assessed

Dear Ken:

This letter is a request for a waiver of fees assessed to Monte Vista Water District in the amount of \$31,982.57 reflected on your statement dated 7/24/2008 received by the District on 8/4/2008 (see attached copy).

A letter signed by Sheri Rojo, CFO/Assistant General Manager explaining Watermaster's provision under the Judgment to assess interest on any delinquent assessment dated 4/25/2008 was received by the District on 4/28/2008. The penalty and interest assessed was based upon the District original assessment invoice in the amount of \$1,808,368.92 dated 1/22/2008. Monte Vista Water District paid the assessment on 4/24/2008 with check no. 44137 which cleared our bank on 4/30/2008.

We apologize for the delay in forwarding this year's assessment payment and will make every effort possible to ensue that future payments are made in a timely manner going forward.

Respectfully,

Ray L. Harton,
Manager of Finance & Administration

Water District

10575 Central Avenue, Post Office Box 71 • Montclair, CA 91763 • (909) 624-0035 • FAX (909) 624-4725 • www.mvwd.org

Sandra S. Rose
PRESIDENT

Maynard B. Lenhert
VICE PRESIDENT

Tony Lopez
DIRECTOR

Philip L. Erwin
DIRECTOR

G. Michael Milhiser
DIRECTOR

Statement

CHINO BASIN WATERMASTER
 9641 San Bernardino Road
 Rancho Cucamonga, CA 91730

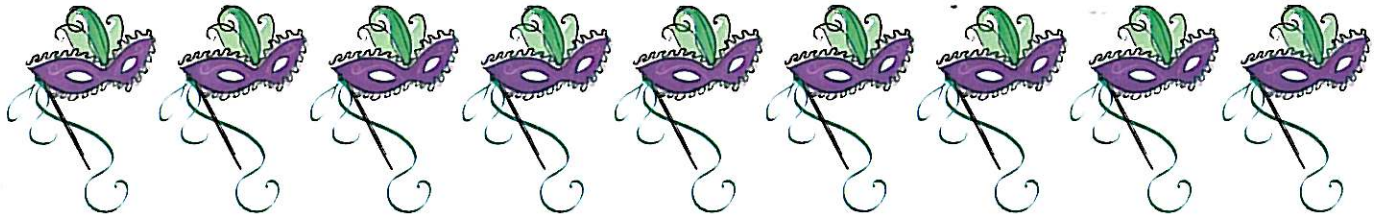
Date
7/24/2008

To:

MONTE VISTA WATER DISTRICT
 ATTN MARK KINSEY
 PO BOX 71
 MONTCLAIR CA 91763-0071



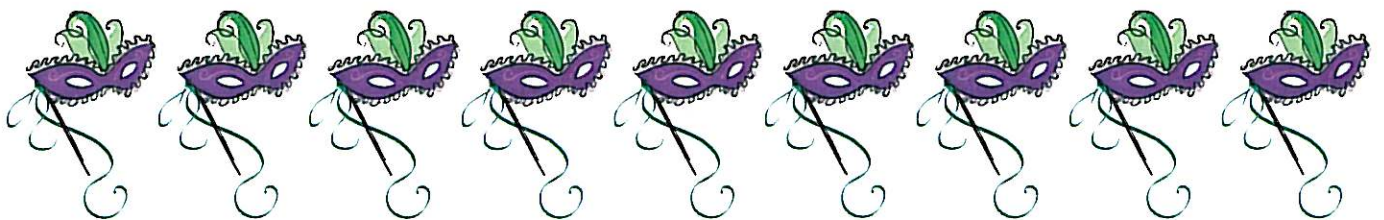
		Amount Due	Amount Enc.		
		\$31,982.57			
Date	Transaction	Amount	Balance		
04/25/2008	INV #FC 40. Due 04/25/2008. Orig. Amount \$31,212.94. Finance Charge	31,212.94	31,212.94		
07/24/2008	INV #FC 42. Due 07/24/2008. Orig. Amount \$769.63. Finance Charge	769.63	31,982.57		
<p>Approved By:</p> <p>_____</p> <p>Date:</p> <p>_____</p> <p>GL Account Code:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>					
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
769.63	0.00	0.00	31,212.94	0.00	\$31,982.57



CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

C. MOU OF WATER ACCOUNTING PROCEDURE





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: October 9, 2008
TO: Appropriate Pool Committee Members
SUBJECT: MOU Regarding Accounting Procedures for the Dry Year Yield Storage Account

SUMMARY

Metropolitan has requested execution of a Memorandum of Understanding to formalize accounting procedures regarding the Dry Year Yield storage account

Recommendation: None at this time. The MOU is presented for information only to receive feedback from the parties participating in this program.

In March 2003, Watermaster, along with Inland Empire Utilities Agency and Three Valleys Municipal Water District, signed the Dry Year Yield Funding Agreement with the Metropolitan Water District of Southern California. The Agreement generally described the parameters under which Metropolitan would be permitted to store water in the Chino Basin for extraction in dry years. To date Metropolitan has put water into its storage account, but it has not yet taken water out of the account. It is anticipated that this year will be the first year when water is taken from the account.

Metropolitan has proposed a Memorandum of Understanding to formalize the accounting procedures for water taken from the account, as well as water being put in the account in the future.

Execution of this MOU will require direction from the Board, and thus approval from the various Watermaster committees.

Watermaster staff has not completed its analysis of these procedures and continues to seek input from the affected Appropriate Pool members regarding whether these procedures alter the understanding of the parties concerning their participation in this program. This item is presented as an information item only.

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MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Office

August 26, 2008

Mr. Richard Atwater
General Manager
Inland Empire Utilities Agency
P.O. Box 9020
Chino Hills, CA 91709

Mr. Richard Hansen
General Manager/Chief Engineer
Three Valleys Municipal Water District
1021 E. Miramar Avenue
Claremont, CA 91711

Mr. Ken Manning
Chief Executive Officer
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

Dear Messrs. Atwater, Hansen, and Manning:

Memorandum of Understanding of Water Accounting Procedures in Chino Basin

Enclosed are four originals of the Memorandum of Understanding of Water Accounting Procedures in Chino Basin (MOU). This MOU sets out the basic procedures for administering the groundwater storage program agreement in Chino Basin. This document does not change the provisions of the agreement in any way. Please execute the four originals of the MOU on behalf of your agency and return them to Mr. Matthew Hacker at The Metropolitan Water District of Southern California. Once all parties have executed the amendment, a complete set will be forwarded to your agency. Please direct any questions to Ms. Kathy Kunysz at (213) 217-6272 or to Mr. Matthew Hacker at (213) 217-6756.

Very truly yours,

Stephen N. Arakawa
Manager, Water Resource Management

MH:tw

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Enclosures

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MEMORANDUM OF UNDERSTANDING OF WATER ACCOUNTING PROCEDURES
RELATING TO
GROUNDWATER STORAGE PROGRAM FUNDING AGREEMENT NO. 49960 (DYY)
IN CHINO BASIN,
AS AMENDED

AMONG

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
INLAND EMPIRE UTILITIES AGENCY
THREE VALLEYS MUNICIPAL WATER DISTRICT
CHINO BASIN WATERMASTER

SEPTEMBER 2008

**MEMORANDUM OF UNDERSTANDING OF WATER ACCOUNTING PROCEDURES
RELATING TO
GROUNDWATER STORAGE PROGRAM FUNDING AGREEMENT NO. 49960 (DYY)
IN CHINO BASIN,
AS AMENDED**

1. INTRODUCTION

THIS MEMORANDUM OF UNDERSTANDING OF WATER ACCOUNTING PROCEDURES RELATING TO GROUNDWATER STORAGE PROGRAM FUNDING AGREEMENT NO. 49960 (DYY) IN CHINO BASIN, AS AMENDED dated as of September ___, 2008 sets out the basic procedures for administering the groundwater storage program in Chino Basin in conjunction with other water resource programs of the Metropolitan Water District of Southern California (Metropolitan) in the Chino Basin. This document does not change the provisions of any of these programs or associated agreements in any way. The purpose of this document is to provide a basis for common understanding and consistent administration of the groundwater storage program in light of multiple local resources programs in the Chino Basin that provide incentives for recovering poor quality water (e.g. desalters) and use of recycled water for recharge of the groundwater basin. The purpose of this Memorandum of Understanding is consistent with Section VI. of the Groundwater Storage Program Funding Agreement (Agreement) relating to the duties of the Operating Committee established therein to develop an Annual Operating Plan and to reconcile financial and water accounting matters for the groundwater storage program. This Memorandum of Understanding represents the agreement of the signatories as members of the Groundwater Storage Program Operating Committee to carry out administrative tasks in a consistent manner, and may be updated and amended by the Groundwater Storage Program Operating Committee by written mutual consent.

2. GROUNDWATER STORAGE PROGRAM (DRY-YEAR-YIELD -DYY- PROGRAM)

The Groundwater Storage Program (DYY) provides for the storage of up to 100,000 acre-feet (AF) of water at any point in time in a Metropolitan Storage Account in the Chino Basin pursuant to the Groundwater Storage Program Funding Agreement dated June 2003 and as subsequently amended. Signatories to this Agreement are Metropolitan, Inland Empire Utilities Agency (IEUA), Three Valleys Municipal Water District (TVMWD), and Chino Basin Watermaster. As of July 2008, the Operating Parties under this Agreement are for IEUA: City of Ontario, City of Upland, Cucamonga Valley Water District, Monte Vista Water District, City of Chino, City of Chino Hills and Jurupa Community Services District (through Ontario); and for TVMWD: City of Pomona. The Agreement provides for storage of up to 25,000 AF per year unless Chino Basin Watermaster allows for more, and extraction, at Metropolitan's call, of up to 33,000 AF per year not to exceed the amount of water in the Metropolitan Storage Account. The call may be for any twelve month period beginning on the first of day of the month following 15 days notice.

The Agreement requires the Operating Committee to prepare an Annual Operating Plan that estimates how storage or extraction will be accomplished during the course of the year. In practice, Metropolitan indicates the amount it would like to store (up to 25,000 AF per year unless more is approved by Chino Basin Watermaster) or extract (up to 33,000 AF per year, but not to exceed the account balance), and IEUA and TVMWD develop a projection indicating the anticipated monthly schedule by service connection for storage deliveries, or monthly schedule for shifting full service demands from the service connection to the wells. IEUA and TVMWD certify storage or extraction against the Annual Operating Plan and updating the plan for actual amounts as the year progresses. Certification of storage and extraction is reconciled following the end of the storage year or the end of the 12-month call period.

The Agreement provides that the DYY Facilities may be used for unrelated purposes by IEUA and TVMWD so long as excess operable capacity is maintained on a monthly basis for performance under the Agreement unless operable capacity on another basis is agreed to by the Operating Committee.

2.A. STORAGE TO THE METROPOLITAN STORAGE ACCOUNT

2.A.1. Upon notice to IEUA and TVMWD, Metropolitan may deliver imported water for storage in the Metropolitan Storage Account in the Chino Basin. Water may be stored directly (spread or injected) or via in-lieu. In-lieu storage means that an Operating Party with groundwater rights foregoes production of a portion of its rights and directly uses the additional delivery of imported water to meet its retail demands. For each AF of unpumped groundwater right stored in-lieu, one AF of additional Metropolitan imported water delivery will be delivered at the service connections to replace the stored AF in meeting retail demands.

2.A.2. Certification of storage on a monthly basis (see Agreement section VI.B.4) by IEUA and TVMWD to both Metropolitan and Chino Basin Watermaster provides for:

- a) Credit adjustment on the Metropolitan invoice to either IEUA or TVMWD for the conjunctive use delivery (water is not billed until it is called for extraction --Stored Water Delivery) and associated accounting for the stored AF in Metropolitan's WINS accounting system, and
- b) Accounting for stored AF in Metropolitan's Storage Account by Chino Basin Watermaster.

Any subsequent adjustments to certifications for storage of water need to be copied to both Metropolitan and Chino Basin Watermaster to ensure consistent records of stored AF.

Metropolitan Administrative Code section 4507(f) allows for late certifications (and adjustments to prior certifications via re-certification) for a period of up to six months from the time the delivery was made. Reconciliation of in-lieu storage by Metropolitan within twelve months of such a delivery may also result in adjustments. Any such adjustments need to be reported to Metropolitan, IEUA or TVMWD, and the Chino Basin Watermaster to ensure consistency of records. These provisions apply to both storage and extraction from the Metropolitan Storage Account.

Additionally, Chino Basin Watermaster assesses losses to the Metropolitan Storage Account (see Agreement section VI.C.1) once each fiscal year in July. Each year, after July 1 but before September 30, the Operating Committee (Metropolitan, IEUA, TVMWD, and Chino Basin Watermaster) compares records for the balance of AF in the Metropolitan Storage Account and resolves any discrepancies.

2.A.3. Storage to the Metropolitan Storage Account shall exclude all of the following:

1. In-lieu against overproduction of groundwater rights. All storage is required to be new, wet-water storage. Storage cannot be reliant upon a replenishment obligation.
2. In-lieu against foregone rights to produce recharged recycled water. This means that accomplishment of storage through in-lieu means shall only be against Chino Basin native groundwater production rights that would have otherwise been produced and shall exclude recycled water that has been recharged.
3. In-lieu against rights for desalter production that is not pumped. This means that in-lieu storage to the Metropolitan Storage Account shall not be accomplished by reducing the groundwater pumping of the desalters.
4. In-lieu cannot exceed on-line, operational extraction capacity and cannot be against water that cannot be produced. This means that amounts of water certified as stored in-lieu during a month must have been able to be produced--there must be sufficient extraction capacity that is operable, and the water quality must be usable.
5. In-lieu storage cannot exceed the amount of firm water purchased by IEUA or TVMWD from Metropolitan for the month it is certified. This means that acre-foot for acre-foot, imported water was used to meet the demand for the groundwater that was not pumped and certified as stored in-lieu.
6. In-lieu against leased water rights. This means that in-lieu storage to the Metropolitan Storage Account shall not allow a Chino Basin Operating Party to lease groundwater production rights from another basin rights holder in order to underproduce the leased amount of water and certify that the leased water is stored in-lieu.

2B. EXTRACTION FROM THE METROPOLITAN STORAGE ACCOUNT

2.B.1 Extraction from the Metropolitan Storage Account occurs when Metropolitan notifies IEUA and TVMWD that it is making a call for extraction of stored water (Stored Water Delivery) as provided in Agreement section VI.D.3.

Agreement Exhibit G provides that in a call year the following will occur:

- a) deliveries at the Metropolitan service connections will decrease by the call amount over the course of the 12 month call period as compared to the prior 12 months; and
- b) the call amount will be pumped from the Metropolitan Storage Account in Chino Basin over the 12 month call period; and
- c) groundwater pumping in the Chino Basin will increase by the call amount over the 12 month call period as compared to the prior 12 months.

Exhibit G also provides flexibility on each of these measures of +/-10%, and acknowledges that growth in local resources may reduce demand for imported Metropolitan full service water and therefore for the water stored in the Metropolitan Storage Account.

Measurement of these provisions in a call year is against a baseline of the prior twelve months preceding the call. When a call is made two or more years in sequence, the baseline shall be the twelve month period preceding the first call year with any warranted adjustments.

2.B.2. Extraction Baseline

For groundwater production, the following will be included in the baseline:

- a) the prior twelve months of Chino Basin production of groundwater rights by participating IEUA and TVMWD agencies inclusive of in-lieu storage, and as adjusted by agreement of the Operating Committee; and
- b) the prior twelve months of Chino Basin production of recharged recycled water credits by participating IEUA and TVMWD agencies, as adjusted by agreement of the Operating Committee; and
- c) the prior twelve months of Chino Basin desalter production.

Production from the Metropolitan Storage Account will be measured as the number of AF certified as such by IEUA or TVMWD and that production that exceeds the sum of 'a', 'b' and 'c' above in the call year.

For service connection deliveries the following will be included in the baseline:

- a) the prior twelve months of full service deliveries to each IEUA and TVMWD at the service connections.

The following will be excluded from the service connection deliveries baseline:

- a) any direct or in-lieu deliveries certified for storage to the Metropolitan Storage Account;
- b) any direct or in-lieu replenishment deliveries; and

- c) any direct or in-lieu cyclic storage deliveries.

In setting the baselines, note that in-lieu deliveries are subject to reconciliation and any resulting adjustments that are completed up to twelve months following the in-lieu delivery.

2.B.3. Extraction Pumping

Certified extraction from the Metropolitan Storage Account shall exclude the following:

- a) desalter production;
- b) recycled water production;
- c) production from basins other than Chino Basin; and
- d) amounts that exceed: i) available operable extraction capacity and ii) the amount of water pumped in that month.

Metropolitan Administrative Code section 4507(f) allows for late certifications (and adjustments to prior certifications via re-certification) for a period of up to six months from the time the delivery was made. Reconciliation of amounts certified as extracted from the Metropolitan Storage Account is conducted within twelve months and may also result in adjustments. Any such adjustments need to be reported to Metropolitan, IEUA or TVMWD and the Chino Basin Watermaster to ensure consistency of records. These provisions apply to both storage and extraction from the Metropolitan Storage Account.

3. DATA COLLECTION PROCESS

- a) TVMWD will collect, track and certify storage and extraction for Pomona.
- b) IEUA is to receive its retail agencies' production data no later than six weeks after the last day of any given month to allow for efficient updates on compliance progress to Metropolitan. If data have not been received, IEUA staff will contact individual agencies and request the production data.
- c) IEUA tracks and submits (if necessary) performance for the DYY program
- d) Before submitting certifications to Metropolitan, IEUA staff will perform a "check and balance"
 1. Two working days prior to Metropolitan's certification deadline (the third working day of each month by 3:30 p.m.). IEUA is to receive any of four certifications:
 - Conjunctive Use Storage Account
 - Agricultural Credit (Chino Hills)

- Desalter Production
 - Recycled Water Production
2. IEUA staff will check each certification for 'double counting' of credits to ensure that each program is accounting for its own credits.
 3. IEUA will then submit the certifications in a form acceptable to Metropolitan.
- e) IEUA and TVMWD staff will review the monthly Metropolitan invoice to confirm that any submitted certifications are correctly documented.

AS MEMBERS OF THE OPERATING COMMITTEE FOR THE GROUNDWATER STORAGE PROGRAM IN CHINO BASIN WE HEREBY concur with this Memorandum of Understanding of Water Accounting Procedures Relating to Groundwater Storage Program Funding Agreement in Chino Basin and agree to implement the procedures stated herein and to jointly update and clarify this document as needed for the continued coordinated administration of the Metropolitan resource programs in the Chino Basin:

 Stephen N. Arakawa
 Manager, Water Resource Management Group
 Metropolitan Water District of Southern California

 Date

 Richard Atwater
 General Manager
 Inland Empire Utilities Agency

 Date

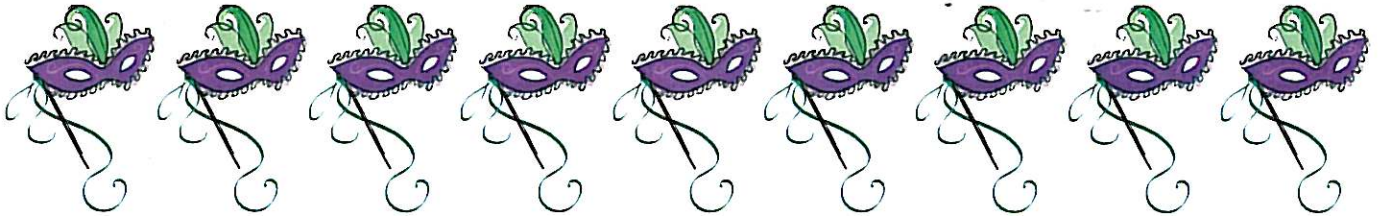
 Richard Hansen
 General Manager
 Three Valleys Municipal Water District

 Date

 Ken Manning
 Executive Officer
 Chino Basin Watermaster

 Date

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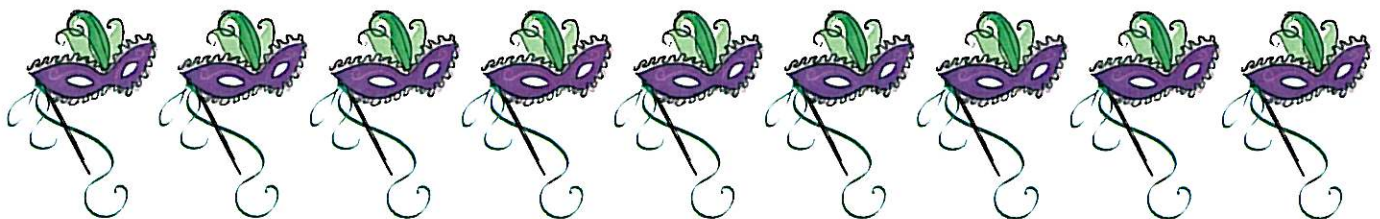


CHINO BASIN WATERMASTER

III. REPORTS / UPDATES

D. INLAND EMPIRE UTILITIES AGENCY

1. Groundwater Recharge Update
2. MWD Water Supply (Drought) Allocation Plan
3. ACWA Drought Alert Flyer
4. Recycled Water Newsletter
5. Monthly Water Conservation Programs
6. Monthly Imported Water Deliveries
7. State and Federal Legislative Report
8. Community Outreach/Public Relations



CHINO BASIN WATERMASTER

ADVISORY COMMITTEE

October 23, 2008

AGENDA

INTERAGENCY WATER MANAGERS' REPORT

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

15-20 Minutes

Discussion Items:

- Groundwater Recharge Update (Powerpoint) – Rich Atwater
- MWD Water Supply (Drought) Allocation Plan – Status Report – Rich Atwater

Receive and File:

- ACWA Drought Alert Flyer
- Recycled Water Newsletter
- Monthly Water Conservation Programs Report
- Monthly Imported Water Deliveries Report
- State and Federal Legislative Reports
- Community Outreach/Public Relations Report

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Groundwater Recharge Update

The Next 5 years

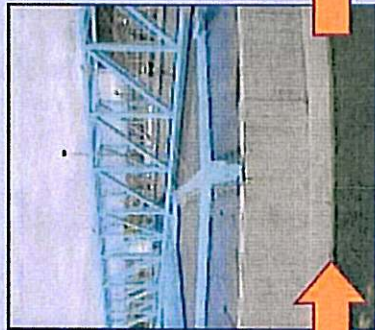
Andy Campbell

Groundwater Recharge Coordinator

October 2, 2008
RED TEAM MEETING

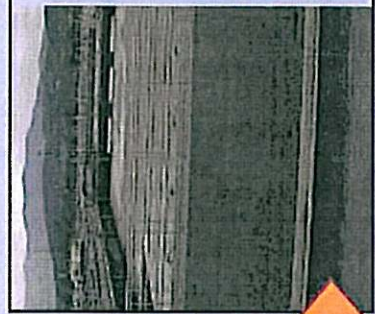
IEUA RECYCLED WATER PRODUCTION

Primary



Industrial
Pretreatment /
Source Control

Secondary

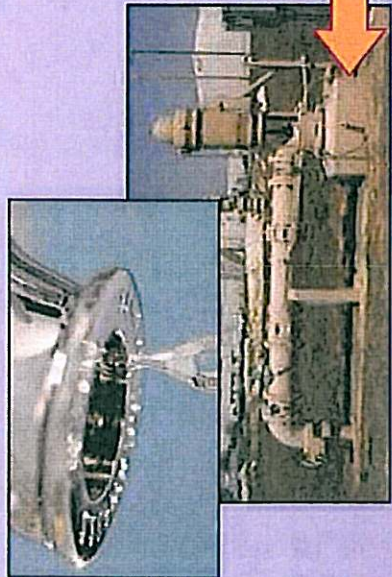


Tertiary

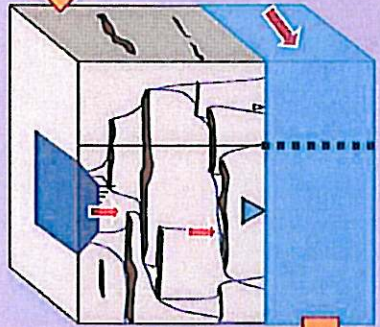


On-line Water Quality Monitoring
& Laboratory Testing

Post-Production

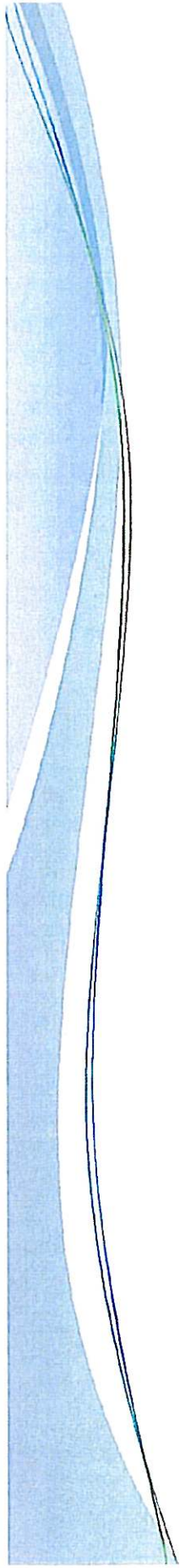


Groundwater
Blend & Hold



Soil-Aquifer
Treatment





Recycled Water Workshop

- IEUA Hosted September 19, 2008
- Presenters
 - Andy Campbell & Nel Groenveld - IEUA
 - Jorg Drewes – Colorado School of Mines
 - Margret Nellor – Nellor Environmental Assoc.
 - Heather Collins – Calif. Dept Public Health
- Beneficial efforts and should allow IEUA to maximize recharge using recycled water without additional, more costly treatment methods.
- Presentations Available at IEUA FTP Site
 - <https://mail.ieua.org/links/7/>

Fate and Transport of Organic Chemicals During Soil-Aquifer Treatment Of Recharge Water

Dr. Jörg E. Drewes – Colorado School of Mines

Indicator Compounds - SAT

2 months travel time; dominantly anoxic conditions

Good Removal > 70%	Intermediate Removal 30 < x < 70%	Poor Removal < 30%
Acetaminophen	Sulfamethoxazole	Primidone
Caffeine	Dilantin	TCPP
DEET	Carbamazepine	TDCPP
Diclofenac	TCEP	
EDTA		
Erythromycin-H ₂ O		
Estrone		
Gemfibrozil		
Hydrocodone		
Ibuprofen		
Iopromide		
Meprobamate		
Metoprolol		
Naproxen		
Propranolol		
Salicylic Acid		
Trimethoprim		

Tools to Assess and Understand the Relative Risks of Indirect Potable Reuse Projects

Margret Nellor – Nellor Environmental Assoc

- 1) Identifies chemicals detected in recycled water
- 2) Assesses their toxicity and exposure at detected levels
- 3) Characterizes health risks and at what levels chemicals become a health concern and quantifies the exposure risks.

Tolerable Daily Intake

Drinking Water Equivalence

Pharmaceutical Risk Perspective

Compound	Max conc reported (ng/L) in surface water	Predicted No Effect Concentration (PNEC) (ng/L)	Liters of water/day → ADI ^b
Acetaminophen	10,000	5,000,000	2380
Albuterol	15*	410,000	13,067
Ciprofloxacin	30	230,000	3,733
Codeine	1000	290,000	140
Digoxin	130*	1,000	38
Fluoxetine	12	420,000	16,912
Gemfibrozil	790	800,000	4,873
Ibuprofen	1000	16,000,000	7,700
Metformin	150	9,100,000	28,933
Oxytetracycline	340	4,400,000	6,176
Sulfamethoxazole	1900	19,000,000	4,789
Warfarin	0.5a	23,000	22,400

*ND, % Reporting Limit

^b Assume: average weight of 70 kg and max conc reported

Reference: B.W. Schwab et al./Regulatory Toxicology and Pharmacology 42 (2005) 296-312

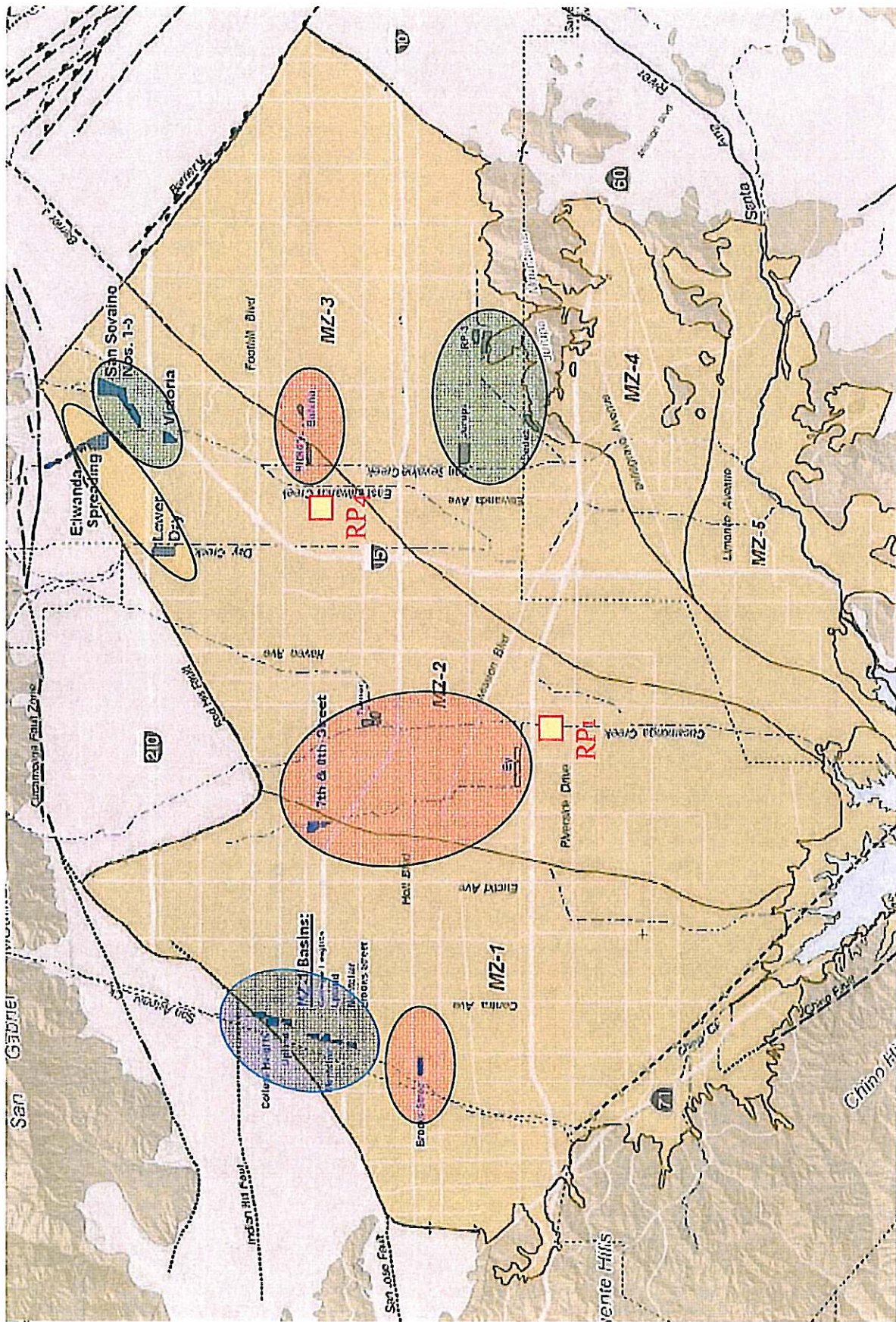
S. Snyder 2005 WRA Conference: Schwab Data

Calif. Groundwater Recharge Regulations

Heather Collins – CDPH

- Process for Obtaining a Permit
- Source Control and Monitoring
- Soil-Aquifer Treatment
- Recycled Water Contribution
- Emerging Compounds of Concern
- Surrogate Monitoring (TOC, BDOC, others)
- Landmark works of Snyder, Drewes, and others

RECHARGE BASINS

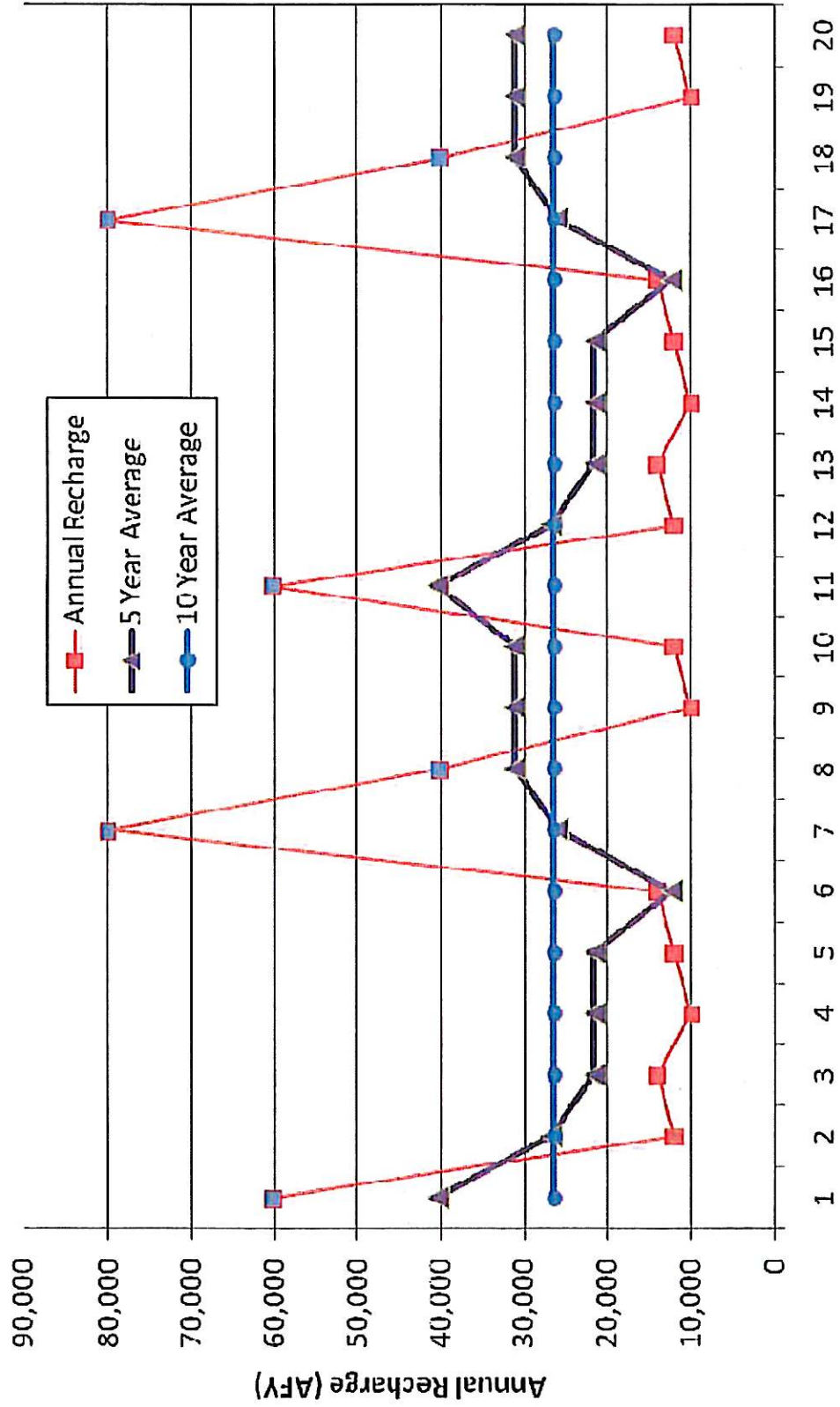




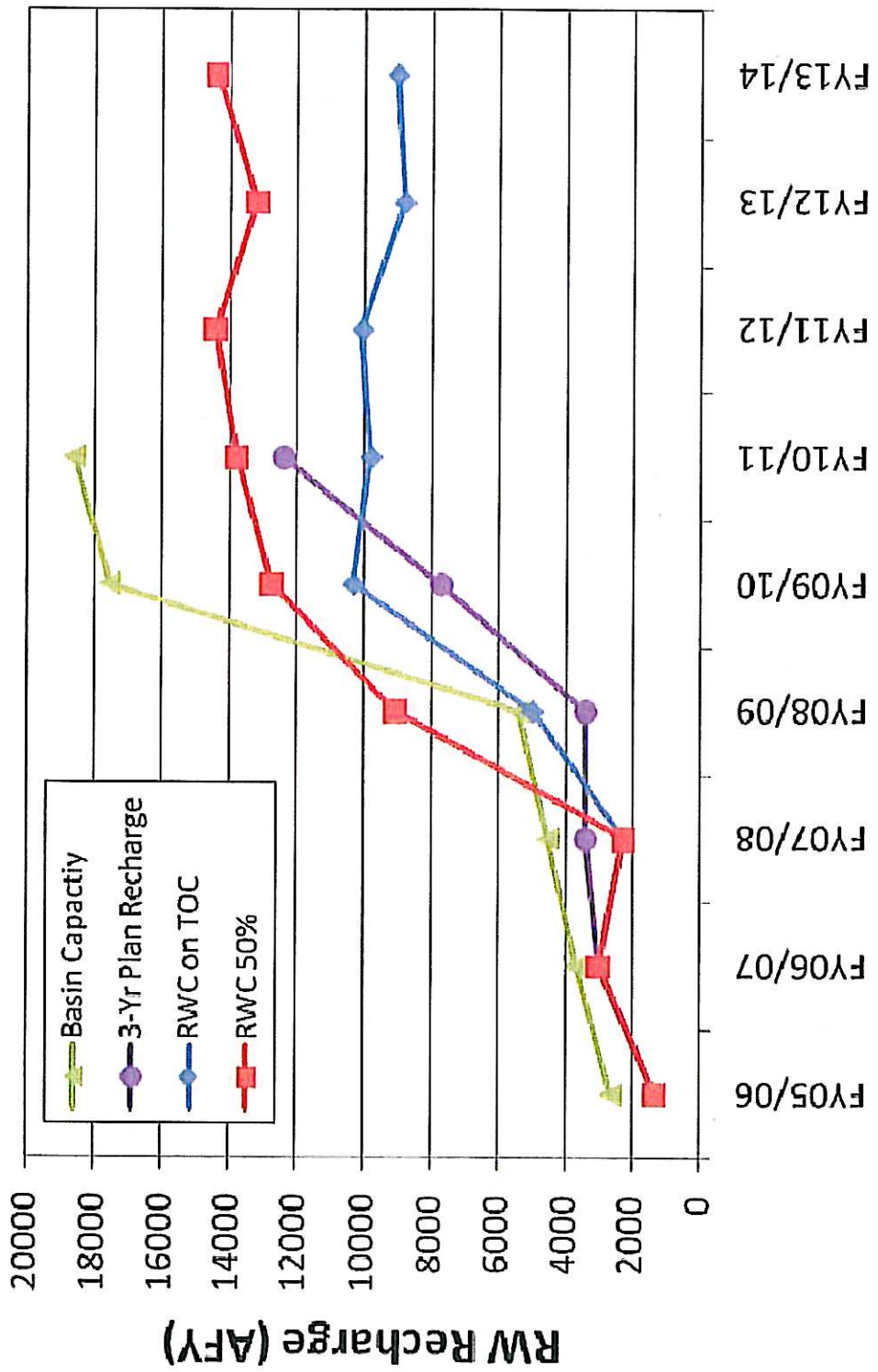
Recharge Projections Assumptions

- **TWO SCENARIOS**
 - RWC Water Quality Dependant
 - RWC 50%
- **BASIN AVAILABILITY**
 - PRE 2007 – BANANA, HICKORY, TURNER, 8TH STREET
 - 2008 – BROOKS & RP3
 - 2009 – VICTORIA & SAN SEVAINE
 - 2010 – Declez
 - 2011 – Etiwanda Debris Basin
 - 2012 – Lower Day

10-Year vs. 5-Year Rolling Average



Recycled Water Recharge Forecast

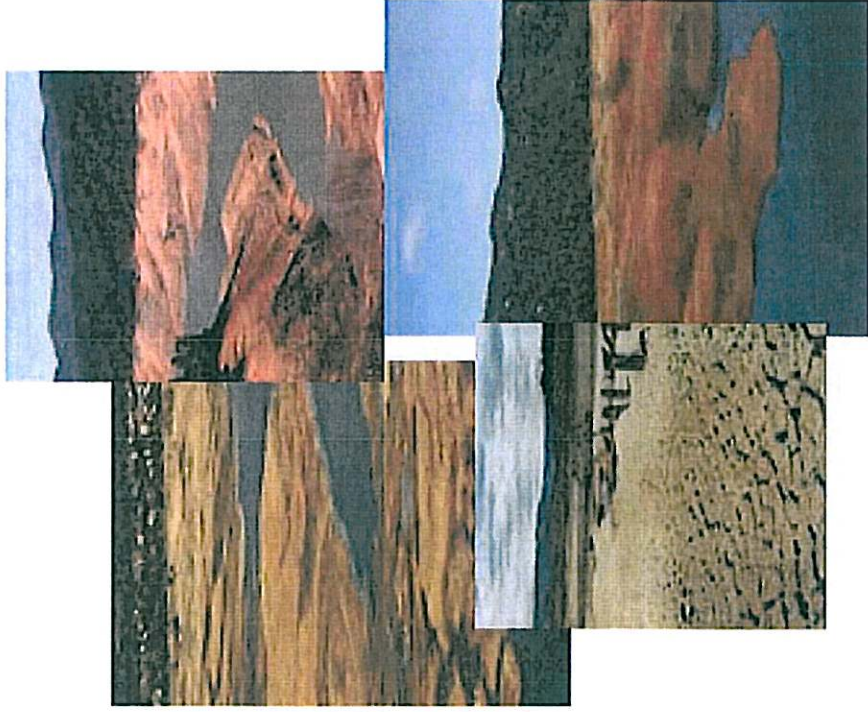


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**Draft IEUA Water Supply
Allocation Plan**

October 2008

2009 Water Supply Outlook



- Oroville Reservoir is at record low levels
- MWD's Diamond Valley Lake is at 400,000 AF and declining
- DWR projection of State Water Project supplies is projected to shrink from 54% to 50%

MWD Water Supply Allocation

- MWD Adopted “Drought” Water Supply Allocation Methodology in February 2008
- MWD tracking water supply status on monthly basis
- Decision on whether to invoke allocation in January to April, 2009 timeframe
- Implement water supply allocation July 1, 2009
- Could occur sooner if water supply status deteriorates

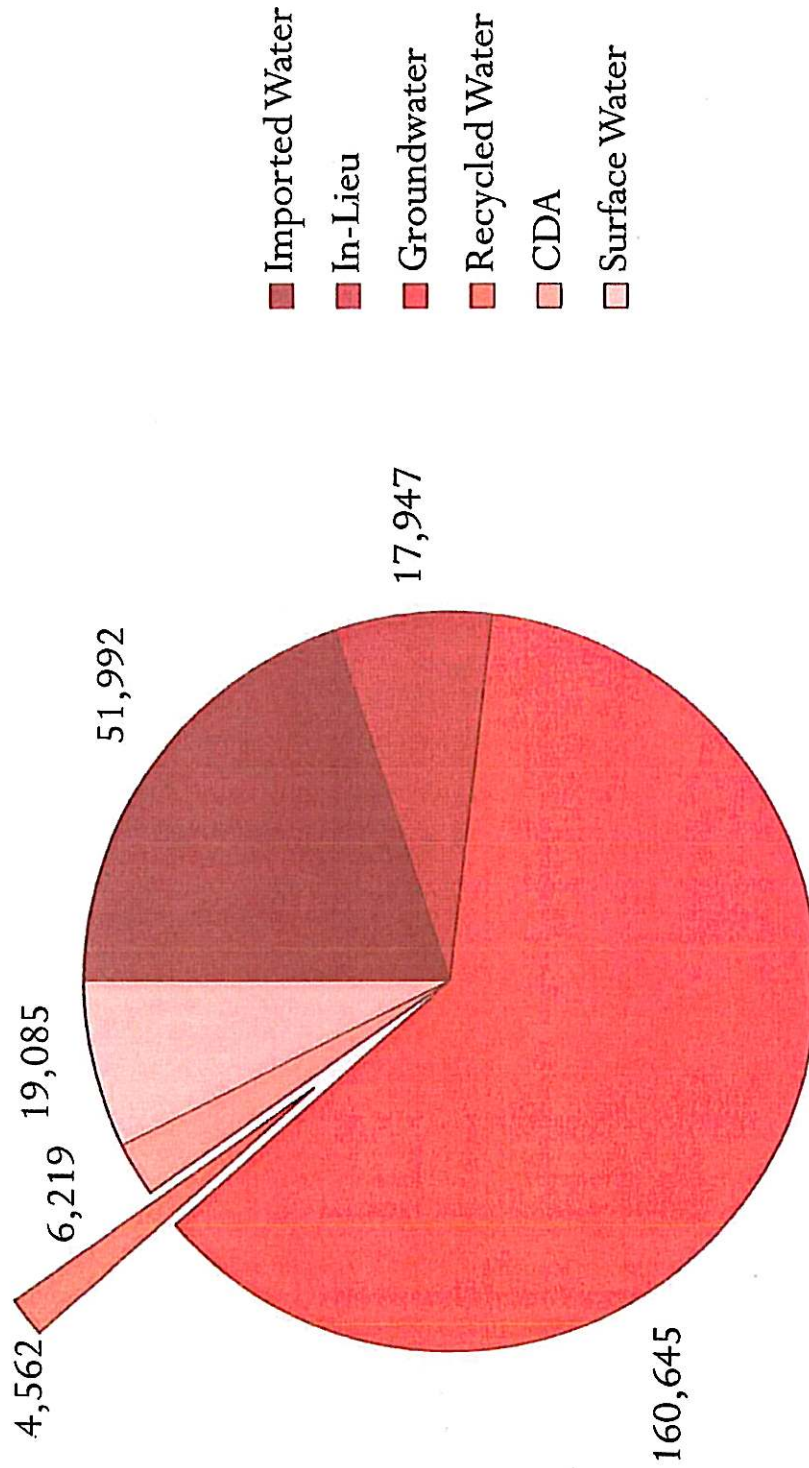
IEUA Water Allocation Plan Process

- MWD's Water Supply Allocation Plan Implementation Workshops since summer 2007
- IEUA Monthly Water Supply Strategy Interagency Meetings (and numerous individual meetings)
- Monthly Dry Year Yield (DYY) Meetings
- IEUA Board scheduled to adopt a Water Supply Allocation Plan by December / January

IEUA Goals

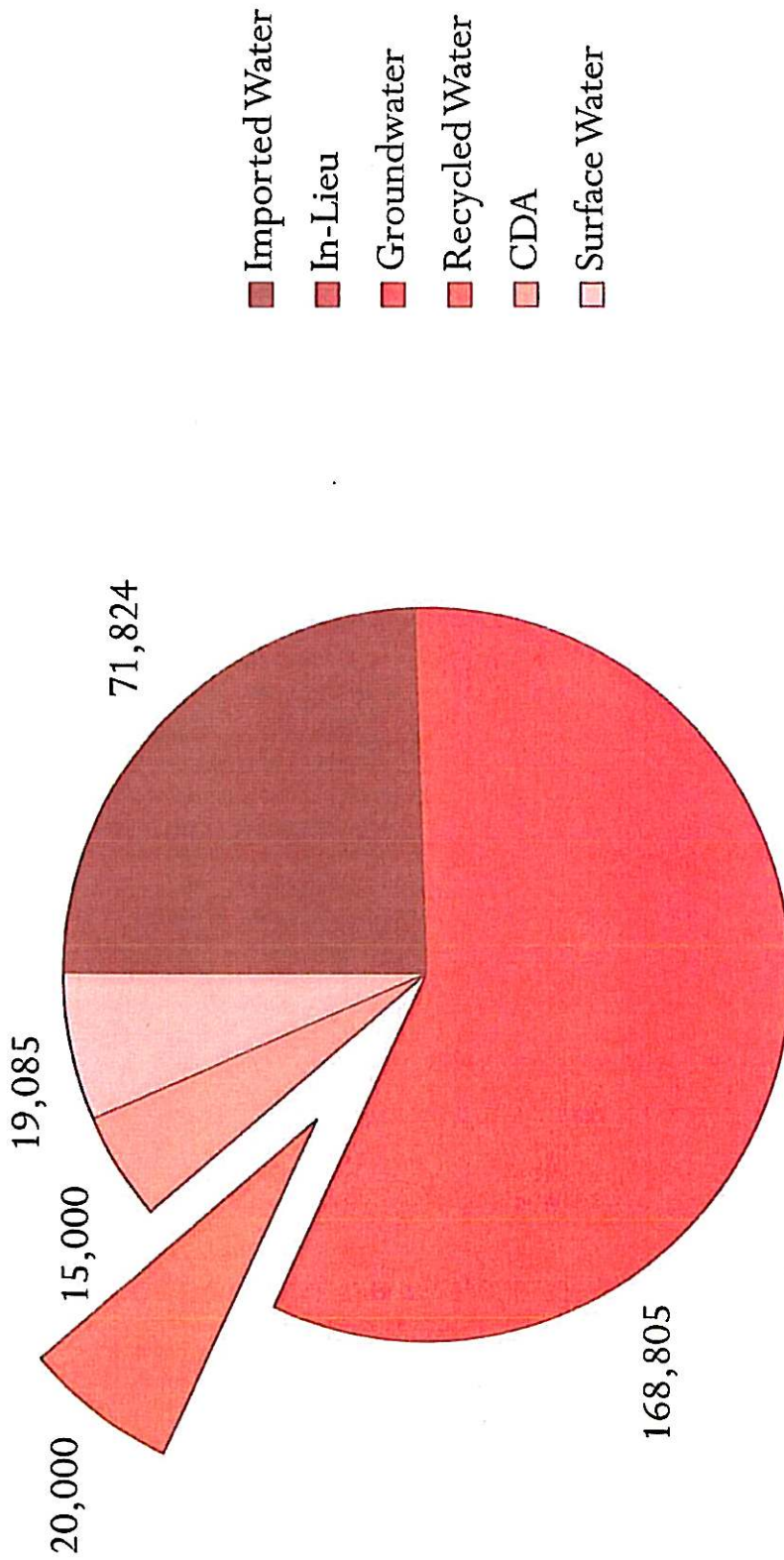
- Ensure equity & fairness throughout the service area
- Avoid payment of drought or DYY penalties to MWD
- Recognize IEUA/MWD investments in local supplies to “drought proof” IEUA service area
- Encourage additional local investments to further drought proof economy
 - Enhanced Conservation
 - Recycled Water – Connect parks, schools and other landscapes
 - Interconnections to promote flexibility (Azusa Pipeline)
 - Increased Desalter performance
 - Groundwater Recharge (recycled water and capture storm water when available)
- Coordinated IEUA service area communication strategy
- Implementation consistent with MWD drought and DYY policies and contracts

IEUA 3-Year Average Water Use (2004-2006)



TOTAL = 255,000 AFY (without recycled water)

MWD's 2009 Baseline Allocation



TOTAL = 275,000 AFY (without recycled water)

• Includes IEUA 3-Year Average, plus an annual 2.52% growth adjustment (2nd highest in region)

Overview of MWD's 2009 Baseline Water Supply Allocation to IEUA

**72,000 AF Imported Water Baseline Allocation
Actual Tier 1 / 2 52,000 AF (2004-2006)**

- **MWD Allocation Base Period: 2004-2006**, three year average total demand = 255,000 AF
- **MWD DYY Base Period: preceding 12 months (May 2007-April 2008)**
- **Service Area Growth Adjustment: 2.52% per year increase (Department of Finance = total projected 2009 water demand of 275,000 AF**
- **Local Supplies: 185,000 AF in local water resources plus 18,000 AF of In Lieu totals 203,000 AF (recycled water is Not included in this calculation)**
- **Imported Water Allocation: the difference between total demand and local supplies**

MWD's Shortage Allocation for IEUA

Shortage Level	Shortage %	Wholesale Minimum	Total MWD Allocation
1	5%	66,440	66,735
2	10%	61,053	61,642
3	15%	55,666	57,877
4	20%	50,279	53,227
5	25%	44,892	48,577
6	30%	39,505	43,927
7	35%	34,118	39,277
8	40%	28,731	34,627
9	45%	23,344	29,977
10	50%	17,957	25,327

MWD Penalties

Standard Penalty Rates			
Water Use	Base Water Rate	Penalty Rate	Total Rate
100% of Allocation	Tier 1	0	Tier 1
Between 100% and 115%	Tier 1	2 x Tier 2	Tier 1 + (2 x Tier 2)
Greater Than 115%	Tier 1	4 x Tier 2	Tier 1 + (4 x Tier 2)

Penalties will not be assessed until after the end of the 12 month allocation period

IEUA's 3-Year Average Water Use Compared to IEUA's FY 07/08 Actual Water Use

Water Source	3-year Average (2004-2006) AF	FY 07/08 Actuals (preliminary data) AF
Imported (MWD)	52,000	69,000
Local Supplies		
Groundwater	160,000	135,000
Surface Water	19,000	19,000
Chino Desalters	6,000	15,000
Recycled*	--	8,000
In-Lieu	18,000	0
SUB-TOTAL	203,000	190,000
TOTAL Imported and Local Supplies	255,000	246,000

* MWD does not include recycled water in the potable water demand baseline. Recycled water during 3 year base period was 4,500 AF.

**IEUA's FY 07/08 Actual Water Use
Compared to MWD's FY 09/10 Projected Baseline (no shortage)**

Water Source	Baseline 3-year Average (2004-2006) AF	FY 07/08 Actuals (preliminary data) AF	FY 09/10 Projection Baseline AF
Imported (MWD)	52,000	69,000	72,000
3-Year Average (2004-06)			52,000
Local Supplies			20,000
Unallocated MWD Water			
Groundwater	160,000	135,000	160,000 +/-
Surface Water	19,000	19,000	19,000 +/-
Chino Desalters	6,000	15,000	15,000 ~
Recycled	--	8,000	20,000 ~
In-Lieu	18,000	--	--
SUB-TOTAL	203,000	190,000	214,000
TOTAL Imported and Local Supplies	255,000	246,000	285,000
IEUA Projected Demand		246,000	246,000
			39,000

**MWD's FY 09/10 Projected Baseline (no shortage)
Compared to MWD's FY 09/10 Level 2 Shortage (10%)**

Water Source	Baseline 3-year Average (2004-2006) AF	FY 07/08 Actuals (preliminary data) AF	FY 09/10 Projection Baseline AF	FY 09/10 Level 2 Shortage (10%) AF
Imported (MWD)	52,000	69,000	72,000	62,000
3-Year Average (2004-06)			52,000	52,000
Unallocated MWD Water			20,000	10,000
Local Supplies				
Groundwater	160,000	135,000	160,000	160,000 +/-
Surface Water	19,000	19,000	19,000	19,000 +/-
Chino Desalters	6,000	15,000	15,000	15,000 ~
Recycled	--	8,000	20,000	20,000 ~
In-Lieu	18,000	--	--	--
SUB-TOTAL	203,000	190,000	214,000	214,000
TOTAL Imported and Local Supplies	255,000	246,000	285,000	275,000
IEUA Projected Demand		246,000	246,000	246,000
			39,000	29,000

Implications for IEUA's Water Supply

- Local Water Supply Development (recycled water, Chino desalters) has significantly enhanced water supply reliability
- Conservation – keeping demand at current levels or lower – is vital to future water supply reliability
- IEUA's service area is better prepared to withstand multi-year drought than the rest of MWD service area

Core Questions

- How should MWD water supplies be allocated within the IEUA service area to the retail water agencies?
- How should penalty targets be allocated to retail agencies?
- How should new recycled water supplies be credited?
- How do we avoid penalties from MWD for both DYY and the Water Supply (drought) Allocation Plan?
- Can incentives be created to encourage additional local water supply development?

Draft Principles

- *Overall Plan:*

The Water Supply Allocation Plan will be developed in cooperation with the member agencies and includes all aspects of drought planning – including steps to avoid rationing, drought response stages, allocation, methodology, pricing and communications strategy

- *Communication Strategy*

An ongoing, coordinated and regional public outreach program shall be developed that provides a clear and consistent message to the public regarding water supplies and specific conservation measures. The outreach program will also recognize and support member agency communication efforts that address specific retail level allocations

Draft Principles

- *Drought Supply Enhancement*
IEUA and its member agencies will work cooperatively to avoid and/or minimize rationing during droughts through supply enhancement such as the implementation of the Three Year Recycled Water Business Plan and voluntary demand reduction measures.
- *Drought Response Stages*
The drought response stages will be consistent with MWD's Water Supply Allocation Plan and will include both supply enhancement and emergency demand reduction methods. The coordination and potential accounting issues with the DYY base year performance targets will need to be considered.

Draft Principles

- *Allocation Methodology*

The allocation methodology should be equitable, easy to administer, contain financial and pricing signals and a communication strategy to ensure member agencies and the public are informed and understand the need to conserve.

In order to protect the economic health of the entire region, it is very important for the allocation methodology to avoid large, uneven retail impacts across the region.

A member agency that has developed local projects and instituted conservation measures should not be penalized in the computation of allocations

To help balance out the financial costs and risks associated with the development of local resources, the shortage allocation methodology should provide an incentive to those member agencies that can develop additional local supplies

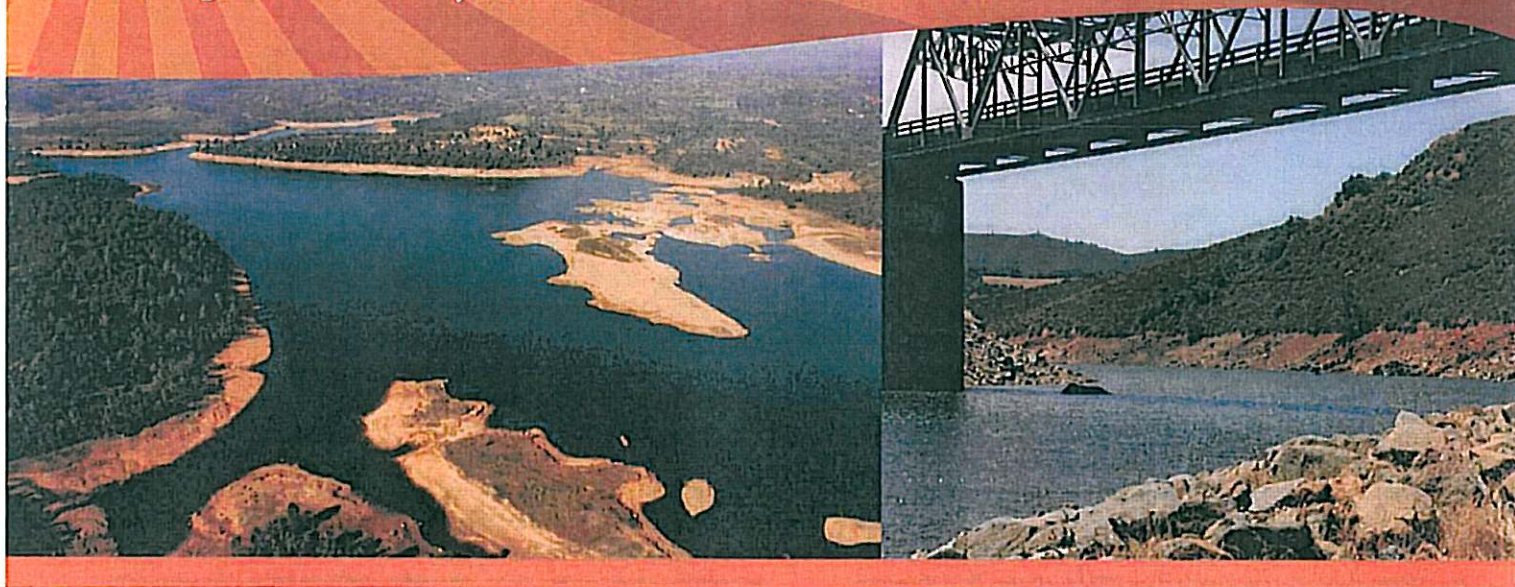
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DEALING WITH DROUGHT

OCTOBER 2008

Challenges Abound as Dry Conditions, Low Reservoirs Take Hold



It's official. California is in a drought. A perfect storm of dry conditions, low reservoirs and court-ordered cuts in deliveries has put a squeeze on water supplies and triggered the first statewide drought declaration in 16 years.

This trifecta of challenges is compelling local water agencies to rely on conservation and dip into their water reserves to meet needs. A third dry year in 2009 could have severe consequences for the environment and the economy.

Back-to-back dry years and low reservoir levels have put California squarely in a statewide drought. State water officials say key reservoirs will dip to near record lows later this year, and many local water agencies are drawing down their reserves and urging customers to cut back on their water use.

Mandatory rationing is in place in some urban areas, and growers in some of California's most productive agricultural regions are seeing dramatic cuts in water deliveries. All told, the first statewide drought in 16 years is serving up an array of challenges for water agencies up and down the state.

Gov. Arnold Schwarzenegger declared an official drought June 4. He also declared a local drought emergency in nine Central Valley counties due to water shortages. The Department of Water Resources has established a Drought Water Bank to facilitate water transfers and help mitigate water shortages in a potential third dry year.

2008 Designated a 'Critically Dry' Year

Reservoirs levels statewide have dropped steadily through the end of the water year September 30. Lake Oroville, one of the

state's largest reservoirs and the mainstay of the State Water Project, is expected to drop to its lowest level in history later this fall.

Here's a look at current conditions as of September 30:

- Lake Oroville – 32% of capacity
- San Luis Reservoir – 13% of capacity
- Folsom Lake – 31% of capacity
- Shasta Reservoir – 34% of capacity
- New Melones – 47% of capacity
- Don Pedro – 55% of capacity

The four-month period of March-April-May-June qualified as the driest on record. April-May-June was the sixth driest in 114 years of record keeping. Rainfall for the year is about at 75% of average.

The Department of Water Resources has designated 2008 as critically dry on both the Sacramento and San Joaquin river systems. 2007 was also dry, and the combined 2007-'08 period is the ninth-driest on record.

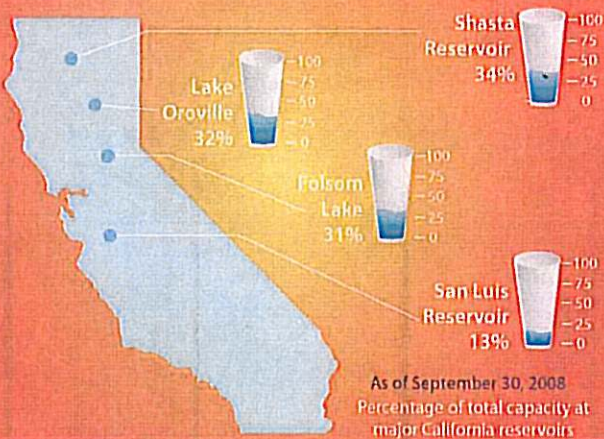
Top left: Comanche Reservoir, a key reservoir for East Bay Municipal Utility District, is low after receiving just 50% of normal runoff this year.

Top right: Folsom Lake has dropped to 31% of capacity.

Association of California Water Agencies
910 K Street, Suite 100 • Sacramento, CA 95814
916.441.4545
www.acwa.com



CURRENT WATER CONDITIONS



Drought Impacts on California Water Agencies

With California officially in a drought, local water agencies are dealing with challenges ranging from low runoff to court-ordered reductions in water deliveries to soaring energy costs. An informal survey conducted by ACWA shows that drought conditions are having an array of impacts on local water agencies.

Effects of the current drought include:

- Agricultural crops fallowed / abandoned / trees stumped
- Irrigation water shut off in some areas
- Reserves drawn down
- Increased groundwater pumping
- Less water for groundwater recharge
- Increased cost of water
- Increased algae blooms due to low water levels
- Limited pasture grass to feed cattle
- Loss of farm jobs, economic output in Central Valley

Actions taken by water districts in response to drought:

- Water supply alert / shortage / drought declared
- Voluntary and mandatory conservation
- Drought rates / surcharges / fines in effect
- Water rate increases due to shortage
- "Drought Busters" to enforce conservation efforts
- Drinking water at restaurants upon request only
- Alternate day only watering allowed; hours limited
- "Cash for Grass" programs implemented
- Leak detection efforts increased
- Conservation campaigns launched
- Construction meters read more regularly
- PSAs on radio urging conservation
- New development limited; water-efficient landscape required

Looking Ahead

As water districts across the state continued to deplete supplies in fall 2008, many worried about the effects another dry year would have on operations. State water officials are expected to announce preliminary allocations for 2009 in later this year, and local water agencies are bracing for a grim forecast.

Customers of the State Water Project received just 35% of their requested supplies in 2008 due to dry conditions and court-ordered restrictions, while agricultural customers of the Central Valley Project south of the Delta received just 40% of their contracted supplies.

In a survey of ACWA members, 79% of respondents said another dry year would require a stepped up response in 2009. Many reported they would be taking more drastic measures in 2009 if the drought continued. What this means for California's water picture is that the economic and environmental losses the state has endured this year will be exacerbated by another dry year.

A third year of drought would have severe impacts on the state's agricultural economy, and consumers could see higher prices for produce such as lettuce, tomatoes and melons. Ongoing drought would also set the stage for a potentially explosive fire season next year as the forests and landscapes become even more dry and fire-friendly.

Dry conditions in 2009 and continued court-ordered restrictions on water deliveries would likely put more pressure on the state's groundwater resources. Growers and others who rely on underground water sources could see water levels drop further, resulting in higher pumping costs and raising concerns about long-term health of already stressed groundwater basins.

ADDITIONAL RESOURCES FOR REPORTERS

The following people and Web sites can provide more information about water conditions and drought impacts:

- Elissa Lynn, Department of Water Resources, 916.574.2221
- Jennifer Persike, ACWA, 916.441.4545
- California Department of Water Resources, www.water.ca.gov
- U.S. Bureau of Reclamation, www.usbr.gov/imp/cvp/

- Michelle Light, U.S. Bureau of Reclamation, 916.978.5100
- Mike Wade, California Farm Water Coalition, 916.391.5030
- Cooperative Snow Surveys, www.sred.water.ca.gov/sms/

Top: Lake Oroville, mainstay of the State Water Project, will drop to its lowest level in history later this year.

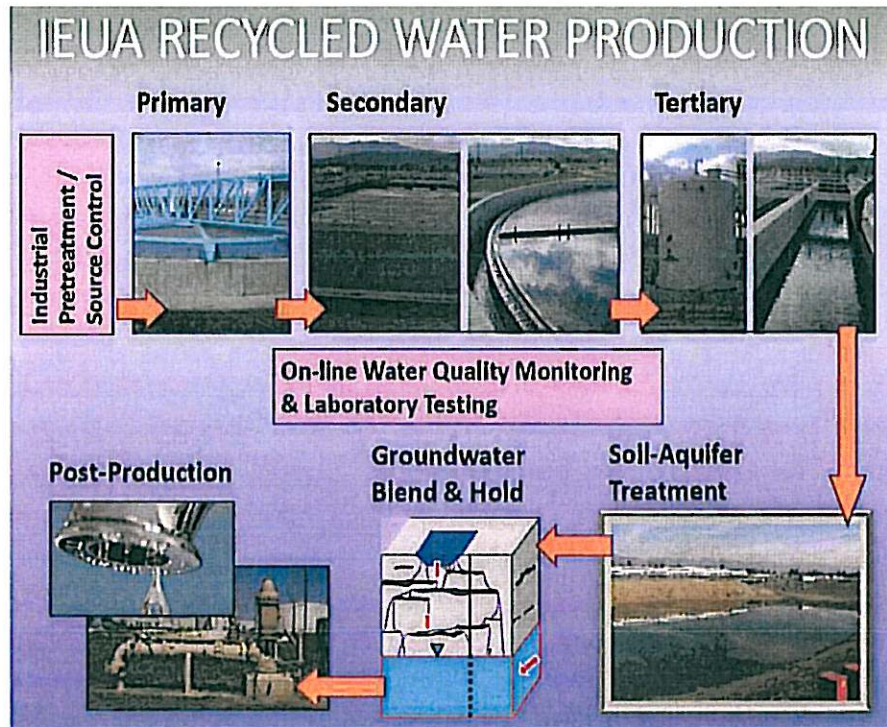


Highlights:

- IEUA Awarded \$1 M DWR Grant.....Page 2
- Construction of New Recycled Water Facilities on Schedule.....Page 3
- 2125 AFY New Recycled Water Customers Connected August 2008.....Page 4
- Recycled Water Project Status Map.....Page 5

IEUA Recycled Water Groundwater Recharge Workshop

On September 19, 2008, IEUA host a technical update workshop of its monitoring and research efforts in recycled water groundwater recharge. Andy Campbell and Nel Groenveld presented on IEUA's monitoring program and presented the results of monitoring for pharmaceuticals and personal care products (PPCPs). Results have been nondetect for most constituents and extremely low for a few compounds. Dr. Jörg Drewes of Colorado School of Mines presented on his research into the fate and transport of organic chemicals during soil-aquifer treatment (SAT) of recharge water, which shows significant removal by SAT of most PPCPs compounds and the ability to classify various compounds into groups of varying removal efficiency. His researched showed which compounds are most persistent in recharge systems, and should be used to focus monitoring efforts. Margaret Nellor of Nellor Environmental Associates next presented on her WaterReuse Foundation research into the Tools to Assess and Understand the Relative Risks of Indirect Potable Reuse Projects. This research 1) identifies chemicals detected in recycled water, 2) assesses their toxicity and exposure at detected levels, and 3) characterizes health risks and at what levels chemicals become a health concern and quantifies the exposure risks. The program concluded with a presentation by Heather Collins of California Department of Public Health on the update to California's groundwater recharge regulations. The research and annual update workshop are very beneficial to IEUA's recycled water groundwater recharge efforts and should ultimately allow IEUA to maximize recharge using recycled water without additional, more costly treatment methods.



UPCOMING EVENTS

- Landscape Alliance Board Meeting.....3:00pm, October 9th, 2008 at IEUA
- Red Team Meeting (IEUA and Member Agency Implementation).....4:15pm, November 6th, 2008 at CVWD
- Recycled Water Site Supervisor Training8:00am-12:00pm, December 11th 2008 at IEUA

Program Description & Financial Status

The 3 Year Business Plan

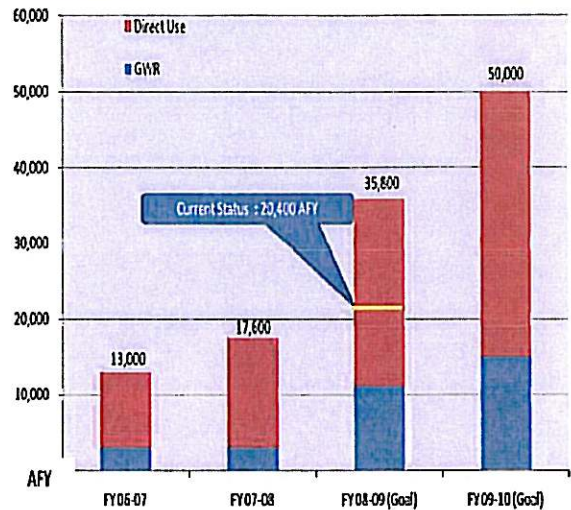
The Recycled Water Three Year Business Plan (Plan), adopted by the IEUA Board of Directors on December 20, 2007, is currently being updated.

This Plan is an action oriented document 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 2007-2010 fiscal years and will be revised and updated on an annual basis. Metrics and an annual usage goal will be identified every year. Monthly progress reports will track these metrics and assess the progress toward the annual usage goal.

FUNDING DEVELOPMENTS

Funding Status Update:

- SAWPA Prop. 50 \$4.9 Million Grant for RP-4 Projects
- USBR Title XVI Grant Funding
 - \$1 million - 2008
 - \$5 million - 2009
- Retrofit Financing Assistance
 - CBWCD
 - MWD
 - IEUA
 - DWR Urban Drought Assistance; \$1 million (draft approval)
- MWD Local Resources Program Agreement
 - MWD Board approved on August 19, 2008



Monthly Recycled Water

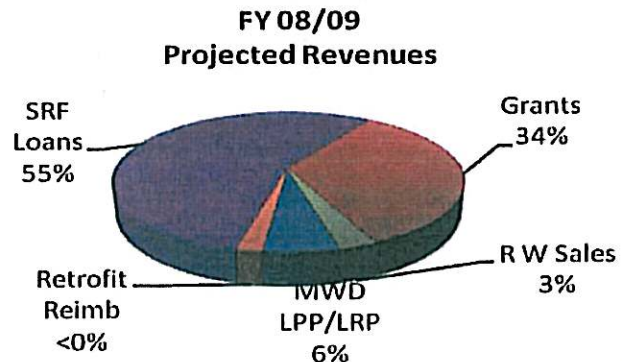
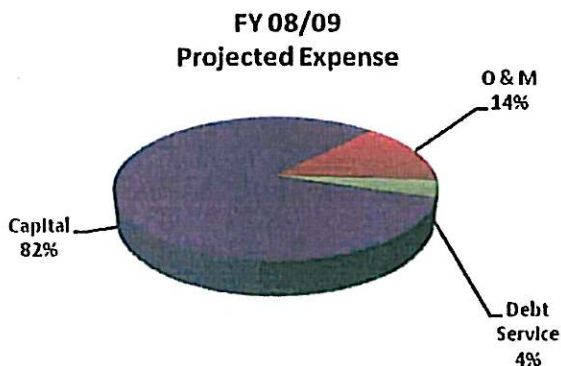
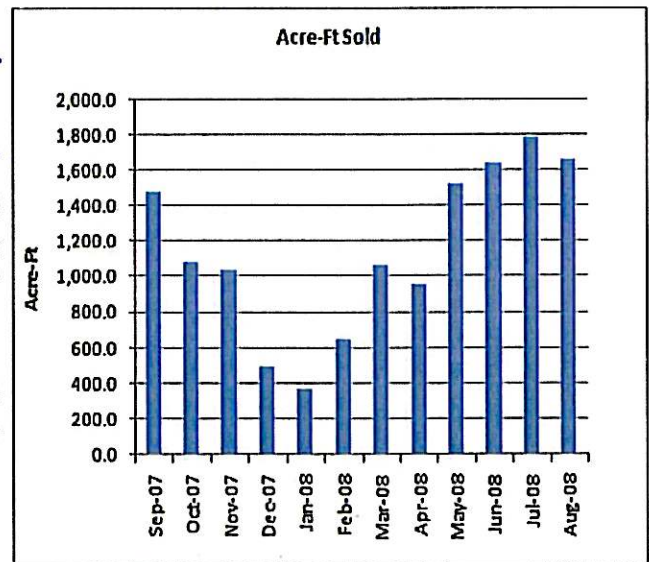
Direct & Recharge:

- For the month of August, Recycled Water Sales totaled 1,533 AFY for direct use and ground water recharge combined. The total direct use sales was 1,658 AFY.

RECYCLED WATER PROGRAM BUDGET FY 08/09

The projected recycled water program cost for FY 2008/09 is \$41 to \$46 Million. Federal Funding (USBR) has been secured in the amount of \$950,000 for the first phase of the project; The Agency is pursuing \$9,000,000 in grants for the project. The Agency has been placed on the list for the DWR Drought Assistance Grant for recycled water retrofits in the amount of \$1 Million.

The Agency is also pursuing other grants from SWRCB in conjunction with the SRF Loans for the capital projects. The total revenue and sources of funds for the RW program is \$38 - \$47 M, which is consistent with the Business Plan to be a self funding program.



CAPITAL PROJECTS SUMMARY

PROJECTS IN DESIGN AND CONSTRUCTION

- **1630 East Segment A Pipeline**- The project includes the construction of a 36-inch pipeline from the 1630 E Pump Station to the Victoria and San Sevaine Basins. The project is in the design phase, and is being designed by RMC Consultants. Final design is scheduled to be submitted to the State Water Resource Control Board (SWRCB) for review as part of the SRF Loan Process.
- **1299 East Regional Pipeline, 1299 East Reservoir and 1630 East Pump Station**- The project includes the construction of a 36-inch pipeline from the north end of the North Etiwanda Pipeline to the 1299 E Reservoir and 1630 E Pump Station. These facilities are in the design phase, and are being designed by CVWD. The design of these facilities are also scheduled for SWRCB submittal.
- **MW & Lysimeters at Victoria & San Sevaine Basins:** The project is in the final design stage.
- **Chino Basin Facilities Improvements Phase II – Berm Hardening** - The basin improvements consist of reconstructing existing berms with compacted earth or soil cement, constructing concrete spillways in select berms, installing rip rap, and installing new slide gates and reinforced concrete pipe in four berms throughout the Chino Basin. Construction is about 65% complete as of September 2008.
- **Ontario and MVWD Public schools Retrofit Project**- The retrofit project consists of disconnecting existing domestic water services and replacing with new recycled water connections at public schools within the Ontario and Monte Vista Water Districts. As of October 2008, a total of nine schools have had retrofit modifications completed.



San Antonio Channel Pipeline, Segment B

- **RP-4 1158 Reservoirs, Pump Stations, and Pipeline** - The project provides storage in the 1158 pressure zone, pump stations for the 1158 and 1299 pressure zones, and pipeline from RP-4 to the 1158 Reservoirs. The project is in the construction phase, and is 95 percent complete. Construction of the reservoirs and the pump station is expected to be completed by October 2008. The 1158 Pipeline segment B is completed, and the restoration of the wetlands has begun. The pump station is still under construction and is 76% complete as of October 2008.



Chino Basin Facilities Improvements Phase II



Ontario and MVWD Public Schools Retrofit

- **San Antonio Channel Pipeline, Segment B** - The regional pipeline will serve the city of Ontario, Montclair and Monte Vista Water District and Brooks Street Basin. All piping has been installed and tested. The start up phase for recycle water customer connections has begun and is expected to be complete by early October 2008.

- **North Etiwanda Pipeline**- The project includes the construction of 42-inch pipeline on Etiwanda Avenue from Whittram Avenue to Arrow Route. The pipeline has been completed as of the end of September 2008.

CONSTRUCTION PROGRESS

ID	Task Name	2008				
		Sept	Oct	Nov	Dec	Jan
1	1158 Reservoirs / Pump Station	[Progress bar spanning Sept, Oct, and Nov]				
2	RP-4 Pump Stations	[Progress bar spanning Sept and Oct]				

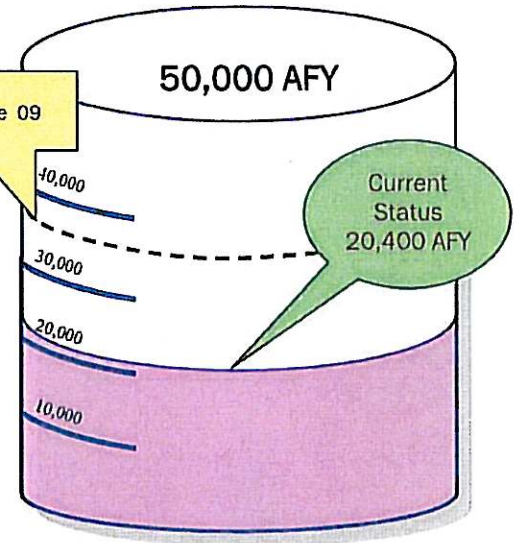
CUSTOMER CONNECTIONS

Recent Connections to date: (2,092 AFY)

- Wickman Elementary, Chino Hills (10 AFY)
- CVWD Reservoir 1B (12 AFY)
- Brooks Recharge Basin, Montclair (5 AFY)
- Chad Farm (Suncal Property), Chino (1200 AFY)
- Fairfield Ontario Towne, LLC. (10 AFY)
- Fairfield Ontario Towne, LLC. (15 AFY)
- CIP Real Estate (6 AFY)
- 11907 6th Street Median (2AFY)

Annual Goal
35,800 AFY by June 09

**Total Connected
During August:
2125 AFY**



Near Term Connections: (784 AFY)

- Ontario Montclair School District - 7 school sites (155 AFY)
- City of Montclair - six parks (151 AFY)
- City of Rancho Cucamonga - 11 medians (90 AFY)
- San Bernardino County Guasti Park, Ontario (50 AFY)
- Chaffey Joint Unified High School District - two schools (165 AFY)
- Bellevue Cemetery, Ontario (200 AFY)

CUSTOMER CONNECTIONS—Projected Direct Use for 2008

	Projected Six Month Recycled Water Connections (AFY)						
	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Total
Chino			150				150
Chino Hills			56				56
Ontario	914	236	2,138	2,620			5,908
MVWD	221		27				248
CVWD	70		29		24	190	313
Total (AFY)	1,205	236	2,400	2,620	24	190	6,675

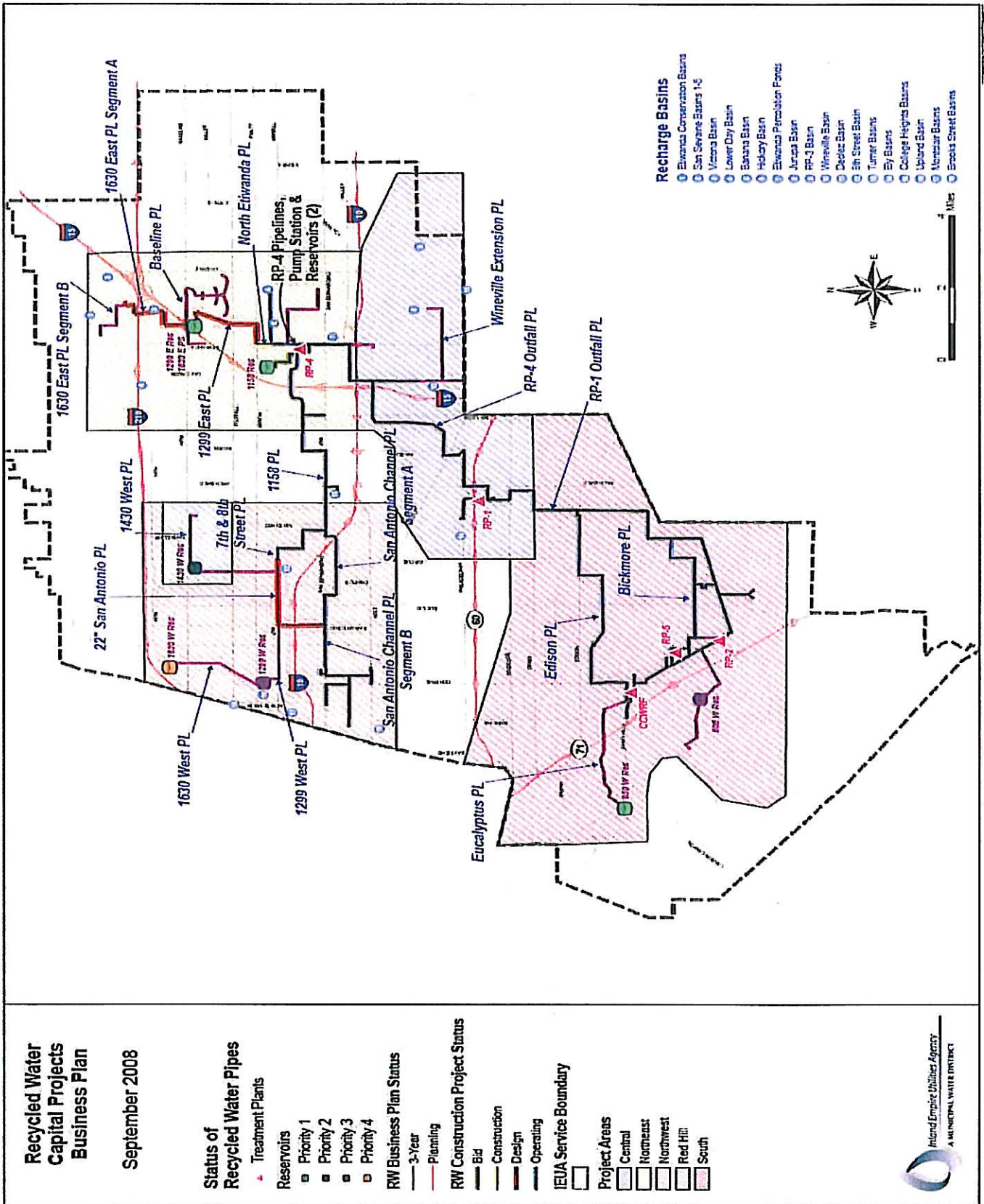
PROJECTS IN PLANNING

- **Northeast Project Area:** The Projects are on schedule to deliver recycled water to Victoria and San Sevaine Recharge basins in Summer 2009.
- **Northwest Project Area:** City of Upland recycled water master plan was approved by the city council on September 22, 2008.
- **Southern Project Area:** The project will design the 930 pressure Zone Pipeline and Reservoir in the city of Chino Hills. The project is in the preliminary design stage.
- **Central Project Area:** The first draft of the North Chino Master plan was completed by IEUA. The environmental report for the Wineville Avenue Extension Pipeline Project has been completed.



RP-4 1158 Reservoirs, Pump Stations, and Pipeline

RECYCLED WATER PROJECT STATUS MAP




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**Regional Conservation Programs
Monthly Report – September 2008**

MWD Activities

- **Drought Alert Status** – The State Water Project and MWD are continuing to draw down storage supplies. On September 18th MWD held the first of series of workshops for all member agencies to help prepare for possible implementation of the Drought Allocation Plan in 2009 and “work through” remaining implementation issues. On September 17th IEUA hosted a workshop for MWD and IEUA member agencies to discuss the Drought Allocation Plan and Dry Year Yield (DYY) Program and consider approaches to minimize the impacts to our service area should MWD activate both programs in the coming year. Our objectives are to maintain water supply reliability, avert or minimize penalties, continue operations within the Tier-1 rate category and coordinate public outreach during all stages of drought.
- **Precipitation Conditions:**
 - The six month period of March through August 2008 was the driest on record in the Northern Sierra Nevada Mountains (3.4” of rainfall was received or 24% of average).
 - Statewide precipitation for the six-month period February through July 2008 was 45% of average; the fourth driest of 114 years.
- **Reservoir Conditions:**
 - Statewide average reservoir levels are 75% of average for this date. Last year at this time they were at 85% of average.
 - By the end of this water year on Lake Oroville may fall to a new record low. The previous record low was set on September 8, 1977 at 882 TAF.

Current Reservoir Levels		Lake Oroville	
Shasta	34%		
Oroville	32%		
Folsom	31%		
Trinity	51%		
New Melones	47%		
Don Pedro	55%		
Exchequer	31%		
San Luis	13%		
Millerton	44%		
Pine Flat	34%		
Pyramid	3832%		
Castaic	38%		

- **Runoff Conditions:**
 - Statewide runoff for the end of this water year is forecast to be 57% of average.
 - The Sacramento and San Joaquin River systems, which represent the bulk of the state's reservoir inflow, will have two-year stream flow in the lowest 10% of historical range by the end of this water year.

- **IEUA Regional Drought Response** - In response to these conditions, IEUA in cooperation with its retail agencies and MWD are continuing to improve water conservation and develop local programs to increase Chino Basin water supplies.
 - **Dry Year Yield Program (DYY)** – This program requires a reduction of imported water use by 33,000 (31,000 acre-feet within IEUA's service area) in a 12-month period, starting in May 2008 and ending in April 2009. The DYY performance to date (August) has achieved 13,488 acre-feet which is 44% of the target reduction for the year. This puts the DYY participants well ahead of schedule.
 - **DYY Program Expansion** – This program is planned to expand the DYY Program from 100,000 AF to 150,000 AF of groundwater storage capacity and annual performance from 33,000 acre-feet/year to 50,000 acre-feet/year). Planned capital improvement projects have been determined, the California Environmental Quality Act (CEQA) project description has been completed and environmental review is underway and is scheduled to conclude in December.
 - **Recycled Water Program** – IEUA is currently implementing a 3-Year Recycled Water Business Plan that will increase recycled water connected capacity to 50,000 acre-feet by 2010. IEUA sells its recycled water to its retail agencies for \$66 an acre-foot. (For comparison, an acre-foot of imported water costs \$361.) For FY 07/08 approximately 11,000 acre-feet was sold for direct reuse (irrigation, landscaping, commercial, and industrial) and put into spreading basins to recharge the groundwater supplies.
 - **Chino Desalter Authority (CDA)** – The CDA currently operates and maintains two desalter facilities with a production capacity of 24,600 acre-feet. A 10,000 acre-foot expansion of these facilities is currently being negotiated and should be completed by 2010. For the month of August the CDA produced 2,412.2 acre-feet.

Additional MWD Activities

- **LRP Agreement for Regional Recycled Water Expansion Project** On August 19, 2008 the MWD Board approved a new Local Resources Program (LRP) Agreement with

Agency for the Regional Recycled Water Expansion Project. Updates will be provided in future reports.

- **Media Campaign & Public Outreach** – MWD is in the process of hiring a new Public Outreach firm who will begin work in September 2008. IEUA is continuing to work with MWD and with IEUA member agencies to coordinate water conservation and drought management public outreach campaigns.
- **MWD Region-Wide Public Sector Rebate Program to Promote Water Efficiency** – On August 21, 2007, MWD authorized \$15,000,000 for the Region-Wide Public Sector Program. Over the last six months since February 2008, public sector customers within the IEUA service area have received approximately \$843,404.79 in funding approvals through the Enhanced Device Incentives section of the Public Sector Program. Realized water savings from installed devices will net approximately 2,067 acre feet. Funding approvals were awarded to the City of Ontario, City of Fontana, Monte Vista Water District, and the following school districts: Cucamonga, Central, Etiwanda, Chaffey Union, Alta Loma and Chino Valley. To date, Chino Valley School District has received the largest award of \$544,830.14. Requested devices receiving these up-front incentives include urinals, weather-based irrigation controllers, centralized computer irrigation controllers, toilets, and water brooms.
- **MWD Region-Wide Residential Program (SoCal Water Smart Program)** – The Residential Rebate Program is in full swing and there are approximately 200 rebates from the IEUA service area pending payment in September. Upon payment to the customers, rebate activity will be sent to the member agency. IEUA staff continues to process the Water Wise Landscape rebate in-house and handle all customer related inquiries.
- **Imported Water Deliveries** – For the month of August 2008, full service water sales totaled 7,324.7 AF. This is about 1,250.7 AF (14%) less than full service deliveries in July 2007. The annual limit for Tier 1 purchases is 59,752.2 AF.

Landscape Conservation Programs

- **Landscape Alliance** – In the August Landscape Alliance Board of Directors endorsed a work plan to complete a Regional Model Water Efficient Landscape Ordinance by December 2008. The Technical Committee, under the guidance of the Landscape Alliance, is drafting Water Efficient Landscape Model Ordinance to comply with the requirements of AB 1881 and the goals of the Landscape Alliance. A Water Site Awareness Tour of Best Management Practices in Chino, Rancho Cucamonga and Fontana will be scheduled this fall for elected officials, planning commissioners and staff. And, a Water Wise Landscape Recognition program with signage for residents installing water efficient landscapes will be initiated. A Breakfast in the Garden Workshop has resumed and a workshop was held at Chino Basin Water Conservation District on September 9th. Participants learned about the permitting requirements and new building legislation affecting gray water installations in San Bernardino County, rainwater

harvesting, and how to calculate the water budget of a landscape. The next Breakfast in the Garden Workshop will be held at the Rancho Santa Ana Botanic Garden on October 15th from 7:30-9:30 am and discuss care and maintenance techniques for California native plants.

- **Phase III Landscape Audit Program** – The Phase III Landscape Audit Program began in January 2008 and to date, CBWCD has completed 29 landscape audits with 5 sites currently scheduled for auditing. Juan Zamora recently joined the CBWCD staff as the new Landscape Evaluation and Audit Program (LEAP) Manager and looks forward to continuing the successful work already completed as the program continues to gain momentum throughout the IEUA service area. In addition, CBWCD is hosting multiple two professional series of California Friendly Landscape Training classes being sponsored by Metropolitan Water District in both English and Spanish during the month of August.
- **Ontario Cares** - To date, four California-Friendly[®] landscape sites have been completed through the CARES Program and currently, there are five sites under conversion. During the month of August, Armine Chaparyan, Sr. Program Manager for the CARES Program, resigned from her position with the City and was replaced by Scott Melendrez. Scott was thoroughly briefed on the program prior to Armine's departure and is currently in transition of assuming her responsibilities. The project status meeting and site tour that was originally scheduled in August but cancelled due to Armine's departure has now been rescheduled for September 24, 2008.
- **California-Friendly[®] Landscape Classes (formerly PDA)** — Scheduling of the California-Friendly[®] Landscape Classes for FY 08-09 are ongoing and agencies are awaiting confirmation of requested dates. This program is extremely popular with our retail agencies and although there were discussions at MWD of downsizing the program somewhat due to budget constraints, MWD has continued to honor all submitted requests by IEUA retail agencies.
- **DWR 2008 Fast Track Urban Drought Assistance Grant Program.** - DWR grant awards were announced in August with IEUA receiving a \$1,000,000 award for the Recycled Water On-site Irrigation System Retrofits Project. The other two IEUA grant proposals submitted for water wise landscapes and a region-wide water budget system were not selected for funding under this round. Statewide, the total amount of DWR grant funding allocated for this period is \$17,000,000. The primary criterion for funding the projects under this program was based on the percentage of local match.

Project Title	Total Cost	IEUA Match	DWR Grant	% of Match	Author
Recycled Water On-Site Irrigation System Retrofits	\$ 3,616,000	\$ 2,616,000	\$ 1,000,000	72%	Rocky Welborn
Water Wise Landscapes	\$ 1,182,324	\$ 792,324	\$ 335,000	67%	Elizabeth Hurst
Region-Wide Water Budget Development	\$ 733,580	\$ 429,080	\$ 304,500	58%	Lisa Perales

Commercial/Industrial/Institutional Program

(CII SAVE-A-BUCK) – For fiscal year 08/09, to date there have been 703 devices rebated. From program inception (FY 00/01) to date, a total of 8,917 devices have been rebated, representing a lifetime savings of almost 21,258 AF. The following table lists August 2008's rebate activity within the IEUA service area and provided through MWD's Save-A-Buck Program, only:

<i>Device Name</i>	<i># of Rebates Issued</i>	<i>Cumulative Total Installed Since FY 00/01</i>
High-Efficiency Clothes Washers	6	463
Multi-Family High-Efficiency Clothes Washers	0	1
Cooling Tower Conductivity & pH Controllers	0	24
Ultra-Low-Flush Toilets	0	1,894
ULFT Flushometers	0	4
High-Efficiency Toilets	3	2,424
Zero Water Urinals	16	1,042
High-Efficiency Urinals	0	8
Weather-Based Irrigation Controllers	0	9
Rotating Nozzles for Pop-Up Spray Heads	0	97
Synthetic Turf for Commercial Applications (CII only)	0	33525 sf
High-Efficiency Nozzles for Large Rotary Sprinklers	0	0
Dry Vacuum Pumps	0	0
Steam Sterilizer Retrofits	0	0
Pre-Rinse Spray Head (PRSH)	0	2
Water Broom	1	697
X-Ray Recirculation Units	0	11

Other Conservation Retrofit Programs

- o **Multi-Family Direct Install Program** – The Multi-Family Direct Installation Program began ULFT retrofits in October, 2006 and switched to only using HET's as of July 1, 2008. The following table lists FY 08/09 rebate activity thru August 2008:

<i>Device Name</i>	<i># of Rebates Issued in August '08</i>	<i>Cumulative Total Installed Since FY 06/07</i>
Ultra Low-Flush Toilets	0	14,275

High-Efficiency Toilets	245	370
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Residential Rebate Programs

The Residential Rebate Program began in FY 02/03. On July 1, 2008, the program was transitioned over to an MWD region-wide vendor, SoCal WaterSmart. Several hundred rebates within the IEUA service area have been received during the months of July and August and are pending payment. The following is a list of residential rebate activity prepared by IEUA staff for FY 08/09 thru August 2008:

<i>Device Name</i>	<i># of Rebates Issued</i>	<i>Cumulative Total Installed Since FY 02/03</i>
Ultra Low-Flush and High Efficiency Toilets	5	11,994
High-Efficiency Clothes Washers	1	9,463
Weather-Based Irrigation Controllers	5	394
Rotating Nozzles for Pop-Up Spray Heads	1	1,093 (nozzles)
Synthetic Turf Retrofit	2	90
Water-Wise Residential Landscape Retrofit Program	13	33

School Education Programs

- o **Garden in Every School** – Garden designs, plant and part lists have been completed for the six schools participating in the 2008-09 Program. Designs have been sent to schools and maintenance districts for their review. Once designs have been approved program staff will coordinate site clearing and trenching dates with the schools and maintenance staff to begin construction of the gardens. On September 17th IEUA’s Board of Directors presented certificates of appreciation to participating agencies and partners in the Garden in Every School Program. A comprehensive review of the 26 gardens created under the program is underway and is scheduled to be completed by December.

- o **National Theatre for Children** –During the FY 07-08 school year, NTC reached 23,643 students, teachers and parents delivering a package of live theatre, student curriculum and teacher guides to 56 elementary schools throughout the IEUA service area. The full report for FY 07-08 details a compilation of teacher’s written responses to questions about IEUA’s water awareness program. The overall educational value was 6.23 (out of 1-7) and 96% of all respondents want IEUA to continue to offer this program to their schools. Scheduling for the FY 08-09 school year is ongoing with 56 performances already scheduled for the Fall in the service areas of Chino, Chino Hills, Ontario, Upland, Cucamonga Valley Water District, Fontana Water Company, and Monte Vista Water District.

- **New Native Garden Pilot Fundraising Program** California State University Water Resources Institute sponsored a pilot school fundraising program that is based upon sale of native plant gardens. An evaluation of the spring program was completed in July. Enrollment for fall fundraising program will begin in August 2008.

Emerging Issues

CUWCC BMP Revision Process - Earlier this year the California Urban Water Conservation Council (CUWCC) Steering Committee set out to revise the CUWCC Memorandum of Understanding (MOU) and Best Management Practices (BMPs). IEUA along with its eight retail agencies are all signatories to the CUWCC MOU. The revisions are intended to update BMPs in light of advances in technologies and methodologies, better grouping the BMPs (foundational and performance), make reporting and tracking requirements more efficient, and make certain the BMPs will provide California with the best roadmap for water conservation over the next decade. Final adoption is tentatively scheduled for the December 10, 2008 CUWCC Plenary meeting. To assist member agencies in their efforts to comply with BMP's and all other water conservation requirements IEUA is conducting two workshops for member agencies' staff: the first is scheduled for September 23rd and will provide hands-on training for BMP reporting practices. The second workshop is scheduled for October 14, 2008 for all agencies to meet to consider how to best achieve compliance with new BMP requirements.

- **AB 2175 (Laird/Feuer): Water Conservation** - This bill was not passed by the legislature. It is anticipated that a revised version of the bill will be introduced in the next legislative session.
- **SAWPA Legislative Committee** - Following Governor Schwarzenegger's Executive Order to reduce California's water demand 20% by the year 2020, (DWR, SWRCB, and the State Legislature are all crafting statewide approaches to achieve the Governor's 20% reduction goal. In response to these multiple initiatives and recognizing the need to tailor solutions that match the needs of our region (higher temperatures and higher per capita water use) the SAWPA Legislative Committee will take several actions beginning with a workshop to be scheduled this fall.

Outreach

- **Water Education Water Awareness Committee (WEWAC)** - The WEWAC committee has placed their garden in the Garden Center for the Los Angeles Fair at the Pomona Fairplex. A Project WET workshop will be held at IEUA on Thursday, October 2, 2008. The WEWAC website has been updated with this information, and Shelley Cirrito, CVWD, will have the California Regional Environmental Education Community (CREEC) Network website updated. Ms. Cirrito has also received approval for the Project Wet workshop hours to be placed toward educators required Continuing Education Units (CEU). The amount of units received by attending the workshop has yet

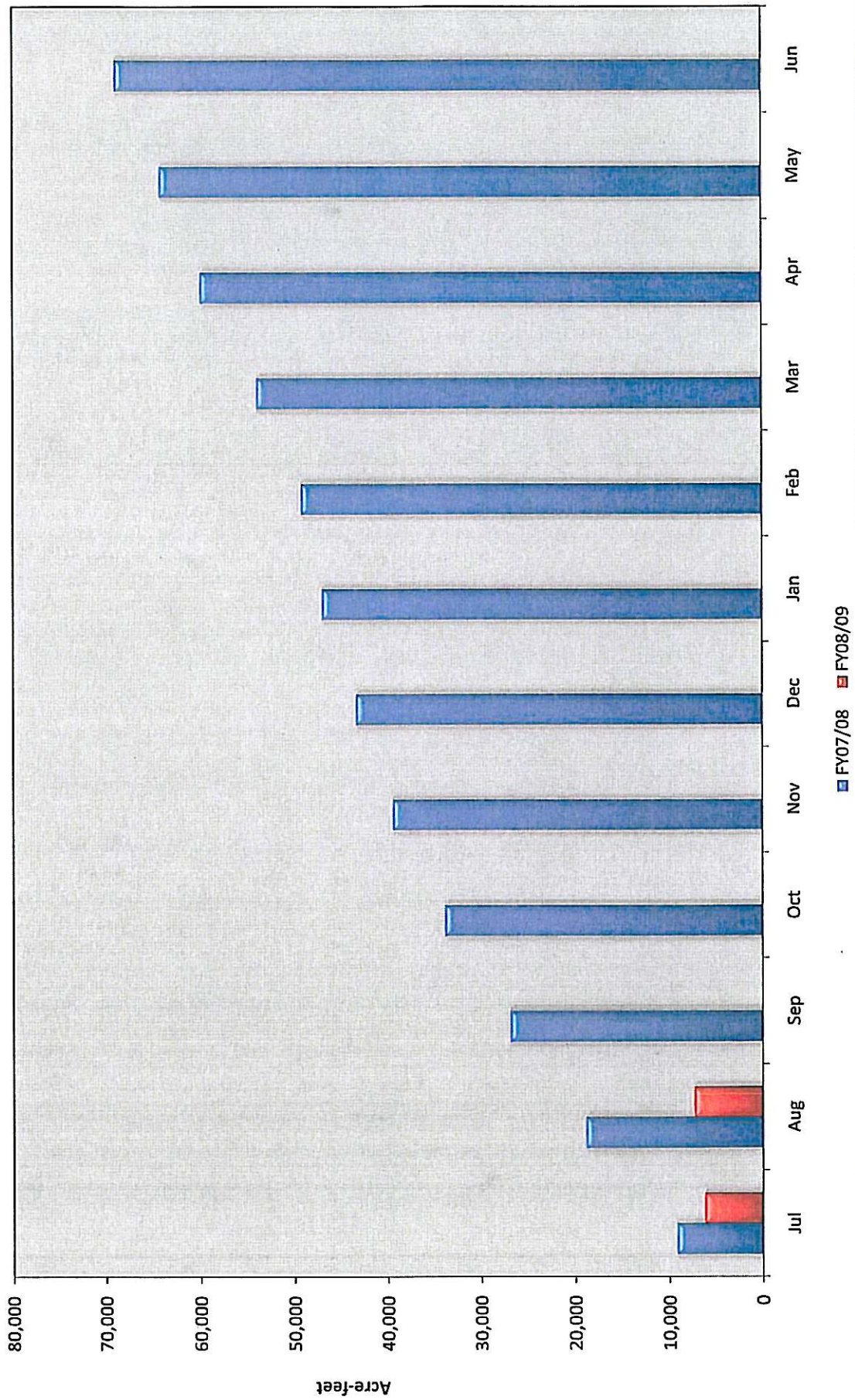
to be determined. All postcards announcing the Edu-Grant have been mailed out and each agency has received their grant applications. The PSA contest winners and honorable mentions have been added to the WEWAC website.

- o **Regional Landscape and Water Conservation Fair** - The Regional Landscape and Water Conservation Fair will take place at the Chino Basin Water Conservation District on Saturday, October 25 from 9:00 a.m. to 2:30 p.m. as part of the Conservation District's annual Plant Fair. The Fair layout is set up in "zones" with an outdoor zone, indoor zone, kid's zone and teacher zone where participants can receive information on devices such as SmartTimers and artificial turf. Water saving devices will also be given out at each zone. Raffles will be held throughout the day with prizes including rain sensors, SmartTimers, rotating nozzles, California Friendly Plants and a High-Efficiency Clothes Washer as the "Grand Prize".

CALENDAR

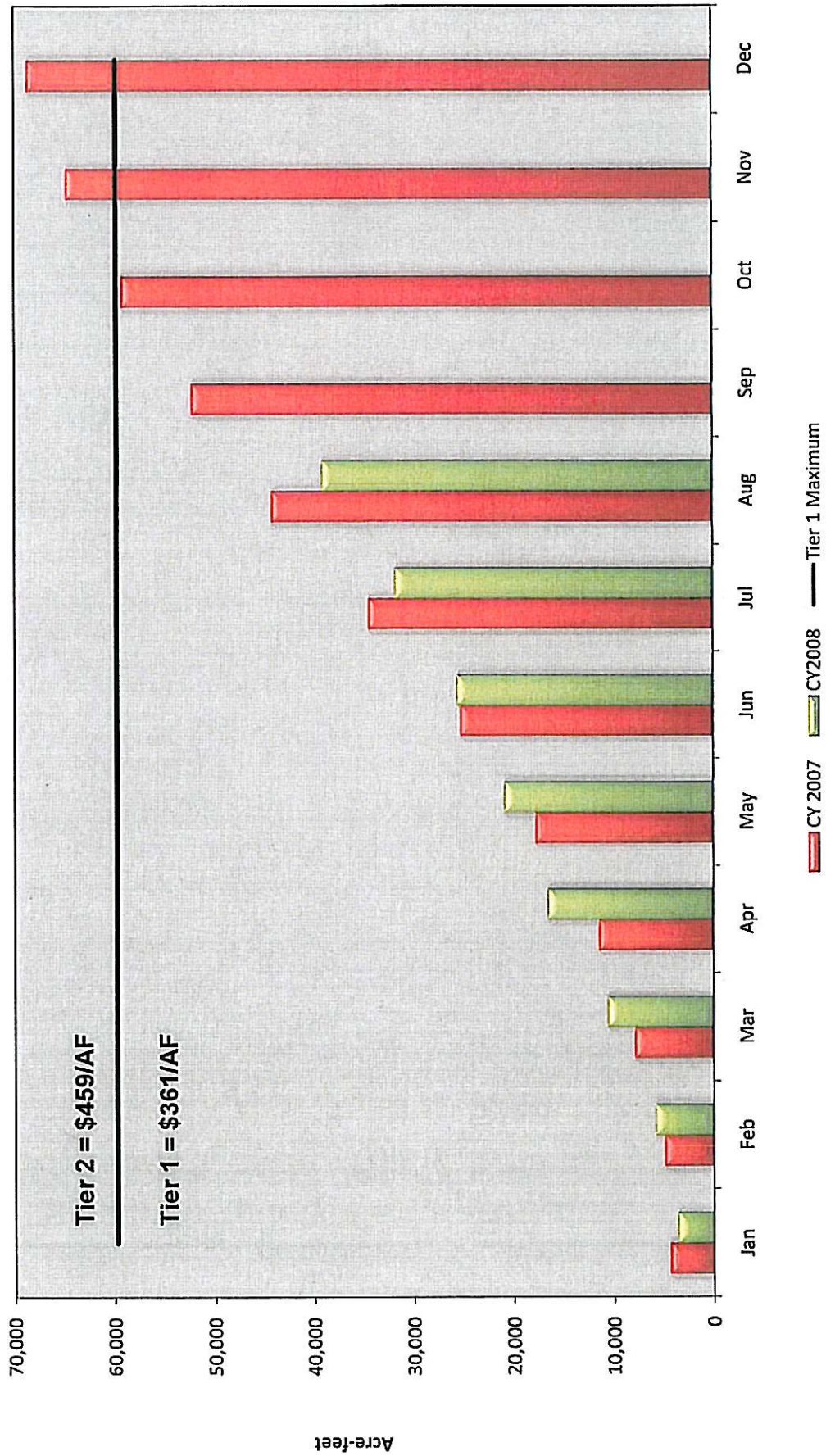
September 9, 2008	Landscape Alliance Breakfast in the Garden @ CBWCD, 7:30 am – 9:30 am
September 10, 2009	CUWCC Plenary Meeting, Santa Rosa, 9:30 am – 3:00 pm
September 15, 2008	Water Softener Rebate Campaign Kickoff (Information & Details Forthcoming)
September 18, 2008	MWD WUE Conservation Coordinator Meeting, at MWD, 9:00 am – 2:00 pm
September 23, 2008	CUWCC BMP Reporting Workshop and BMP Revisions, Headquarters Bldg. A – 9:00 a.m. – 4:00p.m
September 25, 2008	Landscape Alliance Technical Meeting, Anza Conference Room 1:00 pm - 3:00 pm
October (date TBD)	Best Management Practices Planning Commissioner Tour in Chino
October 2, 2008	Project WET Workshop, Events Center, 8:00 a.m. – 3:00 p.m.
October 2, 2008	1 st Thursday Meeting/Prado Basin Planning Meeting, HQA Anza Conf., 10:00 am
October 8-10, 2008	WaterSmart Innovations Conference & Expo, Las Vegas, NV
October 9, 2008	Landscape Alliance Board Meeting, IEUA Board Room 3:00 pm - 4:00 pm
October 14, 2008	IEUA Monthly Workgroup Meeting & BMP Compliance Clinic, Anza Room, 9:00 a.m. – 4:00 p.m.
October 15, 2008	Breakfast In The Garden, 7:30 am – 9:30 am, Rancho Santa Ana Botanic Gardens
October 16, 2008	MWD WUE Conservation Coordinator Meeting, at MWD, 9:00 am – 2:00 pm
October 23, 2008	Landscape Alliance Technical Meeting, Anza Conference Room 1:00 pm - 3:00 pm
October 25, 2008	Landscape Water Conservation Festival, held at CBWCD, 9:00 am – 2:30 pm
November (date TBD)	Best Management Practices Planning Commissioner Tour in Chino
November 6, 2008	1 st Thursday Meeting, HQA Anza Conf., 10:00 am – Landscape Alliance Briefing
November 20, 2008	MWD WUE Conservation Coordinator Meeting, at MWD, 9:00 am – 2:00 pm
December 8-12, 2008	Governor's 20x2020 Team Meeting, 4 th Workshop, Location/Time TBD
December 11, 2008	Landscape Alliance Board Meeting, IEUA Board Room 3:00 pm - 4:00 pm
December 18, 2008	MWD WUE Conservation Coordinator Meeting, at MWD, 9:00 am – 2:00 pm

Cumulative Monthly Full Service Imported Water Deliveries Within IEUA's Service Area FY 07-08 and FY 08-09



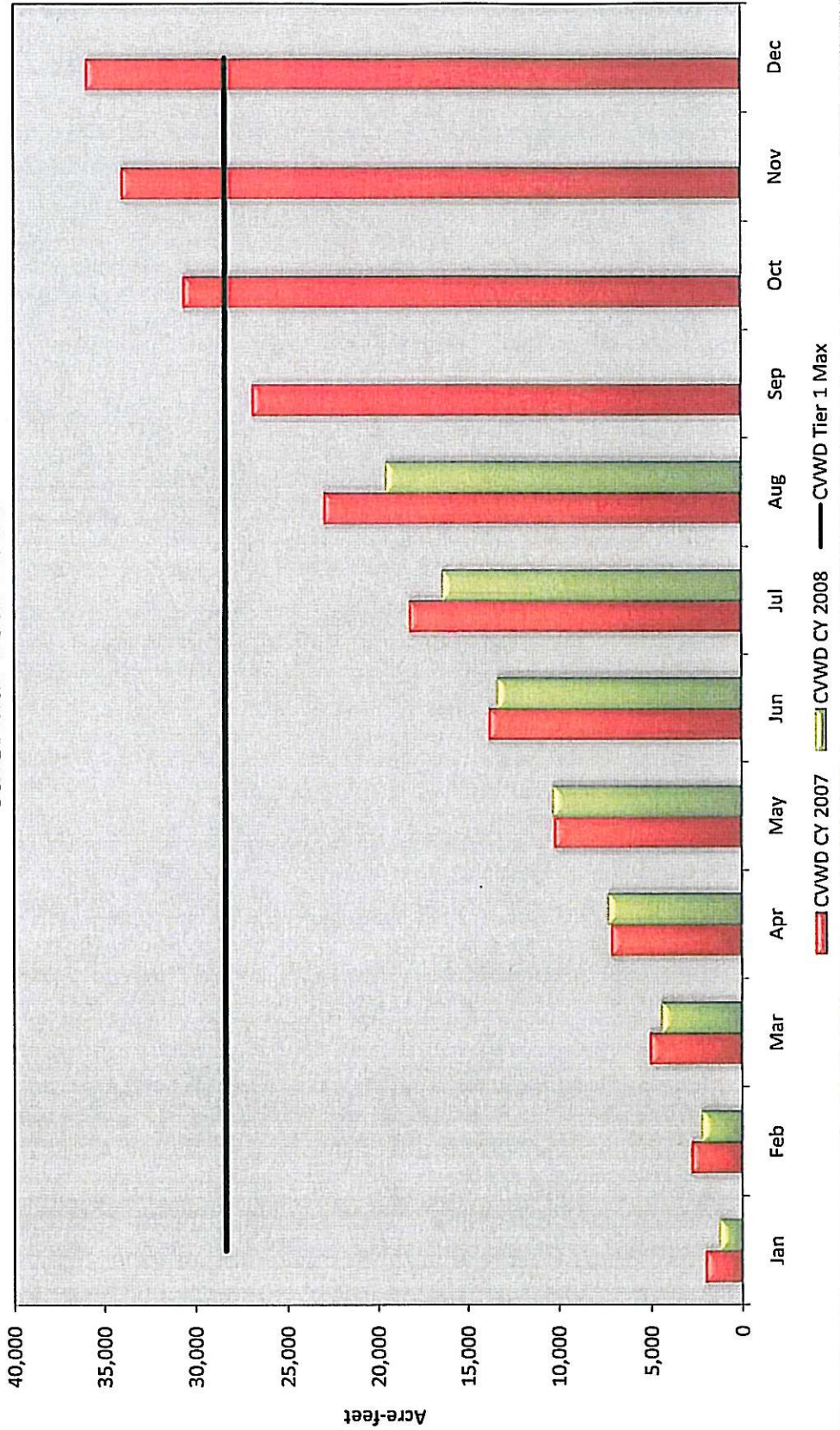
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IEUA
Cumulative Monthly Full Service Imported Water Deliveries
Calendar Year 2007 and Calendar Year 2008



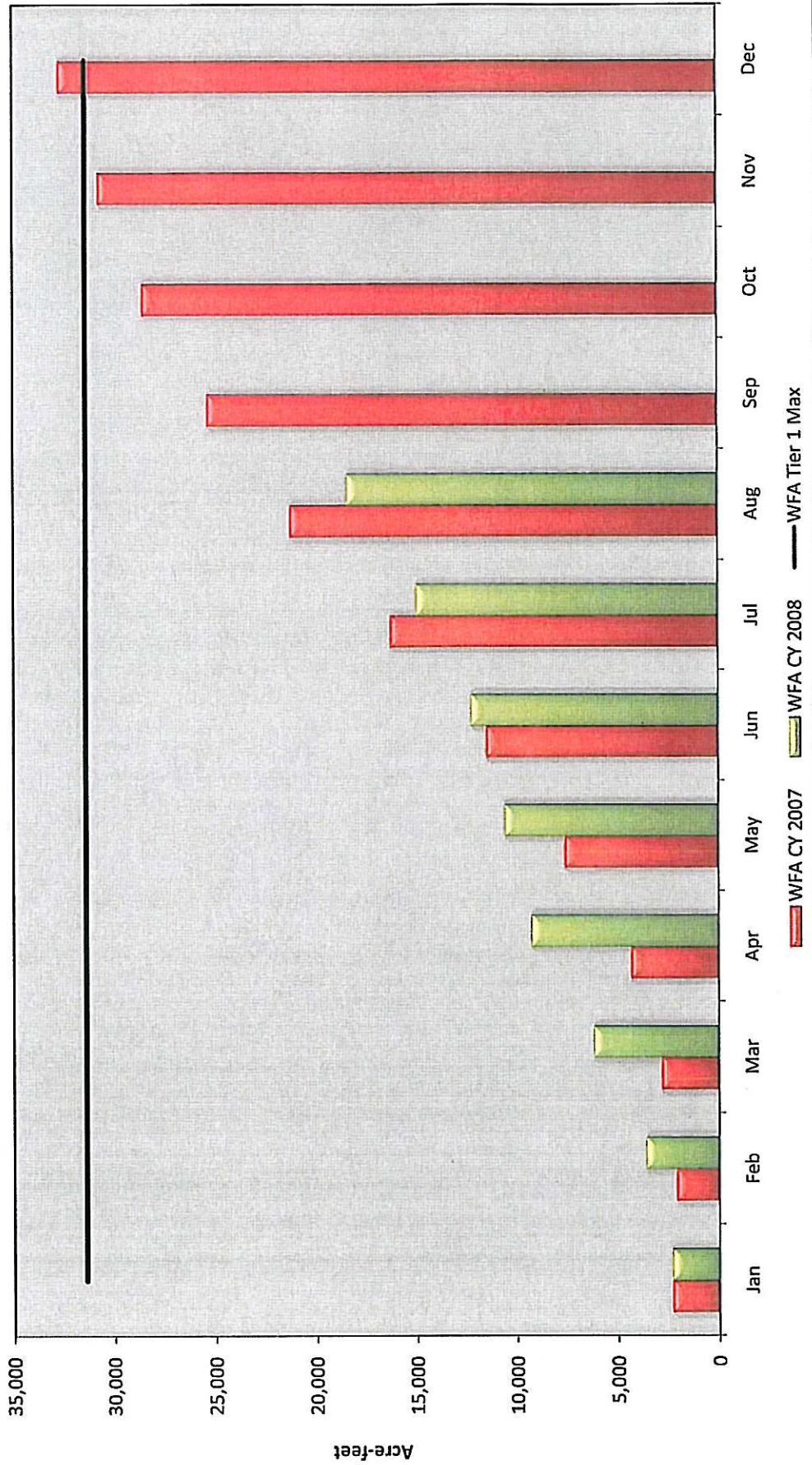
CUCAMONGA VALLEY WATER DISTRICT

Cumulative Monthly Full Service Imported Water Deliveries Calendar Year 2008



WATER FACILITIES AUTHORITY

Cumulative Monthly Full Service Imported Water Deliveries Calendar Year 2008





Inland Empire
UTILITIES AGENCY

Date: October 15, 2008
To: The Honorable Board of Directors
Through: Public, Legislative Affairs, and Water Resources Committee (10/08/08)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: September 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

Enclosure

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Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Martha Davis and Rich Atwater
IEUA

From: Letitia White, Alex Shockey and Amanda King

Date: September 29, 2008

Re: September Monthly Legislative Update

The month of September has been an extremely busy one on Capitol Hill. After returning from nearly a month-long recess, in an effort to get Members back to their home districts to campaign for re-election, the House and Senate had to move some very significant and contentious legislation within a very short time frame.

Appropriations

With the end of the fiscal year coming on September 30th, Congress had to quickly address the fact that not one fiscal year 2009 appropriations bill had been signed into law. To solve this problem, in the waning days of September the House and Senate passed a continuing resolution (CR) that will fund the federal government at fiscal year 2008 levels until March 6th. The President is expected to sign it today. This \$600 billion bill also includes the Defense, Homeland Security and Military Construction Appropriations bills which are the first fiscal year 2009 appropriations bills to pass off either chamber's floor. The package also provides \$22.9 billion for disaster relief, lets the off-shore drilling ban lapse and provides \$25 billion in loans for the auto industry to build new factories to produce more fuel efficient vehicles. The President is expected to quickly sign the legislation into law.

But what of the remaining fiscal year 2009 bills - - the domestic bills? There is much speculation about what House and Senate leadership plans to do now that the federal government will be funded through until March 6th. The President and Congressional Republicans had only wanted a CR to last until late November, which would force Congress to readdress the situation after the elections, but in the final analysis the Democrats were able to get their way and give themselves the additional flexibility of a March date. The latest intelligence says that should Senator Obama win the Presidential elections, the Congress will likely address the domestic appropriations bills with additional funding for democratic priorities either in a large omnibus package or in several smaller mini-bus packages which would likely include earmarks. Should Senator McCain win, a long term CR funding programs at current levels with no congressionally directed programs is far more likely.

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Economic Stimulus Package

Last Friday, the House passed a \$61 billion economic stimulus package which includes a seven-week extension of unemployment benefits for all states and another 13 weeks for states with unemployment rates above 6 percent, which is expected to cost \$5.9 billion. The bill would also provide \$14.7 billion to temporarily help states cover Medicaid costs; \$2.6 billion to temporarily increase food stamp benefits; \$18.5 billion for transportation infrastructure; \$7.5 billion for water and sewer infrastructure; \$5.3 billion for flood control and water resources; \$3 billion for school construction; \$1 billion for public housing; and \$1.6 billion for energy development. The most important thing to note is that our lobbying on behalf of additional funds for the Title XVI program was successful; House leaders added \$126 million for Title XVI in the stimulus package.

Last week, Senate leaders put together their own stimulus package - - a \$56.2 billion bill that, among other things, includes a seven-week extension of unemployment insurance benefits; a temporary 10 percent increase in food stamp benefits; \$19.6 billion for states to address rising Medicaid costs; and \$925 million for a polar icebreaker. Another \$8 billion is included in the package for highway construction grants; \$2 billion for mass transit projects; \$400 million for airport improvement grants; and \$350 million for Amtrak.

However, since the Senate was unable to get enough votes to invoke cloture on their package, the fate of a stimulus package is in serious doubt. In the case that there is movement and the House and Senate hold a conference on their two bills, we have touched base with Senate staff to ensure that they know of our strong support for funding for Title XVI. Throughout the process of lobbying for Title XVI on the stimulus package, we have raised awareness of the importance of this program at very high levels. We will continue this information campaign to ensure that in fiscal year 2010, the program is properly funded.

Financial Sector Bailout Legislation

House and Senate leaders and Members sitting on the Senate Banking and House Financial Services Committees worked through the weekend with the Administration to hash out details on a financial sector bail out plan. The legislation is expected to come before the House today and the Senate by Wednesday before the Congress adjourns for the year. The core of the bill is based on Treasury Secretary Henry Paulson's request for authority to purchase troubled assets from financial institutions so banks can resume lending and so the credit markets, now virtually frozen, can begin to operate more normally. If enacted, the rescue plan would be the most dramatic and extensive government intervention in the economy since the Great Depression.

But Democrats and Republicans - concerned about the potential taxpayer cost - have added several conditions and restrictions to protect taxpayers on the down side and give them a chance at some of the potential upside if the companies benefit from the plan.

Key provisions of the bill

Cost: The \$700 billion would be disbursed in stages, with \$250 billion made available immediately for the Treasury's use. Authority to use the money would expire on December 31, 2009, unless Congress certifies a one-year extension.

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Protecting taxpayers: The ultimate cost to the taxpayer is not expected to be near the amount the Treasury invests in the program. That's because the government would buy assets that have underlying value. If the Treasury pays fair market value - which investors have had a hard time determining - taxpayers stand a chance to break even or even make a profit if those assets throw off income or appreciate in value by the time the government sells them. If it overpays for the assets, the government could be left with a net loss but would get something back on the open market for the assets when it eventually sells them. If it ends up with a net loss, however, the bill says the President must propose legislation to recoup money from the financial industry if the rescue plan results in net losses to taxpayers five years after the plan is enacted. In addition, Treasury would be allowed to take ownership stakes in participating companies.

Stemming foreclosures: The bill calls for the government, as an owner of a large number of mortgage securities, to exert influence on loan servicers to modify more troubled loans. In cases where the government buys troubled mortgage loans directly from banks, it can adjust them more easily.

Limiting executive pay: Curbs would be placed on the compensation of executives at companies that sell mortgage assets to Treasury. Among them, companies that participate will not be able to deduct the salary they pay to executives above \$500,000. They also will not be allowed to write new contracts that allow for "golden parachutes" for their top 5 executives if they are fired or the company goes belly up. But the executives' current contracts, which may include golden parachutes, would still stand.

Overseeing the program: The bill would establish two oversight boards. The Financial Stability Oversight Board would be charged with ensuring the policies implemented protect taxpayers and are in the economic interests of the United States. It will include the Federal Reserve chairman, the Securities and Exchange Commission chairman, the Federal Home Finance Agency director, the Housing and Urban Development secretary and the Treasury secretary. A congressional oversight panel would be charged with reviewing the state of financial markets, the regulatory system and the Treasury's use of its authority under the rescue plan. Sitting on the panel would be 5 outside experts appointed by House and Senate leaders.

Insuring against losses: The Treasury Department must establish an insurance program - with risk-based premiums paid by the industry - to guarantee companies' troubled assets, including mortgage-backed securities, purchased before March 14, 2008. The amount the Treasury would spend to cover losses minus company-paid premiums would come out of the \$700 billion the Treasury is allowed to use for the rescue plan.

Tax Extenders Legislation

Despite overwhelming support in both the House and the Senate for the extension of numerous lapsing tax breaks for alternative energy, families and struggling businesses, the Congress has waited until the last possible moment to pass final legislation that everyone can agree upon.

House and Senate Leaders are at logger heads over whose version of the legislation should be the final package. The Senate is intent on the House using its version of the legislation which the President also supports but, in order to run out the clock and back the House up against a wall,

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the Senate has not sent over their bill. The House is insisting on adhering to pay/go for the tax extenders, despite passage of a \$64.6 billion AMT bill without offsets.

Since the House plans to adjourn today after the vote on the economic bailout bill, we hope that there will be quick resolution to the situation so that these important tax breaks are extended. House leaders have indicated that if no agreement is made they may be willing to come back in November after the elections to deal with this issue since it has such wide, bi-partisan support.



Date: October 15, 2008

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (10/08/08)

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

Submitted by: Martha Davis
Executive Manager of Policy Development

Subject: September 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

Enclosure

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September 24, 2008

To: Chino Basin/OBMP Coalition
From: Michael Boccadoro
President
RE: September Status Report

Please find attached the status report from The Dolphin Group for the month of September 2008.

Nearly 100 days after the June 15th constitutional deadline, and nearly three months into the new fiscal year, a budget agreement was finally reached between Governor Schwarzenegger and legislative leaders. The Governor finally signed the budget on September 23, following a bizarre week of negotiations and veto threats to forge a final compromise.

The Governor will now quickly turn his attention to acting on the 875 measures that remain on his desk. The Governor has less than 2 weeks to sign or veto each of these measures to comply with the September 30 deadline.

On the regulatory front, the litigation of Southern California Edison's request to increase some water pumping rates by nearly 15% is set to begin hearings at CPUC in October.

Finally, activity at the California Air Resources Board (CARB) and other state agencies is picking up as regulators seek to finalize the Draft AB 32 (Green House Gas) Scoping Plan issued in July.

Chino Basin / OBMP Coalition

Status Report –September 2008

ENERGY/REGULATORY

Edison Electricity Rate Case Set to Begin

As part of its triennial General Rate Case (GRC), parties will soon be litigating SCE's request to change rates for all classes of customers. On September 16, the Division of Ratepayer Advocates (DRA), a branch of the California Public Utilities Commission, will reply to SCE's request. Following that filing, all other customer groups will weigh in on the proposal.

SCE's overall request is to increase rates by 12.1% to address distribution and service cost increases. That overall request is still pending at the CPUC. This phase of the case, referred to as "Phase II", addresses interclass allocation issues, where SCE proposed to increase some customer rates, while decreasing others. Phase II is a "zero-sum" allocation, where the total amount of revenues collected remains the same, as allocations are shifted amongst customer groups.

The following chart illustrates the proposed Phase II rate shift. Larger water pumping accounts with a demand of greater than 500 kW would see a 3.6% decrease in phase II, while smaller accounts are proposed to see a 2.4% increase. Overall, rates would still increase 8.5% if SCE is granted the full requested revenue increase by CPUC.

Customer Class	Current Rate	Proposed Rate	Total Change	Phase II Change
Residential	14.9	17.1	15.1%	3.0%
Small Light & Power	14.5	16.0	10.3%	-1.8%
Large Power and Large Water Pumping (>500 kW)	10.7	11.6	8.5%	-3.6%
Ag & Water Pumping Rates (<500 kW)	10.9	12.5	14.5%	2.4%
System Average	13.7	15.3	12.1%	0.0%

The CPUC is expected to rule on this proposal by mid-2009, with new rates to take affect in the fall of 2009.

GHG Regulation-AB 32 Implementation

The California Air Resources Board (CARB) is in the process of concluding the initial comment period on the draft AB 32 Scoping Plan released earlier this summer.

A number of individuals, organizations and other state agencies have offered comments on the plan and proposed changes to it. Under AB 32, the CPUC and CEC are tasked with providing information, analysis and recommendations to the California Air Resources Board on ways to reduce GHG emissions in the electricity and natural gas sectors.

Electricity accounts for 25 percent of California's GHG emissions, and natural gas, used at locations other than power plants, accounts for an additional 14 percent.

In a recently released joint CPUC/CEC proposed Final Opinion the two Commissions reaffirm their commitment to maximize energy efficiency and expand renewable energy development. The Final Opinion also recommends an approach for distributing GHG emission allocations and auctioning in a multi-sector cap-and-trade program. The proposed Final Opinion also recognizes the value of energy efficient combined heat and power (CHP) projects, and recommends that for large CHP projects, GHG emissions for either electricity consumed on-site and/or delivered to the electricity grid be included in a multi-sector cap-and-trade program.

The commissions will be taking public comment over the next several weeks before adopting the Final Opinion on October 16, 2008.

Western Climate Initiative

The Western Climate Initiative also recently announced recommendations for the design of a regional market-based cap-and-trade program. The proposed design is an important element of a comprehensive regional effort by the governors and premiers of seven U.S. states, and four Canadian provinces to promote environmental responsibility by reducing GHGs 15 percent below 2005 levels by 2020.

2008-2009 STATE BUDGET

Facing a \$15.2 billion shortfall, California set a record for a late budget, finally adopting a state spending plan 84 days into the new fiscal year. The final deal was the result of rather amazing developments in the final week, including a threatened veto of the budget by the Governor. No budget has even been vetoed in California history.

A final deal emerged the week of September 15th, with Republican and Democratic legislative leaders hammering out a deal over the previous weekend. The budget technically contained no new taxes, but did include an accelerated income tax withholding for 2009 that would raise short-term revenues, with those collections returned to taxpayers in 2010. It also included a "rainy day" fund sought by Republican leaders and Governor Schwarzenegger. Just prior to taking a vote on the budget, the Governor requested three specific items, including a strengthening of the "rainy day" fund provisions. The Legislature adopted two of

the Governor's requests, leaving the "rainy day" provision out. It was then approved by a 61-1 vote in the Assembly and a 29-11 vote in the Senate.

The following day, the Governor held a press conference where he stated he would veto the budget. Because the budget had already been approved by a 2/3 supermajority, the same amount required to override his veto, he further threatened to veto many of the 875 pieces of legislation that were still awaiting his signature.

The Governor and legislative leaders then forged a final compromise, adopting the stronger "rainy day" provisions originally sought, and dropping the accelerated tax withholding. To make up the revenue deficit, they doubled penalties on corporations that are late in paying taxes.

One aspect of the budget is perfectly clear in that this budget does nothing to address long-term structural budget problems in California. Early estimates for the 2009-10 budget, place the shortfall between \$6-8 billion. A number that could grow quickly if the state remains mired in a recession.

LEGISLATIVE UPDATE

Due to the prolonged budget crisis, and Governor Schwarzenegger's promise to veto all legislation that reaches his desk before a budget deal is completed, some 875 bills approved by the Legislature have just recently been sent to the Governor for his signature or veto.

He has until September 30 to sign or veto measures.

This year the Legislature took no major steps in addressing energy policy questions, leaving many issues to be addressed in next year's session. The following are the measures related to water and energy issues that the Governor will soon act upon.

- CA AB 578 **AUTHOR:** Blakeslee [R]
 TITLE: Energy: Distributed Energy Generation: Study
 DISPOSITION: To Governor
 LOCATION: Enrolled
 SUMMARY:
 Deletes a requirement that the Energy Resources and Development Commission evaluate costs and benefits of increasing solar energy systems. Requires the Public Utilities Commission to study the impacts of distributed energy generation on the state's distribution and transmission grid. Requires a specific assessment on the impacts of the State Solar Initiative Program, the self-generation incentive program, and the biogas customer-generator net energy metering pilot program.
- CA AB 2180 **AUTHOR:** Lieu [D]
 TITLE: Solar Energy
 DISPOSITION: To Governor
 LOCATION: To Governor
 SUMMARY:
 Requires that an approval or denial of an application for installation of solar energy equipment on real property be in writing. Provides that an application shall be deemed approved unless it has been denied in writing within 60 days from the date of receipt of the application, unless the delay is the result of a reasonable request of additional information. Provides these provisions apply only to an approving entity that is a homeowners' association and that is not a public entity.
- CA AB 2404 **AUTHOR:** Salas [D]
 TITLE: Energy Efficiency: Water Efficiency Programs
 DISPOSITION: Enacted
 LOCATION: Chaptered
 SUMMARY:
 Provides a date by which the Public Utilities Commission must report to the Legislature on the results of pilot programs wherein electrical and gas corporations develop partnerships with water agencies to undertake water conservation programs for the purpose of understanding the relationship between water savings and energy use reduction.
- CA AB 2466 **AUTHOR:** Laird [D]
 TITLE: Local Government Renewable Energy Self Generation
 DISPOSITION: To Governor

LOCATION: To Governor

SUMMARY:

Authorizes a local government to receive a bill credit to a designated benefiting account for electricity exported to the electrical grid by an eligible renewable generating facility. Requires the Public Utilities Commission to adopt a rate tariff for the benefiting account.

CA SB 380

AUTHOR: Kehoe [D]

TITLE: Renewable Energy Resources

DISPOSITION: To Governor

LOCATION: Enrolled

SUMMARY:

Requires every electrical corporation to file with the Public Utilities Commission a standard tariff for electricity generated by an electric generation facility with a specified capacity that is located on property owned or under the control of a customer that meets specified requirements. Requires the electrical corporation to make this tariff available to those customers, until a statewide cumulative rated generating capacity from those facilities equals a specified amount of megawatts.



Inland Empire
UTILITIES AGENCY

Date: October 15, 2008
To: The Honorable Board of Directors
Through: Public, Legislative Affairs, and Water Resources Committee (10/08/08)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: September 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

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MEMORANDUM

TO: Rich Atwater and Martha Davis
FROM: Jennifer West
DATE: September 23, 2008
RE: Legislative Report

85-Day Budget Impasse Ends

Governor Schwarzenegger today signed the 2008-09 budget, concluding the longest budget stalemate in the state's history. The \$145 billion spending plan comes nearly a quarter of the way through its fiscal year. The Governor and Legislative leaders were not celebratory over ending the impasse because all parties recognize the budget fails to address the structural deficit and the nationwide economic situation may mean an ever greater budget battle next year.

On the bright side, the budget did not include Proposition 1A borrowing, or the scheme to take local agency and special district property tax revenues to fund a parole realignment proposal advocated by the Legislative Analyst Office (LAO) at the beginning of the year. ACWA led a major legislative effort to educate legislators on the impacts of the LAO proposal. IEUA and SAWPA talked to other local officials and their legislators throughout the budget year about the water supply benefits from the property tax revenues and how losing those funds would hurt the growing region.

Water Conservation

In February, the Governor declared that he wanted to reduce water consumption by 20 percent per capita by 2020. Since then the Legislature and state agencies have been struggling to find the best way to implement this aggressive conservation goal.

AB 2175 (Laird/Feuer)

In the Legislature AB 2175 (Laird/Feuer) was the vehicle to achieve this goal for both urban and agricultural water users. The final version of this measure included urban reduction targets based on ET zones and included provisions to require agricultural water users to implement BMPs. Recycled water use could be counted toward the conservation goal. In the end, this complicated measure failed in part because of the heavy opposition from agricultural and commercial water users. The sponsors of this measure, the Natural Resource Defense Council are expected to reintroduce the bill next year.

SWRCB Regulatory Program for Conservation?

On October 1, the SWRCB will hold an informational hearing to discuss the potential development of a water conservation regulatory program for urban agencies. The goal would be to achieve a 20 percent reduction by 2020 for urban agencies. The hearing notice lays out a number of options for the SWRCB, including adopting regulations mandating compliance with performance-based water conservation standards, or with specific prescriptive water conservation management practices – similar to the CUWCC BMPs. SWRCB is also considering placing specific water conservation conditions in water right permits and licenses. Lastly, it is considering an approach that would limit its enforcement action to certain wasteful urban water suppliers.

20X2020 Team Effort

Several state agencies have joined together to form an agency team (20 x 2020 Team) to direct the development of a new conservation program/strategy. Team members include DWR, SWRCB, CEC, DPH, and CPUC. At this point, the 20x2020 Team's efforts are only focused on urban agencies. This month the Team released two draft technical memos that establish a per capita baseline and regional conservation targets. These memos are undergoing agency review. The Team used the DWR hydrologic regions to establish baseline water use and the corresponding 20 percent reduction figure. IEUA is in the South Coast DWR hydrologic region. The region's draft urban water use value was set at 180 gallons per capita per day (GPCD) and its draft 2020 conservation target was set for 144 GPCD.

On October 14, IEUA will be participating in a SAWPA symposium on the various efforts to implement the Governor's water conservation goal.

Bill List Attached

By the end of the month the Governor will have acted on the 800-plus measures that are now on his desk for consideration. Next week I will provide you an update on pending legislation in which IEUA has a position. IEUA sponsored bill, AB 2270 (Laird/Feuer) is one of the more controversial measures before the Governor. The water softening industry is heavily opposed and launched a PR campaign against the bill. However, AB 2270 enjoys broad support from agricultural interests, local government and water/waste water agencies.

September 24, 2008

Water Special Session Measures

AB 7XX (Wolk) Water and Climate Change – SUPPORT/SPONSOR

This measure is identical to AB 224, which was cosponsored by IEUA. It requires climate change consideration be included in all DWR, SWRCB and RWQCB planning documents and requires that agencies consider the impacts of climate change when preparing their UWMPs. AB 224 was held in Senate Appropriations in the last few weeks of August. Immediately after, AB 7XX was introduced in the water special session. The bill passed the Assembly on a party line vote in the last night of the regular session, but the clock ran out on the regular session before the bill could be heard in the Senate. While the bill is not officially dead, the fate of the water special session and future legislative water bond proposals is unclear. AB 7XX won't move until the legislative leaders decide to proceed with the water special session.

STATUS – Senate Water and Resources Committee

AB 8XX (Huffman et. al.) Water Bond

Total Amount: \$9.085 billion. Highlights Include:

- **\$1.5 Billion** for IRWMP funding

- **\$300 million** for the SWRCB for competitive grants and loans for storm water management and water quality projects.

- **\$500 million** for water and advanced treatment technology projects that include the following:
 1. Water recycling projects.
 2. Contaminant and salt removal projects.
 3. Dedicated distribution infrastructure for recycled water.
 4. Pilot projects for new salt and contaminant removal technology.
 5. Groundwater recharge infrastructure related to recycled water.
 6. Technical assistance and grant writing assistance for disadvantaged communities.

Status: Assembly Water Special Committee

AB 9XX (Plescia) Water Bond

Similar to AB 8XX, except that it includes continuously appropriated funding that can be used for surface storage facilities.

SB 1XX (Perata) Prop. 84 Funding -- SUPPORT

Appropriates \$807 million of unspent funds from Propositions 84 and Proposition 1E. This includes approximately \$100 million for IRWMP implementation statewide. It also includes IRWMP governance language that was included in AB 1489 (Huffman) and subsequently AB 1654 (Huffman). IEUA supported both measures.

Status: Governor's Desk

Regular Session Measures

SB 1391 (Padilla) Recycled Water – SUPPORT

States that the state board shall adopt a statewide recycled water policy by January 31, 2009, and make recommendations for any statutory changes necessary to implement that policy. If the statewide recycled water policy to be adopted requires the state board to prepare any additional documentation required under CEQA, the deadline to adopt the statewide recycled water policy does not apply.

Status: Governor's Desk

AB 885 (Calderon) MWD Board – Watch

Would authorize a member public agency to appoint one alternate representative for each additional representative that is appointed or selected pursuant to existing law. The alternate representative would be authorized to participate and vote in meetings in the absence of the representative for whom he or she is an alternate. The bill would provide that conflict of interest provisions apply to the alternate representative, as specified.

Status: Governor's Desk

AB 2175 (Laird/Feuer) Water Conservation- Support (Amended August 22)

The bill sets a statewide water conservation goal of 20 percent. Allows DWR to adjust the local district's conservation targets if there are significant changes to the districts CII customer base, such as new or expanded businesses and to avoid unreasonable impacts to the operations of a CII customer. Allows water districts, when calculating their water conservation targets, to either "lump" CII water use with residential water use, or "disaggregate" the numbers and treat them separately. Allows water districts to get credit towards the conservation goal for use of recycled water. Specific water reduction targets were removed for agriculture. Agriculture water suppliers are now directed to implement BMPs for water use efficiency. The measure was heavily opposed by the agricultural water interests and commercial and industrial interests, including oil companies. The authors decided not to bring the bill up on the Senate Floor for a vote when Senator Machado made clear he was against the bill and so were other moderate Democrats.

Status: Failed Passage in Senate

AB 2046 (Jones) Groundwater -- Oppose to Watch (Amended, July 1, 2008)

The author has worked with ACWA and all parties on amendments. The bill, as amended, requires UWMPs, where applicable, to identify "the amount of contaminated groundwater for which treatment capacity, remediation, or other water management options may need to be developed or expanded for the groundwater to be part of the planned water supply, as well as the amount to meet regulatory standards, and the difference between the two groundwater

amounts." UWMPs can include contaminated groundwater that does not meet regulatory standards, but it can only be part of the planned supply if the plan includes secure treatment, remediation, or implementation of other water options. It also must include a "financial plan" for clean up of the contamination.
Status: Governor's Desk

AB 2270 (Laird/Feuer) Water Softeners/Water Recycling – IEUA Sponsor
Allows local public agencies to more easily limit the use of residential self-regenerating water softeners in areas where a RWQCB has declared there is a salt loading problem. The bill is strongly opposed by the water softening industry. The measure passed the Senate and Assembly on a bipartisan vote.
Status: Governor's Desk

AB 2882 (Wolk) Allocation-based water pricing -- SUPPORT
Sponsored by IRWD and SAWPA, creates a voluntary allocation-based conservation water pricing program. It is intended to encourage public water providers to voluntarily implement allocation-based water rate structures improving conservation among water users.
Status: Governor's Desk

AB 2986(Leno) Waste Discharge Requirements- Oppose to Neutral
This bill requires the State Water Resources Control Board to review, grade and monitor specified sewage collection systems and treatment plants, to make information regarding the systems and plants available to the public. CASA negotiated amendments to the measure and have now gone neutral on the bill.
Status: Governor's Desk

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Date: October 15, 2008

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (10/08/08)

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.

Calendar of Events

October 2008

- **October 1**, South Coast Air Quality Management District 20th Annual Clean Air Awards Luncheon, Millennium Biltmore Hotel, 11:30 a.m.
- **October 18**, Chino Creek Clean-up (sponsored by IEUA and Inland Empire Resource Conservation District) 8:00 a.m. to noon.
- **October 22**, Leadership Breakfast, Event Room, 7:30 a.m.
- **October 25**, Regional Water Fair at Chino Basin Water Conservation District, 9:30 a.m. to 2:00 p.m.

January 2009

- **January 23 – 25**, MWD/IEUA State Water Project Trip

February 2009

- **February 25**, A Day at the Chino Creek Wetlands and Educational Park as part of National Wetlands Month, 3:30 p.m. to 5:30 p.m.

March 2009

- **March 16**, IEUA hosted Special District Dinner at the Panda Inn in Ontario, 6:00 p.m.

April 2009

- **April 22**, Earth Day at the Chino Creek Wetlands and Educational Park, 3:30 p.m. to 6:30 p.m.

OUTREACH/EDUCATIONAL INLAND VALLEY DAILY BULLETIN NEWSPAPER CAMPAIGN

The 5 tips on ways to help conserve water ad will appear in the Daily Bulletin on the first Sunday of each month. Automatic Water Softener Removal Rebate ad is running in the Daily Bulletin, Champion Newspapers, Los Angeles Times, Fontana Herald, El Chicano, and La Prensa during September and October.

WATER CONSERVATION OUTREACH

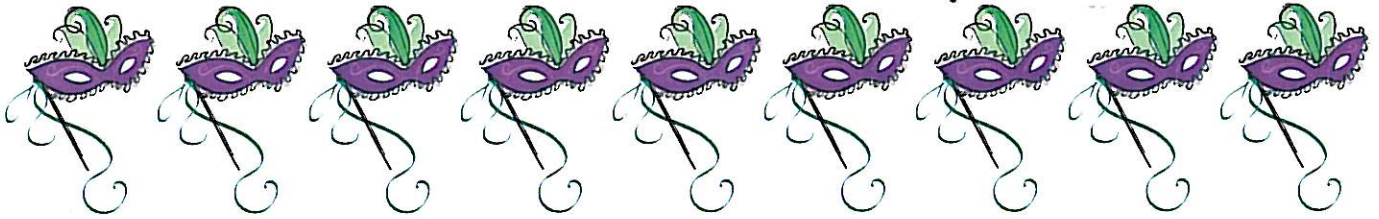
During August, September, and October IEUA Board Members made presentations at each of their City Council meetings on the Water Supply Alert. Presentations have also been made at many of the service clubs throughout our service area. On Monday, September 22, 2008, a media alert took place at Cucamonga Valley Water District to kick-off our Automatic Water Softener Removal Rebate.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

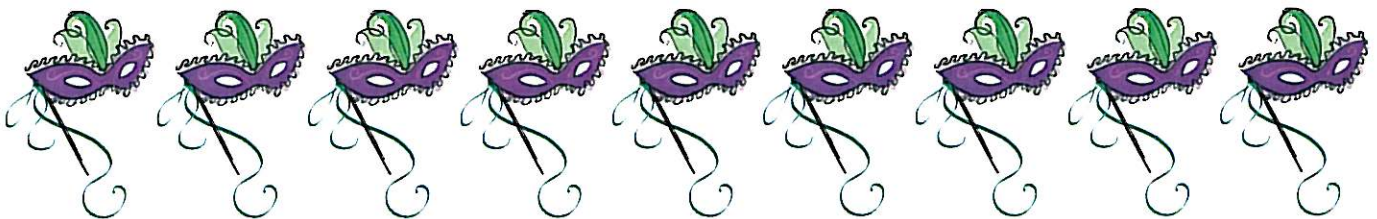
None.



CHINO BASIN WATERMASTER

IV. INFORMATION

1. Newspaper Articles





Water authority mulls addition

Chino Basin group might expand

Neil Nisperos, Staff Writer

Article Created: 09/15/2008 10:18:33 PM PDT
Chino Basin Desalter Authority may need a new partner in its joint-powers authority to help fund an expansion of its infrastructure to clean salt from the region's major water supply.

Western Municipal Water District, which serves western Riverside County, has pipes in place that could be used for the expansion and would provide \$46 million of the \$120 million needed, officials said.

Some agency officials with the six-member authority have expressed concerns about Western Municipal joining. They cite concerns over the impact on their voting strength, future water supplies and operation costs, officials said.

But Ken Willis, chairman of the Chino Basin Watermaster, a court-ordered forum where agencies can voice concerns and come to agreements over water issues, said he supports Western's proposal.

"It's a long-range benefit, and it will make for better relations in the future," he said. "It fits the overall goal of the region."

Regional water officials are hopeful that a \$26 million federal grant to help fund the expansion of desalination efforts in the Chino Water Basin will pass the U.S. Senate next month.

The grant was approved last week by the Senate Energy Committee.

John Rossi, general manager of Western Municipal, expected membership proceedings to move forward within the next two months and did not expect any challenges from other agencies or stakeholders.

"The bottom line is, we're cleaning up the groundwater basin," Rossi said. "We're taking care of the basin and taking care of the next generation that is going to rely on it."

The Chino City Council is expected to vote on the matter tonight at its meeting.

Chino Basin Desalter Authority is responsible for cleaning and desalinizing Chino Basin water for Chino, Chino Hills, Ontario, Jurupa and Norco.

Since desalination efforts began 10 years ago, about 60 percent of infrastructure for the authority has been completed.

Officials expect the expansion to be completed around 2012 or 2013, said Richard Atwater, CEO of the Inland Empire Utilities Agency.

The Chino Valley Basin Desalter Authority produces 20 million to 25 million gallons of clean water daily. A completed project would produce

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about 35 million, Atwater said.

The cities and agencies that contract with the authority receive about 20 percent of their water from it, he said.

The Senate bill for the authority's expansion was sponsored by Sen. Dianne Feinstein, D-Calif.

Recent statewide water shortages and less reliable water supplies have spurred Western Municipal to look for a secondary supplemental source outside the Metropolitan Water District's Henry J. Mills Treatment Plant in Riverside, Rossi said.

Ken Manning, CEO of the Chino Watermaster, called the inclusion of Western Municipal as an authority member a "smart move" that would expedite the cleanup of the basin more quickly.

In the unlikely situation Western Municipal is denied membership in the authority, Manning said, the agency would probably build infrastructure for its own desalination operation out of the Chino Basin, though that possibility would be too "cumbersome and administratively difficult to handle."

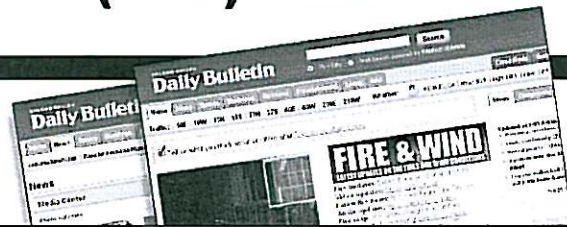
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Officials to drain Upland basin in order to save water

By Sandra Emerson, Staff Writer

Article Created: 09/17/2008 09:34:43 PM PDT

UPLAND - San Antonio Water Co. began draining water out of the Colonies Water Basin on Monday to boost the water supply.

The basin, south of 19th Street and east of Campus Avenue, has been plugged up due to an accumulation of silt and algae covering the bottom preventing water from percolating into an underground aquifer.

"There are well fields that benefit from the recharged water in the basin," said Charles Moorrees, general manager for the SAWC. "Without the water percolation the water level will start to drop and the contaminant level will increase."

The water is being pumped out of the east side of the basin through an 8-inch pipe into the Cucamonga Creek channel, where it will flow to the Turner basin at Archibald Avenue and Fourth Street.

Once the water is drained, geological technicians will take samples of the soil along the bottom of the basin to analyze how well it will be able to percolate water.

Depending on the results, up to 12 inches of soil and silt may be scraped away.

Debris following mountain fires and heavy rain have contributed to the buildup, said Councilman Tom Thomas.

Another issue the water company is facing is the illegal placement of bass discovered in the basin.

The Department of Fish and Game collected samples Tuesday to find out if the illegal fish contained pathogens deemed harmful to humans, said Moorrees.

The basin will be drained from its starting water level of 25 feet to about 5 feet by next week for the DFG to capture the fish and transfer them to a nearby lake.

The project is expected to be completed by Oct. 19 just in time for the rainy season.

"If we have another dry year we probably will have some water drought contingency programs where people are required to conserve water," said Moorrees. "As much water we can capture the better."

There are future plans to add vegetation and hiking trails to the basin, which has been used for flood control and groundwater recharge, according to Kevin Blakeslee, assistant director for the county Flood Control District's Department of Public Works.

That project will not begin until spring, he said.

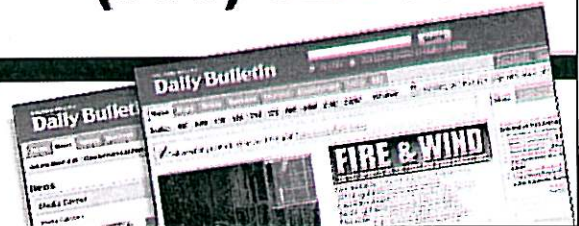
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"We are partnering with the water company, and the city to make sure this is a multi-use facility," said Blakeslee.

sandra.emerson@inlandnewspapers.com

(909) 483-8555

Special Section: ON TAP: Water in SoCal

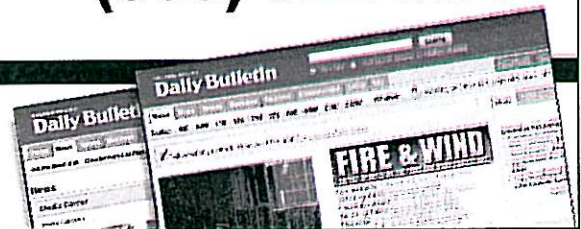
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Utilities agree to let Riverside join Chino Basin Desalter Authority

Desalter might gain a partner

By Neil Nisperos, Staff Writer

Article Created: 09/18/2008 09:11:12 PM PDT

Chino, Ontario and the Chino-based Inland Empire Utilities Agency agreed this week to allow a west Riverside County water agency to join the Chino Basin Desalter Authority, which removes pollutants from groundwater for regional use.

But it's not a done deal until the other members of the joint-powers authority weigh in on allowing the Western Municipal Water District to join. The desalter authority also includes Chino Hills, Norco, the Jurupa Community Services District and the Santa Ana River Water Co.

John Rossi, Western Municipal's general manager, said he was grateful for the support and was looking forward to support from all agencies in the next several months.

"The only one we're not sure of is Chino Hills, and we had a meeting with Chino Hills to look at some details, and we expect them to put it on their agenda in the next couple of weeks," Rossi said.

The desalter authority has a plant in Chino through which groundwater from 14 wells is

purified using reverse osmosis, a purification process that many commercial bottled water companies use.

The Chino plant produces 14 million gallons of drinking water per day, serving 35,000 families.

Concern from some agency officials has been voiced over the impact of Western joining the authority on voting power, future water supplies and cost, according to water officials.

Upland Councilman Ken Willis, a member of the court-appointed Watermaster board that oversees water in the Chino Basin, said he believed the structure of the deal provides protections to agency members from any concerns over voting power, operation cost and supplies.

"We're not going to allow anybody to lose anything that they already have," he said.

Supporters say inclusion of Western into the authority would mean faster water cleanup of the Chino Basin and more financial and material resources for the authority's expansion projects.

Western, if included in the authority, has pledged \$46million toward a \$120million project to expand the Chino desalter in the next five years.

The authority represents agencies controlling 15percent of the water in the Chino Basin, the large underground area that serves as the region's major water source. Expansion would

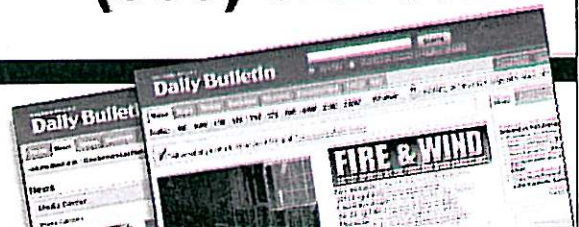
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make available 35 million gallons of water daily to the authority, up from the current yield of 25 million gallons.

Since desalination efforts began 10 years ago, about 60percent of infrastructure for the authority has been completed. Officials expect the expansion, which includes the drilling of four to six new wells, will be completed in 2012 or 2013, said Richard Atwater, CEO of the Inland Empire Utilities Agency.

Regional water officials are also hopeful that a \$26 million federal grant to help fund desalter authority expansion will pass the U.S. Senate next month.

neil.nisperos@inlandnewspapers.com

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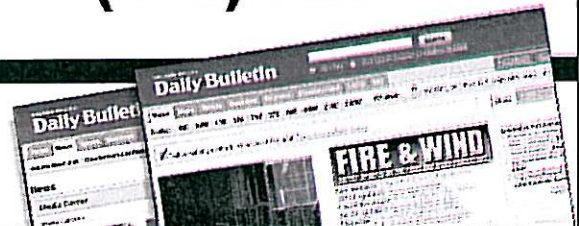
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Chino dairies to comply with EPA permit requirements

Chino dairies
Neil Nisperos, Staff Writer

Article Created: 09/30/2008 10:24:31 PM PDT
CHINO - In order to prevent cow waste from polluting major drinking water sources, the U.S. Environmental Protection Agency has ordered six Chino dairies to comply with permit requirements.

The EPA ordered Brothers Three Dairy, Quality Dairy, Jorritsma and Anema Dairy, Martin Vander Laan Dairy, TLC Sonlight Dairy No. 2 and Goyenette Dairy No. 2, to comply with the state Regional Water Quality Control Board permit that requires dairies to prevent runoff or discharge from their operations into the Santa Ana River.

The dairy permit is designed to protect streams, rivers and groundwater from discharge of manure waste and other pollutants.

"We expect these dairies to promptly correct their violations and improve their environmental performance, which we will oversee until satisfactorily resolved," said Alexis Strauss of the Water Division, EPA Region 9.

EPA and the Region Board's Santa Ana Region personnel inspected the Chino-area dairies in April. Among the violations discovered:

Failure to properly construct and maintain containment structures.

Failure to develop and/or implement proper engineered waste management plans.

Failure to conduct proper routine inspections of their facility.

Gary Stewart, a senior engineer with the state water quality agency, said further state inspections and phone calls after April have indicated the six dairies have begun steps toward compliance.

Santa Ana regional board inspectors have begun their annual inspections of the Inland region's 140 dairies. During the board's inspection, the inspectors will determine whether the six dairies are operating in compliance with permit regulations.

Fines, up to \$10,000 a day, for permit violations could be levied for repeat violations, Stewart said.

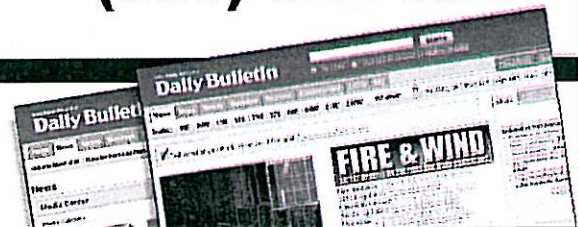
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