



Thanksgiving



CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

Tuesday, November 18, 2008

9:00 a.m. – Agricultural Pool Meeting

AT THE INLAND EMPIRE UTILITIES AGENCY OFFICES

6075 Kimball Ave. Bldg. A Board Room

Chino, CA 91710

(909) 993-1600

Tuesday, November 18, 2008

1:30 p.m. – Joint Appropriative and Non-Agricultural Pool Meeting

Thursday, November 20, 2008

9:00 a.m. – Advisory Committee Meeting

11:00 a.m. – Watermaster Board Meeting

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

AT THE CHINO BASIN WATERMASTER OFFICES

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

(909) 484-3888



CHINO BASIN WATERMASTER

Tuesday, November 18, 2008

9:00 a.m. – Agricultural Pool Meeting

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1:30 p.m. – Joint Appropriative & Non-Ag Pool Meeting

Thursday, November 20, 2008

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

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING**

WITH

Mr. Bob Feenstra, Chair

Mr. Jeff Pierson, Vice-Chair

9:00 a.m. – November 18, 2008

At The Offices Of

Inland Empire Utilities Agency

6075 Kimball Ave., Bldg. A, Board Room

Chino, CA 91710

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 Agricultural Pool Meeting held October 22, 2008 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2008 *(Page 27)*
2. Watermaster Visa Check Detail *(Page 31)*
3. Combining Schedule for the Period July 1, 2008 through September 30, 2008 *(Page 33)*
4. Treasurer's Report of Financial Affairs for the Period September 1, 2008 through September, 2008 *(Page 35)*
5. Budget vs. Actual July 2008 through September 2008 *(Page 37)*

C. INTERVENTIONS

1. Consider Approval for the Red Hill Country Club Intervention into the Overlying Non-Agricultural Pool *(Page 39)*
2. Consider Approval for the Aqua Capital Management Intervention into the Overlying Non-Agricultural Pool *(Page 43)*

D. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 4,265 acre-feet. Date of Application: October 6, 2008 *(Page 49)*
2. **Consider Approval for Notice of Sale or Transfer** – Aqua Capital Management LP (Aqua) has agreed to purchase from CCG Ontario LLC (CCG) the amount of all of CCG's water in storage as of June 30, 2008, and a permanent transfer of its share of safe yield of 630.274 acre-feet. Date of Application: November 7, 2008 *(Page 63)*

II. BUSINESS ITEMS

A. 2008/2009 ASSESSMENT PACKAGE

- Approval of the 2008/2009 Chino Basin Watermaster Assessment Package *(Page 77)*

B. CONTRACT WITH BLACK & VEATCH

Consider Approval for the Agreement for Engineering Services with Black & Veatch *(Page 103)*

C. BUDGET TRANSFERS

1. Budget Transfer from OBMP & Water Quality Committee Expense to Recharge Master Plan and Watermaster Legal Counsel for \$413,750.00 *(Page 125)*
2. Funding of the Farming Portion of the Middle Santa Ana Watershed TMDL Study – Budget Transfer Request for \$21,000 *(Page 131)*

D. DELINQUENT ASSESSMENT POLICY

Consider Approval of Draft Delinquent Assessment Policy *(Page 139)*

E. CONDITION SUBSEQUENT NO. 7

Consider Approval of Staff Recommendation for Condition Subsequent No. 7 *(Page 143)*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. November 13, 2008 Hearing
2. February 2 & 3, 2009 Hearing

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, September – October 2008

C. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update
3. Replenishment Obligation
4. MOU on Accounting Procedures
5. MWD Groundwater Study

IV. INFORMATION

1. Newspaper Articles *(Page 231)*

V. POOL MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

November 13, 2008	8:30 a.m.	Chino Basin Watermaster Hearing, San Bernardino
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	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
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November 20, 2008	11:00 a.m.	Watermaster Board Meeting
November 20, 2008	1:30 p.m.	Roundtable Discussion
December 11, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
December 16, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA
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December 18, 2008	9:00 a.m.	Advisory Committee Meeting
December 18, 2008	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

**CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
WITH**

*Mr. Ken Jeske, Chair, Appropriative Pool
Mr. Robert Tock, Vice-Chair, Appropriative Pool
Mr. Bob Bowcock, Chair, Non-Agricultural Pool
Mr. Kevin Sage, Vice-Chair Non-Agricultural Pool*

1:30 p.m. – November 18, 2008

**At The Offices Of
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730**

AGENDA

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A. MINUTES

1. Minutes of the Joint Appropriative & Non-Agricultural Pool Meeting held October 9, 2008
(Page 7)

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2008 (Page 27)
2. Watermaster Visa Check Detail (Page 31)
3. Combining Schedule for the Period July 1, 2008 through September 30, 2008 (Page 33)
4. Treasurer's Report of Financial Affairs for the Period September 1, 2008 through September, 2008 (Page 35)
5. Budget vs. Actual July 2008 through September 2008 (Page 37)

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1. November 13, 2008 Hearing
2. February 2 & 3, 2009 Hearing
3. Sale of Overlying Non-Agricultural Pool Stored Water

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, September – October 2008

C. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update
3. Replenishment Obligation
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5. MWD Groundwater Study

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December 18, 2008	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

WITH

Mr. Robert DeLoach, Chair
Mr. Bob Feenstra, Vice-Chair
9:00 a.m. – November 20, 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

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A. MINUTES

1. Minutes of the Advisory Committee Meeting held October 23, 2008 (*Page 13*)

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2008 (*Page 27*)
2. Watermaster Visa Check Detail (*Page 31*)
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F. ITEM REFERRED BACK FROM WATERMASTER BOARD FOR WAIVER OF INTEREST CHARGES

Consider Request to Waive Interest Charges for Payment of Assessments *(Page 161)*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. November 13, 2008 Hearing
2. February 2 & 3, 2009 Hearing

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1. Oral Progress Report on Engineering Activities, September – October 2008

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1. Legislative Update
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D. INLAND EMPIRE UTILITIES AGENCY

1. MWD Water Supply Allocation Plan Update – Martha Davis *(Page 169)*
2. Dry Year Yield/Dry Year Expansion Status Report – Martha Davis *(Page 171)*
3. Phase II Recharge Capital Improvements Status Report – Tom Love *(Page 175)*
4. Quarterly Planning & Water Resources Report *(Page 179)*
5. Recycled Water Newsletter *(Page 187)*
6. Monthly Water Conservation Programs Report *(Page 193)*
7. Monthly Imported Water Deliveries Report *(Page 202)*
8. State and Federal Legislative Report *(Page 207)*
9. Community Outreach/Public Relations Report *(Page 229)*

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Newspaper Articles *(Page 231)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

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Meeting Adjourn

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**CHINO BASIN WATERMASTER
BOARD MEETING**

WITH

Mr. Ken Willis, Chair

Mr. Bob Kuhn, Vice-Chair

11:00 a.m. – November 20, 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

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B. FINANCIAL REPORTS

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- 2. February 2 & 3, 2009 Hearing

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C. CEO/STAFF REPORT

- 1. Legislative Update
- 2. Recharge Update
- 3. Replenishment Obligation

IV. INFORMATION

- 1. Newspaper Articles *(Page 231)*

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.

- 1. Chino Airport
- 2. Accounts Receivable Settlement
- 3. Hansen Aggregate Settlement

VIII. FUTURE MEETINGS

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December 18, 2008	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Agricultural Pool Meeting – October 22, 2008



Draft Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING

October 22, 2008

The Agricultural Pool Meeting was held at the offices of the office of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on October 22, 2008 at 2:00 p.m.

Agricultural Pool Members Present

Bob Feenstra, Chair	Dairy
Gene Koopman	Milk Producers Counsel
Rob Vanden Heuvel	Milk Producers Counsel
Nathan deBoom	Dairy
Glen Durrington	Crops
Pete Hettinga	Dairy
John Huitsing	Dairy
Jennifer Novak	State of California Department of Justice for CIM
Nathan Mackamul	State of California/CIW

Watermaster Board Members Present

Geoffrey Vanden Heuvel	Dairy
Paul Hofer	Crops

Watermaster Staff Present

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

Watermaster Consultants Present

Mark Wildermuth	Wildermuth Environmental Inc.
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Others Present

Steven Lee	Reid & Hellyer
Eunice Ulloa	Chino Basin Water Conservation District

Chair Feenstra called the Agricultural Pool meeting to order at 2:10 p.m.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held September 16, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through August 31, 2008

4. Treasurer's Report of Financial Affairs for the Period August 1, 2008 through August 31, 2008
5. Budget vs. Actual July 2008 through August 2008

Motion by Hettinga, second by Durrington, and by unanimous vote

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

II. BUSINESS ITEMS

A. GOVERNANCE

Mr. Manning stated this item has been placed on the agenda as a result of a filing made to the court relative to the Cucamonga Valley Water District's motion on the Special Referee. Mr. Manning stated in December 2005, the Watermaster Board directed staff to convene a governance committee that was to address the issue of governance. It was determined that the committee would be directed to deal with the issue before December, 2007. During the process of the Peace II negotiations a number of issues were discussed and it was staff's understanding that the issue of governance needed to be placed on hold in order to proceed with Peace II issues only. At the 2007 Watermaster Strategic Planning Conference this matter was discussed in great detail. Following that discussion on governance it was the general consensus by all parties attending that this issue be postponed for five years. The governance committee was no longer relevant to the discussions and Watermaster was directed to leave the issue alone for an additional five years. Based upon that decision, Watermaster staff did not form a governance committee and did not move the issue forward. During a recent filing motion by City of Chino, City of Chino Hills, and Monte Vista Water District the issue of governance was brought up again. In their argument they noted Watermaster had never dealt with the issue of governance as directed by the Watermaster Board. Watermaster staff does not agree with this statement and felt it prudent to bring this matter before the Pools, Advisory Committee, and Watermaster Board to obtain that the issue of governance had been dealt with or to receive a new direction on this issue. Mr. Manning read the motion taken at the last Appropriative and Non-Agricultural pools meeting. A discussion regarding this topic ensued. Chair Feenstra noted his displeasure with opening up this matter and the new judge that will need to make these types of decisions. Mr. Vanden Heuvel offered comments on his recollection of this matter. A lengthy discussion on how to deal with this issue and/or move forward ensued. The Agricultural Pool stated after consideration of the motion made by the Appropriative and Non-Agricultural Pools, this committee would support their motion in this matter.

Motion by Koopman, second by Novak, and by unanimous vote

Moved to support the motion made by the Appropriative and Non-Agricultural Pools, which was to take no action and to only ask the Watermaster Board of directors to formally clarify whether this is still their intent to take action today as they took on January 26, 2006 when the reappointment of the nine member board took place, that would then form a committee to deal with governance at the next reappointment of the nine member board in 2011 or to calendar this item now for the formation of a governance committee and to have counsel review the February 9, 2006 court order, as presented

B. WAIVER OF INTEREST CHARGES

Mr. Manning stated Watermaster has an obligation as part of the Judgment to invoice for administrative, OBMP recharge debt and Assessments for overproduction and included in the Judgment are provisions by which interest would bear on unpaid balances. Most all parties have responded to paying their assessments in a timely manner; however, there were two invoices that staff applied interest charges to when payment was not received timely and those two outstanding interest bills are being presented today because the parties are requesting a waiver of those interest charges. Both parties have been contacted and dialog has taken place regarding these charges. During those conversations the two parties were asked to write a letter requesting the waiver of interest charges and upon receipt of those letters staff will recommend accommodating the waiver. Staff is currently drafting a policy for more efficiently

processing delinquent assessments in the future. Mr. Manning stated since he does not have the authority to waive fees it was appropriate to bring this matter through the Watermaster process for recommendations. A discussion regarding payment of past late fees, what the Judgment states, and setting a precedent for future interest charges ensued. Mr. Manning stated a new draft policy has been written that deals with this issue and will be presented to the Watermaster Board this month. Mr. Manning stated staff feels with the adoption of a new policy coinciding with the waiver of these two late fees is the best way to rectify this matter, now and in the future. A discussion regarding this matter ensued. Mr. Vanden Heuvel offered comment on this issue and stated he strongly opposes approving the waiver of any late fees because it will send a message to all parties to pay their bills whenever they want, with no consequences, instead of when they are due. It was noted that the Agricultural Pool committee members are not in support of staff's recommendation to waive these two interest invoices.

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

Moved to not allow interest charges for Arrowhead Mountain Spring Water or Monte Vista Water District to be waived, as presented

C. TMDL STUDY

Mr. Feenstra stated he has been in consultation with Rob Vanden Heuvel regarding the TMDL Study and has also received some documentation from Geoffrey Vanden Heuvel regarding shared expense. Mr. Manning stated this item comes before this committee today based upon the continuation of Participation in a study that the Agricultural Pool began last year. Mr. Manning noted the memorandum written by Rob Vanden Heuvel to the Agricultural Pool chair and vice-chair regarding this study. Staff is seeking a motion regarding the expense that the Agricultural Pool volunteered to participate in last year and whether this committee wants to still participate in the study. Mr. Manning stated the Agricultural Pool does have the funds in the accounts to cover the amount that is being requested. Mr. Rob Vanden Heuvel stated last year's authorization up to \$20,000 dollars which was applied to three different causes. What is before this committee today is the actual implementation and a portion for continuance, for another year, in the larger stakeholder group. In discussions with Ms. Rojo all monies set aside for this last year project was not fully spent; however, Watermaster's policy is to not carry balances forward and would require a new authorization for the full amount in the amount of \$21,000.00. Mr. Geoff Vanden Heuvel offered comment on the Executive Summary received on this project as to what has been done thus far and preliminary findings on their sampling. A discussion regarding this matter ensued. It was noted by the committee members this needs to be a special projects item and come from the Watermaster general budget. Mr. Manning stated Watermaster does not have this money budgeted and this would have to be presented as a budget amendment through the Watermaster process for approval. Mr. Manning suggested a representative from the Agricultural Pool attend the other meetings to present their position on this item in November.

Motion by Koopman, second by Mackamul, and by majority vote – Jennifer Novak abstained

Moved to approve the continuation of the TMDL Study in the amount of \$21,000.00 and to include the costs be paid as a "Special Agricultural Pool Project" from the current Watermaster budget, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Final Decision

Mr. Lee noted the Santa Ana River Water Right Permit #21225 has now been officially signed by the State Water resources Control Board, making this decision final and concluded.

2. Sale of Overlying Non-Agricultural Pool Stored Water

Mr. Lee stated this item is still waiting a decision by the parties and no final determination has been made. Mr. Manning stated staff is working with the Appropriative Pool on how they want to move forward on this. The Appropriative Pool does have a sub-committee formed and has been meeting and will have a recommendation soon.

3. Update on CDA Expansion

Mr. Lee stated this item has been discussed at recent Pool, Advisory, and Watermaster Board meetings and noted the City of Chino Hills apprehension at the Advisory and Watermaster Board meetings. Mr. Lee stated Cucamonga Valley Water District filed their motion to disqualify or remove the Special Referee and have somewhat tied that issue into the negotiations regarding supporting Western Municipal Water District's (WMWD) inclusion into the CDA until that decision is rendered. Mr. Lee commented on a letter written by Mr. Thibeault to Watermaster regarding possible Maximum Benefit loss if this situation is not rectified. Mr. Manning stated the CDA board has recommended the approval of the action necessary to bring WMWD into their partnership and that they were also recommending agencies take their individual actions. The recommendation from the Regional Board director was that the Regional Board schedule a hearing to consider whether or not the permit for Maximum Benefit for the Chino Basin be continued based on the lack of progress on the issue of the expansion of the desalters. Mr. Manning stated all parties that need to take individual actions on this matter have scheduled those except for the City of Chino Hills. Some of the actions will be taken to boards in October and others not until the beginning of November; however, no scheduling date from the City of Chino Hills has been seen to date. Without Westerns inclusion by each party taking action, Western is fully prepared to move forward on their own but it could delay activities by as much as two years; this will not make the Regional Board happy. If an action is not taken on the CDA expansion by mid November staff believes the Regional Board will schedule a hearing whereby IEUA and CBWM staff will be there defending why Max Benefit should be continued. This could be of detriment to all the parties including the Agricultural Pool if Max Benefit is not continued. A discussion regarding the City of Chino Hills and this issue ensued.

B. ENGINEERING REPORT

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

No comment was made regarding this item.

2. Progress on Condition Subsequent No. 7

Mr. Wildermuth stated Condition Subsequent No. 7 states that by December 31, 2008, Watermaster shall prepare and submit to the court for approval a revised schedule to replace the initial corrected schedule, which shall include a reconciliation of new yield and storm water estimates for 2000/2001 through 2006/07, and a discussion of how Watermaster will account for unreplenished overproduction for that period. Mr. Wildermuth reviewed the Initial Corrected Schedule and the Unreplenished Desalter Production charts in detail. Mr. Geoff Vanden Heuvel commented on the Santa Ana River recharge numbers with regard to the desalters. Mr. Geoff Vanden Heuvel stated that the policy deal that was put together was that 400,000 acre-feet of water was going to be mined to achieve some specific purposes. To go back and claim some of that water for a previous purpose is a policy decision that needs to be made. This water has already been allocated and assumed to be available to WMWD to build Desalter III; this is not a technical decision. Mr. Geoff Vanden Heuvel stated the fundamental premise of the Chino Basin Judgment is nobody gets to pump water out of the Chino Basin unless one has a water right and if you don't have a water right and pump it, it must be replenished. If you bring a desalter into the basin without a water right, it cannot just go into business and start pumping water; it has to be replenished. Agricultural dedicated 12,000 acre-feet to that desalter which was critical for getting that desalter built that it had a replenishment supply. The Agricultural Pool voted to allocate 82,000 acre-feet of annual safe yield and 12,000 acre-feet of this to the desalter.

At that time the Appropriators stated collectively, we as Appropriators will take upon ourselves the responsibility to provide replenishment water for that desalter and the Regional Board accepted that promise by the Appropriators. Mr. Koopman commented on Mr. Thibeault's and Mr. Hill's remarks at past Agricultural Pool meetings regarding this matter and the 12,000 acre-feet that was set aside. Mr. Wildermuth reviewed the reconciliation of storm water recharge and noted IEUA and the groundwater recharge coordinating committee produced estimates for 2004/05 through 2007/08 and Watermaster staff is reviewing and auditing those numbers. Mr. Wildermuth reviewed the Provisional Estimates of Storm Water Recharge chart in detail. A discussion regarding this topic ensued. Mr. Manning noted there is the technical aspect of this topic and Mr. Wildermuth is giving that report on that and a similar report will be given to the Advisory Committee and Watermaster Board in a few days. Mr. Manning stated on Wednesday, November 12, 2008, from 9:00 a.m. to 11:00 a.m. a Condition Subsequent No. 7 Workshop will be held. The technical, legal, and policy issues of Condition Subsequent No. 7 will be presented/discussed at the workshop.

C. CEO/STAFF REPORT

1. Legislative Update

No comment was made regarding this item.

2. Recharge Update

No comment was made regarding this item.

3. Thanksgiving & Christmas Meetings

Mr. Manning stated both the Advisory Committee and Watermaster Board meetings have been moved up one week in the months of November and December to accommodate the Thanksgiving and Christmas holiday, so please note those changes on your schedules.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL 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 may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

No confidential session was held.

VIII. FUTURE MEETINGS

October 9, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
October 21, 2008	2:00 p.m.	Agricultural Pool Meeting
October 21, 2008	9:00 a.m.	Chino Basin Watermaster Hearing, San Bernardino
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 Agricultural Pool meeting was dismissed by Chair Feenstra at 4:00 p.m.

Secretary: _____

Minutes Approved: _____



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Joint Appropriative and Non-Agricultural Pool Meeting – October 9, 2008



Draft Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
October 9, 2008

The Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on October 9, 2008 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Ken Jeske, Chair	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Robert Tock	Jurupa Community Services District
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona
Dave Crosley	City of Chino

NON-AGRICULTURAL POOL MEMBERS PRESENT

Kevin Sage	Vulcan Materials Company (Calmat Division)
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Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
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

Sandra Rose	Monte Vista Water District
Eunice Ulloa	Chino Basin Water Conservation District
Rick Hansen	Three Valleys Municipal Water District

Chair Jeske called the Joint Appropriative and Non-Agricultural Pool Meeting to order at 10:04 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Joint Appropriative & Non-Agricultural Pool Meeting held September 11, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through August 31, 2008
4. Treasurer's Report of Financial Affairs for the Period August 1, 2008 through August 31, 2008
5. Budget vs. Actual July 2008 through August 2008

*Motion by DeLoach, second by Garibay, and by unanimous vote – Non-Ag concurred
Moved to approve Consent Calendar Items A through B, as presented*

II. BUSINESS ITEMS**A. GOVERNANCE**

Mr. Manning stated in December 2005, the Watermaster Board directed staff to convene a governance committee that was to address the issue of governance. It was determined that the committee would be directed to deal with the issue before December, 2007. During the process of the Peace II negotiations a number of issues were discussed and it was staff's understanding and many other parties that the issue of governance needed to be placed on hold in order to proceed with Peace II issues only. At the 2007 Watermaster Strategic Planning Conference which was held at the Etiwanda Gardens was presented by Counsel Slater and this matter was discussed in great detail. Following that discussion on governance it was the general consensus by all parties attending that this issue be postponed for five years. The governance committee was no longer relevant to the discussions and Watermaster was directed to leave the issue alone for an additional five years. Based upon that decision, Watermaster staff did not form a governance committee and did not move the issue forward. During a recent filing motion by City of Chino, City of Chino Hills, and Monte Vista Water District the issue of governance was brought up again. In their argument they noted Watermaster had never dealt with the issue of governance as directed by the Watermaster Board. Watermaster staff does not agree with this statement and felt it prudent to bring this matter before the Pools, Advisory Committee, and Watermaster Board to obtain confirmation that the issue of governance had been dealt with or to receive a new direction on this issue. A discussion regarding this matter ensued. Mr. DeLoach stated it was his recollection that the issue of governance was tabled at that Strategic Planning Conference and the Board took action to table this matter and to have no further discussion for a set period of time. Mr. Jeske stated he recalls reluctance from some parties to even put this issue on the table at that time because of Peace II negotiations and the parties would be satisfied in tabling the issue for several years. It was noted there are several pressing issues that need to be taken care of by the end of this calendar year, once again questioning if this is the right time to be tackling this issue when parties should be directing their attention to the physical issues of managing the basin. A discussion regarding this topic ensued. Ms. Rose commented on the reappointment of the nine member board and in that reappointment there being a caveat that there would be the formation of a governance committee; that was never done. Counsel Fife stated counsel and staff are seeking a recommendation so that there is a record in the minutes as to how to proceed with this matter to be taken to the Watermaster Board for a final recommendation. A discussion regarding the process and the court requirements on this matter ensued. Counsel Fife stated he recalls there were no court requirements on reporting this matter back to the court; however, will research this further and let the committee know at a future meeting; the five year appointment ends in January 2011. A discussion on how to deal with this issue and/or move forward ensued.

Motion by DeLoach, second by Garibay, and by unanimous vote – Non-Ag concurred

Moved to take no action and to only ask the Watermaster Board of directors to formally clarify whether this is still their intent to take action today as they took on January 26, 2006 when the reappointment of the nine member board took place, that would then form a committee to deal with governance at the next reappointment of the nine member board in 2011 or to calendar this item now for the formation of a governance committee and to have counsel review the February 9, 2006 court order, as presented

B. WAIVER OF INTEREST CHARGES

Mr. Manning stated Watermaster has an obligation as part of the Judgment to invoice for administrative, OBMP recharge debt and Assessments for overproduction and included in the Judgment are provisions by which interest would bear on unpaid balances. On an average most all parties have responded to paying their assessments in a timely manner; however, there are two outstanding interest bills that are being presented today for the waiver of those interest charges. Both parties have been contacted and dialog has taken place regarding these charges. During those conversations the two parties were asked to write a letter requesting the waiver of interest charges and upon receipt of those letters staff will recommend

accommodating the waiver. Staff is seeking direction on how to deal with the issue of interest charges for the future and staff is also currently drafting a policy for more efficiently processing assessments. Mr. Manning stated since he does not have the authority to waive fees it was appropriate to bring this matter through the Watermaster process for recommendations. A discussion regarding this matter along with refunding other past interest charges ensued. Ms. Rojo stated Watermaster staff does many tasks to collect payments, such as phone calls, emails, faxes, and registered letters. Ms. Rojo stated staff is now questioning itself as to what point does Watermaster start assessing the 10% interest charges. A discussion regarding parties wanting a pass on paying their next late fees ensued. Mr. Manning stated staff is seeking a waiver of these charges. Mr. DeLoach stated he would make a motion to waive these two interest bills and that Watermaster needs to form a policy or procedure that would not need to be approved by this committee but to be informed that one has been written and enforced. Mr. Tock offered comment on using a 60 day due date instead of 30 days and requested some sort of publication on due dates for various items like water transfers because of staff turnover. Mr. Manning stated the policy will be introduced in the January/February time frame.

Motion by DeLoach, second by Crosley, and by majority vote – Non-Ag concurred – City of Pomona was a no vote

Moved to approve waiver in interest charges for Arrowhead Mountain Spring Water in the amount of \$4,828.53 and Monte Vista Water District in the amount of \$31,582.97, to bring back a policy on interest assessments, not for approval but to show one has been put in place, and to issue a timeline of due dates, as presented

C. MOU OF WATER ACCOUNTING PROCEDURE

Mr. Manning stated staff received this MOU a couple months ago; last month it was included in the meeting package as an information item for review. Mr. Manning reviewed the cover letter written by Mr. Arakawa, noting it states this accounting procedure does not change the agreement in any way, creating the question why is it called an amendment if there is no amendment being made? Mr. Manning noted staff feels this MOU interprets the agreement as opposed to what the original agreement actually states. Staff is looking for guidance; it was noted the three other signatories have signed this. Mr. DeLoach inquired about the consequences of not signing the agreement. Counsel Fife stated we are looking at the implementation of the Dry Year Yield Program as it currently going on now. There were things in the original DYY Program Agreement that now in 2008 when we come to a take year that all parties start looking closer at how those procedures are impacting them. Review by all the Watermaster parties need to take place and direction to sign or not to sign need to be formalized. Counsel Fife reviewed the cover letter provided in the meeting packet and noted that most of the agreement coincides with the original agreement; however, there are sections that can't be found in the original agreement and those are section 2A3 on pp. 40, 2B2 on pp. 41, and 2B3 on pp. 42 in the meeting packet. Counsel Fife reviewed these sections in detail. This MOU will not be signed without direction from the Watermaster parties. A discussion regarding this matter ensued. It was noted a meeting with Metropolitan Water District staff needs to take place and possibly a meeting with Chino Basin Watermaster parties, Inland Empire Utilities Agency, and Three Valleys Municipal Water District first before the meeting with MWD.

No motion was made on this item.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. October 21 Hearing

Counsel Fife stated the October 21, 2008 hearing has had a few filings made to it, one of which is from Cucamonga Valley Water District for a continuance on their portion of the hearing due to their attorney having pre-established traveling plans and cannot attend a hearing on that date. The procedure on that type of ex parte is that the party receives a hearing and that hearing is scheduled for next Tuesday at 8:30 a.m. Counsel Fife stated

there was a second filing that Watermaster made with regard to the Ontario Intervention and to confirm that all of the other interventions that are on calendar are going to be heard. There was some confusion at the courthouse yesterday regarding if the October 21st hearing was still on calendar so Watermaster staff is going to the courthouse to verify hearing dates. Counsel Fife stated staff and counsel will keep the parties apprised of any changes.

2. Santa Ana River Water Right Final Decision

Counsel Fife stated this should be the last report on this item and the final permit should be signed today.

3. Sale of Overlying Non-Agricultural Pool Stored Water

Counsel Fife stated this item does need to come through the process for approval for the auction process to begin. It was noted the parties do not want any delay on this. Mr. DeLoach stated his staff is trying to schedule another meeting on this item shortly and should have something to report on next month.

4. Board Closed Session Report

Counsel Fife stated there was a closed session at the last Watermaster Board meeting to discuss three items; Hanson Aggregates litigation, the Tongva American Indian possible litigation situation, and the OIA/Chino Airport possible litigation matter. The only direction given from the Board was regarding the plume and noted the action was to reaffirm its conceptual decision and Watermaster will assume primary responsibility for prosecuting the potentially responsible parties for airport plume contamination. Counsel Fife noted there will be a closed session held at the October meeting and one of the items that will be discussed will be the ongoing dispute with Inland Empire Utilities Agency about the cooperative monitoring program and the cost sharing agreement.

B. ENGINEERING REPORT

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

Mr. Wildermuth stated his staff is continuing on with its monitoring work and in October, will be submitting quarterly monitoring reports to the Regional Board pursuant to the Max Benefit requirement. Staff has initiated the technical work from the Recharge Master Plan and continues to do planning on that. The other major effort that is currently being worked on is a contract that Watermaster has with IEUA, to do the material physical injury analysis on the DYY Expansion. That information will be subsequently included in their CEQA documentation. Next month should be a good time to have a short meeting report on what our findings were on that analysis.

2. Progress on Condition Subsequent No. 7

Mr. Wildermuth stated regarding Condition Subsequent No. 7 there are two different technical issues that are addressed. The first issue is dealing with the amount of subsurface inflow from the Santa Ana River that should be credited to the Desalters. The second issue is the validation of the computed storm water recharge numbers we receive from IEUA; the validation of storm water recharge will be done by the end of the month and by the time Watermaster goes to court the five year projection will be redone. The committee members noted an informal workshop on Condition Subsequent No. 7 needs to take place prior to this item coming back through the Watermaster process and to the court.

C. CEO/STAFF REPORT

1. Agricultural Well Meter Status Update

Ms. Maurizio gave a presentation on Meter Installation & Maintenance on Agricultural Pool Wells. Ms. Maurizio noted Watermaster is responsible for providing the meter, as well as the cost of any installation, maintenance, inspection, testing and repairing of the Agricultural Pool wells which are mandated by the Peace Agreement and the OBMP. Ms. Maurizio reviewed information on the installation of meters since 2001 including calibration and the

repair of the meters. The evaluation of the costs of meter installation and maintenance was reviewed in detail and it was noted there is \$88,000 budgeted for FY 2008/2009 for these costs. Several charts were analyzed in detail. A discussion regarding the presentation ensued.

2. Legislative Update

Mr. Manning stated one of the bills that were being followed closely was AB2270 which gave the ability to regulate water softeners were vetoed by the Governor. The Governor said that the amount of salt that would have been saved was minimal and the impact would have been greater than the savings. The revenues are significantly lower that what was anticipated and now the leaders in Sacramento to talk about those issues and how they are going to fill the gap.

3. Recharge Update

Mr. Manning stated there were approximately 200 acre-feet of urban water recharged and approximately 80 acre-feet of recycled water that was put into the ground. A current recharge sheet is available on the back table for review.

4. Thanksgiving & Christmas Meetings

Mr. Manning stated both the Advisory Committee and Watermaster Board meetings have been moved up one week in the months of November and December to accommodate the Thanksgiving and Christmas holiday, so please note those changes on your schedules.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

Mr. Manning stated the Assessment Package Workshop has now been scheduled for Thursday, October 30, 2008 starting at 2:00 p.m.

Mr. Manning thanked those who attended the recent Strategic Planning Conference and noted it went very well. A signup sheet has been circulated for committees for the four areas that were addressed at that conference to begin further work on the Recharge Master Plan; please sign up for one or more of those committees.

Mr. DeLoach distributed the Agricultural Pool bill that Watermaster staff provides him – this is for information only. Mr. Manning noted that these bills are also forwarded to Mr. Feenstra the chairman of the Agricultural Pool for his review and signature.

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 may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

No confidential session was held.

VIII. FUTURE MEETINGS

October 9, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
October 21, 2008	2:00 p.m.	Agricultural Pool Meeting @ IEUA
October 21, 2008	9:00 a.m.	Chino Basin Watermaster Hearing, San Bernardino
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 Joint Appropriative and Non-Agricultural Pool meeting was dismissed by Chair Jeske at 11:33 a.m.

Secretary: _____

Minutes Approved: _____



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting – October 23, 2008



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING

October 23, 2008

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on October 23, 2008 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Mark Kinsey, Vice-Chair	Monte Vista Water District
Marty Zvirbulis	Cucamonga Valley Water District
Ken Jeske	City of Ontario
Ron Craig	City of Chino Hills
Anthony La	City of Upland
Rich Atwater	Inland Empire Utilities Agency
Mike McGraw	Fontana Water Company
Dave Crosley	City of Chino
Charles Moorrees	San Antonio Water Company
Nichole Horton	City of Pomona

Non-Agricultural Pool

Bob Bowcock	Vulcan Materials Company (Calmat Division)
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Agricultural Pool

Bob Feenstra	Dairy
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

Watermaster Staff Present

Ken Manning	CEO
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

Phil Rosentrater	Western Municipal Water District
Scott Burton	City of Ontario
David DeJesus	Three Valleys Municipal Water District
Steven Lee	Reid & Hellyer
Michael Camacho	Visitor
Eunice Ulloa	Chino Basin Water Conservation District

Vice-Chair Kinsey called the Advisory Committee meeting to order at 9:15 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Advisory Committee Meeting held September 25, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through August 31, 2008
4. Treasurer's Report of Financial Affairs for the Period August 1, 2008 through August 31, 2008
5. Budget vs. Actual July 2008 through August 2008

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

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

Item C was pulled for discussion and separate motion

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
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
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

Mr. Bowcock is pulling this item for discussion purposes at this committee level before it goes to the Watermaster Board later today. This item is requesting approval of notice; however, since it is going to materially change the way things are done, this item requires further discussion and clarification. Item C3 is something that materially changes the way business is done; there are lands that have been represented to have changed hands that have been purchased that are associated with water rights. Those water rights were overlying and the land that is being purchased with that is not necessarily the land that the water was developed at or for. Mr. Bowcock stated he wants the record very clear. The lands that have been purchased, associated with this notice of transfer, are not essentially where the water was developed or where the water was served. Mr. Bowcock noted this will potentially materially change governance at Chino Basin Watermaster. As long as the parties understand that and move forward with a clear record being made, Mr. Bowcock will make a motion to support this notice. Mr. Jeske stated he will second the motion; however, this is just one person's opinion and not even a legal opinion on this matter. Mr. Jeske noted these water notices/transactions have already been approved by the Appropriative and Non-Agricultural Pools. Mr. Jeske stated these are transfers of water and not interventions and this issue does not relate to governance; which is a mischaracterization off this item. The record does need to reflect that the representative from the Non-Agricultural Pool is making comments that were not represented by the other pools or at the last Non-Ag Pool meeting. Mr. Feenstra stated he supports the motion and

thanked Mr. Bowcock for bringing up this issue which was also brought up and discussed at the last Agricultural Pool meeting.

*Motion by Bowcock, second by Jeske, and by unanimous vote
Moved to approve Consent Calendar Item 1C, as presented*

II. BUSINESS ITEMS

A. GOVERNANCE

Mr. Manning stated this item is on the agenda because Watermaster is seeking clarity on some issues that staff thought was resolved over a year ago. Motions have been made in pleadings by Monte Vista Water District, City of Chino, and City of Chino Hills, regarding the topic of whether the issue of governance was satisfied in a meeting held on October 2, 2007 or not was called into question. Staff is asking if the parties are asking for Watermaster to form a Governance Committee now or if that provision has previously been satisfied. This item has gone through the Pools and all three pools came to the same conclusion and approved the same motion. The motion was that this item should be sent to the Watermaster Board with no action and that the Board of Directors should be asked for clarification on their intent if they believe the committee should still be put into place or whether this item should be held off until the nine member board issue is re-established in 2010 for action in January 2011. A lengthy discussion regarding this matter ensued. Counsel Fife stated through the entire process last month, through the Pools, Advisory Committee, and Watermaster Board, there was some very general discussion of this issue; governance was brought up as part of the Legal Counsel Report. There were discussions at all meetings but there was no actual action by any of the Pools, Advisory Committee, or Watermaster Board. Counsel Fife stated it was requested for Watermaster staff to bring this forward in a more formal manner so that there would be action from each of the committees. A discussion regarding improving efficiencies and the possibility forming a Governance Committee ensued. Mr. Crosley noted that he inquired at the Appropriative Pool meeting about reporting this issue to the court because of the way the nine member board was reappointed and a look up from counsel on this. Counsel Fife stated the court order from February 9, 2006 reappointed the nine member board. That order was reviewed by staff and counsel and there was no discussion of governance in that order or any orders to Watermaster to do anything with regard to governance. Counsel Fife stated the only mention was in the last sentence of the order which said the court reminds the parties that changing the governance structure of Watermaster that will require court approval (paraphrased.)

*Motion by Kinsey, second by Jeske, and by unanimous vote
Moved to take no action taken – forwarding to the Watermaster Board for clarification, as presented*

B. WAIVER OF INTEREST CHARGES

Mr. Manning stated Watermaster clearly has a authority to assess interest on delinquent payments to Watermaster that is a part of the Judgment; that language is in the staff report. Mr. Manning noted Watermaster has an obligation as part of the Judgment to invoice for administrative, OBMP expenses, recharge debt, and assessments for overproduction and included in the Judgment are provisions by which interest would bear on unpaid balances. This is application of interest has been utilized by Watermaster staff five times in the past prior to these two instances. All parties have responded by paying their assessments and interest charges in a timely manner; however, there were two invoices that staff applied interest charges to when payment was not received timely this past year and those two outstanding interest bills are being presented today because the parties are requesting a waiver of those interest charges. Both parties have been contacted and dialog has taken place regarding these charges. During those conversations the two parties were asked to write a letter requesting the waiver of interest charges and upon receipt of those letters staff will recommend accommodating the waiver. Staff has drafted a policy for more clarifying and notifying the processing of delinquent assessments in the future and it is available on the back table for

review and comment. Mr. Manning stated since he does not have the authority to waive fees it was appropriate to bring this matter through the Watermaster process for recommendations. A discussion regarding this matter ensued. Mr. Manning stated staff is seeking a waiver of these charges. Mr. Manning stated the Appropriative and Non-Agricultural Pool approved the waiver requested and the Agricultural Pool did not approve the waiver. Mr. Jeske stated he would like to make the motion to waive these two unpaid balances of interest fees and for Watermaster staff to bring a draft policy through the process. Mr. Feenstra stated the Agricultural Pool is unanimously and strongly opposed waiving the Monte Vista Water District interest charge of \$31,582.97 and Arrowhead Mountain Spring Water interest charge of \$4,828.53. A discussion regarding why these two parties bills were not paid on time and events that took place leading up to these request of waivers ensued. Mr. Feenstra offered comment on this matter and duly noted his opposition in waiving these fees.

Motion by Jeske, second by La, and by majority vote – the Agricultural Pool voted no
Moved to approve waiver in interest charges for Arrowhead Mountain Spring Water in the amount of \$4,828.53 and Monte Vista Water District in the amount of \$31,582.97, and to bring back a draft policy through the Watermaster process, as presented

C. **MOU OF WATER ACCOUNTING PROCEDURE**

Mr. Manning stated staff received this MOU a couple of months ago; last month it was included in the meeting package as an item for review. Mr. Manning reviewed the cover letter written by Mr. Arakawa, noting it states this accounting procedure does not change the agreement in any way, creating the question why is it called an amendment if there is no amendment being made? Mr. Manning noted staff feels this MOU interprets the agreement as opposed to what the original agreement actually states. It was noted the three other signatories have signed this. Mr. DeLoach inquired about the consequences of not signing the agreement. Counsel Fife stated we are looking at the Dry Year Yield Program as it now. There were things in the original DYY Program Agreement that parties are starting to look at closer as to how those procedures are impacting them. Review by all the Watermaster parties needs to take place and direction to sign or not to sign need to be formalized. Counsel Fife reviewed the cover letter provided in the meeting packet and noted that most of the agreement coincides with the original agreement; however, there are sections that can't be found in the original agreement and those are section 2A3 on pp. 40, 2B2 on pp. 41, and 2B3 on pp. 42 in the meeting packet. Counsel Fife reviewed those sections in detail. This MOU will not be signed without direction from the Watermaster parties. A discussion regarding this matter ensued. Mr. Manning noted at the Appropriative Pool meeting it was asked that a meeting with Metropolitan Water District staff take place and possibly a meeting with Chino Basin Watermaster parties, Inland Empire Utilities Agency, and Three Valleys Municipal Water District before the meeting with MWD. It was noted this item will be continued until the meetings take place and an update can be given.

Motion by Crosley, second by Zvirbulis, and by unanimous vote
Moved to table this item, as presented

III. **REPORTS/UPDATES**

A. **WATERMASTER GENERAL LEGAL COUNSEL REPORT**

1. October 14 and October 16 Ex Parte Hearings

Counsel Fife stated last week was very busy with regard to court processes. An October 21, 2008; that hearing included approval of Annual Reports, Conditions Subsequent 1 through 6, interventions, and Cucamonga Valley Water Districts (CVWD) motion with regard to the Special Referee. CVWD did file a request to continue that one portion of the hearing with regard to their motion and that was heard on October 14, 2008; however, the court stated if one item was going to be continued, then all items would be continued. The only issue that came up in continuing all the items was the interventions which were time sensitive. There was an Ex Parte hearing scheduled for October 16, 2008 to approve the

interventions; the court did approve all of them. The court moved everything else to November 13, 2008.

2. November 13, Hearing
No comment was made regarding this item.
3. Board Closed Session Report
Counsel Fife stated there was a closed session at the last Watermaster Board meeting to discuss the Chino Airport litigation. The only direction given from the Board was regarding the plume and noted the action was to reaffirm its conceptual decision and Watermaster will assume primary responsibility for prosecuting the potentially responsible parties for airport plume contamination. Counsel Fife noted there will be a closed session at the Watermaster Board meeting today.

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, August – September 2008
No comment was made regarding this item.
2. Progress on Condition Subsequent No. 7
Mr. Wildermuth stated Condition Subsequent No. 7 states that by December 31, 2008, Watermaster shall prepare and submit to the court for approval a revised schedule to replace the Initial Corrected Schedule, which shall include a reconciliation of allocated new yield and storm water 2000/2001 through 2006/07, and a discussion of how Watermaster will account for unreplenished overproduction for that period. Mr. Wildermuth reviewed the Initial Corrected Schedule and the Unreplenished Desalter Production charts in detail. Mr. Geoff Vanden Heuvel commented on the Santa Ana River recharge numbers with regard to the desalters. Mr. Geoff Vanden Heuvel stated that the policy deal that was put together was that 400,000 acre-feet of water was going to be mined to achieve some specific purposes. To go back and claim some of that water because of a previous activity is a policy decision that needs to be made. Water has already been allocated and assumed to be available to WMWD to build Desalter III; this is not a technical decision. Mr. Geoff Vanden Heuvel stated the fundamental premise of the Chino Basin Judgment is nobody gets to pump water out of the Basin unless one has a water right and if you don't have a water right and pump, it must be replenished. The Agricultural pool dedicated 12,000 acre-feet to the desalter which was critical for getting that desalter built and that it had a replenishment supply. The Agricultural Pool voted to allocate 82,800 acre-feet of the unused portion of their annual safe yield and 12,000 acre-feet of the 82,800 acre-feet to the desalter. At that time, the Appropriators stated collectively, that they will take upon themselves the responsibility to provide replenishment water for the desalter and the Regional Board accepted that promise by the Appropriators. Mr. Koopman commented on Mr. Thibeault's and Mr. Hill's remarks at past Agricultural Pool meetings regarding this matter and the 12,000 acre-feet that were proposed to be set aside. Mr. Wildermuth reviewed the reconciliation of storm water recharge and noted IEUA and the Groundwater Recharge Coordinating Committee produced estimates for 2004/05 through 2007/08 and Watermaster staff is reviewing and auditing those numbers. Mr. Wildermuth reviewed the Provisional Estimates of Storm Water Recharge chart in detail. Mr. Manning noted there is the technical aspect of this topic and Mr. Wildermuth is giving a report on that, the other aspect pertains to policy decisions that will need to be made. Mr. Manning stated on Wednesday, November 12, 2008, from 9:00 a.m. to 11:00 a.m. a Condition Subsequent No. 7 Workshop will be held. The technical, legal, and policy issues of Condition Subsequent No. 7 will be presented/discussed at the workshop.

C. GEO/STAFF REPORT

1. Legislative Update
Mr. Manning stated Inland Empire Utilities Agency has several informative legislative updates in their section of the meeting package starting on page 149.

2. Recharge Update
Mr. Manning stated there has been a small amount of recharge in the basin and the most recent Recharge handout is available on the back table for your review.
3. Thanksgiving & Christmas Meetings
Mr. Manning stated both the Advisory Committee and Watermaster Board meetings have been moved up one week in the months of November and December to accommodate the Thanksgiving and Christmas holidays; please note those changes on your schedules.

D. INLAND EMPIRE UTILITIES AGENCY

1. Groundwater Recharge Update Presentation
Mr. Love gave the Groundwater Recharge Update presentation. Mr. Love reviewed what took place at the September 19, 2008 Recycled Water Workshop and noted the presentations that were given at that workshop are available on the IEUA web site. Mr. Love spoke on the California Groundwater Recharge Regulations. The 10-Year vs. 5-Year Rolling Average and Recycled Water Recharge Forecast maps were reviewed.
2. MWD Water Supply (Drought) Allocation Plan
Mr. Atwater gave the Draft IEUA Water Supply Allocation Plan presentation. Mr. Atwater reviewed the 2009 Water Supply Outlook, MWD Water Supply Allocation, IEUA Water Allocation Plan Process, and IEUA Goals charts in detail. The Overview of MWD's 2009 Baseline Water Supply Allocation to IEUA was reviewed and discussed. The Implications for IEUA's Water Supply was examined. A brief overview of Draft Principles was evaluated. A discussion regarding this topic ensued.
3. ACWA Drought Alert Flyer
No comment was made regarding this item.
4. Recycled Water Newsletter
No comment was made regarding this item.
5. Monthly Water Conservation Programs Report
No comment was made regarding this item.
6. Monthly Imported Water Deliveries Report
No comment was made regarding this item.
7. State and Federal Legislative Report
No comment was made regarding this item.
8. Community Outreach/Public Relations Report
No comment was made regarding this item.

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

No comment was made regarding this item.

IV. INFORMATION

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

V. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

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

The Advisory Committee meeting was dismissed by Vice-Chair Kinsey at 10:40 a.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting – October 23, 2008



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
October 23, 2008

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on October 23, 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
Terry Catlin	Inland Empire Utilities Agency
Bob Bowcock	Vulcan Materials Company
Paul Hofer	Agricultural Pool
Geoffrey Vanden Heuvel	Agricultural Pool

Watermaster Staff Present

Ken Manning	CEO
Sheri Rojo	CFO/Asst. General Manager
Danielle Maurizio	Senior Engineer
Ben Pak	Senior Project 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

Bob Feenstra	Dairy
Jennifer Novak	Department of Justice/CIM
Mark Kinsey	Monte Vista Water District
Sandra Rose	Monte Vista Water District
Nichole Horton	City of Pomona
Tammy Jones	Sunkist
Michael Camacho	Visitor
Marty Zvirbulis	Cucamonga Valley Water District
Ken Jeske	City of Ontario
David DeJesus	Three Valleys Municipal Water District
Ron Craig	RBF Consulting/Chino Hills
Eunice Ulloa	Chino Basin Water Conservation District

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 September 25, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through August 31, 2008
4. Treasurer's Report of Financial Affairs for the Period August 1, 2008 through August 31, 2008
5. Budget vs. Actual July 2008 through August 2008

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

Moved to approve Consent Calendar Items A through B as presented

Item C was pulled for discussion and separate motion

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
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
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

Mr. Bowcock pulled item C to note that while in support of the action and the activity all parties need to be sure they know what is being brought forward in supporting this action. Item C3 is something that materially changes the way business is done; there are particular lands that have been represented that have changed hands that have been purchased that are associated with these water rights. Those water rights are overlying and the land that is being purchased with that is not necessarily the land that the water was developed at or for. Mr. Bowcock stated he wants the record very clear. Mr. Bowcock noted this could change governance at Chino Basin Watermaster. As long as the parties understand that and move forward with a clear record being made, Mr. Bowcock will make a motion to support this notice. A discussion regarding Mr. Bowcock's comments ensued. Mr. Bowman stated for the record it is the City of Ontario's position that the transfer of the water rights has no bearing on governance now or in the future.

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

Moved to approve Consent Calendar Item 1C, as presented

II. BUSINESS ITEMS

A. GOVERNANCE

Mr. Manning stated this item is on the agenda because Watermaster is seeking clarity on some issues that staff thought was resolved a year ago and because of motions that made in pleadings by Monte Vista Water District, City of Chino, and City of Chino Hills, the issue of whether the issue of governance was satisfied in a the meeting held on October 2, 2007 or now was called into question. Staff is asking if the parties are asking for Watermaster form a

Governance Committee now or if that provision has previously been satisfied. This item has gone through the Pools and the Advisory Committee and all committee's came to the same conclusion and approved the same motion. The motion was that this item should be sent to the Watermaster Board with no action and that the Board of Directors should be asked for clarification on their intent if they believed the committee should still be put into place or whether this item should be held off until the nine member board issue is re-established in 2010 for action in January 2011. Mr. Kuhn stated according to his recollection this matter was resolved from the standpoint that the parties felt that Peace II needed to be done and that the governance issue would be discussed at same time in the future. Mr. Bowman commented on the notes he had taken at that conference, it appeared all parties concurred on the status of how the governance structure is set currently. Mr. Bowman stated based on the past and the unanimous support of what we did at that conference that this committee should let this issue rest with no change. A discussion regarding reporting to the court ensued. Ms. Rose stated Monte Vista Water District has a problem with the meeting held on October 2, 2007 because there was no attendance record or minutes taken and wants to continue with the motion made by the Watermaster Board in December, 2005. That motion was very specific about forming a Watermaster Governance Committee. Mr. Vanden Heuvel stated he has the same discomfort that Monte Vista Water District does and noted he has solution for this matter since the Advisory Committee has referred this back to the board. The solution would be to make a motion that the Watermaster Board appoint itself as the appointed committee and that this motion constitutes the creation of the committee and the committee's unanimous support for continuing with the existing governance structure; this will then comply with the past motion. This commitment is now done and stands as status quo. A lengthy discussion regarding Mr. Vanden Heuvel's motion and this situation presented today ensued. Chair Willis stated this issue needs to be discussed further and not at this venue and noted he would host a governance roundtable discussion directly after the next Watermaster Board meeting in November.

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

Moved to appoint the current Watermaster Board as the Watermaster Governance Committee and as that committee meets today the current governance structure stands as status quo and a roundtable discussion on this matter will be hosted by Chair Willis after the Watermaster Board meeting on November 20, 2008, as presented

B. WAIVER OF INTEREST CHARGES

Mr. Manning stated Watermaster clearly has a policy on delinquency of payments to Watermaster that is a part of the Judgment; that language is in the staff report. Mr. Manning noted Watermaster has an obligation as part of the Judgment to invoice for administrative, OBMP recharge debt and Assessments for overproduction and included in the Judgment are provisions by which interest would bear on unpaid balances. This is a policy that has been utilized by Watermaster staff five times in the past prior to these two instances. Most all parties have responded to paying their assessments in a timely manner; however, there were two invoices that staff applied interest charges to when payment was not received timely and those two outstanding interest bills are being presented today because the parties are requesting a waiver of those interest charges. Both parties have been contacted and dialog has taken place regarding these charges. During those conversations the two parties were asked to write a letter requesting the waiver of interest charges and upon receipt of those letters staff will recommend accommodating the waiver. Staff is currently drafting a policy for more efficiently processing delinquent assessments in the future. Mr. Manning stated since he does not have the authority to waive fees it was appropriate to bring this matter through the Watermaster process for recommendations. A discussion regarding this matter ensued. Mr. Manning stated staff is seeking a waiver of these charges. Mr. Manning stated the Appropriative and Non-Agricultural Pool approved the waiver requested and the Agricultural Pool did not approve the waiver. Mr. Manning noted staff is working on a policy to be brought back through the Watermaster process for approval. A draft of that policy is available for review in your committee folders and on the back table. Mr. Feenstra stated the Agricultural Pool is

unanimously strongly opposed to waiving the Monte Vista Water District interest charge of \$31,582.97 and Arrowhead Mountain Spring Water interest charge of \$4,828.53. A discussion regarding why these two parties bills were not paid on time and events that took place leading up to these request of waivers ensued. Mr. Feenstra offered comment on this matter and duly noted his opposition in waiving these fees. Mr. Catlin inquired if the other parties that were charged late fees paid them. Ms. Rojo stated they did in fact pay those interest charges. Mr. Kuhn stated if Watermaster staff has charged late fees in the past and those parties who received the bills paid for those interest charges then this committee should keep doing what the Judgment calls for staff to do and keep doing it. Mr. Vanden Heuvel suggested this item goes back to the Advisory Committee for a second review. A discussion regarding Mr. Vanden Heuvel's suggestion ensued.

Motion by Vanden Heuvel, second by Kuhn, and by majority vote,

Moved to approve send this item back to the Advisory Committee in November, 2008, for a second review and forward it back to the Watermaster Board, as presented

C. MOU OF WATER ACCOUNTING PROCEDURE

Mr. Manning stated this item has been tabled and it will be brought back at a future meeting.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. October 14 and October 16 Ex Parte Hearings

Counsel Slater stated Cucamonga Valley Water District did file a request to continue that one portion of the hearing with regard to their motion and that was heard on October 14, 2008; however, the court stated if one item was going to be continued, then all items would be continued. The only issue that came up in continuing all the items was the interventions which were time sensitive. There was an Ex Parte hearing scheduled for October 16, 2008 to approve the interventions; the court did approve all of them. The court moved everything else to November 13, 2008. Counsel Slater stated to clarify for the Board's and attendee's purposes, general counsel and Watermaster staff was directed to stay neutral at the hearing concerning the Special Referee. Counsel did receive a request to complete a declaration to clarify some accounting measures; it is completely factual. Counsel Slater noted Ms. Rojo subsequent prepared a declaration, which was submitted. Counsel Slater stated staff has received a subsequent request by the City of Chino Hills for Mrs. Rojo to prepare a factual declaration on an amount expended on Watermaster legal fees by Watermaster over a defined period. We are cooperating with the parties on this request.

2. November 13, Hearing

Counsel Slater stated an October 21, 2008 hearing was scheduled; that hearing was going to consider everything that has accumulated over the last several months with the court as judges have changed. This would include approval of Annual Reports, Conditions Subsequent 1 through 6, and the Status Report on the CEQA process. Counsel Slater stated it may be that we take a step back and look at where we are in connection with the CDA expansion process and that we may find it necessary to file a supplemental pleading. This also relates to the November 21, hearing of the Regional Board regarding progress on implementing Hydraulic Control. We owe it to the court to file a pleading which explains where we are in the process; the earlier pleading may have become stale by virtue of the passage of time and now we may need to say something else to the court. Counsel Slater stated all documentation has been signed off on by parties and legal counsel for the CDA group including the proposed parties for the expansion which would be Western Municipal Water District along with the City of Ontario. All other parties have been contacted in this matter and counsel has been assured that there are no further material comments on the documentation. Counsel Slater stated he has heard from the various parties that they are prepared to adopt, without equivocation, the business arrangement of the CDA expansion. Counsel Slater stated he has heard from the City of Chino Hills; however, that they are not

prepared to act and to approve the package until they complete their due diligence. This means that given the recent events that have transpired at Watermaster, it has caused the city to want to re-evaluate the relationships with Watermaster and whether signing on to this business arrangement is a good idea for policy reasons. The City of Chino Hills has one last party they wish to meet with and they have tried to schedule that meeting in sequence with their city council meeting to follow that meeting, but to date, that has not taken place. Counsel Slater stated we are trying to get that matter resolved before the November 13, 2008 court hearing date along with the November 21, 2008 Regional Board meeting. An extended discussion regarding this matter and the governance issue ensued. Mr. Kuhn inquired if any member of this Board can meet with the City Council to discuss what any of the differences might be to them. Mr. Craig stated that might be helpful; however, does not know if that is practical in the tight time frames that we are looking at right now but that he will pass the willingness to respond to their questions/concerns on to them. Mr. Kuhn stated with regard to the issue of governance, at that conference Three Valleys Municipal Water District brought up the fact that if the parties were going to discuss governance then don't also ask us to sign the Peace II Agreement until that was resolved. That is why we walked out of that conference with the agreement that we are going to have a nine member board and we are going to move on and in 2010 the parties will review this matter again; the issue was resolved temporarily but not permanently. Mr. Vanden Heuvel stated he thinks there is a willingness to take a look at governance; however, it is important to remember the Board members had instructed Watermaster staff to specifically stay away from the governance issue; it was not Board initiated, it was party initiated.

B. ENGINEERING REPORT

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

Mr. Wildermuth stated Wildermuth Environmental's open task orders are on a spreadsheet and are available on the back table for review.

2. Progress on Condition Subsequent No. 7

Mr. Wildermuth stated Condition Subsequent No. 7 states that by December 31, 2008, Watermaster shall prepare and submit to the court for approval a revised schedule to replace the initial corrected schedule, which shall include a reconciliation of new yield and storm water estimates for 2000/2001 through 2006/07, and a discussion of how Watermaster will account for unreplenished overproduction for that period. Mr. Wildermuth reviewed the Initial Corrected Schedule and the Unreplenished Desalter Production charts in detail. Mr. Wildermuth reviewed the reconciliation of storm water recharge and noted IEUA and the Groundwater Recharge Coordinating Committee produced estimates for 2004/05 through 2007/08 and Watermaster staff is reviewing and auditing those numbers. Mr. Wildermuth reviewed the Provisional Estimates of Storm Water Recharge chart in detail. Mr. Manning noted there is the technical aspect of this topic and Mr. Wildermuth is giving that report on that and a similar report will be given to the Advisory Committee and Watermaster Board in a few days. Mr. Manning stated on Wednesday, November 12, 2008, from 9:00 a.m. to 11:00 a.m. a Condition Subsequent No. 7 Workshop will be held. The technical, legal, and policy issues of Condition Subsequent No. 7 will be presented/discussed at the workshop.

C. CEO/STAFF REPORT

1. Agricultural Well Meter Status Update

Ms. Maurizio gave a presentation on Meter Installation & Maintenance on Agricultural Pool meters. Ms. Maurizio noted Watermaster is responsible for providing the meter, as well as the cost of any installation, maintenance, inspection, testing and repairing of the Agricultural Pool wells which are mandated by the Peace Agreement and the OBMP. Ms. Maurizio reviewed information on the installation of meters since 2001 including calibration and the repair of the meters. The evaluation of the costs of meter installation and maintenance was reviewed in detail and it was noted there is \$88,000 budgeted for FY 2008/2009 for these costs. Several charts were analyzed in detail.

- 2. Legislative Update
Mr. Manning stated Inland Empire Utilities Agency has several informative legislative updates in their section of the meeting package starting on page 149.
- 3. Recharge Update
Mr. Manning stated there has been a small amount of recharge in the basin and the most recent Recharge handout is available on the back table for your review.
- 4. Thanksgiving & Christmas Meetings
Mr. Manning stated both the Advisory Committee and Watermaster Board meetings have been moved up one week in the months of November and December to accommodate the Thanksgiving and Christmas holiday, so please note those changes on your schedules.

IV. INFORMATION

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

V. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

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.

No comment or motion was made regarding this item.

VIII. 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

The Watermaster Board meeting was dismissed by Chair Willis at 1:46 p.m.

Secretary: _____

Minutes Approved: _____



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2008
2. Watermaster Visa Check Detail
3. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2008 through September 30, 2008
4. Treasurer's Report of Financial Affairs for the Period September 1, 2008 through September 30, 2008
5. Profit & Loss Budget vs. Actual July 2008 through September 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: November 18, 2008
November 20, 2008

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report

SUMMARY

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

Recommendation – Staff recommends the Cash Disbursements for October 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 October 2008 were \$1,113,936.51. The most significant expenditures during the month were the Inland Empire Utilities Agency in the amount of \$556,252.07, Wildermuth Environmental Inc. in the amount of \$198,079.53, MWH Laboratories in the amount of \$92,853.00 and Brownstein, Hyatt, Farber & Schreck in the amount of \$84,551.22.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
October 2008

Type	Date	Num	Name	Amount
Oct 08				
Bill Pmt -Check	10/1/2008	12687	APPLIED COMPUTER TECHNOLOGIES	-1,598.55
Bill Pmt -Check	10/1/2008	12688	ARROWHEAD MOUNTAIN SPRING WATER	-58.98
Bill Pmt -Check	10/1/2008	12689	CINDY NAVAROLI CONSULTING SERVICES	0.00
Bill Pmt -Check	10/1/2008	12690	ENVIRONMENTAL DEFENSE SCIENCES	-1,722.12
Bill Pmt -Check	10/1/2008	12691	GEOTECHNICAL SERVICES	-246.05
Bill Pmt -Check	10/1/2008	12692	INLAND EMPIRE UTILITIES AGENCY	-556,252.07
Bill Pmt -Check	10/1/2008	12693	NORDBAK'S PROMOTIONAL PRODUCTS	-75.63
Bill Pmt -Check	10/1/2008	12694	OFFICE DEPOT	-852.93
Bill Pmt -Check	10/1/2008	12695	PARK PLACE COMPUTER SOLUTIONS, INC.	-6,150.00
Bill Pmt -Check	10/1/2008	12696	PAYCHEX	-202.70
Bill Pmt -Check	10/1/2008	12697	PRINTING RESOURCES	-39.65
Bill Pmt -Check	10/1/2008	12698	R&D PEST SERVICES	-85.00
Bill Pmt -Check	10/1/2008	12699	TLC STAFFING	-480.00
Bill Pmt -Check	10/1/2008	12700	VISION SERVICE PLAN	-52.16
Bill Pmt -Check	10/1/2008	12701	MWH LABORATORIES	-64,225.00
Bill Pmt -Check	10/1/2008	12702	DIRECTV	-76.98
General Journal	10/4/2008	08/10/03	PAYROLL	-7,728.45
General Journal	10/4/2008	08/10/03	PAYROLL	-26,895.94
Bill Pmt -Check	10/9/2008	12703	ACWA SERVICES CORPORATION	-209.95
Bill Pmt -Check	10/9/2008	12704	BLACK & VEATCH CORPORATION	-9,810.00
Bill Pmt -Check	10/9/2008	12705	BOWCOCK, ROBERT	-375.00
Bill Pmt -Check	10/9/2008	12706	BOWMAN, JIM	-125.00
Bill Pmt -Check	10/9/2008	12707	CITISTREET	-2,595.66
Bill Pmt -Check	10/9/2008	12708	DE BOOM, NATHAN	-250.00
Bill Pmt -Check	10/9/2008	12709	DURRINGTON, GLEN	-250.00
Bill Pmt -Check	10/9/2008	12710	ESRI	-9,697.50
Bill Pmt -Check	10/9/2008	12711	EXECUTRAIN OF THE INLAND EMPIRE	-500.00
Bill Pmt -Check	10/9/2008	12712	FEENSTRA, BOB	-625.00
Bill Pmt -Check	10/9/2008	12713	HETTINGA, PETER	-250.00
Bill Pmt -Check	10/9/2008	12714	HUITSING, JOHN	-250.00
Bill Pmt -Check	10/9/2008	12715	JAMES JOHNSTON	-900.00
Bill Pmt -Check	10/9/2008	12716	KOOPMAN, GENE	-250.00
Bill Pmt -Check	10/9/2008	12717	KUHN, BOB	-375.00
Bill Pmt -Check	10/9/2008	12718	MATHIS & ASSOCIATES	-8,480.00
Bill Pmt -Check	10/9/2008	12719	OFFICE DEPOT	-256.63
Bill Pmt -Check	10/9/2008	12720	PIERSON, JEFFREY	-625.00
Bill Pmt -Check	10/9/2008	12721	REID & HELLYER	-7,224.25
Bill Pmt -Check	10/9/2008	12722	SAFEGUARD DENTAL & VISION	-57.68
Bill Pmt -Check	10/9/2008	12723	SAFETY CLEAN JANITORIAL SERVICES	-590.00
Bill Pmt -Check	10/9/2008	12724	THE STANDARD INSURANCE COMPANY	-156.56
Bill Pmt -Check	10/9/2008	12725	TLC STAFFING	-596.80
Bill Pmt -Check	10/9/2008	12726	UNION 76	-120.62
Bill Pmt -Check	10/9/2008	12727	UNITED PARCEL SERVICE	-78.28
Bill Pmt -Check	10/9/2008	12728	VANDEN HEUVEL, GEOFFREY	-250.00
Bill Pmt -Check	10/9/2008	12729	VANDEN HEUVEL, ROB	-125.00
Bill Pmt -Check	10/9/2008	12730	VERIZON	-458.74
Bill Pmt -Check	10/9/2008	12731	W.C. DISCOUNT MOBILE AUTO DETAILING	-75.00
Bill Pmt -Check	10/9/2008	12732	WILLIS, KENNETH	-625.00
Bill Pmt -Check	10/9/2008	12733	YUKON DISPOSAL SERVICE	-142.88
Bill Pmt -Check	10/9/2008	12734	CITISTREET	-2,595.66
Bill Pmt -Check	10/9/2008	12735	BROWNSTEIN HYATT FARBER SCHRECK	-84,551.22
Bill Pmt -Check	10/17/2008	12736	PETTY CASH	-393.95
General Journal	10/18/2008	08/10/05	PAYROLL	-7,897.43
General Journal	10/18/2008	08/10/05	PAYROLL	-26,726.96
Bill Pmt -Check	10/21/2008	12737	CITY OF RANCHO CUCAMONGA	-25.00
Bill Pmt -Check	10/22/2008	12738	ACWA	-14,160.00
Bill Pmt -Check	10/22/2008	12739	BANC OF AMERICA LEASING	-3,186.17
Bill Pmt -Check	10/22/2008	12740	BANK OF AMERICA	-4,772.60
Bill Pmt -Check	10/22/2008	12741	BLACK & VEATCH CORPORATION	-5,807.50
Bill Pmt -Check	10/22/2008	12743	CUCAMONGA VALLEY WATER DISTRICT	-5,495.00
Bill Pmt -Check	10/22/2008	12744	DICKINSON JANITORIAL	-51.98
Bill Pmt -Check	10/22/2008	12745	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
Bill Pmt -Check	10/22/2008	12746	HSBC BUSINESS SOLUTIONS	-496.56
Bill Pmt -Check	10/22/2008	12747	INLAND EMPIRE UTILITIES AGENCY	-250.50
Bill Pmt -Check	10/22/2008	12748	LOS ANGELES TIMES	-46.40
Bill Pmt -Check	10/22/2008	12749	MCI	-1,169.95
Bill Pmt -Check	10/22/2008	12750	MWH LABORATORIES	-28,628.00
Bill Pmt -Check	10/22/2008	12751	NORDBAK'S PROMOTIONAL PRODUCTS	-115.35

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
October 2008

Type	Date	Num	Name	Amount
Bill Pmt -Check	10/22/2008	12752	OFFICE DEPOT	-355.41
Bill Pmt -Check	10/22/2008	12753	PITNEY BOWES CREDIT CORPORATION	-468.72
Bill Pmt -Check	10/22/2008	12754	PRE-PAID LEGAL SERVICES, INC.	-103.60
Bill Pmt -Check	10/22/2008	12755	PREMIERE GLOBAL SERVICES	-348.36
Bill Pmt -Check	10/22/2008	12756	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-211.84
Bill Pmt -Check	10/22/2008	12757	RICOH BUSINESS SYSTEMS-Lease	-888.94
Bill Pmt -Check	10/22/2008	12758	STAULA, MARY L	-136.61
Bill Pmt -Check	10/22/2008	12759	TELECOM SERVICES	-105.00
Bill Pmt -Check	10/22/2008	12760	TLC STAFFING	-1,056.00
Bill Pmt -Check	10/22/2008	12761	VERIZON WIRELESS	-539.46
Bill Pmt -Check	10/22/2008	12762	WESTERN DENTAL SERVICES, INC.	-26.50
Bill Pmt -Check	10/22/2008	12763	WILDERMUTH ENVIRONMENTAL INC	-198,079.53
Bill Pmt -Check	10/22/2008	12764	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-5,903.50
Bill Pmt -Check	10/22/2008	12765	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-5,903.50
Bill Pmt -Check	10/23/2008	12766	EL TORITO	-246.55
Oct 08				<u>-1,113,936.51</u>

10:55 AM
11/10/08

CHINO BASIN WATERMASTER
Check Detail
October 2008

Type	Num	Date	Name	Account	Paid Amount
Bill ...	12740	10/22/2008	BANK OF AMER...	1012 · Bank of America Gen'l Ckg	
Bill	4024...	9/30/2008		6191 · Conferences	-2,792.69
				6212 · Meeting Expense	-206.64
				6312 · Meeting Expenses	-242.05
				6110 · Dues and Subscriptions	-45.00
				6031.7 · Other Office Supplies	-382.53
				6177 · Vehicle Repairs & Maintenance	-69.54
				6031.7 · Other Office Supplies	-35.31
				6112 · Subscriptions/Publications	-998.84
TOTAL					-4,772.60

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CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2008 THROUGH SEPTEMBER 30, 2008

	WATERMASTER ADMINISTRATION	MANAGEMENT	POOL	POOL	POOL	NON-AGRIC. REPLENISHMENT	GROUNDWATER REPLENISHMENT	SB222 FUNDS	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2008-2009
Administrative Revenues											
Administrative Assessments											\$7,841,054
Interest Revenue			33,136	3,265	841			9		37,251	174,368
Mutual Agency Project Revenue											148,410
Grant Income											0
Miscellaneous Income											0
Total Revenues			33,136	3,265	841			9		37,251	8,163,832
Administrative & Project Expenditures											
Watermaster Administration	188,070									188,070	619,960
Watermaster Board-Advisory Committee	14,274									14,274	61,201
Pool Administration			5,782	33,960	990					40,732	166,523
Optimum Basin Mgmt Administration		314,739								314,739	1,913,484
OBMP Project Costs		1,523,345								1,523,345	5,392,289
Education Funds Use											375
Mutual Agency Project Costs											10,000
Total Administrative/OBMP Expenses	202,344	1,838,084	5,782	33,960	990					2,081,160	8,163,832
Net Administrative/OBMP Income	(202,344)	(1,838,084)									
Allocate Net Admin Income To Pools	202,344		154,363	44,005	3,975						
Allocate Net OBMP Income To Pools			1,402,231	399,742	36,111						
Agricultural Expense Transfer			475,983	(475,983)							
Total Expenses	2,038,359	1,725	1,725	1,540	41,076					2,081,160	8,163,832
Net Administrative Income	(2,005,223)				(40,235)			9		(2,043,909)	
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			(2,005,223)	1,540	(40,235)			9		(2,043,909)	

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
SEPTEMBER 1 THROUGH SEPTEMBER 30, 2008**

DEPOSITORIES:		
Cash on Hand - Petty Cash	\$	500
Bank of America		
Governmental Checking-Demand Deposits	\$	64,242
Zero Balance Account - Payroll		-
Local Agency Investment Fund - Sacramento		4,490,455
		<u>4,490,455</u>
TOTAL CASH IN BANKS AND ON HAND	\$	4,555,197
		9/30/2008
TOTAL CASH IN BANKS AND ON HAND		4,760,724
		8/31/2008
PERIOD INCREASE (DECREASE)	\$	(205,527)

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets:		
Accounts Receivable	\$	160,251
Assessments Receivable		-
Prepaid Expenses, Deposits & Other Current Assets	(3,041)	
(Decrease)/Increase in Liabilities	97,707	
Accounts Payable	42,694	
Accrued Payroll, Payroll Taxes & Other Current Liabilities	(503,138)	
Transfer to/(from) Reserves		<u>(503,138)</u>
PERIOD INCREASE (DECREASE)	\$	(205,527)

SUMMARY OF FINANCIAL TRANSACTIONS:

	Petty Cash	Gov't'l Checking Demand	Zero Balance Account Payroll	Local Agency Investment Funds	Totals
Balances as of 8/31/2008	\$ 500	\$ 269,769	\$ -	\$ 4,490,455	\$ 4,760,724
Deposits	-	198,697	-	-	198,697
Transfers	-	(67,060)	67,060	-	-
Withdrawals/Checks	-	(337,164)	(67,060)	-	(404,224)
Balances as of 9/30/2008	\$ 500	\$ 64,242	\$ -	\$ 4,490,455	\$ 4,555,197
PERIOD INCREASE OR (DECREASE)	\$ -	(205,527)	\$ -	\$ -	(205,527)

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
SEPTEMBER 1 THROUGH SEPTEMBER 30, 2008**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
----------------	-------------	------------	----------	----------	------------------	------------------	----------------

TOTAL INVESTMENT TRANSACTIONS \$ - -

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

**INVESTMENT STATUS
September 30, 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

	<u>Jul - Sep 08</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	-	148,410	-148,410	
4110 · Admin Asmnts-Approp Pool	-	7,708,817	-7,708,817	
4120 · Admin Asmnts-Non-Agri Pool	-	132,237	-132,237	
4700 · Non Operating Revenues	37,250	174,368	-137,118	21.36%
Total Income	<u>37,250</u>	<u>8,163,832</u>	<u>-8,126,582</u>	<u>0.46%</u>
Gross Profit	37,250	8,163,832	-8,126,582	0.46%
Expense				
6010 · Salary Costs	147,644	484,302	-336,658	30.49%
6020 · Office Building Expense	18,208	102,000	-83,792	17.85%
6030 · Office Supplies & Equip.	7,140	46,500	-39,360	15.36%
6040 · Postage & Printing Costs	17,307	87,380	-70,073	19.81%
6050 · Information Services	41,414	144,000	-102,586	28.76%
6060 · Contract Services	26,506	98,000	-71,495	27.05%
6080 · Insurance	15,706	17,730	-2,024	88.58%
6110 · Dues and Subscriptions	1,790	16,750	-14,960	10.69%
6140 · WM Admin Expenses	350	4,000	-3,650	8.76%
6150 · Field Supplies	708	2,500	-1,792	28.33%
6170 · Travel & Transportation	7,344	39,200	-31,856	18.73%
6190 · Conferences & Seminars	11,323	26,500	-15,177	42.73%
6200 · Advisory Comm - WM Board	2,845	19,181	-16,336	14.84%
6300 · Watermaster Board Expenses	11,429	42,020	-30,591	27.2%
8300 · Appr PI-WM & Pool Admin	5,782	24,008	-18,226	24.08%
8400 · Agri Pool-WM & Pool Admin	4,322	24,820	-20,498	17.41%
8467 · Ag Legal & Technical Services	27,913	98,000	-70,087	28.48%
8470 · Ag Meeting Attend -Special	1,725	12,000	-10,275	14.38%
8500 · Non-Ag PI-WM & Pool Admin	990	7,695	-6,705	12.87%
6500 · Education Funds Use Expens	-	375	-375	0.0%
9500 · Allocated G&A Expenditures	<u>-107,371</u>	<u>-448,902</u>	<u>341,531</u>	<u>23.92%</u>
Subtotal G&A Expenditures	243,075	848,059	-604,984	28.66%
6900 · Optimum Basin Mgmt Plan	286,479	1,775,525	-1,489,046	16.14%
6950 · Mutual Agency Projects	-	10,000	-10,000	0.0%
9501 · G&A Expenses Allocated-OBMP	<u>28,261</u>	<u>137,959</u>	<u>-109,698</u>	<u>20.49%</u>
Subtotal OBMP Expenditures	314,739	1,923,484	-1,608,745	16.36%
7101 · Production Monitoring	34,692	107,515	-72,823	32.27%
7102 · In-line Meter Installation	4,171	87,931	-83,760	4.74%
7103 · Grdwtr Quality Monitoring	49,220	210,458	-161,238	23.39%
7104 · Gdwtr Level Monitoring	111,126	342,538	-231,412	32.44%
7105 · Sur Wtr Qual Monitoring	255	46,717	-46,462	0.55%

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

	<u>Jul - Sep 08</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7107 · Ground Level Monitoring	48,336	651,468	-603,132	7.42%
7108 · Hydraulic Control Monitoring	124,473	743,476	-619,003	16.74%
7200 · PE2- Comp Recharge Pgm	236,993	1,115,883	-878,890	21.24%
7300 · PE3&5-Water Supply/Desalte	42,090	148,477	-106,387	28.35%
7400 · PE4- Mgmt Plan	44,204	217,371	-173,167	20.34%
7500 · PE6&7-CoopEfforts/SaltMgmt	12,151	216,307	-204,156	5.62%
7600 · PE8&9-StorageMgmt/Conj Use	224,631	76,909	147,722	292.07%
7690 · Recharge Improvement Debt Pymt	511,894	1,110,000	-598,106	46.12%
7700 · Inactive Well Protection Prgm	-	6,296	-6,296	0.0%
9502 · G&A Expenses Allocated-Projects	79,110	310,943	-231,833	25.44%
Subtotal Special Project Expenditures	1,523,345	5,392,289	-3,868,944	28.25%
Total Expense	<u>2,081,160</u>	<u>8,163,832</u>	<u>-6,082,672</u>	<u>25.49%</u>
Net Ordinary Income	-2,043,909		-2,043,909	100.0%
Other Income/Expense				
Other Expense				
9999 · To/(From) Reserves	-2,043,909			
Total Other Expense	<u>-2,043,909</u>			
Net Other Income	<u>2,043,909</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

C. INTERVENTIONS

1. Red Hill Country Club Intervention into the Overlying Non-Agricultural Pool
2. Aqua Capital Management Intervention into the Overlying Non-Agricultural Pool





CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: November 18, 2008
November 20, 2008

TO: Committee Members
Watermaster Board Members

SUBJECT: Red Hill Country Club request for Intervention

SUMMARY

Issue – On October 20, 2008, Watermaster received a request for Intervention from Red Hill Country Club. This Staff Report provides a summary and analysis of the proposed Intervention.

Recommendation - Staff recommends approving the Intervention into the Overlying (Non-Agricultural) Pool with one condition. Staff recommends that Red Hill Country Club be allowed to produce from Chino Basin only until recycled water is made available to them. At that point, they must cease the use of their well(s).

Fiscal Impact – No fiscal impact on the Watermaster Budget.

BACKGROUND

Red Hill Country Club (RHCC) currently receives water mainly from San Antonio Water Company, and secondly from Cucamonga Valley Water District. RHCC wishes to expand its water availability options and therefore submitted a request for Intervention on October 20, 2008. If approved, RHCC would have 0.000 acre-feet of water rights, and would pay full replenishment costs on all water produced. In addition, RHCC would be subject to any future applicable assessments. RHCC does not currently have a well and may or may not decide to drill one in the future. RHCC partially overlies the Basin—48-percent of it is within the legal boundary of the Basin and 52-percent of it is outside of the legal boundary of the Basin. Recycled water is not currently available to RHCC, but is expected to be available within 18-30 months.

DISCUSSION

According to the Judgment, a producer is assigned to the Overlying (Non-Agricultural) Pool if it is an overlying producer who produces water for industrial or commercial purposes. (Judgment para. 43(b).) "Any party who changes the character of his use may, by subsequent order of the Court, be reassigned to the proper pool Any non-party producer or any person who may hereafter commence production of water from Chino Basin, and who may become a party to [the] physical solution by intervention, shall be assigned to the proper pool by the order of the Court authorizing such intervention." (Judgment para. 43.)

Interventions are governed by paragraph 60 of the Judgment: "Any non-party assignee of the adjudicated appropriative rights of any appropriator, or any other person newly proposing to produce water from the Chino Basin, may become a party to this Judgment upon filing a petition in intervention. Said intervention must be confirmed by order of [the] Court. Such intervenor shall thereafter be a party bound by [the] Judgment and entitled to the rights and privileges accorded under the Physical Solution . . . through the pool to which the Court shall assign such intervenor."

Water Code section 13550 states that ". . . the use of potable domestic water for nonpotable uses, including, but not limited to, cemeteries, golf courses, parks, highway landscaped areas, and industrial and irrigation uses, is a waste or an unreasonable use of the water within the meaning of Section 2 of Article X of the California Constitution if recycled water is available . . ."

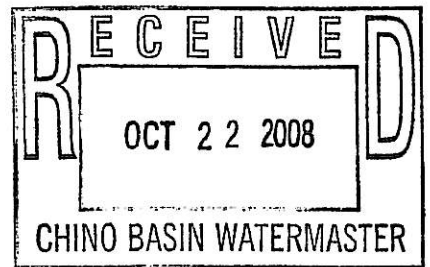
Watermaster's practice has been to accept interventions informally by way of a letter request and then process the request through the Pools, Advisory Committee and Board. After this internal approval process, the request for Intervention is filed with the Court for approval.

Watermaster does not believe that this Intervention will result in Material Physical Injury, should RHCC decide to drill a well and produce from it.

RECOMMENDATION

Watermaster staff finds that the proposed Intervention is consistent with the Judgment. On this basis, Watermaster staff recommends approving the Intervention into the Overlying (Non-Agricultural) Pool with one condition. Staff recommends that RHCC be allowed to produce from Chino Basin only until recycled water is made available to them. At that point, they must cease the use of their well(s).

Date: OCTOBER 20, 2008



Chino Basin Watermaster
9641 San Bernardino Rd.
Rancho Cucamonga, CA 91730
Attn: Kenneth R. Manning, CEO

Subject: Intervention into Chino Basin Watermaster

Dear Mr. Manning:

I, or the company I represent (see below), request intervention into the Chino Basin Watermaster Judgment. I/we request that the Watermaster attorneys process the Intervention paperwork through the Court.

Number of wells: 1

Location(s) of wells (including addresses, parcel numbers, and landmarks):

SOUTH END OF
DRIVING RANGE

Property Owner (Well Owner) Information:


Name: RED HILL COUNTRY CLUB.
Address: 8358 RED HILL COUNTRY CLUB DR., PC, 91730
Phone: 909 982-1550 Email: _____

Property Occupant (Well User) Information (if different from Owner):

Name: N/A.
Address: _____
Phone: _____ Email: _____

Representative Handling Intervention:

Name: CRAIG A. KIMMEL Title: GOLF COURSE SUPERINTENDENT
Address: 8358 RED HILL C.C. DR., RANCHO CUCAMONGA 91730
Phone: 909 957 4890 Email: rkccsuper@verizon.net

Sincerely,
Signed: 

Printed: CRAIG A. KIMMEL

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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

STAFF REPORT

DATE: November 18, 2008
November 20, 2008

TO: Committee Members
Watermaster Board Members

SUBJECT: Aqua Capital Management LP (Aqua) request for Intervention as an Overlying (Non-Agricultural) Party

SUMMARY

Issue – On November 7, 2008, Watermaster received a request for Intervention into the Overlying (Non-Agricultural) Pool from Aqua Capital Management LP (Aqua). This Staff Report provides a summary and analysis of the proposed Intervention.

Recommendation - Staff recommends approval of the request for Intervention with one condition. Staff recommends that Aqua be allowed to produce from Chino Basin only upon receipt of written acknowledgment by Aqua that it will comply with the Peace (I) Agreement and Peace II Agreement.

Fiscal Impact – No fiscal impact on the Watermaster Budget.

BACKGROUND

CCG Ontario, LLC (CCG) intervened into the Judgment in 2000, at which time it acquired 630.274 acre-feet of Overlying (Non-Agricultural) Pool water rights from Kaiser Venture, Inc. Recently, CCG executed a definitive agreement to sell real property overlying the Chino Basin, totaling approximately 9.58 acres to Aqua Capital Management (Aqua). As part of the property sale, CCG wishes to transfer all of its water rights and its water in storage to Aqua. As a result, on November 7, 2008, Aqua submitted a request for Intervention into the (Non-Agricultural) Pool.

DISCUSSION

According to the Judgment, a producer is assigned to the Overlying (Non-Agricultural) Pool if it is an overlying producer who produces water for industrial or commercial purposes. (Judgment para. 43(b).) "Any party who changes the character of his use may, by subsequent order of the Court, be reassigned to the proper pool Any non-party producer or any person who may hereafter commence production of water from Chino Basin, and who may become a party to [the] physical solution by intervention, shall be assigned to the proper pool by the order of the Court authorizing such intervention." (Judgment para. 43.)

Interventions are governed by paragraph 60 of the Judgment: "Any non-party assignee of the adjudicated appropriative rights of any appropriator, or any other person newly proposing to produce water from the Chino Basin, may become a party to this Judgment upon filing a petition in intervention. Said intervention must be confirmed by order of [the] Court. Such intervenor shall thereafter be a party bound by [the] Judgment and entitled to the rights and privileges accorded under the Physical Solution . . . through the pool to which the Court shall assign such intervenor."

Watermaster's practice has been to accept interventions informally by way of a letter request and then process the request through the Pools, Advisory Committee and Board. After this internal approval process, the request for Intervention is filed with the Court for approval.

The application does not state how Aqua plans to use the water, only that the transfer from CCG to Aqua does not involve any additional groundwater extractions not provided for under the Judgment. The Application indicates 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. It also indicates that no water levels in the area are likely to be affected. Watermaster agrees that under the Intervention and Transfer as proposed in the Applications, there will be no change that will result in Material Physical Injury.

Aqua has requested Intervention into the Non-Agricultural Pool for the purpose of accepting the Transfer of CCG's water rights. There is precedent for this kind of intervention—it is the same the manner in which CCG entered in to the Judgment originally, as well as the more recent Sunkist/Koll and Sunkist/Ontario (Non-Ag) Interventions and transfers.

RECOMMENDATION

Watermaster staff finds that the proposed Intervention is consistent with the Judgment. On this basis, Watermaster staff recommends the approval of the request for Intervention with one condition. Staff recommends that Aqua be allowed to produce from Chino Basin only upon receipt of written acknowledgment by Aqua that it will comply with the Peace (I) Agreement and Peace II Agreement.



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

November 7, 2008

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 5101 (Formerly Case No. 164327)

Dear Mr. Manning:

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

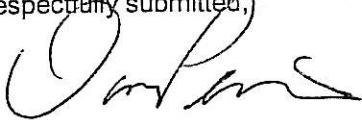
- A. The Judgment allocates water rights based on each party's land ownership. As an owner of real property overlying the Chino Groundwater Basin ("Basin") CCG Ontario, LLC (CCG) is party to the Judgment and currently owns 630.274 AFY of adjudicated safe yield.
- B. CCG has executed a definitive agreement to sell real property overlying the Basin to Aqua, totaling approximately 9.58 acres and commonly referred to by San Bernardino County Assessor's Parcel Number 229-291-47.
- C. As part of the sale transaction referenced in Section B above, CCG wishes to transfer all of its remaining adjudicated water rights (approximately 630.274 AFY), and all CCG water in storage (9,057.725 AF as of June 30, 2007, plus any additional CCG stored water for FY 2007-08) to Aqua. 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. Aqua Capital Management LP is requesting to intervene in the Judgment to become a member of the overlying Non-Agricultural Pool.

E. The transfer from CCG to Aqua 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, Aqua respectfully requests that the Watermaster approve its request to intervene in the Judgment to become a member of the overlying Non-Agricultural Pool and CCG's request to transfer its remaining adjudicated rights (630.274 AFY) of overlying groundwater rights, and all of CCG's water in storage (9,057.725 AF as of June 30, 2007, plus any additional CCG stored water for FY 2007-08) to Aqua. Aqua Capital Management LP shall comply with all provisions of the Judgment.

Please agendaize this request for the November Pool meetings. If you have any questions regarding the foregoing, please contact me.

Respectfully submitted,



David Penrice
Chief Executive Officer

Baker Manock
& Jensen PC
ATTORNEYS AT LAW

November 7, 2008

Kenneth R. Manning, CEO
CHINO BASIN WATERMASTER
9641 San Bernardino Road
Rancho Cucamonga, California 91730

Michael Fife, Esq.
BROWNSTEIN HYATT FARBER, SCHREK
21 East Carrillo Street
Santa Barbara, CA 93101

Re: CCG Ontario Chino Basin Water Rights

Dear Michael and Ken:

As you recall, I represent CCG Ontario, LLC ("CCG"). As an owner of real property overlying the Chino Groundwater Basin ("Chino Basin") is party to the Chino Basin Judgment and currently owns 630.274 AFY of adjudicated safe yield.

CCG has executed a definitive agreement to sell real property overlying the Basin, totaling approximately 9.58 acres and commonly referred to by San Bernardino County Assessor's Parcel Number 229-291-47, to Aqua Capital Management ("ACM").

In the same definitive sale agreement, CCG has agreed to transfer to ACM all of its remaining water rights (approximately 630.274 AFY), and all CCG water in storage (9,057.725 AF as of June 30, 2007, plus any additional CCG stored water for FY 2007-08). That transfer is, of course, subject to Watermaster approval and Court approval of ACM's application to intervene in the Judgment and become a member of the overlying Non-Agricultural Pool. I understand that Aqua Capital Management LP, has, or will soon, submit a request to intervene in the Judgment to become a member of the overlying Non-Agricultural Pool.

My client has executed 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). The completed forms will be submitted by ACM along with their application to intervene.

The transfer from CCG to ACM 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.

Christopher L. Campbell
Attorney at Law

ccampbell@bakermanock.com

Fig Garden Financial Center

5260 North Palm Avenue

Fourth Floor

Fresno, California 93704

Tel: 559.432.5400

Fax: 559.432.5620

www.bakermanock.com

November 7, 2008
Kenneth R. Manning, CEO
Michael Fife, Esq.
Page 2

Due to a variety of reasons, it is extremely important to my client that this transfer be approved by the Watermaster prior to the end of this calendar year. I would appreciate any assistance you can give to accomplish that goal.

Thank you for your assistance. Please feel free to contact me if you have any questions or need any information from me or my clients.

Very truly yours,



Christopher L. Campbell
BAKER MANOCK & JENSEN, PC

CLC:tlw

CC: Mr. Michael Del Santo
Timothy Peters, Esq.
Allan Hubsch, Esq.

691704_1



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

D. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company (“Company”) has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 4,265 acre-feet
2. **Consider Approval for Notice of Sale or Transfer** – Aqua Capital Management LP (Aqua) has agreed to purchase from CCG Ontario LLC (CCG) the amount of all of CCG’s waer in storage as of June 30, 2008, and a permanent transfer of its share of safe yield of 630.274 acre-feet



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

November 7, 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: **October 6, 2008**

Date of this notice: **November 7, 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 Cucamonga Valley Water District water in storage in the amount of 4,265 acre-feet.

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

Appropriative Pool: November 18, 2008

Non-Agricultural Pool: November 18, 2008

Agricultural Pool: November 18, 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: November 7, 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 –** Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 4,265 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).

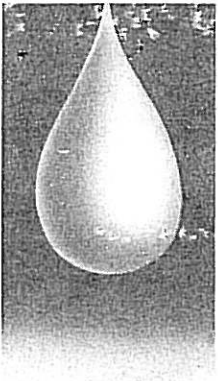
The following application for water transaction is attached with the notice of application.

- Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 4,265 acre-feet.

Notice of the water transaction identified above was mailed on November 7, 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



October 6, 2008

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

Subject: Purchase of Water in Storage
Chino Basin-Fiscal Year 2008/2009

Dear Mr. Manning:

Please take notice that Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 4,265 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2008/2009.

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

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

Very truly yours,


Michael J. McGraw
General Manager

MJM:bf
Enclosures

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ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]



Michael J. McGraw, General Manager
Fontana Water Company

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION OR AMENDMENT TO APPLICATION TO RECAPTURE WATER IN STORAGE

APPLICANT

Fontana Water Company Name of Party, September 25, 2008 Date Requested, Date Approved, 8440 Nuevo Avenue Street Address, 4,265 Acre-feet Amount Requested, Acre-feet Amount Approved, Fontana City, CA State, 92335 Zip Code, Projected Rate of Recapture, Projected Duration of Recapture, Telephone: (909) 822-2201, Facsimile: (909) 823-5046

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

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

PURPOSE OF RECAPTURE

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

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

N/A

PLACE OF USE OF WATER TO BE RECAPTURED

Within Fontana Water Company's Service Area

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

N/A

WATER QUALITY AND WATER LEVELS

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

Recapture by Fontana Water Company accomplished by pumping of 14 wells-static water levels vary from 375' to 684'. Of the wells routinely pumped, nitrate levels vary from a low of 8 mg/l to a high of 33 mg/l.

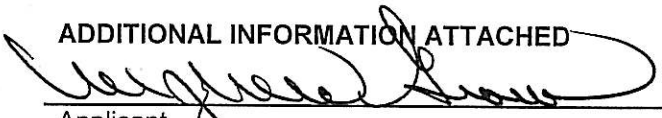
MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]



Applicant

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

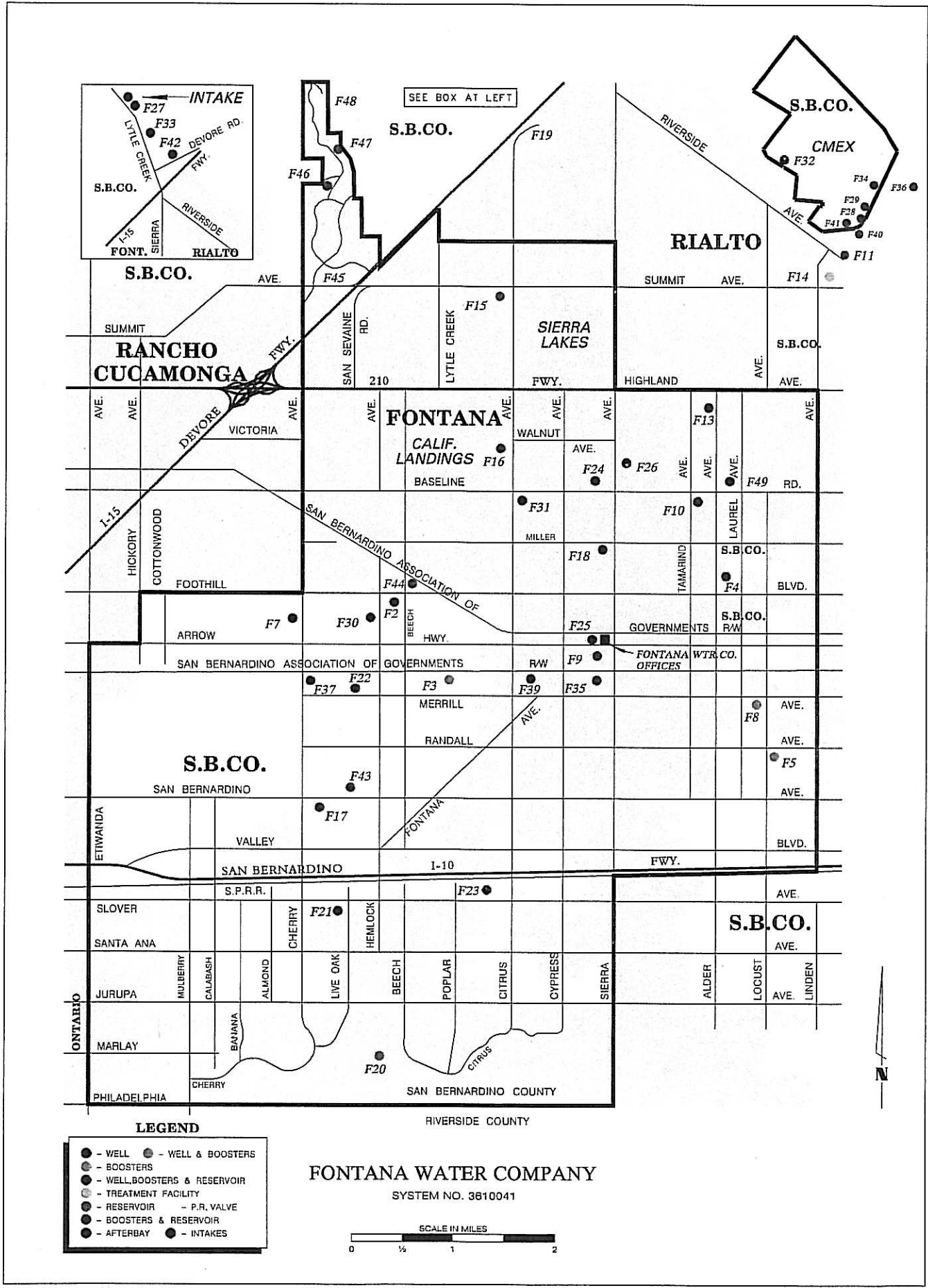
DATE OF BOARD APPROVAL: _____ Agreement # _____

FONTANA WATER COMPANY
Recapture Plan

The subject water is a transfer of stored groundwater from Cucamonga Valley Water District to Fontana Water Company (FWC) of 2,500 acre-feet to satisfy a portion of FWC's replenishment obligation for FY 2005/2006. Recapture of the stored water is accomplished by the production of any or all of the 14 wells owned and operated by FWC within Management Zone 3 of the Chino Groundwater Basin. The approximate daily production capacity of these wells is as follows:

<u>Well</u>	-	<u>Production Acre-Feet/Day</u>
F23A	-	10.6
F21A	-	5.7
F7A	-	11.0
F7B	-	6.8
F22A	-	8.2
F24A	-	8.4
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>118.7</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.



CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: November 13, 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: November 13, 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 November 7, 2008, Watermaster received Forms 3 and 5 water transfer Applications, with CCG Ontario LLC (CCG) as Transferor and Aqua Capital Management LP (Aqua) as Transferee in the amount of all of CCG's water in storage as of June 30, 2008, and a permanent transfer of its share of safe yield of 630.274 acre-feet. Simultaneous with these applications, Watermaster received a request for Intervention into the Overlying (Non-Agricultural) Pool from Aqua. 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 November 7, 2008, Watermaster received Forms 3 and 5 water transfer Applications, with CCG Ontario LLC (CCG) as Transferor and Aqua Capital Management LP (Aqua) as Transferee in the amount of all of CCG's water in storage as of June 30, 2008, and a permanent transfer of its share of safe yield of 630.274 acre-feet. Simultaneous with these applications, Watermaster received a request for Intervention into the Overlying (Non-Agricultural) Pool from Aqua. This Staff Report provides a summary and analysis of the proposed transfer.

Notice of the water transaction identified above was mailed on November 13, 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.

CCG intervened into the Judgment in 2000, at which time it acquired 630.274 acre-feet of Overlying (Non-Agricultural) Pool water rights from Kaiser Venture, Inc. Recently, CCG executed a definitive agreement to sell real property overlying the Chino Basin, totaling approximately 9.58 acres to Aqua Capital Management (Aqua). As part of the property sale, CCG wishes to transfer all of its water rights and its water in storage to Aqua. As a result, on November 7, 2008, Aqua submitted a request for Intervention into the (Non-Agricultural) Pool for the purpose of accepting the Transfer of CCG's water rights.

Aqua and CCG have submitted Form 3 (Application for Sale or Transfer of Right to Produce Water from Storage) and Form 5 (Application to Transfer Annual Production Right or Safe Yield). Form 4 (Application or Amendment to Application to Recapture Water in Storage) was not submitted because Aqua does not plan to produce the stored water at this time. Aqua must submit a Form 4 before any water may be produced from its storage account. The Applications indicate that the amount of water rights to be permanently transferred is 630.274 acre-feet. In addition, CCG is transferring to Aqua all of its water in storage as of June 30, 2008.

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.

Baker Manock
& Jensen PC
ATTORNEYS AT LAW

November 7, 2008

Kenneth R. Manning, CEO
CHINO BASIN WATERMASTER
9641 San Bernardino Road
Rancho Cucamonga, California 91730

Michael Fife, Esq.
BROWNSTEIN HYATT FARBER, SCHREK
21 East Carrillo Street
Santa Barbara, CA 93101

Christopher L. Campbell
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5260 North Palm Avenue
Fourth Floor
Fresno, California 95704
Tel: 559.432.5400
Fax: 559.432.5620
www.bakermanock.com

Re: CCG Ontario Chino Basin Water Rights

Dear Michael and Ken:

As you recall, I represent CCG Ontario, LLC ("CCG"). As an owner of real property overlying the Chino Groundwater Basin ("Chino Basin") is party to the Chino Basin Judgment and currently owns 630.274 AFY of adjudicated safe yield.

CCG has executed a definitive agreement to sell real property overlying the Basin, totaling approximately 9.58 acres and commonly referred to by San Bernardino County Assessor's Parcel Number 229-291-47, to Aqua Capital Management ("ACM").

In the same definitive sale agreement, CCG has agreed to transfer to ACM all of its remaining water rights (approximately 630.274 AFY), and all CCG water in storage (9,057.725 AF as of June 30, 2007, plus any additional CCG stored water for FY 2007-08). That transfer is, of course, subject to Watermaster approval and Court approval of ACM's application to intervene in the Judgment and become a member of the overlying Non-Agricultural Pool. I understand that Aqua Capital Management LP, has, or will soon, submit a request to intervene in the Judgment to become a member of the overlying Non-Agricultural Pool.

My client has executed 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). The completed forms will be submitted by ACM along with their application to intervene.

The transfer from CCG to ACM 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.

November 7, 2008
Kenneth R. Manning, CEO
Michael Fife, Esq.
Page 2

Due to a variety of reasons, it is extremely important to my client that this transfer be approved by the Watermaster prior to the end of this calendar year. I would appreciate any assistance you can give to accomplish that goal.

Thank you for your assistance. Please feel free to contact me if you have any questions or need any information from me or my clients.

Very truly yours,



Christopher L. Campbell
BAKER MANOCK & JENSEN, PC

CLC:tlw

CC: Mr. Michael Del Santo
Timothy Peters, Esq.
Allan Hubsch, Esq.

691704_1



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

November 7, 2008

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 5101 (Formerly Case No. 164327)

Dear Mr. Manning:

Aqua Capital Management LP (Aqua) hereby submits this request to intervene in the above-referenced action (the "Judgment") as a member of the overlying non-agricultural pool. Aqua'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") CCG Ontario, LLC (CCG) is party to the Judgment and currently owns 630.274 AFY of adjudicated safe yield.

B. CCG has executed a definitive agreement to sell real property overlying the Basin to Aqua, totaling approximately 9.58 acres and commonly referred to by San Bernardino County Assessor's Parcel Number 229-291-47.

C. As part of the sale transaction referenced in Section B above, CCG wishes to transfer all of its remaining adjudicated water rights (approximately 630.274 AFY), and all CCG water in storage (9,057.725 AF as of June 30, 2007, plus any additional CCG stored water for FY 2007-08) to Aqua. 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.

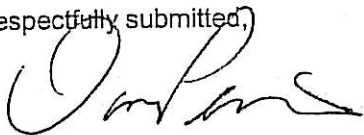
D. Aqua Capital Management LP is requesting to intervene in the Judgment to become a member of the overlying Non-Agricultural Pool.

E. The transfer from CCG to Aqua 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, Aqua respectfully requests that the Watermaster approve its request to intervene in the Judgment to become a member of the overlying Non-Agricultural Pool and CCG's request to transfer its remaining adjudicated rights (830.274 AFY) of overlying groundwater rights, and all of CCG's water in storage (9,057.725 AF as of June 30, 2007, plus any additional CCG stored water for FY 2007-08) to Aqua. Aqua Capital Management LP shall comply with all provisions of the Judgment.

Please agendaize this request for the November Pool meetings. If you have any questions regarding the foregoing, please contact me.

Respectfully submitted,



David Penrice
Chief Executive Officer

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

TRANSFER FROM LOCAL STORAGE AGREEMENT # _____

CCG Ontario LLC, a Delaware limited liability company
Name of Party

11/07/2008

Date Requested

_____ Date Approved

2817 East Cedar Street, Suite 200
Street Address

9,057,725 (*) Acre-feet

_____ Acre-feet

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

Amount Approved

Ontario CA 91761
City State Zip Code

Telephone: (909) 673-8710

Facsimile: (909) 573-8702

Edward S. Nekritz
Applicant Name: Edward S. Nekritz
Its: General Counsel and Secretary

TRANSFER TO:

Attach Recapture Form 4

Aqua Capital Management, LP, a Delaware limited pshp
Name of Party

444 Regency Parkway Drive, Suite 300
Street Address

Omaha NE 68114
City State Zip Code

Telephone: (402) 934-0066

Facsimile: (402) 934-0066

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

Name: David Penrice

Its: CEO

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
TO
TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

CCG Ontario LLC, a Delaware limited liability company ("Transferor"), hereby requests to permanently transfer to Aqua Capital Management LP, a Delaware limited partnership ("Transferee"), the quantity of 630.274 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.," ROV 51010 (formerly Case No. SOV 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]

CCG Ontario LLC

Aqua Capital Management LP

Edward S. Nekritz

Transferor
Name: Edward S. Nekritz
Its: General Counsel
and Secretary

Transferee
Name:
Its:

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 # _____

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

CCG Ontario LLC

Aqua Capital Management LP



Transferor
Name:
lis:

Transferee
Name: *David Penrice*
lis: *CEO*

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 # _____

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