

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
October 12, 2006

The Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on October 12, 2006 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Mark Kinsey, Chair	Monte Vista Water District
Marty Zvirbulis	Cucamonga Valley Water District
Charles Moorrees	San Antonio Water Company
Ken Jeske	City of Ontario
Jim Taylor	City of Pomona
Chris Diggs	Fontana Union Water Company
Rosemary Hoerning	City of Upland
Dave Crosley	City of Chino
Mike Maestas	City of Chino Hills
J. Arnold Rodriguez	Santa Ana River Water Company

NON-AGRICULTURAL POOL MEMBERS PRESENT

Justin Scott-Coe	Vulcan Materials Company (Calmat Division)
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Watermaster Board Members Present

Sandra Rose	Monte Vista Water District
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Watermaster Staff Present

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

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

David De Jesus	Three Valleys Municipal Water District
Rick Hansen	Three Valleys Municipal Water District

Chair Kinsey called the meeting to order at 10:10 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Joint Appropriative and Non-Agricultural Pool Meeting held September 14, 2006

It was noted the minutes that were in the package were out of numerical order.

B. FINANCIAL REPORTS

1. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through July 31, 2006
2. Treasurer's Report of Financial Affairs for the Period July 1, 2006 through July 31, 2006
3. Profit & Loss Budget vs. Actual July 2006
4. Cash Disbursements for the month of September 2006
5. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through August 31, 2006
6. Treasurer's Report of Financial Affairs for the Period August 1, 2006 through August 31, 2006
7. Profit & Loss Budget vs. Actual July 2006 through August 2006

C. GOVERNMENTAL SAVINGS ACCOUNT

1. Transfer from Bank of America Governmental Savings Account to the Bank of America Chino Basin Watermaster Governmental Checking Account

*Motion by Jeske, second by Zvirbulis, and by unanimous vote – Non-Ag concurred
Moved to approve Consent Calendar Items A through C, as presented*

II. BUSINESS ITEMS**A. NEW YIELD ALLOWANCES FOR FY 05-06**

1. New Yield Allowances for the FY 05-06 Assessment Package at 50% of Desalter Production

Mr. Manning stated this item was introduced last month under CEO Reports. On October 25, 2001 the board took action to allow a 50% inflow from the river as New Yield attributed to operation of the desalters. That decision was based upon a technical analysis performed by Wildermuth Environmental. This analysis was consistent with a number of reports that had been done. As reported last month, what has happened since then is that Watermaster has used the 50% on an on going basis because we had no basis to think the prior analysis was wrong or had changed. Since then there are new reports out such as the April 6, 2006 report that was done by Wildermuth Environmental for Watermaster. That report has new information in it, and based on that report and the Rules and Regulations, Watermaster is compelled to use the best evidence that it has available and the way to do that currently is based on the results given through modeling. The staff report outlines what our recommendation is: to change the 50% to 30% and use that number within the assessment package currently being prepared. The staff report is also followed with a technical memo from Wildermuth Environmental that explains the 30% number and how it is derived. Staff is making the recommendation that the Appropriate Pool approves and passes on to the Advisory Committee the recommendation to use the 30% number based on the technical memo. Mr. Jeske stated that not only this topic but other hydrologic issues the Appropriate pool uses technically based information to make our decisions. Mr. Jeske stated it is worth noting that the technical information can increase amounts of water available or decrease amounts of water available. But when the technical information showed the best thing to do for the basin was to increase the amount of water available, we spent almost a year debating that information. Now that the report shows potentially a decrease in the amount of water available we receive a memo dated days before the meeting asking to change the percentage numbers. Mr. Jeske inquired whether we will debate this issue for a year, or whether we only do that for decisions that show an increased amount of water. A discussion ensued with regard to this issue. A discussion ensued with regard to Kaiser water and other water in storage and the affect the new number has to the upcoming assessment package. Mr. Manning stated Watermaster currently has about 12,400+ acre-feet of water left in the Watermaster/Desalter Storage account. Using 30% does not use all of the water in storage; it leaves approximately 400 acre-feet. The financial impact is still zero this year; it would have been zero under 50% and it would still be zero to the parties using 30%. In terms of the assessment package, it

would not change anything in the assessment package numbers. Either % used would have a financial impact next year, it just means the financial impact next year would be greater if Peace II is not implemented by end of the fiscal year June 30th or at least that portion of the program regarding Hydraulic Control. A brief discussion ensued with regard to concepts. Mr. Wildermuth stated we are constrained by the Rules and Regulations to work on our best knowledge of what actually is coming into the basin or captured before it leaves the basin, as opposed as to what is best management. From a management perspective it remains staff's opinion that 50% is the better number. Counsel Fife stated the rules that pertain to new yield say that new yield needs proven increases of water in the basin; it is what we can prove. In 2001, we approved a determination based on technical work, which was the best technical information we had at the time, that said 50% was the number. Through the years technical work progressed. Watermaster's current technical work that it has in front of it doesn't justify 50% any longer; it clearly reflects the 30% number. Chair Kinsey stated he appreciates the level of scrutiny given to this issue; however, the fact of the matter is parties have not been given ample time to review the technical report or the staff report and this pool wants to table this item until next month. A discussion ensued with regard to this matter.

*Motion by Jeske, second by Crosley, and by unanimous vote – Non-Ag concurred
Moved to table this item until next month after further review*

III. REPORTS/UPDATES

A. **WATERMASTER GENERAL LEGAL COUNSEL REPORT**

1. Storage and Recovery Negotiations

Counsel Fife stated another meeting took place with the San Diego County Water Authority yesterday. Since the last time these committees met we have had another meeting Castaic Lake Water Agency and Metropolitan Water District. There was discussion at the last Appropriative Pool meeting that it was premature of staff to move forward discussing terms with any of these entities about a Storage & Recovery Program before getting feedback from the Appropriative Pool on what kind of terms the Appropriators would like to see in such agreements. There has been discussion over the past few weeks regarding this committee and it is counsels understanding that the Appropriative Pool is going to convene an ad-hoc committee for that purpose. A discussion ensued with regard to the formation of the Storage & Recovery Ad-Hoc committee. It was decided the first meeting would be held directly after the next Appropriative Pool meeting on November 9, 2006. All parties are invited to attend this meeting. It was noted Robert DeLoach will be the chair for this ad-hoc committee.

2. Desalter Negotiations

Counsel Fife stated we are continuing to talk with Western Municipal Water District about the desalter proposal that has been on the table for about a year now. Western is very anxious to move forward with some sort of agreement because they have some grant funds that will expire in the not too distant future and they would like to spend those monies. One proposal Western has put forth was that there does need to be more technical and feasibility analysis done and they would be willing to move forward with those studies if we could come with an agreement that if one of the other agencies took the desalter option away from Western, there would be some level of reimbursement to them for having done all the technical work supporting the desalter project. Staff and counsel will be discussing this proposal with them in order to move this project forward. If and when any agreement does materialize that agreement would be sent through the Watermaster process for review and approval.

3. Peace II Term Sheet

Counsel Fife stated we have continued to have conversations with the special referee regarding the workshop and its outcome. It appears that the best process for moving forward may be to come to the court, on our own initiative, to ask for preliminary approval

the Hydraulic Control and Basin Re-Operation Plan. Staff felt this was going to be the plan prior to the workshop, that Watermaster was going to come to the court and ask for something and on the basis of the workshop the referee would then be able to advise the court. The special referee suggested at the workshop that a report come forward from the workshop; although, it appears the best way to move this forward is to have Watermaster go to the court first asking for a paragraph 31 review of the Hydraulic Control Basin Re-Operation project. Counsel is going to be moving forward with the preparation of that motion; however there is not a time frame for that work. The motion would be brought through the Watermaster process prior to its filing with the court.

4. Hanson Aggregates

Counsel Fife stated there as a meeting scheduled for yesterday to discuss the Lower Day Basin however that meeting was cancelled by Hanson because they were not ready to meet. This meeting has been pushed out a few weeks and we are anticipating that meeting to take place prior to the next Appropriative Pool meeting so that a full report can be given at the next meeting. The problem which occurred at the Lower Day Basin has been fixed and the basin is back in operation. The discussion which will take place with Hanson will be solely for cost recovery.

5. Goodrich Subpoena

Counsel Fife noted there is paper work on the back table regarding this item. Goodrich a few months back served Watermaster with a subpoena and asked for every document in Watermaster's possession. Counsel had a discussion with Goodrich and finally was able to convince them that it would be much more expeditious if they would submit their request as a document request through the normal Watermaster channels and then if they would also narrow it to something specific instead of every document in our possession. Goodrich has now given us a list of the type of documents they want and then a map on which they drew a circle around a specific area in which they are looking for information. In looking at the map they provided, about 75% of the information they are looking for is outside the Chino Basin and we tried to explain to them that this particular area in which they were seeking information is not something Watermaster collected. With regard to information being needed for the Fontana area, they will be advised that under our policy Watermaster does not give out this kind of information without specific written approval from the entity it would affect. Currently Mr. Wildermuth is working up a cost estimate for how much staff time it will take for Wildermuth to provide all this information. Once we have that cost estimate we will give that to Goodrich and will ask for some sort of deposit.

B. WATERMASTER FINANCIAL REPORT

1. Water Activity Report (WAR)

Ms. Rojo stated staff has been working on the water activity reports; we are still missing about eleven reports.

2. Assessment Package

Ms. Rojo stated the Assessment Package Workshop is scheduled for Monday, October 30, 2006 at 9:00 a.m. here at the Chino Basin Watermaster office.

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report

Mr. Treweek stated on the back table is the spreadsheet for the first quarter of this fiscal year. We have caught up to our goal of achieving 60,000 acre-feet of recharge water. This is a good sign because we are now approaching our storm season so we will have to cut back on the levels of imported water that we store in the basins so that if we do get some rainfall we will have the needed capacity. This month we will start cutting back on the levels in the basin and will hopefully start getting storm water.

An issue over the past couple years has been silt that the storm water brings into our basins. IEUA is responsible for the daily operation and what they developed to help us out in this area this year are some test vials that their technicians will take out in the field and they can compare the turbidity of the storm water with the turbidity that we have recorded in these vials. The turbidity essentially gives a reading of silt levels. Mr. Treweek handed the sample vials out for examination by the committee members. For those basins where we have a controlling sluice gate, we can install a turbidity meter and instead of having a technician have to physically go to these sites the turbidity meter can give us a reading and that information can automatically be transferred down to the control station. Once the operator at the control stations receives the information they can make the determination to keep the sluice gate open or to close it.

Mr. Treweek stated the second item regarding silt in the basins which is now being referred to by Watermaster staff as (SERT) Silt Extraction and Removal Train and has a short presentation in order to update the committee members on what staff has been working on. Mr. Treweek gave his presentation on SERT and noted the objective will be to remove a thin layer of silt from the bottoms of our operating recharge basins. A lengthy discussion ensued with regard to the SERT presentation. Mr. Manning offered comment on our investigations to better remove silt from the basins and to keep them wet 365 days a year.

2. Legislative/Bond Update

Mr. Manning stated there is an election coming up very shortly and in looking at some of the preliminary polling for the bonds really will depend on voter turn out. The lower the voter turn out, the less chance there is going to be for any of the bonds to pass. A complete report on all the legislative issues will be given at the Advisory Committee meeting later this month.

3. Water Fair Reminder

Mr. Manning stated the Water Fair will be held this Saturday at the Montclair Plaza from 10:00 a.m. to 2:00 p.m. A number of agencies have been working together to put on this first time event on and hopefully it will be a great success and an on going event from now on.

4. Strategic Planning Conference Recap

Mr. Manning stated on the back table is a copy of the analysis on the evaluations. The trend on the evaluations was that people were very pleased with the format and with the conference in general. On a rating of 1 to 10 (10 being best) the average score for this conference was 9.62. There was a lot of information gathered from the conference and we are hopeful that by the time the Advisory Committee and the Watermaster Board meet there will be a breakdown done from the actual breakout sessions to create a matrix of all actions and discussions from the conference.

5. Treatment of Desalter Forgiveness

Mr. Manning stated this is the action item which was acted on earlier under Business Items.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

October 12, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
October 17, 2006	9:00 a.m.	Agricultural Pool Meeting @ IEUA
October 24, 2006	9:00 a.m.	GRCC Meeting
October 26, 2006	9:00 a.m.	Advisory Committee Meeting
October 26, 2006	11:00 a.m.	Watermaster Board Meeting

The Joint Appropriative & Non-Agricultural Pool Meeting Adjourned at 11:29 a.m.

Secretary: _____

Minutes Approved: November 9, 2006