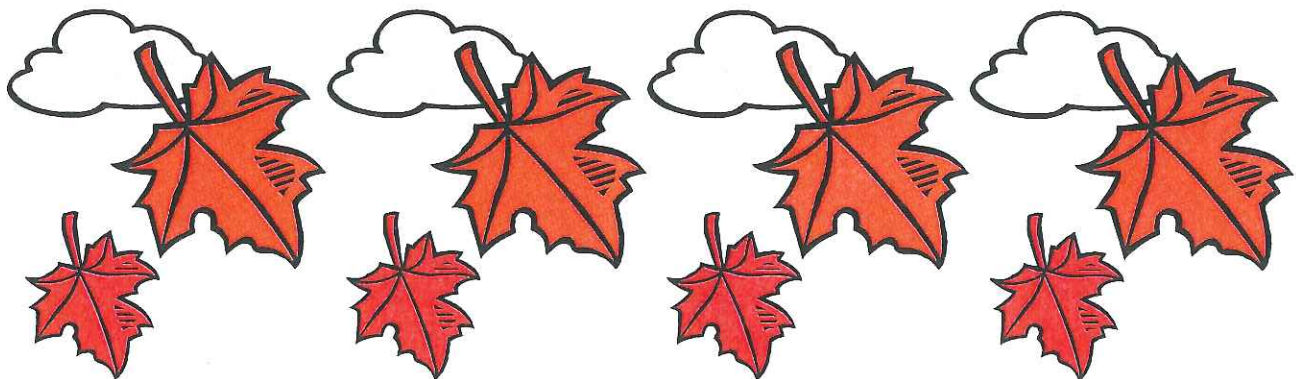


CHINO BASIN WATERMASTER

Thursday, October 21, 2010

8:00 a.m. – Special Appropriative Pool Meeting

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
SPECIAL APPROPRIATIVE POOL MEETING**

8:00 a.m. – October 21, 2010

*Mr. Mark Kinsey, Chair, Appropriative Pool
Mr. John Mura, Vice-Chair, Appropriative Pool*

At The Offices Of

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

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. BUSINESS ITEMS

A. WATERMASTER RESOLUTION NO. 10-04 FOR PHASE III DESALTER EXPANSION

Consider Approval for Proposed Chino Basin Watermaster Resolution No. 10-04 for Phase III Desalter Expansion (Page 3)

B. CHINO BASIN WATERMASTER 2010-2011 ASSESSMENT PACKAGE

Consider Approval of the Chino Basin Watermaster 2010-2011 Assessment Package (Page 66)

II. POOL MEMBER COMMENTS

III. OTHER BUSINESS

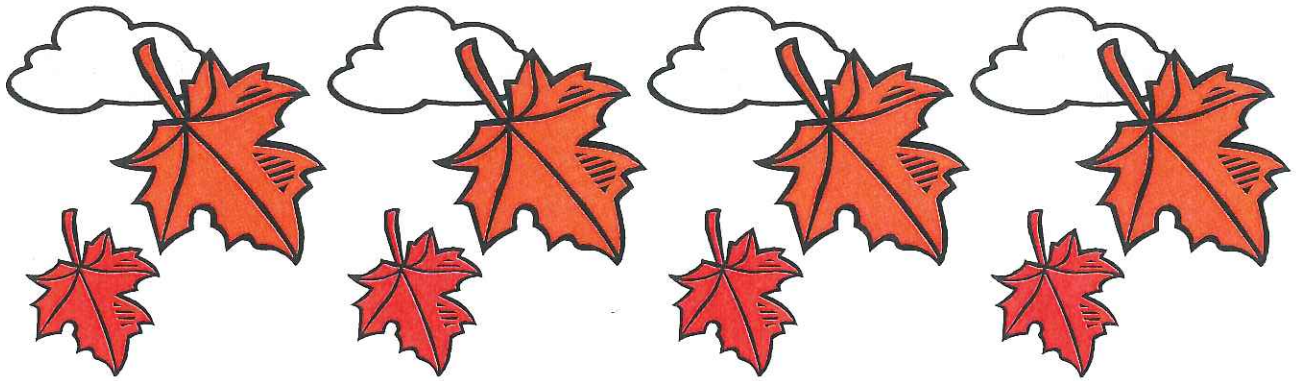
IV. FUTURE MEETINGS

| | | |
|--------------------------------------|-------------------|---|
| Thursday, October 21, 2010 | 8:00 a.m. | Special Appropriative Pool Meeting @ CBWM |
| Thursday, October 21, 2010 | 9:00 a.m. | Advisory Committee Meeting @ CBWM |
| Thursday, October 21, 2010 | 11:00 a.m. | Water Quality Meeting @ CBWM |
| Thursday, October 28, 2010 | 11:00 a.m. | Watermaster Board Meeting @ CBWM |
| * Thursday, November 4, 2010 | 9:00 a.m. | Agricultural Pool Meeting @ IEUA |
| Thursday, November 4, 2010 | 1:00 p.m. | Appropriative Pool Meeting @ CBWM |
| Thursday, November 4, 2010 | 2:30 p.m. | Non-Agricultural Pool Conference Call Meeting |
| Thursday, November 18, 2010 | 8:00 a.m. | IEUA DYY Meeting @ CBWM |
| Thursday, November 18, 2010 | 9:00 a.m. | Advisory Committee Meeting @ CBWM |
| * Thursday, November 18, 2010 | 11:00 a.m. | Watermaster Board Meeting @ CBWM |
| Thursday, December 2, 2010 | 1:00 p.m. | Appropriative Pool Meeting @ CBWM |
| Thursday, December 2, 2010 | 2:30 p.m. | Non-Agricultural Pool Conference Call Meeting |
| Thursday, December 9, 2010 | 9:00 a.m. | Agricultural Pool Meeting @ IEUA |
| Thursday, December 16, 2010 | 8:00 a.m. | IEUA DYY Meeting @ CBWM |
| Thursday, December 16, 2010 | 9:00 a.m. | Advisory Committee Meeting @ CBWM |
| * Thursday, December 16, 2010 | 11:00 a.m. | Watermaster Board Meeting @ CBWM |

*** Note: Date changes due to holiday schedules**

Meeting Adjourn

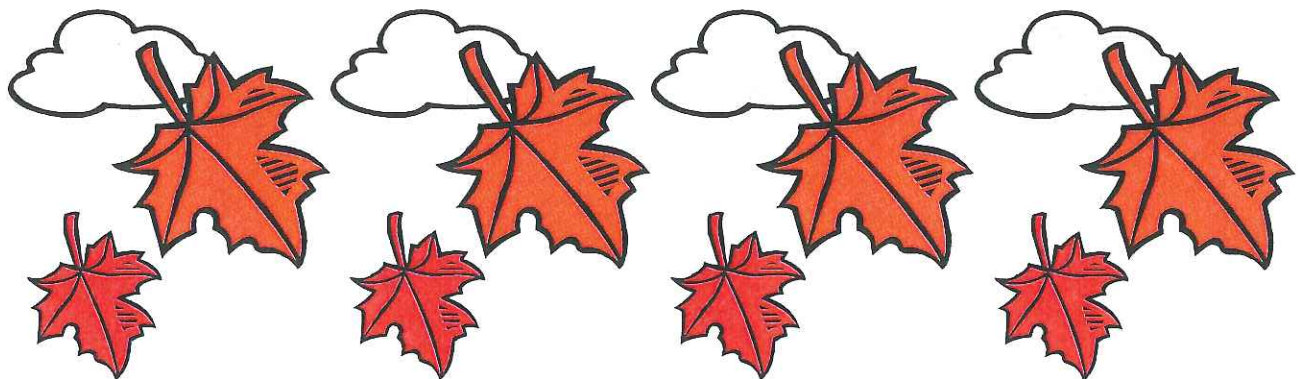
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CHINO BASIN WATERMASTER

I. BUSINESS ITEM

A. PEACE II AGREEMENT AND PHASE III DESALTER EXPANSION





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

WILL GO OUT SEPARATE COVER

DATE: October 21, 2010

TO: Committees Members

SUBJECT: Progress Report on Phase III Desalter Expansion

Actions:

October 7, 2010 Appropriative Pool – Moved to Hold a Special Meeting on October 21, 2010 at 8:00 a.m.
October 7, 2010 Non-Agricultural Pool – Moved to Authorize Bob Bowcock to Support the Motion made at the Advisory Committee and Watermaster Board meetings and Advocate any Edits Made at the Advisory Committee and Watermaster Board Meetings
October 14, 2010 Agricultural Pool – Moved to Conditionally approve Resolution Subsequent to the Final Approval by the Agricultural Pool Chair, Vice-chair, Director Vanden Heuvel, and Director Hofer
October 21, 2010 Advisory Committee –
October 28, 2010 Watermaster Board –

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**PROPOSED PRINCIPLES FOR FACILITATING
PHASE III OF THE CHINO BASIN DESALTERS**

Objectives:

1. Provide reasonable assurances to the Expansion Group (Western Municipal Water District, the City of Ontario, and the Jurupa Community Services District.) so that it may first proceed with expenditures for the construction of two new test wells and related monitoring wells now and the further efforts to secure hydraulic control under consideration without risk that the Expansion Project will be rejected by the Chino Basin Desalter Authority (CDA a joint powers agency comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District, the Santa Ana River Water Company, the Inland Empire Utilities Agency (IEUA) as a non-voting member and the Western Municipal Water District as a non-voting member) for reasons related to the determination of projected O&M costs for the consolidated Desalter facilities (Phases I, II and III) are greater than 10 percent.
2. Provide reasonable assurances to the non-participating CDA members (the Cities of Chino, Chino Hills, Norco, Santa Ana River Water Company and IEUA) that the Expansion Project will not cause them to incur unreasonable risk and expense upon acceptance of the Expansion Project by the CDA.
3. Provide reasonable assurances to the Court and to the Regional Water Quality Control Board regarding the parties' progress of the Expansion Project and achievement of Hydraulic Control.

Proposal:

1. There is a presently defined "check-in" period as identified in the JPA Amendment No. 2. This "check-in" was intended to provide certainty regarding the potential economic impact of the Expansion Project (as defined in the Preliminary Design Report) on existing operations and maintenance expenses (O&M). However, the lack of certainty regarding the timing and the methodology applicable to the "check-in" has actually caused uncertainty and chilled the Expansion Group's desire to commit to certain potential expenditures until the parties reached 90% final design. Accordingly, as a surrogate for and in complete satisfaction of the existing "check in" at the 90% final design stage as described in JPA Amendment No. 2, the CDA and the Expansion Parties would instead use the following criteria.

(a) There are the two reports prepared by Carollo and RBF Engineers which now demonstrate that the expected O&M costs will not exceed 10%. The RBF and Carollo reports have been further adjusted to incorporate actual historical cost data. Consequently, prior to the Expansion Group proceeding further with the drilling of the

wells referenced in the revised Project description and subsequently proceeding with additional measures that are reasonably calculated to achieve hydraulic control, the CDA should receive the two reports, and including the revisions to reflect actual historical data and provisionally find that the cost projections contained therein are within the 10% cap for O&M (and will not be exceeded other than as may result from water quality risks see (b)(i) below and MWD's failure to fund the expected Local Resources Program (LRP) see Section 2(b)(ii) below.) The Parties will deem this review sufficient to account for all O&M quantification issues for purposes of calculating whether the 10% cap for O&M has been exceeded other than for water quality treatment costs.

(b) With respect to water quality treatment costs, to fairly balance the need for the Expansion Group to proceed with the construction of the Chino Creek Well-Field (the revised Project description – two wells) and to continue with additional measures to secure Hydraulic Control pursuant to the Expansion Project, a subsequent exceedance of the 10% cap on O&M costs for reasons related to the cost of treatment for water quality will become a contingent economic tail obligation (condition subsequent establishing a defined financial obligation) and not a further condition of acceptance of the project.

i. The cost of treating for water quality unrelated to the identified contamination from the Chino Airport plume will be determined at the time there is sufficient information obtained from the new test wells contemplated by the revised Project description. If the representative sampling is sufficient to reasonably project future O&M costs related to the treatment of water quality other than contamination, then the future O&M will be determined at this time. There is a preference for maintaining a "postage stamp" O&M rate for CDA water, consequently, if the cost of water quality treatment, when added to the O&M cost increase predicted by the average of revised RBF and Carollo reports, do not cause total projected O&M costs to exceed 10 percent, then there will be no further Expansion Group responsibility for incremental water quality treatment costs and the matter will be closed. If the projected cost of water quality treatment will cause the total O&M costs to exceed 10% because of the Expansion Project, the O&M rate paid by the Expansion Group will be subject to a surcharge for the increment of the O&M cost exceeding 10% (Water Quality Surcharge). Thereafter, if the Water Quality Surcharge is implemented, it will be subject to discretionary review by CDA no more frequently than once every three years, whereby CDA will consider all actual historical O&M costs, including cost reductions, for purposes of calculating whether O&M costs, inclusive of water quality treatment (for other than contamination from the Chino Airport Plume) have been less than 10% and whether they can be reasonably projected to remain less than 10%. If the cumulative actual O&M costs are greater than 10% (other than for contamination) the Water Quality Surcharge will be maintained. If actual costs and reasonable projections indicate that the cumulative O&M costs (for other than contamination from the Chino Airport Plume) will not exceed 10%, the Water Quality Surcharge will be terminated; there will be no further re-openers and the matter will be closed.

ii. Assuming Metropolitan Water District (MWD) approves either a uniform Local Resources Program (LRP) funding for all three Phases of the Desalters or one for the Expansion Project alone, the subsequent continuing availability of some or all of the LRP funding shall not be considered a benefit received or an obligation independently incurred by either the Expansion Group or the Non-Participating members for purposes of any O&M cost calculation. However, if MWD does not approve, or reduces or increases, LRP funding for either the uniform or the Expansion Project, then the Expansion Group may elect in its complete discretion to proceed with the Expansion Project and pay the incremental expense in O&M costs greater than 10%, withdraw from the Expansion Project, secure third-party funding or engage in negotiations with non-participating CDA members for purposes of effectuating the intentions expressed in this Subsection ii and maintaining an equitable apportionment of O&M costs with knowledge of the facts available at that time. The non-participating CDA members will not be compelled to incur an increase in O&M costs greater than 10% because of the CDA's election to proceed forward despite MWD's failure to fund the requested LRP.

iii. As between CDA and Watermaster, Watermaster will remain primarily responsible for addressing the contamination from the Chino Airport Plume and in continuing cooperation and coordination with CDA will pursue the Responsible Parties for all incremental CDA capital costs and operations and maintenance costs. To the extent capital and O&M costs attributable to redressing water quality degradation from the Responsible Parties is incurred prior to resolution of threatened or actual litigation, CDA will front (cover) the added costs as a form of bridge financing (current and expanded). CDA may elect to request Watermaster to fund the bridge costs but Watermaster's agreement shall not be a requirement of this Agreement. The proceeds from any recovery will be paid to CDA and used to defray the actual incremental cost attributable to treating the contaminated water. Additional proceeds may be distributed and used in the discretion of the CDA.

iv. The water purchase agreements will be amended to account for this knowable and defined cost in the event either contingency occurs.

2. The Inter-governmental agreement will be amended to reflect that there will be "two test wells" - rather than "up to". A reference to the possibility that the wells might be converted to production wells after further compliance with CEQA is desired.

3. The CDA Board and the Expansion Group will independently approve the provisional revised schedule that is transmitted to the Regional Board by Watermaster. Watermaster will not request and the CDA and the Expansion Group do not intend through their actions to become permittees or to assume a direct or indirect relationship with the Regional Board through this acknowledgment.

4. The Expansion Parties reserve the right to address the proposed mitigation, their responsibility for the identified measures and the projected costs prior to proceeding with the Expansion Project.

5. These principles are expressly subject to Watermaster determinations that the well-field operation will not cause Material Physical Injury and that the wells will effectuate the purposes of hydraulic control. The Expansion Group and the non-participating CDA members will exercise good faith and reasonable efforts to comply with Watermaster directives. So long as CDA complies with Watermaster's directives concerning the location, construction and operation of the wells used to secure Hydraulic Control, CDA does not expect to incur additional costs or third-party liability and it does not intend to assume any such liability.

6. The Expansion Group covenants that it will pay for all capital costs for the entire Expansion Project.

7. The parties will exert reasonable best efforts to effectuate these principles, conforming legal instruments and expeditiously determine the relative "buy-in" so as to eliminate further uncertainties.

Exhibit B

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WATER PURCHASE AGREEMENT

Dated as of November 1, 2010

By and Between

CHINO BASIN DESALTER AUTHORITY

and

WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY

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| Exhibit C. Form of Opinion of Authority Special Counsel..... | C-1 |
| Exhibit D. List of notes, bonds or other obligations of the Purchaser as of the date of execution to which Purchaser Water System Revenues are pledged..... | D-1 |

WATER PURCHASE AGREEMENT

This Agreement, dated as of November 1, 2010, by and between the Chino Basin Desalter Authority (the "Authority"), a joint exercise of powers agency duly organized and existing pursuant to Article 1, Chapter 5, Division 7, Title 1 of the Government Code (the "Joint Powers Act"), commencing with Section 6500, and the Western Municipal Water District of Riverside County (the "Purchaser").

WITNESSETH:

WHEREAS, the certain Authority members who are water purveyors in the Chino Basin currently receive desalted water from the Authority pursuant to Water Purchase Agreements dated as of January 15, 2002.

WHEREAS, in accordance with the provisions of that certain Peace Agreement dated as of June 29, 2000, the Peace II Agreement, and Amendment No. 2 to Joint Exercise of Powers Agreement Creating the Chino Basin Desalter Authority, the Authority has agreed to expand the existing desalted water facilities of the Authority by addition of the Expansion Project, in order to: (1) increase the output thereof by a projected [9 m.g.d. for a cumulative total of 40,000 acre-feet per year]; and (2) sell such increased production to the Expansion Group; and (3) provide for increased reliability of desalted water deliveries from the Authority's existing facilities.

WHEREAS, such expansion of the Authority's existing desalter water facility is being undertaken through the design and construction of the Desalter Phase 3 Expansion Facilities ("Expansion Project"), which will be fully integrated with the Authority's existing desalter water facilities.

WHEREAS, the Desalter Phase 3 Expansion Facilities will be designed and constructed in accordance with direction received from Chino Basin Watermaster and in a manner that Chino Basin Watermaster believes will facilitate hydraulic control through reoperation in the Chino Basin, thereby creating an estimated additional 400,000 acre-feet of controlled overdraft which will be allocated in accordance with the Peace II Agreement.

WHEREAS, the Expansion Group has commenced the design and construction of the Expansion Project, in furtherance of which the Purchaser, on behalf of the Expansion Group, has entered into an Intergovernmental Agreement with the Authority, dated October 21, 2009, which provides for the design, construction and acceptance by the Authority of a portion of the Expansion Project.

WHEREAS, in furtherance of the design and construction of the Expansion Project, the Purchaser and the Authority are anticipated to enter into that certain First Amended and Restated Intergovernmental Agreement dated concurrently with this Agreement, to which Ontario and JCSD shall be parties, which provides for Western to act as Project Manager in connection with the design and construction of the Desalter Phase 3 Expansion Facilities.

WHEREAS, the Authority is entering into a new Water Purchase Agreement with the Purchaser and a series of Amended and Restated Water Purchase Agreements with all other members of the Authority to document its acceptance of the design and construction work for the Expansion

Project already completed, to accept responsibility for the completion of the Desalter Phase 3 Expansion Facilities (but not the obligation to pay the cost of such work, except as specifically set forth in Section 13(k)) and the integration of the Desalter Phase 3 Expansion Facilities into the Authority's existing desalter water facilities, and to document the obligations of all Purchasers and Authority members who are water purveyors with regard to its desalter water facility, including the Desalter Phase 3 Expansion Facilities as they are designed, constructed, become operational and are fully integrated with the Authority's existing desalter water facilities.

WHEREAS, the Expansion Group has agreed to pay all capital costs for the design and construction of the Expansion Project as set forth in [Table 8.10 of the June, 2010 Chino Desalter Phase 3 Comprehensive Predesign Report], financed independently by each Expansion Group member (or the Authority in the event of a default of an Expansion Group member), as provided in this Agreement.

WHEREAS, in consideration for its payment of the capital costs of the Desalter Phase 3 Expansion Project, each Expansion Group member will receive the new or additional Project Allotment set forth in the third column of Exhibit "A".

WHEREAS, if any member of the Expansion Group defaults in its obligation to pay for its share of the capital costs of the Expansion Project, this Agreement authorizes the Authority to issue Authority Bonds to cover such unmet costs, which Authority Bonds will be secured solely by revenues generated by such defaulting Expansion Group member's water system and on a parity with such Expansion Group member's bond and contract obligations that constitute operation and maintenance expenses.

WHEREAS, each Expansion Group member shall not be responsible for Authority operations and maintenance costs associated with the Expansion Project unless and until the Expansion Project Completion Date.

WHEREAS, upon full integration of the Desalter Phase 3 Expansion Facilities into the existing desalter water facilities, the price of desalter product water (not including Debt Service on any Authority Bonds issued after execution of this Agreement and Debt Service on outstanding Authority Bonds previously paid by Authority members) delivered from the Authority's desalted water facilities, including the Desalter Phase 3 Expansion Facilities, shall be charged to all members of the Authority at a rate calculated to achieve a uniform melded pro-rata allocation of costs among all Authority members, except as expressly otherwise provided herein, based upon each member's proportionate firm commitment to purchase water from the Authority, as set forth in Exhibit "A."

WHEREAS, the Purchaser has no responsibility to pay Fixed Project Costs relating to Authority Bonds issued prior to the date of this Agreement.

WHEREAS, the Authority and the Purchaser now wish to enter into this Water Purchase Agreement to provide for the acquisition, construction, operation and financing of the expanded desalted water facilities, for the sale by the Authority to the Purchaser of the Purchaser's Project Allotment and certain other matters.

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions.

The following terms shall, for all purposes of this Agreement have the following meanings:

“Administrative Costs” means the administrative costs allocable to the operation and management of the Authority, calculated in accordance with generally accepted accounting principles, including but not limited to insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, but shall not include Project Operation and Maintenance Expenses.

“Authority” shall have the meaning assigned thereto in the preamble hereto.

“Authority Bonds” means bonds, notes or other evidences of indebtedness issued by or on behalf of the Authority to finance or refinance the Project.

“Authority Fiscal Year” means the twelve month period commencing on July 1 of each calendar year and ending on the following June 30 or such other twelve month period which may be designated by the Authority as its fiscal year.

“Bonds” mean all bonds, notes or similar obligations (but not including Contracts) of the Purchaser authorized and issued by the Purchaser under and pursuant to applicable laws of the State of California after the date of execution of this Agreement, the principal of and interest on which are an operation and maintenance expense of the Purchaser Water System determined in accordance with generally accepted accounting principles and which are secured by a pledge or a lien on Purchaser Net Water System Revenues and which are on a parity with the obligations of the Purchaser under this Agreement.

“Bond Resolution” means the resolution or resolutions providing for the issuance of Authority Bonds and the terms thereof, and any indenture or trust agreement related thereto.

“Contract Payments” means:

(1) the interest payable during such Purchaser Fiscal Year on all outstanding Bonds, assuming that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds);

(2) that portion of the principal amount of all outstanding serial Bonds maturing during such Purchaser Fiscal Year;

(3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid during such Purchaser Fiscal Year; and

(4) that portion of payments under Contracts (other than under this Agreement) constituting principal and interest required to be made at the times provided in the Contracts.

“Contracts” means this Agreement and all contracts of the Purchaser authorized and executed by the Purchaser under and pursuant to the applicable laws of the State of California after the date of execution of this Agreement, the payments under which are an operation and maintenance expense of the Purchaser Water System determined in accordance with generally accepted accounting principles

and which are secured by a pledge of or lien on the Purchaser Net Water System Revenues and which are on a parity with the obligations of the Purchaser under this Agreement.

“Debt Service” means, as of the date of calculation and with respect to Authority Bonds, an amount equal to the sum of (i) interest payable during such Authority Fiscal Year on Authority Bonds, except to the extent that such interest is to be paid from capitalized interest, (ii) that portion of principal of Authority Bonds payable during such Authority Fiscal Year, (iii) amounts necessary to replenish the Reserve Fund created pursuant to the Bond Resolution, and (iv) all letters of credit and other financing costs payable on a periodic basis. Such interest, principal installments and financing costs for such series shall be calculated on the assumption that no Authority Bonds outstanding at the date of calculation will cease to be outstanding except by reason of the payment of principal on the due date thereof;

provided further that, as to any such Authority Bonds bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be one hundred ten percent (110%) of the greater of (a) the daily average interest rate on such Authority Bonds during the twelve (12) calendar months preceding the date of calculation (or the portion of the then current Authority Fiscal Year that such Authority Bonds have borne interest) or (b) the most recent effective interest rate on such Authority Bonds prior to the date of calculation; and

provided further that, as to any such Authority Bonds or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Authority Bonds or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Authority Bonds for which such debt service reserve fund was established and in each preceding Authority Fiscal Year until such amount is exhausted.

“Desalter Phase 3 Expansion Facilities” or “Expansion Project” means the facilities described in the [Chino Desalter Phase 3 Comprehensive Predesign Report] approved by the Board of Directors on November __, 2010. The Authority and the Purchaser acknowledge that portions of the Desalter Phase 3 Expansion Facilities are currently being designed or constructed and that the definition of the Desalter Phase 3 Expansion Facilities may be revised from time to time prior to commencement of construction without amendment to this Agreement.

“Desalter Phase 3 Expansion Facilities Buy-In Costs” means \$_____, as computed in accordance with the Project Memorandum regarding Buy-In Cost Methodology for Chino Desalter Phase 3 Expansion – Final, prepared by Dan Baker of Carollo Engineers, dated as of August 6, 2010.

“Expansion Group” means the Purchaser, the City of Ontario (“Ontario”), and Jurupa Community Services District (“JCSD”).

“Expansion Project Completion Date” means the date determined by the Board of Directors of the Authority on which the Expansion Project is complete and is expected to be operated at [_____] % of design capacity.

“Facilities Acquisition Agreement” means the Facilities Acquisition Agreement, dated as of January 15, 2002, by and between SAWPA and the Authority, as such Facilities Acquisition Agreement may be amended or supplemented from time-to-time.

“Fixed Project Costs” means capital costs, including Debt Service, and reserves for repair and replacement and improvement to the Project and for payment of Debt Service of the Project, and all other amounts paid by the Authority other than Variable O&M Costs and Fixed O&M Costs.

“Fixed O&M Costs” means operation, maintenance, power, replacement and other costs, including Project Operation and Maintenance Expenses and a reasonable reserve for contingencies, in each case incurred by the Authority with respect to the Project, irrespective of the amount of water delivered to the Project Participants, including but not limited to amounts required to be deposited in the Membrane Replacement Fund, amounts payable under transportation agreements, including but not limited to amounts payable to Jurupa Community Services District under the Agreement By And Between The Chino Basin Desalter Authority, Jurupa Community Services District, The City Of Ontario, The City Of Norco And Santa Ana River Water Company Providing For The Transportation Of Chino II Desalter Water, as it may be amended from time to time.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the Purchaser, or the Authority, as the case may be, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Intergovernmental Agreement” means the [First] Amended and Restated Governmental Agreement by and between the Authority and the Purchaser, as such agreement may be amended or supplemented from time-to time.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement creating the Chino Basin Desalter Authority, as such agreement may be amended or supplemented from time to time.

“Lump Sum Past Administrative Costs” means \$ _____, as computed in accordance with [_____].

“Peace II Agreement” means that certain Peace II Agreement: Party Support for Watermaster’s OBMP Implementation Plan, – Settlement and Release of Claims Regarding Future Desalters, dated as of October 25, 2007.

“Project” means those certain facilities necessary to deliver desalted water to the Project Participants, including the following: (i) the existing Chino I Desalter, (ii) the existing Chino I Expansion facilities, (iii) the existing Chino II Desalter, (iv) the Desalter Phase 3 Expansion Facilities and (v) related water pipelines, electric generators and associated facilities. The Authority and the Purchaser acknowledge that portions of the Desalter Phase 3 Expansion Facilities are currently being designed or constructed and that the definition of the Project may be revised from time-to-time prior to commencement of construction without amendment to this Agreement. The Project does not include any obligations of the Purchaser under the Peace II Agreement other than the obligation to construct the Desalter Phase 3 Expansion Facilities.

“Project Allotment” means the volume of desalted water per year set forth on Exhibit A hereto.

“Project Operation and Maintenance Expenses” means the actual costs spent or incurred by the Authority for maintaining and operating the Project, calculated in accordance with generally accepted accounting principles and Section 9 hereof, including (among other things) the expenses of management and repair and other expenses necessary to maintain and preserve the Project, in good repair and working order, or charges required to be paid by it to comply with the terms of the Authority Bonds or of this Agreement, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) Administrative Costs, (iv) costs of capital additions, replacements, betterments, extensions or improvements to the Project, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation and (v) Debt Service.

“Project Participant” means the Purchaser and each entity listed in Exhibit A hereto executing Water Purchase Agreements with the Authority.

“Purchaser” shall have the meaning assigned thereto in the preamble hereto.

“Purchaser Fiscal Year” means the twelve month period commencing on July 1 of each year and ending on the following June 30 or such other twelve month period which may be designated by the Purchaser as its fiscal year.

“Purchaser Net Water System Revenues” means, for any Purchaser Fiscal Year, the Purchaser Water System Revenues for such Purchaser Fiscal Year less the Purchaser Operation and Maintenance Expenses for such Purchaser Fiscal Year.

“Purchaser Operation and Maintenance Expenses” means the costs spent or incurred by the Purchaser for maintaining and operating the Purchaser Water System, calculated in accordance with generally accepted accounting principles, including (among other things) the expenses of management and repair and other expenses necessary to maintain and preserve the Purchaser Water System, in good repair and working order, and including administrative costs of the Purchaser, salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and all other reasonable and necessary costs of the Purchaser, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) charges for the payment of principal and interest on Bonds or Contracts and (iv) payments under this Agreement.

“Purchaser Share” means the Purchaser’s Project Allotment divided by the sum of all Project Participants’ Project Allotments, all as set forth as Exhibit A hereto.

“Purchaser Water System” means properties and assets, real and personal, tangible and intangible, of the Purchaser now or hereafter existing, used or pertaining to the acquisition, treatment, reclamation, transmission, distribution and sale of water, including all additions, extensions, expansions, improvements and betterments thereto and equipment relating thereto; provided, however, that to the extent the Purchaser is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described water purposes, only the Purchaser’s ownership interest in such asset or property or only the part of the asset or property so used for water purposes shall be considered to be part of the Purchaser Water System.

“Purchaser Water System Revenues” means the income, rents, rates, fees, charges, and other moneys derived by the Purchaser from the ownership or operation of Purchaser Water System including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of water and other services, facilities, and commodities sold, furnished, or supplied through the facilities of Purchaser Water System, including standby and availability charges, capital water facilities fees for design, construction and reconstruction expenses, development fees and other fees allocable to the Purchaser Water System, (ii) taxes or assessments as may be imposed if the levy thereof and payment hereunder is permitted by law, and (iii) the earnings on and income derived from amounts set forth in clauses (i) and (ii) above, and shall not include (y) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the Purchaser and (z) proceeds of any taxes or assessments except taxes or assessments described in clause (ii) above.

“SAWPA” means the Santa Ana Watershed Project Authority, a joint exercise powers agency, including the successors and assigns thereof.

[“Term Sheet” shall have the meaning assigned thereto in the preamble hereto.] [This definition is used in Section 4(d); retain in agreement unless Section 4(d) is deleted.]

“Trustee” means the entity or entities designated by the Authority pursuant to any Bond Resolution to administer any funds or accounts required by such Bond Resolution or otherwise.

“Variable O&M Costs” means the operation, maintenance, power, replacement and other costs, including Project Operation and Maintenance Expenses incurred by the Authority in connection with the Project in an amount which is dependent upon and varies with the amount of water delivered to the Project Participants.

“Water Purchase Agreement” means this Water Purchase Agreement and each Amended and Restated Water Purchase Agreement by and between the Authority and a Project Participant, as the same may be amended or supplemented from time to time.

Section 2. Purpose.

The purpose of this Agreement is for the Authority to sell Project Allotment to the Purchaser, to deliver Project Allotment to the Purchaser available from the Project, to provide the terms and conditions of such delivery and sale and to provide for the acquisition, construction and financing of the Project. The parties hereto confirm that this Agreement constitutes a contractual right to purchase desalted water and that no water right is being transferred by the Authority to any Project Participant under this Agreement.

Section 3. Financing, Construction and Operation.

The Authority will use its best efforts to cause or accomplish the acquisition, construction, operation and financing of the Project, the obtaining of all necessary authority and rights, consents and approvals, and the performance of all things necessary and convenient therefor, subject to compliance with all necessary federal and state laws, including but not limited to the California Environmental Quality Act (“CEQA”), the terms and conditions of the Authority’s permits and licenses and all other agreements relating thereto. Notwithstanding the foregoing, the Authority acknowledges that the Purchaser intends to deposit with the Authority the Fixed Project Costs

allocable to the Purchaser for the initial costs of the Desalter Phase 3 Expansion Facilities in accordance with Section 13(k) and that the Authority shall not have any obligation to finance the cost of the initial construction of the Desalter Phase 3 Expansion Facilities from any source of funds other than such deposit unless the Purchaser defaults in its obligation to make such deposits in accordance with Section 13(k). The Purchaser acknowledges and agrees that the Authority shall initially contract with the Purchaser to design, acquire and construct the Desalter Phase 3 Expansion Facilities in accordance with the Intergovernmental Agreement.

Section 4. Delivery of Water.

(a) Request by Purchaser. Pursuant to the terms of this Agreement, the Authority shall provide to the Purchaser, and the Purchaser shall take, or cause to be taken, in each Authority Fiscal Year an amount of water equal to the Purchaser's Project Allotment unless the Purchaser notifies the Authority, pursuant to procedures to be developed by the Authority, that the Purchaser requires an amount of water less than the Purchaser's Project Allotment. Subject to the Project Participant's payment obligations hereunder, the Authority agrees to use its best efforts to deliver desalted water pursuant to this Agreement meeting the water quality standards set forth in Section 5.3 of the Joint Powers Agreement and all applicable local, state and federal water quality standards as such standards may be in effect from time to time.

(b) Points of Delivery; Flow Rate. The Authority will deliver or cause to be delivered to or for the account of the Purchaser the amount of water specified in each request at a flow rate and through delivery structures at a point along the Project to be agreed upon by the Authority and the Purchaser. The Authority will remain available to make or cause to be made all necessary and possible arrangements for transmission and delivery of such water in accordance with this Agreement.

(c) Delivery of Water Not Delivered in Accordance with Schedule. If in any Authority Fiscal Year the Authority, as a result of causes beyond its control, is unable to deliver any portion of the Purchaser's Project Allotment for such Authority Fiscal Year as provided for in the delivery schedule established for that Authority Fiscal Year, the Purchaser may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the Authority Fiscal Year or subsequent to such Authority Fiscal Year, to the extent that such water is then available and such election is consistent with the Authority's overall delivery ability, considering the then current delivery schedules of all Project Participants and the Authority.

(d) [SARWC Request. Pursuant to the Joint Powers Agreement, if Santa Ana River Water Company cannot receive the full 1,200 acre feet of water allocated thereto as provided in the Term Sheet, then Jurupa Community Services District and the City of Ontario will abate their deliveries of water from the Project on a pro-rata basis to ensure that Santa Ana River Water Company can receive the full 1,200 acre feet of water from the Authority for such year. Notwithstanding the foregoing, Jurupa Community Services District and the City of Ontario shall only have such obligation if Santa Ana River Water Company's demand for water is constant or at a "steady-rate" of 744 gpm.]

Section 5. Curtailment of Delivery for Maintenance Purposes.

(a) Authority May Curtail Deliveries. The Authority may temporarily discontinue or reduce the delivery of water to the Purchaser hereunder for the purposes of necessary investigation,

inspection, maintenance, repair, or replacement of any of the Project facilities necessary for the delivery of water to the Purchaser. The Authority shall notify the Purchaser as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice shall be given as soon thereafter as possible.

(b) Purchaser May Receive Later Delivery of Water Not Delivered. In the event of any discontinuance or reduction of delivery of water pursuant to subsection (a) of this Section, the Purchaser may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that Authority Fiscal Year at other times during the Authority Fiscal Year or subsequent to such Authority Fiscal Year to the extent that such water is then available and such election is consistent with the Authority's overall delivery ability, considering the then current delivery schedules of all Project Participants and the Authority.

Section 6. Shortage in Water Supply.

In any Authority Fiscal Year in which there may occur a shortage or interruption in the supply of water available for delivery to the Project Participants, including but not limited to shortages or interruptions caused by changes in laws, regulations or rulings relating to or affecting the Authority's permits and licenses, with the result that such supply is less than the total of the annual Project Allotments of all Project Participants for that Authority Fiscal Year, the Authority shall reduce the delivery of water to the Purchaser in accordance with the Joint Powers Agreement.

Section 7. Measurement of Water Delivered.

The Authority shall measure, or cause to be measured, all water delivered to the Purchaser and shall keep and maintain accurate and complete records thereof. For this purpose and in accordance with Section 4 hereof, the Authority shall install, operate, and maintain, or cause to be installed, operated and maintained, at all delivery structures for delivery of water to the Purchaser at the point of delivery determined in accordance with Section 4(b) such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced by the Authority regularly to insure their accuracy. At any time or times, the Purchaser may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

Section 8. Responsibility for Delivery and Distribution of Water.

(a) Neither the Authority nor any of its officers or agents shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied to the Purchaser after such water has passed the points of delivery established in accordance with Section 4(b) hereof; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said points of delivery and including attorneys fees and other costs of defense in connection therewith; the Purchaser shall indemnify and hold harmless the Authority and its officers, agents, and employees from any such damages or claims of damages.

(b) Neither the Purchaser nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied to the Purchaser until such water has passed the points of delivery established in accordance with Section 4(b) hereof; nor for claim of damage of any nature whatsoever, including but not limited to property damage,

personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water prior to such water passing said points of delivery and including attorneys fees and other costs of defense in connection therewith; the Authority shall indemnify and hold harmless the Purchaser and its officers, agents, and employees from any such damages or claims of damages.

Section 9. Rates and Charges.

(a) Establishment of Rates and Charges. The Authority shall fix charges to the Purchaser under this Agreement to produce revenues to the Authority from the Project equal to the amounts anticipated to be needed by the Authority to pay Administrative Costs and to pay the actual cost of producing the Purchaser's Project Allotment, which shall include the following costs of the Authority to deliver the Purchaser's Project Allotment through the Project: (i) Fixed Project Costs, (ii) Fixed O&M Costs and (iii) Variable O&M Costs.

(b) Insufficiency of Funds. If Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs collected by the Authority are insufficient to operate and maintain the Project as contemplated under the Joint Powers Agreement, the Authority shall notify the Purchaser of such insufficiency and the Purchaser shall pay to the Authority an amount of such insufficiency equal to such insufficiency multiplied by the Purchaser Share. The obligation of the Purchaser to pay Administrative Costs shall commence immediately upon the execution and delivery of this Agreement and shall continue so long as the Purchaser is a member of the Authority. The obligation of the Purchaser to pay Fixed Project Costs and Fixed O&M Costs shall commence upon the later to occur of (i) execution of this Agreement and (ii) the first delivery of water by the Authority to the Purchaser and thereafter shall continue to exist and be honored by the Purchaser whether or not water is furnished to it from the Project at all times or at all (which provision may be characterized as an obligation to pay all costs on a take-or-pay basis whether or not water is delivered or provided and whether or not the Project is completed or is operable).

(c) Source of Payments. The obligation of the Purchaser to make payments under this Agreement is a limited obligation of the Purchaser and not a general obligation thereof. The Purchaser shall make payments under this Agreement solely from Purchaser Water System Revenues as a Purchaser Operation and Maintenance Expense. The Purchaser shall make such payments on a parity with other Purchaser Operation and Maintenance Expenses and prior to any other payments other than Bonds or Contracts. Nothing herein shall be construed as prohibiting (i) the Purchaser from using any other funds and revenues for purposes of satisfying any provisions of this Agreement or (ii) from incurring obligations payable on a parity with the obligations under this Agreement so long as the Purchaser complies with Section 13(a) hereof.

(d) Obligation Is Not Subject To Reduction. The Purchaser shall make payments of Fixed Project Costs and Fixed O&M Costs under this Agreement whether or not the Project is completed, operable, operated or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of operation of the Project or of water contracted for in whole or in part for any reason whatsoever. Such payments are not subject to any reduction, whether offset or otherwise, and are not conditioned upon performance by the Authority or any other Project Participant under this Agreement or any other agreement.

(e) Several Obligation. The Purchaser shall not be liable under this Agreement for the obligations of any other Project Participant. The Purchaser shall be solely responsible and liable for

performance of its obligations under this Agreement. The obligation of the Purchaser to make payments under this Agreement is a several obligation and not a joint obligation with those of the other Project Participants.

(f) Allocation of Costs and Expenses.

Except as expressly provided in Sections 3 and 13(k) for payment of Desalter Phase 3 Expansion Facilities Fixed Project Costs, the Authority shall not allocate costs and expenses in any way which discriminates among Project Participants.

(i) Method of Computation of Fixed Project Costs and Fixed O&M Costs. The Fixed Project Costs shall be sufficient to return to the Authority those capital costs of the Authority necessary to deliver water to the Purchaser. The Fixed O&M Costs shall be sufficient to return to the Authority Project Operation and Maintenance Expenses and a reasonable reserve for contingencies, in each case incurred by the Authority with respect to the Project, irrespective of the amount of water delivered to the Project Participants. The total amount of Fixed Project Costs shall be allocated to the Purchaser by multiplying the Purchaser Share times all Fixed Project Costs. The total amount of Fixed O&M Costs shall be allocated to the Purchaser by multiplying the Purchaser Share times all Fixed O&M Costs. The Purchaser Share of Fixed Project Costs and Fixed O&M Costs shall initially be calculated using the figures in the second column on Exhibit A; commencing upon the Expansion Project Completion Date, the Purchaser Share of Fixed Project Costs and Fixed O&M Costs shall be calculated using the figures in the third column on Exhibit A.

(ii) Method of Computation of Variable O&M Costs. The Variable O&M Costs shall return to the Authority those costs of the Project which constitute Variable O&M Costs. There shall be computed for the Project a charge per acre-foot of water which will return to the Authority the total projected Variable O&M Costs of the Project for each Authority Fiscal Year. The parties confirm that if the Purchaser complies with the notice requirement of Section 4(a), no Variable O&M Costs will be allocated to the Purchaser for the portion of Project Allotment not produced by the Authority for the Purchaser.

(iii) Method of Computing Administrative Costs. Administrative Costs shall be sufficient to return to the Authority all costs of operating and managing the Authority, including reasonable reserves for contingencies. The total amount of Administrative Costs shall be allocable to the Purchaser by multiplying (i) the Project Allotment in the third column on Exhibit A divided by the total Project Allotment in the third column on Exhibit A, times (ii) all Administrative Costs.

(iv) Adjustments. The Authority shall update the values and amounts of Administrative Costs, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs on a quarterly basis, including year-to-date comparisons to the approved Administrative Costs budget and Project budget in order that the costs and expenses to the Purchaser may accurately reflect increases or decreases from Authority Fiscal Year to Authority Fiscal Year in Administrative Costs, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs. In addition, each such determination shall include an adjustment to be paid or received by the Purchaser for succeeding Authority Fiscal Years which shall account for the differences, if any, between projections of Administrative Costs, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs used by the Authority in determining the amounts of said

Administrative Costs, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs for all preceding Authority Fiscal Years and actual Administrative Costs, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs incurred by the Authority for water delivered to the Purchaser during such Authority Fiscal Years.

(v) Interest Earnings. Interest earnings on all amounts paid by the Purchaser to the Authority shall be credited to the Purchaser through the budgeting process.

The Authority hereby acknowledges the right of the Purchaser to prepay all, or any portion of, the Purchaser's Project Share of Fixed Project Costs constituting Debt Service pursuant to this Agreement based on the Purchaser's Project Allotment, if and to the extent such prepayment is permitted under the applicable Bond Resolution. The Authority shall accept from the Purchaser prepayments of all, or any portion of, the Purchaser's Project Share of Fixed Project Costs constituting Debt Service and apply such prepayments as set forth in this Section 9(f)(i). If and to the extent such prepayment is permitted under the applicable Bond Resolution, the Authority and the Purchaser agree that the Purchaser may prepay all or a portion of its obligation to pay Fixed Project Costs constituting Debt Service pursuant to this Section 9 by providing the Treasurer of the Authority written notice of (i) its intention to pay to the Trustee, on or before the Prepayment Date (as defined below), the Purchaser's Project Share of the principal amount of the Authority Bonds (the "Prepayment Amount"), and (ii) that the Purchaser has sufficient funds available to pay the Prepayment Amount on or before the Prepayment Date. The Prepayment Amount shall be calculated as: (1) a principal payment equal to the Purchaser's Project Share, as adjusted to reflect prepayments of Authority Bonds by any other Project Participant, of Authority Bonds then outstanding and being prepaid, in the principal amount and of the maturities designated in writing by the Purchaser; plus (2) accrued interest from the last date on which the Purchaser made a payment of the Purchaser's Project Share of Debt Service to the first date the Debt Service may be redeemed by the Authority after the Authority has received written notice from the Purchaser of its intention to prepay such Debt Service (the "Prepayment Date"); plus (3) any applicable redemption premium with respect to the Authority Bonds to be refunded on the Prepayment Date, less (4) a credit for the Purchaser's Project Share, as adjusted to reflect prepayments of Authority Bonds by any other Project Participant, of any cash funded reserve fund established for the Authority Bonds from proceeds of such Authority Bonds. After providing written notice to the Authority as described above, the Purchaser shall deposit with the Trustee the Prepayment Amount, in immediately available funds, no later than the last business day before the Prepayment Date. In the event the Authority issues additional Authority Bonds for the Project, the Purchaser may also prepay all or a portion of its allocable share of the principal amount of those Authority Bonds, calculated as set forth in the preceding sentence.

(g) Time and Method of Payment.

(i) Administrative Costs, Fixed Project Costs and Fixed O&M Costs. The Purchaser shall pay to the Authority, on or before January 15, April 15, July 15 and October 15 of each Authority Fiscal Year, 25% of the charge to the Purchaser for such Authority Fiscal Year of the Administrative Costs, Fixed Project Costs and Fixed O&M Costs. The parties acknowledge that Purchasers of Project Allotment allocable to the Desalter Phase 3 Expansion Facilities have no obligation to pay Fixed O&M Costs associated with the Expansion Project until the Expansion Project Completion Date.

(ii) Variable O&M Costs. The Purchaser shall pay to the Authority the charges to the Purchaser for the Variable O&M Costs for the three-month period commencing on the

next succeeding January 1, April 1, July 1 or October 1 so that the Authority receives quarterly payments of Variable O&M Costs three months in advance of the time when such Variable O&M Costs will begin to be incurred by the Authority.

(iii) Contest of Accuracy of Charges. If the Purchaser questions or disputes the correctness of any billing statement by the Authority, it shall pay the Authority the amount claimed when due and shall, within thirty (30) days of the completion and delivery of the Authority's annual audit, request an explanation from the Authority. If the bill is determined to be incorrect, the Authority will adjust the bill to the Purchaser in the next Authority Fiscal Year, including an adjustment equal to the interest actually earned by the Authority on its general reserves during such period. If the Authority and the Purchaser fail to agree on the correctness of a bill within thirty (30) days after the Purchaser has requested an explanation, the parties shall promptly submit the dispute to arbitration under Section 1280 et seq. of the Code of Civil Procedure.

Section 10. Annual Budget and Billing Statement.

The Authority will prepare a preliminary annual budget for each applicable Authority Fiscal Year for credits, costs and expenses relating to Administrative Costs and a preliminary annual budget for each applicable Authority Fiscal Year for credits, costs and expenses relating to the Project, including Variable O&M Costs, Fixed O&M Costs and Fixed Project Costs. The Authority shall submit a draft of such budgets to the Purchaser on or prior to each April 1 for review and comment. Authority staff shall use its best efforts to resolve any questions or concerns caused by a Project Participant during such review. The Board of Directors of the Authority will adopt the final annual budgets for the applicable Authority Fiscal Year on or before June 1 of each Authority Fiscal Year after at least one public hearing on the budgets and shall allow any Project Participant which may object to any provision of the budgets to present such objection during such hearing. The Authority shall supply a copy of said final annual budgets to the Purchaser on or before June 15 of each Authority Fiscal Year. Any amendment to a budget shall be submitted to the Purchaser for review and comment at least 30 days prior to action thereon by the Authority Board of Directors. Any such amendment shall be subject to the same hearing requirements applicable to the budgets set forth above.

Section 11. Obligation in the Event of Default.

(a) Written Demand. Upon failure of the Purchaser to (i) make any payment in full when due under this Agreement or (ii) to perform any other obligation hereunder, the Authority shall make written demand upon the Purchaser. If a failure described in clause (i) above is not remedied within thirty (30) days from the date of such demand or, if Authority Bonds are outstanding, for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, such failure shall constitute a default at the expiration of such period. If a failure described in clause (ii) cannot be remedied within thirty (30) days from the date of such demand but the Purchaser commences remedial action within such thirty (30) day period, such failure shall not constitute a default hereunder. Notice of any such demand shall be provided to each other Project Participant by the Authority. Upon failure of the Authority to perform any obligation of the Authority hereunder, the Purchaser shall make written demand upon the Authority, and if said failure is not remedied within thirty (30) days from the date of such demand or, if Authority Bonds are outstanding, for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same,

such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to each Project Participant by the Purchaser making such written demand.

In addition to any default resulting from breach by the Authority or the Purchaser of any agreement, condition, covenant or term hereof, if the Authority or the Purchaser shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the Authority or the Purchaser asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the Authority or the Purchaser shall make a general or any assignment for the benefit of its creditors, then in each and every such case the Authority or the Purchaser, as the case may be, shall be deemed to be in default hereunder.

(b) Transfer for Defaulting Purchaser's Account. Upon the failure of the Purchaser to make any payment which failure constitutes a default under this Agreement, the Authority shall use its best efforts to transfer for the Purchaser's account all or a portion of the Purchaser's Project Allotment for all or a portion of the remainder of the term of this Agreement. Notwithstanding that all or any portion of the Purchaser's Project Allotment is so transferred, the Purchaser shall remain liable to the Authority to pay the full amount of its share of costs hereunder as if such sale or transfer has not been made, except that such liability shall be discharged to the extent that the Authority shall receive payment from the transferee thereof.

(c) Termination of Entitlement to Project Allotment; Continuing Obligations. Upon the failure of the Purchaser to make any payment which failure constitutes a default under this Agreement and causes the Authority to be in default under any Bond Resolution, the Authority may (in addition to the remedy provided by subsection (b) of this Section) give notice of termination of the provisions of this Agreement insofar as the same entitle the Purchaser to its Project Allotment which notice shall be effective within 30 days thereof unless such termination shall be enjoined, stayed or otherwise delayed by judicial action. Irrespective of such termination, the Purchaser shall remain liable to the Authority to pay the full amount of costs hereunder.

(d) Enforcement of Remedies. In addition to the remedies set forth in this Section, upon the occurrence of an Event of Default as defined herein, the Authority or the Purchaser, as the case may be, shall be entitled to proceed to protect and enforce the rights vested in such party by this Agreement by such appropriate judicial proceeding as such party shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in such party by this Agreement or by law. The provisions of this Agreement and the duties of each party hereof, their respective boards, officers or employees shall be enforceable by the other party hereto by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, with the losing party paying all costs and attorney fees.

(e) Trustee is Third Party Beneficiary. Any Trustee for Authority Bonds shall have the right, as a third party beneficiary, to initiate and maintain suit to enforce this Agreement to the extent provided in any Bond Resolution.

Section 12. Transfers, Sales and Assignments of Project Allotment or Purchaser Water System.

(a) Transfer of Project Allotment. The Purchaser has the right to make transfers, sales, assignments and exchanges (collectively "transfers") of its Project Allotment or its rights or obligations with respect thereto only as expressly provided in this Section. In no event shall any sale or other disposition of all or any portion of the Purchaser's Project Allotment relieve the Purchaser of any of its obligations hereunder. The Purchaser shall give notice to the Authority in accordance with rules and regulations approved by the Authority from time to time.

(b) Sale or Other Disposition of Project Allotment. If in any Fiscal Year the Purchaser determines in accordance with 4(a) not to receive all of the Project Allotment, the Authority shall offer such portion of the Project Allotment to the State of California at a price to be determined by the Authority. [If the State of California declines to purchase such Project Allotment, the Purchaser shall have the right to sell such portion of the Project Allotment to another Project Participant or an entity which is not a Project Participant.] No such sale of the Project Allotment shall relieve the Purchaser of any of its obligations hereunder.

Section 13. Covenants of the Purchaser.

The Authority and the Purchaser agree that the covenants contained in this Section shall only be enforced by the Authority to the extent necessary to enforce the payment provisions contained herein.

(a) Amount of Rates and Charges. The Purchaser will fix, prescribe and collect rates and charges for the Purchaser Water System which will be at least sufficient to yield during each Purchaser Fiscal Year Purchaser Net Water System Revenues (excluding Contract Payments, Administrative Costs, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs) equal to one hundred twenty-five percent (125%) of the Contract Payments, Administrative Costs, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs for such Purchaser Fiscal Year. The Purchaser may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Purchaser Net Water System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

(b) Against Sale or Other Disposition of Property. Subject to Section 13(j), the Purchaser will not sell, lease or otherwise dispose of the Purchaser Water System or any part thereof unless the governing board of the Purchaser determines in writing that such sale, lease or other disposition will not materially adversely affect the Purchaser's ability to comply with subsection (a) of this Section and, in the case of a sale or other disposition, the entity acquiring the Purchaser Water System or such part thereof shall assume all obligations of the Purchaser under this Agreement. The Purchaser will not enter into any agreement or lease which impairs the operation of the Purchaser Water System or any part thereof necessary to secure adequate Purchaser Net Water System Revenues for the payment of the obligations imposed under this Agreement or which would otherwise impair the rights of the Authority with respect to the Purchaser Water System Revenues or the operation of the Purchaser Water System.

(c) Against Competitive Facilities. To the extent permitted by existing law and within the scope of its powers but only to the extent necessary to protect the rights of the owners of

Authority Bonds, the Purchaser will not acquire, construct, maintain or operate and will use its best efforts not to permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the boundaries of the Purchaser any water system competitive with the Purchaser Water System which might have the effect of materially adversely affecting the Purchaser's ability to pay Administrative Costs, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs.

(d) Maintenance and Operation of the Purchaser Water System; Budgets. The Purchaser will maintain and preserve the Purchaser Water System in good repair and working order at all times and will operate the Purchaser Water System in an efficient and economical manner and will pay all Purchaser Operation and Maintenance Expenses as they become due and payable. On or before the first day of each Purchaser Fiscal Year thereafter, the Purchaser will adopt and file with the Authority a budget approved by the legislative body of the Purchaser, including therein in the estimated Administrative Costs, Fixed O&M Costs, Variable O&M Costs and Fixed Project Costs payable to the Authority. Any budget may be amended at any time during any Purchaser Fiscal Year and such amended budget shall be filed by the Purchaser with the Authority.

(e) Insurance. The Purchaser shall procure and maintain or cause to be procured and maintained insurance on the Purchaser Water System with responsible insurers so long as such insurance is available from reputable insurance companies, or, alternatively, shall establish a program of self-insurance, or participate in a joint powers agency providing insurance or other pooled insurance program, in such amounts and against such risks (including accident to or destruction of the Purchaser Water System) as are usually covered in connection with water systems similar to the Purchaser Water System.

(f) Accounting Records and Financial Statements.

(i) The Purchaser will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Purchaser Water System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

(ii) The Purchaser will prepare and file with the Authority annually within two hundred ten (210) days after the close of each Purchaser Fiscal Year (commencing with the Purchaser Fiscal Year ending June 30, 2002) financial statements of the Purchaser for the preceding Purchaser Fiscal Year prepared in accordance with generally accepted accounting principles, together with a report of an Independent Certified Public Accountant thereon. The Purchaser will promptly furnish a copy of such report to the Authority and to the Trustee.

(g) Protection of Security and Rights of the Authority. The Purchaser will preserve and protect the rights of the Authority and the Trustee to the obligations of the Purchaser hereunder and will warrant and defend such rights against all claims and demands of all persons.

(h) Payment of Taxes and Compliance with Governmental Regulations. The Purchaser will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Purchaser Water System or any part thereof or upon the Purchaser Water System Revenues when the same shall become due. The Purchaser will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of

the Purchaser Water System or any part thereof, but the Purchaser shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

(i) Further Assurances. The Purchaser will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to effect the financing and refinancing of the Project and to allow the Authority to comply with reporting obligations, to assure the Authority of the Purchaser's intention to perform hereunder and for the better assuring and confirming unto the Authority and the Trustee of the rights and benefits provided to them herein.

(j) Maintenance of Tax-Exempt Status of Authority Bonds. Notwithstanding any other provision of this Agreement, the Purchaser shall not take any action or omit to take any action, directly or indirectly, in any manner, which would result in any of the Authority Bonds being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1986, as amended, by reason of classification of such Authority Bond as a "private activity bond" within the meaning of Section 141 of said Code or for any other reason.

(k) Desalter Phase 3 Expansion Facilities Fixed Project Costs. The Purchaser shall pay to the Authority its share of Desalter Phase 3 Expansion Facilities Fixed Project Costs allocable in accordance with Section 14(f) hereof. In the event that the Purchaser fails to pay any Fixed Project Costs on the date determined in accordance with Section 14(f), the Authority shall have the right, but not the obligation, to exercise all remedies set forth in Section 11 hereof and, in addition thereto, to issue Authority Bonds secured solely by payments by the Purchaser hereunder as Fixed Project Costs and apply the proceeds thereof to Desalter Phase 3 Expansion Facilities Fixed Project Costs, to enable Authority to satisfy its obligations under Section 3(a).

Section 14. Covenants of the Authority.

(a) Insurance. The Authority shall procure and maintain or cause to be procured and maintained insurance on the Project with responsible insurers so long as such insurance is available from reputable insurance companies, or, alternatively, shall establish a program of self-insurance, or participate in a joint powers agency providing insurance or other pooled insurance program, covering such risks, in such amounts and with such deductibles as shall be determined by the Authority and as may be required under the Authority Bonds. The Authority shall indemnify and hold harmless the Purchaser from any liability for personal injury or property damage resulting from any accident or occurrence arising out of or in any way related to the construction or operation of the Project.

(b) Accounting Records and Financial Statements.

(i) The Authority will keep appropriate accounting records in which complete and correct entries shall be made of all Authority transactions relating to the Project, which records shall be available for inspection, copying and audit by the Purchaser and its accountants, attorneys and agents at reasonable hours and under reasonable conditions.

(ii) The Authority will prepare annually within two hundred ten (210) days after the close of each Authority Fiscal Year (commencing with the Authority Fiscal Year ending June 30, 2010) financial statements of the Authority for the preceding Authority Fiscal Year prepared in accordance with generally accepted accounting principles, together with a report

of an Independent Certified Public Accountant thereof. The Authority will promptly furnish a copy of such report to the Purchaser and to the Trustee.

(c) Compliance with Law. The Authority shall comply with all local, state and federal laws applicable to the Project.

(d) Against Sale or Other Disposition of Project. The Authority will not sell, lease or otherwise dispose of the Project or any part thereof unless the Board of Directors of the Authority determines that such sale, lease or other disposition will not materially adversely affect the Authority's ability to comply with its obligations hereunder and under the Authority Bonds.

(e) Maintenance and Operation of the Project. Subject to the payment obligations of the Project Participants hereunder, the Authority will maintain and preserve the Project in good repair and working order at all times and will operate the Project in an efficient and economical manner consistent with the Joint Powers Agreement. Notwithstanding the foregoing, no material portion of the Project shall be abandoned by the Authority without the consent of all Project Participants.

(f) Desalter Phase 3 Expansion Facilities Fixed Project Costs. The Authority shall give written notice to the Purchaser of its share of each contract for Desalter Phase 3 Expansion Facilities Fixed Project Costs 60 days prior to the letting of such contract. Such Desalter Phase 3 Expansion Facilities Fixed Project Costs shall be consistent with the then-current capital budget approved by the Authority Board. The Purchaser shall deposit such amount with the Authority no later than 30 days prior to the estimated date such contract will be let.

(g) Future Fixed Project Costs. With respect to Fixed Project Costs (other than Desalter Phase 3 Expansion Facilities Fixed Project Costs, the payment of which is provided for in subdivision (f) of this Section 14) anticipated to be funded through the issuance of Authority Bonds, the Authority shall give written notice to the Purchaser of its share of Fixed Project Costs 90 days prior to the proposed date of issuance of Authority Bonds therefor. Unless the Purchaser deposits such Fixed Project Costs with the Authority no later than 30 days prior to the proposed date of issuance of Authority Bonds therefor, the Authority shall include such Fixed Project Costs in the Authority Bonds.

(h) Expansion Project Water Available Prior to the Expansion Project Completion Date. The parties agree that in the event that water is produced from the Expansion Project prior to the Expansion Project Completion Date, the Authority will negotiate with the Purchasers on an equitable allocation of such water as well as the allocation of Fixed O&M Costs and Variable O&M Costs relating thereto.

Section 15. Term.

(a) No provision of this Agreement shall take effect until it and Water Purchase Agreements with all Project Participants have been duly executed and delivered to the Authority together with an opinion for each Project Participant of an attorney or firm of attorneys in substantially the form attached hereto as Exhibit B and an opinion for the Authority of Stradling Yocca Carlson & Rauth, a Professional Corporation, General Counsel, in substantially the form attached hereto as Exhibit C. In addition the Purchaser will deposit the Desalter Phase 3 Expansion Facilities Buy-In Cost and Lump Sum Past Administrative Costs with the Authority on or before

_____, 2010. The deposit of such amounts shall be a condition precedent to the effectiveness of this Water Purchase Agreement.

(b) Notwithstanding the delay in effective date of this Agreement until all Project Participants have complied with subsection (a) of this Section, it is agreed by the Purchaser that in consideration for the Authority's signature hereto, and for its commitment to use its best efforts to obtain the commitment of all Project Participants, the Purchaser upon its execution and delivery of this Agreement to the Authority along with the required opinion and any required evidence of compliance as required by subsection (a) of this Section shall be immediately bound not to withdraw its respective offer herein made to enter into this Agreement as executed and/or supplemented or to decrease or terminate its Project Allotment before December ____, 2010.

(c) The term of this Agreement shall continue until the later of January 15, 2031 or the final maturity of Authority Bonds. The parties hereto agree to negotiate in good faith to amend this Agreement on or prior to such date to extend the term hereof and to include terms and conditions as are mutually agreeable to the parties, provided that the price to be paid with respect to the Project Allotment in such amendment shall reflect the payment of capital costs to such date.

Section 16. Assignment.

The Authority may pledge and assign to any Trustee for Authority Bonds, all or any portion of the payments received under this Agreement from the Purchaser and the Authority's other rights and interests under this Agreement. Such pledge and assignment by the Authority shall be made effective for such time as the Authority shall determine and provide that the Trustee shall have the power to enforce this Agreement in the event of a default by the Authority under a Bond Resolution. The Purchaser may assign its rights or obligations under this Agreement only in accordance with Section 15 hereof.

Section 17. Amendments.

Except as otherwise provided in this Agreement, on and after the date Authority Bonds are issued and so long as any Authority Bonds are outstanding in accordance with the applicable Bond Resolution, Section 9, 11, 12, 13, 14 and 16 and this Section of this Agreement shall not be amended, modified or otherwise changed or rescinded by agreement of the parties without the consent of each Trustee for Authority Bonds whose consent is required under the applicable Bond Resolution. This Agreement may only be otherwise amended, modified, changed or rescinded in writing by each of the parties hereto.

The Authority agrees not to grant to the owners of Authority Bonds as individuals any rights relating to the amendment, modification or change of this Agreement.

Notwithstanding the foregoing, the sections of this Agreement set forth in the prior paragraph of this Section may be amended without the consent of each Trustee for Authority Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Authority or the Purchaser other agreements, conditions, covenants and terms hereafter to be observed or performed by the Authority or the Purchaser, or to

surrender any right reserved herein to or conferred herein on the Authority or the Purchaser, and which in either case shall not adversely affect the interests of the owners of any Authority Bonds;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the Purchaser may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the owners of any Authority Bonds;

(c) to make any modifications or changes necessary or appropriate in the opinion of a firm of nationally recognized standing in the field of law relating to municipal bonds to preserve or protect the exclusion from gross income of interest on the Authority Bonds for federal income tax purposes;

(d) to make any modifications or changes to this Agreement in order to enable the execution and delivery of Authority Bonds on a parity with any Authority Bonds previously issued and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of Authority Bonds;

(e) to make any other modification or change to the provisions of this Agreement which does not materially adversely affect the interests of the owners of any Authority Bonds;

(f) to make changes to the definition of "Project."

Section 18. Miscellaneous.

(a) Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

(b) Partial Invalidity. If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

(c) Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

(d) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

(e) Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt, or (d) by telefacsimile or telecopy, and such notices shall be addressed as follows:

If to Purchaser: Western Municipal Water District of Riverside County
450 E. Alessandro Blvd
Riverside, CA 92508
Attn: General Manager

With a copy to: John Schatz, Esq.
PO Box 7775
Laguna Niguel, CA 92607-7775

If to Authority: Chino Basin Desalter Authority
c/o City of Ontario
1425 South Bon View Avenue
Ontario, CA 91761
Attn: Authority Coordinator

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive
Newport Beach, CA 92660
Attention: Douglas Brown

or to such other address as either party may from time to time specify in writing to the other party. Any notice shall be deemed delivered when actually delivered, if such delivery is in person, upon deposit with the U.S. Postal Service, if such delivery is by certified mail, upon deposit with the overnight courier service, if such delivery is by an overnight courier service, and upon transmission, if such delivery is by telefacsimile or telecopy.

(f) Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof. This Agreement is intended to implement, and should be interpreted consistent with, the Joint Powers Agreement.

(g) Time of the Essence. Time is of the essence in the performance of this Agreement.

IN WITNESS WHEREOF the Purchaser has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and the Authority has executed this Agreement in accordance with the authorization of its Board of Directors.

CHINO BASIN DESALTER AUTHORITY

By: _____
Chairperson

Attest:

By: _____
Secretary

WESTERN MUNICIPAL WATER DISTRICT OF
RIVERSIDE COUNTY

By: _____
Chairperson

[SEAL]

Attest:

By: _____
Secretary

EXHIBIT A

| <u>Project Participant</u> | <u>Project Allotment Prior to Initial Delivery of Desalter Phase 3 Expansion Facilities Water (acre-feet)</u> | <u>Project Allotment After Initial Delivery of Desalter Phase 3 Expansion Facilities Water (acre-feet)</u> |
|------------------------------------|---|--|
| City of Chino | 5,000 | 5,000 |
| City of Chino Hills | 4,200 | 4,200 |
| City of Norco | 1,000 | 1,000 |
| City of Ontario | 5,000 | 8,533 |
| Jurupa Community Services District | 8,200 | 11,733 |
| Santa Ana River Water Company | 1,200 | 1,200 |
| Western Municipal Water District | <u>0</u> | <u>3,534</u> |
| | 24,600 | 35,200 |

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EXHIBIT B

[This opinion shall be delivered upon execution of the Water Purchase Agreement]

_____, 2010

Chino Basin Desalter Authority

Western Municipal Water District of Riverside County
450 E. Alessandro Blvd
Riverside, CA 92508

Ladies and Gentlemen:

We are acting as [special] counsel to the Western Municipal Water District of Riverside County (the "Purchaser") under the Water Purchase Agreement, dated as of November 1, 2010 (the "Agreement"), between the Chino Basin Desalter Authority (the "Authority") and the Purchaser, and have acted as general counsel to the Purchaser in connection with the matters referred to herein. As such counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Purchaser provided to us by the Purchaser, (ii) certifications by officers of the Purchaser, (iii) all necessary documentation of the Purchaser relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the Purchaser, we are of the opinion that:

1. The Purchaser is a general law city, duly created, organized and existing under the laws of the State of California and duly qualified to furnish water service within its boundaries.
2. The Purchaser has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the Purchaser has complied with the provisions of applicable law relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Purchaser, is in full force and effect as to the Purchaser in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that the Authority has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the Purchaser .

4. The obligations of the Purchaser to make payments under the Agreement from the Revenues of its Purchaser Water System or other lawfully available funds as provided in Section 10 of the Agreement is a valid, legal and binding obligation of the Purchaser enforceable in accordance with its terms.

5. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Purchaser of the Agreement.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Purchaser, any commitment, agreement or other instrument to which the Purchaser is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Purchaser (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Purchaser and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the Purchaser or any entity affiliated with the Purchaser or any of its officers in their respective capacities as such, which questions the powers of the Purchaser referred to in paragraph 2 above or the validity of the proceedings taken by the Purchaser in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraphs 3 and 4 above are qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Chino Basin Desalter Authority and the Purchaser . No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

EXHIBIT C

[This opinion shall be delivered upon execution of the Water Purchase Agreement]

_____, 2010

Chino Basin Desalter Authority

The Project Participants Listed on
Exhibit A attached hereto

Ladies and Gentlemen:

We are general counsel to the Chino Basin Desalter Authority (the "Authority") and are familiar with those certain Amended and Restated Water Purchase Agreements and that certain Water Purchase Agreement, each dated as of November 1, 2010 (each, an "Agreement"), between the Authority and each of the water contractors identified on Exhibit A attached hereto (each, a "City") in connection with the matters referred to herein. As special counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Authority provided to us by the Authority, (ii) certifications by officers of the Authority, (iii) all necessary documentation of the Authority relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the Authority, we are of the opinion that:

1. The Authority is a joint exercise of powers agency duly created, organized and existing under the laws of the State of California.

2. The Authority has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the Authority has complied with the provisions of applicable law relating to such transactions.

3. The Agreement has been duly authorized, executed and delivered by the Authority, is in full force and effect as to the Authority in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that each City has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the Authority.

4. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Authority of the Agreement.

5. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument

relating to the organization, existence or operation of the Authority, any commitment, agreement or other instrument to which the Authority is a party or by which it or its property is bound or affected, or, to the best of our knowledge, any ruling, regulation, ordinance, judgment, order or decree to which the Authority (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Authority and its affairs.

6. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the Authority or any of its officers in their respective capacities as such, which questions the powers of the Authority referred to in paragraph 2 above or the validity of the proceedings taken by the Authority in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Authority and the Project Participants. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Respectfully submitted,

Exhibit C

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**CONCEPTUAL
WATERMASTER RESOLUTION
NO. 2010-04**

**RESOLUTION OF THE CHINO BASIN WATERMASTER
REGARDING IMPLEMENTATION OF THE PEACE II AGREEMENT AND THE
PHASE III DESALTER EXPANSION IN ACCORDANCE WITH THE DECEMBER 21,
2007 ORDER OF THE SAN BERNARDINO SUPERIOR COURT**

1. **WHEREAS**, the Judgment in the Chino Basin Adjudication, *Chino Basin Municipal Water District v. City of Chino, et al.*, San Bernardino Superior Court No. 51010, created the Watermaster and directed it to perform the duties as provided in the Judgment or ordered or authorized by the court in the exercise of the Court's continuing jurisdiction;
2. **WHEREAS**, Watermaster has the express powers and duties as provided in the Judgment or as "hereafter" ordered or authorized by the Court in the exercise of the Court's continuing jurisdiction" subject to the limitations stated elsewhere in the Judgment;
3. **WHEREAS**, Watermaster, with the advice of the Advisory and Pool Committees has discretionary powers to develop an Optimum Basin Management Program (OBMP) for Chino Basin, pursuant to Paragraph 41 of the Judgment;
4. **WHEREAS**, in June of 2000, the Parties to the Judgment executed the Peace Agreement providing for the implementation of the OBMP and Watermaster adopted Resolution 2000-05 whereby it agreed to act in accordance with the Peace Agreement;
5. **WHEREAS**, the Court ordered Watermaster to proceed in accordance with the Peace Agreement and the OBMP Implementation Plan, Exhibit "B" thereto on June 20, 2000;
6. **WHEREAS**, Watermaster adopted and the Court approved Chino Basin Watermaster Rules and Regulations in June of 2001;
7. **WHEREAS**, the Peace Agreement, the OBMP Implementation Plan and the Chino Basin Watermaster Rules and Regulations reserved Watermaster's discretionary powers in accordance with Paragraph 41 of the Judgment, with the advice from the Advisory and Pool Committees, and contemplated further implementing actions by Watermaster;

8. **WHEREAS**, the Judgment requires that Watermaster in implementing the Physical Solution, and the OBMP have flexibility to consider and where appropriate make adjustments after taking into consideration technological, economic, social and institutional factors in maximizing the efficient use of the waters of the Basin;

9. **WHEREAS**, the Peace Agreement and the OBMP Implementation Plan were subject to reconsideration and potential revision of various provisions and ongoing judicial supervision as well as the requirement that monitoring and reporting may lead to further modifications and refinements in management practices;

10. **WHEREAS**, to prudently respond to changing conditions and best management practices the Parties to the Judgment presented Watermaster with a proposed suite of management strategies, new agreements and proposed amendments to then existing agreements that were collectively referenced in Watermaster Resolution 2007-05, (amendments to the Watermaster Rules and Regulations, Purchase and Sale Agreement with the Overlying (Non-Agricultural) Pool, Judgment Amendments, Peace II Agreement, Supplement to the OBMP, Second Amendment to the Peace Agreement) and the subsequent Court filings as the "Peace II Measures";

11. **WHEREAS**, the OBMP Implementation Plan was supplemented to reflect Western Municipal Water District's (WMWD's) commitment to act independently or in its complete discretion with the City of Ontario (Ontario) and the Jurupa Community Services District (Jurupa) to plan, design and construct 9 million gallons per day of new desalting capacity "to obtain Hydraulic Control, to support Re-Operation and support the Future Desalters" (Peace Agreement II Section 5.2.);

12. **WHEREAS**, Watermaster fully and carefully evaluated the legal, technical, scientific, economic and physical consequences of the proposed Peace II Measures through internal and professional expert reports and opinions, including but not limited to reports issued by Dr. David Sunding and Mark Wildermuth and Watermaster lodged these reports with the Court;

13. **WHEREAS**, in some instances the Parties to the Judgment retained their own independent professionals to analyze the Watermaster reports and the consequences of the Peace II Measures and presented their findings to Watermaster;

14. **WHEREAS**, the Peace II Measures were subject to substantial stakeholder input from parties and they were modified to address the stated concerns;

15. **WHEREAS**, the Appropriative Pool, the Overlying (Agricultural) Pool, the Overlying (Non-Agricultural) Pool, the Advisory Committee and the Watermaster Board all unanimously approved Resolution No. 2007-05 thereby adopting the Peace II

Measures and forwarding them to the Court requesting an order to proceed in accordance with the stated terms;

17. WHEREAS, upon receipt of the submittal the Special Referee issued a report requesting clarification and further information of the Peace II Measures at an evidentiary hearing;

18. WHEREAS, the Assistant to the Special Referee, Joe Scalmanini of Luhdorff & Scalmanini Consulting Engineers, transmitted his technical review in March of 2007 ("Report"). In relevant part, the Report states:

"For planning level analysis, the existing model is a useful and applicable tool to simulate approximate basin response to management actions that involve the quantities and distribution of pumping and recharge in the basin. For example, for the most notable of its applications to date, which has been to conduct a planning level analysis of intended future hydraulic control, the model can be confidently utilized to examine whether groundwater conditions (levels) will form in such a way that hydraulic control will be achieved as result of basin re-operation and, if not, what other changes in basin operation are logically needed to achieve it."
(Report at p. 37)

19. WHEREAS, Watermaster caused the completion of a preliminary engineering, hydrogeologic, and technical evaluation of the potential physical impacts to the Basin and to the Parties to the Judgment that might result from implementation of the Peace II Measures. The preliminary evaluation was conducted by Mark Wildermuth of Wildermuth Environmental and was lodged with the Court;

20. WHEREAS, Watermaster caused the preparation of a specific project description set forth in the then proposed Supplement to the OBMP Implementation Plan for the purpose of conducting a more refined engineering, hydrogeologic and technical evaluation of the physical impacts to the Basin and to the Parties to the Judgment that may result from implementation of the Peace II measures and it was lodged with the Court;

21. WHEREAS, the design, financing, construction and operation of the planned expansion to desalting within the Chino Basin would cause the Parties to the Judgment to incur substantial, irrevocable commitments;

22. WHEREAS, Watermaster caused the completion of a macro socioeconomic analysis by Dr. David Sunding, a PhD in economics and professor at the University of California Berkeley referenced in Watermaster Resolution 2007-05 and lodged with the Court. The macro analysis provided a comprehensive evaluation of the macro costs

and benefits to the parties as a whole that may be attributable to the Peace II measures and it was lodged with the Court;

23. WHEREAS, Watermaster caused an update of the previously completed socioeconomic analysis conducted pursuant to the Judgment. The analysis was completed by Dr. Sunding, and it considered the positive and negative impacts of implementing the OBMP, the Peace Agreement, and the Peace II measures, including Watermaster assessments. The analysis also addressed the potential distribution of costs and benefits among the parties that were initiated with the approval of the Peace Agreement. The study was referenced in Watermaster Resolution 2007-05 and lodged with the Court in support of Watermaster's request to approve the Peace II Measures;

24. WHEREAS, a hearing was held before the Court at which Watermaster presented substantial evidence in support of the adoption of the Peace II Measures, through documentation, briefs, expert reports and opinions, argument and testimony in support of its request for an order to proceed in accordance with the Peace II Measures;

25. WHEREAS, Watermaster prepared a summary of the cumulative total of groundwater production and desalting from all authorized Desalters and other activities authorized by the 2007 Supplement to the OBMP Implementation Plan as amended as provided in the Peace Agreement in a schedule that: (i) identifies the total quantity of groundwater that will be produced through the proposed Basin Re-Operation to obtain Hydraulic Control, and (ii) characterizes and accounts for all water that is projected to be produced by the Desalters for the initial Term of the Peace Agreement (by 2030) as dedicated water, New Yield, controlled overdraft pursuant to the Physical Solution or subject to Replenishment;

26. WHEREAS, the post hearing briefs and supplemental evidence were filed by Watermaster and the Special Referee issued a report recommending an order be issued to proceed in accordance with the Peace II Measures;

27. WHEREAS, on December 21, 2007 the Court issued an order instructing Watermaster to proceed with the Peace II Measures;

28. WHEREAS, on April 1, 2010 the Regional Water Quality Control Board (Regional Board) issued an Administrative Civil Liability complaint against Watermaster and IEUA in response to an alleged failure of the Co-Permittees to obtain Hydraulic Control;

29. WHEREAS, in reliance upon the collective commitments of the parties to the Judgment and with the concurrence of CDA, Watermaster and IEUA entered into a settlement agreement with the Regional Water Quality Control Board (Regional Board) in May of 2010 that established a revised schedule for the construction of new facilities and the completion of the Phase III Desalter Expansion (Expansion Project);

30. **WHEREAS**, a substantial fine has been paid to the Regional Board;
31. **WHEREAS**, Administrative Expenses arising under the Physical Solution must be categorized as either a General Administrative Expense or a Special Project Expense as set forth in Paragraph 54 of the Judgment;
32. **WHEREAS**, Administrative Expenses must be allocated and assessed against the respective pools and then uniformly among the members of the Appropriate Pool in accordance with their respective percentage of the year's total production. (Judgment Exhibit H, Section 6.);
33. **WHEREAS**, the Peace II Measures and specifically the Peace II Agreement obligates WMWD "acting independently or in its complete discretion with Ontario, Jurupa or both will exercise good faith and reasonable best efforts to arrange for the design, planning and construction of Future Desalters in accordance with the 2007 Supplement to the OBMP Implementation Plan, to account for Hydraulic Control, Re-Operation and Future Desalters" (Peace II Agreement Section 5.3);
34. **WHEREAS**, WMWD has exercised its discretion to join with Ontario and Jurupa to design, plan and construct the Future Desalters in accordance with the 2007 Supplement to the OBMP Implementation Plan;
35. **WHEREAS**, the intended purposes of the Future Desalters are to provide safe yield preservation, water supply for participating entities, salt management, and expanded use of recycled water and hydraulic control;
36. **WHEREAS**, the act of securing Hydraulic Control was a known and intended objective attributable to the Future Desalters that was to be achieved by causing a change in water levels within the Basin and the corresponding economic consequences related to those expected changes were fully evaluated at the time of adoption of the Peace II Measures;
37. **WHEREAS**, there are two sources of groundwater elevation changes that are projected to occur with the implementation of the Peace II Agreement: (1) groundwater elevation changes from Re-operation and (2) groundwater elevation changes from the expansion of the Chino Desalter Program, which includes the installation and operation of the new Chino Creek Well Field (CCWF) and changes in groundwater production at other wells that provide raw groundwater to the Desalters;
38. **WHEREAS**, the Court conditioned its approval of the Peace II Measures, upon the prompt development and implementation of a Recharge Master Plan that will provide long-term hydrologic balance within the Basin and within each of the

Management Zones;

39. WHEREAS, the broad regional impacts attributable to Re-operation were intended to be measured and monitored by Watermaster and the full cost differential associated with a change in water levels, such as increased pump lifts, well deepening, and well and pump improvements were reserved to each party producing water in consideration for the substantial individual and broader benefits received pursuant to the Peace II Measures;

40. WHEREAS, based on groundwater-level monitoring data available to Watermaster, groundwater levels in the 1970s, prior to the implementation of the Physical Solution set forth in the Judgment, were lower than the groundwater levels when the Re-Operation commenced;

41. WHEREAS, prudently constructed and properly maintained groundwater wells will not become inoperable due to groundwater level declines from Re-Operation;

42. WHEREAS, the more localized impacts of the CCWF and from changes in the production at other wells that provide water to the Desalters have been identified by Watermaster. These local impacts are characterized by groundwater-level declines greater than twenty (20) feet more than would occur if the Peace II Measures and Basin Re-operation had not been pursued (approximately thirty-five (35) feet lower than present groundwater elevations), as shown in Exhibit "A." This area is hereafter referred to as the Zone of Influence;

43. WHEREAS, exclusive of the existing and proposed Desalter wells, the Zone of Influence contains active agricultural wells and no municipal and industrial wells¹;

44. WHEREAS, water level declines of less than twenty (20) feet should not cause a prudent well owner to suffer a loss of water supply;

45. WHEREAS, the SEIR X-X-X provides that if an owner of one of the agricultural wells is adversely impacted by a decline in the water table greater than twenty (20) feet as measured against the non-project scenario, they may present a request to CDA for mitigation of the alleged impact, and CDA will evaluate the claim and take whatever action is appropriate under the circumstances.

46. WHEREAS, Section 5.8(a) of the Peace II Agreement, the Supplement to the OBMP and the Court Order required that the new wells for the Future Desalters be constructed in the shallow aquifer system among Desalter I wells No. 1 through 4 and

¹ Watermaster Staff and the Stakeholders are still investigating the conditions that pertain to the proposed Zone of Influence, the status of the wells provisionally identified in this paragraph and the suitability of potential mitigation related thereto.

west of Desalter I as designated and this is where the CCWF will be located;

47. WHEREAS, the best available information, inclusive of the developed models have been considered so as to locate and perforate these wells in a manner contemplated by the Peace Agreement, the Peace II Measures and reasonably calculated by Watermaster to secure the objective of Hydraulic Control and minimize the risk of differential land subsidence;

48. WHEREAS, provided that the production of groundwater from the Future Desalters is as provided in the Supplement to the OBMP, WMWD, Ontario and Jurupa shall be entitled to first priority for the allocation of the 400,000 acre-feet of controlled overdraft authorized by the Judgment Amendments to Exhibit I and as expressly set forth in the schedule filed with and approved by the Court as a component of Condition Subsequent Number Seven attached hereto as Exhibit "B";

49. WHEREAS, WMWD exercised its right to proceed with the proposed construction of Future Desalters with Ontario and Jurupa (Expansion Parties) as provided in the Peace II Agreement and to initially apportion their relative shares of the project costs and benefits in a manner consistent with the Peace II Measures;

50. WHEREAS, subject to final review of costs and compliance with stated conditions, the Expansion Parties elected to fully and completely integrate with and carry-out their actions by and through the Chino Basin Desalter Authority (CDA) in a manner that will cause construction and operation of the designated new wells for the Future Desalters consistent with the Supplement to the OBMP, the Peace II Agreement and as approved herein by Watermaster;

51. WHEREAS, except for WMWD, CDA is comprised of members of the Appropriative Pool;

52. WHEREAS, in Article V of the Peace II Agreement, WMWD contractually agreed to exercise good faith and reasonable best efforts to cause the completion of the Expansion Project;

53. WHEREAS, WMWD will make a determination pursuant to Section 5.7 of the Peace II Agreement as to whether the cost-cap has been exceeded or whether it intends to proceed with the Expansion Project notwithstanding that the cost-cap has been exceeded (inclusive of an approval or reasonable assurance by MWD that it will award a \$139 per acre-foot subsidy) upon the earlier of: (1) the date that CDA approves the Expansion Project or (2) December 31, 2010;

54. WHEREAS, there has been no prior express undertaking pursuant to the Peace II Measures to complete the Expansion Project by any member of CDA other than

WMWD and the members of the Appropriative Pool that are not members of CDA request that there be one by each member of CDA (but not CDA);

55. WHEREAS, Wildermuth Env. Inc., has prepared a summary evaluation attached hereto as Exhibit "C" that concludes that the expected location of the new wells for the Future Desalters and production of groundwater from the shallow zones will: (a) result in Watermaster securing Hydraulic Control and (b) not cause inelastic land subsidence and damage or otherwise cause unmitigated Material Physical Injury;

56. WHEREAS, Watermaster and its engineer Wildermuth Env. Inc. will work closely with CDA in establishing final groundwater pumping protocols for each of the wells that will be constructed and operated in connection with the Future Desalters.

57. WHEREAS, the Inland Empire Utilities Agency (IEUA) has caused a Supplemental Environmental Impact Report (SEIR) to be prepared to evaluate potential impacts and developed a proposed mitigation plan generally assigning responsibility for regional impacts to those entities with regional scope (IEUA and Watermaster), and localized impacts, to the CDA;

58. WHEREAS, Jurupa has expressed concerns regarding the impact of local groundwater production when combined with the production from the Desalters within Management Zone 3;

59. WHEREAS, the Peace Agreement requires Watermaster to exert Best Efforts to, among other things, "direct Recharge relative to Production in each area and sub-area of the Basin to achieve long-term balance and to promote the goal of equal access to groundwater within all areas and sub-areas of the Chino Basin" (Peace Agreement Section 5.1(e)(iii).) as well as to "maintain long-term hydrologic balance between total Recharge and discharge within all areas and subareas" (Peace Agreement Section 5.1(e)(viii));

60. WHEREAS, Watermaster has prepared and filed its proposed Recharge Master Plan with the Court which seeks to create hydrologic balance within the Basin and within Management Zones in accordance with Peace Agreement Article VIII.

61. WHEREAS, the unfunded costs of capital improvements for the Recharge Master Plan are allocated equally between the IEUA and Watermaster, with Watermaster's share being apportioned in accordance with each party's percentage of Operating Safe Yield (Peace II Agreement Section 8.1(b));

62. WHEREAS, to the extent grant funds, loans or other third party money are unavailable to fund operations and maintenance costs of the Recharge Master Plan, they will be funded as provided in Peace Agreement II Section 8.1(a) with IEUA's

relative share being based upon its percentage use for recycled water as compared to total recharge from all sources. Watermaster's respective share being allocated among its stakeholders in accordance with their total Production from the Basin, other than Desalter Production (Peace Agreement II Section 8.1(a));

63. WHEREAS, WMWD, Ontario and Jurupa would not pursue the Expansion Project but for the availability of "controlled overdraft" under the Judgment to offset the cost of Replenishment to members of the Appropriative Pool as allocated under the Peace II Agreement and which availability is subject to the successful completion of the Recharge Master Plan.

64. WHEREAS, CDA desires clarification as to its respective obligations regarding potential mitigation of localized as compared with regional impacts attributable to changes in groundwater levels resulting from Hydraulic Control and from the specific draw-down affecting the ___ wells identified in Exhibit "A";

65. WHEREAS, the Peace Agreement provides among other things that "[t]he specific location of wells to supply the Chino II Desalter and Future Desalters shall be determined with Watermaster approval and shall be in a location, which is consistent with and shall carry out the purpose of the OBMP. The design and construction of the Chino II Desalter, Chino I Expansion, and Future Desalters shall be in accordance with the OBMP and subject to Watermaster approval. Watermaster's approval shall not be unreasonably withheld and shall insure that the operation of the Desalters will implement the OBMP and not result in Material Physical Injury to any party to the Judgment or the Basin."

66. WHEREAS, CDA and the Parties to the Judgment desire a summation of their respective obligations for Desalter Replenishment and Future Desalters arising under the Peace Agreement and its progeny, and Watermaster has prepared such a summary restatement attached hereto as Exhibit "D";

67. WHEREAS, groundwater contamination has resulted at the Chino Airport and this contamination may result in the Desalters incurring additional costs associated with removing and treating the contamination;

68. WHEREAS, certain Parties to the Judgment that are members of the CDA requested Watermaster to lead efforts to obtain compensation from the primary responsible party, San Bernardino County, and Watermaster accepted the request;

69. WHEREAS, Watermaster expects and intends to recover all of the incremental capital and operations and maintenance expenditures from San Bernardino County and to remit such proceeds to the Parties to the Judgment comprising CDA as they may direct;

70. WHEREAS, all conditions precedent to the construction and operation of the Future Desalters as set forth in the Peace Agreement and the Peace II Agreement have been satisfied upon the action by CDA to approve the Expansion Project and there are no conditions subsequent that will require a suspension in operations;

71. WHEREAS, WMWD is the only member of the CDA with a right to receive delivery of groundwater that will be produced by the Desalters that is not also a member of the Appropriative Pool²;

72. WHEREAS, all production from the Basin must be accounted for by Watermaster and the production attributed to WMWD under Exhibit I to the Judgment should be accounted for by being assigned to a party within a respective Pool;

73. WHEREAS, WMWD has no share of Operating Safe Yield as defined by the Judgment but would be entitled to produce groundwater with a "first priority right" to a credit against replenishment under Exhibit I to the Judgment and the Peace II Agreement, up to the maximum quantities stated in Condition Subsequent Number Seven for the duration of the Peace Agreement (2030);

74. WHEREAS, WMWD's may desire to intervene into the Appropriative Pool if it can freely negotiate reasonable terms prior to the operation of the Expansion Project; and.

NOW, THEREFORE, on the basis of the staff reports, expert opinions and substantial evidence presented at this hearing, Watermaster finds that:

1. WMWD has elected to proceed to construct the Future Desalters jointly with Jurupa and Ontario (Expansion Parties) by and through CDA as provided in agreements between and among CDA and its members.
2. All members of CDA are parties to the Judgment and have now agreed to exert good faith and reasonable best efforts towards the timely completion of the Expansion Project as it is described in the approved PDR.
3. The cost-cap set forth in Peace II Agreement Section 5.7 has not been exceeded and WMWD shall proceed, jointly with Jurupa and Ontario through CDA to cause the completion of the Future Desalters.³
4. For the avoidance of doubt, the allocation of the cost of Replenishment Water for the Desalters under the Peace Agreement and its progeny is set forth in Exhibit "D" with acknowledgement that the provisions of Peace Agreement II Section 6.2(b)(ii) which excludes Desalter production in the calculation of an Appropriator's proportionate responsibility for Desalter Replenishment as

² WMWD has not necessarily agreed to request intervention.

³ Subject to a determination by WMWD and evaluation of such determination by the Parties to the Judgment, Watermaster and the Court.

- subject to being revisited if the net cost of Desalter Water is materially reduced.
5. The Expansion Parties have proposed Future Desalter facilities that are reasonably calculated to achieve the stated objectives of Future Desalters: (a) yield preservation; (b) water supply; (c) salt management; (d) expanded use of recycled water; and (e) hydraulic control.
 6. The Future Desalters have been designed and will be constructed and operated to produce water with high total dissolved solids (TDS).
 7. Peace Agreement and Peace II Measures' obligations regarding the requirement of providing hydrologic balance in each Management Zone, including Management Zone Number 3 remains in full force and effect.
 8. The CCWF will be located in an area that is consistent with the designations in the Supplement to the OBMP and the purposes of the OBMP Implementation Plan. (Peace Agreement 7.3(e).)
 9. The location and the proposed operation of the Future Desalter wells are highly unlikely to result in inelastic subsidence that causes any physical damage to the aquifer, roads or structures.
 10. Watermaster has proposed and will establish measurement and monitoring protocols that if followed, will minimize the long-term risk of inelastic subsidence that might cause physical damage to de minimus levels.
 11. Prudent well operators will design, construct and operate groundwater production facilities that withstand seasonal fluctuations in water levels.
 12. Water levels that fluctuate more than 35 feet from present levels and that are 20 feet lower than the groundwater level conditions that would occur in absence of the Phase II Desalter Expansion can be addressed through the proposed SEIR mitigation plan
 13. Watermaster has timely filed its Recharge Master Plan and intends to implement the Plan in a manner that creates hydrologic balance with Management Zone 3 and minimizes adverse impacts of pumping within the Management Zone as required by the Peace Agreement.
 14. The WMWD, Jurupa and Ontario will expend tens of millions of dollars in constructing the Expansion Project in consideration of and in reliance upon Watermaster's timely and successful implementation of the Recharge Master Plan.
 15. Within 24 months from the adoption of the Resolution, WMWD can reasonably negotiate terms for intervention into the Appropriative Pool or request Watermaster to designate a member of CDA that is also a member of the Appropriative Pool for purposes of accounting for the desalter production;
 16. The designation by Watermaster must not increase the assignee Appropriator's obligations or benefits to Watermaster or under the Judgment, Peace Agreement and the Peace II Measures.

17. The requirements set forth in Section 5.5(e) of the Peace II Agreement have been satisfied by WMWD assumption of project risk, out of pocket costs and capital and operations and maintenance costs in excess of expectations.
18. The MWD is expected to approve the award of \$139 per acre-foot to Western for the benefit of the Expansion Project in November of 2010;
19. CDA is expected to take all required actions to allow the Expansion Project to proceed in November or December of 2010.

NOW, THEREFORE, on the basis of substantial evidence presented and the above findings, be it further resolved and determined that:

1. The above referenced actions in whole and in part are consistent with the Judgment, the Peace Agreement, the Peace II Measures and the December 21, 2007 Order of the Court (Collectively "Prior Directives") and in the event of any inconsistencies between this Resolution and the language of these Prior Directives, the Prior Directives shall control.
2. As approved and conditioned as set forth above, including but not limited to the location and screening of the proposed wells, the SEIR mitigation plans applicable for subsidence, water level fluctuations and the improvements identified in the Recharge Master Plan, the above referenced actions present no threat of Material Physical Injury (Peace Agreement Section 7.3(d).
3. Unless authorized in advance by Watermaster for good cause arising from the need for testing, monitoring, or mitigation, the Parties to the Judgment comprising CDA will not produce groundwater from the deep aquifer system among Desalter wells No 1 through 4 as set forth in Peace Agreement II Section 5.8(a)(i)(ii). Watermaster reserves all rights and remedies to redress a violation of this condition, including but not limited to the right to make application to the Court to revisit the allocation of some or all of the 400,000 acre-feet of controlled overdraft, taking into account the specific causes associated with the failure. However, such an application will not require a discontinuance of Desalter operations. (See Judgment Exhibit I; Peace Agreement II, Section 5.8(a)(i)(ii).)
4. Watermaster will not otherwise suspend availability of any portion of the 400,000 acre-feet of controlled overdraft unless there is a failure to comply with the requirements to complete and implement a Recharge Master Plan as provided in Peace Agreement Section 7.3.
5. Watermaster reconfirms its commitment to the importance of the timely and successful implementation of a Recharge Master Plan, including achieving hydrologic balance within each Management Zone.
6. All parties to the Judgment that are members of CDA will exert good faith and reasonable best efforts towards the completion of the Expansion Project in

- the form of the PDR approved by CDA and conditioned by this Resolution and will file quarterly reports with Watermaster.
7. Watermaster shall assume the complete financial and management responsibility for monitoring baseline water level and groundwater extraction conditions so as to avoid inelastic, land subsidence that may cause physical damage as provided in Exhibit "E," attached hereto.
 8. No economic mitigation will be required of CDA to address the physical impact of lowered water levels in the Basin, other than the agricultural wells designated in Exhibit "F," attached hereto.
 9. A specific mitigation plan has been developed in the SEIR to address the agricultural wells (there are no municipal or industrial wells) which will be implemented by the Parties to the Judgment comprising CDA or in their discretion through CDA. The specific criteria for evaluating the impacts are set forth in Exhibit "F," attached hereto.
 10. Watermaster will update and inform the Court of the status of implementing the OBMP and request a further order of the Court directing Watermaster to proceed as provided herein.
 11. Upon the completion of the Future Desalters (the Phase III Expansion) as reflected in the approved revised Chino Desalter Phase 3 Comprehensive Pre-Design Report (CDA PDR) attached hereto as Exhibit "G," the Parties to the Judgment will be deemed to have satisfied all individual and collective obligations arising from the Peace Agreement and the OBMP Implementation Plan, Peace II Measures and all prior orders of the Court related to the requirement to construct Desalters in accordance with Peace Agreement II Section 10.2.
 12. WMWD and IEUA are relieved of the funding requirements as set forth in Peace Agreement Section 10.4.
 13. Localized impacts on the wells will be mitigated as provided in the mitigation plan set forth in Exhibit "H".
 14. Regional impacts attributable to the lowering of the water table across the Basin have been fully analyzed in connection with the Court approval of the Peace II Measures, and fully mitigated by the suite of corresponding off-setting benefits arising under the Peace II Measures. Consequently, CDA and the members of CDA will have no obligation to off-set or mitigate any increased costs that may be incurred by Parties to the Judgment that own wells outside of the designated wells.
 15. At its own expense, Watermaster will monitor water conditions to measure the effectiveness of hydraulic control and subsidence.
 16. As provided in Section 6.2(b)(ii) the allocation of Replenishment is reserved and committed to off-set the Replenishment attributable to the Future Desalter expansion.
 17. Agreements among the Parties, whatever they may be, for Replenishment, operations, conditions and corresponding consideration without limitations,

- are unaffected by this determination. However, for the avoidance of doubt, Exhibit "D" accurately summarizes and restates these obligations.
18. Watermaster will negotiate with the County of San Bernardino as the party primarily responsible for contamination and all sums obtained will be paid to CDA to off-set all of the incremental capital and operations and maintenance expenses incurred by the Parties to the Judgment comprising CDA or in their discretion through CDA.
 19. Watermaster will continue to require that to the extent any of the Peace II Implementing Measures constitute "projects" within the meaning of the California Environmental Quality Act ("CEQA"), compliance with CEQA will be required as a pre-condition of Watermaster's issuance of any final, binding approvals.
 20. The actions articulated above and contemplated herein to optimize the beneficial use of the groundwater and the Basin benefit the Basin and the Parties to the Judgment.
 21. The members of CDA may make application for future relief and assistance from Watermaster to redress potential inequities in redressing water quality concerns only after having first obtained a recommendation for such relief from the Appropriative Pool. The Watermaster retains complete discretion in responding to any such request.
 22. Within 24 months of the date of this Resolution, WMWD will make an election to either: (a) intervene into the Appropriative Pool on terms it may freely negotiate or (b) consensually assign the production for the desalted water attributable to the Expansion Project on behalf of WMWD to an Appropriative Pool member of the CDA.
 23. This Resolution is subject to the express condition subsequent of CDA approving the Water Purchase Agreements and the PDR as amended following WMWD's determination that it intends to proceed with the Expansion Project pursuant to Section 5.7 of the Peace II Agreement.

LIST OF EXHIBITS

Exhibit "A" Map: Mitigation Area for Groundwater-Level Decline Caused by Expansion of the Chino Desalter Program, Figure x-x

Exhibit "B" Judgment Amendments to Exhibit I, "Engineering Appendix, "components of Wildermuth Response to Condition Subsequent Number Seven, including Schedule and Tables

Exhibit "C" Wildermuth Env. Inc. Staff Letter, May 27, 2010 re Material Physical Injury Analysis – Wells I-16, I-18, I-MW16, I-MW18 of the Chino Creek Well Field

Exhibit "D" Watermaster Summary of Obligations for Desalter Replenishment and Future Desalters Post-Peace Agreement II

Exhibit "E" Map: Chino Basin Watermaster's Current and Proposed Subsidence Monitoring Program, Figure x-x

Exhibit "F" Groundwater-Levels Mitigation Measures Peace II SEIR 4.3.10

Exhibit "G" Revised Chino Desalter Phase 3 Comprehensive Pre-Design Report CDA PDR

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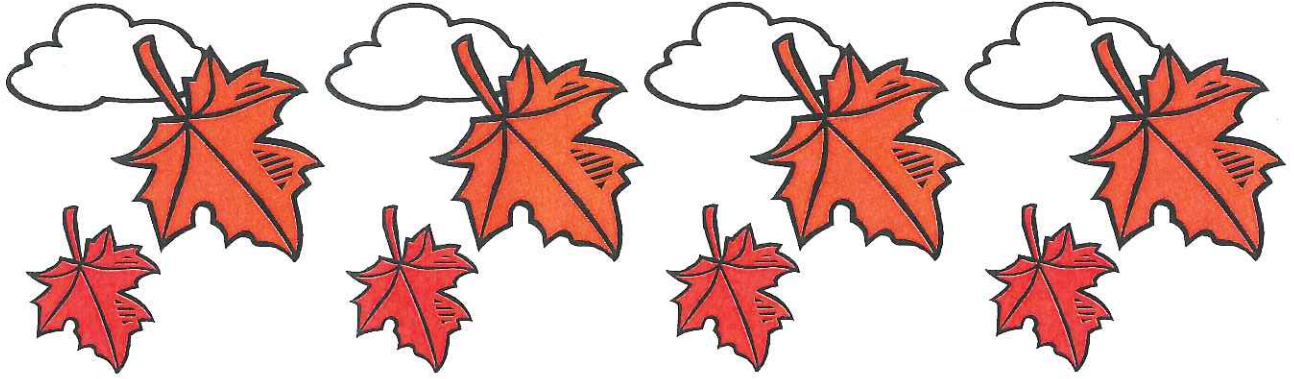
DRAFT 2
**RESOLUTION OF SUPPORT FOR COMPLETION OF
FUTURE DESALTERS**

1. **WHEREAS**, _____ is a Party to the Judgment (Chino Basin Municipal Water District v. City of Chino), member of the Appropriative Pool and a member of the Chino Basin Desalter Authority ("CDA");
2. **WHEREAS**, the Western Municipal Water District ("WMWD") previously agreed to exercise its good faith and reasonable best efforts to cause the design, planning and construction of Future Desalters in accordance with the 2007 Supplement to the OBMP Implementation Plan, to account of Hydraulic Control, Re-Operation and Future Desalters;
3. **WHEREAS**, WMWD exercised its discretion to elect to proceed with the City of Ontario (Ontario) and the Jurupa Community Services District ("Jurupa") the Future Desalters as Expansion Parties;
4. **WHEREAS**, WMWD is prepared to proceed with construction of the Future Desalters under terms and subject to conditions agreed between WMWD on one hand and CDA on the other hand as proposed in the revised Preliminary Design Report for the Phase III Desalter Expansion, Water Purchase Agreements, Inter-Governmental Agreement and other related agreements (Expansion Project); and
5. **WHEREAS**, CDA is not a Party to the Judgment and its actions are not subject to review or approval by the Chino Basin Watermaster;
6. **WHEREAS**, Parties to the Judgment have requested that Watermaster require an express undertaking by the members of CDA that are also parties to the Judgment and members of the Appropriative Pool that they will act in support of the completion of the Expansion Project as it is approved by CDA;
7. **WHEREAS**, Section 10.2 of the Peace II Agreement provides that the Parties thereto, including the members of CDA, will have satisfied "all individual and collective pre-existing obligations arising from the Peace Agreement and the OBMP Implementation Plan, whatever they may be, with regard to Future Desalters as described in Part VII of the Peace Agreement and the OBMP Implementation Plan;
8. **WHEREAS**, the members of CDA would not undertake the Expansion Project unless they has reasonable assurances that 400,000 acre-feet of controlled overdraft was available to off-set the cost of Replenishment attributable to the Desalters and thereby avoid a Replenishment Assessment as a member of the Appropriative Pool as described in the Peace II Agreement; and

9. **WHEREAS**, the members of CDA expect and require Watermaster to fulfill its prior commitment to the timely and successful implementation of the Recharges Master Plan to ensure the availability of the controlled overdraft and hydrologic balance within each Management Zone.

NOW THEREFORE, be it hereby resolved that:

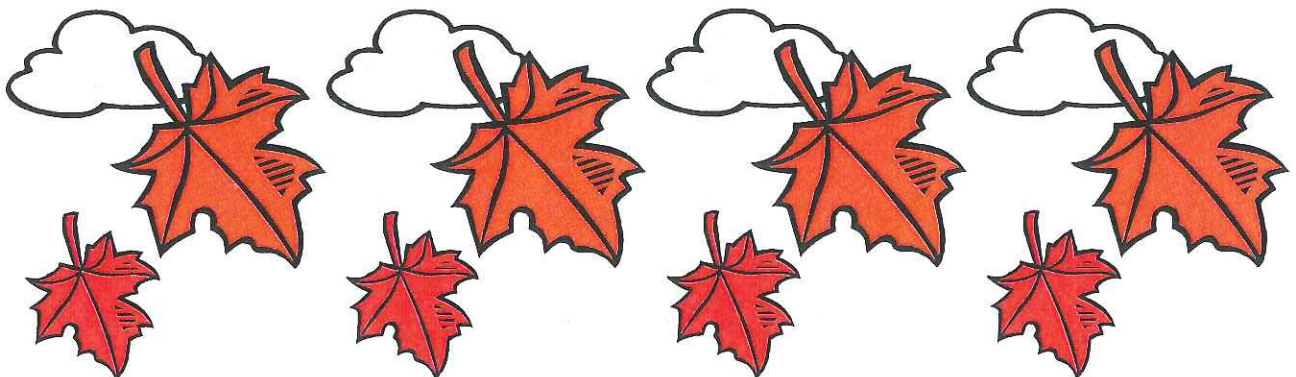
1. _____ expressly assumes the obligation to exercise good faith and reasonable best efforts to support the completion of the Expansion Project as it is defined in and as conditioned by the anticipated CDA approval of the Expansion Project and to cause a quarterly report on its progress to Watermaster.
2. In consideration of this Resolution, Watermaster will make the finding that _____ has expressly agreed to support the completion of the Expansion Project as approved by CDA, the findings stated therein and the further condition that each member of CDA has also approved a Resolution in substantial conformity with this Resolution.
3. Watermaster may represent to the Court and regulatory agencies that _____ has expressly agreed to this undertaking of good faith.
4. Nothing herein shall be construed as an intent to amend any provision of the Judgment, the Peace Agreement or the Peace II Agreement or to directly or indirectly commit CDA or submit CDA to the jurisdiction of Watermaster or a regulatory agency.



CHINO BASIN WATERMASTER

I. BUSINESS ITEM

B. CHINO BASIN WATERMASTER 2010-2011 ASSESSMENT PACKAGE





CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: October 21, 2010
TO: Committee Members
SUBJECT: Fiscal Year 2010-2011 Assessment Package

SUMMARY

Recommendation – Staff recommends approval of the Fiscal Year 2010-2011 Assessment Package as presented.

BACKGROUND

The members of the Overlying Non-Agricultural Pool and the Appropriative Pool were each sent a copy of their Water Activity Report that summarized their water activity for the previous year – including production, Dry Year Yield (DYY), land use conversions, transfers and assignments – and each party was asked to verify the data gathered and summarized by Watermaster. Most of the Water Activity Reports were received back, and none required corrections with the exception of DYY re-certifications.

Watermaster held an Assessment Package Workshop on September 30, 2010. The purpose of the workshop was to review the prior year production, transfers, DYY, etc., and to review the current year cash requirements pursuant to the adopted budget and the resulting impact on assessments. Discussion at the workshop covered the breakdown of how assessments are calculated. During the workshop, it was noted that some changes have been made to the Assessment Package, including changes to Supplemental Storage, the MWD Storage and Recovery Account, Desalter Replenishment, and the Cumulative Unmet Replenishment Obligation (CURO) pages.

Budgeted costs decreased this year, and the Assessment Package identifies total assessable production for all Pools as 114,496 acre-feet (a decrease by 6,757 acre-feet), resulting in assessments of \$7.40/acre-foot for Admin and \$42.01/acre-foot for OBMP, excluding recharge debt service and assessments for replenishment water. For production year 2009-2010, there is a replenishment obligation of 4,521 acre-feet, in addition to the CURO of 4,368 acre-feet. The new replenishment rate is \$541, which is MWD's \$527 Tier 1 rate plus IEUA's \$12 surcharge plus OCWD's \$2 connection fee.

Due to discussions and requests at both the Workshop and the Appropriative Pool meeting, minor edits have been made to the Assessment Package. All calculations and numbers remain unchanged. The following is a list of the changes that have been made:

- Page 5A—The value in [5H] was moved to the more appropriate location in [5I].
- Page 6A—A note was added to the bottom of the page regarding Column [6A].
- Page 6A—The title for Column [6C] was changed from “Transfers To / (From) ECO” to Transfers To / (From) ECO Account.”
- Page 7C—The phrase “Annual Account - Lease / Assigned Rights” was changed to “Annual Account – Assigned Rights” in the four locations.
- Page 8A—The formatting was changed so that all negative values are reflected by parentheses rather than a negative sign.
- Page 9A—The formatting was changed so that all negative values are reflected by parentheses rather than a negative sign.
- Page 14A—The note was removed from the bottom and a [C] note reference was placed by Vulcan Materials Company instead.
- Page 14A—A note was added at the bottom regarding the storage sale/transfer from Praxair to Ontario City Non-Ag.

Actions:

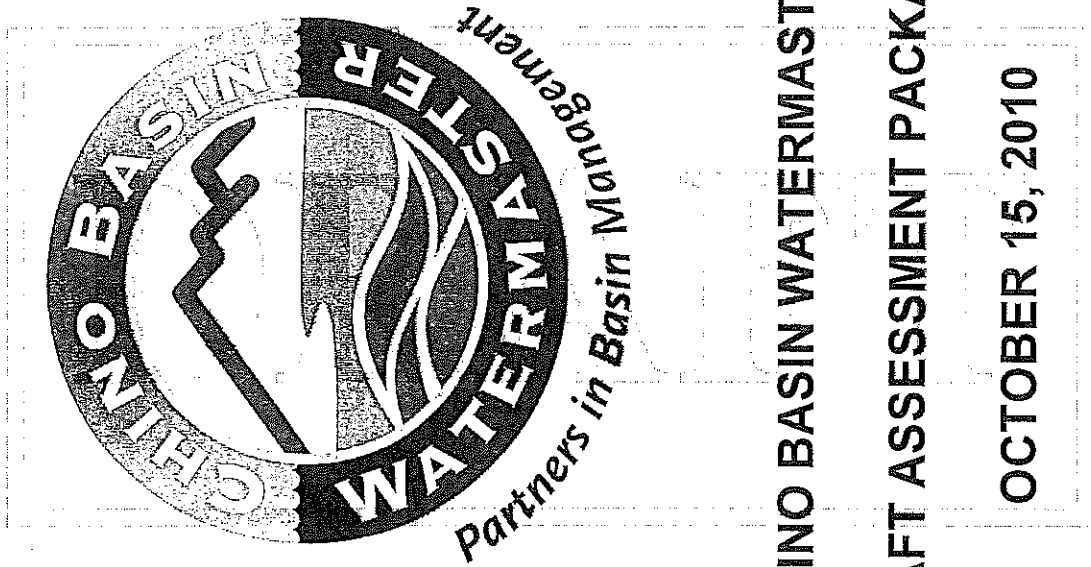
October 7, 2010 Appropriative Pool – Motion to Hold Special Meeting on October 21, 2010 at 8:00 a.m.

October 7, 2010 Non-Agricultural Pool – Approve Pool No. 2 (Non-Ag Pool) Pool Summary, Production Summary, and CURO Summary Pages and to Reserve the Right on the Issue Regarding Storage Accounts

October 14, 2010 Agricultural Pool – Approved unanimously

October 21, 2010 Advisory Committee –

October 28, 2010 Watermaster Board –



CHINO BASIN WATERMASTER

DRAFT ASSESSMENT PACKAGE

OCTOBER 15, 2010

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Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|---|---|
| 1A | AF Production | Total production and exchanges, excluding Desalter production. Copied from [2L]. |
| 1B | Appropriative Pool—AF/Admin | Production [1A] <times> per acre foot Admin fee. |
| 1C | Appropriative Pool—AF/OBMP | Production [1A] <times> per acre foot OBMP fee. |
| 1D | Ag Pool SY Reallocation—AF Total Reallocation | Reallocation of Ag Pool Safe Yield. Copied from [2F] and [6F]. |
| 1E | Ag Pool SY Reallocation—AF/Admin | Party Ag Pool reallocation [1D] <divided by> Total Ag Pool Reallocation [1D Total] <times> total dollar amount needed for Ag Pool administration. |
| 1F | Ag Pool SY Reallocation—AF/OBMP | Party Ag Pool reallocation [1D] <divided by> Total Ag Pool Reallocation [1D Total] <times> total dollar amount needed for Ag Pool OBMP. |
| 1G | Replenishment Assessments—AF/15% | For parties participating in the 85/15 Rule: Percentage of total 85/15 participant production <times> required credit amount. |
| 1H | Replenishment Assessments—AF/85% | For parties participating in the 85/15 Rule: Total overproduced [2M] <times> 85% of the replenishment rate. |
| 1I | Replenishment Assessments—AF/100% | For parties not participating in the 85/15 Rule: Total overproduced [2M] <times> 100% of the replenishment rate. |
| 1J | 85/15 Water Transaction Activity—15% Producer Credits | For parties participating in the 85/15 Rule: Credit amount equals 15% of the cost of the water purchased. |
| 1K | 85/15 Water Transaction Activity—15% Pro-rated Debits | For parties participating in the 85/15 Rule: Percentage of total 85/15 participant production <times> required credit amount. |
| 1L | CURO Adjustment | Monetary amount needed for each Party's Cumulative Unmet Replenishment Obligation (CURO). Calculated on Page 9A. |
| 1M | Other Adjustments | Used as necessary for any other monetary adjustments needed to the Assessment Package. |
| 1N | ASSESSMENTS DUE—Total Production Based | Total fees assessed based on party production. [1B] + [1C] + [1E] + [1F] + [1G] + [1H] + [1I] + [1J] + [1K] + [1L] + [1M]. |
| 1O | ASSESSMENTS DUE—Recharge Debt Payment | Total recharge debt payment <times> percent share of operating safe yield [2A]. |
| 1P | ASSESSMENTS DUE—Total Due | Total production based assessments [1N] + Recharge Debt Payment [1O]. |

Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|--|---|
| 2A | Percent of Operating Safe Yield | The Party's yearly percentage of operating safe yield as delineated in the judgment. |
| 2B | Assigned Share of Operating Safe Yield | The Party's yearly volume of operating safe yield as delineated in the Judgment. |
| 2C | Carryover Beginning Balance | The beginning balance in each Annual Account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 2D | Prior Year Adjustments | This number reflects the adjusted production rights from a previous Assessment Package, in the event that corrections are needed. |
| 2E | 2% Storage Loss | Carryover beginning balance [2C] \times 0.02. |
| 2F | Net Ag Pool Reallocation | Reallocation of Ag Pool Safe Yield. Copied from [6F]. The calculations that lead to this are made on Page 6. |
| 2G | Water Transaction Activity | Water transactions. Copied from [5E]. The calculations that lead to this are made on Page 5. |
| 2H | New Yield | New yield \times percent share of operating safe yield [2A]. |
| 2I | Annual Production Right | Current Year Production Right. [2B] + [2C] + [2D] + [2E] + [2F] + [2G] + [2H]. |
| 2J | Actual Fiscal Year Production | Actual production from CBWM's production system (as verified by each party on their Water Activity Report). |
| 2K | Storage and Recovery Program(s) | Total exchanges for the period (July 1- June 30) including MZ1 forbearance and DYY deliveries (as reported to CBWM by IEUA and TVMWD and as verified by each party on their Water Activity Report). |
| 2L | Total Production and Exchanges | Actual production [2J] $+$ Storage and Recovery exchanges [2K]. Includes a sub note subtracting Desalter production. |
| 2M | Net Over-Production—85/15% | For 85/15 rule participants: Production rights [2I] $-$ total production and exchanges [2L], equaling less than zero. |
| 2N | Net Over-Production—100% | For non-85/15 rule participants: Production rights [2I] $-$ total production and exchanges [2L], equaling less than zero. |
| 2O | Under Production Balances—Total Under-Produced | Production rights [2I] $-$ total production and exchanges [2L], equaling more than zero. |
| 2P | Under Production Balances—Carryover: Next Year Begin Bal | Either total under-produced [2O] or share of operating safe yield [2B], whichever is less. |
| 2Q | Under Production Balances—To Excess Carryover Account | Total under produced [2O] $-$ carryover to next year [2P]. |

Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|---|--|
| 3A | Excess Carry Over Account (ECO)—Beginning Balance | The beginning balance in each ECO account. This carries forward from the ending balance in the previous period Assessment Package. |
| 3B | Excess Carry Over Account (ECO)—2% Storage Loss | Beginning balance [3A] \times 0.02. |
| 3C | Excess Carry Over Account (ECO)—Transfers To / (From) | Total of water transferred to and from the Annual Account. |
| 3D | Excess Carry Over Account (ECO)—From Supplemental Storage | Total of water transfers from Local Supplemental Storage. |
| 3E | Excess Carry Over Account (ECO)—From Under-Production | Total of water transferred from the Annual Account due to under production. |
| 3F | Excess Carry Over Account (ECO)—Ending Balance | The current balance in each ECO account. [3A] + [3B] + [3C] + [3D] + [3E]. |



Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|---|---|
| 4A | Reference—Production + Exchanges (RW Agencies Only) | For reference only. The amount of Production & Exchanges Party that receives credit for recharged recycled water through IEUA. Copied from [2L]. |
| 4B | Recharged Recycled Account—Beginning Balance | The beginning balance in each Recharged Recycled Account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 4C | Recharged Recycled Account—2% Storage Loss | Beginning balance [4B] <times> 0.02. |
| 4D | Recharged Recycled Account—Current Recharged Recycled | Total recharged recycled water credited to each Party for the year, as provided by IEUA. |
| 4E | Recharged Recycled Account—Transfer to ECO Account | Total of water transferred to the ECO Account. |
| 4F | Recharged Recycled Account—Ending Balance | The current balance in each Recharged Recycled account, [4B] + [4C] + [4D] + [4E]. |
| 4G | Quantified (Pre 7/1/2000 Account)—Beginning Balance | The beginning balance in each Quantified Supplemental Account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 4H | Quantified (Pre 7/1/2000 Account)—2% Storage Loss | Beginning balance [4G] <times> 0.02. |
| 4I | Quantified (Pre 7/1/2000 Account)—Transfers To / (From) | Total of water transferred to and from the Annual Account. |
| 4J | Quantified (Pre 7/1/2000 Account)—Transfer to ECO Account | Total of water transferred to the ECO Account. |
| 4K | Quantified (Pre 7/1/2000 Account)—Ending Balance | The current balance in each Quantified Supplemental account, [4G] + [4H] + [4I] + [4J]. |
| 4L | New (Post 7/1/2000 Account)—Beginning Balance | The beginning balance in each New Supplemental Account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 4M | New (Post 7/1/2000 Account)—2% Storage Loss | Beginning balance [4L] <times> 0.02. |
| 4N | New (Post 7/1/2000 Account)—Transfers To / (From) | Total of water transferred to and from the Annual Account. |
| 4O | New (Post 7/1/2000 Account)—Transfer to ECO Account | Total of water transferred to the ECO Account. |
| 4P | New (Post 7/1/2000 Account)—Ending Balance | The current balance in each New Supplemental account, [4L] + [4M] + [4N] + [4O]. |
| 4Q | Combined—Combined Storage Account Balance | The combined amount in all supplemental storage accounts [4F] + [4K] + [4P]. |

Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|---|---|
| 5A | Desalter Authority—Beginning Balance | The beginning balance in the Desalter Authority Replenishment account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 5B | Desalter Authority—Storage Loss | Beginning balance [5A] <times> 0.02. |
| 5C | Desalter Authority—Transfers To | Total of water transferred to the Desalter Authority Replenishment account. |
| 5D | Desalter Authority—Transfers From | Total of water transferred from the Desalter Authority Replenishment account. |
| 5E | Desalter Authority—Ending Balance | The current balance in the Desalter Authority Replenishment account. [5A] + [5B] + [5C] + [5D]. |
| 5F | Storage and Recovery—Beginning Balance | The beginning balance in the S&R account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 5G | Storage and Recovery—Storage Loss | Beginning balance [5F] <times> 0.02. |
| 5H | Storage and Recovery—Transfers To | Total of water transferred to the S&R account “puts”. |
| 5I | Storage and Recovery—Transfers From | Total of water transferred from the S&R account “takes”. |
| 5J | Storage and Recovery—Ending Balance | The current balance in the S&R account, [5F] + [5G] + [5H] + [5I]. |
| 5K | Chino Basin Watermaster—June 30, 2007 Storage Balance | To be used for Peace II Non-Ag Pool storage purchase. The June 30, 2007 Non-Ag Pool Storage Account balance. |
| 5L | Chino Basin Watermaster—June 30, 2008 Storage Loss | To be used for Peace II Non-Ag Pool storage purchase. The Non-Ag Pool Storage Account losses at June 30, 2008. |
| 5M | Chino Basin Watermaster—June 30, 2009 Storage Loss | To be used for Peace II Non-Ag Pool storage purchase. The Non-Ag Pool Storage Account losses at June 30, 2009. |
| 5N | Chino Basin Watermaster—June 30, 2010 Storage Loss | To be used for Peace II Non-Ag Pool storage purchase. The Non-Ag Pool Storage Account losses at June 30, 2010. |
| 5O | Chino Basin Watermaster—Ending Balance | To be used for Peace II Non-Ag Pool storage purchase. The current balance in the Watermaster Holding account. [5K] + [5L] + [5M] + [5N]. |

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|--|--|
| 6A | Water Transactions—Assigned Rights | Total of assignment transactions for this period. |
| 6B | Water Transactions—General Transfer | Total of water transfers between parties for this period. Transfers in this column include the annual transfer of 10-percent of the Non-Ag OSY to the seven Appropriator parties, as stated in Peace II. |
| 6C | Water Transactions—Transfers To / (From) ECO Account | Total of water transferred between the Annual Account and ECO Account. |
| 6D | Water Transactions—Total Water Transactions | Total water transactions. [6A]+ [6B] + [6C]. |

Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|--|--|
| 11A | % Share of Operating Safe Yield | The Party's yearly percentage of operating safe yield as delineated in the judgment. Copied from [2A]. |
| 11B | Reallocation of Agricultural Pool Safe Yield—32,800 AF Early Transfer | The Party's percent share of operating safe yield [11A] multiplied by 32,800. |
| 11C | Reallocation of Agricultural Pool Safe Yield—Land Use Conversions | Total land use conversions claimed on Page 10 (as verified by each party on their Water Activity Report). |
| 11D | Reallocation of Agricultural Pool Safe Yield—Potential for Reallocation (AF) | The Agricultural Pool allocation amount potentially available to each Appropriator. [11B] + [11C]. |
| 11E | Reallocation of Agricultural Pool Safe Yield—Difference: Potential vs. Net | The total over or under Agricultural Pool allocation (from Page 10) distributed to each party. Calculated as each Party's percent of potential for reallocation [11D] from the total of [11D]. |
| 11F | Reallocation of Agricultural Pool Safe Yield—Net Ag Pool Reallocation | Net Agricultural Pool reallocation to each party. [11D] + [11E]. |

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|---|--|
| 12A | AF Production | Actual production by each Party. Copied from [13G]. |
| 12B | Non-Agricultural Pool—AF/Admin | Production [12A] <times> per acre foot Admin fee. |
| 12C | Non-Agricultural Pool—AF/OBMP | Production [12A] <times> per acre foot OBMP fee. |
| 12D | Replenishment Assessments—AF Exceeding Safe Yield | Over-production for each Party beyond their water right. Copied from [13H]. |
| 12E | Replenishment Assessments—Per AF | Amount overproduced [12D] <times> the current replenishment rate. |
| 12F | CURO Adjustment | Monetary amount needed for each Party's Cumulative Unmet Replenishment Obligation (CURO). Calculated on Page 9B. |
| 12G | Other Adjustments | Used as necessary for any other monetary adjustments needed to the Assessment Package. |
| 12H | Total Assessments Due | Total fees assessed based on party production. [12B] + [12C] + [12E] + [12F] + [12G]. |

Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|--|---|
| 13A | Carryover Beginning Balance | The beginning balance in each Annual Account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 13B | Prior Year Adjustments | This number reflects the adjusted production rights from a previous Assessment Package, in the event that corrections are needed. |
| 13C | 2% Storage Loss | Carryover beginning balance [13A] <times> 0.02. |
| 13D | Assigned Share of Operating Safe Yield (AF) | The Party's yearly volume of operating safe yield as delineated in the Judgment. |
| 13E | Water Transaction Activity | Total of one-time water transfers between parties for this period. Transfers in this column include the annual transfer of 10-percent of the Non-Ag OSY to the seven Appropriator parties, as stated in Peace II. |
| 13F | Annual Production Right | Current Year Production Right. [13A] + [13B] + [13C] + [13D] + [13E]. |
| 13G | Actual Fiscal Year Production | Actual production from CBWM's production system (as verified by each party on their Water Activity Report). |
| 13H | Net Over Production | Over-production, if any, for each Party beyond their water right. [13G] – [13F], equaling more than zero. |
| 13I | Under Production Balances— Total Under-Produced | Production rights [13F] <minus> production [13G], equaling more than zero. |
| 13J | Under Production Balances— Carryover: Next Year Begin Bal | Either total under-produced [13I] or share of operating safe yield [13D], whichever is less. |
| 13K | Under Production Balances—To Local Storage Account | Total under produced [13I] <minus> carryover to next year [13J], equaling more than zero. |

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|---|---|
| 14A | Local Storage Account— Carryover Beginning Balance | The beginning balance in each Local Storage account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 14B | Local Storage Account—2% Storage Loss | Beginning balance [14A] <times> 0.02. |
| 14C | Local Storage Account— Transfers To / (From) | Total of water transferred to and from the Annual Account. |
| 14D | Local Storage Account—Ending Balance | The current balance in each Local Storage account. [14A] + [14B] + [14C]. |

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**CHINO BASIN WATERMASTER
ASSESSMENT CALCULATION
FISCAL YEAR 2010-2011**

| FISCAL YEAR 2010-2011 BUDGET | PRODUCTION BASIS | ASSESSMENT | APPROPRIATIVE POOL | | AGRICULTURAL POOL | | NON-AG POOL | |
|------------------------------------|--|-------------|------------------------|-------------|------------------------|-------------|------------------------|-----------|
| | | | General Administration | OBMP | General Administration | OBMP | General Administration | OBMP |
| | 2008-09 Production & Exchanges in Acre-Feet (Actuals) | 121,253,204 | 84,716,450 | 69.867% | 32,142,764 | 26.509% | 4,393,990 | 3.624% |
| | 2009-10 Production & Exchanges in Acre-Feet (Actuals) | 114,495,915 | 78,733,238 | 68.765% | 31,854,766 | 27.822% | 3,907,911 | 3.413% |
| | BUDGET | | | | | | | |
| | Administration, Advisory Committee & Watermaster Board (1) | \$847,518 | \$582,797 | | \$235,794 | | \$28,927 | |
| | OBMP & Implementation Projects(1) | 5,133,009 | 3,529,719 | | 1,428,093 | | 175,197 | |
| | General Admin & OBMP Assessments | 5,980,527 | 582,797 | | 235,794 | | 28,927 | |
| | TOTAL BUDGET | 5,980,527 | 582,797 | | 235,794 | | 28,927 | |
| | Plus Budgeted Interest Income | (175,010) | | | (120,346) | | (48,691) | (5,973) |
| | Less Contributions from Outside Agencies | (148,410) | | | (102,054) | | (41,290) | (5,065) |
| | CASH DEMAND | 5,657,108 | 582,797 | | 235,794 | | 28,927 | 164,159 |
| | OPERATING RESERVE | | | | | | | |
| | Administrative | 0 | \$0 | | \$0 | | \$0 | 0 |
| | OBMP | 0 | 0 | | 0 | | 0 | 0 |
| | Less: Funds On Hand Utilized for Assessments | 0 | 0 | | 0 | | 0 | 0 |
| | FUNDS REQUIRED TO BE ASSESSED | \$5,657,108 | \$582,797 | \$3,307,319 | \$235,794 | \$1,338,112 | \$28,927 | \$164,159 |
| | Assessments | | | | | | | |
| | General Administration Assessments | | \$7.40 | \$42.01 | \$7.40 | \$42.01 | \$7.40 | \$42.01 |
| | Minimum Assessments | | \$5.00 | | | | \$5.00 | |
| | Prior Year Assessments (Actuals) | | | | | | | |
| | | | \$7.19 | \$44.02 | \$7.19 | \$44.02 | \$7.19 | \$44.02 |
| | A - B | | \$0.21 | (\$2.01) | | (\$1.80) | | |

(1) Total costs are allocated to Pools by actual production percentages. Does not include Recharge Debt Payment or Replenishment water purchases.

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Assessment Year 2010-2011 (Production Year 2009-2010)

Pool 3 Excess Carry Over Storage Account

| | | Excess Carry Over Account (ECO) | | | | | |
|------------------------------------|----------|---------------------------------|-----------------|-----------------------|---------------------------|-----------------------|----------------|
| | | Beginning Balance | 2% Storage Loss | Transfers To / (From) | From Supplemental Storage | From Under-Production | Ending Balance |
| Arrowhead Mtn Spring Water Co | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Chino Hills, City Of | | 3,611.239 | (72.224) | 0.000 | 0.000 | 3,152.415 | 6,691.430 |
| Chino, City Of | | 15,761.955 | (315.239) | 0.000 | 0.000 | 7,406.232 | 22,852.948 |
| Cucamonga Valley Water District | A | 38,228.278 | (764.565) | (2,560.011) | 0.000 | 7,955.889 | 42,859.591 |
| Desalter Authority | B | 314,359.706 | 0.000 | (314,359.706) | 0.000 | 0.000 | 0.000 |
| Fontana Union Water Company | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Fontana Water Company | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Fontana, City Of | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Golden State Water Company | | 802.225 | (16.044) | 0.000 | 0.000 | 98.642 | 884.823 |
| Jurupa Community Services District | | 4,393.191 | (87.863) | 0.000 | 0.000 | 93.990 | 4,399.318 |
| Marygold Mutual Water Company | | (244.030) | 0.000 | 0.000 | 244.030 | 670.293 | 670.293 |
| Metropolitan Water District | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Monte Vista Irrigation Company | | 1,952.826 | (39.056) | (290.102) | 0.000 | 0.000 | 1,623.668 |
| Monte Vista Water District | | 1,199.079 | (23.981) | 0.000 | 0.000 | 0.000 | 1,175.098 |
| Niagara Water Company | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Nicholson Trust | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Norco, City Of | | 1,667.559 | (33.351) | 0.000 | 0.000 | 307.830 | 1,942.038 |
| Ontario, City Of | | 8,673.819 | (173.476) | 0.000 | 0.000 | 2,033.630 | 10,533.973 |
| Pomona, City Of | | 2,886.970 | (57.739) | 0.000 | 0.000 | 5,481.331 | 8,310.562 |
| San Antonio Water Company | | 7,887.440 | (157.748) | 0.000 | 0.000 | 544.860 | 8,274.552 |
| San Bernardino County Shtg Prk | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Santa Ana River Water Company | | 218.371 | (4.367) | 0.000 | 0.000 | 0.000 | 214.004 |
| Upland, City Of | | 6,200.694 | (124.013) | 0.000 | 0.000 | 0.000 | 6,076.681 |
| West End Consolidated Water Comp | | 5,598.524 | (111.970) | (4,105.524) | 0.000 | 0.000 | 1,381.030 |
| West Valley Water District | | 3,069.398 | (61.387) | (1,000.000) | 0.000 | 998.660 | 3,006.671 |
| | | 416,267.244 | (2,043.023) | (322,315.343) | 244.030 | 28,743.772 | 120,896.680 |

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Assessment Year 2010-2011 (Production Year 2009-2010)

2010-2011 Pool 3 Other Storage Accounts Summary

Desalter Authority Replenishment:

| | Beginning Balance | Storage Loss | Transfers To | Transfers From | Ending Balance |
|---------------------|-------------------|--------------|--------------|----------------|----------------|
| Re-Operation Offset | 314,359.706 | 0.000 | 0.000 | (28,516.731) | 285,842.975 |
| Non-Ag Dedication | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | 5A | 5B | 5C | 5D | 5E |

Storage and Recovery:

| | Beginning Balance | Storage Loss | Transfers To | Transfers From | Ending Balance |
|---------------|-------------------|--------------|--------------|----------------|----------------|
| MWD DYY / CUP | 34,493.564 | (689.871) | 0.000 | (25,260.600) | 8,543.093 |
| | 5F | 5G | 5H | 5I | 5J |

Chino Basin Watermaster:

| | June 30, 2007 Storage Balance | June 30, 2008 Storage Loss | June 30, 2009 Storage Loss | June 30, 2010 Storage Loss | Ending Balance |
|-----------------|-------------------------------|----------------------------|----------------------------|----------------------------|----------------|
| Holding Account | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | 5K | 5L | 5M | 5N | 5O |

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Assessment Year 2010-2011 (Production Year 2009-2010)

Pool 3 Water Transaction Summary

Water Transactions

| | Assigned Rights | General Transfer | Transfers To / (From) ECO Account | Total Water Transactions |
|-------------------------------------|-----------------|------------------|-----------------------------------|--------------------------|
| Arrowhead Mtn Spring Water Co | 0.000 | 0.000 | 0.000 | 0.000 |
| Chino Hills, City Of | 0.000 | 0.000 | 0.000 | 0.000 |
| Chino, City Of | (5,085.000) | 0.000 | 0.000 | (5,085.000) |
| Cucamonga Valley Water District | 7,886.145 | 0.000 | 2,000.000 | 9,886.145 |
| Desalter Authority | 0.000 | 0.000 | 0.000 | 0.000 |
| Fontana Union Water Company | (9,886.145) | 0.000 | 0.000 | (9,886.145) |
| Fontana Water Company | 10,006.082 | 0.000 | 0.000 | 10,006.082 |
| Fontana, City Of | 0.000 | 0.000 | 0.000 | 0.000 |
| Golden State Water Company | 0.000 | 0.000 | 0.000 | 0.000 |
| Jurupa Community Services District | 1,200.000 | 0.000 | 0.000 | 1,200.000 |
| Marygold Mutual Water Company | 0.000 | 16.000 | 0.000 | 16.000 |
| Monte Vista Irrigation Company | (2,000.000) | 0.000 | 290.102 | (1,709.898) |
| Monte Vista Water District | 3,024.433 | 212.678 | 0.000 | 3,237.111 |
| Niagara Water Company | 0.000 | 0.000 | 0.000 | 0.000 |
| Nicholson Trust | (6.082) | 0.000 | 0.000 | (6.082) |
| Norco, City Of | 0.000 | 0.000 | 0.000 | 0.000 |
| Ontario, City Of | 765.000 | 80.000 | 0.000 | 845.000 |
| Pomona, City Of | (2,500.000) | 219.678 | 0.000 | (2,280.322) |
| San Antonio Water Company | (789.433) | 0.000 | 0.000 | (789.433) |
| San Bernardino County Shtg Prk | 0.000 | 0.000 | 0.000 | 0.000 |
| Santa Ana River Water Company | (2,200.000) | 31.000 | 0.000 | (2,169.000) |
| Upland, City Of | (4,500.000) | 160.678 | 0.000 | (4,339.322) |
| West End Consolidated Water Company | (6,500.000) | 0.000 | 4,105.524 | (2,394.476) |
| West Valley Water District | (1,000.000) | 15.000 | 1,000.000 | 15.000 |
| | (11,585.000) | 735.034 | 7,395.626 | (3,454.340) |

4: Column 6A does not equal zero because CBWM purchased water from Appropriators to offset the CURO.

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Chino Basin Watermaster Assessment Breakdown 2010-2011 Water Transaction Detail

Assessment Year 2010-2011 (Production Year 2009-2010)

| To: | From: | Date of Submittal | Quantity | \$ / Acre Feet | Total \$ | 85% | 15% | WM Pays |
|------------------------------------|---|-------------------|------------|----------------|----------------|----------------|--------------|-----------------------|
| Chino Basin Watermaster | Aqua Capital Management Annual Account To offset Non-Ag Parties replenishment obligation/CURO for FY 08-09 (previous Assessment Package). | 9/18/2009 | 21,215 | 321.76 | \$6,826.14 | | | |
| | Chino, City Of Annual Account To offset FWC's replenishment obligation/CURO. | 3/18/2010 | 5,085,000 | 366.00 | \$1,861,110.00 | | | |
| | Cucamonga Valley Water District Storage Account To offset FWC's replenishment obligation/CURO. | 3/18/2010 | 5,000,000 | 400.00 | \$2,000,000.00 | | | |
| | Santa Ana River Water Company Annual Account To offset general replenishment obligation/CURO. | 3/3/2010 | 1,000,000 | 366.00 | \$366,000.00 | | | |
| | West Valley Water District Storage Account To offset general replenishment obligation/CURO. | 6/30/2010 | 500,000 | 366.00 | \$183,000.00 | | | |
| | Pomona, City Of Annual Account The transfer does not qualify for 85/15 consideration because CVWD had water placed in storage. | 3/3/2010 | 2,500,000 | 366.00 | \$915,000.00 | | | |
| | West Valley Water District Storage Account The transfer does not qualify for 85/15 consideration because CVWD had water placed in storage. | 5/10/2010 | 500,000 | 311.11 | \$155,555.00 | | | |
| Fontana Water Company | Nicholson Trust Annual Account | 6/23/2010 | 6,082 | 400.00 | \$2,432.80 | \$2,067.88 | \$364.92 | Fontana Water Company |
| | Upland, City Of Annual Account | 6/29/2010 | 10,000,000 | 400.00 | \$4,000,000.00 | \$3,400,000.00 | \$600,000.00 | Fontana Water Company |
| Jurupa Community Services District | Santa Ana River Water Company Annual Account | 3/25/2010 | 1,200,000 | 304.00 | \$364,800.00 | | | |

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Chino Basin Watermaster Assessment Breakdown 2010-2011 Water Transaction Detail

Assessment Year 2010-2011 (Production Year 2009-2010)

| To: | From: | Date of Submittal | Quantity | \$ / Acre Feet | Total \$ | 85% | 15% | WMI Pays |
|----------------------------|--|-------------------|-----------|----------------|--------------|--------------|--------------|--------------------------------|
| Monte Vista Water District | Monte Vista Irrigation Company Annual Account | 4/5/2010 | 2,000.000 | 390.00 | \$780,000.00 | \$663,000.00 | \$117,000.00 | Monte Vista Irrigation Company |
| | San Antonio Water Company Annual Account | 4/5/2010 | 19.245 | 182.95 | \$3,520.87 | | | |
| | <i>85/75 Rules does not apply--method of utilizing SAWCO shares.</i> | | | | | | | |
| | San Antonio Water Company Annual Account | 10/14/2009 | 5.188 | 184.00 | \$954.59 | | | |
| | <i>85/75 Rules does not apply--method of utilizing SAWCO shares.</i> | | | | | | | |
| | Upland, City Of Annual Account | 6/15/2010 | 1,000.000 | 380.00 | \$390,000.00 | \$331,500.00 | \$58,500.00 | Upland, City Of |
| Ontario City Of | San Antonio Water Company Annual Account | 6/16/2010 | 765.000 | 183.00 | \$139,995.00 | | | |
| | <i>85/75 Rules does not apply--method of utilizing SAWCO shares.</i> | | | | | | | |
| Upland, City Of | West End Consolidated Water Company Annual Account | 11/9/2008 | 6,500.000 | 49.00 | \$318,500.00 | | | |

36,101.730 \$11,487,694.40 \$4,396,567.88 \$775,864.92

Total Credits \$775,864.92

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Chino Basin Watermaster Assessment Breakdown 2010-2011 Water Transaction Detail

Assessment Year 2010-2011 (Production Year 2009-2010)

Applied Recurring Transactions:

| From: | To: | Quantity | \$ / Acre Feet | |
|--|---|----------|----------------|--|
| Fontana Union Water Company Annual Account - 32,800 AF Early Transfer | Cucamonga Valley Water District Annual Account - Assigned Rights | All | 0.00 | Transfer FUWC Ag Pool Reallocation Early Transfer to CVWD. |
| Fontana Union Water Company Annual Account - Difference - Potential vs. Net | Cucamonga Valley Water District Annual Account - Assigned Rights | All | 0.00 | Transfer FUWC Ag Pool Reallocation Difference (Potential vs. Net) to CVWD. |
| Fontana Union Water Company Annual Account - New Yield | Cucamonga Valley Water District Annual Account - Assigned Rights | All | 0.00 | Transfer FUWC New Yield to CVWD. |
| Fontana Union Water Company Annual Account - Assigned Share of Operating Safe Yield | Cucamonga Valley Water District Annual Account - Assigned Rights | All | 0.00 | Transfer FUWC Share of Safe Yield to CVWD. |

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Assessment Year 2010-2011 (Production Year 2009-2010)

Watermaster Replenishment Calculation

Cost of Replenishment Water per acre foot:

| | |
|---|-----------------|
| MWD Replenishment Rate | \$527.00 |
| Pre-purchased Credit | \$0.00 |
| Projected Spreading - IEUA Surcharge | \$12.00 |
| Projected Spreading - OCWD Connection Fee | \$2.00 |
| Total Replenishment Cost per acre foot | \$541.00 |

| Replenishment Obligation: | AF @ \$541.00 | 15% | 85% | Total |
|---------------------------|------------------|--------------|----------------|-----------------------|
| Appropriative - 100 | 1,672.017 | | | \$904,561.20 |
| Appropriative - 15/85 | 2,804.065 | \$227,549.87 | \$1,289,449.29 | \$1,516,999.17 |
| Non-Agricultural - 100 | 45.319 | | | \$24,517.58 |
| | 4,521.401 | | | \$2,446,077.94 |

| Company | AF Production and Exchanges | 85/15 Producers | Percent | 15% Replenishment Assessments | 15% Water Transaction Debits |
|------------------------------------|-----------------------------|-----------------|----------|-------------------------------|------------------------------|
| Arrowhead Mtn Spring Water Co | 373.665 | | | | |
| Chino Hills, City Of | 973.554 | 973.554 | 1.445% | \$3,289.09 | \$11,214.62 |
| Chino, City Of | (424.265) | (424.265) | (0.630%) | (\$1,433.35) | (\$4,887.22) |
| Cucamonga Valley Water District | 8,002.959 | 8,002.959 | 11.882% | \$27,037.45 | \$92,188.16 |
| Desalter Authority | 28,516.731 | | | | |
| Fontana Union Water Company | 0.000 | 0.000 | 0.000% | \$0.00 | \$0.00 |
| Fontana Water Company | 13,557.470 | 13,557.470 | 20.129% | \$45,802.99 | \$156,172.00 |
| Fontana, City Of | 0.000 | 0.000 | 0.000% | \$0.00 | \$0.00 |
| Golden State Water Company | 359.382 | 359.382 | 0.534% | \$1,214.15 | \$4,139.81 |
| Jurupa Community Services District | 13,728.325 | 13,728.325 | 20.382% | \$46,380.21 | \$158,140.12 |
| Marygold Mutual Water Company | 346.141 | | | | |
| Monte Vista Irrigation Company | 0.000 | 0.000 | 0.000% | \$0.00 | \$0.00 |
| Monte Vista Water District | 11,653.266 | 11,653.266 | 17.302% | \$39,369.76 | \$134,236.98 |
| Niagara Water Company | 1,298.352 | | | | |
| Nicholson Trust | 0.000 | 0.000 | 0.000% | \$0.00 | \$0.00 |
| Norco, City Of | 0.000 | 0.000 | 0.000% | \$0.00 | \$0.00 |
| Ontario, City Of | 17,478.191 | 17,478.191 | 25.950% | \$59,048.88 | \$201,335.79 |
| Pomona, City Of | 9,361.359 | | | | |
| San Antonio Water Company | 966.222 | 966.222 | 1.435% | \$3,264.32 | \$11,130.16 |
| San Bernardino County Shtg Prk | 16.494 | 16.494 | 0.024% | \$55.72 | \$190.00 |
| Santa Ana River Water Company | 0.000 | 0.000 | 0.000% | \$0.00 | \$0.00 |
| Upland, City Of | 1,042.123 | 1,042.123 | 1.547% | \$3,520.74 | \$12,004.50 |
| West End Consolidated Water Co | 0.000 | 0.000 | 0.000% | \$0.00 | \$0.00 |
| West Valley Water District | 0.000 | 0.000 | 0.000% | \$0.00 | \$0.00 |

** Fee assessment total is 15% of appropriate 15/85 replenishment

107,249.969 67,353.721 ** \$227,549.96 \$775,864.92

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Assessment Year 2010-2011 (Production Year 2009-2010)

Watermaster Cumulative Unmet Replenishment Obligation

Remaining Replenishment Obligation:

| | AF | Replenishment Rate |
|------------------------|------------------|--------------------|
| Appropriative - 100 | 1,076,342 | \$541.00 |
| Appropriative - 15/85 | 3,280,818 | \$380.00 |
| Non-Agricultural - 100 | 10,524 | |
| | 4,367,684 | |

Pool 3 Appropriative

| Company | Outstanding Obligation (AF) | Fund Balance (\$) | Outstanding Obligation (\$) | AF Production and Exchanges | | | Percent | 85/15 Producers | 15% | 85% | 100% | Total |
|-------------------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------------|-----------------|-----------|-------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| | | | | Exchanges | 85/15 Producers | Percent | | | | | | |
| Arrowhead Mtn Spring Water Co | 248,385 | \$62,907.27 | \$71,469.02 | 373,665 | | | | | | | \$71,469.02 | \$71,469.02 |
| Chino Hills, City Of | 0.000 | \$0.00 | \$0.00 | 973,554 | | 1.445% | 973,554 | \$1,871.54 | \$0.00 | \$0.00 | \$1,871.54 | \$1,871.54 |
| Chino, City Of | 0.000 | \$0.00 | \$0.00 | (424,265) | | (0.630%) | (424,265) | (\$815.60) | \$0.00 | \$0.00 | (\$815.60) | (\$815.60) |
| Cucamonga Valley Water District | 0.000 | \$0.00 | \$0.00 | 8,002,959 | | 11.882% | 8,002,959 | \$15,384.72 | \$0.00 | \$0.00 | \$15,384.72 | \$15,384.72 |
| Desalter Authority | 0.000 | \$0.00 | \$0.00 | 28,516,731 | | | | | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Fontana Union Water Company | 0.000 | \$0.00 | \$0.00 | 0.000 | | 0.000% | 0.000 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Fontana Water Company | 2,570,808 | \$731,909.08 | \$658,898.05 | 13,557,470 | | 20.129% | 13,557,470 | \$26,062.59 | \$560,063.34 | \$560,063.34 | \$560,063.34 | \$560,063.34 |
| Fontana, City Of | 0.000 | \$0.00 | \$0.00 | 0.000 | | 0.000% | 0.000 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Golden State Water Company | 0.000 | \$0.00 | \$0.00 | 359,382 | | 0.534% | 359,382 | \$690.87 | \$0.00 | \$0.00 | \$690.87 | \$690.87 |
| Jurupa Community Services District | 696,147 | \$176,306.66 | \$200,308.87 | 13,728,325 | | 20.382% | 13,728,325 | \$26,391.04 | \$170,262.54 | \$170,262.54 | \$170,262.54 | \$196,653.58 |
| Marygold Mutual Water Company | 0.000 | \$0.00 | \$0.00 | 346,141 | | | | | | | \$0.00 | \$0.00 |
| Monte Vista Irrigation Company | 0.000 | \$0.00 | \$0.00 | 0.000 | | 0.000% | 0.000 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Monte Vista Water District | 0.000 | \$0.00 | \$0.00 | 11,653,266 | | 17.302% | 11,653,266 | \$22,401.99 | \$0.00 | \$0.00 | \$22,401.99 | \$22,401.99 |
| Niagara Water Company | 827,957 | \$209,692.13 | \$238,232.61 | 1,298,352 | | | | | | | \$238,232.61 | \$238,232.61 |
| Nicholson Trust | 0.000 | \$0.00 | \$0.00 | 0.000 | | 0.000% | 0.000 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Norco, City Of | 0.000 | \$0.00 | \$0.00 | 0.000 | | 0.000% | 0.000 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Ontario, City Of | 0.000 | \$0.00 | \$0.00 | 17,478,191 | | 25.950% | 17,478,191 | \$33,599.71 | \$0.00 | \$0.00 | \$33,599.71 | \$33,599.71 |
| Pomona, City Of | 0.000 | \$0.00 | \$0.00 | 9,361,359 | | | | | | | \$0.00 | \$0.00 |
| San Antonio Water Company | 0.000 | \$0.00 | \$0.00 | 966,222 | | 1.435% | 966,222 | \$1,857.44 | \$0.00 | \$0.00 | \$1,857.44 | \$1,857.44 |
| San Bernardino County Shtg Prk | 13,863 | \$3,510.94 | \$3,988.94 | 16,494 | | 0.024% | 16,494 | \$31.71 | \$3,390.60 | \$3,390.60 | \$3,390.60 | \$3,422.31 |
| Santa Ana River Water Company | 0.000 | \$0.00 | \$0.00 | 0.000 | | 0.000% | 0.000 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Santa Ana River Water Company | 0.000 | \$0.00 | \$0.00 | 1,042,123 | | 1.547% | 1,042,123 | \$2,003.36 | \$0.00 | \$0.00 | \$2,003.36 | \$2,003.36 |
| Upland, City Of | 0.000 | \$0.00 | \$0.00 | 0.000 | | 0.000% | 0.000 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| West End Consolidated Water Company | 0.000 | \$0.00 | \$0.00 | 0.000 | | 0.000% | 0.000 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| West Valley Water District | 0.000 | \$0.00 | \$0.00 | 0.000 | | 0.000% | 0.000 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Pool 3 Appropriative Total | 4,357,160 | \$1,184,326.08 | \$1,172,897.48 | 107,249,969 | | ** | 67,353,721 | \$129,479.38 | \$733,716.48 | \$309,701.62 | \$1,172,897.48 | \$1,172,897.48 |

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Assessment Year 2010-2011 (Production Year 2009-2010)

Watermaster Cumulative Unmet Replenishment Obligation

| Remaining Replenishment Obligation: | AF | Replenishment Rate |
|-------------------------------------|------------------|--------------------|
| Appropriative - 100 | 1,076,342 | 2010 Rate \$541.00 |
| Appropriative - 15/85 | 3,280,818 | 2009 Rate \$380.00 |
| Non-Agricultural - 100 | 10,524 | |
| | 4,367,684 | |

Pool 2 Non-Agricultural

| Company | Outstanding Obligation (AF) | Fund Balance (\$) | Outstanding Obligation (\$) |
|-------------------------------------|-----------------------------|-------------------|-----------------------------|
| Ameron Inc | 0.000 | \$0.00 | \$0.00 |
| Angeilca Textile Service | 5.949 | \$1,506.59 | \$1,711.82 |
| Aqua Capital Management | 0.000 | \$0.00 | \$0.00 |
| Auto Club Speedway | 0.000 | \$0.00 | \$0.00 |
| California Steel Industries Inc | 0.000 | \$0.00 | \$0.00 |
| Ccg Ogilario, Llc | 0.000 | \$0.00 | \$0.00 |
| General Electric Company | 4.354 | \$1,102.74 | \$1,252.77 |
| Kaiser Ventures Inc | 0.000 | \$0.00 | \$0.00 |
| KCO, LLC / The Koll Company | 0.000 | \$0.00 | \$0.00 |
| Loving Savior Of The Hills | 0.000 | \$0.00 | \$0.00 |
| Ontario City Non-Ag | 0.000 | \$0.00 | \$0.00 |
| Praxair Inc | 0.000 | \$0.00 | \$0.00 |
| RRI Energy West, Inc. | 0.000 | \$0.00 | \$0.00 |
| San Antonio Winery | 0.221 | \$55.88 | \$63.68 |
| San Bernardino City (Chino Airport) | 0.000 | \$0.00 | \$0.00 |
| Southern California Edison Company | 0.000 | \$0.00 | \$0.00 |
| Space Center Mira Loma Inc. | 0.000 | \$0.00 | \$0.00 |
| Sunkist Growers Inc | 0.000 | \$0.00 | \$0.00 |
| Swan Lake Mobile Home Park | 0.000 | \$0.00 | \$0.00 |
| Vulcan Materials Company | 0.000 | \$0.00 | \$0.00 |
| West Venture Development | 0.000 | \$0.00 | \$0.00 |

| | | | |
|--------------------------------------|---------------|-------------------|-------------------|
| Pool 2 Non-Agricultural Total | 10,524 | \$2,665.21 | \$3,028.27 |
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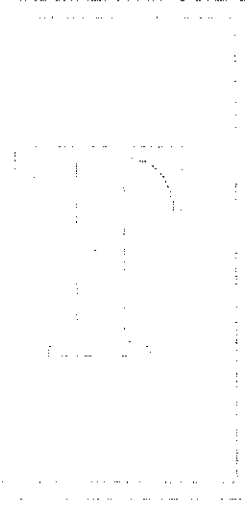
Chino Basin Watermaster Assessment Breakdown 2010-2011 Land Use Conversion Summary

Assessment Year 2010-2011 (Production Year 2009-2010)

AGRICULTURAL POOL SUMMARY IN ACRE FEET

| | |
|------------------------------------|--------------|
| Agricultural Pool Safe Yield | 82,800.000 |
| Agricultural Total Pool Production | (31,854.766) |
| Early Transfer | (32,800.000) |
| Total Land Use Conversions | (22,943.024) |
| Under(Over) Production: | (4,797.790) |

| | Acres Converted @ 1.3 af/ac | | Acres Converted @ 2.0 af/ac | | Total Land Use Conversions Acre-Feet |
|------------------------------------|-----------------------------|------------------|-----------------------------|------------------|--------------------------------------|
| | Prior Converted | Acres | Acres | Acres | |
| Chino Hills, City Of | 0.000 | 670.266 | 871.346 | 58.000 | 987.346 |
| Chino City Of | 196.235 | 1,454.750 | 1,891.175 | 2,188.701 | 6,464.812 |
| Cucamonga Valley Water District | 0.000 | 460.280 | 598.364 | 0.000 | 598.364 |
| Fontana Water Company | 0.000 | 0.000 | 0.000 | 417.000 | 834.000 |
| Jurupa Community Services District | 0.000 | 2,756.920 | 3,583.996 | 4,497.040 | 12,578.076 |
| Monte Vista Water District | 0.000 | 28.150 | 36.595 | 9.240 | 55.075 |
| Ontario, City Of | 209.400 | 527.044 | 685.157 | 265.397 | 1,425.351 |
| TOTAL | 405.635 | 5,897.410 | 7,666.633 | 7,435.378 | 22,943.024 |



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Assessment Year 2010-2011 (Production Year 2009-2010)

Pool 3 Agricultural Pool Reallocation Summary

| | % Share of Operating Safe Yield | Reallocation of Agricultural Pool Safe Yield | | | | Net Ag Pool Reallocation | |
|-------------------------------------|---------------------------------|--|----------------------|---------------------------------|-------------------------------|--------------------------|-----|
| | | 32,800 AF Early Transfer | Land Use Conversions | Potential for Reallocation (AF) | Difference: Potential vs. Net | | |
| Arrowhead Mtn Spring Water Co | 0.000% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| Chino Hills, City Of | 3.851% | 1,263.128 | 987.346 | 2,250.473 | (193.698) | 2,056.775 | |
| Chino, City Of | 7.357% | 2,413.096 | 6,464.812 | 8,877.908 | (764.120) | 8,113.788 | |
| Cucamonga Valley Water District | 6.601% | 2,165.128 | 598.364 | 2,763.492 | (237.853) | 2,525.639 | |
| Desalter Authority | 0.000% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| Fontana Union Water Company | 11.657% | 3,823.496 | 0.000 | 3,823.496 | (329.087) | 3,494.409 | |
| Fontana Water Company | 0.002% | 0.656 | 834.000 | 834.656 | (71.839) | 762.817 | |
| Fontana, City Of | 0.000% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| Golden State Water Company | 0.750% | 246.000 | 0.000 | 246.000 | (21.173) | 224.827 | |
| Jurupa Community Services District | 3.759% | 1,232.952 | 12,578.076 | 13,811.028 | (1,188.712) | 12,622.316 | |
| Marygold Mutual Water Company | 1.195% | 391.960 | 0.000 | 391.960 | (33.736) | 358.224 | |
| Monte Vista Irrigation Company | 1.234% | 404.752 | 0.000 | 404.752 | (34.837) | 369.915 | |
| Monte Vista Water District | 8.797% | 2,885.416 | 55.075 | 2,940.491 | (253.087) | 2,687.404 | |
| Niagara Water Company | 0.000% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| Nicholson Trust | 0.007% | 2.296 | 0.000 | 2.296 | (0.198) | 2.098 | |
| Norco, City Of | 0.368% | 120.704 | 0.000 | 120.704 | (10.389) | 110.315 | |
| Ontario, City Of | 20.742% | 6,803.376 | 1,425.351 | 8,228.727 | (708.245) | 7,520.482 | |
| Pomona, City Of | 20.454% | 6,708.912 | 0.000 | 6,708.912 | (577.435) | 6,131.477 | |
| San Antonio Water Company | 2.748% | 901.344 | 0.000 | 901.344 | (77.578) | 823.766 | |
| San Bernardino County Shtg Prk | 0.000% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | |
| Santa Ana River Water Company | 2.373% | 778.344 | 0.000 | 778.344 | (66.992) | 711.352 | |
| Upland, City Of | 5.202% | 1,706.256 | 0.000 | 1,706.256 | (146.857) | 1,559.399 | |
| West End Consolidated Water Company | 1.728% | 566.784 | 0.000 | 566.784 | (48.783) | 518.001 | |
| West Valley Water District | 1.175% | 385.400 | 0.000 | 385.400 | (33.171) | 352.229 | |
| | 100.000% | 32,800.000 | 22,943.024 | 55,743.023 | (4,797.790) | 50,945.233 | |
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Assessment Year 2010-2011 (Production Year 2009-2010) Pool 2 Assessment Fee Summary

| | Non-Agricultural Pool | | | Replenishment Assessments | | | CURO Adjustment | Other Adjustments | Total Assessments Due |
|------------------------------------|-----------------------|------------------|-------------------|---------------------------|------------------|-----------------|-----------------|-------------------|-----------------------|
| | AF Production | AF/Admin | AF/OBMP | AF Exceeding Safe Yield | Per AF | \$541.00 | | | |
| Ameron Inc | 4,548 | 33.66 | 191.06 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 224.72 |
| Angella Textile Service | 40,897 | 302.64 | 1,718.08 | 23,987 | 12,976.97 | 1,711.82 | 0.00 | 0.00 | 16,733.49 |
| Aqua Capital Management | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Auto Club Speedway | 495,942 | 3,669.97 | 20,834.52 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 24,504.49 |
| California Steel Industries Inc | 1,059,223 | 7,838.25 | 44,497.96 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 52,336.21 |
| CCG Ontario, Llc | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| General Electric Company | 8,615 | 63.75 | 361.92 | 8,615 | 4,660.72 | 1,252.77 | 0.00 | 0.00 | 6,347.77 |
| Kaiser Ventures Inc | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| KCO, C / The Koll Company | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Loving Savior Of The Hills | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Ontario City Non-Ag | 1,682,150 | 12,447.91 | 70,687.12 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 83,115.03 |
| Praxair Inc | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| RRJ Energy West, Inc. | (7,428) | (128.97) | (732.15) | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | (861.12) |
| San Antonio Winery | 12,717 | 94.11 | 534.24 | 12,717 | 6,879.90 | 63.68 | 0.00 | 0.00 | 7,584.64 |
| San Bernardino Cty (Chino Airport) | 146,522 | 1,084.26 | 6,155.39 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 7,239.65 |
| Southern California Edison Company | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Space Center Mira Loma Inc. | 93,707 | 693.43 | 3,936.63 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 4,630.06 |
| Sunkist Growers Inc | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Swan Lake Mobile Home Park | 380,711 | 2,817.26 | 15,993.67 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 18,810.93 |
| Vulcan Materials Company | 0.307 | 2.27 | 12.90 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 15.17 |
| West Venture Development | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL | 3,907,911 | 28,918.54 | 164,171.34 | 45,319 | 24,517.58 | 3,028.27 | 0.00 | 0.00 | 220,681.05 |

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Assessment Year 2010-2011 (Production Year 2009-2010) Pool 2 Water Production Summary

| | Carryover Beginning Balance | Prior Year Adjustments | 2% Storage Loss | Assigned Share of Operating Safe Yield (AF) | Water Transaction Activity | Annual Production Right | Actual Fiscal Year Production | Net Over Production | Under Production Balances | | |
|------------------------------------|-----------------------------|------------------------|------------------|---|----------------------------|-------------------------|-------------------------------|---------------------|---------------------------|--------------------------------|--------------------------|
| | | | | | | | | | Total Under-Produced | Carryover: Next Year Begin Bal | To Local Storage Account |
| Ameron Inc | 97,858 | 0.000 | (1,957) | 97,858 | (9,786) | 183,973 | 4,548 | 0.000 | 179,425 | 97,858 | 81,567 |
| Angelica Textile Service | 0.000 | 0.000 | 0.000 | 18,789 | (1,879) | 16,910 | 40,897 | 23,987 | 0.000 | 0.000 | 0.000 |
| Aqua Capital Management | 948,118 | 0.000 | (18,962) | 948,118 | (94,811) | 1,782,463 | 0.000 | 0.000 | 1,782,463 | 948,118 | 834,345 |
| Auto Club Speedway | 1,000,000 | 0.000 | (20,000) | 1,000,000 | (100,000) | 1,880,000 | 495,942 | 0.000 | 1,384,058 | 1,000,000 | 384,058 |
| California Steel Industries Inc | 1,000,234 | 0.000 | (20,004) | 1,300,000 | (130,000) | 2,150,230 | 1,059,223 | 0.000 | 1,091,007 | 1,091,007 | 0.000 |
| CCG Ontario, Llc | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| General Electric Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 8,615 | 8,615 | 0.000 | 0.000 | 0.000 |
| Kaisow Ventures Inc | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| KCC LLC / The Koll Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Loving Savior Of The Hills | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Ontario City Non-Ag | 2,101,659 | 0.000 | (42,033) | 2,299,849 | (229,985) | 4,129,488 | 1,682,150 | 0.000 | 2,447,338 | 2,299,848 | 147,490 |
| Praxair Inc | 0.000 | 0.000 | 0.000 | 1,080 | (0,100) | 0.900 | 0.000 | 0.000 | 0.900 | 0.900 | 0.000 |
| RRI Energy West, Inc. | 954,540 | 0.000 | (19,090) | 954,540 | (95,454) | 1,794,536 | (17,428) | 0.000 | 1,811,964 | 954,540 | 857,424 |
| San Antonio Winery | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 12,717 | 12,717 | 0.000 | 0.000 | 0.000 |
| San Bernardino Cty (Chino Airport) | 77,397 | 0.000 | (1,547) | 133,870 | (13,387) | 196,333 | 146,522 | 0.000 | 49,811 | 49,811 | 0.000 |
| Southern California Edison Company | 27,959 | 0.000 | (0,569) | 27,959 | (2,796) | 52,563 | 0.000 | 0.000 | 52,563 | 27,959 | 24,604 |
| Space Center Mira Loma Inc. | 0.000 | 0.000 | 0.000 | 104,121 | (10,412) | 93,709 | 93,707 | 0.000 | 0.002 | 0.002 | 0.000 |
| Sunkist Growers Inc | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Swan Lake Mobile Home Park | 464,240 | 0.000 | (9,284) | 464,240 | (46,424) | 872,772 | 380,711 | 0.000 | 492,061 | 464,240 | 27,821 |
| Vulcan Materials Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.307 | 0.307 | 0.307 | 0.000 | 0.000 | 0.000 | 0.000 |
| West Venture Development | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| TOTAL | 6,672,005 | 0.000 | (133,436) | 7,350,343 | (734,727) | 13,154,184 | 3,907,911 | 45,319 | 9,291,592 | 6,934,283 | 2,357,309 |

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Assessment Year 2010-2011 (Production Year 2009-2010)

Pool 2 Storage Account Summary

| | Carryover Beginning Balance | 2% Storage Loss | Transfers To / (From) | Ending Balance |
|------------------------------------|-----------------------------|-----------------|-----------------------|----------------|
| Ameron Inc | 2,053.411 | (41,068) | 81,567 | 2,093.910 |
| Angelica Textile Service | 0.000 | 0.000 | 0.000 | 0.000 |
| Aqua Capital Management | 10,076.934 | (201,538) | 834,345 | 10,709.741 |
| Auto Club Speedway | 2,002.621 | (40,052) | 384,058 | 2,346.627 |
| California Steel Industries Inc | 3,036.569 | (60,731) | 0.000 | 2,975.838 |
| CCG Ontario, Llc | 0.000 | 0.000 | 0.000 | 0.000 |
| General Electric Company | 0.000 | 0.000 | 0.000 | 0.000 |
| Kaiser Ventures Inc | 0.000 | 0.000 | 0.000 | 0.000 |
| KCO, LLC / The Koil Company | 0.000 | 0.000 | 0.000 | 0.000 |
| Loving Savior Of The Hills | 0.000 | 0.000 | 0.000 | 0.000 |
| Ontario City Non-Ag | 14,756.219 | (295,124) | 147,490 | 14,608.585 |
| Praxair Inc | 4,554.345 | (91,086) | 0.000 | 4,463.259 |
| RRI Energy West, Inc. | 6,128.256 | (122,565) | 857,424 | 6,863.115 |
| San Antonio Winery | 0.000 | 0.000 | 0.000 | 0.000 |
| San Bernardino Cty (Chino Airport) | 176.728 | (3,534) | 0.000 | 173.194 |
| Southern California Edison Company | 252.867 | (5,057) | 24,604 | 272.414 |
| Space Center Mira Loma Inc. | 0.000 | 0.000 | 0.000 | 0.000 |
| Sunkist Growers Inc | 0.000 | 0.000 | 0.000 | 0.000 |
| Swan Lake Mobile Home Park | 3,256.675 | (65,133) | 27,821 | 3,219.363 |
| Vulcan Materials Company | 305.004 | (6,100) | (293,296) | 5.608 |
| West Venture Development | 0.000 | 0.000 | 0.000 | 0.000 |
| | 46,599.629 | (931,988) | 2,064,013 | 47,731.654 |

5: Ontario City Non-Ag purchased all but 4,463.259 AF of Praxair's storage water. The 4,463.259 AF amount is the amount that was in the account on 06/30/07 subject to the Attachment G Purchase and Sale Agreement.

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Assessment Year 2010-2011 (Production Year 2009-2010)
Assessment Package Notes

| | Company | Account | Note |
|---|---------------------------------|---------------|---|
| A | Cucamonga Valley Water District | Local Storage | The Peace II Vulcan over-transfer has been corrected by removing 292.989 AF from Vulcan's Storage account & 560.011 AF from CVWD's ECO account. |
| B | Desalter Authority | Local Storage | There is no loss assessed on the native basin water allocated to offset desalter production as a result of basin reoperation as approved in Peace II. |
| C | Vulcan Materials Company | Local Storage | The Peace II Vulcan over-transfer has been corrected by removing 292.989 AF from Vulcan's Storage account & 560.011 AF from CVWD's ECO account. |



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