



CHINO BASIN WATERMASTER



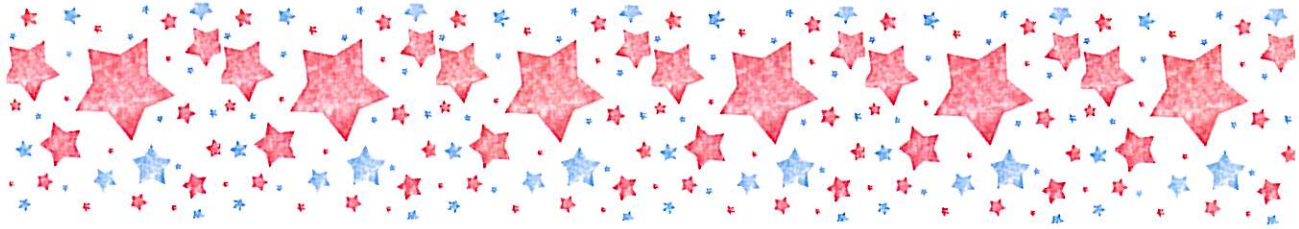
NOTICE OF MEETINGS

Thursday, July 23, 2009

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

(Lunch will be served)

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



CHINO BASIN WATERMASTER

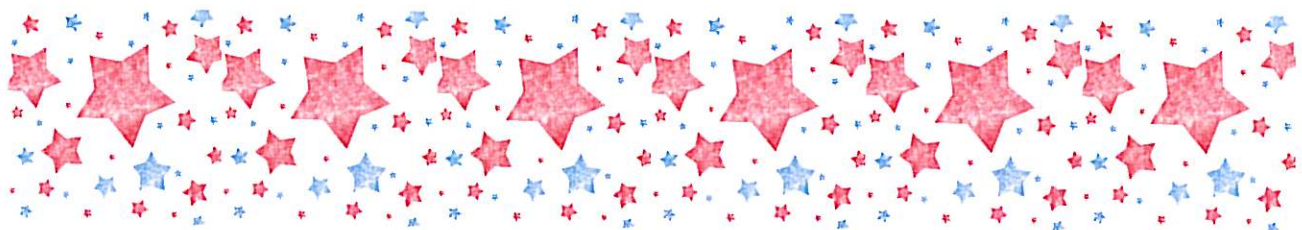
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AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

WITH

*Mr. Gene Koopman, Chair, Agricultural Pool
Mr. Robert DeLoach, Vice-Chair, Appropriative Pool*

9:00 a.m. – July 23 2009

At The Offices Of

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

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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

A. MINUTES

1. Minutes of the Advisory Committee Meeting on June 25, 2009 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2009 *(Page 15)*
2. Watermaster Visa Check Detail *(Page 19)*
3. Combining Schedule for the Period July 1, 2008 through May 31, 2009 *(Page 21)*
4. Treasurer's Report of Financial Affairs for the Period May 1, 2009 through May 31, 2009 *(Page 23)*
5. Budget vs. Actual July 2008 through May 2009 *(Page 25)*

C. INTERVENTION INTO THE AGRICULTURAL POOL

1. Intervention into the Agricultural Pool from Guillermo Hurtado through the Well Used by Alfredo Jara's Mountain Green Nursery *(Page 27)*

D. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage. Date of application: May 11, 2009 *(Page 31)*
2. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the company's anticipated Chino Basin replenishment obligation for Fiscal Year 2008-09. Date of application: May 21, 2009 *(Page 49)*

3. **Consider Approval for Notice of Sale or Transfer** – On June 3, 2009, Watermaster received Form 5, "Application to Transfer Annual Production Right or Safe Yield," with CalMat Company/Vulcan Materials Company as transferor and Aqua Capital Management LP as transferee in the amount of 317.844 acre-feet annual right, all water in its annual account will be transferred as well (the transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet). Date of application: June 1, 2009 (*Page 61*)
4. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 3,400 acre-feet of water from the Marygold Mutual Water Company. Water will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) (*Page 75*)

II. **BUSINESS ITEM**

A. **WATERMASTER AUCTION**

Retention of FTI and Mr. Harold Lea to Provide Auction Services (*Page 93*)

B. **BUDGET TRANSFER**

Consider Approval for Budget Transfer No. T-09-07-01 for OBMP-Condition Subsequent No. 7, Hydraulic Control Monitoring Program, Water Quality Committee, and Storage Program to OBMP-Data and CEO Requests, OBMP-SOB Report, Groundwater Quality Monitoring Program, Recharge Master Plan (*Page 103*)

C. **REVISED FORMS**

Consider Approval for the Revised Rules & Regulations Forms for Water Transfers and Land Use Conversions (*Page 107*)

III. **REPORTS/UPDATES**

A. **WATERMASTER GENERAL LEGAL COUNSEL REPORT**

1. June 29, 2009 Hearing

B. **ENGINEERING REPORT**

1. Recharge Master Plan Update
2. CEQA Modeling Assessment of Peace II

C. **FINANCIAL REPORT**

1. Year End Reporting

D. **CEO/STAFF REPORT**

1. Legislative Update
2. Recharge Update
3. Watermaster Policies

E. **INLAND EMPIRE UTILITIES AGENCY**

1. IEUA's Drought Plan Update - Oral
2. Recycled Water Status Report (*Page 119*)
3. Peace II CEQA Update (*Page 121*)
4. Water Conservation Programs Monthly Report (*Page 123*)
5. Monthly Water Use Report (*Page 132*)
6. Recycled Water Newsletter (*Page 135*)
7. State and Federal Legislative Reports (*Page 147*)
8. Community Outreach/Public Relations Report (*Page 177*)

F. **OTHER METROPOLITAN MEMBER AGENCY REPORTS**

IV. INFORMATION

1. Newspaper Articles (*Page 179*)

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

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

VIII. FUTURE MEETINGS

July 23, 2009	8:00 a.m.	IEUA DYY Meeting @ CBWM
July 23, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
July 23, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
July 23, 2009	1:00 p.m.	Recharge Master Plan Workshop #3 @ CBWM
August 11, 2009	9:30 a.m.	CBWM Hearing @ San Bernardino Court
August 13, 2009	8:00 a.m.	MZ1 Technical Committee Meeting @ CBWM
August 13, 2009	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
August 18, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
August 18, 2009	8:00 a.m.	IEUA DYY Meeting @ CBWM
August 27, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
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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. – July 23, 2009

At The Offices Of

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

AGENDA - ADDITIONS/REORDER

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C. FINANCIAL REPORT

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D. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update
3. Watermaster Policies

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V. BOARD MEMBER COMMENTS

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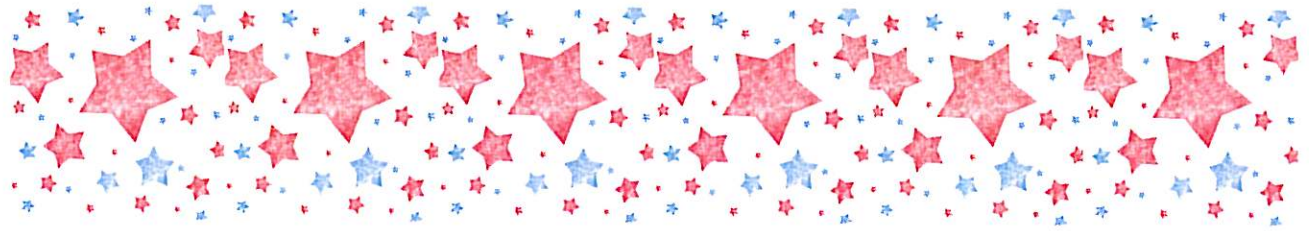
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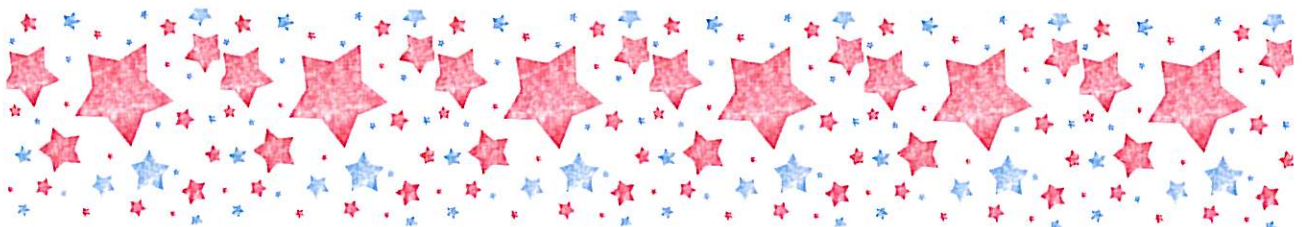


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting – June 25, 2009



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
June 25, 2009

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on June 25, 2009 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Gene Koopman, Chair
Marty Zvirbulis
Mark Kinsey
Ken Jeske
Dave Crosley
Ron Craig
Raul Garibay
Robert Tock
Charles Moorrees
Robert Young
Mike McGraw

Milk Producers Council
Cucamonga Valley Water District
Monte Vista Water District
City of Ontario
City of Chino
City of Chino Hills
City of Pomona
Jurupa Community Services District
San Antonio Water Company
Fontana Union Water Company
Fontana Water Company

Agricultural Pool

Bob Feenstra
Jennifer Novak
Jeff Pierson

Ag Pool - Dairy
State of California Dept. of Justice, CIM
Ag Pool – Crops

Non-Agricultural Pool

Bob Bowcock
David Penrice

Vulcan Materials Company (Calmat Division)
Aqua Capital Management

Watermaster Board Members Present

Michael Camacho
John Rossi
Ken Willis

Inland Empire Utilities Agency
Western Municipal Water District
City of Upland

Watermaster Staff Present

Kenneth R. Manning
Sheri Rojo
Ben Pak
Danielle Maurizio
Sherri Lynne Molino

Chief Executive Officer
CFO/Asst. General Manager
Senior Project Engineer
Senior Engineer
Recording Secretary

Watermaster Consultants Present

Michael Fife
Mark Wildermuth

Brownstein, Hyatt, Farber & Schreck
Wildermuth Environmental, Inc.

Others Present

Sandra Rose
Steven Lee
Marty Zvirbulis
Rich Atwater

Monte Vista Water District
Reid & Hellyer
Cucamonga Valley Water District
Inland Empire Utilities Agency

Terry Catlin
 Martha Davis
 John Mura
 John Bosler

Inland Empire Utilities Agency
 Inland Empire Utilities Agency
 City of Chino Hills
 Cucamonga Valley Water District

Chair Koopman called the Advisory Committee meeting to order at 9:00 a.m.

AGENDA - ADDITIONS/REORDER

Mr. Manning stated there were three new handouts regarding the auction Business Item II A; 1) Revised Staff Letter, 2) Supplement staff letter, and 3) Exhibit A – Conditions for Storage and Recovery Agreement

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Advisory Committee Meeting on May 28, 2009

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2009
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through April 30, 2009
4. Treasurer's Report of Financial Affairs for the Period February 1, 2009 through April 30, 2009
5. Budget vs. Actual July 2008 through April 2009

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

Moved to approve Consent Calendar A through C, as presented

II. BUSINESS ITEM

A. OVERLYING NON-AGRICULTURAL POOL AUCTION ISSUES

1. Storage & Recovery Agreement
2. Broad Benefit
3. Determination on Material Physical Injury

Mr. Manning stated this item has been on the Pools, Advisory Committee, and Watermaster Board agendas as a discussion item for the past several months; however, this month staff is seeking a motion to approve the three items presented. Mr. Manning noted this item comes to you from a majority vote from the Appropriative and Non-Agricultural Pools and a no action from the Agricultural Pool. At the Appropriative Pool it was decided a sub-committee would be formed to meet and discuss the MZ1 language; they met and the recommendation from that sub-committee was to remove the MZ1 language completely. A question regarding where the notation was made regarding MZ1 and Mr. Manning stated has been removed, making it a more generic document. Mr. Kinsey inquired about 2% storage loss and fees. A discussion regarding Mr. Kinsey's inquiry including lower storage losses and buy in fees ensued. Mr. Manning stated staff and counsel will present to the court the established fee based upon this recommendation and there will be discussion among the parties as to the refinement of this fee and this could be a part of the administration documents of the auction as a condition because it is not known who the buyers will be. Mr. Manning stated this is an existing storage account that has already been subject to losses as part of the overlying non-agricultural pool who has been contributing during the full measure of these activities. What is being presented is staff and legal counsel's recommendation to move this process forward. Mr. Kinsey inquired about the 10% dedication. Mr. Manning stated the 10% comes off the top; before the sale. Mr. Manning stated it is staff and counsel's opinion that the Storage & Recovery Template Agreement will not be presented to the judge for 30-60 days. Mr. Jeske noted things must be documented with backup provided whenever possible. Mr. Manning stated staff is willing and eager to have additional conversations about how staff might be able to build consensus and noted staff understands there are still concerns. Chair Koopman reviewed the discussions that took place at the recent Agricultural Pool meeting regarding the material physical injury analysis

and physical export. Counsel Fife noted there was a legal response presented recently in a previous staff report regarding export. Counsel Fife stated staff believes that the stored water is different from the water that is subject the prohibition on export and stated there is no prohibition on export in the Judgment; there is only a provision that states that export has to be replenished. Counsel Fife stated because this is a unique block of water and a one-time situation, it is justified under the Judgment and consistent with the intent of the Judgment that this water could be exported without replenishment. Mr. Bowcock stated the overlying non-agricultural pool sold its water to the Watermaster and that contract was signed over a year ago and this water is now Watermaster's water and it will be Watermaster's auction. Mr. Bowcock inquired about who is retaining the qualified consultant. Mr. Manning stated Watermaster will be retaining the auction consultant with a contract and that contract will go through the Watermaster process for approval. Mr. Manning stated there are three definitive actions being sought today and those are the findings of Broad Benefit, a determination on material physical injury, and the Storage & Recovery Agreement template. Mr. Manning stated the template is what will be presented to the court for final approval and that template could be used no matter who the buyer ends up being. There is no recommendation today to approve the auction administration today; however, this will come through the Watermaster process in July. A lengthy discussion regarding the three items presented ensued. Mr. Penrice inquired about exclusive compensation rights. A lengthy discussion regarding compensation rights and broad mutual benefits ensued. Counsel Fife stated the water is in storage and it must have a storage account so a proposed structure was created and part of that structure was the concept that the two are linked and it is not two separate transactions and the compensation under the Peace Agreement to the Non-Agricultural Pool is the money they received from the purchase under the Purchase & Sale Agreement. This has been circulating through the process for several months and the Non-Agricultural Pool voted to approve that structure and gave its consent to the agreement. Mr. Bowcock stated a Storage & Recovery Agreement is needed to for this deal however, for this one unique transaction there are many undefined outcomes for broad mutual benefit. A lengthy discussion regarding this matter ensued. It was decided a motion for each item would be taken separately.

1. Storage & Recovery Agreement

Motion by Zvirbulis, second by Jeske, and by majority vote – Agricultural Pool abstained

Moved to approve the draft Template Storage & Recovery Agreement through an auction process including a change in Recitals N removing the word unanimously, as presented

N. A template application has been approved unanimously by all Pools, the Advisory Committee, and the Board and no opposition was expressed to the proposed application for a Storage and Recovery Agreement. The date of approval by the Advisory Committee and Board was June 25, 2009 and Watermaster is prepared to execute a Storage and Recovery Agreement in accordance with the conditions of approval and the Judgment following the conclusion of a successful auction;

2. Broad Benefit

Motion by Jeske, second by Kinsey, and by majority vote – Agricultural Pool abstained

Moved to approve the findings for broad benefit as defined in the staff letter with the insertion of words "the Appropriative Pools share of," as presented

"Upon receipt of a written recommendation from the Appropriative Pool and further Board approval, Watermaster may authorize the use of excess revenues received from the Purchase and Sale Agreement for the Appropriative Pools share of capital improvements to be spread equitably among management zones and that are: (i) designed, approved and scheduled for timely implementation under the Court approved Recharge Master Plan or any approved yield enhancement/preservation program and (ii) will facilitate Watermaster's recharge goals of maintaining hydrologic balance within each Management Zone and the Basin. "Capital

improvements" means physical facilities that will be actually used in the production, storage, treatment, and distribution of water that will recharge the Chino Basin, including but not limited to recharge basins, injection wells, pipelines, and water supplies. The qualifying capital improvements may facilitate recharge directly or indirectly through approved in-lieu strategies."

3. Determination on Material Physical Injury
Motion by Kinsey, second by Jeske, and by majority vote – Agricultural Pool abstained
Moved to approve the determination on Material Physical Injury as amended by the supplemental staff report and amended Exhibit A to the Agreement dated June 25, 2009, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. June 29, 2009 Hearing

Counsel Fife stated there is a Watermaster hearing scheduled for Monday, June 29, 2009 at 9:30 a.m. and this hearing will cover Program Elements No. 4, 5, and 6. Presentations will be given by Watermaster staff and Watermaster consultants only. An email went out recently with the stipulation which applies to this hearing. The hearing should end around noon because the presentations being given are not lengthy.

2. Auction Administration Contract

Counsel Fife stated this item was covered in detail under the Business Item section. No further comment was made.

B. ENGINEERING REPORT

1. Recharge Master Plan Progress Report

Mr. Wildermuth stated the Recharge Master Plan, from a technical standpoint, is divided into two parts; there is a supplemental water track and a storm water track. The storm water work is being done by the Chino Basin Water Conservation District and their consultants along with Inland Empire Utilities Agency staff; their first draft test memorandum is to be released shortly. Mr. Wildermuth stated with regard to the supplemental water track, Wildermuth Environmental has prepared and released some estimates for the supplemental water recharge requirements for the future and have only received minor comments back on that report. This report will be used as a goal for the future and in all the work that is being done. It was noted this basin probably does not need any more spreading facilities; however, improvements to the current spreading facilities will need to be done. An additional source of supplemental water will be needed unless Metropolitan Water District (MWD) can change their projections on supply reliability. Black & Veatch is working on facility improvements for both injection and the possibility of moving water from the San Gabriel line into some of the spreading basins that have not previously been considered. Wildermuth Environmental is looking at the parameters for a new supplemental water source. A discussion regarding this matter ensued. Mr. Wildermuth stated with regard to the production optimization work, this work was an additional task added to the recharge master plan and is being worked on with water agencies to possibly revise their pumping patterns. Mr. Wildermuth stated working with those agencies was successful and two new scenarios were run; one was if the basin remains limited by getting water from MWD and the other scenario is if that limitation is removed. A discussion regarding the two scenarios ensued.

2. Upcoming Workshop Schedule

Mr. Wildermuth stated there is a workshop scheduled on July 23, 2009 directly after the Watermaster Board meeting and at that workshop; production optimization work will be reviewed in detail.

C. FINANCIAL REPORT1. Fiscal Year End Update

Ms. Rojo stated the fiscal year ends next week and staff is currently ahead of schedule in that the Land Use Conversions are almost completed. Production reports have been sent out to the parties and staff should be receiving them back shortly after the fiscal year closes.

D. CEO/STAFF REPORT1. Legislative Update

Mr. Manning stated he was recently in Sacramento on behalf of the California Groundwater Coalition (CGC) offered comment on Proposition 1A regarding the state borrowing money from property taxes. Mr. Manning discussed several of the bills that the CGC is supporting. Mr. Manning offered comment on the regulation of water softeners and what is taking place in Sacramento because of this bill. Mr. Manning stated he recently received an email regarding the joint hearing of the Water Parks & Wildlife and the Senate Natural Resources was set for July 7, 2009 at 9:00 a.m. and the reason this is so important is because this is the first time that the public will have an opportunity to respond to the proposed Delta Package that has been moving around as five separate bills which are now being consolidated as one proposal. Mr. Manning stated he has not seen a draft of this consolidated proposal to date and noted the hearing should be fascinating with all that is going on regarding this important issue. Mr. Manning stated he was able to meet with several legislators to discuss bills and this upcoming hearing. The CGC has put together a two page outline discussing what is of importance to groundwater agencies that should be incorporated into any proposal that moves forward regarding the Delta issue and that outline will be submitted prior to July 7th. Included in that outline are energy savings issues, monitoring, and priority on groundwater storage which are all still very important. Mr. Manning stated his time was very well spent in Sacramento and noted the buzz there right now is on the budget. Mr. Manning noted in the meeting package IEUA has current detailed legislative section that covers both federal and state issues starting on page 73 of the meeting packet.

2. Recharge Update

Mr. Manning stated there is a current recharge update on the back table for review.

Added Comment:

Mr. Manning stated there is a copy of the Orange County Grand Jury Report which was just issued regarding the water situation in Orange County for informational purposes only. Mr. Manning offered comment on the report.

3. Revised Rules & Regulations Forms for Water Transfers and Land Use Conversions

Ms. Maurizio stated today we will preview new Water Transfer & Land Use Conversion forms that staff has been working on. It has been our good to create easier forms for the parties to use. Ms. Maurizio stated these forms will be on the agenda next month for approval so any comments will be needed by June 30, 2009. Ms. Maurizio gave her presentation and reviewed the old forms and the new forms in detail. A discussion regarding the new forms and the tracking of Agricultural conversions ensued.

E. INLAND EMPIRE UTILITIES AGENCY1. MWD Water Supply Allocation Update

No comment was made regarding this item.

2. IEUA's Drought Plan Update

No comment was made regarding this item.

3. Recycled Water Status Report

Mr. Atwater stated a workshop for recycled water will be scheduled later this summer. Mr. Atwater commented on the City of Ontario who have exceeded over 100 customer hook-ups for recycled water and congratulated Mr. Jeske and his staff. Mr. Atwater noted IEUA is working closely with the City of Chino and the City of Ontario in hooking up some of the farmers down in the southern part of the service area and this month IEUA will have exceeded our target in our three year business plan for recycled water connections. Mr. Atwater offered some details on this exciting endeavor for the use of recycled water.

4. Peace II CEQA Update

No comment was made regarding this item.

5. DYY Program Expansion Update

No comment was made regarding this item.

6. 2010 UWMP Kickoff

No comment was made regarding this item.

7. Water Conservation Programs Monthly Report

No comment was made regarding this item.

8. Monthly Water Use Report

No comment was made regarding this item.

9. Recycled Water Newsletter

No comment was made regarding this item.

10. State and Federal Legislative Reports

Mr. Atwater noted starting on page 73 of the meeting packet is a complete listing of both federal and state legislation activities for review.

11. Community Outreach/Public Relations Report

No comment was made regarding this item.

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. Rossi offered commented on the recently received financial review of the Metropolitan Water District rate charge system.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

Chair Koopman offered comment on the Delta situation and encouraged all parties to stay involved in getting things done to assist Southern California in its effort to provide safe and clean water to its people and to stop relying on the Delta.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

No confidential session was held.

VIII. FUTURE MEETINGS

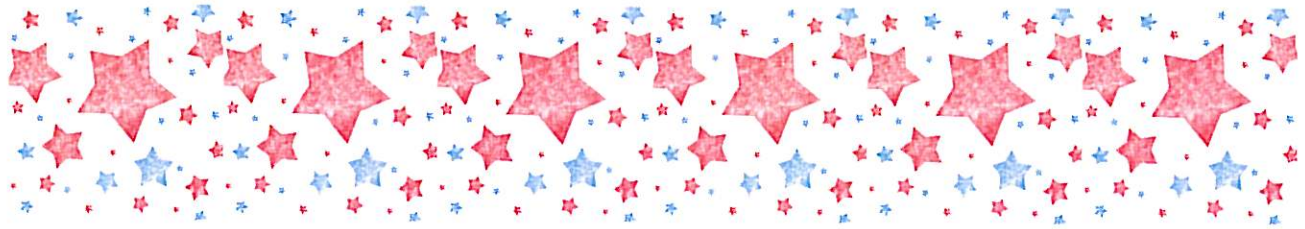
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July 23, 2009	1:00 p.m.	WE Workshop #3 Task 4.3 and Task 6.2

The Advisory Committee meeting was dismissed by Chair Koopman at 10:34 a.m.

Secretary: _____

Minutes Approved: _____

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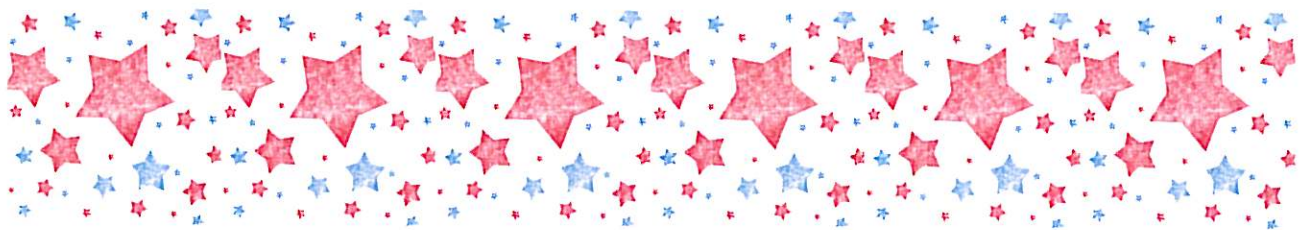


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting – June 25, 2009



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
June 25, 2009

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on June 25, 2009 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	City of Upland
John Rossi	Western Municipal Water District
Bob Kuhn	Three Valleys Municipal Water District
Jim Curatalo	Cucamonga Valley Water District
Michael Whitehead	Fontana Water Company
Michael Camacho	Inland Empire Utilities Agency
Bob Bowcock	Vulcan Materials Company
Jeff Pierson	Agricultural Pool
Bob Feenstra	Agricultural Pool

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

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

Others Present

Mark Kinsey	Monte Vista Water District
Marty Zvirbulis	Cucamonga Valley Water District
Dave Crosley	City of Chino
Raul Garibay	City of Pomona
Robert Young	Fontana Union Water Company
John Mura	City of Chino Hills
Ron Craig	City of Chino Hills
Ken Jeske	City of Ontario
Jennifer Novak	State of California Department of Justice, CIM
Robert Tock	Jurupa Community Services District
David DeJesus	Three Valleys Municipal Water District
Dan Horan	Three Valleys Municipal Water District
Sandra Rose	Monte Vista Water District
Steven Lee	Reid & Hellyer
Eunice Ulloa	Chino Basin Water Conservation District
Terry Catlin	Inland Empire Utilities Agency
David Penrice	Aqua Capital Management
Hank Stoy	Cucamonga Valley Water District

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

PLEDGE OF ALLEGIANCE**PUBLIC COMMENTS**

No public comments were made.

AGENDA - ADDITIONS/REORDER

Mr. Manning stated there were three new handouts regarding the auction Business Item II A; 1) Revised Staff Letter, 2) Supplement staff letter, and 3) Exhibit A – Conditions for Storage and Recovery Agreement. Mr. Manning stated these three items are what will be used to make your decision today for the auction.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Watermaster Board Meeting on May 28, 2009

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2009
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through April 30, 2009
4. Treasurer's Report of Financial Affairs for the Period February 1, 2009 through April 30, 2009
5. Budget vs. Actual July 2008 through April 2009

C. BANK OF AMERICA

1. Bank of America Visa Request to Appoint Ken Manning, CEO as Authorized Agent at Chino Basin Watermaster with a Credit Limit of \$10,000.00 for the Visa Account No. XXXX-XXXX-XXXX-9341

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

Moved to approve Consent Calendar A through C, as presented

II. BUSINESS ITEM**A. OVERLYING NON-AGRICULTURAL POOL AUCTION ISSUES**

1. Storage & Recovery Agreement
2. Broad Benefit
3. Determination on Material Physical Injury

Mr. Manning stated at the Advisory Committee meeting this morning a report was made that this item had gone to the Pools, and at the Appropriative and Non-Agricultural Pool meeting those pools took action to support and approve all three items listed under the business item and at the Agricultural Pool meeting, that committee took an action to take no action. At the Advisory Committee meeting there were a number of comments made and the action taken by that committee was approved; however, they took all three items independently and voted on them separately. At the Advisory Committee meeting there were some changes made within the documents and that committee is asking this Board to take their recommendation to approve those documents with those changes. Mr. Manning referenced the new staff report that was handed out this morning which included items 1, 2, 3, and 4; item 4 is for information only and will not have action taken on it today. Mr. Manning noted the Draft Storage & Recovery Agreement is the Draft Template Storage & Recovery Agreement and is included in the meeting package. There was a change to the findings on page 2 of the new staff report on Broad Mutual Benefit; the Advisory Committee asked for the insertion of, "the Appropriative Pools share of, on the third line after *Sale Agreement for* and before *capital* for clarification." Mr. Manning noted the other change was in the actual draft template within the recitals N to strike the word "unanimously" from that document because the vote was won by a majority vote at the Appropriative and Non-Agricultural Pool and a no vote at the Agricultural Pool meetings. Mr. Manning stated staff is seeking one motion on all three items; however, they can be taken separately if that is the Board's discretion. Mr. Manning noted several of the parties who were

present at the Advisory Committee meeting this morning are also present for this meeting if any clarification is needed as to what took place. Chair Willis asked for any comments or observations on this item. Mr. Bowcock stated the Non-Agricultural Pool wants to see this process move forward and stated with regard to broad mutual benefit, there is concern from the Non-Agricultural Pool that is contrary to the language with regard to the Peace II Agreement regarding exclusive benefit being between the Overlying Non-Agricultural Pool and the Appropriative Pool. The Appropriative Pool has elected to make themselves extremely exclusive in that process. At this time the Non-Agricultural Pool is not objecting to that exclusiveness, knowing there will be further dialog as to how those benefits will ultimately be shared. Mr. Manning stated Mr. Bowcock is correct and there will be additional dialog. Mr. Manning stated the parties are referring to a \$25 storage space fee that will be paid for by the parties that are successful in the auction; this is the part that the Overlying Non-Agricultural Pool is specifically referring to. Mr. Manning stated staff has no opinion on the section in question and there will be further discussions on it. Mr. Feenstra commented on what took place at the recent Agricultural Pool meeting regarding this matter and noted Ms. Novak will be giving a statement on the pools behalf. Ms. Novak stated the Agricultural Pool feels, even though they have been told they have no stake in the game, they want the process to move forward; although, at the same time, the pool wants to voice its opinion on concerns as they come up and have done so verbally at the Pool, Advisory Committee and Watermaster Board meetings and in writing. Ms. Novak stated she wanted it to be noted for the record that the Agricultural Pool has concerns and some of them are policy based, some of them are questions about the legal conditionality's, and some are technical based. Counsel Slater noted there have been legal, technical, and policy issues that have been raised through the Pool process and they are largely identified in the issue list within the staff report and are responded to. Counsel Slater stated the opinion of counsel and staff is not the final word; what is here is a process which is going to generate a Template Storage & Recovery Agreement, and Watermaster does not have the power, on its own, to execute a Storage & Recovery Agreement without court approval. Counsel Slater stated the process is that a Template Storage & Recovery Agreement will be nominated and submitted to the court along with the findings, rationale, and support of the conditions that are attached to the Template Storage & Recovery Agreement. The court will then be asked to approve the template so that the court will rule in advance of the auction. A lengthy discussion regarding the comments made on this item and on the downside of not voting on this issue today. Mr. Kuhn stated he was having a difficult time understanding what is being asked of this Board today. Mr. Manning restated the issues being presented today and the needed result to move this item forward in a timely manner to be taken to the court and ultimately to auction by December 31, 2009. A lengthy discussion regarding Mr. Manning's comments ensued. Counsel Slater restated the process that has been taking place, the needed outcome to move forward, and the legalities of the entire process to resolve this matter. A lengthy discussion regarding Counsel Slater's comments including conflict of interest concerns ensued. Mr. Whitehead stated he is thankful this item has been on the agenda at least as an information item for the past several months which led to several open discussions and noted this is an iterative process and if an action is taken today, that iterative process will continue because there is more to do. Mr. Whitehead inquired about professional services and noted the written expression of obtaining these professional services as being extremely important. Mr. Whitehead offered comment on the task at hand for this board, Watermaster staff, legal counsel, and for the professional services that are needed. Counsel Slater acknowledged that professional services are needed as to how to conduct an auction. Counsel Slater offered commentary on the professional services that conduct auctions and noted counsel has contacted them and engaged in dialog with them. Counsel Slater stated he has met with the pool members and has received feedback as to what to do next and counsel is now in the position to carry out that instruction and bring that recommendation back through the Watermaster process in the next 30 days. A lengthy discussion regarding professional services ensued. Chair Willis stated he, as the chairman of this Board, would like to see this Board try to participate and trust the process to the extent that we are fully knowledgeable in all areas and will be ready to act when needed. Mr. Kuhn expressed his concern at moving forward today; however, noted it would be extremely beneficial if there would be a special meeting or workshop

to cover these items in greater detail. Counsel Slater reviewed the needed sequencing timeline in detail. Counsel Slater stated the Appropriative Pool are the compensation beneficiaries of the excess revenue and it is effectively their expense associated with conduction of the auction; the Appropriative Pool is fair to state they do not want to incur a six figure potential expense in administering a dry hole. The Appropriative Pool wants to know there is momentum and support for this activity before a professional service is retained which leads this board back to sequencing. A discussion regarding Counsel Slater's comments ensued. Mr. Curatalo offered comment on this matter and inquired about the possible meeting or workshop. Mr. Manning reviewed the sequence of events that would take place and noted they will be more defined by the actions taken today. Mr. Manning stated the foundation needs to be set first and then the next steps can be taken; however, if the foundation is not set first then this will not be moving forward to start on the next steps that are needed. Mr. Kuhn stated he would make a broad motion that the Board approves the three items presented that the opportunity to take this to the auction stage is not missed. Mr. Kuhn also noted a workshop needs to be scheduled as soon as possible. A lengthy discussion regarding this item ensued. Mr. Feenstra called for a roll call vote. Mr. Bowcock offered comment on the Agricultural Pool's abstention and offered encouragement for that pool to attend the upcoming workshops. A lengthy discussion regarding stopping the process at any point in time ensued. Mr. Manning stated staff and counsel designed this process where it is a constant check-in with the Pools, Advisory Committee and Watermaster Board as it is moved along the process so that there is a level of comfort. Mr. Jeske offered comment on the schedule and noted the urgency of getting these three items moving forward so that the next elements can begin. It was noted the auction administration portion is not being decided upon today. A lengthy discussion regarding the timeframe and the issues being covered for the upcoming workshop ensued.

*Motion by Kuhn, second by Curatalo, and by majority roll call vote – Ag Pool abstained
Moved to approve the Storage & Recovery Template Agreement, the Broad Benefit definition, and the determination on Material Physical Injury and Watermaster staff will schedule two workshops: #1 Auction Process and #2 Auction Administration, as presented*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. June 29, 2009 Hearing

Counsel Slater stated there is a Watermaster hearing scheduled for Monday, June 29, 2009 at 9:30 a.m. and this hearing will cover Program Elements No. 4, 5, and 6. Presentations will be given by Watermaster staff and Watermaster consultants only. An email went out recently with the stipulation which applies to this hearing. The hearing should end around noon because the presentations being given are not lengthy.

2. Auction Administration Contract

Counsel Slater stated this item was covered in detail under the Business Item section. No further comment was made.

B. ENGINEERING REPORT

1. Recharge Master Plan Progress Report

Mr. Wildermuth stated the Recharge Master Plan, from a technical standpoint, is divided into two parts; there is a supplemental water track and a storm water track. The storm water work is being done by the Chino Basin Water Conservation District and their consultants along with calibrating with Inland Empire Utilities Agency staff; their first draft test memorandum is to be released shortly. Mr. Wildermuth stated with regard to the supplemental water track, Wildermuth Environmental has prepared and released some estimates for the supplemental water recharge requirements for the future and have only received minor comments back on that report. This report will be used as a goal for the future and in all the work that is being done. It was noted this basin probably does not need any more spreading facilities; however, improvements to the current spreading facilities will

need to be done. An additional source of supplemental water will be needed unless Metropolitan Water District (MWD) can change their projections of being able to supply water. Black & Veatch is working on facility improvements for both injection and the possibility of moving water from the San Gabriel line into some of the spreading basins that have not been looked previously at. Wildermuth Environmental is looking at the parameters for a new supplemental water source. Mr. Wildermuth stated with regard to the production optimization work, this work was an additional task added to the recharge master plan and is being worked on currently by working with our water agencies to possibly revise their pumping patterns. Mr. Wildermuth stated working with those agencies was successful and two new scenarios were run; one was if the basin remains limited by getting water from MWD and the other scenario is if that limitation is removed. Mr. Wildermuth reviewed the scenario results in detail.

2. Upcoming Workshop Schedule

Mr. Wildermuth stated there is a workshop scheduled on July 23, 2009 directly after the Watermaster Board meeting and at that workshop; production optimization work will be reviewed in detail.

C. FINANCIAL REPORT

1. Fiscal Year End Update

Ms. Rojo stated the fiscal year ends next week and staff is currently ahead of schedule in that the Land Use Conversions are almost completed. Production reports have been sent out to the parties and staff should be receiving them back shortly after the fiscal year closes.

D. GEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated he was recently in Sacramento on behalf of the California Groundwater Coalition (CGC) offered comment on Proposition 1A regarding the state borrowing money from property taxes. Mr. Manning discussed several of the bills that the CGC has taken a support position on. Mr. Manning offered comment on the issue with regulation of water softeners and what is taking place in Sacramento because of this bill. Mr. Manning stated he recently received an email regarding the joint hearing of the Water Parks & Wildlife and the Senate Natural Resources was set for July 7, 2009 at 9:00 a.m. and the reason this is so important is because this is the first time that the public will have an opportunity to respond to the proposed Delta Package that has been moving around as five separate bills which are now being consolidated as one proposal. Mr. Manning stated he has not seen a draft of this consolidated proposal to date and noted the hearing should be fascinating with all that is going on regarding this important issue. Mr. Manning stated he was able to meet with several legislators to discuss bills and this upcoming hearing. The CGC has put together a two page outline discussing what is of importance to groundwater agencies that should be incorporated into any proposal that moves forward regarding the Delta issue and that outline will be submitted prior to July 7th. Included in that outline are energy savings issues, monitoring, and priority on groundwater storage which are all still very important. Mr. Manning stated it was time very well spent in Sacramento this trip and noted the buzz there right now is on the budget. Mr. Manning noted in the meeting package IEUA has current detailed legislative section that covers both federal and state issues starting on page 73 of the meeting packet.

2. Recharge Update

Mr. Manning stated there is a current recharge update on the back table for review.

Added Comment:

Mr. Manning stated there is a copy of the Orange County Grand Jury Report which was just issued regarding the water situation in Orange County for informational purposes only. Mr. Manning offered comment on the report.

IV. INFORMATION

- 1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Rossi gave an update on Judge Field.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

No confidential session was held.

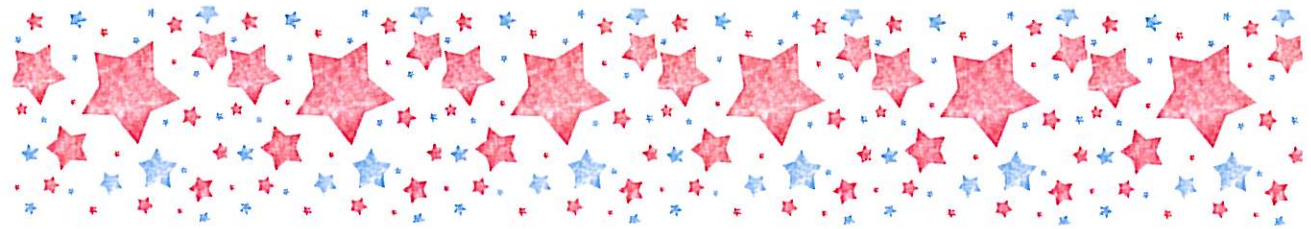
VIII. FUTURE MEETINGS

June 25, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
June 25, 2009	9:00 a.m.	Advisory Committee Meeting
June 25, 2009	11:00 a.m.	Watermaster Board Meeting
June 29, 2009	9:30 a.m.	CBWM Court Hearing – San Bernardino Court
July 9, 2009	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
July 21, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
July 23, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
July 23, 2009	9:00 a.m.	Advisory Committee Meeting
July 23, 2009	11:00 a.m.	Watermaster Board Meeting
July 23, 2009	1:00 p.m.	WE Workshop #3 Task 4.3 and Task 6.2

The Watermaster Board meeting was dismissed by Chair Willis at 12:30 p.m.

Secretary: _____

Minutes Approved: _____

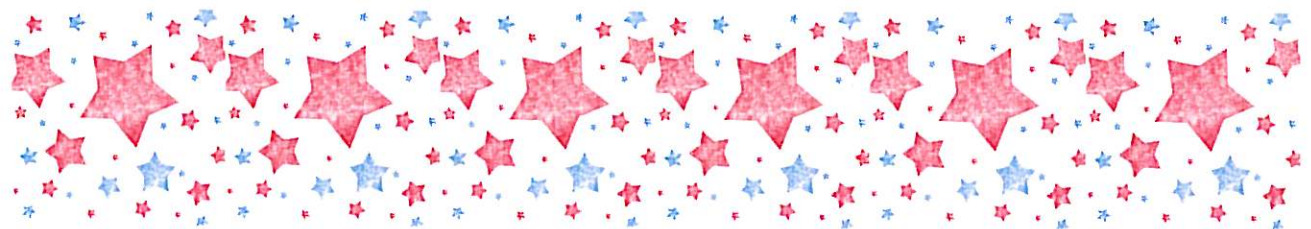


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2009
2. Watermaster Visa Check Detail
3. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2008 through May 31, 2009
4. Treasurer's Report of Financial Affairs for the Period May 1, 2009 through May 31, 2009
5. Profit & Loss Budget vs. Actual July 2008 through May 2009





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: July 9, 2009
July 21, 2009
July 23, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report

SUMMARY

Issue – Record of cash disbursements for the month of June 2009.

Recommendation – Staff recommends the Cash Disbursements for June 2009 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 June 2009 were \$471,495.51. The most significant expenditures during the month were Wildermuth Environmental Inc. in the amount of \$251,452.32, Brownstein Hyatt Farber Schreck in the amount of \$57,615.79, and MWH Laboratories in the amount of 10,668.00.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
June 2009

Type	Date	Num	Name	Amount
Jun 09				
Bill Pmt -Check	6/1/2009	13324	BOWCOCK, ROBERT	-125.00
Bill Pmt -Check	6/1/2009	13325	CAMACHO, MICHAEL	-250.00
Bill Pmt -Check	6/1/2009	13326	CINDY NAVAROLI	-262.50
Bill Pmt -Check	6/1/2009	13327	CITY OF RANCHO CUCAMONGA	0.00
Bill Pmt -Check	6/1/2009	13328	DIRECTV	-79.99
Bill Pmt -Check	6/1/2009	13329	FEENSTRA, BOB	-125.00
Bill Pmt -Check	6/1/2009	13330	HSBC BUSINESS SOLUTIONS	-429.27
Bill Pmt -Check	6/1/2009	13331	KUHN, BOB	-125.00
Bill Pmt -Check	6/1/2009	13332	LOS ANGELES TIMES	-46.40
Bill Pmt -Check	6/1/2009	13333	MIJAC ALARM	-378.00
Bill Pmt -Check	6/1/2009	13334	PARK PLACE COMPUTER SOLUTIONS, I...	-4,275.00
Bill Pmt -Check	6/1/2009	13335	PAYCHEX	-217.02
Bill Pmt -Check	6/1/2009	13336	R&D PEST SERVICES	-85.00
Bill Pmt -Check	6/1/2009	13337	RICOH BUSINESS SYSTEMS-Lease	-897.19
Bill Pmt -Check	6/1/2009	13338	STAPLES BUSINESS ADVANTAGE	-191.67
Bill Pmt -Check	6/1/2009	13339	VERIZON	-502.51
Bill Pmt -Check	6/1/2009	13340	VISION SERVICE PLAN	-62.19
Bill Pmt -Check	6/1/2009	13341	W.C. DISCOUNT MOBILE AUTO DETAILI...	-100.00
Bill Pmt -Check	6/1/2009	13342	WHITEHEAD, MICHAEL	-250.00
Bill Pmt -Check	6/1/2009	13343	WILLIS, KENNETH	-250.00
Bill Pmt -Check	6/1/2009	13344	YUKON DISPOSAL SERVICE	-142.88
Bill Pmt -Check	6/4/2009	13345	JAMES JOHNSTON	-795.00
Bill Pmt -Check	6/9/2009	13347	CITISTREET	-2,871.85
Bill Pmt -Check	6/9/2009	13348	COMPUTER NETWORK	-8,886.74
Bill Pmt -Check	6/9/2009	13349	PUMP CHECK	-6,105.15
Bill Pmt -Check	6/9/2009	13350	CITISTREET	-2,621.85
Bill Pmt -Check	6/9/2009	13351	CITISTREET	-2,621.85
Bill Pmt -Check	6/9/2009	13346	PETTY CASH	-644.47
Bill Pmt -Check	6/9/2009	13352	THREE VALLEYS MUNICIPAL WATER DI...	-15.00
General Journal	6/13/2009	09/06/05	PAYROLL	-7,631.89
General Journal	6/13/2009	09/06/05	PAYROLL	-28,383.81
Bill Pmt -Check	6/16/2009	13353	ACWA SERVICES CORPORATION	-209.95
Bill Pmt -Check	6/16/2009	13354	BANC OF AMERICA LEASING	-3,215.74
Bill Pmt -Check	6/16/2009	13355	BANK OF AMERICA	-3,192.16
Bill Pmt -Check	6/16/2009	13356	CITY OF RANCHO CUCAMONGA	-21.00
Bill Pmt -Check	6/16/2009	13357	DEPARTMENT OF CONSUMER AFFAIRS	-125.00
Bill Pmt -Check	6/16/2009	13358	ESRI	-2,189.86
Bill Pmt -Check	6/16/2009	13359	FIRST AMERICAN REAL ESTATE SOLUTI...	-125.00
Bill Pmt -Check	6/16/2009	13360	GEOTECHNICAL SERVICES	-8,115.50
Bill Pmt -Check	6/16/2009	13361	MCI	-1,226.37
Bill Pmt -Check	6/16/2009	13362	MWH LABORATORIES	-10,668.00
Bill Pmt -Check	6/16/2009	13363	PRINTING RESOURCES	-40.02
Bill Pmt -Check	6/16/2009	13364	RICOH BUSINESS SYSTEMS-Lease	-942.05
Bill Pmt -Check	6/16/2009	13365	SAFEGUARD DENTAL & VISION	-57.68
Bill Pmt -Check	6/16/2009	13366	SAFETY CLEAN JANITORIAL SERVICES	-590.00
Bill Pmt -Check	6/16/2009	13367	SCHRYERS TILE & GROUT RESTORATION	-1,900.00
Bill Pmt -Check	6/16/2009	13368	THE STANDARD INSURANCE COMPANY	-156.56
Bill Pmt -Check	6/16/2009	13369	UNION 76	-129.19
Bill Pmt -Check	6/16/2009	13370	UNITED PARCEL SERVICE	-217.40
Bill Pmt -Check	6/16/2009	13371	VERIZON WIRELESS	-1,639.14
Bill Pmt -Check	6/16/2009	13372	W.C. DISCOUNT MOBILE AUTO DETAILI...	-25.00
Bill Pmt -Check	6/16/2009	13373	WAGE WORKS	-7.20
Bill Pmt -Check	6/16/2009	13374	WESTERN DENTAL SERVICES, INC.	-28.06
Bill Pmt -Check	6/22/2009	13375	REID & HELLYER	-12,323.30
Bill Pmt -Check	6/24/2009	13376	BLACK & VEATCH CORPORATION	-10,312.50
Bill Pmt -Check	6/24/2009	13377	BROWNSTEIN HYATT FARBER SCHRECK	-57,615.79
Bill Pmt -Check	6/24/2009	13378	COMPUTER NETWORK	-217.50
Bill Pmt -Check	6/24/2009	13379	CUCAMONGA VALLEY WATER DISTRICT	-5,495.00
Bill Pmt -Check	6/24/2009	13380	GEOTECHNICAL SERVICES	-3,895.92
Bill Pmt -Check	6/24/2009	13381	KONICA MINOLTA BUSINESS SOLUTIONS	-590.67
Bill Pmt -Check	6/24/2009	13382	NORDBAK'S PROMOTIONAL PRODUCTS	-227.61
Bill Pmt -Check	6/24/2009	13383	WAGE WORKS	-6,800.00
Bill Pmt -Check	6/24/2009	13384	WILDERMUTH ENVIRONMENTAL INC	-251,452.32
Bill Pmt -Check	6/24/2009	13385	HOME DEPOT	-119.00
Bill Pmt -Check	6/25/2009	13386	EL TORITO	-329.28
Bill Pmt -Check	6/30/2009	13387	PETTY CASH	-588.91
Bill Pmt -Check	6/30/2009	13388	PUBLIC EMPLOYEES' RETIREMENT SYS...	-5,391.28
Bill Pmt -Check	6/30/2009	13389	PUBLIC EMPLOYEES' RETIREMENT SYS...	-11,943.32

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
June 2009

Type	Date	Num	Name	Amount
Jun 09				<u>-471,495.51</u>

11:49 AM
07/02/09

CHINO BASIN WATERMASTER
Check Detail
June 2009

Type	Num	Date	Name	Account	Paid Amount
Bill Pmt -Check	13355	6/16/2009	BANK OF AMER...	1012 · Bank of America Gen'l Ckg	
Bill	4024...	5/31/2009		6909.1 · OBMP Meetings	-43.68
				6141 · Meeting Expenses	-2,692.02
				6312 · Meeting Expenses	-244.23
				6212 · Meeting Expense	-212.23
TOTAL					-3,192.16

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CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2008 THROUGH MAY 31, 2009

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL APPROPRIATE	POOL AGRICULTURAL	POOL NON-AGRIC.	POOL REPLENISHMENT	GROUNDWATER OPERATIONS SB222	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2008-2009
Administrative Revenues										
Administrative Assessments		7,993,307			172,817				8,166,124	\$7,841,054
Interest Revenue		85,175	8,433		2,014			24	95,646	174,368
Mutual Agency Project Revenue		466,371			11,973				478,344	148,410
Grant Income										0
Miscellaneous Income										0
Total Revenues	-	8,544,853	8,433	186,804				24	8,740,114	8,163,832
Administrative & Project Expenditures										
Watermaster Administration	483,130								483,130	619,960
Watermaster Board-Advisory Committee	53,394								53,394	61,201
Pool Administration		18,978	152,121	4,789					175,888	166,523
Optimum Basin Mgmt Administration		1,644,261							1,644,261	1,913,484
OBMP Project Costs		4,693,942							4,693,942	5,392,289
Education Funds Use								375	375	375
Mutual Agency Project Costs		10,000							10,000	10,000
Total Administrative/OBMP Expenses	536,524	6,348,203	152,121	4,789				375	7,060,990	8,163,832
Net Administrative/OBMP Income	(536,524)	(6,348,203)							-	-
Allocate Net Admin Income To Pools	536,524		402,422	120,673	13,429					
Allocate Net OBMP Income To Pools		6,348,203	4,761,492	1,427,815	158,896					
Agricultural Expense Transfer		1,679,135	(1,679,135)							
Total Expenses	6,862,027	21,474	177,114					375	7,060,990	8,163,832
Net Administrative Income	1,682,826	(13,041)	9,690					(351)	1,679,124	-
Other Income/(Expense)										
Replenishment Water Assessments						6,437,643			6,437,643	0
Interest Revenue						34,126			34,126	0
Water Purchases						(2,326,075)			(2,326,075)	0
Balance Adjustment										0
Groundwater Replenishment						4,145,694			4,145,694	0
Net Other Income										
Net Transfers To/(From) Reserves								(351)	5,824,818	-
Working Capital, July 1, 2008		5,413,216	481,995	143,157	294,397	158,251		1,343	6,492,359	
Working Capital, End Of Period		7,096,042	468,954	152,847	4,440,091	158,251		992	12,317,177	
07/08 Assessable Production		103,077,958	30,909,693	3,439,822					137,427,473	
07/08 Production Percentages		75.006%	22.492%	2.503%					100.000%	

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
MAY 1 THROUGH MAY 31, 2009**

DEPOSITORIES:		
Cash on Hand - Petty Cash	\$	500
Bank of America		
Governmental Checking-Demand Deposits	\$	(132,273)
Zero Balance Account - Payroll		
Local Agency Investment Fund - Sacramento		<u>11,840,455</u>
TOTAL CASH IN BANKS AND ON HAND		\$ 11,708,682
TOTAL CASH IN BANKS AND ON HAND		14,673,367
		\$ <u>(2,964,685)</u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets:		
Accounts Receivable	\$	15,659
Assessments Receivable		-
Prepaid Expenses, Deposits & Other Current Assets		(425)
(Decrease)/Increase in Liabilities		(2,462,895)
Accounts Payable		-
Accrued Payroll, Payroll Taxes & Other Current Liabilities		(517,024)
Transfer to/(from) Reserves		-
PERIOD INCREASE (DECREASE)		\$ <u>(2,964,685)</u>

	Petty Cash	Govt'l Checking Demand	Zero Balance Account Payroll	Local Agency Investment Funds	Totals
\$	500	\$ 332,412	\$ -	\$ 14,340,455	\$ 14,673,367
Deposits	-	16,500	-	-	16,500
Transfers	-	2,392,203	107,797	(2,500,000)	-
Withdrawals/Checks	-	(2,873,388)	(107,797)	-	(2,981,185)
Balances as of 5/31/2009	\$ 500	\$ (132,273)	\$ -	\$ 11,840,455	\$ 11,708,682
PERIOD INCREASE OR (DECREASE)	\$ -	\$ (464,685)	\$ -	\$ (2,500,000)	\$ (2,964,685)

SUMMARY OF FINANCIAL TRANSACTIONS:

Balances as of 4/30/2009		
Deposits		
Transfers		
Withdrawals/Checks		
Balances as of 5/31/2009		
PERIOD INCREASE OR (DECREASE)		

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
MAY 1 THROUGH MAY 31, 2009**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
5/18/2009	Withdrawal	L.A.I.F.	\$ 2,500,000				
TOTAL INVESTMENT TRANSACTIONS			\$ 2,500,000	-			

* The earnings rate for L.A.I.F. is a daily variable rate; 1.91% was the effective yield rate at the Quarter ended March 31, 2009.

**INVESTMENT STATUS
May 31, 2009**

Financial Institution	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$ 11,840,455			
TOTAL INVESTMENTS	\$ 11,840,455			

Funds on hand are sufficient to meet all foreseen and planned Administrative and project expenditures during the next six months.
All investment transactions have been executed in accordance with the criteria stated in Chino Basin Watermaster's Investment Policy.

Respectfully submitted,



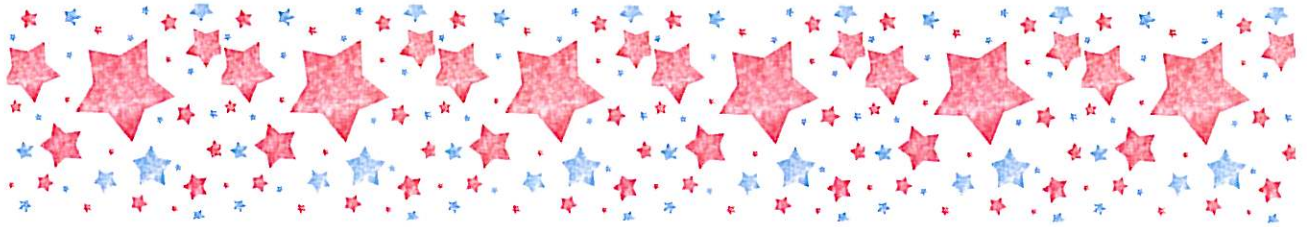
Sheri M. Rojo, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July 2008 through May 2009

	<u>Jul '08 - May 09</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	478,344	148,410	329,934	322.31%
4110 · Admin Asmnts-Approp Pool	7,993,307	7,860,411	132,896	101.69%
4120 · Admin Asmnts-Non-Agri Pool	172,817	132,237	40,580	130.69%
4700 · Non Operating Revenues	95,646	174,368	-78,722	54.85%
Total Income	<u>8,740,114</u>	<u>8,315,426</u>	<u>424,688</u>	<u>105.11%</u>
Gross Profit	8,740,114	8,315,426	424,688	105.11%
Expense				
6010 · Salary Costs	452,454	484,302	-31,848	93.42%
6020 · Office Building Expense	78,854	102,000	-23,146	77.31%
6030 · Office Supplies & Equip.	33,566	46,500	-12,934	72.19%
6040 · Postage & Printing Costs	62,765	87,380	-24,615	71.83%
6050 · Information Services	126,570	144,000	-17,430	87.9%
6060 · Contract Services	58,280	98,000	-39,720	59.47%
6080 · Insurance	15,706	17,730	-2,024	88.58%
6110 · Dues and Subscriptions	14,803	16,750	-1,947	88.38%
6140 · WM Admin Expenses	2,133	4,000	-1,867	53.33%
6150 · Field Supplies	864	2,500	-1,636	34.54%
6170 · Travel & Transportation	33,488	39,200	-5,712	85.43%
6190 · Conferences & Seminars	25,667	26,500	-833	96.86%
6200 · Advisory Comm - WM Board	15,247	19,181	-3,934	79.49%
6300 · Watermaster Board Expenses	38,147	42,020	-3,873	90.78%
8300 · Appr PI-WM & Pool Admin	18,978	24,008	-5,030	79.05%
8400 · Agri Pool-WM & Pool Admin	21,430	24,820	-3,390	86.34%
8467 · Ag Legal & Technical Services	122,690	128,000	-5,310	95.85%
8470 · Ag Meeting Attend -Special	8,000	12,000	-4,000	66.67%
8500 · Non-Ag PI-WM & Pool Admin	4,789	7,695	-2,906	62.24%
6500 · Education Funds Use Expens	375	375		100.0%
9500 · Allocated G&A Expenditures	-422,221	-448,902	26,681	94.06%
	<u>712,587</u>	<u>878,059</u>	<u>-165,472</u>	<u>81.16%</u>
6900 · Optimum Basin Mgmt Plan	1,495,425	1,755,421	-259,996	85.19%
6950 · Mutual Agency Projects	10,000	10,000		100.0%
9501 · G&A Expenses Allocated-OBMP	148,836	137,959	10,877	107.88%
	<u>1,654,261</u>	<u>1,903,380</u>	<u>-249,119</u>	<u>86.91%</u>
7101 · Production Monitoring	97,499	107,515	-10,016	90.68%
7102 · In-line Meter Installation	53,312	87,931	-34,619	60.63%
7103 · Grdwtr Quality Monitoring	160,776	210,458	-49,682	76.39%
7104 · Gdwtr Level Monitoring	360,291	372,538	-12,248	96.71%
7105 · Sur Wtr Qual Monitoring	4,160	46,717	-42,557	8.91%

CHINO BASIN WATERMASTER
 Profit & Loss Budget vs. Actual
 July 2008 through May 2009

	<u>Jul '08 - May 09</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7107 · Ground Level Monitoring	357,668	651,468	-293,800	54.9%
7108 · Hydraulic Control Monitoring	520,833	713,949	-193,116	72.95%
7200 · PE2- Comp Recharge Pgm	1,213,924	1,245,266	-31,342	97.48%
7300 · PE3&5-Water Supply/Desalte	73,016	108,477	-35,461	67.31%
7400 · PE4- Mgmt Plan	237,449	272,515	-35,066	87.13%
7500 · PE6&7-CoopEfforts/SaltMgmt	59,141	76,411	-17,270	77.4%
7600 · PE8&9-StorageMgmt/Conj Use	19,013	61,909	-42,896	30.71%
7690 · Recharge Improvement Debt Pymt	1,261,894	1,261,594	300	100.02%
7700 · Inactive Well Protection Prgm	0	6,296	-6,296	0.0%
9502 · G&A Expenses Allocated-Projects	274,964	310,943	-35,979	88.43%
	<u>4,693,942</u>	<u>5,533,987</u>	<u>-840,045</u>	<u>84.82%</u>
Total Expense	<u>7,060,790</u>	<u>8,315,426</u>	<u>-1,254,636</u>	<u>84.91%</u>
Net Ordinary Income	1,679,325		1,679,325	100.0%
Other Income/Expense				
Other Income				
4225 · Interest Income	34,126			
4210 · Approp Pool-Replenishment	6,427,596			
4220 · Non-Ag Pool-Replenishment	10,047			
Total Other Income	<u>6,471,769</u>			
Other Expense				
5010 · Groundwater Replenishment	2,326,075			
9999 · To/(From) Reserves	5,824,819			
Total Other Expense	<u>8,150,894</u>			
Net Other Income	<u>-1,679,125</u>			
Net Income				

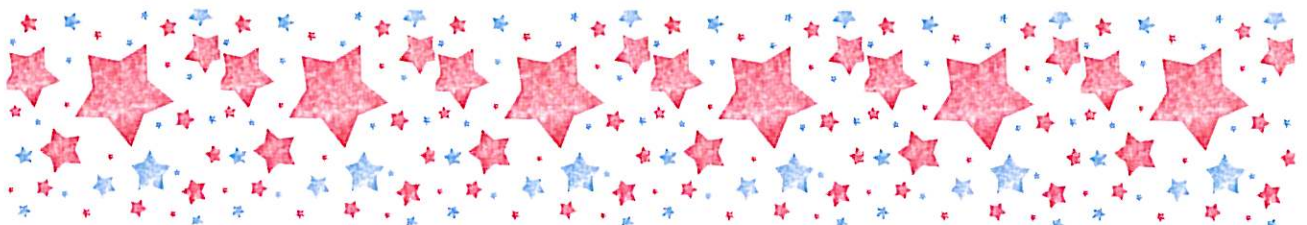


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

C. INTERVENTION INTO AGRICULTURAL POOL

1. Intervention into the Agricultural Pool from Guillermo Hurtado through the Well Used by Alfredo Jara's Mountain Green Nursery





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: July 9, 2009
July 21, 2009
July 23, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Intervention into Agricultural Pool

SUMMARY

Recommendation – Staff recommends approval of the Intervention of Guillermo Hurtado into the Agricultural Pool.

BACKGROUND

According to Paragraph 60 of the Judgment:

"[Any] 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 this Court. Such intervener shall thereafter be a party bound by this judgment and entitled to the rights and privileges accorded under the Physical Solution herein, through the pool to which the Court shall assign such intervener."

According to Watermaster's Rules and Regulations section 2.27:

"Watermaster will receive and make recommendations regarding petitions for intervention and accumulate them for filing with the Court from time to time (Judgment paragraph. 60 and Order re Intervention Procedures, July 14, 1978.)"

Watermaster received a petition to Intervene into the Judgment from Guillermo Hurtado on June 25, 2009. Hurtado recently drilled a well on his property, though the well will be used by Alfredo Jara's Mountain Green Nursery. Jara is renting property from Hurtado and owns the nursery stock. Jara also owns a parcel adjoining Hurtado's parcel on the east side. (Hurtado does not plan to use any of the well water.) The estimated annual water production is less than five acre-feet.

Staff recommends approval of the intervention into the Agricultural Pool.

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Date: 6/25/09

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): _____

11461 Monte Vista Ave, Chino CA

Property Owner (Well Owner) Information:

Name: Guillermo Hurtado

Address: P.O. Box 1536, Duarte, CA 91009

Phone: (626) 378-3605 Email: _____

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

Name: Alfredo Jara "Mountain Green Nursery"

Address: 13156 Pipeline Ave Chino CA 91710

Phone: 909 284-0364 Email: _____

Representative Handling Intervention:

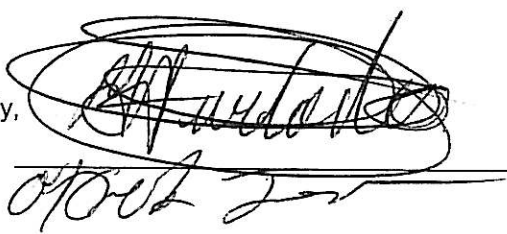
Name: _____ Title: _____

Address: _____

Phone: _____ Email: _____

Sincerely,

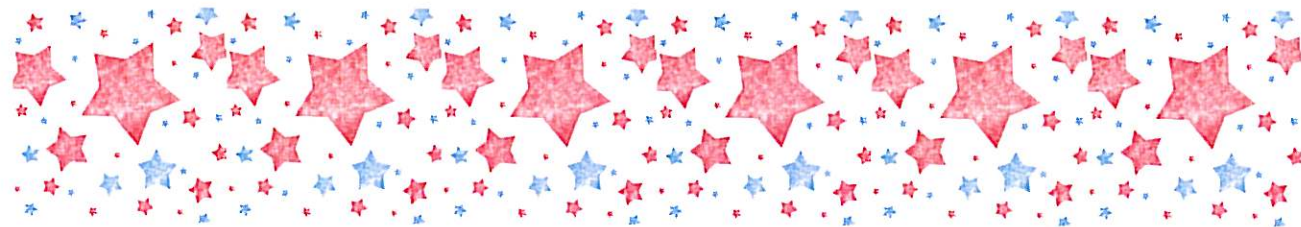
Signed:



Printed:

Guillermo Hurtado
Alfredo Jara

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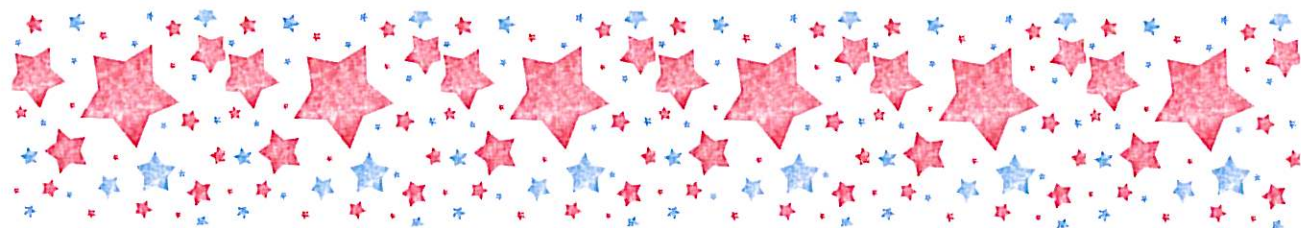


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

D. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.
2. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the company's anticipated Chino Basin replenishment obligation for Fiscal Year 2008-09
3. **Consider Approval for Notice of Sale or Transfer** – On June 3, 2009, Watermaster received Form 5, "Application to Transfer Annual Production Right or Safe Yield," with CalMat Company/Vulcan Materials Company as transferor and Aqua Capital Management LP as transferee in the amount of 317.844 acre-feet annual right, all water in its annual account will be transferred as well (the transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet)
4. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 3,400 acre-feet of water from the Marygold Mutual Water Company. Water will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009).



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

June 4, 2009

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: **May 11, 2009**

Date of this notice: **June 4, 2009**

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

- A. Notice of Sale or Transfer – Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona’s net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.

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

- Appropriative Pool: June 11, 2009
- Non-Agricultural Pool: June 11, 2009
- Agricultural Pool: June 16, 2009

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: June 4, 2009

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: June 4, 2009
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 –** Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.

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.

- Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.

Notice of the water transaction identified above was mailed on June 4, 2009 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.

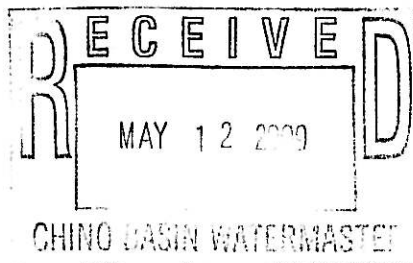
Monte Vista

Dedicated to Quality, Service and Innovation

May 11, 2009

Mark N. Kinsey
GENERAL MANAGER

Mr. Ken Manning, Chief Executive Officer
CHINO BASIN WATERMASTER
9641 San Bernardino Road
Rancho Cucamonga, California 91730



Purchase of Water in Storage: Fiscal Year 2008-09

Dear Mr. Manning:

This letter is to notify Watermaster of the purchase of 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.

This purchase will be utilized by the District to offset projected Fiscal Year 2008-09 or future fiscal year obligations within the Chino Basin. Attached is an executed application for lease or transfer of a right to produce water from storage and a recapture plan for consideration by Watermaster. Please agendize this item at the earliest possible opportunity.

If you have any questions or require additional information concerning this matter, please call me at 624-0035, extension 170. Thank you.

Sincerely,

Monte Vista Water District

A handwritten signature in black ink, appearing to read "Mark N. Kinsey".

Mark N. Kinsey
General Manager

Attachments

Water District

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

Sandra S. Rose
PRESIDENT

Maynard B. Lenhart
VICE PRESIDENT

Tony Lopez
DIRECTOR

Philip L. Erwin
DIRECTOR

G. Michael Milhiser
DIRECTOR

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

Transfer from Local Storage Agreement: **15, 15.1, 15.2
15.3, 15.4**

Date Requested: **January 30, 2009**

Transferring Party: **City of Pomona**

Date Approved:

Address: **505 South Garey Avenue
Box 660
Pomona, California 91769**

Amount Requested (AF): **3,500**

Telephone: **(909) 620-2283**

Amount Approved (AF):

Fax: **(909) 620-2030**



S/7/09

Applicant: Tim D'Zmura, PE, Public Works Director/City Engineer/Building Official

Action authorized pursuant to City of Pomona Resolution No. 2009-44,
adopted by City Council on April 20, 2009.

Attach Recapture Form 4

Receiving Party: **Monte Vista Water District**

Address: **10575 Central Avenue
Montclair, California 91763**

Telephone: **(909) 624-0035**

Fax: **(909) 624-0037**

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

Water Quality and Water Levels:

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

Static water levels range from 504' to 533' below ground levels. Nitrate concentrations range between 19 to 70 ppm.

Form 3

Application for Sale or Transfer of Right to Produce Water from Storage

Material Physical Injury:

Is the applicant aware of any potential material physical injury to a part to the Judgment or the Basin that may be caused by the action covered by the application? Yes No

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 part to the Judgment or the Basin?

N/A

Additional information attached? Yes No



Applicant: Mark N. Kinsey, General Manager

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 Number:

**APPLICATION OR AMENDMENT TO APPLICATION
TO
RECAPTURE WATER IN STORAGE**

APPLICANT

Monte Vista Water District
Name of Party

January 30, 2009
Date Requested

Date Approved

10575 Central Avenue
Street Address

3,500 Acre-feet
Amount Requested

Acre-feet
Amount Approved

Montclair **CA** **91763**
City State Zip Code

500 – 1,000 AF/month
Projected Rate of
Recapture

4-7 months
Projected Duration of
Recapture

Telephone: (909) 624-0035

Facsimile: (909) 624-0037

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: City of Pomona

PURPOSE OF RECAPTURE

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

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

Recapture by pumping.

PLACE OF USE OF WATER TO BE RECAPTURED

For use within the Monte Vista Water District and City of Chino Hills service areas.

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

Recapture to occur at regular production wells.

WATER QUALITY AND WATER LEVELS

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

Static water levels range from 504' to 533' below ground levels. Nitrate water quality data for District wells range from 19 to 70 ppm.

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?

No mitigation is required.

ADDITIONAL INFORMATION ATTACHED Yes [X] No []

Mark N. Kinsey 
Applicant

TO BE COMPLETED BY WATERMASTER

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION TO TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2008-09

Commencing on July 1, 2008 and terminating on June 30, 2009, the City of Pomona ("Transferor") hereby transfers to Monte Vista Water District ("Transferee") the quantity of 3,500 acre-feet of corresponding Annual Production Right (Appropriative Pool) or Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

- (1) Transferee shall exercise said right on behalf of Transferor under the terms of the Judgment and the Peace Agreement and for the period described above. The first water 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?

Dynamic water levels at District wells range from 538' to 596' below ground level with average drawdown of 40'. Static water levels range from 504' to 533' below ground level. Nitrate concentrations for District wells range between 19-70 ppm.

MATERIAL PHYSICAL INJURY

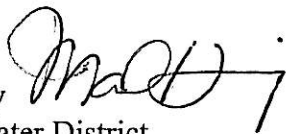
Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

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?

No mitigation is required.

ADDITIONAL INFORMATION ATTACHED Yes [X] No []

Tim D'Zmura, PE
Public Works Director/City Engineer/
Building Official

Mark N. Kinsey 
Monte Vista Water District

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

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?

No mitigation is required.

ADDITIONAL INFORMATION ATTACHED Yes [X] No []

Tim D'Zmura, PE
Public Works Director/City Engineer/
Building Official

Transferor

[Handwritten signature] 5/7/09

Mark N. Kinsey
Monte Vista Water District

Transferee

[Handwritten signature]

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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MONTE VISTA WATER DISTRICT

Recapture Plan

Location of where the recaptured water will be extracted by the District is within Management Zone 1 of the Chino Basin and will be accomplished by any or all of the 13 wells owned and operated by the District. The approximate daily production capacity of these wells is noted below.

The 3,500 AF transfer will be utilized for delivery to the District's retail customers, for delivery to the City of Chino Hills, or to offset the District's Fiscal Year 2008-09 replenishment obligation.

<u>Well</u>	<u>Production Acre-Feet/Day</u>
4	4.2
5	6.1
6	5.2
10	5.2
19	9.0
20	5.8
26	9.0
27	9.0
28	9.0
30	9.0
31	9.0
32	9.0
33	4.5

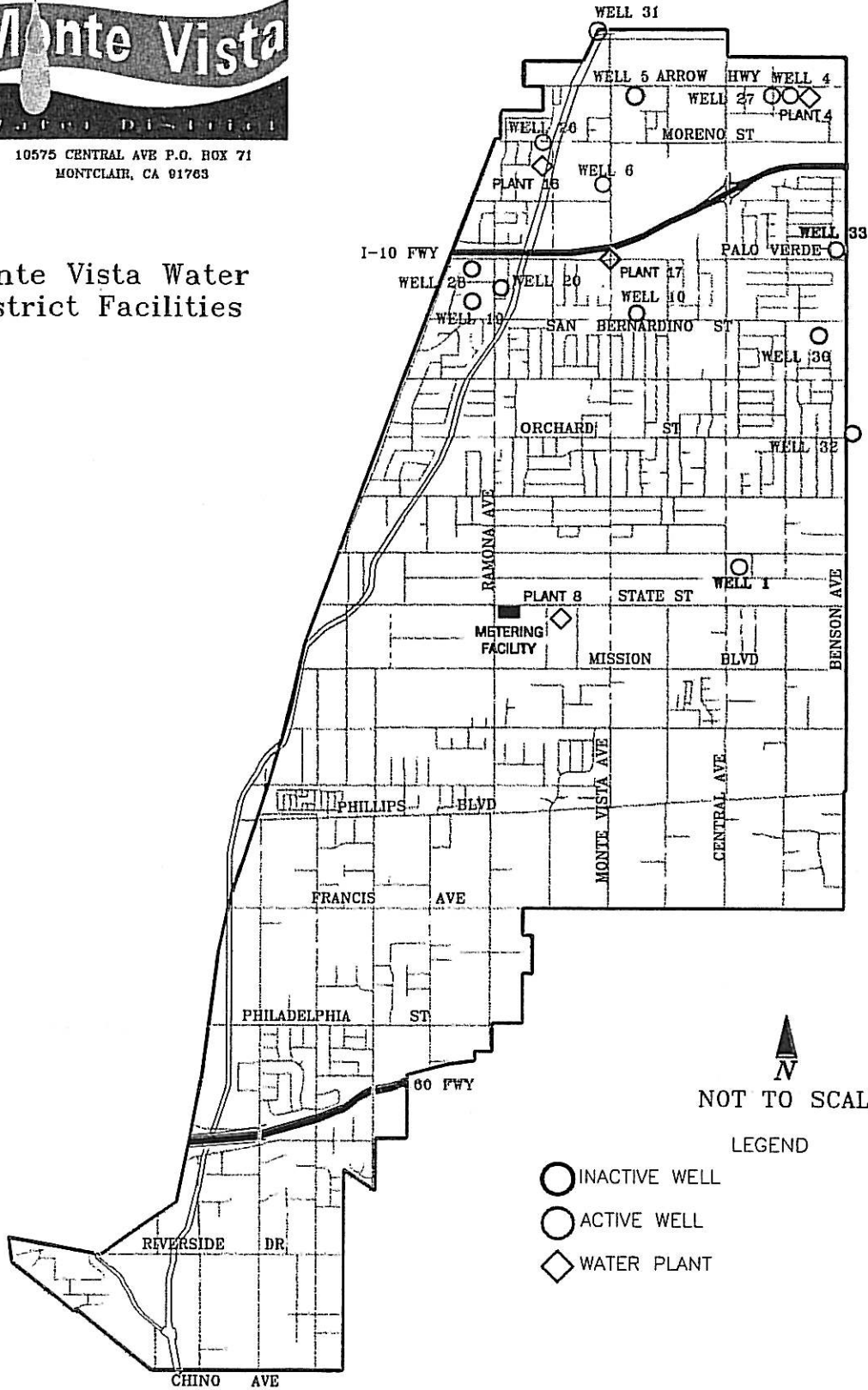
Daily Total	94.0
-------------	------

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



10575 CENTRAL AVE P.O. BOX 71
MONTCLAIR, CA 91763

Monte Vista Water District Facilities



N
NOT TO SCALE

- LEGEND
- INACTIVE WELL
 - ACTIVE WELL
 - ◇ WATER PLANT

Jdizen M:\Presentation\Facilities.dwg

CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

June 4, 2009

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: **May 21, 2009**

Date of this notice: **June 4, 2009**

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

- A. Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2008/2009.

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

Appropriative Pool:	June 11, 2009
Non-Agricultural Pool:	June 11, 2009
Agricultural Pool:	June 16, 2009

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: June 4, 2009

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: June 4, 2009
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary –

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

Issue –

- Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2008/2009.

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).

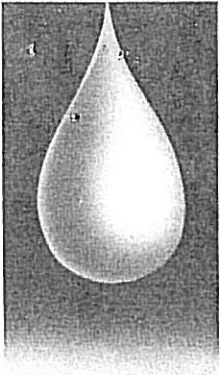
The following application for water transaction is attached with the notice of application.

- Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2008/2009.

Notice of the water transaction identified above was mailed on June 4, 2009 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.

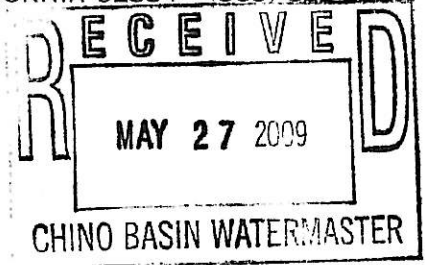


FONTANA WATER COMPANY

A DIVISION OF SAN GABRIEL VALLEY WATER COMPANY

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

May 21, 2009



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

Subject: Purchase of Annual Production Right
Chino Basin-Fiscal Year 2008/2009

Dear Mr. Manning:

Please take notice that Fontana Water Company ("Company") has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2008/2009.

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

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

Very truly yours,

Michael J. McGraw
General Manager

MJM:bf
Enclosures

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APPLICATION
TO
TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2008 - 2009

Commencing on July 1, 2008 and terminating on June 30, 2009, The Nicholson Trust ("Transferor") hereby transfers to Fontana Water Company ("Transferee") the quantity of 5.619 acre-feet of corresponding Annual Production Right (Appropriative Pool) or Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

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

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

WATER QUALITY AND WATER LEVELS

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

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


MATERIAL PHYSICAL INJURY?

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

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

N/A

ADDITIONAL INFORMATION ATTACHED


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

Yes [] No []


Michael J. McGraw, General Manager
Fontana Water Company

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

FONTANA WATER COMPANY
Recapture Plan

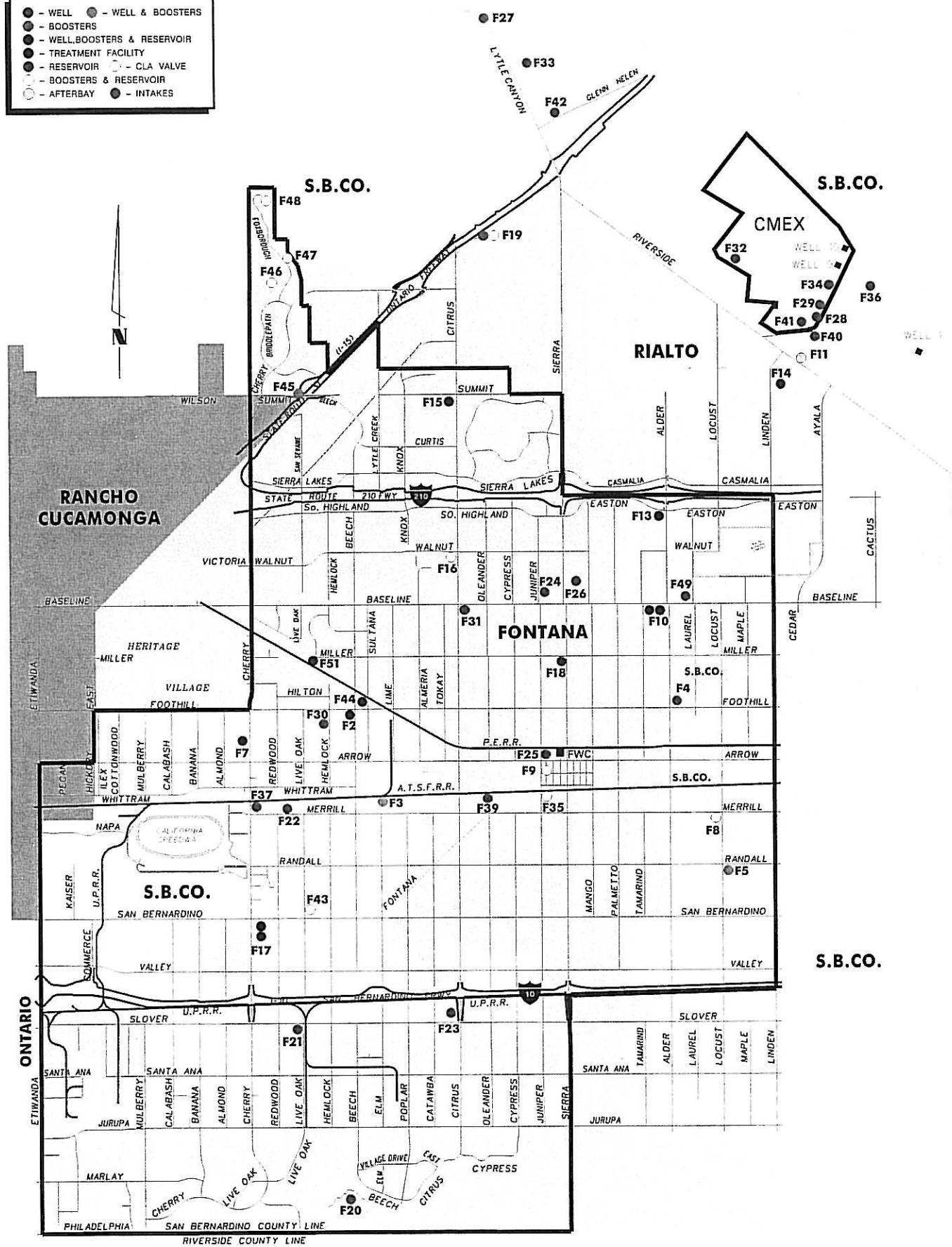
The subject water is a transfer of annual production right from The Nicholson Trust to Fontana Water Company (FWC) of 5.619 acre-feet to satisfy a portion of FWC's replenishment obligation for FY 2008/2009. Recapture of the stored water is accomplished by the production of any or all of the 16 wells owned and operated by FWC within Management Zone 3 of the Chino Groundwater Basin. The approximate daily production capacity of these wells is as follows:

<u>Well</u>	-	<u>Production</u> <u>Acre-Feet/Day</u>
F23A	-	10.6
F21A	-	5.7
F37A	-	5.7
F7A	-	11.0
F7B	-	11.0
F22A	-	8.2
F24A	-	8.4
F26A	-	8.6
F31A	-	7.3
F2A	-	10.6
F30A	-	5.1
F44A	-	11.0
F44B	-	10.6
F44C	-	10.6
F17B	-	5.7
F17C	-	7.1
Daily Total		<u>137.2</u>

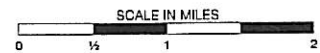
The attached map shows the location of these wells within FWC's service area. Prior to 1992, water produced from the majority of these wells was pumped within Management Zone 3 by Fontana Union Water Company with safe yield rights in the Chino Groundwater Basin. However, as a result of a bankruptcy settlement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

LEGEND

- - WELL
- - WELL & BOOSTERS
- - BOOSTERS
- - WELL, BOOSTERS & RESERVOIR
- - TREATMENT FACILITY
- - RESERVOIR
- - CLA VALVE
- - BOOSTERS & RESERVOIR
- - AFTERBAY
- - INTAKES



FONTANA WATER COMPANY
SYSTEM NO. 3610041



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

June 4, 2009

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: **June 1, 2009**

Date of this notice: **June 4, 2009**

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

- A. Notice of Sale or Transfer – On June 3, 2009, Watermaster received Form 5, “Application to Transfer Annual Production Right or Safe Yield,” with CalMat Company/Vulcan Materials Company as Transferor and Aqua Capital Management LP as Transferee in the amount of 317.844 acre-feet – a permanent transfer of its share of safe yield. In addition to the 317.844 acre-feet annual right, all water in its annual account will be transferred as well. (The transfer does not include CalMat’s water in storage as of June 30, 2008 of 315.637 acre-feet)

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

Appropriative Pool: June 11, 2009

Non-Agricultural Pool: June 11, 2009

Agricultural Pool: June 16, 2009

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: June 4, 2009

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: June 4, 2009
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 June 3, 2009, Watermaster received Form 5, "Application to Transfer Annual Production Right or Safe Yield," with CalMat Company/Vulcan Materials Company as Transferor and Aqua Capital Management LP as Transferee in the amount of 317.844 acre-feet--a permanent transfer of its share of safe yield. In addition to the 317.844 acre-feet annual right, all water its annual account will be transferred as well. (The transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet.) 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 June 3, 2009, Watermaster received Form 5, "Application to Transfer Annual Production Right or Safe Yield," with CalMat Company/Vulcan Materials Company as Transferor and Aqua Capital Management LP as Transferee in the amount of 317.844 acre-feet—a permanent transfer of its share of safe yield. In addition to the 317.844 acre-feet annual right, all water its annual account will be transferred as well. (The transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet.) This Staff Report provides a summary and analysis of the proposed transfer.

Notice of the water transaction identified above was mailed on June 4, 2009 along with the materials submitted by the requestors.

DISCUSSION

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

In the 1978 Judgment, Conrock Company was adjudicated rights of 317.844 acre-feet within the Overlying (Non-Agricultural) Pool. Conrock Company became CalMat Company, and then later became Vulcan Materials Company. Aqua Capital Management intervened into the Judgment in November 2008, at which time it purchased real property from CCG Ontario LLC. In December 2008, CCG Ontario LLC permanently transferred its annual water rights of 630.274 acre-feet to Aqua Capital Management, along with all its water in storage.

CalMat Company/Vulcan Materials Company and the Aqua Capital Management have submitted Form 5, "Application to Transfer Annual Production Right or Safe Yield," The Application indicates that the amount of water rights to be permanently transferred is 317.844 acre-feet. In addition to the 317.844 acre-feet annual right, all water in the Annual Account will be transferred as well. (The transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet.) According to the letters submitted by companies, the "transfer from CalMat to Aqua does not involve any additional groundwater extractions not provided for under the Judgment."

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.



June 1, 2009

Western Division

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

Re: Application to Permanently Transfer Safe Yield from CalMat Co. to Aqua Capital Management LP

Dear Mr. Manning:

CalMat Co.(CalMat) is a party to the Chino Basin Judgment and currently owns 317.844 AFY of adjudicated safe yield.

CalMat has agreed to transfer all of its adjudicated water rights (317.844 AFY), to Aqua Capital Management LP (Aqua). This transfer does not include CalMat's water in storage as of June 30, 2008 (315.637 AF). The transfer is subject to Watermaster approval and the associated close of escrow.

I have executed Form 5 (Application to Transfer Annual Production Right or Safe Yield). The completed form will be submitted by Aqua. CalMat retains the right to withdraw the Application at any time prior to the actual transfer of such water rights.

The transfer from CalMat 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.

Thank you for your assistance. Please agendize this request for the June Pool meetings. If you have any questions regarding the foregoing, please contact me.

Respectfully submitted,

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

Michael Linton
VP Properties and Land Development
CalMat Co.

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

June 1, 2009

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

Re: Application to Permanently Transfer Safe Yield from Vulcan Materials Company to Aqua Capital Management LP

Dear Mr. Manning:

Aqua Capital Management LP (Aqua), a member of the Chino Basin Non-Agricultural Pool, hereby submits this request to approve Calmat Co.'s request to transfer its remaining adjudicated rights (317.844 AFY) of overlying groundwater rights. 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") Calmat Co. (Calmat) is a party to the Judgment and currently owns 317.844 AFY of adjudicated safe yield.

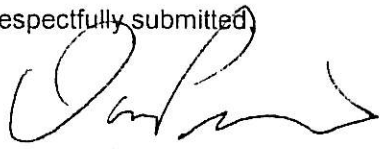
B. Calmat has agreed to transfer all of its adjudicated water rights (317.844 AFY), to Aqua. This transfer does not include Calmat's water in storage as of June 30, 2008 (315.637 AF). Form 5 (Application to Transfer Annual Production Right or Safe Yield) is attached.

C. The transfer from Calmat 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 Calmat's request to transfer its remaining adjudicated rights (317.844 AFY) of overlying groundwater rights to Aqua. Aqua Capital Management LP shall continue to comply with all provisions of the Judgment.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D. Penrice', with a long, sweeping horizontal stroke extending to the right.

David Penrice
Chief Executive Officer

APPLICATION
TO
TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2008-2009

Calmat Co., a Delaware corporation ("Transferor"), hereby requests to permanently transfer to Aqua Capital Management LP, a Delaware limited partnership ("Transferee"), the quantity of 317.844 acre-feet per year of corresponding Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

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

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

WATER QUALITY AND WATER LEVELS

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

None

MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Calmat Co.

Aqua Capital Management LP

Michael Linden

Transferor

Transferee

Name: *Michael Linden*

Name:

Its: *VP*

Its:

Date: *5/1/09*

Date:

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 # _____

ML

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Calmat Co.

Aqua Capital Management LP



Transferor

Name:

Its:

Date:

Transferee

Name: David Penrice

Its: CEO

Date: 6/1/09

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

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DATE OF BOARD APPROVAL: _____ Agreement # _____

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CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

June 5, 2009

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.

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: June 5, 2009

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).

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **June 2, 2009**

Date of this notice: **June 5, 2009**

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

- A. Notice of Sale or Transfer – Chino Basin Watermaster will purchase 3,400 acre-feet of water from the Marygold Mutual Water Company. Watermaster will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) replenishment obligation.

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

Appropriative Pool: June 11, 2009

Non-Agricultural Pool: June 11, 2009

Agricultural Pool: June 16, 2009

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

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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: June 5, 2009

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 – Chino Basin Watermaster will purchase 3,400,000 acre-feet of water from the Marygold Mutual Water Company. Watermaster will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) replenishment obligation.

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 the water transaction is attached with the notice of application.

- Notice of Sale or Transfer – Chino Basin Watermaster will purchase 3,400,000 acre-feet of water from the Marygold Mutual Water Company. Watermaster will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) replenishment obligation.

Notice of the water transaction identified above was mailed on June 5, 2009 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.

Chino Basin Watermaster has a total replenishment obligation (due to overproduction within the Basin) of 20,833.80 AF for Assessment Year 2008-09. Due to the fact that MWD does not expect to have replenishment water available this fiscal year and perhaps not next fiscal year either, Watermaster wishes to use the option to purchase water from appropriators to fulfill the replenishment obligation. Watermaster is taking advantage of Marygold Mutual Water Company's offer to sell 3,400,000 AF of water to Watermaster. The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) replenishment obligation. The 85/15 Rule does not apply to this transfer because 85/15 payments and credits were already established in the Assessment Package. This transfer is functioning in a similar manner as replenishment Watermaster purchases from MWD/IEUA.



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

June 2, 2009

Justin Brokaw
Marygold Mutual Water Company
9725 Alder Street
Bloomington, CA 92316-1637

RE: Purchase of replenishment water from Marygold Mutual Water Company to Watermaster

Dear Mr. Brokaw:

Chino Basin Watermaster has a total replenishment obligation (due to overproduction within the Basin) of 20,833.80 AF for Assessment Year 2008-09. Due to the fact that MWD does not expect to have replenishment water available this fiscal year and perhaps not next fiscal year either, Watermaster wishes to use the option to purchase water from appropriators to fulfill the replenishment obligation.

Watermaster would like to take advantage of Marygold Mutual Water Company's offer to sell 3,400,000 AF of water to Watermaster. Watermaster will purchase the water at \$295.00 per acre-foot, which is the 2009 MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's stored water. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) replenishment obligation.

Please sign the attached forms (listed below). Once Watermaster has received these completed forms, the transaction will be Noticed and agendized in the same manner that any other water transfer would be handled.

If you have any questions, please feel free to contact myself or Danni Maurizio.

Sincerely,

Kenneth R. Manning,
Chief Executive Officer

Attachments:

- Marygold Mutual Water Company's Acceptance of Watermaster's Water Transfer Terms
- Form 3: Application for Sale or Transfer of Right to Produce Water from Storage
- Form 4: Application or Amendment to Application to Recapture Water in Storage



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
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KENNETH R. MANNING
Chief Executive Officer

June 2, 2009

MARYGOLD MUTUAL WATER DISTRICT'S ACCEPTANCE OF WATERMASTER'S WATER TRANSFER TERMS

Chino Basin Watermaster will purchase 3,400,000 AF of water from Marygold Mutual Water Company. Watermaster will purchase the water at \$295.00 per acre-foot, which is the 2009 MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's stored water.

If these terms are acceptable to Marygold Mutual Water Company, please sign below and return to Watermaster at your earliest convenience.

Signature: Justin Brotan

Printed Name: Justin Brotan

Title: General Manager

Date Signed: 6-4-09

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

TRANSFER FROM LOCAL STORAGE AGREEMENT # -

Marygold Mutual Water Company

Name of Party

9725 Alder Street

Street Address

Bloomington CA 92316-1637

City State Zip Code

Telephone: 909- 877-0516

06/02/09

Date Requested

Date Approved

3,400.000 Acre-feet

Acre-feet

Amount Requested

Amount Approved

Facsimile: 909- 877-6609

Applicant (Signature)

TRANSFER TO:

Chino Basin Watermaster

Attach Recapture Form 4

Name of Party

9641 San Bernardino Road

Street Address

Rancho Cucamonga CA 91730

City State Zip Code

Telephone: 909-484-3888

Facsimile: 909-484-3890

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?

This transfer will have no affect on water quality or water levels. The water has already been pumped from the Basin by overproducers and this transfer will help fulfill Watermaster's replenishment obligation.

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?

(Four horizontal lines for mitigation measures)

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Applicant



TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

**APPLICATION OR AMENDMENT TO APPLICATION
TO
RECAPTURE WATER IN STORAGE**

APPLICANT

<u>Chino Basin Watermaster</u> Name of Party	<u>06/02/09</u> Date Requested	<u> </u> Date Approved
<u>9641 San Bernardino Road</u> Street Address	<u>3,400.000</u> Acre-feet Amount Requested	<u> </u> Acre-feet Amount Approved
<u>Rancho Cucamonga</u> <u>CA</u> <u>91730</u> City State Zip Code	<u>N/A</u> Projected Rate of Recapture	<u>N/A</u> Projected Duration of Recapture
Telephone: <u>909-484-3888</u>	Facsimile: <u>909-484-3890</u>	

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: Marygold Mutual Water Company

PURPOSE OF RECAPTURE

- Pump when other sources of supply are curtailed
- Pump to meet current or future demand over and above production right
- Pump as necessary to stabilize future assessment amounts
- Other, explain Watermaster is purchasing from Marygold Mutual to meet its replenishment obligation.

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

The water has already been pumped from the Basin by overproducers located throughout the Basin.

PLACE OF USE OF WATER TO BE RECAPTURED

The water has already been pumped from the Basin by overproducers located throughout the Basin.

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

WATER QUALITY AND WATER LEVELS

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

This transfer will have no affect on water quality or water levels. The water has already been pumped from the Basin by overproducers and this transfer will help fulfill Watermaster's replenishment obligation.

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?

-

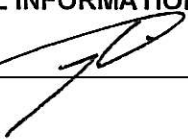
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ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]



Applicant

TO BE COMPLETED BY WATERMASTER

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

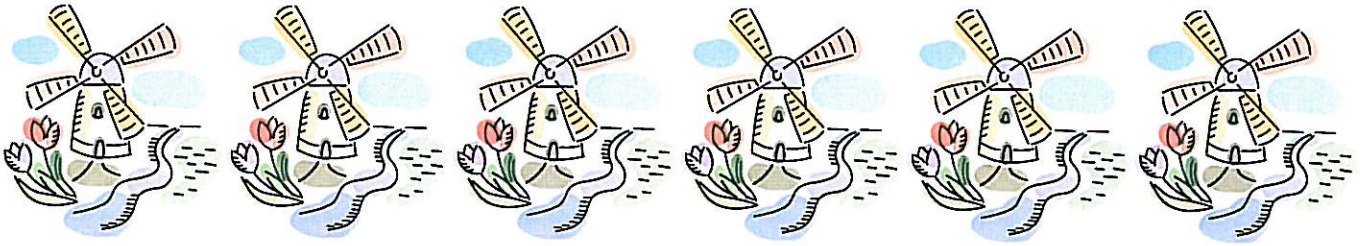
DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

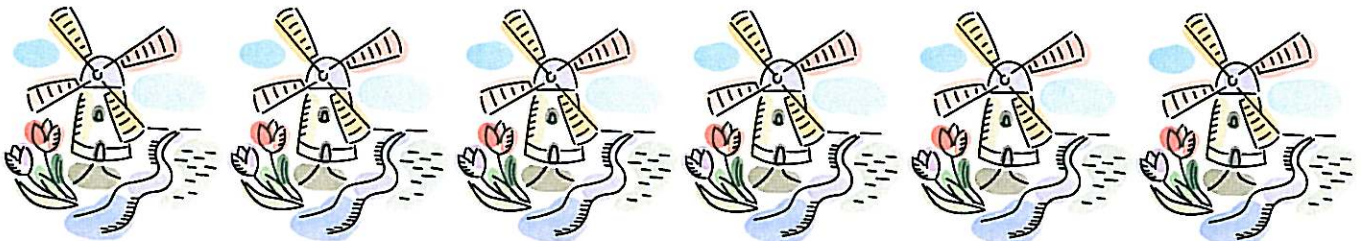


CHINO BASIN WATERMASTER

II. BUSINESS ITEM

A. OVERLYING NON-AGRICULTURAL POOL AUCTION ISSUES

1. Storage & Recovery Agreement
2. Broad Benefit
3. Determination on Material Physical Injury





CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: June 11, 2009
June 16, 2009

TO: Pool Committee Members

SUBJECT: Non-Agricultural Pool Stored Water Auction

SUMMARY

Summary: Action items required in order for the Non-Agricultural Pool stored water auction to move forward as reported and discussed at prior pool meetings.

Recommendation: Staff recommends: (1) adoption of proposed allocation of auction funds in order to provide broad mutual benefit; (2) adopt findings regarding potential for material physical injury; (3) approval of the draft storage and recovery agreement through an auction process; and (4) retain a qualified auction consultant, subject to approved terms.

Background

One part of the Peace II Measures is the Purchase and Sale Agreement for the Purchase of Water by Watermaster from the Overlying (Non-Agricultural) Pool. (See Exhibit "G" to Watermaster Resolution 07-05 (Resolution 07-05 is Exhibit "1" to the Peace II Agreement).)

Section "C" of the Purchase and Sale Agreement says that within 24 months of the final Court approval of the Peace II Measures (December 21, 2007), Watermaster will provide written notice of intent to purchase the water held in storage by the Non-Agricultural Pool as of June 30, 2007. The amount of water held in storage by the Non-Agricultural Pool as of June 30, 2007 is approximately 40,000 acre-feet. Under section "E" of the Purchase and Sale Agreement, 10% of this quantity will be dedicated to desalter production without compensation to the Non-Agricultural Pool. Under section "F" of the Purchase and Sale Agreement, Watermaster will take possession of the remaining water and make use of the water in a manner consistent with Section 5.3(e) of the Peace Agreement.

Section 5.3(e) of the Peace Agreement says that members of the Non-Agricultural Pool may transfer or lease their quantified production rights within the Pool or to Watermaster to use for desalter replenishment or for use in the storage and recovery program. All transfers made under Peace Agreement Section 5.3 are subject to the requirements stated in 5.3(a) that no transfer shall be approved unless it is consistent with the Judgment and the Peace Agreement and will not cause Material Physical Injury. In addition, under Peace Agreement section 5.2(c)(iv)(b), Watermaster will give first priority to Storage and Recovery Programs that provide broad mutual benefits.

Watermaster staff has been working with the members of the Appropriative Pool to develop a proposed approach for disposition of the water obtained through the Purchase and Sale Agreement. A proposal has emerged whereby a storage account containing the water will be put up for auction according to terms and conditions as described in the storage and recovery account agreement. Before the auction can take place, the Watermaster Board must approve its willingness to enter in to the storage and recovery agreement with the successful bidder, whoever that might be. Pursuant to the Peace Agreement, as a precondition to this Board action, the Board will also be required to find that the storage and recovery agreement will not cause Material Physical Injury, and must find that the agreement will provide broad mutual benefit. Staff recommendations regarding these finds as well as the storage and recovery agreement itself are described below.

1. Recommendation Regarding Broad Mutual Benefit

As a precondition to Board and Court approval of the Storage and Recovery Agreement, there must be a finding that the program will provide broad mutual benefit. Pursuant to Sections 5.2(b)(xi) and 5.3(c)(iv) of the Peace Agreement, Watermaster must provide first priority to Storage and Recovery Agreements that will offer broad mutual benefits to the parties to the Judgment. The members of the Overlying (Non-Agricultural) Pool and the Appropriative Pool are exclusively entitled to all the compensation received from the Storage and Recovery Agreement. (Peace Agreement Section 5.2(c)(v).)

With regard to the Purchase and Sale Agreement with the Overlying (Non-Agricultural) Pool, the members of the Non-Ag Pool will receive the compensation as set forth in the Purchase and Sale Agreement. The members of the Appropriative Pool will obtain the revenue received from any third party in excess of the purchase price under the Purchase and Sale Agreement.

To meet the broad mutual benefit standard, Watermaster staff proposes that the revenues received from the auction that are in excess of the purchase price set forth in the Purchase and Sale Agreement be escrowed in an interest bearing account and earmarked by Watermaster for the following purpose:

“Upon receipt of a written recommendation from the Appropriative Pool and further Board approval, Watermaster may authorize the use of excess revenues received from the Purchase and Sale Agreement for capital improvements to be spread equitably among management zones and that are: (i) designed, approved and scheduled for timely implementation under the Court approved Recharge Master Plan or any approved yield enhancement/preservation program and (ii) will facilitate Watermaster’s recharge goals of maintaining hydrologic balance within each Management Zone and the Basin. “Capital improvements” means physical facilities that will be actually used in the production, storage, treatment and distribution of water that will recharge the Chino Basin, including but not limited to recharge basins, injection wells, pipelines and water supplies. The qualifying capital improvements may facilitate recharge directly or indirectly through approved in-lieu strategies.”

Watermaster staff recommends that the Pools recommend to the Advisory Committee and Board that approval of the auction storage and recovery agreement be conditioned upon the use of the auction proceeds consistent with the above proposal.

2. Material Physical Injury Analysis

As a precondition to Board and Court approval of the Storage and Recovery Agreement, there must be finding that no unmitigated Material Physical Injury exists. Watermaster staff considered the following uses of the water being sold and stored pursuant to the proposed Auction Floor Agreement (“AFA”) with respect to determining the potential for Material Physical Injury due to the proposed storage and recovery agreement:

- Storage – The AFA Party would obtain a storage account pursuant to the AFA and place the water in storage for subsequent use.
- Use by a Judgment Party to offset a replenishment obligation pursuant to the Judgment – The AFA Party would, by means provided for in the Judgment and the Peace Agreement, provide the water to a Judgment Party, and the Judgment Party would use the water to offset a replenishment obligation.
- Physical export of the water by an AFA Party or Judgment Party – The AFA Party or Judgment Party would produce the AFA Party's water through new or existing facilities and convey that water out of the Chino Basin through surface facilities for subsequent use on lands that do not overlie or are not tributary to the Chino Basin.
- Exchange export by a Judgment Party – The AFA Party would provide water to a Judgment Party, substituting that water for water that would otherwise be imported to the Basin; the avoided imported water would then be provided to some other non-Judgment entity at the direction of the AFA Party.
- Other unknown uses –Uses other than those listed above.

The potential for material physical injury from these proposed AFA related water uses is analyzed below. The basis for these findings is WEI's recent groundwater management alternative analyses, including the Peace II Agreement, investigations required by the December 2007 Court Order, and the proposed Dry-Year Yield Program expansion.

No significant changes in groundwater quality are expected from the first four uses listed above. Liquefaction potential and rising water will be unchanged with the first use, and liquefaction potential and rising water will be reduced with the second through fourth uses. No findings can be made regarding "other unknown uses." Groundwater level changes and the potential for subsidence will be addressed in this material physical injury analysis.

Storage. Currently, the water being sold under the AFA is in storage and is not causing material physical injury. Neither granting a new storage agreement to the AFA Party nor the maintenance of this water in storage will cause material physical injury to the Basin or a Party, provided that it is managed pursuant to the Judgment and the Peace Agreement.

Use by a Judgment Party to Offset a Replenishment Obligation Pursuant to the Judgment. Under this use, the AFA Party would, by means provided for in the Judgment and the Peace Agreement, provide some or all of the AFA Party's water to a Judgment Party, and the Judgment Party would use the water to offset a replenishment obligation. The net effect to the Basin will be a slight lowering of groundwater levels but only slightly more than would have occurred if the Overlying Non-Agricultural Pool Parties had produced their water. This lowering of groundwater levels will be less than 10 feet and will be in addition to the lowering of groundwater levels caused by re-operation. No material physical injury will occur to the Basin, provided that this lowering of groundwater levels does not contribute to subsidence in Management Zone 1 (MZ1).

As to the individual Parties, there will be no material physical injury, provided that this lowering of groundwater levels is addressed in the ongoing Recharge Master Plan Update, in future Recharge Master Plan updates, and in Watermaster's continuing assessment of the balance of recharge and discharge pursuant to the Peace Agreement, and provided that this lowering of groundwater levels does not contribute to subsidence in MZ1.

As to subsidence in MZ1, strict adherence to the long-term MZ1 subsidence management plan will ensure that subsidence is controlled in the managed area. Potential subsidence north of the managed area is an unresolved issue, and the use of water provided by an AFA Party to offset a Judgment Party's production in this area of MZ1 will require a specific and detailed production and replenishment proposal and additional analysis outside the scope of this material physical analysis.

Physical Export of the Water by an AFA Party or Judgment Party. Under this use, an AFA Party or Judgment Party would produce the AFA Party's water through new or existing facilities, convey that water out of the Chino Basin through surface facilities for subsequent use on lands that do not overlie or are not tributary to the Chino Basin. To the Basin as a whole, the impacts would be identical to the previous water use alternative. The loss of return flows from the export of this water would be compensated by return flows from supplemental water.

As to individual Parties, there will be no material physical injury, provided that this lowering of groundwater levels is addressed in the ongoing Recharge Master Plan Update, in future Recharge Master Plan updates, and in Watermaster's continuing assessment of the balance recharge and discharge pursuant to the Peace Agreement, and provided that this lowering of groundwater levels does not contribute to subsidence in MZ1.

As to subsidence in MZ1, strict adherence to the long-term MZ1 subsidence management plan will ensure that subsidence is controlled in the managed area. Potential subsidence north of the managed area is an unresolved issue, and the production and export of an AFA Party's water from this area in MZ1 by the AFA Party or a Judgment Party will require a specific and detailed production and replenishment proposal and additional analysis outside the scope of this material physical analysis.

Exchange Export by a Judgment Party. Under this use, the AFA Party would provide water from its storage account to a Judgment Party, substituting that water for water that would otherwise be imported into the Basin; the avoided imported water would then be provided to some other non-Judgment entity at the direction of the AFA Party. To the Basin as a whole, the impacts would be identical to the physical export alternative.

As to individual Parties, there will be no material physical injury, provided that this lowering of groundwater levels is addressed in the ongoing Recharge Master Plan Update, in future Recharge Master Plan updates, and in Watermaster's continuing assessment of the balance recharge and discharge pursuant to the Peace Agreement, and provided that this lowering of groundwater levels does not contribute to subsidence in MZ1.

As to subsidence in MZ1, strict adherence to the long-term MZ1 subsidence management plan will ensure that subsidence is controlled in the managed area. Potential subsidence north of the managed area is an unresolved issue, and the production of an AFA Party's water from this area in MZ1 by an AFA Party and its exchange to a Judgment Party will require a specific and detailed production and replenishment proposal and additional analysis outside the scope of this material physical analysis.

Other Unknown Uses. No material physical injury findings can be made regarding any other uses.

Conclusion: No material physical injury will result from the anticipated known uses of the stored water so long as the storage and recovery agreement is conditioned upon adherence to the Judgment, the Peace Agreement, and the MZ1 Plan for the Management of Subsidence. The storage and recovery agreement should also contain a condition such that any proposed production of the stored water in the northern MZ1 area not covered by the Subsidence Management Plan will require Watermaster approval of a separate and detailed production proposal. Lowered water levels resulting from the withdrawal of the stored water should be addressed through the update to the Recharge Master Plan.

3. Storage and Recovery Agreement

Included with this staff report is a draft template storage and recovery agreement. This agreement contains conditionality with regard to prevention of Material Physical Injury as described below. The agreement is based on the terms that have been under discussion by the members of the Appropriative Pool for several months.

This agreement will need Court approval. Assuming approval by the Watermaster Board at its June meeting, staff and legal counsel will be prepared to submit the agreement to the Court for approval in the July time-frame.

Throughout the process of development of the terms of the storage and recovery agreement, the issue of whether the stored water may be available for export has been highlighted and thus it is relevant to address it at length here.

Staff and legal counsel believe there is a reasonable basis to conclude that the stored water may be exported without the imposition of a replenishment assessment.

The Judgment does not prohibit exports. When allocating storage capacity, Watermaster must give priority to the overlying needs of the parties over exports. (Judgment Paragraph 12.) In fact, Watermaster has consistently adhered to the goal by facilitating local storage opportunities. Today more than 200,000 acre-feet of water is stored within the Basin for local, predominantly overlying use.

The only reference to the export of water derives from the Appropriative Pool Pooling Plan. (Judgment Exhibit H.) The Plan establishes a requirement that Watermaster replenish water that is exported from the Basin by Appropriators. However, it already exempts certain exports from the requirement. Thus, the condition is not absolute as it applies to the members of the Appropriative Pool.

In the instant case, the water stored by the Overlying (Non-Agricultural) Pool derives from overlying water rights. The Pooling Plan for the Overlying (Non-Agricultural) Pool does not contain an export limitation. That is, absent a court adjudication, overlying water rights are generally not transferable. They also cannot be stored.

The Judgment did provide members of the Pool with right to make assignments to appropriators. Later, the Peace Agreement and further Judgment amendment expanded the transferability of the Overlying (Non-Agricultural) Pool water rights, and the Peace II Agreement extended this right further still. Moreover, the Judgment has always allowed members of the Overlying (Non-Agricultural) Pool to store water as Carry-Over. (Exhibit G Paragraph 7). It also should be noted that the Judgment actually facilitates the prospect of Carry-Over and storage by expressly authorizing members of the Pool to receive imported water and to Carry-Over the unused quantity. Modernly, we generally refer to such activity as "in lieu" storage. (Exhibit G Paragraph 8).

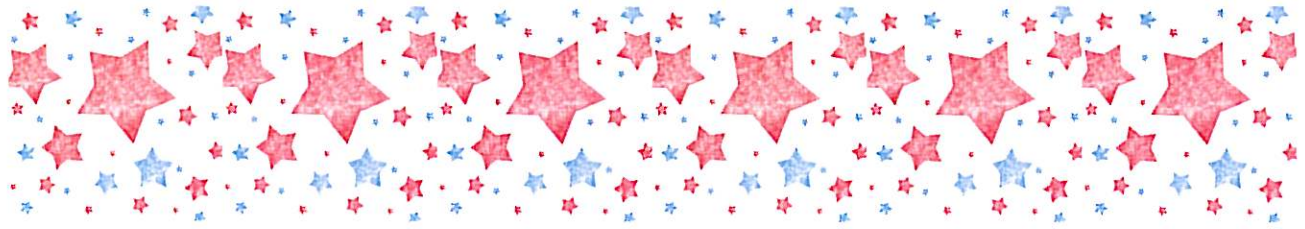
Regardless, up until the Peace Agreement, the exportation of stored water originating from the Overlying (Non-Agricultural) Pool was simply not addressed. Generally, the replenishment condition on exports was linked to the quantity of water physically exported in 1976. Staff's view is that the Judgment simply sought to protect the Basin's safe yield and its historical forms of recharge. Indeed, the subject of recharge remains a key concern for Watermaster in the future, but the likelihood that the return flows from the applied water that could be beneficially used by the members of the Pool had the water not been stored, would be relatively miniscule.

On the basis of the above, staff recommends that the Pools recommend approval of the draft storage and recovery agreement as a template agreement for use with the successful auction bidder as conditioned with respect to avoidance of Material Physical Injury as described above and conditioned upon the use of auction proceeds as described above.

Professional Consulting Services:

Auctions have long been relied upon to create an open and transparent process to establish a fair market value price for an asset. Auction of real property assets have occurred within a fairly routine and generic process. However, in the case of the auction of the Overlying (Non-Agricultural) Pool water and the related storage and recovery agreement, the characterization of the asset and the procedure is more complex. While there have been auctions of water and water rights, Watermaster staff and counsel believe that Watermaster should retain professional support to assist in publicizing and conducting the auction. The assets are of extreme importance to the stakeholders and professional help is prudent. Watermaster has contacted public and private professionals to obtain their opinion as to qualified parties to conduct these services and it has obtained conceptual and specific proposals as to conducting the services and as for success fees. Watermaster will present a summary of its findings in closed session. Staff recommends that subject to reaching an agreement on terms, Watermaster should retain a qualified provider of auction and publicity services

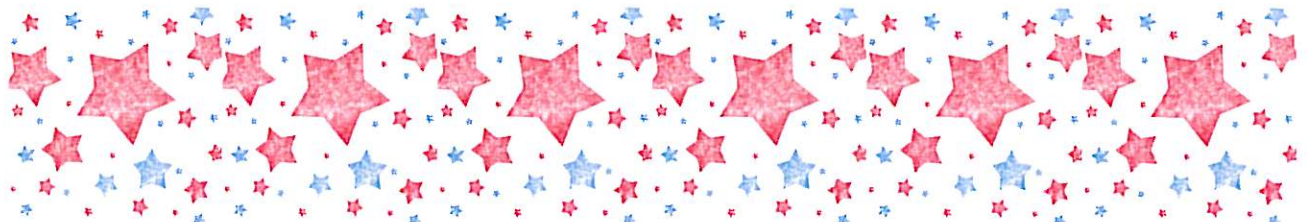
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CHINO BASIN WATERMASTER

II. BUSINESS ITEM

A. WATERMASTER AUCTION





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: July 23, 2009
TO: Committee Members
Watermaster Board Members
SUBJECT: Watermaster Auction

SUMMARY

Staff recommend: Retention of FTI and Mr. Harold Lea to provide the desired auction services with authorization to execute a "Consulting Confidentiality and Non-Disclosure Agreement"

Background:

Watermaster Staff has previously reported on the need to retain a qualified consultant to assist Watermaster in marketing and conducting a successful auction of up to 36,000 acre-feet of water and 40,000 acre-feet of basin storage capacity. Staff has contacted public and private professionals to obtain their opinion as to qualified parties to conduct these services and it has obtained conceptual and specific proposals for conducting the services, including their fees.

Watermaster has received four proposals. Staff previously shared the proposed provider's statement of qualifications and proposed terms with the Appropriative Pool. Staff has sought the retention of a "neutral" competent provider with professional experience conducting auctions.

The Pool provided direction to Staff to negotiate further terms consistent with its direction. In the event the proposed terms were acceptable to Staff, the final proposed terms were to be presented to the Appropriative Pool for approval and reduced to a written contract that could be approved and executed by Watermaster.

Analysis:

The terms among the providers were economically competitive. The upfront irrevocable financial commitment is less with FTI. Their success fees are capped for up to 5 buyers identified by Watermaster. The promised scope of services is broader.

Although FTI has not conducted an auction of water or water rights per se, FTI has successfully completed numerous auctions of other unique and sophisticated assets. It has a demonstrated software capability that will increase the likelihood of a successful auction. They have the personnel and resources to devote to this opportunity.

A minimum non-refundable expense of \$66,000 will be incurred in conducting the auction. The balance of the financial burden of the consultant is a success fee that will be exclusively drawn from the auction proceeds, which would otherwise be made available to the members of the Appropriative Pool. Consequently, a failed auction, one that fails to net a return in excess of \$600 would cost Watermaster \$66,000. The minimum expense of \$66,000 is not currently budgeted by Watermaster. Should the auction not conclude in a timely manner, Watermaster will do a budget amendment to generate the funds to cover this expense, as well as the funds required to make the first payment to the Non-Ag Pool to purchase the water.

The success fee escalates depending upon the level of success for each significant price increment. For example, a success fee for a sale at \$620 (slightly above the \$600 reserve price) would generate a 1% commission on the \$20 above the threshold. ($1\% \times \$20 \times 36,000 = \$7,200$.) This (in addition to the upfront expense) equates to approximately a 0.04% commission on the entire auctioned amount (\$21,600,000.) No commission is due from the auction of the storage capacity. Conversely, at the highest end of the range, a sale in excess of \$950 per acre foot would generate a 30% commission but only for that portion in excess the threshold. At \$950 per acre foot, the total commission equates to approximately 5% on the entire auctioned amount (\$34,200,000).

Although the incentive structure is not unique to the FTI proposal, staff does believe that it properly aligns the interest of the consultant with Watermaster by offering strong incentives for the maximum return.

**CONSULTING, CONFIDENTIALITY AND
NON-DISCLOSURE AGREEMENT**

This **CONSULTING, CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT** (“**Agreement**”) is made and entered into as of July __, 2009 by and between Chino Basin Watermaster (“**Watermaster**”) and FTI Consulting, Inc., a Maryland corporation (“**Consultant**”).

RECITALS

A. Watermaster desires to retain Consultant to assist Watermaster in marketing and conducting a successful auction of up to 36,000 acre-feet of water and 40,000 acre-feet of basin storage capacity.

B. Watermaster wishes to retain the services of Consultant to provide certain financial advisory and consulting services, as well as provide certain software to assist with Watermaster’s proposed auction. Watermaster may disclose to Consultant, or authorize its attorneys, agents or other consultants to disclose to Consultant, non-public information relating to Watermaster, which information Watermaster considers personal, confidential, unique and proprietary (“**Confidential Information**”).

C. Watermaster is willing to retain Consultant and to provide such Confidential Information to Consultant on an as needed basis and on the condition that Consultant strictly maintain the confidentiality of all Confidential Information and not disclose such information except as permitted by this Agreement.

NOW THEREFORE, the parties, intending to be legally bound hereby, agree as follows:

1. Description of Services. Consultant shall use its special experience, expertise, knowledge and skill to provide certain financial advisory and consulting services as described in Exhibit A, attached hereto, as well as the provision of certain software as more specifically described herein (“**Services**”). Consultant shall provide the Services in a first-class and high quality manner, consistent with similar service providers. The Services may be performed by Consultant or by any subsidiary of Consultant, as Consultant shall reasonably determine. Consultant may also provide Services through its or its subsidiaries’ agents or independent contractors. References herein to Consultant and its employees shall be deemed to apply, unless the context shall otherwise indicate, to employees of each such subsidiary and to any such agents or independent contractors and their employees.

(a) Use and Purpose of Advice and Reports. Any advice given or reports issued by Consultant are provided solely for Watermaster’s use and benefit and only in connection with the purposes described in this Agreement. Consultant assumes no responsibility to any third party to which any advice or report is disclosed or otherwise made available.

(b) **Provision of Information and Assistance.** Consultant's performance of the Services is dependent upon Watermaster providing Consultant with such information and assistance as Consultant may reasonably require from time to time.

(c) **Punctual and Accurate Information.** Watermaster shall use reasonable skill, care and attention to ensure that all information Consultant may reasonably require is provided on a timely basis and is accurate, complete and relevant for the purpose for which it is required. Watermaster shall notify Consultant if it subsequently learns that the information provided was incorrect or inaccurate or otherwise should not be relied upon.

(d) **No Assurance on Financial Data.** While Consultant's work may include an analysis of financial and accounting data, the Services shall not include an audit, compilation or review of any kind of any financial statements or components thereof. Watermaster's will be responsible for any and all financial information provided to Consultant during the term of this Agreement. Moreover, the circumstances of the Services may cause Consultant's advice to be limited in certain respects based upon, among other matters, the extent of sufficient and available data and the opportunity for supporting investigations. Consultant expresses no opinion or other form of assurance on financial statements of Watermaster.

(e) **Prospective Financial Information.** In the event the Services involve prospective financial information, Consultant's work will not constitute an examination or compilation, or apply agreed-upon procedures, in accordance with standards established by the American Institute of Certified Public Accountants or otherwise, and Consultant expresses no assurance of any kind on such information. There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

2. **Software License.** Consultant grants Watermaster, its employees and contractors ("Users") a non-exclusive and non-transferable right and license to access, use, and perform Consultant's Internet-based auction software ("Software") during the term of this Agreement.

3. **Compensation.**

(a) **Advisory Fee.** As compensation for the Services, Watermaster shall pay Consultant a fixed fee of Sixty Six Thousand Dollars (\$66,000.00), one half of which shall be paid within 30 days of the execution of this Agreement, and the remaining half shall be paid within 30 days of Watermaster conducting its auction.

(b) **Success Fee and Performance Bonus.** If a sale is consummated with a bid accepted during the auction, Watermaster shall pay Consultant a one time success fee equal to Ten Thousand Dollars (\$10,000.00) success fee, plus a one time performance bonus calculated in the manner set forth in Exhibit B attached hereto.

(c) **Allocated and Direct Expenses.** Consultant will bill Watermaster for reasonable allocated and direct expenses which are likely to be incurred during the term of this Agreement. Allocated expenses include the cost of items which are not included in the fixed fee, including administrative support and other overhead expenses that are not billed as direct reimbursable expenses. Allocated expenses shall be calculated at 6.0% of Consultant's standard professional

rates. Direct expenses include reasonable and customary out-of-pocket expenses which are billed directly to the engagement such as certain telephone, overnight mail, messenger, travel, meals, accommodations, and other expenses specifically related to the Services.

(d) Judicial or Administrative Proceeding. If Consultant and/or any of its employees are required to testify or provide evidence at or in connection with any judicial or administrative proceeding relating to the Services, Consultant shall be compensated by Watermaster at Consultant's regular hourly rates and shall be reimbursed for reasonable allocated and direct expenses (including attorney fees) with respect thereto.

4. Status of Consultant.

(a) Independent Contractor. The parties acknowledge and agree that Consultant is an independent contractor of Watermaster and not an employee or partner of Watermaster, and each of the parties to this Agreement agrees to take actions consistent with the foregoing. Consultant shall not have the power or authority to enter into agreements or make any other commitments in the name or on behalf of the Watermaster. Consultant agrees that, as an independent contractor, it is not eligible for and will not participate in any employee benefit plan in connection with the Services provided hereunder. Watermaster will not provide any workers' compensation coverage or benefits to Consultant, or any of Consultant's employees, agents, or consultants, and Consultant will not look to Watermaster to provide any such coverage or benefits.

(b) Taxes. Watermaster shall not withhold federal, state or local income tax, payroll tax or social security tax of any kind on behalf of Consultant, and Consultant shall pay any and all taxes due with respect to payments made under this Agreement.

5. Termination of Agreement.

(a) Upon Notice. This Agreement may be terminated by either party for any reason upon 30 days written notice to the other party. Within five days of the effective date of any termination of this Agreement, Watermaster shall promptly pay Consultant any unpaid fees payable hereunder.

(b) Notices. Each notice under this Agreement shall be in writing and may be given personally to Consultant or to Watermaster (as the case may be) or may be mailed to Watermaster or to Consultant at their respective addresses written below. Any such notice sent by mail shall be deemed served four business days after it is posted in U.S. Mail or placed with a reputable international courier, and in providing such service it shall be sufficient to prove that the envelope containing the notice was properly addressed and mailed as a prepaid letter.

6. Confidentiality. Consultant agrees that for a period of five years from the date of any disclosures hereunder, all Confidential Information that is disclosed to Consultant by Watermaster or its employees, attorneys, agents or other consultants in documents, discussions or otherwise, shall, except as specified below, be considered personal, unique, proprietary, confidential and the property of Watermaster. Consultant agrees that it shall hold the Confidential Information in strict confidence and shall not: (i) use the Confidential Information except for the specific purpose of advising Watermaster and its employees, attorneys, agents and

consultants, (ii) make copies of the Confidential Information except for the specific purposes described above, (iii) disclose such Confidential Information to any of Consultant's, subsidiaries, affiliates, employees or agents except on a need to know basis, or (iv) disclose such Confidential Information in any manner, and in any form, to any third party, including, but not limited to, any governmental agency, without the specific prior written consent of either Watermaster or its attorneys in each instance.

(a) Consultant acknowledges and understands that Consultant's unauthorized disclosure of any Confidential Information would be extremely prejudicial to Watermaster and may breach the attorney-client privilege or the attorney work product doctrine. This prohibition of disclosure of Confidential Information shall survive the termination of this Agreement. Any breach by Consultant of any provisions of this paragraph shall entitle Watermaster to terminate its consulting contract with Consultant and, without prejudice to any rights and remedies as may be available to Watermaster at law or in equity by reason of such breach, Watermaster shall be entitled to equitable relief including injunction and Watermaster shall be entitled to have and recover from Consultant, Watermaster's reasonable attorneys' fees and costs in connection with any action arising out of any breach by Consultant of any provisions of this Agreement. Consultant hereby agrees to indemnify, defend and hold Watermaster and its affiliates, partners, employees and agents harmless from any and all loss, damage or liability, which results from or arises in connection with Consultant's breach of its obligations under this Agreement.

(b) It is agreed that the Confidential Information shall not be considered confidential or shall cease to be confidential if and to the extent that: (i) the Confidential Information, as shown by competent evidence, was already known to Consultant at the time of its receipt; or (ii) the Confidential Information is or becomes, through no fault of Consultant, in the public domain; or (iii) the Confidential Information lawfully has been or hereafter becomes available to Consultant from a source other than Watermaster, provided that Consultant is not under any obligation of non-disclosure or restricted use thereon imposed by such other source.

(c) If any of the Confidential Information is required by Consultant to be disclosed pursuant to a binding court order or administrative subpoena, Consultant may disclose such information, provided that it has given Watermaster at least ten days prior written notice of its intent to comply with such court order or subpoena and has not taken any action to oppose or frustrate any attempt by Watermaster to obtain an appropriate protective order. If the information is disclosed under conditions of nondisclosure or seal imposed by the court or administrative body, the provisions of this Agreement shall continue to apply to any future disclosures by Watermaster.

(d) Consultant agrees to make known to all of its employees, agents, subsidiaries and contractors to whom Confidential Information may be disclosed, the conditions of this Agreement and to ensure that they are under obligation to be bound hereby.

(e) Upon completion of the use of the Confidential Information by Consultant, or within ten days request by Watermaster, Consultant shall either destroy or return all Confidential Information and any copies, notes, or transcripts made thereof to Watermaster.

(f) Consultant acknowledges that disclosure of information in violation of this Agreement would cause irreparable harm to Watermaster and monetary damages would be inadequate to compensate for such breach. Therefore, Watermaster shall be entitled to injunctive or other equitable relief as well as any remedies available at law in the event of a breach or threatened breach hereof.

7. **Conflict of Interest.** Based on the list of interested parties (“**Potentially Interested Parties**”) previously provided by Watermaster, Consultant has undertaken a limited review of its records to determine Consultant’s professional relationships with Watermaster. From the results of such review, Consultant was not made aware of any conflicts of interest or additional relationships that it believes would preclude it from performing the Services.

Consultant is a large consulting firm with numerous offices throughout the United States. Consultant is regularly engaged by new clients, which may include one or more of the Potentially Interested Parties. Consultant shall not knowingly accept an engagement that directly conflicts with this Agreement without the prior written consent Watermaster.

8. **Miscellaneous.**

(a) **Interpretation.** Whenever required by the context of this Agreement, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the obligations, conduct, acts or omissions of Watermaster and Consultant, shall include both parties’ officers, agents, employees, attorneys, successors, trustees, former trustees, beneficiaries or assigns. It is expressly agreed and understood that this Agreement is the product of negotiations between the parties and that this Agreement was mutually drafted by the parties.

(b) **Incorporation of Recitals.** The recitals set forth at the beginning of this Agreement are material and are incorporated herein as operative provisions.

(c) **No Assignment.** Neither party shall assign, transfer or otherwise dispose of this Agreement in whole or in part to any individual, firm or corporation without the prior written consent of the other party.

(d) **Severability.** If any term, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, the remainder of this Agreement shall remain in effect.

(e) **Integration; Amendment; Waiver.** This Agreement, including all exhibits attached hereto, constitutes the entire agreement between the parties related to the subject matter herein and may not be altered or amended except in writing signed by Consultant and Watermaster. The failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right to enforce the same. No waiver by any party to this Agreement of any provision (or of a breach of any provision) of this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed or construed either as a further or continuing waiver of any such provision or breach or as a waiver of any other provision (or of a breach of any other provision) of this Agreement.

(f) **Attorneys' Fees and Costs.** If either party to this Agreement shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party its actual attorneys' fees and costs.

(g) **Controlling Law.** This Agreement shall be governed by, construed in accordance with and enforced under the laws of the State of California (except to the extent such laws concern conflicts or choice of laws).

(h) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original (including copies sent to a party by facsimile transmission or in PDF) as against the party signing such counterpart, but which together shall constitute one and the same instrument.

(i) **Exhibits Incorporated by Reference.** The exhibits attached to this Agreement are incorporated by reference as though set forth in full.

IN WITNESS WHEREOF, the parties have executed, or caused the execution of, this Agreement as of the day and date first above written.

Chino Basin Watermaster

Date: _____

By: _____

Name: _____

Title: _____

FTI Consulting, Inc.,
a Maryland corporation

Date: _____

By: _____

Harold Lea, Senior Managing Director

Attached Exhibits

Exhibit A – Services

Exhibit B – Performance Bonus

Exhibit A

Services

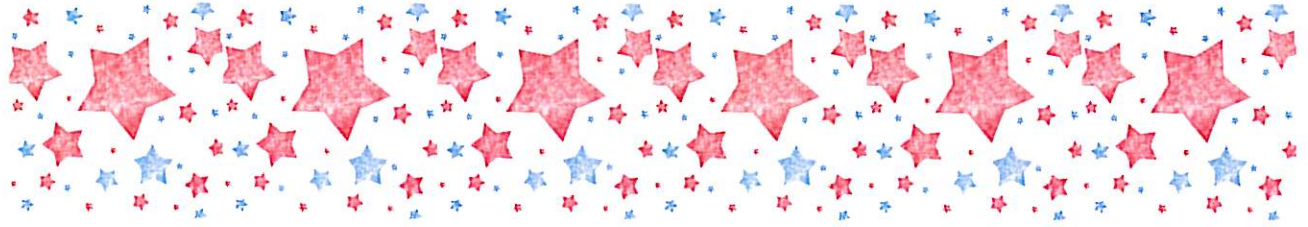
The Services include the following:

- (a)** Requirements gathering through discussions with Watermaster and potential bidders, up to two days included.
- (b)** Planning session to discuss auction parameters and strategy.
- (c)** Tailored auction rules designed to insure price discovery and an effective outcome.
- (d)** Bidder applications, to be developed jointly with Watermaster. Application and information communication methods to be determined by Consultant and Watermaster. For an additional fee, Consultant can develop a CBWM branded website for information distribution and bidder application submissions.
- (e)** One bidder orientation and training session at Watermaster's headquarters or at another facility provided by Watermaster.
- (f)** All necessary bidder usernames and passwords, plus reasonable bidder telephone support following training.
- (g)** Comprehensive online auction software necessary to run the auction
- (h)** Consultant will provide software customization necessary for the auction to fit Watermaster's specific needs.
- (i)** Software will be provided by us using Consultant's secure servers, resulting in no IT burden to Watermaster.
- (j)** Consultant staff will be both onsite and participating by telephone to run the auction software and answer questions during the auction.
- (k)** Post-auction report for CBWM (and at its discretion, also bidders). Report to contain all price increments, bidding activity and clearing prices.

Exhibit B

Performance Bonus

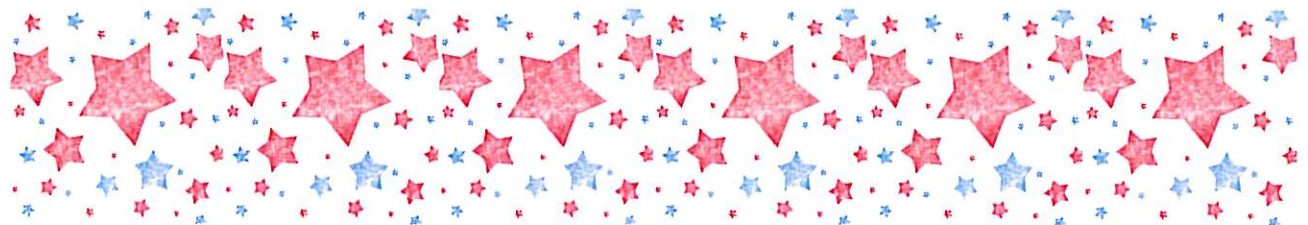
Sale Price	Incremental Benefit to CBWM ⁽¹⁾	Performance % to FTI	Performance Fee to FTI ⁽¹⁾
Reserve price ("RP") to RP/Acre Foot ("AF")+ \$24AF	0-\$864,000	1% Tier 1 "T1"	\$360-\$8,640 (T1)
RP+\$25AF to RP+\$49AF	\$900,000-\$1,764,000	5% Tier 2 "T2"	\$8,640 (T1)+ \$1,800-\$43,200
RP+\$50AF to RP+\$199AF	\$1,800,000-\$7,164,000	10% Tier 3 "T3"	\$8,640 (T1) + \$43,200 (T2) + \$3,600-\$536,400
RP+\$200AF to \$249AF	\$7,200,000-\$8,964,000	15% Tier 4 "T4"	\$8,640 (T1) + \$43,200 (T2) + \$536,400 (T3) + \$5,400-\$264,600
RP +\$250AF to \$299AF	\$9,000,000-\$10,764,000	20% Tier 5 "T5"	\$8,640 (T1) + \$43,200 (T2) + \$536,400 (T3) + \$264,600 (T4) + \$7,200-\$352,800
RP +\$300AF to \$349AF	\$10,800,000 - \$12,564,000	25% Tier 6 "T6"	\$8,640 (T1) + \$43,200 (T2) + \$536,400 (T3) + \$264,600 (T4) + \$352,800 (T5) + \$9,000-\$441,000
RP +\$350AF and above	\$12,600,000	30% Tier 7 "T7"	\$8,640 (T1) + \$43,200 (T2) + \$536,400 (T3) + \$264,600 (T4) + \$352,800 (T5) + \$441,000 (T6) + \$10,800-



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

B. BUDGET TRANSFER





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: July 9, 2009
July 20, 2009
July 23, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Budget Transfer T-09-07-01

SUMMARY: Budget transfer OBMP-Condition Subsequent No. 7, Hydraulic Control Monitoring Program, Water Quality Committee, and Storage Program to OBMP-Data and CEO Requests, OBMP-SOB Report, Groundwater Quality Monitoring Program, Recharge Master Plan.

BACKGROUND

Watermaster, working with Wildermuth Environmental, Inc. (WEI), prepared a planning level cost estimate in March 2008 for engineering work that was to be performed in Fiscal Year 2008/09. This cost estimate was incorporated into the Watermaster budget after a series of reviews and revisions by Watermaster and WEI staff. The budget workshop was held on April 29, 2008 and was ultimately approved by the Watermaster Board on May 22, 2008. The budget for FY 2008/09 spawned 16 task orders (TOs) of engineering services provided by WEI to Watermaster. Watermaster staff reviewed and approved the task orders.

DISCUSSION

At the end of each quarter, Watermaster staff convenes a meeting with its consultant, WEI, to review the status of the technical work accomplished to date, milestones achieved, and performance as to schedule and budget. Watermaster also reviews the task orders to determine if there was previously unanticipated work that Watermaster requested WEI to do or may ask WEI to do in upcoming quarters. Likewise, Watermaster and WEI determine if there are tasks within each task order that may not be performed or may not require the anticipated level of effort.

The following Task Orders had and/or are projected to have less activity than was initially estimated:

- **TO5 – Condition Subsequent No. 7.** The level of effort for fulfilling Condition Subsequent No. 7 was not as great as anticipated last spring when the budget was finalized. The Task Order was completed in January 2009.
- **TO11 – Hydraulic Control Monitoring Program.** The level of effort for performing the HCMP was not as great as anticipated last spring when the budget was finalized. The reductions in cost are primarily reduced laboratory costs from what was estimated, and improved efficiencies in the field program and the report preparation.
- **TO13 – Engineering Support for Desalters.** The level of effort for providing engineering support for the desalters was not as great as projected last spring when the budget was finalized. It was anticipated that we would be participating in meetings with the CDA and other parties every other week throughout the year. The project was delayed because of delays in state funding.
- **TO16 – Water Quality Committee.** Watermaster anticipated more interaction with the potentially responsible parties (PRPs) for the Ontario International Airport volatile organic chemical (VOC) plume and the PRP for the Chino Airport plume. Watermaster also budgeted for four Water Quality Committee meetings – these meetings have not occurred,
- **TO17 – Storage Program.** A portion of this task order was to provide engineering support and modeling projects for proposed storage agreements with the San Diego County Water Authority. These agreements and the associated engineering work will not occur in FY 2008/09.

Four other Task Orders have engineering tasks that are out-of-scope, changed conditions, or were not budgeted correctly in the spring of 2008.

- **TO3 – Miscellaneous Data and CEO Requests.** WEI assisted Watermaster and other parties in two Court Hearings – February 2, 2009 and April 27, 2009. The preparation for and testimony at these hearings was not anticipated when the budget was developed. Peace II CEQA-related tasks associated with pumping optimization that were not anticipated when the budget was finalized in Spring 2008.
- **TO4 – State of the Basin Report.** WEI is requesting an increase of \$40,000 to complete the report. The hydrology section of the report will now include pumping in the Temescal Basin, in attempting to determine how groundwater pumping in that basin may affect baseflow in the Santa Ana River.
- **TO8 – Groundwater Quality Monitoring Program.** WEI is requesting an increase of \$15,000 to complete the field program. Unanticipated issues with CBDC: resolved gaps in the historical record by pulling data from the State of California database. Also researched, QA/QC'd and entered water quality data associated with the chromic acid discharge and hexavalent chromium issue in groundwater in the dairy area.
- **TO12 – Recharge Master Plan.** A necessary component of the Recharge Master Plan is a production optimization study. This production optimization effort was not included in the original scope of the recharge master plan. This study is required to demonstrate that the increased production by appropriators projected to occur by 2020 – and thereafter – is sustainable and to determine how best to replenish overproduction given the new projected production.

RECOMMENDATIONS

Approve attached budget transfer request T-09-07-01.



**CHINO BASIN WATERMASTER
BUDGET TRANSFERS**

Fiscal Year 2008-2009

T-09-07-01

To: **All Parties**

From: Sheri Rojo Date: 7/2/2009

Describe reason for the transfer between budget categories here: To transfer funds to cover anticipated cost overages in accounts referenced below.

Budgetary account reduction

<i>Line Item Description</i>	<i>Account Number</i>	<i>Current Budget</i>	<i>Amount</i>
OBMP - Condition Subsequent No. 7	6906	\$ 74,810	\$ (25,000)
Hydraulic Control Monitoring Program	7108	\$ 667,630	\$ (190,000)
Engineering Support for Desalters	7303	\$ 85,512	\$ (30,000)
Water Quality Committee	7502	\$ 75,000	\$ (5,000)
Storage Program	7602	\$ 52,468	\$ (50,000)

Budgetary account addition

OBMP - Miscellaneous Data and CEO Reports	6906	\$ 200,705	\$ 115,000
OBMP - SOB Report	6906	\$ 100,092	\$ 40,000
Groundwater Quality Monitoring Program	7103.3	\$ 138,124	\$ 15,000
Recharge Master Plan	7202	\$ 443,447	\$ 130,000
			\$ -

Should be zero

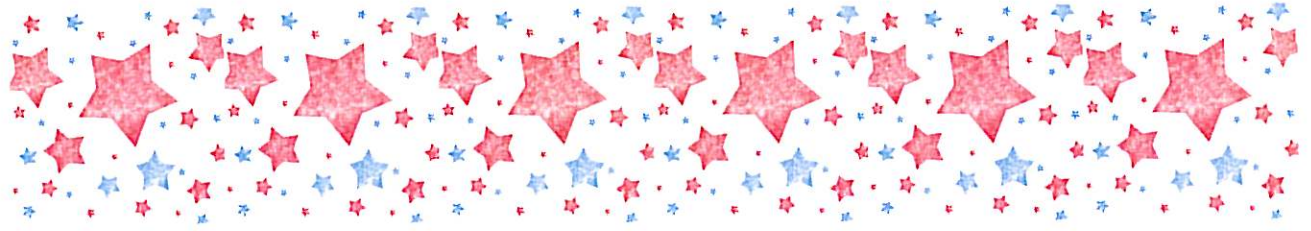
Transfer Procedure

- Staff brings the transfer request to the Appropriate Pool for information purposes if the transfer is under \$25,000. Transfers over \$25,000 within the same budget category require Pools, Advisory Committee and Board approval. Transfers between budget categories, regardless of amount must be approved by the Pools, Advisory Committee and Board.
- Once the form has been completed by the CFO, and approved by the board if required, the Chief Financial Officer will prepare and process the budget transfer in the accounting system.
- A log will be maintained by the CFO detailing the transfer.
- A fiscal year file will also be kept to hold all budget amendment forms for auditor review.

Finance Use Only

Date Board Approved _____
 Date Posted _____
 Posted By _____
 Approved by _____
 Date approved _____

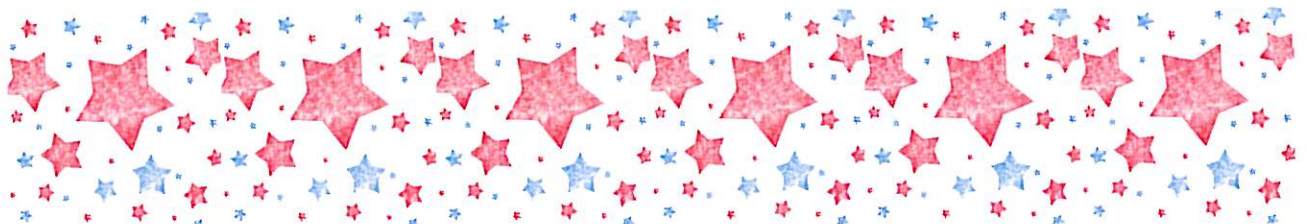
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CHINO BASIN WATERMASTER

II. BUSINESS ITEM

C. REVISED FORMS





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: July 9, 2009
July 21, 2009
July 23, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Revised Rules & Regulations Forms for Water Transfers and Land Use Conversions

RECOMMENDATION

Staff recommends:

1. Approval of revised CONSOLIDATED WATER TRANSFER FORMS 3, 4, AND 5: Application for Sale or Transfer of Right to Produce Water from Storage; Application or Amendment to Application to Recapture Water in Storage; and Application to Transfer Annual Production Right or Safe Yield.
2. Approval of revised FORM 11: Notice of Annual Land Use Conversion.
3. Implementation of these forms following approval by the Committees and Board.

BACKGROUND

Forms 1-11 were approved in July 2001. The water transfer forms (Forms 3, 4, and 5) and the land use conversion form (Form 11) are the most commonly used forms. Based on comments made by members of the Appropriative Pool during the last year, these forms are being revised to make them more user-friendly. Draft versions of the forms were presented at the June Advisory Committee meeting, in order to give Appropriative Pool members an opportunity to review the new forms and make suggestions. No suggestions were received; therefore the forms remain the same as presented at the Advisory Committee meeting.

Depending on the type of water transfer, one, two, or three of the original forms needed to be submitted, as well as a cover letter. All three of the forms requested much of the same/repeat information, while not requesting some necessary information. There are generally many re-submittals of the water transfer forms until they are properly completed. The three forms have now been consolidated into one user-

friendly form. All of the required information is now included within the form, therefore a cover letter is no longer necessary. Requirements for application of the 85/15 Rule are now described on the form. Also, water sales price and 85/15 information are now requested at transfer request time, but will not be disclosed until the end of the fiscal year. This eliminates the need for a special request to be sent out at the conclusion of the fiscal year for this information.

The original land use conversion form requested past information, even for those Appropriators with no new conversions or reversions. In fact, the original form did not address reversions at all. The newly revised land use conversion form is more user-friendly by only requesting current fiscal year activity—old conversion/reversion amounts are not requested. And it now specifically requests reversion information, if any reversions occurred.

FISCAL IMPACT

None.

**WATER TRANSFER INFORMATION NEEDED
FOR THE WATER ACTIVITY REPORTS AND
THE ASSESSMENT PACKAGE**

FISCAL YEAR 20__ - 20__

DATE REQUESTED: _____

AMOUNT REQUESTED: _____ Acre-Feet

SALES PRICE: \$ _____ / Acre-Foot

(Needed for Assessment Package)

IF 85/15 RULE APPLIES, 15% GOES TO:

Seller Buyer N/A

TRANSFER FROM (SELLER / TRANSFEROR):

TRANSFER TO (BUYER / TRANSFEREE):

Name of Party

Name of Party

I declare under penalty of perjury that the date, quantity, \$/AF, and party to receive the 15% credit in the Assessment Package entered above is accurate, and if asked to do so, my city/agency/company would provide copies of documentation to validate the transaction.

Seller / Transferor Representative Signature

Buyer / Transferee Representative Signature

Seller / Transferor Representative Name (Printed)

Buyer / Transferee Representative Name (Printed)

**THIS PAGE IS TO BE KEPT CONFIDENTIAL UNTIL
THE FISCAL YEAR IS OVER AND THE
WATER ACTIVITY REPORTS ARE CREATED.**

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**CONSOLIDATED WATER TRANSFER FORMS:
 FORM 3: APPLICATION FOR SALE OR TRANSFER OF RIGHT TO PRODUCE WATER FROM STORAGE
 FORM 4: APPLICATION OR AMENDMENT TO APPLICATION TO RECAPTURE WATER IN STORAGE
 FORM 5: APPLICATION TO TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD**

FISCAL YEAR 20__ - 20__

DATE REQUESTED: _____

AMOUNT REQUESTED: _____ Acre-Feet

TRANSFER FROM (SELLER / TRANSFEROR):	TRANSFER TO (BUYER / TRANSFEREE):
_____ Name of Party	_____ Name of Party
_____ Street Address	_____ Street Address
_____ City State Zip Code	_____ City State Zip Code
_____ Telephone	_____ Telephone
_____ Facsimile	_____ Facsimile

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

PURPOSE OF TRANSFER:

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

WATER IS TO BE TRANSFERRED FROM:

- Annual Production Right (Appropriative Pool) or Operating Safe Yield (Non-Agricultural Pool)
- Storage
- Annual Production Right / Operating Safe Yield first, then any additional from Storage
- Other, explain _____

WATER IS TO BE TRANSFERRED TO:

- Annual Production Right / Operating Safe Yield (common)
- Storage (rare)
- Other, explain _____

IS THE 85/15 RULE EXPECTED TO APPLY? (If yes, all answers below must be "yes.") Yes No
Is the Buyer an 85/15 Party? Yes No
Is the purpose of the transfer to meet a current demand over and above production right? Yes No
Is the water being placed into the Buyer's Annual Account? Yes No

IF WATER IS TO BE TRANSFERRED FROM STORAGE:

Projected Rate of Recapture _____ Projected Duration of Recapture _____

METHOD OF RECAPTURE (e.g. pumping, exchange, etc.):

PLACE OF USE OF WATER TO BE RECAPTURED:

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

WATER QUALITY AND WATER LEVELS

Are the Parties aware of any water quality issues that exist in the area? Yes No

If yes, please explain:

What are the existing water levels in the areas that are likely to be affected?

MATERIAL PHYSICAL INJURY

Are any of the recapture wells located within Management Zone 1? Yes No

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

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?

SAID TRANSFER SHALL BE CONDITIONED UPON:

- (1) Transferee shall exercise said right on behalf of Transferor under the terms of the Judgment, the Peace Agreement, the Peace II Agreement, and the Management Zone 1 Subsidence Management Plan 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.

ADDITIONAL INFORMATION ATTACHED

Yes No

Seller / Transferor Representative Signature

Buyer / Transferee Representative Signature

Seller / Transferor Representative Name (Printed)

Buyer / Transferee Representative Name (Printed)

TO BE COMPLETED BY WATERMASTER STAFF:

DATE OF WATERMASTER NOTICE: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____

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**NOTICE
OF
ANNUAL LAND USE CONVERSION**

FISCAL YEAR 20__ - 20__

Name of Party			
Street Address			Telephone
City	State	Zip Code	Facsimile

Are there new conversions this fiscal year? Yes No

If yes, how many clusters of parcels? (Attach Land Use Conversion Addendum for each.) _____

Are there new reversions this fiscal year? Yes No

If yes, provide and attach the following information for each new reversion:

- | | | |
|--------------------|------------------|------------------------------------|
| • Number of Acres | • Street Address | • Fiscal Year Originally Converted |
| • Parcel Number(s) | • City | • Reason for Reversion |

Check the appropriate box below to certify that:

- There are no new conversions or reversions. The land use conversion values used in the previous year's Assessment Package are correct and are to be used again this fiscal year.
- There are new conversions and/or reversions, and they are summarized below (if none, enter zero):

NEW Conversions: _____ Acres inside Conversion Area 1
 _____ Acres outside Conversion Area 1
 (as allowed in the 1995 Land Use Conversion Judgment Amendment)

NEW Reversions: _____ Acres inside Conversion Area 1
 _____ Acres outside Conversion Area 1
 (as allowed in the 1995 Land Use Conversion Judgment Amendment)

ADDITIONAL INFORMATION ATTACHED: Yes No

Signature Date

Name (Printed)

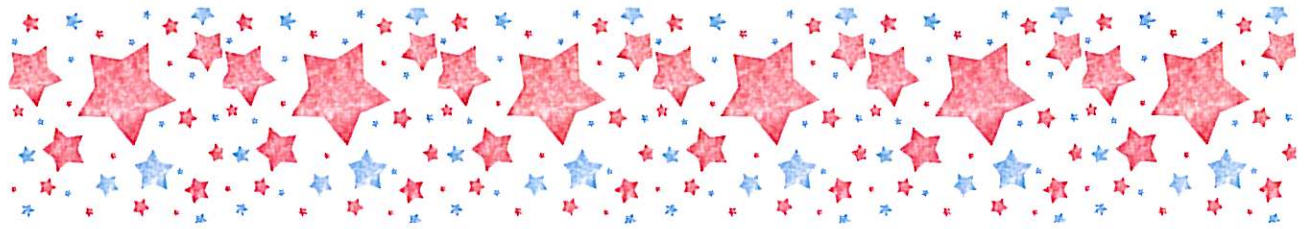
TO BE COMPLETED BY WATERMASTER STAFF:

DATE FINALIZED: _____

FINALIZED BY STAFF PERSON: _____

NEW CONVERSIONS APPROVED: _____ Acres inside Conversion Area 1
_____ Acres outside Conversion Area 1
(as allowed in 1995 Land Use Conversion Judgment Amendment)

NEW REVERSIONS APPROVED: _____ Acres inside Conversion Area 1
_____ Acres outside Conversion Area 1
(as allowed in 1995 Land Use Conversion Judgment Amendment)

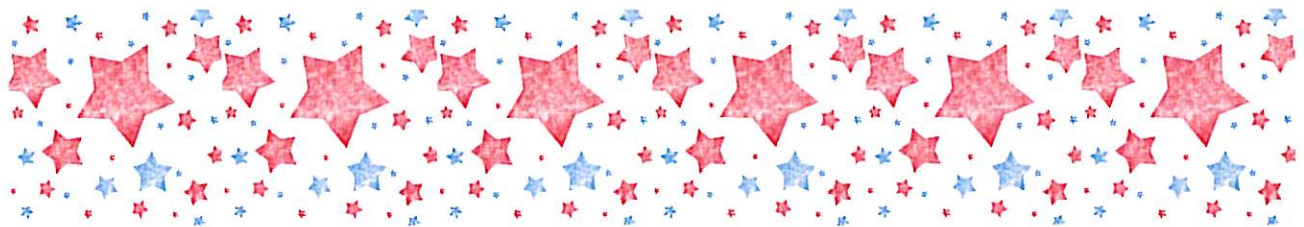


CHINO BASIN WATERMASTER

III. REPORTS / UPDATES

E. INLAND EMPIRE UTILITIES AGENCY

2. Recycled Water Status Report
3. Peace II CEQA Update
4. Water Conservation Programs Monthly Report
5. Monthly Water Use Report
6. Recycled Water Newsletter
7. State and Federal Legislative Reports
8. Community Outreach/Public Relations Report



CHINO BASIN WATERMASTER

ADVISORY COMMITTEE

July 23, 2009

AGENDA

INTERAGENCY WATER MANAGERS' REPORT

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

Discussion Items:

- IEUA's Drought Plan Update (oral)
- Recycled Water Status Report (oral w/written attachment)
- Peace II CEQA Update (oral w/written attachment)

Written Items:

- Water Conservation Programs Monthly Report
- Monthly Water Use Report
- Recycled Water Newsletter
- State and Federal Legislative Reports
- Community Outreach/Public Relations Report

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**INLAND EMPIRE UTILITIES AGENCY
RECYCLED WATER PROGRAM UPDATE**

Recycled Water Connected Demand: At the end of fiscal year 2008-09, IEUA had connected a demand of 27,034 AFY recycled water. In June, the member agencies connected over 187.5 AFY. We anticipate on connecting another potentially 11,640 AFY within the next 30 to 90 days, increasing the total connected demand to over 38,000 AFY, expected to surpass the fiscal year goals of 36,000 AFY for FY 09/10. Following are some of the upcoming priority customers.

Name	City	Demand (AFY)	Estimated Completion Date
Vellano Golf Course	Chino Hills	1,000	August 2009
Cal Poly, CIM – North Connection	Chino	2,000	September 2009
Lee Farm on Schaefer Ave	Ontario	2,000	August 2009
Lee Farm on Whispering Lakes Lane	Ontario	2,000	July 2009
Lee Farm on Edison Ave at vineyard Ave	Ontario	2,000	October 2009
Lee Farm on Chino Ave at County Rd	Ontario	2,000	October 2009
Kellogg on Schaefer Ave	Ontario	200	August 2009
Bellevue Cemetery	Ontario	220	August 2009
Guasti Park	Ontario	220	August 2009
Total Demand		11,640	

Northeast Area Project Updates: The award of the bids for the 1299 E Reservoir Conversion & 1630 E Pump Station, the 1299 E Pipeline, and the 1630 E Pipeline Segment A were contingently approved at the June 17, 2009 IEUA Board meeting. The construction projects are anticipated to start in August 2009. The bids for the Monitoring Wells and Lysimeter projects are expected to be received on July 28th and July 30th, with an anticipated construction start date of October 2009. The projects, with an anticipated connected demand of 10,000 AFY, serving San Sevaine and Victoria Basins, are expected to complete construction in Summer 2010.

Southern Area: The Southern Area Recycled Water Project will primarily build the Regional Recycled Water distribution system in the Cities of Chino and Chino Hills. The project also includes a regional storage system. The draft preliminary design report for the project has been completed, and is currently awaiting the City of Chino Hills's consensus on the preferred alignment. The anticipated design completion date is Summer 2010.

Northwest Area: The Northwest Area Recycled Water Project will primarily build the Regional Recycled Water distribution system in the City of Upland and the western service areas of the CVWD. The project also includes a regional storage system. A draft Preliminary Design Report has been submitted and circulated, for review and comments. Currently IEUA is evaluating alignments for the Northwest Area Recycled Water System. The anticipated design completion date is Summer 2010.

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DRAFT PEACE II CEQA Schedule

Version Date – (6/22/09)

(Dates meant to be approximate)

1/1/08—TDA will finish draft Project Description for review. It will describe the project and the major issues. WEI, IEUA and CBWM are expected to provide key input. (COMPLETE)

1/15/09—TDA will provide WEI with a list of supporting exhibits needed (tables, graphs, charts, etc.) (COMPLETE)

2/20/09—TDA will release draft Initial Study and Notice of Preparation. (COMPLETE)

3/11/09—IEUA/CBWM will hold a Scoping Meeting so other agencies (water mgt agencies and regulatory agencies) will identify their concerns. (COMPLETE)

7/17/09—WEI will perform any necessary modeling, such as overlaying the Peace II and DYY models and looking at water level impacts, and prepare a Report.

8/15/09—SEIR Document released for public for review for 45 days.

9/30/09—End of 45-day public review period.

10/9/09—TDA finishes responses to comments.

Fall 2009—IEUA Board adoption.

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Water Resources and Conservation Programs

Monthly Report

JUNE 2009 (REPORTING MAY 2009 DATA)

Highlights

California Water Supply News... Page 1

MWD Water Supply News... Page 1

IEUA Water Supply Programs... Page 2

MWD Conservation Program News... Page 3

Conservation Activities & Outreach... Page 4

Conservation Legislation, Grants & Policies... Page 6

Rebates Issued and Water Savings ... Page 7

Calendar of Events .. Page 9

Links

Department of Water Resources...
<http://www.water.ca.gov/>

Metropolitan Water District <http://mwdh2o.com/>

Water conservation ...
<http://www.bewaterwise.com>

IEUA...
<http://www.ieua.org>

Save Our Water Program...
www.saveourh2o.org

California Water Supply News



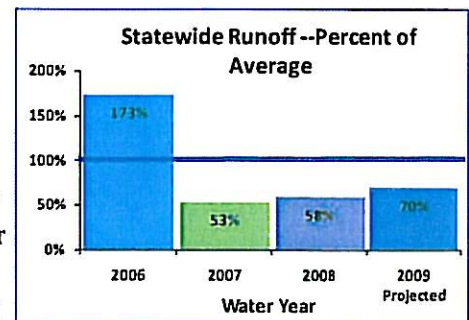
The Department of Water Resources (DWR) has scheduled three public workshops to provide information on the AB 1420 compliance process to urban water suppliers who may request loans or grant funds. IEUA hosted one of the workshops on June 22, 2009.

On June 4th, the National Marine Fisheries Service issued a new biological opinion under the Endangered Species Act that could reduce Delta exports by an additional 300,000 to 500,000 acre-feet. This represents a drop of 5-10% from water deliveries that are already drastically limited by drought and earlier court rulings related to protecting fish species such as the Delta smelt. DWR responded by reaffirming the need for a comprehensive solution to water and environmental conflicts in the Delta.

IEUA submitted comments to DWR on the Public Review Draft of the California Water Plan Update 2009 by the June deadline. This is expected to be a comprehensive plan for California water that features new surface and underground water storage, improved water delivery systems, and stresses water use efficiency, water recycling, storm water management and other strategies.

MWD Water Supply News

Since August 2007, IEUA retail agencies have received in excess of **\$3,000,000** under MWD's Phase I-Public Sector Rebate Program for facility audits, high-efficiency devices and recycled water landscape conversions. Phase I included 20 MWD member agencies, with IEUA and its retail members receiving the largest funding portion (20% of the \$15 million program).



The current trend water demand estimate for 2009 is 2.1 million acre feet (MAF) with the region operating under a Level 2 Water Supply Allocation Plan. With currently projected supplies on the State Water Project and Colorado River Aqueduct of 2.0 MAF, there is a resulting supply need of approximately 154 TAF. This need will be met through withdrawal of water from Water Surplus and Drought Management Plan storage supplies.

MWD staff reported to their Board on the goals and progress of the Five-Year Supply Plan. These options could yield approx. 429 TAF or more of additional supply if successfully implemented. The resource options focus on six initiatives: extraordinary conservation, Colorado River transactions, near-term Delta actions, State Water Project transactions, groundwater recovery, and local resources.

IEUA Water Supply Programs



Imported Water Deliveries

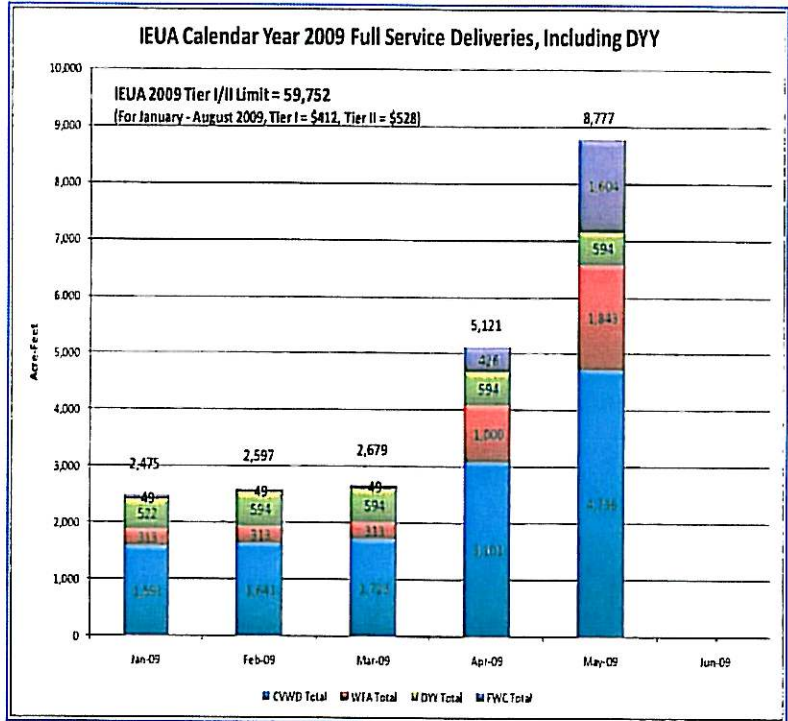
For the month of May, IEUA purchased 3,611.1 acre feet (AF) of Tier I water, increasing the cumulative total for the calendar year to 8,777.5 AF (see graph below).

Dry Year Yield (DYY) Program

IEUA retail agencies have met their DYY Program obligations for the year, ending in April 2009. DYY participants certified they pumped 30,332.5 AF (98% of IEUA's obligation of 31,000 AF) from the groundwater storage account. MWD imported water deliveries were reduced by 30,589 AF (99% of IEUA's obligation of 31,000 AF).

DYY Program Expansion

Chino Basin Watermaster has taken the lead working with IEUA, Western Municipal Water District, and Three Valleys MWD, to develop and complete an agreement for expansion of the DYY Program. One of the terms from the LRP Agreement, between the Chino Desalter Authority and MWD (funding from MWD is \$250/AF), stipulates that a DYY Expansion agreement must be complete by September 2009. The DYY Program parties are discussing a possible extension of this deadline.

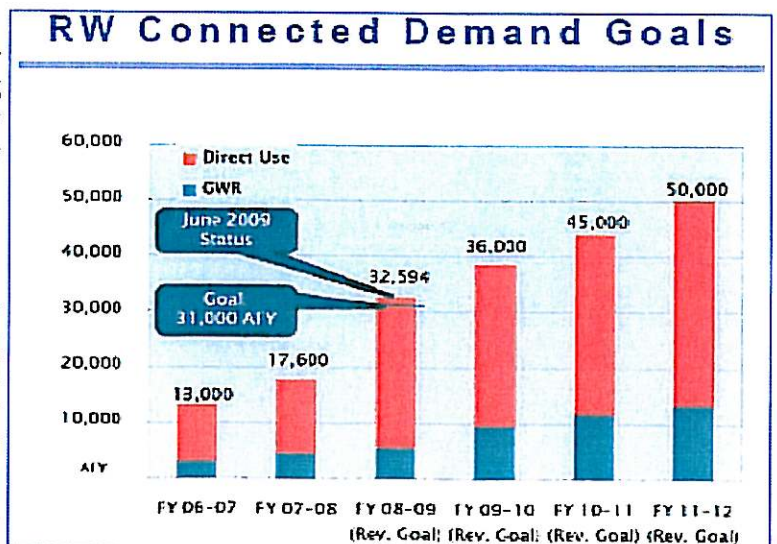


Recycled Water Program

IEUA has achieved a recycled water milestone!!! IEUA had a goal of reaching 31,000 AFY of connected direct reuse by the end of FY 2008/09, and as of May 2009, has connected 32,594 AF!

Chino Desalter Authority (CDA)

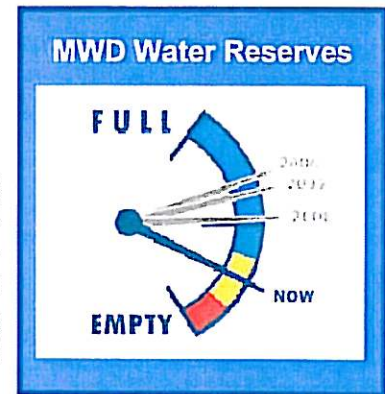
This fiscal year, the two desalters have produced 23,847.8 AF of water (of which 13,726 AF was delivered to IEUA retail agencies). The current production capacity is 24,600 AFY, and it is scheduled to be expanded to approximately 40,000 AFY by 2012, with the implementation of CDA Phase III.



MWD Conservation Program News

MWD Conservation Budget

On May 19, 2009, MWD staff convened a special Program Advisory Meeting with member agencies to review the existing conservation budget and program issues. The identified backlog for all programs totals approximately \$24 million. Based on member agency recommendations, MWD staff prepared and presented a board letter on June 9, 2009 recommending the payment of all backlogged applications using funding from the FY 08-09 MWD Water Transfers fund.

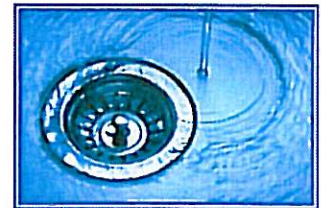


The MWD Board requested the MWD staff auditor to perform an audit on the entire backlog to verify the total amount of funding needed and present the findings at the July 14, 2009 Board Meeting. *All programs are on hold until the Board takes action on July 14, 2009.*

MWD Conservation Programs

Based on the MWD FY 2009-10 budget of \$19.1 million and recommendations from the Program Advisory Meeting, MWD staff has prepared a board letter recommending the following actions:

- MWD to pay all backlogged customer applications through June 10, 2009 (\$24 million-FY 2009-10 Water Transfers fund)
- Resume the So-Cal Water Smart Program effective July 1, 2009 with reduced incentives (\$6 million for FY 2009-10)
- Suspend the CII Save-A-Buck Program for three to six months pending new vendor selection (\$4.6 million-FY 2009-10)
- MWD to release \$4.5 million for payment of Phase II Public Sector Program applications and defer \$5 million allocated in the FY 2009-10 budget to FY 2010-2011 (FY 2009-10—\$0 funds)
- Member Agency implemented programs (FY 2009-10—\$5.5 million)
- MWD Water Savings Performance Program (FY 2009-10—\$500,000)
- MWD Enhanced Conservation Program (FY 2009-10—\$500,000)
- Agriculture Conservation Program (FY 2009-10—\$2 million)



MWD Program Incentive Changes

MWD Staff is recommending to their Board on July 14, 2009, the following device incentive caps and program changes. All incentives will be limited to a maximum of 50% of the retail device cost.

- Urinals: limit incentives to < 0.25 gpf fixtures-reduces incentive from \$400 to \$200 per unit and \$60 for new construction.
- Commercial Sprinkler Heads: reduce from \$13 to \$7 per set
- High Efficiency Toilets: reduce from \$100 to \$50 per toilet, unless member agency grant relies on MWD incentive.
- High Efficiency Washers: reduce from \$100 to \$50 per unit, unless member agency grant relies on MWD incentive.
- Synthetic turf: requires a minimum \$0.30 local agency match share and limits rebates to 1/2 acre of turf replacement.
- Rotating Nozzles for pop-up spray heads: incentive remains \$4, but must be purchased with a pressure regulating head
- Enhanced Conservation Program Awards: reduces annual awards from \$2 million to \$1 million to reflect actual program awards in recent years.

Conservation Activities and Outreach



California Friendly Landscape Training Classes

Member agencies were notified by MWD that eight classes per member agency would be available in FY 2009-10. Forms were distributed to IEUA member agencies and returned for submission to MWD. Cucamonga Valley Water District and Monte Vista Water District will host two classes, one in the Fall and Spring, Upland and San Antonio will co-host two, and Ontario and Chino Hills will host one.

Inland Empire Landscape Alliance

A letter requesting the DWR's endorsement of the equivalency of the IELA's Regional Model Chino Basin Water Efficient Landscape Ordinance was sent to the DWR. No response has been received to date. A Pervious Concrete Conference, which kicked off the application process for a pilot pervious concrete rebate, took place on June 25th. The next Landscape Alliance Board meeting is scheduled for June 15th, from 3:00-4:00 p.m. in IEUA's Board Room.

Landscape Evaluation and Audit Program

In Phase III, Chino Basin Water Conservation District has completed 165 landscape audits with a potential savings of 903 AFY. This is in addition to 1,200 AFY in Phase II. There are currently three sites scheduled for auditing, 3 sites awaiting scheduling, and 150 release forms pending processing.

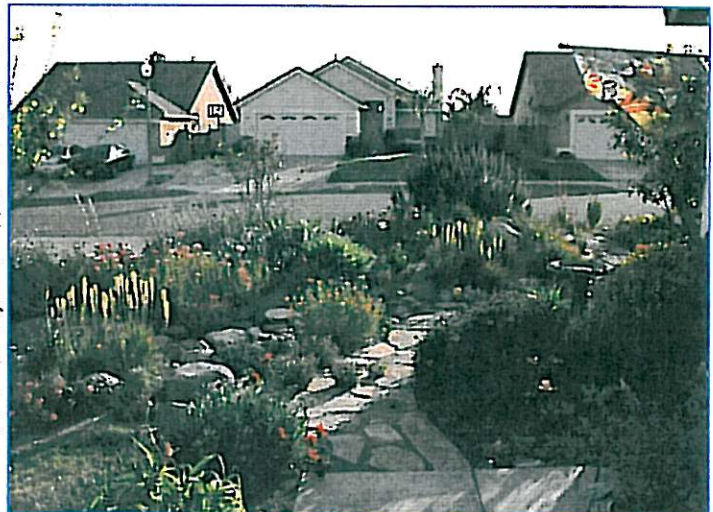


Water Wise Residential Landscape Program

A total of 123 conversions have been completed, with the cumulative area of landscape retrofitted since program inception being 154,268 sq. ft. This represents an annual water savings of 21.6 AFY. The initiation of this pilot program was completed on December 31, 2008. Approximately 17 landscapes are still in the process of being converted by the end date of June 30, 2009 when the program will be fully complete.

Residential Landscape Contest

IEUA residents were invited to participate in a regional landscape contest which included Western Municipal Water District, Eastern Municipal Water District, and IEUA's service areas. Out of the 97 applicants, 31 came from IEUA's service area. Judges selected the first, second and third place winners based on plant palettes, creativity and originality of design, and water efficiency. 1st place received \$1,000, 2nd place \$750 and 3rd place \$500. One of IEUA's entries, the McPherson's (Fontana residents), received 3rd place for their landscape (pictured) and was recognized at an award ceremony held on June 10th.



Garden in Every School®

FY 2008/09 gardens are still under construction and dedication ceremonies will be held in the fall when schools are back in session. Ontario Center School will complete their garden installation during summer school. Planting at Anna Borba (Chino), will occur when school returns from summer break, per the maintenance district's request. Program staff have met with schools who applied to the FY 09/10 program and finalized garden locations. Schools participating in the FY 09/10 program include Cattle Elementary, Chino; Mariposa Elementary, Ontario; Stork Elementary, Rancho Cucamonga; Baldy View Elementary, Upland.



Solar Cup 2009

MWD held their annual Solar Cup competition at Lake Skinner on May 15-17. Sun-powered boats from Savanna High School, Anaheim, and Canyon High School won first-place. Teams are sponsored by MWD and local water agencies, cities and others. In addition to providing students with practical application and textbook lessons in electrical and mechanical engineering, Solar Cup introduces them to California's water supply system and the correlation between conserving water and saving energy. There were a total of 33 schools that participated. IEUA sponsored three schools: Rancho Cucamonga H.S., Upland H.S., and Ayala H.S. Ayala placed 26th, Upland placed 21st and Rancho placed 17th.

National Theatre for Children

The National Theatre for Children (NTC) Program contract is currently in the process of being renewed for the next fiscal year. NTC staff have already prepared scripts for next year's theatre performances and drafted letters for distribution to schools outlining the program. School scheduling will begin in July 2009 after IEUA Board approval of NTC's contract amendment.

Public Outreach Activities

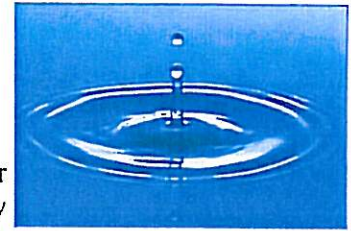
Beginning June 12, 2009 and ending October 15, 2009, MWD's water awareness 30-second TV ad will run in 71 movie theatre screens throughout the service area. A 1/4 page conservation ad will run monthly in the Fontana Herald News, Champion Newspapers, La Opinion Newspaper and the Inland Empire Magazine. We will continue to run our monthly conservation tip in the Daily Bulletin as well as our full page ads.



EPA Water-Efficient Single-Family New Home Specification

The U.S. Environmental Protection Agency (EPA) released a draft specification for water-efficient single-family new homes on May 22, 2008. Based on substantial feedback and significant revisions, EPA released a revised draft specification on May 8, 2009. More information can be found at www.epa.gov/WaterSense/specs.

Conservation Legislation, Grants, and Policies



Update on the MWD IRP Process

Metropolitan's Integrated Resources Plan (IRP) is a comprehensive water plan for the region. The 2009 Update of the IRP is still scheduled to be complete by the end of calendar year 2009. The IRP oversight committee received recommendations from several of the technical workgroups that had completed drafts of their issue papers. The common trend among all the technical workgroup recommendations was to have MWD coordinate regional efforts. This coincided well with the IRP-SIM modeling goal of finding a mix of water resources that is robust enough to cover the uncertainties that our region is currently facing (climate change, drought, Delta issues, etc.). A new issue this year is urban stormwater management and the benefits of low impact development. The stormwater issue paper is expected to highlight the need for better interagency coordination in order to do a much better job of capturing stormwater and using it to augment our local water supplies.

Conservation Legislation

IEUA continues to work directly with stakeholders and the legislature on shaping language for three water conservation bills listed below. Each bill lays out variations and approaches in achieving a 20% reduction in urban per capita water use in California by 2020 (consistent with the Governor's call for 20% by 2020).

- **AB 49 (Feuer/Huffman)** was amended on June 1, 2009; passed as amended out of the Assembly on to the Senate. Read first time on June 4, 2009 in the Senate.
- **SB 261 (Dutton/Ducheny/Hollingsworth)** was last amended on May 28, 2009; passed as amended and unopposed out of the Senate to the Assembly. Read first time on June 1, 2009 in the Assembly.
- **SB 460 (Wolk)** was last amended on April 30, 2009; placed on suspension by Appropriations and held in committee under submission as of May 28, 2009. Authors of SB 460 are working with Authors of SB 261 for possible language integration into SB 261 as SB 261 is on a faster legislative track.

Grant Opportunities

IEUA is awaiting notification of award on two grant proposals submitted to MWD's Enhanced Conservation Program for water budget development and residential water surveys. Notifications are expected to be released at the next MWD water use efficiency meeting on June 18, 2009.

State Water Resources Control Board Recycled Water Policy

On May 14, 2009, the Office of Administrative Law approved the Recycled Water Policy that was adopted by the State Water Resources Control Board on February 3, 2009. Hence, the Recycled Water Policy is now in effect. The Recycled Water Policy can be found on the State Water Resources Control Board website.



State Water Resources Control Board Rules for Landscape Irrigation with Recycled Water

Copies of a revised draft General Waste Discharge Requirements for Landscape Irrigation with Recycled Water have been posted at the State Water Resources Control Board website. Comments received by June 30th, 2009 will be considered at the July 7, 2009 State Water Board Meeting.

Rebates Issued and Water Savings

MWD SoCal WaterSmart & Save-A-Buck Programs

Table I summarizes the rebates provided through May 2009 for the Save-A-Buck Program (CII and Multi-family Residential) and the SoCal WaterSmart Program. Overall, 51,784 devices/rebates were issued under these programs since their inception, for a total annual water savings of 3,469 acre-feet per year.



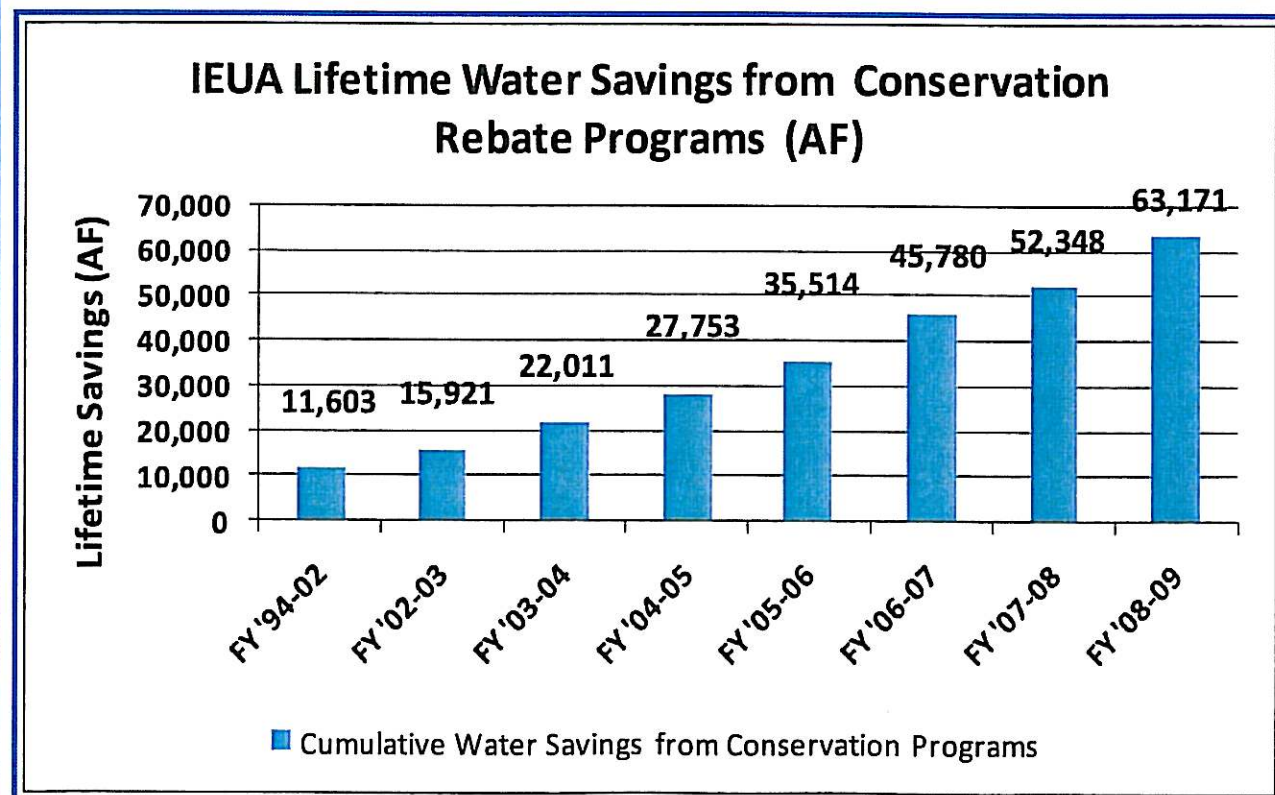
MWD Public Agency Sector Program



Total MWD funding received by public agencies within the IEUA service area has been \$2,612,227 (Table II below). Overall, 906 devices have been funded, representing an annual water savings of 575 acre-feet per year, or a savings of 5,702 acre feet over the lifetime of the devices.

Cumulative Water Savings

The cumulative expected lifetime water savings from the water conservation devices that have been installed in the service area through rebates currently totals 63,171 acre feet. The Lifetime Water Savings graph illustrates the growth trend in water savings due to rebate and retrofit programs. It does not include the savings from public educational and outreach programs, which are difficult to quantify. Additional details on rebates and retrofits are provided in Tables I and II on the next page.



MWD Public/Private and Public Agency Rebate Programs

TABLE I—MWD Public/Private Sector Rebate Programs

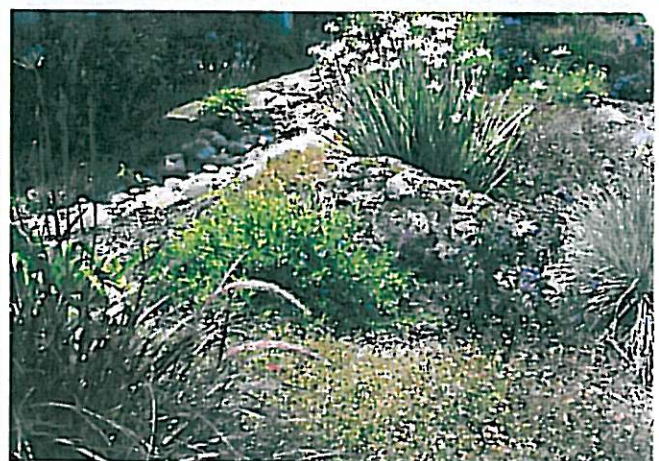
Device Name	Current Fiscal Year through May '09		Since Program Inception	
	# Devices Installed	Equivalent Annual Water Savings (AFY)	Cumulative # Devices Installed	Equivalent Annual Savings (AFY)
Commercial, Industrial, Institutional Program				
High-Efficiency Clothes Washers	9	0.8	466	39.4
Multi-Family High-Efficiency Clothes Washers	10	0.8	11	0.9
Cooling Tower Conductivity & pH Controllers	4	2.6	28	18.0
Ultra-Low-Flush Toilets	1	0.03	1,895	657.6
ULFT Flushometers	0	0	4	0.3
High-Efficiency Toilets	858	36	3,279	139.4
Zero Water Urinals	142	17	1,168	143.1
High-Efficiency Urinals	0	0	8	0.5
Weather-Based Irrigation Controllers	17	11.05	26	16.9
Rotating Nozzles for Pop-Up Spray Heads	86	0.3	183	15.5
Synthetic Turf for CII (rebates)	0	0	5	4.7
High-Efficiency Nozzles for Large Rotary	120	21.6	120	21.6
Dry Vacuum Pumps	0	0	0	0
Steam Sterilizer Retrofits	0	0	0	0
Pre-Rinse Spray Head (PRSH)	31	7.9	33	8.4
Water Broom	5	0.8	701	107.5
X-Ray Recirculation Units	0	0	11	35.2
Subtotal	1283	99.8	7938	1209.0
Multi-Family Direct-Install Program				
Ultra Low-Flush Toilets	0	0	14,283	495.6
High-Efficiency Toilets	1682	71.5	1744	74.1
Subtotal	1682	71.5	16,027	569.7
Residential Program				
Ultra Low-Flush and High Efficiency Toilets	1714	59.5	13,783	478.3
High-Efficiency Clothes Washers	1089	92.1	10,731	907.8
Weather-Based Irrigation Controllers	12	7.8	401	260.7
Rotating Nozzles for Pop-Up Spray Heads	26	0.1	2,620	10.5
Synthetic Turf Retrofit (rebates)	102	12.09	164	12.1
Water-Wise Residential Landscape Retrofit Program (rebates)	100	20.85	120	20.9
Subtotal	3043	192.4	27,819	1690.2
TOTALS	6008	363.7	51784	3468.9

TABLE II---MWD Public Agency Sector Rebate Program (February 2008 - Present)

Customer	Device Quantity	Award	Annual Water Savings (AFY)	Lifetime Water Savings (AF)
City of Ontario	72	\$445,540.02	93.8	956.9
Chino Valley Unified School District (Cities of Chino, Chino Hills, Ontario)	277	\$361,575.36	123.5	1200
Cucamonga School District	10	\$10,547.13	7.7	76.9
Central School District	32	\$31,619.94	11.9	119.3
Etowanda School District	39	\$125,206.38	32.2	321.8
Chaffey Joint Union School District (City of Ontario, CVWD, MVWD)	86	\$222,832.56	45.5	434.3
Monterey Water District	6	\$2,356.46	0.4	8.3
Alta Loma School District	22	\$36,538.62	16.7	166.7
City of Fontana	9	\$94,087.56	18.8	185.2
Upland Unified School District (Cities of Chino, Chino Hills, Ontario)	51	\$84,457.74	23.5	234.6
City of Chino Hills	302	\$897,425.00	199.5	1994.9
TOTALS	966	\$2,612,227	575.4	5,782

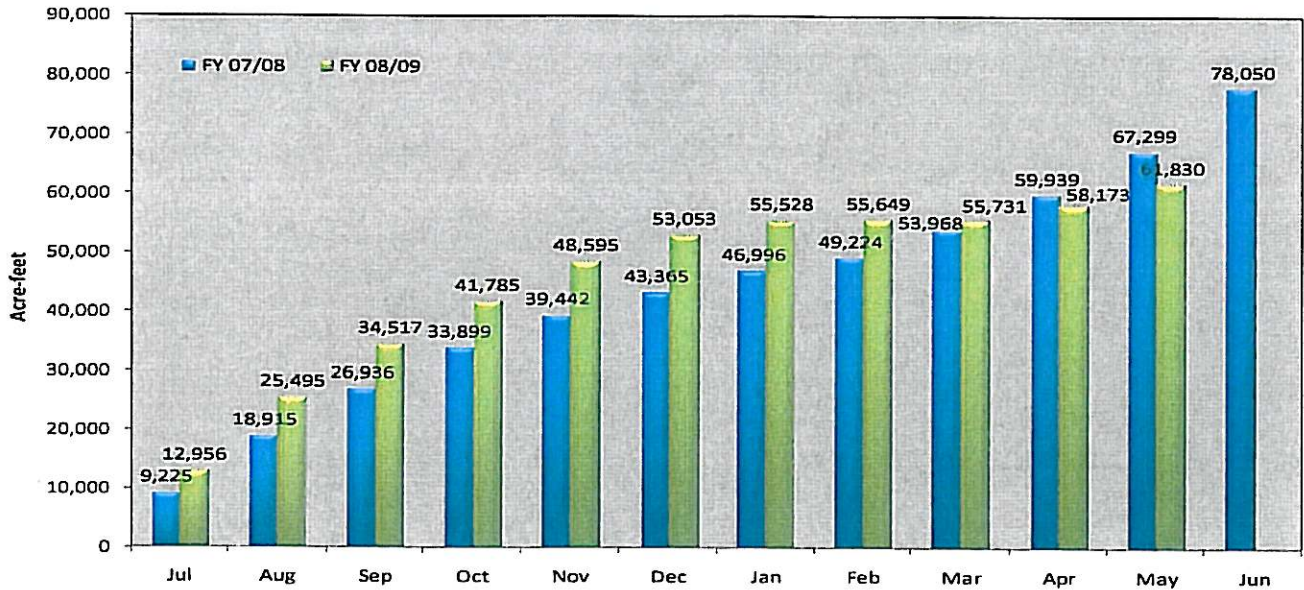
Calendar of Upcoming Events and Meetings

July 1, 2009	IEUA Board Meeting (IEUA Board Room)
July 15, 2009	IEUA Board Meeting (IEUA Board Room)
July 15, 2009	Landscape Alliance Board Meeting (3:00 pm—4:00 pm, Board Room)
July 16, 2009	MWD Monthly WUE Meeting (MWD-LA, 9:30 am – 2:30 pm)
July 18, 2009	Greenlee Nursery Landscape Workshop “Maintain & Sustain” IEUA Event Center (10:00 am to 12:00 pm)
July 22, 2009	Conservation presentation to Chino Kiwanis Club, noon, Chino Community Building (M Davis)
August 1, 2009	Volunteer Work Party, Chino Creek Wetlands and Educational Park, (8:30am – 11:30am)
August 5, 2009	IEUA Board Meeting (IEUA Board Room)
August 19, 2009	IEUA Board Meeting (IEUA Board Room)
August 20, 2009	BIA/San Bernardino County Water Conference, Ontario Convention Center (Time TBD)
August 20, 2009	MWD Monthly WUE Meeting (MWD-LA, 9:30 am – 2:30 pm)
August 27, 2009	MWD Education Coordinator’s Meeting @ MWD (9:00 am - 11:30 am)
October 24, 2009	Regional Water Fair, CBWCD, 9:00 am—2:00 pm
November 18, 2009	Landscape Alliance Board Meeting (3:00pm—4:00 pm, Board Room)

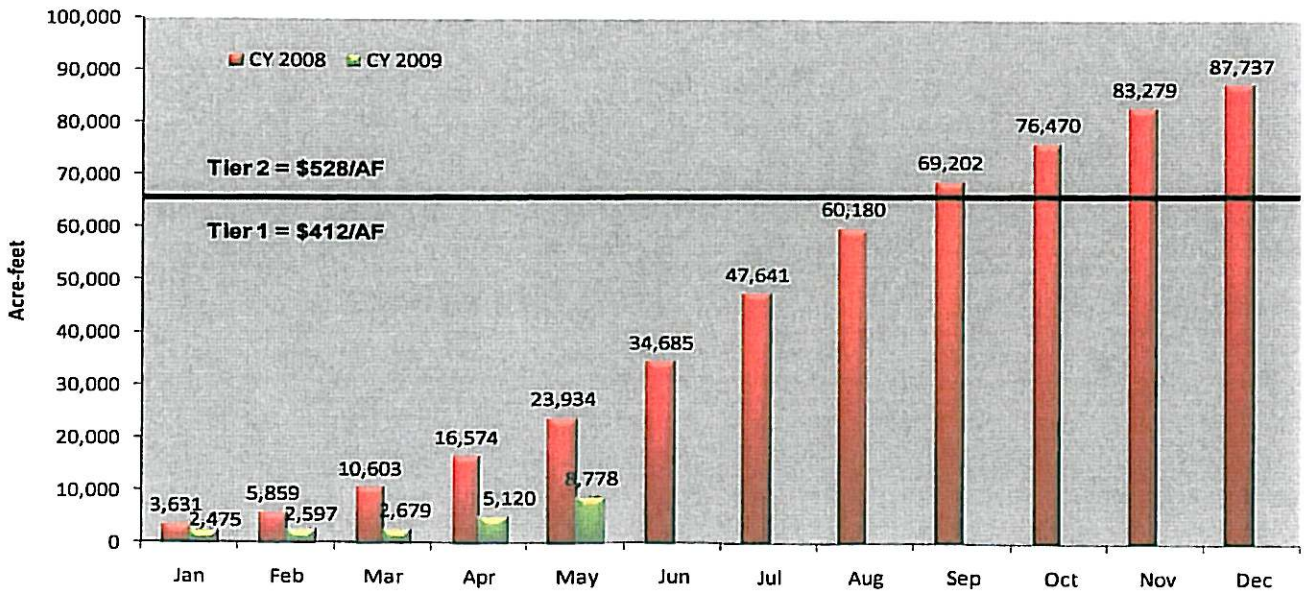


Imported Water Deliveries

IEUA
Cumulative Full Service Imported Water Deliveries & Dry Year Yield
FY 07-08 and FY 08-09

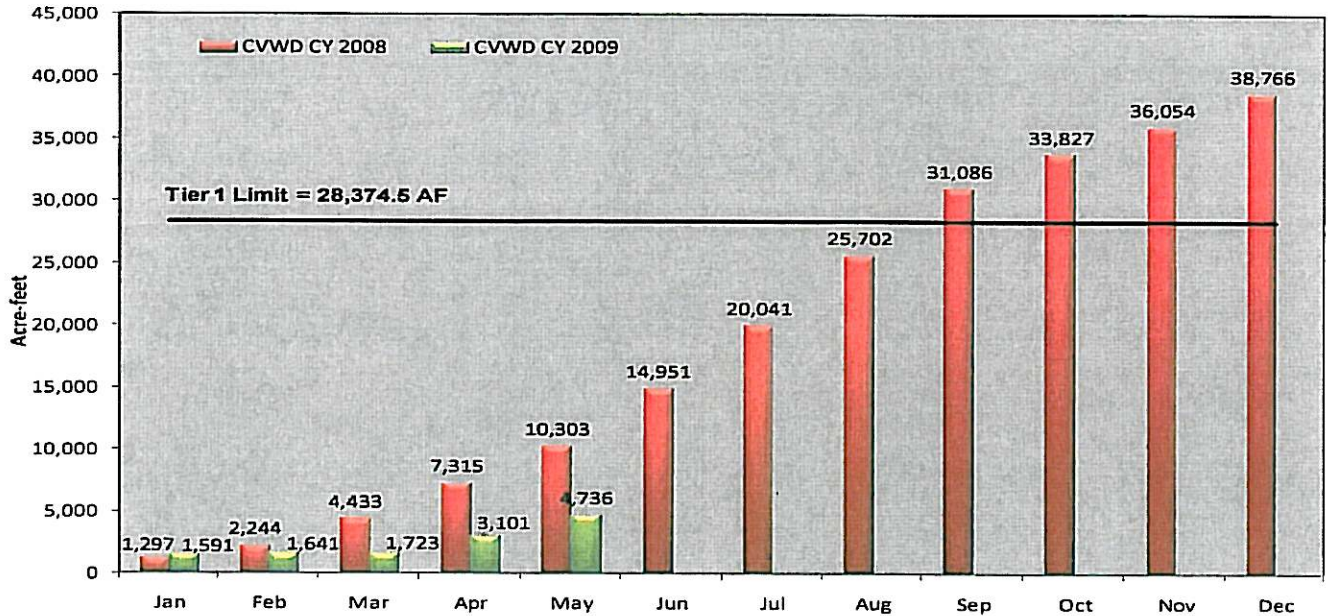


IEUA
Cumulative Full Service Imported Water Deliveries & Dry Year Yield
Calendar Year 2008 and Calendar Year 2009

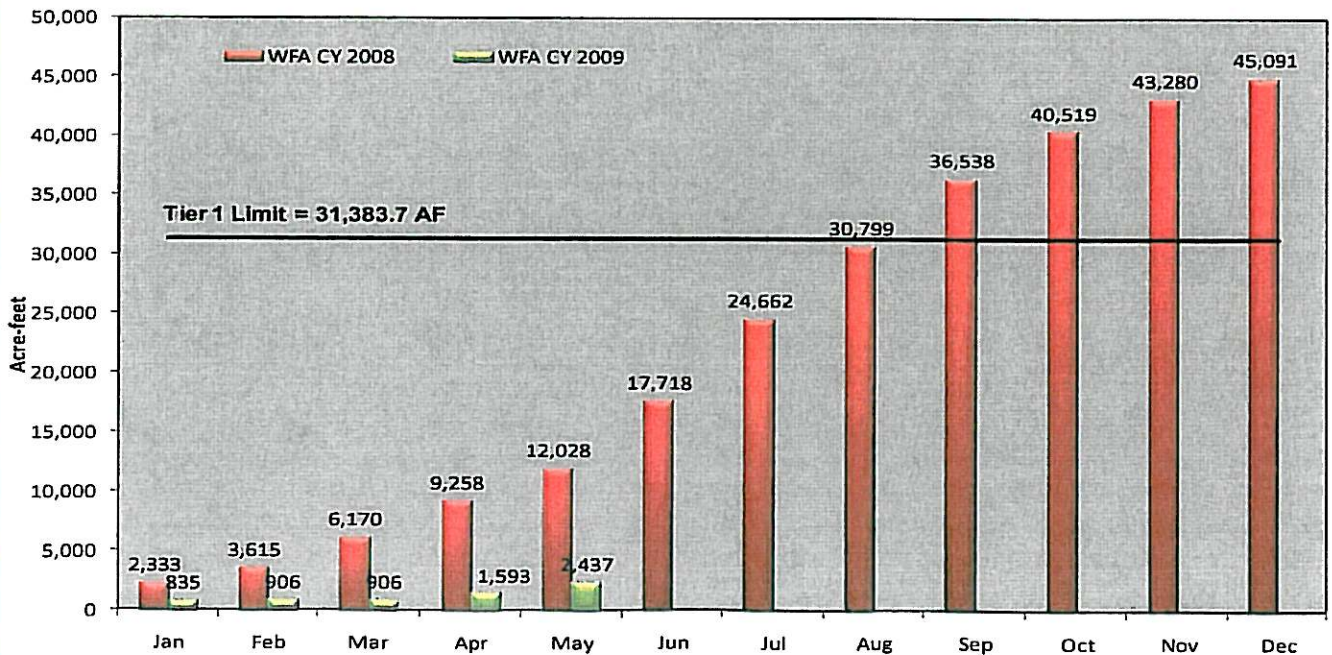


Imported Water Deliveries (Continued)

CUCAMONGA VALLEY WATER DISTRICT
Cumulative Full Service Imported Water Deliveries & Dry Year Yield
Calendar Year 2008 and Calendar Year 2009



WATER FACILITIES AUTHORITY
Cumulative Full Service Imported Water Deliveries & Dry Year Yield
Calendar Year 2008 and Calendar Year 2009



Summary of 2008 & 2009 Imported Water Purchases

2008 Imported Water Sales	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Water Facilities Authority													
Direct Deliveries	2,333	1,282	2,555	3,088	1,332	1,682	2,730	3,450	2,913	2,836	1,444	1,060	26,705
Dry Year Yield					1,438	4,008	4,214	2,686	2,827	1,145	1,317	751	18,386
Sub-Total	2,333	1,282	2,555	3,088	2,770	5,690	6,944	6,136	5,740	3,981	2,761	1,811	45,091
Cucamonga Valley Water District													
Direct Deliveries	1,297	947	2,189	2,883	2,988	3,046	3,074	3,129	2,857	2,741	2,182	1,213	28,546
Dry Year Yield					1,603	2,016	2,532	2,527	0	44	1,499	1,131	11,352
Sub-Total	1,297	947	2,189	2,883	4,591	5,062	5,606	5,656	2,857	2,785	3,681	2,344	39,898
Fontana Water Company													
Direct Deliveries	0	0	0	0	0	15	406	747	426	501	369	303	2,767
Sub-Total	0	0	0	0	0	15	406	747	426	501	369	303	2,767
Inland Empire Utilities Agency													
Direct Deliveries	3,631	2,229	4,744	5,971	4,320	4,743	6,210	7,326	6,196	6,078	3,995	2,576	58,018
Dry Year Yield	0	0	0	0	3,041	6,024	6,746	5,213	2,827	1,189	2,816	1,882	29,737
TOTAL	3,631	2,229	4,744	5,971	7,360	10,767	12,956	12,539	9,023	7,267	6,811	4,458	87,756
2009 Imported Water Sales													
Water Facilities Authority													
Direct Deliveries	312	0	0	687	844								1,843
Dry Year Yield	522	71	0	0	0								594
Sub-Total	834	71	0	687	844	0	0	0	0	0	0	0	2,436
Cucamonga Valley Water District													
Direct Deliveries	1,591	50	82	1,378	1,635								4,736
Dry Year Yield	0	0	0	0	0								0
Sub-Total	1,591	50	82	1,378	1,635	0	0	0	0	0	0	0	4,736
Fontana Water Company													
Direct Deliveries	49	0	0	376	1,179								1,604
Sub-Total	49	0	0	376	1,179	0	0	0	0	0	0	0	1,604
Inland Empire Utilities Agency													
Direct Deliveries	1,952	50	82	2,441	3,658								8,183
Dry Year Yield	522	71	0	0	0								594
TOTAL	2,474	121	82	2,441	3,658	0	0	0	0	0	0	0	8,776

JULY 2009

RECYCLED WATER PROGRAM NEWSLETTER

Highlights:

- 187.5 AFY New Recycled Water Customers Connected.....Page 2
- Funding Development/Stimulus Funding.....Page 3
- Recycled Water Rebates.....Page 4
- Project of The Year Award.....Page 4
- Capital Projects Status/Recycled Water Operations Update.....Page 5

HIGHLIGHT: IEUA will receive \$14 million in funding from the U.S. Bureau of Reclamation Title XVI for the Inland Empire Regional Recycled Water Program. The \$14 million stimulus grant will be used to construct recycled water facilities in the Cities of Fontana, Ontario, Upland and Rancho Cucamonga.

MEMBER AGENCY UPDATE: CITY OF CHINO

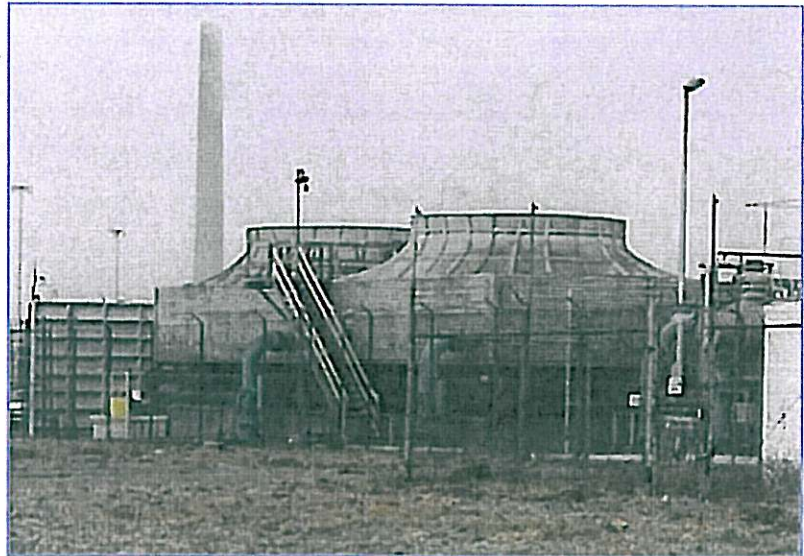


The City of Chino has worked closely with the California Department of Corrections, California Institution for Men and OLS Energy to convert OLS industrial cooling towers to recycled water. Using recycled water will lower OLS operating costs and help the City conserve valuable drinking water supplies.

OLS Energy Facilities is located on approximately 1 acre of land within CIM and uses approximately 209 acre-feet of water per year primarily for its industrial cooling towers. 209 acre-feet of water is approximately 68 million gallons or enough water for approximately 418 households for one year.

OLS Energy is a 30-MegaWatt power plant (a 30MW power plant can produce enough electricity in one year to power 7,665 households) that operates year round producing electricity and steam for use at the California Institution for Men and for sale to the Southern California Edison Company.

The City of Chino, one of the first retailers of recycled water, leads the way in converting existing industrial and irrigation potable water users to recycled water. Chino currently provides over 4,600 acre-feet of recycled water to approximately 170 industrial, irrigation, and farming operations. From golf courses to regional parks, landscape sprinklers to crop irrigation, Chino is one of the Inland Empire leading retailers of recycled water.



UPCOMING EVENTS

- Red Team Meeting (IEUA and Member Agency Implementation).....3:30 PM August 6, 2009 at CVWD
- Professional Landscape Workshop (Remove your lawn Series III).....10am-12pm, July 18, 2009 at IEUA
- Volunteer Work Paty.....8:30am-11:30am, August 1, 2009 at IEUA
- Recycled Water Site Supervisor Training8:00am-12:00pm, September 10th, 2009 at IEUA
- SAWA Bird Festival.....9am-12pm, September 26,2009 at Chino Creek Wetlands & Educational Park

Recycled Water Customers and Usage Data:

Recent Connections:

- 4th St. Landscape (CVWD, 5 AFY)
- Mission Business Center (CVWD, 7 AFY)
- Kingsley Park (MVWD, 9 AFY)
- Saratoga Park (MVWD, 38 AFY)
- Sunrise Park (MVWD, 7 AFY)
- Sunset Park (MVWD, 21 AFY)
- ACCO North Amercia (Ontario, 9 AFY)
- CCC-South (Ontario, 16.5 AFY)
- Fruit Growers (Ontario, 20 AFY)
- Galvin Park (Ontario, 30 AFY)
- Vineyard Park (Ontario, 25 AFY)

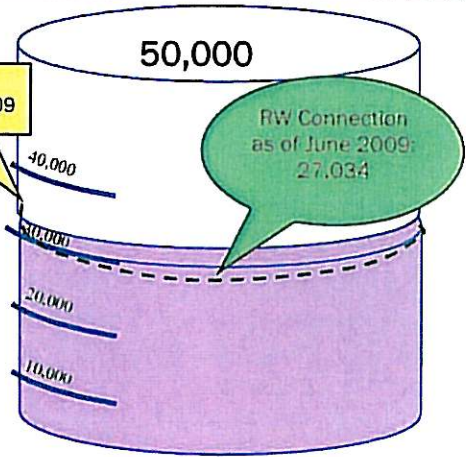
Upcoming Connections:

- Vellano Golf Course (Chino Hills, 1,000 AFY)
- Lee Farm on Schaeffer Ave (Ontario, 2,000 AFY)
- CIM Farm N Connection (Chino, 2,000 AFY)
- Bellevue Cemetery (Ontario, 220 AFY)
- Cintas I (Ontario, 120 AFY)
- Guasti Park (Ontario, 224AFY)

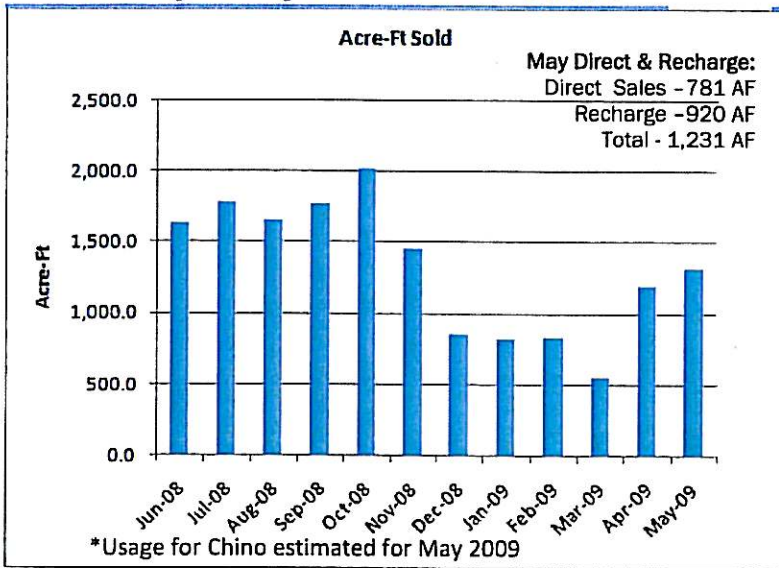
Total New Connections:
187.5

Total Upcoming Connections:
5,564 AFY

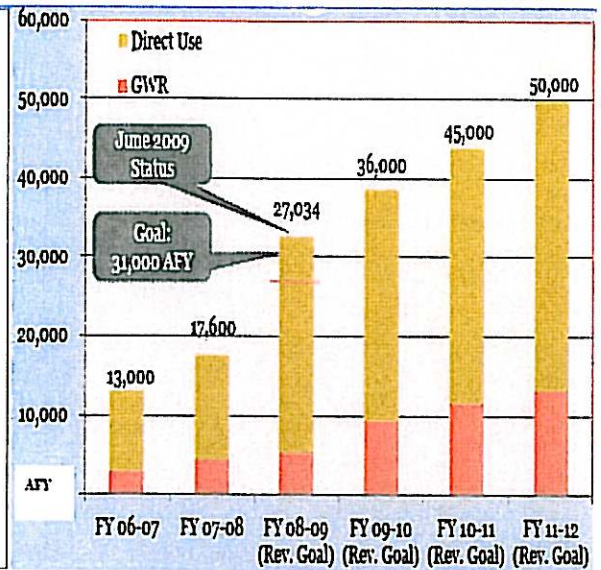
Annual Goal
31,000 AFY by June 09



Monthly Recycled Water Sales



RW Connected Demand Goals



GWR Update: RP-3 Recharge Basin:

RP-3 Basin is located in Fontana at Jurupa and Beech. The former treatment plant site was improved in 2004 and began recharging with stormwater from Decluz Channel in 2005.



The recycled water had been off line due to improvements being done to the San Sevaine Channel by the San Bernardino County Flood Control District CDPH. After receiving approved start-up protocols on May 27, 2009, delivery of recycled water started on June 2nd at a rate of 5 cfs. Recycled water is being delivered via San Sevaine Channel to Jurupa Basin. Pumping from Jurupa Basin to RP-3 Basin duration will be 6 months of 10 AF day (1800 AF).



Program Description & Financial Status

The 3 Year Business Plan

Summary: The Three Year Business Plan, that was adopted in December 2007, is to be updated annually. The update includes changes made to the IEUA FY 2008/09 Budget and the Ten Year Capital Improvement Plan (TYCIP). The goal is to connect 50,000 AFY by FY 2011/12.

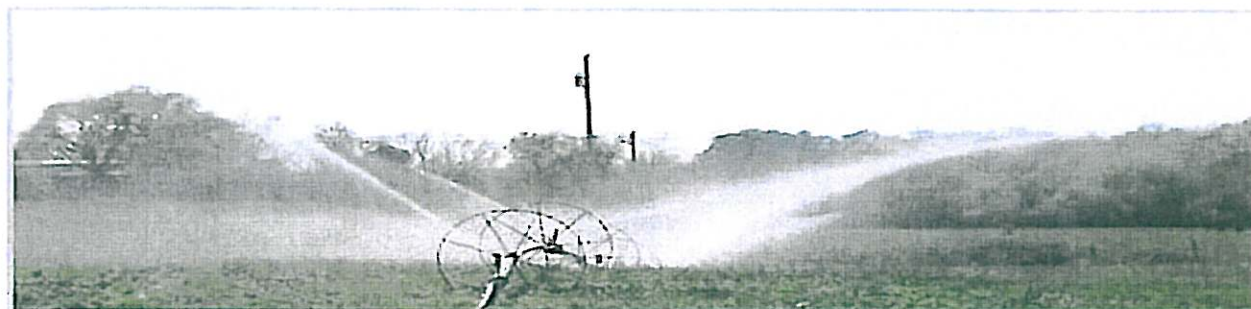
Discussion: The schedule of some Capital Projects has been delayed primarily due to the State/Federal grant (and SRF loan) approvals.

Annual Recycled Water Connection Goals

Year		Connected Demand (AFY)
1	2007/08	17,600
2	2008/09	32,594
3	2009/10	36,000
4	2010/11	45,000
5	2011/12	50,000

FUNDING DEVELOPMENTS: *DWR Urban Drought Assistance*

The Agency received the DWR Drought Assistance Grant for recycled water retrofits in the amount of \$1 million. The deadline for completion of the retrofit was June 30, 2009. The Agency is at present requesting that all invoices be submitted with associated progress reports to Rocky Welborn at rwelborn@ieua.org.



FUNDING DEVELOPMENTS: *Stimulus Funding*

Stimulus Funding: President Obama signed the American Recovery and Reinvestment Act of 2009 on February 17, 2009 that allocated \$6 billion for water and wastewater infrastructure improvements. Wastewater Projects in California will receive \$280 million dollars through the Clean Water State Revolving Fund (CWSRF) Program and drinking water projects in California will receive \$160 million through the Drinking Water State Revolving Fund (DWSRF) Program. IEUA has executed funding agreements for stimulus funding for the Northeast Area Project through the CWSRF Program. Also, the United States Department of Interior, Bureau of Reclamation (USBR) has been allocated \$126 million for the Title XVI projects in the stimulus bill recently passed by Congress. IEUA is in line for \$19 million of the total appropriation through its Title XVI Recycled Water Business Plan Authorization. The President's 2009 Budget contained a \$5 million appropriation for the IEUA project and a request for these funds has been processed and the funds have been received. On April 6, 2009 IEUA submitted two applications to USBR for Title XVI stimulus funds totaling \$14 million. The breakdown of the two application were as follow:

Northeast Area Project = \$10 million
 Northwest Area Project = \$4 million
 Total = \$14 million

Applications that will be funded by Title XVI Stimulus money were announced on July 1, 2009 and IEUA was successful on both its applications, and was awarded the \$14 million.

Program Description & Financial Status

Clean Water State Revolving Fund (CWSRF): The California Water Resources Control Board adopted a new CWSRF Policy at their March 17, 2009 meeting. The new policy is designed to streamline and simplify the financial aid application process. The revised policy allows financing of soft costs (design, etc) and public sector on-site retrofits as an eligible cost. Also on March 17, 2009 The California Water Resources Control Board approved a \$4.2 million grant and a \$34 million SRF Loan for IEUA's Northeast Area Project.

ASCE AWARD WINNING PROJECT

In 1996 the City of Fontana and IEUA executed an agreement defining construction of infrastructure to bring wastewater from the northeast part of the Fontana to IEUA's regional wastewater Plant No. 4 (RP-4) The City was required to construct the San Bernardino Avenue sewer system between the San Sevaine Channel and Cypress Avenue. IEUA constructed the Lift Station and Force Main connecting to RP-4.



The Pump Station design was completed in 2008 followed by construction in 2009. The project was selected by ASCE San Bernardino and Riverside Branch as Civil Engineering Project of the Year.

The completion of the project captures and conveys wastewater flows to RP-4, providing additional recycled water supplies to the communities of Fontana and Rancho Cucamonga. IEUA, together with the City of Fontana and Cucamonga Valley Water District, are planning construction of recycled water conveyance and distribution systems to utilize recycled water use in their service areas.

FUNDING DEVELOPMENTS: *Retrofit Rebates*

MWD Public Sector Retrofit Rebates: IEUA has received rebate requests totaling \$110,000 for processing through MWD. If you have not submitted your retrofit cost back-up information, please do so to insure funding availability to ghackney@ieua.org. The \$110,000 in requests are being processed and should be available when MWD finishes the audit of the program in 30 to 60 days.



Chino Basin Water Conservation District Rebates:

CBWCD also provides incentives for Public Sector Schools and Parks within its service area to help offset the costs of onsite irrigation system conversion as a result of connecting to the recycled water system. The application and program rules are available on the CBWCD website, www.cbwcd.org.

Readers who have questions should contact Gerry Foote at: gfoote@cbwcd.org.

PROJECTS IN PLANNING

Northwest Project Area: The project will design the 1630 pressure zone pipeline pump station and reservoir in the City of Upland. The project is in the preliminary design stage with anticipated design completion in Winter 2009.

Southern Project Area: The project will design the 930 pressure zone pipeline and reservoir in the City of Chino Hills. The project is in the preliminary design stage with anticipated construction completion in Winter 2010.

Central Project Area:

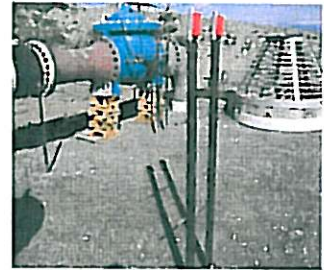
The second draft of the North Chino Master Plan is being completed by IEUA and the City of Chino.

IEUA has begun the SRF loan application process for the Wineville Avenue Extension pipeline project located in the City of Fontana.

CAPITAL PROJECTS SUMMARY

PROJECTS IN DESIGN AND CONSTRUCTION

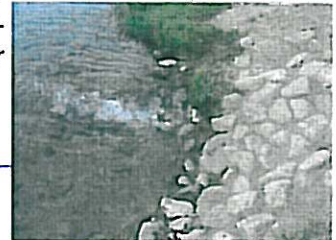
- **CB-14 and CB-20, Chino Basin Facilities Improvements, Phase II (Turnout Service Pipeline Connections & SCADA Improvement Project No. TS07004.03)** : The Contractor has completed the installation of MWD CB-14 and 20. Electrical Instrumentation and testing is being conducted by MWD. Currently, with the addition of telemetry and relocation of pedestals at San Sevaine Basin, work is estimated to be completed by August with environmental restoration of San Sevaine being completed by December. At this time, telemetry reception towers at RP-1 and RP-4 are being installed.
- **Northeast Area Recycled Water Projects:** Cucamonga Valley Water District and IEUA received construction bids for the North East Area projects in the Cities of Rancho Cucamonga and Fontana. These recycled water projects include the conversion of a 3.5 MG steel reservoir from domestic to recycled water; a 1200 HP Pump Station; approximately 25,000 LF of 36" diameter pipeline and 4,200 LF of 12" diameter pipeline; three monitoring wells and two lysimeters. Some of the locations benefiting from these projects include the Cities of Rancho Cucamonga and Fontana public facilities; The Epicenter; Victoria Garden Shops; Bass Pro Shop; Inland Greenhouse; Stadium Plaza North; Chaffey Joint Union High School District; Foothill Crossing as well as basin groundwater replenishment. Low bids are as follows:
- **MW & Lysimeters at Victoria & San Sevaine Basins** - The design has been completed on these facilities and the permits have been received. The Facility Plan Approval for the projects has been received by IEUA. The project was advertised for construction June 2009 and a bid opening in July 2009.



CB 14 and CB 20, City of Upland



Guasti Park, Ontario



Emergency Response:
Chino Avenue, City of Chino
June 2009

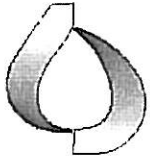
Recycled Water Operations Update:

- There were no recycled water service interruptions for the month of June.
- 1299 pump station continues to maintain a pressure set point of 85 psi and experiences less than 10 psi pressure drop when Empire Lakes Golf Course begins their irrigation cycle.
- Operators cycle 1299 HSC pumps in manual to relieve any trapped air in the system to prevent the pumps from getting air locked when they are called on.
- Two of the RP-1 1158 vertical turbine pumps and three existing VTP's at RP-4 were pulled on 5/18/09 to have impellers trimmed. They are expected to be re-installed by early July 09.
- San Bernardino Lift Station start up was on June 24th. (Flow range: <1–5.5 MGD, Average flow 3-3.5 MGD)



Emergency Response: On Tuesday 6-16-09 at 1:00 pm a water leak was reported by Vector Control on Chino Ave approximately ¼ mile west of Cucamonga Channel. A RW Coordinator arrived on site at 2:00 pm and determined that the leak was coming from a damaged, apparently run over, below grade blow off. Estimated flow was determined to be 4 gpm and the total contained spill was approximately 2,000 gallons. The entire spill was contained in a dirt area with brush approximately 30 ft x 50 ft. The contractor arrived on site and was able to locate and isolate corp stop by 9:45 pm.

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Inland Empire
UTILITIES AGENCY

Date: July 15, 2009

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (07/15/09)

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

Submitted by: Martha Davis
Executive Manager of Policy Development

Subject: June Legislative Report from Agricultural Resources

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

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Agricultural Resources

635 Maryland Avenue, N.E.
Washington, D.C. 20002-5811
(202) 546-5115
(202) 546-4472-fax
agresources@erols.com

June 24, 2009

Legislative Report

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

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

SU: Legislative Report, June 2009

Highlights:

- *Mike Connor Confirmed, Sworn In – and Finally on the Job*
- *BuRec Fails To Announce Stimulus Funds for Title XVI*
- *Unintended Consequences – BuRec Failure Impacts Energy and Water Appropriations Subcommittee Work – Committee Not Happy with BuRec*
- *Climate Change, Energy Legislation*
- *Drought Conditions/Water Supply*
- *IEUA Working Partners*

Mike Connor Confirmed, Sworn In – and Finally on the Job. The new Commissioner finally got confirmed in late May, and then was sworn in and was able to report to the Interior Department for “duty.” The Commissioner comes from the US Senate where he served as Counsel and Staff Director to the Water and Power Subcommittee. Connor is fully familiar with Title XVI and helped process legislation for about 20 projects – including the IEUA legislation. He knows and understands the value of Title XVI projects and the necessity to “stretch” existing and limited water supplies.

BuRec Fails to Announce Stimulus Funds for Title XVI – Again. The Corps and EPA, with a multi-billion program between them, announced their stimulus funding program and project priorities weeks ago. Hundreds if not thousands of projects are involved. By contrast, the BuRec, with a universe of about 20, maybe 30 projects, is unable to do the same.

In May, at ACWA, the Deputy Commissioner announced that the BuRec list would be announced by Memorial Day – or the end of May. It didn't happen.

Now, we approach the end of June, the BuRec Title XVI list remains unreleased. Meanwhile the President touted the “job” creation from stimulus funds, but the BuRec has been unable to move its own rather small program.

The BuRec, it appears, is busy finding reasons not to advance its approved project list. Months after enactment of the Stimulus bill, BuRec became preoccupied with generic provisions imposed by Congress. Namely, Congress stated in law (pursuant to a provision advanced by Sen. Tom Coburn (R-OK)) that none of the stimulus funds could be used at Indian Casinos or on golf courses. Thus, a BuRec investment in a Title XVI project that would help save significant amounts of potable water on a public golf course was statutorily denied – at least with Stimulus funds. The Coburn restriction passed, and when it did, no one in Congress recognized the potential conflict with Title XVI.

Reclamation, instead of imposing these conditions of the receipt of federal funds for an approved project instead decided that each applicant, including IEUA, would be required to “pre-certify” adherence to this provision. This decision added a new layer of paper-work and then added weeks and weeks to the process. IEUA has submitted the appropriate certification. It is NOT a problem for IEUA (but it contributed to the BuRec's delay in the announcement of projects)

Amidst all this, there has been a new game of “finger-pointing.” BuRec officials are all-but openly blaming OMB for this delay. They claim that OMB made them “pre-certify” adherence to the Stimulus. That's curious, since OMB did not require either the Corps of Engineers or the EPA to “pre-certify” adherence to the statutory restrictions.

As a result of the delays, there is growing apprehension and outright dissatisfaction with BuRec by the Water Subcommittee and various members of Congress. The term “frustrating” is repeatedly invoked on and off the Hill. Chairwoman Napolitano met with the new Commissioner and made it clear that publishing the list was a high priority. Commissioner Connor promised Chairwoman Napolitano that, by the closing days of June or the first days of July, the list would be published.

IEUA General Manager Rich Atwater, Director Comacho and local leader Ken Willis came to Washington this past month. Meetings were held with the Congressional Delegation, both Senator Offices, Chairwoman Napolitano and the new Commissioner. IEUA emphasized that we have contracts “ready to award, people ready to work and shovels ready to dig.” The IEUA

application is among those under consideration by the BuRec and funding, at some level, is expected.

Unintended Consequences – BuRec Failure Impacts Energy and Water Appropriations Subcommittee Work – Committee Not Happy with BuRec. In late June, the Energy and Water Appropriations Subcommittee met, marked up the FY 2010 bill, but was unable to fund the Title XVI program. The Subcommittee was unable to assign “real numbers” to the Title XVI projects because the Bureau had yet to release its stimulus numbers. Thus, the BuRec’s failure to process stimulus funding on a timely basis now disrupted the work of the congressional funding subcommittee. The subcommittee, to deal with the situation, assigned 10-11 projects \$100,000 each, including IEUA. These are “space-holder” funding numbers, to be adjusted as appropriate after Stimulus numbers are released.

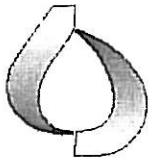
Climate Change/Energy Legislation. The Waxman-Markey Cap and Trade Climate change was brought to the House floor and passed, 219-212. An “adaptation” amendment – advanced by Rep. Lois Capps and supported by the water industry was not included in the bill, despite an effort to include it in the Manager’s Amendment. Waxman has promised hearings and consideration later this year. This bill has a long-journey before it in the Senate. It also appears that the Administration wants comprehensive health care legislation, then climate change/energy – and as a result, most believe that completion of this legislation will likely drag into 2010.

Drought Conditions and Water Supplies. The NOAA/USDA Drought Monitor reports for the past month is almost identical to 30 days ago – almost all of California remains in moderate to severe drought, from the Oregon to the Mexican border, with the severe conditions found along the Coast, and less severe conditions found inland. The worst drought condition in the West (and entire US) is found in South Texas – same as last month..

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

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

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Date: July 15, 2009

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (07/08/09)

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

Submitted by: Martha Davis
Executive Manager of Policy Development

Subject: June Legislative Report from Geyer and Associates

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD

Enclosure

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MEMORANDUM

TO: Rich Atwater and Martha Davis
FROM: Jennifer West
DATE: June 25, 2009
RE: June Legislative Report

Budget Update

Last week lawmakers rejected the core of the Democratic-backed budget plan to close the \$24.3 billion budget deficit. Shortly after the budget bills were rejected, Controller John Chiang said he would start issuing IOUs on July 2 if a budget has not been passed. The Department of Finance has stated that these IOUs will be distributed for general fund payments to local governments for social services, private contractors, state vendors, and income and corporate tax refunds, among other things. The Legislature plans to work through the weekend to try to craft a plan to avoid the IOU scenario. Since Legislature leaders have expressed opposition to borrowing from local governments pursuant to Prop. 1A, the Department of Finance issued a statement yesterday that the \$1.98 billion that would have come from Prop 1A should be made up by 1) eliminating the state's contribution to employee health benefits and 2) eliminating the state's share of costs for the Child Welfare Services and Foster Care Programs.

Worse, the Department of Finance warned that the budget deficit continues to grow, as state revenues are now \$1.1 billion below projections for June.

Delta Hearing Proposed for July 7

The package of delta-related bills will be heard on July 7 by a joint Senate and Assembly Committee on water. The package contains the two water conservation measures, AB 49 (Feuer/Huffman) and SB 261 (Dutton/Ducheny). (see recommended positions) Other measures considered in the package are measure on the creation of Delta Conservancy and Delta governance. There have also been rumors that a water bond measure may also be included in this hearing. There are numerous versions of water bonds in the Assembly and Senate, all with Delta components.

Inland Empire Utilities Agency
Recommended Positions
June 25, 2009

AB 49 (Feuer/Huffman) Water Conservation – Support in Concept

Requires retail urban water suppliers to achieve a 20 percent reduction in urban per capita water use by Dec. 31, 2020. Would also require agricultural water suppliers to implement certain best management practices for water use efficiency by July 31, 2012. Sponsored by MWD and NRDC

SB 261 (Dutton/Ducheny) Water Conservation – Support in concept

Requires each urban water supplier, or regional water management group acting on behalf of the urban water supplier, to develop and implement a water use efficiency and efficient water resources management plan. Requires DWR and SWRCB, by April 1, 2010, to convene a task force to develop best management practices for commercial, industrial, and institutional (CII) water uses. Sponsored by SAWPA and Western Municipal Water District

Positions
Inland Empire Utilities Agency
June 25, 2009

AB 13 (Salas) Sacramento-San Joaquin Delta Conservancy

Status: Senate Natural Resources and Water

Support

This bill would establish the Sacramento-San Joaquin Delta Conservancy to provide policy oversight, foster implementation of, and manage funds to implement the restoration and management of habitat and lands in the Sacramento-San Joaquin Delta and Suisun Marsh, and to develop and implement projects to address the economic viability of the Delta region, consistent with a comprehensive Delta sustainability program.

AB 28 (Jeffries) Natural Gas Engines: water pumps

Status: Assembly Natural Resources –Two year bill

Support

The bill prohibits air pollution control districts and air quality management districts from restricting the use of engines powered by natural gas by a city, county, or special district, including a water district, to operate water pumps.

AB 234 (Huffman) Water/Energy Efficiency Projects

Status: Senate Energy 6/30

Support

The bill requires the CEC to coordinate with the SWRCB and local water suppliers on planning and implementation of energy efficiency actions that also can result in water use savings when using funding received pursuant to the federal stimulus package. The bill requires CEC and SWRCB to establish criteria and priorities for partnering with the water board programs and projects that have both water and energy efficiency benefits.

AB 410 (De La Torre) IRWMP Funds/Recycling

Status: Senate Environmental Quality 7/6

Support

This bill would provide that, of the \$100 million unallocated in Prop. 84 for the IRWMP, \$5,000,000 shall be made available to specified regions for the preparation of salt and nutrient management plans consistent with the recycled water policy of the SWRCB. This bill would refer to the statewide recycling goal as a target, and would additionally set a target to recycle a total of 1,300,000 acre-feet of water per year by the year 2020, and 2,000,000 acre-feet of water per year by the year 2030. The bill would require DWR to assess progress toward meeting that target every 5 years, based on information provided in urban water management plans.

AB 474 (Blumenfield) Contractual Assessments: Water efficiency Improvements

Status: Senate Local Government 7/1

Support

MWD Sponsored. It expands the AB 811 program to include water conservation efforts. The measure would authorize public agencies to provide upfront financing for the installation of permanently fixed water use efficiency improvements. Property owners within a designated assessment area would agree to assess themselves for associated principal, interest and administrative costs. Property owners would pay an annual assessment until costs advanced are repaid to the public agency.

AB 804 (Hall) Invasive Species: Mussels

Status: Senate Judiciary 7/7

Support

Would ensure that if a water supply system operator follow the requirements of current law to address quagga infestation, then the water entity and its employees will not be held civilly or criminally liable for the spread of quaggas.

AB 900 (DeLeon) Water Diversions

Status: Senate Natural Resources and Water 7/6

Support

Will require every person who diverts water, a publically-owned resource, to measure and report diversions to the State Water Resources Control Board thus creating a baseline of water diversion information, parallel to that required of other diverters in the state.

AB 560 (Skinner) Net Energy Metering

Status: Senate Energy 6/30

Support

Increases the current cap on the amount of electricity that can be generated under the net-metering program for solar and wind generation. Currently the cap for the net metering is set at 2.5 % of each of the participating electric utilities' aggregate peak demand. This bill increases the cap to 10%.

AB 1061 (Lieu) Common Interest Development: Water Efficient Landscapes

Status: Senate Floor

Support

Sponsored by MWD. Will eliminate the ability for CIDs to prohibit, fine or assess a property owner for installing or maintaining water efficient landscaping that is in compliance with the state's model landscape ordinance, local ordinances or water conservation requirements adopted pursuant to Water Code Section 353 or 375.

AB 1366 (Feuer/Caballero/A. Strickland) Residential self-regenerating water softeners

Status: Senate Environmental Quality 7/6

IEUA Sponsor

Gives local agencies additional control over salt discharges from residential self-regenerating water softeners, consistent with the recommendations of the Water Recycling Task Force. IEUA is leading a major lobbying effort on this measure, which is

strongly opposed by the water softening industry. The bill came off the Assembly floor on a 60 yes to 14 no vote.

AB 1465 (Hill) Urban Water Management Plan

Status: Senate Natural Resources and Water 7/6

Support

This bill would revise provisions relating to the information that the urban water supplier is required to include in the plan with regard to water demand management measures. The bill would require the urban water supplier to describe in the plan the opportunities for development of recycled water supplies, including opportunities for nonpotable and indirect potable reuse, and the opportunities for stormwater recapture and reuse as a long-term water supply.

AB 1520 (Evans) Statewide Watershed Program

Status: Assembly Appropriations –two year bill

Support

This bill would establish the Statewide Watershed Program as a voluntary and nonregulatory program to provide the means by which the state may provide assistance and funds to local community-based efforts in the conservation, protection, and restoration of the state's watersheds and to promote coordinated management of watersheds under the authority of the Secretary of the Natural Resources Agency and the Department of Conservation.

SB 26 (Simitian) Home Generated Pharmaceutical Waste

Status: Senate Appropriations –two year bill

Support

This bill would require the California State Board of Pharmacy to coordinate with other state agencies, local governments, drug manufacturers, and pharmacies to develop sustainable, efficient policies and programs to manage pharmaceutical wastes and the disposal of devices. The bill would authorize a pharmacy to accept the return of home-generated pharmaceutical waste and home-generated sharps waste, as defined. The measure would make local pharmaceutical waste disposal programs available for grant funding.

SB 283 (DeSaulnier) Dual Plumbing Recycled Water

Status: Assembly Appropriations

Support

Requires the Department of Water Resources, on or before July 1, 2008 and in consultation with Department of Public Health (DPH), to adopt and submit to the Building Standards Commission (BSC) regulations to establish a version of Appendix J of the Uniform Plumbing Code for California for design standards for both potable and recycled water systems.

SB 407 (Padilla) Plumbing Fixtures: High Water Use

Status: Assembly Judiciary 6/30

Support

This bill requires the owner of a property to replace high-water-using plumbing fixtures prior to any sale or transfer of the property that occurs on or after January 1, 2014.
MWD sponsored.

SB 696 (Wright) Emission Reduction Credits

Status: Senate Energy –two year bill

Support

Due to a state court CEQA decision, the SCAQMD has been forced to stop issuing any permits relaying the District's internal offset accounts. Over 1000 permits are now on hold. This bill provides a limited CEQA exemption for implementation of specific SCAQMD rules creating or providing offset from the SCAQMD's internal bank. Individual permits would not be exempted from CEQA. The bill would require SCAQMD rules to apply stringent best available control technology, air quality impact modeling and air toxics limits.

SB 802 (Leno) Retention Proceeds

Status: Assembly Business and Professions 6/30

Oppose

The bill requires that local governments reduce their payment retention amount from 10% to a 5% cap for construction projects. A large coalition of labor unions and contractors are supporting this measure.

Inland Empire Utilities Agency
Watch List
June 25, 2009

AB 39 (Huffman) Final Delta Vision

Status: Senate Rules

This bill requires the yet-to-be-created California Delta and Ecosystem Water Council (CDEWC) to prepare a plan to implement the Delta Vision Strategic Plan, issued by the Delta Vision Blue-Ribbon Task Force, and to submit that plan to the Legislature by January 1, 2011.

AB 231 (Huffman) Climate Protection Trust Fund

Status: Senate Environmental Quality

Requires CARB to adopt by regulation no later than March 30, 2010, after a public workshop, a schedule of fees to be paid by the sources of regulated greenhouse gas emissions regulated. The fees would go into a Legislative controlled "Climate Protection Trust Fund."

AB 300 (Caballero) Subdivisions: Water Supply

Status: Senate Natural Resources and Water

This bill would require, until January 1, 2020, any city, county, or public water system preparing a water supply assessment to reduce the projected water demand for the project to an amount below the current statutory and regulatory requirements, as defined, based on the project applicant's voluntary water demand management measures, as defined. Water savings projections would be authorized to be calculated using the water savings projections adopted by the California Urban Water Conservation Council. Water savings projections for measures for which the California Urban Water Conservation Council does not have adopted findings would be required to be based on substantial evidence in the record and included in the water supply assessment adopted by the water supplier. If a project applicant proposes to use a new voluntary water reduction demand management measure that is not based on water savings projections adopted by the California Urban Water Conservation Council, the legislative body of a city or county or the advisory agency would be required to have the project applicant enter into an agreement with the water utility to implement and monitor the actual water savings over time, as specified. The public water system would be required to prepare a written report of the projected water demand versus the actual water use 5 years after the project has been fully developed. By adding to the duties of the public water system, this bill would impose a state-mandated local program.

Sponsored by CBIA

AB 626 (Eng) IRWMP: Disadvantaged Communities

Status: Senate Natural Resources and Water 7/6

Directs the Department of Water Resources (DWR) to achieve the 10% statewide allocation of Prop 84 implementation grants, planning grants, local groundwater assistance grants, and CALFED scientific research grants to address the critical water supply needs of disadvantaged communities required by current state law by awarding the grants for those purposes to disadvantaged communities within a hydrologic region in a total dollar amount that is equivalent to 10% of the total dollar amount of grants awarded in that region.

AB 752 (Arambula) State Water Pollution Control Revolving Fund: Severely Disadvantage Communities

Status: Senate Appropriations

This bill defines "severely disadvantaged community," as that term is used in relation to Chapter 6.5 of the Water Code, as a median household income that is less than 60 % of the statewide average.

AB 958 (Eng) Design-Build: Metropolitan Water Districts: Solar Energy Systems

Status: Senate Local Government 7/1

This bill would authorize a metropolitan water district to enter into design-build contracts for projects involving the design, construction, fabrication, and installation of a solar energy system in excess of \$1,000,000, in accordance with specified provisions.

AB 1100 (Duvall) Potable Reuse Demonstration

Status: Senate Health 7/1

This bill would allow the bottling of potable reuse demonstration water, as defined, to be distributed, free of charge, for educational purposes or to promote water recycling. The bill would establish specific bottling, labeling, and sanitation for potable reuse demonstration water.

AB 1187 (Huffman) Water Bond 2010

Status: Assembly Water Parks and Wildlife

Assembly Water Bond vehicle

AB 1242 (Ruskin) State Water Policy

Status: Senate Natural Resources and Water 7/6

Declares the "established policy of the state" that a human being has the right to clean and accessible water on an equitable basis, that is adequate for the health and well-being of the individual and family, and that no one shall be deprived of that access or quality of water due to individual economic circumstances. Requires relevant state agencies, including the Department of Water Resources (DWR), the State Water Resources Control Board (SWRCB) and the State Department of Public Health (DPH), to employ all feasible means to implement this policy.

AB 1438 (Conway) Safe Drinking Water State Revolving Fund

Status: Senate Environmental Quality 7/6

This bill would allow the Department of Public Health to establish a wellhead protection account within the Safe Drinking Water State Revolving Fund.

SB 7 (Wiggins) Renewable Energy: Net Metering

Status: Senate Floor

This bill requires an electrical distribution utility or cooperative to allow eligible energy generation customers to apply for kilowatt-hour credits on net surplus electricity generated during a 24 month period.

SB 12 (Simitian) Delta

Status: Senate Appropriations 5-28

This bill creates the Delta Ecosystem and Water Council which must adopt a Delta Ecosystem and Water Plan by December 1, 2010. The bill requires the Delta Protection Commission to revise its resource protection plan to be consistent with the Delta Ecosystem and Water Plan. Requires that the general plans of Contra Costa, Sacramento, San Joaquin, Solano, and Yolo counties and the cities within those five counties must be consistent with the Delta Ecosystem and Water Plan.

SB 301 (Florez) Water Supply Reliability and Ecosystem Recovery and Restoration Act of 2009
Status: Senate Natural Resource & Water
Senate vehicle for 2010 water bond.

SB 310 (Ducheny) Water Quality: Stormwater and Other Runoff
Status: Senate Floor

This bill would authorize a county, city, or special district that is a permittee or copermitee under an NPDES permit for a municipal separate storm sewer system to develop a watershed improvement plan that addresses major sources of pollutants in receiving water, stormwater, urban runoff, or other surface runoff pollution within the watershed or subwatershed to which the plan applies. The regional boards would be authorized to participate in the preparation of the watershed improvement plan. The bill would authorize a county, city, or special district, or combination thereof, to impose fees on activities that generate or contribute to runoff, stormwater, or surface runoff pollution to pay the costs of the preparation of a watershed improvement plan or the implementation of a plan that is approved by a regional board if the plan will facilitate compliance with one or more water quality requirements. The bill would authorize a county, city, or special district, or combination thereof, to plan, design, implement, construct, operate, and maintain controls and facilities to improve water quality. Sponsored by CBIA.

SB 371 (Cogdill) Safe, Clean, Reliable Drinking Water Supply Act of 2009
Status: Senate Natural Resources & Water
Governor's Water Bond Proposal

SB 456 (Wolk) Safe, Clean, Reliable Drinking Water Supply Act of 2010
Status: Senate Natural Resources & Water
Water Bond proposal for 2010

SB 457 (Wolk) Sacramento-San Joaquin Delta
Status: Assembly Water Parks and Wildlife 7/7

This bill requires the Delta Protection Commission to review all general plans of cities and counties within the Delta, and the resource management plan, to be consistent with any new Delta management plan that may be created or adopted by the commission. This bill authorizes the commission to cover the cost of the review by imposing a per acre-foot fee on any water diversion within the Delta Watershed, and a fee on any water conveyed through or around the Delta.

SB 458 (Wolk) Conservancies: Sacramento-San Joaquin Delta Conservancy
Status: Assembly Water Parks and Wildlife 7/7

This bill would establish the Sacramento-San Joaquin Delta Conservancy to undertake various activities related to the Delta, as defined, including monitoring projects within the watershed of the delta, providing stewardship, and coordinating with other delta governance entities. The bill would prescribe the management, powers, and duties of the conservancy. The bill would create the Sacramento-San Joaquin Delta Conservancy Fund in the Treasury. Moneys in the fund would be available, upon appropriation, for the purposes of the conservancy.

SB 565 (Pavley) Water Recycling

Status: Assembly Water Parks and Wildlife 6/30

This bill would require the state board to develop a plan to ensure that at least 50% of wastewater that is annually discharged into the ocean, as of the year 2009, is recycled and put to beneficial use by the year 2030. The bill would prescribe various requirements with respect to that plan. The bill would require the state board to impose a fee on each person discharging wastewater into the ocean and would require that fee to be deposited into the Ocean Discharge Recycling Fund, which the bill would establish. The bill would authorize the state board to expend the moneys in that fund, upon appropriation by the Legislature, for the purposes of carrying out the wastewater recycling plan. The author is considering major amendments that would gut the bill and instead require DHS to establish regulations for potable water reuse.

SB 735 (Steinberg) Safe, Clean, and Reliable Drinking Water Supply Act of 2010

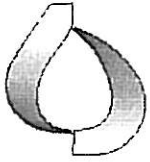
Status: Senate Natural Resources & Water and E.Q.

Senate Water Bond proposal

SB 790 (Pavley) Stormwater Management

Status: Assembly Environmental Safety and Toxic Materials 6/30

Under the Watershed, Clean Beaches, and Water Quality Act Clean Beaches Program, the bill authorizes grants to implement or promote low impact development that will contribute to improving water quality or reducing stormwater runoff, and to implement a stormwater management plan. Under the Integrated Regional Water Management Planning Act, it authorizes a regional water management group to coordinate its planning activities to also incorporate stormwater management planning. Authorize a city, county, or special district (individually or jointly) to develop a stormwater management plan that meets certain requirements (e.g., be developed on a watershed basis, provide for community participation, assist in compliance with TDML implementation plans and applicable NPDES permits). Provides that a stormwater management plan must be designed to augment local water supply through infiltration, and reuse of stormwater; reestablish natural water drainage treatment and infiltration systems.



Date: July 15, 2009
To: The Honorable Board of Directors
Through: Public, Legislative Affairs, and Water Resources Committee (07/08/09)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: June Legislative Report from Innovative Federal Strategies, LLC

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD

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Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Rich Atwater and Martha Davis
IEUA

From: Letitia White, Alex Shockey and Heather McNatt

Date: June 29, 2009

Re: June Monthly Legislative Update

As always, June was a very busy and contentious month in Washington. The FY 2010 Appropriations bills began to move through the House this month, with the full House approving four of them before recessing for July 4th last Friday. House Republicans steadily protested what they claimed were restrictive floor procedures imposed on the bills, but the Democratic majority did not lose control of the proceedings. Meanwhile, the Senate's effort to move their first Appropriations bill was not successful. The Senate Appropriations Committee marked up several bills, but the Senate floor debate on the Legislative Branch bill became problematic and must continue after recess.

IEUA Summary

IEUA enjoyed a very successful month in Washington, including a productive round of meetings on the Hill and in the Agencies during the second week of June. It was our pleasure to accompany the IEUA delegation to nine meetings with Members of Congress and their staff on June 11th. Some of those Members were not aware that the Bureau had not yet released the Title XVI funds from the American Recovery and Reinvestment Act (ARRA), and our meetings were well-timed to highlight the ongoing delay that IEUA is enduring.

We were thrilled to share the news that IEUA is again included in the House Energy and Water Appropriations bill. The FY 2010 House mark contains \$100,000 for IEUA's project. IFS spoke with Hill staff and learned that all agencies who have applied for Title XVI funds from ARRA were funded at \$100,000 as a place holder. The Appropriations Committee staff feels that ARRA will fully fund some of the Title XVI projects. Once the Bureau announces the ARRA awards, the staff will revisit the projects and make the necessary adjustments. Needless to say, no one ever envisioned that the Bureau would be so terribly delayed in announcing their ARRA funds for Title XVI. The staff on Capitol Hill is trying to cope with a very unusual situation. For the record, it has now been over 120 days since the President signed the ARRA into law, and the mandate of the bill was to distribute money quickly for the purpose of creating jobs quickly.

Energy and Water Appropriations

On June 25, the Energy and Water Subcommittee of the House Appropriations committee approved their FY 2010 bill. It was the subcommittee's first time working with a budget from President Obama and working under a new Chairman, Ed Pastor of Arizona. The bill includes a

Innovative Federal Strategies LLC

little over \$1 billion for the Bureau of Reclamation, which is a slight decrease from the FY 2009 enacted amount. Funding for the Army Corps of Engineers is set at \$5.5 billion. IFS is still waiting to see the full details of the bill and will alert IEUA of the specifics once they are released.

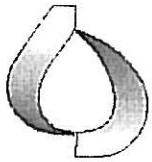
Climate Change

Just before the start of recess, the House very narrowly passed a Climate Change package by a vote of 219 to 212. Up until the last minutes, there were serious doubts that the vote would be successful. Intense negotiations and pressure from the White House helped Speaker Pelosi achieve her promised goal of passing the bill through the House before July 4th. Until late last week, Agriculture Committee Chairman Peterson was the biggest roadblock. But a deal reached on Thursday with agriculture interests cleared the way for passage.

The cap and trade scheme outlined by the bill will allow industry and other greenhouse gas emitters to purchase and trade allowances to continue releasing gasses into the environment. There is ongoing debate about the ultimate price tag of the bill. The massively complicated legislation was too long for most Members to read before the vote was called; and the CBO cost estimate changed on the night before the vote because of last minute adjustments from the Rules Committee. The Senate version of the climate change bill is scheduled to move through committee during July.

July Outlook

We expect July to be a hectic month with many late nights and Friday sessions which will be necessary to complete all the goals the Congress has set. Chairman Inouye of the Senate Appropriations Committee wants to move all of his remaining bills through committee, while Chairman Obey on the House side wants to pass all of his through the floor. Both chambers also want to move forward with controversial and complicated health care overhaul legislation. Finally, the Senate will probably spend a great deal of time on the Supreme Court nomination of Sonia Sotomayor. As always, we will keep you posted on news critical to your agenda.



Date: July 15, 2009
To: The Honorable Board of Directors
Through: Public, Legislative Affairs, and Water Resources Committee (07/08/09)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: June Legislative Report from Dolphin Group

RECOMMENDATION

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

BACKGROUND

Michael Boccadoro provides a monthly report on the Dolphin Group's activities on behalf of the Chino Basin/Optimum Basin Management Program Coalition.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD

Enclosure

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June 25, 2009

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



Please find attached the status report from The Dolphin Group for the month of June 2009.

Nearly six weeks after voters roundly rejected a series of ballot measures to address the state's ongoing budget crisis, the Legislature continues to struggle to close the \$24 billion budget shortfall projected for the 2009-10 fiscal year. In contrast to the agreements that occurred last February, this time Governor Schwarzenegger has clearly stated this time that increased taxes will not be part of any solution he endorses.

However, many pundits are inclined to believe that this renewed "anti-tax" stance of the Governor may not include increased fees for a variety of state services, as some Democratic leaders have proposed. Over the last few weeks, a conference committee of key Senators and Assemblymembers have been meeting almost daily to review a number of the Governors proposals. However, few major decisions have been reached other than rejecting the Governor's proposal to borrow \$2 billion in local government property tax revenues under the 2004 Proposition 1A program.

As a result of the ongoing budget issues, very few other major policy discussions have met with much success this session. In fact, this year saw a relatively limited number of measures pass out of their house of origin prior to the legislative deadline on June 5, 2009. Among these few measures was SB 32, a measure supported by IEUA. Legislative leaders are still hoping to turn their attention to a comprehensive water solution once the budget is finalized.

Chino Basin / OBMP Coalition

Status Report – June 2009

ENERGY/REGULATORY

Stimulus Dollars Start to Seep Out

On June 17, the California Energy Commission released a brief overview of the status of numerous programs designed to disperse millions of dollars of federal stimulus dollars for energy-related projects. Although a few details have emerged regarding how funding will be allocated, the application process and eligible projects remain unknown.

The CEC estimates that California will be eligible for approximately \$1.2 billion in allocations from the American Recovery and Reinvestment Act of 2009 (ARRA), the largest portions being dedicated to two specific programs:

Energy Efficiency and Conservation Block Grant Program \$351 million

The vast majority of these funds, \$302 million will be awarded directly to large cities and counties by the federal government and the allocations to these agencies have been released.

Of the remaining funds, \$30 million will be available to smaller cities and counties through the CEC. The remaining \$20 million may be expended at the CEC's discretion, but no process or application has been released yet by the Commission. The CEC is continuing discussions with stakeholders on developing this process.

State Energy Program \$226 million

The SEP funds are for the purposes of supporting various programs in residential, commercial, transportation, industrial and agricultural energy efficiency and renewable energy research.

The state application process to access these funds is still being developed and has not yet been released.

STATE BUDGET UPDATE

Continuing its fourth budget negotiation process in the past 12 months, the California Legislature appears far from resolving the \$24 billion shortfall. But as the end of June approaches, so does the need to resolve it quickly.

According to State Controller John Chiang, the state of California is expected to run out of cash on July 29. Without a balanced state budget in place, it will be nearly impossible for the state to borrow short-term funds needed to pay the state's bills. Because of the lead time required to solicit lenders and secure cash, Chiang insisted that the Legislature needed to have a budget in place by June 15. As the end of June approached, however, they still remain deadlocked.

Citing the rejection of numerous budget-related propositions in the May Special Election, Republicans appear more united than ever to opposing any tax increase. On the other hand, Democrats have resigned themselves to significant budget cuts, but have continued to push for new revenues in the form of taxes and fees.

Meanwhile, the Governor's office has remained fairly disengaged from the budget development process. In the past, many of these negotiations have occurred among the "Big 5" (i.e. the Governor and leaders of both parties from the Senate and Assembly). However, this time the Legislature alone appears to be taking the lead with the Governor happy to wield his veto leverage.

Throughout June, legislative budget committees held numerous hearings, where they amended and revised the Governor's most recent budget proposal. One of the most significant developments was the bipartisan rejection of the Governor's plan to borrow \$2 billion in property taxes from local governments under 2004's Proposition 1A. However, many observers still believe that Proposition 1A borrowing remains on the table as discussions move forward.

The last week in June has been spent largely on "drills", as the Democratic leadership demanded floor votes on tax increases that Republicans flatly oppose. The result, as expected, was that no substantive budget measures were approved after days of debate.

Following these drills, it is expected that leaders will again return to the bargaining table in an attempt to find the two-thirds vote necessary in each house to resolve the crisis. In the Senate, that will require at least two Republican votes, while in the Assembly (which has one vacancy in a strongly Democratic district) a minimum of four Republican votes will be required.

LEGISLATIVE UPDATE

As June 5 was the last day for both the Senate and Assembly to pass bills out of their house of origin, the first week of the month was relatively busy as both chambers held numerous floor sessions to consider measures already approved by policy committees. However, given the budget crisis and the few measures that survived the appropriations committees, there was much less work than usual at this time of year.

SB 32 (Negrete-McLeod) was approved by the Senate on a unanimous 34-0 vote. The bill is co-sponsored by IEUA, and will expand and improve the existing feed-in tariff (FiT) programs created by AB 1969 (Yee – 2006), another measure that was sponsored by IEUA.

Major Legislation

Prior to being approved by the Senate, SB 32 was amended in the Senate Appropriations Committee. The Chair of this committee, Senator Christine Kehoe (D-San Diego) previously served as Chair of the Senate Energy, Utilities and Communications Committee, and remained involved in energy issues. The recent amendments place an additional obligation on the CPUC to ensure that the price paid under the FiT (the market price referent – MPR) is limited by market forces, as well as preclude the CPUC from approving any other forms of FiTs except for those allowed under this law. The utilities, solar industry and other sponsors such as IEUA are continuing discussions to address these recent amendments.

CA SB 32	AUTHOR:	Negrete McLeod [D]
	TITLE:	Renewable Electric Generation Facilities.
	LAST AMEND:	06/02/2009
	DISPOSITION:	Pending
	COMMITTEE:	Assembly Utilities and Commerce Committee
	HEARING:	07/06/2009 3:00 pm
	SUMMARY:	Requires an electrical corporation to file with the Public Utilities Commission a standard tariff for electricity purchased from an electric generation facility located within the service territory of, and developed to sell electricity to, the electric corporation. Requires the facility to have a specified effective capacity. Amends provisions regarding owners, payments by a market price referent, peak demand, expedited interconnection procedures, net metering, rate-payer funded incentives and contracts.
	Position:	Support
CA AB 560	AUTHOR:	Skinner [D]
	TITLE:	Net Energy Metering
	LAST AMEND:	04/16/2009
	DISPOSITION:	Pending
	COMMITTEE:	Senate Energy, Utilities and Communications Committee
	HEARING:	06/30/2009 9:00 am
	SUMMARY:	Requires that the standard contract or tariff for net energy metering be offered

on a first-come-first-served basis until the time that the total rated generating capacity used by customer-generators exceeds a 10% of an electric distribution utility or cooperative's peak demand. The current level is 2.5%.

Position: Support

CA AB 920

AUTHOR: Huffman [D]
TITLE: Solar and Wind Distributed Generation
DISPOSITION: Pending
COMMITTEE: Senate Energy, Utilities and Communications Committee
HEARING: 07/07/2009 9:00 am
SUMMARY:

Revises provisions of the Public Utilities Act regarding electric utilities and solar and wind distributed generation. Relates to standard contracts and tariffs between the utility and customer-generators. Relates to net energy surpluses counting towards the utility's renewable portfolio standard purchasing requirements.

Position: Watch

RPS Legislation

There are three measures related to increasing the state renewable portfolio standard (RPS) from 20% to 33%. This goal has already been established by an Executive Order from Governor Schwarzenegger, as well as adopted by the California Air Resources Board, as a major strategy to reduce greenhouse gas emissions. However, it has yet to be formally adopted by the Legislature. The three measures differ in terms of the regulation of local public utilities, as well as how they address specific compliance mechanisms. It is expected that the three measures will ultimately be reconciled as they move through the legislative process.

CA AB 64

AUTHOR: Krekorian [D]
TITLE: Renewable Energy Resources: Generation and Transmission
LAST AMEND: 05/06/2009
DISPOSITION: Pending
COMMITTEE: Senate Energy, Utilities and Communications Committee
HEARING: 06/30/2009 9:00 am
SUMMARY:

Recasts the renewables portfolio standard program to require that a retail seller and a local publicly owned electric utility procure specified percentages of its electricity from renewable resource. Relates to tariffs filed by electrical corporations for energy purchased from small-scale renewable source facilities. Provides for renewable energy designation and transmission corridor zones. Establishes the Energy Planning and Infrastructure Coordinating Committee. Imposes duties on the Energy Commission.

Position: Watch

CA SB 14

AUTHOR: Simitian [D]
TITLE: Utilities: Renewable Energy Resources
LAST AMEND: 03/24/2009

DISPOSITION: Pending
LOCATION: Assembly Utilities and Commerce Committee
SUMMARY:

Revises the requirement for retail sellers of electricity to meet and exceed a specified percentage of their procurement targets from renewable energy resources. Requires an accounting system to verify compliance by retail sellers and local publicly owned electric utilities to comply with the renewables portfolio standards program. Relates to Public Utility Commission and Independent System Operator responsibilities under the program. Relates to thermal energy facilities certification. Requires reports.

Position: Watch

CA SB 805

AUTHOR: Wright [D]
TITLE: Energy: Renewable Energy Sources: Procurement
LAST AMEND: 05/04/2009
DISPOSITION: Pending
LOCATION: Senate Appropriations Committee
SUMMARY:

Revise the renewables portfolio standard. Requires each retail seller, in order to fulfill long-term resource needs, to increase its total procurement of eligible renewable energy resources so that a certain percentage are procured from eligible renewable energy resources. Requires an electrical corporation to procure a minimum quantity of electricity from such resources. Provides that the cost limitation on electrical corporations shall be a percentage of the annual revenue requirement. **This measure was not approved by the house of origin as of the deadline for this session, and cannot be further considered this year without an exception to legislative rules.**

Position: Watch

Other Energy Legislation

CA AB 45

AUTHOR: Blakeslee [R]
TITLE: Distributed Generation: Small Wind Energy Systems
LAST AMEND: 06/10/2009
DISPOSITION: Pending
LOCATION: Senate Second Reading File
SUMMARY:

Authorizes a local agency to provide for the installation of small wind energy systems and to establish a process for the issuance of conditional use permits for these systems. Authorizes the agency to impose conditions on the installation. Provides an application approval process for a local agency which has not established such permit process. Authorizes a local agency to require a system be removed if it is inoperable for a specified period of time, and the system would be subject to nuisance codes.

Position: Watch

CA AB 46

AUTHOR: Blakeslee [R]
TITLE: Energy: Energy Conservation Assistance
LAST AMEND: 03/31/2009
DISPOSITION: Pending

COMMITTEE: Senate Energy, Utilities and Communications Committee
HEARING: 06/30/2009 9:00 am
SUMMARY:

Amends the provisions of existing law that provides for the administration of the State Energy Conservation Assistance Account that provides grants and loans to local governments and public institutions for energy use savings. Extends the operation of those provisions. Extends the financial assistance program and the Local Jurisdiction Energy Assistance Account that provides loans to local jurisdictions for energy projects.

Position: Watch

CA AB 51

AUTHOR: Blakeslee [R]
TITLE: Electrical Corporation Energy Efficiency Programs
LAST AMEND: 06/01/2009
DISPOSITION: Pending
LOCATION: Senate Energy, Utilities and Communications Committee
SUMMARY:

Requires the Public Utilities Commission to limit the administrative costs for energy efficiency programs administered by electrical corporations.

Position: Watch

CA AB 162

AUTHOR: Ruskin [D]
TITLE: Disclosure of Sources of Electrical Generation
LAST AMEND: 06/09/2009
DISPOSITION: Pending
COMMITTEE: Senate Energy, Utilities and Communications Committee
HEARING: 06/30/2009 9:00 am
SUMMARY:

Amends existing law that establishes a program under which entities offering electric services disclose information on the sources of energy that are used to provide such services. Defines the term unspecified sources of power for disclosure requirements. Changes reporting requirements from quarterly to annually. Amends other details regarding disclosures and eliminates certain reporting requirements. Provides that meeting disclosure requirements is compliance with renewables reporting requirements.

Position: Watch

CA AB 210

AUTHOR: Hayashi [D]
TITLE: Green Building Standards
DISPOSITION: Pending
LOCATION: Senate Environmental Quality Committee
SUMMARY:

Specifies that the requirements and regulations that a city or county is authorized to change or modify building standards includes, but is not limited to, green building standards.

CA AB 222

AUTHOR: Adams [R]
TITLE: Energy: Biofuels
LAST AMEND: 05/28/2009
DISPOSITION: Pending
COMMITTEE: Senate Energy, Utilities and Communications Committee
HEARING: 06/30/2009 9:00 am

SUMMARY:

Modifies the definition of in-state renewable electricity generation facility under the Public Interest Research, Development, and Demonstration Program to include a facility that uses conversion at a biorefinery. Amends the definition of solid waste facility under the Integrated Waste Management Act of 1989 to include a biorefinery. Authorizes a locality to include solid waste diverted to a biorefinery in meeting a requirement to divert solid waste through source reduction, recycling, and composting.

Position: Watch

CA AB 228

AUTHOR: Huffman [D]
TITLE: Energy: Outdoor Lighting Efficiency
LAST AMEND: 04/20/2009
DISPOSITION: Pending
COMMITTEE: Senate Energy, Utilities and Communications Committee
HEARING: 06/30/2009 9:00 am
SUMMARY:

Requires the State Energy Resources Conservation and Development Commission to adopt minimum energy efficiency standards for outdoor lighting that would achieve a specified reduction in energy consumption. Eliminates the requirement that the Commission consult with the Department of Transportation to ensure that those standards are compatible with the Department's policies and standards for safety and illumination levels on state highways.

CA AB 413

AUTHOR: Fuentes [D]
TITLE: Energy: Rates
LAST AMEND: 06/01/2009
DISPOSITION: Pending
COMMITTEE: Senate Energy, Utilities and Communications Committee
HEARING: 06/30/2009 9:00 am
SUMMARY:

Prohibits the Public Utility Commission from requiring or permitting an electrical corporation to employ mandatory or default time-variant pricing for residential customers. Authorizes the commission to allow such corporation to offer customers the option of receiving service pursuant to such pricing under certain conditions. Requires the establishment of a CARE program for electricity and gas customer assistance with specified requirements. Relates to charges for baseline quantities or electricity.

Position: Watch

CA AB 828

AUTHOR: Lieu [D]
TITLE: Green Building Standards
LAST AMEND: 05/21/2009
DISPOSITION: Pending
COMMITTEE: Senate Transportation and Housing Committee
HEARING: 06/30/2009 1:30 pm
SUMMARY:

Requires the Buildings Standards Commission and other state agencies proposing green building standards to seek input from other agencies and specified groups. Requires any agency providing input to recommend whether the standard should be voluntary or mandatory. Requires that approved green

building standards be inserted into the Building Standards Code. Authorizes the Energy Resources Conservation and Development Commission to develop and adopt voluntary energy efficiency standards.

Position: Watch

CA AB 958

AUTHOR: Eng [D]
TITLE: Design-build: Metropolitan Water District
LAST AMEND: 04/20/2009
DISPOSITION: Pending
COMMITTEE: Senate Local Government Committee
HEARING: 07/01/2009 9:30 am
SUMMARY:

Authorizes the Metropolitan Water District of Southern California to enter into design-build contracts for projects involving the design, construction, fabrication, and installation of a solar energy system.

Position: Watch

CA AB 1536

AUTHOR: Blakeslee [R]
TITLE: Clean Technology Incentive Program
LAST AMEND: 05/06/2009
DISPOSITION: Pending
COMMITTEE: Senate Energy, Utilities and Communications Committee
HEARING: 06/30/2009 9:00 am
SUMMARY:

Requires the Public Utilities Commission to administer the clean technology incentive program for distributed generation until a specified date for the purpose of deploying distributed generation technologies that the commission determines require ratepayer incentives to achieve commercialization and produce benefits for ratepayers commensurate with their contribution to program costs. Authorizes incentives to be provided pursuant to the program for energy storage facilities meeting certain requirements.

Position: Watch

CA SB 7

AUTHOR: Wiggins [D]
TITLE: Renewable Energy Sources: Tariff: Net Metering
LAST AMEND: 05/05/2009
DISPOSITION: Pending
COMMITTEE: Assembly Utilities and Commerce Committee
HEARING: 07/06/2009 3:00 pm
SUMMARY:

Relates to the Public Utilities Act, which imposes various duties and responsibilities on the Public Utilities Commission. Relates to a standard contract or tariff for net energy metering. Requires an electricity distribution utility or cooperative to allow an eligible customer-generator to apply net surplus electricity as a credit for kilowatthours consumed us a specified formula. Provides a requirement for related information to be added to a commission report regarding energy metering.

Position: Watch

CA SB 17

AUTHOR: Padilla [D]
TITLE: Electricity: Smart Grid Systems

LAST AMEND: 05/05/2009
DISPOSITION: Pending
COMMITTEE: Assembly Utilities and Commerce Committee
HEARING: 06/22/2009 3:00 pm
SUMMARY:

Requires the Public Utilities Commission to determine the requirements for a smart grid deployment plan consistent with the policies set forth in federal law. Requires that the smart grid improve overall efficiency, reliability, and cost-effectiveness of electrical system operations, planning, and maintenance. Requires each electrical corporation to develop and submit a smart grid deployment plan to the Commission. Authorizes deployment of the plan. Requires related reports by the commission.

Position: Watch

CA SB 412

AUTHOR: Kehoe [D]
TITLE: Electricity: Self-Generation Incentive Program
LAST AMEND: 05/28/2009
DISPOSITION: Pending
LOCATION: ASSEMBLY
SUMMARY:

Requires the Energy Commission to require the collection of funding for the self-generation incentive program for nonsolar distributed generation resources to a certain date. Requires the commission to extend the program until all funds have been allocated as incentives. Limits the eligibility for incentives to distributed generation resources that will support the state's goals for reduction of greenhouse gas.

Position: Watch

CA SB 581

AUTHOR: Leno [D]
TITLE: Hetch Hetchy Water and Power
LAST AMEND: 06/17/2009
DISPOSITION: Pending
COMMITTEE: Assembly Utilities and Commerce Committee
HEARING: 06/22/2009 3:00 pm
SUMMARY:

Authorizes the City and County of San Francisco to elect to designate specific renewable electricity generation facilities at-site renewable generation as Hetch Hetchy Water and Power remote renewable generation. Authorizes the City and County of San Francisco to elect to designate specific renewable facilities or a portion of specific renewable electricity generation facilities. Requires PG&E to accept any electricity exported to the grid by such renewable generation.

Position: Watch

CA SB 605

AUTHOR: Ashburn [R]
TITLE: California Environmental Quality Act: Biogas Pipelines
LAST AMEND: 05/04/2009
DISPOSITION: Pending
LOCATION: Assembly Natural Resources Committee
SUMMARY:

Relates to the Environmental Quality Act that provides some exemptions from its requirements for specified projects including a project that consists of the inspection, maintenance, repair, restoration, reconditioning, relocation,

replacement, or removal of an existing pipeline. Provides that for purposes of that exemption, pipeline means a pipeline located in specified counties, that is used to transport biogas, and meets the existing requirements for the exemption and all local, state, and federal laws.

Position: Watch

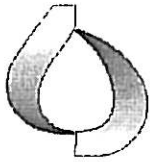
CA SB 696

AUTHOR: Wright [D]
TITLE: CEQA Exemptions: Emission Reduction Credits
INTRODUCED: 02/27/2009
DISPOSITION: Pending
LOCATION: Senate Environmental Quality Committee
SUMMARY:

Exempts from the requirements of the State Environmental Quality Act, the adoption and implementation of specified air pollution control district or air quality management district rules relating to emission credits. Provides exceptions.

Position: Watch

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Date: July 15, 2009

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (07/08/09)

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

Submitted by: Sondra Elrod
Public Information Officer

Subject: Public Outreach and Communications

RECOMMENDATION

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

Calendar of Events

July 2009

- **July 22**, Conservation presentation to Chino Kiwanis Club, Chino Community Building, beginning at 11:30 a.m.

August 2009

- **August 20**, BIA, San Bernardino Water Conference, Ontario Convention Center.

October 2009

- **October 1**, Project WET Workshop, Cucamonga Valley Water District, 8:00 a.m. to 3:00 p.m.
- **October 24**, Regional Water Fair, Chino Basin Water Conservation District, 9:00 a.m. to 2:30 p.m.
- **October 26**, Project Webfoot Workshop, IEUA, 8:00 a.m. to 4:00 p.m.

Outreach/Educational Inland Valley Daily Bulletin Newspaper Campaign

The 5 tips on ways to help conserve water ad will appear in the Daily Bulletin on the first Sunday of each month. The May Water Awareness two-page advertisement ran on Sunday, May 31, 2009.

Water Conservation Outreach

IEUA is continuing to work with conservation partners to plan the Regional Conservation message. The new slogan is *Saving Water...It's the Right Thing to Do*.

IEUA is working on putting together meetings with our service clubs to talk about the drought. Martha Davis is scheduled to make a presentation to the Chino Kiwanis Club on July 22.

IEUA staff attended MWD's hosted legislative breakfasts for Assembly Member Torres and Senator Huff.

GIES program school sites are being completed during the summer with dedications taking place in the fall during the schools back-to-school nights.

Beginning June 12 and running through October 18, IEUA will be running MWD's 30 second conservation ad on 71 screens in our local movie theatres. It is expected that the message will be seen by approximately 2,000 people each week or about 1.4 million people over the 18 week schedule.

Regional Conservation Outreach Campaign

- Ongoing monthly 1/4 page ads in the Inland Valley Daily Bulletin, Champion Newspaper, Fontana Herald News, La Opinion, and Inland Empire Magazine.
- Ongoing water wise gardening classes.
- 30 second PSA's on community TV/movie theaters/radio/internet with conservation tips
- Billboards.

Agency Tours

During the month of June, staff provided a few tours of the HQ. Numerous tours of the Chino Creek Wetlands and Educational Park were provided by SAWA.

Educational Updates

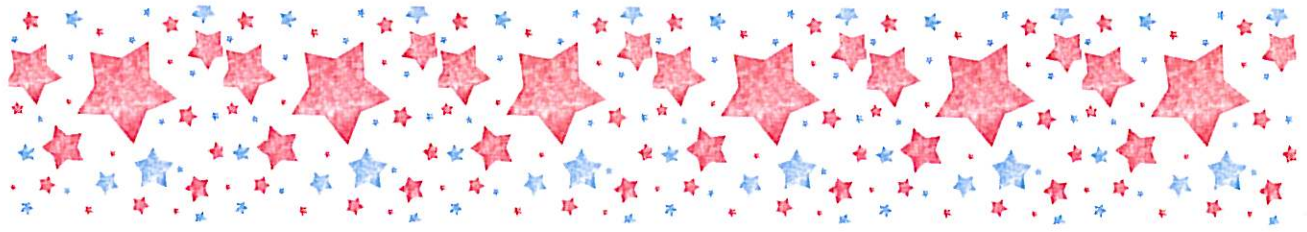
- On June 15-23, IEUA hosted MWD's Traveling Art Show. Out of hundreds of entries, a total of 36 were chosen to be placed in the calendar from MWD's service area. Two posters were placed in the calendar from IEUA's service area: one from Monte Vista Water District and one from Cucamonga Valley Water District.
- The Water Education Water Awareness Committee (WEWAC) has begun planning for the garden that is placed at the Pomona Fairplex during the LA County Fair.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

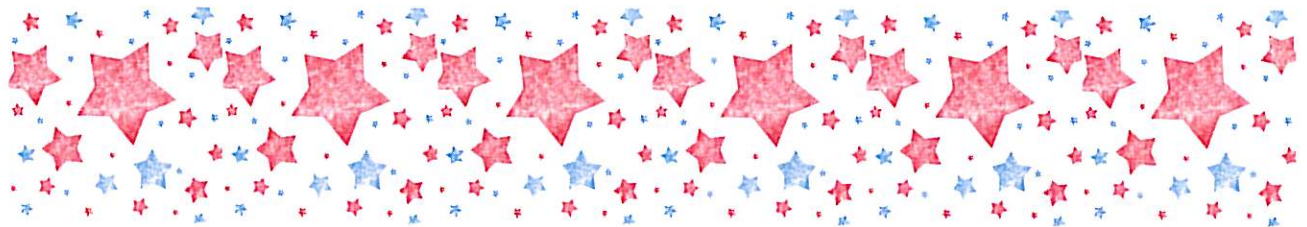
None.



CHINO BASIN WATERMASTER

IV. INFORMATION

1. Newspaper Articles





Rancho Cucamonga water agency encourages residents to make a 5 percent water reduction

Wendy Leung, Staff Writer

Created: 06/03/2009 05:00:44 PM PDT
RANCHO CUCAMONGA - Residents should not think they are immune to mandatory water restrictions just because they don't live in Los Angeles.

The ongoing drought is a regional and statewide problem, and officials contend stringent measures here are on the horizon.

Restrictions on sprinklers and other outdoor usage began this week in an effort to cut Los Angeles' water rate by 15 percent.

The Cucamonga Valley Water District is encouraging responsible practices such as using shutoff nozzles on hoses and repairing leaks.

The district is also requiring restaurants to serve water only on request and requiring hotels to offer guests the option to not wash linens on a daily basis.

These new measures are part of ordinance 47, passed in May to stop wasteful practices such as hosing down driveways.

Repeated violation of the ordinance could result in a fine of \$50 or more.

But Robert DeLoach, general manager of the water district, said officials have no intention of fining residents.

"It's early," DeLoach said. "Even those people violating, we'll knock on their doors and say, 'Hey, you may not be aware of (the ordinance,) we'll be able to help you.'"

The district's latest measures also include a voluntary conservation goal of 5 percent.

DeLoach said most households will be able to meet the 5 percent goal.

"People are already conserving, they're starting to get the message," DeLoach said. "I think 5 percent is a no-brainer."

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Give us a year and we can cut 10 percent without breaking a sweat."

Officials said they believe if we get another dry year this winter, tougher measures - such as mandatory conservation and limiting outdoor watering for two or more days - will go into effect.

On Tuesday, the water board and City Council held a joint workshop to discuss future phases of water restriction.

Ordinance 48, an emergency plan to cut usage by 50 percent in stages, will be considered by the water board June 23.

The first phase of the emergency plan would start with mandatory conservation by 10 percent and escalates to a severe water emergency stage, in which no outdoor watering would be allowed for four or more days out of the week.

To learn more about ordinances 47 and 48, visit www.ccdwater.com.

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ENVIRONMENT

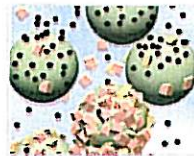
Culligan lobbies hard as water softeners become a drought issue

The company is fighting a state Assembly bill that would let regulators ban devices that discharge salt into municipal sewer lines, rendering water difficult to recycle.

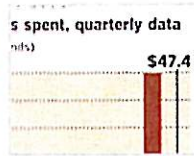
By Marc Lifsher
June 26, 2009

Reporting from Sacramento -- Government bureaucrats want your water softener.

The Culligan Man is fighting back.



Using salt to soften water



Culligan lobbying

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www.WaterSoftenersCompared.com

The company behind the renowned "Hey Culligan Man!" advertising campaign of the 1950s has launched a political and public relations offensive to kill a bill targeting its signature product.

That proposal would allow regulators to ban conventional water softeners that discharge salt into municipal sewer lines. The mineral makes it tough for sanitation districts to clean and reuse their sewage, which is an increasingly crucial source of irrigation water in drought-plagued California.

The bill pits giant Culligan International Co. and smaller water-softener manufacturers and their dealers against a broad coalition of interests that includes California cities, water districts, big farming groups, chicken ranchers and even the golfing industry.

"It's a water-quality issue," said Mike McCullough, the director of environment and water resources for the Northern California Golf Assn. "If you have better-quality recycled water, obviously the turf can respond accordingly."

But Culligan, based in Rosemont, Ill., contends that it's not to blame for California's water woes. It's portraying the legislation as

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a Big Government grab of private property.

It's "an unprecedented step to take something from your home that you legally purchased to better the quality of your life," said Culligan General Counsel Susan Bennett. The privately held firm, which does not divulge sales figures, is by far the largest player in the California market.

The industry is running ads, including a recent full page in the Sacramento Bee, showing a man in a business suit wielding a plumber's wrench and a briefcase, ostensibly to rip the water softener from the utility closet of a hapless homeowner.

"The Sacramento Politicians are at it again. They're back to try and take your water softener away," the ad warns ominously, directing readers to visit www.savemysoftener.com.

Industry officials said they hoped the campaign would help customers avoid what happened to Vern Crawford, a retired Santa Clarita carpenter, who had to yank out his water softener after a local ordinance made it illegal.

"I do think it's a little unfair to target just the soft-water people," he said.

Dollars at stake

Water softening is a \$500-million annual business in California. Units can cost about \$2,300 plus periodic servicing. One in 10 Golden State homes, or an estimated 1 million households, have them.

The industry has made \$117,000 in political campaign contributions since 2000. It gave \$1,000 to one of Gov. Arnold Schwarzenegger's committees in April 2008. The governor last year vetoed legislation seeking to regulate water softeners.

Proponents of the current bill aren't amused by the industry's cheeky campaign. They say decommissioning of existing units would be a last resort and that homeowners would be compensated. Consumers, they note, still have access to alternative water-softening systems that do not pollute rivers with salt.

"It's hyperbole. Clearly, it's a very reckless and irresponsible attempt to engender fear at the expense of . . . a very important issue," said Assemblyman Mike Feuer (D-Los Angeles), the author of the legislation, AB 1366.

The matter has been bubbling for years as California finds it ever harder to satisfy the demands of thirsty cities, farmers and endangered fish species. Drought and climate change are reducing water supplies throughout the Southwest.

Water districts across California are under pressure to "recycle" sewage and runoff that they used to dispose of. The sanitized wastewater can be used for irrigation, groundwater recharge and even drinking water if the sewage is thoroughly cleaned.

But water treatment is expensive. Water softeners are adding to the burden.

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Claremont meets over water company purchase while utility says it isn't interested in selling

Wes Woods II, Staff Writer

Created: 06/24/2009 05:29:41 PM PDT

CLAREMONT - While the City Council met in closed session Tuesday night about possibly buying the Golden State Water Co., a water official said Wednesday his company is not in favor of any purchase.

"Golden State Water Co. provides exceptional water service to the residents and businesses in Claremont at competitive rates," said Alice Shiozawa, district manager for the foothill district. "We do not believe the city's ongoing consideration of purchasing the water system is in the best interests of the community."

No action was taken Tuesday night despite the council meeting in closed session both before and after the regular council session.

Nonetheless, Claremont officials will continue talking about the issue for the next couple of months "at least," said Councilman Sam Pedroza.

"The important point is we're seriously talking about it," Pedroza said.

Golden State, whose Claremont office is at 915

W. Foothill Blvd., Suite E, is a public utility and a wholly owned subsidiary of San Dimas-based American States Water Co.

City Manager Jeff Parker said the council had previously met with Golden State officials in 2004 and 2005 discussed a purchase price, when the water company was known as Southern California Water.

Parker said he had seen letters that put a city consultant's estimate of the company's value at \$40 million while the company's estimate was \$100 million.

An American States Water Co. report said "GSWC disagrees with the consultant's valuation assessment. As of Dec. 31, 2008, management believes that the fair market value of the Claremont water system exceeds the \$40.9 million recorded net book value and also exceeds the consultant's estimates of its value."

Councilwoman Linda Elderkin said her biggest concern was "so many residents think they want us to acquire the water company to bring the rates down, and I think it's been made clear from so many sources that it wouldn't happen for a long time. Eventually, the long-term rates would go down. In the short term, we can not do better than Golden State."

Pedroza said regardless of the outcome for purchasing the water company, the city will continue to fight water rate increases through the California Public Utilities Commission process.

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"We're going through the whole process of fighting," Pedroza said.

Elderkin said the city will "consult with their attorney, examine the situation from many points of view and make a decision on if it's appropriate to do more than we've done or take it off the table."

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Chino water, sewer rate increase approved by City Council

Neil Nisperos, Staff Writer

Created: 06/05/2009 05:44:17 PM PDT
CHINO - The City Council has approved a increase in its water and sewer rates, raising the average home's costs by about \$4.38 a month starting July 1.

It will increase \$5.18 more per month in the 2009-10 fiscal year, according to a city finance report.

This year's rate increases include \$1.08 for every 748 gallons of water and \$1.17 the next year. The current rate is \$0.9863 for every 748 gallons.

The rates being proposed are largely the result of increases from third-party suppliers, such as Metropolitan Water District and Inland Empire Utilities Agency, said Rob Burns, city deputy director of finance.

About 63 public protest letters regarding the fee hikes were submitted to the city and a few residents spoke out

during public comment.

Waste Management does not plan to increase household trash-collection fees. Services are expected to remain at \$22.12 this year, although an increased charge is proposed next year.

Chino resident Erica Darplee disputed the city's utility rates, saying she pays \$65 a month for utilities at her townhome, while her friends, who live in a large home in Chino, pay "only \$18 more than mine," while many of the charges for water availability, sewer and storm drain fees are the same.

"How does the city or the (Inland Empire Utilities Agency) justify charging the same fees to residents in condos, as they do to residents who live on large lots with yards, pools, horses and other amenities that I cannot physically have," she said.

Darplee's water use amounts to \$2.96 a month, or 4.5 percent of her total bill, while "\$43.33 of my bill (66 percent) results from these other flat charges."

"I feel like the City has forced me to dine out once a month with the community ... (and) they want me to split the check evenly," she said.

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The proposed water rate increases come as the continuing statewide drought has led to higher imported-water costs from agencies, including the MWD. Officials are anticipating more rate increases from water suppliers in the near future.

The Inland Empire Utilities Agency sewage treatment service is at \$9.62 for a single-family household and \$6.73 for a multifamily household.

The proposed sewer rates for single-family units are \$10.75 for 2009 and \$11.29 for the next year. The multifamily charges per household are proposed at \$7.52 and \$7.90.

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Legislature

Fix the budget, then fix water

Created: 06/06/2009 04:53:58 PM PDT

Among the many competing messages out of Sacramento as state government tries to close a \$24 billion budget deficit, one is very hard to argue with.

That's local Assemblyman Bill Emmerson's call for the Legislature to suspend all other business until the budget mess is sorted out.

Emmerson, R-Rancho Cucamonga, proposed in a point of view on this page last week that both houses of the Legislature suspend work immediately on all legislative work that does not pertain to balancing the budget or to economic stimulus. He suggested, rightly, that legislators should "bring the full force of the Legislature to bear upon what is surely our greatest challenge in decades."

It seems an obvious move in such desperate times, when proposals include snatching the safety net out from under California's poor, and wrecking the

college dreams of many graduating high-schoolers and dimming the state's future by eliminating Cal Grants and slashing funding for public universities and community colleges. Clearly, weighing such steps requires the complete concentration of every elected state official and all their staff members. Let other proposed rules and regulations wait until this fiscal mess is settled.

We would go one step further by advising that the Legislature - after it closes the budget gap and staves off the impending state cash shortage - bring something close to its full force to bear on a huge issue that's not getting enough attention because of the fiscal fiasco: Water.

On Thursday, a federal agency issued directives that water officials estimate will reduce deliveries to farmers and urban water users by 5 percent to 7 percent a year, in order to restore salmon runs through the San Joaquin-Sacramento River Delta. That's on top of previous federal court rulings that restrict water pumping from the delta by up to 40 percent to preserve the delta smelt.

Earlier in the week, the Delta Vision Foundation issued a report card for the

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governor and Legislature: they got an incomplete grade for their failure to make headway on the foundation's recommendations to sustain the Delta ecosystem and secure the state's water delivery system.

The foundation, then called the governor's Delta Vision Blue Ribbon Task Force, released its Delta Vision Strategic Plan in October. It's a well-researched and well-balanced plan, as we've written before. The state's leaders would be well-advised to act quickly to implement the task force proposals, but so far there is just wheel-spinning.

Right now, there's nothing more important than fixing the budget. But beyond that immediate and very short-term need, there's nothing more important to California's long-term future than fixing the state's water delivery system.

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