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Cucamonga Valley Water District

EXEMPT FROM FILING FEES
PURSUANT TO GOV. CODE, § 6103

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA

9 FOR THE COUNTY OF SAN BERNARDINO

10
11 CHINO BASIN MUNICIPAL WATER
DISTRICT,

12 Plaintiff,

13 vs.

14 CITY OF CHINO, et al.,

15 Defendants.
16

Case No. RCVRS 51010

[ASSIGNED FOR ALL PURPOSES TO:
HONORABLE CARLOS M. CABRERA]

**REQUEST FOR JUDICIAL NOTICE IN
SUPPORT OF CUCAMONGA VALLEY
WATER DISTRICT'S MOTION
CHALLENGING WATERMASTER'S
APPROVAL OF FISCAL YEAR 2025/2026
ASSESSMENT PACKAGE**

17 Date : April 30, 2027
18 Time: 10:00 am
Dept: S24

1 Cucamonga Valley Water District (“CVWD”) will and submits the following Request for
2 Judicial Notice pursuant to California Rules of Court, Rule 3.1306(c) and Evidence Code sections
3 452 and 453, in support of CVWD’s Motion Challenging Watermaster’s Approval of Fiscal Year
4 2025/2026 Assessment Package. Specifically, the City requests that the Court take judicial notice
5 of the following documents:

6 **Exhibit A** is a true and correct copy of the Chino Basin Watermaster’s approved
7 2025/2026 Assessment Package dated June 25, 2026.

8 **Exhibit B** is a true and correct copy of the Restated Judgment in *Chino Basin Municipal*
9 *Water District v. City of Chino, et al.*

10 **Exhibit C** is a true and correct copy of the Peace Agreement dated June 29, 2000.

11 **Exhibit D** is a true and correct copy of the Peace II Agreement dated October 25, 2007.

12 **Exhibit E** are true and correct copies of the relevant excerpts from the 2020 Optimum
13 Basin Management Program Update Report dated October 2020. The complete report may be
14 accessed through Watermaster’s website at

15 [https://www.cbwm.org/docs/OBMP%20Update/20201022%202020%20Optimum%20Basin%20](https://www.cbwm.org/docs/OBMP%20Update/20201022%202020%20Optimum%20Basin%20Management%20Program%20Report%20FINAL.pdf)
16 [Management%20Program%20Report%20FINAL.pdf](https://www.cbwm.org/docs/OBMP%20Update/20201022%202020%20Optimum%20Basin%20Management%20Program%20Report%20FINAL.pdf).

17 **Exhibit F** is a true and correct copy of Watermaster’s Responses to Fiscal Year 2025-26
18 Assessment Package Questions dated May 14, 2026 that was included in the staff report provided
19 to the Watermaster Board for the June 25, 2026 meeting of the Watermaster Board.

20 **Exhibit G** is a true and correct copy of the Court of Appeal’s opinion in *Chino Basin*
21 *Municipal Water District v. City of Ontario* (Cal. Ct. App., Apr. 18, 2025, No. E080457) 2025 WL
22 1145065.

23 **Exhibit H** is a true and correct copy of the Chino Basin Desalter Authority Annual
24 Comprehensive Financial Report For the Fiscal Year Ended June 30, 2025.

25 Pursuant to Evidence Code section 452(c), a court must take judicial notice of official
26 government acts. (*See Rodas v. Spiegel* (2001) 87 Cal.App.4th 513, 51 (“official act” includes
27 records, reports, and orders of governmental agencies); *Julian Volunteer Fire Co. Assn. v. Julian-*
28 *Cuyamaca Fire Protection Dist.* (2021) 62 Cal.App.5th 583, 599 [“A court may take judicial

1 notice of documents in its own records and those reflecting the official acts of local and state
2 agencies, including resolutions, minutes, and agendas.”].)

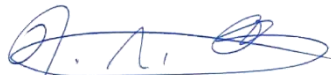
3 Similarly, Evidence Code section 452(d) provides that a court may take judicial notice of
4 the records of any court in this State. (See *Taus v. Loftus* (2007) 40 Cal.4th 683, 726 [“Under
5 Evidence Code section 452, a court may take judicial notice of the records of any court of this
6 state. . . .”].) The Court may also take judicial notice of facts and propositions that are not
7 reasonably subject to dispute and are capable of immediate and accurate determination by resort to
8 sources of reasonably indisputable accuracy. (Evid. Code, § 452(h).)

9 Here, Exhibits A-F and H are official acts or records of either the Chino Basin
10 Watermaster or the Chino Basin Desalter Authority. Both agencies are public agencies; therefore,
11 their records and actions are properly subject to judicial notice. Additionally, Exhibits B-D and G
12 are records of a California court and are also properly subject to judicial notice.

13 Evidence Code § 453 provides that “[t]he trial court **shall** take judicial notice of any matter
14 specified in Section 452 if a party requests it,” provided that the requesting party provides
15 sufficient notice to all adverse parties and provides the Court with sufficient information to enable
16 the Court to take judicial notice of the matter. (Evid. Code § 453(a)-(b), emphasis added.)
17 CVWD has done so here, and thus, respectfully requests that the Court grant this Request.

18 Dated: September 22, 2026

RUTAN & TUCKER, LLP
JEREMY N. JUNGREIS
SCOTT C. COOPER

19
20 By: 

21 Jeremy N. Jungreis
22 Attorneys for Defendant
23 CUCAMONGA VALLEY WATER
24 DISTRICT
25
26
27
28

Exhibit A



CHINO BASIN WATERMASTER

APPROVED

**2025/2026 ASSESSMENT PACKAGE
(PRODUCTION YEAR 2024/2025)**

JUNE 25, 2026



Chino Basin Watermaster Assessment Package

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Assessment Year 2025-2026 (Production Year 2024-2025)

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Assessment Year 2025-2026 (Production Year 2024-2025)

Water Production Overview

AGRICULTURAL POOL SUMMARY IN ACRE FEET

Agricultural Pool Safe Yield	82,800.0
Agricultural Total Pool Production	(18,184.2)
	64,615.8
Safe Yield Reduction (Backfill)	(9,000.0)
Total Conversions	(36,091.9)
	(45,091.9)
Early Transfer:	19,524.0

Well County	Physical Production	Voluntary Agreements	Total Ag Pool Production
Los Angeles County	225.9	0.0	225.9
Riverside County	1,709.7	0.0	1,709.7
San Bernardino County	8,826.1	7,422.5	16,248.6
	10,761.7	7,422.5	18,184.2



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Fee Summary

	<i>AF Production</i>	Non-Agricultural Pool		Replenishment Assessments		<i>CURO Adjmnt</i>	<i>RTS Charges</i>	<i>Other Adjmnts</i>	<i>Total Assmnts Due</i>
		<i>\$37.86 AF/Admin</i>	<i>\$55.82 AF/OBMP</i>	<i>AF Over Annual Right</i>	<i>\$929.00 Per AF</i>				
9W Halo Western OpCo L.P.	36.7	1,390.45	2,050.05	19.8	18,409.06	(740.01)	689.89	0.00	21,799.45
ANG II (Multi) LLC	0.0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
Aqua Capital Management LP	0.0	0.00	0.00	0.0	0.00	0.00	522.38	0.00	522.38
California Speedway Corporation	0.0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
California Steel Industries, Inc.	1,383.9	52,395.48	77,250.81	0.0	0.00	0.00	0.00	0.00	129,646.29
CalMat Co.	0.0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
CCG Ontario, LLC	0.0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
City of Ontario (Non-Ag)	1,331.0	50,390.11	74,294.13	0.0	0.00	0.00	0.00	0.00	124,684.24
County of San Bernardino (Non-Ag)	66.4	2,515.15	3,708.29	0.0	0.00	0.00	0.00	0.00	6,223.44
General Electric Company	3.7	141.60	208.77	3.7	3,474.46	(43.34)	0.55	0.00	3,782.04
Hamner Park Associates, a California Limited Partnership	312.1	11,815.95	17,421.20	0.0	0.00	0.00	0.00	0.00	29,237.15
Linde Inc.	0.0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
Monte Vista Water District (Non-Ag)	30.1	1,141.37	1,682.81	0.0	0.00	0.00	0.00	0.00	2,824.18
Riboli Family and San Antonio Winery, Inc.	1.4	52.10	76.81	1.4	1,278.30	(90.75)	345.63	0.00	1,662.10
Space Center Mira Loma, Inc.	93.7	3,547.78	5,230.78	0.0	0.00	0.00	0.00	0.00	8,778.56
TAMCO	0.0	0.00	0.00	0.0	0.00	0.00	330.51	0.00	330.51
West Venture Development Company	0.0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
	3,259.1	123,389.99	181,923.65	24.9	23,161.83	(874.10)	1,888.97	0.00	329,490.34
	2A	2B	2C	2D	2E	2F	2G	2H	2I

Notes:
1)



Assessment Year 2025-2026 (Production Year 2024-2025)

Water Production Overview

	Physical Production	Assignments	Other Adjustments	Actual FY Production (Assmnt Pkg Column 4H)
9W Halo Western OpCo L.P.	36.7	0.0	0.0	36.7
ANG II (Multi) LLC	0.0	0.0	0.0	0.0
Aqua Capital Management LP	0.0	0.0	0.0	0.0
California Speedway Corporation	0.0	0.0	0.0	0.0
California Steel Industries, Inc.	1,383.9	0.0	0.0	1,383.9
CalMat Co.	0.0	0.0	0.0	0.0
CCG Ontario, LLC	0.0	0.0	0.0	0.0
City of Ontario (Non-Ag)	0.0	1,331.0	0.0	1,331.0
County of San Bernardino (Non-Ag)	0.0	66.4	0.0	66.4
General Electric Company	991.0	0.0	(987.3)	3.7
Hamner Park Associates, a California Limited Partnership	0.0	312.1	0.0	312.1
Linde Inc.	0.0	0.0	0.0	0.0
Monte Vista Water District (Non-Ag)	0.0	30.1	0.0	30.1
Riboli Family and San Antonio Winery, Inc.	1.4	0.0	0.0	1.4
Space Center Mira Loma, Inc.	0.0	93.7	0.0	93.7
TAMCO	0.0	0.0	0.0	0.0
West Venture Development Company	0.0	0.0	0.0	0.0
	2,413.0	1,833.3	(987.3)	3,259.1
	3A	3B	3C	3D

Notes:
Other Adj:
1) General Electric Company extracted 991.0 AF of water and subsequently injected 901.9 AF and discharged 85.35 AF into the Ely Basins during the fiscal year.

	Percent of Safe Yield	Carryover Beginning Balance	Prior Year Adjustments	Assigned Share of Safe Yield (AF)	Water Transaction Activity	Other Adjust-ments	Annual Production Right	Actual Fiscal Year Production	Net Over Production	Under Production Balances		
										Total Under-Produced	Carryover: Next Year Begin Bal	To Excess Carryover Account
9W Halo Western OpCo L.P.	0.256%	0.0	0.0	18.8	(1.9)	0.0	16.9	36.7	19.8	0.0	0.0	0.0
ANG II (Multi) LLC	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Aqua Capital Management LP	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
California Speedway Corporation	13.605%	1,000.0	0.0	1,000.0	(100.0)	0.0	1,900.0	0.0	0.0	1,900.0	1,000.0	900.0
California Steel Industries, Inc.	21.974%	1,615.1	0.0	1,615.1	(161.5)	0.0	3,068.8	1,383.9	0.0	1,684.8	1,615.1	69.7
CalMat Co.	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CCG Ontario, LLC	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
City of Ontario (Non-Ag)	53.338%	0.0	0.0	3,920.6	(2,589.6)	0.0	1,331.0	1,331.0	0.0	0.0	0.0	0.0
County of San Bernardino (Non-Ag)	1.821%	133.9	0.0	133.9	(13.4)	0.0	254.4	66.4	0.0	187.9	133.9	54.1
General Electric Company	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	3.7	3.7	0.0	0.0	0.0
Hamner Park Associates, a California Limited Partnership	6.316%	464.2	0.0	464.2	(46.4)	0.0	882.1	312.1	0.0	570.0	464.2	105.7
Linde Inc.	0.014%	1.0	0.0	1.0	(0.1)	0.0	1.9	0.0	0.0	1.9	1.0	0.9
Monte Vista Water District (Non-Ag)	0.680%	50.0	0.0	50.0	(5.0)	0.0	95.0	30.1	0.0	64.9	50.0	14.9
Riboli Family and San Antonio Winery, Inc.	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	1.4	1.4	0.0	0.0	0.0
Space Center Mira Loma, Inc.	1.417%	0.0	0.0	104.1	(10.4)	0.0	93.7	93.7	0.0	0.0	0.0	0.0
TAMCO	0.579%	42.6	0.0	42.6	(4.3)	0.0	81.0	0.0	0.0	81.0	42.6	38.4
West Venture Development Company	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	100.00%	3,306.9	0.0	7,350.3	(2,932.6)	0.0	7,724.6	3,259.1	24.9	4,490.4	3,306.9	1,183.6
	4A	4B	4C	4D	4E	4F	4G	4H	4I	4J	4K	4L

Notes:
1) City of Ontario (Non-Ag) dedicated 2,197.6 AF of Annual Share of Operating Safe Yield, to satisfy City of Ontario's 2025/26 DRO pursuant to an Exhibit "G" Section 10 Form A.



Assessment Year 2025-2026 (Production Year 2024-2025)

Local Storage Accounts Summary

	Local Excess Carry Over Storage Account (ECO)					Local Supplemental Storage Account				Combined
	Beginning Balance	0.07% Storage Loss	Transfers To / (From)	From Under-Production	Ending Balance	Beginning Balance	0.07% Storage Loss	Transfers To / (From)	Ending Balance	Ending Balance
9W Halo Western OpCo L.P.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ANG II (Multi) LLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Aqua Capital Management LP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
California Speedway Corporation	3,887.2	(2.7)	0.0	900.0	4,784.5	0.0	0.0	0.0	0.0	4,784.5
California Steel Industries, Inc.	3,915.9	(2.7)	0.0	69.7	3,982.8	0.0	0.0	0.0	0.0	3,982.8
CalMat Co.	5.0	0.0	0.0	0.0	5.0	0.0	0.0	0.0	0.0	5.0
CCG Ontario, LLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
City of Ontario (Non-Ag)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
County of San Bernardino (Non-Ag)	390.8	(0.3)	0.0	54.1	444.5	0.0	0.0	0.0	0.0	444.5
General Electric Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hamner Park Associates, a California Limited Partnership	1,999.4	(1.4)	0.0	105.7	2,103.7	0.0	0.0	0.0	0.0	2,103.7
Linde Inc.	66.9	0.0	0.0	0.9	67.7	0.0	0.0	0.0	0.0	67.7
Monte Vista Water District (Non-Ag)	196.6	(0.1)	0.0	14.9	211.3	0.0	0.0	0.0	0.0	211.3
Riboli Family and San Antonio Winery, Inc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Space Center Mira Loma, Inc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TAMCO	370.5	(0.3)	0.0	38.4	408.6	0.0	0.0	0.0	0.0	408.6
West Venture Development Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	10,832.2	(7.6)	0.0	1,183.6	12,008.2	0.0	0.0	0.0	0.0	12,008.2
	5A	5B	5C	5D	5E	5F	5G	5H	5I	5J

Notes:



Assessment Year 2025-2026 (Production Year 2024-2025)

Water Transaction Summary

	Percent of Safe Yield	Assigned Share of Safe Yield (AF)	Water Transactions			Total Water Transactions
			10% of Operating Safe Yield ("Haircut")	Transfers (To) / From ECO Account	General Transfers / Exhibit G Water Sales	
9W Halo Western OpCo L.P.	0.256%	18.8	(1.9)	0.0	0.0	(1.9)
ANG II (Multi) LLC	0.000%	0.0	0.0	0.0	0.0	0.0
Aqua Capital Management LP	0.000%	0.0	0.0	0.0	0.0	0.0
California Speedway Corporation	13.605%	1,000.0	(100.0)	0.0	0.0	(100.0)
California Steel Industries, Inc.	21.974%	1,615.1	(161.5)	0.0	0.0	(161.5)
CalMat Co.	0.000%	0.0	0.0	0.0	0.0	0.0
CCG Ontario, LLC	0.000%	0.0	0.0	0.0	0.0	0.0
City of Ontario (Non-Ag)	53.338%	3,920.6	(392.1)	0.0	(2,197.6)	(2,589.6)
County of San Bernardino (Non-Ag)	1.821%	133.9	(13.4)	0.0	0.0	(13.4)
General Electric Company	0.000%	0.0	0.0	0.0	0.0	0.0
Hamner Park Associates, a California Limited Partnership	6.316%	464.2	(46.4)	0.0	0.0	(46.4)
Linde Inc.	0.014%	1.0	(0.1)	0.0	0.0	(0.1)
Monte Vista Water District (Non-Ag)	0.680%	50.0	(5.0)	0.0	0.0	(5.0)
Riboli Family and San Antonio Winery, Inc.	0.000%	0.0	0.0	0.0	0.0	0.0
Space Center Mira Loma, Inc.	1.417%	104.1	(10.4)	0.0	0.0	(10.4)
TAMCO	0.579%	42.6	(4.3)	0.0	0.0	(4.3)
West Venture Development Company	0.000%	0.0	0.0	0.0	0.0	0.0
	100.000%	7,350.3	(735.0)	0.0	(2,197.6)	(2,932.6)
	6A	6B	6C	6D	6E	6F

Notes:

1) City of Ontario (Non-Ag) dedicated 2,197.6 AF of Annual Share of Operating Safe Yield, to satisfy City of Ontario's 2025/26 DRO pursuant to an Exhibit "G" Section 10 Form A.



Assessment Year 2025-2026 (Production Year 2024-2025)

Cumulative Unmet Replenishment Obligation (CURO)

Remaining Replenishment Obligation:	AF	Replenishment Rates
Appropriative - 100	0.0	2025 Rate \$929.00
Appropriative - 15/85	16.5	2024 Rate \$920.00
Non-Agricultural - 100	22.5	
	39.0	

Pool 2 Non-Agricultural

Company	Outstanding Obligation (AF)	Fund Balance (\$)	Outstanding Obligation (\$)
9W Halo Western OpCo L.P.	20.6	\$19,846.75	(\$740.01)
ANG II (Multi) LLC	0.0	\$0.00	\$0.00
Aqua Capital Management LP	0.0	\$0.00	\$0.00
California Speedway Corporation	0.0	\$0.00	\$0.00
California Steel Industries, Inc.	0.0	\$0.00	\$0.00
CalMat Co.	0.0	\$0.00	\$0.00
CCG Ontario, LLC	0.0	\$0.00	\$0.00
City of Ontario (Non-Ag)	0.0	\$0.00	\$0.00
County of San Bernardino (Non-Ag)	0.0	\$0.00	\$0.00
General Electric Company	1.2	\$1,203.66	(\$43.34)
Hamner Park Associates, a California Limited Partnership	0.0	\$0.00	\$0.00
Linde Inc.	0.0	\$0.00	\$0.00
Monte Vista Water District (Non-Ag)	0.0	\$0.00	\$0.00
Riboli Family and San Antonio Winery, Inc.	0.7	\$726.19	(\$90.75)
Space Center Mira Loma, Inc.	0.0	\$0.00	\$0.00
TAMCO	0.0	\$0.00	\$0.00
West Venture Development Company	0.0	\$0.00	\$0.00
Pool 2 Non-Agricultural Total	22.5	\$21,776.60	(\$874.10)
	7A	7B	7C

Notes:

- 1) The 2025 replenishment rate includes MWD's Full Service Untreated volumetric cost of \$912/AF, a \$15/AF surcharge from Three Valleys Municipal Water District, and a \$2/AF connection fee from Orange County Water District.
- 2) MWD's 2014 Purchase Order contract was not renewed and expired on December 31, 2024. As a result, MWD has a single supply rate for the 2025 and 2026 calendar years.

	AF Production and Exchanges	Appropriative Pool		Ag Pool SY Reallocation			Replenishment Assessments			85/15 Activity		CURO Adjmt	ASSESSMENTS DUE							
		\$37.86 AF/Admin	\$55.82 AF/OBMP	AF Total Realloc- ation	\$688,438 \$10.65 AF/Admin	\$1,015,123 \$15.71 AF/OBMP	\$139.35 AF/15%	\$789.65 AF/85%	\$929.00 AF/100%	15% Producer Credits	15% Pro-rated Debits		Total Production Based	Pomona Credit	Recharge Debt Payment	Recharge Imprvmnt Project	RTS Charges	Other Adjmts	DRO	Total Due
BlueTriton Brands, Inc.	301.6	11,417.40	16,833.58	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28,250.98	0.00	0.00	0.00	13,487.22	0.00	0.00	41,738.20
CalMat Co. (Appropriative)	0.0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chino Hills, City Of	1,436.8	54,395.70	80,199.89	2,376.5	25,319.71	37,334.68	69.46	0.00	0.00	0.00	29,556.25	(2.17)	226,873.52	2,567.35	26,481.52	67,436.40	1.86	0.00	0.00	323,360.65
Chino, City Of	4,338.2	164,245.73	242,160.50	11,847.7	126,229.70	186,129.57	209.73	0.00	0.00	0.00	89,243.98	(6.54)	808,212.67	4,904.69	50,590.63	128,831.37	0.10	0.00	0.00	992,539.46
Cucamonga Valley Water District	15,623.2	591,492.46	872,084.23	2,481.2	26,435.84	38,980.46	755.30	0.00	0.00	(482,811.81)	321,391.26	(23.54)	1,368,304.20	4,400.69	45,391.97	115,592.75	21.69	0.00	0.00	1,533,711.31
Desalter Authority	40,646.9	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fontana Union Water Company	0.0	0.00	0.00	3,325.0	35,426.05	52,236.80	0.00	0.00	0.00	0.00	0.00	0.00	87,662.85	7,771.37	80,159.71	204,130.39	0.00	0.00	0.00	379,724.32
Fontana Water Company	8,323.7	315,137.10	464,631.61	834.6	8,891.78	13,111.20	402.41	0.00	0.00	(768,222.01)	171,231.79	(12.54)	205,171.34	1.33	13.75	35.02	16.41	0.00	0.00	205,237.85
Fontana, City Of	0.0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Golden State Water Company	938.4	35,529.04	52,383.27	213.9	2,279.28	3,360.87	45.37	0.00	0.00	(38,937.52)	19,304.93	(1.41)	73,963.83	500.00	5,157.40	13,133.55	0.90	0.00	0.00	92,755.68
Jurupa Community Services District	10,646.2	403,064.87	594,270.49	17,111.0	182,306.67	268,816.79	514.69	0.00	0.00	0.00	219,007.91	(16.04)	1,667,965.38	2,506.01	25,848.88	65,825.35	10.42	0.00	0.00	1,762,156.04
Marygold Mutual Water Company	639.4	24,205.83	35,688.57	340.9	3,631.64	5,354.97	0.00	0.00	0.00	0.00	0.00	0.00	68,881.01	796.67	8,217.45	20,926.12	1,371.34	0.00	0.00	100,192.59
Monte Vista Irrigation Company	0.0	0.00	0.00	352.0	3,750.17	5,529.75	0.00	0.00	0.00	0.00	0.00	0.00	9,279.92	822.67	8,485.64	21,609.07	0.00	0.00	0.00	40,197.30
Monte Vista Water District	7,231.9	273,797.88	403,681.92	2,614.9	27,859.65	41,079.92	349.62	0.00	0.00	0.00	148,769.85	(10.90)	895,527.94	5,864.70	60,492.83	154,047.79	8.73	0.00	0.00	1,115,941.99
NCL Co, LLC	0.0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Niagara Bottling, LLC	1,338.1	50,661.22	74,693.86	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(1,443.87)	123,911.21	0.00	0.00	0.00	42,932.69	(912.98)	0.00	165,930.92
Nicholson Family Trust	0.0	0.00	0.00	2.0	21.28	31.37	0.00	0.00	0.00	0.00	0.00	0.00	52.65	4.67	48.14	122.58	0.00	0.00	0.00	228.04
Norco, City Of	0.0	0.00	0.00	105.0	1,118.36	1,649.06	0.00	0.00	0.00	0.00	0.00	0.00	2,767.42	245.33	2,530.56	6,444.20	0.00	0.00	0.00	11,987.51
Ontario, City Of	12,001.0	454,356.38	669,893.64	13,404.2	142,813.11	210,582.33	580.19	0.00	0.00	0.00	246,877.49	(18.08)	1,725,085.06	13,828.07	142,632.99	363,221.46	20.18	0.00	0.00	2,244,787.76
Pomona, City Of	9,799.5	371,009.90	547,009.32	5,834.3	62,160.45	91,657.49	0.00	0.00	0.00	0.00	0.00	0.00	1,071,837.16	(53,030.93)	140,652.54	358,178.18	0.00	0.00	0.00	1,517,636.95
San Antonio Water Company	816.4	30,907.12	45,568.82	783.8	8,351.28	12,314.21	39.47	0.00	0.00	0.00	16,793.59	(1.23)	113,973.26	1,832.01	18,896.70	48,121.33	1.02	0.00	0.00	182,824.31
San Bernardino, County of (Shooting Park)	21.8	823.64	1,214.36	0.0	0.00	0.00	1.05	17,178.84	0.00	0.00	447.53	(535.49)	19,129.93	0.00	0.00	0.00	485.75	(106.94)	2,948.65	22,457.39
Santa Ana River Water Company	39.8	1,505.84	2,220.18	676.9	7,211.64	10,633.78	1.92	0.00	0.00	0.00	818.21	(0.06)	22,391.51	1,582.01	16,318.01	41,554.55	1,730.15	0.00	0.00	83,576.23
Upland, City Of	1,289.6	48,823.46	71,984.30	1,483.8	15,809.07	23,310.96	62.34	0.00	0.00	0.00	26,528.54	(1.94)	186,516.73	3,468.02	35,771.71	91,094.30	2.49	0.00	0.00	316,853.25
West End Consolidated Water Co	0.0	0.00	0.00	492.9	5,251.45	7,743.43	0.00	0.00	0.00	0.00	0.00	0.00	12,994.88	1,152.01	11,882.64	30,259.70	0.00	0.00	0.00	56,289.23
West Valley Water District	0.0	0.00	0.00	335.2	3,570.87	5,265.36	0.00	0.00	0.00	0.00	0.00	0.00	8,836.23	783.34	8,079.92	20,575.90	854.43	0.00	0.00	39,129.82
115,432.2		2,831,373.57	4,174,518.54	64,615.8	688,438.00	1,015,123.00	3,031.55	17,178.84	0.00	(1,289,971.34)	1,289,971.33	(2,073.81)	8,727,589.68	0.01	687,652.99	1,751,140.00	60,945.38	(1,019.92)	2,948.65	11,229,256.79
8A		8B	8C	8D	8E	8F	8G	8H	8I	8J	8K	8L	8M	8N	8O	8P	8Q	8R	8S	8T

Notes:
1) IEUA is collecting the eighth of ten annual RTS charges for water purchased in FY 2016/17, and seventh of ten annual RTS charges for water purchased in FY 2017/18.
2) "Other Adjustments" (Column [8R]) includes adjustments from replenishment purchase for DRO. If water was not available for purchase in the previous year, this adjustment is based on the previous year's obligation, multiplied by the current replenishment rate, minus the fund balance, similar to the CURO.



Assessment Year 2025-2026 (Production Year 2024-2025)

Water Production Overview

	Physical Production	Voluntary Agreements (w/ Ag)	Assignments (w/ Non-Ag)	Other Adjustments	Actual FY Production (Assmnt Pkg Column 10I)
BlueTriton Brands, Inc.	301.6	0.0	0.0	0.0	301.6
CalMat Co. (Appropriative)	0.0	0.0	0.0	0.0	0.0
Chino Hills, City Of	1,500.0	(63.2)	0.0	0.0	1,436.8
Chino, City Of	6,185.8	(1,781.1)	(66.4)	0.0	4,338.2
Cucamonga Valley Water District	15,623.2	0.0	0.0	0.0	15,623.2
Desalter Authority	40,682.2	0.0	0.0	(35.3)	40,646.9
Fontana Union Water Company	0.0	0.0	0.0	0.0	0.0
Fontana Water Company	8,323.7	0.0	0.0	0.0	8,323.7
Fontana, City Of	0.0	0.0	0.0	0.0	0.0
Golden State Water Company	938.4	0.0	0.0	0.0	938.4
Jurupa Community Services District	11,056.5	0.0	(405.8)	(4.5)	10,646.2
Marygold Mutual Water Company	639.4	0.0	0.0	0.0	639.4
Monte Vista Irrigation Company	0.0	0.0	0.0	0.0	0.0
Monte Vista Water District	3,614.4	(110.2)	(30.1)	(11.7)	3,462.5
NCL Co, LLC	0.0	0.0	0.0	0.0	0.0
Niagara Bottling, LLC	1,338.1	0.0	0.0	0.0	1,338.1
Nicholson Family Trust	0.0	0.0	0.0	0.0	0.0
Norco, City Of	0.0	0.0	0.0	0.0	0.0
Ontario, City Of	18,799.8	(5,467.9)	(1,331.0)	0.0	12,001.0
Pomona, City Of	9,799.5	0.0	0.0	0.0	9,799.5
San Antonio Water Company	816.4	0.0	0.0	0.0	816.4
San Bernardino, County of (Shooting Park)	21.8	0.0	0.0	0.0	21.8
Santa Ana River Water Company	0.0	0.0	0.0	39.8	39.8
Upland, City Of	1,393.6	0.0	0.0	(104.0)	1,289.6
West End Consolidated Water Co	0.0	0.0	0.0	0.0	0.0
West Valley Water District	0.0	0.0	0.0	0.0	0.0
	121,034.3	(7,422.5)	(1,833.3)	(115.7)	111,662.8
Less Desalter Authority Production					(40,646.9)
Total Less Desalter Authority Production					71,016.0
	9A	9B	9C	9D	9E

Notes:

Other Adjustments:

- 1) CDA provided 35.3 AF to JCSD for irrigation at Orchard Park.
- 2) Monte Vista Water District received a credit of 11.7 AF after evaporative loss due to Pump-to-Waste activities in which the water was recaptured into a recharge basin.
- 3) Santa Ana River Water Company exceeded its allotment with Jurupa Community Services District by 39.8 AF.
- 4) City of Upland received a credit of 104.0 AF after evaporative loss due to Pump-to-Waste activities in which the water was recaptured into a recharge basin.

	Percent of Operating Safe Yield	Carryover Beginning Balance	Prior Year Adjustments	Assigned Share of Operating Safe Yield	Net Ag Pool Reallocation	Water Transaction Activity	Other Adjustments	Annual Production Right	Actual Fiscal Year Production	Storage and Recovery Program(s)	Total Production and Exchanges	Net Over-Production		Under Production Balances		
												85/15%	100%	Total Under- Produced	Carryover: Next Year Begin Bal	To Excess Carryover Account
BlueTriton Brands, Inc.	0.000%	0.0	0.0	0.0	0.0	301.6	0.0	301.6	301.6	0.0	301.6	0.0	0.0	0.0	0.0	0.0
CalMat Co. (Appropriative)	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chino Hills, City Of	3.851%	1,572.5	0.0	1,572.5	2,376.5	0.0	0.0	5,521.5	1,436.8	0.0	1,436.8	0.0	0.0	4,084.7	1,572.5	2,512.2
Chino, City Of	7.357%	3,004.2	0.0	3,004.2	11,847.7	0.0	0.0	17,856.1	4,338.2	0.0	4,338.2	0.0	0.0	13,517.8	3,004.2	10,513.7
Cucamonga Valley Water District	6.601%	0.0	0.0	2,695.5	2,481.2	10,588.8	(142.3)	15,623.2	15,623.2	0.0	15,623.2	0.0	0.0	0.0	0.0	0.0
Desalter Authority	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40,646.9	0.0	40,646.9	0.0	40,646.9	0.0	0.0	0.0
Fontana Union Water Company	11.657%	0.0	0.0	4,760.0	3,325.0	(8,085.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fontana Water Company	0.002%	0.8	0.0	0.8	834.6	9,292.0	0.0	10,128.2	8,323.7	0.0	8,323.7	0.0	0.0	1,804.5	0.8	1,803.6
Fontana, City Of	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Golden State Water Company	0.750%	38.7	0.0	306.3	213.9	466.4	0.0	1,025.3	938.4	0.0	938.4	0.0	0.0	86.9	86.9	0.0
Jurupa Community Services District	3.759%	1,535.0	0.0	1,535.0	17,111.0	0.0	0.0	20,180.9	10,646.2	0.0	10,646.2	0.0	0.0	9,534.8	1,535.0	7,999.8
Marygold Mutual Water Company	1.195%	488.0	0.0	488.0	340.9	0.0	0.0	1,316.8	639.4	0.0	639.4	0.0	0.0	677.4	488.0	189.5
Monte Vista Irrigation Company	1.234%	503.9	0.0	503.9	352.0	0.0	0.0	1,359.8	0.0	0.0	0.0	0.0	0.0	1,359.8	503.9	855.9
Monte Vista Water District	8.797%	2,603.4	0.0	3,592.2	2,614.9	(1,578.5)	0.0	7,231.9	3,462.5	3,769.4	7,231.9	0.0	0.0	0.0	0.0	0.0
NCL Co, LLC	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Niagara Bottling, LLC	0.000%	0.0	0.0	0.0	0.0	1,338.1	0.0	1,338.1	1,338.1	0.0	1,338.1	0.0	0.0	0.0	0.0	0.0
Nicholson Family Trust	0.007%	2.6	0.0	2.9	2.0	(5.0)	0.0	2.4	0.0	0.0	0.0	0.0	0.0	2.4	2.4	0.0
Norco, City Of	0.368%	150.3	0.0	150.3	105.0	0.0	0.0	405.5	0.0	0.0	0.0	0.0	0.0	405.5	150.3	255.2
Ontario, City Of	20.742%	8,469.8	0.0	8,469.8	13,404.2	0.0	0.0	30,343.8	12,001.0	0.0	12,001.0	0.0	0.0	18,342.9	8,469.8	9,873.1
Pomona, City Of	20.454%	8,352.2	0.0	8,352.2	5,834.3	0.0	0.0	22,538.7	9,799.5	0.0	9,799.5	0.0	0.0	12,739.1	8,352.2	4,387.0
San Antonio Water Company	2.748%	1,122.1	0.0	1,122.1	783.8	0.0	0.0	3,028.1	816.4	0.0	816.4	0.0	0.0	2,211.7	1,122.1	1,089.6
San Bernardino, County of (Shooting Park)	0.000%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.8	0.0	21.8	21.8	0.0	0.0	0.0	0.0
Santa Ana River Water Company	2.373%	969.0	0.0	969.0	676.9	(1,000.0)	0.0	1,614.9	39.8	0.0	39.8	0.0	0.0	1,575.1	969.0	606.1
Upland, City Of	5.202%	2,124.2	0.0	2,124.2	1,483.8	308.3	0.0	6,040.5	1,289.6	0.0	1,289.6	0.0	0.0	4,750.9	2,124.2	2,626.7
West End Consolidated Water Co	1.728%	705.6	0.0	705.6	492.9	(66.4)	0.0	1,837.7	0.0	0.0	0.0	0.0	0.0	1,837.7	705.6	1,132.1
West Valley Water District	1.175%	479.8	0.0	479.8	335.2	0.0	0.0	1,294.8	0.0	0.0	0.0	0.0	0.0	1,294.8	479.8	815.0
	100.00%	32,121.9	0.0	40,834.0	64,615.8	11,560.1	(142.3)	148,989.6	111,662.8	3,769.4	115,432.2	21.8	40,646.9	74,226.0	29,566.6	44,659.4
Less Desalter Authority Production									(40,646.9)		(40,646.9)		(40,646.9)			
Total Less Desalter Authority Production									71,016.0		74,785.4		0.0			
	10A	10B	10C	10D	10E	10F	10G	10H	10I	10J	10K	10L	10M	10N	10O	10P

Notes:
1) BlueTriton Brands, Inc. transferred 301.6 AF out of their ECO account to offset their Production Year 2024/25 overproduction obligations.
2) Cucamonga Valley Water District transferred 7,105.4 AF out of their Quantified Supplemental account to offset their Production Year 2024/25 overproduction obligations.
3) Cucamonga Valley Water District lost 142.3 AF of their purchased FY 2024/25 Recharged Recycled water, which was used to replenish their production year 2024/25 overproduction, to evaporative losses.
4) Niagara Bottling, LLC transferred 1,338.1 AF out of their ECO account to offset their Production Year 2024/25 overproduction obligations.



Assessment Year 2025-2026 (Production Year 2024-2025)

Local Excess Carry Over Storage Account Summary

	Excess Carry Over Account (ECO)					
	Beginning Balance	0.07% Storage Loss	Transfers To / (From)	From Supplemental Storage	From Under-Production	Ending Balance
BlueTriton Brands, Inc.	564.3	(0.4)	(345.6)	0.0	0.0	218.3
CalMat Co. (Appropriative)	0.4	0.0	0.0	0.0	0.0	0.4
Chino Hills, City Of	18,896.5	(13.2)	0.0	0.0	2,512.2	21,395.5
Chino, City Of	124,154.2	(86.9)	(2,231.8)	0.0	10,513.7	132,349.2
Cucamonga Valley Water District	2,093.4	(1.5)	(9,197.4)	7,105.4	0.0	0.0
Desalter Authority	0.0	0.0	0.0	0.0	0.0	0.0
Fontana Union Water Company	0.0	0.0	0.0	0.0	0.0	0.0
Fontana Water Company	20,615.9	(14.4)	(1,249.5)	0.0	1,803.6	21,155.6
Fontana, City Of	0.0	0.0	0.0	0.0	0.0	0.0
Golden State Water Company	0.0	0.0	0.0	0.0	0.0	0.0
Jurupa Community Services District	56,985.0	(39.9)	(3,551.5)	0.0	7,999.8	61,393.5
Marygold Mutual Water Company	150.6	(0.1)	(266.1)	0.0	189.5	73.9
Monte Vista Irrigation Company	12,925.7	(9.0)	(178.4)	0.0	855.9	13,594.1
Monte Vista Water District	2,253.8	(1.6)	(761.0)	0.0	0.0	1,491.3
NCL Co, LLC	4.0	0.0	0.0	0.0	0.0	4.0
Niagara Bottling, LLC	3,445.2	(2.4)	(1,533.4)	0.0	0.0	1,909.4
Nicholson Family Trust	0.0	0.0	0.0	0.0	0.0	0.0
Norco, City Of	3,211.1	(2.2)	(53.2)	0.0	255.2	3,410.9
Ontario, City Of	63,483.6	(44.4)	(3,262.6)	0.0	9,873.1	70,049.6
Pomona, City Of	25,903.2	(18.1)	(4,387.2)	0.0	4,387.0	25,884.9
San Antonio Water Company	7,805.6	(5.5)	(516.4)	0.0	1,089.6	8,373.4
San Bernardino, County of (Shooting Park)	0.0	0.0	0.0	0.0	0.0	0.0
Santa Ana River Water Company	8,535.2	(6.0)	(348.9)	0.0	606.1	8,786.4
Upland, City Of	17,118.5	(12.0)	(940.3)	0.0	2,626.7	18,792.9
West End Consolidated Water Co	6,136.3	(4.3)	(958.1)	0.0	1,132.1	6,306.0
West Valley Water District	7,992.1	(5.6)	(169.9)	0.0	815.0	8,631.6
	382,274.6	(267.6)	(29,951.2)	7,105.4	44,659.4	403,820.7
	11A	11B	11C	11D	11E	11F

Notes:

- 1) BlueTriton Brands, Inc. transferred 301.6 AF out of their ECO account to offset their Production Year 2024/25 overproduction obligations.
- 2) Niagara Bottling, LLC transferred 1,338.1 AF out of their ECO account to offset their Production Year 2024/25 overproduction obligations.



Assessment Year 2025-2026 (Production Year 2024-2025)

Local Supplemental Storage Account Summary

	Recharged Recycled Account					Quantified (Pre 7/1/2000) Account					New (Post 7/1/2000) Account					Combined
	Beginning Balance	0.07% Storage Loss	Transfers To / (From)	Transfer to ECO Account	Ending Balance	Beginning Balance	0.07% Storage Loss	Transfers To / (From)	Transfer to ECO Account	Ending Balance	Beginning Balance	0.07% Storage Loss	Transfers To / (From)	Transfer to ECO Account	Ending Balance	Ending Balance
BlueTriton Brands, Inc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CalMat Co. (Appropriative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chino Hills, City Of	16,308.8	(11.4)	773.7	0.0	17,071.2	1,916.0	(1.3)	0.0	0.0	1,914.7	0.0	0.0	0.0	0.0	0.0	18,985.9
Chino, City Of	11,540.4	(8.1)	2,085.0	0.0	13,617.3	1,048.8	(0.7)	0.0	0.0	1,048.1	1,921.2	(1.3)	0.0	0.0	1,919.9	16,585.3
Cucamonga Valley Water District	51,424.8	(36.0)	(1,166.9)	0.0	50,221.9	10,663.5	(7.5)	0.0	(7,105.4)	3,550.5	1,665.9	(1.2)	0.0	0.0	1,664.7	55,437.1
Desalter Authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fontana Union Water Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fontana Water Company	1,622.3	(1.1)	689.9	0.0	2,311.1	0.0	0.0	0.0	0.0	0.0	572.8	(0.4)	194.8	0.0	767.1	3,078.2
Fontana, City Of	43.9	0.0	0.0	0.0	43.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.9
Golden State Water Company	0.0	0.0	0.0	0.0	0.0	589.1	(0.4)	(245.4)	0.0	343.4	0.0	0.0	0.0	0.0	0.0	343.4
Jurupa Community Services District	4,818.9	(3.4)	0.0	0.0	4,815.5	0.0	0.0	0.0	0.0	0.0	2,083.5	(1.5)	0.0	0.0	2,082.1	6,897.6
Marygold Mutual Water Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Monte Vista Irrigation Company	0.0	0.0	0.0	0.0	0.0	5,434.8	(3.8)	0.0	0.0	5,431.0	0.0	0.0	0.0	0.0	0.0	5,431.0
Monte Vista Water District	1,126.7	(0.8)	754.2	0.0	1,880.1	3,367.1	(2.4)	0.0	0.0	3,364.7	0.0	0.0	0.0	0.0	0.0	5,244.8
NCL Co, LLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Niagara Bottling, LLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nicholson Family Trust	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norco, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	96.1	(0.1)	0.0	0.0	96.0	96.0
Ontario, City Of	65,428.9	(45.8)	5,480.0	0.0	70,863.0	8,027.6	(5.6)	0.0	0.0	8,022.0	0.0	0.0	0.0	0.0	0.0	78,885.0
Pomona, City Of	0.0	0.0	0.0	0.0	0.0	10,881.5	(7.6)	0.0	0.0	10,873.9	1,555.5	(1.1)	0.0	0.0	1,554.4	12,428.3
San Antonio Water Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,808.0	(5.5)	0.0	0.0	7,802.5	7,802.5
San Bernardino, County of (Shooting Park)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Santa Ana River Water Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	479.7	(0.3)	0.0	0.0	479.4	479.4
Upland, City Of	17,569.4	(12.3)	1,713.8	0.0	19,270.9	5,786.9	(4.1)	0.0	0.0	5,782.9	0.0	0.0	0.0	0.0	0.0	25,053.8
West End Consolidated Water Co	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	451.3	(0.3)	0.0	0.0	451.0	451.0
West Valley Water District	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	306.9	(0.2)	0.0	0.0	306.6	306.6
	169,884.0	(118.9)	10,329.7	0.0	180,094.9	47,715.4	(33.4)	(245.4)	(7,105.4)	40,331.2	16,940.8	(11.9)	194.8	0.0	17,123.7	237,549.8
	12A	12B	12C	12D	12E	12F	12G	12H	12I	12J	12K	12L	12M	12N	12O	12P

Notes:
1) Cucamonga Valley Water District transferred 7,105.4 AF out of their Quantified Supplemental account to offset their Production Year 2024/25 overproduction obligations.
2) Cucamonga Valley Water District elected to utilize this year's Recharged Recycled water purchase to replenish a portion of their production year 2024/25 overproduction obligation.



Assessment Year 2025-2026 (Production Year 2024-2025)

Other Storage and Replenishment Accounts

DESALTER REPLENISHMENT	Beginning Balance	Water Purchases	Transfers To	Transfers From	Ending Balance
CONTROLLED OVERDRAFT AND OFFSETS					
Re-Op Offset Pre-Peace II / CDA	1,286.7		0.0	0.0	1,286.7
Re-Op Offset Peace II Expansion	37,500.0		0.0	(12,500.0)	25,000.0
Non-Ag OBMP Special Assessment	0.0		735.0	(735.0)	0.0
Non-Ag Dedication	0.0		0.0	0.0	0.0
	38,786.7		735.0	(13,235.0)	26,286.7
DEDICATED REPLENISHMENT					
BlueTriton Brands, Inc.	0.0	0.0	0.0	0.0	0.0
CalMat Co. (Appropriative)	0.0	0.0	0.0	0.0	0.0
Chino Hills, City Of	0.0	0.0	0.0	0.0	0.0
Chino, City Of	0.0	0.0	0.0	0.0	0.0
Cucamonga Valley Water District	0.0	0.0	0.0	0.0	0.0
Fontana Union Water Company	0.0	0.0	1,685.4	(1,685.4)	0.0
Fontana Water Company	0.0	0.0	0.0	0.0	0.0
Fontana, City Of	0.0	0.0	0.0	0.0	0.0
Golden State Water Company	0.0	0.0	0.0	0.0	0.0
Jurupa Community Services District	0.0	0.0	0.0	0.0	0.0
Marygold Mutual Water Company	0.0	0.0	0.0	0.0	0.0
Monte Vista Irrigation Company	0.0	0.0	0.0	0.0	0.0
Monte Vista Water District	0.0	0.0	1,578.5	(1,578.5)	0.0
NCL Co, LLC	0.0	0.0	0.0	0.0	0.0
Niagara Bottling, LLC	0.0	0.0	0.0	0.0	0.0
Nicholson Family Trust	0.0	0.0	1.0	(1.0)	0.0
Norco, City Of	0.0	0.0	0.0	0.0	0.0
Ontario, City Of	0.0	0.0	2,197.6	(2,197.6)	0.0
Pomona, City Of	0.0	0.0	0.0	0.0	0.0
San Antonio Water Company	0.0	0.0	0.0	0.0	0.0
San Bernardino, County of (Shooting Park)	0.0	0.0	0.0	0.0	0.0
Santa Ana River Water Company	0.0	0.0	0.0	0.0	0.0
Upland, City Of	0.0	0.0	0.0	0.0	0.0
West End Consolidated Water Co	0.0	0.0	0.0	0.0	0.0
West Valley Water District	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	5,462.5	(5,462.5)	0.0
	13A	13B	13C	13D	13E
STORAGE AND RECOVERY					
	Beginning Balance	Storage Loss	MWD "Puts"	In-Lieu "Puts"/ (Takes)	Ending Balance
METROPOLITAN WATER DISTRICT					
Dry Year Yield / Conjunctive Use Program	45,908.2	(32.1)	14,163.2	3,769.4	63,808.6
	13F	13G	13H	13I	13J

Notes:



Assessment Year 2025-2026 (Production Year 2024-2025)

Water Transaction Summary

	Water Transactions				
	Assigned Rights	General Transfer	Transfers (To) / From ECO Account	Transfers (To) Desalter Replenishment	Total Water Transactions
BlueTriton Brands, Inc.	0.0	0.0	301.6	0.0	301.6
CalMat Co. (Appropriative)	0.0	0.0	0.0	0.0	0.0
Chino Hills, City Of	0.0	0.0	0.0	0.0	0.0
Chino, City Of	0.0	0.0	0.0	0.0	0.0
Cucamonga Valley Water District	(2,916.4)	6,399.7	7,105.4	0.0	10,588.8
Desalter Authority	0.0	0.0	0.0	0.0	0.0
Fontana Union Water Company	0.0	(6,399.7)	0.0	(1,685.4)	(8,085.1)
Fontana Water Company	9,292.0	0.0	0.0	0.0	9,292.0
Fontana, City Of	0.0	0.0	0.0	0.0	0.0
Golden State Water Company	466.4	0.0	0.0	0.0	466.4
Jurupa Community Services District	(788.0)	0.0	788.0	0.0	0.0
Marygold Mutual Water Company	0.0	0.0	0.0	0.0	0.0
Monte Vista Irrigation Company	0.0	0.0	0.0	0.0	0.0
Monte Vista Water District	0.0	0.0	0.0	(1,578.5)	(1,578.5)
NCL Co, LLC	0.0	0.0	0.0	0.0	0.0
Niagara Bottling, LLC	0.0	0.0	1,338.1	0.0	1,338.1
Nicholson Family Trust	(4.0)	0.0	0.0	(1.0)	(5.0)
Norco, City Of	0.0	0.0	0.0	0.0	0.0
Ontario, City Of	0.0	2,197.6	0.0	(2,197.6)	0.0
Pomona, City Of	0.0	0.0	0.0	0.0	0.0
San Antonio Water Company	0.0	0.0	0.0	0.0	0.0
San Bernardino, County of (Shooting Park)	0.0	0.0	0.0	0.0	0.0
Santa Ana River Water Company	(1,000.0)	0.0	0.0	0.0	(1,000.0)
Upland, City Of	308.3	0.0	0.0	0.0	308.3
West End Consolidated Water Co	(774.7)	0.0	708.3	0.0	(66.4)
West Valley Water District	0.0	0.0	0.0	0.0	0.0
	4,583.6	2,197.6	10,241.4	(5,462.5)	11,560.1
	14A	14B	14C	14D	14E

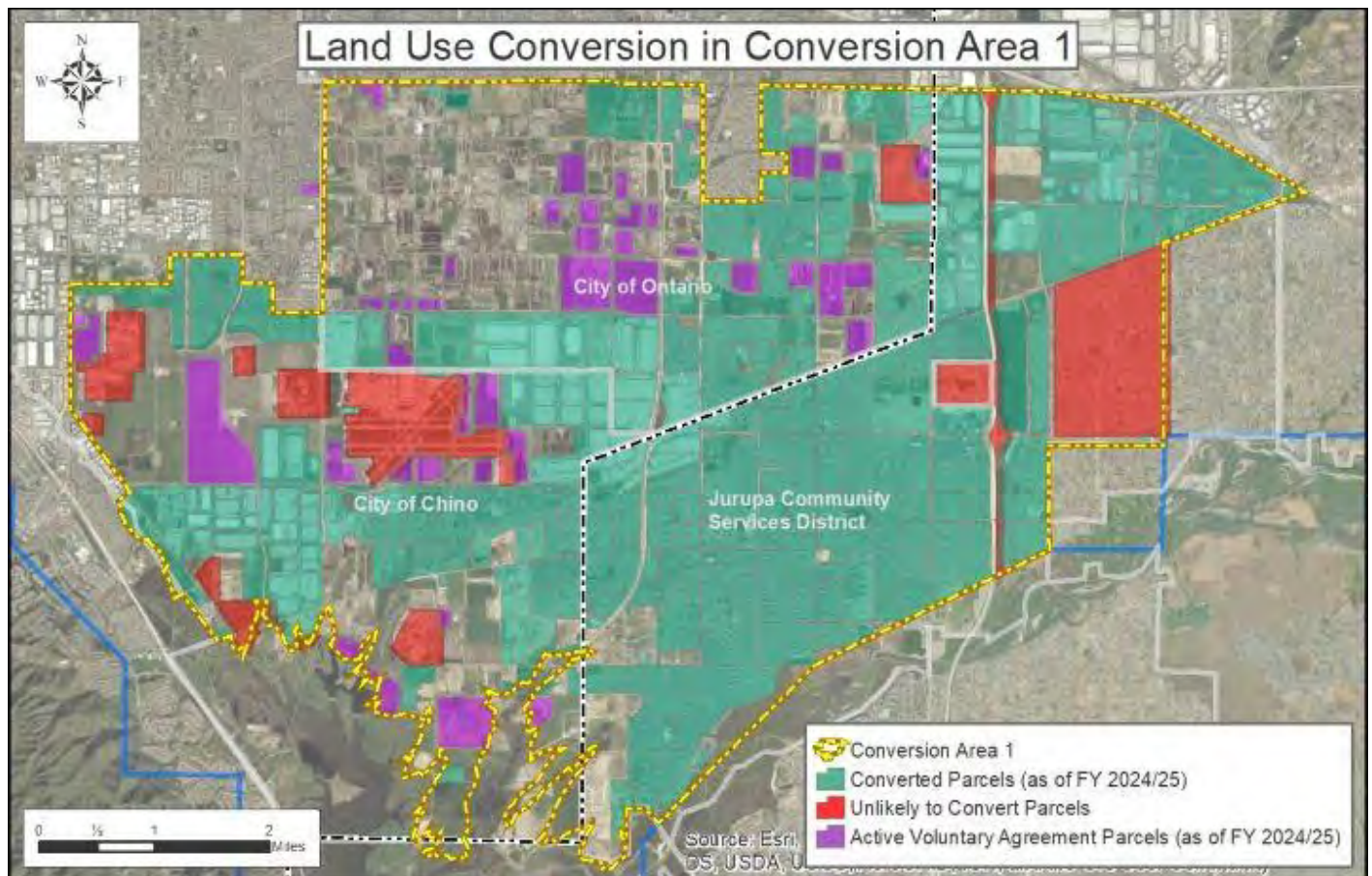
Notes:



Assessment Year 2025-2026 (Production Year 2024-2025)

Land Use Conversion Summary

	Prior Conversion	Conversion @ 1.3 af/ac		Total Prior to Peace Agrmt Converted AF	Conversion @ 2.0 af/ac		Total Land Use Conversion Acre-Feet
		Acres	Acre-Feet		Acres	Acre-Feet	
Chino Hills, City Of	0.0	670.266	871.3	871.3	203.334	406.7	1,278.0
Chino, City Of	196.2	1,434.750	1,865.2	2,061.4	3,843.912	7,687.8	9,749.2
Cucamonga Valley Water District	0.0	460.280	598.4	598.4	0.000	0.0	598.4
Fontana Water Company	0.0	0.000	0.0	0.0	417.000	834.0	834.0
Jurupa Community Services District	0.0	2,756.920	3,584.0	3,584.0	6,227.418	12,454.8	16,038.8
Monte Vista Water District	0.0	48.150	62.6	62.6	21.510	43.0	105.6
Ontario, City Of	209.4	527.044	685.2	894.6	3,296.620	6,593.2	7,487.8
	405.6	5,897.410	7,666.6	8,072.3	14,009.794	28,019.6	36,091.9
	15A	15B	15C	15D	15E	15F	15G



Notes:



Assessment Year 2025-2026 (Production Year 2024-2025)

Agricultural Pool Reallocation Summary

		% Share of Operating Safe Yield	Reallocation of Agricultural Pool Safe Yield			
			Safe Yield Reduction¹	Land Use Conversions	Early Transfer	Total AG Pool Reallocation
BlueTriton Brands, Inc.		0.000%	0.0	0.0	0.0	0.0
CalMat Co. (Appropriative)		0.000%	0.0	0.0	0.0	0.0
Chino Hills, City Of		3.851%	346.6	1,278.0	751.9	2,376.5
Chino, City Of		7.357%	662.1	9,749.2	1,436.4	11,847.7
Cucamonga Valley Water District		6.601%	594.1	598.4	1,288.8	2,481.2
Desalter Authority		0.000%	0.0	0.0	0.0	0.0
Fontana Union Water Company		11.657%	1,049.1	0.0	2,275.9	3,325.0
Fontana Water Company		0.002%	0.2	834.0	0.4	834.6
Fontana, City Of		0.000%	0.0	0.0	0.0	0.0
Golden State Water Company		0.750%	67.5	0.0	146.4	213.9
Jurupa Community Services District		3.759%	338.3	16,038.8	733.9	17,111.0
Marygold Mutual Water Company		1.195%	107.6	0.0	233.3	340.9
Monte Vista Irrigation Company		1.234%	111.1	0.0	240.9	352.0
Monte Vista Water District		8.797%	791.7	105.6	1,717.5	2,614.9
NCL Co, LLC		0.000%	0.0	0.0	0.0	0.0
Niagara Bottling, LLC		0.000%	0.0	0.0	0.0	0.0
Nicholson Family Trust		0.007%	0.6	0.0	1.4	2.0
Norco, City Of		0.368%	33.1	0.0	71.8	105.0
Ontario, City Of		20.742%	1,866.8	7,487.8	4,049.7	13,404.2
Pomona, City Of		20.454%	1,840.9	0.0	3,993.4	5,834.3
San Antonio Water Company		2.748%	247.3	0.0	536.5	783.8
San Bernardino, County of (Shooting Park)		0.000%	0.0	0.0	0.0	0.0
Santa Ana River Water Company		2.373%	213.6	0.0	463.3	676.9
Upland, City Of		5.202%	468.2	0.0	1,015.6	1,483.8
West End Consolidated Water Co		1.728%	155.5	0.0	337.4	492.9
West Valley Water District		1.175%	105.8	0.0	229.4	335.2
		100%	9,000.0	36,091.9	19,524.0	64,615.8
Agricultural Pool Safe Yield	82,800.0					
Agricultural Pool Production	(18,184.2)	16A	16B	16C	16D	16E
Safe Yield Reduction¹	(9,000.0)					
Land Use Conversions	(36,091.9)					
Early Transfer [16D]	19,524.0					

Notes:

¹ Paragraph 10, Subdivision (a)(1) of Exhibit "H" of the Judgment states "to supplement, in the particular year, water available from Operating Safe Yield to compensate for any reduction in the Safe Yield by reason of recalculation thereof after the tenth year of operation hereunder."



Assessment Year 2025-2026 (Production Year 2024-2025)

Cumulative Unmet Replenishment Obligation (CURO)

Remaining Replenishment Obligation:	AF	Replenishment Rates	
Appropriative - 100	0.0	2025 Rate	\$929.00
Appropriative - 15/85	16.5	2024 Rate	\$920.00
Non-Agricultural - 100	22.5		
	39.0		

Pool 3 Appropriative

Company	Outstanding Obligation (AF)	Fund Balance (\$)	Outstanding Obligation (\$)	AF Production and Exchanges	85/15 Producers	Percent	15%	85%	100%	Total
BlueTriton Brands, Inc.	0.0	\$0.00	\$0.00	301.6	x x x x x x x x x x	0.000%	x x x x x x x x x x	x x x x x x x x x x	\$0.00	\$0.00
CalMat Co. (Appropriative)	0.0	\$0.00	\$0.00	0.0	x x x x x x x x x x	0.000%	x x x x x x x x x x	x x x x x x x x x x	\$0.00	\$0.00
Chino Hills, City Of	0.0	\$0.00	\$0.00	1,436.8	1,436.8	2.291%	(\$2.17)	\$0.00	x x x x x x x x x x	(\$2.17)
Chino, City Of	0.0	\$0.00	\$0.00	4,338.2	4,338.2	6.918%	(\$6.54)	\$0.00	x x x x x x x x x x	(\$6.54)
Cucamonga Valley Water District	0.0	\$0.00	\$0.00	15,623.2	15,623.2	24.915%	(\$23.54)	\$0.00	x x x x x x x x x x	(\$23.54)
Desalter Authority	0.0	\$0.00	\$0.00	40,646.9	x x x x x x x x x x	0.000%	x x x x x x x x x x	x x x x x x x x x x	x x x x x x x x x x	\$0.00
Fontana Union Water Company	0.0	\$0.00	\$0.00	0.0	0.0	0.000%	\$0.00	\$0.00	x x x x x x x x x x	\$0.00
Fontana Water Company	0.0	\$0.00	\$0.00	8,323.7	8,323.7	13.274%	(\$12.54)	\$0.00	x x x x x x x x x x	(\$12.54)
Fontana, City Of	0.0	\$0.00	\$0.00	0.0	x x x x x x x x x x	0.000%	x x x x x x x x x x	x x x x x x x x x x	\$0.00	\$0.00
Golden State Water Company	0.0	\$0.00	\$0.00	938.4	938.4	1.497%	(\$1.41)	\$0.00	x x x x x x x x x x	(\$1.41)
Jurupa Community Services District	0.0	\$0.00	\$0.00	10,646.2	10,646.2	16.978%	(\$16.04)	\$0.00	x x x x x x x x x x	(\$16.04)
Marygold Mutual Water Company	0.0	\$0.00	\$0.00	639.4	x x x x x x x x x x	0.000%	x x x x x x x x x x	x x x x x x x x x x	\$0.00	\$0.00
Monte Vista Irrigation Company	0.0	\$0.00	\$0.00	0.0	0.0	0.000%	\$0.00	\$0.00	x x x x x x x x x x	\$0.00
Monte Vista Water District	0.0	\$0.00	\$0.00	7,231.9	7,231.9	11.533%	(\$10.90)	\$0.00	x x x x x x x x x x	(\$10.90)
NCL Co, LLC	0.0	\$0.00	\$0.00	0.0	x x x x x x x x x x	0.000%	x x x x x x x x x x	x x x x x x x x x x	\$0.00	\$0.00
Niagara Bottling, LLC	0.0	\$1,443.87	(\$1,443.87)	1,338.1	x x x x x x x x x x	0.000%	x x x x x x x x x x	x x x x x x x x x x	(\$1,443.87)	(\$1,443.87)
Nicholson Family Trust	0.0	\$0.00	\$0.00	0.0	0.0	0.000%	\$0.00	\$0.00	x x x x x x x x x x	\$0.00
Norco, City Of	0.0	\$0.00	\$0.00	0.0	0.0	0.000%	\$0.00	\$0.00	x x x x x x x x x x	\$0.00
Ontario, City Of	0.0	\$0.00	\$0.00	12,001.0	12,001.0	19.138%	(\$18.08)	\$0.00	x x x x x x x x x x	(\$18.08)
Pomona, City Of	0.0	\$0.00	\$0.00	9,799.5	x x x x x x x x x x	0.000%	x x x x x x x x x x	x x x x x x x x x x	\$0.00	\$0.00
San Antonio Water Company	0.0	\$0.00	\$0.00	816.4	816.4	1.302%	(\$1.23)	\$0.00	x x x x x x x x x x	(\$1.23)
San Bernardino, County of (Shooting Park)	16.5	\$15,946.37	(\$629.95)	21.8	21.8	0.035%	(\$0.03)	(\$535.46)	x x x x x x x x x x	(\$535.49)
Santa Ana River Water Company	0.0	\$0.00	\$0.00	39.8	39.8	0.063%	(\$0.06)	\$0.00	x x x x x x x x x x	(\$0.06)
Upland, City Of	0.0	\$0.00	\$0.00	1,289.6	1,289.6	2.057%	(\$1.94)	\$0.00	x x x x x x x x x x	(\$1.94)
West End Consolidated Water Co	0.0	\$0.00	\$0.00	0.0	0.0	0.000%	\$0.00	\$0.00	x x x x x x x x x x	\$0.00
West Valley Water District	0.0	\$0.00	\$0.00	0.0	0.0	0.000%	\$0.00	\$0.00	x x x x x x x x x x	\$0.00
Pool 3 Appropriative Total	16.5	\$17,390.24	(\$2,073.82)	115,432.2	62,706.8	100.000%	(\$94.48)	(\$535.46)	(\$1,443.87)	(\$2,073.81)
	17A	17B	17C	17D	17E	17F	17G	17H	17I	17J

Notes:
1) The 2025 replenishment rate includes MWD's Full Service Untreated volumetric cost of \$912/AF, a \$15/AF surcharge from Three Valleys Municipal Water District, and a \$2/AF connection fee from Orange County Water District.
2) MWD's 2014 Purchase Order contract was not renewed and expired on December 31, 2024. As a result, MWD has a single supply rate for the 2025 and 2026 calendar years.



Assessment Year 2025-2026 (Production Year 2024-2025)
Desalter Replenishment Accounting¹

Production Year	Desalter Production			Desalter Replenishment									Remaining Desalter Replenishment Obligation ^{4,7} PIIA, 6.2(b)(iii)
	Pre-Peace II Desalter Production	Peace II Desalter Expansion Production ²	Total	Desalter (aka Kaiser) Account PIIA, 6.2 (a)(i)	Paragraph 31 Settlement Agreements Dedication ³ PIIA, 6.2(a)(ii)	"Leave Behind" Losses PIIA, 6.2(a)(iv)	Safe Yield Contributed by Parties PIIA, 6.2(a)(v)	Controlled Overdraft / Re-Op, PIIA, 6.2(a)(vi)			Appropriate Pool DRO Contribution PIIA, 6.2(b)(ii)	Non-Ag OBMP Assessment (10% Haircut) ⁶ PIIA, 6.2(b)(i)	
								Allocation to Pre-Peace II Desalters ^{4,8}	Allocation to All Desalters ⁵	Balance			
2000 / 2001	7,989.0	0.0	7,989.0	3,994.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,994.5
2001 / 2002	9,457.8	0.0	9,457.8	4,728.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,728.9
2002 / 2003	10,438.5	0.0	10,438.5	5,219.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,219.3
2003 / 2004	10,605.0	0.0	10,605.0	5,302.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,302.5
2004 / 2005	9,853.6	0.0	9,853.6	4,926.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,926.8
2005 / 2006	16,475.8	0.0	16,475.8	11,579.1	0.0	0.0	0.0	0.0	0.0	400,000.0	0.0	0.0	4,896.7
2006 / 2007	26,356.2	0.0	26,356.2	608.4	4,273.1	0.0	0.0	21,474.7	0.0	378,525.3	0.0	0.0	0.0
2007 / 2008	26,972.1	0.0	26,972.1	0.0	0.0	0.0	0.0	26,972.1	0.0	351,553.2	0.0	0.0	0.0
2008 / 2009	32,920.5	0.0	32,920.5	0.0	0.0	0.0	0.0	61,989.1	0.0	289,564.1	0.0	0.0	(29,068.6)
2009 / 2010	28,516.7	0.0	28,516.7	0.0	0.0	0.0	0.0	28,516.7	0.0	261,047.4	0.0	0.0	0.0
2010 / 2011	29,318.7	0.0	29,318.7	0.0	0.0	0.0	0.0	29,318.7	0.0	231,728.7	0.0	0.0	0.0
2011 / 2012	28,378.9	0.0	28,378.9	0.0	0.0	0.0	0.0	28,378.9	0.0	203,349.7	0.0	0.0	0.0
2012 / 2013	27,061.7	0.0	27,061.7	0.0	0.0	0.0	0.0	27,061.7	0.0	176,288.1	0.0	0.0	0.0
2013 / 2014	29,228.0	14.6	29,242.6	0.0	0.0	0.0	0.0	0.0	12,500.0	163,788.1	10,000.0	0.0	6,742.6
2014 / 2015	29,541.3	448.7	29,990.0	0.0	0.0	0.0	0.0	0.0	12,500.0	151,288.1	10,000.0	0.0	7,490.0
2015 / 2016	27,008.8	1,154.1	28,162.9	0.0	0.0	0.0	0.0	0.0	12,500.0	138,788.1	10,000.0	0.0	5,662.9
2016 / 2017	26,725.6	1,527.2	28,252.8	0.0	0.0	0.0	0.0	0.0	12,500.0	126,288.1	10,000.0	735.0	5,017.8
2017 / 2018	28,589.8	1,462.5	30,052.3	0.0	0.0	0.0	0.0	0.0	12,500.0	113,788.1	10,000.0	735.0	6,817.3
2018 / 2019	25,502.9	5,696.3	31,199.2	0.0	0.0	0.0	0.0	0.0	12,500.0	101,288.1	10,000.0	735.0	7,964.2
2019 / 2020	27,593.6	8,003.4	35,597.1	0.0	0.0	0.0	0.0	0.0	12,500.0	88,788.1	10,000.0	735.0	12,362.0
2020 / 2021	31,944.8	8,169.7	40,114.5	0.0	0.0	0.0	0.0	0.0	12,500.0	76,288.1	10,000.0	735.0	16,879.4
2021 / 2022	28,678.0	11,847.4	40,525.4	0.0	0.0	0.0	0.0	0.0	12,500.0	63,788.1	10,000.0	735.0	17,290.4
2022 / 2023	30,223.8	9,591.2	39,815.0	0.0	0.0	0.0	0.0	0.0	12,500.0	51,288.1	10,000.0	735.0	16,580.0
2023 / 2024	29,007.3	11,301.2	40,308.5	0.0	0.0	0.0	0.0	0.0	12,500.0	38,788.1	10,000.0	735.0	17,073.5
2024 / 2025	30,469.6	10,177.3	40,646.9	0.0	0.0	0.0	0.0	0.0	12,500.0	26,288.1	10,000.0	735.0	17,411.9
2025 / 2026	30,000.0	10,000.0	40,000.0	0.0	0.0	0.0	0.0	0.0	5,000.0	21,288.1	10,000.0	735.0	24,265.0
2026 / 2027	30,000.0	10,000.0	40,000.0	0.0	0.0	0.0	0.0	0.0	5,000.0	16,288.1	10,000.0	735.0	24,265.0
2027 / 2028	30,000.0	10,000.0	40,000.0	0.0	0.0	0.0	0.0	0.0	5,000.0	11,288.1	10,000.0	735.0	24,265.0
2028 / 2029	30,000.0	10,000.0	40,000.0	0.0	0.0	0.0	0.0	0.0	5,000.0	6,288.1	10,000.0	735.0	24,265.0
2029 / 2030	30,000.0	10,000.0	40,000.0	0.0	0.0	0.0	0.0	0.0	5,000.0	1,288.1	10,000.0	735.0	24,265.0
758,858.2119,393.5878,251.736,359.64,273.10.00.0223,711.9175,000.0170,000.010,290.5258,616.9													
18A18B18C18D18E18F18G18H18I18J18K18L18M													

Notes:

¹ Original table format and content: WEI, Response to Condition Subsequent Number 7, November 2008. Table has since been revised as a result of the March 15, 2019 Court Order.

² Peace II Desalter Expansion was anticipated to have an annual production of approximately 10,000 AF.

³ 3,956.877 acre-feet + 316.177 acre-feet added as Non-Ag dedicated stored water per Paragraph 31 Settlement Agreements. Per Agreements, the water is deemed to have been dedicated as of June 30, 2007.

⁴ Six years of Desalter tracking (Production Year 2000-2001 through Production Year 2005/2006) may have incorrectly assumed that a significant portion of Desalter production was being offset by Desalter Induced Recharge. Condition Subsequent 7 included an adjustment of 29,070 AF against Desalter replenishment in Production Year 2008/2009.

⁵ Pursuant to section 7.2(e)(ii) of the Peace II Agreement, the initial schedule for the Peace II Desalter Expansion controlled overdraft of 175,000 acre-feet had been amended to be allocated to Desalter replenishment over a 17-year period, beginning in 2013/14 and ending in 2029/30.

⁶ For the first 10 years following the Peace II Agreement (2006/2007 through 2015/2016), the Non-Ag "10% Haircut" water is apportioned among the specific seven members of the Appropriative Pool, per PIIA 9.2(a). In the eleventh year and in each year thereafter, it is dedicated to Watermaster to further offset desalter replenishment. However, to the extent there is no remaining desalter replenishment obligation in any year after applying the offsets set forth in 6.2(a), it will be distributed pro rata among the members of the Appropriative Pool based upon each Producer's combined total share of OSY and the previous year's actual production

⁷ Per the Peace II Agreement, Section 6.2(b)(iii) (as amended by the March 15, 2019 Court Order), the Remaining Desalter Replenishment Obligation is to be assessed against the Appropriative Pool, pro-rata based on each Producer's combined total share of OSY and their Adjusted Physical Production.

⁸ Due to the Re-Operation Schedule amendments in 2019, the Pre-Peace II Controlled Overdraft is left with a balance of 1,288.054 AF, which may be utilized at a later date to offset a future Desalter Replenishment Obligation.



Assessment Year 2025-2026 (Production Year 2024-2025)

Desalter Replenishment Obligation Contribution

	Percent of Operating Safe Yield	Land Use Conversions	Percent of Land Use Conversions	85% DROC Based on % OSY	15% DROC Based on % of LUC	Total DRO Contribution
BlueTriton Brands, Inc.	0.000%	0.0	0.000%	0.0	0.0	0.0
CalMat Co. (Appropriative)	0.000%	0.0	0.000%	0.0	0.0	0.0
Chino Hills, City Of	3.851%	1,278.0	3.541%	327.3	53.1	380.5
Chino, City Of	7.357%	9,749.2	27.012%	625.3	405.2	1,030.5
Cucamonga Valley Water District	6.601%	598.4	1.658%	561.1	24.9	586.0
Fontana Union Water Company	11.657%	0.0	0.000%	990.8	0.0	990.8
Fontana Water Company	0.002%	834.0	2.311%	0.2	34.7	34.8
Fontana, City Of	0.000%	0.0	0.000%	0.0	0.0	0.0
Golden State Water Company	0.750%	0.0	0.000%	63.8	0.0	63.8
Jurupa Community Services District	3.759%	16,038.8	44.439%	319.5	666.6	986.1
Marygold Mutual Water Company	1.195%	0.0	0.000%	101.6	0.0	101.6
Monte Vista Irrigation Company	1.234%	0.0	0.000%	104.9	0.0	104.9
Monte Vista Water District	8.797%	105.6	0.293%	747.7	4.4	752.1
NCL Co, LLC	0.000%	0.0	0.000%	0.0	0.0	0.0
Niagara Bottling, LLC	0.000%	0.0	0.000%	0.0	0.0	0.0
Nicholson Family Trust	0.007%	0.0	0.000%	0.6	0.0	0.6
Norco, City Of	0.368%	0.0	0.000%	31.3	0.0	31.3
Ontario, City Of	20.742%	7,487.8	20.747%	1,763.1	311.2	2,074.3
Pomona, City Of	20.454%	0.0	0.000%	1,738.6	0.0	1,738.6
San Antonio Water Company	2.748%	0.0	0.000%	233.6	0.0	233.6
San Bernardino, County of (Shooting Park)	0.000%	0.0	0.000%	0.0	0.0	0.0
Santa Ana River Water Company	2.373%	0.0	0.000%	201.7	0.0	201.7
Upland, City Of	5.202%	0.0	0.000%	442.2	0.0	442.2
West End Consolidated Water Co	1.728%	0.0	0.000%	146.9	0.0	146.9
West Valley Water District	1.175%	0.0	0.000%	99.9	0.0	99.9
	100.000%	36,091.9	100.000%	8,500.0	1,500.0	10,000.0
	19A	19B	19C	19D	19E	19F

Notes:

Section 6.2(b)(ii) of the Peace II Agreement as the amendment is shown in the March 15, 2019 Court Order states: "The members of the Appropriative Pool will contribute a total of 10,000 afy toward Desalter replenishment, allocated among the Appropriative Pool members as follows: 1) 85% of the total (8,500 afy) will be allocated according to the Operating Safe Yield percentage of each Appropriative Pool members; and 2) 15% of the total (1,500 afy) will be allocated according to each land use conversion agency's percentage of the total land use conversion claims. The formula is to be adjusted annually based on the actual land use conversion allocations of the year."

	Assigned Share of Operating Safe Yield	CALCULATING THE ADJUSTED PHYSICAL PRODUCTION						ALLOCATING THE RDRO		
		Physical Production	50% of Voluntary Agreements with Ag	Assignments with Non-Ag	Storage and Recovery Programs	Other Adjustments	Total Adjusted Physical Production	Total Production and OSY Basis (20A+20G)	Percentage (20H) / Sum(20H)	Total Remaining Desalter Replenishment Obligation
BlueTriton Brands, Inc.	0.0	301.6	0.0	0.0	0.0	0.0	301.6	301.6	0.253%	44.0
CalMat Co. (Appropriative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.0
Chino Hills, City Of	1,572.5	1,500.0	(31.6)	0.0	0.0	0.0	1,468.4	3,040.9	2.548%	443.7
Chino, City Of	3,004.2	6,185.8	(890.6)	(66.4)	0.0	0.0	5,228.8	8,233.0	6.899%	1,201.3
Cucamonga Valley Water District	2,695.5	15,623.2	0.0	0.0	0.0	0.0	15,623.2	18,318.6	15.351%	2,672.9
Fontana Union Water Company	4,760.0	0.0	0.0	0.0	0.0	0.0	0.0	4,760.0	3.989%	694.5
Fontana Water Company	0.8	8,323.7	0.0	0.0	0.0	0.0	8,323.7	8,324.6	6.976%	1,214.7
Fontana, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.0
Golden State Water Company	306.3	938.4	0.0	0.0	0.0	0.0	938.4	1,244.7	1.043%	181.6
Jurupa Community Services District	1,535.0	11,056.5	0.0	(405.8)	0.0	(4.5)	10,646.2	12,181.1	10.208%	1,777.4
Marygold Mutual Water Company	488.0	639.4	0.0	0.0	0.0	0.0	639.4	1,127.3	0.945%	164.5
Monte Vista Irrigation Company	503.9	0.0	0.0	0.0	0.0	0.0	0.0	503.9	0.422%	73.5
Monte Vista Water District	3,592.2	3,614.4	(55.1)	(30.1)	3,769.4	(11.7)	7,286.9	10,879.1	9.117%	1,587.4
NCL Co, LLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.0
Niagara Bottling, LLC	0.0	1,338.1	0.0	0.0	0.0	0.0	1,338.1	1,338.1	1.121%	195.2
Nicholson Family Trust	2.9	0.0	0.0	0.0	0.0	0.0	0.0	2.9	0.002%	0.4
Norco, City Of	150.3	0.0	0.0	0.0	0.0	0.0	0.0	150.3	0.126%	21.9
Ontario, City Of	8,469.8	18,799.8	(2,734.0)	(1,331.0)	0.0	0.0	14,734.9	23,204.7	19.446%	3,385.9
Pomona, City Of	8,352.2	9,799.5	0.0	0.0	0.0	0.0	9,799.5	18,151.7	15.211%	2,648.6
San Antonio Water Company	1,122.1	816.4	0.0	0.0	0.0	0.0	816.4	1,938.5	1.624%	282.8
San Bernardino, County of (Shooting Park)	0.0	21.8	0.0	0.0	0.0	0.0	21.8	21.8	0.018%	3.2
Santa Ana River Water Company	969.0	0.0	0.0	0.0	0.0	39.8	39.8	1,008.8	0.845%	147.2
Upland, City Of	2,124.2	1,393.6	0.0	0.0	0.0	(104.0)	1,289.6	3,413.8	2.861%	498.1
West End Consolidated Water Co	705.6	0.0	0.0	0.0	0.0	0.0	0.0	705.6	0.591%	103.0
West Valley Water District	479.8	0.0	0.0	0.0	0.0	0.0	0.0	479.8	0.402%	70.0
40,834.0		80,352.2	(3,711.2)	(1,833.3)	3,769.4	(80.4)	78,496.5	119,330.6	100.000%	17,411.9
20A		20B	20C	20D	20E	20F	20G	20H	20I	20J

Notes:
Section 6.2(b)(iii) of the Peace II Agreement as the amendment is shown in the March 15, 2019 Court Order states: "A Replenishment Assessment against the Appropriative Pool for any remaining Desalter replenishment obligation after applying both 6(b)(i) and 6(b)(ii), allocated pro-rata to each Appropriative Pool member according to the combined total of the member's share of Operating Safe Yield and the member's Adjusted Physical Production."



Assessment Year 2025-2026 (Production Year 2024-2025)

Desalter Replenishment Summary

	Desalter Replenishment Obligation in AF			Total DRO Fulfillment Activity							Assessments	
	Desalter Replenishment Obligation Contribution	Remaining Desalter Replenishment Obligation	Total Desalter Replenishment Obligation	Transfer from Dedicated Replenishment Account	Transfer from Excess Carry Over Storage Account	Transfer from Recharged Recycled Storage Account	Transfer from Quantified Storage Account	Transfer from Post 7/1/2000 Storage Account	Replenishment Water Purchase	Total Transfers and Water Purchases	Residual DRO (AF)	Assessments Due On Residual DRO (\$)
BlueTriton Brands, Inc.	0.0	(44.0)	(44.0)	0.0	44.0	0.0	0.0	0.0	0.0	44.0	0.0	0.00
CalMat Co. (Appropriative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00
Chino Hills, City Of	(380.5)	(443.7)	(824.2)	0.0	0.0	824.2	0.0	0.0	0.0	824.2	0.0	0.00
Chino, City Of	(1,030.5)	(1,201.3)	(2,231.8)	0.0	2,231.8	0.0	0.0	0.0	0.0	2,231.8	0.0	0.00
Cucamonga Valley Water District	(586.0)	(2,672.9)	(3,258.9)	0.0	2,092.0	1,166.9	0.0	0.0	0.0	3,258.9	0.0	0.00
Fontana Union Water Company	(990.8)	(694.5)	(1,685.4)	1,685.4	0.0	0.0	0.0	0.0	0.0	1,685.4	0.0	0.00
Fontana Water Company	(34.8)	(1,214.7)	(1,249.5)	0.0	1,249.5	0.0	0.0	0.0	0.0	1,249.5	0.0	0.00
Fontana, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00
Golden State Water Company	(63.8)	(181.6)	(245.4)	0.0	0.0	0.0	245.4	0.0	0.0	245.4	0.0	0.00
Jurupa Community Services District	(986.1)	(1,777.4)	(2,763.5)	0.0	2,763.5	0.0	0.0	0.0	0.0	2,763.5	0.0	0.00
Marygold Mutual Water Company	(101.6)	(164.5)	(266.1)	0.0	266.1	0.0	0.0	0.0	0.0	266.1	0.0	0.00
Monte Vista Irrigation Company	(104.9)	(73.5)	(178.4)	0.0	178.4	0.0	0.0	0.0	0.0	178.4	0.0	0.00
Monte Vista Water District	(752.1)	(1,587.4)	(2,339.5)	1,578.5	761.0	0.0	0.0	0.0	0.0	2,339.5	0.0	0.00
NCL Co, LLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00
Niagara Bottling, LLC	0.0	(195.2)	(195.2)	0.0	195.2	0.0	0.0	0.0	0.0	195.2	0.0	0.00
Nicholson Family Trust	(0.6)	(0.4)	(1.0)	1.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.00
Norco, City Of	(31.3)	(21.9)	(53.2)	0.0	53.2	0.0	0.0	0.0	0.0	53.2	0.0	0.00
Ontario, City Of	(2,074.3)	(3,385.9)	(5,460.1)	2,197.6	3,262.6	0.0	0.0	0.0	0.0	5,460.1	0.0	0.00
Pomona, City Of	(1,738.6)	(2,648.6)	(4,387.2)	0.0	4,387.2	0.0	0.0	0.0	0.0	4,387.2	0.0	0.00
San Antonio Water Company	(233.6)	(282.8)	(516.4)	0.0	516.4	0.0	0.0	0.0	0.0	516.4	0.0	0.00
San Bernardino, County of (Shooting Park)	0.0	(3.2)	(3.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(3.2)	2,948.65
Santa Ana River Water Company	(201.7)	(147.2)	(348.9)	0.0	348.9	0.0	0.0	0.0	0.0	348.9	0.0	0.00
Upland, City Of	(442.2)	(498.1)	(940.3)	0.0	940.3	0.0	0.0	0.0	0.0	940.3	0.0	0.00
West End Consolidated Water Co	(146.9)	(103.0)	(249.8)	0.0	249.8	0.0	0.0	0.0	0.0	249.8	0.0	0.00
West Valley Water District	(99.9)	(70.0)	(169.9)	0.0	169.9	0.0	0.0	0.0	0.0	169.9	0.0	0.00
	(10,000.0)	(17,411.9)	(27,411.9)	5,462.5	19,709.8	1,991.1	245.4	0.0	0.0	27,408.7	(3.2)	2,948.65
	21A	21B	21C	21D	21E	21F	21G	21H	21I	21J	21K	21L

Notes:
1) City of Ontario (Non-Ag) dedicated 2,197.6 AF of Annual Share of Operating Safe Yield, to satisfy City of Ontario's 2025/26 DRO pursuant to an Exhibit "G" Section 10 Form A.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Calculation - Projected (Includes "10% Judgment Administration and 15% OBMP & Program Elements 1-9 Operating Reserves")

PRODUCTION BASIS

2023/2024 Production and Exchanges in Acre-Feet (Actuals)

2024/2025 Production and Exchanges in Acre-Feet (Actuals)¹

BUDGET

Judgment Administration ^{2,3}

OBMP & Program Elements 1-9 ²

Judgment Administration, OBMP & PE 1-9 Assessments

TOTAL BUDGET

Less: Budgeted Interest Income

Less: Contributions from Outside Agencies

Subtotal: CASH DEMAND

Less: Cash Balance on Hand Available for Assessments ⁴

FUNDS REQUIRED TO BE ASSESSED

Proposed Assessments

Judgment Administration, OBMP & PE 1-9 Assessments (Minimum \$5.00 Per Producer)

Grand Total

Prior Year Assessments, (Actuals) Information Only

Grand Total

Variance Between Proposed Assessments and Prior Year Assessments

Grand Total

Estimated Assessment as of "Approved" Budget May 22, 2025, Information Only

Grand Total

FY 2024/25 Budget ⁵	FY 2025/26 Budget	ASSESSMENT	APPROPRIATIVE POOL		AGRICULTURAL POOL		NON-AG POOL							
		77,415.609	56,820.238	73.396%	17,716.582	22.885%	2,878.789	3.719%						
		96,228.646	74,785.356	77.716%	18,184.178	18.897%	3,259.112	3.387%						
		\$3,321,620	\$3,643,139	\$3,643,139	Judgment Administration	OBMP & PE 1-9	Judgment Administration	OBMP & PE 1-9	Judgment Administration	OBMP & PE 1-9				
					\$2,831,313		\$688,438		\$123,387					
						\$4,613,083		\$1,121,679		\$201,036				
		\$6,408,960	\$5,935,798	\$5,935,798		\$4,613,083		\$688,438	\$1,121,679	\$123,387	\$201,036			
		\$9,730,580	\$9,578,937	\$9,578,937	\$2,831,313	\$4,613,083	\$688,438	\$1,121,679	\$123,387	\$201,036				
				\$9,578,937	\$2,831,313	\$4,613,083	\$688,438	\$1,121,679	\$123,387	\$201,036				
(\$478,500)	(\$368,030)	(\$368,030)		(\$286,019)		(\$69,546)		(\$12,465)						
(\$191,070)	(\$195,850)	(\$195,850)		(\$152,207)		(\$37,009)		(\$6,633)						
\$9,061,010	\$9,015,057	\$9,015,057	\$2,831,313	\$4,174,856	\$688,438	\$1,015,123	\$123,387	\$181,938						
(\$1,293,506)														
\$9,061,010	\$9,015,057	\$9,015,057	\$2,831,313	\$4,174,856	\$688,438	\$1,015,123	\$123,387	\$181,938						
[A] Per Acre-Foot														
			\$37.86	\$55.82	\$37.86	\$55.82	\$37.86	\$55.82						
				\$93.68		\$93.68		\$93.68						
			[B] Per Acre-Foot	\$42.91	\$74.14	\$42.91	\$74.14	\$42.91	\$74.14					
					\$117.05		\$117.05		\$117.05					
			[A] - [B]	(\$5.05)	(\$18.32)	(\$5.05)	(\$18.32)	(\$5.05)	(\$18.32)					
					(\$23.37)		(\$23.37)		(\$23.37)					
				\$39.34	\$57.02	\$39.34	\$57.02	\$39.34	\$57.02					
					\$96.36		\$96.36		\$96.36					

Notes:

¹ Due to the timing of when the Budget and the Assessment Package are prepared, actual production numbers on this page may differ from the Budget depending on any last minute corrections during the Assessment Package preparation process.

² Total costs are allocated to Pools by actual production percentages. Does not include Recharge Debt Payment, Recharge Improvement Projects, Replenishment Water Purchases, or RTS charges.

³ Judgment Administration excludes OAP, AP, and ONAP specific legal services, meeting compensation, or Special Funds. These items invoiced separately on the Assessment invoices.

⁴ June 30th fund balance (estimated) less funds required for Operating Reserves, Agricultural Pool Reserves, and Carryover replenishment obligations.

⁵ The previous fiscal year's budget numbers are from the previously approved Assessment Package and does not reflect numbers from any amended budget that may have followed.



Assessment Year 2025-2026 (Production Year 2024-2025)

Water Transaction Detail

Standard Transactions

To:	From:	Date of Submittal	Quantity	\$ / Acre Feet	Total \$	If 85/15 Rule Applies:		
						85%	15%	WM Pays
Cucamonga Valley Water District	Inland Empire Utilities Agency	6/30/2025	4,046.8	795.38	3,218,745.37	2,735,933.57	482,811.81	Cucamonga Valley Water District
	<i>Recharged Recycled Water Purchase</i>							
	Inland Empire Utilities Agency	6/30/2025	536.8	795.38	426,993.39			
	<i>Recharged Recycled Water Purchase</i>							
Fontana Water Company	Santa Ana River Water Company Annual Account	4/14/2025	1,000.0	684.00	684,000.00	581,400.00	102,600.00	Fontana Water Company
	Cucamonga Valley Water District Annual Account	4/22/2025	6,487.5	684.00	4,437,480.10	3,771,858.08	665,622.01	Fontana Water Company
	Cucamonga Valley Water District Annual Account	4/22/2025	1,012.5	684.00	692,519.90			
	Nicholson Family Trust Annual Account	4/25/2025	4.0	684.00	2,736.00			
	Jurupa Community Services District Storage Account	6/30/2025	788.0					
	<i>Sale Price Not Disclosed, 85/15 Rule Not Applied.</i>							
Golden State Water Company	Upland, City Of Annual Account	5/30/2025	379.5	684.00	259,583.47	220,645.95	38,937.52	Golden State Water Company
	Upland, City Of Annual Account	5/30/2025	20.5	684.00	14,016.53			
	West End Consolidated Water Co Annual Account	5/30/2025	66.4	49.00	3,253.60			
	<i>85/15 Rule Does Not Apply, Utilizing West End Shares</i>							
Upland, City Of	West End Consolidated Water Co Storage Account	5/29/2025	708.3	49.00	34,706.70			
	<i>85/15 Rule Does Not Apply, Utilizing West End Shares</i>							
			15,050.3		9,774,035.06	7,309,837.60	1,289,971.34	
			Total 15% Credits from all Transactions:				\$1,289,971.34	



Assessment Year 2025-2026 (Production Year 2024-2025)

Water Transaction Detail

Applied Recurring Transactions:

From:	To:	Quantity	\$ / Acre Feet	
Fontana Union Water Company Annual Account - Assigned Share of Operating Safe Yield	Cucamonga Valley Water District Annual Account - Transfer (To) / From	All	0.00	<i>Transfer FUWC Share of Safe Yield to CVWD.</i>
Fontana Union Water Company Annual Account - Stormwater New Yield	Cucamonga Valley Water District Annual Account - Transfer (To) / From	All	0.00	<i>Transfer FUWC New Yield to CVWD.</i>
Fontana Union Water Company Annual Account - Diff - Potential vs. Net	Cucamonga Valley Water District Annual Account - Transfer (To) / From	All	0.00	<i>Transfer FUWC Ag Pool Reallocation Difference (Potential vs. Net) to CVWD.</i>
Fontana Union Water Company Annual Account - Transfer (To) / From	Cucamonga Valley Water District Annual Account - Transfer (To) / From	All	0.00	<i>Transfer FUWC water transfer rights to CVWD.</i>
Fontana Union Water Company Annual Account - Assigned Rights	Cucamonga Valley Water District Annual Account - Assigned Rights	All	0.00	<i>Transfer FUWC water transfer rights to CVWD.</i>
Fontana Union Water Company Annual Account - Total AG SY Reallocation	Cucamonga Valley Water District Annual Account - Transfer (To) / From	All	0.00	<i>Transfer FUWC Total Ag SY to CVWD.</i>
Fontana Union Water Company Annual Account - Desalter Replenishment Obligation	Cucamonga Valley Water District Annual Account - Transfer (To) / From	All	0.00	<i>Transfer of FUWC DRO</i>

Notes:

- 1) The Water Transaction between Fontana Water Company and Cucamonga Valley Water District submitted on 4/22/2025 for the amount of 7,500 AF had been split because the amount purchased exceeds what is required to satisfy overproduction; the 85/15 Rule only applies to the portion that satisfies overproduction per the direction of the Appropriative Pool on November 2, 2011.
- 2) The Water Transaction between Golden State Water Company and City of Upland submitted on 5/30/2025 for the amount of 400 AF had been split because the amount purchased exceeds what is required to satisfy overproduction; the 85/15 Rule only applies to the portion that satisfies overproduction per the direction of the Appropriative Pool on November 2, 2011.
- 3) Cucamonga Valley Water District is utilizing their Recharged Recycled Water purchase of 4,583.6 AF (before evaporative loss) to replenish their production year 2024/25 overproduction. This transaction had been split because the amount purchased exceeds what is required to satisfy overproduction; the 85/15 Rule only applies to the portion that satisfies overproduction per the direction of the Appropriative Pool on November 2, 2011.



Assessment Year 2025-2026 (Production Year 2024-2025)

Analysis of the 85/15 Rule Application to Water Transfers

To	(Over)/Under Production Excluding Water Transfer(s)	From	Date of Submittal	Transfer Quantity	Is Buyer an 85/15 Party?	Is Transfer Being Placed into Annual Account?	Is Purpose of Transfer to Utilize SAWCO or West End Shares?	Amount of Transfer Eligible for 85/15 Rule
Cucamonga Valley Water District	(4,046.8)	Inland Empire Utilities Agency	6/30/2025	4,046.8	Yes	Yes	No	4,046.8
<i>Recharged Recycled Water Purchase</i>								
		Inland Empire Utilities Agency	6/30/2025	536.8	Yes	Yes	No	0.0
<i>Recharged Recycled Water Purchase</i>								
Fontana Water Company	(7,487.5)	Santa Ana River Water Company Annual Account	4/14/2025	1,000.0	Yes	Yes	No	1,000.0
		Cucamonga Valley Water District Annual Account	4/22/2025	6,487.5	Yes	Yes	No	6,487.5
		Cucamonga Valley Water District Annual Account	4/22/2025	1,012.5	Yes	Yes	No	0.0
		Nicholson Family Trust Annual Account	4/25/2025	4.0	Yes	Yes	No	0.0
		Jurupa Community Services District Storage Account	6/30/2025	788.0	Yes	Yes	No	0.0
<i>Sale Price Not Disclosed, 85/15 Rule Not Applied.</i>								
Golden State Water Company	(379.5)	Upland, City Of Annual Account	5/30/2025	379.5	Yes	Yes	No	379.5
		Upland, City Of Annual Account	5/30/2025	20.5	Yes	Yes	No	0.0
		West End Consolidated Water Co Annual Account	5/30/2025	66.4	Yes	Yes	Yes	0.0
<i>85/15 Rule Does Not Apply, Utilizing West End Shares</i>								
Upland, City Of	4,442.6	West End Consolidated Water Co Storage Account	5/29/2025	708.3	Yes	Yes	Yes	0.0
<i>85/15 Rule Does Not Apply, Utilizing West End Shares</i>								

Notes:

- 1) The Water Transaction between Fontana Water Company and Cucamonga Valley Water District submitted on 4/22/2025 for the amount of 7,500 AF had been split because the amount purchased exceeds what is required to satisfy overproduction; the 85/15 Rule only applies to the portion that satisfies overproduction per the direction of the Appropriative Pool on November 2, 2011.
- 2) The Water Transaction between Golden State Water Company and City of Upland submitted on 5/30/2025 for the amount of 400 AF had been split because the amount purchased exceeds what is required to satisfy overproduction; the 85/15 Rule only applies to the portion that satisfies overproduction per the direction of the Appropriative Pool on November 2, 2011.
- 3) Cucamonga Valley Water District is utilizing their Recharged Recycled Water purchase of 4,583.6 AF (before evaporative loss) to replenish their production year 2024/25 overproduction. This transaction had been split because the amount purchased exceeds what is required to satisfy overproduction; the 85/15 Rule only applies to the portion that satisfies overproduction per the direction of the Appropriative Pool on November 2, 2011.



Assessment Year 2025-2026 (Production Year 2024-2025)

Watermaster Replenishment Calculation

Cost of Replenishment Water per acre foot:

Watermaster Replenishment Cost	\$912.00
Projected Spreading - OCWD Connection Fee	\$2.00
Projected Spreading - Delivery Surcharge	\$15.00
Pre-purchased Credit	\$0.00
Total Replenishment Cost per acre foot (see footnote)	\$929.00

Replenishment Obligation:	AF @ \$929.00	15%	85%	Total
Appropriative - 100	0.0			\$0.00
Appropriative - 15/85	21.8	\$3,031.56	\$17,178.84	\$20,210.40
Non-Agricultural - 100	24.9			\$23,161.83
	46.7			\$43,372.22

Company	AF Production and Exchanges	85/15 Producers	Percent of Total 85/15 Producers	15% Replenishment Assessment	15% Water Transaction Debits
BlueTriton Brands, Inc.	301.6			-	-
CalMat Co. (Appropriative)	0.0			-	-
Chino Hills, City Of	1,436.8	1,436.8	2.291%	\$69.46	\$29,556.25
Chino, City Of	4,338.2	4,338.2	6.918%	\$209.73	\$89,243.98
Cucamonga Valley Water District	15,623.2	15,623.2	24.915%	\$755.30	\$321,391.26
Desalter Authority	40,646.9			-	-
Fontana Union Water Company	0.0	0.0	0.000%	-	-
Fontana Water Company	8,323.7	8,323.7	13.274%	\$402.41	\$171,231.79
Fontana, City Of	0.0			-	-
Golden State Water Company	938.4	938.4	1.497%	\$45.37	\$19,304.93
Jurupa Community Services District	10,646.2	10,646.2	16.978%	\$514.69	\$219,007.91
Marygold Mutual Water Company	639.4			-	-
Monte Vista Irrigation Company	0.0	0.0	0.000%	-	-
Monte Vista Water District	7,231.9	7,231.9	11.533%	\$349.62	\$148,769.85
NCL Co, LLC	0.0			-	-
Niagara Bottling, LLC	1,338.1			-	-
Nicholson Family Trust	0.0	0.0	0.000%	-	-
Norco, City Of	0.0	0.0	0.000%	-	-
Ontario, City Of	12,001.0	12,001.0	19.138%	\$580.19	\$246,877.49
Pomona, City Of	9,799.5			-	-
San Antonio Water Company	816.4	816.4	1.302%	\$39.47	\$16,793.59
San Bernardino, County of (Shooting Park)	21.8	21.8	0.035%	\$1.05	\$447.53
Santa Ana River Water Company	39.8	39.8	0.063%	\$1.92	\$818.21
Upland, City Of	1,289.6	1,289.6	2.057%	\$62.34	\$26,528.54
West End Consolidated Water Co	0.0	0.0	0.000%	-	-
West Valley Water District	0.0	0.0	0.000%	-	-
** Fee assessment total is 15% of Appropriative 15/85 replenishment obligation	115,432.2	62,706.8	**	\$3,031.55	\$1,289,971.33

Transfers to
8G

Transfers to
8K

Notes: The 2025 rate includes a \$15 delivery surcharge from Three Valleys Municipal Water District.



Assessment Year 2025-2026 (Production Year 2024-2025)

Readiness to Serve (RTS) Charges

Total Water Purchased: 6,912.9 AF Total RTS Charge: \$62,834.35 (\$9.09/AF)

Appropriative or Non-Agricultural Pool Party	FY 2016/2017 Water Purchases												FY 2017/2018 Water Purchase							TOTAL RTS CHARGES
	Purchased Water in AF							2015/16 Prod & Exch From 85/15 Producers		Year 8 RTS Charges			Purchased Water in AF		2016/17 Prod & Exch From 85/15 Producers		Year 7 RTS Charges			
	20160623		20161216	20170418	85/15 Breakdown															
	RO	DRO	DRO	RO	AF @ 100%	AF @ 85/15	AF Total	Acre-Feet	Percent	15% \$1.36	85% \$7.73	100% \$9.09	RO	DRO	Acre-Feet	Percent	15% \$1.36	85% \$7.73	100% \$9.09	
BlueTriton Brands, Inc.	1,135.3	8.9	4.0	335.7	1,483.8	0.0	1,483.8	0.0	0.000%	0.00	0.00	13,486.40	0.1	0.0	0.0	0.000%	0.00	0.00	0.82	13,487.22
CalMat Co. (Appropriative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Chino Hills, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,548.3	2.009%	1.32	0.00	0.00	0.0	0.0	2,152.0	3.002%	0.54	0.00	0.00	1.86
Chino, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	388.9	0.543%	0.10	0.00	0.00	0.10
Cucamonga Valley Water District	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20,534.7	26.648%	17.52	0.00	0.00	0.0	0.0	16,562.0	23.104%	4.17	0.00	0.00	21.69
Fontana Union Water Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Fontana Water Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15,317.2	19.877%	13.07	0.00	0.00	0.0	0.0	13,250.5	18.484%	3.34	0.00	0.00	16.41
Fontana, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Golden State Water Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	807.4	1.048%	0.69	0.00	0.00	0.0	0.0	850.3	1.186%	0.21	0.00	0.00	0.90
Jurupa Community Services District	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8,952.8	11.618%	7.64	0.00	0.00	0.0	0.0	11,023.2	15.377%	2.78	0.00	0.00	10.42
Marygold Mutual Water Company	78.7	51.9	20.3	0.0	150.9	0.0	150.9	0.0	0.000%	0.00	0.00	1,371.34	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	1,371.34
Monte Vista Irrigation Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Monte Vista Water District	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8,203.7	10.646%	7.00	0.00	0.00	0.0	0.0	6,865.0	9.577%	1.73	0.00	0.00	8.73
NCL Co, LLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Niagara Bottling, LLC	2,567.5	35.5	0.0	1,174.3	3,777.3	0.0	3,777.3	0.0	0.000%	0.00	0.00	34,333.59	946.1	0.0	0.0	0.000%	0.00	0.00	8,599.10	42,932.69
Nicholson Family Trust	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Norco, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Ontario, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18,053.8	23.429%	15.41	0.00	0.00	0.0	0.0	18,970.2	26.463%	4.78	0.00	0.00	20.18
Pomona, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
San Antonio Water Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,030.8	1.338%	0.88	0.00	0.00	0.0	0.0	537.7	0.750%	0.14	0.00	0.00	1.02
San Bernardino, County of (Shooting Park)	38.8	0.3	0.1	9.4	0.4	48.2	48.6	9.4	0.012%	0.01	372.65	3.62	13.2	0.8	13.0	0.018%	0.00	102.28	7.20	485.75
Santa Ana River Water Company	0.0	48.0	23.7	0.0	71.7	0.0	71.7	0.0	0.000%	0.00	0.00	651.56	0.0	118.7	0.0	0.000%	0.00	0.00	1,078.59	1,730.15
Upland, City Of	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,600.7	3.375%	2.22	0.00	0.00	0.0	0.0	1,071.9	1.495%	0.27	0.00	0.00	2.49
West End Consolidated Water Co	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
West Valley Water District	0.0	23.5	11.8	0.0	35.3	0.0	35.3	0.0	0.000%	0.00	0.00	320.41	0.0	58.8	0.0	0.000%	0.00	0.00	534.02	854.43
9W Halo Western OpCo L.P.	62.2	0.0	0.0	10.6	72.9	0.0	72.9	0.0	0.000%	0.00	0.00	662.37	3.0	0.0	0.0	0.000%	0.00	0.00	27.52	689.89
ANG II (Multi) LLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Aqua Capital Management LP	57.5	0.0	0.0	0.0	57.5	0.0	57.5	0.0	0.000%	0.00	0.00	522.38	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	522.38
California Speedway Corporation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
California Steel Industries, Inc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
CalMat Co.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
CCG Ontario, LLC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
City of Ontario (Non-Ag)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
County of San Bernardino (Non-Ag)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
General Electric Company	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.0	0.000%	0.00	0.00	0.55	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.55
Hamner Park Associates, a California Limited Partnershi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Linde Inc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Monte Vista Water District (Non-Ag)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
Riboli Family and San Antonio Winery, Inc.	28.8	0.0	0.0	4.0	32.8	0.0	32.8	0.0	0.000%	0.00	0.00	297.80	5.3	0.0	0.0	0.000%	0.00	0.00	47.84	345.63
Space Center Mira Loma, Inc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
TAMCO	19.8	0.0	0.0	16.5	36.4	0.0	36.4	0.0	0.000%	0.00	0.00	330.47	0.0	0.0	0.0	0.000%	0.00	0.00	0.04	330.51
West Venture Development Company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.0	0.0	0.0	0.000%	0.00	0.00	0.00	0.00
	3,988.7	168.0	59.9	1,550.5	5,718.8	48.2	5,767.0	77,058.9	100.0%	65.76	372.65	51,980.49	967.7	178.2	71,684.9	100.0%	18.05	102.28	10,295.13	62,834.34
	26A	26B	26C	26D	26E	26F	26G	26H	26I	26J	26K	26L	26M	26N	26O	26P	26Q	26R	26S	26T

Notes:
1) This year's RTS includes the eighth of ten annual RTS charges for water purchased in FY 2016/17, and seventh of ten annual RTS charges for water purchased in FY 2017/18.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package Notes

Page	Note
All (a)	A change in a Party's name will be reflected in the Assessment Package for the production year in which the name change occurred. For example, if a Party changed its name on June 30, 2025, it will be reflected in the FY 2025/2026 Assessment Package (for Production Year 2024/2025). Additionally, if a Party changed its name on July 1, 2025, it will be reflected in the FY 2026/2027 Assessment Package (for Production Year 2025/2026).
All (b)	To avoid the possibility of being mistakenly identified as one of other similarly named organizations, the Chino Basin Desalter Authority is referred to as Desalter Authority.
pg01	"Agricultural Total Pool Production" includes Voluntary Agreements between Appropriators and Agricultural Pool Parties.
pg02-07	ANG II (Multi) LLC temporarily leased their rights to 9W Halo Western OpCo L.P. (as successor to Angelica) beginning on March 2010 through January 2030.
pg04 (a)	Transfers in Column [4E] include the annual transfer of 10% of the Non-Ag Safe Yield to be utilized to offset the overall Desalter Replenishment Obligation in accordance with the Peace II Agreement Section 6.2, and also the Exhibit "G" physical solution.
pg04 (b)	Column [4H], "Actual Fiscal Year Production," includes physical production and Assignments between Appropriators and Non-Ag Pool Parties.
pg04 (c)	"Net Over Production" does not include evaporative loss. Additional water will be purchased in order to adequately cover evaporative losses. The rates are 1.5% from November through March, 4.2% from April through October.
pg05 (a)	Hydraulic Control was achieved on February 1, 2016. Pursuant to Paragraph 7.4(b) of the Peace II Agreement, Storage Loss is now calculated at 0.07%.
pg05 (b)	When applicable, Column [5C] includes the Exhibit "G" physical solution transfers to the Appropriative Pool.
pg06	Transfers in Column [6C] is the annual transfer of 10 percent of the Non-Ag Safe Yield to be utilized to offset the overall Desalter Replenishment Obligation in accordance with the Peace II Agreement Section 6.2.
pg07 (a)	The financial Outstanding Obligations are reconciled on pages 7.1 and 17.1.
pg07 (b)	Fund Balance is maintained on a spreadsheet by Watermaster.
pg07 (c)	Outstanding Obligation (\$) is calculated by multiplying Outstanding Obligation (AF) by the current rate, reduced by the Fund Balance (\$).
pg07 (d)	Fund Balance is the money collected by Watermaster, Outstanding Obligation (\$) is the money owed by the Parties or credited to the Parties.
pg08 (a)	Recharge Debt Payment expenses [8O] and Recharge Improvement Project expenses [8P] are each allocated on % OSY, based on the approved budget.
pg08 (b)	Pursuant to Paragraph 5.4(b) of the Peace Agreement, the City of Pomona shall be allowed a credit of up to \$2 million against OBMP Assessments through 2030. This equates to \$66,667 per year. TVMWD elected to discontinue payment of the "Pomona Credit," effective FY 2012/2013. It is now paid by the Appropriative Pool Parties, allocated on % OSY (Column [8N]).
pg09 (a)	Other Adjustments [9D] include water provided to another Appropriator, pump-to-waste that has been captured in a recharge basin (as verified by IEUA), and other miscellaneous recharge / injection of native water.
pg09 (b)	Evaporative Losses will be applied to recharged water from Pump-to-Waste activities beginning in October 2017. (Evaporative Loss Rates: 1.5% Nov - Mar; 4.2% Apr - Oct)
pg10 (a)	The Restated Judgment allowed an accumulated overdraft of 200,000 AF over 40 years. The total Operating Safe Yield is now 40,834 AF, allocated by percentage of Operating Safe Yield.
pg10 (b)	Column [10I], "Actual Fiscal Year Production," includes physical production, Voluntary Agreements, Assignments, and, if applicable, other adjustments. A detailed breakdown can be found on Page 9.1.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package Notes

Page	Note
pg10 (c)	"Net Over Production" does not include evaporative loss. Additional water will be purchased in order to adequately cover evaporative losses. The rates are 1.5% from November through March, 4.2% from April through October.
pg11 (a)	The Assessment Package database is set up so that all water must go through the Party Annual Accounts on the way to or from ECO Storage Accounts, and through the ECO Storage Accounts on the way to or from Supplemental Storage Accounts (does not apply to water dedicated to offset the Desalter Replenishment Obligation).
pg11 (b)	Column [11C] includes transfers to the Desalter Replenishment Obligation.
pg12 (a)	The Assessment Package database is set up so that all water must go through the Party Annual Accounts on the way to or from ECO Storage Accounts, and through the ECO Storage Accounts on the way to or from Supplemental Storage Accounts (does not apply to water dedicated to offset the Desalter Replenishment Obligation).
pg12 (b)	Columns [12C], [12H], and [12M] include transfers to the Desalter Replenishment Obligation.
pg12 (c)	The first 3,000 AF of City of Fontana's recharged recycled water transfers to the City of Ontario, and all of the City of Montclair's recharged recycled water transfers to MVWD.
pg13 (a)	"Re-Operation Offset: Pre-Peace II Desalters" had an original beginning balance of 225,000.000 AF. The 29,070 AF correction required by Condition Subsequent 7 is included. (See Page 18.1)
pg13 (b)	"Re-Operation Offset: Peace II Expansion" had an original beginning balance of 175,000.000 AF. It will now be allocated to Desalter replenishment over a 17-year period, beginning in 2013/14 and ending in 2029/30, according to a schedule. (See Page 18.1)
pg13 (c)	There is no loss assessed on the native Basin water allocated to offset Desalter production as a result of Basin Reoperation as approved in the Peace II Agreement.
pg13 (d)	"Non-Ag Dedication" was used in a prior Assessment Package to indicate the Paragraph 31 Settlement Agreements Dedication.
pg13 (e)	The "Non-Ag" OBMP Special Assessment", also referred to as the "10% Haircut", will indicate the movement of water when it is being utilized to further offset the Desalter Replenishment Obligation. See [18L] on Page 18.1.
pg13 (f)	Columns [13C] and [13D] under "Dedicated Replenishment" include transfers of water from an Annual Account to DRO, including Party to Party transfers such as those executed with the Exhibit "G" Form A.
pg14	Transfers in Column [14A] include annual water transfers/leases between Appropriators and/or from Appropriators to Watermaster for replenishment purposes, and also the Exhibit "G" physical solution transfers from the Non-Ag Pool.
pg15 (a)	Most of the remaining eligible parcels for Land Use Conversion are within the Conversion Area 1 boundary.
pg15 (b)	"Unlikely to Convert Parcels" regardless of eligibility are not likely to convert due to pre-existing land use. Eligibility will be determined on a case by case basis.
pg16	Beginning with the 2015/16 Assessment Package, the Agricultural Pool Safe Yield Reallocation is now being calculated with a new formula in accordance with the March 15, 2019 Court Order.
pg17 (a)	The financial Outstanding Obligations are reconciled on pages 7.1 and 17.1.
pg17 (b)	Fund Balance is maintained on a spreadsheet by Watermaster.
pg17 (c)	Outstanding Obligation is calculated by multiplying Outstanding Obligation (AF) by the current rate, reduced by the Fund Balance.
pg17 (d)	Fund Balance is the money collected by Watermaster, Outstanding Obligation (\$) is the money owed by the Parties or credited to the Parties.
pg21 (a)	Any balance in a Dedicated Replenishment Account is utilized first to satisfy new or carried over Desalter Replenishment Obligation beginning with the fiscal year such water was made available. The balance, if any, can be found on page 13.1.

**Assessment Year 2025-2026 (Production Year 2024-2025)****Assessment Package Notes**

Page	Note
pg21 (b)	Due to an agreement between CVWD and FUWC, all of FUWC's rights are automatically transferred to CVWD. A recurring transaction was created so that a portion of that water gets returned to FUWC to satisfy their share of DRO.
pg22	The table on this page is a replica of the table found in the Watermaster Budget.
pg24	The column titled "(Over)/Under Production Excluding Water Transfer(s)" excludes Exhibit "G" water sales and water transfers between Appropriators and to Watermaster (if any). ([10B] + [10C] + [10D] + [10E] + [14B] - [10K])
pg25 (a)	The "15% Water Transaction Debits" total is the "Total 15% Credits from all Transaction" from Page 23.1.
pg25 (b)	"Replenishment Obligation" does not include evaporative loss. Additional water will be purchased in order to adequately cover evaporative losses. The rates are 1.5% from November through March, 4.2% from April through October.
pg26 (a)	Beginning with fiscal year 2016/17, water purchased through the IEUA will be charged with an annual RTS fee over a ten year period commencing two years after the initial purchase. This fee will vary year to year based on a ten-year rolling average.
pg26 (b)	RTS will be allocated based on the total RTS charge for the year and not on the calculated cost per acre-foot.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title	Description
2A	AF Production	Actual fiscal year production by each Party. Copied from [4H].
2B	Non-Agricultural Pool - AF/Admin	Production [2A] <times> per acre-foot Admin fee.
2C	Non-Agricultural Pool - AF/OBMP	Production [2A] <times> per acre-foot OBMP fee.
2D	Replenishment Assessments - AF Exceeding Annual Right	Over-production for each Party beyond their annual production right. Copied from [4I].
2E	Replenishment Assessments - \$929 Per AF	Amount overproduced [2D] <times> the current replenishment rate.
2F	CURO Adjustment	Monetary amount needed (or to be credited) for each Party's Cumulative Unmet Replenishment Obligation (CURO). Calculated on Page 7.1.
2G	RTS Charges	Annual Readiness to Serve charges for water purchased in prior years.
2H	Other Adjustments	Used as necessary for any other monetary adjustments needed to the Assessment Package.
2I	Total Assessments Due	Total fees assessed based on Party production. [2B] + [2C] + [2E] + [2F] + [2G] + [2H].
3A	Physical Production	Fiscal year physical production by each Party.
3B	Assignments	Total of water received from an Appropriator by each Party.
3C	Other Adjustments	Any other adjustments that result in off-set of the fiscal year's production.
3D	Actual FY Production (Assmnt Pkg Column 4H)	Total adjusted production for the fiscal year. Also known as Assessable Production. [3A] + [3B] + [3C].
4A	Percent of Safe Yield	The Party's yearly percentage of Safe Yield.
4B	Carryover Beginning Balance	The beginning balance in each Annual Account. This number carries forward from the ending balance in the previous period Assessment Package.
4C	Prior Year Adjustments	This number reflects the adjusted production rights from a previous Assessment Package, in the event that corrections are needed.
4D	Assigned Share of Safe Yield (AF)	The Party's yearly volume of Safe Yield.
4E	Water Transaction Activity	Total of one-time water transfers between Parties for this period, including the annual transfer of 10 percent of the Non-Ag Safe Yield to be utilized to offset the overall Desalter Replenishment Obligation, as stated in the Peace II Agreement, and Exhibit "G" physical solution transfers to the Appropriative Pool.
4F	Other Adjustments	This number reflects adjusted production rights, in the event that corrections are needed.
4G	Annual Production Right	Current Year Production Right. [4B] + [4C] + [4D] + [4E] + [4F].



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title Description
4H	Actual Fiscal Year Production Fiscal year production, including Assignments, from CBWM's production system (as verified by each Party on their Water Activity Report). Also known as Assessable Production.
4I	Net Over Production Over-production, if any, for each Party beyond their annual production right. $[4H] < \text{minus} > [4G]$, equaling more than zero.
4J	Under Production Balances - Total Under-Produced Production rights $[4G] < \text{minus} >$ production $[4H]$, equaling more than zero.
4K	Under Production Balances - Carryover: Next Year Begin Bal Either total under-produced $[4J]$ or share of Safe Yield $[4D]$, whichever is less.
4L	Under Production Balances - To Excess Carryover Account Total under-produced $[4J] < \text{minus} >$ Carryover to next year $[4K]$, equaling more than zero.
5A	Local Excess Carry Over Storage Account (ECO) - Beginning Balance The beginning balance in each ECO account. This number will carry forward from the ending balance in the previous period Assessment Package.
5B	Local Excess Carry Over Storage Account (ECO) - 0.07% Storage Loss Beginning balance $[5A] < \text{times} > -0.0007$.
5C	Local Excess Carry Over Storage Account (ECO) - Transfers To / (From) Total of water transferred to and from the ECO Account.
5D	Local Excess Carry Over Storage Account (ECO) - From Under-Production Total of water transferred from the Annual Account due to under production. Copied from $[4L]$.
5E	Local Excess Carry Over Storage Account (ECO) - Ending Balance The current balance in each ECO account. $[5A] + [5B] + [5C] + [5D]$.
5F	Local Supplemental Storage Account - Beginning Balance The beginning balance in each Supplemental Account. This number will carry forward from the ending balance in the previous period Assessment Package.
5G	Local Supplemental Storage Account - 0.07% Storage Loss Beginning balance $[5F] < \text{times} > -0.0007$.
5H	Local Supplemental Storage Account - Transfers To / (From) Total of water transferred to and from the Annual and/or ECO Account.
5I	Local Supplemental Storage Account - Ending Balance The current balance in each Supplemental Account. $[5F] + [5G] + [5H]$.
5J	Combined - Ending Balance The combined amount in all local storage accounts. $[5E] + [5I]$.
6A	Percent of Safe Yield The Party's yearly percentage of Operating Safe Yield.
6B	Assigned Share of Safe Yield (AF) The Party's yearly volume of Operating Safe Yield.
6C	Water Transactions - 10% of Operating Safe Yield ("Haircut") Operating Safe Yield $[6B] < \text{times} > -0.1$.
6D	Water Transactions - Transfers (To) / From ECO Account Total of water transferred between the Annual Account and ECO Account.
6E	Water Transactions - General Transfers / Exhibit G Water Sales Total of water transfers between Parties for this period including Exhibit G Water Sales.
6F	Water Transactions - Total Water Transactions Total water transactions. $[6C] + [6D] + [6E]$. This column is used to populate $[4E]$.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title Description
7A	Outstanding Obligation (AF) The amount of obligation carried over from prior Assessment Package(s) that were not met due to various reason, including but not limited to MWD not having replenishment water available to purchase.
7B	Fund Balance (\$) The amount of money collected or owed for replenishment assessments from prior Assessment Package(s).
7C	Outstanding Obligation (\$) The amount of money that each Party owes or is credited based on current replenishment rate. $[7A] \times [CURRENT RATE] - [7B]$.
8A	AF Production and Exchanges Total production and exchanges. Copied from [10K].
8B	Appropriative Pool - AF/Admin Production and Exchanges [8A] $\times$ per acre-foot Admin fee.
8C	Appropriative Pool - AF/OBMP Production and Exchanges [8A] $\times$ per acre-foot OBMP fee.
8D	Ag Pool SY Reallocation - AF Total Reallocation Reallocation of Ag Pool Safe Yield. Copied from [10E] and [16E].
8E	Ag Pool SY Reallocation - AF/Admin Party Ag Pool reallocation [8D] $\div$ Total Ag Pool Reallocation [8D Total] $\times$ total dollar amount needed for Ag Pool Administration.
8F	Ag Pool SY Reallocation - AF/OBMP Party Ag Pool reallocation [8D] $\div$ Total Ag Pool Reallocation [8D Total] $\times$ total dollar amount needed for Ag Pool OBMP.
8G	Replenishment Assessments - AF/15% For Parties participating in the 85/15 Rule: Percentage of total 85/15 participant production $\times$ required credit amount. Copied from Page 25.1.
8H	Replenishment Assessments - AF/85% For parties participating in the 85/15 Rule: Total volume overproduced [10L] $\times$ 85% of the replenishment rate.
8I	Replenishment Assessments - AF/100% For parties not participating in the 85/15 Rule: Total volume overproduced [10M] $\times$ 100% of the replenishment rate.
8J	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. Total to be credited copied from Page 23.1.
8K	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. Copied from Page 25.1.
8L	CURO Adjustment Monetary amount needed (or to be credited) for each Party's Cumulative Unmet Replenishment Obligation (CURO). Calculated on Page 17.1.
8M	ASSESSMENTS DUE - Total Production Based Total fees assessed based on Party production. $[8B] + [8C] + [8E] + [8F] + [8G] + [8H] + [8I] + [8J] + [8K] + [8L]$.
8N	ASSESSMENTS DUE - Pomona Credit Debit amount to Pomona $\times -1 \times$ percent share of Operating Safe Yield [10A].
8O	ASSESSMENTS DUE - Recharge Debt Payment Total recharge debt payment $\times$ percent share of Operating Safe Yield [10A].
8P	ASSESSMENTS DUE - Recharge Improvement Project Total Recharge Improvement Project $\times$ Percent Share of Operating Safe Yield [10A].



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title	Description
8Q	ASSESSMENTS DUE - RTS Charges	Annual Readiness to Serve charges for water purchased in prior years. Copied from [26T].
8R	ASSESSMENTS DUE - Other Adjustments	Used as necessary for any other monetary adjustments needed to the Assessment Package.
8S	ASSESSMENTS DUE - DRO	Total assessments due for Desalter Replenishment. Copied from [21L].
8T	ASSESSMENTS DUE - Total Due	Total assessments. [8M] + [8N] + [8O] + [8P] + [8Q] + [8R] + [8S].
9A	Physical Production	Fiscal year physical production by each Party.
9B	Voluntary Agreements (w/ Ag)	Total of water provided to Agricultural Pool Parties.
9C	Assignments (w / Non-Ag)	Total of water provided to Non-Agricultural Pool Parties.
9D	Other Adjustments	Total of water received from, or provided to, another Appropriator. Also includes production off-sets.
9E	Actual FY Production (Assmnt Pkg Column 10I)	Total adjusted production for the fiscal year. [9A] + [9B] + [9C] + [9D].
10A	Percent of Operating Safe Yield	The Party's yearly percentage of Operating Safe Yield.
10B	Carryover Beginning Balance	The beginning balance in each Annual Account. This number carries forward from the ending balance in the previous period Assessment Package.
10C	Prior Year Adjustments	This number reflects the adjusted production rights from a previous Assessment Package, in the event that corrections are needed.
10D	Assigned Share of Operating Safe Yield	The Party's yearly volume of Operating Safe Yield.
10E	Net Ag Pool Reallocation	Reallocation of Ag Pool Safe Yield. Copied from [16E]. The calculations that lead to this are made on Page 16.1.
10F	Water Transaction Activity	Water transactions. Copied from [14E]. The calculations that lead to this are made on Page 14.1.
10G	Other Adjustments	This number reflects adjusted production rights, in the event that corrections are needed.
10H	Annual Production Right	Current Year Production Right. [10B] + [10C] + [10D] + [10E] + [10F] + [10G].
10I	Actual Fiscal Year Production	Fiscal year production, including Assignments and Voluntary Agreements, from CBWM's production system (as verified by each Party on their Water Activity Report). Includes a sub note subtracting Desalter production.
10J	Storage and Recover 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). A DYY in-lieu "put" is shown as a positive number and a DYY "take" is shown as a negative number.
10K	Total Production and Exchanges	Actual production [10I] <plus> Storage and Recovery exchanges [10J]. Includes a sub note subtracting Desalter production. Also known as Assessable Production.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title Description
10L	Net Over-Production - 85/15% For 85/15 Rule participants: Production rights [10H] <minus> total production and exchanges [10K], equaling less than zero.
10M	Net Over-Production - 100% For non-85/15 Rule participants: Production rights [10H] <minus> total production and exchanges [10K], equaling less than zero. Includes a sub note subtracting Desalter production.
10N	Under Production Balances - Total Under-Produced Production rights [10H] <minus> total production and exchanges [10K], equaling more than zero.
10O	Under Production Balances - Carryover: Next Year Begin Bal Either total under-produced [10N] or share of Operating Safe Yield [10D], whichever is less.
10P	Under Production Balances - To Excess Carryover Account Total under produced [10N] <minus> Carryover to next year [10O], equaling more than zero.
11A	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.
11B	Excess Carry Over Account (ECO) - 0.07% Storage Loss Beginning balance [11A] <times> -0.0007.
11C	Excess Carry Over Account (ECO) - Transfers To / (From) Total of water transferred to and from ECO and the Annual Account. Also includes Desalter Replenishment Obligation transfers.
11D	Excess Carry Over Account (ECO) - From Supplemental Storage Total of water transferred to and from Local Supplemental Storage accounts, as shown on Page 12.1.
11E	Excess Carry Over Account (ECO) - From Under-Production Total of water transferred from the Annual Account due to under production. Copied from [10P].
11F	Excess Carry Over Account (ECO) - Ending Balance The current balance in each ECO account. [11A] + [11B] + [11C] + [11D] + [11E].
12A	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.
12B	Recharged Recycled Account - 0.07% Storage Loss Beginning balance [12A] <times> -0.0007.
12C	Recharged Recycled Account - Transfers To / (From) Total recharged recycled water credited to each Party for the year, as provided by IEUA. Also includes Desalter Replenishment Obligation transfers.
12D	Recharged Recycled Account - Transfer to ECO Account Total of water transferred to the ECO Account, as shown on Page 11.1.
12E	Recharged Recycled Account - Ending Balance The current balance in each Recharged Recycled account. [12A] + [12B] + [12C] + [12D].
12F	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.
12G	Quantified (Pre 7/1/2000) Account - 0.07% Storage Loss Beginning balance [12F] <times> -0.0007.
12H	Quantified (Pre 7/1/2000) Account - Transfers To / (From) Total of water transferred to and from the Annual Account. Also includes Desalter Replenishment Obligation transfers.
12I	Quantified (Pre 7/1/2000) Account - Transfer to ECO Account Total of water transferred to the ECO Account, as shown on Page 11.1.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title Description
12J	Quantified (Pre 7/1/2000) Account - Ending Balance The current balance in each Quantified Supplemental account. [12F] + [12G] + [12H] + [12I].
12K	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.
12L	New (Post 7/1/2000) Account - 0.07% Storage Loss Beginning balance [12K] $\times$ -0.0007.
12M	New (Post 7/1/2000) Account - Transfers To / (From) Total of water transferred to and from the Annual Account. Also includes Desalter Replenishment Obligation transfers.
12N	New (Post 7/1/2000) Account - Transfer to ECO Account Total of water transferred to the ECO Account, as shown on Page 11.1.
12O	New (Post 7/1/2000) Account - Ending Balance The current balance in each New Supplemental Account. [12K] + [12L] + [12M] + [12N].
12P	Combined - Ending Balance The combined amount in all supplemental storage accounts [12E] + [12J] + [12O].
13A	Dedicated Replenishment - Beginning Balance The beginning balances in each Dedicated Replenishment account. These numbers carry forward from the ending balances in the previous period Assessment Package.
13B	Dedicated Replenishment - Water Purchases Where applicable, the total of water purchased by each Dedicated Replenishment account.
13C	Dedicated Replenishment - Transfers To Where applicable, the total of water transferred to each Dedicated Replenishment account. Includes transfers from Exhibit "G" Section 10 Form A, and transfers from the Annual Account.
13D	Dedicated Replenishment - Transfers From Total of water transferred from each Dedicated Replenishment account. The inverse amounts in this column goes to column [21D] on page 21.1.
13E	Dedicated Replenishment - Ending Balance The current balances in each Dedicated Replenishment account. [13A] + [13B] + [13C] + [13D].
13F	Storage and Recovery - Beginning Balance The beginning balance in the Storage and Recovery (DYY) Account. This number carries forward from the ending balance in the previous period Assessment Package.
13G	Storage and Recovery - Storage Loss Beginning balance [13F] $\times$ -0.0007.
13H	Storage and Recovery - MWD "Puts" Total of water transferred to the Storage and Recovery Account ("puts").
13I	Storage and Recovery - In-Lieu "Puts" / (Takes) Total of water transferred from the Storage and Recovery Account ("takes").
13J	Storage and Recovery - Ending Balance The current balance in the Storage and Recovery Account. [13F] + [13G] + [13H] + [13I].
14A	Water Transactions - Assigned Rights Total of assigned transactions for this period, including annual water transfers/leases between Appropriators and/or from Appropriators to Watermaster for replenishment purposes, and also the Exhibit "G" physical solution transfers from the Non-Ag Pool.
14B	Water Transactions - General Transfer Total of water transfers between Parties for this period.
14C	Water Transactions - Transfers (To) / From ECO Account Total of water transferred between the Annual Account and ECO Account.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title	Description
14D	Water Transactions - Transfers (To) Desalter Replenishment	Total of water transferred from the Annual Account to the Desalter Replenishment Account.
14E	Water Transactions - Total Water Transactions	Total water transactions. [14A] + [14B] + [14C] + [14D]. This column is used to populate [10F].
15A	Prior Conversion	Prior Land Use Conversion in acre-feet.
15B	Conversion @ 1.3 af/ac - Acres	Converted parcels in acres at 1.3 acre-feet per acre.
15C	Conversion @ 1.3 af/ac - Acre-Feet	Converted parcels in acre-feet at 1.3 acre-feet per acre. [15B] <times> 1.3.
15D	Total Prior to Peace Agrmt Converted AF	Total Land Use Conversion in acre-feet prior to the Peace Agreement. [15A] + [15C].
15E	Conversion @ 2.0 af/ac - Acres	Converted parcels in acres at 2.0 acre-feet per acre.
15F	Conversion @ 2.0 af/ac - Acre-Feet	Converted parcels in acre-feet at 2.0 acre-feet per acre. [15E] <times> 2.0.
15G	Total Land Use Conversion Acre-Feet	Total Land Use Conversion in acre-feet for each Party. [15D] + [15F].
16A	% Share of Operating Safe Yield	The Party's yearly percentage of Operating Safe Yield. Copied from [10A].
16B	Reallocation of Agricultural Pool Safe Yield - Safe Yield Reduction	The Party's percent share of Operating Safe Yield [16A] multiplied by 9,000.
16C	Reallocation of Agricultural Pool Safe Yield - Land Use Conversions	Total land use conversions claimed on Page 15.1 (as verified by each Party on their Water Activity Report). Copied from [15G].
16D	Reallocation of Agricultural Pool Safe Yield - Early Transfer	The remaining Agricultural Pool Safe Yield (82,800 <minus> Agricultural Pool Production <minus> Safe Yield Reduction <minus> Land Use Conversion) multiplied by percent share of Operating Safe Yield [16A].
16E	Reallocation of Agricultural Pool Safe Yield - Total Ag Pool Reallocation	Each Party's Agricultural Pool Reallocation. [16B] + [16C] + [16D]. This column is used to populate [10E].
17A	Outstanding Obligation (AF)	The amount of obligation carried over from prior Assessment Package(s) that were not met due to various reasons, including but not limited to MWD not having replenishment water available to purchase.
17B	Fund Balance (\$)	The amount of money collected or owed for replenishment assessments from prior Assessment Packages(s).
17C	Outstanding Obligation (\$)	The amount of money that each Party owes or is credited based on current replenishment rate. [17A] <times> [CURRENT RATE] <minus> [17B].
17D	AF Production and Exchanges	Each Party's total production and exchanges. Copied from [10K].
17E	85/15 Producers	The total production and exchanges of 85/15 Producers only.
17F	Percent	The percentage of each 85/15 Producer's total production and exchanges [17E] divided by the sum of [17E].



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title Description
17G	15% If an 85/15 Producer, then the 85/15 Producers' total Outstanding Obligation (\$) at 15%, multiplied by their production and exchanges percentage. [17C] total of 85/15 Producers <times> 15% <times> [17F].
17H	85% If an 85/15 Producer, then the Outstanding Obligation (\$) at 85%.
17I	100% If not an 85/15 Producer, then the Outstanding Obligation (\$) at 100%.
17J	Total The total CURO for the year. [17G] + [17H] + [17I].
18A	Desalter Production - Pre-Peace II Desalter Production Production from the Pre-Peace II Desalter Wells.
18B	Desalter Production - Peace II Desalter Expansion Production Production from the Peace II Desalter Expansion Wells.
18C	Desalter Production - Total The combined production from all Desalter Wells. [18A] + [18B].
18D	Desalter Replenishment - Desalter (aka Kaiser) Account PIIA, 6.2 (a)(i) Credit applied to the total Desalter Production from the Kaiser account.
18E	Desalter Replenishment - Paragraph 31 Settlement Agreements Dedication PIIA, 6.2(a)(ii) Credit applied to the total Desalter Production from "dedication of water from the Overlying (Non-Agricultural) Pool Storage Account or from any contribution arising from an annual authorized Physical Solution Transfer in accordance with amended Exhibit G.
18F	Desalter Replenishment - "Leave Behind" Losses PIIA, 6.2(a)(iv) Credit applied to the total Desalter Production from "any declared losses from storage in excess of actual losses enforced as a "Leave Behind"".
18G	Desalter Replenishment - Safe Yield Contributed by Parties PIIA, 6.2(a)(v) Credit applied to the total Desalter Production from "Safe Yield that may be contributed by the parties."
18H	Desalter Replenishment - Controlled Overdraft / Re-Op, PIIA, 6.2(a)(vi) - Allocation to Pre-Peace II Desalters The 225,000 AF portion of the 400,000 AF Controlled Overdraft that was originally allocated to the Pre-Peace II Desalter production.
18I	Desalter Replenishment - Controlled Overdraft / Re-Op, PIIA, 6.2(a)(vi) - Allocation to All Desalters The 175,000 AF portion of the 400,000 AF Controlled Overdraft that was originally allocated to the Peace II Desalter Expansion production but is now allocated to all Desalter production per set schedule.
18J	Desalter Replenishment - Controlled Overdraft / Re-Op, PIIA, 6.2(a)(vi) - Balance The remaining balance of the 400,000 AF Controlled Overdraft.
18K	Desalter Replenishment - Appropriate Pool DRO Contribution PIIA, 6.2(b)(ii) The 10,000 AF contribution to the Desalter Replenishment Obligation by the Appropriate Pool.
18L	Desalter Replenishment - Non-Ag OBMP Assessment (10% Haircut) PIIA, 6.2(b)(i) The 10% of the Non-Agricultural Pool Safe Yield used to offset the total Desalter Replenishment Obligation beginning with production year 2016/2017.
18M	Remaining Desalter Replenishment Obligation PIIA, 6.2(b)(iii) Total Desalter Production minus Desalter Replenishment. [18C] - [18D] - [18E] - [18F] - [18G] - [18H] - [18I] - [18K] - [18L].
19A	Percent of Operating Safe Yield The Party's yearly percentage of Operating Safe Yield. Copied from [10A].
19B	Land Use Conversions Total Land Use Conversion in acre-feet for each Party. Copied from [15G].
19C	Percent of Land Use Conversions Each Party's pro rata share of Land Use Conversions [19B] from the total of [19B].



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title Description
19D	85% DROC Based on Percent OSY Each Party's share of the 10,000 AF Desalter Replenishment Obligation based on OSY. $10,000 \times 0.85 \times [19A]$.
19E	15% DROC Based on Percent of LUC Each Party's share of the 10,000 AF Desalter Replenishment Obligation based on Percent of Land Use Conversions. $10,000 \times 0.15 \times [19C]$.
19F	Total Desalter Replenishment Each Party's share of the 10,000 AF Desalter Replenishment Obligation. $[19D] + [19E]$.
20A	Assigned Share of Operating Safe Yield The Party's yearly volume of Operating Safe Yield. Copied from [10D].
20B	Physical Production Adjustment Calculation - Physical Production Fiscal year physical production by each Party. Copied from [9A].
20C	Physical Production Adjustment Calculation - 50% of Voluntary Agreements with Ag Total of water provided to Agricultural Pool Parties multiplied by 50%. $[9B] \times 0.50$.
20D	Physical Production Adjustment Calculation - Assignments with Non-Ag Total of water provided to Non-Agricultural Pool Parties. Copied from [9C].
20E	Physical Production Adjustment Calculation - Storage and Recovery Programs 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). Copied from [10J].
20F	Physical Production Adjustment Calculation - Other Adjustments Total of water received from, or provided to, another Appropriator. Also includes production off-sets. Copied from [9D] but does not include production adjustments to prevent a negative annual production to a Party.
20G	Physical Production Adjustment Calculation - Total Adjusted Production Each Party's Adjusted Physical Production. $[20B] + [20C] + [20D] + [20E] + [20F]$.
20H	RDRO Calculation - Total Production and OSY Basis The sum of each Party's Adjusted Physical Production and Assigned Share of Operating Safe Yield. $[20A] + [20G]$.
20I	RDRO Calculation - Percentage The percentage of each Party's Adjusted Physical Production and Assigned Share of Operating Safe Yield basis. $[20H]$ divided by the sum of $[20H]$.
20J	RDRO Calculation - Individual Party RDRO Each Party's pro rata share of the Remaining Desalter Replenishment Obligation. $[20I] \times \text{Total RDRO}$.
21A	Desalter Replenishment Obligation in AF - Desalter Replenishment Obligation Contribution (DROC) Each Party's share of the 10,000 AF Desalter Replenishment Obligation Contribution. Copied from [19F].
21B	Desalter Replenishment Obligation in AF - Remaining Desalter Replenishment Obligation (RDRO) Each Party's pro rata share of the Remaining Desalter Replenishment Obligation. Copied from [20J].
21C	Desalter Replenishment Obligation in AF - Total Desalter Replenishment Obligation The sum of Desalter Replenishment Obligation Contribution, and Remaining Desalter Replenishment Obligation. $[21A] + [21B]$.
21D	Total DRO Fulfillment Activity - Transfer from Dedicated Replenishment Account Total of water transferred from Desalter Dedicated Replenishment Account to satisfy the desalter replenishment obligation.
21E	Total DRO Fulfillment Activity - Transfer from Excess Carry Over Storage Account Total of water transferred from Excess Carry Over Storage Account to satisfy the desalter replenishment obligation.
21F	Total DRO Fulfillment Activity - Transfer from Recharged Recycled Storage Account Total of water transferred from Recharged Recycle Storage Account to satisfy the desalter replenishment obligation.
21G	Total DRO Fulfillment Activity - Transfer from Quantified Storage Account Total of water transferred from Quantified Storage Account to satisfy the desalter replenishment obligation.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title	Description
21H	Total DRO Fulfillment Activity - Transfer from Post 7/1/2000 Storage Account	Total of water transferred from Post 7/1/2000 Storage Account to satisfy the desalter replenishment obligation.
21I	Total DRO Fulfillment Activity - Replenishment Water Purchase	Total of water purchased to satisfy the desalter replenishment obligation.
21J	Total DRO Fulfillment Activity - Total Transfers and Water Purchases	The sum of all transfers and purchases to satisfy the desalter replenishment obligation. [21D] + [21E] + [21F] + [21G] + [21H] + [21I].
21K	Assessments - Residual DRO (AF)	Total residual Desalter Replenishment Obligation after transfers and purchases. [21C] + [21J].
21L	Assessments - Assessments Due On Residual DRO (\$)	Total assessments due for Desalter Replenishment. [21K] $\times$ [Current Replenishment Rate]. This column is used to populate [8S].
26A	FY 2016/2017 Water Purchases - Purchased Water in AF - 20160623 - RO	The amount of water purchased to satisfy the accumulated replenishment obligation through the end of production year 2014/15. Water was delivered in October 2016.
26B	FY 2016/2017 Water Purchases - Purchased Water in AF - 20160623 - DRO	The amount of water purchased to be used towards the Desalter Replenishment Obligation. Water was delivered in October 2016.
26C	FY 2016/2017 Water Purchases - Purchased Water in AF - 20161216 - DRO	The amount of water purchased to be used towards the Desalter Replenishment Obligation. Water was delivered in December 2016.
26D	FY 2016/2017 Water Purchases - Purchased Water in AF - 20170418 - RO	The amount of water purchased to satisfy production year 2015/16 replenishment obligation. Water was delivered in April 2018.
26E	FY 2016/2017 Water Purchases - Purchased Water in AF - 85/15 Breakdown - AF @ 100%	The amount of water purchased subject to 100% RTS rate. This applies to: DRO water; RO water of non-85/15 Pool 3 producers; and RO water of Pool 2 producers. 1) Pool 3, 85/15 Ineligible: [26A] + [26B] + [26C] + [26D]. 2) Pool 3, 85/15 Eligible: [26B] + [26C]. 3) Pool 2: [26A] + [26D].
26F	FY 2016/2017 Water Purchases - Purchased Water in AF - 85/15 Breakdown - AF @ 85/15	The amount of water purchased subject to the 85/15 Rule. This applies to RO water of 85/15 Pool 3 producers. 1) Pool 3, 85/15 Eligible: [26A] + [26D].
26G	FY 2016/2017 Water Purchases - Purchased Water in AF - 85/15 Breakdown - AF Total	Total water purchased by each Appropriative Pool or Non-Agricultural Pool Party. [26E] + [26F].
26H	FY 2016/2017 Water Purchases - 2015/16 Prod & Exch From 85/15 Producers - Acre-Feet	Total production and exchanges of 85/15 Producers from fiscal year 2015/16. This is the basis of the 85/15 Rule for water purchased in fiscal year 2016/17.
26I	FY 2016/2017 Water Purchases - 2015/16 Prod & Exch From 85/15 Producers - Percent	The percentage of each 85/15 Producer's total production and exchanges. [26H] divided by the sum of [26H].
26J	FY 2016/2017 Water Purchases - Year 7 RTS Charges - 15%	If an 85/15 Producer, then each 85/15 Producer's share of the total RTS charge of 85/15 eligible water. "Total RTS Charge" $\div$ "Total Water Purchased" $\times$ 0.15 $\times$ [26F] Total $\times$ [26I].
26K	FY 2016/2017 Water Purchases - Year 7 RTS Charges - 85%	If an 85/15 Producer, then their RTS charge of 85/15 eligible water at 85%. "Total RTS Charge" $\div$ "Total Water Purchased" $\times$ [26F] $\times$ 0.85.
26L	FY 2016/2017 Water Purchases - Year 7 RTS Charges - 100%	RTS charge on all water not subject to the 85/15 Rule. "Total RTS Charge" $\div$ "Total Water Purchased" $\times$ [26E].
26M	FY 2017/2018 Water Purchase - Purchased Water in AF - 20171211 - RO	The amount of water purchased to satisfy replenishment obligations through the end of production year 2014/15. Water was delivered in December 2017.



Assessment Year 2025-2026 (Production Year 2024-2025)

Assessment Package References and Definitions

Column	Title	Description
26N	FY 2017/2018 Water Purchase - Purchased Water in AF - 20171211 - DRO	The amount of water purchased to be used towards the Desalter Replenishment Obligation. Water was delivered in December 2017.
26O	FY 2017/2018 Water Purchase - 2016/17 Prod & Exch From 85/15 Producers - Acre-Feet	Total production and exchanges of 85/15 Producers from fiscal year 2016/17. This is the basis of the 85/15 Rule for water purchased in fiscal year 2017/18.
26P	FY 2017/2018 Water Purchase - 2016/17 Prod & Exch From 85/15 Producers - Percent	The percentage of each 85/15 Producer's total production and exchanges. [26O] divided by the sum of [26O].
26Q	FY 2017/2018 Water Purchase - Year 6 RTS Charges - 15%	If an 85/15 Producer, then each 85/15 Producer's share of the total RTS charge of 85/15 eligible water in [26M].
26R	FY 2017/2018 Water Purchase - Year 6 RTS Charges - 85%	If an 85/15 Producer, then their RTS charge of 85/15 eligible water in [26M] at 85%.
26S	FY 2017/2018 Water Purchase - Year 6 RTS Charges - 100%	RTS charge on all water in {26N} and water not subject to the 85/15 Rule in [26M].
26T	TOTAL RTS CHARGES	Total RTS Charge. [26J] + [26K] + [26L] + [26Q] + [26R] + [26S].

Exhibit B

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN BERNARDINO

CHINO BASIN MUNICIPAL WATER
DISTRICT,

Plaintiff,

No. RCV 51010¹

v.

CITY OF CHINO, et al.

Defendants

RESTATED JUDGMENT

¹ Original Judgment signed January 27, 1978, Case # 164327 by Judge Howard B. Weiner. File transferred August 1989, by order of the Court and assigned new case number RCV 51010.

JUDGMENT
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CHINO BASIN MUNICIPAL WATER
DISTRICT,

Plaintiff,

v.

CITY OF CHINO, et al.

Defendants

No. RCV 51010²

JUDGMENT

I. INTRODUCTION

1. Pleadings, Parties and Jurisdiction. The complaint herein was filed on January 2, 1975, seeking an adjudication of water rights, injunctive relief and the imposition of a physical solution. A first amended complaint was filed on July 16, 1976. The defaults of certain defendants have been entered, and certain other defendants dismissed. Other than defendants who have been dismissed or whose defaults have been entered, all defendants have appeared herein. By answers and order of this Court,

² Original Judgment signed January 27, 1978, Case # 164327 by Judge Howard B. Weiner. File transferred August 1989, by order of the Court and assigned new case number RCV 51010.

1 the issues have been made those of a full inter se adjudication between the parties. This Court has
2 jurisdiction of the subject matter of this action and of the parties herein.

3 2. Stipulation For Judgment. Stipulation for entry of judgment has been filed by and on
4 behalf of a majority of the parties, representing a majority of the quantitative rights herein adjudicated.

5 3. Trial; Findings and Conclusions. Trial was commenced on December 16, 1977, as to the
6 non-stipulating parties, and findings of fact and conclusions of law have been entered disposing of the
7 issues in the case.

8 4. Definitions. As used in this Judgment, the following terms shall have the meanings
9 herein set forth:

10 (a) Active Parties. All parties other than those who have filed with Watermaster a
11 written waiver of service of notices, pursuant to Paragraph 58.

12 (b) Annual or Year -- A fiscal year, July 1 through June 30, following, unless the
13 context shall clearly indicate a contrary meaning.

14 (c) Appropriative Right -- The annual production right of a producer from the Chino
15 Basin other than pursuant to an overlying right.

16 (d) Basin Water -- Ground water within Chino Basin which is part of the Safe Yield,
17 Operating Safe Yield, or replenishment water in the Basin as a result of operations under the
18 Physical Solution decreed herein. Said term does not include Stored Water.

19 (e) CBMWD -- Plaintiff Chino Basin Municipal Water District.

20 (f) Chino Basin or Basin -- The ground water basin underlying the area shown as
21 such on Exhibit "B" and within the boundaries described in Exhibit "K".

22 (g) Chino Basin Watershed -- The surface drainage area tributary to and overlying
23 Chino Basin.

24 (h) Ground Water -- Water beneath the surface of the ground and within the zone of
25 saturation, i.e., below the existing water table.
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1 (i) Ground Water Basin -- An area underlain by one or more permeable formations
2 capable of furnishing substantial water storage.

3 (j) Minimal Producer -- Any producer whose production does not exceed **ten** acre-
4 feet per year.³

5 (k) MWD -- The Metropolitan Water District of Southern California.

6 (l) Operating Safe Yield -- The annual amount of ground water which Watermaster
7 shall determine, pursuant to criteria specified in Exhibit "I", can be produced from Chino Basin by
8 the Appropriative Pool parties free of replenishment obligation under the Physical Solution herein.

9 (m) Overdraft -- A condition wherein the total annual production from the Basin
10 exceeds the Safe Yield thereof.

11 (n) Overlying Right -- The appurtenant right of an owner of lands overlying Chino
12 Basin to produce water from the Basin for overlying beneficial use on such lands.

13 (o) Person. -- Any individual, partnership, association, corporation, governmental
14 entity or agency, or other organization.

15 (p) PVMWD -- Defendant Pomona Valley Municipal Water District.

16 (q) Produce or Produced -- To pump or extract ground water from Chino Basin.

17 (r) Producer -- Any person who produces water from Chino Basin.

18 (s) Production -- Annual quantity, stated in acre feet, of water produced.

19 (t) Public Hearing -- A hearing after notice to all parties and to any other person
20 legally entitled to notice.

21 (u) Reclaimed Water -- Water which, as a result of processing of waste water, is
22 suitable for a controlled use.

23 (v) Replenishment Water -- Supplemental water used to recharge the Basin
24 pursuant to the Physical Solution, either directly by percolating the water into the Basin or
25

26
27 ³ Order dated September 27, 2001.
28

1 indirectly by delivering the water for use in lieu of production and use of safe yield or Operating
2 Safe Yield.

3 (w) Responsible Party — The owner, co-owner, lessee or other person designated by
4 multiple parties interested in a well as the person responsible for purposes of filing reports
5 hereunder.

6 (x) Safe Yield — The long-term average annual quantity of ground water (excluding
7 replenishment or stored water but including return flow to the Basin from use of replenishment or
8 stored water) which can be produced from the Basin under cultural conditions of a particular year
9 without causing an undesirable result.

10 (y) SBVMWD — San Bernardino Valley Municipal Water District.

11 (z) State Water — Supplemental Water imported through the State Water Resources
12 Development System, pursuant to Chapter 8, Division 6, Part 6 of the Water Code.

13 (aa) Stored Water — Supplemental water held in storage, as a result of direct
14 spreading, in lieu delivery, or otherwise, for subsequent withdrawal and use pursuant to
15 agreement with Watermaster.

16 (bb) Supplemental Water — Includes both water imported to Chino Basin from outside
17 Chino Basin Watershed, and reclaimed water.

18 (cc) WMWD — Defendant Western Municipal Water District of Riverside County.

19 5. List of Exhibits. The following exhibits are attached to this Judgment and made a part
20 hereof:
21

22 "A" -- "Location Map of Chino Basin" showing boundaries of Chino Basin Municipal Water
23 District, and other geographic and political features of Chino Basin.

24 "B" -- "Hydrologic Map of Chino Basin" showing hydrologic features of Chino Basin.

25 "C" – Table Showing Parties in Overlying (Agricultural) Pool.

26 "D" – Table Showing Parties in Overlying (Non-agricultural Pool and Their Rights.

27 "E" – Table Showing Appropriators and Their Rights.
28

1 "F" -- Overlying (Agricultural) Pool Pooling Plan.

2 "G" -- Overlying (Non-agricultural) Pool Pooling Plan.

3 "H" -- Appropriative Pool Pooling Plan.

4 "I" -- Engineering Appendix.

5 "J" -- Map of In Lieu Area No. 1.

6 "K" -- Legal Description of Chino Basin.

7
8 II. DECLARATION OF RIGHTS

9
10 A. HYDROLOGY

11
12 6. Safe Yield. The Safe Yield of Chino Basin is 140,000 acre feet per year.

13 7. Overdraft and Prescriptive Circumstances. In each year for a period in excess of five
14 years prior to filing of the First Amended Complaint herein, the Safe Yield of the Basin has been
15 exceeded by the annual production therefrom, and Chino Basin is and has been for more than five years
16 in a continuous state of over draft. The production constituting said overdraft has been open, notorious,
17 continuous, adverse, hostile and under claim of right. The circumstances of said overdraft have given
18 notice to all parties of the adverse nature of such aggregate over-production.

19 B. WATER RIGHTS IN SAFE YIELD

20
21 8. Overlying Rights. The parties listed in Exhibits "C" and "D", are the owners or in
22 possession of lands which overlie Chino Basin. As such, said parties have exercised overlying water
23 rights in Chino Basin. All overlying rights owned or exercised by parties listed in Exhibits "C" and "D",
24 have, in the aggregate, been limited by prescription except to the extent such rights have been preserved
25 by self-help by said parties. Aggregate preserved overlying rights in the Safe Yield for agricultural pool
26 use, including the rights of the State of California, total 82,800 acre feet per year. Overlying rights for
27 non-agricultural pool use total 7,366 acre feet per year and are individually decreed for each affected
28

1 party in Exhibit "D". No portion of the Safe Yield of Chino Basin exists to satisfy unexercised overlying
2 rights, and such rights have all been lost by prescription. However, uses may be made of Basin Water on
3 overlying lands which have no preserved overlying rights pursuant to the Physical Solution herein. All
4 overlying rights are appurtenant to the land and cannot be assigned or conveyed separate or apart
5 therefrom ***for the term of the Peace Agreement except that the members of the Overlying (Non-***
6 ***Agricultural) Pool shall have the right to Transfer or lease their quantified Production rights (i)***
7 ***within the Overlying (Non-Agricultural) Pool; (ii) to Watermaster in conformance with the***
8 ***procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000;***
9 ***or (iii) in accordance with the Overlying (Non-Agricultural) Pool Pooling Plan set forth in Exhibit***
10 ***"G."***⁴

11 9. Appropriative Rights. The parties listed in Exhibit "E" are the owners of appropriative
12 rights, including rights by prescription, in the unadjusted amounts therein set forth, and by reason thereof
13 are entitled under the Physical Solution to share in the remaining Safe Yield, after satisfaction of overlying
14 rights and rights of the State of California, and in the Operating Safe Yield in Chino Basin, in the annual
15 shares set forth in Exhibit "E".

16 (a) Loss of Priorities. By reason of the long continued overdraft in Chino Basin, and
17 in light of the complexity of determining appropriative priorities and the need for conserving and
18 making maximum beneficial use of the water resources of the State, each and all of the parties
19 listed in Exhibit "E" are estopped and barred from asserting special priorities or preferences, inter
20 se. All of said appropriative rights are accordingly deemed and considered of equal priority.

21 (b) Nature and Quantity. All rights listed in Exhibit "E" are appropriative and
22 prescriptive in nature. By reason of the status of the parties, and the provisions of Section 1007
23 of the Civil Code, said rights are immune from reduction or limitation by prescription.
24

25
26
27 ⁴ Order dated September 28, 2000 and Order dated April 19, 2001 further modified by Order dated December 21, 2007.
28

1 10. Rights of the State of California. The State of California, by and through its Department
2 of Corrections, Youth Authority and Department of Fish and Game, is a significant producer of ground
3 water from and the State is the largest owner of land overlying Chino Basin. The precise nature and
4 scope of the claims and rights of the State need not be, and are not, defined herein. The State, through
5 said departments, has accepted the Physical Solution herein decreed, in the interests of implementing the
6 mandate of Section 2 of Article X of the California Constitution. For all purposes of this Judgment, all
7 future production by the State or its departments or agencies for overlying use on State-owned lands shall
8 be considered as agricultural pool use.

9
10 C. RIGHTS TO AVAILABLE GROUND WATER STORAGE CAPACITY

11 11. Available Ground Water Storage Capacity. There exists in Chino Basin a substantial
12 amount of available ground water storage capacity which is not utilized for storage or regulation of Basin
13 Waters. Said reservoir capacity can appropriately be utilized for storage and conjunctive use of
14 supplemental water with Basin Waters. It is essential that said reservoir capacity utilization for storage
15 and conjunctive use of supplemental water be undertaken only under Watermaster control and regulation,
16 in order to protect the integrity of both such Stored Water and Basin Water in storage and the Safe Yield
17 of Chino Basin.

18
19 12. Utilization of Available Ground Water Capacity. Any person or public entity, whether a
20 party to this action or not, may make reasonable beneficial use of the available ground water storage
21 capacity of Chino Basin for storage of supplemental water; provided that no such use shall be made
22 except pursuant to written agreement with Watermaster, as authorized by Paragraph 28. In the allocation
23 of such storage capacity, the needs and requirements of lands overlying Chino Basin and the owners of
24 rights in the Safe Yield or Operating Safe Yield of the Basin shall have priority and preference over
25 storage for export.

1 III. INJUNCTION

2 13. Injunction Against Unauthorized Production of Basin Water. Each party in each of the
3 respective pools is enjoined, as follows:
4

5 (a) Overlying Agricultural Pool. Each party in the Overlying (Agricultural) Pool, its
6 officers, agents, employees, successors and assigns, is and they each are ENJOINED AND
7 RESTRAINED from producing ground water from Chino Basin in any year hereafter in excess of
8 such party's correlative share of the aggregate of 82,800 acre feet allocated to said Pool, except
9 pursuant to the Physical Solution or a storage water agreement.

10 (b) Overlying Non-Agricultural Pool. Each party in the Overlying Non-Agricultural
11 Pool, its officers, agents, employees, successors and assigns, is and they each are ENJOINED
12 AND RESTRAINED from producing ground water of Chino Basin in any year hereafter in excess
13 of such party's decreed rights in the Safe Yield, except pursuant to the provisions of the Physical
14 Solution or a storage water agreement.

15 (c) Appropriative Pool. Each party in the Appropriative Pool, its officers, agents,
16 employees, successors and assigns, is and they are each ENJOINED AND RESTRAINED from
17 producing ground water of Chino Basin in any year hereafter in excess of such party's decreed
18 share of Operating Safe Yield, except pursuant to the provisions of the Physical Solution or a
19 storage water agreement.
20

21 14. Injunction Against Unauthorized Storage or Withdrawal of Stored Water. Each party, its
22 officers, agents, employees, successors and assigns is and they each are ENJOINED AND
23 RESTRAINED from storing supplemental water in Chino Basin for withdrawal, or causing withdrawal of,
24 water stored by that party, except pursuant to the terms of a written agreement with Watermaster and in
25 accordance with Watermaster regulations. Any supplemental water stored or recharged in the Basin,
26 except pursuant to such a Watermaster agreement, shall be deemed abandoned and not classified as
27 Stored Water. This paragraph has no application, as such, to supplemental water spread or provided in
28 lieu by Watermaster pursuant to the Physical Solution.

1 IV. CONTINUING JURISDICTION

2 15. Continuing Jurisdiction. Full jurisdiction, power and authority are retained and reserved
3 to the Court as to all matters contained in this judgment, except:
4

5 (a) The redetermination of Safe Yield, as set forth in Paragraph 6, during the first ten
6 (10) years of operation of the Physical Solution;

7 (b) The allocation of Safe Yield as between the several pools as set forth in
8 Paragraph 44 of the Physical Solution;

9 (c) The determination of specific quantitative rights and shares in the declared Safe
10 Yield or Operating Safe Yield herein declared in Exhibits "D" and "E"; and
11

12 (d) The amendment or modification of Paragraphs 7 (a) and (b) of Exhibit "H", during
13 the first ten (10) years of operation of the Physical Solution, and thereafter only upon affirmative
14 recommendation of at least 67% of the voting power (determined pursuant to the formula
15 described in Paragraph 3 of Exhibit "H"), but not less than one-third of the members of the
16 Appropriative Pool Committee representatives of parties who produce water within IEUA or
17 WMWD; after said tenth year the formula set forth in said Paragraph 7 (a) and 7 (b) of Exhibit "H"
18 for payment of the costs of replenishment water may be changed to 100% gross or net, or any
19 percentage split thereof, but only in response to recommendation to the Court by affirmative vote
20 of at least 67% of said voting power of the Appropriative Pool representatives of parties who
21 produce ground water within IEUA or WMWD, but not less than one-third of their number. In
22 such event, the Court shall act in conformance with such recommendation unless there are
23 compelling reasons to the contrary; and provided, further, that the fact that the allocation of Safe
24 Yield or Operating Safe Yield shares may be rendered moot by a recommended change in the
25 formula for replenishment assessments shall not be deemed to be such a "compelling reason."
26
27
28

1 Said continuing jurisdiction is provided for the purpose of enabling the Court, upon application of any
2 party, the Watermaster, the Advisory Committee or any Pool Committee, by motion and, upon at least 30
3 days' notice thereof, and after hearing thereon, to make such further or supplemental orders or directions
4 as may be necessary or appropriate for interpretation, enforcement or carrying out of this Judgment, and
5 to modify, amend or amplify any of the provisions of this Judgment.

6 V. WATERMASTER

7 A. APPOINTMENT

8
9
10 16. Watermaster Appointment. CBMWD, acting by and through a majority of its board of
11 directors, is hereby appointed Watermaster, to administer and enforce the provisions of this Judgment
12 and any subsequent instructions or orders of the Court hereunder. The term of appointment of
13 Watermaster shall be for five (5) years. The Court will by subsequent orders provide for successive terms
14 or for a successor Watermaster. Watermaster may be changed at any time by subsequent order of the
15 Court, on its own motion, or on the motion of any party after notice and hearing. Unless there are
16 compelling reasons to the contrary, the Court shall act in conformance with a motion requesting the
17 Watermaster be changed if such motion is supported by a majority of the voting power of the Advisory
18 Committee.

19 B. POWERS AND DUTIES

20
21 17. Powers and Duties. Subject to the continuing supervision and control of the Court,
22 Watermaster shall have and may exercise the express powers, and shall perform the duties, as provided
23 in this Judgment or hereafter ordered or authorized by the Court in the exercise of the Court's continuing
24 jurisdiction.

18. Rules and Regulations.⁵

(a) Upon recommendation by the Advisory Committee, Watermaster shall make and adopt, after public hearing, appropriate rules and regulations for conduct of Watermaster affairs, including, meeting schedules and procedures, and compensation of members of Watermaster. Thereafter, Watermaster may amend the rules from time to time upon recommendation, or with approval of the Advisory Committee after hearing noticed to active parties, except that compensation of Watermaster members shall be subject to Court Approval. A copy of the rules and regulations, and of amendments, shall be mailed to each active party.

(b) Under the rules, Watermaster members shall be paid up to \$125 for each day's attendance at meetings at the direction of the board, not to exceed eight meetings in each month. Compensation shall not be paid for junkets or attendance at conferences, seminars, or retreats at locations other than Watermaster headquarters. Members shall not be compensated for more than one meeting each day.

(c) Under the rules, Watermaster members may be reimbursed for reasonable and necessary travel, meals, lodging and registration expenses incurred on Watermaster business. Mileage shall not be paid for travel to or from Watermaster meetings unless the individual must travel more than 50 miles per month. The Watermaster's budget shall include an appropriation for expense reimbursement. The Watermaster shall file a report on the expense reimbursement with the court as part of the Annual Report. The Report shall disclose total expense reimbursements and single expenditures for items of \$125.00 or more.

19. Acquisition of Facilities. Watermaster may purchase, lease, acquire and hold all necessary facilities and equipment; provided, that it is not the intent of the Court that Watermaster acquire any interest in real property or substantial capital assets.

⁵ Order dated March 31, 1999.

1 20. Employment of Experts and Agents. Watermaster may employ or retain such
2 administrative, engineering, geologic, accounting, legal or other specialized personnel and consultants as
3 may be deemed appropriate in the carrying out of its powers and shall require appropriate bonds from all
4 officers and employees handling Watermaster funds. Watermaster shall maintain records for purposes of
5 allocation of costs of such services as well as of all other expenses of Watermaster administration as
6 between the several pools established by the Physical Solution.

7
8 21. Measuring Devices. Watermaster shall cause parties, pursuant to uniform rules, to install
9 and maintain in good operating condition, at the cost of each party, such necessary measuring devices or
10 meters as Watermaster may deem appropriate. Such measuring devices shall be inspected and tested
11 as deemed necessary by Watermaster, and the cost thereof shall constitute an expense of Watermaster.

12 22. Assessments. Watermaster is empowered to levy and collect all assessments provided
13 for in the pooling plans and Physical Solution.

14
15 23. Investment of Funds. Watermaster may hold and invest any and all Watermaster funds
16 in investments authorized from time to time for public agencies of the State of California.

17 24. Borrowing. Watermaster may borrow from time to time amounts not exceeding the
18 annual anticipated receipts of Watermaster during such year.

19
20 25. Contracts. Watermaster may enter into contracts for the performance of any powers
21 herein granted; provided, however, that Watermaster may not contract with or purchase materials,
22 supplies or services from IEUA, except upon the prior recommendation and approval of the Advisory
23 Committee and pursuant to written order of the Court.

24 26. Cooperation With Other Agencies. Subject to prior recommendation or approval of the
25 Advisory Committee, Watermaster may act jointly or cooperate with agencies of the United States and the
26 State of California or any political subdivisions, municipalities or districts or any person to the end that the
27 purpose of the Physical Solution may be fully and economically carried out.
28

1 27. Studies. Watermaster may, with concurrence of the Advisory Committee or affected Pool
2 Committee and in accordance with Paragraph 54 (b), undertake relevant studies of hydrologic conditions,
3 both quantitative and qualitative, and operating aspects of implementation of the management program
4 for Chino Basin.

5 28. Ground Water Storage Agreements. Watermaster shall adopt, with the approval of the
6 Advisory Committee, uniformly applicable rules and a standard form of agreement for storage of
7 supplemental water, pursuant to criteria therefore set forth in Exhibit "I". Upon appropriate application by
8 any person, Watermaster shall enter into such a storage agreement; provided that all such storage
9 agreements shall first be approved by written order of the Court, and shall by their terms preclude
10 operations which will have a substantial adverse impact on other producers.

11
12 29. Accounting for Stored Water. Watermaster shall calculate additions, extractions and
13 losses and maintain an annual account of all Stored Water in Chino Basin, and any losses of water
14 supplies or Safe Yield of Chino Basin resulting from such Stored Water.

15
16 30. Annual Administrative Budget. Watermaster shall submit to Advisory Committee an
17 administrative budget and recommendation for each fiscal year on or before March 1. The Advisory
18 Committee shall review and submit said budget and their recommendations to Watermaster on or before
19 April 1, following. Watermaster shall hold a public hearing on said budget at its April quarterly meeting
20 and adopt the annual administrative budget which shall include the administrative items for each pool
21 committee. The administrative budget shall set forth budgeted items in sufficient detail as necessary to
22 make a proper allocation of the expense among the several pools, together with Watermaster's proposed
23 allocation. The budget shall contain such additional comparative information or explanation as the
24 Advisory Committee may recommend from time to time. Expenditures within budgeted items may
25 thereafter be made by Watermaster in the exercise of powers herein granted, as a matter of course. Any
26 budget transfer in excess of 20% of a budget category during any budget year or modification of such
27 administrative budget during any year shall be first submitted to the Advisory Committee for review and
28 recommendation.

1 31. Review Procedures. All actions, decisions or rules of Watermaster shall be subject to
2 review by the Court on its own motion or on timely motion by any party, the Watermaster (in the case of a
3 mandated action), the Advisory Committee, or any Pool Committee, as follows:

4 (a) Effective Date of Watermaster Action. Any action, decision or rule of
5 Watermaster shall be deemed to have occurred or been enacted on the date on which written
6 notice thereof is mailed. Mailing of copies of approved Watermaster minutes to the active parties
7 shall constitute such notice to all parties.

8 (b) Noticed Motion. Any party, the Watermaster (as to any mandated action), the
9 Advisory Committee, or any Pool Committee may, by a regularly noticed motion, apply to the
10 Court for review of any Watermaster's action, decision or rule. Notice of such motion shall be
11 served personally or mailed to Watermaster and to all active parties. Unless otherwise ordered
12 by the Court, such motion shall not operate to stay the effect of such Watermaster action,
13 decision or rule.

14 (c) Time for Motion. Notice of motion to review any Watermaster action, decision or
15 rule shall be served and filed within ninety (90) days after such Watermaster action, decision or
16 rule, except for budget actions, in which event said notice period shall be sixty (60) days.

17 (d) De Novo Nature of Proceedings. Upon the filing of any such motion, the Court
18 shall require the moving party to notify the active parties, the Watermaster, the Advisory
19 Committee, and each Pool Committee, of a date for taking evidence and argument, and on the
20 date so designated shall review de novo the question at issue. Watermaster's findings or
21 decision, if any, may be received in evidence at said hearing, but shall not constitute presumptive
22 or prima facie proof of any fact in issue.

23 (e) Decision. The decision of the Court in such proceeding shall be an appealable
24 supplemental order in this case. When the same is final, it shall be binding upon the
25 Watermaster and all parties.
26
27
28

1
2
3 C. ADVISORY AND POOL COMMITTEES

4 32. Authorization. Watermaster is authorized and directed to cause committees of producer
5 representatives to be organized to act as Pool Committees for each of the several pools created under
6 the Physical solution. Said Pool Committees shall, in turn, jointly form an Advisory Committee to assist
7 Watermaster in performance of its functions under this judgment. Pool Committees shall be composed as
8 specified in the respective pooling plans, and the Advisory Committee shall be composed of ten (10)
9 voting representatives from each pool, as designated by the respective Pool Committee⁶ **in accordance**
10 **with each pool's pooling plan.** WMWD, **Three Valleys Municipal Water District (Successor to**
11 **PVMWD)** and SBVMWD shall each be entitled to one non-voting representative on said Advisory
12 Committee.

13
14 33. Term and Vacancies. Members of any Pool Committee, shall serve for the term, and
15 vacancies shall be filled, as specified in the respective pooling plan. Members of the Advisory Committee
16 shall serve at the will of their respective Pool Committee.

17 34. Voting Power. The voting power on each Pool Committee shall be allocated as provided
18 in the respective pooling plan. The voting power on the Advisory Committee shall be one hundred (100)
19 votes allocated among the three pools in proportion to the total assessments paid to Watermaster during
20 the preceding year; provided, that the minimum voting power of each pool shall be

21
22 (a) Overlying Agricultural Pool 20,

23 (b) Overlying Non-Agricultural Pool 5, and

24
25 (c) Appropriative Pool 20.
26

27 ⁶ Order dated September 18, 1996.
28

1 In the event any pool is reduced to its said minimum vote, the remaining votes shall be allocated between
2 the remaining pools on said basis of assessments paid to Watermaster by each such remaining pool
3 during the preceding year. The method of exercise of each pool's voting power on the Advisory
4 Committee shall be as determined by the respective pool committees.

5 35. Quorum. A majority of the voting power of the Advisory Committee or any Pool
6 Committee shall constitute a quorum for the transaction of affairs of such Advisory or Pool Committee;
7 provided, that at least one representative of each Pool Committee shall be required to constitute a
8 quorum of the Advisory Committee. No Pool Committee representative may purposely absent himself or
9 herself, without good cause, from an Advisory Committee meeting to deprive it of a quorum. Action by
10 affirmative vote of a majority of the entire voting power of any Pool Committee or the Advisory Committee
11 shall constitute action by such committee. Any action or recommendation of a Pool Committee or the
12 Advisory Committee shall be transmitted to Watermaster in writing, together with a report of any
13 dissenting vote or opinion.
14

15 36. Compensation. Pool or Advisory Committee members may receive compensation, to be
16 established by the respective pooling plan, but not to exceed twenty-five dollars (\$25.00) for each
17 meeting of such Pool or Advisory Committee attended, and provided that no member of a Pool or
18 Advisory Committee shall receive compensation of more than three hundred (\$300.00) dollars for service
19 on any such committee during any one year. All such compensation shall be a part of Watermaster
20 administrative expense. No member of any Pool or Advisory Committee shall be employed by
21 Watermaster or compensated by Watermaster for professional or other services rendered to such Pool or
22 Advisory Committee or to Watermaster, other than the fee for attendance at meetings herein provided,
23 plus reimbursement of reasonable expenses related to activities within the Basin.
24

25 37. Organization.

26 (a) Organizational Meeting. At its first meeting in each year, each Pool Committee
27 and the Advisory Committee shall elect a chairperson and a vice chairperson from its
28

1 membership. It shall also select a secretary, a treasurer and such assistant secretaries and
2 treasurers as may be appropriate, any of whom may, but need not, be members of such Pool or
3 Advisory Committee.

4 (b) Regular Meetings. All Pool Committees and the Advisory Committee shall hold
5 regular meetings at a place and time to be specified in the rules to be adopted by each Pool and
6 Advisory Committee. Notice of regular meetings of any Pool or Advisory Committee, and of any
7 change in time or place thereof, shall be mailed to all active parties in said pool or pools.
8

9 (c) Special Meetings. Special meetings of any Pool or Advisory Committee may be
10 called at any time by the Chairperson or by any three (3) members of such Pool or Advisory
11 Committee by delivering notice personally or by mail to each member of such Pool or Advisory
12 Committee and to each active party at least 24 hours before the time of each such meeting in the
13 case of personal delivery, and 96 hours in the case of mail. The calling notice shall specify the
14 time and place of the special meeting and the business to be transacted. No other business shall
15 be considered at such meeting.
16

17 (d) Minutes. Minutes of all Pool Committee, Advisory Committee and Watermaster
18 meetings shall be kept at Watermaster's offices. Copies thereof shall be mailed or otherwise
19 furnished to all active parties in the pool or pools concerned. Said copies of minutes shall
20 constitute notice of any Pool or Advisory Committee action therein reported, and shall be
21 available for inspection by any party.

22 (e) Adjournments. Any meeting of any Pool or Advisory Committee may be
23 adjourned to a time and place specified in the order of adjournment. Less than a quorum may so
24 adjourn from time to time. A copy of the order or notice of adjournment shall be conspicuously
25 posted forthwith on or near the door of the place where the meeting was held.

26 38. Powers and Functions. The powers and functions of the respective Pool Committees
27 and the Advisory Committee shall be as follows:
28

1 (a) Pool Committees. Each Pool Committee shall have the power and responsibility
2 for developing policy recommendations for administration of its particular pool, as created under
3 the Physical Solution. All actions and recommendations of any Pool Committee which require
4 Watermaster implementation shall first be noticed to the other two pools. If no objection is
5 received in writing within thirty (30) days, such action or recommendation shall be transmitted
6 directly to Watermaster for action. If any such objection is received, such action or
7 recommendation shall be reported to the Advisory Committee before being transmitted to
8 Watermaster.

9 (b) Advisory Committee. The Advisory Committee shall have the duty to study, and
10 the power to recommend, review and act upon all discretionary determinations made or to be
11 made hereunder by Watermaster.
12

13 [1] Committee Initiative. When any recommendation or advice of the
14 Advisory Committee is received by Watermaster, action consistent therewith may be
15 taken by Watermaster; provided, that any recommendation approved by 80 votes or more
16 in the Advisory Committee shall constitute a mandate for action by Watermaster
17 consistent therewith. If Watermaster is unwilling or unable to act pursuant to
18 recommendation or advice from the Advisory Committee (other than such mandatory
19 recommendations), Watermaster shall hold a public hearing, which shall be followed by
20 written findings and decision. Thereafter, Watermaster may act in accordance with said
21 decision, whether consistent with or contrary to said Advisory Committee
22 recommendation. Such action shall be subject to review by the Court, as in the case of
23 all other Watermaster determinations.

24 [2] Committee Review. In the event Watermaster proposes to take
25 discretionary action, other than approval or disapproval of a Pool Committee action or
26 recommendation properly transmitted, or execute any agreement not theretofore within
27 the scope of an Advisory Committee recommendation, notice of such intended action
28

1 shall be served on the Advisory Committee and its members at least thirty (30) days
2 before the Watermaster meeting at which such action is finally authorized.

3 (c) Review of Watermaster Actions. Watermaster (as to mandated action), the
4 Advisory Committee or any Pool Committee shall be entitled to employ counsel and expert
5 assistance in the event Watermaster or such Pool or Advisory Committee seeks Court review of
6 any Watermaster action or failure to act. The cost of such counsel and expert assistance shall be
7 Watermaster expense to be allocated to the affected pool or pools.
8

9 VI. PHYSICAL SOLUTION

10 A. GENERAL

11
12 39. Purpose and Objective. Pursuant to the mandate of Section 2 of Article X of the
13 California Constitution, the Court hereby adopts and orders the parties to comply with a Physical Solution.
14 The purpose of these provisions is to establish a legal and practical means for making the maximum
15 reasonable beneficial use of the waters of Chino Basin by providing the optimum economic, long-term,
16 conjunctive utilization of surface waters, ground waters and supplemental water, to meet the
17 requirements of water users having rights in or dependent upon Chino Basin.
18

19 40. Need for Flexibility. It is essential that this Physical solution provide maximum flexibility
20 and adaptability in order that Watermaster and the Court may be free to use existing and future
21 technological, social, institutional and economic options, in order to maximize beneficial use of the waters
22 of Chino Basin. To that end, the Court's retained jurisdiction will be utilized, where appropriate, to
23 supplement the discretion herein granted to the Watermaster.

24 41. Watermaster Control. Watermaster, with the advice of the Advisory and Pool
25 Committees, is granted discretionary powers in order to develop an optimum basin management program
26 for Chino Basin, including both water quantity and quality considerations. Withdrawals and supplemental
27 water replenishment of Basin Water, and the full utilization of the water resources of Chino Basin, must
28

1 be subject to procedures established by and administered through Watermaster with the advice and
2 assistance of the Advisory and Pool Committees composed of the affected producers. Both the quantity
3 and quality of said water resources may thereby be preserved and the beneficial utilization of the Basin
4 maximized.

5 42. General Pattern of Operations. It is contemplated that the rights herein decreed will be
6 divided into three (3) operating pools for purposes of Watermaster administration. A fundamental
7 premise of the Physical Solution is that all water users dependent upon Chino Basin will be allowed to
8 pump sufficient waters from the Basin to meet their requirements. To the extent that pumping exceeds
9 the share of the Safe Yield assigned to the Overlying Pools, or the Operating Safe Yield in the case of the
10 Appropriative Pool, each pool will provide funds to enable Watermaster to replace such overproduction.
11 The method of assessment in each pool shall be as set forth in the applicable pooling plan.

13 B. POOLING

14 43. Multiple Pools Established. There are hereby established three (3) pools for
15 Watermaster administration of, and for the allocation of responsibility for, and payment of, costs of
16 replenishment water and other aspects of this Physical Solution.

17
18 (a) Overlying (Agricultural) Pool. The first pool shall consist of the State of California
19 and all overlying producers who produce water for other than industrial or commercial purposes.
20 The initial members of the pool are listed in Exhibit "C".

21
22 (b) Overlying (Non-agricultural) Pool The second pool shall consist of overlying
23 producers who produce water for industrial or commercial purposes. The initial members of this
24 pool are listed in Exhibit "D".

25 (c) Appropriative Pool. A third and separate pool shall consist of owners of
26 appropriative rights. The initial members of the pool are listed in Exhibit "E".
27
28

Any party who changes the character of his use may, by subsequent order of the Court, be reassigned to the proper pool; but the allocation of Safe Yield under Paragraph 44 hereof shall not be changed. Any non-party producer or any person who may hereafter commence production of water from Chino Basin, and who may become a party to this physical solution by intervention, shall be assigned to the proper pool by the order of the Court authorizing such intervention.

44. Determination and Allocation of Rights to Safe Yield of Chino Basin. The declared Safe Yield of Chino Basin is hereby allocated as follows:

<u>Pool</u>	<u>Allocation</u>
Overlying (Agricultural) Pool	414,000 acre-feet in any five (5) consecutive years.
Overlying (Non-agricultural) Pool	7,366 acre-feet per year.
Appropriative Pool	49,834 acre-feet per year.

The foregoing acre foot allocations to the overlying pools are fixed. Any subsequent change in the Safe Yield shall be debited or credited to the Appropriative Pool. Basin Water available to the Appropriative Pool without replenishment obligation may vary from year to year as the Operating Safe Yield is determined by Watermaster pursuant to the criteria set forth in Exhibit "I".

45. Annual Replenishment. Watermaster shall levy and collect assessments in each year, pursuant to the respective pooling plans, in amounts sufficient to purchase replenishment water to replace production by any pool during the preceding year which exceeds that pool's allocated share of Safe Yield in the case of the overlying pools, or Operating Safe Yield in the case of the Appropriative Pool. It is anticipated that supplemental water for replenishment of Chino Basin may be available at different rates to the various pools to meet their replenishment obligations. If such is the case, each pool will be assessed only that amount necessary for the cost of replenishment water to that pool, at the rate available to the pool, to meet its replenishment obligation.

1 46. Initial Pooling Plans. The initial pooling plans, which are hereby adopted, are set forth in
2 Exhibits "F", "G" and "H", respectively. Unless and until modified by amendment of the judgment pursuant
3 to the Court's continuing jurisdiction, each such plan shall control operation of the subject pool.

4
5 C. REPORTS AND ACCOUNTING

6 47. Production Reports. Each party or responsible party shall file periodically with
7 Watermaster, pursuant to Watermaster rules, a report on a form to be prescribed by Watermaster
8 showing the total production of such party during the preceding reportage period, and such additional
9 information as Watermaster may require, including any information specified by the affected Pool
10 Committee.

11
12 48. Watermaster Report and Accounting. **Watermaster's Annual Report shall be filed by**
13 **January 31 of each year. The Report shall apply to the preceding fiscal years' operation. The**
14 **Report shall contain details as to operation of the Pools. A certified audit of assessments and**
15 **expenditures pursuant to this Physical Solution, and a review of Watermaster activity.⁷**

16 D. REPLENISHMENT

17
18 49. Sources of Supplemental Water. Supplemental water may be obtained by Watermaster
19 from any available source. Watermaster shall seek to obtain the best available quality of supplemental
20 water at the most reasonable cost for recharge in the Basin. To the extent that costs of replenishment
21 water may vary between pools, each pool shall be liable only for the costs attributable to its required
22 replenishment. Available sources may include, but are not limited to:

23 (a) Reclaimed Water. There exist a series of agreements generally denominated the
24 Regional Waste Water Agreements between IEUA and owners of the major municipal sewer
25

26
27 ⁷ Order dated March 31, 1999.
28

1 systems within the basin. Under those agreements, which are recognized hereby but shall be
2 unaffected and unimpaired by this judgment, substantial quantities of reclaimed water may be
3 made available for replenishment purposes. There are additional sources of reclaimed water
4 which are, or may become, available to Watermaster for said purposes. Maximum beneficial use
5 of reclaimed water shall be given high priority by Watermaster.

6 (b) State Water. State water constitutes a major available supply of supplemental
7 water. In the case of State Water, Watermaster purchases shall comply with the water service
8 provisions of the State's water service contracts. More specifically, Watermaster shall purchase
9 State Water from MWD for replenishment of excess production within IEUA, WMWD and
10 TVMWD, and from SBVMWD to replenish excess production within SBVMWD's boundaries in
11 Chino Basin, except to the extent that MWD and SBVMWD give their consent as required by
12 such State water service contracts.

13
14 (c) Local Import. There exist facilities and methods for importation of surface and
15 ground water supplies from adjacent basins and watersheds.

16
17 (d) Colorado River Supplies. MWD has water supplies available from its Colorado
18 River Aqueduct.

19 50. Methods of Replenishment. Watermaster may accomplish replenishment of
20 overproduction from the Basin by any reasonable method, including:

21
22 (a) Spreading and percolation or Injection of water in existing or new facilities,
23 subject to the provisions of Paragraphs 19, 25 and 26 hereof.

24
25 (b) In Lieu Procedures. Watermaster may make, or cause to be made, deliveries of
26 water for direct surface use, in lieu of ground water production.

27 E. REVENUES
28

1 51. Production Assessment. Production assessments, on whatever basis, may be levied by
2 Watermaster pursuant to the pooling plan adopted for the applicable pool.

3 52. Minimal Producers. Minimal Producers shall be exempted from payment of production
4 assessments, upon filing of production reports as provided in Paragraph 47 of this Judgment, and
5 payment of an annual five dollar (\$5.00) administrative fee as specified by Watermaster rules.
6

7 53. Assessment Proceeds -- Purposes. Watermaster shall have the power to levy
8 assessments against the parties (other than minimal pumpers) based upon production during the
9 preceding period of assessable production, whether quarterly, semi-annually or annually, as may be
10 determined most practical by Watermaster or the affected Pool Committee.

11 54. Administrative Expenses. The expenses of administration of this Physical Solution shall
12 be categorized as either (a) general Watermaster administrative expense, or (b) special project expense.
13

14 (a) General Watermaster Administrative Expense shall include office rental, general
15 personnel expense, supplies and office equipment, and related incidental expense and general
16 overhead.
17

18 (b) Special Project Expense shall consist of special engineering, economic or other
19 studies, litigation expense, meter testing or other major operating expenses. Each such project
20 shall be assigned a Task Order number and shall be separately budgeted and accounted for.
21 General Watermaster administrative expense shall be allocated and assessed against the
22 respective pools based upon allocations made by the Watermaster, who shall make such
23 allocations based upon generally accepted cost accounting methods. Special Project Expense
24 shall be allocated to a specific pool, or any portion thereof, only upon the basis of prior express
25 assent and finding of benefit by the Pool Committee, or pursuant to written order of the Court.

26 55. Assessments -- Procedure. Assessments herein provided for shall be levied and
27 collected as follows:
28

1 (a) Notice of Assessment. Watermaster shall give written notice of all applicable
2 assessments to each party on or before ninety (90) days after the end of the production period to
3 which such assessment is applicable.

4 (b) Payment. Each assessment shall be payable on or before thirty (30) days after
5 notice, and shall be the obligation of the party or successor owning the water production facility at
6 the time written notice of assessment is given, unless prior arrangement for payment by others
7 has been made in writing and filed with Watermaster.
8

9 (c) Delinquency. Any delinquent assessment shall bear interest at 10% per annum
10 (or such greater rate as shall equal the average current cost of borrowed funds to the
11 Watermaster) from the due date thereof. Such delinquent assessment and interest may be
12 collected in a show-cause proceeding herein instituted by the Watermaster, in which case the
13 Court may allow Watermaster its reasonable costs of collection, including attorney's fees.
14

15 56. Accumulation of Replenishment Water Assessment Proceeds. In order to minimize
16 fluctuation in assessment and to give Watermaster flexibility in purchase and spreading of replenishment
17 water, Watermaster may make reasonable accumulations of replenishment water assessment proceeds.
18 Interest earned on such retained funds shall be added to the account of the pool from which the funds
19 were collected and shall be applied only to the purchase of replenishment water.

20 57. Effective Date. The effective date for accounting and operation under this Physical
21 Solution shall be July 1, 1977, and the first production assessments hereunder shall be due after July 1,
22 1978. Watermaster shall, however, require installation of meters or measuring devices and establish
23 operating procedures immediately, and the cost of such Watermaster activity (not including the cost of
24 such meters and measuring devices) may be recovered in the first administrative assessment in 1978.
25
26
27
28

VII. MISCELLANEOUS PROVISIONS

58. Designation of Address for Notice and Service. Each party shall designate the name and address to be used for purposes of all subsequent notices and service herein, either by its endorsement on the Stipulation for Judgment or by a separate designation to be filed within thirty (30) days after Judgment has been served. Said designation may be changed from time to time by filing a written notice of such change with the Watermaster. Any party desiring to be relieved of receiving notices of Watermaster or committee activity may file a waiver of notice on a form to be provided by Watermaster. Thereafter such party shall be removed from the Active Party list. Watermaster shall maintain at all times a current list of all active parties and their addresses for purposes of service. Watermaster shall also maintain a full current list of names and addresses of all parties or their successors, as filed herein. Copies of such lists shall be available, without cost, to any party, the Advisory Committee or any Pool Committee upon written request therefor.

59. Service of Documents. Delivery to or service upon any party or active party by the Watermaster, by any other party, or by the Court, of any item required to be served upon or delivered to such party or active party under or pursuant to the Judgment shall be made personally or by deposit in the United States mail, first class, postage prepaid, addressed to the designee and at the address in the latest designation filed by such party or active party.

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

61. Loss of Rights. Loss, whether by abandonment, forfeiture or otherwise, of any right herein adjudicated shall be accomplished only (1) by a written election by the owner of the right filed with Watermaster, or (2) by order of the Court upon noticed motion and after hearing.

62. Scope of Judgment. Nothing in this Judgment shall be deemed to preclude or limit any party in the assertion against a neighboring party of any cause of action now existing or hereafter arising based upon injury, damage or depletion of water supply available to such party, proximately caused by nearby pumping which constitutes an unreasonable interference with such complaining party's ability to extract ground water.

63. Judgment Binding on Successors. This Judgment and all provisions thereof are applicable to and binding upon not only the parties to this action, but also upon their respective heirs, executors, administrators, successors, assigns, lessees and licensees and upon the agents, employees and attorneys in fact of all such persons.

64. Costs. No party shall recover any costs in this proceeding from any other party.

Dated: January 1, 1978

Howard B. Weiner

Howard B. Weiner

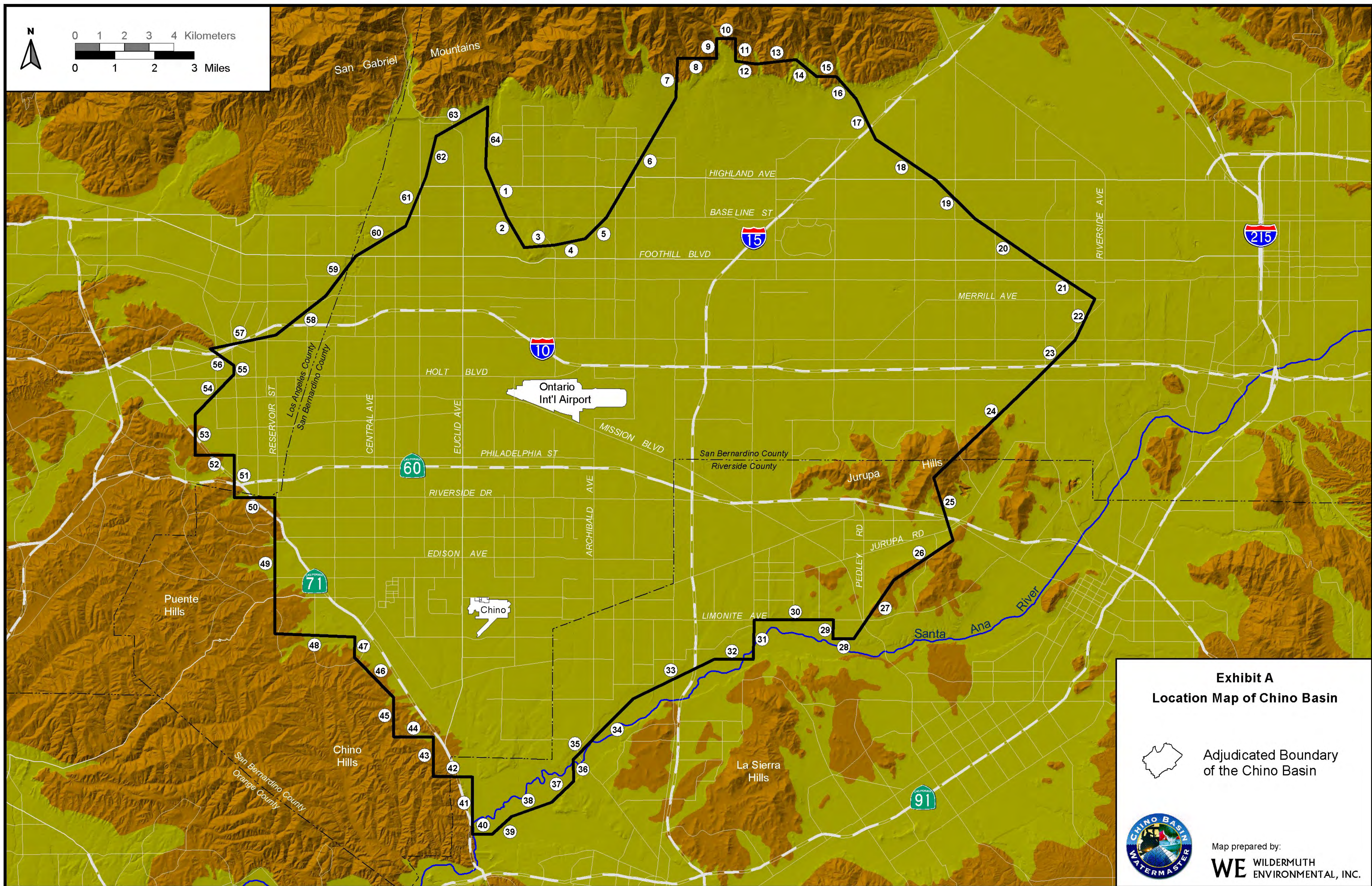




Exhibit B
Hydrologic Map of Chino Basin

-  **Fault**
(Solid where known; dashed where approximate; dotted where concealed; queried where unknown; big dots where barrier to groundwater flow)
-  **Groundwater Divide**



Map prepared by:
WE WILDERMUTH ENVIRONMENTAL, INC.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

STATE OF CALIFORNIA	Aphesssetche, Xavier
COUNTY OF SAN BERNARDINO	Arena Mutual Water Assn.
Abacherli, Dairy, Inc.	Armstrong Nurseries, Inc.
Abacherli, Frank	Arretche, Frank
Abacherli, Shirley	Arretche, Jean Pierre
Abbona, Anna	Arvidson, Clarence F.
Abbona, James	Arvidson, Florence
Abbona, Jim	Ashley, George W.
Abbona, Mary	Ashley, Pearl E.
Agliani, Amelia H.	Atlas Farms
Agman, Inc.	Atlas Ornamental Iron Works, Inc.
Aguerre, Louis B.	Aukeman, Carol
Ahmanson Trust Co.	Aukeman, Lewis
Akiyama, Shizuye	Ayers, Kenneth C., aka
Akiyama, Tomoo	Kelley Ayers
Akkerman, Dave	Bachoc, Raymond
Albers, J.N.	Baldwin, Edgar A.
Albers, Nellie	Baldwin, Lester
Alewyn, Jake J.	Banbury, Carolyn
Alewyn, Normalee	Bangma Dairy
Alger, Mary D.	Bangma, Arthur
Alger, Raymond	Bangma, Ida
Allen, Ben F.	Bangma, Martin
Allen, Jane F.	Bangma, Sam
Alta-Dena Dairy	Barba, Anthony B.
Anderson Farms	Barba, Frank
Anguiano, Sarah L.S.	Barcellos, Joseph
Anker, Gus	Barnhill, Maurine W.
Barnhill, Paul	Boersma, Angie

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Bartel, Dale	Boersma, Berdina
2	Bartel, Ursula	Boersma, Frank
3	Bartel, Willard	Boersma, Harry
4	Barthelemy, Henry	Boersma, Paul
5	Barthelemy, Roland	Boersma, Sam
6	Bassler, Donald V., M.D.	Boersma, William L.
7	Bates, Lowell R.	Bohlander & Holmes, Inc.
8	Bates, Mildred L.	Bokma, Peter
9	Beahm, James W.	Bollema, Jacob
10	Beahm, Joan M.	Boonstoo, Edward
11	Bekendam, Hank	Bootsma, Jim
12	Bekendam, Pete	Borba, Dolene
13	Bello, Eugene	Borba, Dolores
14	Bello, Olga	Borba, Emily
15	Beltman, Evelyn	Borba, George
16	Beltman, Tony	Borba, John
17	Bergquist Properties, Inc.	Borba, John & Sons
18	Bevacqua, Joel A.	Borba, John Jr.
19	Bevacqua, Marie B.	Borba, Joseph A.
20	Bidart, Bernard	Borba, Karen E.
21	Bidart, Michael J.	Borba, Karen M.
22	Binnell, Wesley	Borba, Pete, Estate of
23	Black, Patricia E.	Borba, Ricci
24	Black, Victor	Borba, Steve
25	Bodger, John & Sons Co.	Borba, Tom
26	Boer, Adrian	Bordisso, Alleck
27	Boersma and Wind Dairy	Borges, Angelica M.
28	Borges, Bernadette	Bothof, Roger W.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Borges, John O.	Bouma, Cornie
2	Borges, Linda L.	Bouma, Emma
3	Borges, Manual Jr.	Bouma, Henry P.
4	Borges, Tony	Bouma, Martin
5	Bos, Aleid	Bouma, Peter G. & Sons Dairy
6	Bos, Gerrit	Bouma, Ted
7	Bos, John	Bouman, Helen
8	Bos, John	Bouman, Sam
9	Bos, Margaret	Bower, Mabel E.
10	Bos, Mary	Boys Republic
11	Bos, Mary Beth	Breedyk, Arie
12	Bos, Tony	Breedyk, Jessie
13	Bosch, Henrietta	Briano Brothers
14	Bosch, Peter T.	Briano, Albert
15	Boschma, Betty	Briano, Albert Trustee for
16	Boschma, Frank	Briano, Albert Frank
17	Boschma, Greta	Briano, Lena
18	Boschma, Henry	Brink, Russell N.
19	Bosma, Dick	Brinkerhoff, Margaret
20	Bosma, Florence G.	Brinkerhoff, Robert L.
21	Bosma, Gerrit	Britschgi, Florence
22	Bosma, Jacob J.	Britschgi, Magdalena Garetto
23	Bosma, Jeanette Thea	Britschgi, Walter P.
24	Bosman, Frank	Brommer, Marvin
25	Bosman, Nellie	Brookside Enterprizes, dba
26	Bosnyak, Goldie M.	Brookside Vineyard Co.
27	Bosnyak, Martin	Brothers Three Dairy
28	Brown, Eugene	Chino Corona Investment

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Brun, Martha M.	Chino Water Co.
2	Brun, Peter Robert	Christensen, Leslie
3	Buma, Duke	Christensen, Richard G.
4	Buma, Martha	Christian, Ada R.
5	Bunse, Nancy	Christian, Harold F.
6	Bunse, Ronnie L.	Christy, Ella J.
7	Caballero, Bonnie L.	Christy, Ronald S.
8	Caballero, Richard F.	Cihigoyenette, Jean
9	Cable Airport Inc.	Cihigoyenette, Leona
10	Cadlini, Donald	Cihigoyenette, Martin
11	Cadlini, Jesse R.	Clarke, Arthur B.
12	Cadlini, Marie Edna	Clarke, Nancy L.
13	Cambio, Anna	Clarke, Phyllis J.
14	Cambio, Charles, Estate of	Coelho, Isabel
15	Cambio, William V.	Coelho, Joe A. Jr.
16	Cardoza, Florence	Collins, Howard E.
17	Cardoza, Olivi	Collins, Judith F.
18	Cardoza, Tony	Collinsworth, Ester L.
19	Carnesi, Tom	Collinsworth, John E.
20	Carver, Robt M., Trustee	Collinsworth, Shelby
21	Cauffman, John R.	Cone Estate (05-2-00648/649)
22	Chacon Bros.	Consolidated Freightways Corp.
23	Chancon, Elvera P.	of Delaware
24	Chacon, Joe M.	Corona Farms Co.
25	Chacon, Robert M.	Corra, Rose
26	Chacon, Virginia L.	Costa, Dimas S.
27	Chez, Joseph C.	Costa, Laura
28	Costa, Myrtle	De Boer, L.H.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Costamagna, Antonio	De Boer, Sidney
2	Costamagna, Joseph	De Bos, Andrew
3	Cousyn, Claus B.	De Graaf, Anna Mae
4	Cramer, Carole F.	De Graaf, Gerrit
5	Cramer, William R.	De Groot, Dick
6	Crossroads Auto Dismantlers, Inc.	De Groot, Dorothy
7	Crouse, Beatrice I.	De Groot, Ernest
8	Crouse, Roger	De Groot, Henrietta
9	Crowley, Juanita C.	De Groot, Jake
10	Crowley, Ralph	De Groot, Pete Jr.
11	Cucamonga Vintners	De Haan, Bernadene
12	D'Astici, Teresa	De Haan, Henry
13	Da Costa, Cecilia B.	De Hoog, Adriana
14	Da Costa, Joaquim F.	De Hoog, Joe
15	Daloisio, Norman	De Hoog, Martin
16	De Berard Bros.	De Hoog, Martin L.
17	De Berard, Arthur, Trustee	De Hoog, Mitch
18	De Berard, Charles	De Hoog, Tryntje
19	De Berard, Chas., Trustee	De Jager, Cobi
20	De Berard, Helan J.	De Jager, Edward D.
21	De Berard, Robert	De Jong Brothers Dairy
22	De Berard, Robert Trustee	De Jong, Cornelis
23	De Bie, Adrian	De Jong, Cornelius
24	De Bie, Henry	De Jong, Grace
25	De Bie, Margaret M.	De Jong, Jake
26	De Bie, Marvin	De Jong, Lena
27	De Boer, Fred	De Leeuw, Alice
28	De Leeuw, Sam	Dirkse, Catherine

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	De Soete, Agnes	Dirkse, Charles C.
2	De Soete, Andre	Dixon, Charles E.
3	De Vries, Abraham	Dixon, Geraldine A.
4	De Vries, Case	Doesberg, Hendrica
5	De Vries, Dick	Doesburg, Theodorus, P.
6	De Vries, Evelyn	Dolan, Marion
7	De Vries, Henry, Estate of	Dolan, Michael H.
8	De Vries, Hermina	Dominguez, Helen
9	De Vries, Jack H.	Dominguez, Manual
10	De Vries, Jane	Donkers, Henry A.
11	De Vries, Janice	Donkers, Nellie G.
12	De Vries, John	Dotta Bros.
13	De Vries, John J.	Douma Brothers Dairy
14	De Vries, Neil	Douma, Betty A.
15	De Vries, Ruth	Douma, Fred A.
16	De Vries, Theresa	Douma, Hendrika
17	De Wit, Gladys	Douma, Herman G.
18	De Wit, Peter S.	Douma, Narleen J.
19	De Wyn, Evert	Douma, Phillip M.
20	De Zoete, Hattie V.	Dow Chemical Co.
21	Do Zoete, Leo A.	Dragt, Rheta
22	Decker, Hallie	Dragt, William
23	Decker, Henry A.	Driftwood Dairy Farm
24	Demmer, Ernest	Droogh, Case
25	Di Carlo, Marie	Duhalde, Marian
26	Di Carlo, Victor	Duhalde, Lauren
27	Di Tommaso, Frank	Duits, Henrietta
28	Duits, John	Excelsior Farms F.D.I.C.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

Dunlap, Edna Kraemer,	Fagundes, Frank M.
Estate of	Fagundes, Mary
Durrington, Glen	Fernandes, Joseph Jr.
Durrington, William F.	Fernandes, Velma C.
Dusi, John Sr.	Ferraro, Ann
Dykstra, Dick	Ferreira, Frank J.
Dykstra, John	Ferreira, Joe C. Jr.
Dykstra, John & Sons	Ferreira, Narcie
Dykstra, Wilma	Fillippi, J. Vintage Co.
Dyt, Cor	Filippi, Joseph
Dyt, Johanna	Filippi, Joseph A.
E and S Grape Growers	Filippi, Mary E.
Eaton, Thomas, Estate of	Fitzgerald, John R.
Echeverria, Juan	Flameling Dairy Inc.
Echeverria, Carlos	Flamingo Dairy
Echeverria, Pablo	Foss, Douglas E.
Eilers, E. Myrle	Foss, Gerald R.
Eilers, Henry W.	Foss, Russel
El Prado Golf Course	Fred & John Troost No. 1 Inc.
Ellsworth, Rex C.	Fred & Maynard Troost No. 2 Inc.
Engelsma, Jake	Freitas, Beatriz
Engelsma, Susan	Freitas, Tony T.
Escojeda, Henry	Gakle, Louis L.
Etiwanda Grape Products Co.	Galleano Winery, Inc.
Euclid Ave. Investment One	Galleano, Bernard D.
Euclid Ave. Investment Four	Galleano, D.
Euclid Ave. Three Investment	Galleano, Mary M.
Garcia, Pete	Hansen, Raymond F.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Gardner, Leland V.	Hanson, Ardeth W.
2	Gardner, Lola M.	Harada, James T.
3	Garrett, Leonard E.	Harada, Violet A.
4	Garrett, Patricia T.	Haringa, Earl and Sons
5	Gastelluberry, Catherine	Haringa, Herman
6	Gastelluberry, Jean	Haringa, Rudy
7	Gilstrap, Glen E.	Haringa, William
8	Gilstrap, Marjorie J.	Harper, Cecilia de Mille
9	Godinho, John	Harrington, Winona
10	Godinho, June	Harrison, Jacqueline A.
11	Gonsalves, Evelyn	Hatanaka, Kenichi
12	Gonsalves, John	Heida, Annie
13	Gorzeman, Geraldine	Heida, Don
14	Gorzeman, Henry A.	Heida, Jim
15	Gorzeman, Joe	Heida, Sam
16	Govea, Julia	Helms, Addison D.
17	Goyenetché, Albert	Helms, Irma A.
18	Grace, Caroline E.	Hermans, Alma I.
19	Grace, David J.	Hermans, Harry
20	Gravatt, Glenn W.	Hettinga, Arthur
21	Gravatt, Sally Mae	Hettinga, Ida
22	Greydanus Dairy, Inc.	Hettinga, Judy
23	Greydanus, Rena	Hettinga, Mary
24	Griffin Development Co.	Hettinga, Wilbur
25	Haagsma, Dave	Heublein, Inc., Grocery Products
26	Haagsma, John	Group
27	Hansen, Mary D.	Hibma, Catherine M.
28	Hibma, Sidney	Hohberg, Harold C.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Hicks, Kenneth I.	Hohberg, Harold W.
2	Hicks, Minnie M.	Holder, Arthur B.
3	Higgins Brick Co.	Holder, Dorothy F.
4	Highstreet, Alfred V.	Holmes, A. Lee
5	Highstreet, Evada V.	Holmes, Frances P.
6	Hilarides, Bertha as Trustee	Hoogeboom, Gertrude
7	Hilarides, Frank	Hoogeboom, Pete
8	Hilarides, John as Trustee	Hoogendam, John
9	Hindelang, Tillie	Hoogendam, Tena
10	Hindelang, William	Houssels, J. K. Thoroughbred
11	Hobbs, Bonnie C.	Farm
12	Hobbs, Charles W.	Hunt Industries
13	Hobbs, Hazel I.	Idsinga, Ann
14	Hobbs, Orlo M.	Idsinga, William W.
15	Hoekstra, Edward	Imbach Ranch, Inc.
16	Hoekstra, George	Imbach, Kenneth E.
17	Hoekstra, Grace	Imbach, Leonard K.
18	Hoekstra, Louie	Imbach, Oscar K.
19	Hofer, Paul B.	Imbach, Ruth M.
20	Hofer, Phillip F.	Indaburu, Jean
21	Hofstra, Marie	Indaburu, Marceline
22	Hogeboom, Jo Ann M.	Iseli, Kurt H.
23	Hogeboom, Maurice D.	Ito, Kow
24	Hogg, David V.	J & B Dairy Inc.
25	Hogg, Gene P.	Jaques, Johnny C. Jr.
26	Hogg, Warren G.	Jaques, Mary
27	Hohberg, Edith J.	Jaques, Mary Lou
28	Jay Em Bee Farms	Knevelbaard, John

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Johnson Bro's Egg Ranches, Inc.	Knudsen, Ejnar
2	Johnston, Ellwood W.	Knudsen, Karen M.
3	Johnston, George F. Co.	Knudsen, Kenneth
4	Johnston, Judith H.	Knudson, Robert
5	Jones, Leonard P.	Knudson, Darlene
6	Jongsma & Sons Dairy	Koel, Helen S.
7	Jongsma, Diana A.	Koetsier, Gerard
8	Jongsma, Dorothy	Koetsier, Gerrit J.
9	Jongsma, George	Koetsier, Jake
10	Jongsma, Harold	Koning, Fred W.
11	Jongsma, Henry	Koning, Gloria
12	Jongsma, John	Koning, J. W. Estate
13	Jongsma, Nadine	Koning, James A.
14	Jongsma, Tillie	Koning, Jane
15	Jordan, Marjorie G.	Koning, Jane C.
16	Jordan, Troy O.	Koning, Jennie
17	Jorritsma, Dorothy	Koning, John
18	Juliano, Albert	Koning, Victor A.
19	Kamper, Cornelis	Kooi Holstein Corporation
20	Kamstra, Wilbert	Koolhaas, Kenneth E.
21	Kaplan, Lawrence J.	Koolhaas, Simon
22	Kasbergen, Martha	Koolhaas, Sophie Grace
23	Kasbergen, Neil	Koopal, Grace
24	Kazian, Angelen Estate of	Koopal, Silas
25	Kingsway, Const. Corp.	Koopman, Eka
26	Klapps Market	Koopman, Gene T.
27	Kline, James K.	Koopman, Henry G.
28	Koopman, Ted	Leck, Arthur A.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Koopman, Tena	Leck, Evelyn M.
2	Koot, Nick	Lee, Harold E.
3	Koster, Aart	Lee, Helen J.
4	Koster, Frances	Lee, Henrietta C.
5	Koster, Henry B.	Lee, R. T. Construction Co.
6	Koster, Nellie	Lekkerkerk, Adriana
7	Kroes, Jake R.	Lekkerkerk, L. M.
8	Kroeze, Bros	Lekkerkerker, Nellie
9	Kroeze, Calvin E.	Lekkerkerker, Walt
10	Kroeze, John	Lewis Homes of California
11	Kroeze, Wesley	Livingston, Dorothy M.
12	Kruckenber, Naomi	Livingston, Rex E.
13	Kruckenber, Perry	Lokey, Rosemary Kraemer
14	L. D. S. Welfare Ranch	Lopes, Candida A.
15	Labrucherie, Mary Jane	Lopes, Antonio S.
16	Labrucherie, Raymond F.	Lopez, Joe D.
17	Lako, Samuel	Lourenco, Carlos, Jr.
18	Landman Corp.	Lourenco, Carmelina P.
19	Lanting, Broer	Lourenco, Jack C.
20	Lanting, Myer	Lourenco, Manual H.
21	Lass, Jack	Lourenco, Mary
22	Lass, Sandra L.	Lourenco, Mary
23	Lawrence, Cecelia, Estate of	Luiten, Jack
24	Lawrence, Joe H., Estate of	Luiz, John M.
25	Leal, Bradley W.	Luna, Christine I.
26	Leal, John C.	Luna, Ruben T.
27	Leal, John Craig	Lusk, John D. and Sons A California Corporation
28		
	Lyon, Gregory E.	Mickel, Louise

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Lyon, Paula E.	Miersma, Dorothy
2	M & W Co. #2	Meirsma, Harry C.
3	Madole, Betty M.	Minaberry, Arnaud
4	Madole, Larry B.	Minaberry, Marie
5	Marquez, Arthur	Mistretta, Frank J.
6	Marquine, Jean	Mocho and Plaa Inc.
7	Martin, Lelon O.	Mocho, Jean
8	Martin, Leon O.	Mocho, Noeline
9	Martin, Maria D.	Modica, Josephine
10	Martin, Tony J.	Montes, Elizabeth
11	Martins, Frank	Montes, Joe
12	Mathias, Antonio	Moons, Beatrice
13	Mc Cune, Robert M.	Moons, Jack
14	Mc Masters, Gertrude	Moramarco, John A. Enterprise
15	Mc Neill, J. A.	Moreno, Louis W.
16	Mc Neill, May F.	Moss, John R.
17	Mees, Leon	Motion Pictures Associates, Inc.
18	Mello and Silva Dairy	Moynier, Joe
19	Mello and Sousa Dairy	Murphy, Frances V.
20	Mello, Emilia	Murphy, Myrl L.
21	Mello, Enos C.	Murphy, Naomi
22	Mello, Mercedes	Nanne, Martin Estate of
23	Mendiondo, Catherine	Nederend, Betty
24	Mendiondo, Dominique	Nederend, Hans
25	Meth. Hosp. – Sacramento	Norfolk, James
26	Metzger, R. S.	Norfolk, Martha
27	Metzger, Winifred	Notrica, Louis
28	Nyberg, Lillian N.	Ormonde, Viva

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Nyenhuis, Annie	Ortega, Adeline B.
2	Nyenhuis, Jim	Ortega, Bernard Dino
3	Occidental Land Research	Osterkamp, Joseph S.
4	Okumura, Marion	Osterkamp, Margaret A.
5	Okumura, Yuiche	P I E Water Co.
6	Oldengarm, Effie	Palmer, Eva E.
7	Oldengarm, Egbert	Palmer, Walter E.
8	Oldengarm, Henry	Parente, Luis S.
9	Oliviera, Manuel L.	Parente, Mary Borba
10	Oliviera, Mary M.	Parks, Jack B.
11	Olson, Albert	Parks, Laura M.
12	Oltmans Construction Co.	Patterson, Lawrence E. Estate of
13	Omlin, Anton	Payne, Clyde H.
14	Omlin, Elsie L.	Payne, Margo
15	Ontario Christian School Assn.	Pearson, Athelia K.
16	Oord, John	Pearson, William C.
17	Oostdam, Jacoba	Pearson, William G.
18	Oostdam, Pete	Pene, Robert
19	Oosten, Agnes	Perian, Miller
20	Oosten, Anthonia	Perian, Ona E.
21	Oosten, Caroline	Petrissans, Deanna
22	Oosten, John	Petrissans, George
23	Oosten, Marinus	Petrissans, Jean P.
24	Oosten, Ralph	Petrissans, Marie T.
25	Orange County Water District	Pickering, Dora M.
26	Ormonde, Manuel	(Mrs. A. L. Pickering)
27	Ormonde, Pete, Jr.	Pierce, John
28	Pierce, Sadie	Righetti, A. T.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Pietszak, Sally	Riley, George A.
2	Pine, Joe	Riley, Helen C.
3	Pine, Virginia	Robbins, Jack K.
4	Pires, Frank	Rocha, John M.
5	Pires, Marie	Rocha, Jose C.
6	Plaa, Jeanne	Rodrigues, John
7	Plaa, Michel	Rodrigues, Manuel
8	Plantenga, Agnes	Rodrigues, Manuel, Jr.
9	Plantenga, George	Rodrigues, Mary L.
10	Poe, Arlo D.	Rodriguez, Daniel
11	Pomona Cemetery Assn.	Rogers, Jack D.
12	Porte, Cecelia, Estate of	Rohrer, John A.
13	Porte, Garritt, Estate of	Rohrer, Theresa D.
14	Portsmouth, Vera McCarty	Rohrs, Elizabeth H.
15	Ramella, Mary M.	Rossetti, M. S.
16	Ramirez, Concha	Roukema, Angeline
17	Rearick, Hildegard H.	Roukema, Ed.
18	Rearick, Richard R.	Roukema, Nancy
19	Reinalda, Clarence	Roukema, Siebren
20	Reitsma, Greta	Ruderian, Max J.
21	Reitsma, Louis	Russell, Fred J.
22	Rice, Bernice	Rusticus, Ann
23	Rice, Charlie E.	Rusticus, Charles
24	Richards, Karin	Rynsburger, Arie
25		
26	(Mrs. Ronnie Richards)	Rynsburger, Berdena, Trust
27	Richards, Ronald L.	Rynsburger, Joan Adele
28	Ridder, Jennie Wassenaar	Rynsburger, Thomas
	S. P. Annex, Inc.	Scott, Frances M.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Salisbury, Elinor J.	Scott, Linda F.
2	Sanchez, Edmundo	Scott, Stanley A.
3	Sanchez, Margarita O.	Scritsmier, Lester J.
4	Santana, Joe Sr.	Serl, Charles A.
5	Santana, Palmira	Serl, Rosalie P.
6	Satragni, John B. Jr.	Shady Grove Dairy, Inc.
7	Scaramella, George P.	Shamel, Burt A.
8	Schaafsma Bros.	Shelby, Harold E.
9	Schaafsma, Jennie	Shelby, John A.
10	Schaafsma, Peter	Shelby, Velma M.
11	Schaafsma, Tom	Shelton, Alice A.
12	Schaap, Andy	Sherwood, Robert W.
13	Schaap, Ids	Sherwood, Sheila J.
14	Schaap, Maria	Shue, Eva
15	Schacht, Sharon C.	Shue, Gilbert
16	Schakel, Audrey	Sieperda, Anne
17	Schakel, Fred	Sieperda, James
18	Schmid, Olga	Sigrist, Hans
19	Schmidt, Madeleine	Sigrist, Rita
20	Schoneveld, Evert	Silveira, Arline L.
21	Schoneveld, Henrietta	Silveira, Frank
22	Schoneveld, John	Silveira, Jack
23	Schoneveld, John Allen	Silveira, Jack P. Jr.
24	Schug, Donald E.	Simas, Dolores
25	Schug, Shirley A.	Simas, Joe
26	Schuh, Bernatta M.	Singleton, Dean
27	Schuh, Harold H.	Singleton, Elsie R.
28	Sinnott, Jim	Staal, John

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Sinnott, Mildred B.	Stahl, Zippora P.
2	Slegers, Dorothy	Stampfl, Berta
3	Slegers, Hubert J.	Stampfl, William
4	Slegers, Jake	Stanley, Robert E.
5	Slegers, Jim	Stark, Everett
6	Slegers, Lenwood M.	Stellingwerf, Andrew
7	Slegers, Martha	Stellingwerf, Henry
8	Slegers, Tesse J.	Stellingwerf, Jenette
9	Smith, Edward S.	Stellingwerf, Shana
10	Smith, Helen D.	Stellingwerf, Stan
11	Smith, James E.	Stelzer, Mike C.
12	Smith, Keith J.	Sterk, Henry
13	Smith, Lester W.	Stiefel, Winifred
14	Smith, Lois Maxine	Stiefel, Jack D.
15	Smith, Marjorie W.	Stigall, Richard L.
16	Soares, Eva	Stigall, Vita
17	Sogioka, Mitsuyoshi	Stockman's Inn
18	Sogioka, Yoshimato	Stouder, Charlotte A.
19	Sousa, Sam	Stouder, William C.
20	Southern Pacific Land Co.	Struikmans, Barbara
21	Southfield, Eddie	Struikmans, Gertie
22	Souza, Frank M.	Struikmans, Henry Jr.
23	Souza, Mary T.	Struikmans, Henry Sr.
24	Spickerman, Alberta	Struikmans, Nellie
25	Spickerman, Florence	Swager, Edward
26	Spickerman, Rudolph	Swager, Gerben
27	Spyksma, John	Swager, Johanna
28	Swager, Marion	Terpstra, Theodore G.

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Swierstra, Donald	Teune, Tony
2	Swierstra, Fanny	Teunissen, Bernard
3	Sybrandy, Ida	Teunissen, Jane
4	Sybrandy, Simon	Thomas, Ethel M.
5	Sytsma, Albert	Thommen, Alice
6	Sytsma, Edith	Thommen, Fritz
7	Sytsma, Jennie	Tillema, Allie
8	Sytsma, Louie	Tillema, Harold
9	Te Velde, Agnes	Tillema, Klaas D.
10	Te Velde, Bay	Timmons, William R.
11	Te Velde, Bernard A.	Tollerup, Barbara
12	Te Velde, Bonnie	Tollerup, Harold
13	Te Velde, Bonnie G.	Trapani, Louis A.
14	Te Velde, George	Trimlett, Arlene R.
15	Te Velde, George, Jr.	Trimlett, George E.
16	Te Velde, Harm	Tristant, Pierre
17	Te Velde, Harriet	Tuinhout, Ale
18	Te Velde, Henry J.	Tuinhout, Harry
19	Te Velde, Jay	Tuinhout, Hilda
20	Te Velde, Johanna	Tuls, Elizabeth
21	Te Velde, John H.	Tuls, Jack S.
22	Te Velde, Ralph A.	Tuls, Jake
23	Te Velde, Zwaantina, Trustee	Union Oil Company of California
24	Ter Maaten, Case	United Dairyman's Co-op.
25	Ter Maaten, Cleone	Urquhart, James G.
26	Ter Maaten, Steve	Usle, Cathryn
27	Terpstra, Carol	Usle, Faustino
28		
	V & Y Properties	Van Hofwegen, Clara

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Vaile, Beryl M.	Van Hofwegen, Jessie
2	Valley Hay Co.	Van Klaveren, A.
3	Van Beek Dairy Inc.	Van Klaveren, Arie
4	Van Canneyt Dairy	Van Klaveren, Wilhelmina
5	Van Canneyt, Maurice	Van Klaveren, William
6	Van Canneyt, Wilmer	Van Leeuwen, Arie C.
7	Van Dam, Bas	Van Leeuwen, Arie C.
8	Van Dam, Isabelle	Van Leeuwen, Arlan
9	Van Dam, Nellie	Van Leeuwen, Clara G.
10	Van Den Berg, Gertrude	Van Leeuwen, Cornelia L.
11	Van Den Berg, Joyce	Van Leeuwen, Harriet
12	Van Den Berg, Marinus	Van Leeuwen, Jack
13	Van Den Berg, Marvin	Van Leeuwen, John
14	Van Der Linden, Ardith	Van Leeuwen, Letie
15	Van Der Linden, John	Van Leeuwen, Margie
16	Van Der Linden, Stanley	Van Leeuwen, Paul
17	Van Der Veen, Kenneth	Van Leeuwen, William A.
18	Van Diest, Anna T.	Van Ravenswaay, Donald
19	Van Diest, Cornelius	Van Ryn Dairy
20	Van Diest, Ernest	Van Ryn, Dick
21	Van Diest, Rena	Van Surksum, Anthonetta
22	Van Dyk, Bart	Van Surksum, John
23	Van Dyk, Jeanette	Van Veen, John
24	Van Foeken, Martha	Van Vliet, Effie
25	Van Foeken, William	Van Vliet, Hendrika
26	Van Hofwegen, Steve	Van Vliet, Hugo
27	Van Hofwegen, Adrian A.	Van Vliet, Klaas
28		
	Vande Witte, George	Vander Laan, Katie

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Vanden Berge, Gertie	Vander Laan, Martin Jr.
2	Vanden Berge, Gertie	Vander Laan, Tillie
3	Vanden Berge, Jack	Vander Leest, Anna
4	Vanden Berge, Jake	Vander Leest, Ann
5	Vanden Brink, Stanley	Vander Meer, Alice
6	Vander Dussen, Agnes	Vander Meer, Dick
7	Vander Dussen, Cor	Vander Poel, Hank
8	Vander Dussen, Cornelius	Vander Poel, Pete
9	Vander Dussen, Edward	Vander Pol, Irene
10	Vander Dussen, Geraldine Marie	Vander Pol, Margie
11	Vander Dussen, James	Vander Pol, Marines
12	Vander Dussen, John	Vander Pol, William P.
13	Vander Dussen, Nelvina	Vander Schaaf, Earl
14	Vander Dussen, Rene	Vander Schaaf, Elizabeth
15	Vander Dussen, Sybrand Jr.	Vander Schaaf, Henrietta
16	Vander Dussen, Sybrand Sr.	Vander Schaaf, John
17	Vander Dussen Trustees	Vander Schaaf, Ted
18	Vander Eyk, Case Jr.	Vander Stelt, Catherine
19	Vander Eyk, Case Sr.	Vander Stelt, Clarence
20	Vander Feer, Peter	Vander Tuig, Arlene
21	Vander Feer, Rieka	Vander Tuig, Sylvester
22	Vander Laan, Ann	Vander Veen, Joe A.
23	Vander Laan, Ben	Vandervlag, Robert
24	Vander Laan, Bill	Vander Zwan, Peter
25	Vander Laan, Corrie	Vanderford, Betty W.
26	Vander Laan, Henry	Vanderford, Claud R.
27	Vander Laan, James	Vanderham, Adrian
28	Vanderham, Cornelius	Vestal, J. Howard

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

1	Vanderham, Cornelius P.	Visser, Gerrit
2	Vanderham, Cory	Visser, Grace
3	Vanderham, E. Jane	Visser, Henry
4	Vanderham, Marian	Visser, Jess
5	Vanderham, Martin	Visser, Louie
6	Vanderham, Pete C.	Visser, Neil
7	Vanderham, Wilma	Visser, Sam
8	Vasquez, Eleanor	Visser, Stanley
9	Veenendaal, Evert	Visser, Tony D.
10	Veenendaal, John H.	Visser, Walter G.
11	Veiga, Dominick, Sr.	Von Der Ahe, Fredric T.
12	Verbree, Jack	Von Euw, George
13	Verbree, Tillie	Von Euw, Majorie
14	Verger, Bert	Von Lusk, a limited partnership
15	Verger, Betty	Voortman, Anna Marie
16	Verhoeven, Leona	Voortman, Edward
17	Verhoeven, Martin	Voortman, Edwin J.
18	Verhoeven, Wesley	Voortman, Gertrude Dena
19	Vermeer, Dick	Wagner, Richard H.
20	Vermeer, Jantina	Walker, Carole R.
21	Vernola Ranch	Walker, Donald E.
22	Vernola, Anthonietta	Walker, Wallace W.
23	Vernola, Anthony	Wardle, Donald M.
24	Vernola, Frank	Warner, Dillon B.
25	Vernola, Mary Ann	Warner, Minnie
26	Vernola, Pat F.	Wassenaar, Peter W.
27	Vestal, Frances Lorraine	Waters, Michael
28	Weeda, Adriana	Wiersma, Jake

EXHIBIT "C"**STIPULATING OVERLYING AGRICULTURAL PRODUCERS**

1	Weeda, Daniel	Wiersma, Otto
2	Weeks, O. L.	Wiersma, Pete
3	Weeks, Verona E.	Winchell, Verne H., Trustee
4	Weidman, Maurice	Wind, Frank
5	Weidman, Virginia	Wind, Fred
6	Weiland, Adaline I.	Wind, Hilda
7	Weiland, Peter J.	Wind, Johanna
8	Wesselink, Jules	Woo, Frank
9	West, Katharine R.	Woo, Sem Gee
10	West, Russel	Wybenga, Clarence
11	West, Sharon Ann	Wybenga, Gus
12	Western Horse Property	Wybenga, Gus K.
13	Westra, Alice	Wybenga, Sylvia
14	Westra, Henry	Wynja, Andy
15	Westra, Hilda	Wynja, Iona F.
16	Westra, Jake J.	Yellis, Mildred
17	Weststeyn, Freida	Yellis, Thomas E.
18	Weststeyn, Pete	Ykema-Harmsen Dairy
19	Whitehurst, Louis G.	Ykema, Floris
20	Whitehurst, Pearl L.	Ykema, Harriet
21	Whitmore, David L.	Yokley, Betty Jo
22	Whitmore, Mary A.	Yokley, Darrell A.
23	Whitney, Adolph M.	Zak, Zan
24	Wiersema, Harm	Zivelonghi, George
25	Wiersema, Harry	Zivelonghi, Margaret
26	Wiersma, Ellen H.	Zwaagstra, Jake
27	Wiersma, Gladys J.	Zwaagstra, Jessie M.
28		Zwart, Case

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

NON-PRODUCER WATER DISTRICTS

Chino Basin Municipal Water District
Chino Basin Water Conservation District
Pomona Valley Municipal Water District
Western Municipal Water District of Riverside County

DEFAULTING OVERLYING AGRICULTURAL PRODUCERS

Cheryl L. Bain	Roy W. Lantis
Warren Bain	Sharon I. Lantis
John M. Barcelona	Frank Lorenz
Letty Bassler	Dagney H. MacDonald
John Brazil	Frank E. Martin
John S. Briano	Ruth C. Martin
Lupe Briano	Connie S. Mello
Paul A. Briano	Naldiro J. Mello
Tillie Briano	Felice Miller
Arnie B. Carlson	Ted Miller
John Henry Fikse	Masao Nerio
Phyllis S. Fikse	Tom K. Nerio
Lewellyn Flory	Toyo Nerio
Mary I. Flory	Yuriko Nerio
L. H. Glazer	Harold L. Rees
Dorothy Goodman	Alden G. Rose
Sidney D. Goodman	Claude Rouleau, Jr.
Frank Grossi	Patricia M. Rouleau
Harada Brothers	Schultz Enterprises
Ellen Hettinga	Albert Shaw

EXHIBIT "C"

STIPULATING OVERLYING AGRICULTURAL PRODUCERS

Hein Hettinga	Lila Shaw
Dick Hofstra, Jr.	Cathy M. Stewart
Benjamin M. Hughey	Marvin C. Stewart
Frieda L. Hughey	Betty Ann Stone
Guillaume Indart	John B. Stone
Ellwood B. Johnston, Trustee	Vantoll Cattle Co., Inc.
Perry Kruckenberg, Jr.	Catherine Verburg
Martin Verburg	
Donna Vincent	
Larry Vincent	
Cliff Wolfe & Associates	
Ada M. Woll	
Zarubica Co.	

EXHIBIT "D"

OVERLYING NON-AGRICULTURAL RIGHTS

<u>Party</u>	<u>Total Overlying Non-Agricultural Rights (Acre-Feet)</u>	<u>Share of Safe Yield (Acre-Feet)</u>
Ameron Steel Producers, Inc.	125	97.858
County of San Bernardino (Airport)	171	133.870
Conrock Company	406	317.844
Kaiser Steel Corporation	3,743	2,930.274
Red Star Fertilizer	20	15.657
Southern California Edison Co.	1,255	982.499
Space Center, Mira Loma	133	104.121
Southern Service Co. dba Blue Seal Linen	24	18.789
Sunkist Growers, Inc.	2,393	1,873.402
Carlsberg Mobile Home Properties, Ltd '73	593	464.240
Union Carbide Corporation	546	427.446
Quaker Chemical Co.	<u>0</u>	<u>0.000</u>
 Totals	 9,409	 7,366.000

EXHIBIT "E"

<u>APPROPRIATIVE RIGHTS</u>			
<u>Party</u>	<u>Appropriative Right (Acre Feet)</u>	<u>Share of Initial Operating Safe Yield (Acre-Feet)</u>	<u>Share of Operating Safe Yield (Percent)</u>
City of Chino	5,271.7	3,670.067	6.693
City of Norco	289.5	201.545	0.368
City of Ontario	16,337.4	11,373.816	20.742
City of Pomona	16,110.5	11,215.852	20.454
City of Upland	4,097.2	2,852.401	5.202
Cucamonga County Water District	4,431.0	3,084.786	5.626
Jurupa Community Services District	1,104.1	768.655	1.402
Monte Vista County Water District	5,958.7	4,148.344	7.565
West San Bernardino County Water District	925.5	644.317	1.175
Etiwanda Water Company	768.0	534.668	0.975
Feldspar Gardens Mutual Water Company	68.3	47.549	0.087
Fontana Union Water Company	9,188.3	6,396.736	11.666
Marygold Mutual Water Company	941.3	655.317	1.195
Mira Loma Water Company	1,116.0	776.940	1.417
Monte Vista Irrigation Company	972.1	676.759	1.234
Mutual Water Company of Glen Avon Heights	672.2	467.974	0.853
Park Water Company	236.1	164.369	0.300
Pomona Valley Water Company	3,106.3	2,162.553	3.944
San Antonio Water Company	2,164.5	1,506.888	2.748
Santa Ana River Water Company	1,869.3	1,301.374	2.373
Southern California Water Company	1,774.5	1,235.376	2.253
West End Consolidated Water Company	<u>1,361.3</u>	<u>947.714</u>	<u>1.728</u>
TOTAL	78,763.8	55,834.000	100.000

EXHIBIT "F"

OVERLYING (AGRICULTURAL) POOL

POOLING PLAN

1. Membership in Pool. The State of California and all producers listed in Exhibit "C" shall be the initial members of this pool, which shall include all producers of water for overlying uses other than industrial or commercial purposes.
2. Pool Meetings. The members of the pool shall meet annually, in person or by proxy, at a place and time to be designated by Watermaster for purposes of electing members of the Pool Committee and conducting any other business of the pool. Special meetings of the membership of the pool may be called and held as provided in the rules of the pool.
3. Voting. All voting at meetings of pool members shall be on the basis of one vote for each 100 acre feet or any portion thereof of production from Chino Basin during the preceding year, as shown by the records of Watermaster.
4. Pool Committee. The Pool Committee for this pool shall consist of not less than nine (9) representatives selected at large by members of the pool. The exact number of members of the Pool Committee in any year shall be as determined by majority vote of the voting power of members of the pool in attendance at the annual pool meeting. Each member of the Pool Committee shall have one vote and shall serve for a two-year term. The members first elected shall classify themselves by lot so that approximately one-half serve an initial one-year term. Vacancies during any term shall be filled by a majority of the remaining members of the Pool Committee.
5. Advisory Committee Representatives. The number of representatives of the Pool Committee on the Advisory Committee shall be as provided in the rules of the pool from time to time but not exceeding ten (10). The voting power of the pool on the Advisory Committee shall be apportioned and exercised as determined from time to time by the Pool Committee.
6. Replenishment Obligation. The pool shall provide funds for replenishment of any production by persons other than members of the Overlying Non-Agricultural Pool or Appropriator Pool,

in excess of the pool's share of Safe Yield. During the first five (5) years of operations of the Physical Solution, reasonable efforts shall be made by the Pool Committee to equalize annual assessments.

7. Assessments. All assessments in this pool (whether for replenishment water cost or for pool administration or the allocated share of Watermaster administration) shall be in an amount uniformly applicable to all production in the pool during the preceding year or calendar quarter. Provided, however, that the Agricultural Pool Committee, may recommend to the Court modification of the method of assessing pool members, inter se, if the same is necessary to attain legitimate basin management objectives, including water conservation and avoidance of undesirable socio-economic consequences. Any such modification shall be initiated and ratified by one of the following methods:

(a) Excess Production. - In the event total pool production exceeds 100,000 acre feet in any year, the Pool Committee shall call and hold a meeting, after notice to all pool members, to consider remedial modification of the assessment formula.

(b) Producer Petition. - At any time after the fifth full year of operation under the Physical Solution, a petition by ten percent (10%) of the voting power or membership of the Pool shall compel the holding of a noticed meeting to consider revision of said formula of assessment for replenishment water.

In either event, a majority action of the voting power in attendance at such pool members' meeting shall be binding on the Pool Committee.

8. Rules. - The Pool Committee shall adopt rules for conducting meetings and affairs of the committee and for administering its program and in amplification of the provisions, but not inconsistent with, this pooling plan.

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EXHIBIT "G"

OVERLYING (NON-AGRICULTURAL) POOL

POOLING PLAN

1. Membership in Pool. The initial members of the pool, together with the decreed share of the Safe Yield of each, are listed in Exhibit "D". Said pool includes producers of water for overlying industrial or commercial non-agricultural purposes, or such producers within the Pool who may hereafter take water pursuant to Paragraph 8 hereof.

2. Pool Committee. The Pool Committee for this pool shall consist of one representative designated by each member of the pool. Voting on the committee shall be on the basis of one vote for each member, unless a volume vote is demanded, in which case votes shall be allocated as follows:

The volume voting power on the Pool Committee shall be 1,484 votes. Of these, 742 votes shall be allocated on the basis of one vote for each ten (10) acre feet or fraction thereof of decreed shares in Safe Yield. (See Exhibit "D"). The remaining 742 votes shall be allocated proportionally on the basis of assessments paid to Watermaster during the preceding year.⁸

Affirmative action of the Committee shall require a majority of the voting power of the members in attendance, provided that it includes concurrence by at least one-third of its total members.⁹

3. Advisory Committee Representatives. At least three (3) members of the Pool Committee shall be designated by said committee to serve on the Advisory Committee. The exact number of such representatives at any time shall be as determined by the Pool Committee. The voting power of the pool shall be exercised in the Advisory Committee as a unit, based upon the vote of a majority of said representatives.

⁸ Or production assessments paid under Water Code Section 72140 et seq., as to years prior to the second year of operation under the Physical Solution hereunder.

⁹ Order dated October 8, 2010.

4. Replenishment Obligation. The pool shall provide funds for replenishment of any production in excess of the pool's share of Safe Yield in the preceding year.

5. Assessments.¹⁰

(a) Replenishment Assessments. Each member of this pool shall pay an assessment equal to the cost of replenishment water times the number of acre feet of production by such producer during the preceding year in excess of (a) his decreed share of the Safe Yield, plus (b) any carry-over credit under Paragraph 7 hereof.

(b) Administrative Assessments. In addition, the cost of the allocated share of Watermaster administration expense shall be recovered on an equal assessment against each acre foot of production in the pool during such preceding fiscal year or calendar quarter; and in the case of Pool members who take substitute ground water as set forth in Paragraph 8 hereof, such producer shall be liable for its share of administration assessment, as if the water so taken were produced, up to the limit of its decreed share of Safe Yield.

(c) Special Project OBMP Assessment. Each year, every member of this Pool will dedicate ten (10) percent of their annual share of Operating Safe Yield to Watermaster or in lieu thereof Watermaster will levy a Special Project OBMP Assessment in an amount equal to ten percent of the Pool member's respective share of Safe Yield times the then-prevailing MWD Replenishment Rate.

6. Assignment. Rights herein decreed are appurtenant to *that* land and are only assignable with the land for overlying use thereon; provided, however, (a) that any appropriator who may, directly or indirectly, undertake to provide water service to such overlying lands may, by an appropriate agency agreement on a form approved by Watermaster, exercise said overlying right to the extent, but only to the extent necessary to provide water service to said overlying lands, and (b) *the members of the pool shall have the right to Transfer or lease their quantified production rights within the pool or to*

¹⁰ Order dated December 21, 2007.

Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000 for the term of the Peace Agreement.¹¹

7. Carry-over. Any member of the pool who produces less than its assigned water share of Safe Yield may carry such unexercised right forward for exercise in subsequent years. The first water produced during any such subsequent year shall be deemed to be an exercise of such carry-over right. In the event the aggregate carry-over by any pool member exceeds its share of Safe Yield, such member shall, as a condition of preserving such surplus carryover, execute a storage agreement with Watermaster.

8. Substitute Supplies. To the extent that any Pool member, at the request of Watermaster and with the consent of the Advisory Committee, takes substitute surface water in lieu of producing ground water otherwise subject to production as an allocated share of Safe Yield, said party shall nonetheless remain a member of this Pool.

9. Physical Solution Transfers. All overlying rights are appurtenant to the land and cannot be assigned or conveyed separate or apart therefrom except that for the term of the Peace Agreement the members of the Overlying (Non-Agricultural) Pool shall have the discretionary right to Transfer or lease their quantified Production rights and carry-over water held in storage accounts in quantities that each member may from time to time individually determine as Transfers in furtherance of the Physical Solution: (i) within the Overlying (Non-Agricultural) Pool; (ii) to Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000; (iii) in conformance with the procedures described in Paragraph I of the Purchase and Sale Agreement for the Purchase of Water by Watermaster from Overlying (Non-Agricultural Pool dated June 30, 2007; or (iv) to Watermaster and thence to members of the Appropriative Pool in accordance with the following guidelines and those procedures Watermaster may further provide in Watermaster's Rules and Regulations:

¹¹ Order dated September 28, 2000 and Order dated April 19, 2001.

(a) By December 31 of each year, the members of the Overlying (Non-Agricultural) Pool shall notify Watermaster of the amount of water each member shall make available in their individual discretion for purchase by the Appropriators. By January 31 of each year, Watermaster shall provide a Notice of Availability of each Appropriator's pro-rata share of such water;

(b) Except as they may be limited by paragraph 9(e) below, each member of the Appropriative Pool will have, in their discretion, a right to purchase its pro-rata share of the supply made available from the Overlying (Non-Agricultural) Pool at the price established in 9(d) below. Each Appropriative Pool member's pro-rata share of the available supply will be based on each Producer's combined total share of Operating Safe Yield and the previous year's actual Production by each party;

(c) If any member of the Appropriative Pool fails to irrevocably commit to their allocated share by March 1 of each year, its share of the Overlying (Non-Agricultural) Pool water will be made available to all other members of the Appropriative Pool according to the same proportions as described in 9(b) above and at the price established in Paragraph 9(d) below. Each member of the Appropriative Pool shall complete its payment for its share of water made available by June 30 of each year.

(d) Commensurate with the cumulative commitments by members of the Appropriative Pool pursuant to (b) and (c) above, Watermaster will purchase the surplus water made available by the Overlying (Non-Agricultural) Pool water on behalf of the members of the Appropriative Pool on an annual basis at 92% of the then-prevailing "MWD Replenishment Rate" and each member of the Appropriative Pool shall complete its payment for its determined share of water made available by June 30 of each year.

(e) Any surplus water cumulatively made available by all members of the Overlying (Non-Agricultural) Pool that is not purchased by Watermaster after completion of the process set forth herein will be pro-rated among the members of the Pool in proportion to the total quantity offered for transfer in accordance with this provision and may be retained by the

Overlying (Non-Agricultural) Pool member without prejudice to the rights of the members of the Pool to make further beneficial use or transfer of the available surplus.

(f) Each Appropriator shall only be eligible to purchase their pro-rata share under this procedure if the party is: (i) current on all their assessments; and (ii) in compliance with the OBMP.

(g) The right of any member of the Overlying (Non-Agricultural) Pool to transfer water in accordance with this Paragraph 9(a)-(c) in any year is dependent upon Watermaster making a finding that the member of the Overlying (Non-Agricultural) Pool is using recycled water where it is both physically available and appropriate for the designated end use in lieu of pumping groundwater.

(h) Nothing herein shall be construed to affect or limit the rights of any Party to offer or accept an assignment as authorized by the Judgment Exhibit "G" paragraph 6 above, or to affect the rights of any Party under a valid assignment.

910. Rules. The Pool Committee shall adopt rules for administering its program and in amplification of the provisions, but not inconsistent with, this pooling plan.

EXHIBIT "H"
APPROPRIATIVE POOL
POOLING PLAN

1. Qualification for Pool. Any city, district or other public entity and public utility -- either regulated under Public Utilities Commission jurisdiction, or exempt therefrom as a non-profit mutual water company (other than those assigned to the Overlying (Agricultural) Pool) -- shall be a member of this pool. All initial members of the pool are listed in Exhibit "E", together with their respective appropriative rights and acre foot allocation and percentage shares of the initial and subsequent Operating Safe Yield.

2. Pool Committee. The Pool Committee shall consist of one (1) representative appointed by each member of the Pool.

3. Voting. The total voting power on the Pool Committee shall be 1,000 votes. Of these, 500 votes shall be allocated in proportion to decreed percentage shares in Operating Safe Yield. The remaining 500 votes shall be allocated proportionally on the basis of assessments paid to Watermaster during the preceding year. Routine business of the Pool Committee may be conducted on the basis of one vote per member, but upon demand of any member a weighted vote shall be taken. Affirmative action of the Committee shall require a majority of the voting power of members in attendance, provided that it includes concurrence by at least one-third of its total members.

4. Advisory Committee Representatives. **Members of the Pool Committee shall be designated to represent this pool on the Advisory Committee *on the following basis: Each major appropriator, i.e., the owner of an adjudicated appropriative right in excess of 3,000 acre feet, or each appropriator that produces in excess of 3,000 acre feet based upon the prior year's production, shall be entitled to one representative. Two additional representatives of the*** Appropriative Pool on the Advisory Committee shall be elected at large by the remaining members of the pool. The voting power of the Appropriative Pool on the Advisory Committee shall be apportioned between the major appropriator representatives in proportion to their respective voting power in the Pool Committee. The two representatives of the remaining appropriators shall exercise equally the voting power proportional to the Pool Committee voting power of said

remaining appropriators; provided, however, that if any representative fails to attend an Advisory Committee meeting, the voting power of that representative shall be allocated among the representatives of the Appropriative Pool in attendance in the same proportion as their respective voting powers.¹²

5. Replenishment Obligation. The pool shall provide funds for purchase of replenishment water to replace any production by the pool in excess of Operating Safe Yield during the preceding year.

6. Administrative Assessment. Costs of administration of this pool and its share of general Watermaster expense shall be recovered by a uniform assessment applicable to all production during the preceding year.

7. Replenishment Assessment. The cost of replenishment water required to replace production from Chino Basin in excess of Operating Safe Yield in the preceding year shall be allocated and recovered as follows:

(a) For production, other than for increased export,
within CBMWD or WMWD:

(1) Gross Assessment. 15% of such replenishment water costs shall be recovered by a uniform assessment against all production of each appropriator producing in said area during the preceding year.

(2) Net Assessment. The remaining 85% of said costs shall be recovered by a uniform assessment on each acre foot of production from said area by each such appropriator in excess of his allocated share of Operating Safe Yield during said preceding year.

(b) For production which is exported for use outside Chino Basin in excess of maximum export in any year through 1976, such increased export production shall be assessed against the exporting appropriator in an amount sufficient to purchase replenishment water from CBMWD or WMWD in the amount of such excess.

¹² Order dated September 18, 1996.

(c) For production within SBVMWD or PVMWD:

By an assessment on all production in excess of an appropriator's share of Operating Safe Yield in an amount sufficient to purchase replenishment water through SBVMWD or MWD in the amount of such excess.

8. Socio-Economic Impact Review. The parties have conducted certain preliminary socio-economic impact studies. Further and more detailed socio-economic impact studies of the assessment formula and its possible modification shall be undertaken for the Appropriator Pool by Watermaster no later than ten (10) years from the effective date of this Physical Solution, or whenever total production by this pool has increased by 30% or more over the decreed appropriative rights, whichever is first.

9. Facilities Equity Assessment. Watermaster may, upon recommendation of the Pool Committee, institute proceedings for levy and collection of a Facilities Equity Assessment for the purposes and in accordance with the procedures which follow:

(a) Implementing Circumstances. - There exist several sources of supplemental water available to Chino Basin, each of which has a differential cost and quantity available. The optimum management of the entire Chino Basin water resource favors the maximum use of the lowest cost supplemental water to balance the supplies of the Basin, in accordance with the Physical Solution. The varying sources of supplemental water include importations from MWD and SBVMWD, importation of surface and ground water supplies from other basins in the immediate vicinity of Chino Basin, and utilization of reclaimed water. In order to fully utilize any of such alternate sources of supply, it will be essential for particular appropriators having access to one or more of such supplies to have invested, or in the future to invest, directly or indirectly, substantial funds in facilities to obtain and deliver such water to an appropriate point of use. To the extent that the use of less expensive alternative sources of supplemental water can be maximized by the inducement of a Facilities Equity Assessment, as herein provided, it is to the long-term benefit of the entire basin that such assessment be authorized and levied by Watermaster.

(b) Study and Report. - At the request of the Pool Committee, Watermaster shall undertake a survey study of the utilization of alternate supplemental supplies by

members of the Appropriative Pool which would not otherwise be utilized and shall prepare a report setting forth the amount of such alternative supplies being currently utilized, the amount of such supplies which could be generated by activity within the pool, and the level of cost required to increase such uses and to optimize the total supplies available to the basin. Said report shall contain an analysis and recommendation for the levy of a necessary Facilities Equity Assessment to accomplish said purpose.

(c) Hearing. - If the said report by Watermaster contains a recommendation for imposition of a Facilities Equity Assessment, and the Pool Committee so requests, Watermaster shall notice and hold a hearing not less than 60 days after distribution of a copy of said report to each member of the pool, together with a notice of the hearing date. At such hearing, evidence shall be taken with regard to the necessity and propriety of the levy of a Facilities Equity Assessment and full findings and decision shall be issued by Watermaster.

(d) Operation of Assessment. - If Watermaster determines that it is appropriate that a Facilities Equity Assessment be levied in a particular year, the amount of additional supplemental supplies which should be generated by such assessment shall be estimated. The cost of obtaining such supplies, taking into consideration the investment in necessary facilities shall then be determined and spread equitably among the producers within the pool in a manner so that those producers not providing such additional lower cost supplemental water, and to whom a financial benefit will result, may bear a proportionate share of said costs, not exceeding said benefit; provided that any producer furnishing such supplemental water shall not thereby have its average cost of water in such year reduced below such producer's average cost of pumping from the Basin. In so doing, Watermaster shall establish a percentage of the total production by each party which may be produced without imposition of a Facilities Equity Assessment. Any member of the pool producing more water than said percentage shall pay such Facilities Equity Assessment on any such excess production. Watermaster is authorized to transmit and pay the proceeds of such Facilities Equity Assessment to those producers who take less than their share of Basin water by reason of furnishing a higher percentage of their requirements through use of supplemental water.

10. Unallocated Safe Yield Water. To the extent that, in any five years, any portion of the share of Safe Yield allocated to the Overlying (Agricultural) Pool is not produced, such water shall be available for reallocation to members of the Appropriative Pool, as follows:

(a) Priorities. - Such allocation shall be made in the following sequence:

(1) to supplement, in the particular year, water available from Operating Safe Yield to compensate for any reduction in the Safe Yield by reason of recalculation thereof after the tenth year of operation hereunder.

(2) pursuant to conversion claims as defined in Subparagraph (b) hereof.

(3) as a supplement to Operating Safe Yield, without regard to reductions in Safe Yield.

(b) Conversion Claims.¹³ The following procedures may be utilized by any appropriator:

1) Record of Unconverted Agricultural Acreage. Watermaster shall maintain on an ongoing basis a record with appropriate related maps of all agricultural acreage within the Chino Basin subject to being converted to appropriative water use pursuant to the provisions of this subparagraph. An initial identification of such acreage as of June 30, 1995 is attached hereto as Appendix 1.

(2) Record of Water Service Conversion. Any appropriator who undertakes to permanently provide water service to lands *subject to conversion* may report such intent to change water service to Watermaster. Watermaster *should* thereupon verify such change in water service and shall maintain a record and account for each appropriator of the total acreage involved. *Should, at any time, converted acreage return to water service from the Overlying (Agricultural) Pool, Watermaster shall return such acreage to unconverted status*

¹³ Order dated November 17, 1995.

and correspondingly reduce or eliminate any allocation accorded to the appropriator involved.

(3) Allocation of Safe Yield Rights

(i) *For the term of the Peace Agreement in any year in which sufficient unallocated Safe Yield from the Overlying (Agricultural) Pool is available for such conversion claims, Watermaster shall allocate to each appropriator with a conversion claim 2.0 acre feet of unallocated Safe Yield water for each converted acre for which conversion has been approved and recorded by the Watermaster.*¹⁴

(ii) *In any year in which the unallocated Safe Yield water from the Overlying (Agricultural) Pool is not sufficient to satisfy all outstanding conversion claims pursuant to subparagraph (i) herein above, Watermaster shall establish allocation percentages for each appropriator with conversion claims. The percentages shall be based upon the ratio of the total of such converted acreage approved and recorded for each appropriators's account in comparison to the total of converted acreage approved and recorded for all appropriators. Watermaster shall apply such allocation percentage for each appropriator to the total unallocated Safe Yield water available for conversion claims to derive the amount allocable to each appropriator.*

(4) Notice and Allocation. Notice of the special allocation of Safe Yield water pursuant to conversion claims shall be given to each appropriator and shall be treated for purposes of this Physical Solution as an addition to such appropriator's share of the Operating Safe Yield for the particular year only.

¹⁴ Order dated September 28, 2000 and Order dated April 19, 2001.

(5) Administrative Costs. Any costs of Watermaster attributable to the administration of such special allocations and conversion claims shall be assessed against the appropriators participating in such reporting, apportioned in accordance with the total amount of converted acreage held by each appropriator participating in the conversion program.

11. In Lieu Procedures. There are, or may develop, certain areas within Chino Basin where good management practices dictate that recharge of the basin be accomplished, to the extent practical, by taking surface supplies of supplemental water in lieu of ground water otherwise subject to production as an allocated share of Operating Safe Yield.

(a) Method of Operation. - An appropriator producing water within such designated in lieu area who is willing to abstain for any reason from producing any portion of such producer's share of Operating Safe Yield in any year may offer such unpumped water to Watermaster. In such event, Watermaster shall purchase said water in place, in lieu of spreading replenishment water, which is otherwise required to make up for over production. The purchase price for in lieu water shall be the lesser of:

- (1) Watermaster's current cost of replenishment water, whether or not replenishment water is currently then obtainable, plus the cost of spreading; or
- (2) The cost of supplemental surface supplies to the appropriator, less
 - a. said appropriator's average cost of ground water production, and
 - b. the applicable production assessment were the water produced.

Where supplemental surface supplies consist of MWD or SBVMWD supplies, the cost of treated, filtered State water from such source shall be deemed the cost of supplemental surface supplies to the appropriator for purposes of such calculation.

In any given year in which payments may be made pursuant to a Facilities Equity Assessment, as to any given quantity of water the party will be entitled to payment under this section or pursuant to the Facilities Equity Assessment, as the party elects, but not under both.

(b) Designation of In Lieu Areas. - The first in lieu area is designated as the "In Lieu Area No. 1" and consists of an area wherein nitrate levels in the ground water generally exceed 45 mg/l, and is shown on Exhibit "J" hereto. Other in lieu areas may be designated by subsequent order of Watermaster upon recommendation or approval by Advisory Committee. Said in lieu areas may be enlarged, reduced or eliminated by subsequent orders; provided, however, that designation of In Lieu Areas shall be for a minimum fixed term sufficient to justify necessary capital investment. In Lieu Area No. 1 may be enlarged, reduced or eliminated in the same manner, except that any reduction of its original size or elimination thereof shall require the prior order of Court.

12. Carry-over. Any appropriator who produces less than his assigned share of Operating Safe Yield may carry such unexercised right forward for exercise in subsequent years. The first water produced during any such subsequent year shall be deemed to be an exercise of such carry-over right. In the event the aggregate carry-over by any appropriator exceeds its share of Operating Safe Yield, such appropriator shall, as a condition of preserving such surplus carry-over, execute a storage agreement with Watermaster. Such appropriator shall have the option to pay the gross assessment applicable to such carry-over in the year in which it accrued.

13. Assignment, Transfer and Lease. Appropriative rights, and corresponding shares of Operating Safe Yield, may be assigned or may be leased or licensed to another appropriator for exercise in a given year. Any transfer, lease or license shall be ineffective until written notice thereof is furnished to and approved as to form by Watermaster, in compliance with applicable Watermaster rules. Watermaster shall not approve transfer, lease or license of a right for exercise in an area or under conditions where such production would be contrary to sound basin management or detrimental to the rights or operations of other producers.

14. Rules. The Pool Committee shall adopt rules for administering its program and in amplification of the provisions, but not inconsistent with, this pooling plan.

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EXHIBIT "I"

ENGINEERING APPENDIX

1. Basin Management Parameters. In the process of implementing the physical solution for Chino Basin, Watermaster shall consider the following parameters:

(a) Pumping Patterns. - Chino Basin is a common supply for all persons and agencies utilizing its waters. It is an objective in management of the Basin's waters that no producer be deprived of access to said waters by reason of unreasonable pumping patterns, nor by regional or localized recharge of replenishment water, insofar as such result may be practically avoided.

(b) Water Quality. - Maintenance and improvement of water quality is a prime consideration and function of management decisions by Watermaster.

(c) Economic Considerations. - Financial feasibility, economic impact and the cost and optimum utilization of the Basin's resources and the physical facilities of the parties are objectives and concerns equal in importance to water quantity and quality parameters.

2. **Hydraulic Control and Re-Operation.** In accordance with the purpose and objective of the Physical Solution to "establish a legal and practical means for making the maximum reasonable beneficial use of the waters of the Chino Basin" (paragraph 39) including but not limited to the use and recapture of reclaimed water (paragraph 49(a)) and the identified Basin Management Parameters set forth above, Watermaster will manage the Basin to secure and maintain Hydraulic Control through controlled overdraft.

(a) **Hydraulic Control.** "Hydraulic Control" means the reduction of groundwater discharge from the Chino North Management Zone to the Santa Ana River to de minimus quantities. The Chino North Management Zone is more fully described and set forth in Attachment I-1 to this Engineering Appendix. By obtaining Hydraulic Control, Watermaster will ensure that the water management activities in the Chino North Management Zone do not cause

materially adverse impacts to the beneficial uses of the Santa Ana River downstream of Prado Dam.

(b) **Re-Operation.** “Re-Operation” means the controlled overdraft of the Basin by the managed withdrawal of groundwater for the Desalters and the potential increase in the cumulative un-replenished Production from 200,000 acre-feet authorized by paragraph 3 below, to 600,000 acre feet for the express purpose of securing and maintaining Hydraulic Control as a component of the Physical Solution.

[1] The increase in the controlled overdraft herein is separate from and in addition to the 200,000 acre-feet of accumulated overdraft authorized in paragraph 3(a) and 3(b) below over the period of 1978 through 2017.

[2] “Desalters” means the Chino I Desalter, the Chino I Expansion, the Chino II Desalter and Future Desalters, consisting of all the capital facilities and processes that remove salt from Basin water, including extraction wells and transmission facilities for delivery of groundwater to the Desalter. Desalter treatment and delivery facilities for the desalted water include pumping and storage facilities and treatment and disposal capacity in the Santa Ana Regional Interceptor.

[3] The groundwater Produced through controlled overdraft pursuant to Re-Operation does not constitute New Yield or Operating Safe Yield and it is made available under the Physical Solution for the express purpose of satisfying some or all of the groundwater Production by the Desalters until December 31, 2030. (“Period of Re-Operation”).

[4] The operation of the Desalters, the Production of groundwater for the Desalters and the use of water produced by the Desalters pursuant to Re-Operation are

subject to the limitations that may be set forth in Watermaster Rules and Regulations for the Desalters.

(5) Watermaster will update its Recharge Master Plan and obtain Court approval of its update, to address how the Basin will be contemporaneously managed to secure and maintain Hydraulic Control and operated at a new equilibrium at the conclusion of the period of Re-Operation. The Recharge Master Plan shall contain recharge projections and summaries of the projected water supply availability as well as the physical means to accomplish recharge projections. The Recharge Master Plan may be amended from time to time with Court approval.

(6) Re-Operation and Watermaster's apportionment of controlled overdraft in accordance with the Physical Solution will not be suspended in the event that Hydraulic Control is secured in any year before the full 400,000 acre-feet has been Produced without Replenishment, so long as: (i) Watermaster has prepared, adopted and the Court has approved a contingency plan that establishes conditions and protective measures that will avoid unreasonable and unmitigated material physical harm to a party or to the Basin and that equitably distributes the cost of any mitigation attributable to the identified contingencies; and (ii) Watermaster is in substantial compliance with a Court approved Recharge Master Plan.¹⁵

3. Operating Safe Yield. Operating Safe Yield in any year shall consist of the Appropriative Pool's share of Safe Yield of the Basin, plus any controlled overdraft of the Basin which Watermaster may authorize. In adopting the Operating Safe Yield for any year, Watermaster shall be limited as follows:

(a) Accumulated Overdraft. - During the operation of this Judgment and Physical Solution, the overdraft accumulated from and after the effective date of the Physical Solution and

¹⁵ Order dated December 21, 2007.

resulting from an excess of Operating Safe Yield over Safe Yield shall not exceed 200,000 acre feet.

(b) Quantitative Limits. - In no event shall Operating Safe Yield in any year be less than the Appropriative Pool's share of Safe Yield, nor shall it exceed such share of Safe Yield by more than 10,000 acre feet. The initial Operating Safe Yield is hereby set at 54,834 acre feet per year. Operating Safe Yield shall not be changed upon less than five (5) years' notice by Watermaster. Nothing contained in this paragraph shall be deemed to authorize, directly or indirectly, any modification of the allocation of shares in Safe Yield to the overlying pools, as set forth in Paragraph 44 of the Judgment.

4. Ground Water Storage Agreements. Any agreements authorized by Watermaster for storage of supplemental water in the available ground water storage capacity of Chino Basin shall include, but not be limited to:

- (a) The quantities and term of the storage right.
- (b) A statement of the priority or relation of said right, as against overlying or Safe Yield uses, and other storage rights.
- (c) The procedure for establishing delivery rates, schedules and procedures which may include:
 - [1] spreading or injection, or
 - [2] in lieu deliveries of supplemental water for direct use.
- (d) The procedures for calculation of losses and annual accounting for water in storage by Watermaster.
- (e) The procedures for establishment and administration of withdrawal schedules, locations and methods.

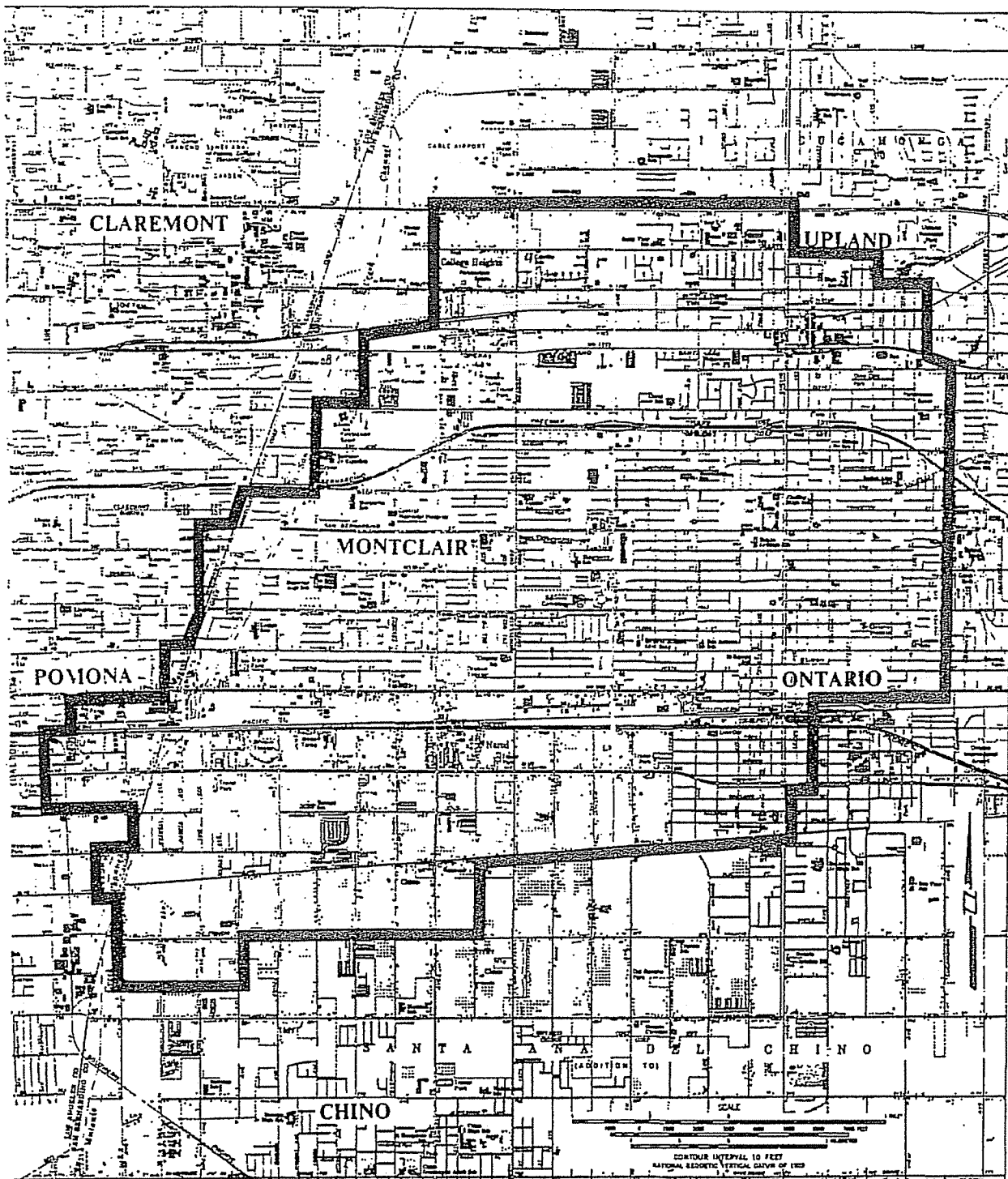
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CHINO BASIN
IN LIEU AREA NO. 1

EXHIBIT "J"

EXHIBIT "K"
LEGAL DESCRIPTION
OF CHINO BASIN

Preamble

All of the townships and ranges referred to in the following legal description are the San Bernardino Base and Meridian. Certain designated sections are implied as the System of Government Surveys may be extended where not established. Said sections are identified as follows:

Section 20, T1N, R8W is extended across Rancho Cucamonga;

Section 36, T1N, R8W is extended across the City of Upland;

Sections 2,3, and 4, T1S, R7W are extended across Rancho Cucamonga;

Section 10, T1S, R8W is extended across the City of Claremont;

Sections 19, 20, 21, 30, 31 and 32, T1S, R8W are extended across the City of Pomona;

Sections 4, 5, and 28, T2S, R8W are extended across Rancho Santa Ana Del Chino;

Sections 15 and 16, T3S, R7W are extended across Rancho La Sierra; and

Sections 17 and 20, T3S, R7W are extended across Rancho El Rincon.

Description

Chino Basin is included within portions of the Counties of San Bernardino, Riverside and Los Angeles, State of California, bounded by a continuous line described as follows:

EXHIBIT "K"

BEGINNING at the Southwest corner of Lot 241 as shown on Map of Ontario Colony Lands, recorded in Map Book 11, page 6, Office of the County Recorder of San Bernardino County, said corner being the Point of Beginning;

1. Thence Southeasterly to the Southeast corner of Lot 419 of said Ontario Colony Lands;
2. Thence Southeasterly to a point 1300 feet North of the South line and 1300 feet East of the West line of Section 4, T1S, R7W;
3. Thence Easterly to a point on the East line of Section 4, 1800 feet North of the Southeast corner of said Section 4;
4. Thence Easterly to the Southeast corner of the Southwest quarter of the Northeast quarter of Section 3, T1S, R7W;
5. Thence Northeasterly to a point on the North line of Section 2, T1S, R7W, 1400 feet East of the West line of said Section 2;
6. Thence Northeasterly to the Southwest corner of Section 18, T1N, R6W;
7. Thence Northerly to the Northwest corner of said Section 18;
8. Thence Easterly to the Northeast corner of said Section 18;

9. Thence Northerly to the Northwest corner of the Southwest Quarter of Section 8, T1N, R6W;
10. Thence Easterly to the Northeast corner of said Southwest quarter of said Section 8;
11. Thence Southerly to the Southeast corner of said Southwest Quarter of said Section 8;
12. Thence Easterly to the Northeast corner of Section 17, T1N, R6W;
13. Thence Easterly to the Northeast corner of Section 16, T1N, R6W;
14. Thence Southeasterly to the Northwest corner of the Southeast quarter of Section 15, T1N, R6W;
15. Thence Easterly to the Northeast corner of said Southeast quarter of said Section 15;
16. Thence Southeasterly to the Northwest corner of the Northeast quarter of Section 23, T1N, R6W;
17. Thence Southeasterly to the Northwest corner of Section 25, T1N, R6W;
18. Thence Southeasterly to the Northwest corner of the Northeast quarter of Section 31, T1N, R5W;
19. Thence Southeasterly to the Northeast corner of the Northwest quarter of Section 5, T1S, R5W;
20. Thence Southeasterly to the Southeast corner of Section 4, T1S, R5W;
21. Thence Southeasterly to the Southeast corner of the Southwest quarter of Section 11, T1S, R5W;
22. Thence Southwesterly to the Southwest corner of Section 14, T1S, R5W;

23. Thence Southwest to the Southwest corner of Section 22, T1S, R5W;
24. Thence Southwesterly to the Southwest corner of the Northeast quarter of Section 6, T2S, R5W;
25. Thence Southeasterly to the Northeast corner of Section 18, T2S, R5W;
26. Thence Southwesterly to the Southwest corner of the Southeast quarter of Section 13, T2S,
R6W;
27. Thence Southwesterly to the Southwest corner of the Northeast quarter of Section 26, T2S, R6W;
28. Thence Westerly to the Southwest corner of the Northwest quarter of said Section 26;
29. Thence Northerly to the Northwest corner of said Section 26;
30. Thence Westerly to the Southwest corner of Section 21, T2S, R6W;
31. Thence Southerly to the Southeast corner of Section 29, T2S, R6W;
32. Thence Westerly to the Southeast corner of Section 30, T2S, R6W;
33. Thence Southwesterly to the Southwest corner of Section 36, T2S, R7W;
34. Thence Southwesterly to the Southeast corner of Section 3, T3S, R7W;
35. Thence Southwesterly to the Southwest corner of the Northeast quarter of Section 10, T3S, R7W;

36. Thence Southerly to the Northeast corner of the Northwest quarter of Section 15, T3S, R7W;
37. Thence Southwesterly to the Southeast corner of the Northeast quarter of Section 16, T3S, R7W;
38. Thence Southwesterly to the Southwest corner of said Section 16;
39. Thence Southwesterly to the Southwest corner of the Northeast quarter of Section 20, T3S, R7W;
40. Thence Westerly to the Southwest corner of the Northwest quarter of said Section 20;
41. Thence Northerly to the Northwest corner of Section 17, T3S, R7W;
42. Thence Westerly to the Southwest corner of Section 7, T3S, R7W;
43. Thence Northerly to the Southwest corner of Section 6, T3S, R7W;
44. Thence Westerly to the Southwest corner of Section 1, T3S, R8W;
45. Thence Northerly to the Southeast corner of Section 35, T2S, R8W;
46. Thence Northwesterly to the Northwest corner of said Section 35;
47. Thence Northerly to the Southeast corner of Lot 33, as shown on Map of Tract 3193, recorded in Map Book 43, pages 46 and 47, Office of the County Recorder of San Bernardino County;
48. Thence Westerly to the Northwest corner of the Southwest quarter of Section 28, T2S, R8W;

49. Thence Northerly to the Southwest corner of Section 4, T2S, R8W;
50. Thence Westerly to the Southwest corner of Section 5, T2S, R8W;
51. Thence Northerly to the Southwest corner of Section 32, T1S, R8W;
52. Thence Westerly to the Southwest corner of Section 31, T1S, R8W;
53. Thence Northerly to the Southwest corner of Section 30, T1S, R8W;
54. Thence Northeasterly to the Southwest corner of Section 20, T1S, R8W;
55. Thence Northerly to the Northwest corner of the Southwest quarter of the Southwest quarter of said Section 20;
56. Thence Northwesterly to the Northeast corner of the Southeast quarter of the Southeast quarter of the Northwest quarter of Section 19, T1S, R8W;
57. Thence Easterly to the Northwest corner of Section 21, T1S, R8W;
58. Thence Northeasterly to the Southeast corner of the Southwest quarter of the Southwest quarter of Section 10, T1S, R8W;
59. Thence Northeasterly to the Southwest corner of Section 2, T1S, R8W;

60. Thence Northeasterly to the Southeast corner of the Northwest quarter of the Northwest quarter of Section 1, T1S, R8W;
61. Thence Northerly to the Northeast corner of the Northwest quarter of the Northeast quarter of Section 36, T1N, R8W;
62. Thence Northerly to the Southeast corner of Section 24, T1N, R8W;
63. Thence Northeasterly to the Southeast corner of the Northwest quarter of the Northwest quarter of Section 20, T1N, R7W; and
64. Thence Southerly to the Point of Beginning.

Sections Included

Said perimeter description includes all or portions of the following Townships, Ranges and Sections of San Bernardino Base and Meridian:

T1N, R5W - Sections: 30, 31 and 32

T1N, R6W - Sections: 8, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35
and 36

T1N, R7W - Sections: 19, 20, 24, 25, 26, 29, 30, 31, 32, 35 and 36

T1N, R8W - Sections: 25 and 36

T1S, R5W - Sections: 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 28, 29, 30, 31 and 32

T1S, R6W - Sections: 1 through 36, inclusive

T1S, R7W - Sections: 1 through 36, inclusive

T1S, R8W - Sections: 1, 2, 10, 11, 12, 13, 14, 15, 16, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31,
32, 33, 34, 35 and 36

T2S, R5W - Sections: 6, 7 and 18

T2S, R6W - Sections: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24,
26, 29, 30 and 31

T2S, R7W - Sections: 1 through 36, inclusive

T2S, R8W - Sections: 1, 2, 3, 4, 5, 9, 10, 11, 12, 13, 14, 15, 16, 21, 22, 23, 24, 25, 26, 27, 28, 35 and
36

T3S, R7W - Sections: 2, 3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17 and 20

T3S, R8W - Sections: 1.

SB 565248 v1:038350.0001

Exhibit C

PEACE AGREEMENT

CHINO BASIN

JUNE 29, 2000

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PEACE AGREEMENT CHINO BASIN

THIS AGREEMENT (Agreement) is dated the 29th day of June, 2000 regarding the Chino Groundwater Basin.

RECITALS

WHEREAS, disputes have arisen from time to time among and between water users within the Santa Ana River Watershed resulting in a judgment entered in Orange County Superior Court Case No. 117628, Orange County Water District v. City of Chino in 1969; and

WHEREAS, a complaint was filed on January 2, 1975, seeking an adjudication of water rights, injunctive relief and the imposition of a physical solution for the Chino Groundwater Basin (hereinafter Chino Basin); and

WHEREAS, a Judgment was entered in San Bernardino County Superior Court Case No. 164327 in Chino Basin Municipal Water District v. City of Chino, et al. in 1978, now designated No. RCV 51010 that adjudicated rights to the groundwater and storage capacity within the Chino Basin and established a physical solution; and

WHEREAS, the Parties intend that each Producer should be able to Produce both the quantity and quality of water to meet its water supply needs to the greatest extent possible from the water that underlies the Producer's area of benefit; and

WHEREAS, the Judgment provides the State of California is the largest owner of land overlying the Chino Basin, and provides that all future Production by the State, or its departments or agencies for overlying use on State-owned lands shall be considered as use by the Agricultural Pool; and

WHEREAS, Paragraph 16 of the Judgment authorized the appointment of a Watermaster for a term or terms of five (5) years; and

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; and

WHEREAS, Paragraph 41 of the Judgment provides that "Watermaster, with the advice of the Advisory and Pool Committees" has "discretionary powers in order to develop an optimum basin management program (OBMP) for Chino Basin"; and

WHEREAS, on February 19, 1998, in San Bernardino County Superior Court Case Number RCV 51010, the Court appointed a "Nine-member Board as Interim Watermaster for a twenty-six month period commencing March 1, 1998 and ending June 30, 2000" and "directed the Interim Watermaster to develop and submit the OBMP"; and

WHEREAS, a draft Programmatic Environmental Impact Report (PEIR) for the OBMP has been completed and distributed to the Parties as well as the State Clearinghouse and other interested Parties and the Inland Empire Utilities Agency (IEUA) is serving as "Lead Agency" for purposes of preparing and completing the PEIR as previously directed by the Court on November 18, 1999; and

WHEREAS, this Agreement facilitates the implementation of the OBMP which is subject to environmental review under the California Environmental Quality Act (CEQA) as previously directed by the Court; and

WHEREAS, disputes have arisen in regard to a number of matters pertaining to the power and authority of the Court and Watermaster under the Judgment, including but not limited to Watermaster power and author-

ity regarding recharge, owning property, holding water rights, water Transfers, storage, yield management, land use conversions, assessments, benefits, procedures and the adoption and implementation of the OBMP; and

WHEREAS, OCWD has filed a petition with the State Water Resources Control Board requesting a change of the Santa Ana River's "Fully Appropriated" status, and filed an application to appropriate up to five hundred seven thousand (507,000) acre-feet of such newly declared surplus water; and

WHEREAS, the Parties to this Agreement desire to resolve issues by consent under the express terms and conditions stated herein; and

WHEREAS, the Parties wish to preserve and maintain Watermaster's role under the Judgment without compromising the Parties' collective and individual "benefits of the bargain" under this Agreement; and

WHEREAS, the Parties intend that this Agreement shall enable the adoption and implementation of an OBMP consistent herewith, which will benefit the Basin and all Parties hereto;

NOW, THEREFORE, in consideration of the mutual promises specified herein and by conditioning their performance under this Agreement upon conditions precedent set forth in Article III, the Watermaster approval and Court Order of its terms, and for other good and valuable consideration, the Parties agree as follows:

I DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions. As used in this Agreement, these terms, including any grammatical variations thereof shall have the following meanings:

- (a) "Agricultural Pool" shall have the meaning of Overlying (Agricultural) Pool as used in the Judgment and shall include all its members;
- (b) "Appropriative Pool" shall have the meaning as used in the Judgment and shall include all its members;
- (c) "Basin Water" means groundwater within Chino Basin which is part of the Safe Yield, Operating Safe Yield, or Replenishment Water in the Basin as a result of operations under the physical solution decreed in the Judgment. Basin Water does not include "Stored Water;"
- (d) "Best Efforts" means reasonable diligence and reasonable efforts under the totality of the circumstances. Indifference and inaction do not constitute Best Efforts. Futile action(s) are not required.
- (e) "CBWCD" means the Chino Basin Water Conservation District;
- (f) "CEQA" means the California Environmental Quality Act, Public Resources Code Sections 21000 et seq; 14 California Code of Regulations 15000 et seq.;
- (g) "Chino Basin" or "Basin" means the groundwater basin underlying the area shown on Exhibit "B" to the Judgment and within the boundaries described on Exhibit "K" to the Judgment;
- (h) "Chino Basin Watershed" means the surface drainage area tributary to and overlying Chino Basin;

- (i) “Chino I Desalter” also known as the SA WPA Desalter means the Desalter owned and operated by PC14 with a present capacity of eight (8) million gallons per day (mgd) and in existence on the Effective Date;
- (j) “Chino I Desalter Expansion” means the planned expansion of the Chino I Desalter from its present capacity of eight (8) mgd to a capacity of up to fourteen (14) mgd, to be owned and operated by IEUA and WMWD acting through PC14;
- (k) “Chino II Desalter” means a new Desalter not in existence on the Effective Date with a design capacity of ten (10) mgd, to be owned, constructed, and operated by IEUA and WMWD acting independently or in their complete discretion, acting through the PC14, constructed and operated consistent with the OBMP and to be located on the eastside of the Chino Basin;
- (l) “Court” means the court exercising continuing jurisdiction under the Judgment;
- (m) “Date of Execution” means the first day following the approval and execution of the Agreement by the last Party to do so;
- (n) “Desalter” and “Desalters” means the Chino I Desalter, Chino I Desalter Expansion, the Chino II Desalter and Future Desalters, consisting of all the capital facilities and processes that remove salt from Basin Water, including extraction wells, transmission facilities for delivery of groundwater to the Desalter, Desalter treatment and delivery facilities for the desalted water including pumping and storage facilities, and treatment and disposal capacity in the SARI System;

- (o) “Early Transfer” means the reallocation of Safe Yield not Produced by the Agricultural Pool to the Appropriative Pool on an annual basis rather than according to the five year increment described in Paragraph 10 of Exhibit “H” of the Judgment;
- (p) “Effective Date” means October 1, 2000, provided that all conditions precedent have been waived or satisfied;
- (q) “Future Desalters” means enlargement of the Chino I Desalter to a capacity greater than the Chino I Expansion or enlargement of the Chino II Desalter and any other new Desalter facilities that may be needed to carry out the purposes of the OBMP over the term of this Agreement;
- (r) “General law” means all applicable state and federal law;
- (s) “Groundwater” means water beneath the surface of the ground and within the zone of saturation, i.e., below the existing water table;
- (t) “IEUA” means the Inland Empire Utilities Agency, referred to in the Judgment as Chino Basin Municipal Water District;
- (u) “In-lieu recharge” means taking supplies of Supplemental Water in lieu of pumping groundwater otherwise subject to Production as an allocated share of Operating Safe Yield, as provided in Exhibit “H” Paragraph 11 of the Judgment;
- (v) “Judgment” means the Judgment dated January 27, 1978, in San Bernardino County Case No. 164327 (redesignated as San Bernardino County Case No. RCV 51010) as amended by Order Approving Amendments to Judgment Dated December 1, 1995, and Order for Amendments to the Judgment Regard-

ing Changes in Pooling Plans and Appropriative Pool Representation on the Advisory Committee, dated September 18, 1996 and other such amendments;

- (w) “Jurupa Community Services District” (JCSD) means the Jurupa Community Services District and the Santa Ana River Water Company individually. Subject to the provisions of this Agreement, the design and delivery obligations for the Chino II Desalter set forth in Section 7.3 regarding Jurupa Community Services District include both the Jurupa Community Services District and the Santa Ana River Water Company. Santa Ana River Water Company may exercise its discretion to receive its portion of the desalted water through an interconnection or at its own expense through an independent pipeline to connect to the Chino II Desalter or in any other method as the Jurupa Community Services District and the Santa Ana River Water Company may jointly agree. Nothing in this definition shall be construed as expanding the initial mgd capacity of the Chino II Desalter as provided in the facilities plan which is attachment “1” to the OBMP Implementation Plan (Exhibit “B” hereto). If it is necessary to meet Santa Ana River Water Company’s demands and there is insufficient initial capacity in the Chino II Desalter to satisfy the demands of Santa Ana River Water Company for desalted water in the quantities as provided in the Revised Draft Water Supply Plan Phase I Desalting Project Facilities Report, Jurupa’s and Ontario’s entitlement to desalted water made available from the initial capacity of the Chino II Desalter shall abate pro-rata to accommodate the demand of Santa Ana River Water Company up to a maximum quantity of 1,300 acre feet per year.
- (x) “Local Storage” means water held in a storage account pursuant to a Local Storage agreement between a party to the

Judgment and Watermaster and consisting of: (i) a Producer's unproduced carry-over water or (ii) a party to the Judgment's Supplemental Water, up to a cumulative maximum of fifty thousand (50,000) acre-feet for all parties to the Judgment.

- (y) "Material Physical Injury" means material injury that is attributable to the Recharge, Transfer, storage and recovery, management, movement or Production of water, or implementation of the OBMP, including, but not limited to, degradation of water quality, liquefaction, land subsidence, increases in pump lift (lower water levels) and adverse impacts associated with rising groundwater. Material Physical Injury does not include "economic injury" that results from other than physical causes. Once fully mitigated, physical injury shall no longer be considered to be material;
- (z) "Metropolitan Water District" means the Metropolitan Water District of Southern California;
- (aa) "New Yield" means proven increases in yield in quantities greater than historical amounts from sources of supply including, but not limited to, capture of rising water, capture of available storm flow, operation of the Desalters (including the Chino I Desalter), induced Recharge and other management activities implemented and operational after June 1, 2000;
- (bb) "Non-Agricultural Pool" shall have the meaning as used in the Judgment for the Overlying (Non-Agricultural Pool) and shall include all its members;
- (cc) "OBMP Assessments" means assessments, other than the assessments levied as provided in Section 5.1(g), levied by Watermaster for the purpose of implementing the Optimum

Basin Management Program (OBMP),, which shall be deemed Administrative Assessments under Paragraph 54 of the Judgment.

- (dd) “OCWD” means the Orange County Water District;
- (ee) “Operating Safe Yield” means the annual amount of groundwater which Watermaster shall determine, pursuant to criteria specified in Exhibit “I” to the Judgment, can be Produced from Chino Basin by the Appropriative Pool parties free of Replenishment obligation under the Physical Solution. Watermaster shall include any New Yield in determining Operating Safe Yield;
- (ff) “Overdraft” means a condition wherein the total annual Production from the Basin exceeds the Safe Yield thereof, as provided in the Judgment;
- (gg) “Party or Parties” means a Party to this Agreement;
- (hh) “Party or parties to the Judgment” means a party to the Judgment;
- (ii) “Produce or Produced” means to pump or extract groundwater from the Chino Basin;
- (jj) “Producer” means any person who Produces groundwater from the Chino Basin;
- (kk) “Production” means the annual quantity, stated in acre feet, of water Produced from the Chino Basin;
- (ll) “PC14” means Project Committee No. 14, members of SAWPA, composed of IEUA, WMWD, and OCWD, pursuant

to Section 18 of the SAWPA Joint Exercise of Powers Agreement which now constitutes the executive Authority through which SAWPA acts with respect to the Chino I Desalter;

- (mm) “Public Hearing” means a hearing of Watermaster after notice pursuant to Paragraphs 58 and 59 or other Paragraphs of the Judgment that may be applicable, to all parties to the Judgment and to any other person entitled to notice under the Judgment, this Agreement or general law;
- (nn) “Recharge and Recharge Water” means introduction of water into the Basin, directly or indirectly, through injection, percolation, delivering water for use in-lieu of Production or other method. Recharge references the physical act of introducing water into the Basin. Recharge includes Replenishment Water but not all Recharge is Replenishment Water. This definition shall not be construed to limit or abrogate the authority of CBWCD under general law;
- (oo) “Replenishment Water” means Supplemental Water used to Recharge the Basin pursuant to the physical solution, either directly by percolating or injecting the water into the Basin or indirectly by delivering the water for use in lieu of Production and use of Safe Yield or Operating Safe Yield;
- (pp) “Recycled Wastewater” means water which, as a result of treatment of wastewater, is suitable for a direct beneficial use or a controlled use that would not otherwise occur and is therefore considered a valuable resource, referred to as “reclaimed water” in the Judgment.
- (qq) “Safe Yield” means the long-term average annual quantity of groundwater (excluding Replenishment Water or Stored Water but including return flow to the Basin from use of

Replenishment or Stored Water) which can be Produced from the Basin under cultural conditions of a particular year without causing an undesirable result;

- (rr) “Salt Credits” means an assignable credit that may be granted by the Regional Water Quality Control Board and computed by Watermaster from activities that result from removal of salt from the Basin, or that result in a decrease in the amount of salt entering the Basin;
- (ss) “SA WPA” means the Santa Ana Watershed Project Authority;
- (tt) “Sphere of Influence” has the same meaning as set forth in Government Code Section 56076;
- (uu) “Storage and Recovery Program” means the use of the available storage capacity of the Basin by any person under the direction and control of Watermaster pursuant to a storage and recovery agreement but excluding “Local Storage”, including the right to export water for use outside the Chino Basin and typically of broad and mutual benefit to the parties to the Judgment;
- (vv) “Stored Water” means Supplemental Water held in storage, as a result of direct spreading, injection or in-lieu delivery, for subsequent withdrawal and use pursuant to agreement with Watermaster;
- (ww) “Supplemental Water” means water imported to Chino Basin from outside the Chino Basin Watershed and recycled water;
- (xx) “Transfer” means the assignment, lease, or sale of a right to Produce water to another Producer within the Chino Basin or to another person or entity for use outside the Basin in con-

formance with the Judgment, whether the Transfer is of a temporary or permanent nature;

(yy) “TVMWD” means Three Valleys Municipal Water District (referred to in the Judgment as Pomona Valley Municipal Water District);

(zz) “Watermaster” means Watermaster as the term is used in the Judgment;

(aaa) “Watermaster Resolution 88-3” means the resolution by the Chino Basin Watermaster establishing the procedure for transferring unallocated Safe Yield water from the Agricultural Pool to the Appropriative Pool, adopted on April 6, 1988 and rescinding Resolution 84-2 in its entirety;

(bbb) “WMWD” means Western Municipal Water District;

1.2 Rules of Construction.

(a) Unless the context clearly requires otherwise:

(i) The plural and singular forms include the other;

(ii) “Shall,” “will,” “must,” and “agrees” are each mandatory;

(iii) “may” is permissive;

(iv) “or” is not exclusive;

(v) “includes” and “including” are not limiting; and

(vi) “between” includes the ends of the identified range.

- (b) Headings at the beginning of Articles, paragraphs and subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement and shall not be used in construing it.
- (c) The masculine gender shall include the feminine and neuter genders and vice versa.
- (d) The word “person” shall include individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, water district and other entity of whatever nature.
- (e) Reference to any agreement (including this Agreement), document, or instrument means such agreement, document, instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof.
- (f) Except as specifically provided herein, reference to any law, statute, ordinance, regulation or the like means such law as amended, modified, codified or reenacted, in whole or in part and in effect from time to time, including any rules and regulations promulgated thereunder.

II COMPLIANCE WITH CEQA

- 2.1 Commitments Shall be Consistent With CEQA Compliance. In executing this Agreement, the Parties agree that no commitment will be made to carry out any “project” under the OBMP and within the meaning of CEQA unless and until the environmental review and assessments required by CEQA for that defined “project” have been

completed. Any future implementing actions in furtherance of Program Elements 2 through 9 that meet the definition of “project” under CEQA, shall be subject to further environmental documentation in the form of an exemption, a negative declaration, mitigated negative declaration, environmental impact report, supplemental EIR or subsequent EIR. Any challenge claiming a breach of this article shall be brought within the same period of time applicable to claims under Public Resources Code section 21000, et seq.

- 2.2 Reservation of Discretion. Execution of this Agreement is not intended to commit any Party to undertake a project without compliance with CEQA or to commit the Parties to a course of action, which would result in the present approval of a future project.
- 2.3 No Prejudice by Comment or Failure to Comment. Nothing in the PEIR, or a Party’s failure to object or comment thereon, shall limit any Party’s right to allege that “Material Physical Injury” will result or has resulted from the implementation of the OBMP, the storage, recovery, management, movement or Production of water as provided in Article V herein.
- 2.4 Acknowledgment that IEUA is the Lead Agency. IEUA has been properly designated as the “Lead Agency” for the purposes of preparing the PEIR as ordered by court on November 18, 1999.

III CONDITIONS PRECEDENT

- 3.1 Performance Under Articles V, VI, and VII is Subject to Satisfaction of Conditions Precedent. Each Party’s obligations under this Agreement are subject to the satisfaction of the following conditions on or before the dates specified below, unless satisfaction of a specified condition or conditions is waived in writing by all other Parties:

- (a) The Parties' covenants and commitments set forth in Article V are expressly conditioned upon Watermaster's contemporaneous approval of this Agreement and the OBMP Implementation Plan by June 29, 2000 and upon an Order of the Court directing Watermaster to proceed in accordance with this Agreement and only this Agreement, on or before July 13, 2000. Watermaster's approval of this Agreement and the OBMP Implementation Plan shall be in the form of a resolution substantially similar to Exhibit "A" attached hereto and it shall contain a commitment to adopt the requisite policies and procedures to implement the provisions set forth in Article V on or before December 31, 2000, unless an earlier date for performance is otherwise expressly provided herein.
- (b) Appropriation by the California Legislature of at least \$121,000,000 from the proceeds made available by the passage of Proposition 13 for the benefit of the SAWPA by October 1, 2000.

IV MUTUAL COVENANTS

- 4.1 Joint Defense. The Parties shall proceed with reasonable diligence and use Best Efforts to jointly defend any lawsuit or administrative proceeding challenging the legality, validity, or enforceability of any term of this Agreement. However, nothing herein shall require the State of California to incur legal or administrative costs in support of such an effort.
- 4.2 No Opposition to the OBMP. No Party to this Agreement shall oppose Watermaster's adoption and implementation of the OBMP as provided in Exhibit B attached hereto in a manner consistent with this Agreement, or the execution of Memoranda of Agreement that incorporate the provisions which are substantially similar to those

contained in Exhibit “C” attached hereto. Nothing herein shall be construed as limiting any Party’s right of participation in all the functions of Watermaster as are provided in the Judgment or to preclude a party to the Judgment from seeking judicial review of Watermaster determinations pursuant to the Judgment or as otherwise provided in this Agreement.

4.3 Indemnification of the Agricultural Pool. The Parties shall indemnify and defend the State of California and the members of the Agricultural Pool against any lawsuit or administrative proceedings, without limitation, arising from Watermaster’s adoption, approval, management, or implementation of a Storage and Recovery Program.

4.4 Consent to Specified Changes to the Judgment. Each Party consents to the following modifications to the Judgment.

(a) The Judgment shall be amended so that the last sentence of Paragraph 8 of the Judgment reads:

All overlying rights are appurtenant to the land and cannot be assigned or conveyed separate or apart therefrom for the term of the Peace Agreement except that the members of the Overlying (Non-Agricultural) Pool shall have the right to Transfer or lease their quantified Production rights within the Overlying (Non-Agricultural) Pool or to Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000.

(b) Paragraph 6 of Exhibit “G” to the Judgment regarding the Overlying Non-Agricultural Pool shall be amended to read:

Assignment. Rights herein decreed are appurtenant to that land and are only assignable with the land for over-

lying use thereon; provided, however, (a) that any appropriator who may, directly or indirectly, undertake to provide water service to such overlying lands may, by an appropriate agency agreement on a form approved by Watermaster, exercise said overlying right to the extent, but only to the extent necessary to provide water service to said overlying lands, and (b) the members of the pool shall have the right to Transfer or lease their quantified Production rights within the pool or to Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000 for the term of the Peace Agreement.

- (c) The 1995 Amendment to the Judgment shall be amended as follows: Section 10(b)(3)(i) shall now read:

“For the term of the Peace Agreement, in any year in which sufficient unallocated Safe Yield from the Overlying (Agricultural) Pool is available for such conversion claims, Watermaster shall allocate to each appropriator with a conversion claim, 2.0 acre-feet of unallocated Safe Yield water for each converted acre for which conversion has been approved and recorded by the Watermaster.”

Appendix 1 to the Judgment shall be construed to be consistent with this amendment. All other parts of the 1995 Amendment shall remain the same.

- 4.5 Construction of “Operating Yield” Under the Judgment. Exhibit I to the Judgment shall be construed to authorize Watermaster to include New Yield as a component of Operating Safe Yield.
- 4.6 Best Efforts to Obtain Funding for OBMP. Each Party shall use Best Efforts to obtain and support funding that is consistent with the

OBMP and this Agreement. The Parties shall coordinate their individual efforts and report their progress to Watermaster no less than each quarter beginning on the Effective Date.

- 4.7 CBWCD. Watermaster shall provide for, arrange or approve the necessary revenue to fund Recharge activities listed in the OBMP and CBWCD shall not assume any legal duty or responsibility to conduct Recharge other than as is expressly set forth herein, as it may agree or as may be provided under general law or the Judgment.

V

WATERMASTER PERFORMANCE

- 5.1 Recharge and Replenishment. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding Recharge and Replenishment:
- (a) All Recharge of the Chino Basin with Supplemental Water shall be subject to Watermaster approval.
 - (b) Watermaster will ensure that any person may make application to Watermaster to Recharge the Chino Basin with Supplemental Water, including the exercise of the right to offer to sell in-lieu Recharge water to Watermaster as provided in the Judgment and the Agreement in a manner that is consistent with the OBMP and the law. Watermaster shall not approve an application by any party to the Judgment if it is inconsistent with the terms of the Agreement, or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any Party or the Basin caused by the Recharge of Supplemental Water shall be fully and reasonably mitigated as a condition of approval. In the event the Material Physical Injury cannot be fully and

reasonably mitigated, the request for Recharge of Supplemental Water must be denied.

- (c) Watermaster shall administer, direct and conduct the Recharge of all water in a manner that is consistent with this Agreement, the OBMP and causes no Material Physical Injury to any party to the Judgment or the Chino Basin. Nothing herein shall be construed as committing a Party to provide Supplemental Water upon terms and conditions that are not deemed acceptable to that Party.
- (d) Notwithstanding Section 5.1(c), CBWCD shall reserve its complete discretion to Recharge the Basin with water other than Supplemental Water as may be authorized by general law so long as the Recharge is in accordance with the limitations in the Judgment, if any and is in accordance with the provisions of Section 5.1(d)(i)-(v).
 - (i) Upon request by Watermaster CBWCD shall exercise Best Efforts to consult, coordinate and cooperate with Watermaster when recharging water into the Basin;
 - (ii) CBWCD shall provide Watermaster with reasonable notice in advance of any material change in its historic Recharge operations;
 - (iii) CBWCD shall not be required to provide funding for Recharge projects merely by virtue of its execution of this Agreement;
 - (iv) CBWCD shall Recharge the Basin in a manner that does not cause Material Physical Injury to any party to the Judgment or the Basin. Upon Watermaster's receipt of a written allegation that an existing or proposed

CBWCD Recharge activity has or will cause Material Physical Injury to any party to the Judgment or the Basin, Watermaster shall hold a Public Hearing within a reasonable time. Watermaster shall provide notice and opportunity to be heard to interested parties to the Judgment including CBWCD. After hearing, Watermaster may approve, deny or condition the CBWCD's Recharge. Watermaster's decision shall be based upon the record and it shall be subject to the court's review;

- (v) CBWCD's Recharge of the Basin coupled with an intent to store and recover water shall require a storage and recovery agreement.
- (e) Watermaster shall exercise its Best Efforts to:
- (i) protect and enhance the Safe Yield of the Chino Basin through Replenishment and Recharge;
 - (ii) ensure there is sufficient Recharge capacity for Recharge Water to meet the goals of the OBMP and the future water supply needs within the Chino Basin;
 - (iii) 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;
 - (iv) evaluate the potential or threat for any Material Physical Injury to any party to the Judgment or the Chino Basin, including, but not limited to, any Material Physical Injury that may result from any Transfer of water in storage or water rights which is proposed in place of

physical Recharge of water to Chino Basin in accordance with the provisions of Section 5.3;

- (v) establish and periodically update criteria for the use of water from different sources for Replenishment purposes;
 - (vi) ensure a proper accounting of all sources of Recharge to the Chino Basin;
 - (vii) Recharge the Chino Basin with water in any area where groundwater levels have declined to such an extent that there is an imminent threat of Material Physical Injury to any party to the Judgment or the Basin;
 - (viii) maintain long-term hydrologic balance between total Recharge and discharge within all areas and sub-areas;
 - (ix) coordinate, facilitate and arrange for the construction of the works and facilities necessary to implement the quantities of Recharge identified in the OBMP Implementation Plan.
- (f) Watermaster shall undertake Recharge, using water of the lowest cost and the highest quality, giving preference as far as possible to the augmentation and the Recharge of native storm water.
- (g) In furtherance of its obligations under this Section, for a period of five years, commencing with Fiscal Year 2000-2001, and within each such Fiscal Year Watermaster shall arrange for the physical Recharge of Supplemental Water in the amount of an annual average of 6,500 acre-feet per year in one or more of

the areas commonly known as the Montclair, Brooks and Upland spreading facilities.

- (i) If for any reason at the end of the five year period, a cumulative total of 32,500 acre-feet of physical Recharge has not been accomplished under this subdivision, then Recharge shall continue at the above referenced locations at the average annual rate of 6,500 acre-feet until the full 32,500 acre-feet of physical Recharge has been accomplished;
 - (ii) The Recharged Supplemental Water shall increase the Operating Safe Yield under the Judgment. The cost and allocation of this Supplemental Water under this Section 5.1g shall be apportioned pro rata among the members of the Appropriative Pool under the Judgment according to the Producer's share of the initial Safe Yield;
 - (iii) The need to continue physical Recharge under this paragraph shall be evaluated by Watermaster after the conclusion of Fiscal Year 2004-2005. In evaluating further physical Recharge pursuant to this paragraph, Watermaster shall take into account the provisions of this Article, the Judgment and the OBMP among all other relevant factors. Except as to Watermaster's determination of Material Physical Injury, the rights of each party to the Judgment to purchase or lease water to meet its over-Production obligation shall be unaffected by this provision;
- (h) Watermaster shall not own Recharge projects, including but not limited to spreading grounds, injection wells, or diversion works. It shall never own real property. However, Watermaster may own water rights in trust for the benefit of the

parties to the Judgment. Moreover, Watermaster shall arrange, facilitate and provide for Recharge by entering into contracts with appropriate persons, which may provide facilities and operations for physical Recharge of water as required by the Judgment and this Agreement, or pursuant to the OBMP. Any such contracts shall include appropriate terms and conditions, including terms for the location and payment of costs necessary for the operation and maintenance of facilities, if any.

- (i) CBWCD's rights and obligations to obtain Replenishment Water are unaffected by the execution of this Agreement. Its obligation, rights and duties regarding Recharge may be set by arms length negotiation through separate agreement or as they otherwise exist under general law and the Judgment.
- (j) Watermaster shall provide an annual accounting of the amount of Recharge and the location of the specific types of Recharge.

5.2 Storage and Recovery. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding the storage and recovery of water:

- (a) In General.
 - (i) All storage capacity shall be subject to regulation and control by Watermaster;
 - (ii) No person shall store water in and recover water from the Chino Basin without an agreement with Watermaster;
 - (iii) Watermaster will ensure that any person, including but not limited to the State of California and the Department

of Water Resources may make application to Watermaster to store and recover water from the Chino Basin as provided herein in a manner that is consistent with the OBMP and the law. Watermaster shall not approve an application to store and recover water if it is inconsistent with the terms of this Agreement or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any Party or the Basin caused by the storage and recovery of water shall be reasonably and fully mitigated as a condition of approval. In the event the Material Physical Injury cannot be mitigated, the request for storage and recovery must be denied.

- (iv) This Agreement shall not be construed to limit the State or its department or agencies from using available storage capacity in the Basin in accordance with the provisions of this Section under a storage and recovery agreement with Watermaster.

(b) Local Storage.

- (i) For a period of five years from the Effective Date, Watermaster shall ensure that: (a) the quantity of water actually held in Local Storage under a storage agreement with Watermaster is confirmed and protected and (b) each party to the Judgment shall have the right to store its un-Produced carry-over water. Thereafter, a party to the Judgment may continue to Produce the actual quantity of carry-over water and Supplemental Water held in its storage account, subject only to the loss provisions set forth in this Section 5.2. This means a party to the Judgment may increase the total volume of carry-over water it holds in Local Storage up to five years after the

Effective Date and as Watermaster may approve pursuant to a Local Storage agreement for Supplemental Water.

- (ii) For a period of five years from the Effective Date, any party to the Judgment may make application to Watermaster for a Local Storage agreement, whereby it may store Supplemental Water in the Chino Basin.
- (iii) Watermaster shall provide reasonable advance written notice to all interested parties of the proposed Local Storage agreement, prior to approving the agreement. The notice shall include the persons engaged in the Local Storage, the location of the Recharge and Production facilities and the potential for any Material Physical Injury, if any.
- (iv) Watermaster shall approve the Local Storage agreement so long as: (1) the total quantity of Supplemental Water authorized to be held in Local Storage under all then existing Local Storage agreements for all parties to the Judgment does not exceed the cumulative total of 50,000 acre-feet; (2) the party to the Judgment making the request provides their own Recharge facilities for the purpose of placing the Supplemental Water into Local Storage; (3) the agreement will not result in any Material Physical Injury to any party to the Judgment or the Basin. Watermaster may approve a proposed agreement with conditions that mitigate any threatened or potential Material Physical Injury.
- (v) There shall be a rebuttable presumption that the Local Storage agreement for Supplemental Water does not

result in Material Physical Injury to a party to the Judgment or the Basin.

- (vi) In the event any party to the Judgment, or Watermaster, objects to a proposed Local Storage agreement for Supplemental Water and submits evidence that there may be a Material Physical Injury to any party to the Judgment or the Basin, Watermaster shall hold a Public Hearing and allow the objecting party to the Judgment a reasonable opportunity to be heard.
- (vii) In the event more than one party to the Judgment submits a request for an agreement to store Supplemental Water pursuant to a Local Storage agreement, Watermaster shall give priority to the first party to file a bona fide written request which shall include the name of the party to the Judgment, the source, quantity and quality of the Supplemental Water, an identification of the party to the Judgment's access to or ownership of the Recharge facilities, the duration of the Local Storage and any other information Watermaster shall reasonably request. Watermaster shall not grant any person the right to store more than the then existing amount of available Local Storage. The amount of Local Storage available for the storage of Supplemental Water shall be determined by subtracting the previously approved and allocated quantity of storage capacity for Supplemental Water from the cumulative maximum of 50,000 acre-feet.
- (viii) Watermaster shall base any decision to approve or disapprove any proposed agreement upon the record.

- (ix) Any party to the Judgment may seek judicial review of Watermaster's decision.
- (x) Five years after the Effective Date, Watermaster shall have discretion to place reasonable limits on the further accrual of carry-over and Supplemental Water in Local Storage. However, Watermaster shall not limit the accrual of carry-over Local Storage for Fontana Union Mutual Water Company and Cucamonga County Water District when accruing carry-over storage pursuant to *Lease of Corporate Shares Coupled with Irrevocable Proxy, dated July 1, 1993 between Cucamonga County Water District and Fontana Water Resources Inc. and the Settlement Agreement Among Fontana Union Water Company, Kaiser Steel Reserves Inc., San Gabriel Valley Water Company and Cucamonga County Water Districts dated February 7, 1992*, to a quantity less than 25,000 acre-feet for the term of this Agreement.
- (xi) Watermaster shall evaluate the need for limits on water held in Local Storage to determine whether the accrual of additional Local Storage by the parties to the Judgment should be conditioned, curtailed or prohibited if it is necessary to provide priority for the use of storage capacity for those Storage and Recovery Programs that provide broad mutual benefits to the parties to the Judgment as provided in this paragraph and Section 5.2(c) below;
- (xii) Watermaster shall set the annual rate of loss from Local Storage for parties to the Judgment at zero until 2005. Thereafter the rate of loss from Local Storage for parties to the Judgment will be 2% until recalculated based upon the best available scientific information. Losses

shall be deducted annually from each party to the Judgment's storage account;

- (xiii) Watermaster shall allow water held in storage to be transferred pursuant to the provisions of Section 5.3 below. Storage capacity is not transferable by any party to the Judgment or any Party hereto.

(c) Storage and Recovery Program.

- (i) Watermaster will ensure that no person shall store water in and recover water from the Basin, other than pursuant to a Local Storage agreement, without a storage and recovery agreement with Watermaster;
- (ii) Watermaster shall prepare a list of basic information that a proposed applicant for a Storage and Recovery Program must submit to Watermaster prior to the execution of a storage and recovery agreement;
- (iii) As a precondition of any project, program or contract regarding the use of Basin storage capacity pursuant to a Storage and Recovery Program, Watermaster shall first request proposals from qualified persons.
- (iv) Watermaster shall be guided by the following criteria in evaluating any request to store and recover water from the Basin by a party to the Judgment or any person under a Storage and Recovery Program.
 - (a) The initial target for the cumulative quantity of water held in storage is 500,000 acre-feet in addition to the existing storage accounts;

- (b) Watermaster shall prioritize its efforts to regulate and condition the storage and recovery of water developed in a Storage and Recovery Program for the mutual benefit of the parties to the Judgment and give first priority to Storage and Recovery Programs that provide broad mutual benefits;
- (v) For the term of this Agreement, members of the Appropriative Pool and the Non-Agricultural Pool shall be exclusively entitled to the compensation paid for a Storage and Recovery Program irrespective of whether it be in the form of money, revenues, credits, proceeds, programs, facilities, or other contributions (collectively “compensation”) as directed by the Non-Agricultural and the Appropriative Pools;
- (vi) The compensation received from the use of available storage capacity under a Storage and Recovery Program, may be used to off-set the Watermaster’s cost of operation, to reduce assessments on the parties to the Judgment within the Appropriative and Non-Agricultural Pools, and to defray the costs of capital projects as may be requested by the members of the Non-Agricultural Pools and the Appropriative Pool;
- (xiii) Any potential or threatened Material Physical Injury to any party to the Judgment or the Basin caused by storage and recovery of water, whether Local Storage and recovery or pursuant to a Storage and Recovery Program, shall be reasonably and fully mitigated as a condition of approval;
- (ix) Watermaster reserves discretion to negotiate appropriate terms and conditions or to refuse to enter into a Storage

and Recovery or to deny any request. However, with respect to persons not parties to the Judgment, Watermaster reserves complete discretion. Watermaster shall base any decision to approve or disapprove any proposed Storage and Recovery Program upon the record. However, it may not approve a proposed Storage and Recovery Program unless it has first imposed conditions to reasonably and fully mitigate any threatened or potential Material Physical Injury;

- (x) Any party to the Judgment may seek review of the Watermaster's decision regarding a Storage and Recovery Program.
- (d) The specific terms and conditions for the use of the facilities of CBWCD in connection with Local Storage or Storage and Recovery Programs shall be covered under separate agreements reached by arms length bargaining between Watermaster and CBWCD. Watermaster and any other Party shall not be entitled to the income received by CBWCD for use of its facilities in connection with Local Storage or Storage and Recovery Programs without the consent of CBWCD. Nothing in this Agreement shall be construed as preventing CBWCD from entering into an agreement with others for use of its facilities in a manner consistent with Section 5.1(d) i-v of this Agreement.
- (e) Nothing herein shall be construed as prohibiting the export of Supplemental Water stored under a Storage and Recovery Program and pursuant to a storage and recovery agreement.
- (f) Watermaster shall exercise Best Efforts to undertake the following measures:

- (i) Complete the Short-term conjunctive use project, authorized by Watermaster and conducted by IEUA, TVMWD and MWD;
- (ii) Evaluate and develop a seasonal peaking program for in-Basin use and dry year yield to reduce the Basin's demand on the Metropolitan Water District for imported water;
- (iii) Evaluate and develop a dry year export program;
- (iv) Evaluate and develop a seasonal peaking export program;

5.3 Transfers. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding the Transfer of water:

- (a) Watermaster will ensure that any party to the Judgment may Transfer water in a manner that is consistent with this Agreement, the OBMP and the law. Watermaster shall not approve a Transfer if it is inconsistent with the terms of the Agreement, or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any party to the Judgment or the Basin caused by the Transfer of water shall be fully and reasonably mitigated as a condition of approval. In the event the Material Physical Injury cannot be fully and reasonably mitigated, the request for Transfer must be denied.
- (b) A party to the Judgment may make application to Watermaster to Transfer water as provided in the Judgment.

- (i) Watermaster shall provide reasonable advance written notice to all the parties to the Judgment of a proposed Transfer, prior to approving the Transfer. The notice shall include the persons engaged in the Transfer, the location of the Production and Watermaster's analysis of the potential for Material Physical Injury, if any;
- (ii) Watermaster shall approve the Transfer of water as provided in the Judgment so long as the individual Transfer does not result in any Material Physical Injury to any party to the Judgment or the Basin. Watermaster may approve a proposed Transfer with conditions that fully and reasonably mitigate any threatened or potential Material Physical Injury;
- (iii) There shall be a rebuttable presumption that the Transfer and the Production by the transferee does not result in Material Physical Injury to a party to the Judgment or the Basin;
- (iv) In the event any party to the Judgment, or Watermaster, objects to a proposed Transfer and submits evidence that there may be Material Physical Injury to any party to the Judgment or the Basin, Watermaster shall hold a Public Hearing and allow the objecting party to the Judgment a reasonable opportunity to be heard;
- (v) Watermaster shall base any decision to approve or disapprove any proposed Transfer upon the record after considering potential impacts associated with the individual Transfer alone and without regard to impacts attributable to any other Transfers;

- (vi) Any party to the Judgment may seek judicial review of the Watermaster's decision.
- (c) Watermaster shall allow Producers to lease water rights to make up for the lessee's over-Production.
- (d) Except as provided in Section 5.2, Producers shall not be required to file a storage and recovery or recapture plan except when Producing water transferred from a storage account.
- (e) Watermaster shall approve the Transfer or lease of the quantified Production rights of Non-Agricultural Producers within the Non-Agricultural Pool subject to the provisions of paragraph (b) above. The right to Transfer within the pool includes the right to lease water to other members of the Non-Agricultural Overlying Pool. In addition, the parties to the Judgment with rights within the Non-Agricultural Pool shall have the additional right to Transfer their rights to Watermaster for the purposes of Replenishment for a Desalter or for a Storage and Recovery Program.
- (f) Consistent with the provisions of 88-3, Watermaster shall approve the Transfer of unallocated Safe Yield under-Produced by the Agricultural Pool in Fiscal Year 1998-99, for Transfer to the Appropriative Pool in Fiscal Year 1999-2000, 35,262.452 acre-feet consistent with Watermaster Resolution 88-3. This Transfer shall be in addition to the Early Transfer of the 32,800 acre-feet per year from the Agricultural Pool to the Appropriative Pool referenced below in 5.3(g).
- (g) Watermaster shall approve an "Early Transfer" of water to the Appropriative Pool in an amount not less than 32,800 acre-feet per year that is the expected approximate quantity of water not Produced by the Agricultural Pool. The quantity of water sub-

ject to Early Transfer under this paragraph shall be the greater of (i) 32,800 acre-feet or (ii) 32,800 acre-feet plus the actual quantity of water not Produced by the Agricultural Pool for that Fiscal Year that is remaining after all the land use conversions are satisfied pursuant to 5.3(i) below.

- (i) The Early Transfer water shall be annually allocated among the members of the Appropriative Pool in accordance with their pro-rata share of the initial Safe Yield.
- (ii) The Transfer shall not limit the Production right of the Agricultural Pool under the Judgment to Produce up to 82,800 acre-feet of water in any year or 414,000 acre-feet in any five years as provided in the Judgment.
- (iii) The combined Production of all parties to the Judgment shall not cause a Replenishment assessment on the members of the Agricultural Pool. The Agricultural Pool shall be responsible for any Replenishment obligation created by the Agricultural Pool Producing more than 414,000 acre-feet in any five-year period.
- (iv) The parties to the Judgment and Watermaster shall Produce water in accordance with the Operating Safe Yield and shall procure sufficient quantities of Replenishment Water to satisfy over-Production requirements, whatever they may be, and avoid Material Physical Injury to any party to the Judgment or the Basin;
- (v) Nothing herein shall be construed as modifying the procedures or voting rights within or by the members of the Agricultural Pool.

- (h) The amount of water rights converted for agricultural land to urban use is presently 2.6 acre-feet per acre, with 1.3 acre-feet per acre being allocated collectively to all members of the Appropriative Pool with an initial share of Safe Yield and 1.3 acre-feet per acre being allocated to that appropriator providing service for that urban use. The rate of 2.6 acre-feet per acre shall be changed to a total of 2.0 acre-feet per acre, all of which shall be allocated upon the conversion of the land to that party to the Judgment which is an a member of the Appropriative Pool, on the Effective Date of this Agreement, and whose Sphere of Influence or authorized service area contains the land (purveyor). Upon such conversion of water rights, the purveyor will pledge that amount of water needed for such urban land use, when such urban land use is established, up to 2 acre-feet of water per acre of land per year will be made available for service for such converted land by purveyor under its then-existing standard laws, regulations, rules and policies, or for service arranged by such purveyor, subject only to prohibition of such service by a federal, state agency or court with jurisdiction to enforce such prohibition. The owner of such converted land shall have the right to enforce such pledge by specific performance or writ of mandate under the terms of this Agreement. No monetary damages shall be awarded.
- (i) The members of the Agricultural Pool, including the State of California, shall have the right to engage in a voluntary agreement with an appropriator which has a service area contiguous to or inclusive of the agricultural land, to provide the required water to the overlying land on behalf of the member of the Agricultural Pool unless otherwise prohibited by general law. The appropriator providing service shall be entitled to a credit to off-set Production to the extent it is serving the overlying land up to the amount of the historical maximum annual quantity of water previously used on the property.

5.4 Assessments, Credits, and Reimbursements. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding Assessments.

- (a) During the term of this Agreement, all assessments and expenses of the Agricultural Pool including those of the Agricultural Pool Committee shall be paid by the Appropriate Pool. This includes but is not limited to OBMP Assessments, assessments pursuant to Paragraphs 20, 21, 22, 30, 42, 51, 53, 54 both General Administrative Expenses and Special Project Expenses, 55, and Exhibit F (Overlying Agricultural Pool Pooling Plan) of the Judgment except however in the event the total Agricultural Pool Production exceeds 414,000 acre-feet in any five consecutive year period as defined in the Judgment, the Agricultural Pool shall be responsible for its Replenishment obligation pursuant to Paragraph 45 of the Judgment.
- (b) The City of Pomona (Pomona) shall be allowed a credit of up to \$2 (two) million against OBMP Assessments for its installation and operation and maintenance of its existing anion exchange project, which is hereby determined to further the purposes of the OBMP. Pomona's construction and operation of its anion exchange project was not legally compelled and Pomona had no legal duty to construct the project. For the 30 (thirty) year initial Term of this Agreement, Pomona's OBMP Assessment shall be credited \$66,667 per year, not to exceed Pomona's total BMP Assessment attributable to the project's Production for that year. Extension of the Term of this Agreement shall not extend the period of credit.
- (c) Kaiser Ventures (Kaiser) in recognition of its contribution of 25,000 acre-feet to offset Replenishment obligations for the

Desalters shall be allowed a credit of up to \$900,000 (nine hundred thousand dollars) against OBMP Assessments for the Desalters and related facilities. For the 30 (thirty) year initial Term of this Agreement, Kaiser's OBMP Assessment shall be credited up to \$30,000 (thirty thousand dollars) per year, not to exceed Kaiser's OBMP Assessment attributable to Desalters and related facilities. Extension of the Term of this Agreement shall not extend the period of credit. In the event Kaiser Transfers its water rights appurtenant to its overlying land which it owns on the date of execution, the purchaser (Kaiser's successor in interest) shall be entitled one-half (½) of the annual credit.

- (d) Watermaster shall adopt reasonable procedures to evaluate requests for OBMP credits against future OBMP Assessments or for reimbursement. Any Producer or party to the Judgment, including but not limited to the State of California, may make application to Watermaster for reimbursement or credit against future OBMP Assessments for any capital or operations and maintenance expenses incurred in the implementation of any project or program, including the cost of relocating ground-water Production facilities, that carries out the purposes of the OBMP including but not limited to those facilities relating to the prevention of subsidence in the Basin, in advance of construction or that is prospectively dedicated to service of the stated goals of the OBMP. Watermaster shall exercise reasonable discretion in making its determination, considering the importance of the project or program to the successful completion of the OBMP, the available alternative funding sources, and the professional engineering and design standards as may be applicable under the circumstances. However, Watermaster shall not approve such a request for reimbursement or credit against future BMP Assessments under this section where the

Producer or party to the Judgment was otherwise legally compelled to make the improvement.

- (e) Any Producer that Watermaster compels to move a groundwater Production facility that is in existence on the Date of Execution shall have the right to receive a credit against future Watermaster assessments or reimbursement up to the reasonable cost of the replacement groundwater Production facility.
- (f) The procurement of Replenishment Water and the levy of assessments shall be consistent with the provisions of Section 5.4(a) above.

5.5 Salt Credits. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding Salt Credits. Watermaster shall assign to the members of the Appropriative Pool, salt credits under the OBMP other than those that were previously allocated for the existing Chino I Desalter, or are attributable to a project or program undertaken by the State of California for the benefit of its overlying land and that carry out the purposes of the OBMP.

5.6 Metering. After the Effective Date and until the termination of this Agreement, the Parties expressly consent to Watermaster's performance of the following actions, programs or procedures regarding metering:

- (a) With respect to the obligation to install meters, which is set forth in the Judgment Paragraph 21, any Assessment levied by Watermaster on the members of the Agricultural Pool, regarding metering shall be paid by the Appropriative Pool. Members of the Agricultural Pool, shall have no obligation to install meters hereafter. The obligation to install meters on wells

owned or operated by members of the Agricultural Pool, shall become that of the Watermaster.

- (b) Agricultural Pool meters shall be installed within thirty-six months of the Date of Execution. Watermaster shall be responsible for providing the meter, as well as the cost of any installation, maintenance, inspection, testing and repairing. The members of the Agricultural Pool, shall provide reasonable access during business hours to a location reasonably appropriate for installation, inspection, and repairing of a meter.
- (c) The State of California reserves its right to continue to install, operate, maintain, inspect, test and repair its own meters on wells owned or operated by the State, unless it consents to installation by Watermaster in which case Watermaster assumes the cost.

VI COVENANTS BY THE MEMBERS OF THE AGRICULTURAL POOL

- 6.1 Best Efforts to Support Storage and Recovery. The members and representatives of the Agricultural Pool shall exercise Best Efforts to support the development of any Storage and Recovery Project, once it has been approved by Watermaster, so long as there is no Material Physical Injury to a member of the Agricultural Pool or the Basin.
- 6.2 Covenant of Good Faith and Fair Dealing. The members and representatives of the Agricultural Pool, including the State of California in its capacity as a member and owner of overlying land within the Agricultural Pool, shall be bound by the covenant of good faith and fair dealing, and not oppose or undermine the efforts of Watermaster to secure the development of a Storage and Recovery Program, so

long as there is no potential or threatened Material Physical Injury to a member of the Agricultural Pool or the Basin.

- 6.3 Waiver of Compensation. For the term of this Agreement, the members and representatives of the Agricultural Pool shall waive any claims or rights they might raise or possess, and shall not be entitled, to any compensation from a Storage and Recovery Program irrespective of whether it be in the form of money, revenues, credits, proceeds, programs, facilities, or other contributions (compensation). Further, the members of the Appropriative Pool and the Non-Agricultural Overlying Pool shall have the exclusive rights to any such compensation. This Section shall not apply to the charges adopted by CBWCD for storage and recovery purposes. This paragraph shall not be construed as a limitation on the ability of the State of California to make application to the Watermaster for a Storage and Recovery Program pursuant to Section 5.2.

VII DESALTERS

- 7.1 Need for Desalters. The OBMP requires construction and operation of Desalters. The Desalters shall be owned, operated and maintained by IEUA and WMWD acting independently or in their complete discretion, acting through PC14 consistent with the terms of this Agreement.
- 7.2 Ownership and Operation.
- (a) Chino I Desalter.
 - (i) The existing “Chino I Desalter,” also known as the “SAWPA Desalter,” consisting of extraction wells, transmission facilities for delivery of groundwater to the Chino I Desalter, Desalter treatment and delivery facil-

ities for product water, including pumping and storage facilities, and treatment and disposal capacity in the SARI System, is owned and operated by SAWPA, which has created “The Project Committee No. 14 (PC14)” comprised of SAWPA members, IEUA, WMWD, and OCWD, pursuant to “Project Agreement No. 14” dated April 2, 1991, to exercise all the powers and responsibilities of Section 18 of the SAWPA Joint Exercise of Powers Agreement, which now constitutes the executive authority through which SAWPA acts with respect to the Chino I Desalter and to fund repayment for any loans for construction and operation and maintenance of such Desalter and a “Financing Agreement” dated April 1, 2000.

- (ii) The Chino I Desalter is operated pursuant to (a) “take or pay” agreements with the purchasers of water made available from such Desalter; (b) an agreement with the Metropolitan Water District (MWD) subsidizing that Desalter to reduce the cost of the water made available by that Desalter compared to the alternative cost of uninterruptible treated imported water available from MWD; and (c) an agreement with the Watermaster, all Pools of Producers from the Chino Basin, Kaiser Ventures, Inc., formerly known as Kaiser Resources, Inc. (Kaiser) and the California Regional Water Quality Control Board, Santa Ana Region (RWQB), regarding provision of certain water with which to satisfy the Replenishment obligation for operating the Desalter.

- (b) Chino II Desalter and Chino I Expansion.

IEUA and WMWD acting independently or in their complete discretion through PC14 must own and operate the Chino II

Desalter and the Chino I Expansion in the same manner as the Chino I Desalter, except as otherwise provided in this Agreement.

(c) Future Desalters.

IEUA and WMWD acting independently or in their complete discretion through PC14 must own and operate Future Desalters, if and only if, they can secure funding from state, federal or sources other than the Parties to pay the capital costs required to construct Future Desalters.

7.3 Design and Construction of Chino II Desalter, Chino I Expansion and Future Desalters.

- (a) IEUA and WMWD acting independently or in their complete discretion, acting through PC14 shall design and construct the Chino II Desalter on the eastside of the Chino Basin and expand the capacity of the Chino I Desalter already in existence on the Date of Execution, from 8 mgd up to 14 million gallons per day.
- (b) The Chino II Desalter shall have an initial capacity of 10 mgd and shall be designed to deliver water to Jurupa Community Services District, the City of Ontario, and if requested, others subject to the limitations of available funding. The existing capacity of the Chino I Desalter shall be expanded by a minimum of 2 mgd and up to 6 mgd, depending on the rate of development and availability of funding and shall be designed to deliver water to the Cities of Chino, Chino Hills and the State of California as provided in this Section.

- (c) There is no minimum initial capacity established for Future Desalters as the size and timing of Future Desalters are dependent upon variables not presently subject to reliable estimates.
 - (i) It is contemplated by the Parties that Future Desalters, and a further expansion of the Chino I Desalter to a capacity greater than the Chino I Expansion or the Chino II Desalter to a capacity greater than 10 mgd may occur;
 - (ii) IEUA and WMWD shall design and construct Future Desalters, whether acting independently, or in their complete discretion, through PC14, provided that their obligation shall be conditioned upon their ability to secure funding from the state or federal sources other than the Parties to pay the capital costs of construction. Absent such funding, the IEUA and WMWD, acting independently or, in their complete discretion, acting through PC14, shall have no obligation to construct Future Desalters;
- (d) The 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 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.
- (e) Wells operated in connection with the Desalters shall be designed and constructed to Produce water with high total

dissolved solids (TDS) and be located in areas consistent with the purposes of the OBMP.

7.4 Funding.

- (a) The capital costs of the Chino I Desalter are not affected by this Agreement.
- (b) The capital costs of designing and constructing the Chino II Desalter and the Chino I Desalter Expansion shall be partially derived from Proposition 13 funds. The Parties shall exercise their Best Efforts to secure said funds from the appropriate state agencies. However, all unmet capital, operation and maintenance costs relative to the Chino II Desalter shall be paid from the following sources and in the following order of priority:
 - (i) The net amount of funding received by SAWPA from its existing preliminary gross allocation of \$87,000,000 from the \$235,000,000 Proposition 13 bond funding provided for the Santa Ana River Watershed sub-account, which currently includes \$20,000,000-30,000,000 earmarked for the Chino II Desalter and \$5,000,000 for the Chino I Desalter Expansion;
 - (ii) All other eligible Proposition 13 bond funding;
 - (iii) All other available federal, state or SAWPA funding;
 - (iv) MWD subsidies or other funding without committing the storage space of the Chino Basin under any storage and recovery or conjunctive use agreement, such as that secured pursuant to Agreement Number 7658, between MWD, SAWPA, IEUA, WMWD and OCWD dated

December 7, 1995, and entitled “Chino Basin Desalination Program, Phase I, Joint Participation Agreement for Recovery and Utilization of Contaminated Groundwater;”

- (v) Revenue derived from the sale of water made available from the Desalters; and
 - (vi) Any additional revenue arranged by IEUA and WMWD acting independently or in their complete discretion, acting through PC14, pursuant to an agreement substantially similar to or an amendment of the SAWPA PC14 Agreement entered into on or about April 2, 1991.
- (c) IEUA’s and WMWD’s obligation to construct Future Desalters whether acting independently, or in their complete discretion, through PC14, shall be conditioned upon their ability to secure state or federal funding to pay for the capital costs related to such construction. Absent such state and/or federal funding, the IEUA and WMWD, acting independently or, in their complete discretion, acting through PC14, shall have no obligation to construct Future Desalters.
- (i) If, after the earlier of ten years, or the conversion of 20,000 acres of agricultural land, Watermaster, in its discretion, determines that Future Desalters are necessary to implement the OBMP, IEUA or WMWD, acting independently or in their complete discretion acting through PC14, shall have a period up to thirty-six (36) months to secure sufficient funding from State or Federal sources to pay for all the capital costs required to construct “Future Desalters;”

- (ii) If IEUA and WMWD acting independently or, in their complete discretion, acting through PC14 cannot secure the necessary funding, the Parties, other than the Agricultural Pool, will exercise their Best Efforts to negotiate new terms and conditions so as to accomplish the implementation of this portion of the OBMP;
- (iii) If, however, the Parties, other than the Agricultural Pool, are unable to negotiate new terms to this Agreement within twenty-four (24) months from the initiation of negotiations, the Parties may appoint a mutually agreed upon mediator. Failing an agreement, the Parties reserve all legal rights and remedies, provided that the Agricultural Pool shall not be liable for the costs of the Future Desalters. The remainder of this Agreement shall remain in full force and effect.

7.5 Replenishment Water. Replenishment for the Desalters shall be provided from the following sources in the following order of priority.

- (a) Watermaster Desalter Replenishment account composed of 25,000 acre-feet of water abandoned by Kaiser pursuant to the "Salt Offset Agreement" dated October 21, 1993, between Kaiser and the RWQB, and other water previously dedicated by the Appropriative Pool.
- (b) New Yield of the Basin, unless the water Produced and treated by the Desalters is dedicated by a purchaser of the desalted water to offset the price of desalted water to the extent of the dedication;
- (c) Safe Yield of the Basin, unless the water Produced and treated by the Desalters is dedicated by a purchaser of the desalted

water to offset the price of desalted water to the extent of the dedication;

- (d) Additional Replenishment Water purchased by Watermaster, the costs of which shall be levied as an Assessment by Watermaster.

7.6 Sale of Water.

- (a) The terms and conditions for the purchase and sale of water from the Chino I Desalter shall be as provided by separate agreement.
- (b) The terms and conditions for the purchase and sale of desalted water from the Chino II Desalter and Chino I Expansion are as follows.
 - (i) Members of the Appropriative Pool and the State of California shall have the first priority right to purchase desalted water developed by Chino II and Chino I Expansion on an equal basis, pursuant to a water supply contract, which is not a “take or pay” contract but contains a minimum annual quantity of water available to be purchased and is consistent with the provisions of this Agreement.
 - (ii) OCWD shall have the second priority right to purchase desalted water from the Chino II Desalter and the Chino I Expansion provided that IEUA and WMWD have elected to act through PC14.
 - (iii) If the members of the Appropriative pool, the State of California and the OCWD do not contract for the delivery of all desalted water made available by Chino

II Desalter and the Chino I Expansion, other persons may purchase the water.

- (c) The terms and conditions for the purchase and sale of desalted water from Future Desalters are contingent upon IEUA and WMWD acting independently or, in their complete discretion, acting through PC14, securing sufficient funding to pay the capital costs of transporting the desalted water from the Chino II Desalter and Chino I Expansion to other parties to the Judgment that are members of the Appropriative Pool and that desire to purchase desalted water. If sufficient funding is acquired, then other parties to the Judgment that are members of the Appropriative Pool shall have the right to purchase desalted water under the terms and conditions provided in this Article.
- (d) The price of desalted water to the parties to the Judgment that are members of the Appropriative Pool, the State of California and OCWD when purchasing water pursuant to Section 7.6(b)2 above, shall be the actual cost of providing the water but shall not exceed \$375.00 per acre foot, as adjusted by the purchase and sale agreement between IEUA, WMWD, PC14 and the purchasing party, but in no event shall such adjustment exceed the annual consumer's price index for the LA/Anaheim/Riverside Area or the percent increase in the MWD treated water rates, or its equivalent, whichever is less as measured from the Effective Date.
- (i) If a party to the Judgment elects to Produce water for the Chino II Desalter, the Chino I Expansion or Future Desalters they shall be entitled to a credit against the purchase price in an amount equivalent to the cost of alternative Replenishment Water then available from MWD as interruptible, untreated water or the then pre-

vailing value of the avoided Replenishment obligation, whichever is less;

- (ii) If the purchaser is a person other than a party to the Judgment, the price shall be no less than the cost of the alternative water supplies with comparable reliability and quality or if no purchasers are identified then at the highest price that may be attained under the circumstances;
 - (iii) Fifty percent of any annual revenues received by the Project 14 Committee in excess of the actual ongoing operation, maintenance and Replenishment expenses which revenues are derived from sales of water to any person not a Producer under the Judgment, or the OCWD, shall be provided to Watermaster for use as an off-set against any future assessments against the Parties by Watermaster.
- (e) The term of such Water Supply Contract shall be not less than 30 years if requested by a Party to this Agreement.

VIII TERM

- 8.1 Commencement. This Agreement shall become effective on the Effective Date and shall expire on the Termination Date.
- 8.2 Expiration. Unless extended pursuant to paragraph 8.3, this Agreement shall expire and thereupon terminate on December 31 of the thirtieth (30th) calendar year starting on January 1, of the first calendar year following the Effective Date.

- 8.3 Meet and Confer. The Parties agree to meet and confer during the 25th year of this Agreement to discuss any new or modified terms which may be requested or required by each Party in order to continue the term of this Agreement. However, no Party shall be required to modify or amend a term of this Agreement as a precondition to exercising their right to one thirty (30) year extension as provided in 8.4 below.
- 8.4 Independent Right to Extend. The term of this Agreement may be extended for a period of an additional thirty (30) years, upon the unilateral election of either the Appropriative or Agricultural Pool, (as a Pool only and not the individual members of either Pool) acting in accordance with Watermaster procedures under the Judgment, prior to the end of the twenty-fifth (25th) year. The election shall be made in writing with a copy to be sent to the Watermaster and all Parties to this Agreement. In the event an election is made to continue this Agreement, the Agreement shall continue for the extended term on the same terms and conditions as existed during the first thirty (30) years of the Agreement.
- 8.5 Force Majeure.
- (a) If the performance, in whole or in part, of the obligations of the respective Parties is prevented by act or failure to act of any agency other than a Party to this Agreement, court or any other person, by natural disaster or catastrophic event (such as earthquake, fire, drought or flood), contamination, war, strikes, lockouts, acts of God, or acts of civil or military authority, by the operation of applicable law, or by any other cause beyond the control of the affected Party or Parties, whether similar to the causes specified herein or not, the obligation of the affected Party or Parties to perform an act or actions under this Agreement shall be suspended from the time and to the extent that the performance thereof is prevented, but reasonable diligence

shall be observed by the affected Party or Parties, so far as it lies in their power, in performing such respective obligations in whole or in part under this Agreement.

- (b) In the event performance is prevented as described above, the Parties agree actively to cooperate and use their Best Efforts to resume performance.

8.6 Only One Mandatory Extension. In no event shall a Party be required to extend performance under this Agreement beyond the first two terms of this Agreement, irrespective of the existence of force majeure. Any further extensions under this Agreement shall be consensual among the Parties to such an agreement.

8.7 Effect of Termination. Upon termination of this Agreement further performance by the Parties under the Agreement shall be excused. Performance under the Agreement shall not be the cause of any action or claim other than as expressly provided herein. Other than as provided in paragraph 8.8, upon termination of this Agreement, the legal rights, remedies, responsibilities and authorities of all Parties regarding the Judgment, interpretation of the Judgment and the powers and authority of Watermaster or the Court, in existence on the Date of Execution, whatever they may be, are expressly reserved and shall be as they existed on the Date of Execution, provided that such rights and remedies shall not be a basis to challenge a Party's performance under this Agreement.

8.8 Rescission of Resolutions 84-2 and 88-3. Upon termination of this Agreement, the members of the Appropriative Pool shall have no obligation to pay the Watermaster Assessments for the members of the Agricultural Pool. The provisions of Resolution 84-2 and 88-3 shall be rescinded and except as provided for in Section V above,

pertaining to “Early Transfers” of Safe Yield during the term of this Agreement, the members of the Appropriative Pool shall not be entitled to further Early Transfers of water from the Agricultural Pool. Upon the termination of this Agreement, the Parties agree that no further Early Transfers of unallocated Safe Yield shall occur. The determination of the Safe Yield as provided for in the Judgment at Paragraph 44 shall be construed to mean that the Appropriative Pool shall receive no Transfers of unallocated Safe Yield from the Agricultural Pool for a period of five (5) consecutive years after the termination of this Agreement, at which time the Appropriative Pool shall receive the difference between 414,000 acre-feet allocated to the Agricultural Pool and the actual water used by the Agricultural Pool for the first five consecutive calendar years immediately following the termination of this Agreement.

- 8.9 Mediation Upon Failure to Secure Capital Funding for Future Desalters. If IEUA or WMWD have not acquired the funding within thirty-six (36) months of the date of the Watermaster determination regarding the need for the Future Desalters as provided in Article VII, then the members of the Appropriative Pool, Non-Agricultural Pool and IEUA and WMWD will exercise Best Efforts to negotiate new terms and conditions for the capital costs for any such Future Desalters.
- 8.10 Parties Rights Unaffected Upon Termination. Each Party’s rights shall be unaffected by their having approved, executed or implemented this Agreement pursuant to their mutual consent other than as provided in Section 8.8.

IX CONFLICTS

9.1 Events Constituting a Default by a Party. Each of the following constitutes a "default" by a Party under this Agreement.

- (a) A Party fails to perform or observe any term, covenant, or undertaking in this Agreement that it is to perform or observe and such failure continues for ninety (90) days from a Notice of Default being sent in the manner prescribed in Section 10.13.

9.2 Remedies Upon Default. In the event of a default, each Party shall have the following rights and remedies:

- (a) Specific Performance. Each Party agrees and recognizes that the rights and obligations set forth in this Agreement are unique and of such a nature as to be inherently difficult or impossible to value with money. If one Party does not perform in accordance with the specific wording of any of the provisions in this Agreement applicable to that Party, defaults, or otherwise breaches this Agreement, an action at law for damages or other remedies at law would be wholly inadequate to protect the unique rights and interests of the other Party to the Agreement. Accordingly, in any court controversy concerning this Agreement, the Agreement's provisions will be enforceable in a court of equity by specific performance. This specific performance remedy is not exclusive and is in addition to any other remedy available to the Parties to enforce the terms of this Agreement.
- (b) Injunction. Each Party agrees and recognizes that the rights and obligations set forth in this Agreement are material to another Party and of such a nature that there will be substantial

reliance upon the terms of this Agreement. If one Party does not perform in accordance with specific wording of any of the provisions of this Agreement applicable to that Party, defaults, or otherwise breaches this Agreement, an action at law for damages or other remedies at law would be wholly inadequate to prevent substantial and irreparable harm to another Party to the Agreement. Accordingly, in any court controversy concerning this Agreement, the Agreement's provisions will be enforceable in a court of equity by mandatory and prohibitory injunction. This mandatory and prohibitory injunction remedy is not exclusive and is in addition to any other remedy available to the Parties to enforce the terms of this Agreement.

- (c) Cumulative Rights and Remedies. The Parties do not intend that any right or remedy given to a Party on the breach of any provision under this Agreement be exclusive; each such right or remedy is cumulative and in addition to any other remedy provided in this Agreement or otherwise available at law or in equity. If the non-breaching Party fails to exercise or delays in exercising any right or remedy, the non-breaching Party does not thereby waive that right or remedy. Furthermore, no single or partial exercise of any right, power, or privilege precludes any further exercise of a right, power, or privilege granted by this Agreement or otherwise.
- (d) Attorneys' Fees. In any adversarial proceedings between the Parties other than the dispute resolution procedure set forth below and under the Judgment, the prevailing Party shall be entitled to recover their costs, including reasonable attorneys' fees. If there is no clear prevailing Party, the Court shall determine the prevailing Party and provide for the award of costs and reasonable attorneys' fees. In considering the reasonableness of either Party's request for attorneys' fees as a prevailing Party, the Court shall consider the quality, efficiency, and

value of the legal services and similar/prevaling rate for comparable legal services in the local community.

9.3 Dispute Resolution.

- (a) Scope of Dispute Resolution. Disputes (Disputes) between the Parties other than those constituting a “Default”, or “Exclusion” (defined below), shall be resolved pursuant to the provisions of this Section.
- (b) Exclusions:
 - (i) Emergency. An emergency event which, if not promptly resolved may result in imminent danger to the public health, safety or welfare shall not be subject to dispute resolution.
 - (ii) Complete Discretion. Those matters reserved to the complete discretion of a Party under this Agreement shall not be subject to dispute resolution.
 - (iii) Review Under the Judgment Unaffected. The rights and remedies of the parties to the Judgment to seek review of Watermaster actions shall not be subject to dispute resolution.
- (c) Disputes.
 - (i) Each Party to this Agreement may submit any Dispute related to or arising under this Agreement to non-binding mediation by delivering a Notice of Dispute to the other Party;

- (ii) The written Notice of Dispute prepared by the Party shall be delivered to the other Party in accordance with Section 10.13. The Notice of Dispute shall clearly describe the basis of the dispute and the Sections of the Agreement under which the Dispute arises;
- (iii) The non-binding mediation shall be conducted by Judicial Arbitration Mediation Services (JAMS) or an equivalent mediation service agreed to by the Parties;
- (iv) Unless otherwise agreed, a mediator shall be appointed within forty-five (45) days of the date the Notice of Dispute is delivered to hear the dispute and provide a written determination. The mediator shall be chosen jointly by the Parties. If the Parties cannot agree, the Court shall appoint the mediator. Employees or agents of Watermaster or any Party are ineligible to serve as the mediator;
- (v) The mediation shall be held within ninety (90) days of the date the Notice of Dispute is delivered;
- (vi) Any statute of limitations applicable to any claims, rights, causes of action, suits, or liabilities of whatever kind or nature, in law, equity or otherwise, whether known or unknown, shall be tolled during the mediation process. For purposes of this Section, the mediation process shall commence upon the service of a Notice of Dispute to the other Party pursuant to Section 9.3c(i) above. For purposes of this Section, the mediation process shall be deemed complete ten (10) days after service of the mediator's written notice of the conclusion of the mediation;

X GENERAL PROVISIONS

- 10.1 Supersedence. Upon execution of this Agreement, any and all existing agreements or contracts between the Parties concerning the precise subject matter of this Agreement are hereby rescinded to the extent that they conflict with express terms herein.
- 10.2 Applicability to Others.
- (a) After the Date of Execution, each Party agrees that any other agreement or contract relating to the subject matter of this Agreement, or the Judgment, to which it is a party, shall be consistent with the provisions of this Agreement, unless all other Parties consent to the inconsistent agreement or contract.
 - (b) After the Date of Execution, each Party reserves complete discretion to enter into other agreements or contracts on subject matter not covered by the terms of this Agreement.
- 10.3 Admissions by Parties. Nothing in this Agreement constitutes an admission of liability by any Party hereto for any prior or past acts that preceded the Date of Execution. This Agreement and any documents prepared in connection herewith may not be used as evidence in any litigation, except as necessary to interpret or enforce the terms of this Agreement.
- 10.4 Construction of Agreement. Each Party, with the assistance of competent legal counsel, has participated in the drafting of this Agreement and any ambiguity should not be construed for or against any Party on account of such drafting.

- 10.5 Each Party Bears Own Costs. Each Party is to bear its own costs, expenses, and attorneys' fees arising out of or in connection with the subject matter of this Agreement and the negotiation, drafting, and execution of this Agreement. Each of the Parties understands that this Agreement includes all claims for loss, expense and attorneys' fees, taxable or otherwise, incurred by it or arising out of any matters leading up to the execution of this Agreement.
- 10.6 Waiver of Breach. No waiver or indulgence of any breach or series of breaches of this Agreement shall be deemed or construed as a waiver of any other breach of the same or any other provision hereof or affect the enforceability of any part or all of this Agreement. No waiver shall be valid unless executed in writing by the waiving Party.
- 10.7 Awareness of Contents/Legal Effect. The Parties expressly declare and represent that they have read the Agreement and that they have consulted with their respective counsel regarding the meaning of the terms and conditions contained herein. The Parties further expressly declare and represent that they fully understand the content and effect of this Agreement and they approve and accept the terms and conditions contained herein, and that this Agreement is executed freely and voluntarily.
- 10.8 Agreement Binding On All. This Agreement shall be binding upon and shall inure to the benefit of each of the Parties, and each of their respective agents, employees, directors, officers, attorneys, representatives, principals, shareholders, sureties, parents, subsidiaries, affiliates, successors, predecessors, assigns, trustees or receivers appointed to administer their assets, and attorneys of any and all such individuals and entities. All the covenants contained in this Agreement are for the express benefit of each and all such persons described in this Section. This Agreement is not intended to benefit any third parties.

- 10.9 Counterparts. This Agreement may be executed in counterparts. This Agreement shall become operative as soon as one counterpart hereof has been executed by each Party. The counterparts so executed shall constitute one Agreement notwithstanding that the signatures of all Parties do not appear on the same page.
- 10.10 Captions. The captions contained herein are included solely for convenience and shall not be construed as part of this Agreement or as full or accurate descriptions of the terms hereof.
- 10.11 Choice of Law. This Agreement shall be construed and enforced pursuant to the laws of the State of California.
- 10.12 Authority to Enter into This Agreement. Each Party represents and warrants that its respective obligations herein are legal and binding obligations of such Party; that each Party is fully authorized to enter into this Agreement, and that the person signing this Agreement hereinafter for each Party has been duly authorized to sign this Agreement on behalf of said Party.
- 10.13 Notice.
- (a) Any notice required under this Agreement shall be written and shall be served either by personal delivery, mail or fax.
 - (b) In the case of service by personal delivery or fax, no additional time, in days, shall be added to the time in which a right may be exercised or an act may be done.
 - (c) In the case of service by mail, notice must be deposited in a post office, mailbox, sub post-office, substation, or mail chute, or other like facility regularly maintained by the United States Postal Service, in a sealed envelope, with postage paid, addressed to the representative(s) of the Party

on whom it is to be served, at their place of business. The service is complete at the time of deposit. Any period of notice and any right or duty to do any act or make any response within any period or on a date certain after service of notice by mail shall be extended five days. Any period of notice and any right or duty to do any act or make any response within any period or on a date certain after service of notice by Express mail or other method of delivery providing for overnight delivery shall be extended by two court days.

10.14 Amendments and/or Changes to Agreement.

- (a) Any amendments and/or changes to this Agreement must be in writing, signed by a duly authorized representative of the Parties hereto, and must expressly state the mutual intent of the Parties to amend this Agreement as set forth herein. The Parties to this Agreement recognize that the terms and conditions of this Agreement, which are set forth herein in the Sections preceding this Section have been arrived at through the collective negotiations by the Parties.
- (b) The Parties hereby agree that no amendments and/or changes may be made to this Agreement without the express written approval of each Party to this Agreement, provided that upon request, no such approval shall be unreasonably withheld.

XI
ACKNOWLEDGMENTS:
CONFIRMATION OF RIGHTS

- 11.1 Each Party's rights to water it presently holds in storage with Watermaster are confirmed and protected.

11.2 The Parties confirm that in addition to the benefits received by the State under this Agreement, including an exemption from the payment of Watermaster Assessments as a member of the Agricultural Pool, the rights of the State of California under the Judgment to Produce water are not modified or altered by this Agreement. For all purposes of the Judgment all future Production by the State or its departments or agencies, including but not limited to the Department of Corrections, Department of Fish and Game, Youth Authority, Department of Parks and Recreation, Department of Toxic Substances Control, and Department of Transportation as set forth in Paragraph 10 of the Judgment, for overlying use on State-owned lands, shall be considered use by the Agricultural Pool. This Agreement is not intended to limit the State or its departments or agencies including but not limited to, the Department of Corrections, Department of Fish and Game, Youth Authority, Department of Parks and Recreation, Department of Toxic Substances Control, and Department of Transportation from exercising the State's rights of future Production for overlying use on State-owned lands as set forth in Paragraph 10 of the Judgment. The Parties agree that they will not oppose the State's exercise of its rights pursuant to the Judgment. The State of California is not executing this Agreement on behalf of the State Water Resources Control Board, the Department of Water Resources, Department of Toxic Substances Control, or the California Regional Water Quality Control Board or the Department of Fish and Game except as stated above. Nothing in this Agreement shall be construed in any way as modifying, altering or limiting the regulatory and trustee obligations, legal rights or duties of any State Agencies, including the Department of Fish and Game, the State Water Resources Control, the California Regional Water Quality Control Boards, the Department of Toxic Substances Control and Department of Water Resources. This Agreement does not limit in any way, and expressly recognizes the rights and ability of the Department of Water Resources to make application to

Watermaster to use groundwater storage space in the Chino Basin as described in Water Code Section 11258 and as provided in Section 5.2(c) herein.

- 11.3 Nothing in this Agreement shall be construed as modifying, altering, or limiting CBWCD from carrying out its obligations under general law.

IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:

DATED:

7/31/00

CITY OF ONTARIO

By 

DATED:

CITY OF POMONA

By _____

DATED:

CITY OF UPLAND

By _____

[Signatures continued on following pages]

Watermaster to use groundwater storage space in the Chino Basin as described in Water Code Section 11258 and as provided in Section 5.2(c) herein.

- 11.3 Nothing in this Agreement shall be construed as modifying, altering, or limiting CBWCD from carrying out its obligations under general law.

IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:

DATED:

CITY OF ONTARIO

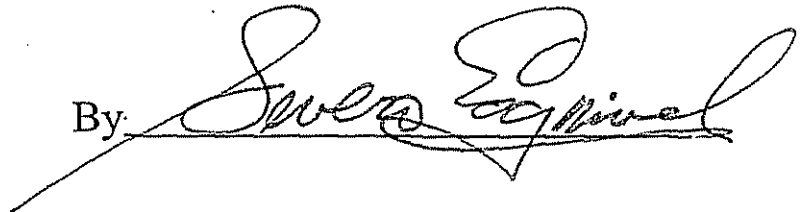
By _____

DATED:

CITY OF POMONA

7-31-2000

By _____



DATED:

CITY OF UPLAND

By _____

[Signatures continued on following pages]

Watermaster to use ground water storage space in the Chino Basin as described in Water Code Section 11258 and as provided in Section 5.2(c) herein.

- 11.3 Nothing in this Agreement shall be construed as modifying, altering, or limiting CBWCD from carrying out its obligations under general law.

IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:

DATED:

CITY OF ONTARIO

By _____

DATED:

CITY OF POMONA

By _____

DATED: 7/24/00

CITY OF UPLAND

By *Robert R. Nalwa*

[Signatures continued on following pages]

DATED: 8/1/00.

STATE OF CALIFORNIA

By Maulyn H. Levin

DATED:

CITY OF CHINO

By _____

DATED:

07/31/00

**CUCAMONGA COUNTY
WATER DISTRICT**

By James M. Wilson

DATED:

**MONTE VISTA WATER
DISTRICT**

By _____

DATED: 7-27-00

**FONTANA UNION WATER
COMPANY**

By Ronald J. Black

[Signatures continued on following pages]

DATED:

STATE OF CALIFORNIA

By _____

DATED:

CITY OF CHINO

By *Ernie M. Vellosa*

DATED:

**CUCAMONGA COUNTY
WATER DISTRICT**

By _____

DATED:

**MONTE VISTA WATER
DISTRICT**

By _____

DATED:

**FONTANA UNION WATER
COMPANY**

By _____

[Signatures continued on following pages]

DATED:

STATE OF CALIFORNIA

By _____

DATED:

CITY OF CHINO

By _____

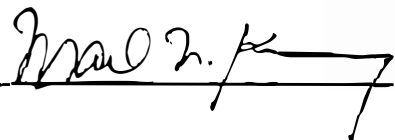
DATED:

**CUCAMONGA COUNTY
WATER DISTRICT**

By _____

DATED: 7/31/00

**MONTE VISTA WATER
DISTRICT**

By  _____

DATED:

**FONTANA UNION WATER
COMPANY**

By _____

[Signatures continued on following pages]

DATED:

CITY OF CHINO HILLS

By _____

DATED:

**JURUPA COMMUNITY
SERVICES DISTRICT**

By 

DATED:

AGRICULTURAL POOL

By 

DATED:

APPROPRIATIVE POOL

By _____

DATED: 7/27/00

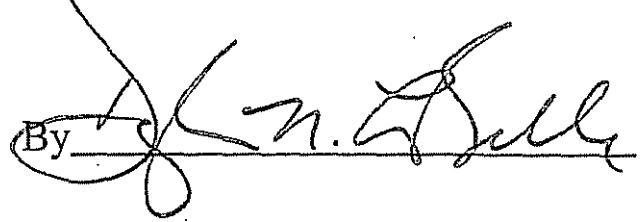
NON-AGRICULTURAL POOL

By 

[Signatures continued on following pages]

DATED: 7/31/00

CITY OF CHINO HILLS

By 

DATED:

**JURUPA COMMUNITY
SERVICES DISTRICT**

By _____

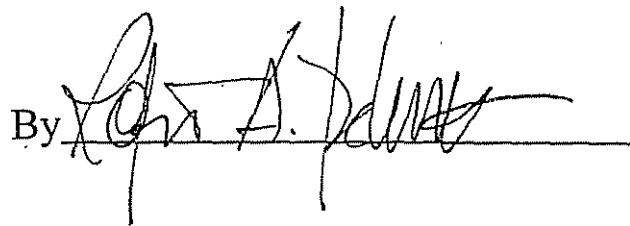
DATED:

AGRICULTURAL POOL

By _____

DATED:

APPROPRIATIVE POOL

By 

DATED:

NON-AGRICULTURAL POOL

By _____

[Signatures continued on following pages]

DATED:

July 31, 2000

**INLAND EMPIRE UTILITY
AGENCY**

By *John L. Anderson*

DATED:

**THREE VALLEYS
MUNICIPAL WATER
DISTRICT**

By _____

DATED:

KAISER VENTURES, INC.

By _____

DATED:

**WESTERN MUNICIPAL
WATER DISTRICT**

By _____

[Signatures continued on following pages]

DATED:

**INLAND EMPIRE UTILITY
AGENCY**

By_____

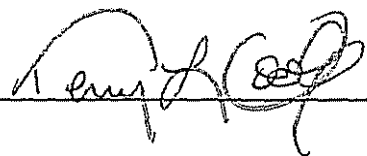
DATED:

**THREE VALLEYS
MUNICIPAL WATER
DISTRICT**

By_____

DATED: 7/31-00

KAISER VENTURES, INC.

By _____

DATED:

**WESTERN MUNICIPAL
WATER DISTRICT**

By_____

[Signatures continued on following pages]

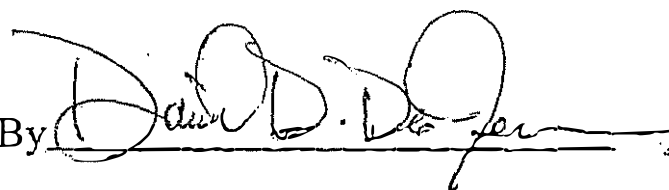
DATED:

**INLAND EMPIRE UTILITY
AGENCY**

By _____

DATED:

**THREE VALLEYS
MUNICIPAL WATER
DISTRICT**

By  _____

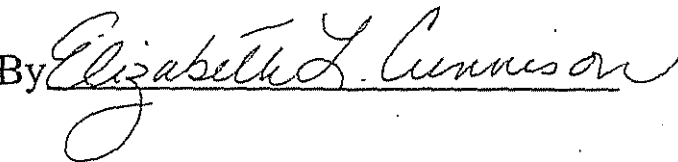
DATED:

KAISER VENTURES, INC.

By _____

DATED:

**WESTERN MUNICIPAL
WATER DISTRICT**

By  _____

[Signatures continued on following pages]

DATED: 7/31/00

**SAN ANTONIO WATER
COMPANY**

By Tom Thomas

DATED:

**CHINO BASIN WATER
CONSERVATION DISTRICT**

By _____

DATED:

[Signatures continued on following pages]

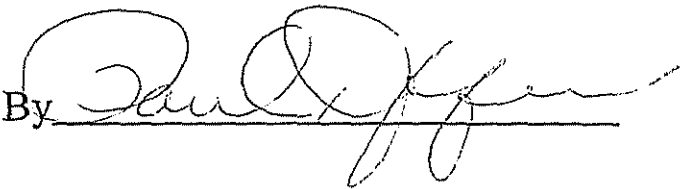
DATED:

**SAN ANTONIO WATER
COMPANY**

By _____

DATED: 7/28/2000

**CHINO BASIN WATER
CONSERVATION DISTRICT**

By  _____

DATED:

[Signatures continued on following pages]

EXHIBIT A

WATERMASTER RESOLUTION
NO. 2000-__

RESOLUTION OF THE CHINO BASIN WATERMASTER TO ADOPT THE GOALS AND PLANS OF THE PHASE I REPORT AS IMPLEMENTED BY THE OBMP IMPLEMENTATION PLAN, CONSISTENT WITH THE PEACE AGREEMENT AS ITS OBMP ("OBMP"), TO ADOPT THE REQUISITE POLICIES AND PROCEDURES TO IMPLEMENT THE PROVISIONS SET FORTH IN ARTICLE V OF THE PEACE AGREEMENT ON OR BEFORE DECEMBER 31, 2000, AND TO APPROVE THE "PEACE AGREEMENT."

WHEREAS, the Judgment in the Chino Basin Adjudication, *Chino Basin Municipal Water District v. City of Chino, et al.*, San Bernardino Superior Court No. 164327, 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; and

WHEREAS, the Judgment directs Watermaster to develop an OBMP subject to the limitations contained in the Judgment; and

WHEREAS, Watermaster and prepared and submitted a Phase I Report regarding the OBMP to the Court; and

WHEREAS, the Court ordered the Inland Empire Utilities Agency (IEUA) to act as "lead agency" for the purposes of preparing any applicable environmental review for the OBMP in the form of a Programmatic Environmental Impact Report (PEIR) and the Court is exercising continuing jurisdiction over this matter; and

WHEREAS, the parties developed a Memorandum of Principles which articulated a framework of an agreement which the Watermaster Board

articulated a framework of an agreement which the Watermaster Board unanimously approved on May 26, 2000; and

WHEREAS, the parties have reduced the principles into a more definitive agreement and an OBMP Implementation Plan.

WHEREAS, the goals and plans in the Phase I Report implemented consistent with the OBMP Implementation Plan and the Peace Agreement constitute the OBMP; and

WHEREAS, the IEUA has prepared and circulated a draft PEIR and held a public meeting to take public comment on the OBMP on June 28, 2000; and

WHEREAS, the parties to the Peace Agreement and the parties to the Judgment have requested Watermaster to approve the Peace Agreement and the OBMP Implementation Plan and to implement the goals and plans contained in the OBMP Phase I Report in a manner consistent with the Peace Agreement and the OBMP Implementation Plan.

NOW, THEREFORE, IT IS HEREBY RESOLVED AND DETERMINED THAT:

1. The goals and plans in the Phase I Report and their implementation as provided in and consistent with the Implementation Plan and the Peace Agreement are in furtherance of the physical solution set forth in the Judgment and Article X, Section 2 of the California Constitution.

2. Although not a signatory, the Chino Basin Watermaster Board supports and approves the Peace Agreement negotiated by the parties thereto.
3. Subject to the satisfaction of all conditions precedent set forth in the Peace Agreement and the unanimous approval of the Peace Agreement by the Parties thereto no later than August 1, 2000:
 - a. Watermaster adopts the goals and plans of the Phase I Report consistent with the Implementation Plan and the Peace Agreement.
 - b. The Watermaster will proceed in accordance with the OBMP Implementation Plan and the Peace Agreement.
 - c. Watermaster will comply with the conditions described in Article V of the Peace Agreement labeled, "Watermaster Performance" and Watermaster shall adopt all necessary policies and procedures in order to implement the provisions set forth in Article V on or before December 31, 2000, unless an earlier date is specified in the Peace Agreement or the OBMP Implementation Plan.
4. The Watermaster Board will transmit a request to the Court to issue an Order authorizing and directing Watermaster to proceed in accordance with this Resolution.
5. In approving this Agreement, Watermaster is not committing to carry-out any project within the meaning of CEQA unless and until environmental review and assessments required by CEQA

for that defined “project” have been completed. Any future actions that meet the definition of a “project” under CEQA shall be subject to environmental documentation.

Exhibit D

**PEACE II AGREEMENT:
PARTY SUPPORT FOR WATERMASTER'S OBMP
IMPLEMENTATION PLAN, –
SETTLEMENT AND RELEASE OF CLAIMS
REGARDING FUTURE DESALTERS**

WHEREAS, paragraph 41 of the Judgment entered in *Chino Basin Municipal Water District v. City of Chino* (San Bernardino Superior Court Case No. 51010) grants Watermaster, with the advice of the Advisory and Pool Committees, "discretionary powers in order to implement an Optimum Basin Management Program ("OBMP") for the Chino Basin";

WHEREAS, the Parties to the Judgment executed an agreement resolving their differences and pledging their support for Watermaster actions in accordance with specific terms in June of 2000 ("Peace Agreement");

WHEREAS, Watermaster approved Resolution 00-05, and thereby adopted the goals and objectives of the OBMP, the OBMP Implementation Plan and committed to act in accordance with the terms of the Peace Agreement;

WHEREAS, pursuant to Article IV, paragraph 4.2, each of the parties to the Peace Agreement agreed not to oppose Watermaster's adoption and implementation of the OBMP Implementation Plan attached as Exhibit "B" to the Peace Agreement;

WHEREAS, the Peace Agreement, the OBMP Implementation Plan and the Chino Basin Watermaster Rules and Regulations contemplate further actions by Watermaster in furtherance of its responsibilities under paragraph 41 of the Judgment and in accordance with the Peace Agreement and the OBMP Implementation Plan;

WHEREAS, the Parties to the Peace Agreement made certain commitments regarding the funding, design, construction and operation of Future Desalters;

WHEREAS, after receiving input from its stakeholders in the form of the Stakeholder's Non-Binding Term Sheet, Watermaster has proposed to adopt Resolution 07-05 attached as Exhibit "1" hereto to further implement the OBMP through a suite of measures commonly referred to and herein defined as "Peace II Measures", including but not limited to the 2007 Supplement to the OBMP, the Second Amendment to the Peace Agreement, amendments to Watermaster's Rules and Regulations, the purchase and sale of water within the Overlying (Non-Agricultural) Pool and certain Judgment amendments; and

NOW, THEREFORE, in consideration of the mutual promises specified herein and by conditioning their performance under this Agreement upon the conditions precedent set forth in Article III herein, the Watermaster Approval, and Court Order, and for other good and valuable consideration, the Parties agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions.

- (a) "Desalters" means Desalters and Future Desalters collectively, as defined in the Peace Agreement.
- (b) "Hydraulic Control" means the reduction of groundwater discharge from the Chino North Management Zone to the Santa Ana River to de minimus quantities. The Chino North Management Zone is defined in the 2004 Basin Plan amendment (RWQCB resolution R8-2004-001) attached hereto as Exhibit "B."
- (c) "Leave Behind" means a contribution to the Basin from water held in storage within the Basin under a Storage and Recovery Agreement that may be established by Watermaster from time to time that may reflect any or all of the following: (i) actual losses; (ii) equitable considerations associated with Watermaster's management of storage agreements; and (iii) protection of the long-term health of the Basin against the cumulative impacts of simultaneous recovery of groundwater under all storage agreements.
- (d) "Re-Operation" means the controlled overdraft of the Basin by the managed withdrawal of groundwater Production for the Desalters and the potential increase in the cumulative un-replenished Production from 200,000 authorized by paragraph 3 of the Engineering Appendix Exhibit I to the Judgment, to 600,000 acre feet for the express purpose of securing and maintaining Hydraulic Control as a component of the Physical Solution.
- (e) Unless otherwise expressly provided herein, all definitions set forth in the Peace Agreement and the Judgment are applicable to the terms as they are used herein.

1.2 Rules of Construction.

- (a) Unless the context clearly requires otherwise:
 - (i) The plural and singular forms include the other;
 - (ii) "Shall," "will," "must," and "agrees" are each mandatory;
 - (iii) "May" is permissive;
 - (iv) "Or" is not exclusive;
 - (v) "Includes" and "including" are not limiting; and
 - (vi) "Between" includes the ends of the identified range.

- (b) Headings at the beginning of Articles, paragraphs and subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement and shall not be used in construing it.
- (c) The masculine gender shall include the feminine and neuter genders and vice versa.
- (d) The word "person" shall include individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, water district and other entity of whatever nature.
- (e) Reference to any agreement (including this Agreement), document, or instrument means such agreement, document, instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms thereof.
- (f) Except as specifically provided herein, reference to any law, statute or ordinance, regulation or the like means such law as amended, modified, codified or reenacted, in whole or in part and in effect from time to time, including any rules and regulations promulgated thereunder.

ARTICLE II

COMPLIANCE WITH CEQA

- 2.1 Project Description. The proposed project description regarding the design, permitting, construction and operation of Future Desalter, securing Hydraulic Control through Basin Re-Operation is set forth in Attachment "A" to Watermaster Resolution 07-05 attached hereto as Exhibit "1."
- 2.2 Acknowledgment of IEUA as the Lead Agency for CEQA Review. IEUA has been properly designated as the "Lead Agency" for the purposes of completing environmental assessment and review of the proposed project.
- 2.3 Commitments are Consistent with CEQA. The Parties agree and acknowledge that no commitment will be made to carry out any "project" under the amendments to the OBMP and within the meaning of CEQA unless and until the environmental review and assessment that may be required by CEQA for that defined "project" have been completed.
- 2.4 Reservation of Discretion. Execution of this Agreement is not intended to commit any Party to undertake a project without compliance with CEQA or to commit the Parties individually or collectively to any specific course of action, which would result in the present approval of a future project.
- 2.5 No Prejudice by Comment or Failure to Comment. Nothing contained in environmental review of the Project, or a Party's failure to object or comment thereon, shall limit any

Party's right to allege that "Material Physical Injury" will result or has resulted from the implementation of the OBMP or its amendment.

ARTICLE III **CONDITIONS PRECEDENT**

- 3.1 Performance Under Articles IV-XII is Subject to Satisfaction of the Conditions Precedent. Each Party's obligations under this Agreement are subject to the satisfaction of the following conditions precedent on or before the dates specified below, unless satisfaction or a specified condition or conditions is waived in writing by all other Parties:
- (a) Watermaster approval of Resolution 07-05 in a form attached hereto as Exhibit "1," including the following Attachments thereto
 - (i) the amendments to the Chino Basin Watermaster Rules and Regulations set forth in Attachment "F" thereto.
 - (ii) the 2007 Supplement to the OBMP Implementation Plan set forth in Attachment "D" thereto.
 - (iii) the amendments to the Judgment set forth in Attachments "H, I, and J" thereto.
 - (iv) the Second Amendment to the Peace Agreement set forth in Attachment "L" thereto.
 - (v) the Purchase and Sale Agreement for the Purchase of Water by Watermaster From the Overlying (Non-Agricultural) Pool as set forth in Attachment G thereto.
 - (b) The execution of the proposed Second Amendment to the Peace Agreement by all Parties to the Peace Agreement .
 - (c) Court approval of the proposed Judgment Amendments and a further order of the Court directing Watermaster to proceed in accordance with the terms of the Peace II Measures as embodied in Resolution 07-05.

ARTICLE IV **MUTUAL ACKNOWLEDGEMENT AND COVENANTS**

- 4.1 Acknowledgment of Peace II Measures. The collective actions of Watermaster set forth in Watermaster Resolution 07-05 and the Attachments thereto (Peace II Measures) constitute further actions by Watermaster in implementing the OBMP in accordance with the grant and limitations on its discretionary authority set forth under paragraph 41 of the Judgment
- 4.2 Non-Opposition. No Party to this Agreement shall oppose Watermaster's adoption of Resolution 07-05 and implementation of the Peace II measures as embodied therein

including the Judgment Amendments, Amendments to the Peace Agreement, the 2007 Supplement to the OBMP Implementation Plan and Amendments to the Chino Basin Watermaster's Rules and Regulations or to Watermaster's execution of memoranda of agreement that are not materially inconsistent with the terms contained therein. Notwithstanding this covenant, no party shall be limited in their right of participation in all functions of Watermaster as they are provided in the Judgment or to preclude a Party to the Judgment from seeking judicial review of Watermaster determinations pursuant to the Judgment or as otherwise provided in this Agreement.

- 4.3 Consent to Amendments. Each Party expressly consents to the Judgment amendments and modifications set forth in Watermaster's Resolution 07-05.
- 4.4 Non-Agricultural Pool Intervention. The Parties acknowledge and agree that any Party to the Judgment shall have the right to purchase Non-Agricultural overlying property within the Basin and appurtenant water rights and to intervene in the Non-Agricultural Pool.

ARTICLE V **FUTURE DESALTERS**

- 5.1 Purpose. Watermaster plans to coordinate and the Parties to the Judgment plan to arrange for the physical capacity and potable water use of water from the Desalters. Desalters in existence on the effective date of this Agreement will be supplemented to provide the required capacity to cumulatively produce approximately 40,000 acre-feet per year of groundwater from the Desalters by 2012.
- 5.2 2007 Supplement to the OBMP Implementation Plan. The OBMP Implementation Plan will be supplemented as set forth in the 2007 Supplement to the OBMP Implementation Plan to reflect that Western Municipal Water District ("WMWD"), acting independently or in its complete discretion with the City of Ontario ("Ontario") or the Jurupa Community Services District ("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 obtain Hydraulic Control, further Re-Operation and support the Future Desalters.
- 5.3 Implementation. 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.
- (a) WMWD, acting independently or in its complete discretion with Ontario or Jurupa or both, will exercise good faith and reasonable best efforts to proceed in accordance with the timeline for the completion of design, permitting, finance and construction as attached hereto as Exhibit "2"
 - (b) WMWD, acting independently or in its complete discretion with the City of Ontario or the Jurupa Community Services District or both, will provide quarterly progress reports to Watermaster and the Court.

- 5.4 Project Description. The Future Desalters will add up to 9 mgd to existing Desalters. This will include production capacity from new groundwater wells that will be located in the Southerly end of the Basin, as depicted in Exhibit "3" attached hereto and incorporated herein by this reference. The final design and construction of Future Desalters *may* depend on the terms and conditions that may be freely arrived at by fair bargaining among WMWD and the Chino Basin Desalter Authority ("CDA") or whether it is required to build stand-alone facilities or both. There are material yield benefits to the Parties to the Judgment that are achieved by obtaining Hydraulic Control through Basin Re-Operation. The extent of these benefits is somewhat dependent upon the final location of new production facilities within the southerly end of the Basin. Accordingly, Watermaster will ensure that the location of Future Desalter groundwater production facilities will achieve both Hydraulic Control and maximize yield enhancement by their location emphasizing groundwater production from the Southerly end of the Basin.
- 5.5 Implementing Agreements. Within twenty-four (24) months of the effective date, WMWD, acting independently or in its complete discretion with the City of Ontario or the Jurupa Community Services District or both, will exercise good faith and reasonable best efforts to complete final binding agreement(s) regarding Future Desalters that includes the following key terms:
- (a) Arrangements for WMWD's purchase of product water from CDA;
 - (b) Arrangements with CDA, Jurupa and other Chino Basin parties for the common use of existing facilities, if any;
 - (c) Arrangement with the owners of the SARI line;
 - (d) Arrangements with the Appropriative Pool regarding the apportionment of any groundwater produced as controlled overdraft in accordance with the Physical Solution between Desalters I, Desalters II on the one hand and the Future Desalters on the other hand;
 - (e) WMWD's payment to Watermaster to reimburse Parties to the Judgment for their historical contributions towards the OBMP, if any;
 - (f) The schedule for approvals and project completion.
- 5.6 Reservation of Discretion. Nothing herein shall be construed as committing WMWD, or any members of CDA to take any specific action(s) to accommodate the needs or requests of the other, Watermaster, or any Party to the Judgment, whatever the request may be.
- 5.7 Condition Subsequent. WMWD's obligation to execute a binding purchase agreement with CDA or to independently develop the Future Desalters is subject to the express condition subsequent that the total price per acre-foot of water delivered must not be projected to exceed the sum of the following: (i) the full MWD Tier II Rate; (ii) the MWD Treatment Surcharge calculated in terms of an annual average acre-foot charge; and (iii) \$150 (in 2006 dollars) per acre-foot of water delivered to account for water supply reliability.

- (a) The full acre-foot cost to Western for Capital and O&M (assuming the priority allocation of controlled overdraft), includes:
 - (i) the delivery of the desalted water to its Mockingbird Reservoir or directly to the City of Norco,
 - (ii) any applicable ongoing Watermaster assessments, payments to CDA and JCSD and for SARI utilization.
- (b) Provided that if third-party funding, grants and a MWD subsidy under the Local Resources Program or otherwise should reduce Western's costs to an amount which is \$75 (in 2006 dollars) below the cap described in paragraph 5.5, Western will transmit an amount equal to fifty (50) percent of the amount less than the computed price cap less \$75 (in 2006 dollars) to Watermaster.
- (c) Western may elect to exercise its right of withdrawal under this paragraph 5.7 within 120 days following the later of: (1) completion of preliminary design; or (2) the certification of whatever CEQA document is prepared for the project, but not later than sixty (60) days thereafter and in no event after a binding water purchase agreement has been executed.

5.8 Limitations. The operation of the Future Desalters will be subject to the following limitations:

- (a) Well Location. New groundwater production facilities for the Future Desalters will be located in the southern end of the Basin to achieve the dual purpose of obtaining Hydraulic Control and increasing Basin yield.
 - (i) New wells will be constructed in the shallow aquifer system among Desalter I wells No. 1 through 4 and west of Desalter I.
 - (ii) So long as these wells produce at least one-half of the Future Desalter groundwater, the Future Desalters 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.
- (b) Export. The export of groundwater from the Basin must be minimized. WMWD will present a plan for export minimization to the Watermaster for review and approval prior to operation of the Future Desalters.
 - (i) Watermaster will account for water imported and exported by WMWD.
 - (ii) Watermaster will prepare an initial reconciliation of WMWD's imports and exports at the end of the first ten (10) years of operation and every year thereafter to determine whether a "net export" occurred.

- (iii) WMWD will pay an assessment, if any, on all "net exports" in accordance with Judgment Exhibit "H," paragraph 7(b) after the initial reconciliation is completed at the end of the first ten (10) years of operation.

ARTICLE VI
GROUNDWATER PRODUCTION BY AND
REPLENISHMENT FOR DESALTERS

- 6.1 Acknowledgment. The Parties acknowledge that the hierarchy for providing Replenishment Water for the Desalters is set forth in Article VII, paragraph 7.5 of the Peace Agreement, and that this section controls the sources of water that will be offered to offset Desalter Production.
- 6.2 Peace II Desalter Production Offsets. To facilitate Hydraulic Control through Basin Re-Operation, in accordance with the 2007 Supplement to the OBMP Implementation Plan and the amended Exhibits G and I to the Judgment, additional sources of water will be made available for purposes of Desalter Production and thereby some or all of a Replenishment obligation. With these available sources, the Replenishment obligation attributable to Desalter production in any year will be determined by Watermaster as follows:
 - (a) Watermaster will calculate the total Desalter Production for the preceding year and then apply a credit against the total quantity from:
 - (i) the Kaiser account (Peace Agreement Section 7.5(a).);
 - (ii) dedication of water from the Overlying (Non-Agricultural) Pool Storage Account or from any contribution arising from an annual authorized Physical Solution Transfer in accordance with amended Exhibit G to the Judgment;
 - (iii) New Yield (other than Stormwater (Peace Agreement Section 7.5(b)));
 - (iv) any declared losses from storage in excess of actual losses enforced as a "Leave Behind";
 - (v) Safe Yield that may be contributed by the parties (Peace Agreement Section 7.5(c));
 - (vi) any Production of groundwater attributable to the controlled overdraft authorized pursuant to amended Exhibit I to the Judgment.
 - (b) To the extent available credits are insufficient to fully offset the quantity of groundwater production attributable to the Desalters, Watermaster will use water or revenue obtained by levying the following assessments among the members of the Overlying (Non-Agricultural) Pool and the Appropriative Pool to meet any remaining replenishment obligation as follows.

- (i) A Special OBMP Assessment against the Overlying (Non-Agricultural) Pool as more specifically authorized and described in amendment to Exhibit "G" paragraph 8(c) to the Judgment will be dedicated by Watermaster to further off-set replenishment of the Desalters. However, to the extent there is no remaining replenishment obligation attributable to the Desalters in any year after applying the off-sets set forth in 6.2(a), the OBMP Special Assessment levied by Watermaster will be distributed as provided in Section 9.2 below. The Special OBMP Assessment will be assessed pro-rata on each member's share of Safe Yield, followed by
 - (ii) A Replenishment Assessment against the Appropriative Pool, pro-rata based on each Producer's combined total share of Operating Safe Yield and the previous year's actual production. Desalter Production is excluded from this calculation. However, if there is a material reduction in the net cost of Desalter product water to the purchasers of product water, Watermaster may re-evaluate whether to continue the exclusion of Desalter Production but only after giving due regard to the contractual commitment of the parties.
 - (iii) The quantification of any Party's share of Operating Safe Yield does not include the result of any land use conversions.
- (c) The rights and obligations of the parties, whatever they may be, regarding Replenishment Assessments attributable to all Desalters and Future Desalters in any renewal term of the Peace Agreement are expressly reserved and not altered by this Agreement.

ARTICLE VII

YIELD ACCOUNTING

- 7.1 New Yield Attributable to Desalters. Watermaster will make an annual finding as to the quantity of New Yield that is made available by Basin Re-Operation including that portion that is specifically attributable to the Existing and Future Desalters. Any subsequent recalculation of New Yield as Safe Yield by Watermaster will not change the priorities set forth above for offsetting Desalter production as set forth in Article VII, Section 7.5 of the Peace Agreement. For the initial term of the Peace Agreement, neither Watermaster nor the Parties will request that Safe Yield be recalculated in a manner that incorporates New Yield *attributable to the Desalters* into the determination of Safe Yield so that this source of supply will be available for Desalter Production rather than for use by individual parties to the Judgment.
- 7.2 Apportionment of Controlled Overdraft. Within twelve (12) months of the court approval and no later than December 1, 2008, with facilitation by Watermaster, WMWD and the Appropriative Pool will establish by mutual agreement the portion of the 400,000 acre-feet of the controlled overdraft authorized by the amendment to Exhibit "T" to the Judgment that will be allocated among the Desalters and pursuant to a proposed schedule.

- (a) To the extent the groundwater wells for the Future Desalters pump at least fifty (50) percent groundwater from the southern end of the Basin as set forth in Exhibit "3" the *Future Desalters* will be entitled to first priority to the controlled overdraft authorized by the amendment to Exhibit "I" to the Judgment.
- (b) WMWD and the Appropriative Pool will exercise good faith and reasonable best efforts to arrive at a fair apportionment. Relevant considerations in establishing the apportionment include, but are not limited to: (i) the nexus between the proposed expansion and achieving Hydraulic Control; (ii) the nexus between the project and obtaining increased yield; (iii) the identified capital costs; (iv) operating and maintenance expenses; and (iv) the availability of third-party funding.
- (c) The parties will present any proposed agreement regarding apportionment to Watermaster. Watermaster will provide due regard to any agreement between WMWD and the Appropriative Pool and approve it so long as the proposal phases the Re-Operation over a reasonable period of time to secure the physical condition of Hydraulic Control and will achieve the identified yield benefits while at the same time avoiding Material Physical Injury or an inefficient use of basin resources.
- (d) If WMWD and the Appropriative Pool do not reach agreement on apportionment of controlled overdraft to Future Desalters, then no later than August 31, 2009, the members of the Appropriative Pool will submit a plan to Watermaster that achieves the identified goals of increasing the physical capacity of the Desalters and potable water use of approximately 40,000 acre-feet of groundwater production from the Desalters from the Basin no later than 2012. The Appropriative Pool proposal must demonstrate how it has provided first priority to the Future Desalters if the conditions of paragraph 7.2(a) are met.
- (e) Watermaster will have discretion to apportion the controlled overdraft under a schedule that reflects the needs of the parties and the need for economic certainty and the factors set forth in Paragraph 7.2(a) above. Watermaster may exercise its discretion to establish a schedule for Basin Re-Operation that best meets the needs of the Parties to the Judgment and the physical conditions of the Basin, including but not limited to such methods as "ramping up," "ramping down," or "straight-lining."
 - (i) An initial schedule will be approved by Watermaster and submitted to the Court concurrent with Watermaster Resolution 07-05.
 - (ii) Watermaster may approve and request Court approval of revisions to the initial schedule if Watermaster's approval and request are supported by a technical report demonstrating the continued need for access to controlled overdraft, subject to the limitations set forth in amended Exhibit "I" to the Judgment and the justification for the amendment.

- 7.3 Suspension. An evaluation of Watermaster's achievement of Basin outflow conditions, achievement of Hydraulic Control and compliance with Regional Board orders will be completed annually by Watermaster. Re-Operation and Watermaster's apportionment of controlled overdraft will not be suspended in the event that Hydraulic Control is secured in any year *before* the full 400,000 acre-feet has been produced so long as: (i) Watermaster has prepared, adopted and the Court has approved a contingency plan that establishes conditions and protective measures to avoid Material Physical Injury and that equitably distributes the cost of any mitigation attributable to the identified contingencies, and (ii) Watermaster is in substantial compliance with a Court approved Recharge Master Plan as set forth in Paragraph 8.1 below.
- 7.4 Storage: Uniform Losses. The Parties acknowledge that Watermaster has assessed a two (2)-percent loss on all groundwater presently held in storage to reflect the current hydrologic condition. As provided in the Peace Agreement, Watermaster will continue to maintain a minimum 2 (two) percent loss until substantial evidence exists to warrant the imposition of another loss factor. However, the Parties further acknowledge and agree that losses have been substantially reduced through the OBMP Implementation Plan and the operation of Desalters I and II and that once Hydraulic Control is achieved outflow and losses from the Basin will have been limited to de minimis quantities. Therefore, Watermaster may establish uniform losses for all water held in storage based on whether the Party has substantially contributed to Watermaster reducing losses and ultimately securing and maintaining Hydraulic Control.
- (a) Pre-Implementation of the Peace Agreement. The uniform annual loss (leave behind) of six (6) percent will be applied to all storage accounts to address actual losses, management and equitable considerations arising from the implementation of the Peace Agreement, the OBMP Implementation Plan, the 2007 Supplement to the OBMP Implementation Plan, including but not limited to the Desalters and Hydraulic Control unless the Party holding the storage account: (i) has previously contributed to the implementation of the OBMP as a Party to the Judgment, is in compliance with their continuing covenants under the Peace Agreement or in lieu thereof they have paid or delivered to Watermaster "financial equivalent" consideration to offset the cost of past performance prior to the implementation of the OBMP and (ii) promised continued future compliance with Watermaster Rules and Regulations. In the event that a Party satisfies 7.4(a)(i) and 7.4(a)(ii) they will be assessed a minimum loss of two (2) percent against all water held in storage to reflect actual estimated losses. Watermaster's evaluation of the sufficiency of any consideration or financial equivalency may take into account the fact that one or more Parties to the Judgment are not similarly situated.
- (b) Post-Hydraulic Control. Following Watermaster's determination that it has achieved Hydraulic Control and for so long as Watermaster continues to sustain losses from the Basin to the Santa Ana River at a de minimis level (less than one (1) percent), any Party to the Judgment (agency, entity or person) may qualify for the Post-Hydraulic Control uniform loss percentage of less than 1 percent if they meet the criteria of 7.4(a)(i) and 7.4(a)(ii) above.

- 7.5 Allocation of Losses. Any losses from storage assessed as a Leave Behind in excess of actual losses ("dedication quantity") will be dedicated by Watermaster towards groundwater Production by the Desalters to thereby avoid a Desalter replenishment obligation that may then exist *in the year* of recovery. Any dedication quantity which is not required to offset Desalter Production in the year in which the loss is assessed, will be made available to the members of the Appropriative Pool. The dedication quantity will be pro-rated among the members of the Appropriative Pool in accordance with each Producer's combined total share of Operating Safe Yield and the previous year's actual production. However, before any member of the Appropriative Pool may receive a distribution of any dedication quantity, they must be in full compliance with the 2007 Supplement to the OBMP Implementation Plan and current in all applicable Watermaster assessments.

ARTICLE VIII

RECHARGE

- 8.1 Update to the Recharge Master Plan. Watermaster will update and obtain Court approval of its update to the Recharge Master Plan to address how the Basin will be contemporaneously managed to secure and maintain Hydraulic Control and subsequently operated at a new equilibrium at the conclusion of the period of Re-Operation. The Recharge Master Plan will be jointly approved by IEUA and Watermaster and shall contain recharge estimations and summaries of the projected water supply availability as well as the physical means to accomplish the recharge projections. Specifically, the Plan will reflect an appropriate schedule for planning, design, and physical improvements as may be required to provide reasonable assurance that following the full beneficial use of the groundwater withdrawn in accordance with the Basin Re-Operation and authorized controlled overdraft, that sufficient Replenishment capability exists to meet the reasonable projections of Desalter Replenishment obligations. With the concurrence of IEUA and Watermaster, the Recharge Master Plan will be updated and amended as frequently as necessary with Court approval and not less than every five (5) years. Costs incurred in the design, permitting, operation and maintenance of recharge improvements will be apportioned in accordance with the following principles.
- a. Operations and Maintenance. All future operations and maintenance costs attributable to all recharge facilities utilized for recharge of recycled water in whole or in part unfunded from third party sources, will be paid by the Inland Empire Utilities Agency ("IEUA") and Watermaster. The contribution by IEUA will be determined annually on the basis of the relative proportion of recycled water recharged bears to the total recharge from all sources in the prior year. For example, if 35 percent of total recharge in a single year is from recycled water, then IEUA will bear 35 percent of the operations and maintenance costs. All remaining unfunded costs attributable to the facilities used by Watermaster will be paid by Watermaster.
- i. IEUA reserves discretion as to how it assesses its share of costs.

ii. Watermaster will apportion its costs among the members of the stakeholders in accordance with Production, excluding Desalter Production.

iii. The operations and maintenance costs of water recharged by aquifer storage and recovery will not be considered in the calculation other than by express agreement.

b. Capital. Mutually approved capital improvements for recharge basins that do or can receive recycled water constructed pursuant to the Court approved Recharge Master Plan, if any, will be financed through the use of third party grants and contributions if available, with any unfunded balance being apportioned 50 percent each to IEUA and Watermaster. The Watermaster contribution shall be allocated according to shares of Operating Safe Yield. All remaining unfunded costs attributable to the facilities used by Watermaster will be paid by Watermaster.

8.2 Coordination. The members of the Appropriative Pool will coordinate the development of their respective Urban Water Management Plans and Water Supply Master Plans with Watermaster as follows.

- (a) Each Appropriator that prepares an Urban Water Management Plan and Water Supply Plans will provide Watermaster with copies of their existing and proposed plans.
- (b) Watermaster will use the Plans in evaluating the adequacy of the Recharge Master Plan and other OBMP Implementation Plan program elements.
- (c) Each Appropriator will provide Watermaster with a draft in advance of adopting any proposed changes to their Urban Water Management Plans and in advance of adopting any material changes to their Water Supply Master Plans respectively in accordance with the customary notification routinely provided to other third parties to offer Watermaster a reasonable opportunity to provide informal input and informal comment on the proposed changes.
- (d) Any party that experiences the loss or the imminent threatened loss of a material water supply source will provide reasonable notice to Watermaster of the condition and the expected impact, if any, on the projected groundwater use.

8.3 Continuing Covenant. To ameliorate any long-term risks attributable to reliance upon un-replenished groundwater production by the Desalters, the annual availability of any portion of the 400,000 acre-feet set aside as controlled overdraft as a component of the Physical Solution, is expressly subject to Watermaster making an annual finding about whether it is in substantial compliance with the revised Watermaster Recharge Master Plan pursuant to Paragraphs 7.3 and 8.1 above.

8.4 Acknowledgment re 6,500 Acre-Foot Supplemental Recharge. The Parties make the following acknowledgments regarding the 6,500 Acre-Foot Supplemental Recharge:

- (a) A fundamental premise of the Physical Solution is that all water users dependent upon Chino Basin will be allowed to pump sufficient waters from the Basin to meet their requirements. To promote the goal of equal access to groundwater within all areas and sub-areas of the Chino Basin, Watermaster has committed to use its best efforts to direct recharge relative to production in each area and sub-area of the Basin and to achieve long-term balance between total recharge and discharge. The Parties acknowledge that to assist Watermaster in providing for recharge, the Peace Agreement sets forth a requirement for Appropriative Pool purchase of 6,500 acre-feet per year of Supplemental Water for recharge in Management Zone 1 (MZ1). The purchases have been credited as an addition to Appropriative Pool storage accounts. The water recharged under this program has not been accounted for as Replenishment water.
- (b) Watermaster was required to evaluate the continuance of this requirement in 2005 by taking into account provisions of the Judgment, Peace Agreement and OBMP, among all other relevant factors. It has been determined that other obligations in the Judgment and Peace Agreement, including the requirement of hydrologic balance and projected replenishment obligations, will provide for sufficient wet-water recharge to make the separate commitment of Appropriative Pool purchase of 6,500 acre-feet unnecessary. Therefore, because the recharge target as described in the Peace Agreement has been achieved, further purchases under the program will cease and Watermaster will proceed with operations in accordance with the provisions of paragraphs (c), (d) and (e) below.
- (c) The parties acknowledge that, regardless of Replenishment obligations, Watermaster will independently determine whether to require wet-water recharge within MZ1 to maintain hydrologic balance and to provide equal access to groundwater in accordance with the provisions of this Section 8.4 and in a manner consistent with the Peace Agreement, OBMP and the Long Term Plan for Subsidence.". Watermaster will conduct its recharge in a manner to provide hydrologic balance within, and will emphasize recharge in MZ1. Accordingly, the Parties acknowledge and agree that each year Watermaster shall continue to be guided in the exercise of its discretion concerning recharge by the principles of hydrologic balance.
- (d) Consistent with its overall obligations to manage the Chino Basin to ensure hydrologic balance within each management zone, for the duration of the Peace Agreement (until June of 2030), Watermaster will ensure that a minimum of 6,500 acre-feet of wet water recharge occurs within MZ1 on an annual basis. However, to the extent that water is unavailable for recharge or there is no replenishment obligation in any year, the obligation to recharge 6,500 acre-feet will accrue and be satisfied in subsequent years.
- (1) Watermaster will implement this measure in a coordinated manner so as to

facilitate compliance with other agreements among the parties, including but not limited to the Dry-Year Yield Agreements.

- (2) In preparation of the Recharge Master Plan, Watermaster will consider whether existing groundwater production facilities owned or controlled by producers within MZ1 may be used in connection with an aquifer storage and recovery ("ASR") project so as to further enhance recharge in specific locations and to otherwise meet the objectives of the Recharge Master Plan.
- (e) Five years from the effective date of the Peace II Measures, Watermaster will cause an evaluation of the minimum recharge quantity for MZ1. After consideration of the information developed in accordance with the studies conducted pursuant to paragraph 3 below, the observed experiences in complying with the Dry Year Yield Agreements as well as any other pertinent information, Watermaster may increase the minimum requirement for MZ1 to quantities greater than 6,500 acre-feet per year. In no circumstance will the commitment to recharge 6,500 acre-feet be reduced for the duration of the Peace Agreement.

ARTICLE IX

9.1 Basin Management Assistance. Three Valleys Municipal Water District ("TVMWD") shall assist in the management of the Basin through a financial contribution of \$300,000 to study the feasibility of developing a water supply program within Management Zone 1 of the Basin or in connection with the evaluation of Future Desalters. The study will emphasize assisting Watermaster in meeting its OBMP Implementation Plan objectives of concurrently securing Hydraulic Control through Re-Operation while attaining Management Zone 1 subsidence management goals. Further, TVMWD has expressed an interest in participating in future projects in the Basin that benefit TVMWD. If TVMWD wishes to construct or participate in such future projects, TVMWD shall negotiate with Watermaster in good faith concerning a possible "buy-in" payment.

9.2 Allocation of Non-Agricultural Pool OBMP Special Assessment

a. For a period of ten years from the effective date of the Peace II Measures, any water (or financial equivalent) that may be contributed from the Overlying (Non-Agricultural) Pool in accordance with paragraph 8(c) of Exhibit G to the Judgment (as amended) will be apportioned among the members of the Appropriative Pool in each year as follows:

(i)	City of Ontario.	80 af
(ii)	City of Upland	161 af
(iii)	Monte Vista Water District	213 af
(iv)	City of Pomona	220 af
(v)	Marygold Mutual Water Co	16 af
(vi)	West Valley Water District	15 af

b. In the eleventh year from the effective date of the Peace II Measures and in each year thereafter in which water may be available from the Overlying (Non-Agricultural) Pool in excess of identified Desalter replenishment obligations as determined in accordance with Section 6.2 above, any excess water (or financial equivalent) will be distributed pro rata among the members of the Appropriative Pool based upon each Producer's combined total share of Operating Safe Yield and the previous year's actual production.

ARTICLE X

SETTLEMENT AND RELEASE

- 10.1 Settlement. By its execution of this Agreement, the Parties mutually and irrevocably, fully settle their respective claims, rights and obligations, whatever they may be, regarding the design, funding, construction and operation of Future Desalters as set forth in and arising from Article VII of the Peace Agreement.
- 10.2 Satisfaction of Peace Agreement Obligation Regarding Future Desalters. The Parties' individual and collective responsibilities arising from the Part VII of the Peace Agreement and the OBMP Implementation Plan regarding the planning, design, permitting, construction and operation of Future Desalters, whatever they may be, are unaffected by this Agreement. However, upon the completion of a 10,000 AFY (9 mgd) expansion of groundwater production and desalting from Desalter II as provided for herein, the Parties will be deemed to 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.
- 10.3 Satisfaction of Pomona Credit. In recognition of the ongoing benefits received by TVMWD through the City of Pomona's anion exchange project, as its sole and exclusive responsibility, TVMWD will make an annual payment to Watermaster in an amount equal to the credit due the City of Pomona under Peace Agreement Paragraph 5.4(b) ("the Pomona Credit").
- (a) Within ninety (90) days of each five-year period following the Effective Date of this Agreement, in its sole discretion TVMWD shall make an election whether to continue or terminate its responsibilities under this paragraph. TVMWD shall provide written notice of such election to Watermaster.
 - (b) Watermaster will provide an annual invoice to TVMWD for the amount of the Pomona Credit.
 - (c) Further, in any renewal term of the Peace Agreement, TVMWD will continue to make an equivalent financial contribution which TVMWD consents to

Watermaster's use for the benefit of MZ1, subject to the same conditions set forth above with respect to TVMWD's payment of the "Pomona Credit".

- (d) In the event TVMWD elects to terminate its obligation under this Paragraph, the Peace Agreement and the responsibility for satisfying the Pomona Credit will remain unchanged and unaffected, other than as it will be deemed satisfied for each five-year period that TVMWD has actually made the specified payment.

10.4 Release. Upon WMWD's completion of a 10,000 AFY (9 mgd) expansion of groundwater production and desalting in a manner consistent with the parameters set forth in this Agreement, each Party, for itself, its successors, assigns, and any and all persons taking by or through it, hereby releases WMWD and IEUA from any and all obligations arising from WMWD's and IEUA's responsibility for securing funding, designing, and constructing Future Desalters as set forth in or arising exclusively from Article VII of the Peace Agreement and the Program Elements 3, 6, and 7, OBMP Implementation Plan only, and each Party knowingly and voluntarily waives all rights and benefits which are provided by the terms and provisions of section 1542 of the Civil Code of the State of California, or any comparable statute or law which may exist under the laws of the State of California, in or arising from WMWD's and IEUA's responsibility for securing funding, designing, and constructing Future Desalters as set forth in or arising exclusively from Article VII of the Peace Agreement and the OBMP Implementation Plan only. The Parties hereby acknowledge that this waiver is an essential and material term of this release. The Parties, and each of them, acknowledge that Civil Code section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Each Party understands and acknowledges that the significance and consequence of this waiver of Civil Code section 1542 is the waiver of any presently unknown claims as described above, and that if any Party should eventually suffer additional damages arising out of the respective claim that Party will not be able to make any claim for those additional damages. Further, all Parties to this Agreement acknowledge that they consciously intend these consequences even as to claims for such damages that may exist as of the date of this Agreement but which are not known to exist and which, if known, would materially affect the Parties' respective decision to execute this Agreement, regardless of whether the lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

10.5 Assessments. In view of the substantial investments previously made and contemplated by Watermaster and the parties over the term of the Peace Agreement and in particular to implement the OBMP, the parties desire substantial certainty regarding Watermaster's principles of cost allocation. The principles set forth in the Peace Agreement and the

Peace II Measures including those stated herein, constitute a fair and reasonable allocation of responsibility among the stakeholders. Accordingly, other than in the event of an emergency condition requiring prompt action by Watermaster or to correct a manifest injustice arising from conditions not presently prevailing in the Basin and unknown to Watermaster and the parties and then only to the extent Watermaster retains discretion, Watermaster will maintain the principles of cost allocation for apportioning costs and assessments as provided in the Judgment and now implemented through the Peace Agreement and the Peace II Measures for the balance of the initial Term of the Peace Agreement. For the balance of the initial Term of the Peace Agreement, the parties to the Peace II Agreement will waive any objections to the Watermaster's principles of cost allocation other than as to issues regarding whether Watermaster has: (i) properly followed appropriate procedures; (ii) correctly computed assessments and charges; and (iii) properly reported .

10.6 Reservation of Rights. Nothing herein shall be construed as precluding any party to the Judgment from seeking judicial review of any Watermaster action on the grounds that Watermaster has failed to act in accordance with the Peace Agreement as amended, this Agreement, the Amended Judgment, the OBMP Implementation Plan as amended and applicable law.

October 25, 2007

ARTICLE XI
TERM

- 11.1 Commencement. This Agreement will become effective upon the satisfaction of all conditions precedent and shall expire on the Termination Date.
- 11.2 Termination. This Agreement is coterminous with the initial term of the Peace Agreement and will expire of its own terms and terminate on the date of the Initial Term of the Peace Agreement.

ARTICLE XIII
GENERAL PROVISIONS

- 12.1 Construction of this Agreement. Each Party, with the assistance of competent legal counsel, has participated in the drafting of this Agreement and any ambiguity should not be construed for or against any Party on account of such drafting.
- 12.2 Awareness of Contents/Legal Effect. The Parties expressly declare and represent that they have read the Agreement and that they have consulted with their respective counsel regarding the meaning of the terms and conditions contained herein. The parties further expressly declare and represent that they fully understand the content and effect of this Agreement and they approve and accept the terms and conditions contained herein, and that this Agreement is executed freely and voluntarily.
- 12.3 Counterparts. This Agreement may be executed in counterparts. This Agreement shall become operative as soon as one counterpart hereof has been executed by each Party. The counterparts so executed shall constitute on Agreement notwithstanding that the signatures of all Parties do not appear on the same page.

IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated:

Party: _____

By _____

----- October 25, 2007 -----

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IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated: April 24, 2008

Party: Non-Agricultural Pool
By: [Signature]

October 25, 2007

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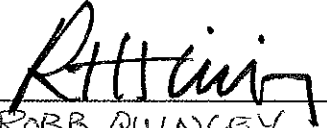
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IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated: 12/11/07

Party: CITY OF UPLAND

By


ROBB QUINCEY
CITY MANAGER

October 25, 2007

ARTICLE XI

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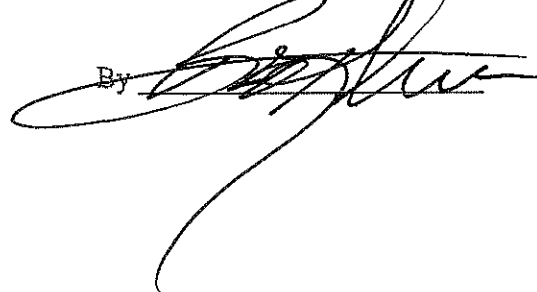
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Dated:

Party:



By



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ARTICLE XII
GENERAL PROVISIONS

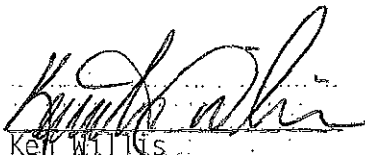
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IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated:

Party: San Antonio Water Company

By Tom Thomas
Tom Thomas
President


Ken Williams
Secretary

October 25, 2007

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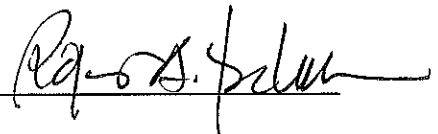
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IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated:

Party: CUCAMINGA VALLEY WATER DISTRICT

By 

October 25, 2007

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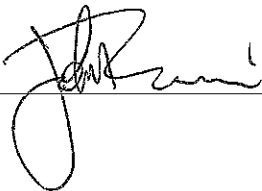
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IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated:

Party: WESTERN MWD

By  _____

October 25, 2007

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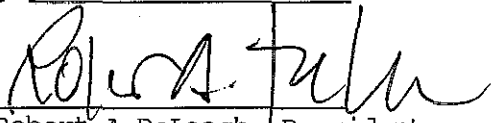
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IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated: December 7, 2007

Party: FONTANA UNION WATER COMPANY

By 
Robert A DeLoach, President

October 25, 2007

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IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated: 12/12/07

Party: WEST END CONSOLIDATED WATER C

By Tom R. Thomas
Tom R. THOMAS

October 25, 2007

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IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated: *Dec. 19, 2007*

Party: *Ag. Pool - Watermaster*
By: *[Signature]*

October 25, 2007

ARTICLE XI
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IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated:

Party: CITY OF CHINO

By

ATTEST:

DATED: 2-21-08

Lenna J. Tanker
Lenna J. Tanker, City Clerk

Exhibit 1

September 21, 2007

**WATERMASTER RESOLUTION
NO. 07-05**

**RESOLUTION OF THE CHINO BASIN WATERMASTER
REGARDING THE PEACE II AGREEMENT AND
THE OBMP IMPLEMENTATION PLAN**

WHEREAS, the Judgment in the Chino Basin Adjudication, *Chino 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;

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;

WHEREAS, Watermaster, with the advice of the Advisory and Pool Committees has discretionary powers to develop an OBMP for Chino Basin, pursuant to Paragraph 41 of the Judgment;

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 00-05 whereby it agreed to act in accordance with the Peace Agreement;

WHEREAS, the Court ordered Watermaster to proceed in accordance with the Peace Agreement and the OBMP Implementation, Exhibit "B" thereto;

WHEREAS, Watermaster adopted and the Court approved Chino Basin Watermaster Rules and Regulations in June of 2001;

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;

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.

WHEREAS, the Parties to the Judgment provided input into the creation of a "Stakeholder Non-Binding Term Sheet" that articulated methods to maximize beneficial use of the Basin ("Peace II measures") was distributed to and considered by each of the Pools, the Advisory Committee and the Watermaster Board and subsequently transmitted to the Court;

WHEREAS, 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 precondition of Watermaster's issuance of any final, binding approvals; and

WHEREAS, the actions articulated in the "Stakeholder Non-Binding Term Sheet" and contemplated herein to maximize the beneficial use of the groundwater and the Basin benefit the Basin and the Parties to the Judgment.

NOW, THEREFORE, IT IS HEREBY RESOLVED AND DETERMINED THAT:

1. Watermaster caused the completion of a preliminary 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. The preliminary evaluation was conducted by Mark Wildermuth of Wildermuth Environmental.

2. 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)

3. Watermaster caused the preparation of a specific project description set forth in Attachment "A" hereto 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.

4. 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 set forth in Attachment "B" hereto. The macro analysis provided an evaluation of the macro costs and benefits to the parties as a whole that may be attributable to the Peace II measures.

5. 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

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with the approval of the Peace Agreement. The study was completed in final draft form on September 13, 2007 and is set forth in Attachment "C" hereto. Each of the Parties to the Judgment has had the opportunity to comment on earlier drafts of the report and on the final draft of the report and to consider the analyses contained therein prior to Watermaster's approval of this Resolution 07-05.

9. Watermaster has caused the preparation of the 2007 Supplement to the Optimum Basin Management Program ("OBMP") addressing Watermaster's efforts to, among other things; pursue Hydraulic Control through Basin Re-Operation as set forth in Attachment "D" hereto.

10. Watermaster has 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. This schedule is set forth in Attachment "E" hereto. Watermaster will modify its projections from time to time, as may be prudent under the circumstances.

11. More than fifteen months have passed since the Non-Binding Term Sheet was initially published by Watermaster in its current form and transmitted to the Court for its consideration and more than six months have passed following Watermaster's declaration that any party interested in participating in the development and construction of Future Desalters should identify their interest in making a proposal and no party has stepped forward and made a responsive proposal in lieu of the Western Municipal Water District proposal.

12. The Peace II measures collectively consist of:

(a) Watermaster's election to exercise its reserved discretion as provided in the Judgment, the Peace Agreement and the OBMP Implementation Plan, to amend the Watermaster Rules and Regulations as more fully set forth in Attachment "F" attached hereto and incorporated herein by this reference;

(b) Watermaster's execution and Court approval of the proposed Purchase and Sale Agreement with the Non-Agricultural (Overlying) Pool as more fully set forth in Attachment "G" attached hereto and incorporated herein by this reference;

(c) Watermaster's and the Court's approval of the proposed amendments to the Judgment as more fully set forth in Attachment "H", Attachment "I" and Attachment "J" attached hereto and incorporated herein by this reference;

(d) Watermaster's approval of and further agreement to act in accordance with the Peace II Agreement, including the provisions related to Future Desalters, as more fully set forth in Attachment "K" attached hereto, upon a further order of the

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Court directing Watermaster to proceed in accordance with its terms;

(e) Watermaster's and the Court's approval of the 2007 Supplement to the OBMP Implementation Plan as they are more fully set forth in Attachment "D" attached hereto and incorporated herein by this reference; and

(f) Execution of the proposed Second Amendment to the Peace Agreement as more fully set forth in Attachment "L" attached hereto and incorporated herein by this reference, approval by Watermaster and a further order of the Court directing Watermaster to proceed in accordance with its terms.

13. The Overlying (Non-Agricultural), the Overlying (Agricultural) Pool, and the Appropriative Pool have approved the Peace II measures and recommended Watermaster's adoption of this Resolution 07-05

14. The Advisory Committee has approved the Peace II measures and recommended Watermaster's adoption of this Resolution 07-05.

15. In adopting this Resolution and by its agreement to implement the Peace II measures, Watermaster is not committing to carry out any project within the meaning of CEQA unless and until CEQA compliance has been demonstrated for any such project.

16. The Watermaster Board will transmit this Resolution 07-05, and the Peace II implementing measures, and the referenced Attachments to the Court along with other supporting materials and request the Court to approve the proposed Judgment Amendments and to further order that Watermaster proceed to further implement the 2007 Supplement to the OBMP as provided in the Peace II measures.

Date: 10-25-07


for CHINO BASIN WATERMASTER

Attachment A

Attachment "A"
Project Description
for the
2007 Amendment to the Chino Basin
Optimum Basin Management Program

Introduction

This document contains the project description for the Chino Basin desalting and re-operation programs that has been distilled from various planning investigations and was described in the Stakeholder Non-Binding Term Sheet. This document was prepared for use in: (a) Chino Basin Watermaster's evaluation of the potential actions to cause Material Physical Injury to the Basin or the Parties to the Judgment; (b) in connection with Watermaster's request for Court review and approval of proposed actions in further implementation of the Optimum Basin Management Program ("OBMP"); and (c) an environmental impact report to be prepared as part of the expansion of the desalters.

Requirements of the 2004 Amendment to the Water Quality Control Plan for the Santa Ana Watershed

Water quality objectives are established by the Regional Water Quality Control Board, Santa Ana Region ("Regional Board") to preserve the beneficial uses of the Chino Basin and the Orange County Basin located downstream of the Chino Basin. Prior to the 2004 Amendment, the Regional Water Quality Control Plan (Basin Plan) contained restrictions on the use of recycled water within the Chino Basin for irrigation and groundwater recharge. The pre-2004 Basin Plan contained TDS "anti-degradation" objectives that ranged from 220 to 330 mg/L over most of the Chino Basin. Ambient TDS concentrations slightly exceeded these objectives. There was no assimilative capacity for TDS; thus, the use of the Inland Empire Utilities Agency's ("IEUA") recycled water for irrigation and groundwater recharge would have required mitigation even though the impact of this reuse would not have materially impacted future TDS concentrations or impaired the beneficial uses of Chino Basin groundwater.

In 1995, the Regional Board initiated a collaborative study with 22 water supply and wastewater agencies, including Watermaster and the IEUA, to devise a new TDS and nitrogen (total inorganic nitrogen or TIN) control strategy for the Santa Ana Watershed. This study culminated in the Regional Board's adoption of the 2004 Basin Plan Amendment in January 2004 (Santa Ana Regional Water Quality Control Board, 2004). The 2004 Basin Plan Amendment included two sets of TDS objectives – antidegradation objectives that ranged between 280, 250 and 260 mg/L for Management Zones 1, 2, and 3, respectively; and a "maximum benefit"-based TDS objective of 420 mg/L for the Chino North Management Zone, which consists of almost all of Management Zones 1, 2, and 3. The relationship of the Management Zones that were developed for the OBMP and the "maximum benefit" based management zones is shown in Figure 1. Under the "maximum benefit"-based objective, the new TDS concentration limit for recycled water

that is to be used for recharge and other direct uses is 550 mg/L as a 12-month average. This discharge requirement has been incorporated into the IEUA's National Pollutant Discharge Elimination System (NPDES) permits for its wastewater treatment facilities.

In order for the IEUA and Watermaster to gain access to the assimilative capacity afforded by the "maximum benefit"-based objectives, the IEUA and Watermaster have to demonstrate that the maximum beneficial use of the waters of the State is being achieved. The 2004 Basin Plan Amendment contains a series of commitments that must be met in order to demonstrate that the maximum benefit is being achieved. These commitments include:

1. The implementation of a surface water monitoring program;
2. The implementation of groundwater monitoring programs;
3. The expansion of Desalter I to 10 million gallons per day (mgd) and the construction of a 10-mgd Desalter II
4. The commitment to future desalters pursuant to the OBMP and the Peace Agreement;
5. The completion of the recharge facilities included in the Chino Basin Facilities Improvement Program;
6. The management of recycled water quality;
7. The management of the volume-weighted TDS and nitrogen in artificial recharge to less than or equal to the maximum benefit objectives;
8. The achievement and maintenance of hydraulic control of subsurface outflows from the Chino Basin to protect the Santa Ana River water quality; and
9. The determination of the ambient TDS and nitrogen concentrations in the Chino Basin every three years.

The IEUA and Watermaster have previously demonstrated compliance with all of these requirements with the sole exception of hydraulic control. Hydraulic control is defined as the reduction of groundwater discharge from the Chino North Management Zone to the Santa Ana River to de minimus quantities. Hydraulic control ensures that the water management activities in the Chino North Management Zone do not result in material adverse impacts on the beneficial uses of the Santa Ana River downstream of Prado Dam. Achieving hydraulic control also maximizes the safe yield of the Chino Basin as required by Paragraph 30 and 41 of the Judgment. Two reports by Wildermuth Environmental, Inc. ("WEI"), prepared in 2006 at the direction of Watermaster, demonstrate that hydraulic control has not yet been achieved in the area between the Chino Hills and Chino Desalter I, well number 5 (WEI, 2006a and b).

Without hydraulic control, the IEUA and Watermaster will have to cease the use of recycled water in the Chino Basin and will have to mitigate the effects of using recycled water back to the adoption of the 2004 Basin Plan Amendment, which is December 2004. The demand for recycled water in the Chino Basin is projected to reach from about 12,500 acre-ft/yr in 2005 to 58,000 acre-ft/yr in 2010, 68,000 acre-ft/yr in 2015, 79,000 acre-ft/yr in 2020 and 89,000 acre-ft/yr in 2025. Recycled water reduces the demand of

State Water Project ("SWP") water by an equal amount, thereby reducing the demand on the Sacramento Delta and reducing energy consumption. Recycled water is a critical element of the OBMP and water supply reliability in the Chino Basin area.

Failure to achieve hydraulic control could lead to restrictions from the Regional Board on the use of imported SWP water for replenishment when the TDS concentration in SWP water exceeds the antidegradation objectives. The Regional Board produced a draft order that would treat the recharge of SWP water as a waste discharge. There would be no assimilative capacity if the Chino Basin antidegradation objectives were in force. Figure 2 shows the percent of time that the TDS concentration at Devil Canyon is less than or equal to a specific value based on observed TDS concentrations at the Devil Canyon Afterbay. This restriction will occur about 35, 52, and 50 percent of the time for Management Zones 1, 2, and 3, respectively. This will affect other basins in the Santa Ana Watershed, and the Regional Board is encouraging all basin managers to propose "maximum benefit"-based objectives similar to those in Chino Basin. With the "maximum benefit"-based TDS objective in the Chino Basin, there is assimilative capacity, and there would be no such restriction on the recharge of imported water.

The Regional Board is using its discretion in granting "maximum benefit" objectives even though hydraulic control has not been demonstrated. The Regional Board will continue to use "maximum benefit"-based objectives in the Chino Basin as long as the IEUA and Watermaster continue to develop and implement, in a timely manner, the OBMP desalter program as described in the project description below.

The Stakeholder Non-Binding Term Sheet: Peace II Implementing Measures

Under Watermaster oversight, the Chino Basin OBMP stakeholders have been engaged in, among other things, complying with the Peace Agreement provision regarding the planning and financing of the expansion of the OBMP desalting program to its full planned capacity generally referred to as Future Desalters (See Peace Agreement Article VII.). The stakeholders have been evaluating various alternatives since early 2004 and produced the Stakeholders' Non-Binding Term Sheet that was transmitted to the Court along with a request by Watermaster for further technical review by the Assistant to the Special Referee in May of 2006. The Assistant's review was completed in March of 2007.

The Non-Binding Term Sheet includes several items that will collectively further implement the existing OBMP Implementation Plan (Peace II Measures). The two items of interest to this project description are: the expansion of the desalting program and "Basin Re-Operation," which are both physically described in Section II, Refined Basin Management Strategy, subsections A and B; and Section IV, Future Desalters.

The construction of a new desalter well field will be sized and located to achieve hydraulic control. The desalter will produce at least 9 mgd of product water. New groundwater production for the expanded desalter program will occur in the Southern end of the basin. Some of this new desalter supply will come from a new well field that will

be constructed in a location among Desalter I wells 1 through 4 and west of these wells. These wells will be constructed to pump groundwater from the shallow part of the aquifer system, which is defined herein to be the saturated zone that occurs within about 300 feet of the ground surface. The total groundwater pumping for all of the desalters authorized in the term sheet will be about 40,000 acre-ft/yr.

"Re-operation" means the increase in controlled overdraft, as defined in the Judgment, from 200,000 acre-ft over the period of 1978 through 2017 to 600,000 acre-ft through 2030 with the 400,000 acre-ft increase allocated specifically to the meet the replenishment obligation of the desalters. Re-operation is required to achieve hydraulic control. Re-Operation and Watermaster's apportionment of controlled overdraft will not be suspended in the event Hydraulic Control is secured in any year *before* the full 400,000 acre-feet has been produced so long as: (i) Watermaster has prepared, adopted and the Court has approved a contingency plan that establishes conditions and protective measures to avoid Material Physical Injury and that equitably addresses this contingency, and (ii) Watermaster continues to demonstrate credible material progress toward obtaining sufficient capacity to recharge sufficient quantities of water to cause the Basin to return to a new equilibrium at the conclusion of the Re-Operation period. In addition to contributing to the achievement of hydraulic control, Re-operation will contribute to the creation of new yield. Watermaster has the discretion to apportion the 400,000 acre-feet increase in controlled overdraft under a schedule for re-operation that best meets the needs of the Parties and the conditions of the basin over the Initial Term of the Peace Agreement (before June 30, 2030).

The Project Description

The proposed project has two main features: the expansion of the desalter program such that the groundwater pumping for the desalters will reach about 40,000 acre-ft and that the pumping will occur in amounts and at locations that contribute to the achievement of hydraulic control; and the strategic reduction in groundwater storage (re-operation) that, along with the expanded desalter program, significantly achieves hydraulic control.

The Expanded Desalting Program. A new well field, referred to as the Chino Creek Well Field (CCWF), will be constructed. The capacity of this well field could range from about 5,000 acre-ft/yr to 7,700 acre-ft/yr. The capacity of the CCWF will be determined during the design of the well field. Groundwater produced at the CCWF will be conveyed to Desalter I. The approximate location of the CCWF is shown in Figure 3. The capacity of Desalter I will not be increased; although, it is likely that the treatment systems at Desalter I will be modified to accommodate the chemistry of the raw water pumped from the CCWF. The product water capacity of Desalter I is about 14,200 acre-ft/yr which corresponds to a raw water pumping requirement of about 16,100 acre-ft/yr. The volume of groundwater pumping at existing Desalter I wells 13, 14, and 15 and conveyed to Desalter I will be reduced to accommodate new pumping at the CCWF.

The treatment capacity of Desalter II will be increased from 10,400 acre-ft/yr to about 21,000 acre-ft/yr, which corresponds to the raw water pumping requirement of 11,800

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acre-ft/yr expanding to 23,900 acre-ft/yr. The increase in groundwater pumping for Desalter II will come in part from greater utilization of the existing Desalter II wells and the addition of new wells to the Desalter II well field from either the construction of new wells and/or connecting Desalter I wells 13, 14, and 15.

The new product water developed at Desalter II would be conveyed to the Jurupa Community Services District ("JCSD"), the City of Ontario, and/or Western Municipal Water District ("WMWD") through existing and new pipelines. The facilities required to convey this water include pipelines, pump stations, and reservoirs. The precise locations of these facilities are unknown at this time.

The most current working description of these facilities is contained a report that was prepared for the City of Ontario and WMWD, entitled Chino Desalter Phase 3 Alternatives Evaluation (Carollo, 2007). Currently (September 2007), the City of Ontario and the WMWD are working with the JCSD and others to refine the alternatives in the Carollo report. The assumed startup for the expanded desalters is January 2013.

Finally, 40,000 acre-ft/yr of groundwater is expected to be produced by all Existing and Future Desalters. The parties that are engaged in developing the desalter expansion are planning for a total of 40,000 acre-ft/yr of desalter groundwater pumping. Watermaster, on behalf of the Parties, will review the desalter pumping requirements to achieve hydraulic control during the project evaluation in the summer and fall of 2007.

Re-Operation. Through re-operation and pursuant to a Judgment Amendment, Watermaster will engage in controlled overdraft and use up to a maximum of 400,000 acre-ft to off-set Desalter replenishment through 2030. After the 400,000 acre-ft is exhausted and the period of Re-Operation is complete, Watermaster will recalculate the safe yield of the basin. The Re-Operation will have no impact on Operating Safe Yield or on the parties' respective rights thereto. For project evaluation purposes, the Re-Operation and controlled overdraft of 400,000 will be examined under two different schedules that bracket the range in expected schedules. The first schedule will be based on allocating the 400,000 acre-ft at a constant percentage of desalter pumping such that the 400,000 acre-ft is used up in a constant proportion of the desalter pumping through 2030. The second schedule will use the controlled overdraft to off-set desalter the applicable replenishment obligation completely each year until the 400,000 acre-ft is completely exhausted.

The New Yield as defined by the Peace Agreement, attributable to the authorized desalters and the reduction in storage from re-operation, will be assigned to the authorized desalters. The resulting replenishment obligation assigned to the authorized desalters will then be handled as any other replenishment obligation pursuant to the Judgment. The New Yield is expected to come from a reduction in groundwater discharge from the Chino Basin to the Santa Ana River within the reservoir created by Prado Dam and from new induced recharge of the Santa Ana River upstream of Prado Dam.

Other Important Facility and Operational Plans that Will Occur Concurrently with the Proposed Project

Expansion of Artificial Recharge Capacity. Watermaster and the IEUA will need to expand artificial recharge capacity in the Chino Basin to meet future replenishment obligations. This will occur independently from the proposed project. Current supplemental water recharge capacity is about 91,000 acre-ft/yr. The required recharge capacity to meet future replenishment obligations is about 150,000 acre-ft, a capacity expansion of about 59,000 acre-ft/yr. This expansion will occur through construction of new spreading basins, improvements to existing spreading basins and stormwater retention facilities, aquifer storage and recovery wells. The proposed project will be analyzed without recharge expansion projects.

Expansion of Storage and Recovery Programs. Currently, there is only one groundwater storage program approved in the Chino Basin: the 100,000 acre-ft Dry Year Yield Program with the Metropolitan Water District of Southern California (Metropolitan). Metropolitan, the IEUA, and Watermaster are considering expanding this program an additional 50,000 acre-ft to 150,000 acre-ft over the next few years. Watermaster is also considering an additional 150,000 acre-ft in programs with non-party water agencies. The total volume of groundwater storage allocated to storage programs that could overlay the proposed project is about 300,000 acre-ft.

These storage programs, if not sensitive to the needs of hydraulic control, could cause groundwater discharge to the Santa Ana River and result in non-compliance with hydraulic control and a loss in safe yield. There have been no planning investigations that articulate how the expansion from the existing 100,000 acre-ft program to the future 300,000 acre-ft set of programs will occur and thus this expansion is not included herein

References

Santa Ana Regional Water Quality Control Board, 2004, Resolution No R8-2004-0001, <http://www.waterboards.ca.gov/santaana/pdf/04-01.pdf>

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Wildermuth Environmental, Inc., 2006a. Draft Report, Analysis of Future Replenishment and Desalter Plans Pursuant to the Peace Agreement and Peace II Process, April 2006; prepared for the Chino Basin Watermaster.

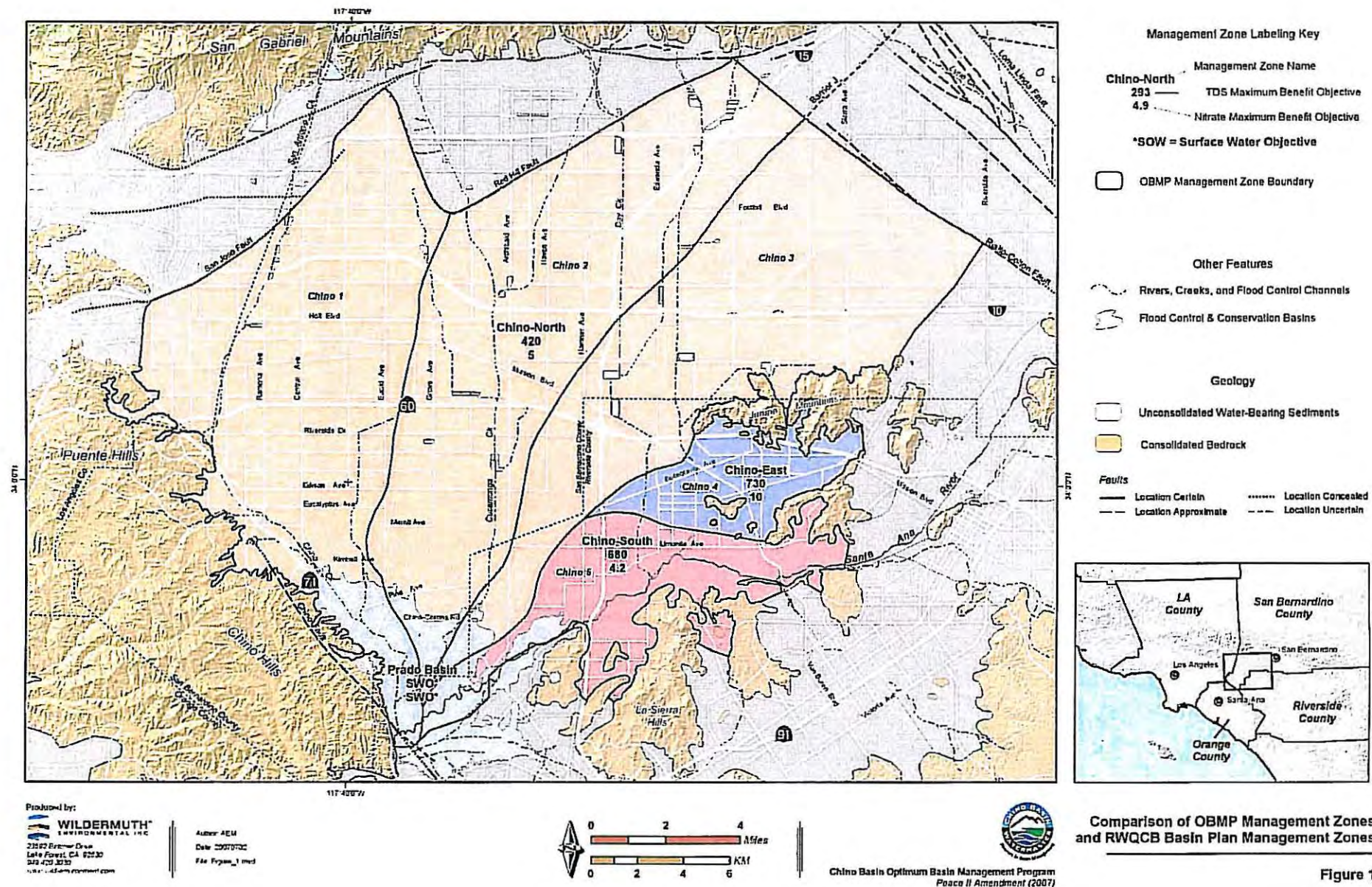
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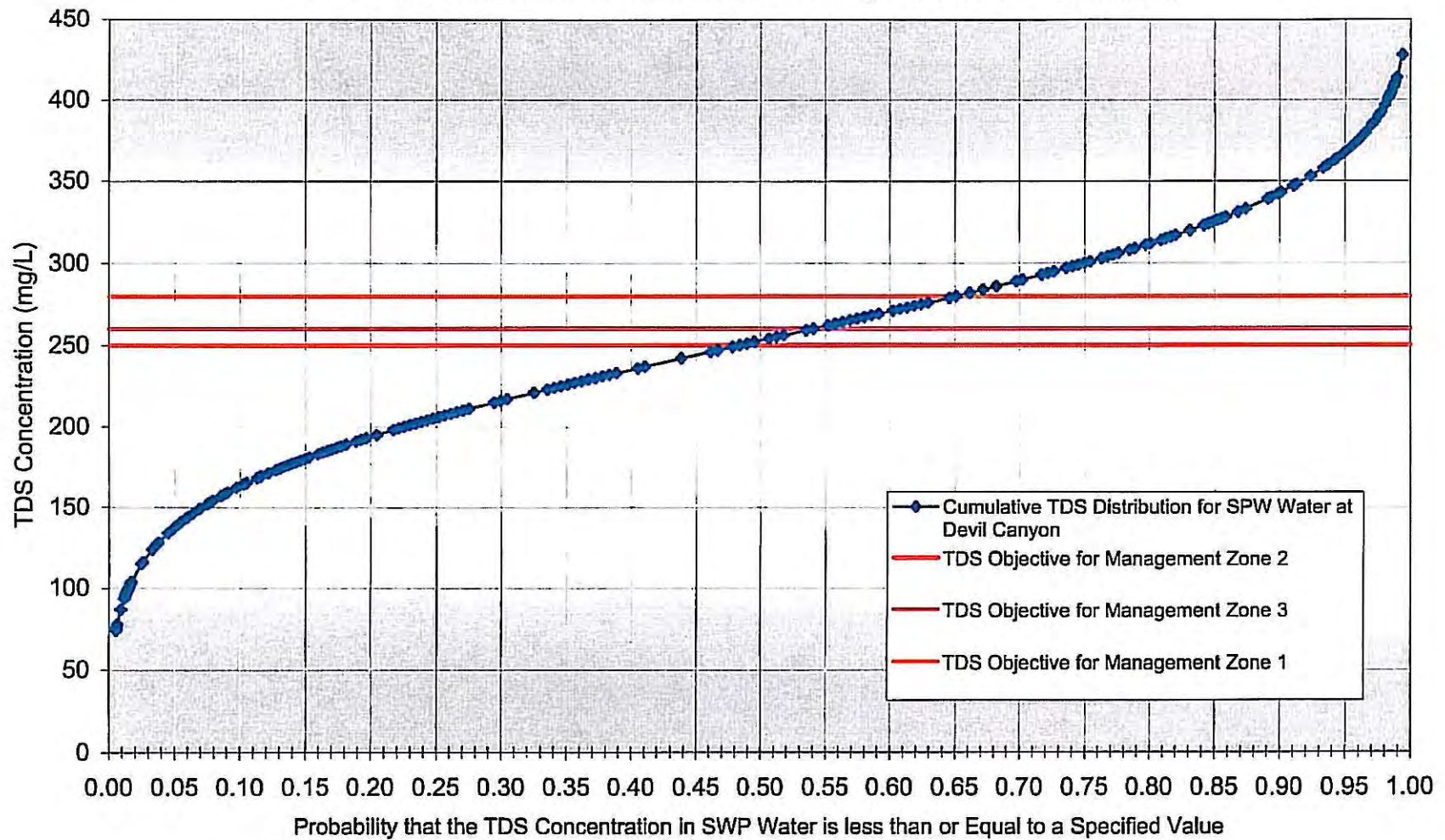
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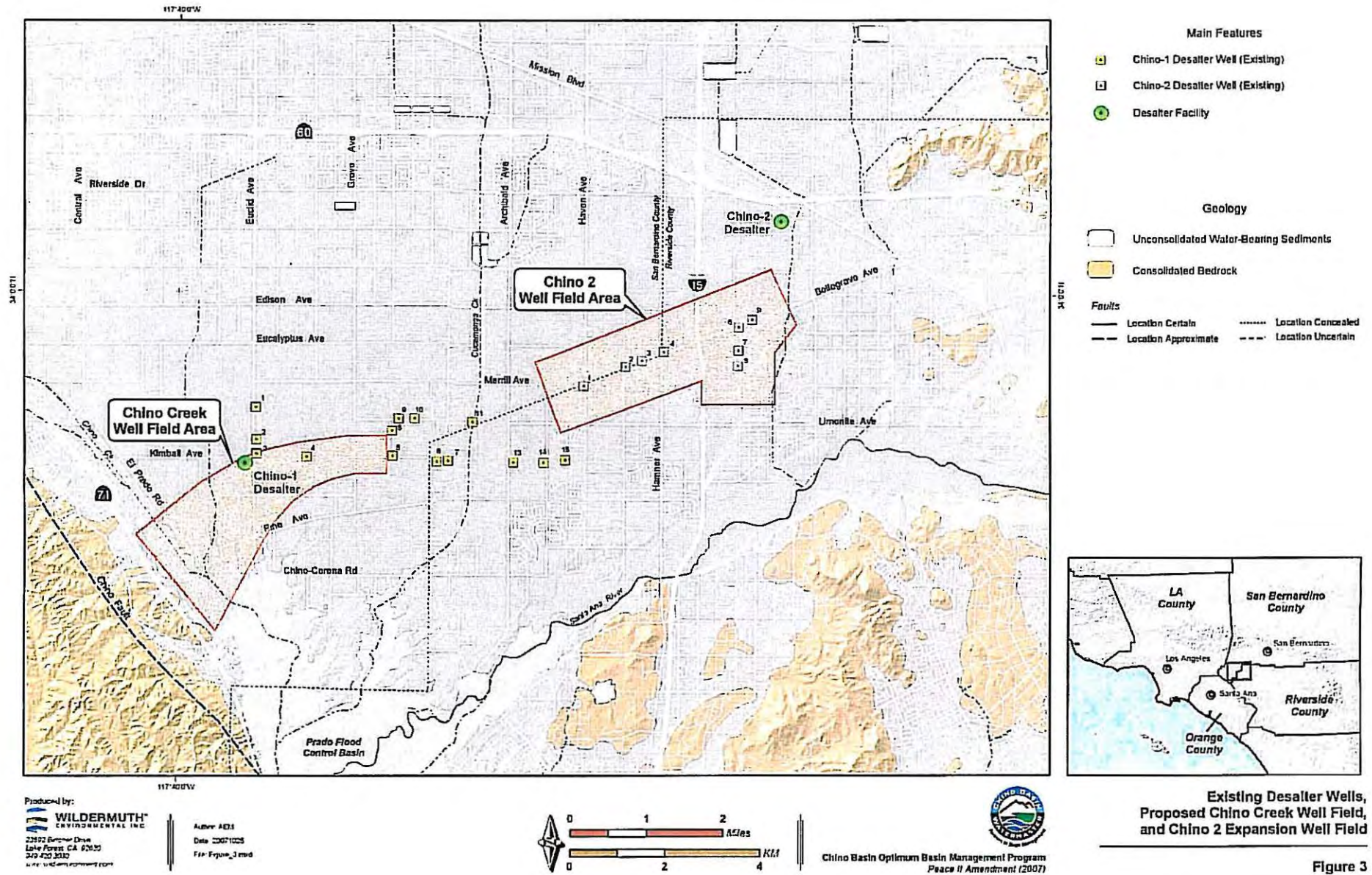


Comparison of OBMP Management Zones and RWQCB Basin Plan Management Zones

Figure 1

Figure 2
Historical TDS Concentration in State Water Project Water at Devil Canyon





Attachment B

Analysis of Aggregate Costs and Benefits of Hydraulic Control, Basin Re-Operation and Desalter Elements of Non-Binding Term Sheet

Prof. David Sunding
UC Berkeley

November 29, 2006

Summary

The report measures the economic costs and benefits of achieving hydraulic control through re-operation of the Chino Basin. Various scenarios are considered in the analysis, with scenarios chosen to reflect uncertainty regarding future values of water, the time path of annual overdrafts selected to dewater the basin, and the use of the resulting induced inflow from the Santa Ana River. As shown in Table 1, depending on the scenario chosen, the net benefits of achieving hydraulic control through basin re-operation range between \$283.1 million and \$438.8 million in 2006 dollars.

1. Introduction

Hydraulic control refers to the elimination or reduction to negligible quantities of discharge from the Chino North Management Zone to the Santa Ana River. Basin re-operation is defined as the increase in controlled overdraft as defined in the Judgment from 200,000 acre-feet over the period 1978 through 2017, to 600,000 acre-feet through 2030 with the 400,000 acre-feet allocated specifically to meet the replenishment obligation of the desalters.

2. Framework

The model of groundwater value used in this report is standard in the academic literature.¹ The net benefits in each period resulting from access to a groundwater resource are the gains from pumping (i.e., the demand for water) minus the costs of extraction in the current period and a "user cost" term that reflects the change in future consumption possibilities resulting from current choices. The stream of annual net benefits is then discounted back to current dollars using a discount factor predicated on the rate of interest.

¹ Brozovic, N., D. Sunding and D. Zilberman, "Optimal Management of Groundwater Over Space and Time." *Frontiers in Water Resource Economics*. D. Berga and R. Goetz, eds. New York: Springer-Verlag, 2005; Gisser, M., and Sanchez, D.A. "Competition versus Optimal Control in Groundwater Pumping." *Water Resources Research* (1980): 638-642; Brown, G., Jr., and Deacon, R. "Economic Optimization of a Single-Cell Aquifer." *Water Resources Research* (1975): 557-564.

The interest rate used in the analysis is 5.5%. This rate corresponds to the current risk-free long-term rate of interest, a relevant rate for public agencies with good credit. The discount factor for a payment occurring in some future period t is then $(1.055)^{-t} \approx e^{-0.055t}$.

Let y_t denote groundwater produced during period t , and x_t equal the stock of groundwater at beginning of period t . The value of the groundwater resource is then

$$Value = \sum_{t=0}^{\infty} (1+r)^{-t} [B(y_t) - C(x_t, y_t)],$$

where $B(y_t)$ denotes the benefits from groundwater production in period t , and $C(x_t, y_t)$ is the cost of extraction and recharge. In an economic optimization model, the problem is to find the time path of production and stock that maximizes the present value of access to the aquifer, subject to physical constraints such as the equation of motion $x_{t+1} = x_t + g(x_t, y_t) - y_t$ (where $g(x_t, y_t)$ denotes natural and artificial recharge) and regulatory constraints such as water quality objectives and requirements to operate the basin in a steady-state condition.

Viewed this way, basin re-operation and its alternatives can be modeled as different evolutions of production, stock and recharge. The net benefit of a particular basin re-operation strategy versus a baseline that maintains the current stock of groundwater is the difference of present value resulting from a particular choice of these policy variables.

The study period extends indefinitely into the future, but the period between the present and 2030 is modeled in more detail. This feature results from the fact that the Peace Agreement lasts until 2030, and more detailed environmental and water use modeling is available to this date. As described below, terminal values are assigned to key parameters from 2031 on, and at this point the groundwater system in the Chino Basin is assumed to enter into a steady state, with no expected change in production, groundwater elevation or recharge amounts.

Table 2 displays the assumptions made about groundwater production from the Chino Basin. All figures in the table are common to all scenarios considered, and thus these assumptions are not the basis for differences in value between scenarios. The table shows groundwater production increasing steadily throughout the study period. Desalter production is also increasing throughout the study period. Operating yield is set at 145,000 acre-feet through 2017, at which point it declines to 140,000 acre-feet annually. Finally, new stormwater recharge is assumed to be 12,000 acre-feet annually.

It is necessary to describe a scenario without basin re-operation in order to calculate the net benefits, if any, from this type of strategy. Table 3 displays the physical consequences of such an alternative. If the basin is not de-watered, then hydraulic control will not be achieved, and there will be water quality costs as a result. One such consequence is that relatively high-quality water must be used for recharge. In particular, the Basin would lose the ability to use relatively inexpensive recycled water for replenishment purposes

and would be forced to use water purchased from MWD instead.² Thus, Table 3 shows that the entire replenishment obligation for both normal and desalter production is met through the purchase of replenishment water from MWD.

In the event that hydraulic control is achieved, there are two types of benefits to the Chino Basin as a whole. The first benefit relates to water quality. As discussed above, if hydraulic control is achieved, then recycled water can be used for 30% of the total Basin replenishment obligation, up to an assumed capacity of 30,000 acre-feet annually.³ The second benefit is that lowering the groundwater elevation in the Basin induces an inflow of water from the Santa Ana River. Specifically, forgiving a reduction in the stock of groundwater in the Basin results in an average of 9,900 acre-feet annually until the 400,000 acre-feet of depletion credits are exhausted, and then 12,500 acre-feet annually thereafter. This natural recharge is new yield in the Basin; as discussed below, it can be used either for reducing the desalter replenishment obligation or as an asset in its own right.

3. Scenarios

The valuation model is implemented under a variety of assumptions about how re-operation will occur, how the Santa Ana River inflows are treated, and the level of future water prices. This section describes the construction of alternative scenarios.

Implementation of Basin Re-Operation

The basic principle of basin re-operation is that it is a means of achieving hydraulic control by increasing cumulative overdraft by 400,000 acre-feet through 2030. Overdraft is to be achieved by forgiving the replenishment obligation of the desalters by some annual amount over a defined period of time. This general principle is silent about *how* the total quantity of forgiveness of desalter replenishment is to be allocated over time.

This analysis considers two possible implementation scenarios. The first scenario, termed the straightline alternative, envisions an annual overdraft of 20,346 acre-feet occurring until 2030, at which time the annual overdraft would fall to zero and the system is assumed to enter into a new steady-state from 2031 onward. The second scenario, called the most rapid depletion path alternative, sets the annual overdraft to eliminate the desalter replenishment obligation for as long as possible.

Tables 4 and 7 display annual overdraft amounts under these two alternatives for implementing basin re-operation. As described, the straightline alternative entails constant annual overdraft quantities, resetting to zero from 2031 onwards. The most rapid

² Alternatively, recycled water would have to be desalted prior to recharge. Costs are not available at this time for this option.

³ Assumptions provided by Watermaster staff. If hydraulic control is achieved, it may be possible to increase this limit. In this case, the benefits resulting from basin re-operation would increase.

depletion path reaches a maximum annual overdraft of 30,289 acre-feet before dropping to zero in 2020.

Allocation of Induced Santa Ana River Inflow

A second dimension along which the scenarios vary is with regard to the allocation of Santa Ana River inflows induced by the reduction of the groundwater stock. A total of 12,500 acre-feet of new yield is assumed to result from the dewatering, and the scenarios differ in terms of the use of this new yield. One scenario allocates all Santa Ana River inflows from re-operation to reducing the desalter replenishment obligation. An alternative scenario treats these inflows as a resource to be used for any purpose; consequently, desalter replenishment obligations are higher under this assumption.

Tables 5 and 6 relate to the straightline depletion case and show replenishment obligations and sources under the two Santa Ana River inflow allocation alternatives. In Table 5, new yield is allocated to desalter replenishment, and the desalter replenishment obligation is negligible in the near term and reaches a maximum of 9,943 acre-feet during the study period. In Table 6, by contrast, total replenishment obligations are higher since the new yield can be used for any chosen purpose.

Tables 8 and 9 show replenishment obligations under the most rapid depletion path scenario. Results are similar as in the straightline depletion scenario, with the exception that desalter replenishment is forestalled until 2025 if new yield is allocated to this purpose.

Future Water Prices

Given the important role of relative prices in the economic analysis, and given uncertainties regarding the evolution of water values in Southern California, the analysis considers two alternative scenarios regarding future water prices. These scenarios are taken from MWD and are commonly referred to as the high rate and low rate scenarios. MWD scenarios cover Tier 1 and Tier 2 water, as well as replenishment water. The high rate scenario has the Tier 2 rate growing at an annual rate of 3.11% for the next five years, and then by 4.50% from 2011 to 2030. The replenishment rate grows at 6.94% through 2011, and then at 4.50% to 2030. In the low rate scenario, the Tier 2 rate grows by 2.28% annually for the next five years, and then by 3.00% from 2011 to 2030. The replenishment rate is assumed to grow by 4.79% through 2011, and by 3.00% thereafter.

The current price of recycled water for replenishment is assumed to be \$69 per acre-foot.⁴ In the high rate scenario, this price was assumed to grow at the same rate of inflation as

⁴ One public comment received after the July 26, 2006 presentation stated that the actual price paid for recycled water should be used in the analysis. While this price is not yet known, it is likely to exceed \$69 per acre-foot. Note, however, that this study considers the aggregate costs and benefits of elements of the non-binding term sheet. Thus, changes in the price of recycled water have distributional as opposed to efficiency effects, that is, they change the relative level of benefits enjoyed by the parties in the Chino Basin rather than affecting the total level of benefits.

the Tier 2 and MWD replenishment prices: 4.50%. Similarly, the recycled water price grows by 3.00% annually in the low rate scenario.

4. Other Effects of Basin Re-Operation

An additional benefit of hydraulic control is a reduction in storage losses. Measuring the value of reduced storage losses is conditioned on several factors that are not fully known at present. Of course, the ex post performance of any groundwater storage program depends on the sequence of puts and takes, which depend in turn on the sequence of wet and dry years. Based on conversations with Watermaster staff, the groundwater storage program is assumed to be 400,000 acre-feet over the study period, but may range from 300,000 to 500,000 acre-feet.⁵ Calculations provided by Wildermuth Environmental detail the relationship between average storage over the life of the MWD Dry Year Yield program and associated losses at 0.66 and 2 percent. Table 12 summarizes cumulative losses through 2028, together with present values calculated using the high and low rate scenarios for MWD replenishment rates as described above.

Assuming 2 percent loss and a 400,000 acre-foot storage program, the present value of reduced storage losses is \$24.9 million in 2006 dollars in the high rate scenario and \$20.4 million in the low rate scenario. These calculations are performed ex ante, and the actual magnitude of reduced storage losses will depend on factors including the size of the storage program, the percentage storage loss, the timing of puts and takes, and the actual replenishment rates charged by MWD. For the purpose of aggregating reduced storage loss benefits with other benefits and costs of basin re-operation, we will assume a 400,000 acre-foot storage program for both the high and low rate scenarios with storage losses equal to half of the amounts in Table 12 (recall that storage losses could range from 0 to 2 percent). The corresponding values of reduced storage losses are \$12.4 million and \$10.2 million for the high and low rate scenarios, respectively.

Achieving hydraulic control through basin re-operation will also result in higher pumping costs since forgiveness of the desalter replenishment operation is intended to lower the groundwater elevation in certain regions. The information needed to calculate the present value of increased pumping costs includes the quantity-weighted average change in lift in the Basin resulting from re-operation, the energy requirement per unit lift and energy costs per kilowatt-hour. Wildermuth Environmental provided the weighted average changes in groundwater elevation. The price of electricity is assumed to be \$0.14/kwh, and the pumping efficiency is taken to be 75 percent. The California Energy Commission forecasts that commercial and agricultural electricity rates charged by investor-owner utilities operating in California will decline slightly in nominal terms until 2013, when

⁵ The Peace Agreement provides that there is Target Storage of 500,000 acre-feet *in excess* of then existing storage, whereas this report only considers the Safe Harbor quantity of 500,000 acre-feet of storage in total. In some sense, there is a tradeoff between the decision to pursue max-benefit and the feasibility of obtaining the higher amount of storage. It should also be noted, however, that the basin is at the limit of shift capacity for export, and expansion of recharge to achieve greater storage is costly. Further, the PEIR only considered an additional 250,000 acre-feet of storage.

their forecast terminates.⁶ This analysis assumes that nominal electricity prices are constant.

Combining this information, increased pump lift costs have a present value of \$14.9 million in the straightline depletion scenario. In the rapid pulldown scenario, re-operation has a larger impact on the present value of energy costs since the groundwater elevation is reduced to the same level but at an earlier date. Increased energy costs have a present value of \$19.4 million in this scenario. Both calculations include increased energy costs in the new basin steady state achieved after 2030.

5. Results

Table 1 summarizes the results of the economic analysis. The figures in the table are the net benefits resulting from access to the Chino Basin aquifer under the alternative management and price scenarios described in the previous section. In all cases, basin re-operation results in aggregate net benefits. However, there are significant differences in net benefits depending on the realization of future water prices and the use of Santa Ana River inflows induced by reducing the stock of groundwater. The rapidity with which basin re-operation is implemented matters less.

When Santa Ana River inflow is allocated to desalter replenishment and overdraft occurs in constant annual amounts to 2030, basin re-operation results in gains of between \$283.1 and \$391.4 million in present value terms, depending on the growth of water prices and how the replenishment credit is used over time. These gains result from the ability to use recycled water for a fraction of recharge if hydraulic control is achieved, the value of new yield, and the value of the forgiven desalter replenishment.⁷

Since new yield is reliable, in any case more reliable than a supply of replenishment water, allocating it to desalter replenishment would seem to be inefficient. The Tier 2 rate is well above the price of replenishment water, which is a weighted average of the MWD replenishment rate and the price of recycled water. When Santa Ana River inflows are decoupled from replenishment obligations, the gains from straightline basin re-operation are between \$341.9 and \$438.8 million.

There is a small increase in the net benefits of basin re-operation when the most rapid overdraft strategy is implemented. Several factors explain this result. First, in the most rapid depletion scenario, the 30,000 acre-foot constraint on annual recycling recharge binds more frequently. Accordingly, less recycled water is recharged over the study

⁶ http://www.energy.ca.gov/electricity/rates_iou_vs_muni_nominal/medium_commercial.html;
http://www.energy.ca.gov/electricity/rates_iou_vs_muni_nominal/agricultural.html

⁷ Another potential source of loss is the option value of the water taken from the groundwater stock. That is, water used to avoid desalter replenishment is water that is not available in the event of a major disruption in surface water supplies to the region. Given the difficulty of describing and quantifying these future states of nature, option values have not been calculated. However, conversations with Watermaster staff indicate that dewatering will not result in any meaningful loss of operational flexibility since the percentage depletion of the aquifer envisioned through re-operation is relatively small.

period under this scenario. Second, while the most rapid depletion strategy delays replenishment, it also hastens the date at which a large replenishment obligation occurs once the desalter replenishment forgiveness of 400,000 acre-feet is exhausted.⁸ Given the relatively low real discount rate used in this study (i.e., the nominal discount rate minus the rate of growth of water prices), it is not surprising that dynamic factors such as this do not have a large effect on net benefits.

⁸ This study has not considered the capital and operating costs of expanding recharge capacity. Allocating Santa Ana River inflows to desalter replenishment delays the date at which capacity is exceeded, as does the most rapid depletion strategy.

Table 1: Net Benefits of Hydraulic Control, Basin Re-Operation and Desalter Production

(Figures in millions of 2006 dollars)

Gain Over Baseline: SAR Inflow Allocated to Desalter Replenishment

	<i>High Rate</i>	<i>Low Rate</i>
<i>Straightline</i>	388.6	283.1
<i>Most Rapid</i>	391.4	288.4

Gain Over Baseline: SAR Inflow Unallocated

	<i>High Rate</i>	<i>Low Rate</i>
<i>Straightline</i>	436.2	341.9
<i>Most Rapid</i>	438.8	347.7

Source: Calculated.

Table 2: Production, Operating Yield and Stormwater Recharge

<i>Year</i>	<i>Total Production</i>	<i>Chino Desalter Production</i>	<i>Operating Yield</i>	<i>New Stormwater Recharge</i>
2006	223,505	30,019	145,000	12,000
2007	230,566	31,923	145,000	12,000
2008	237,634	33,827	145,000	12,000
2009	244,702	35,731	145,000	12,000
2010	251,874	37,748	145,000	12,000
2011	251,768	38,980	145,000	12,000
2012	251,661	40,212	145,000	12,000
2013	251,551	41,445	145,000	12,000
2014	251,557	42,789	145,000	12,000
2015	250,216	42,789	145,000	12,000
2016	250,427	42,789	145,000	12,000
2017	250,640	42,789	145,000	12,000
2018	250,851	42,789	140,000	12,000
2019	251,060	42,789	140,000	12,000
2020	251,270	42,789	140,000	12,000
2021	254,049	42,789	140,000	12,000
2022	256,827	42,789	140,000	12,000
2023	259,605	42,789	140,000	12,000
2024	262,384	42,789	140,000	12,000
2025	265,163	42,789	140,000	12,000
2026	266,133	42,789	140,000	12,000
2027	267,104	42,789	140,000	12,000
2028	268,074	42,789	140,000	12,000
2029	269,044	42,789	140,000	12,000
2030	270,014	42,789	140,000	12,000

Source: Wildermuth Environmental.

Table 3: Replenishment Obligations and Sources – No Basin Re-Operation

<i>Year</i>	<i>Normal Production Replenishment Obligation</i>	<i>Chino Desalter Replenishment Obligation</i>	<i>MWD Replenishment</i>	<i>Recycling Replenishment</i>
2006	36,487	30,019	66,505	0
2007	41,643	31,923	73,566	0
2008	46,806	33,827	80,634	0
2009	51,970	35,731	87,702	0
2010	57,126	37,748	94,874	0
2011	55,788	38,980	94,768	0
2012	54,448	40,212	94,661	0
2013	53,107	41,445	94,551	0
2014	51,768	42,789	94,557	0
2015	50,427	42,789	93,216	0
2016	50,638	42,789	93,427	0
2017	50,851	42,789	93,640	0
2018	56,062	42,789	98,851	0
2019	56,271	42,789	99,060	0
2020	56,482	42,789	99,270	0
2021	59,260	42,789	102,049	0
2022	62,038	42,789	104,827	0
2023	64,816	42,789	107,605	0
2024	67,595	42,789	110,384	0
2025	70,374	42,789	113,163	0
2026	71,344	42,789	114,133	0
2027	72,315	42,789	115,104	0
2028	73,285	42,789	116,074	0
2029	74,255	42,789	117,044	0
2030	75,225	42,789	118,014	0

Source: Calculated.

Normal Production Replenishment Obligation = Total Production – Desalter Production
– Operating Yield – New Stormwater Recharge

Desalter Replenishment Obligation = Desalter Production

Table 4: Overdraft and SAR Inflow – Straightline Depletion Scenario

<i>Year</i>	<i>Annual Overdraft</i>	<i>Cumulative Overdraft</i>	<i>SAR Inflow</i>
2006	16,000	16,000	9,900
2007	16,000	32,000	9,900
2008	16,000	48,000	9,900
2009	16,000	64,000	9,900
2010	16,000	80,000	9,900
2011	16,000	96,000	9,900
2012	16,000	112,000	9,900
2013	16,000	128,000	9,900
2014	16,000	144,000	9,900
2015	16,000	160,000	9,900
2016	16,000	176,000	9,900
2017	16,000	192,000	9,900
2018	16,000	208,000	9,900
2019	16,000	224,000	9,900
2020	16,000	240,000	9,900
2021	16,000	256,000	9,900
2022	16,000	272,000	9,900
2023	16,000	288,000	9,900
2024	16,000	304,000	9,900
2025	16,000	320,000	9,900
2026	16,000	336,000	9,900
2027	16,000	352,000	9,900
2028	16,000	368,000	9,900
2029	16,000	384,000	9,900
2030	16,000	400,000	9,900

Sources: Annual and Cumulative Overdraft: Assumed; SAR Inflow, Wildermuth Environmental.

Table 5: Replenishment Obligations and Sources – Straightline Depletion Scenario with SAR Inflow Allocated to Desalter Replenishment

<i>Year</i>	<i>Normal Production Replenishment Obligation</i>	<i>Chino Desalter Replenishment Obligation</i>	<i>MWD Replenishment</i>	<i>Recycling Replenishment</i>
2006	36,487	4,119	28,424	12,182
2007	41,643	6,023	33,366	14,300
2008	46,806	7,927	38,314	16,420
2009	51,970	9,831	43,261	18,541
2010	57,126	11,848	48,282	20,692
2011	55,788	13,080	48,208	20,660
2012	54,448	14,312	48,133	20,628
2013	53,107	15,545	48,056	20,595
2014	51,768	16,889	48,060	20,597
2015	50,427	16,889	47,121	20,195
2016	50,638	16,889	47,269	20,258
2017	50,851	16,889	47,418	20,322
2018	56,062	16,889	51,065	21,885
2019	56,271	16,889	51,212	21,948
2020	56,482	16,889	51,359	22,011
2021	59,260	16,889	53,304	22,845
2022	62,038	16,889	55,249	23,678
2023	64,816	16,889	57,194	24,512
2024	67,595	16,889	59,139	25,345
2025	70,374	16,889	61,084	26,179
2026	71,344	16,889	61,763	26,470
2027	72,315	16,889	62,443	26,761
2028	73,285	16,889	63,121	27,052
2029	74,255	16,889	63,801	27,343
2030	75,225	16,889	64,480	27,634

Source: Calculated.

Normal Production Replenishment Obligation = Total Production – Desalter Production
– Operating Yield – New Stormwater Recharge

Desalter Replenishment Obligation = Desalter Production – Annual Overdraft – SAR
Inflow

Recycling Replenishment = min[0.3*(Normal Production Replenishment Obligation +
Desalter Replenishment Obligation), 30,000]

MWD Replenishment = Normal Production Replenishment Obligation + Desalter
Replenishment Obligation - Recycling Replenishment

Table 6: Replenishment Obligations and Sources – Straightline Depletion Scenario with SAR Inflow Unlocated

<i>Year</i>	<i>Total Replenishment Obligation</i>	<i>MWD Replenishment</i>	<i>Recycling Replenishment</i>
2006	50,505	35,354	15,152
2007	57,566	40,296	17,270
2008	64,634	45,244	19,390
2009	71,702	50,191	21,511
2010	78,874	55,212	23,662
2011	78,768	55,138	23,630
2012	78,661	55,063	23,598
2013	78,551	54,986	23,565
2014	78,557	54,990	23,567
2015	77,216	54,051	23,165
2016	77,427	54,199	23,228
2017	77,640	54,348	23,292
2018	82,851	57,995	24,855
2019	83,060	58,142	24,918
2020	83,270	58,289	24,981
2021	86,049	60,234	25,815
2022	88,827	62,179	26,648
2023	91,605	64,124	27,482
2024	94,384	66,069	28,315
2025	97,163	68,014	29,149
2026	98,133	68,693	29,440
2027	99,104	69,373	29,731
2028	100,074	70,074	30,000
2029	101,044	71,044	30,000
2030	102,014	72,014	30,000

Source: Calculated.

Total Replenishment Obligation = Total Production – Operating Yield – Annual Overdraft – New Stormwater Recharge

Recycling Replenishment = min[0.3*Total Replenishment Obligation, 30,000]

MWD Replenishment = Total Replenishment Obligation - Recycling Replenishment

Table 7: Overdraft and SAR Inflow – Most Rapid Depletion Scenario

<i>Year</i>	<i>Annual Overdraft</i>	<i>Cumulative Overdraft</i>	<i>SAR Inflow</i>
2006	20,119	20,119	9,900
2007	22,023	42,141	9,900
2008	23,927	66,069	9,900
2009	25,831	91,900	9,900
2010	27,848	119,748	9,900
2011	29,080	148,828	9,900
2012	30,312	179,141	9,900
2013	31,545	210,685	9,900
2014	32,889	243,574	9,900
2015	32,889	276,463	9,900
2016	32,889	309,352	9,900
2017	32,889	342,241	9,900
2018	32,889	375,130	9,900
2019	24,870	400,000	9,900
2020	0	400,000	12,500
2021	0	400,000	12,500
2022	0	400,000	12,500
2023	0	400,000	12,500
2024	0	400,000	12,500
2025	0	400,000	12,500
2026	0	400,000	12,500
2027	0	400,000	12,500
2028	0	400,000	12,500
2029	0	400,000	12,500
2030	0	400,000	12,500

Sources: Annual and Cumulative Overdraft: Assumed; SAR Inflow: Wildermuth Environmental.

Table 8: Replenishment Obligations and Sources – Most Rapid Depletion Scenario with SAR Inflow Allocated to Desalter Replenishment

<i>Year</i>	<i>Normal Production Replenishment Obligation</i>	<i>Chino Desalter Replenishment Obligation</i>	<i>MWD Replenishment</i>	<i>Recycling Replenishment</i>
2006	36,487	0	25,541	10,946
2007	41,643	0	29,150	12,493
2008	46,806	0	32,764	14,042
2009	51,970	0	36,379	15,591
2010	57,126	0	39,988	17,138
2011	55,788	0	39,051	16,736
2012	54,448	0	38,114	16,335
2013	53,107	0	37,175	15,932
2014	51,768	0	36,238	15,530
2015	50,427	0	35,299	15,128
2016	50,638	0	35,447	15,191
2017	50,851	0	35,596	15,255
2018	56,062	0	39,243	16,819
2019	56,271	8,019	45,003	19,287
2020	56,482	30,289	60,739	26,031
2021	59,260	30,289	62,684	26,865
2022	62,038	30,289	64,629	27,698
2023	64,816	30,289	66,574	28,532
2024	67,595	30,289	68,519	29,365
2025	70,374	30,289	70,663	30,000
2026	71,344	30,289	71,633	30,000
2027	72,315	30,289	72,604	30,000
2028	73,285	30,289	73,574	30,000
2029	74,255	30,289	74,544	30,000
2030	75,225	30,289	75,514	30,000

Source: Calculated.

Normal Production Replenishment Obligation = Total Production – Desalter Production
– Operating Yield – New Stormwater Recharge

Desalter Replenishment Obligation = Desalter Production – Annual Overdraft – SAR
Inflow

Recycling Replenishment = min[0.3*(Normal Production Replenishment Obligation +
Desalter Replenishment Obligation), 30,000]

MWD Replenishment = Normal Production Replenishment Obligation + Desalter
Replenishment Obligation - Recycling Replenishment

Table 9: Replenishment Obligations and Sources – Most Rapid Depletion Scenario with SAR Inflow Unlocated

<i>Year</i>	<i>Total Replenishment Obligation</i>	<i>MWD Replenishment</i>	<i>Recycling Replenishment</i>
2006	46,387	32,471	13,916
2007	51,543	36,080	15,463
2008	56,706	39,694	17,012
2009	61,870	43,309	18,561
2010	67,026	46,918	20,108
2011	65,688	45,981	19,706
2012	64,348	45,044	19,305
2013	63,007	44,105	18,902
2014	61,668	43,168	18,500
2015	60,327	42,229	18,098
2016	60,538	42,377	18,161
2017	60,751	42,526	18,225
2018	65,962	46,173	19,789
2019	74,190	51,933	22,257
2020	99,270	69,489	29,781
2021	102,049	72,049	30,000
2022	104,827	74,827	30,000
2023	107,605	77,605	30,000
2024	110,384	80,384	30,000
2025	113,163	83,163	30,000
2026	114,133	84,133	30,000
2027	115,104	85,104	30,000
2028	116,074	86,074	30,000
2029	117,044	87,044	30,000
2030	118,014	88,014	30,000

Source: Calculated.

Total Replenishment Obligation = Total Production – Operating Yield – Annual Overdraft – New Stormwater Recharge

Recycling Replenishment = min[0.3*Total Replenishment Obligation, 30,000]

MWD Replenishment = Total Replenishment Obligation - Recycling Replenishment

Table 10: Prices – High Price Scenario

<i>Year</i>	<i>Tier 2 Price</i>	<i>Replenishment Price</i>	<i>Recycling Price</i>
2006	427	238	69
2007	427	238	72
2008	459	275	75
2009	473	297	79
2010	486	314	82
2011	497	331	86
2012	519	346	90
2013	543	361	94
2014	567	378	98
2015	593	395	103
2016	619	412	107
2017	647	431	112
2018	676	450	117
2019	707	471	122
2020	739	492	128
2021	772	514	134
2022	807	537	140
2023	843	561	146
2024	881	587	152
2025	920	613	159
2026	962	641	166
2027	1,005	669	174
2028	1,050	700	182
2029	1,098	731	190
2030	1,147	764	198

Source: Metropolitan Water District of Southern California.

Table 11: Prices – Low Price Scenario

<i>Year</i>	<i>Tier 2 Price</i>	<i>Replenishment Price</i>	<i>Recycling Price</i>
2006	427	238	69
2007	427	238	71
2008	450	261	73
2009	457	268	75
2010	463	282	78
2011	477	300	80
2012	491	309	82
2013	506	318	85
2014	521	328	87
2015	537	338	90
2016	553	348	93
2017	570	358	96
2018	587	369	98
2019	604	380	101
2020	622	391	104
2021	641	403	107
2022	660	415	111
2023	680	428	114
2024	700	441	117
2025	722	454	121
2026	743	467	125
2027	765	481	128
2028	788	496	132
2029	812	511	136
2030	836	526	140

Source: Metropolitan Water District of Southern California.

Table 12: Expected Value of Reduced Storage Losses

Program Size	<i>Losses</i>	<i>Present Value - High Rate</i>	<i>Present Value - Low Rate</i>
300,000	80,175	18,647,350	15,290,827
400,000	106,900	24,863,133	20,387,769
500,000	133,626	31,079,149	25,484,903

Source: Wildermuth Environmental.

Attachment C

**Report on the Distribution of Benefits to Basin Agencies from the Major Program
Elements Encompassed by the Peace Agreement and Non-Binding Term Sheet**

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1. Introduction and Summary of Findings

This report measures the costs and benefits to various Chino Basin agencies of the program elements encompassed by the Peace I and Peace II Agreements. Both agreements are considered relative to a baseline state of the world existing after the Judgment but prior to the Peace Agreement. The analysis examines net returns to the ten largest agencies that hold groundwater rights in the Basin over the time period 2007 to 2030. Together, these agencies account for over 91 percent of Basin safe operating yield.

Overall, the study shows that the two agreements produce substantial net benefits to Chino Basin agencies – over \$904 million in present value terms. The provisions of the Peace II Agreement are especially valuable, as they account for \$723 million (80 percent) of the total net benefit to the Basin agencies studied. Through the attainment of hydraulic control, the program elements in Peace II Agreement include the introduction of large quantities of recycled water in the Basin, which lessens the need to procure other supplies to meet growing demand for water. With respect to the distribution of net benefits across agencies, shown in the summary tables below, the main outcome is that all agencies benefit from the agreements, although the magnitude of the net benefit varies considerably among agencies.

	Total Net Benefit (1000s of 2007\$)		
	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Peace I</i>	<i>Peace II vs. Baseline</i>
City of Chino	\$20,294	\$75,671	\$95,966
City of Chino Hills	\$12,217	\$61,320	\$73,537
City of Ontario	\$42,547	\$189,724	\$232,271
City of Upland	\$9,442	\$34,644	\$44,086
Cucamonga Valley Water District	\$60,667	\$217,462	\$278,128
Fontana Union Water Co.	\$4,839	\$25,429	\$30,268
Monte Vista Water District	\$7,025	\$33,455	\$40,480
San Antonio Water Company	\$1,141	\$5,995	\$7,136
Jurupa CSD	\$15,772	\$19,482	\$35,254
City of Pomona	\$8,189	\$59,348	\$67,537
Total	\$182,133	\$722,530	\$904,663

	Net Benefit per Acre-Foot (2007\$)		
	<i>Peace I vs.</i>	<i>Peace II vs.</i>	<i>Peace II vs.</i>
	<i>Baseline</i>	<i>Peace I</i>	<i>Baseline</i>
City of Chino	\$31.30	\$116.70	\$148.00
City of Chino Hills	\$20.60	\$103.38	\$123.98
City of Ontario	\$24.20	\$107.91	\$132.11
City of Upland	\$17.46	\$64.07	\$81.54
Cucamonga Valley Water District	\$32.92	\$118.01	\$150.93
Monte Vista Water District	\$20.13	\$95.88	\$116.01
Jurupa CSD	\$17.86	\$22.06	\$39.92
City of Pomona	\$11.10	\$80.47	\$91.58
Overall Average	\$19.84	\$78.69	\$98.53

In terms of total net benefit, two agencies, City of Ontario and Cucamonga Valley Water District, receive over half of all the net benefits resulting from the agreements. An important reason these agencies receive a large share of the net benefit from the agreements is due to their relative size: the two agencies combined account for approximately half of the consumer demand for Basin water.¹ Controlling for agency size on the basis of demand for Basin water, the net benefit resulting from the combined program elements in the Peace I and Peace II Agreements shows considerably less variation. The table above indicates that 7 of the 8 agencies with positive demand for Basin water receiving benefits ranging from \$82 to \$151 per acre-foot.²

2. Conceptual Framework

The model of groundwater value used in this report is standard in the academic literature and builds on the methodology used in the earlier aggregate study of Basin net benefits. The net benefits resulting from access to a groundwater resource are the gains from pumping (the demand for water) less the cost of extraction and conveyance, and a user cost component, which reflects the lost option value entailed by removing a unit of water from storage. The stream of annual net benefits is discounted back to current dollars using a discount factor predicated on the rate of interest, which is taken to be the current risk-free long-term rate of interest and is set at 4.5 percent per year.

Allocation of aggregate costs and benefits to individual agencies in the Basin is accomplished by a complex set of legal rules (e.g., shares of operating yield), cost-sharing arrangements that fund programs for Basin improvements through collective institutions, and market forces. The goal of this study is to measure net benefits to individual agencies under three scenarios: (i) a baseline case defined by the Judgment; (ii) a set of rules to operate the Basin and fund programs through collections as defined by the Peace Agreement; and (iii) an alternative set of rules that are

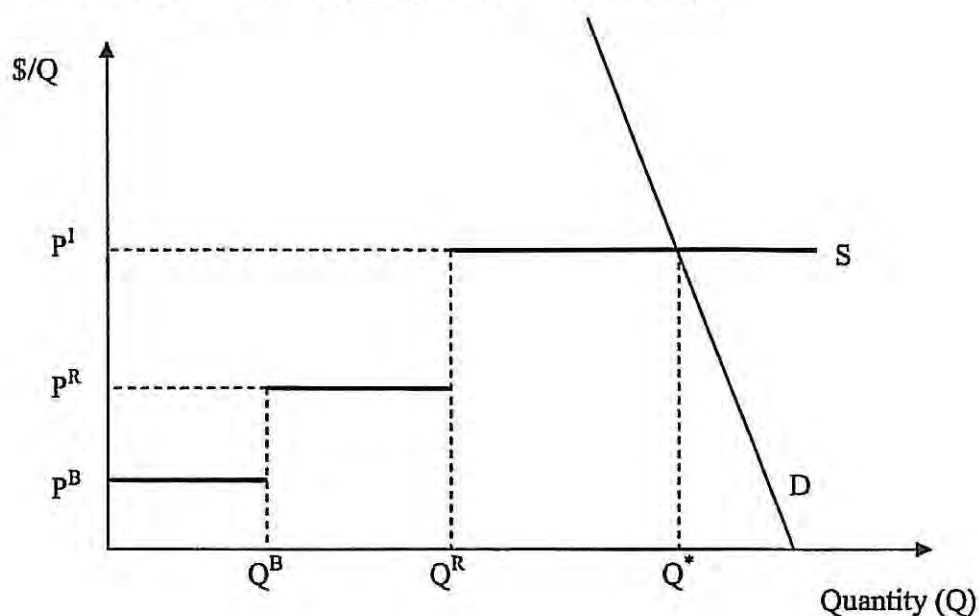
¹ Consumer demand for Basin water, which is met through some combination of Basin supply and water imports, is calculated for each agency as Urban Water Demand less available surface water and other groundwater supplies. Over the 2007-2030 period of study, the City of Ontario and Cucamonga Valley Water District are projected to meet consumer demand of 3.4 million acre-feet out of 6.9 million acre-feet (49 percent) of total consumer demand for Basin water.

² Fontana Union Water Company and San Antonio Water Company are not included in these calculations, because the available surface water and other groundwater supplies for these agencies exceed their Urban Water Demand.

designed to achieve hydraulic control and are defined in Peace II Agreement (as represented in the Non-Binding Term Sheet dated May 23, 2006).

To understand the allocation of benefits among individual agencies in the appropriative pool most clearly, consider for the moment the case in which the appropriative pool comprises 100 percent of the Basin water. Figure 1 depicts the aggregate supply (S) and demand (D) schedules for this Basin. Aggregate demand is total water demand in the Basin, and the supply curve is a step function, ordered from the least expensive uses of water to the most expensive uses of water.³ Many of the effects modeled in this study amount to changes in agencies' cost of meeting water demand. An arrangement or cost-sharing rule that reduces an agency's cost of service provides a net benefit to that agency and its ratepayers.

Figure 1. Conceptual Model: Aggregate Demand and Supply



The first step of the supply curve, which represents the least expensive water source, is groundwater pumped directly from the Basin. The extent of groundwater pumping in the Basin is limited by the steady-state ("safe") yield, which is represented in the figure by quantity Q^B . The cost per unit of Basin water is denoted by the (implicit) price P^B , which includes lift costs, conveyance costs, and user cost. The second step of the supply curve represents replenishment water. After the safe yield of the Basin is exhausted, additional groundwater pumping can occur provided that replenishment water is purchased to recharge the Basin. The effective capacity of the Basin is the sum of Basin safe yield and Basin recharge capacity, denoted by the quantity Q^R in the figure. (The recharge capacity of the Basin is given by the difference $Q^R - Q^B$.)

³ In practice, the water supply function has multiple steps, with each step representing the various pumping and conveyance costs of a sequence of wells, and, for this reason, aggregate supply conditions are often approximated by an upwards-sloping, continuous supply function; however, the essential points of the model can be made more clearly by grouping water costs into common categories represented by each of the three steps.

Replenishment water is supplied to the Basin through replenishment water imports at the MWD replenishment rate, which is denoted in the figure by P^R . The third step in the supply function, the most-expensive source of water, is imported water for direct (consumptive) use. Imported water for direct use is available to agencies in the Basin at a price denoted by P^I , which reflects the cost of procuring new water supplies from outside the Basin. The cost of developing reliable sources of water outside the Basin may differ across agencies in practice according to the options available to each agency in developing outside water sources. The outside option for each agency in the present study, unless stated otherwise, is taken to have a cost equal to the Tier 2 MWD rate for untreated water.

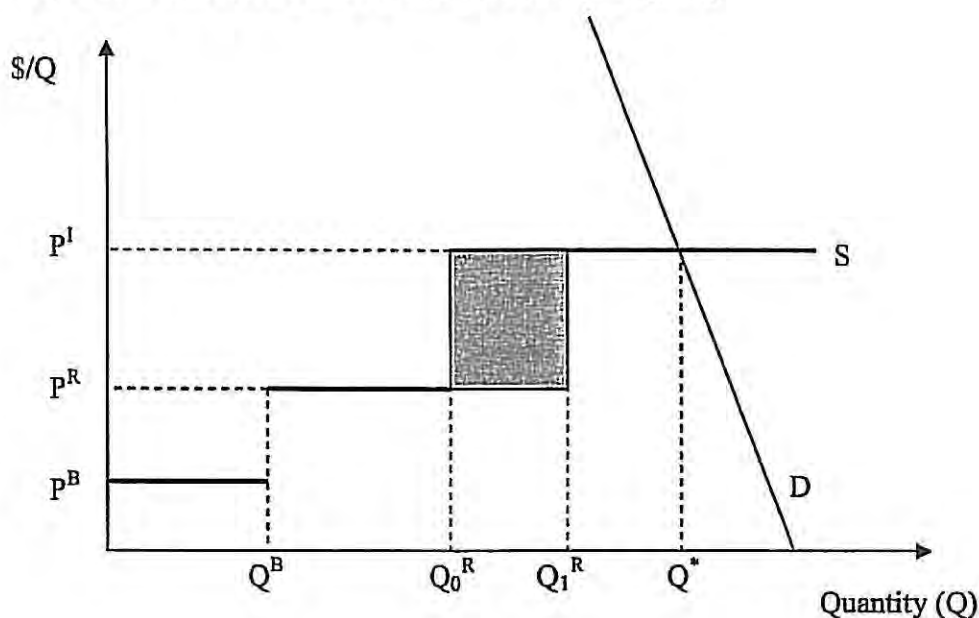
The equilibrium quantity of water consumed is given by the intersection of supply and demand, which occurs at the quantity Q^* and the price P^I . The key to characterizing the distribution of benefits from policies that increase the effective yield from the Basin, either by expanding Basin safe yield or by augmenting Basin recharge capacity, is the understanding that economic values, as captured by prices, are realized on the margin of water use where supply intersects with demand (the third step in the figure). Gains from management of the Basin are created by replacing units of water at the third and most-expensive step of the supply function with less expensive sources of water. Because individual supplies are added together to get aggregate supply, the distribution of market benefits to individual agencies in response to Basin improvements depends on the composition of water use by each agency across each of the steps of supply, in effect where each agency is "located" on the supply schedule. In general, agencies who meet their urban water demand to a greater degree with marginal units of water (i.e., imported water for direct use) acquire a larger share of the benefits from Basin improvements than agencies that are less represented on this "extensive margin" of supply.⁴

Consider a policy that increases the recharge capacity of the Basin. In general, such an effort has two effects that, taken together, can alter the net benefits received by water agencies: (i) increasing the Basin recharge capacity involves a fixed cost component that must be allocated among agencies according to some cooperative, cost-sharing rule; and (ii) increasing the Basin recharge capacity allows for greater use of replenishment water that can displace expensive Tier 2 water on the margin. The distribution of net benefits in the Basin is altered in cases where the market allocation of benefits from the increased use of replenishment water differs from the allocation of cost among individual agencies.

Figure 2 shows the gain from an increase in recharge capacity in the Basin. The increase in recharge capacity increases the effective yield in the Basin, which is depicted in the figure by the movement from Q_0^R to Q_1^R . The increased recharge capacity allows Basin agencies to incur additional replenishment obligations that displace $Q_1^R - Q_0^R$ units of imported water for direct use. The total producer benefit resulting from the increase in recharge capacity is represented by the shaded region in the figure, which sums the difference between the Tier 2 rate and replenishment rate for each additional unit of water that can be replenished.

⁴ Generally, users disproportionately represented on the margin of supply represent agencies that incurred large increases in urban water demand subsequent to the assignment of safe operating yield and were forced to meet the increase in demand with relatively expensive sources of imported water.

Figure 2. Benefit of an Increase in Basin Recharge Capacity

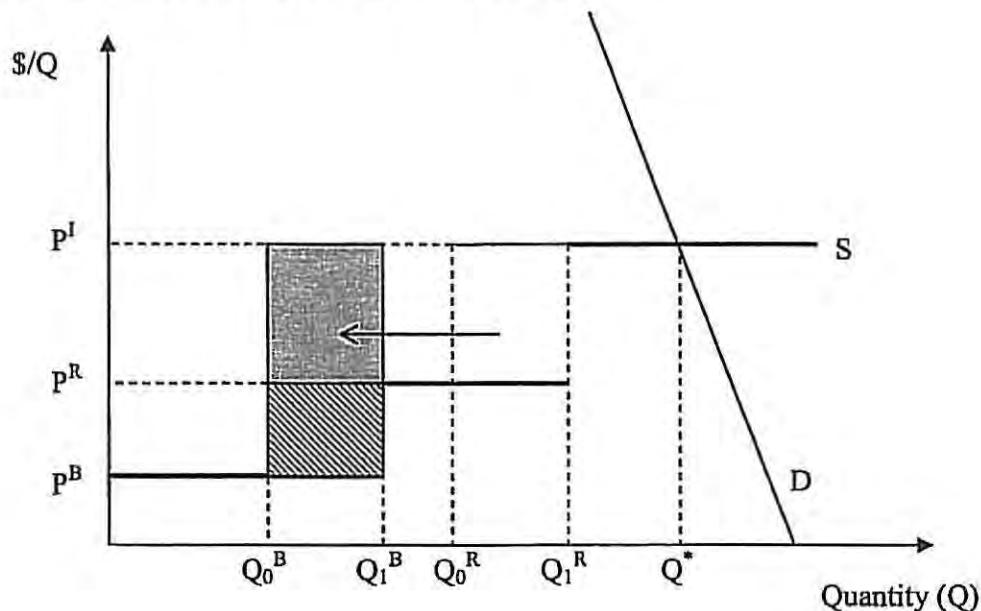


Among individual agencies in the Basin, the benefit of an increase in recharge capacity is distributed exclusively to agencies on the extensive margin of water supply. For this reason, the market return from an increase in recharge capacity can be distributed equally across agencies only in the case where the agencies have equal shares of the third step of water supply in the Basin. To illustrate this point, consider an agency that faces sufficiently small water demand relative to its share of Basin production rights that its urban water demand can be met each year entirely through the use of Basin safe yield. Such an agency would require the use of neither imported replenishment water nor imported water for direct use to meet its urban water demand, and would stand to receive no market benefit from participating in a cooperative policy designed to increase Basin recharge capacity. To the extent that cooperative assessments levied to recoup the cost of increasing Basin recharge capacity are based on relative share of operating yield, as opposed to being levied in proportion to the initial share of imported water deliveries for direct use across agencies, policies that increase Basin recharge capacity alter the distribution of net benefits.

Next, consider the benefit associated with an increase in Basin safe yield. Figure 3 shows the effect of an increase in Basin safe yield from Q_0^B to Q_1^B units. The increase in Basin safe yield extends the lowest step of the supply function and displaces $Q_1^B - Q_0^B$ units of replenishment water purchases. The value of the displaced replenishment water (net of the cost of Basin water) is shown by the cross-hatched region in the figure. The increase in Basin safe yield, in turn, increases the effective yield in the Basin (the sum of Basin yield and recharge capacity) from Q_0^R to Q_1^R , which is represented in the figure by a rightward shift in the replenishment step of supply. The increase in Basin safe yield therefore also displaces $Q_1^R - Q_0^R = Q_1^B - Q_0^B$ units of imported water on the extensive margin of supply, which provides an additional gain represented by the shaded region of the figure. The total market benefit to all agencies is represented by the sum of these two regions. The value of an increase in Basin safe yield is the difference between

the price of imported water for direct use and the procurement cost of Basin groundwater for each unit of additional water made available to Basin agencies.

Figure 3. Benefit of an Increase in Basin Safe Yield



The economic value of an increase in safe yield conveys upward into market benefit across both steps of supply. For this reason, policies which lead an increase in Basin safe yield are not only more valuable to agencies in the Basin than an increase in recharge capacity, but the benefits are also distributed more equally. As in the case of an increase in replenishment capacity, the ultimate repository of market value for a one-unit increase in safe yield is a unit of displaced water on the extensive margin of supply; however, this displacement now occurs with Basin safe yield rather than through the use of imported replenishment water. To see how the market benefits of a policy that increases Basin safe yield are distributed to individual agencies, consider again an agency that meets its urban water demand each year entirely through the use of Basin safe yield without the need for replenishment water or imported water for direct use. Unlike the case of an increase in replenishment capacity, the increase in Basin safe yield provides each agency with physical water assets (e.g., according to its share of Basin safe yield) that can be sold to other agencies in the transfer market. The gain to this agency following the increase in Basin safe yield depends on the price it receives in the transfer market, for instance if the transfer price is equal to the replenishment rate (P^R) then the agency acquires a share of the benefits in the cross-hatched region of the figure in proportion to its share of Basin safe yield. The remaining benefit of each unit of water provided as the share of safe yield to this agency is acquired by the water purchaser in the transfer market.

In sum, agencies that initially meet their urban water demand with a relatively large share of imported water for direct use receive the largest share of the market benefit from a policy that increases Basin safe yield. These agencies receive the full market value ($P^I - P^B$) for each unit of water displaced through their allocated share of the increase in Basin safe yield. To the extent

that agencies with an initially large share of imported water purchases for direct use participate in the transfer market, these agencies also acquire the difference between the Tier 2 water price and the transfer price for each unit of water purchased from agencies that are under-represented on the extensive margin of supply. If the transfer price of water is taken to be equal to the replenishment rate (P^R), then the market benefit represented by the shaded region of Figure 3 is divided among agencies according to their relative share of production on the extensive margin of supply, while the market benefit represented by the cross-hatched region of Figure 3 is divided among agencies according to their relative share of Basin safe yield.⁵ Policies that expand Basin safe yield lead to redistributive effects on the net benefits received by individual agencies whenever the allocation of costs in the cooperative arrangement differ from this distribution of benefits provided in the market.

The above framework for calculating the distribution of net benefits from various program elements is applied to the Chino Basin as follows. First, the water yield in the Basin is calibrated to the relevant quantity supplied by the appropriative pool by netting out production by the overlying rights-holders from the Basin safe yield. This is essentially the distinction made in practice between “safe yield” and “safe operating yield” in the Basin. As it pertains to the calculation of net benefits to agencies with appropriative rights, policies that increase the Basin yield (as in Figure 3) now refer both to policies that directly increase Basin safe yield as well as to policies that redistribute the existing safe yield from overlying right-holders to members of the appropriative pool, for instance through net agricultural transfer.

Second, as defined by the framework above, net benefits are calculated for individual agencies according to calculations on the avoided cost of Tier 2 water purchases provided by program elements in the Peace I and Peace II agreements, respectively, relative to the baseline scenario.⁶ Considering the change in cost from the introduction of new program elements suppresses the need to explicitly calculate components of cost that are common to the baseline, Peace I, and Peace II scenarios.

Third, the analysis abstracts from seasonal and annual cycles in water availability by considering expected values where possible. Seasonal cycles are smoothed in all scenarios by using annual data on demand and supply conditions facing agencies. Annual cycles are smoothed in all scenarios by treating each year as an average weather occurrence represented by the expectation that each 10-year future horizon in the model is comprised of 7 “wet” years, in which replenishment water is available to agencies in the Basin, and 3 “dry” years, in which replenishment water is not available.⁷ Each year in the model thus has the interpretation of representing production decisions that are 30 percent dry and 70 percent wet. By smoothing annual production outcomes into an expected value framework, this implies that a replenishment

⁵ This argument does not rely on the water transfer price being equal to the replenishment rate and applies to any water transfer pricing rule that divides the gains from exchange (defined here by the value $P^I - P^B$).

⁶ An alternative scenario is also considered that denominates the avoided cost of imported water for direct use at the Tier 1 rate, which provides a bracketing condition on the range of outside options available to individual agencies for procuring reliable new sources of water at rates between the Tier 1 and Tier 2 MWD prices.

⁷ The expected sequence of wet and dry years is based on the assumption that underlies program element 2 of the OBMP that “replenishment water is available 7 out of 10 years.” (Implementation Plan: Optimal Basin Management Plan for the Chino Basin, p13: http://www.cbwm.org/docs/legaldocs/Implementation_Plan.pdf.)

water step exists in the supply function in each year of the study, but that the length of the step is treated as 70 percent of the recharge capacity in the Basin.

Fourth, the net benefit of policies that increase the safe operating yield of the appropriative pool is distributed among individual agencies, in part, through water exchanges between agencies in the transfer market. Water transfers are specified to exchange units of water between agencies that are not adequately represented on the extensive margin of supply to agencies which are more highly represented on this margin. Specifically, the water price in the transfer market is fixed at the prevailing MWD replenishment rate in each period to divide these rents from exchange.

Finally, the net benefit returned to each agency under Peace I and Peace II rules relative to the baseline scenario is computed by coupling the market distribution of benefits, as outlined by the framework here, with the distribution of cost implied by the rules encompassed by each agreement. These rules are defined in the following description of scenarios.

3. Common Components

Several components common to all scenarios frame the overall analysis.

3.1. Agencies Considered

Because of the detailed calculations required to divide the net benefit created by each scenario among individual agencies in the study, the study encompasses only the ten largest water-holding agencies in the Basin (the cities of Chino, Chino Hills, Ontario, Pomona, and Upland, Fontana Union Water Company, Monte Vista Water District, Cucamonga Valley Water District, Jurupa Community Services District, and San Antonio Water Company). These ten agencies account for 91.2 percent of the Basin-wide safe operating yield.

3.2. Smoothing Across Hydrologic Years

Because production is smoothed across years, the patterns of local storage and local supplemental storage are also smoothed for each agency. This abstracts from the actual series of puts and takes that rely on temporal adjustments in water storage by accounting for the expected local storage need of individual agencies. (Recall that each year is a representative hydrologic year characterized by expected conditions that are 70 percent wet and 30 percent dry.) A single local storage account is constructed for each agency that combines local storage with local supplemental storage in all scenarios, and the local storage balance of each agency is adjusted each year to reflect the fact that replenishment water is available to meet replenishment obligations only 70 percent of the time.

For this reason, the annual amount held in storage for each agency is $3/7$ ($3/7 = 10/7 - 1$) of the annual excess demand for water that cannot be met by the agency through the allocation of contemporaneous supply. The expected arrival time of a dry year in which replenishment water is not available is given by the mean of a Poisson process ($\mu = 10/3$), and the average holding time for a unit of water held in storage is half the expected arrival time of a dry year, which implies that the average annual amount of water held in local storage is $5/7$ ($5/7 = 3/7 * 10/3 * 1/2$) of the annual excess demand for each agency that cannot be met through the allocation of contemporaneous water supply. In each year, the local storage account is reconciled with the storage balance in the previous year by adding the increment in local storage to the excess

demand for water for each agency. Local storage levels increase smoothly over time in the model for most agencies due to the projected increases in urban water demand.

3.3. *Water Prices*

Annual water prices and the discount factor that converts annual values into present value are common across all scenarios. The market rates used in 2007 are the current water rates listed by MWD (\$427/AF for Tier 2 water, \$238/AF for replenishment water), and a \$13 surcharge is added to the replenishment rate to reflect the \$251/AF charge currently paid by each agency for replenishment water procured through Watermaster. The price of water transactions in the transfer market is taken in each period to be the price of replenishment water.⁸ The MWD rate forecast through 2012 is taken as the mean of the high- and low-rate forecasts provided by MWD over this horizon. Recycled water rates through 2011 are taken from IEUA projections provided in the 2007 IEUA Long-Run Plan of Finance, with a 25 percent non-member surcharge included for recycled water deliveries outside the IEUA service area (Jurupa Community Services District and the City of Pomona). The price of desalter water for urban supply is taken to be the price cap specified in section 7.6d of the Peace Agreement, which is \$375 in 2007. All water rates outside the range of published forecasts are assumed to increase at a rate of 4.5 percent per year. The discount factor is also taken to be 4.5 percent.

3.4. *Demand*

Demand for Basin water for each agency is identical across all three scenarios. Agency-level demand for Basin water is calculated from data provided in the relevant 2005 Urban Water Management Plans (UWMP) by taking the projected demand (gross of conservation) compiled by each agency and converting this into a residual (Basin) demand component by netting out available supplies of surface water and other groundwater sources available to each agency.⁹ In the case of Pomona, residual demand for Basin water is taken to be net of Puente and Spadra Basin recycled water, which implicitly assumes that this water would be available to Pomona irrespective of whether hydraulic control is attained in Chino Basin. Residual Basin water demand is linearized for each agency to recover values in the intervening years between the 5-year intervals reported in each UWMP. Residual demand for Fontana Union Water Co., which has rights but serves no subscribers, is zero in all scenarios, as is residual demand facing San Antonio Water Co., which has available surface water and other basin groundwater supply in excess of demand. The combined residual demand for the remaining agencies in the Basin is 215,996 AF in 2007 and increases over time with population growth projections to 337,246 AF in 2030. Among agencies with positive demand values, residual demand in 2007 ranges from a low of 12,753 AF for Monte Vista Water District to a high of 49,552 AF for the City of Ontario, and the residual water demand for the City of Ontario and Cucamonga Valley Water District over the entire horizon is about double the residual water demand of Pomona, 2-3 times greater than the City of Chino, City of Chino Hills, and Jurupa Community Services District, and 5-6

⁸ The average water transaction price in the data provided in the Watermaster's 2006-2007 Assessment Packet is \$177, which represents an approximate 30 percent discount below the current replenishment rate of \$251. This observed price discount below the expected transfer price accords with the "wet year" transfer price that would arise in a representative hydrologic year that is 70 percent wet and 30 percent dry when the "dry year" transfer price is \$422, a value bounded by the prevailing Tier 2 price of untreated water of \$427.

⁹ for IEUA members, these data are taken from the IEUA Urban Water Management Plan (2005), Table 2-7, and, for Jurupa Community Services District and the City of Pomona, these data are taken from the individual 2005 Urban Water Management Plans (2005) available on each agencies website.

times greater than the residual demand facing the City of Upland and Monte Vista Water District.

3.5. *Desalter Production*

Desalter production is treated as equal across all scenarios. Implicitly, this views the level and location of desalter activity to be determined by the requirements outlined by the Judgment.¹⁰ An alternative approach would be to construct a baseline scenario in which agencies provide their own salt removal infrastructure. One difference between this alternative approach and the present one is that, under baseline conditions with individual desalting O&M costs would be roughly the same, whereas the capital costs of building desalter facilities would be larger by the amount of funding that became available in the Basin through grants made possible by the Peace Agreement.

The projected desalter water for urban supply sets a schedule of delivery to three agencies considered in the study (City of Chino, City of Chino Hills, and Jurupa). The desalter water for urban supply rises from 15,230 AF to 38,088 AF over the period 2007-2030 among agencies in the study, with the remaining desalter supply being delivered to the City of Norco and the Santa Ana River Water Company. Each unit of desalter water supply, including deliveries to the City of Norco and the Santa Ana River Water Company, creates a replenishment obligation for producers in the Basin, and this obligation is divided among agencies according to the various rules encompassed by each of the three scenarios considered (as described below).

3.6. *Watermaster Assessments*

Although the assessment fees levied by Watermaster differ across the scenarios according to the total cost of the program elements embodied in each scenario, the rules in which assessments are distributed across individual agencies are common to all scenarios. Specifically, appropriative pool assessments are based on each agency's calculated share of actual fiscal year production. Given that total production and the share of production by individual agencies encompasses only a subset of total Basin production (e.g., roughly 87 percent in 2007), this approach slightly overestimates assessment costs in all scenarios by attributing 100 percent of the program cost to the ten agencies included in the study. Because the assessment costs used under the Peace I and Peace II scenarios include the baseline costs, as well as significant additional program costs, the over-allocation of assessment costs to individual agencies in the study provides a conservative estimate of the total benefit generated under Peace I and Peace II. The different components of the assessment costs were decomposed into program expenses from the 3-year assessment projections provided by Watermaster.¹¹ All cost components thereafter are assumed to increase at a rate of 4.5 percent.

¹⁰ Projected desalter production is taken from IEUA's UWMP (2005, Table 3-10 and Table 7-1), and includes the desalter production of Chino I, Chino I expansion, Chino II, and Desalter 3. The overall level of desalter activity, which grows to an ultimate production level of 43,000 AF by year 2025, an amount slightly below the 50,457 AF desalter production level anticipated by 2020 in the OBMP: (Implementation Plan: Optimal Basin Management Plan for the Chino Basin, Table 3, p59: http://www.cbwm.org/docs/legaldocs/Implementation_Plan.pdf.)

¹¹ Personal correspondence with Watermaster staff (August 7, 2007).

4. Baseline Scenario

4.1. Basin Supply

In the baseline scenario, available Basin supply for each agency in each year is comprised of the agency's share of: (i) safe operating yield, (ii) projected desalter water for urban supply, and (iii) the net agricultural pool transfer. The safe operating yield is allocated to individual agencies based on the share of safe operating yield in the Basin defined by the Judgment.

The projected desalter water for urban supply is taken for the baseline case (as well as for the remaining scenarios) from projections available in the IEUA UWMP.¹² Desalter water for urban use is treated in the model both as a source of water supply in the Basin and as a replenishment obligation, where the replenishment obligation associated with each unit of desalter water supply is shared by agencies through the allocation of storage losses and replenishment assessments by Watermaster, which are calculated for the baseline case according to each agency's pro rata share of safe operating yield up to the available recharge capacity in the Basin and by in lieu recharge according to each agency's pro rata share of safe operating yield for any obligation above the available recharge capacity.

The net agricultural transfer to each agency in each year is calculated by taking a straight-line projection of land-use conversions between 2006 conditions reported in the 2006-2007 Watermaster Assessment Package, and assumed "full build-out conditions" in 2030 in which all acres in the agricultural pool eligible for conversion are converted.¹³ For the baseline scenario, each converter is credited with 1.3 AF of Basin water for each acre converted, and the sum of water allocated to all land-use conversions and agricultural pool production in each year is deducted from the agricultural pool safe yield of 82,800 AF to get the net agricultural pool transfer to the appropriative pool in each year.¹⁴ Among the ten largest members of the appropriative pool considered in the study, the net agricultural transfer increases from 46,265 AF to 71,377 AF over the 2007-2030 period, which accounts for approximately 92 percent of the total water transfer to the appropriative pool in each year.

Under baseline conditions, there is also an issue of timing of the agricultural pool transfer, with no early transfer of agricultural pool water being made to the appropriative pool prior to the Peace Agreement. Under the Judgment, the agricultural pool allocation was defined to be 414,000 AF in every 5 years. This implies a 4-year waiting period for the appropriative pool before any agricultural transfer takes place, followed by a large allocation of the cumulative agricultural pool under-production in year 5, and an annual stream of transfers thereafter based on a rolling horizon comprised of the previous 5 years agricultural pool under-production. In the

¹² IEUA Urban Water Management Plan (2005), Tables 3-10 and 7-1.

¹³ Watermaster, Fiscal Year 2006-2007 Final Assessment Package, Land Use Conversion Summary (p10): <http://www.cbwm.org/docs/financedocs/Assessment%20Package%20FY%202006-2007%20Final.pdf>. Values after the conversion of all agricultural land eligible for conversion are based on Watermaster calculations (personal communication with Watermaster staff, July 12, 2007).

¹⁴ Under baseline conditions, 1.3 AF of water is allocated to the appropriative pool based on share of safe operating yield in the baseline scenario. This value is not parsed out from the net agricultural transfer that occurs each year, because all water transfers between the agricultural pool and the appropriative pool are based on shares of safe operating yield and an amount greater than 1.3 AF per acre is transferred from the agricultural pool to the appropriative pool in each year.

baseline scenario, the agricultural pool transfer is calculated on an annual basis and timing lags in the delivery of water are suppressed. Differences in the actual timing of the water have no implications for the baseline values in the study, because the rate of water price inflation is taken to be equal to the discount rate, so that delays in water delivery have no implications for the present value calculation.

The sum of these components in each year gives Basin supply for each agency. This represents the first step of the supply function depicted in Figure 1.¹⁵ In total, Basin supply among the ten largest agencies considered in the study rises from 116,044 AF to 164,014 AF over the 2007-2030 period, with the increase in supply generated through land use conversions and increased desalter water for urban supply. (This latter source of water supply is matched by an associated increase in the desalter replenishment obligation, as discussed below.)

4.2. Import Demand

Import demand for each agency in the Basin represents the amount of demand facing each agency that cannot be met with available Basin supplies (including supplies which can be purchased from other Basin agencies in the transfer market). Import demand for each agency, which must be met through some combination of replenishment water purchases and imported water purchases for direct use, is the sum of three components: (i) excess demand for water; (ii) storage account adjustments; and (iii) water transfers.

Excess demand for each agency in the Basin is calculated as residual demand less the available Basin supply. Excess demand for water is negative in each year for Fontana Union Water Co. and San Antonio Water Co., which implies that these agencies are water suppliers in the transfer market. In each year, approximately 70 percent of the excess demand for water in the Basin is derived from Cucamonga Valley Water District and the City of Ontario, which indicates a large water demand for Basin water among these agencies relative to their share of Basin supply.

In practice, the demand for water in dry years is met, in part, by smoothing the additional water supplies available in wet years across time through local storage. As discussed above, the model considers each year to be a representative year (30 percent dry and 70 percent wet), so that the annual amount of water held in local storage by each agency is 5/7 of the annual excess demand that cannot be met with contemporaneous supply. Local storage in the model, which represents the combined total held in local storage and local supplemental storage accounts in a representative year, increases over the period 2007-2030 from 83,706 AF to 141,565 AF among agencies in the study, where the growth in local storage over the period occurs in proportion to the 70 percent increase in excess demand for Basin water as population increases in the region.

Local storage accounts are not constructed for Fontana Union Water Co. and San Antonio Water Co., because these agencies have excess supply of water in each year above what is necessary to meet their urban water demands. In practice, these agencies may hold water in local storage to arbitrage expected differences in transfer prices between wet and dry years, but such arbitrage

¹⁵ Because desalter water is not a unique source of supply, an accounting adjustment is made later to back out desalter water supplies from Basin supply by creating an off-setting replenishment obligation for each unit of desalter water used for urban supply.

opportunities are suppressed in the model, because variations in annual water availability are smoothed in the model to a basis of a representative hydrologic year.

In each year, a storage account adjustment is made for each agency by adding the incremental growth in local storage from the previous year's value to the excess demand for water. The amount of water held in local storage adjusts upward each year to meet the growth in excess demand, and this need for added storage to smooth increasing volumes of water between wet and dry years is deducted from contemporaneous water supply.

After storage account adjustments are made in each year, individual excess demand and individual excess supply conditions clear each year in the transfer market. Excess supply to be cleared in the transfer market in each year is comprised of sales by Fontana Union Water Co. and San Antonio Water Co., and, to a lesser extent, by Jurupa Community Services District beginning in 2021. Jurupa CSD becomes a net supplier of water in the transfer market due to the relatively large purchases of desalter water for urban supply in the data provided in IEUA's UWMP (2005). Water transfers are allocated from these suppliers to individual agencies with positive demand for transfer water in proportion to each agency's share of excess demand relative to total excess demand for water in the Basin. The total amount of water transacted in the Basin rises from 12,677 AF to 20,401 AF over the 2007-2030 period, and the largest buyers of transfer water in each period are Cucamonga Valley Water District and the City of Ontario.

4.3. *Water Imports*

Water is imported into the Basin to meet the sum of import demand for direct use and desalter replenishment requirements. Imported water is taken as replenishment water in each period up to the limit on recharge capacity in the Basin (i.e., the second step of the water supply relationship in Figure 1), and the residual quantity of imported water that cannot be met with replenishment water is taken as Tier 2 water imports. Under baseline conditions, the recharge capacity of the Basin is taken to be 29,000 AF per year, which represents the available spreading facilities discussed as pre-existing facilities in program element 2 of the OBMP.¹⁶ Given the smoothing of production into the basis of representative hydrologic years, this implies that baseline conditions in the Basin can accommodate 20,300 AF of recharge per year ($0.7 \times 29,000$ AF). This recharge capacity defines the limit to which imported water in the Basin can be taken at the lower MWD replenishment rate.¹⁷

Imported replenishment water in the Basin must first be taken to meet the replenishment obligation of the desalters. The desalter replenishment obligation under baseline conditions is desalter production for urban supply less a 2 percent storage loss component deducted from individual local storage accounts.¹⁸ Under baseline conditions, the desalter replenishment obligation (net of the storage loss allocation) begins at 13,556 AF in 2007 and grows to 40,169 AF per year in 2030. In the year 2010, the desalter replenishment obligation rises to 22,604 AF,

¹⁶ Implementation Plan: Optimal Basin Management Plan for the Chino Basin, p13: http://www.cbwm.org/docs/legaldocs/Implementation_Plan.pdf.

¹⁷ The increase in Basin recharge capacity, as described in the Recharge Master Plan (WEI, Black and Veatch 2001: <http://www.cbwm.org/docs/rechdocs/rechmastplanphase2rep/chapters/pdf/>) is a major program element considered in the Peace Agreement, both in terms of benefit and cost.

¹⁸ Personal correspondence with Watermaster staff.

an amount in excess of the 20,300 AF recharge capacity of the Basin in the baseline scenario, and the replenishment obligation remains above the recharge capacity for the remainder of the time horizon. Over the period 2007-2009, the amount of recharge capacity in excess of the desalter replenishment requirement (e.g., $20,300 - 13,556 = 6,744$ AF in 2007) is allocated to individual agencies in proportion to each agency's share of imported water demand relative to total imported water demand in the Basin. Over the period 2010-2030, the desalter replenishment obligation exceeds the recharge capacity of the Basin, and the remaining desalter replenishment obligation above 20,300 AF is met through in lieu production by individual agencies in the Basin. In the baseline scenario, the desalter replenishment obligation, both the portion met with replenishment water purchases and the portion taken as in lieu production, is met by individual agencies according to each agency's pro rata share of safe operating yield.¹⁹

Aggregate supply and demand are cleared each year on the third step of supply by reconciling effective Basin water supply (Basin supply plus Basin recharge) with import demand through purchases of Tier 2 water from MWD. Tier 2 MWD water purchases are allocated to individual agencies based on the share of each agency's imported water demand relative to total imported water demand in the Basin. Under baseline conditions, the total purchases of Tier 2 water among agencies in the Basin rises from 97,766 AF in 2007 to 200,097 AF in 2030, with the combined purchase share of Cucamonga Valley Water District and the City of Ontario—the two largest purchasers of imported water—representing between 62 percent and 73 percent of total Tier 2 water purchases in each year.

4.4. Water Procurement Costs

The total cost of water procurement to individual agencies is the sum of five components: (i) Tier 2 water purchases; (ii) transfer water purchases; (iii) desalter water purchases for urban supply; (iv) desalter replenishment costs; and (v) Watermaster general assessments on the appropriative pool. Water procurement costs associated with Basin production also exist, but these costs exist in all scenarios and consequently net out of the comparison of the various program net benefits.

For the purpose of allocating Watermaster assessments, Tier 2 water purchases are assumed to occur outside the framework of the cooperative organization. That is, the actual production level of each agency, as recorded by the Watermaster each fiscal year for the basis of assessments, does not include any production demands that an individual agency meets through Tier 2 purchases acquired from MWD. For this reason, a separate accounting calculation is made for actual production to recover the allocation of Watermaster assessment costs to individual agencies in each period. Actual production for each agency is residual demand for Basin water less Tier 2 water purchases less storage losses and adjustments to the storage account balance.

Watermaster replenishment assessments are levied to recover desalter replenishment costs (for units up to the 20,300 AF recharge capacity of the Basin) through replenishment water purchased from MWD each year. These costs are allocated to individual agencies according to each agencies pro rata share of safe operating yield.

Watermaster general assessments are levied under baseline conditions to cover the cost of administrative costs, exclusive of the OBMP costs and the special project costs that pertain to

¹⁹ Personal correspondence with Watermaster staff (August 29, 2007).

Peace I and Peace II. In 2007, these costs account for \$816 thousand of the projected \$7.87 million costs to be levied for general assessments under prevailing Peace conditions. Under baseline conditions, moreover, only the appropriative pool share of general assessment costs is paid by the appropriative pool, which amounts to \$624 thousand of the \$816 thousand administrative costs in 2007, with the remaining share of costs paid by the overlying agricultural and non-agricultural pools. The costs attributed to the appropriative pool are allocated across to individual agencies according to each agency's share of actual production relative to total Basin production.

4.5. Summary of Baseline Outcomes

Table 1 provides a breakdown of the projected outcome for the eight largest producers under baseline conditions in the year 2015. Total urban water demand for these producers is 293,214 AF in 2015. Total residual demand, which is the difference between urban water demand and the Basin supply available to each agency, is 273,430 AF. Available Basin water supply, the sum of the shares of safe operating yield, net agricultural transfer (inclusive of land-use conversions), and desalter water for urban supply, is 123,554 AF in the year 2015. The total water transfers of 13,089 AF reflect sales by Fontana Union Water Company and San Antonio Water Company to the remaining producers encompassed by the study. The net storage acquisition of 1,022 AF reflects the change in the local storage balance between the year 2014 (106,032 AF) and the year 2015 (107,054 AF). This increment in the water held in local storage, which must be met by in lieu production by agencies, adds to residual demand for water in the Basin, and the difference between this term and the sum of available Basin water supply and water purchases in the transfer market results in a combined import demand among producers of 137,809 AF.

Total desalter production in the year 2015 is 34,122 AF, which exceeds the available recharge capacity of the Basin, so that imported water demand is met entirely with Tier 2 water purchases.²⁰ Actual production among these eight agencies (123,250 AF) is the difference between residual demand for Basin water, Tier 2 purchases from MWD, in lieu recharge taken to meet the desalter replenishment obligation, storage losses (2% of local storage = 2,141 AF), and the net storage acquisition. Watermaster administrative assessments are in 2015 are \$1.2 million, of which \$957 thousand is paid by agencies in the appropriative pool.

²⁰ An additional 3,905 AF of desalter water production is projected for the Santa Ana River Water Company and City of Norco, who are not considered in this study.

Table 1: Year 2015 Outcome Under the Baseline Scenario

Component	Appropriator								Total
	Chino	Chino Hills	Ontario	Upland	Cucamonga	Monte Vista	Jurupa	Pomona	
Urban Water Demand	26,200	24,700	66,600	22,500	72,500	14,100	36,350	30,264	293,214
Available Surface Water	0	0	0	5,200	3,000	0	500	0	8,700
Available Other Groundwater	0	0	0	3,800	5,400	0	0	1,884	11,084
<i>Residual Demand</i>	<i>26,200</i>	<i>24,700</i>	<i>66,600</i>	<i>13,500</i>	<i>64,100</i>	<i>14,100</i>	<i>35,850</i>	<i>28,380</i>	<i>273,430</i>
Safe Operating Yield	4,034	2,111	11,374	2,852	3,619	4,824	2,061	11,216	42,092
Net Ag Transfer	8,916	2,398	8,660	1,875	2,980	3,228	12,840	7,371	48,268
Desalter Water Supply	5,000	4,200	5,000	0	0	0	19,922	0	34,122
<i>Available Supply</i>	<i>17,950</i>	<i>8,709</i>	<i>25,033</i>	<i>4,727</i>	<i>6,600</i>	<i>8,052</i>	<i>33,896</i>	<i>18,587</i>	<i>123,554</i>
Net Storage	487	280	717	-122	1,039	108	-1,653	166	1,022
Transfers	758	1,411	3,668	750	5,078	534	26	864	13,089
<i>Import Demand</i>	<i>7,979</i>	<i>14,860</i>	<i>38,616</i>	<i>7,901</i>	<i>53,461</i>	<i>5,622</i>	<i>275</i>	<i>9,095</i>	<i>137,809</i>
Local Storage	5,893	11,422	29,690	6,266	41,072	4,320	1,396	6,995	107,054
Tier 2 Purchases	7,979	14,860	38,616	7,901	53,461	5,622	275	9,095	137,809
Actual Production	17,512	9,328	25,067	4,589	9,889	7,210	33,343	16,312	123,250
Watermaster Assessments	\$97	\$52	\$139	\$26	\$55	\$40	\$185	\$91	\$685

Notes:

1. All figures in acre-feet except Watermaster assessments.
2. Watermaster assessments are expressed in real terms (1,000s of 2007\$.)

5. Peace I Scenario

The Peace Agreement introduced various program elements in the Basin that were not present under baseline conditions. The main components of the Peace Agreement considered here that altered net benefits in the Basin are: (i) an increase in Basin recharge capacity from 29,000 AF to 134,000 AF; (ii) a change in the rules for land use conversion; (iii) transfer of agricultural pool assessments to the appropriative pool; (iv) the introduction of a storage and recovery program; (v) an increase in stormwater recovery from 5,000 AF per year to 12,000 AF per year; and (v) the Pomona credit. This section describes the changes that occurred through these program elements to alter net benefits received by individual agencies in relation to the earlier discussion of the baseline outcome detailed above.

5.1. Basin Supply

Under the set of Basin programs encompassed by the Peace Agreement, three factors led to changes in available Basin supply: (i) increased stormwater capture; (ii) a change in the water allocation resulting from land use conversions (including “early transfer”); and (iii) the introduction of the Dry Year Yield program for storage and recovery through MWD. The increased stormwater capture is represented by an annual increase in Basin supply by 12,000 AF of “new yield” in exchange for tying up 12,000 AF of recharge capacity.

The net agricultural transfer to each agency under Peace conditions increased the return to each converter from 1.3 AF of Basin water for each acre converted to 2.0 AF of Basin water for each acre converted. An early transfer program of 32,800 AF per year to the appropriative pool was also introduced, which ultimately led to an over-allocation of agricultural pool water to the appropriative pool.²¹ The net agricultural pool allocation to individual agencies replicates the Watermaster calculation in each year, given the projected pattern of land use conversion calculated through 2030. The agricultural pool transfer provides a credit of 2.0 AF per acre for all land-use conversions taking place after the signing of the Peace Agreement and credits earlier conversions at the 1.3 AF per acre rate and the early transfer to members of the appropriative pool is based on each agency’s share of safe operating yield. Because the sum of these two components and the projected agricultural pool production level after land-use conversions have been made exceeds the 82,800 AF of available agricultural pool water in every year, each agency is charged a replenishment obligation for the amount of over-allocated agricultural pool water in proportion to each agency’s share of safe operating yield. This is equivalent to deducting the over-allocation of agricultural pool water from the 32,800 AF early transfer after land use conversions take place and dividing this residual amount of water (e.g., $32,800 - 4,270 = 28,530$ AF in Fiscal Year 2006-2007) pro rata among members of the appropriative pool.

In total, the net agricultural pool transfer to the appropriative pool is the same under baseline and Peace rules (49,831 AF in 2007 and 76,909 AF in 2030). Among appropriators considered in the

²¹ Watermaster, Fiscal Year 2006-2007 Final Assessment Package, Land Use Conversion Summary (p10): <http://www.cbwm.org/docs/financdocs/Assessment%20Package%20FY%202006-2007%20Final.pdf>. In the Fiscal Year 2006-2007 Final Assessment Package provided by the Watermaster, the amount of over-allocation was 4,270 AF (3,893 AF of which is incurred as a replenishment obligation to agencies encompassed by the study), and the model projects this total to increase through the process of future land use conversions to 5,127 AF in 2030 (4,674 AF of which is incurred as a replenishment obligation to agencies encompassed by the study).

study, which encompass 91.2 percent of safe operating yield but 100 percent of land use conversions, the change in land-use conversion rules under the Peace Agreement provides a slightly larger net agricultural transfer among agencies considered than under baseline conditions (e.g., 71,673 AF after all conversions take place compared to 71,377 AF under baseline rules). The outcome for individual agencies under the Peace rules for net agricultural pool transfer relative to the baseline scenario is discussed later.

The DYY storage and recovery program alters the allocation of Basin water supply by allowing individual agencies to purchase water from MWD in wet years and store it for use in subsequent dry years. The effective rate paid to MWD for DYY water inputs, net of subsidies paid to the participating agencies, is approximately equal to the current replenishment rate,²² and the annual MWD replenishment rate is used in each period to price DYY water inputs to individual producers. The present analysis considers the value of the currently-approved 150,000 AF storage and recovery program.²³ Although further expansion beyond this level has been discussed, the study does not consider the potential expansion of this program to 500,000 AF nor the possibility for sales of this water to take place outside the Basin. The increase in the DYY program from 100,000 AF to 150,000 AF is assumed to take place immediately in the year 2007. To adjust the implied pattern of puts and takes of a 150,000 AF storage and recovery program to the smooth production horizon of a representative hydrologic year, we assume that water production in the DYY program is limited to 50,000 AF in each dry year. Given a 0.3 probability of a dry year, this implies an average of 15,000 AF of water is made available in the Basin each year through the DYY program. The distribution of the DYY program storage across individual agencies is given by the table of DYY shift obligations provided by IEUA for the current DYY-100 program, and these values are scaled upwards proportionately to 150,000 AF.²⁴ It is assumed that there is no storage loss for units of water placed in storage.²⁵ In effect, this implies that participating agencies in the DYY program purchase 15,000 AF of water in a representative hydrologic year at MWD replenishment rates and covert this amount into 15,000 AF of reliable Basin supply through the use of existing recharge facilities.

Among the ten largest agencies considered in the study, Basin supply under Peace conditions rises from 137,416 AF in 2007 to 185,692 AF in 2030. This reflects an approximate increase of 26,000 AF per year relative to baseline conditions (under baseline conditions, Basin supply is 111,486 AF in 2007 and 159,496 AF in 2030), and the source of the additional Basin supply under the Peace Agreement amounts to the roughly 11,000 AF increased stormwater yield (the share of the 12,000 AF "new yield" acquired by the ten largest agencies) plus the 15,000 AF recovery of DYY storage water.

5.2. Import Demand

Import demand for each agency in the Basin is calculated in the same manner as the baseline case. As noted above, this involves deducting Basin supply from the Basin water demand facing each agency to get excess demand, correcting excess demand to account for the dynamic adjustments that occur in local storage accounts, and then reconciling excess supply and excess

²² Personal communication with IEUA staff.

²³ Personal communication with Watermaster staff.

²⁴ IEUA Urban Water Management Plan (2005), Table 6-5.

²⁵ Personal correspondence with Watermaster staff.

demand among individual agencies in the Basin through water transactions in the transfer market.

Two major changes occur under Peace in the resulting evaluation of import demand. First, import demand is now lower each year than under baseline conditions by the approximate 26,000 AF of additional Basin supply that is available each year. This ultimately defrays Tier 2 water purchases as the supply-side of the model is built upwards to the third step of supply. Second, the amount of water held in the local storage account of individual agencies decreases, for instance by 17,769 AF in 2007 (83,706 AF in the baseline versus 65,937 AF under Peace.) Much of this difference in local storage balances is the result of participation in the DYY program crowding-out storage activities that would otherwise take place in local storage accounts.

5.3. *Water Imports*

As in the baseline case, annual water imports must flow into the Basin to meet the sum of import demand and replenishment requirements, where the Basin replenishment requirements now include 12,000 AF of stormwater recharge and 15,000 AF of replenishment water purchases for the DYY program in addition to the desalter replenishment obligation. Imported replenishment water represents the second step of the water supply relationship in Figure 2, and this step is elongated under Peace by the increase in Basin recharge capacity to 134,000 AF. Given the smoothing of production, this implies that Basin recharge capacity is 93,800 AF per year ($0.7 \times 134,000$ AF) in a representative hydrologic year. Of this amount, 27,000 AF per year of recharge capacity is now used to accommodate the combined requirements of stormwater recharge and DYY program recharge, and a substantial share of the remaining recharge capacity is used to fulfill the replenishment obligation of the desalters. The desalter replenishment obligation in each year is defined in the same manner as in the baseline scenario to be desalter production less storage losses of 2 percent deducted from the local storage accounts of producers in the Basin.²⁶

Under Peace conditions the need for imported Tier 2 water is smaller than under the baseline. Three main effects drive this change: (i) the recharge capacity of the Basin can now accommodate the entire desalter replenishment obligation each year without requiring agencies to engage in in-lieu recharge; (ii) the amount of annual Basin over-production that can be sustained in the Basin is larger by the amount of the increase in recharge capacity; and (iii) the reduction in local storage reduces the allocation of Basin storage losses to the desalter. The first two components produce direct value to agencies on the extensive margin of supply by defraying Tier 2 purchases (as depicted in Figure 2). The third component, the change in the designation of storage losses against the replenishment obligation of the desalters, creates no economic benefit to the Basin and is purely redistributive in its effects, because the change in the designation of storage losses does not alter the physical recharge capacity of the Basin. An individual agency that incurs a one-unit storage loss gives up a unit of water from local storage, and the value of this unit of water is distributed back to other agencies in the form of a credit against the desalter replenishment obligation.

²⁶ Peace Agreement, Article 5.2b(xii).

Under Peace conditions, the amount of replenishment water that is purchased from MWD in each representative hydrologic year is 81,800 AF (93,800 AF of recharge capacity less the 12,000 AF stormwater recharge). This 81,800 AF of replenishment water, which is purchased at MWD replenishment rates, is allocated first to meet the 15,000 AF per year replenishment water requirement for DYY participants and to meet the replenishment obligation of the desalter, with the remaining recharge capacity in each year allocated among individual agencies according to each agency's imported water demand relative to total imported water demand in the Basin.

As in the baseline scenario, imported water demand in excess of the recharge capacity of the Basin is cleared each year in the Peace I scenario on the third step of supply through purchases of Tier 2 water from MWD. Tier 2 MWD water purchases, as in the baseline case, are allocated to individual agencies based on the share of each agency's imported water demand relative to total imported water demand in the Basin.

Under peace conditions, the total purchases of Tier 2 water among agencies in the Basin rise from 25,692 AF in 2007 to 127,710 AF in 2030, a decline of approximately 72,000 AF per year relative to the baseline scenario. This decline in Tier 2 water purchases is approximately equal to the increase in recharge capacity under the Peace Agreement and represents a replacement of Tier 2 water purchases with replenishment water purchases at the lower MWD rate in each year. Cucamonga Valley Water District and the City of Ontario, the two largest buyers of imported water in both the baseline and Peace I, receive the largest share of the net benefit of this offset in Tier 2 water, because of their disproportionate representation on the extensive margin of supply.

5.4. Water Procurement Costs

The total cost of water procurement to individual agencies is the sum of eight components: (i) Tier 2 water purchases; (ii) transfer water purchases; (iii) desalter water purchases for urban supply; (iv) replenishment water purchases; (v) desalter replenishment costs; (vi) Watermaster general assessments on the appropriative pool; (vii) Watermaster general assessments on the agricultural pool paid by the appropriative pool; and (viii) the Pomona credit. The first three components of water procurement cost are calculated in the same manner as in the baseline case, with the exception that the total quantities of Tier 2 purchases and transactions in the transfer market differ.²⁷

Desalter replenishment costs are recovered through Watermaster replenishment assessments in an amount equal to the cost of replenishment water purchased from MWD to meet the replenishment obligation of the desalters each year. As in the baseline case, these costs are allocated to individual agencies according to each agencies pro rata share of safe operating yield.²⁸

Replenishment water purchases allocated to individual agencies related to the DYY program are levied back on individual agencies in proportion to their storage claims in the program, as detailed above. Any remaining recharge capacity in excess of the amount needed to fulfill DYY

²⁷ Changes in the pattern of Tier 2 water purchases and water transfers that occur across scenarios and over time within each scenario can have equilibrium effects on market prices; however, price changes in these markets are not considered in the scope of the present study.

²⁸ Personal correspondence with Watermaster staff (August 29, 2007).

contributions and the replenishment obligation of the desalters and DYY is allocated in each year to individual agencies according to each agency's imported water demand relative to total imported water demand in the Basin.

The total costs recovered through Watermaster general assessments for the program elements in the Peace I scenario include OBMP assessments, special project assessments, and recharge debt payments. The additional OBMP and special project assessments in the Peace I scenario amount to a total \$7.05 million out of the \$7.87 million (90 percent) in total Watermaster expenses in 2007, and these additional costs of implementing the program elements in the Peace I scenario rise to \$13.8 million in 2030. As in the baseline scenario, the allocation of all appropriative pool general assessments to individual agencies is made based on each agency's share of safe operating yield in the Basin.

The Peace Agreement negotiated the transfer of all general assessment fees from the agricultural pool to the appropriative pool. The total assessment fees paid by the agricultural pool, which are now assumed by members of the appropriative pool, amount to \$1.1 million in 2007 and decline to \$460 thousand in 2030 due to land use conversions that result in a decline in agricultural water use as a share of total Basin safe yield. In total, the general assessments paid by the appropriative pool inclusive of the transfer of agricultural pool assessments increase ten-fold from \$624 thousand in the baseline scenario to \$6.3 million under Peace conditions in 2007 and the assessment costs in the Peace I scenario remain at least 7 times as large as the costs attributable to baseline conditions in the Basin throughout the production horizon. The agricultural pool share of Watermaster assessment fees is paid by individual agencies in the appropriative pool according to the agency's share of the net agricultural transfer in each year.²⁹

Finally, the Pomona credit of \$66,667 per year is paid every year by each agency in proportion to the agency's share of safe operating yield.

5.5. Comparison of Baseline and Peace Agreement Outcomes

Under the terms of the Peace Agreement, the present value of the net benefit of the program elements for the ten agencies encompassed by the study is \$182 million. The main component associated with this increased net benefit is the displacement of Tier 2 water with new Basin yield and replenishment water. Under baseline conditions, the present value of total Tier 2 water purchases over the 2007-2030 period is \$1.53 billion, whereas, under Peace conditions, the present value of Tier 2 water purchase over the period decreases to \$931 million. This decrease in Tier 2 water under Peace conditions was replaced with replenishment water at the lower MWD rate, and the combined cost of imported water in the Peace I scenario decreased by \$310 million in present value terms (from \$2.06 billion under baseline conditions to \$1.75 billion under Peace conditions). This benefit was acquired at the expense of an increase in the present value of assessment costs from \$16.7 million to \$146 million.

²⁹ For details on this calculation and the distribution of general appropriative pool assessments based on pro rata share of safe operating yield, see Watermaster, Fiscal Year 2006-2007 Final Assessment Package, Pool 3 Assessments Summary (p5): <http://www.cbwm.org/docs/financdocs/Assessment%20Package%20FY%202006-2007%20Final.pdf>.

Table 2 provides a breakdown of the projected outcomes under Peace conditions in the year 2015 for the eight largest producers in the study. A comparison of these outcomes with those that emerge under baseline conditions in Table 1 provides a useful profile of the essential differences in Basin performance under each scenario. Residual demand for Basin water is identical in each scenario. This quantity corresponds to the value Q^* in Figure 1. The safe operating yield of the agencies considered is the same in both cases, as is desalter water for urban supply. The net agricultural pool allocation to the appropriative pool is slightly higher under Peace (48,848 AF relative to 48,268 AF under baseline rules). This is because the agencies considered in the study represent 91 percent of Basin production and nearly 100 percent of the land use conversions, which are credited with a larger water allocation under Peace. Available Basin supply in the Peace I scenario is accordingly higher by the sum of this component and the 15,000 AF of supply available to agencies through the DYY program, which leads to a commensurate reduction in imported water demand.

The level of local storage is lower under Peace by approximately the 15,000 AF of storage that is now accounted for in the DYY program. Replenishment purchases are now possible due to the increase in Basin recharge capacity, and the agencies combine to purchase 31,533 AF of replenishment water in the year 2015.

In total, Tier 2 water use falls from 137,809 AF under baseline conditions (inclusive of the purchases required by in lieu recharge) to 82,658 AF under Peace conditions. This decrease in Tier 2 water imports reflects the displacement of Tier 2 water purchases through a combination of new Basin yield and increased replenishment water purchases made possible by the expansion of Basin recharge capacity.

Actual production among these eight agencies is higher in the Peace I scenario by 36,953 AF in the year 2015 (160,203 AF vs. 123,250 AF in the baseline scenario). This increment in Basin production represents the effective increase in Basin recharge capacity available to these producers after accounting for the combined 27,000 AF of recharge capacity utilized by stormwater and DYY program recharge.

Table 2: Year 2015 Outcome Under Peace I Scenario

Component	Appropriator								Total
	Chino	Chino Hills	Ontario	Upland	Cucamonga	Monte Vista	Jurupa	Pomona	
Urban Water Demand	26,200	24,700	66,600	22,500	72,500	14,100	36,350	30,264	293,214
Available Surface Water	0	0	0	5,200	3,000	0	500	0	8,700
Available Other Groundwater	0	0	0	3,800	5,400	0	0	1,884	11,084
<i>Residual Demand</i>	<i>26,200</i>	<i>24,700</i>	<i>66,600</i>	<i>13,500</i>	<i>64,100</i>	<i>14,100</i>	<i>35,850</i>	<i>28,380</i>	<i>273,430</i>
Safe Operating Yield	4,034	2,111	11,374	2,852	3,619	4,824	2,061	11,216	42,092
New Yield	883	462	2,489	624	792	2,455	451	2,489	10,645
Net Ag Transfer	10,558	2,173	7,210	1,467	2,460	2,553	16,658	5,769	48,848
Desalter Water Supply	5,000	4,200	5,000	0	0	0	19,922	0	34,122
Storage & Recovery	527	658	3,671	1,364	5,160	1,801	909	909	15,000
<i>Available Supply</i>	<i>21,001</i>	<i>9,604</i>	<i>29,744</i>	<i>6,308</i>	<i>12,032</i>	<i>10,234</i>	<i>39,074</i>	<i>20,349</i>	<i>148,346</i>
Net Storage	428	288	771	-107	1,058	133	0	225	2,797
Transfers	726	1,985	4,854	914	6,854	516	-3,224	1,065	13,690
<i>Import Demand</i>	<i>4,901</i>	<i>13,399</i>	<i>32,773</i>	<i>6,171</i>	<i>46,272</i>	<i>3,483</i>	<i>0</i>	<i>7,192</i>	<i>114,191</i>
Local Storage	3,713	10,783	26,326	5,137	37,191	2,761	0	5,737	91,649
Replenishment Purchases	1,353	3,700	9,050	1,704	12,778	962	0	1,986	31,533
Tier 2 Purchases	3,548	9,699	23,723	4,467	33,494	2,521	0	5,206	82,658
Actual Production	21,653	11,373	34,071	7,119	18,142	10,695	35,850	21,299	160,203
Watermaster Assessments	\$849	\$401	\$1,258	\$267	\$629	\$411	\$1,353	\$795	\$5,963

Figure 1 compares the benefit received by each agency from reduced water procurement costs to the increase in assessment cost that result from the implementation of the program elements in the Peace I scenario. The assessment costs associated with implementing the program elements considered in the Peace I scenario are represented by an overall increase from \$16.7 million to \$146 million in present value terms. The program benefits in present value terms in the Peace II scenario are reflected in the decrease in water procurement costs from \$2.1 billion under baseline conditions to \$1.8 billion in the Peace I scenario.

In terms of the total benefit, two agencies, City of Ontario and Cucamonga Valley Water District, receive the largest share of the benefits resulting from the Peace I program elements, while the assessment costs are distributed more equally among producers. In total, the City of Ontario and Cucamonga Valley Water District together receive 46 percent of the benefit of decreased water procurement costs and incur 32 percent of the increase in assessment costs. An important reason these agencies receive a large share of the net benefit from the agreements is due to a scale effect in the annual level of residual demand for Basin water, for instance in 2015 these two agencies combined account for 48 percent of residual demand for Basin water (130,700 AF out of 273,430 AF).

Baseline vs. Peace I Benefit-Cost Comparison

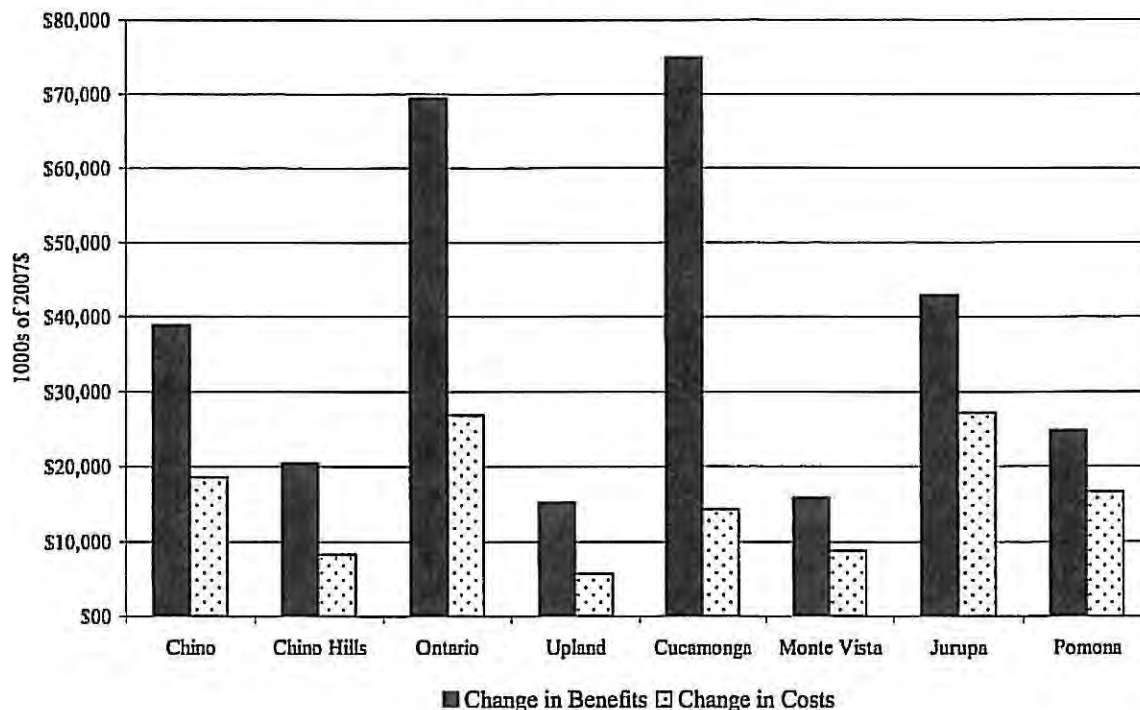


Figure 1

Distribution of Net Benefit, Peace I vs. Baseline (\$/per AF)

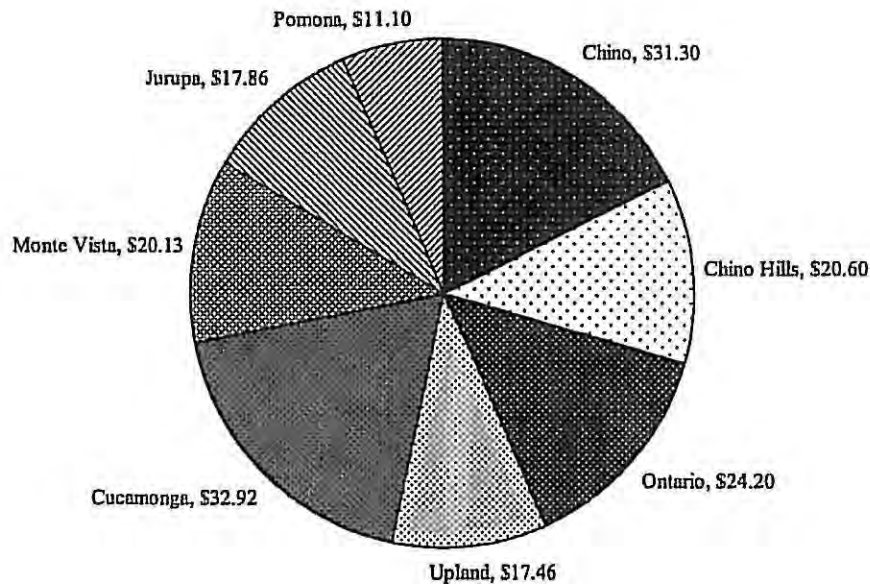


Figure 2

Figure 2 shows the distribution of net benefits per acre-foot of residual water demand across individual agencies in the Basin resulting from the program elements in the Peace I scenario. Fontana Union Water Company and San Antonio Water Company are not included in these calculations, because the available surface water and other groundwater supplies for these agencies exceed their total demand. Controlling for agency scale on the basis of residual demand for Basin water among the remaining producers, the net benefit resulting from the combined program elements in the Peace II Agreement is grouped between \$11.10/AF for the City of Pomona to \$32.92/AF for Cucamonga Valley Water District. Overall, the present value of the net benefit to all parties over the 24 year horizon resulting from a move from baseline conditions to Peace conditions is \$182 million and the total residual demand for water over this period is 6.9 million AF, which implies an average return of \$19.84 per acre-foot to the agencies encompassed by the study.

6. Peace II Scenario

The Peace II scenario introduces several major program elements in the Basin that build on the existing conditions under Peace. The main components of the Peace II scenario that alter market values in the Basin relative to the Peace I scenario are: (i) hydraulic control, which provides 400,000 AF of cumulative forgiveness and SAR inflow of 9,900 AF per year in the Basin; (ii)

the production of recycled water; (iii) a change in the allocation of the replenishment obligation associated with over-production in the agricultural pool transfer; (iv) a transfer of overlying non-agricultural pool water to the appropriative pool; and (v) a transfer of the Pomona credit from Basin agency to Three Valleys. This section describes the changes that occurred through these program elements to alter net benefits received by individual agencies in relation to the earlier discussion of the existing program elements in Peace Agreement.

6.1. Basin Supply

Under the set of programs encompassed by the Peace II Agreement, five factors led to changes in available Basin supply relative to prevailing conditions under Peace: (i) a change in the water allocation resulting from land use conversions; (ii) the influx of recycled water (for direct use and groundwater recharge), (iii) the transfer of 49,178 AF of overlying non-agricultural water to the appropriative pool; (iv) 9,900 AF per year of inflow from the Santa Ana River (SAR), eventually rising to 12,500 AF per year; and (v) 400,000 AF of cumulative forgiveness for Basin over-production. Unlike the program elements implemented in the Peace I scenario, all elements of the Peace II scenario (with the exception of the transfer of the Pomona credit to Three Valleys) fundamentally alter supply conditions on the lowest step of the supply relationship by contributing new sources of Basin yield.

The net agricultural transfer to each agency in the Peace II scenario maintains the return to each converter of 2.0 AF of Basin water for each acre converted and the early transfer of 32,800 AF per year to the appropriative pool, but alters the allocation rule for the replenishment obligation for the amount of over-allocated agricultural pool water. Under Peace II rules, the replenishment obligation for over-allocated agricultural pool water is made on the basis of a weighted average of the share of safe operating yield and share of cumulative land-use conversions for each agency (the “proportion of water available for reallocation (PAR)”) rather than in proportion to each agency’s share of safe operating yield in the Peace I scenario. By placing greater weight on land use conversions, a greater share of the replenishment obligation for over-allocated agricultural pool water is placed on land-use converters. For instance, the combined share of safe operating yield of the two largest land-use converters in the Basin—City of Chino and Jurupa Community Services District—is approximately 10 percent, whereas the combined PAR share of these agencies in Fiscal Year 2006-2007 is 38 percent.³⁰

The use of significant quantities of recycled water is made possible in the Basin by the attainment of hydraulic control.³¹ Recycled water projections for direct use in the Basin increase from 11,924 AF in 2007 to 60,450 AF in 2030 and recycled water use for groundwater recharge rises over the period from 3,443 AF to 35,000 AF.^{32, 33} The recycled water price charged by

³⁰ Watermaster, Fiscal Year 2006-2007 Final Assessment Package, Land Use Conversion Summary (p10): <http://www.cbwm.org/docs/finandocs/Assessment%20Package%20FY%202006-2007%20Final.pdf>.

³¹ Personal correspondence with IEUA staff.

³² Projections on recycled water deliveries for direct use and on total recycled water for groundwater recharge is provided for IEUA members in IEUA Urban Water Management Plan (2005), Table 3-13. The projections on recycled water deliveries for direct use to non-IEUA members as well as the distribution of recycled water deliveries for groundwater recharge across individual agencies are based on personal communication with IEUA staff (July 11, 2007).

³³ In no case does the amount of recycled water used for recharge exceed the DHS-approved dilution rates.

IEUA for recycled water deliveries in each period is viewed as sufficient to recover the fully amortized capital and operating costs of their recycled water operations.³⁴

The amount of transfer of overlying non-agricultural water to the appropriate pool is taken to be 49,178 AF, which is the ending total balance in the pool 2 local storage account in the Watermaster final assessment package for fiscal year 2006-2007.³⁵ This amount of water is allocated proportionally in four equal installments over the four-year period 2007-2010 to agencies in the appropriate pool according to their share of safe operating yield, and the price in each period is set at 92 percent of the prevailing MWD replenishment rate.³⁶

Finally, in meeting the goal of hydraulic control in the Peace II scenario, two sources of water are created: (i) the Santa Ana River (SAR) inflow is calculated to generate 9,900 AF of new Basin yield each year, eventually rising to 12,500 AF per year; and (ii) 400,000 AF of cumulative overdraft is necessary in the Basin over the period 2007-2030.³⁷ Both the 9,900 AF per year of SAR inflow and the allocation of the 400,000 AF of cumulative forgiveness are allocated to meet the replenishment obligation of the desalters. The dynamic path of forgiveness for the desalter obligation follows the most-rapid depletion path defined by the aggregate study, which assumes that the Basin overdraft occurs to whatever extent is necessary to meet the replenishment obligation of the desalters (net of storage losses and SAR inflow). Under the most-rapid depletion path, hydraulic control is achieved on the cumulative overdraft of 400,000 AF from the Basin in the year 2024, which raises the SAR inflow from 9,900 AF to 12,500 AF over the remaining period 2025-2030.

6.2. Import Demand

The demand for imported water for each agency in the Basin is calculated in the same manner as in the Peace scenario. In terms of the resulting values, the influx of new Basin water supply in response to recycled water use alter the resulting evaluation of import demand relative to the prevailing conditions under Peace in two significant ways. First, import demand is now lower each year relative to the outcome under Peace conditions by the amount of new Basin supply. This water ultimately defrays Tier 2 water purchases as the supply side of the model is built upwards and aggregated across each step towards the extensive margin of supply. As these supplies are developed, available supply in the Basin rises to 266,134 AF by the year 2030, an increase of 80,442 AF above the Peace I scenario and 106,678 AF above the baseline conditions.

Second, the amount of water held in local storage by individual agencies decreases to account for the effect of these new, reliable water sources in the Basin and the corresponding reduction in the need to smooth out the cyclical components of water supplies with puts and takes. As recycled water supplies are developed in the Basin, the need for local storage decreases; for instance, the total amount of water held in local storage in the Basin in 2030 decreases from 141,565 AF under baseline conditions, to 129,259 AF in the Peace I scenario, to 80,500 AF in the Peace II scenario.

³⁴ IEUA, Operating and Capital Program Budget, Fiscal Year 2007/08, Volume 1 (July 2007), p231.

³⁵ Watermaster, Fiscal Year 2006-2007 Final Assessment Package, Pool 2 Water/Storage Transactions (p12): <http://www.cbwm.org/docs/financdocs/Assessment%20Package%20FY%202006-2007%20Final.pdf>.

³⁶ Non-Binding Term Sheet, item IX.C.

³⁷ Personal correspondence with staff at Wildermuth Environmental.

The quantity of water transactions in the water transfer market rises significantly as the number of agencies selling water increases with the influx of recycled water supplies. This changes the distribution of net benefits, both directly by the allocation of recycled water supplies based on proximity of users (rather than according to the share of safe operating yield) and indirectly by reducing the number of agencies that procure water on the extensive margin of supply.

6.3. *Water Imports*

An important outcome in the Peace II scenario as a result of hydraulic control is the decrease in Tier 2 water purchases relative to both the baseline and Peace I scenarios. Unlike the case of the Peace I scenario, in which the decline in Tier 2 purchases was largely offset by an increase in assessment costs to support the increase in recharge capacity, the avoided Tier 2 water purchases in the Peace II scenario are associated either with negligible costs (SAR inflow and forgiveness for Basin over-draft) or with the relatively low cost associated with recycled water, which is valued at IEUA recycled water rates. These differences are characterized in the discussion below.

In addition, the level of water imports increases slightly in the Peace II scenario, because of a reduction in the storage loss component allocated to meet the desalter replenishment obligation. In the Peace II scenario, the desalter replenishment obligation is taken to be desalter production less storage losses of 1 percent from the local storage accounts of producers in the Basin.³⁸

6.4. *Water Procurement Costs*

All program costs that form the basis for Watermaster assessments in the Peace I scenario (as described above) are considered in the Peace II scenario, with the exception of the Pomona credit, which is no longer paid by appropriators in the Basin and is instead paid by Three Valleys Municipal Water District.³⁹ The removal of this fee from Watermaster assessments leads to an increase in net benefit to agencies in the Basin by \$66,667, and this is returned to agencies in proportion to each agency's share of safe operating yield. The increase in net benefit is offset by a proportional increase in cost for Three Valleys Municipal Water District, and the present value of this stream of payments over the period 2007-2030 at the prevailing rate of discount (4.5 percent) is \$1.0 million.

Recycled water costs are allocated to each agency using the recycled water prices provided by IEUA, as discussed above. The desalter replenishment obligation, which begins in the year 2024 after the 400,000 AF of over-draft credits are exhausted, is met in the Peace II scenario through Watermaster replenishment assessments as follows. Half of the desalter replenishment obligation is met by individual agencies according to pro rata shares of safe operating yield, as in the Peace I scenario, and the remaining half of the desalter replenishment obligation is met according to each agency's share of actual production relative to total production in the Basin.⁴⁰ This latter portion of the Watermaster replenishment assessments accords with the method of allocating Watermaster general assessments to the appropriate pool in all three scenarios considered. The

³⁸ Non-Binding Term Sheet, Item VI.B.1.

³⁹ Non-Binding Term Sheet, item VII.A.

⁴⁰ Personal correspondence with Watermaster staff (August 29, 2007).

method for calculating the remaining water procurement costs for each agency is identical to the method described above for the Peace I scenario.

6.5. Comparison of Baseline, Peace I, and Peace II Outcomes

Relative to baseline conditions, the present value of total net benefit among the ten agencies encompassed by the study for the program elements contained in the Peace II scenario is \$904.6 million, which represents an additional net benefits of \$722.5 million relative to the outcome of the Peace I scenario.

The main factor associated with this increased net benefit is the displacement of Tier 2 water with recycled water, SAR in-flow, and, in the period 2007-2024, with forgiveness for 400,000 AF of Basin over-draft to attain hydraulic control. Under peace I conditions, the present value of total Tier 2 water purchases over the period 2007-2030 is \$931 million, whereas, in the Peace II scenario, the present value of Tier 2 water purchases over the period is \$271 million. This decrease in Tier 2 water costs in the Peace II scenario was replaced with a combination of 400,000 AF of forgiveness for Basin over-draft and recycled water at the lower IEUA recycled water rate.⁴¹ The combined present value of cost of imported water and recycled water inputs in the Peace II scenario is \$1.0 billion, which represents a substantial reduction in the present value of water procurement cost from \$1.75 billion in the Peace I scenario.

Table 3 depicts the projected outcomes to individual agencies in the Peace II scenario for the year 2015. A comparison of these outcomes with those that emerge in the baseline scenario in Table 1 and the Peace I scenario in Table 2 provides a useful profile of the essential differences in Basin performance under Peace II conditions. Residual demand, which corresponds to the value Q* in Figure 1, is identical in all three scenarios, as is the safe operating yield of the agencies and desalter production. The net agricultural pool transfer to the appropriative pool (48,530 AF) is between the values that emerge in the Peace I scenario (48,848 AF) and the baseline scenario (48,268 AF). Relative to the outcome under Peace I conditions, the new rules for assessing replenishment obligations for the over-allocated agricultural pool water redistribute the net returns away from the major land-use converters in the Basin (in particular, the City of Chino and Jurupa Community Services District).

Available Basin supply in the Peace II scenario in the year 2015 (208,199 AF) is considerably higher than the available Basin supply in the baseline scenario (123,554 AF) and Peace I scenario (148,346 AF), which leads to a commensurate reduction in imported water demand. Virtually the entire difference in imported water demand between the Peace I scenario and the Peace II scenario is the result of the 60,171 AF addition of recycled water (direct use plus groundwater replenishment).

The level of local storage in the Peace II scenario in, 53,293 AF, is lower than local storage levels in the baseline (107,054 AF) and Peace I scenarios (91,649 AF) due to the large influx of

⁴¹ The allocation of the 400,000 AF of forgiveness to meet the replenishment obligations of the desalters is implicitly valued at the Tier 2 rate, because each unit of forgiveness that is credited against the desalter replenishment obligation, which is valued directly in the model at the replenishment rate, "frees up" a unit of recharge capacity that allows a unit of Tier 2 water to be displaced on the extensive margin of supply.

reliable Basin water through the development of the recycling program and the acquisition of SAR inflow. This greater availability of Basin water supply also facilitates a richer pattern of water transfers in the Peace II scenario.

In total, Tier 2 water purchases in the year 2015 are 10,186 AF, which represents a substantial reduction from the 137,089 AF of Tier 2 water purchases that take place under baseline conditions (inclusive of the purchases required by in lieu recharge) and the 82,658 AF under Peace I conditions. Replenishment water purchases increase in the Peace II scenario from 31,533 AF in the Peace I scenario to 41,800 AF in the Peace II scenario. The increase in replenishment imports reflects the replacement of 35,267 AF of replenishment obligations in the Peace I scenario with SAR inflow and desalter forgiveness in the year 2015, less the 20,671 AF claim on recharge facilities associated with the groundwater recharge component of the recycled water program in the Peace II scenario. The decrease in Tier 2 water imports of 72,430 AF between the Peace I and Peace II scenario is the result of the displacement of Tier 2 water purchases with a combination of recycled water, SAR in-flow, and allowed over-draft.

Actual production among these eight agencies in the year 2015 (182,170 AF) is higher in the Peace II scenario than in the Peace I scenario (160,203 AF) and the baseline scenario (121,138 AF). This increment in Basin production relative to the Peace I scenario represents the increase in Basin supply resulting from the use of recycled water for groundwater recharge as well as small adjustments in storage loss and net storage requirements.⁴²

Finally, notice in the comparison of Tier 2 purchases by individual agencies in Tables 1-3 that the distribution of Tier 2 water purchases across individual agencies in the Basin differs in all three scenarios relative to the distributions of safe operating yield and the distribution of actual production. These elements together comprise the basis for the allocation of collective Basin net benefits to individual agencies, with the division of market benefits from Basin improvement activities determined by each agency's share of Tier 2 water purchases, and the allocation of cost determined through Watermaster formulas that are based either on a individual agency's share of actual production to total Basin production or on a individual agency's share of safe operating yield. Differences in the distributions of these three key values across individual agencies in the Basin are responsible for inequalities in the distribution the net benefit from the various program elements that improve the management of Chino Basin water resources.

⁴² Recycled water for direct use offsets urban water demand, but does not otherwise influence Basin production.

Table 3: Year 2015 Outcome Under Peace II Scenario

Component	Appropriator								Total
	Chino	Chino Hills	Ontario	Upland	Cucamonga	Monte Vista	Jurupa	Pomona	
Urban Water Demand	26,200	24,700	66,600	22,500	72,500	14,100	36,350	30,264	293,214
Available Surface Water	0	0	0	5,200	3,000	0	500	0	8,700
Available Other Groundwater	0	0	0	3,800	5,400	0	0	1,884	11,084
<i>Residual Demand</i>	<i>26,200</i>	<i>24,700</i>	<i>66,600</i>	<i>13,500</i>	<i>64,100</i>	<i>14,100</i>	<i>35,850</i>	<i>28,380</i>	<i>273,430</i>
Safe Operating Yield	4,034	2,111	11,374	2,852	3,619	4,824	2,061	11,216	42,092
New Yield	883	462	2,489	624	792	2,455	451	2,489	10,645
Net Ag Transfer	10,103	2,176	7,559	1,581	2,560	2,739	15,599	6,215	48,530
Desalter Water Supply	5,000	4,200	5,000	0	0	0	19,922	0	34,122
Storage & Recovery	527	658	3,671	1,364	5,160	1,801	909	909	15,000
Recycled Water, Direct Use	6,300	4,000	8,800	0	15,900	500	2,500	1,500	39,500
Recycled Water, Replenishment	2,402	2,188	5,590	2,450	5,304	1,070	1,667	0	20,671
<i>Available Supply</i>	<i>29,248</i>	<i>15,796</i>	<i>44,482</i>	<i>8,871</i>	<i>33,336</i>	<i>11,990</i>	<i>42,181</i>	<i>22,294</i>	<i>208,199</i>
Net Storage	0	69	527	-153	5	94	0	217	759
Transfers	-3,048	2,784	7,026	1,389	9,546	684	-6,331	1,955	14,004
<i>Import Demand</i>	<i>0</i>	<i>6,190</i>	<i>15,619</i>	<i>3,087</i>	<i>21,223</i>	<i>1,520</i>	<i>0</i>	<i>4,347</i>	<i>51,986</i>
Local Storage	0	6,360	15,798	3,306	21,974	1,507	0	4,347	53,293
Replenishment Purchases	0	4,977	12,559	2,482	17,064	1,222	0	3,495	41,800
Tier 2 Purchases	0	1,213	3,060	605	4,158	298	0	852	10,186
Actual Production	19,900	14,516	42,550	10,227	26,762	12,159	33,350	22,706	182,170
Watermaster Assessments	\$707	\$447	\$1,368	\$327	\$804	\$411	\$1,129	\$753	\$5,946

Figure 3 compares the benefit received by each agency from reduced water procurement costs to the increase in assessment cost that result from the implementation of the program elements in the Peace II scenario. The program costs in the Peace II scenario do not differ substantively from program costs in the Peace I scenario, and represent an overall increase from \$17 million to \$143.2 million in present value terms. The program benefits in present value terms in the Peace II scenario are reflected in the decrease in water procurement costs from \$2.1 billion under baseline conditions to \$1.1 billion in the Peace II scenario.

City of Ontario and Cucamonga Valley Water District receive the largest share of the benefits resulting from the Peace II program elements, while the assessment costs resulting from the Peace II program elements are notably smaller and distributed more equally across the agencies. In total, the City of Ontario and Cucamonga Valley Water District together receive 56 percent of the benefit of decreased water procurement costs and incur 39 percent of the increase in assessment costs.

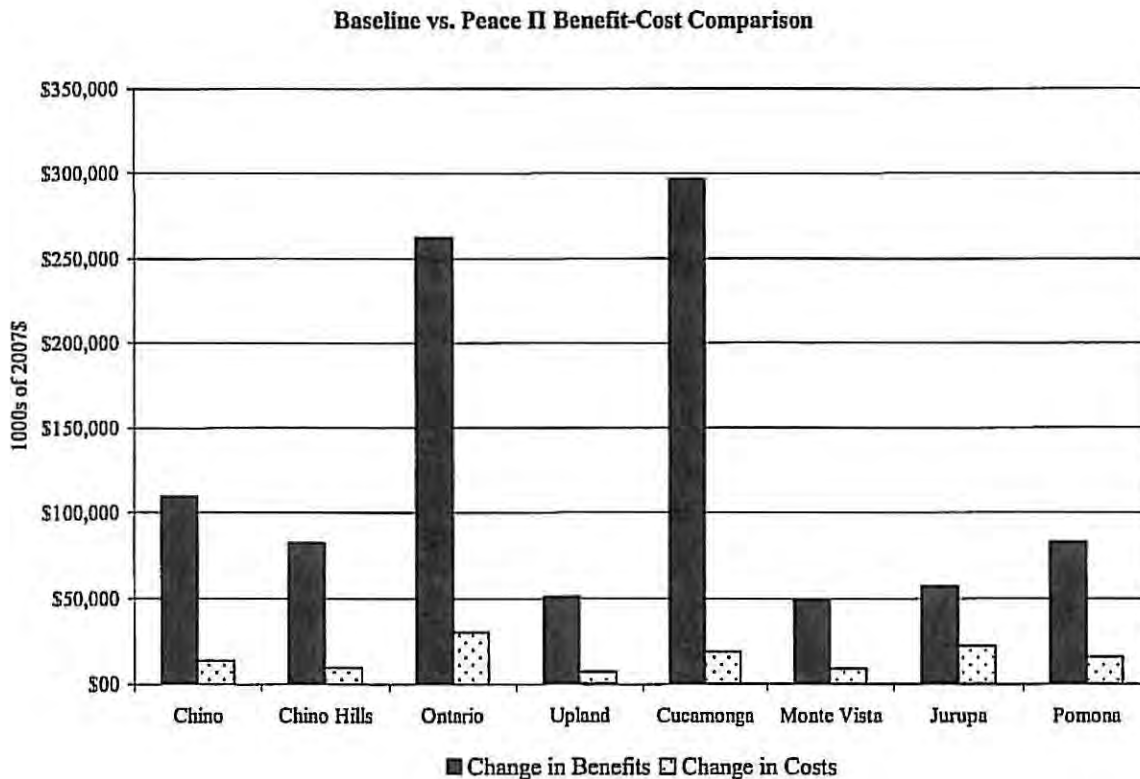


Figure 3

Distribution of Net Benefit, Peace II vs. Baseline (\$/per AF)

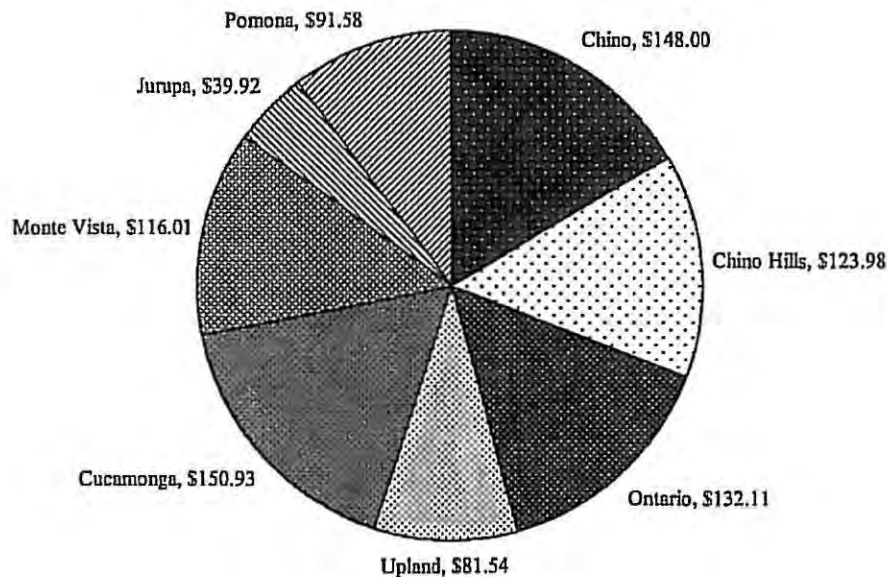


Figure 4

Figure 4 depicts the distribution of net benefits per acre-foot of residual water demand across individual agencies in the Basin resulting from the program elements in the Peace II scenario. Overall, the present value of the net benefit to all parties over the 24 year horizon resulting from a move from baseline conditions to Peace conditions is \$905 million and the total projected water demand over this period is 9.1 million AF, which implies an average return of \$98.53 per acre-foot to the agencies encompassed by the study.

Noting, as before, that Fontana Union Water Company and San Antonio Water Company have available surface water and other groundwater supplies in excess of their demand, and controlling for agency scale on the basis of residual demand for Basin water among the remaining producers, the net benefit resulting from the combined program elements in the Peace II Agreement lies between \$39.92/AF for Jurupa CSD to \$150.93 for Cucamonga Valley Water District.

The net benefit/AF received by Jurupa Community Services District is significantly smaller than the net benefit/AF received by other producers, because of systematic differences in the way this agency meets consumer water demand. Jurupa Community Services District is disadvantaged in the ability to capitalize on program elements that improve Basin performance by the large share of desalter water for urban water supply it receives, which cannot be defrayed by the development of new Basin supplies, and by a negligible reliance on imported water from MWD.

Among the remaining agencies, the Cities of Pomona and Upland receive a smaller share of the net benefit/AF, while Monte Vista Water District, the Cities of Chino, Ontario, Upland, and Chino Hills, and Cucamonga Valley Water District each receive a net benefit/AF above \$116/AF.

7. Alternative Scenarios

This section examines the sensitivity of the results to variations in various assumptions underlying the model. In theory, each of the factors considered here has the potential to change the relative rankings among agencies with respect to benefits per acre-foot. For example, increasing the cost of capital will tend to elevate the ranking of agencies that receive benefits in early years. These sensitivity analyses are intended to bracket actual results and measure the sensitivity of outcomes to changes in assumptions.

Five parameters are varied and the model results are recalculated in each case. The alternative scenarios considered are: (i) variation in the share of the desalter replenishment obligation attributed to the appropriate pool in the baseline case; (ii) variation in the discount rate; (iii) variation in Urban Water Demands; (iv) variation in the availability of Tier 1 water to agencies in the Basin; and (v) increases in effective recycled water prices due to the long-run average cost of recycled water infrastructure improvements.

The model results are most sensitive to the scenario in which all Tier 2 water purchases in the model are replaced with Tier 1 water purchases at the lower MWD rate. The results of this scenario are shown in Table 4. This scenario provides a bracketing assumption on the value of the outside water options available to agencies and it is unlikely that each agency can meet annual increases in urban water demand every year with a continued expansion of Tier 1 purchases. To the extent that individual agencies differ in their access to Tier 1 water, moreover, market forces would lead to a displacement of Tier 2 water purchases on the extensive margin of supply before any displacement occurs of Tier 1 water purchases, so that a model that considered a relatively equal mix of Tier 1 and Tier 2 water supplies would not result in values near the midpoint between the Tier 1 scenario and the Tier 2 scenario. Nonetheless, the total net benefit in the Basin under Peace II scenario remains high—\$611.7 million (\$88.89/AF)—even when the entire increase in Basin supply is valued at the displacement cost of Tier 1 water.

The model results are fairly robust to variations in the remaining parameters. In total, the net benefit of the Peace II program elements varies across the scenarios in a range between \$806.7 million - \$864.4 million (\$87.87/AF - \$104.22/AF) in each scenario, relative to the \$904.6 million (\$98.53/AF) at baseline levels of the parameters.

Table 4: Tier 2 Replaced By Tier 1

	Net Benefit (1000s of \$)		Net Benefit/AF	
	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>
City of Chino	\$8,549	\$77,828	\$13.18	\$120.03
City of Chino Hills	\$18	\$46,218	\$0.03	\$77.92
City of Ontario	\$1,451	\$148,970	\$0.83	\$84.73
City of Upland	\$328	\$27,599	\$0.61	\$51.04
Cucamonga Valley Water District	\$14,025	\$175,240	\$7.61	\$95.10
Fontana Union Water Co.	\$1,451	\$26,880		
Monte Vista Water District	(\$2,090)	\$27,005	(\$5.99)	\$77.39
San Antonio Water Company	\$342	\$6,337		
Jurupa CSD	\$10,611	\$29,242	\$12.01	\$33.11
City of Pomona	(\$5,720)	\$46,453	(\$7.76)	\$62.99
Total	\$28,965	\$611,773	\$3.15	\$66.63

Table 5: 50% of Desalter Obligation Paid by Ag Pool

	Net Benefit (1000s of \$)		Net Benefit/AF	
	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>
City of Chino	\$15,450	\$91,122	\$23.83	\$140.53
City of Chino Hills	\$9,681	\$71,001	\$16.32	\$119.70
City of Ontario	\$28,888	\$218,613	\$16.43	\$124.34
City of Upland	\$6,017	\$40,661	\$11.13	\$75.20
Cucamonga Valley Water District	\$56,320	\$273,782	\$30.56	\$148.57
Fontana Union Water Co.	(\$2,836)	\$22,592		
Monte Vista Water District	\$1,232	\$34,687	\$3.53	\$99.41
San Antonio Water Company	(\$669)	\$5,326		
Jurupa CSD	\$13,297	\$32,779	\$15.06	\$37.11
City of Pomona	(\$5,280)	\$54,068	(\$7.16)	\$73.31
Total	\$122,101	\$844,632	\$13.30	\$91.99

Table 6: 5.5% Discount Rate

	Net Benefit (1000s of \$)		Net Benefit/AF	
	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>
City of Chino	\$17,681	\$84,906	\$27.27	\$130.95
City of Chino Hills	\$11,108	\$65,916	\$18.73	\$111.13
City of Ontario	\$38,234	\$207,227	\$21.75	\$117.86
City of Upland	\$8,595	\$39,560	\$15.90	\$73.16
Cucamonga Valley Water District	\$54,862	\$247,990	\$29.77	\$134.57
Fontana Union Water Co.	\$4,231	\$26,907		
Monte Vista Water District	\$6,265	\$36,087	\$17.95	\$103.42
San Antonio Water Company	\$997	\$6,343		
Jurupa CSD	\$13,877	\$31,426	\$15.71	\$35.58
City of Pomona	\$7,315	\$60,400	\$9.92	\$81.90
Total	\$163,165	\$806,761	\$17.77	\$87.87

Table 7: 10% Conservation

	Net Benefit (1000s of \$)		Net Benefit/AF	
	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>
City of Chino	\$18,131	\$88,819	\$31.07	\$152.20
City of Chino Hills	\$13,070	\$70,172	\$24.48	\$131.45
City of Ontario	\$44,196	\$223,937	\$27.93	\$141.52
City of Upland	\$8,602	\$39,805	\$17.68	\$81.80
Cucamonga Valley Water District	\$64,718	\$268,848	\$39.02	\$162.10
Fontana Union Water Co.	\$4,989	\$30,656		
Monte Vista Water District	\$6,205	\$37,920	\$19.76	\$120.75
San Antonio Water Company	\$1,176	\$7,227		
Jurupa CSD	\$15,189	\$33,707	\$19.11	\$42.40
City of Pomona	\$6,788	\$63,259	\$10.23	\$95.30
Total	\$183,064	\$864,350	\$22.07	\$104.22

Table 8: 50% Increase in Recycled Water Price

	Net Benefit (1000s of \$)		Net Benefit/AF	
	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>	<i>Peace I vs. Baseline</i>	<i>Peace II vs. Baseline</i>
City of Chino	\$20,294	\$88,913	\$31.30	\$137.13
City of Chino Hills	\$12,217	\$69,270	\$20.60	\$116.78
City of Ontario	\$42,547	\$220,779	\$24.20	\$125.57
City of Upland	\$9,442	\$42,215	\$17.46	\$78.07
Cucamonga Valley Water District	\$60,667	\$262,234	\$32.92	\$142.30
Fontana Union Water Co.	\$4,839	\$30,268		
Monte Vista Water District	\$7,025	\$39,277	\$20.13	\$112.56
San Antonio Water Company	\$1,141	\$7,136		
Jurupa CSD	\$15,772	\$31,962	\$17.86	\$36.19
City of Pomona	\$8,189	\$66,517	\$11.10	\$90.19
Total	\$182,133	\$858,571	\$19.84	\$93.51

Attachment D

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Attachment "D"

2007 SUPPLEMENT
TO THE
IMPLEMENTATION PLAN
OPTIMUM BASIN MANAGEMENT PROGRAM
FOR THE
CHINO BASIN

INTRODUCTION

This document describes the supplement to the implementation plan for the Chino Basin Optimum Basin Management Program (OBMP), as determined through the 2007 "Peace II" process.

PROGRAM ELEMENT 1 DEVELOP AND IMPLEMENT
COMPREHENSIVE MONITORING PROGRAM

A. Production Monitoring Program

All active wells (except for minimum user wells) are now metered. Watermaster reads the production data from the meters on a quarterly basis and enters these data into Watermaster's relational database.

B. Surface Water Discharge and Quality Monitoring

Water Quality and Quantity in Recharge Basins. Watermaster measures the quantity and quality of storm and supplemental water entering the recharge basins. Pressure transducers or staff gauges are used to measure water levels during recharge operations. In addition to these quantity measurements, imported water quality values for State Water Project water are obtained from the Metropolitan Water District of Southern California (MWDSC) and recycled water quality values for the RP1 and RP4 treatment plant effluents are obtained from IEUA. Watermaster monitors the storm water quality in the eight major channels (San Antonio, West Cucamonga, Cucamonga, Deer Creek, Day Creek, San Sevaine, West Fontana, and DeClez) usually after each major storm event. Combining the measured flow data with the respective water qualities enables the

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calculation of the blended water quality in each recharge basin, the “new yield” to the Chino Basin, and the adequate dilution of recycled water.

Surface Water Monitoring in Santa Ana River (SAR). Watermaster measures the discharge of the river and selected water quality parameters to determine those reaches of the SAR that are gaining flow from Chino Basin and/or, conversely, those reaches that are losing flow into the Chino Basin. These bi-weekly flow and water quality measurements are combined with discharge data from permanent USGS and Orange County Water District (OCWD) stream gauges and discharge data from publicly owned treatment works (POTWs). These data are used in groundwater modeling to assess the extent of hydraulic control.

HCMP Annual Report

In January 2004, the RWQCB amended the Water Quality Control Plan (Basin Plan) for the Santa Ana River Basin to incorporate an updated total dissolved solids (TDS) and nitrogen (N) management plan. The Basin Plan Amendment includes both “antidegradation” and “maximum benefit” objectives for TDS and nitrate-nitrogen for the Chino and Cucamonga groundwater management zones. The application of the “maximum benefit” objectives relies on Watermaster and the IEUA’s implementation of a specific program of projects and requirements, which are an integral part of the OBMP. On April 15, 2005, the RWQCB adopted resolution R8-2005-0064; thus approving the Surface Water Monitoring Program and Groundwater Monitoring Program in support of maximum benefit commitments in the Chino and Cucamonga Basins. Watermaster and the IEUA completed the 2006 Annual Report, which summarizes the results for those two programs, and submitted it to the RWQCB on April 16, 2007 in partial fulfillment of maximum benefit commitments.

Chino Basin Recycled Water Groundwater Recharge Program

The IEUA, Watermaster, Chino Basin Water Conservation District, and San Bernardino County Flood Control District jointly sponsor the Chino Basin Recycled Water Groundwater Recharge Program. This is a comprehensive water supply program to enhance water supply reliability and improve the groundwater quality in local drinking water wells throughout the Chino Groundwater Basin by increasing the recharge of stormwater, imported water, and recycled water. The recharge program is regulated under RWQCB Order No. R8-2005-0033 and Monitoring and Reporting Program No. R8-2005-0033.

Monitoring Activities. Watermaster and the IEUA collect weekly and bi-weekly water quality samples from basins that are actively recharging recycled water and from lysimeters installed within those basins. Monitoring wells located down gradient of the recharge basins are sampled every two weeks during the reporting period for a total of about 100 samples.

Construction Activities. Lysimeters and monitoring wells associated with the RP-3, DeClez, and Ely Basins were installed in fiscal year (FY) 2006/07.

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C. Ground Level Monitoring Program

Watermaster developed a multifaceted land surface monitoring program to develop data for a long-term management plan for land subsidence in Management Zone 1 (MZ-1). The monitoring program consisted of three main elements:

- An aquifer system monitoring facility consisting of multiple depth piezometers and a dual bore extensometer.
- The application of synthetic aperture radar interferometry (InSAR) to measure historical land surface deformation.
- Benchmark surveys to measure land surface deformation, "ground truth" the InSAR data, and evaluate effectiveness of the long term management plan.

Following two years of data collection and analysis, Watermaster submitted the MZ-1 Summary Report in October 2005, which contained Guidance Criteria to minimize subsidence and fissuring. The Guidance Criteria included a listing of Managed Wells and their owners subject to the criteria, a map of the so-called Managed Area, an initial threshold water level (Guidance Level) of 245 feet below the top of the PA-7 well casing, and a plan for ongoing monitoring and notification. Since October 2005, the MZ-1 Summary Report and the Guidance Criteria contained therein have been discussed extensively by the parties involved, and were adopted by the Watermaster Board at its May 2006 Meeting. The final MZ-1 Subsidence Management Plan was adopted by the Watermaster Board at its June 2007 Meeting, was subsequently revised, and was submitted to the Court for approval at a hearing on November 15, 2007.

The MZ-1 monitoring program continues unabated. Water level monitoring expanded to the central regions of MZ-1 with the installation of transducers/data loggers at selected wells owned by the City of Chino, the Monte Vista Water District, and the City of Pomona. This expansion of the water level monitoring program is the initial effort to better understand the mechanisms behind ongoing land subsidence in this region.

PROGRAM ELEMENT 2 – DEVELOP AND IMPLEMENT COMPREHENSIVE RECHARGE PROGRAM

INTRODUCTION

Construction on the Chino Basin Facilities Improvement Project (CBFIP) Phase I was completed by December 31, 2005 at a cost of \$38M; 50% from a SWRCB Proposition 13 Grant, and 25% each from Watermaster and the IEUA. A CBFIP Phase II list of projects was developed by Watermaster and the IEUA, including monitoring wells, lysimeters, recycled water connections, SCADA system expansions, three MWDSC turnouts, and berm heightening and hardening. At a cost of approximately \$15M, these Phase II facilities will be financed through a 50% Grant from DWR and 25% each from Watermaster and the IEUA.

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In FY 2005-2006, the CBFIP Phase I facilities were able to recharge 49,000 AF of storm and supplemental water. By the start of FY 2009-2010, most of the basins will be able to operate on a 12 months per year basis with combinations of storm, imported, and recycled water, with occasional downtime for silt and organic growth removal. Operations and basin planning are coordinated through the Groundwater Recharge Coordinating Committee (GRCC) which meets monthly.

Update to the Recharge Master Plan. The Recharge Master Plan will be updated as frequently as necessary and not less than every five (5) years, to reflect an appropriate schedule for planning, design, and physical improvements as may be required to offset the controlled mining at the end of the Peace Agreement and the end of forgiveness for Desalter replenishment.

Coordination. Watermaster will ensure that the members of the Appropriative Pool will coordinate the development of their respective Urban Water Management Plans and Water Supply Master Plans with Watermaster as follows.

- (a) Watermaster will obtain from each Appropriator that prepares an Urban Water Management Plan and Water Supply Plan copies of their existing and proposed plans.
- (b) Watermaster will use the Plans in evaluating the adequacy of the Recharge Master Plan and other OBMP Implementation Plan program elements.
- (c) Each Appropriator will provide Watermaster with a draft in advance of adopting any proposed changes to their Urban Water Management Plans and in advance of adopting any material changes to their Water Supply Master Plans respectively in accordance with the customary notification routinely provided to other third parties to offer Watermaster a reasonable opportunity to provide informal input and informal comment on the proposed changes.
- (d) Any party that experiences the loss or the imminent threatened loss of a material water supply source will provide reasonable notice to Watermaster of the condition and the expected impact, if any, on the projected groundwater use.

Suspension. To ameliorate any long-term risks attributable to reliance upon un-replenished groundwater production by the Desalters, the annual availability of any portion of the 400,000 acre-feet set aside for forgiveness, is expressly subject to Watermaster making an annual finding it is in substantial compliance with the revised Watermaster Recharge Master Plan pursuant to Paragraph 7.3 above.

Acknowledgment re 6,500 Acre-Foot Supplemental Recharge. The Parties have made the following acknowledgments regarding the 6,500 Acre-Foot Supplemental Recharge:

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- (a) A fundamental premise of the Physical Solution is that all water users dependent upon Chino Basin will be allowed to pump sufficient waters from the Basin to meet their requirements. To promote the goal of equal access to groundwater within all areas and sub-areas of the Chino Basin, Watermaster has committed to use its best efforts to direct recharge relative to production in each area and sub-area of the Basin and to achieve long-term balance between total recharge and discharge. The Parties acknowledge that to assist Watermaster in providing for recharge, the Peace Agreement sets forth a requirement for Appropriative Pool purchase of 6,500 acre-feet per year of Supplemental Water for recharge in Management Zone 1 (MZ1). The purchases have been credited as an addition to Appropriative Pool storage accounts. The water recharged under this program has not been accounted for as Replenishment water.
- (b) Watermaster was required to evaluate the continuance of this requirement in 2005 by taking into account provisions of the Judgment, Peace Agreement and OBMP, among all other relevant factors. It has been determined that other obligations in the Judgment and Peace Agreement, including the requirement of hydrologic balance and projected replenishment obligations, will provide for sufficient wet-water recharge to make the separate commitment of Appropriative Pool purchase of 6,500 acre-feet unnecessary. Therefore, because the recharge target as described in the Peace Agreement has been achieved, further purchases under the program will cease and Watermaster will proceed with operations in accordance with the provisions of paragraphs (c), (d) and (e) below.
- (c) The parties acknowledge that, regardless of Replenishment obligations, Watermaster will independently determine whether to require wet-water recharge within MZ1 to maintain hydrologic balance and to provide equal access to groundwater in accordance with the provisions of this Section 8.4 and in a manner consistent with the Peace Agreement, OBMP and the Long Term Plan for Subsidence. Watermaster will conduct its recharge in a manner to provide hydrologic balance within, and will emphasize recharge in MZ1. Accordingly, the Parties acknowledge and agree that each year Watermaster shall continue to be guided in the exercise of its discretion concerning recharge by the principles of hydrologic balance.
- (d) Consistent with its overall obligations to manage the Chino Basin to ensure hydrologic balance within each management zone, for the duration of the Peace Agreement (until June of 2030), Watermaster will ensure that a minimum of 6,500 acre-feet of wet water recharge occurs within MZ1 on an annual basis. However, to the extent that water is unavailable for recharge or there is no replenishment obligation in any year, the obligation to recharge 6,500 acre-feet will accrue and be satisfied in subsequent years.

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- (1) Watermaster will implement this measure in a coordinated manner so as to facilitate compliance with other agreements among the parties, including but not limited to the Dry-Year Yield Agreements.
 - (2) In preparation of the Recharge Master Plan, Watermaster will consider whether existing groundwater production facilities owned or controlled by producers within MZ1 may be used in connection with an aquifer storage and recovery ("ASR") project so as to further enhance recharge in specific locations and to otherwise meet the objectives of the Recharge Master Plan.
- (e) Five years from the effective date of the Peace II Measures, Watermaster will cause an evaluation of the minimum recharge quantity for MZ1. After consideration of the information developed in accordance with the studies conducted pursuant to paragraph 3 below, the observed experiences in complying with the Dry Year Yield Agreements as well as any other pertinent information, Watermaster may increase the minimum requirement for MZ1 to quantities greater than 6,500 acre-feet per year. In no circumstance will the commitment to recharge 6,500 acre-feet be reduced for the duration of the Peace Agreement.

Hydraulic Control. In accordance with the purpose and objective of the Physical Solution to "establish a legal and practical means for making the maximum reasonable beneficial use of the waters of the Chino Basin" (paragraph 39) and the identified Basin Management Parameters, Watermaster will manage the Basin to secure Hydraulic Control through controlled overdraft for a period of approximately 23 (twenty-three) years (Re-Operation). Hydraulic Control ensures that the water management activities in the Chino North Management Zone do not cause materially adverse impacts to the beneficial uses of the Santa Ana River downstream of Prado Dam. "Hydraulic Control" means the reduction of groundwater discharge from the Chino North Management Zone to the Santa Ana River to de minimus quantities. The Chino North Management Zone is more fully described and set forth in Exhibit 1 to this Appendix I.

Re-Operation. Independent of Watermaster determinations regarding Operating Safe Yield and without effect on or regard for the parties' respective rights thereto in any year, Re-Operation of the Basin through the managed withdrawal of groundwater from the Basin is required to achieve and maintain Hydraulic Control. Given the expected water quality, increased yield and economic benefits associated with Hydraulic Control, a Re-Operation through coordinated and controlled overdraft is a prudent and efficient use of the Basin resources *to the extent* groundwater is required to achieve and maintain Hydraulic Control. "Re-operation" means the potential increase in the accumulated overdraft from 200,000 acre-feet previously authorized under Exhibit I over the period 1978 through 2017 to 600,000 acre-feet through 2030, with the 400,000 acre-feet increase being expressly allocated to meet the replenishment obligation of the Desalters. Accordingly, a cumulative change in storage of up to 400,000 acre-feet greater than initially authorized by the original Judgment may result. However, the use of

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water pumped pursuant to Re-operation is subject to the following limitations:

(a) Future Desalter Groundwater Production Facilities. Future Desalter groundwater production facilities will emphasize Production from the southern end of the Basin.

(b) The Material Physical Injury. Controlled overdraft must not cause material physical injury to any Party or the Basin.

(c) Proposed Schedule. An initial schedule for Re-Operation, including annual and cumulative quantities to be pumped through Re-Operation will be developed. Watermaster may modify the proposed schedule from time to time as it may be prudent under the circumstances, but only after first obtaining Court approval.

(d) Annual Accounting. Watermaster will prepare an annual summary accounting of the cumulative total of groundwater production and desalting from all authorized desalters and other activities authorized by the Optimum Basin Management Program in a schedule that: (i) identifies the total change in groundwater storage that will result from the Re-Operation; and (ii) characterizes and accounts for all water that is projected to be produced by all authorized desalters.

(e) Recharge and Replenishment Compliance. Watermaster must be in substantial compliance with its then existing recharge and replenishment plans and obligations, and will make an annual finding whether or not it is in compliance.

(f) Replenishment. Groundwater produced by Desalters in connection with Re-Operation to achieve Hydraulic Control will be replenished through, inter alia, the water made available through controlled overdraft.

(g) Suspension. Re-Operation and Watermaster's apportionment of controlled overdraft will not be suspended in the event that Hydraulic Control is secured in any year *before* the full 400,000 acre-feet has been produced so long as: (i) Watermaster has prepared, adopted and the Court has approved a contingency plan that establishes conditions and protective measures to avoid Material Physical Injury and that equitably addresses this contingency, and (ii) Watermaster continues to demonstrate a credible material progress toward obtaining sufficient capacity to recharge sufficient quantities of water to cause the Basin to return to a new equilibrium at the conclusion of the Re-Operation.

(h) Definition of Desalters. "Desalters" means the Chino I Desalter, the Chino I Expansion, the Chino II Desalter and Future Desalters, consisting of all the capital facilities' and processes that remove salt from the Basin water, including extraction wells, transmission facilities for delivery of groundwater to the Desalter. Desalter treatment and delivery facilities for the desalted water include pumping and storage facilities and treatment and

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disposal capacity in the Santa Ana Regional Interceptor.

**PROGRAM ELEMENT 3 DEVELOP AND IMPLEMENT WATER SUPPLY
PLAN FOR THE IMPAIRED AREAS OF THE BASIN, PROGRAM
ELEMENT 5 DEVELOP AND IMPLEMENT REGIONAL
SUPPLEMENTAL WATER PROGRAM**

Construction on the Chino I Desalter Expansion and the Chino II Desalter facilities was completed in February 2006 and an application has been made for \$1.6 M in Proposition 50 funds to add 8 MGD of ion exchange capacity to the Chino II Desalter. As currently configured, the Chino I Desalter provides 2.6 MGD of treated (air stripping for VOC removal) water from Wells Nos. 1-4, 4.9 MGD of treated (ion exchange for nitrate removal) water from Wells Nos. 5-15, and 6.7 MGD of treated (reverse osmosis for nitrate and TDS removal) water from Wells Nos. 5-15 for a total of 14.2 MGD (16,000 AFY). The Chino II Desalter provides 4.0 MGD of ion exchange treated water and 6.0 MGD of reverse osmosis treated water from 8 additional wells for a total of 10.0 MGD (11,000 AFY).

Consultants to the City of Ontario and Western Municipal Water District recently completed their evaluation of three alternative configurations for expansion of the Chino Desalters. Their results are presented in the report "Chino Desalter Phase 3 Alternatives Evaluation," dated May 2007. Essentially, they found that the preferred alternative would be to construct a 10.5 mgd (10,600 AFY) expansion to the existing Chino II Desalter, with raw water coming from the existing Wells Nos. 13, 14, and 15. A new Chino Creek Well Field, required for hydraulic control of the basin, would replace the raw water lost from the Wells Nos. 13, 14, and 15. Negotiations are currently underway between the City of Ontario, WMWD, and JCSD to determine capacity allocations and cost sharing for the new facilities.

**PROGRAM ELEMENT 4 DEVELOP AND IMPLEMENT COMPREHENSIVE
GROUNDWATER MANAGEMENT PLAN FOR MANAGEMENT ZONE 1 (MZ1)**

The occurrence of subsidence and fissuring in Management Zone 1 is not acceptable and should be reduced to tolerable levels or abated. The OBMP calls for a management plan to reduce or abate the subsidence and fissuring problems to the extent that it may be caused by production in MZ1.

In October 2005, Watermaster completed the MZ-1 Summary Report, including the Guidance Criteria. Since then the impacted parties have had numerous meetings to transform the Summary Report into a Long-term Management Plan. The Summary Report and the Guidance Criteria

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were adopted by the Watermaster Board in May 2006, and the Long-term Management Plan was adopted in June 2007, was subsequently revised, and was submitted to the Court for approval at a hearing on November 15, 2007..

PROGRAM ELEMENT 6 DEVELOP AND IMPLEMENT COOPERATIVE PROGRAMS WITH THE REGIONAL BOARD AND OTHER AGENCIES TO IMPROVE BASIN MANAGEMENT, and PROGRAM ELEMENT 7 SALT MANAGEMENT PROGRAM

On going discussions are being held with the RWQCB and the San Bernardino County Department of Airports in order to determine the engineering solution and costs for remediating the TCE plume at the Chino Airport. The consulting engineer for the SBCDA is currently characterizing the extent of off-site contamination and investigating remedial alternatives. For the Ontario Airport (OIA) plume, the Potentially Responsible Parties (PRPs) have been working with Watermaster to quantify the depth and extent of the TCE plume. At the Stringfellow site, the consultants to DHS have been investigating whether the perchlorate plume from the site adds to the existing perchlorate levels in the Santa Ana River, or whether the perchlorate plume is diverted towards the Chino II Desalter well field. Lastly, Watermaster continues to monitor the activities of General Electric's (GE) remediation at the Flat Iron facility and their efforts to develop a new location for recharge of their treated effluent.

MZ-3 Monitoring Program.

The former Kaiser plume has been incorporated into an overall monitoring program for the MZ-3 area. The MZ-3 monitoring program is also assessing the groundwater quality impairment from total dissolved solids (TDS), nitrate, and perchlorate. Quarterly samples will now be collected from all 4 wells to help recharacterize the Kaiser plume.

Ontario International Airport (OIA) Volatile Organic Chemical Plume.

Watermaster has provided water quality, water level, and well construction data from more than 400 private wells and 200 public wells to the RWQCB, which in turn forwarded the database to the PRPs pursuant to their request. Subsequently the PRPs submitted their sampling work plan and health and safety plan for the well installation and sampling.

Chino Airport VOC Plume.

Watermaster met with the RWQCB, the San Bernardino County Department of Airports, and their consultant Tetra Tech on April 18, May 25, and June 26, 2007 to discuss a joint remediation of the VOC plume from the airport. Such a joint remediation would help address other issues in the southwestern portion of Chino Basin such as maintenance of hydraulic control and the provision of high quality drinking water in an area of increasing demand. As a result of these meetings, Watermaster agreed to provide a database containing well construction information, water quality, water levels, and production for wells located southwest of the Chino airport. In

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addition, Watermaster provided results from sampling all the wells in this location to provide up-to-date analytical data on all the possible contaminants in these wells. These data are being reviewed with Tetra Tech to begin the engineering of appropriate remedial actions.

GE Flat Iron Remediation.

Finally, with respect to the GE Flat Iron remediation, GE conducted a screening of options for the disposal of treated effluent from their operational pump and treat facilities. Currently, GE discharges their effluent into the Ely Basins, where it percolates back into the groundwater. However, this operation limits Watermaster's ability to recharge recycled water into the Ely Basins and, consequently, Watermaster has asked that GE develop alternative disposal means. As a result of their screening, GE has decided to investigate, in detail, the construction of groundwater injection wells that would be operated in conjunction with their own recharge basin. GE completed their planning in December 2006 and began detailed design based upon the RWQCB's approval of the concept.

TDS and Nitrogen Monitoring Pursuant to the 2004 Basin Plan Amendment

Pursuant to the 2004 Basin Plan Amendment and the Watermaster/IEUA permit to recharge recycled water, Watermaster and the IEUA have conducted and will continue to conduct groundwater and surface water monitoring programs. Quarterly HCMP reports that summarize data collection efforts will continue to be submitted to the RWQCB.

PROGRAM ELEMENT 8 DEVELOP AND IMPLEMENT GROUNDWATER STORAGE MANAGEMENT PROGRAM, PROGRAM ELEMENT 9 DEVELOP AND IMPLEMENT STORAGE AND RECOVERY PROGRAMS

Currently, there is only one groundwater storage program approved in the Chino Basin: the 100,000 acre-ft Dry-Year Yield Program with the Metropolitan Water District of Southern California (MWD). The MWD, IEUA, and Watermaster are considering expanding this program by an additional 50,000 acre-ft to 150,000 acre-ft over the next few years. Watermaster is also considering an additional 150,000 acre-ft in programs with non-party water agencies.

Attachment E

Attachment "E"
Desalter Replenishment with Most Rapid Depletion of the Re-Operation Account
(acre-ft/yr)

Fiscal Year	Desalter Pumping	New Yield	Re-Operation			Residual Replenishment Obligation
			Replenishment Allocation for Desalter III	Replenishment Allocation to CDA	Balance	
					400,000	0
2006 / 2007	28,700	8,610	0	20,090	379,910	0
2007 / 2008	28,700	8,610	0	20,090	359,820	0
2008 / 2009	28,700	8,610	0	20,090	339,730	0
2009 / 2010	28,700	8,610	0	20,090	319,640	0
2010 / 2011	28,700	8,610	0	20,090	299,550	0
2011 / 2012	28,700	8,610	0	20,090	279,460	0
2012 / 2013	34,050	10,215	5,000	18,835	255,625	0
2013 / 2014	39,400	11,820	10,000	17,580	228,045	0
2014 / 2015	39,400	11,820	10,000	17,580	200,465	0
2015 / 2016	39,400	11,820	10,000	17,580	172,885	0
2016 / 2017	39,400	11,820	10,000	17,580	145,305	0
2017 / 2018	39,400	11,820	10,000	15,305	120,000	2,275
2018 / 2019	39,400	11,820	10,000		110,000	17,580
2019 / 2020	39,400	11,820	10,000		100,000	17,580
2020 / 2021	39,400	11,820	10,000		90,000	17,580
2021 / 2022	39,400	11,820	10,000		80,000	17,580
2022 / 2023	39,400	11,820	10,000		70,000	17,580
2023 / 2024	39,400	11,820	10,000		60,000	17,580
2024 / 2025	39,400	11,820	10,000		50,000	17,580
2025 / 2026	39,400	11,820	10,000		40,000	17,580
2026 / 2027	39,400	11,820	10,000		30,000	17,580
2027 / 2028	39,400	11,820	10,000		20,000	17,580
2028 / 2029	39,400	11,820	10,000		10,000	17,580
2029 / 2030	39,400	11,820	10,000		0	17,580
Totals	876,050	262,815	175,000	225,000		213,235

Attachment "E"

Desalter Replenishment with Proportional Depletion of the Re-Operation Account

(acre-ft/yr)

Fiscal Year	Desalter Pumping	New Yield	Re-Operation			Residual Replenishment Obligation
			Replenishment Allocation for Desalter III	Replenishment Allocation to CDA	Balance	
					400,000	0
2006 / 2007	28,700	8,610	0	7,371	392,629	12,719
2007 / 2008	28,700	8,610	0	7,371	385,258	12,719
2008 / 2009	28,700	8,610	0	7,371	377,886	12,719
2009 / 2010	28,700	8,610	0	7,371	370,515	12,719
2010 / 2011	28,700	8,610	0	7,371	363,144	12,719
2011 / 2012	28,700	8,610	0	7,371	355,773	12,719
2012 / 2013	34,050	10,215	5,000	8,745	342,028	10,090
2013 / 2014	39,400	11,820	10,000	10,119	321,908	7,461
2014 / 2015	39,400	11,820	10,000	10,119	301,789	7,461
2015 / 2016	39,400	11,820	10,000	10,119	281,670	7,461
2016 / 2017	39,400	11,820	10,000	10,119	261,551	7,461
2017 / 2018	39,400	11,820	10,000	10,119	241,431	7,461
2018 / 2019	39,400	11,820	10,000	10,119	221,312	7,461
2019 / 2020	39,400	11,820	10,000	10,119	201,193	7,461
2020 / 2021	39,400	11,820	10,000	10,119	181,073	7,461
2021 / 2022	39,400	11,820	10,000	10,119	160,954	7,461
2022 / 2023	39,400	11,820	10,000	10,119	140,835	7,461
2023 / 2024	39,400	11,820	10,000	10,119	120,715	7,461
2024 / 2025	39,400	11,820	10,000	10,119	100,596	7,461
2025 / 2026	39,400	11,820	10,000	10,119	80,477	7,461
2026 / 2027	39,400	11,820	10,000	10,119	60,357	7,461
2027 / 2028	39,400	11,820	10,000	10,119	40,238	7,461
2028 / 2029	39,400	11,820	10,000	10,119	20,119	7,461
2029 / 2030	39,400	11,820	10,000	10,119	0	7,461
Totals	876,050	262,815	175,000	225,000		213,235

Attachment F

ATTACHMENT "F"

DISCRETIONARY ACTIONS
TO AMEND WATERMASTER RULES AND REGULATIONS

Pursuant to the Judgment, the Peace Agreement and Watermaster Rules and Regulations, Watermaster will undertake the following actions:

I. Agricultural Pool Reallocation

- A. Section 6.3(c) of the Watermaster Rules and Regulations shall be amended to read:

"(c) In the event actual Production from the Agricultural Pool does not exceed 82,800 acre-feet in any one year or 414,000 acre-feet in any five years but total allocation from all the uses set forth in section 6.3(a) above exceeds 82,800 in any year, the amount of water made available to the members of the Appropriative Pool under section 6.3(a) shall be reduced pro rata in proportion to the benefits received by each member of the Appropriative Pool through such allocation. This reduction shall be accomplished according to the following procedure:

1. All of the amounts to be made available under 6.3(a) shall be added together. This amount shall be the "Potential Acre-Feet Available" for Reallocation.
2. Each Appropriative Pool member's requested share of the Potential Acre-Feet Available for Reallocation shall be determined. This share shall be expressed as a percentage share of the Potential Acre-Feet Available for Reallocation.
3. Each Appropriative Pool member's share of the Potential Acre-Feet Available for Reallocation shall be reduced pro rata according to the percentage determined in 2 above."

- B. Section 6.3(d) of the Watermaster Rules and Regulations shall be added to read:

"(d) In the event actual Production from the Agricultural Pool does not exceed 82,800 acre-feet in any one year or 414,000 acre-feet in any five years and total Production from all the uses set forth in section 6.3(a) above does not exceed 82,800 acre-feet in any year, the amount of surplus water made available to the members of the Appropriative Pool shall be allocated according to the formula described in 6.3(c)."

- C. Section 9.6 of the Watermaster Rules and Regulations will be amended to include an articulated rule of construction that: "This provision will be construed by as permitting Watermaster to accept new voluntary agreements only to the extent that such voluntary agreements occur within areas eligible for conversion as described in Attachment 1 to the Judgment, previously added to the Judgment as an amendment by Order of the Court dated November 17, 1995."
- D. By Resolution, Watermaster will ratify all current Watermaster accounting practices with regard to Land Use Conversions, Assignments, voluntary agreements, Early Transfer, and reallocation of surplus Agricultural Pool water and continue to implement such provisions in a consistent manner.

II. Storage

- A. By Resolution, Watermaster has previously established a uniform loss percentage for all water held in storage at 2 percent, until it may be recalculated based upon the best available scientific information.
- B. Watermaster will impose a uniform loss against all water in storage in an amount of 2 (two) percent where the Party holding the storage account: (i) has previously contributed to the implementation of the OBMP as a Party to the Judgment, is in compliance with their continuing covenants under the Peace Agreement or in lieu thereof they have paid or delivered to Watermaster "financial equivalent" consideration to offset the cost of past performance prior to the implementation of the OBMP and (ii) promised continued future compliance with Watermaster Rules and Regulations. Where a Party has not satisfied the requirement of B(i) and B(ii) Watermaster will assess a 6 (six) percent loss. Following a Watermaster determination that Hydraulic Control has been achieved, Watermaster will assess losses of less than one 1 percent where the Party satisfies B(i) and B(ii).
- C. Section 8.1(f)(iii) a) and b) of Watermaster Rules and Regulations will be amended to substitute the date of July 1, 2010 for July 1, 2005.
- D. Section 8.2(a), (b), (g), (h) of Watermaster Rules and Regulations will be amended to substitute the date of July 1, 2010 for July 1, 2005.

III. Errors

- A. A new Section 3.3. of Watermaster Rules and Regulations and shall read as follows:

"3.3 Error Corrections. All reports or other information submitted to Watermaster by the parties shall be subject to a four-year limitations period regarding the correction of errors contained in such submittals. In addition, all information generated by Watermaster shall be subject to the same four-year

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limitations period. All corrections to errors shall apply retroactively for no more than four years."

IV. Further Conforming Changes.

A. After consultation with the stakeholders, Watermaster may make further conforming changes to its Rules and Regulations to eliminate any inconsistencies with the Peace II measures and to more effectively implement the measures from time to time.

Date: _____

For CHINO BASIN WATERMASTER

Attachment G

September 21, 2007

Attachment "G"

**PURCHASE AND SALE AGREEMENT FOR
THE PURCHASE OF
WATER BY WATERMASTER
FROM OVERLYING (NON-AGRICULTURAL) POOL**

THIS AGREEMENT (Agreement) is dated 27th day of September, 2007, regarding the Chino Groundwater Basin.

RECITALS

WHEREAS, the Peace Agreement expressly authorized a transfer of water from the Overlying (Non-Agricultural) Pool to Watermaster for use as replenishment for the Desalters and for use in connection with a Storage and Recovery Program;

WHEREAS, Watermaster is evaluating its replenishment needs under the Judgment and several Storage and Recovery opportunities;

WHEREAS, Watermaster desires to purchase and the Overlying (Non-Agricultural) Pool desires to sell, all of the Non-Agricultural Pool water held in storage as of June 30, 2007;

WHEREAS, Watermaster is proposing an amendment to the Overlying (Non-Agricultural) Pool Pooling Plan set forth in Exhibit "G" to the Judgment whereby members of the Pool may offer water for purchase by Watermaster and thence the members of the Appropriative Pool under the process set forth therein;

NOW THEREFORE, in consideration of the mutual promises specified herein and by conditioning their performance under this Agreement upon the conditions precedent set forth herein, and for other good and valuable consideration, the Parties agree as follows:.

A. Peace Agreement Transfer. This purchase and sale agreement is in accordance with Section 5.3(e) of the Peace Agreement that provides that "parties to the Judgment with rights within the Non-Agricultural (Overlying) Pool shall have the additional rights to Transfer their rights to Watermaster for the purposes of Replenishment for a Desalter or for a Storage and Recovery Program."

B. Quantity. The quantity of water being made available to Watermaster by the Non-Agricultural (Overlying) Pool on a one-time basis ("Storage Transfer Quantity") is equivalent to the total quantity of water held in storage by the members of the Overlying (Non-Agricultural) Pool held in storage on June 30, 2007 ("Storage Quantity"), less a ten percent dedication for the purpose of Desalter Replenishment, less the quantity of water transferred pursuant to paragraph I below ("Special Transfer Quantity").

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C. **Notice.** Within twenty-four months of the final Court approval of this Agreement ("Effective Date"), and only with the prior approval of the Appropriative Pool, Watermaster will provide written **Notice of Intent to Purchase** the Non-Agricultural (Overlying) Pool water pursuant to Section 5.3(a) of the Peace Agreement, which therein identifies whether such payment will be in connection with Desalter Replenishment or a Storage and Recovery Program.

D. **Payment.** Commencing thirty (30) calendar days from the Notice of Intent to Purchase ("Payment Date") Watermaster will pay to the Non-Agricultural Overlying Pool for each acre-foot of the Storage Transfer Quantity in accordance with the following schedule as the schedule is adjusted for inflation by the consumers price index ("cpi") for San Bernardino County from May 31, 2006 until the Payment Date.:

1. \$215 times 1/4 of the Storage Transfer Quantity on the Payment Date.
2. \$220 times 1/4 of the Storage Transfer Quantity on the first anniversary of the Payment Date.
3. \$225 times 1/4 of the Storage Transfer Quantity on the second anniversary of the Payment Date
4. \$230 time 1/4 of the Storage Transfer Quantity on the third anniversary of the Payment Date.

However, all payments provided for herein, including inflation adjustments, are subject to an express price cap and will not exceed ninety-two (92) percent of the then prevailing MWD replenishment rate in any year.

E. **Dedication to Desalter Replenishment.** Upon Watermaster's issuance of its written **Notice of Intent to Purchase**, and Watermaster's tender of its initial payment on the Payment Date, ten (10) percent of the Storage Quantity will be dedicated for replenishment of Desalter production without compensation. Watermaster will receive but will not pay for this dedication.

F. **Use and Distribution.** Watermaster will take possession of the water made available pursuant to this Agreement and make use of and distribute the water made available in a manner consistent with Section 5.3(e) of the Peace Agreement.

G. **Condition Precedent.** This Agreement and the Parties performance hereunder are expressly conditioned upon Court approval of this Agreement.

H. **Early Termination.** This Agreement will expire and be of no further force and effect if: Watermaster does not issue its **Notice of Intent to Purchase** in accordance with Paragraph D above within twenty-four (24) months of Court approval. Upon Watermaster's failure to satisfy the condition subsequent, the rights of the Non-Agricultural (Overlying) Pool will remain unaffected and without prejudice as result of their having executed this Agreement except that in the event of Early Termination, the Storage Transfer Quantity, will then be made available for purchase by Watermaster and thence the members of the Appropriative Pool in accordance with Paragraph 9.(iv) of Amended Exhibit G, the Overlying (Non-Agricultural) Pool,

September 21, 2007

Pooling Plan, including the requirement of a ten percent dedication towards Desalter replenishment.

I. One Time Transfer in Furtherance of the Physical Solution and in Aid of Desalter Replenishment ("Special Transfer Quantity"). In consideration of the Overlying (Non-Agricultural) Pool members' irrevocable commitment made herein and it the Peace II Measures Watermaster will purchase and immediately make available the quantity of 8,530 acre-feet (less a ten percent dedication to Watermaster for Desalter Production) to the San Antonio Water Company (SAWCO) and Vulcan Materials, a member of the Overlying (Non-Agricultural) Pool under terms established as between those parties. This One Time Transfer is in addition to and without prejudice to the discretionary rights of the members of the Overlying (Non-Agricultural) Pool to make available and Watermaster and members of the Appropriative Pool to purchase water as Physical Solution transfers. No member of the Appropriative Pool, other than SAWCO assumes any responsibility for the purchase of this Special Transfer Quantity from Vulcan.

IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated:

NON-AGRICULTURAL OVERLYING POOL

By _____

Attachment H

September 21, 2007

Attachment "H"

**JUDGMENT AMENDMENT
to Paragraph 8**

The Paragraph 8 of the Judgment shall be amended to read as follows:

"8. The parties listed in Exhibits "C" and "D" are the owners or in possession of lands which overlie Chino Basin. As such, said parties have exercised overlying water rights in Chino Basin. All overlying rights owned or exercised by parties listed in Exhibits "C" and "D" have, in the aggregate, been limited by prescription except to the extent such rights have been preserved by self-help by said parties. Aggregate preserved overlying rights in the Safe Yield for Agricultural Pool use, including the rights of the State of California, total 82,800 acre-feet per year. Overlying rights for non-agricultural pool use total 7,366 acre-feet per year and are individually decreed for each affected party in Exhibit "D." No portion of the Safe Yield of Chino Basin exists to satisfy unexercised overlying rights and such rights have all been lost by prescription. However, uses may be made of Basin water on overlying lands which have no preserved overlying rights pursuant to the Physical Solution herein. All overlying rights are appurtenant to the land and cannot be assigned or conveyed separate or apart therefrom for the term of the Peace Agreement except that the members of the Overlying (Non-Agricultural) Pool shall have the right to Transfer or lease their quantified Production rights: (i) within the Overlying (Non-Agricultural) Pool; (ii) to Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000; or (iii) in accordance with the Overlying-(Non-Agricultural) Pool Pooling Plan set forth in Exhibit "G."

Attachment I

Attachment "I"

**JUDGMENT AMENDMENT
TO EXHIBIT G**

Exhibit G, the Overlying (Non-Agricultural) Pool Pooling Plan will be amended to revise Paragraph 5 to read as follows:

"5. Assessments.

(a) Replenishment Assessments. Each member of this Pool shall pay an assessment equal to the cost of replenishment water times the number of acre feet of production by such producer during the preceding year in excess of (a) his decreed share of the Safe Yield, plus (b) any carry-over credit under Paragraph 7 hereof.

(b) Administrative Assessments. In addition, the cost of the allocated share of Watermaster administration expense shall be recovered on an equal assessment against each acre-foot of production in the pool during such preceding fiscal year or calendar quarter; and in the case of Pool members who take substitute groundwater as set forth in Paragraph 8 hereof, such producer shall be liable for its share of administration assessment, as if the water so taken were produced, up to the limit of its decreed share of Safe Yield.

(c) Special Project OBMP Assessment. Each year, every member of this Pool will dedicate ten (10) percent of their annual share of Operating Safe Yield to Watermaster or in lieu thereof Watermaster will levy a Special Project OBMP Assessment in an amount equal to ten percent of the Pool member's respective share of Safe Yield times the then-prevailing MWD Replenishment Rate.

And to renumber Paragraph 9 as Paragraph 10 and add Paragraph 9 to read as follows:

"9. Physical Solution Transfers. All overlying rights are appurtenant to the land and cannot be assigned or conveyed separate or apart therefrom except that for the term of the Peace Agreement the members of the Overlying (Non-Agricultural) Pool shall have the discretionary right to Transfer or lease their quantified Production rights and carry-over water held in storage accounts in quantities that each member may from time to time individually determine as Transfers in furtherance of the Physical Solution: (i) within the Overlying (Non-Agricultural) Pool; (ii) to Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000; (iii) in conformance with the procedures described in Paragraph I of the Purchase and Sale Agreement for the Purchase of Water by Watermaster from Overlying (Non-Agricultural) Pool dated June 30, 2007; or (iv) to Watermaster and thence to members of the Appropriative Pool in accordance with the following guidelines and those procedures Watermaster may further provide in Watermaster's Rules and Regulations:

(a) By December 31 of each year, the members of the Overlying (Non-Agricultural) Pool shall notify Watermaster of the amount of water each member shall make available in their individual discretion for purchase by the Appropriators. By January 31 of each year,

October 25, 2007

Watermaster shall provide a Notice of Availability of each Appropriator's pro-rata share of such water;

(b) Except as they may be limited by paragraph 9(e) below, each member of the Appropriative Pool will have, in their discretion, a right to purchase its pro-rata share of the supply made available from the Overlying (Non-Agricultural) Pool at the price established in 9(d) below. Each Appropriative Pool member's pro-rata share of the available supply will be based on each Producer's combined total share of Operating Safe Yield and the previous year's actual Production by each party;

(c) If any member of the Appropriative Pool fails to irrevocably commit to their allocated share by March 1 of each year, its share of the Overlying (Non-Agricultural) Pool water will be made available to all other members of the Appropriative Pool according to the same proportions as described in 9(b) above and at the price established in Paragraph 9(d) below. Each member of the Appropriative Pool shall complete its payment for its share of water made available by June 30 of each year.

(d) Commensurate with the cumulative commitments by members of the Appropriative Pool pursuant to (b) and (c) above, Watermaster will purchase the surplus water made available by the Overlying (Non-Agricultural) Pool water on behalf of the members of the Appropriative Pool on an annual basis at 92% of the then-prevailing "MWD Replenishment Rate" and each member of the Appropriative Pool shall complete its payment for its determined share of water made available by June 30 of each year.

(e) Any surplus water cumulatively made available by all members of the Overlying (Non-Agricultural) Pool that is not purchased by Watermaster after completion of the process set forth herein will be pro-rated among the members of the Pool in proportion to the total quantity offered for transfer in accordance with this provision and may be retained by the Overlying (Non-Agricultural) Pool member without prejudice to the rights of the members of the Pool to make further beneficial use or transfer of the available surplus.

(f) Each Appropriator shall only be eligible to purchase their pro-rata share under this procedure if the party is: (i) current on all their assessments; and (ii) in compliance with the OBMP.

(g) The right of any member of the Overlying (Non-Agricultural) Pool to transfer water in accordance with this Paragraph 9(a)-(c) in any year is dependent upon Watermaster making a finding that the member of the Overlying (Non-Agricultural) Pool is using recycled water where it is both physically available and appropriate for the designated end use in lieu of pumping groundwater.

(h) Nothing herein shall be construed to affect or limit the rights of any Party to offer or accept an assignment as authorized by the Judgment Exhibit "G" paragraph 6 above, or to affect the rights of any Party under a valid assignment."

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Attachment "I-1"

Map Re-Operation

SB 441272 v2:008350.0001

Attachment J

Attachment "J"

JUDGMENT AMENDMENT
to Exhibit I

Exhibit "I" "ENGINEERING APPENDIX" is amended to read as follows:

1. **Basin Management Parameters.** In the process of implementing the physical solution, Watermaster shall consider the following parameters:

(a) **Pumping Patterns.** Chino Basin is a common supply for all persons and agencies utilizing its waters. It is an objective in management of the Basin's waters that no producer be deprived of access to said waters by reason of unreasonable pumping patterns, nor by regional or localized recharge of replenishment water, insofar as such result may be practically avoided.

(b) **Water Quality.** Maintenance and improvement of water quality is a prime consideration and function of management decisions by Watermaster.

(c) **Economic Considerations.** Financial feasibility, economic impact and the cost and optimum utilization of the Basin's resources and the physical facilities of the parties are objectives and concerns equal in importance to water quantity and quality parameters.

2. **Hydraulic Control and Re-Operation.** In accordance with the purpose and objective of the Physical Solution to "establish a legal and practical means for making the maximum reasonable beneficial use of the waters of the Chino Basin" (paragraph 39) including but not limited to the use and recapture of reclaimed water (paragraph 49(a)) and the identified Basin Management Parameters set forth above, Watermaster will manage the Basin to secure and maintain Hydraulic Control through controlled overdraft.

(a) **Hydraulic Control.** "Hydraulic Control" means the reduction of groundwater discharge from the Chino North Management Zone to the Santa Ana River to de minimus quantities. The Chino North Management Zone is more fully described and set forth in Attachment I-1 to this Engineering Appendix. By obtaining Hydraulic Control, Watermaster will ensure that the water management activities in the Chino North Management Zone do not cause materially adverse impacts to the beneficial uses of the Santa Ana River downstream of Prado Dam.

(b) **Re-Operation.** "Re-Operation" means the controlled overdraft of the Basin by the managed withdrawal of groundwater for the Desalters and the potential increase in the cumulative un-replenished Production from 200,000 acre-feet authorized by paragraph 3 below, to 600,000 acre feet for the express purpose of securing and maintaining Hydraulic Control as a component of the Physical Solution.

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[1] The increase in the controlled overdraft herein is separate from and in addition to the 200,000 acre-feet of accumulated overdraft authorized in paragraph 3(a) and 3(b) below over the period of 1978 through 2017.

[2] "Desalters" means the Chino I Desalter, the Chino I Expansion, the Chino II Desalter and Future Desalters, consisting of all the capital facilities and processes that remove salt from Basin water, including extraction wells and transmission facilities for delivery of groundwater to the Desalter. Desalter treatment and delivery facilities for the desalted water include pumping and storage facilities and treatment and disposal capacity in the Santa Ana Regional Interceptor.

[3] The groundwater Produced through controlled overdraft pursuant to Re-Operation does not constitute New Yield or Operating Safe Yield and it is made available under the Physical Solution for the express purpose of satisfying some or all of the groundwater Production by the Desalters until December 31, 2030. ("Period of Re-Operation").

[4] The operation of the Desalters, the Production of groundwater for the Desalters and the use of water produced by the Desalters pursuant to Re-Operation are subject to the limitations that may be set forth in Watermaster Rules and Regulations for the Desalters.

(5) Watermaster will update its Recharge Master Plan and obtain Court approval of its update, to address how the Basin will be contemporaneously managed to secure and maintain Hydraulic Control and operated at a new equilibrium at the conclusion of the period of Re-Operation. The Recharge Master Plan shall contain recharge projections and summaries of the projected water supply availability as well as the physical means to accomplish recharge projections. The Recharge Master Plan may be amended from time to time with Court approval.

(6) Re-Operation and Watermaster's apportionment of controlled overdraft in accordance with the Physical Solution will not be suspended in the event that Hydraulic Control is secured in any year *before* the full 400,000 acre-feet has been Produced without Replenishment, so long as: (i) Watermaster has prepared, adopted and the Court has approved a contingency plan that establishes conditions and protective measures that will avoid unreasonable and unmitigated material physical harm to a party or to the Basin and that equitably distributes the cost of any mitigation attributable to the identified contingencies; and (ii) Watermaster is in substantial compliance with a Court approved Recharge Master Plan.

3 **Operating Safe Yield.** Operating Safe Yield in any year shall consist of the Appropriative Pool's share of Safe Yield of the Basin, plus any accumulated overdraft of the Basin which Watermaster may authorize under 3(a) and 3(b) below. In adopting the Operating Safe Yield for any year, Watermaster shall be limited as follows:

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(a) Accumulated Overdraft. During this Judgment and Physical Solution, the overdraft accumulated from and after the effective date of the Physical Solution and resulting from an excess of Operating Safe Yield over Safe Yield shall not exceed 200,000 acre feet.

(b) Quantitative Limits. In no event shall Operating Safe Yield in any year be less than the Appropriative Pool's share of Safe Yield, nor shall it exceed such share of Safe Yield by more than 10,000 acre-feet. The Initial Operating Safe Yield is hereby set at 54,834 acre-feet per year. Operating Safe Yield shall not be changed upon less than five (5) years' notice by Watermaster.

Nothing contained in this paragraph shall be deemed to authorize directly or indirectly, any modification of the allocation of shares in Safe Yield to the overlying pools, as set forth in Paragraph 44 of the Judgment.

4. Groundwater Storage Agreements. Any agreements authorized by Watermaster for Storage of supplemental water in the available groundwater storage capacity of Chino Basin shall include, but not be limited to:

- (a) The quantities and term of the storage right.
- (b) A statement of the priority or relations of said right, as against overlying or Safe Yield uses, and other storage rights.
- (c) The procedure for establishing delivery rates, schedules and procedures which may include:
 - [1] spreading or injection, or
 - [2] in lieu deliveries of supplemental water for direct use.
- (d) The procedures for calculation of losses and annual accounting for water in storage by Watermaster.
- (e) The procedures for establishment and administration of withdrawal schedules, locations and methods.

Attachment K

**PEACE II AGREEMENT:
PARTY SUPPORT FOR WATERMASTER'S OBMP
IMPLEMENTATION PLAN, –
SETTLEMENT AND RELEASE OF CLAIMS
REGARDING FUTURE DESALTERS**

WHEREAS, paragraph 41 of the Judgment entered in *Chino Basin Municipal Water District v. City of Chino* (San Bernardino Superior Court Case No. 51010) grants Watermaster, with the advice of the Advisory and Pool Committees, "discretionary powers in order to implement an Optimum Basin Management Program ("OBMP") for the Chino Basin";

WHEREAS, the Parties to the Judgment executed an agreement resolving their differences and pledging their support for Watermaster actions in accordance with specific terms in June of 2000 ("Peace Agreement");

WHEREAS, Watermaster approved Resolution 00-05, and thereby adopted the goals and objectives of the OBMP, the OBMP Implementation Plan and committed to act in accordance with the terms of the Peace Agreement;

WHEREAS, pursuant to Article IV, paragraph 4.2, each of the parties to the Peace Agreement agreed not to oppose Watermaster's adoption and implementation of the OBMP Implementation Plan attached as Exhibit "B" to the Peace Agreement;

WHEREAS, the Peace Agreement, the OBMP Implementation Plan and the Chino Basin Watermaster Rules and Regulations contemplate further actions by Watermaster in furtherance of its responsibilities under paragraph 41 of the Judgment and in accordance with the Peace Agreement and the OBMP Implementation Plan;

WHEREAS, the Parties to the Peace Agreement made certain commitments regarding the funding, design, construction and operation of Future Desalters;

WHEREAS, after receiving input from its stakeholders in the form of the Stakeholder's Non-Binding Term Sheet, Watermaster has proposed to adopt Resolution 07-05 attached as Exhibit "1" hereto to further implement the OBMP through a suite of measures commonly referred to and herein defined as "Peace II Measures", including but not limited to the 2007 Supplement to the OBMP, the Second Amendment to the Peace Agreement, amendments to Watermaster's Rules and Regulations, the purchase and sale of water within the Overlying (Non-Agricultural) Pool and certain Judgment amendments; and

NOW, THEREFORE, in consideration of the mutual promises specified herein and by conditioning their performance under this Agreement upon the conditions precedent set forth in Article III herein, the Watermaster Approval, and Court Order, and for other good and valuable consideration, the Parties agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions.

- (a) "Desalters" means Desalters and Future Desalters collectively, as defined in the Peace Agreement.
- (b) "Hydraulic Control" means the reduction of groundwater discharge from the Chino North Management Zone to the Santa Ana River to de minimus quantities. The Chino North Management Zone is defined in the 2004 Basin Plan amendment (RWQCB resolution R8-2004-001) attached hereto as Exhibit "B."
- (c) "Leave Behind" means a contribution to the Basin from water held in storage within the Basin under a Storage and Recovery Agreement that may be established by Watermaster from time to time that may reflect any or all of the following: (i) actual losses; (ii) equitable considerations associated with Watermaster's management of storage agreements; and (iii) protection of the long-term health of the Basin against the cumulative impacts of simultaneous recovery of groundwater under all storage agreements.
- (d) "Re-Operation" means the controlled overdraft of the Basin by the managed withdrawal of groundwater Production for the Desalters and the potential increase in the cumulative un-replenished Production from 200,000 authorized by paragraph 3 of the Engineering Appendix Exhibit I to the Judgment, to 600,000 acre feet for the express purpose of securing and maintaining Hydraulic Control as a component of the Physical Solution.
- (e) Unless otherwise expressly provided herein, all definitions set forth in the Peace Agreement and the Judgment are applicable to the terms as they are used herein.

1.2 Rules of Construction.

- (a) Unless the context clearly requires otherwise:
 - (i) The plural and singular forms include the other;
 - (ii) "Shall," "will," "must," and "agrees" are each mandatory;
 - (iii) "May" is permissive;
 - (iv) "Or" is not exclusive;
 - (v) "Includes" and "including" are not limiting; and
 - (vi) "Between" includes the ends of the identified range.

- (b) Headings at the beginning of Articles, paragraphs and subparagraphs of this Agreement are solely for the convenience of the Parties, are not a part of this Agreement and shall not be used in construing it.
- (c) The masculine gender shall include the feminine and neuter genders and vice versa.
- (d) The word "person" shall include individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, water district and other entity of whatever nature.
- (e) Reference to any agreement (including this Agreement), document, or instrument means such agreement, document, instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms thereof.
- (f) Except as specifically provided herein, reference to any law, statute or ordinance, regulation or the like means such law as amended, modified, codified or reenacted, in whole or in part and in effect from time to time, including any rules and regulations promulgated thereunder.

ARTICLE II

COMPLIANCE WITH CEQA

- 2.1 Project Description. The proposed project description regarding the design, permitting, construction and operation of Future Desalter, securing Hydraulic Control through Basin Re-Operation is set forth in Attachment "A" to Watermaster Resolution 07-05 attached hereto as Exhibit "1."
- 2.2 Acknowledgment of IEUA as the Lead Agency for CEQA Review. IEUA has been properly designated as the "Lead Agency" for the purposes of completing environmental assessment and review of the proposed project.
- 2.3 Commitments are Consistent with CEQA. The Parties agree and acknowledge that no commitment will be made to carry out any "project" under the amendments to the OBMP and within the meaning of CEQA unless and until the environmental review and assessment that may be required by CEQA for that defined "project" have been completed.
- 2.4 Reservation of Discretion. Execution of this Agreement is not intended to commit any Party to undertake a project without compliance with CEQA or to commit the Parties individually or collectively to any specific course of action, which would result in the present approval of a future project.
- 2.5 No Prejudice by Comment or Failure to Comment. Nothing contained in environmental review of the Project, or a Party's failure to object or comment thereon, shall limit any

Party's right to allege that "Material Physical Injury" will result or has resulted from the implementation of the OBMP or its amendment.

ARTICLE III **CONDITIONS PRECEDENT**

3.1 Performance Under Articles IV-XII is Subject to Satisfaction of the Conditions Precedent. Each Party's obligations under this Agreement are subject to the satisfaction of the following conditions precedent on or before the dates specified below, unless satisfaction or a specified condition or conditions is waived in writing by all other Parties:

- (a) Watermaster approval of Resolution 07-05 in a form attached hereto as Exhibit "1," including the following Attachments thereto
 - (i) the amendments to the Chino Basin Watermaster Rules and Regulations set forth in Attachment "F" thereto.
 - (ii) the 2007 Supplement to the OBMP Implementation Plan set forth in Attachment "D" thereto.
 - (iii) the amendments to the Judgment set forth in Attachments "H, I, and J" thereto.
 - (iv) the Second Amendment to the Peace Agreement set forth in Attachment "L" thereto.
 - (v) the Purchase and Sale Agreement for the Purchase of Water by Watermaster From the Overlying (Non-Agricultural) Pool as set forth in Attachment G thereto.
- (b) The execution of the proposed Second Amendment to the Peace Agreement by all Parties to the Peace Agreement .
- (c) Court approval of the proposed Judgment Amendments and a further order of the Court directing Watermaster to proceed in accordance with the terms of the Peace II Measures as embodied in Resolution 07-05.

ARTICLE IV **MUTUAL ACKNOWLEDGEMENT AND COVENANTS**

- 4.1 Acknowledgment of Peace II Measures. The collective actions of Watermaster set forth in Watermaster Resolution 07-05 and the Attachments thereto (Peace II Measures) constitute further actions by Watermaster in implementing the OBMP in accordance with the grant and limitations on its discretionary authority set forth under paragraph 41 of the Judgment
- 4.2 Non-Opposition. No Party to this Agreement shall oppose Watermaster's adoption of Resolution 07-05 and implementation of the Peace II measures as embodied therein

including the Judgment Amendments, Amendments to the Peace Agreement, the 2007 Supplement to the OBMP Implementation Plan and Amendments to the Chino Basin Watermaster's Rules and Regulations or to Watermaster's execution of memoranda of agreement that are not materially inconsistent with the terms contained therein. Notwithstanding this covenant, no party shall be limited in their right of participation in all functions of Watermaster as they are provided in the Judgment or to preclude a Party to the Judgment from seeking judicial review of Watermaster determinations pursuant to the Judgment or as otherwise provided in this Agreement.

- 4.3 Consent to Amendments. Each Party expressly consents to the Judgment amendments and modifications set forth in Watermaster's Resolution 07-05.
- 4.4 Non-Agricultural Pool Intervention. The Parties acknowledge and agree that any Party to the Judgment shall have the right to purchase Non-Agricultural overlying property within the Basin and appurtenant water rights and to intervene in the Non-Agricultural Pool.

ARTICLE V

FUTURE DESALTERS

- 5.1 Purpose. Watermaster plans to coordinate and the Parties to the Judgment plan to arrange for the physical capacity and potable water use of water from the Desalters. Desalters in existence on the effective date of this Agreement will be supplemented to provide the required capacity to cumulatively produce approximately 40,000 acre-feet per year of groundwater from the Desalters by 2012.
- 5.2 2007 Supplement to the OBMP Implementation Plan. The OBMP Implementation Plan will be supplemented as set forth in the 2007 Supplement to the OBMP Implementation Plan to reflect that Western Municipal Water District ("WMWD"), acting independently or in its complete discretion with the City of Ontario ("Ontario") or the Jurupa Community Services District ("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 obtain Hydraulic Control, further Re-Operation and support the Future Desalters.
- 5.3 Implementation. 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.
- (a) WMWD, acting independently or in its complete discretion with Ontario or Jurupa or both, will exercise good faith and reasonable best efforts to proceed in accordance with the timeline for the completion of design, permitting, finance and construction as attached hereto as Exhibit "2"
- (b) WMWD, acting independently or in its complete discretion with the City of Ontario or the Jurupa Community Services District or both, will provide quarterly progress reports to Watermaster and the Court.

- 5.4 Project Description. The Future Desalters will add up to 9 mgd to existing Desalters. This will include production capacity from new groundwater wells that will be located in the Southerly end of the Basin, as depicted in Exhibit "3" attached hereto and incorporated herein by this reference. The final design and construction of Future Desalters *may* depend on the terms and conditions that may be freely arrived at by fair bargaining among WMWD and the Chino Basin Desalter Authority ("CDA") or whether it is required to build stand-alone facilities or both. There are material yield benefits to the Parties to the Judgment that are achieved by obtaining Hydraulic Control through Basin Re-Operation. The extent of these benefits is somewhat dependent upon the final location of new production facilities within the southerly end of the Basin. Accordingly, Watermaster will ensure that the location of Future Desalter groundwater production facilities will achieve both Hydraulic Control and maximize yield enhancement by their location emphasizing groundwater production from the Southerly end of the Basin.
- 5.5 Implementing Agreements. Within twenty-four (24) months of the effective date, WMWD, acting independently or in its complete discretion with the City of Ontario or the Jurupa Community Services District or both, will exercise good faith and reasonable best efforts to complete final binding agreement(s) regarding Future Desalters that includes the following key terms:
- (a) Arrangements for WMWD's purchase of product water from CDA;
 - (b) Arrangements with CDA, Jurupa and other Chino Basin parties for the common use of existing facilities, if any;
 - (c) Arrangement with the owners of the SARI line;
 - (d) Arrangements with the Appropriative Pool regarding the apportionment of any groundwater produced as controlled overdraft in accordance with the Physical Solution between Desalters I, Desalters II on the one hand and the Future Desalters on the other hand;
 - (e) WMWD's payment to Watermaster to reimburse Parties to the Judgment for their historical contributions towards the OBMP, if any;
 - (f) The schedule for approvals and project completion.
- 5.6 Reservation of Discretion. Nothing herein shall be construed as committing WMWD, or any members of CDA to take any specific action(s) to accommodate the needs or requests of the other, Watermaster, or any Party to the Judgment, whatever the request may be.
- 5.7 Condition Subsequent. WMWD's obligation to execute a binding purchase agreement with CDA or to independently develop the Future Desalters is subject to the express condition subsequent that the total price per acre-foot of water delivered must not be projected to exceed the sum of the following: (i) the full MWD Tier II Rate; (ii) the MWD Treatment Surcharge calculated in terms of an annual average acre-foot charge; and (iii) \$150 (in 2006 dollars) per acre-foot of water delivered to account for water supply reliability.

- (a) The full acre-foot cost to Western for Capital and O&M (assuming the priority allocation of controlled overdraft), includes:
 - (i) the delivery of the desalted water to its Mockingbird Reservoir or directly to the City of Norco,
 - (ii) any applicable ongoing Watermaster assessments, payments to CDA and JCSD and for SARI utilization.
- (b) Provided that if third-party funding, grants and a MWD subsidy under the Local Resources Program or otherwise should reduce Western's costs to an amount which is \$75 (in 2006 dollars) below the cap described in paragraph 5.5, Western will transmit an amount equal to fifty (50) percent of the amount less than the computed price cap less \$75 (in 2006 dollars) to Watermaster.
- (c) Western may elect to exercise its right of withdrawal under this paragraph 5.7 within 120 days following the later of: (1) completion of preliminary design; or (2) the certification of whatever CEQA document is prepared for the project, but not later than sixty (60) days thereafter and in no event after a binding water purchase agreement has been executed.

5.8 Limitations. The operation of the Future Desalters will be subject to the following limitations:

- (a) Well Location. New groundwater production facilities for the Future Desalters will be located in the southern end of the Basin to achieve the dual purpose of obtaining Hydraulic Control and increasing Basin yield.
 - (i) New wells will be constructed in the shallow aquifer system among Desalter I wells No. 1 through 4 and west of Desalter I.
 - (ii) So long as these wells produce at least one-half of the Future Desalter groundwater, the Future Desalters 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.
- (b) Export. The export of groundwater from the Basin must be minimized. WMWD will present a plan for export minimization to the Watermaster for review and approval prior to operation of the Future Desalters.
 - (i) Watermaster will account for water imported and exported by WMWD.
 - (ii) Watermaster will prepare an initial reconciliation of WMWD's imports and exports at the end of the first ten (10) years of operation and every year thereafter to determine whether a "net export" occurred.

- (iii) WMWD will pay an assessment, if any, on all "net exports" in accordance with Judgment Exhibit "H," paragraph 7(b) after the initial reconciliation is completed at the end of the first ten (10) years of operation.

ARTICLE VI
GROUNDWATER PRODUCTION BY AND
REPLENISHMENT FOR DESALTERS

- 6.1 Acknowledgment. The Parties acknowledge that the hierarchy for providing Replenishment Water for the Desalters is set forth in Article VII, paragraph 7.5 of the Peace Agreement, and that this section controls the sources of water that will be offered to offset Desalter Production.
- 6.2 Peace II Desalter Production Offsets. To facilitate Hydraulic Control through Basin Re-Operation, in accordance with the 2007 Supplement to the OBMP Implementation Plan and the amended Exhibits G and I to the Judgment, additional sources of water will be made available for purposes of Desalter Production and thereby some or all of a Replenishment obligation. With these available sources, the Replenishment obligation attributable to Desalter production in any year will be determined by Watermaster as follows:
 - (a) Watermaster will calculate the total Desalter Production for the preceding year and then apply a credit against the total quantity from:
 - (i) the Kaiser account (Peace Agreement Section 7.5(a).);
 - (ii) dedication of water from the Overlying (Non-Agricultural) Pool Storage Account or from any contribution arising from an annual authorized Physical Solution Transfer in accordance with amended Exhibit G to the Judgment;
 - (iii) New Yield (other than Stormwater (Peace Agreement Section 7.5(b)));
 - (iv) any declared losses from storage in excess of actual losses enforced as a "Leave Behind";
 - (v) Safe Yield that may be contributed by the parties (Peace Agreement Section 7.5(c));
 - (vi) any Production of groundwater attributable to the controlled overdraft authorized pursuant to amended Exhibit I to the Judgment.
 - (b) To the extent available credits are insufficient to fully offset the quantity of groundwater production attributable to the Desalters, Watermaster will use water or revenue obtained by levying the following assessments among the members of the Overlying (Non-Agricultural) Pool and the Appropriative Pool to meet any remaining replenishment obligation as follows.

- (i) A Special OBMP Assessment against the Overlying (Non-Agricultural) Pool as more specifically authorized and described in amendment to Exhibit "G" paragraph 8(c) to the Judgment will be dedicated by Watermaster to further off-set replenishment of the Desalters. However, to the extent there is no remaining replenishment obligation attributable to the Desalters in any year after applying the off-sets set forth in 6.2(a), the OBMP Special Assessment levied by Watermaster will be distributed as provided in Section 9.2 below. The Special OBMP Assessment will be assessed pro-rata on each member's share of Safe Yield, followed by
 - (ii) A Replenishment Assessment against the Appropriative Pool, pro-rata based on each Producer's combined total share of Operating Safe Yield and the previous year's actual production. Desalter Production is excluded from this calculation. However, if there is a material reduction in the net cost of Desalter product water to the purchasers of product water, Watermaster may re-evaluate whether to continue the exclusion of Desalter Production but only after giving due regard to the contractual commitment of the parties.
 - (iii) The quantification of any Party's share of Operating Safe Yield does not include the result of any land use conversions.
- (c) The rights and obligations of the parties, whatever they may be, regarding Replenishment Assessments attributable to all Desalters and Future Desalters in any renewal term of the Peace Agreement are expressly reserved and not altered by this Agreement.

ARTICLE VII

YIELD ACCOUNTING

- 7.1 New Yield Attributable to Desalters. Watermaster will make an annual finding as to the quantity of New Yield that is made available by Basin Re-Operation including that portion that is specifically attributable to the Existing and Future Desalters. Any subsequent recalculation of New Yield as Safe Yield by Watermaster will not change the priorities set forth above for offsetting Desalter production as set forth in Article VII, Section 7.5 of the Peace Agreement. For the initial term of the Peace Agreement, neither Watermaster nor the Parties will request that Safe Yield be recalculated in a manner that incorporates New Yield *attributable to the Desalters* into the determination of Safe Yield so that this source of supply will be available for Desalter Production rather than for use by individual parties to the Judgment.
- 7.2 Apportionment of Controlled Overdraft. Within twelve (12) months of the court approval and no later than December 1, 2008, with facilitation by Watermaster, WMWD and the Appropriative Pool will establish by mutual agreement the portion of the 400,000 acre-feet of the controlled overdraft authorized by the amendment to Exhibit "T" to the Judgment that will be allocated among the Desalters and pursuant to a proposed schedule.

- (a) To the extent the groundwater wells for the Future Desalters pump at least fifty (50) percent groundwater from the southern end of the Basin as set forth in Exhibit "3" the *Future Desalters* will be entitled to first priority to the controlled overdraft authorized by the amendment to Exhibit "T" to the Judgment.
- (b) WMWD and the Appropriative Pool will exercise good faith and reasonable best efforts to arrive at a fair apportionment. Relevant considerations in establishing the apportionment include, but are not limited to: (i) the nexus between the proposed expansion and achieving Hydraulic Control; (ii) the nexus between the project and obtaining increased yield; (iii) the identified capital costs; (iv) operating and maintenance expenses; and (v) the availability of third-party funding.
- (c) The parties will present any proposed agreement regarding apportionment to Watermaster. Watermaster will provide due regard to any agreement between WMWD and the Appropriative Pool and approve it so long as the proposal phases the Re-Operation over a reasonable period of time to secure the physical condition of Hydraulic Control and will achieve the identified yield benefits while at the same time avoiding Material Physical Injury or an inefficient use of basin resources.
- (d) If WMWD and the Appropriative Pool do not reach agreement on apportionment of controlled overdraft to Future Desalters, then no later than August 31, 2009, the members of the Appropriative Pool will submit a plan to Watermaster that achieves the identified goals of increasing the physical capacity of the Desalters and potable water use of approximately 40,000 acre-feet of groundwater production from the Desalters from the Basin no later than 2012. The Appropriative Pool proposal must demonstrate how it has provided first priority to the Future Desalters if the conditions of paragraph 7.2(a) are met.
- (e) Watermaster will have discretion to apportion the controlled overdraft under a schedule that reflects the needs of the parties and the need for economic certainty and the factors set forth in Paragraph 7.2(a) above. Watermaster may exercise its discretion to establish a schedule for Basin Re-Operation that best meets the needs of the Parties to the Judgment and the physical conditions of the Basin, including but not limited to such methods as "ramping up," "ramping down," or "straight-lining."
 - (i) An initial schedule will be approved by Watermaster and submitted to the Court concurrent with Watermaster Resolution 07-05.
 - (ii) Watermaster may approve and request Court approval of revisions to the initial schedule if Watermaster's approval and request are supported by a technical report demonstrating the continued need for access to controlled overdraft, subject to the limitations set forth in amended Exhibit "T" to the Judgment and the justification for the amendment.

- 7.3 Suspension. An evaluation of Watermaster's achievement of Basin outflow conditions, achievement of Hydraulic Control and compliance with Regional Board orders will be completed annually by Watermaster. Re-Operation and Watermaster's apportionment of controlled overdraft will not be suspended in the event that Hydraulic Control is secured in any year *before* the full 400,000 acre-feet has been produced so long as: (i) Watermaster has prepared, adopted and the Court has approved a contingency plan that establishes conditions and protective measures to avoid Material Physical Injury and that equitably distributes the cost of any mitigation attributable to the identified contingencies, and (ii) Watermaster is in substantial compliance with a Court approved Recharge Master Plan as set forth in Paragraph 8.1 below.
- 7.4 Storage: Uniform Losses. The Parties acknowledge that Watermaster has assessed a two (2)-percent loss on all groundwater presently held in storage to reflect the current hydrologic condition. As provided in the Peace Agreement, Watermaster will continue to maintain a minimum 2 (two) percent loss until substantial evidence exists to warrant the imposition of another loss factor. However, the Parties further acknowledge and agree that losses have been substantially reduced through the OBMP Implementation Plan and the operation of Desalters I and II and that once Hydraulic Control is achieved outflow and losses from the Basin will have been limited to de minimis quantities. Therefore, Watermaster may establish uniform losses for all water held in storage based on whether the Party has substantially contributed to Watermaster reducing losses and ultimately securing and maintaining Hydraulic Control.
- (a) Pre-Implementation of the Peace Agreement. The uniform annual loss (leave behind) of six (6) percent will be applied to all storage accounts to address actual losses, management and equitable considerations arising from the implementation of the Peace Agreement, the OBMP Implementation Plan, the 2007 Supplement to the OBMP Implementation Plan, including but not limited to the Desalters and Hydraulic Control unless the Party holding the storage account: (i) has previously contributed to the implementation of the OBMP as a Party to the Judgment, is in compliance with their continuing covenants under the Peace Agreement or in lieu thereof they have paid or delivered to Watermaster "financial equivalent" consideration to offset the cost of past performance prior to the implementation of the OBMP and (ii) promised continued future compliance with Watermaster Rules and Regulations. In the event that a Party satisfies 7.4(a)(i) and 7.4(a)(ii) they will be assessed a minimum loss of two (2) percent against all water held in storage to reflect actual estimated losses. Watermaster's evaluation of the sufficiency of any consideration or financial equivalency may take into account the fact that one or more Parties to the Judgment are not similarly situated.
- (b) Post-Hydraulic Control. Following Watermaster's determination that it has achieved Hydraulic Control and for so long as Watermaster continues to sustain losses from the Basin to the Santa Ana River at a de minimis level (less than one (1) percent), any Party to the Judgment (agency, entity or person) may qualify for the Post-Hydraulic Control uniform loss percentage of less than 1 percent if they meet the criteria of 7.4(a)(i) and 7.4(a)(ii) above.

- 7.5 Allocation of Losses. Any losses from storage assessed as a Leave Behind in excess of actual losses ("dedication quantity") will be dedicated by Watermaster towards groundwater Production by the Desalters to thereby avoid a Desalter replenishment obligation that may then exist *in the year* of recovery. Any dedication quantity which is not required to offset Desalter Production in the year in which the loss is assessed, will be made available to the members of the Appropriative Pool. The dedication quantity will be pro-rated among the members of the Appropriative Pool in accordance with each Producer's combined total share of Operating Safe Yield and the previous year's actual production. However, before any member of the Appropriative Pool may receive a distribution of any dedication quantity, they must be in full compliance with the 2007 Supplement to the OBMP Implementation Plan and current in all applicable Watermaster assessments.

ARTICLE VIII

RECHARGE

- 8.1 Update to the Recharge Master Plan. Watermaster will update and obtain Court approval of its update to the Recharge Master Plan to address how the Basin will be contemporaneously managed to secure and maintain Hydraulic Control and subsequently operated at a new equilibrium at the conclusion of the period of Re-Operation. The Recharge Master Plan will be jointly approved by IEUA and Watermaster and shall contain recharge estimations and summaries of the projected water supply availability as well as the physical means to accomplish the recharge projections. Specifically, the Plan will reflect an appropriate schedule for planning, design, and physical improvements as may be required to provide reasonable assurance that following the full beneficial use of the groundwater withdrawn in accordance with the Basin Re-Operation and authorized controlled overdraft, that sufficient Replenishment capability exists to meet the reasonable projections of Desalter Replenishment obligations. With the concurrence of IEUA and Watermaster, the Recharge Master Plan will be updated and amended as frequently as necessary with Court approval and not less than every five (5) years. Costs incurred in the design, permitting, operation and maintenance of recharge improvements will be apportioned in accordance with the following principles.
- a. Operations and Maintenance. All future operations and maintenance costs attributable to all recharge facilities utilized for recharge of recycled water in whole or in part unfunded from third party sources, will be paid by the Inland Empire Utilities Agency ("IEUA") and Watermaster. The contribution by IEUA will be determined annually on the basis of the relative proportion of recycled water recharged bears to the total recharge from all sources in the prior year. For example, if 35 percent of total recharge in a single year is from recycled water, then IEUA will bear 35 percent of the operations and maintenance costs. All remaining unfunded costs attributable to the facilities used by Watermaster will be paid by Watermaster.
- i. IEUA reserves discretion as to how it assesses its share of costs.

ii. Watermaster will apportion its costs among the members of the stakeholders in accordance with Production, excluding Desalter Production.

iii. The operations and maintenance costs of water recharged by aquifer storage and recovery will not be considered in the calculation other than by express agreement.

b. Capital. Mutually approved capital improvements for recharge basins that do or can receive recycled water constructed pursuant to the Court approved Recharge Master Plan, if any, will be financed through the use of third party grants and contributions if available, with any unfunded balance being apportioned 50 percent each to IEUA and Watermaster. The Watermaster contribution shall be allocated according to shares of Operating Safe Yield. All remaining unfunded costs attributable to the facilities used by Watermaster will be paid by Watermaster.

8.2 Coordination. The members of the Appropriative Pool will coordinate the development of their respective Urban Water Management Plans and Water Supply Master Plans with Watermaster as follows.

- (a) Each Appropriator that prepares an Urban Water Management Plan and Water Supply Plans will provide Watermaster with copies of their existing and proposed plans.
- (b) Watermaster will use the Plans in evaluating the adequacy of the Recharge Master Plan and other OBMP Implementation Plan program elements.
- (c) Each Appropriator will provide Watermaster with a draft in advance of adopting any proposed changes to their Urban Water Management Plans and in advance of adopting any material changes to their Water Supply Master Plans respectively in accordance with the customary notification routinely provided to other third parties to offer Watermaster a reasonable opportunity to provide informal input and informal comment on the proposed changes.
- (d) Any party that experiences the loss or the imminent threatened loss of a material water supply source will provide reasonable notice to Watermaster of the condition and the expected impact, if any, on the projected groundwater use.

8.3 Continuing Covenant. To ameliorate any long-term risks attributable to reliance upon un-replenished groundwater production by the Desalters, the annual availability of any portion of the 400,000 acre-feet set aside as controlled overdraft as a component of the Physical Solution, is expressly subject to Watermaster making an annual finding about whether it is in substantial compliance with the revised Watermaster Recharge Master Plan pursuant to Paragraphs 7.3 and 8.1 above.

8.4 Acknowledgment re 6,500 Acre-Foot Supplemental Recharge. The Parties make the following acknowledgments regarding the 6,500 Acre-Foot Supplemental Recharge:

- (a) A fundamental premise of the Physical Solution is that all water users dependent upon Chino Basin will be allowed to pump sufficient waters from the Basin to meet their requirements. To promote the goal of equal access to groundwater within all areas and sub-areas of the Chino Basin, Watermaster has committed to use its best efforts to direct recharge relative to production in each area and sub-area of the Basin and to achieve long-term balance between total recharge and discharge. The Parties acknowledge that to assist Watermaster in providing for recharge, the Peace Agreement sets forth a requirement for Appropriative Pool purchase of 6,500 acre-feet per year of Supplemental Water for recharge in Management Zone 1 (MZ1). The purchases have been credited as an addition to Appropriative Pool storage accounts. The water recharged under this program has not been accounted for as Replenishment water.
- (b) Watermaster was required to evaluate the continuance of this requirement in 2005 by taking into account provisions of the Judgment, Peace Agreement and OBMP, among all other relevant factors. It has been determined that other obligations in the Judgment and Peace Agreement, including the requirement of hydrologic balance and projected replenishment obligations, will provide for sufficient wet-water recharge to make the separate commitment of Appropriative Pool purchase of 6,500 acre-feet unnecessary. Therefore, because the recharge target as described in the Peace Agreement has been achieved, further purchases under the program will cease and Watermaster will proceed with operations in accordance with the provisions of paragraphs (c), (d) and (e) below.
- (c) The parties acknowledge that, regardless of Replenishment obligations, Watermaster will independently determine whether to require wet-water recharge within MZ1 to maintain hydrologic balance and to provide equal access to groundwater in accordance with the provisions of this Section 8.4 and in a manner consistent with the Peace Agreement, OBMP and the Long Term Plan for Subsidence.". Watermaster will conduct its recharge in a manner to provide hydrologic balance within, and will emphasize recharge in MZ1. Accordingly, the Parties acknowledge and agree that each year Watermaster shall continue to be guided in the exercise of its discretion concerning recharge by the principles of hydrologic balance.
- (d) Consistent with its overall obligations to manage the Chino Basin to ensure hydrologic balance within each management zone, for the duration of the Peace Agreement (until June of 2030), Watermaster will ensure that a minimum of 6,500 acre-feet of wet water recharge occurs within MZ1 on an annual basis. However, to the extent that water is unavailable for recharge or there is no replenishment obligation in any year, the obligation to recharge 6,500 acre-feet will accrue and be satisfied in subsequent years.
 - (1) Watermaster will implement this measure in a coordinated manner so as to

facilitate compliance with other agreements among the parties, including but not limited to the Dry-Year Yield Agreements.

- (2) In preparation of the Recharge Master Plan, Watermaster will consider whether existing groundwater production facilities owned or controlled by producers within MZ1 may be used in connection with an aquifer storage and recovery ("ASR") project so as to further enhance recharge in specific locations and to otherwise meet the objectives of the Recharge Master Plan.
- (e) Five years from the effective date of the Peace II Measures, Watermaster will cause an evaluation of the minimum recharge quantity for MZ1. After consideration of the information developed in accordance with the studies conducted pursuant to paragraph 3 below, the observed experiences in complying with the Dry Year Yield Agreements as well as any other pertinent information, Watermaster may increase the minimum requirement for MZ1 to quantities greater than 6,500 acre-feet per year. In no circumstance will the commitment to recharge 6,500 acre-feet be reduced for the duration of the Peace Agreement.

ARTICLE IX

9.1 Basin Management Assistance. Three Valleys Municipal Water District ("TVMWD") shall assist in the management of the Basin through a financial contribution of \$300,000 to study the feasibility of developing a water supply program within Management Zone 1 of the Basin or in connection with the evaluation of Future Desalters. The study will emphasize assisting Watermaster in meeting its OBMP Implementation Plan objectives of concurrently securing Hydraulic Control through Re-Operation while attaining Management Zone 1 subsidence management goals. Further, TVMWD has expressed an interest in participating in future projects in the Basin that benefit TVMWD. If TVMWD wishes to construct or participate in such future projects, TVMWD shall negotiate with Watermaster in good faith concerning a possible "buy-in" payment.

9.2 Allocation of Non-Agricultural Pool OBMP Special Assessment

a. For a period of ten years from the effective date of the Peace II Measures, any water (or financial equivalent) that may be contributed from the Overlying (Non-Agricultural) Pool in accordance with paragraph 8(c) of Exhibit G to the Judgment (as amended) will be apportioned among the members of the Appropriative Pool in each year as follows:

(i)	City of Ontario.	80 af
(ii)	City of Upland	161 af
(iii)	Monte Vista Water District	213 af
(iv)	City of Pomona	220 af
(v)	Marygold Mutual Water Co	16 af
(vi)	West Valley Water District	15 af

b. In the eleventh year from the effective date of the Peace II Measures and in each year thereafter in which water may be available from the Overlying (Non-Agricultural) Pool in excess of identified Desalter replenishment obligations as determined in accordance with Section 6.2 above, any excess water (or financial equivalent) will be distributed pro rata among the members of the Appropriative Pool based upon each Producer's combined total share of Operating Safe Yield and the previous year's actual production.

ARTICLE X

SETTLEMENT AND RELEASE

- 10.1 Settlement. By its execution of this Agreement, the Parties mutually and irrevocably, fully settle their respective claims, rights and obligations, whatever they may be, regarding the design, funding, construction and operation of Future Desalters as set forth in and arising from Article VII of the Peace Agreement.
- 10.2 Satisfaction of Peace Agreement Obligation Regarding Future Desalters. The Parties' individual and collective responsibilities arising from the Part VII of the Peace Agreement and the OBMP Implementation Plan regarding the planning, design, permitting, construction and operation of Future Desalters, whatever they may be, are unaffected by this Agreement. However, upon the completion of a 10,000 AFY (9 mgd) expansion of groundwater production and desalting from Desalter II as provided for herein, the Parties will be deemed to 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.
- 10.3 Satisfaction of Pomona Credit. In recognition of the ongoing benefits received by TVMWD through the City of Pomona's anion exchange project, as its sole and exclusive responsibility, TVMWD will make an annual payment to Watermaster in an amount equal to the credit due the City of Pomona under Peace Agreement Paragraph 5.4(b) ("the Pomona Credit").
- (a) Within ninety (90) days of each five-year period following the Effective Date of this Agreement, in its sole discretion TVMWD shall make an election whether to continue or terminate its responsibilities under this paragraph. TVMWD shall provide written notice of such election to Watermaster.
 - (b) Watermaster will provide an annual invoice to TVMWD for the amount of the Pomona Credit.
 - (c) Further, in any renewal term of the Peace Agreement, TVMWD will continue to make an equivalent financial contribution which TVMWD consents to

Watermaster's use for the benefit of MZ1, subject to the same conditions set forth above with respect to TVMWD's payment of the "Pomona Credit".

- (d) In the event TVMWD elects to terminate its obligation under this Paragraph, the Peace Agreement and the responsibility for satisfying the Pomona Credit will remain unchanged and unaffected, other than as it will be deemed satisfied for each five-year period that TVMWD has actually made the specified payment.

- 10.4 Release. Upon WMWD's completion of a 10,000 AFY (9 mgd) expansion of groundwater production and desalting in a manner consistent with the parameters set forth in this Agreement, each Party, for itself, its successors, assigns, and any and all persons taking by or through it, hereby releases WMWD and IEUA from any and all obligations arising from WMWD's and IEUA's responsibility for securing funding, designing, and constructing Future Desalters as set forth in or arising exclusively from Article VII of the Peace Agreement and the Program Elements 3, 6, and 7, OBMP Implementation Plan only, and each Party knowingly and voluntarily waives all rights and benefits which are provided by the terms and provisions of section 1542 of the Civil Code of the State of California, or any comparable statute or law which may exist under the laws of the State of California, in or arising from WMWD's and IEUA's responsibility for securing funding, designing, and constructing Future Desalters as set forth in or arising exclusively from Article VII of the Peace Agreement and the OBMP Implementation Plan only. The Parties hereby acknowledge that this waiver is an essential and material term of this release. The Parties, and each of them, acknowledge that Civil Code section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Each Party understands and acknowledges that the significance and consequence of this waiver of Civil Code section 1542 is the waiver of any presently unknown claims as described above, and that if any Party should eventually suffer additional damages arising out of the respective claim that Party will not be able to make any claim for those additional damages. Further, all Parties to this Agreement acknowledge that they consciously intend these consequences even as to claims for such damages that may exist as of the date of this Agreement but which are not known to exist and which, if known, would materially affect the Parties' respective decision to execute this Agreement, regardless of whether the lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

- 10.5 Assessments. In view of the substantial investments previously made and contemplated by Watermaster and the parties over the term of the Peace Agreement and in particular to implement the OBMP, the parties desire substantial certainty regarding Watermaster's principles of cost allocation. The principles set forth in the Peace Agreement and the

October 25, 2007

Peace II Measures including those stated herein, constitute a fair and reasonable allocation of responsibility among the stakeholders. Accordingly, other than in the event of an emergency condition requiring prompt action by Watermaster or to correct a manifest injustice arising from conditions not presently prevailing in the Basin and unknown to Watermaster and the parties and then only to the extent Watermaster retains discretion, Watermaster will maintain the principles of cost allocation for apportioning costs and assessments as provided in the Judgment and now implemented through the Peace Agreement and the Peace II Measures for the balance of the initial Term of the Peace Agreement. For the balance of the initial Term of the Peace Agreement, the parties to the Peace II Agreement will waive any objections to the Watermaster's principles of cost allocation other than as to issues regarding whether Watermaster has: (i) properly followed appropriate procedures; (ii) correctly computed assessments and charges; and (iii) properly reported .

10.6 Reservation of Rights. Nothing herein shall be construed as precluding any party to the Judgment from seeking judicial review of any Watermaster action on the grounds that Watermaster has failed to act in accordance with the Peace Agreement as amended, this Agreement, the Amended Judgment, the OBMP Implementation Plan as amended and applicable law.

October 25, 2007

ARTICLE XI
TERM

- 11.1 Commencement. This Agreement will become effective upon the satisfaction of all conditions precedent and shall expire on the Termination Date.
- 11.2 Termination. This Agreement is coterminous with the initial term of the Peace Agreement and will expire of its own terms and terminate on the date of the Initial Term of the Peace Agreement.

ARTICLE XIII
GENERAL PROVISIONS

- 12.1 Construction of this Agreement. Each Party, with the assistance of competent legal counsel, has participated in the drafting of this Agreement and any ambiguity should not be construed for or against any Party on account of such drafting.
- 12.2 Awareness of Contents/Legal Effect. The Parties expressly declare and represent that they have read the Agreement and that they have consulted with their respective counsel regarding the meaning of the terms and conditions contained herein. The parties further expressly declare and represent that they fully understand the content and effect of this Agreement and they approve and accept the terms and conditions contained herein, and that this Agreement is executed freely and voluntarily.
- 12.3 Counterparts. This Agreement may be executed in counterparts. This Agreement shall become operative as soon as one counterpart hereof has been executed by each Party. The counterparts so executed shall constitute an Agreement notwithstanding that the signatures of all Parties do not appear on the same page.

IN WITNESS THEREOF, the Parties hereto have set forth their signatures as of the date written below:

Dated:

Party: _____

By _____

Attachment L

September 21, 2007

ATTACHMENT "L"

SECOND AMENDMENT TO PEACE AGREEMENT

THIS SECOND AMENDMENT TO PEACE AGREEMENT ("AGREEMENT") is dated the ____ of September 2007 regarding the Chino Groundwater Basin.

RECITALS

- A. The Parties entered into that certain "Peace Agreement" dated June 29, 2000. The Peace Agreement was approved by the Court in San Bernardino Superior Court Case No. RCV 51010.
- B. The Parties entered into a First Amendment to the Peace Agreement on September 2nd of 2004 regarding the deletion of Salt Credits and the Stormwater Component of New Yield.

NOW THEREFORE, in consideration of the covenants and conditions herein contained, and for other good and valuable consideration the receipt of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

Section 1. OBMP Credits Modified. The Peace Agreement § 5.4(d) will be amended to read:

- (d) Watermaster shall adopt reasonable procedures to evaluate requests for OBMP credits against future OBMP Assessments or for reimbursement. Any Producer or party to the Judgment, including but not limited to the State of California, may make application to Watermaster for reimbursement or credit against future OBMP Assessments for any capital or operations and maintenance expenses incurred in the implementation of any project or program, including the cost of relocating groundwater Production facilities, that carries out the purposes of the OBMP and specifically relates to the prevention of subsidence in the Basin, in advance of construction or that is prospectively dedicated to service of the stated goals of the OBMP. Watermaster shall exercise reasonable discretion in making its determination, considering the importance of the project or program to the successful completion of the OBMP, the available alternative funding sources, and the professional engineering and design standards as may be applicable under the circumstances. However, Watermaster shall not approve such a request for reimbursement or credit against future OBMP Assessments under this section where the Producer or party to the Judgment was otherwise legally compelled to make the improvement.

September 21, 2007

Section 2. Increase the Limit on Storage of Local Supplemental Water The current cap of 50,000 acre-feet of Storage of Supplemental Water described in paragraph 5.2(b)(iv) and 5.2(b)(vii) of the Peace Agreement shall be increased from 50,000 to 100,000 acre-feet. Any Party to the Judgment may make Application to Watermaster to store Supplemental Water pursuant to the terms of section 5.2(b) of the Peace Agreement except that the rebuttable presumption applicable to Local Storage Agreements described in Peace Agreement paragraph 5.2(b)(v) shall no longer be in effect with regard to such applications.

Section 3. Effect of Amendment. Except as amended hereby, the Peace Agreement remains in full force and effect.

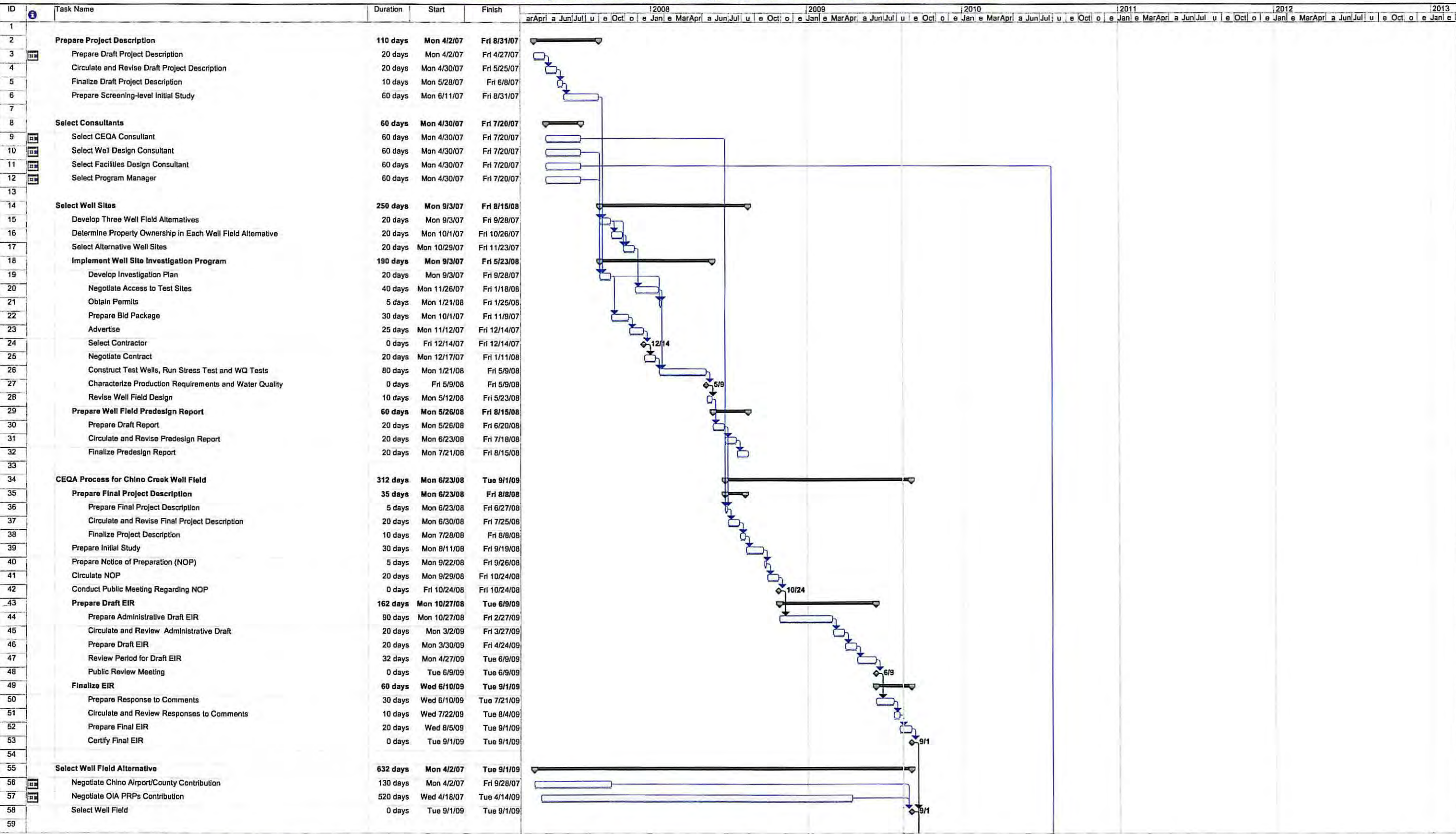
IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date written below:

SB 441950 v1:008350.0001

**The materials included as Exhibit 1 to
the Peace II Agreement are included
as attachments to Resolution 07-05
and the Resolution itself**

Exhibit 2

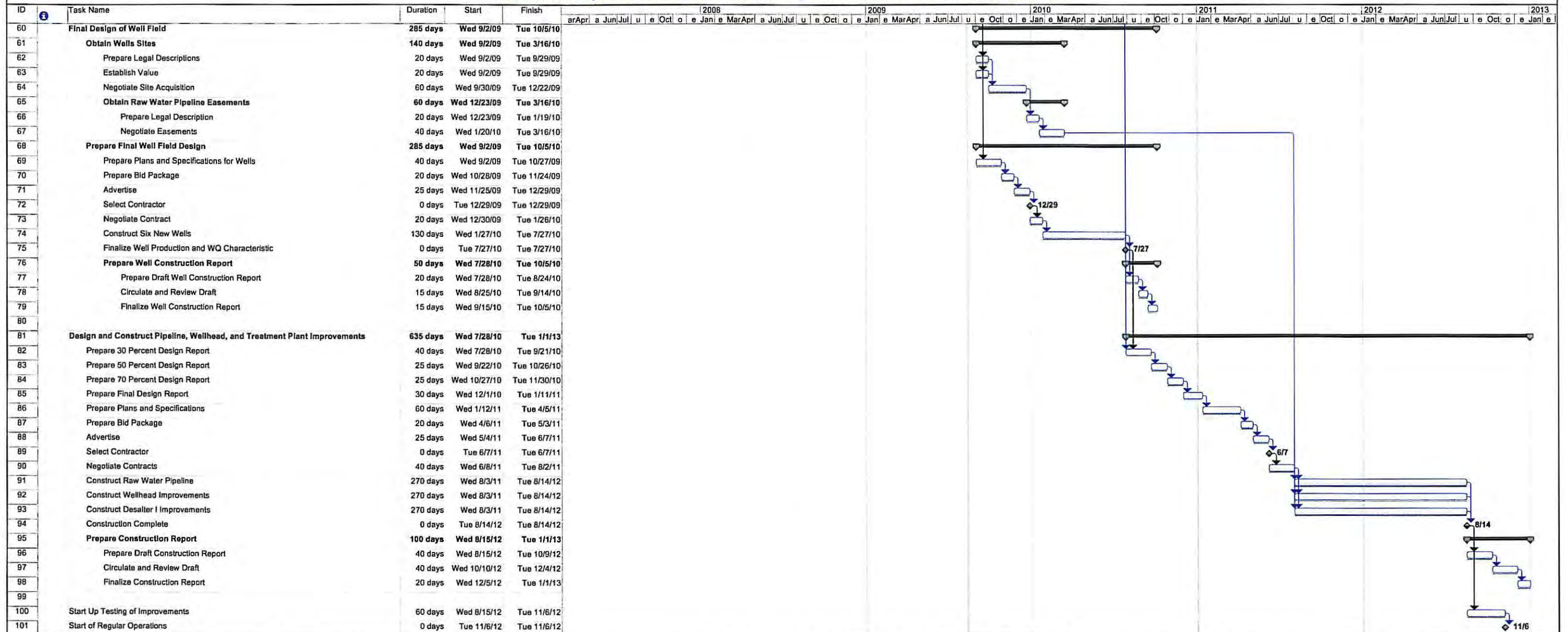
Schedule A -- Pragmatic Schedule for the Planning, Design and Construction of the Chino Creek Well Field



Project: 20070329 Schedule A Chino C
Date: Wed 8/12/09

Task Progress Summary External Tasks Split
Split Milestone Project Summary External MileTask

Schedule A -- Pragmatic Schedule for the Planning, Design and Construction of the Chino Creek Well Field

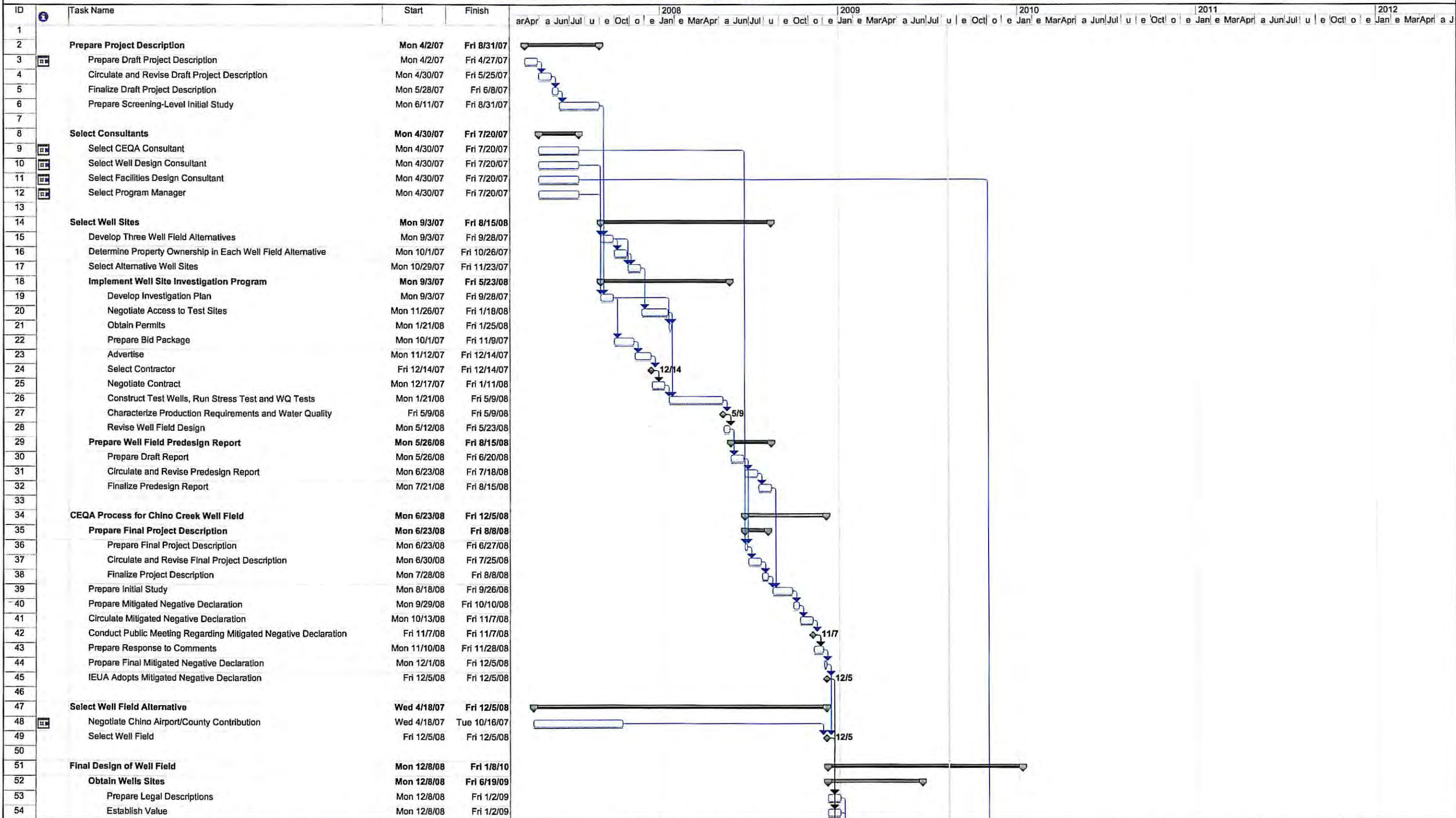


Project: 20070329 Schedule A Chino C
Date: Wed 8/12/09

Task Progress Summary External Tasks Split
Split Milestone Project Summary External MileTask

Chino Basin Watermaster
Inland Empire Utilities Agency

Schedule B -- Accelerated Schedule for the Planning, Design and Construction of the Chino Creek Well Field



Project: 20070329 Schedule B Chino C Date: Wed 9/12/07 Task Progress Summary External Tasks Split
Split Milestone Project Summary External MileTask

Schedule B -- Accelerated Schedule for the Planning, Design and Construction of the Chino Creek Well Field

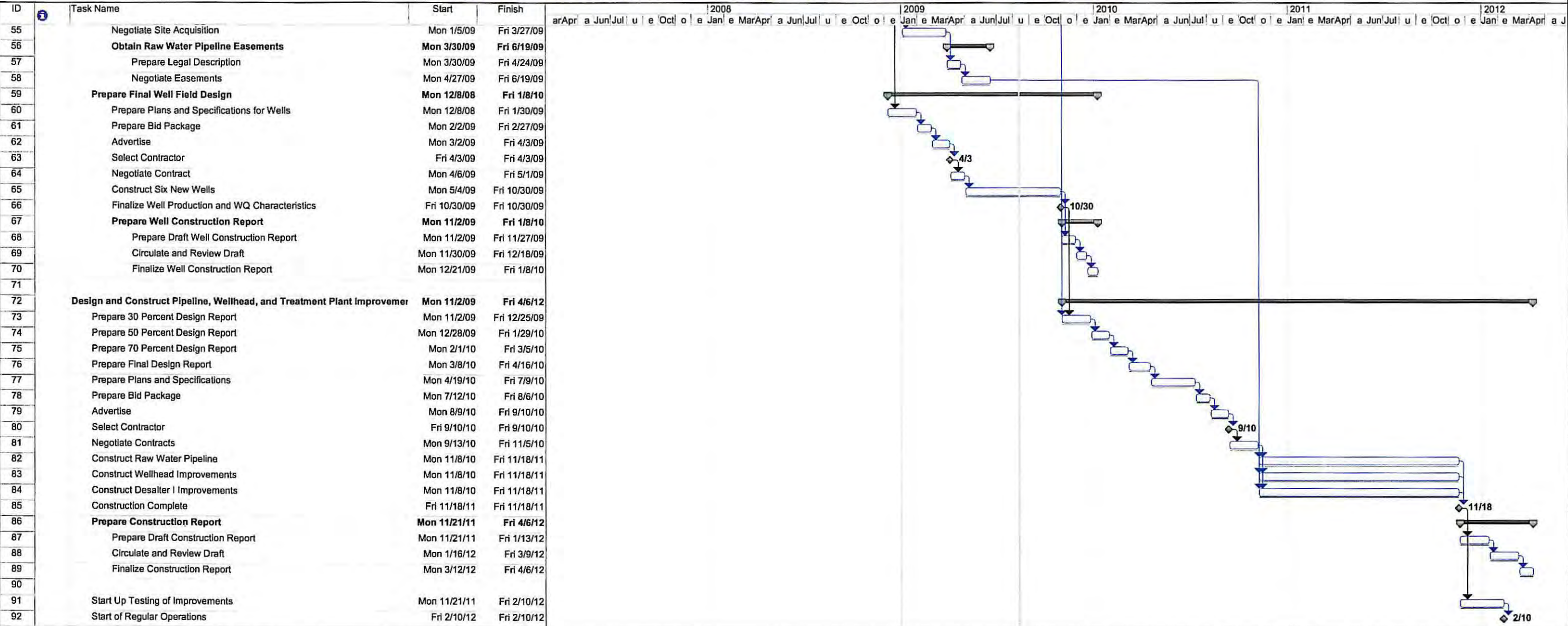


Exhibit 3

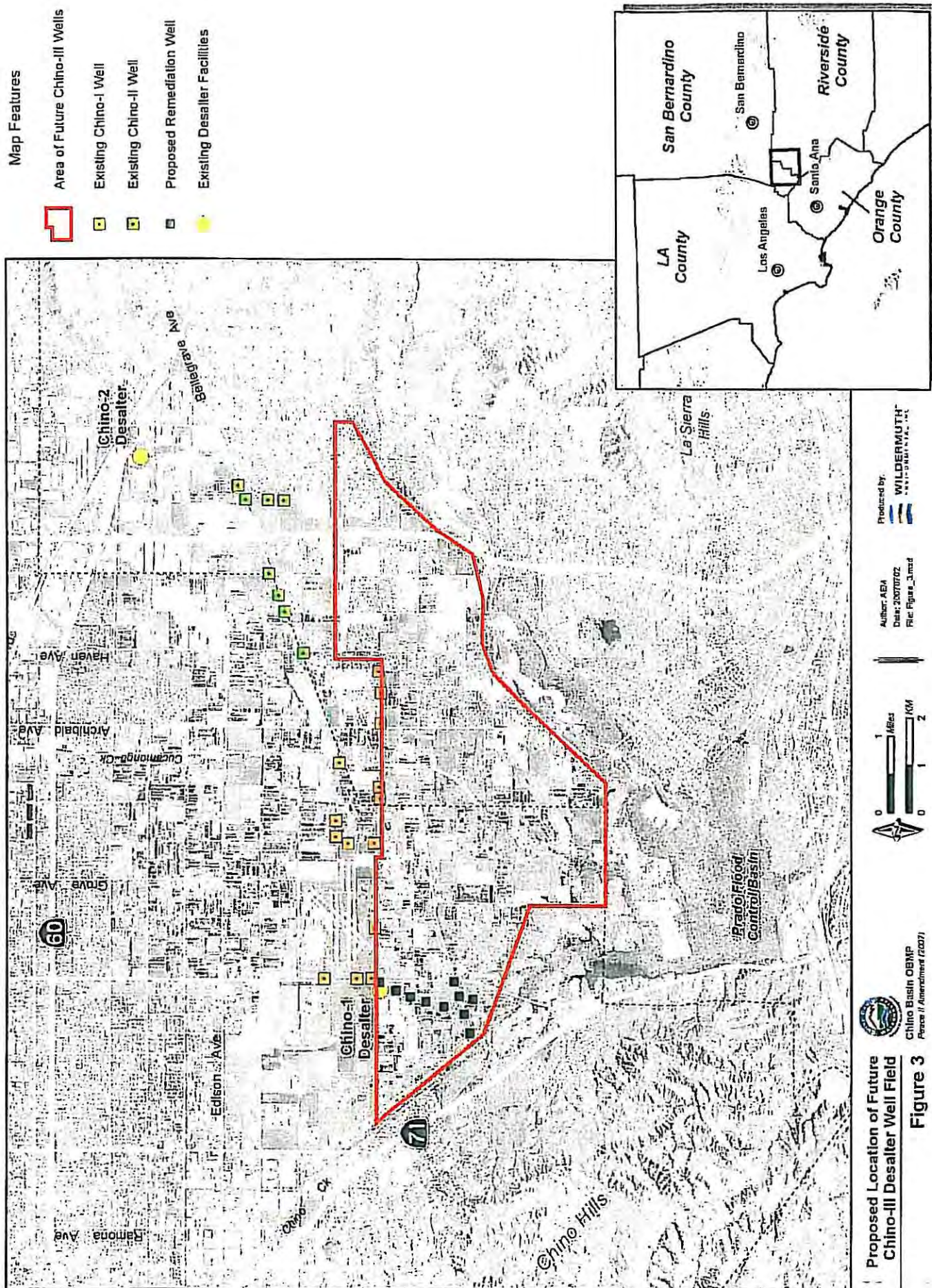


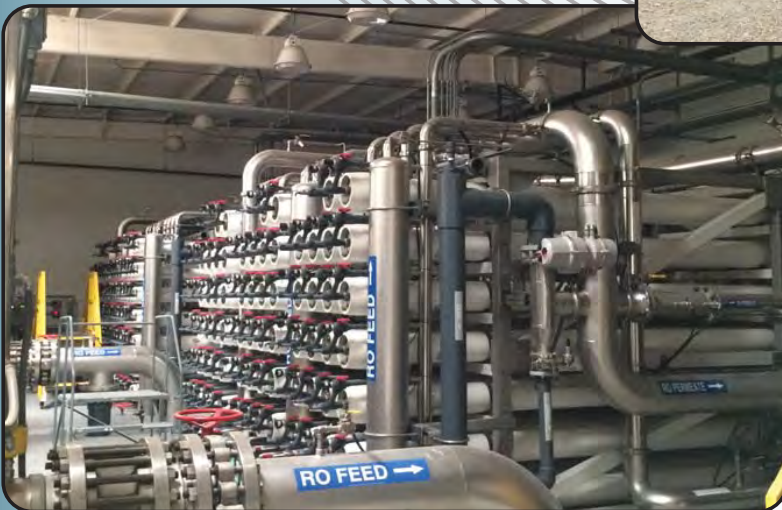
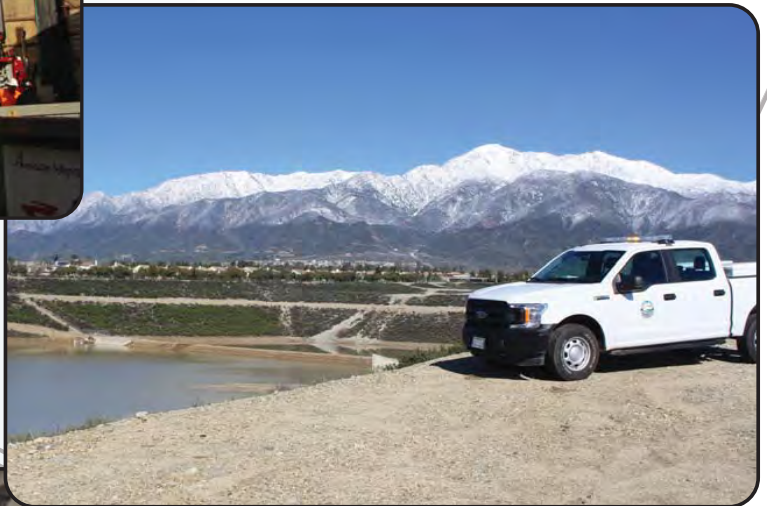
Figure 3
 Proposed Location of Future Chino-III Desalter Well Field
 Chino Basin OBMP
 Phase I Amendment (2007)

Exhibit E

2020

Optimum Basin Management Program Update Report

Prepared for:



October 2020



2020 OBMP UPDATE REPORT



Draft -- November 22, 2019 and January 24, 2020

Final -- October 22, 2020

Prepared by





4.7 Program Element 7. Develop and Implement Salt Management Plan

The objective of PE 7 is to implement, and periodically update, the maximum-benefit SNMP. The SNMP is a management program to monitor, characterize, and manage current and future salt and nutrient conditions in the Chino Basin. The maximum-benefit SNMP enables the implementation of the recycled water recharge program in PE 2 and the direct reuse of recycled water in PE 5.

Watermaster and the IEUA are co-permittees for the maximum-benefit SNMP and the recycled water recharge program and will be jointly responsible for implementation of PE 7. The implementation actions and general schedule for implementation are summarized in Table 16 below.

Table 16. Program Element 7 – 2020 OBMP Management Plan

Implementation Action	One-time/ Ongoing
Years 1 through 3	
Complete the 2020 update of TDS and nitrate projections to evaluate compliance with maximum benefit salt and nutrient management plan, and, if necessary, based on the outcome, prepare a plan and schedule to implement a salt offset compliance strategy.	One-time
Continue to implement the maximum-benefit salt and nutrient management plan pursuant to the Basin Plan, including: • Implement monitoring program and reporting requirements • Maintain Hydraulic Control through operation of the Chino Basin Desalters and other means, as necessary • Increase and maintain desalter pumping at 40,000 afy • Continue storm and imported water recharge program to comply with recycled water recharge dilution requirements • Comply with recycled water TDS and TIN limitations • Compute ambient water quality every three years • Construct treatment and/or salt-offset facilities <i>if</i> one or more of the compliance limits are exceeded	Ongoing
Years 4 through 20	
Continue to implement the maximum-benefit salt and nutrient management plan pursuant to the Basin Plan, and any amendments thereto.	Ongoing
Starting in 2025 and every five years thereafter, update water quality projections to evaluate compliance with the maximum-benefit salt and nutrient management plan.	Ongoing



Exhibit F



CHINO BASIN WATERMASTER

To: Pool Committee Members

From: Watermaster Staff and Legal Counsel

Date: May 14, 2026

RE: Responses to Fiscal Year 2025-26 Assessment Package Questions

Watermaster (WM) has received requests and questions in the form of letters from the Cucamonga Valley Water District (CVWD) (dated 10/27/25 & 11/19/25) and the City of Ontario (Ontario) (dated 11/10/25 & 12/23/25) and a comment made during a meeting from the Monte Vista Water District (MVWD) regarding WM's justification to the methodologies used in the preparation of the Fiscal Year (FY) 2025-26 Assessment Package materials. The subject matter of the requests for a written response from WM can be summarized as follows:

CVWD	Requests information regarding the Appropriative Pool (AP) production that has been excluded from AP production assessments and classified as Agricultural Pool (Ag Pool) production as a Voluntary Agreement pursuant to Section 5.3(i) of the Peace Agreement.
CVWD	Requests supporting documentation Watermaster relied upon to determine the historical maximum annual quantity of water previously used on each property claimed under a Voluntary Agreement in the FY 25/26 Assessment Package.
CVWD	Requests WM limit current and future application of Voluntary Agreement credits to non-groundwater supplies, absent written justification citing specific provisions in the Judgment or Peace Agreement authorization and revise past assessment packages if not justified.
CVWD	Requests clarification regarding the basis for excluding Chino Desalter Authority (CDA) production from the annual production-based assessment calculation.
Ontario	Requests WM clarify its interpretation and application of the 2011 "85-15 Rule" policy to preemptive replenishment, particularly where the policy only involves transfers of unused Operating Safe Yield and stored supplemental water.
Ontario	Requests WM clarify whether stored supplemental water is being Produced and assessed as part of the FY 2025/26 Assessment Package and provide specific provisions and authorities to support WM implementation.
Ontario	Requests WM consider whether Judgment, Paragraph 49 should be adhered to considering the basin has ample water in storage and a historic declining safe yield.
MVWD	Requests WM clarify the source of authority to the calculation of a Desalter Replenishment Obligation in excess of 40,000 acre-feet per year.

The matters raised in the letters and comments received can be grouped in four subject categories: Voluntary Agreements, 85-15 Rule, CDA Production assessments, CDA production replenishment obligation limit.

Voluntary Agreements

Voluntary Agreements were established under Section 5.3(i) “Transfers” of the 2000 Peace Agreement. This provision grants members of the Agricultural Pool, including the State of California, the right to enter into voluntary agreements with appropriators whose service areas are contiguous with or inclusive of agricultural land. The appropriator can provide the required water to the overlying land on behalf of the member of the Ag Pool. The appropriator providing the service is then entitled to receive a credit to off-set Production to the extent it is serving the overlying land up to the historical maximum annual quantity of water previously used on the property.

Comments request that WM limit the application of Voluntary Agreements to situations in which the appropriator providing service to the agricultural property provides groundwater to the property.

Since WM was ordered by the Court to implement the Peace Agreement, it has not attempted to characterize the molecules of water provided to the agricultural property that is the subject of the Voluntary Agreement. Many appropriators rely on a mix of water supplies (e.g., groundwater, purchased water, recycled water), and it may be impracticable to trace the origin of supplies provided under a Voluntary Agreement. The Assessment Packages accounting for Voluntary Agreement since the date of the Peace Agreement have similarly not limited the credit against Assessable Production (which is offset by an Assessable Production quantity assigned to the Ag Pool) based on the character of the water provided to an Agricultural Property.¹ Consequently there is a lengthy course of dealing by Watermaster for over 20 years. No Assessment Package has been challenged or revised on this basis. Other than consistently approving the prior Assessment Packages, neither the Overlying (Agricultural) Pool or the Appropriative Pool have taken action to suggest a contrary construction was intended. These facts provide a reasonable basis to conclude that the approach was previously acceptable to the Parties to the Peace Agreement and the proper construction of the requirement.

No party has contended or offered any physical reason, and Watermaster has not independently evaluated whether, continuation of this practice presents Material Physical Injury as a basis to discontinue the practice so as to only offer a credit where groundwater is provided to the overlying parcel.

Ultimately, WM is required by court order to implement the Peace Agreement but is not itself a party to that agreement. Therefore, if the parties elect to amend the provisions regarding Voluntary Agreements, WM will implement the Agreement as amended.

The 85-15 Rule

Ontario has requested that WM clarify its interpretation and application of the 85-15 Rule as it pertains to the application of the Rule to an 85-15 Rule party's purchase of recycled waterⁱ from the Inland Empire Utilities Agency to replenish its overproduction in a Production Year. The 85-15 Rule originates in the Appropriative Pool Pooling Plan, which is Exhibit “H” to the Judgment. The Rule and its application are the subject of Watermaster Policy 5.1, which was promulgated by the Appropriative Pool in November 2011. The 85-15 Rule itself and Policy 5.1 presume the acquisition of “Replenishment Water” . Given the Rule's origin and the Appropriative Pool's policy, WM offered the Appropriative Pool the opportunity to construe its own Pooling Plan. As of this writing, the Pool has only recommended approval of the Assessment Package as proposed by Watermaster. Thus, while the Pool recommended approval of the proposed Assessment Package with Watermaster's suggested application, the Pool Committee action is not dispositive. Moreover, Ontario has claimed that the duty to construe the Appropriative Pool's Pooling Plan lays with Watermaster.

Thus, for avoidance of doubt and relevant to Watermaster's recommendation, we turn the Judgment and find that: (i) the Judgment sets forth the requirement to replenish the Basin and expressly references forms of Supplemental Water that are eligible for this function in Judgment Paragraph 49; (ii) Judgment Paragraph 49 expressly identifies specific sources of Supplemental Water for replenishment to include “reclaimed water.”; (iii) This is consistent with the Judgment's definition

¹ In Fiscal Years 2011-12 through 2015-16, when the City of Chino provided a quantity of water to agricultural property that exceeded the volume of groundwater it pumped from the Basin, the Assessment Packages did limit the offset credit against Assessable Production to the total volume pumped.

of “Supplemental Water” as ‘both water imported to Chino Basin from outside Chino Basin from outside Chino Basin Watershed, and reclaimed water.’ (Restated Judgment 4. (bb).); and (iv) the Appropriative Pool Pooling Plan (Exhibit “H” to the Judgment) paragraph 7 establishes the 85/15 Rule as a basis to allocate the cost of procuring replenishment water by any appropriator. Thus, the plain meaning of the Judgment and the Pooling Plan is that the 85/15 Rule applies to a purchase of recycled/reclaimed water as a form of Supplemental Water for replenishment.

Land Use Conversions

The allocation of the right to Produce water associated with the conversion of land from being subject to service from the Overlying (Agricultural) Pool (“Ag Pool”) to being subject to service by an Appropriator similarly originates in the Appropriative Pool Pooling Plan (Exhibit “H” to the Judgment). Conversion claims were the subject of a 1995 Land Conversion Amendment to the 1978 Judgment, replacing Paragraph 10(b) of the Pooling Plan, and then further adjusted to 2.0 AF per acre by Judgment Amendment authorized under to Paragraph 5.3(h) of the Peace Agreement² as approved and ordered by the Court in 2000.

Historically, fallow parcels were eligible for Land Use Conversion claims. In October 25, 2007, an eligibility prerequisite was added that a parcel must have first been issued a grading permit to qualify for conversion. This requirement has only been applied prospectively for Land Use Conversions post October 25, 2007, and pre-existing fallow parcels have been allowed to remain eligible “grandfathered” if those claims had been previously approved pursuant to earlier rules.

As Land Use Conversions arise out of the Appropriative Pooling Plan, and the continuing approval of conversion claims for fallow parcels that were originally approved under the previously approved rules has continued for 18 years without challenge and is evidence in construing the requirement that Watermaster’s current construction is consistent with the intent of the intent of the Parties as a consistent course of dealing. This construction is also consistent with the presumption that laws and regulations are presumed to operate prospectively. (*Tapia v. Superior Court* (1991) 53 Cal.3d 282, 287.)

WM indicated that it desired the Appropriative Pool’s advice and counsel as to whether Watermaster should apply the Pooling Plan in a different manner. However, no advice and counsel has been forthcoming from the Pool other than its approval of Watermaster’s recommendation on the proposed Assessment Package, which is consistent with Watermaster’s recommendation.

Desalter Pumping

The comments raise two issues regarding the Assessment Package’s treatment of pumping by the Desalters: (1) whether Desalter Pumping should be subject to a Production Assessment, and (2) whether the parties’ Desalter Replenishment Obligation (DRO) should extend to Desalter pumping beyond 40,000 acre-feet in any Production Year.

Background

The OBMP identified an existential challenge that required a herculean undertaking to resolve. Namely, as agricultural use in the Basin declined, the Safe Yield of the Basin would likewise fall by a similar quantity.³ At the time, the projection was

² The Peace II Agreement required that Watermaster, by resolution, “ratify all current Watermaster accounting practices with regard to Land Use Conversions...and continue to implement such provisions in a consistent manner.” (Peace II Agreement, Attachment “F”, I.

³ [I]f production were to decrease in the southern half of the Basin, the safe yield will also decrease. Agricultural production is expected to decrease about 40,000 acre-ft/yr when current agricultural land transitions to urban use. If the magnitude and spatial distribution of current agricultural production is not replaced with new production then the yield of the Chino Basin will decrease by a comparable amount.” (OBMP at p. 2-17; OBMP Implementation Plan Exhibit B at p. 23.)

about 28% of the Basin's Safe Yield. Given the first priority held by the Agricultural Pool, the parties believed to be at substantial risk of this shortfall were the members of the Appropriative Pool.⁴

For these reasons, the Chino Basin Desalters ("Desalters") were an essential component of the OBMP as the Desalters were conceived, designed and constructing with the intent of preserving Safe Yield of the Chino Basin. Watermaster controlled the specific location of the wells to ensure alignment with the project purposes to replace the loss of production of agricultural wells in the lower part of the Basin. (Peace Agreement Section 7.3(d)(e)⁵)

The Desalters were a giant undertaking and there is ample evidence that the parties lacked the financial capacity to self-fund the construction and ongoing operations of the Desalters. In point of fact, the Peace Agreement and Desalter funding was reliant upon the availability of \$121,000,000 of Proposition 13 funds. (Peace Agreement Sections 3.2(b) and 7.4(b).)

Replenishment water for the Desalters was addressed in Section 7.5 of the Peace Agreement. A waterfall of priority was established with water dedicated by Kaiser, followed by "New Yield" – Safe Yield, including a dedication of Safe Yield by a purchaser of the desalter water and additional Replenishment. While the entire quantity of Production by the Desalters was to be "off-set" the method for apportioning the cost for additional Replenishment was not prescribed.

The Peace II Agreement ("Peace II") paired the construction of the second round of Desalters (Future Desalters) with a new basin management strategy, called "hydraulic control", designed to enable maximizing the use of recycled water in the Basin.⁶ Peace II declared "[t]here are material benefits to the Parties to the Judgment that are achieved by the obtaining Hydraulic Control through Basin-Reoperation. The extent of the those benefits is somewhat dependent upon the final location of new production facilities within the southerly end of the Basin." (Peace II, Section 5.4.).

Peace II went further, it made available 400,000 acre-feet of Basin water, that was set aside to off-set a portion of Desalter Production over a 20-year period. To the extent this was insufficient, the Peace Agreement applied. (Peace II, Section 6.1.) Instead, Peace II controlled the sources that would be offered and the use of 400,000 acre-feet. (Peace II Section 7.2)

With regard to calculating the Appropriative Pool's Replenishment Assessment, Desalter Production is expressly excluded. (Peace II Agreement Section 6.2(b).) It is clear that the expense of product water to the purchasers was again a consideration in allocation of costs by giving WM "discretion" to revisit this exclusion.⁷ Whether Desalter Production should be excluded from the calculation of "Production" altogether – as the extraction of Safe Yield and Operating Safe Yield is not addressed by Peace II.

Assessment of Desalter Pumping as Assessable Production.

The Assessment Package does not propose to treat Desalter pumping as Assessable Production. This is consistent with every approved Assessment Package since the inception of Desalter pumping.⁸ This history of administering the Judgment and the Desalters provides a consistent history of course of dealing among Watermaster and the parties to the Judgment and strong evidence as to what the parties intended.

⁴ "Groundwater production in the southern half of the Basin will need to be managed to ensure that safe yield is not reduced as agricultural areas convert to urban uses. Losses in safe yield due to decreases in agricultural production in the southern part of the Basin are distributed among the appropriators based on their initial share of safe yield. Thus, the loss in yield is translated throughout the Basin." (OBMP at p. 2-37.)

⁵ "Wells constructed in connection with the Desalters shall be designed and constructed to Produce water with high total dissolved solids (TDS) and located in areas consistent with the purposes of the OBMP." (Section 7.3(d).) "

⁶ Supplemental Environmental Impact Report for the Inland Empire Utilities Agency, October 2010 Project Description – pps 2-3.

⁷ The parties did covenant not to seek incorporating any yield enhancements associated with the Desalters into Safe Yield so that the water would be available to off-set the Desalter Production. (Peace II Section 7.1)

⁸ At least six Assessment Packages approved during that timeframe have subsequently been amended or required to be amended and none of these amendments provided for the treatment of Desalter pumping as Assessable Production.

Moreover, Desalter pumping is conducted by the Chino Basin Desalter Authority (CDA), which is not, and has never been required to be, a party to the Judgment. Desalter pumping is performed for multiple purposes: first and foremost, the preservation of Safe Yield and Operating Safe Yield that benefit all members of the Appropriative Pool as addressed above. Parties that pump Operating Safe Yield were the parties deemed materially benefited by the Desalters⁹.

The Desalters provide a water supply to CDA members and it is true that the Desalter Production has successfully replaced the former Production by the Agricultural Pool. The current production of the Desalters along with achieving Hydraulic Control contribute to prevent the loss of Safe Yield from the basin.

The Desalters also provide basin wide benefits associated with addressing water quality concerns and the achievement and maintenance of hydrologic control – which are WM obligations pursuant to permits issued by the Regional Water Quality Control Board and enable much broader access to recycled water and wider use within the Basin. (Water Quality Control Plan for the Santa Ana River Basin Ch. 4)

WM has not been presented with any evidence that would compel a change in the Assessment Package treatment of Desalter pumping in the FY 2025-26 Assessment Package. WM acknowledges that decades of operating experience and financial conditions may be sufficient grounds to revisit these terms coincident with the expiration of Peace II in 2030.

DRO CAP

The Assessment Package does not propose to limit the parties' DRO obligation to only 40,000 acre-feet of the 40,646.9 acre-feet pumped by the Desalters in FY 2024-25. The concept of DRO originates in paragraph 7.5 of the Peace Agreement, and its allocation among the parties is described in paragraph 6.2 of the Peace II Agreement. The specific manner in which the Appropriative Pool parties would collectively fulfill the Pool's DRO responsibility was additionally the subject of negotiated resolution and a court order approving the agreed upon sharing mechanism in 2019 distributing the obligation among parties in relationship to their reliance exclusively upon Operating Safe Yield as opposed to other considerations. None of these documents indicate an intention to limit the obligation to the first 40,000 AF of water pumped by the Desalters in any Production Year¹⁰, and DRO has been applied to pumping in excess of 40,000 AF in each of the applicable Production Years since FY 2020-21. WM has not been presented with any evidence that would support revising this approach in the Assessment Package treatment of DRO in this regard in the FY 2025-26 Assessment Package.

ⁱ Recycled Water means Reclaimed Water under the Judgment. (Peace Agreement 1.1 definitions (pp) "Recycled Water means water which, as a result of treatment of wastewater, is suitable for a direct beneficial use or a controlled use, that would otherwise not occur and is therefore a valuable resource, referred to as "reclaimed water" in the Judgment.)

⁹ WM acknowledges that its characterization and apportionment of the DRO obligation is the subject of a current challenge before Judge Ochoa.

¹⁰ Watermaster notes that there are instances in the Peace Agreement where anticipated expanded Desalter pumping is described as either "about" or "approximately" 40,000 acre-feet per year. (Peace II Agreement, section 5.1, Attachment A.

Exhibit G

NOT TO BE PUBLISHED IN OFFICIAL REPORTS

California Rules of Court, rule 8.1115(a), prohibits courts and parties from citing or relying on opinions not certified for publication or ordered published, except as specified by rule 8.1115(b). This opinion has not been certified for publication or ordered published for purposes of rule 8.1115.

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

FOURTH APPELLATE DISTRICT

DIVISION TWO

CHINO BASIN MUNICIPAL WATER
DISTRICT,

Plaintiff and Respondent,

v.

CITY OF ONTARIO,

Defendant and Appellant;

CUCAMONGA VALLEY WATER
DISTRICT, et al.,

Defendants and Respondents.

E080457, E082127

(Super.Ct.No. RCVRS51010)

OPINION

APPEAL from the Superior Court of San Bernardino County. Gilbert G. Ochoa,
Judge. Reversed and remanded with directions.

Stoel Rives LLP, Elizabeth P. Ewens, Michael B. Brown and Whitney Brown, for
Defendant and Appellant, City of Ontario.

Brownstein Hyatt Farber Schreck, LLP, Scott S. Slater, Bradley J Herrema and
Laura K. Yraceburu, for Plaintiff and Respondent, Chino Basin Watermaster.

Lagerlof, LLP and Thomas S. Bunn III, for Defendants and Respondents, Fontana Water Company and Cucamonga Valley Water District.

JC Law Firm, Jean Cihigoyenette and J. Martin Cihigoyenette, for Defendant and Respondent Inland Empire Utilities Agency.

A 1978 stipulated judgment (Judgment) governs the water rights in the Chino Groundwater Basin (Basin) by establishing the Basin's governance structure, providing judicial oversight via continuing jurisdiction provisions, and creating the Chino Basin Watermaster (Watermaster). To achieve full utilization of the Basin's resources, Watermaster adopted, and the superior court approved, a long-term management program, one element of which instituted an objective and strategy to develop storage and recovery programs for the broad regional benefit of the parties to the Judgment. One such program—Dry Year Yield Program (DYY Program)—stores extra groundwater during wet years and then recovers the water during dry years. To finance its actions, Watermaster establishes an annual budget and assesses parties to the Judgment based on their groundwater production.

In this consolidated appeal, one party to the Judgment, the City of Ontario (Ontario), challenges Watermaster's fiscal year (FY) 2021/2022 and 2022/2023 assessments on the grounds Watermaster failed to levy assessments on the groundwater voluntarily produced as part of the DYY Program based upon its erroneous interpretation and application of the 2019 Letter Agreement that amended the agreement that governs the DYY Program. The superior court, inter alia, found Ontario's challenge to be an untimely and improper objection to the 2019 Letter Agreement—entered into between

Three Valleys Municipal Water District (TVMWD),¹ Watermaster, Metropolitan Water District of Southern California (Metropolitan), and Inland Empire Utilities Agency (IEUA)—and further held that stored and supplemental water (from the DYY Program or other storage programs) are exempt from Watermaster assessment.

On appeal, Ontario requests reversal of the superior court’s orders and remand with instructions to (1) direct Watermaster to implement the DYY Program in a manner consistent with the Judgment and prior court orders, (2) correct and amend the FY 2021/2022 and 2022/2023 Assessment Packages to assess water produced from the DYY Program, and (3) invalidate the 2019 Letter Agreement and direct Watermaster to comply with the process provided for in the Judgment and subsequent court orders when approving material changes to the DYY Program.

We conclude the superior court erred in finding Ontario’s challenges to be untimely and in affirming Watermaster’s interpretation of the 2019 Letter Agreement. We therefore reverse.

I. PROCEDURAL BACKGROUND AND FACTS

A. The Judgment, Pools, and Watermaster.

In 1975, Chino Basin Municipal Water District (later known as IEUA) initiated this action against several parties to adjudicate their rights and obligations with respect to groundwater in the Basin, one of the largest groundwater basins in Southern California, providing water to millions of residents in San Bernardino, Riverside, and Los Angeles

¹ Referred to in the Judgment as Pomona Valley Municipal Water District.

Counties. Three years later, the parties stipulated to the Judgment, which created a water management plan for the Basin—the Optimum Basin Management Program—by, among other things, setting a safe yield (maximum extraction amount) for the Basin; establishing three stakeholder groups or “pools”—the Overlying Agricultural Pool (Ag Pool), Overlying Non-Agricultural Pool (Non-Ag Pool), and Appropriative Pool (Ap Pool)—each with its own safe yield, rights, and restrictions; and allowing the superior court to retain and exercise jurisdiction via the appointment of Watermaster, an arm of the court. (*Dow v. Honey Lake Valley Resource Conservation Dist.* (2021) 63 Cal.App.5th 901, 911 [observing that Watermaster is ““considered an arm of the Court””].) As an arm of the court, Watermaster administers and enforces the Judgment and any subsequent instructions or orders of the superior court.

The Pools are responsible for costs of replenishment water and other aspects of the physical solution. Each Pool has a committee that administers its internal affairs, employs its own separate counsel, may seek judicial review of any Watermaster action or failure to act, and—along with an Advisory Committee—provides advice and assistance to Watermaster on the administration of the Judgment. Ontario is a member of the Ap Pool. Watermaster, a nine-member board, is comprised of representatives of parties to the Judgment, including representatives from each Pool. It “administer[s] and enforce[s] the provisions of this Judgment and any subsequent instructions or orders of the [c]ourt,” keeps records of water use and ownership, oversees and approves water transfers, monitors groundwater levels, determines the operating safe yield for each year,

and assesses the Pools for its expenses. However, the court retains “[f]ull jurisdiction, power and authority . . . as to all matters contained” in the Judgment.

B. The Basin’s Safe Yield

The Judgment identifies the Basin’s safe yield, namely, the amount of water that can be withdrawn annually without harming or depleting the Basin.² The safe yield defines the parties’ various rights to Basin groundwater. Parties are prohibited from producing groundwater except as provided in the Judgment, specifically “pursuant to the provisions of the Physical Solution or a storage water agreement.” Also, a party’s individual groundwater production establishes the party’s portion/assessment of Basin costs. The Judgment set the initial safe yield at 140,000 acre-feet (AF) per year; however, in 2017, the superior court reset it to 135,000 AF per year.

C. The Basin’s Groundwater Storage.

The Judgment acknowledges the Basin’s “substantial amount of available groundwater storage capacity” for “storage and conjunctive use of supplemental water

² “‘Safe yield’ means the long-term average annual quantity of groundwater (excluding Replenishment Water or Stored Water but including return flow to the Basin from use of Replenishment or Stored Water) which can be Produced [(pumped or extracted groundwater)] from the Basin under cultural conditions of a particular year without causing an undesirable result.” “The phrase ‘undesirable result’ is understood to refer to a gradual lowering of the groundwater levels resulting eventually in depletion of the supply.” (*City of Los Angeles v. City of San Fernando* (1975) 14 Cal.3d 199, 278 [safe yield is “‘the maximum quantity of water which can be withdrawn annually from a groundwater supply under a given set of conditions without causing an undesirable result’”], disapproved on other grounds in *City of Barstow v. Mojave Water Agency* (2000) 23 Cal.4th 1224, 1247-1248.)

with Basin Waters.”³ Conjunctive use is the planned use of surface water and groundwater resources (either immediately using or storing) to provide a buffer against drought. Stored water is defined as “supplemental water held in storage, as a result of direct spreading, in lieu delivery, or otherwise, for subsequent withdrawal” and is not included in the Basin’s safe yield. Supplemental water includes “both water imported to Chino Basin from outside Chino Basin Watershed, and reclaimed water,” which in turn is defined as water “which, as a result of processing of waste water, is suitable for a controlled use.” The Judgment expressly enjoins the unauthorized storage and withdrawal of supplemental water other than pursuant to an agreement with Watermaster; it compels the adoption of uniformly applicable rules and a standard form of agreement for storage of supplemental water; however, storage agreements “shall by their terms preclude operations which will have a substantial adverse impact on other producers.”

D. The Optimum Basin Management Program.

At the superior court’s direction, Watermaster prepared the Basin’s management program—the Optimum Basin Management Program (OBMP)—to address groundwater quantity and quality issues and regulate withdrawals. The OBMP was divided into two phases: Phase I (the report) was adopted in 1999, and Phase II (implementation plan) was approved by the court in 2000. The OBMP was subject to intensive settlement negotiations that led to various parties to the Judgment executing the Peace Agreement in June 2000 to resolve their disputes regarding “a number of matters pertaining to the

³ It is estimated that the Basin has an unused storage capacity of about one million AF.

power and authority of the Court and Watermaster under the Judgment, . . .” It addresses implementation of the OBMP and allows Watermaster to administer transfers, recharge, and storage/recovery of water. The Peace Agreement, amended in 2004 and 2007, prohibits the approval of a water storage and recovery project “if it . . . will cause any Material Physical Injury to any party to the Judgment or the Basin.”

The OBMP’s implementation plan defines the Operational Storage Capacity of the Basin at approximately 5,300,000 AF of water and introduces the concept of Safe Storage (“an estimate of the maximum storage in the Basin that will *not* cause significant water quality and high groundwater related problems”) and Safe Storage Capacity (quantified at about 500,000 AF). Subsurface storage space in a groundwater basin is a public resource, which must be put to beneficial use under Article X, section 2 of the California Constitution. (*Central and West Basin Water Replenishment Dist. v. Southern Cal. Water Co.* (2003) 109 Cal.App.4th 891, 905.)

E. Annual Assessments.

Watermaster levies and collects assessments based on each party’s water production during the prior year, namely the annual quantity of groundwater⁴ pumped or extracted from the Basin. Thus, each year Watermaster staff prepare an assessment

⁴ The Judgment’s definition of groundwater does not distinguish between the “type” of groundwater or how that water made its way into the Basin. Groundwater is defined as water “beneath the surface of the ground and within the zone of saturation, i.e., below the existing water table.”

package detailing the accounting of each party's production and use of Basin water.⁵

Each party's assessment is determined by dividing the total of the fixed costs of operating the Basin by the total annual production of all parties; this calculation yields a dollar amount per acre feet of water. Under the Watermaster Rules and Regulations, uniform assessment of production is mandatory. Given fixed costs, a decrease in the total annual production results in an increase in the unit cost.

F. Groundwater Storage Program Funding Agreement and Dry Year Yield Program.

In 2000, Metropolitan received \$45 million in general obligation bonds for groundwater storage projects within its service area. IEUA and TVMWD are member agencies of Metropolitan. Metropolitan has had storage agreements with IEUA and Watermaster since 1979. In 2003, Metropolitan, IEUA, TVMWD, and Watermaster entered into a Groundwater Storage Program Funding Agreement (Funding Agreement), which was approved by the superior court. The Funding Agreement was subsequently amended to make adjustments to improve and clarify measurement of storage and extraction, to clarify how performance of calls will be evaluated, and to revise administrative milestones and make miscellaneous updates.

In 2004, Watermaster, IEUA, and TVMWD entered into the Storage and Recovery Program Storage Agreement (Storage and Recovery Agreement), which specified the

⁵ The term Basin water is defined as groundwater within the Basin that is part of the Safe Yield, Operating Safe Yield, or replenishment water in the Basin as a result of operations under the Physical Solution decreed in the Judgment. The "term does not include Stored Water."

permissible quantity of water that could be stored under the DYY Program.⁶ The 2004 court order approving this agreement emphasized that the DYY Program will “provide[] broad mutual benefits to the parties to the Judgment” but prohibited Watermaster from approving any annual operating plan that “will have a substantial adverse impact on other producers.” The order acknowledged the Judgment’s provision that “no use shall be made of the storage capacity of Chino Basin except pursuant to written agreement with Watermaster,” approved by “written order of the Court,” and found the Storage and Recovery Agreement was “unlikely to have any adverse impacts on a party to the Judgment.”

The DYY Program authorized Metropolitan (1) to store up to 100,000 AF of imported water in the Basin,⁷ subject to higher amounts if approved in advance by Watermaster, and (2) to require (or “call”) participating agencies (including IEUA and TVMWD) to produce (pump) 33,000 AF of stored water rather than using the same amount of surface water. The details of how participating agencies would pump stored

⁶ The DYY Program “allows participating members (‘Operating Agencies’) of two wholesale agencies [IEUA] and [TVMWD] to withdraw [the] water” stored by Metropolitan. The Operating Agencies include Chino, Chino Hills, Ontario, Pomona, Upland, Cucamonga Valley Water District (CVWD), Jurupa Community Services District, and Monte Vista Water District, all of which are parties to the Judgment and retail water purveyors within the IEUA and the TVMWD service areas. These agencies, including IEUA and TVMWD, executed local agency agreements whereby they would use facilities owned or controlled by them to implement the DYY Program. The Fontana Water Company (FWC) negotiated with IEUA but did not opt-in as a participating agency.

⁷ This amount is within the presumptive safe harbor of the Safe Storage Capacity given the fact that Watermaster held approximately 226,797 of the 500,000 AF maximum.

water, including specific performance criteria regarding reductions in imported water deliveries, were provided for in Exhibit G attached to the Funding Agreement. Exhibit G was initially entitled “Chino Basin Conjunctive Use ‘Dry Year’ Storage Project Performance Criteria.” Because IEUA and TVMWD are not local water producers, Exhibit G’s performance criteria, which include both groundwater and imported water criteria, are placed on their member agencies to perform. The imported water criteria require a roll-off from imported water supplies and onto groundwater production from the DYY Program. Thus, a program agency claims DYY credit that is equal to its shift off of imported water and onto DYY Program groundwater.

The DYY Program is administered by a five-member Operating Committee, comprised of two representatives from Metropolitan and three representatives chosen by IEUA, TVMWD, and Watermaster. The Operating Committee is delegated with the authority to prepare the Annual Operating Plan which provides an estimated schedule and location for all storage and extraction under the DYY Program and in conformance with Exhibit G on a monthly basis for the upcoming fiscal year. According to the Storage and Recovery Agreement, the Annual Operating Plan must “provide sufficient information to allow the Operating Committee and Watermaster to assess [the program’s] potential impacts.”

The DYY Program “allow[s] for rational regional water supply planning by allowing for increased imports to the Chino Basin during wet years, and reduced imports during dry years.” In exchange for the right to store up to 25,000 AF per year in the Basin (provided the total amount does not exceed 100,000 AF maximum unless approved

by Watermaster), Metropolitan invested \$27.5 million in local infrastructure and makes annual payments (\$177,430 for FY 2021/22) to Watermaster for administration of the DYY Program. Otherwise, the costs associated with the DYY Program, including financing the maintenance and operation of its facilities and Watermaster staff administration time, are passed on to the participating entities. DYY Program costs are distinct from assessment fees charged for production of groundwater from the Basin.

The Funding Agreement and the Storage and Recovery Agreement were adopted through the required process as defined in the Judgment/Peace Agreement, after notice and consideration by the pool committees, the advisory committee, and Watermaster, and approval by superior court order. By its order, the court recognized that any local agency agreements necessary for the DYY Program must be implemented by Watermaster and approved by the court. Thus, IEUA, TVMWD, and their member agencies executed written local agency agreements (Local Agency Agreement) to govern performance obligations under the DYY Program. (See fn. 6.)

Subsequently, the Funding Agreement was amended several times to address administrative issues, such as completion timing of facilities and changes in sources of funds. The eighth amendment, dated January 28, 2015, materially changed the DYY Program by altering the participating entities' performance criteria via the adoption of a revised Exhibit G, now named "Chino Basin Conjunctive Use Program (CUP) 'Dry Year' Storage Project Performance Criteria," and increasing the baseline purchase from Metropolitan to the region to 40,000 AF of water. According to Exhibit G, performance is determined by using an operating party's groundwater baseline. The eighth

amendment was adopted after formal notice was provided, the proposal was vetted and approved by the pool committees, the advisory committee, and Watermaster, and a technical analysis confirmed the amendment would not cause material physical injury to the Basin.

G. 2019 Letter Agreement.

In 2017, Metropolitan had excess water from the State Water Project that it needed to store. After obtaining authorization, Metropolitan recharged around 41,380 AF of water into the DYY Program storage account from June 2017 to June 2018. This increase in stored water prompted the Operating Committee to explore the potential of allowing voluntary withdrawal of water, as opposed to mandatory withdrawal via a Metropolitan call. The proposed system of voluntary withdrawals “was deemed not to materially affect the rights of the [DYY Program] parties and local agencies.” Thus, in 2018, IEUA proposed revising the DYY Program, “to increase flexibility for the parties in the Chino Basin by allowing the region to choose when to buy-out the DYY account [(voluntary take)] without waiting for [a Metropolitan] ‘call year’ [(mandatory take)].”

Ontario raised questions regarding whether these voluntary withdrawals from the DYY Program storage account under the proposed system would be subject to Watermaster assessments as typical production from the Basin, or whether the proposed voluntary withdrawals would be exempt from Watermaster assessment as part of the storage and recovery program. Ontario opined that if the voluntary withdrawal system would materially affect the DYY Program, the proper implementation mechanism would be a formal amendment to the program documents. IEUA replied, “Based on

conversations with [Watermaster], the DYY water is a storage and recovery program, and is not subject to assessments.” Following subsequent discussions, Ontario stated, “Based on the information provided by IEUA, [Ontario is] currently neutral regarding the proposed letter agreement between IEUA and [Metropolitan]. As long as there are parameters that are undecided or unclear, Ontario cannot take a position of support because we cannot know the full effects of the proposed changes. Without these details, which would best be explained and memorialized in an amendment, we will take a wait-and-see approach regarding impacts, and we reserve the right to address any harm or detriment that may arise.”

At the Ap Pool’s meeting on September 13, 2018, Watermaster’s General Manager (Peter Kavounas) noted that “some proposed changes” to the DYY Program had been circulated, and he planned to sign it “on behalf of Watermaster” but “the changes don’t commit Watermaster to - - to anything. We actually don’t think a letter is even required. It’s just [Metropolitan] offering its water at better terms to the parties, which they’re entitled to do. So if there is a letter, we do plan to sign it.” He added, “It’s a good thing. Again, it doesn’t affect Watermaster, but we are signatories to the original DYY. So if they want us to sign a letter of acknowledgement, I will go ahead and do that.” At the Watermaster Board meeting on September 27, 2018, Mr. Kavounas informed the Board about Metropolitan’s proposed changes to the DYY Program, and he characterized them as “favorable to the parties.” He added, “We don’t believe they constitute a change to the agreement, so we don’t intend to bring an agreement

amendment to the board. There may be an acknowledgement letter. If there is, I wanted to let you know that I would be signing that acknowledgement letter.”

In February 2019, Mr. Kavounas executed the 2019 Letter Agreement between Watermaster, Metropolitan, IEUA, and TVMWD. According to this agreement, any water stored after June 1, 2017 “would be purchased from the account by IEUA and [TVMWD] when the parties pump over the groundwater baseline as defined in Exhibit G. . . . This pumping could be the result of a response to a call for pumping made by Metropolitan or it could be through normal operational decisions made by the individual parties in a given year. Except during a call, the increase in pumping would be voluntary and performance would be measured by the parties that elect to increase their pumping. Call provisions would remain unchanged. The parties will receive O&M, power and treatment credits and be billed for the water when the parties pump over the groundwater baseline as defined in Exhibit G.”

Initially, the DYY Program allowed Metropolitan to “call on Parties to take stored water in lieu of [Metropolitan] deliveries and receive an operational credit, or the Parties may do so voluntarily without receiving the operational credit.” Either way, the parties “pay [Metropolitan] for the water as if they were receiving ordinary [Metropolitan] deliveries.” However, the 2019 Letter Agreement allowed the parties “to voluntarily take water and receive an operational credit without a [Metropolitan] call” when they “pump over the groundwater baseline as defined in Exhibit G.”

H. Impacts of the 2019 Letter Agreement.

As previously noted, all water produced in the Basin was assessed consistent with the terms of the Judgement and Watermaster Rules and Regulations; each party's assessment was based on the amount of its individual production.⁸ However, following the 2019 Letter Agreement, Watermaster interpreted it to allow parties to produce (take) extra stored groundwater from the DYY Program storage account without realizing a corresponding change or reduction in the production of imported surface water. Thus, in calculating the FY 2021/22 assessment package, Watermaster exempted CVWD's voluntary production of 20,500 AF of water from the DYY account even though the agreed-to performance criteria authorized it to produce only 11,353 AF in any given year. Also, for the first time, FWC—a member of the Ap Pool, a customer of IEUA, and an

⁸ Watermaster filed a request for judicial notice with its respondent's brief. We reserved ruling for consideration with the merits of the appeal. Having now considered the request, we deny it. The request seeks judicial notice of Metropolitan Resolution 9265—which adopted updates to Metropolitan's wholesale water rates and charges, including its full service volumetric rates—on the grounds the Metropolitan's wholesale water rates relate to the cost of water voluntarily withdrawn from the DYY Program storage account. In response, Ontario contends the request should be denied because Watermaster never presented this document to the superior court, and it is irrelevant to the issues currently before this court. We agree with Ontario and deny the request for judicial notice. “Reviewing courts generally do not take judicial notice of evidence not presented to the trial court.” (*Vons Companies, Inc. v. Seabest Foods, Inc.* (1996) 14 Cal.4th 434, 444, fn. 3.) In exceptional circumstances, we may, but are not required to, take judicial notice of material that was not presented to the lower court in the first instance. (*Ibid.*; see *Brosterhous v. State Bar* (1995) 12 Cal.4th 315, 325.) Watermaster has not presented any exceptional circumstances. We therefore follow the general rule and decline to exercise our discretion to take judicial notice of this evidence. Also, the evidence is unnecessary to our resolution of this appeal. (*County of San Diego v. State of California* (2008) 164 Cal.App.4th 580, 613, fn. 29 [“materials in question are unnecessary to resolution of the appeal”].)

entity not governed by a Local Agency Agreement—voluntarily produced and claimed 2,500 AF of stored groundwater from the DYY account. Watermaster exempted this voluntary production from FWC’s FY 2021/22 assessment.

Similarly, Watermaster’s interpretation of the 2019 Letter Agreement affected calculation of the FY 2022/23 assessment package. For example, CVWD shifted off of imported water by 13,915 AF but claimed DYY production of 17,912 AF (4,000 AF more). FWC shifted off of imported water by 1,718 AF but claimed DYY production of 5,000 AF (3,282 AF more). The shift off of imported water is fundamental to the DYY conjunctive use program, and it is mandatory under the terms of the court orders approving the DYY Program, which adopt Exhibit G performance criteria.

I. Ontario’s Challenge.

In response to Watermaster’s proposed FY 2021/2022 Assessment Package, on November 1, 2021, Ontario requested an explanation for the exemption of 23,000 AF of groundwater produced from the DYY Program. Ontario claimed such exemption was inconsistent with the Judgment which required its assessment. On November 18, 2021, Watermaster Board directed its staff and legal counsel to evaluate Ontario’s concerns. Nonetheless, that same day, Watermaster Board approved the FY 2021/2022 Assessment Package; its staff noted that, if warranted, the assessment package could always be changed retroactively. Subsequently, discussions continued regarding Ontario’s concerns. Monte Vista Water District also expressed its concerns related to unrestricted voluntary takes and their impacts on assessments to Watermaster. Watermaster Board

directed staff to consult with the parties, prepare a summary of the issue, and make any pertinent recommendations.

In preparing its January 27, 2022, report, Watermaster staff noted Ontario asked that Watermaster cease any further implementation of the 2019 Letter Agreement and amend the assessment packages as applicable, and Monte Vista Water District recommended the provisions of the 2019 Letter Agreement be set aside and “clear and consistent criteria [be established] for how DYY [Program] production should be assessed by Watermaster.” The staff opined that Ontario’s concerns “appear to be predominantly: (i) the precedent of how aspects of the [DYY] Program’s administration are adjusted and (ii) the specific financial consequences resulting from [Metropolitan’s], IEUA’s, TVMWD’s and Watermaster’s willingness to extend the recovery of imported water stored in the Basin from dry years to all years for the remainder of the Program.”

When the Watermaster Board discussed Ontario’s concerns on January 27, 2022, it concluded the following: (1) Watermaster cannot set aside the 2019 Letter Agreement because the Operating Committee implements operation of the DYY Program according to the contract provisions, including the 2019 Letter Agreement; (2) Ontario’s complaint concerns the effects of the 2019 Letter Agreement; (3) Monte Vista Water District now concludes the 2019 Letter Agreement was not the appropriate vehicle even though Monte Vista Water District was an integral part in its development; (4) the parties may agree to a different forward implementation of the DYY Program under existing terms and conditions including the 2019 Letter Agreement, and instruct Watermaster accordingly; and (5) the four signatories to the DYY Program (Metropolitan, IEUA, TVMWD, and

Watermaster) may formally modify it, and Watermaster may propose such modification to the Operating Committee. Watermaster staff recommended the parties “could reach agreement on forward implementation of the DYY Program under existing terms and conditions; or, [¶] [they] could recommend, upon reaching consensus, one or more DYY modifications to IEUA, its Member Agencies, and Watermaster to consider and propose to the Operating Committee, leading to a DYY contract modification.”

When no resolution was reached by February 17, 2022, Ontario filed an application in the superior court for an order to extend the time under paragraph 31(c) of the Judgment, from 90 days to 180 days, to challenge Watermaster’s November 18, 2021, decision approving the FY 2021/2022 Assessment Package, or if such request is denied, to consider this application to be the challenge. Watermaster, IEUA, FWC, and CVWD opposed Ontario’s application. On November 3, 2022, the court concluded Ontario’s challenge to the FY 2021/2022 Assessment Package was really a challenge to the validity of the 2019 Letter Agreement and denied it as untimely. Ontario appealed.

When Watermaster approved the FY 2022/2023 Assessment Package on November 17, 2022, Ontario again filed a motion in the superior court challenging the failure to levy assessments on water voluntarily produced from the DYY Program. Watermaster, IEUA, FWC and CVWD opposed the motion. On August 21, 2023, the court denied the motion on the grounds Ontario’s position regarding the validity of the 2019 Letter Agreement was previously rejected, the Judgment does not require assessment of stored or supplemental water, and Ontario misconstrues the language in the 2019 Letter Agreement because Exhibit G’s performance criteria do not apply to

voluntary withdrawals. Ontario appealed. We consolidated the two appeals for purposes of briefing, oral argument, and decision.

II. DISCUSSION

Ontario challenges the superior court's rulings that Watermaster was not required to levy assessments on groundwater produced as part of the DYY Program. It contends (1) Watermaster's failure to assess water produced from the DYY Program storage account is inconsistent with the Judgment and subsequent court orders; (2) Watermaster violated the Judgment by allowing a nonparty (FWC), without a written storage agreement, to withdraw stored groundwater through the DYY Program; (3) the 2019 Letter Agreement made unauthorized changes to the DYY Program without providing notice or following the required approval process; (4) Ontario's challenge is timely; (5) the superior court erred in holding that all stored and supplemental water in the Basin is categorically exempt from assessment; and (6) Watermaster erred in failing to apply the Exhibit G performance criteria when interpreting the 2019 Letter Agreement.

As we explain, we conclude Ontario's challenge is timely and the 2019 Letter Agreement was incorrectly interpreted at best, or imprudently executed at worst.

A. Timeliness of Ontario's Challenge.

We begin by considering the issue of timeliness. According to the superior court's ruling, Ontario's challenge to Watermaster's approval of the FY 2021/2022 and 2022/2023 Assessment Packages are thinly veiled challenges to Watermaster's execution of the 2019 Letter Agreement and, as such, they are untimely because the 2019 Letter Agreement was provided to all parties on or around March 20, 2019. The court explained

that “under Paragraph 31(c) of the Judgment, *Ontario had 90 days to serve and file notice of any motion or application seeking review of Watermaster’s action in executing the 2019 Letter Agreement.*” Thus, according to the court, Ontario had until June 18, 2019, to challenge Watermaster’s execution of the 2019 Letter Agreement.

On appeal, Ontario contends it is not challenging the 2019 Letter Agreement. Rather, it is challenging Watermaster’s interpretation of the letter which (1) “made fundamental changes to the DYY Program, including by allowing parties to flout the DYY Storage Agreement by ‘voluntarily’ producing far more stored groundwater from the DYY account than the Exhibit G performance criteria allowed,” and by exempting such production from assessment; and (2) harmed Ontario when applied to both the FY 2021/2022 and 2022/2023 Assessment Packages. Thus, Ontario argues that its challenges are timely. (*Travis v. County of Santa Cruz* (2004) 33 Cal.4th 757, 769 (*Travis*)). Moreover, Ontario asserts the 90-day period in which a party must file a notice or application seeking review of an action like the 2019 Letter Agreement never accrued because Watermaster failed to provide formal notice of its approval of the letter pursuant to paragraph 31 of the Judgment. Alternatively, Ontario argues that its challenges are “akin to a challenge to an unlawful tax” because the 2019 Letter Agreement imposes a continuing or recurring obligation. (*Howard Jarvis Taxpayers Assn. v. City of La Habra* (2001) 25 Cal.4th 809, 812.) Respondents Watermaster, IEUA, and CVWD refute each of these contentions and argue the challenges are barred by laches. We conclude Ontario’s challenges to both FY 2021/2022 and 2022/2023 Assessment Packages, filed within 90 days of Watermaster’s action approving them, are timely.

Citing *Travis*, Ontario argues it was Watermaster’s application of the 2019 Letter Agreement in the FY 2021/2022 and 2022/2023 Assessment Packages, including the new benefit given to FWC, that harmed Ontario and is the basis for its challenge. We agree. At issue in *Travis* was a statute whose 90-day limitations period was triggered differently depending on whether the challenge was to enactment of an ordinance or to imposition of conditions under the ordinance. (*Travis, supra*, 33 Cal.4th at p. 768; see *County of Sonoma v. Superior Court* (2010) 190 Cal.App.4th 1312, 1324.) *Travis* involved two property owners’ challenge to a county ordinance they alleged violated state law, was preempted by state and federal law, and unconstitutionally took their property without compensation by imposing occupancy and rent restrictions as permit conditions. (*Travis*, at pp. 762, 764.) Both the trial and appellate court found plaintiffs’ claims were time-barred; however, the California Supreme Court disagreed. (*Id.* at pp. 765-766.) The high court explained that since one of the property owners had complained of injury both from imposition of the permit conditions and the ordinance’s enactment, the action was in part timely under Government Code section 65009, subdivision (c)(1)(E), which governs actions to “‘determine the . . . validity’” of permit conditions and to “‘void, or annul’” those decisions. (*Travis*, at pp. 766-767.) According to the court, “[t]his is not a case in which the plaintiff complains of injury *solely* from a law’s enactment. . . . [Rather,] *Travis* complains of injury arising from, and seeks relief from . . . the County’s imposition on his second unit permit of conditions required by the [o]rdinance. Having brought his action in a timely way after application of the [o]rdinance to him, *Travis* may

raise in that action a facial attack on the [o]rdinance's validity. [Citation.]" (*Id.* at pp. 768-769.)

Here, the 2019 Letter Agreement was approved in 2019; however, its effects were unclear until Watermaster interpreted it as (1) authorizing a credit for voluntary DYY Program water takes (regardless of Exhibit G's performance criteria) in calculating assessments, and (2) allowing nonparties to the Funding Agreement to participate. Following the adoption of the FY 2021/2022 and FY 2022/2023 Assessment Packages, Ontario became aware of how Watermaster would interpret and apply the 2019 Letter Agreement and challenged this interpretation and application via challenging the Assessment Packages. Ontario is not claiming injury solely from the approval of the 2019 Letter Agreement. Rather, it complains of injury arising from, and seeks relief from, Watermaster's exemption of certain groundwater produced from the DYY storage account in administering assessments inconsistent with the governing Judgment, prior agreements, and court orders. The exemption of such production is not based on the Judgment or other agreements governing Basin operations and the DYY Program, but upon Watermaster's interpretation of the 2019 Letter Agreement. Having timely challenged Watermaster's approval of the FY 2021/2022 and 2022/2023 Assessment Packages (which reflect Watermaster's imposition of the 2019 Letter Agreement), Ontario may raise an attack on the 2019 Letter Agreement as interpreted and applied.

Nonetheless, Watermaster faults Ontario for not raising this challenge to the FY 2020/2021 Assessment Package which shows a "purported 'waiver' of assessments for voluntary takes when voluntary takes occurring during production year 2019/2020

were not assessed in the 2020/2021 Assessment Package, approved by the Watermaster Board on November 19, 2020.” In response, Ontario asserts that, under *Howard Jarvis Taxpayers Assn. v. City of La Habra, supra*, 25 Cal.4th at pages 818-825, “a new limitation period begins anew with each unlawful assessment package collected by Watermaster, as does a challenge to the 2019 Letter Agreement. . . . Thus, Ontario had no need to act sooner and any delay in challenging the 2019 Letter Agreement was not ‘unreasonable and inexcus[ible].’” Again, we agree.

“[I]n *Howard Jarvis Taxpayers Assn. v. City of La Habra, supra*, 25 Cal.4th 809, the plaintiffs belatedly challenged the validity of a municipal tax. Though the limitations period had run on any direct challenge to the validity of the ordinance imposing the tax, [the California Supreme Court] concluded suit was still permissible because the continuing monthly collection of the tax represented an alleged ongoing breach of state law. [Citations.]” (*Aryeh v. Canon Business Solutions, Inc.* (2013) 55 Cal.4th 1185, 1199.) Here, Ontario has raised the issue of whether the continuing exemption of voluntary production of DYY Program water from Watermaster’s annual assessment (according to Watermaster’s interpretation and application of the 2019 Letter Agreement) represents an ongoing breach of the Judgment and other agreements governing Basin operations. As Ontario observes, whether it “should have known . . . about Watermaster’s failure to assess stored water as part of the [FY] 2020/2021 Assessment Package is irrelevant.”

B. The Exemption of Voluntary Production of DYY Program Water from Watermaster's Annual Assessment.

According to Ontario, this case boils down to whether Watermaster should be bound by the terms of the Judgment and several court orders or by its staff's unilateral decisions that have million-dollar consequences for certain parties to the Judgment. Ontario argues "Watermaster's decision to exempt from assessment stored groundwater produced from the DYY account cannot be squared with the express language of the Judgment and other agreements governing Basin operations, nor with Watermaster's own practice of assessing all water produced before 2019[because t]he effect of [this] decision has been to allow some players in the Basin—notably CVWD and FWC—to circumvent their financial responsibilities while requiring Ontario and others to make up the difference." Respondents disagree, claiming Ontario incorrectly conflates the production of supplemental water in storage with the production of native groundwater, and DYY Program withdrawals have historically been exempt from assessments. IEUA further asserts that FWC was not obligated to have a local agency agreement to voluntarily take water, and the 2019 Letter Agreement suspended the Exhibit G performance criteria on voluntary withdrawals apart from utilizing the same baseline measure for production.

1. Standard of Review.

Since the primary issue before this court involves the 2019 Letter Agreement, and other agreements governing Basin operations, we exercise our independent judgment and

apply de novo review. (*Dow v. Honey Lake Valley Resource Conservation Dist.* (2021) 63 Cal.App.5th 901, 911.)

2. *Analysis.*

Although the parties have raised issues regarding (1) whether water from the DYY Program is withdrawn (not produced), (2) whether stored and supplemental water are simply two types of ground water, and (3) whether all stored and supplemental water in the Basin is categorically exempt from assessment, we need not resolve these issues today because we conclude that Watermaster erred in its interpretation and application of the 2019 Letter Agreement. As to the other issues raised, we leave them in the hands of the parties, who are much better suited than the superior and appellate courts to decide. While our reversal of the superior court's orders includes a reversal of the lower court's determination of these issues, we express no opinion on them, preferring to allow the parties to resolve them prior to judicial intervention, as they have done in the past. Thus, our focus is on the interpretation and application of the 2019 Letter Agreement.

As previously noted, the DYY Program is a conjunctive use program specifically designed to maximize the flexibility and reliability of water supplies, including the replacement of imported water with stored groundwater during dry years. The program is governed by three sets of agreements (two of which were approved by the superior court): (1) the Funding Agreement, (2) the Storage and Recovery Agreement, and (3) the Local Agency Agreements. Watermaster oversees the program by virtue of the Storage and Recovery Agreement and its seat on the Operating Committee. As the superior court's 2004 order emphasized, the DYY Program was designed to "provide broad

mutual benefits to the parties to the Judgment,” and the Judgment prohibits Watermaster from approving any Annual Operating Plan that “will have a substantial adverse impact on producers.”

At its inception, the DYY Program authorized Metropolitan (1) to place up to 25,000 AF of water per year⁹ into storage in wet years, and (2) in dry years, to require parties with local agency agreements (Chino, Chino Hills, Ontario, Pomona, Upland, CVWD, Jurupa Community Services District, and Monte Vista Water District) to produce 33,000 AF of groundwater from the storage account (pursuant to Performance Criteria) while simultaneously requiring these parties to forgo using an equivalent amount of imported water. The Performance Criteria (Exhibit G attached to the Funding Agreement and revised in 2015) effectuates the goal of the DYY Program, which is to provide a balance between the reduction of imported surface water deliveries and the corresponding increase in the production of stored groundwater.

Moreover, the foundation of the DYY Program is the Local Agency Agreements which define each agency’s facilities and annual recovery capacity, including performance targets (reducing their use of imported water deliveries and extracting an equivalent amount of DYY Program water) “to which that local agency has committed itself in exchange for its share of the benefits available under the [2003] Funding Agreement.” As the superior court stated in 2003, “[I]t is clear that until Watermaster and this Court approve the Local Agency Agreements and Storage and Recovery

⁹ Unless Watermaster approves a greater rate (100,000 AF max).

Application, or some equivalent approval process is completed, the storage and recovery program cannot be undertaken.” The court’s order approving the Funding Agreement indicates that “the specific location and operation of the facilities necessary to accomplish this commitment must . . . be analyzed by Watermaster,” and approval “will take the form of Watermaster approval of the Local Agency Agreements.”

For nearly two decades, the DYY Program accomplished its goals without any issues. However, in June 2017, Metropolitan began storing excess water (41,380 AF in one year) in the DYY Program storage account. This excess stored water prompted the Operating Committee (five members consisting of two representatives from Metropolitan and three representatives chosen by IEUA, TVMWD, and Watermaster¹⁰) to propose voluntary withdrawals, as opposed to Metropolitan calls. This proposed system of voluntary withdrawals “was deemed not to materially affect the rights of the [DYY Program] parties and local agencies.” Thus IEUA suggested revising the DYY Program, “to increase flexibility for the parties in the Chino Basin by allowing the region to choose when to buy-out the DYY account [(voluntary take)] without waiting for [a Metropolitan] ‘call year’ [(mandatory take)].” The revision came in the form of the 2019 Letter Agreement.

Watermaster does not dispute that the 2019 Letter Agreement operationally changed the DYY Program to broaden participation and increase the potential for the

¹⁰ Metropolitan has two appointees and two of its member agencies on the five-member Operating Committee, giving it considerable influence; yet it is not a party to this litigation.

storage and recovery of imported water. Mr. Kavounas, Watermaster's General Manager, characterized this change as "favorable to the parties," and claimed that it will not "affect Watermaster." However, that was not the case. As a result of the 2019 Letter Agreement, two agencies (CVWD and FWC—a party not subject to the Performance Criteria in Exhibit G) voluntarily withdrew water from the DYY Program storage account during FY 2020/2021 and 2021/2022. Subsequently, when calculating annual assessments, Watermaster ignored the absence of a Local Agency Agreement (FWC) and the performance criteria set forth in Exhibit G (CVWD) and exempted these takes. These exemptions decreased CVWD's and FWC's assessments, while increasing the assessments of other parties, such as Ontario. Nonetheless, Watermaster maintains that this change in the allocation of assessments among the parties is not relevant because it has no effect on the health of the Basin.

In challenging Watermaster's approval of the FY 2021/2022 and 2022/2023 Assessment Packages, Ontario contends Watermaster's interpretation and application of the 2019 Letter Agreement violated the Judgment and the agreements that created the DYY Program. We agree.

It bears repeating that the DYY Program's goal is to provide greater water supply reliability by storing water in advance of dry periods and pumping the stored water in lieu of receiving imported water during droughts. To that end, the program's agreements involved eight entities with water storage facilities: Chino, Chino Hills, Ontario, Pomona, Upland, CVWD, Jurupa Community Services District, and Monte Vista Water

District (collectively referred to as Operating Parties).¹¹ Specific performance criteria set forth in Exhibit G dictated the amount of water Metropolitan could require these Operating Parties to produce in lieu of imported water. In 2015, an Amendment No. 8 to the Funding Agreement materially changed the program by altering the Operating Parties' performance criteria. This amendment was adopted after formal notice was afforded to the parties, and the proposed change was vetted (via a technical analysis) and approved by the pool committees, the advisory committee, and Watermaster.

When the idea of revising the DYY Program to include voluntary takes was introduced, IEUA initiated discussion with the Operating Parties. Recognizing the proposed change was a material departure from the program's initial goal, Ontario took a neutral position and refused to support the change "[a]s long as there are parameters that are undecided or unclear . . . because we cannot know the full effects of the proposed changes." Recommending the change be "explained and memorialized in an amendment," Ontario reserved "the right to address any harm or detriment that may arise" based on possible "impacts."

¹¹ The Funding Agreement states that "[t]he proposed groundwater storage Program consists of the facilities described in Exhibit H (the '**Facilities**'). The agencies within the service areas of IEUA and TVMWD responsible for operating the respective Facilities ('**Operating Parties**') are . . . listed in Exhibit H. IEUA and TVMWD will enter into agreements with **Operating Parties** within their respective service areas that will require such **Operating Parties** to operate and maintain the Facilities." The Operating Parties listed in Exhibit H include Pomona, Monte Vista Water District Chino, Upland, Chino Hills, CVWD, Ontario, FWC, and Jurupa Community Services District; however, FWC never opted in as an Operating Party.

Despite Ontario's concerns and recommendations, Metropolitan prepared the 2019 Letter Agreement wherein it acknowledged the storage of 39,000 AF of water, and expressed appreciation for the "effort that *the parties* have shown to maximize storage during [FY 2017/2018]." According to the letter, "*the parties*" agreed that water stored after June 1, 2017, "would be purchased from the account by IEUA and [TVMWD] *when the parties pump over the groundwater baseline as defined in Exhibit G.*" Exhibit G was included with the letter. Metropolitan further stated that this pumping "could be the result of a response to a call" by Metropolitan or "through normal operational decisions made by the individual *parties* in a given year. Except during a call; the increase in pumping would be voluntary and performance would be measured by the *parties* that elect to increase their pumping. Call provisions would remain unchanged. The *parties* will receive O&M, power, and treatment credits and be billed for the water when the parties pump over the groundwater baseline as defined in Exhibit G."

As Ontario points out, the effect of the 2019 Letter Agreement (as interpreted and applied by Watermaster) was to "defy the rules set forth in the documents that establish and govern the operation of the DYY Program, including the 2003 Funding Agreement, the 2003 court order adopting it, and the DYY Storage Agreement and its associated court order" by allowing FWC (a nonparty) to voluntarily produce water from the program storage account without a Local Agency Agreement, by letting CVWD to voluntarily produce double its allocated shares of stored water regardless of its performance criteria, and by permitting these voluntary extractions without any corresponding reductions in imported water. We agree.

To begin with, in the order approving the Storage and Recovery Agreement for the DYY Program, the superior court recognized that “[t]he Judgment enjoins storage or withdrawal of stored water ‘except pursuant to the terms of a written agreement with Watermaster . . . [that] is [in] accordance with Watermaster regulations.’ . . . The Court must first approve, by written order, the Watermaster’s execution of ‘Ground Water Storage Agreements.’” FWC does not have such agreement. Nonetheless, respondents contend that FWC was not obligated to have a Local Agency Agreement for voluntary withdrawal because additional facilities and performance standards were not involved, and there is nothing in the Funding Agreement or Local Agency Agreements that restrict the withdrawal of DYY Program water to parties with Local Agency Agreements. Watermaster further asserts there is no violation of the Judgment because the Storage and Recovery Agreement for the DYY Program satisfies paragraph 28 of the Judgement, and FWC is not the storing party; rather, Metropolitan owns the water in the DYY Program storage account, and IEUA acts as the manager of the account. According to Watermaster, (1) the Local Agency Agreements were required to enforce the “performance targets to which [each Operating Party] has committed itself in exchange for its share of the [capital] benefits available under the [2003] Funding Agreement;” and (2) since FWC received no capital benefits from Metropolitan, it had no performance obligations (as set forth in Exhibit G), and nothing in the DYY Program agreements suggests that a Local Agency Agreement is required for a voluntary withdrawal because the language is limited to Exhibit G’s application to Metropolitan calls only. We are not persuaded by respondents’ argument.

None of the three sets of DYY Program agreements considered a situation where the Operating Parties, or nonparties to the program, would be allowed to produce water from the program's storage account absent a court-approved written agreement with Watermaster. To hold otherwise ignores the Judgment, the DYY Program agreements, the conduct of all entities involved in the DYY Program, and the superior court's order approving the program. By using the absence of voluntary withdrawal language to justify their position, respondents seek to have their cake and eat it too. This is not permitted. "In the interpretation of contracts, the paramount consideration is the intention of the contracting parties ' . . . as it existed at the time of contracting, so far as the same is ascertainable and lawful.' [Citations.] . . . [¶] The words used in a contract must be given their ordinary meaning, unless there is evidence that the parties intended to use them in a unique sense or to give the words some different meaning. [Citations.] If a contract is reasonably susceptible to more than one interpretation or if it contains latent or patent ambiguities, the court may use extrinsic evidence to clarify the uncertainties; extrinsic evidence is relevant and material to prove a meaning to which the language of an instrument is reasonably susceptible. [Citations.] [¶] In construing a contract, it is not a court's prerogative to alter it, to rewrite its clear terms, or to make a new contract for the parties. [Citations.] Courts will not add a term to a contract about which the agreement is silent. [Citations.]" (*Moss Dev. Co. v. Geary* (1974) 41 Cal.App.3d 1, 9.)

As IEUA acknowledges, DYY Program water is stored pursuant to the Storage and Recovery Agreement between Watermaster, IEUA, and TVMWD. Withdrawals are governed by the Funding Agreement, which sets the terms and conditions under which

water can be stored within the Basin and later called for production by Metropolitan. The Funding Agreement identifies the agencies within IEUA's and TVMWD's service areas as Operating Parties, lists the Operating Parties in Exhibit H (Pomona, Monte Vista Water District, Chino, Upland, Chino Hills, CVWD, Ontario, and Jurupa Community Services District¹²), establishes the performance criteria for each Operating Party, and states that IEUA and TVMWD will enter into separate agreements with every one of them. Additionally, the Local Agency Agreements specify the amount of grant funds which would be passed through from IEUA to the Operating Parties for the purpose of constructing infrastructure to produce DYY Program water. If FWC was not obligated to have a Local Agency Agreement because it was not a storing party, i.e., it received no capital benefits from Metropolitan and had no performance obligations (as set forth in Exhibit G), then why does the Funding Agreement reference and identify Operating Parties? Why does the Storage and Recovery Agreement state that "no person shall store water in, and recover water from the Chino Groundwater Basin through the Storage and Recovery Program, without a Storage and Recovery agreement with Watermaster?" Why are the Operating Parties required to enter into Local Agency Agreements? Why does the 2019 Letter Agreement include Metropolitan's appreciation for the "effort that *the parties* have shown to maximize storage during [FY 2017/2018]?" Who are the parties Metropolitan was referring to if not the Operating Parties identified in Exhibit H to the Funding Agreement? Contrary to respondents' claims, the agreements (including the

¹² Again, FWC never opted in as an Operating Party.

2019 Letter Agreement) that govern the DYY Program do not apply to entities that do not have a Local Agency Agreement.

Moreover, as Ontario points out, Local Agency Agreements “are storage *and recovery* agreements that detail the means by which DYY [Program] water is recovered, including the [Operating Party’s] specific responsibilities relating to the pumping of stored water.” Thus, water can no more be recovered (produced/withdrawn) without a Local Agency Agreement than it can be stored without such agreements. Nor can the Exhibit G performance criteria be suspended (for any production, voluntary or not) without compromising the integrity of the DYY Program. In other words, to allow the voluntary withdrawal of stored water, and in amounts greater than that permitted under the Exhibit G performance criteria, would create an imbalance between the use of imported surface water and stored water which the program had established. Yet, that is what was done by allowing CVWD to voluntarily produce double its allocated shares of stored water regardless of its performance criteria and without a corresponding reduction in imported water.

IEUA dismisses the voluntary productions as merely “operational changes” to the DYY Program, contending the 2019 Letter Agreement was “within the operational flexibility afforded the Operating Committee in the [2003] Funding Agreement to adapt to changed circumstances.” Not so. Operational changes are allowed, but only if they do

not materially affect the rights of the DYY Program parties and local agencies.¹³ Such was not the case here since an Operating Party (CVWD) has voluntarily produced double its allocated shares of stored water from the DYY Program storage account, a nonparty has voluntarily produced stored water from the DYY Program storage account, Watermaster has exempted these voluntary productions from assessment, and Ontario's rights were materially affected when its assessments for both FY 2021/2022 and 2022/2023 increased due to the exemption of voluntary production of water from the DYY Program storage account. In other words, Ontario suffered a financial injury as a result of the 2019 Letter Agreement.

Watermaster takes issue with our conclusion that Ontario's financial injury constitutes a significant adverse impact. It argues that this term is found in the Judgment only and originated in 1970 with the enactment of the California Environmental Quality Act. Subsequently, during the negotiation of the Peace Agreement, the term material physical injury was added and defined as any "material injury that is attributable to the Recharge, Transfer, storage and recovery, management, movement or Production of water, or implementation of the OBMP, including, but not limited to, degradation of water quality, liquefaction, land subsidence, increases in pump lift (lower water levels) and adverse impacts associated with rising groundwater." It specifically exempted any

¹³ Section 5.2(c)(iv)(b) of the Peace Agreement states that Watermaster is to give first priority to storage and recovery programs that provide broad mutual benefits to the parties to the Judgment.

“economic injury.” Thus, Watermaster argues Ontario’s financial injuries, which are solely economic injuries, are not redressable. We disagree.

Use of the term substantial adverse impact is not limited to the Judgment. It was used in the superior court’s 2003 order approving the Funding Agreement, Watermaster’s motion for approval of the Storage and Recovery Agreement, the Storage and Recovery Agreement, the 2004 order approving the Storage and Recovery Agreement, and the court’s May 12, 2023, tentative ruling. In 2003, when the Funding Agreement was approved, the court acknowledged the Judgment’s requirement that “groundwater storage agreements are to contain terms that will preclude operations having a *substantial adverse impact* on other producers.”

When Watermaster moved for approval of the Storage and Recovery Agreement, it also acknowledged the Judgment’s requirement that “all storage agreements shall by their terms preclude operations which will have a *substantial adverse impact* on other Producers.” Watermaster noted that “[t]his requirement is similar to the requirement contained in the Peace Agreement and Watermaster’s Rules and Regulations that Watermaster ensure that no Material Physical Injury is caused to any party or the Basin. Thus, through Part III of the Agreement,^[14] Watermaster references the broad requirement that the *storage of water under the Agreement must not cause either*

¹⁴ Section III. of the Storage and Recovery Agreement, entitled “No Material Physical Injury” states: “The Storage and Recovery of Supplemental Water stored under this Agreement will not cause *Material Physical Injury* or a *substantial adverse impact* to any party to the 1978 Judgment or to the Basin itself.”

“Or” is “used as a function word to indicate an alternative.”
(<https://www.merriam-webster.com/dictionary/or>, as of April 17, 2025.)

Material Physical Injury or a substantial adverse impact to any party or to the Basin.” If substantial adverse impact is similar to material physical injury, then why use both terms? Why was the term material physical injury defined, but substantial adverse impact was not?

The 2004 order approving the Storage and Recovery Agreement acknowledges the Judgment’s provision in paragraph 28 that “agreements for storage . . . must include terms that will ‘preclude operations which will have a *substantial adverse impact* on other producers.’” It further provides, “The DYY Storage Agreement calls for the development of Annual Operating Plans, which will provide estimated schedules and locations for the delivery of all water into and out of storage, on a monthly basis, for the upcoming fiscal year. The Annual Operating Plan is to be submitted to Watermaster for approval and is to have sufficient detail to allow Watermaster to assess the potential for any adverse impacts on producers. *Pursuant to Judgment paragraph 28, Watermaster may not approve an Annual Operating Plan that will have a substantial adverse impact on producers.*” And the superior court’s tentative ruling for May 12, 2023, reiterated its prior orders’ (2003 and 2004) acknowledgment that “*groundwater storage agreements are to contain terms that will preclude operations having a substantial adverse impact on other producers.*”

Given the use of the conjunctive “or” when referencing both substantial adverse impact and material physical injury, we conclude the two terms do not share the same meaning.

Also, the “changed circumstance” that necessitated a modification to the DYY Program was Metropolitan’s receipt of excess water (above the amount determined to meet the needs of the program) that needed to be stored. To the extent this excess stored water surpassed the limitations initially imposed by the DYY Program agreements, the Operating Committee¹⁵ should have proposed an amendment to the Funding Agreement, similar to Amendment No. 8 in 2015. This is especially true given the Operating Committee’s decision to expand the DYY Program beyond its originally intended purpose by allowing voluntary takes never contemplated by the program’s initial agreements.

3. *Summary.*

To summarize, the DYY Program was created to provide a buffer against drought, allowing Metropolitan to offset water it would otherwise import into the Basin with water stored in the DYY Program storage account. However, in 2018, Metropolitan requested, and was allowed, to put excess water into the DYY Program storage account. It then persuaded the Operating Committee (of which it possessed two votes) to propose the 2019 Letter Agreement. This agreement fundamentally changed the recovery aspect of the DYY Program by allowing voluntary production of water from the storage account regardless of party status or performance criteria. The impact of these voluntary takes materially affected the rights of the Operating Parties and other local agencies when

¹⁵ If not the Operating Committee, then Watermaster should have proposed an amendment. The Storage and Recovery Agreement provides that any storage and recovery of supplemental water “shall occur only under Watermaster’s control and regulation *in accordance with the Judgment and the Peace Agreement.*”

Watermaster interpreted and applied the 2019 Letter Agreement inconsistently with the original DYY Program agreements, the Judgment, and prior court orders when it calculated/approved the FY 2021/2022 and 2022/2023 Assessment Packages.

Accordingly, we reverse the orders of the superior court and direct Watermaster to correct and amend the FY 2021/2022 and 2022/2023 Assessment Packages consistent with the original DYY Program agreements, the Judgment, and prior court orders.

III. DISPOSITION

The November 3, 2022, and August 23, 2023, orders are reversed. The superior court is directed to enter new orders granting Ontario's challenges, and directing Watermaster to correct and amend its FY 2021/2022 and 2022/2023 Assessment Packages. The issues of (1) whether water from the DYY Program is withdrawn (not produced), (2) whether stored and supplemental water are simply two types of ground water, (3) whether all stored and supplemental water in the Basin is categorically exempt from assessment, and (4) the future viability and application of the 2019 Letter Agreement should be resolved by the parties prior to judicial intervention. Ontario shall recover its costs on appeal.

NOT TO BE PUBLISHED IN OFFICIAL REPORTS

McKINSTER
Acting P. J.

We concur:

MILLER
J.

CODRINGTON
J.

Exhibit H

CHINO BASIN DESALTER AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL
YEAR ENDED
JUNE 30, 2025**

ONTARIO, CALIFORNIA



Water Efficiency for a Sustainable Future





Annual Comprehensive Financial Report

**For the Fiscal Year Ended
June 30, 2025**



Prepared By:

**Finance Team of
Chino Basin Desalter Authority**



CHINO BASIN DESALTER AUTHORITY

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

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December 4, 2025

To the Chairperson of the Chino Basin Desalter Authority Board, Members of the Board, and Joint Powers Authority members of the Chino Basin Desalter Authority, and the Public:

The Annual Comprehensive Financial Report (ACFR) of the Chino Basin Desalter Authority (hereinafter referred to as “the Authority” or “CDA”) is hereby submitted for the fiscal year ended June 30, 2025. This report has been prepared in accordance with applicable state and local statutes requiring annual financial reporting, and in conformance with generally accepted accounting principles (GAAP). In accordance with state law and sound financial management practices, the financial statements have been audited by an independent firm of certified public accountants. The independent auditor’s report is included in the Financial Section of this report.

In accordance with GAAP, CDA management also provides a narrative overview and analysis of financial activities known as the Management’s Discussion and Analysis (MD&A). The MD&A is intended to assist readers in understanding the Authority’s financial position, changes in net position, and key economic and operational factors affecting the fiscal year. The MD&A can be found immediately following the independent auditor’s report.

To enhance clarity and eliminate redundancy, detailed analysis of financial performance, capital investment, and economic conditions has been centralized in the MD&A section of this report. CDA’s financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting, consistent with enterprise fund reporting.

Management Responsibility for Financial Information

The preparation of the Fiscal Year 2024/25 Annual Comprehensive Financial Report was led by CDA’s Finance Team. Management assumes full responsibility for the accuracy, completeness, and fairness of the data presented, including all necessary disclosures. To the best of our knowledge, the information provided is accurate in all material respects and has been prepared to fairly present the financial condition and operating results of the Authority. Disclosures have been included to promote transparency and support a clear understanding of CDA’s financial activities. The remainder of this letter presents supplemental background and contextual information relevant to the Authority’s operations and governance. It is organized into the following sections:

Section	Content
A	Governance, Financing and Facility Operations
B	Other Pertinent Information

*To the Chairperson and Members of
The Board of Chino Basin Desalter Authority, and the Public*

SECTION A

Governance, Financing, and Facility Operations

Governance

The Chino Basin Desalter Authority (CDA) was established in September 2001 as a Joint Exercise of Powers Authority (JPA) under the laws of the State of California. The Authority's primary purpose is to finance, operate, and maintain the Chino I and Chino II Desalter facilities, which treat groundwater to provide a reliable source of potable water to the service areas of its member agencies. The CDA was originally formed by the Cities of Chino, Chino Hills, Ontario, and Norco; the Jurupa Community Services District (JCSD); the Santa Ana River Water Company; and the Inland Empire Utilities Agency (IEUA). In August 2008, Western Municipal Water District joined as an additional member agency, further strengthening the regional collaboration.

The Authority is governed by a Board of Directors, with each participating member agency represented by one appointed director. While IEUA serves as a non-voting ex-officio member pursuant to the JPA Agreement, it actively participates in Board deliberations through the appointment of one of its directors to represent the agency in this capacity.

Acquisition and Financing History

In February 2002, CDA acquired Chino Desalter No. 1, including all assets and liabilities, from the Santa Ana Watershed Project Authority (SAWPA) for a purchase price of \$64.49 million. To finance the acquisition and initial facility expansions, CDA issued \$100 million in Variable Rate Revenue Bonds (2002 Series A). The bond proceeds were used not only to fund the acquisition but also to expand Chino Desalter No. 1 to a treatment capacity of 9,200 acre-feet per year, and to initiate construction of Chino Desalter No. 2, with a planned capacity of 11,200 acre-feet per year. Subsequent financing activities included:

- June 2004: Issuance of \$110.5 million in Adjustable-Rate Revenue Refunding Bonds (Series 2004A-1 and 2004A-2) to refinance the 2002 Bonds and provide additional capital for completion of the Desalter projects.
- Funding support was supplemented through a \$48 million Proposition 13 grant, administered by SAWPA via the State Water Resources Control Board.
- April 2008: Issuance of \$89.44 million in Revenue Refunding Bonds (Series 2008A) to refund the 2004 Bonds.
- April 2016: Issuance of \$67.1 million in Revenue Refunding Bonds (Series 2016A) to:
 1. Refund the remaining \$74.79 million of the 2008A Bonds,
 2. Obtain a debt service reserve surety bond, and
 3. Pay costs of issuance.
- The 2016 refinancing achieved net present value savings of approximately \$9.8 million, while maintaining the original June 2035 final maturity.

*To the Chairperson and Members of
The Board of Chino Basin Desalter Authority, and the Public*

Governance, Financing, and Facility Operations (continued)

Facility Operations

The Chino Basin Desalter Authority (CDA) operates two groundwater treatment facilities, Chino I and Chino II, that provide 35,200 acre-feet of potable water annually. Using proven treatment technologies, the facilities convert impaired groundwater into safe drinking water, reducing reliance on imported supplies, supporting basin management, and strengthening long-term water supply reliability for communities in western San Bernardino and Riverside Counties.

Chino I Desalter

The Chino I Desalter, located in the City of Chino, has been in operation since 2000 and is currently operated under contract by the Inland Empire Utilities Agency (IEUA). The facility has a production capacity of approximately 12,500 acre-feet per year of treated potable water and serves as a cornerstone in CDA's regional water supply reliability strategy. Chino I utilizes a combination of advanced water treatment technologies including reverse osmosis (RO), ion exchange, air stripping, and granular activated carbon (GAC) to effectively remove salts, nitrates, volatile organic compounds, and other contaminants, ensuring compliance with stringent state and federal drinking water standards. The facility's strategic role is to convert impaired groundwater from the Chino Basin into a safe, high-quality drinking water supply that supports the growing needs of communities in western San Bernardino and Riverside Counties. Chino I plays a key role in groundwater management by reducing reliance on imported water, supporting basin sustainability, and strengthening long-term regional water supply reliability.

Chino II Desalter and the Concentrate Reduction Facility

The Chino II Desalter, located in the City of Jurupa Valley, began operations in 2006 and is operated under contract by the Jurupa Community Services District (JCSD). With an annual design capacity of 22,700 acre-feet, Chino II is the larger of CDA's two desalters and plays a vital role in meeting the region's potable water demands. Like Chino I, the facility employs advanced treatment processes including reverse osmosis (RO), ion exchange, and air stripping to remove salts, nitrates, and volatile organic compounds, ensuring the delivery of high-quality drinking water that complies with state and federal standards.

*To the Chairperson and Members of
The Board of Chino Basin Desalter Authority, and the Public*

Governance, Financing, and Facility Operations (continued)

A distinguishing feature of Chino II is the Concentrate Reduction Facility (CRF), the first of its kind in the nation, designed to further treat the concentrate generated from the RO process. By utilizing pellet reactor softening technology, the CRF enables higher water recovery rates and reduces the volume of saline concentrate requiring disposal. This innovative approach not only improves the efficiency and reliability of the desalter but also supports sustainable groundwater management by maximizing beneficial use of the Chino Basin's resources. The CRF's ability to minimize brine discharge contributes to long-term operational cost savings, environmental stewardship, and resilience against future regulatory and water supply challenges.

SECTION B

Other Pertinent Information

Internal Controls

The Authority's Management is responsible for establishing, maintaining, and monitoring a system of internal control designed to safeguard the Authority's assets from loss, theft, or misuse. This framework also ensures the timely accumulation of reliable accounting data necessary for preparing financial statements in conformity with generally accepted accounting principles as prescribed by GASB.

It is important to recognize that internal controls provide reasonable, but not absolute, assurance that objectives will be achieved. This aligns with GASB's conceptual framework on accountability and financial reporting reliability, which acknowledges the inherent limitations of control systems.

The concept of reasonable assurance acknowledges two key principles:

- **Cost-Benefit Consideration** – The cost of implementing a control should not exceed the expected benefits derived. This principle supports efficient use of public resources, as required by GASB's accountability objectives.
- **Use of Estimates and Judgment** – Management must exercise professional judgment in evaluating costs and benefits of controls, recognizing that estimates, assumptions, and human factors affect outcomes. GASB standards acknowledge that such professional judgment is integral to fair presentation of financial statements and compliance with laws and regulations.

*To the Chairperson and Members of
The Board of Chino Basin Desalter Authority, and the Public*

Other Pertinent Information (continued)

Budgetary Controls

The Authority maintains a robust system of budgetary controls designed to uphold compliance with the legal provisions outlined in the annually approved budget sanctioned by the Authority's Board of Directors. These budgetary controls operate at the category level (such as Office and Administrative Expenses), ensuring that expenditures are within the legally appropriate amount. In addition to these controls, the Authority employs an encumbrance accounting system as an extra layer of budgetary oversight. With the Board's approval, any encumbered amount remaining at the end of the fiscal year can be carried forward into the next fiscal year. This practice helps ensure responsible financial management and adherence to budgetary allocations.

Independent Audit

State statutes mandate an annual audit conducted by independent certified public accountants. Rogers, Anderson, Malody & Scott, LLP, the current audit firm of CDA, has been entrusted with this annual audit for the past six years. As part of this comprehensive audit process, reviews were conducted to gauge the effectiveness of the internal controls in place and to verify compliance with relevant laws and regulations pertaining to all financial transactions carried out by the Authority. The auditors adhered to generally accepted auditing standards while conducting this engagement. The auditor's report on the basic financial statements is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) honored CDA with a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive financial report covering the fiscal year ended June 30, 2024. This marks the eleventh consecutive year the Authority has received this esteemed recognition. To attain a Certificate of Achievement, a government entity must create an annual comprehensive financial report that is easy to understand, well-organized, and structured for clarity and efficiency. This report must align with generally accepted accounting principles and pertinent legal requirements.

It's important to note that a Certificate of Achievement is valid for a single year. We are confident that our current annual comprehensive financial report continues to meet the stringent requirements of the Certificate of Achievement Program, and we have submitted it to the GFOA for evaluation to ascertain its eligibility for yet another certificate.

December 4, 2025

*To the Chairperson and Members of
The Board of Chino Basin Desalter Authority, and the Public*

Acknowledgements

We respectfully acknowledge Rogers, Anderson, Malody & Scott LLP for their diligent and professional execution of the independent audit. Their thorough review and expertise have contributed to ensuring that this Annual Comprehensive Financial Report is fairly presented, in all material respects, in accordance with generally accepted accounting principles.

We also extend appreciation to the staff of the Chino Basin Desalter Authority's member agencies for their cooperation, accuracy, and timely assistance in providing the information necessary for the preparation of this report. Their efforts were essential to ensuring its completeness and quality.

Finally, we express our sincere gratitude to the Board of Directors of the Chino Basin Desalter Authority for their steadfast leadership, commitment to fiscal responsibility, and dedication to the highest standards of governance. Their continued support enables the Authority to maintain strong financial stewardship and to ensure that its resources are managed prudently and effectively for the benefit of its member agencies and the communities they serve.

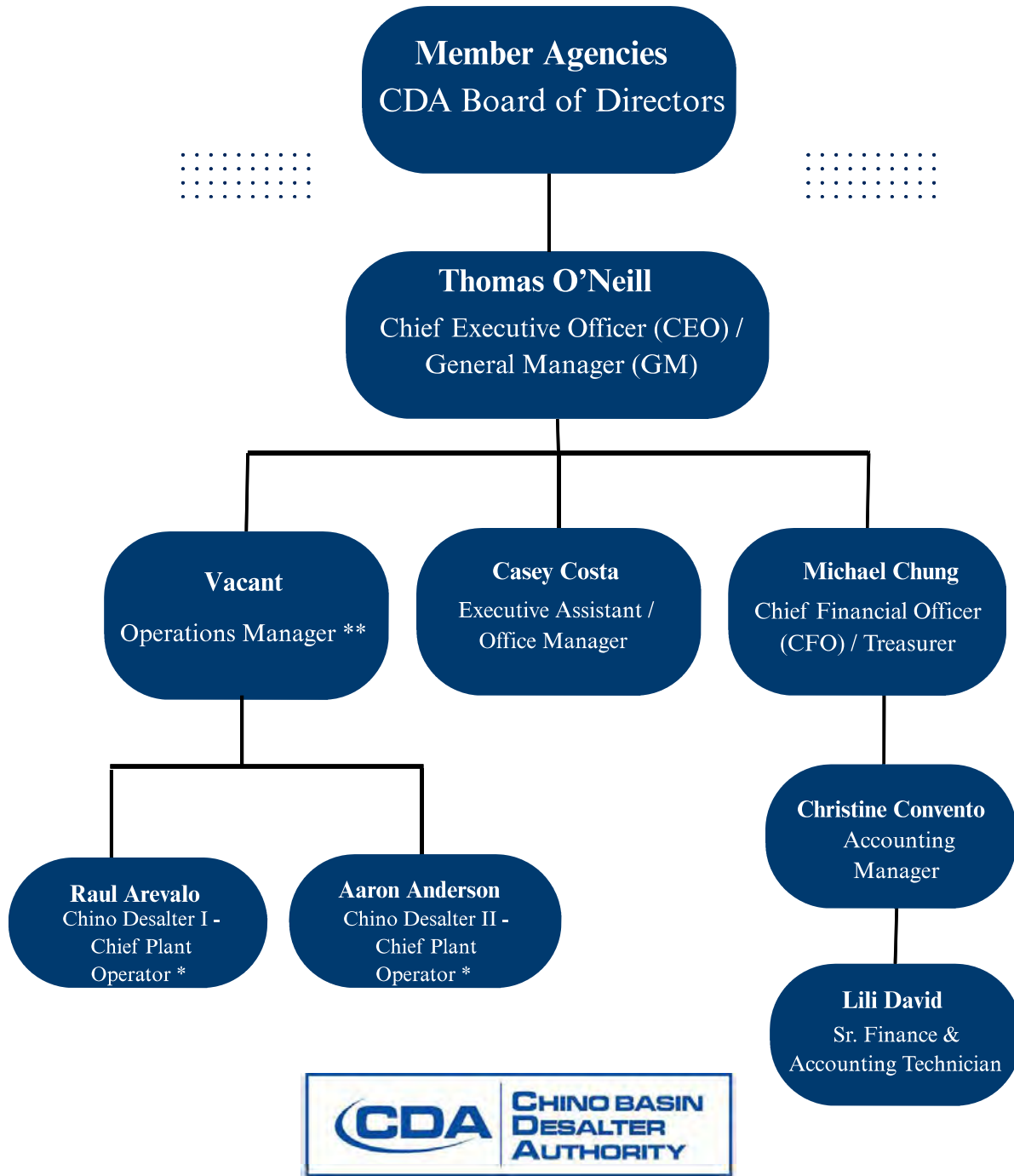
Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Michael C. Chung', is written over a horizontal line.

Michael C. Chung
CFO/Treasurer

FY 2024/2025

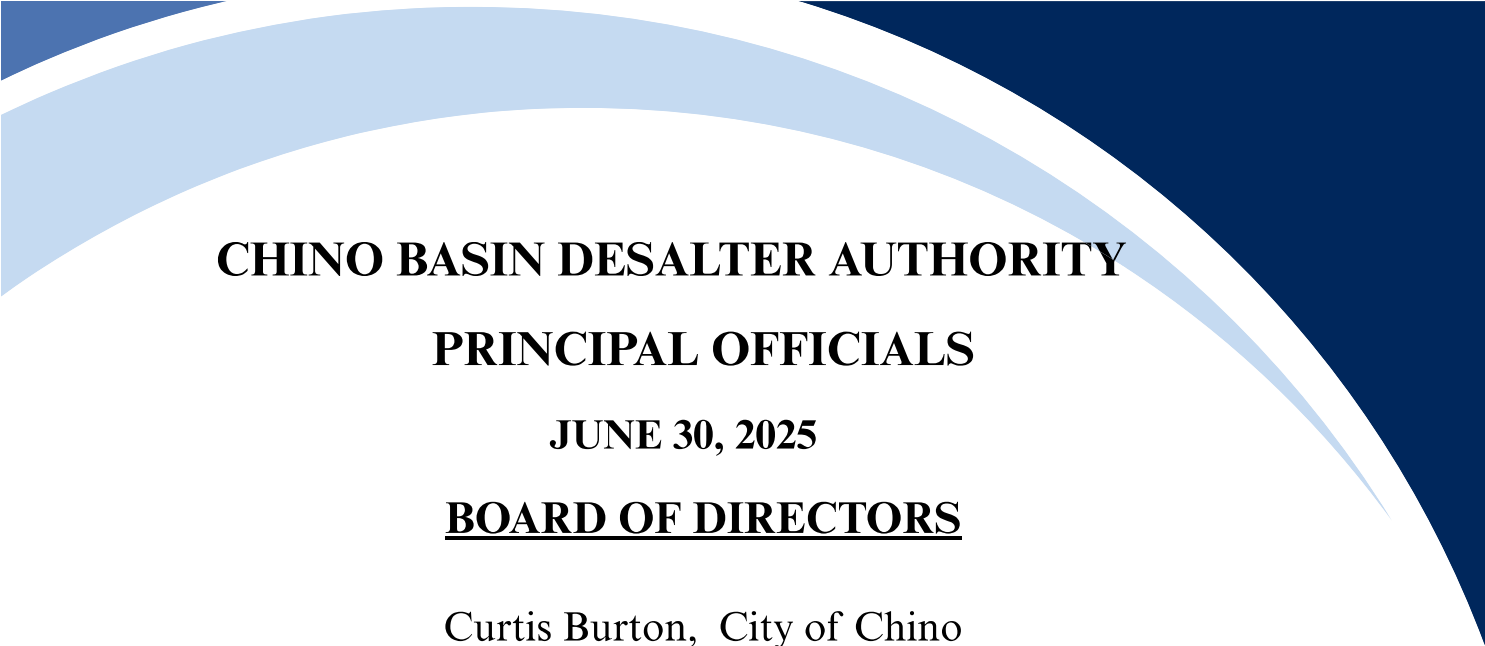
ORGANIZATION CHART



*Desalters are operated by
Member Agencies

**The Operations Manager is
currently classified as inactive





CHINO BASIN DESALTER AUTHORITY

PRINCIPAL OFFICIALS

JUNE 30, 2025

BOARD OF DIRECTORS

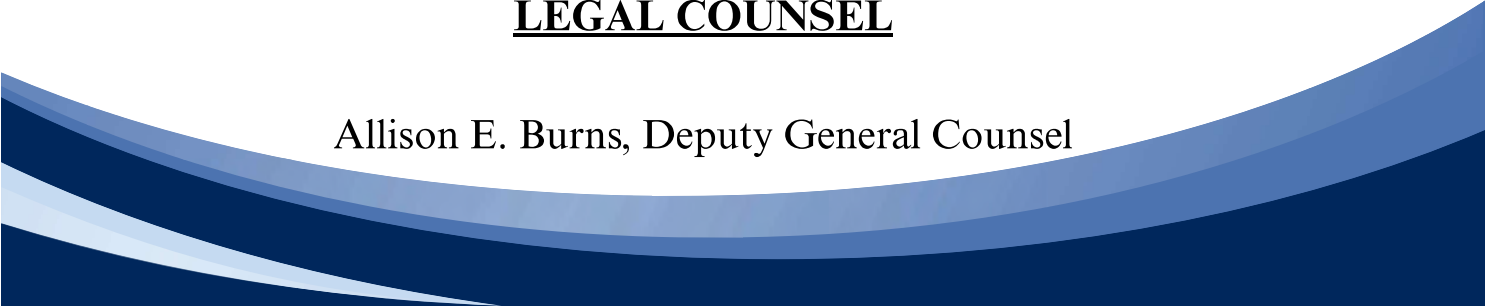
Curtis Burton, City of Chino
Peter Rogers, City of Chino Hills
Ken McLaughlin, Jurupa Community Services District
Jim Bowman, City of Ontario
Greg Newton, City of Norco
Steven Elie, Inland Empire Utilities Agency
Frank Abacherli, Santa Ana River Water Company
Laura Roughton, Western Municipal Water District

OFFICERS OF THE AUTHORITY

Peter Rogers, Chairperson
Greg Newton, Vice Chairperson
Casey Costa, Board Secretary
Thomas O'Neill, General Manager/CEO
Michael Chung, Treasurer / CFO

LEGAL COUNSEL

Allison E. Burns, Deputy General Counsel







Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Chino Basin Desalter Authority
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO



Independent Auditor's Report

To the Board of Directors
Chino Basin Desalter Authority
Ontario, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities for Chino Basin Desalter Authority (the Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and State Controller's *Minimum Audit Requirements for California Special Districts*.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *required supplementary information, as listed in the table of contents* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025 on our consideration of Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 13, 2025



CHINO BASIN DESALTER AUTHORITY (CDA) MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Fiscal Year Ended June 30, 2025 (with comparative information for Fiscal Year 2023/24)

The Management's Discussion and Analysis (MD&A) provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2025. It offers readers a clear, concise, and objective summary of the Authority's financial performance and position, highlighting key factors that influenced changes in net position, operating and non-operating results, and capital activity. Readers are encouraged to review this section in conjunction with the transmittal letter and the accompanying Basic Financial Statements for a comprehensive understanding of the Authority's financial condition.

The MD&A has been reorganized to enhance clarity and align more closely with upcoming financial reporting standards that will take effect in the next fiscal year. While these standards have not yet been implemented, the revised structure is intended to improve transparency and readability.

Reader's Guide & How to Use this MD&A

This MD&A is designed to assist both non-accounting and technical readers in understanding the CDA's financial results and overall condition for Fiscal Year 2024/25 (FY25). It should be read in conjunction with the Basic Financial Statements, the Notes to the Financial Statements, and the Statistical Section of this Annual Comprehensive Financial Report (ACFR).

The MD&A provides an analytical overview of financial activities, explaining both the extent of year-over-year changes and the key factors driving those changes. Additional trend data on revenues, expenses, capital investments, debt, production, and demographic indicators can be found in the Statistical Section, which supports the key trends discussed in this MD&A.

Key terms:

- **AF** – Acre-foot of water (~325,851 gallons).
- **O&M Assessments** – Assessments billed to member agencies to fund operations & maintenance.
- **Fixed Project/Capital Assessments** – Assessments billed to fund capital projects and debt service.
- **MWD Local Resource Program Subsidy (LRP)** – Metropolitan Water District (MWD) incentive payments tied to eligible water deliveries; CDA passes these resources back to member agencies.

Entity Overview and Basis of Presentation

The Chino Basin Desalter Authority (CDA) is a California Joint Exercise of Powers Authority formed to provide a reliable, high-quality water supply through the treatment of groundwater extracted from the Chino Groundwater Basin. The treated water is distributed to CDA's member agencies. As a business-type entity, the Authority prepares its financial statements in accordance with the economic resources measurement focus and the full accrual basis of accounting, consistent with the standards applicable to enterprise funds under generally accepted accounting principles (GAAP). Under this method, all assets and liabilities both current and noncurrent are reported, and revenues are recognized when earned while expenses are recorded when incurred, regardless of the timing of related cash flows. This basis of accounting provides a comprehensive view of the Authority's financial position and operating results and supports effective management and fiscal accountability.

The financial statements for the fiscal year ended June 30, 2025, reflect twenty-three years of operations for the Chino Desalter No. I facility and eighteen years for the Chino Desalter No. II facility.

Components of the Annual Comprehensive Financial Report (ACFR)

The ACFR includes the following components:

- **Independent Auditor's Report** – Provides the external auditor's opinion on the fair presentation of the financial statements.
- **Management's Discussion and Analysis (MD&A)** – Offers an objective narrative overview and analysis of the Authority's financial performance for the fiscal year.
- **Basic Financial Statements**
 - *Statement of Net Position* – Presents a snapshot of the Authority's financial position, including assets, deferred outflows, liabilities, deferred inflows, and net position.
 - *Statement of Revenues, Expenses, and Changes in Net Position* – Reports all operating and nonoperating revenues and expenses, as well as changes in net position for the fiscal year.
 - *Statement of Cash Flows* – Summarizes cash inflows and outflows categorized by operating, noncapital financing, capital and related financing, and investing activities.
- **Notes to the Financial Statements** – Provide essential disclosures and further detail related to accounting policies, capital asset activity, long-term debt, and other financial commitments.
- **Statistical Section** – Offers additional data and historical trends relevant to understanding the financial and operational context of the Authority.

Because the Chino Basin Desalter Authority operates exclusively as a business-type activity, the enterprise fund financial statements serve as both the fund-level and government-wide financial reporting presentation in accordance with GAAP

Financial Summary – Condensed Comparative Financial Information

The table below summarizes CDA's Statement of Net Position and Statement of Revenues, Expenses & Changes in Net Position for Fiscal Year 2024/25 (FY25) with comparative Fiscal Year 2023/24 (FY24) amounts. Dollar and percentage changes are shown to highlight year-over-year trends.

	2024/25	2023/24	Increase/(Decrease) from 2023/24	%
Current unrestricted assets	\$ 31,600,756	\$ 12,766,198	\$ 18,834,558	147.5%
Current restricted assets	3,142,290	3,007,809	134,481	4.5%
Capital assets	253,334,272	258,380,678	(5,046,406)	-2.0%
Other assets	8,572,563	19,344,671	(10,772,108)	-55.7%
Total assets	296,649,881	293,499,356	3,150,525	1.1%
Total deferred outflows of resources	2,541,946	2,796,141	(254,195)	-9.1%
Current liabilities	16,076,437	14,108,332	1,968,105	13.9%
Noncurrent liabilities	42,844,272	46,830,906	(3,986,634)	-8.5%
Total liabilities	58,920,709	60,939,238	(2,018,529)	-3.3%
Net Investment in capital assets	209,572,301	211,036,843	(1,464,542)	-0.7%
Unrestricted	30,698,817	24,319,416	6,379,401	26.2%
Total net position	\$ 240,271,118	\$ 235,356,259	\$ 4,914,859	2.1%
Operating revenues	\$ 38,015,592	\$ 75,154,192	\$ (37,138,600)	-49.4%
Operating expenses	(42,429,294)	(80,221,359)	37,792,065	-47.1%
Other nonoperating revenue (expenses)	9,569,577	9,092,273	477,304	5.2%
Interest on long-term debt	(1,570,471)	(1,731,867)	161,396	-9.3%
Prior year annual reconciliation	(955,911)	(385,646)	(570,265)	147.9%
Change in net position prior to capital contributions	2,629,493	1,907,593	721,900	37.8%
Capital grants	634,355	508,474	125,881	0.0%
Contributed expansion costs from Sponsors agencies	-	449,230	(449,230)	-100.0%
Contributed South Archibald Plume Project costs	1,651,011	398,142	1,252,869	314.7%
Total capital contributions	2,285,366	1,355,846	929,520	68.6%
Change in net position	4,914,859	3,263,439	1,651,420	50.6%
Beginning net position	235,356,259	240,498,153	(5,141,894)	-2.1%
Prior Period Adjustments	-	(8,405,333)	(8,405,333)	100.0%
Total net position - beginning	235,356,259	232,092,820	3,263,439	1.4%
Ending net position	\$ 240,271,118	\$ 235,356,259	\$ 4,914,859	2.1%

Detailed Analyses

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results

This section discusses the most significant elements contributing to the changes in CDA's financial position and operating results between FY24 and FY25:

Total Current Unrestricted Assets Increased by \$19M (147.5%)

The overall increase is driven primarily by the reclassification of \$14.9 million from long-term to short-term investments that had been reported as long-term in FY 2023/24. In addition, cash and investments rose by approximately \$6.6 million, largely due to the timing of member agency assessments and advances from San Bernardino County. These increases were partially offset by project expenditures, routine operating and capital outlays, and the combined net effect of annual member agency assessments, investment activity, and related interest earnings. Also contributing is an estimated \$1.0 million increase associated with the Metropolitan Water District Local Resources Program (LRP) subsidy, reflecting a higher computed allowable yield rising from 24,776.9 AF to 34,424 AF at \$102 per AF (approximately +\$0.98 million).

Total Capital Asset Decrease by \$5M (-2%)

The overall decline in capital assets was driven primarily by the recognition of current-year depreciation expense totaling \$9.1 million, which reduced the net book value of existing assets. This decrease was partially offset by current-year investments in capital improvements, including fixed asset acquisitions and additions to construction in progress, reflecting the Authority's continued reinvestment in its infrastructure to support long-term reliability and operational capacity.

Total Other Asset Decreased by \$11M (-55.7%)

The decrease is primarily the result of the reclassification of long-term investments reported in FY 2023/24 to short-term investments in the current fiscal year. This decline was partially offset by the Authority's current-year purchases of additional investments, including medium-term notes and government securities. These changes are consistent with the Authority's investment strategy, which emphasizes prudent liquidity management while ensuring compliance with the Investment Policy and applicable state regulations.

Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Total Current Liabilities Increased by \$2M (13.9%)

The increase is primarily attributable to higher advances to San Bernardino County under Contract Amendment No. 19-678-A2 to fund SCADA programming, DDW 97-005 permit compliance, and related engineering services, as well as the pending annual Operations and Maintenance reconciliation that remains subject to the County's approval for refund. The increase also reflects higher accounts payable of approximately \$223K related to current-year expenses and a rise in the current portion of long-term debt due within one year in accordance with the established repayment schedule. In addition, the Metropolitan Water District Local Resources Program (LRP) contribution to member agencies increased by about \$1.0 million, driven by a higher allowable yield—up 9,647.1 acre-feet at \$102 per AF (approximately \$0.98 million).

Total Non-Current Liabilities Decreased by \$4 Million (-8.5%)

Current liabilities decreased by \$4.0 million, primarily reflecting a \$3.9 million reduction consistent with scheduled debt service payments on the 2016A Revenue Refunding Bonds.

Total Operating Revenue & Expense Decreased by \$37M (-49.4%) & \$38M (-47.1%), respectively

The decrease in operating revenues in Fiscal Year 2024/25 is primarily attributable to a change in financial reporting presentation. During the reporting period, the Authority discontinued its previous practice of reporting the Chino Basin Watermaster Groundwater Replenishment Credit as both an operating revenue and a corresponding operating expense. Additional information is provided in Note 11 to the financial statements, and the effect on current-year results is discussed further in this Management's Discussion and Analysis section.

Excluding this reporting change, CDA's operations and maintenance assessments have remained stable over the past decade, increasing from approximately \$17 million in FY 2016 to \$35 million in FY 2025, driven by consistent production levels and steady demand from member agencies. Operating expenses have followed similar trends, reflecting fluctuations in energy and chemical costs, as well as production levels. *(See Statistical Section – Historical Operating Results, Page 53.)*

The Authority's revenue composition continues to be primarily supported by O&M assessments, MWD LRP pass-through subsidies, and fixed capital assessments. This stable and diversified revenue base provides a reliable foundation for capital reinvestment, reserve funding, and long-term financial sustainability. *(See Statistical Section – Revenues by Source, Page 56.)*

Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Capital Contributions Increased by \$1M (68.6%)

During this period, the Authority received \$634,355 in State Grants, \$1,651,011 in contributions for the South Archibald Plume Project, with total capital contributions reaching \$2,285,366. The increase reported in the prior fiscal year was largely attributable to significant one-time contributions related to the South Archibald Plume Project, specifically for the construction of the Well I-11 Booster Pump Station. As of June 30, 2025, the project had reached substantial completion, with approximately 98.1% of work finalized.

Net Position Increased by \$5M (2.1%)

The change in net position for the fiscal year is primarily attributable to the Board's approval to reallocate \$5M, resulting from the annual reconciliation of costs for FY 2023/24 and Proposition 68 grant funds, into the Authority's reserves pursuant to the revised Reserve Policy adopted on May 1, 2025. This reallocation increased the balance of the Specific Capital Expenditures Reserve designated for the construction of the new Chino II Well, ensuring that sufficient resources are available to support future capital investments and long-term infrastructure needs. This action strengthened the Authority's financial position by enhancing reserve levels and contributed to the reported increase in net position for the year.

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Detailed Analyses (continued)

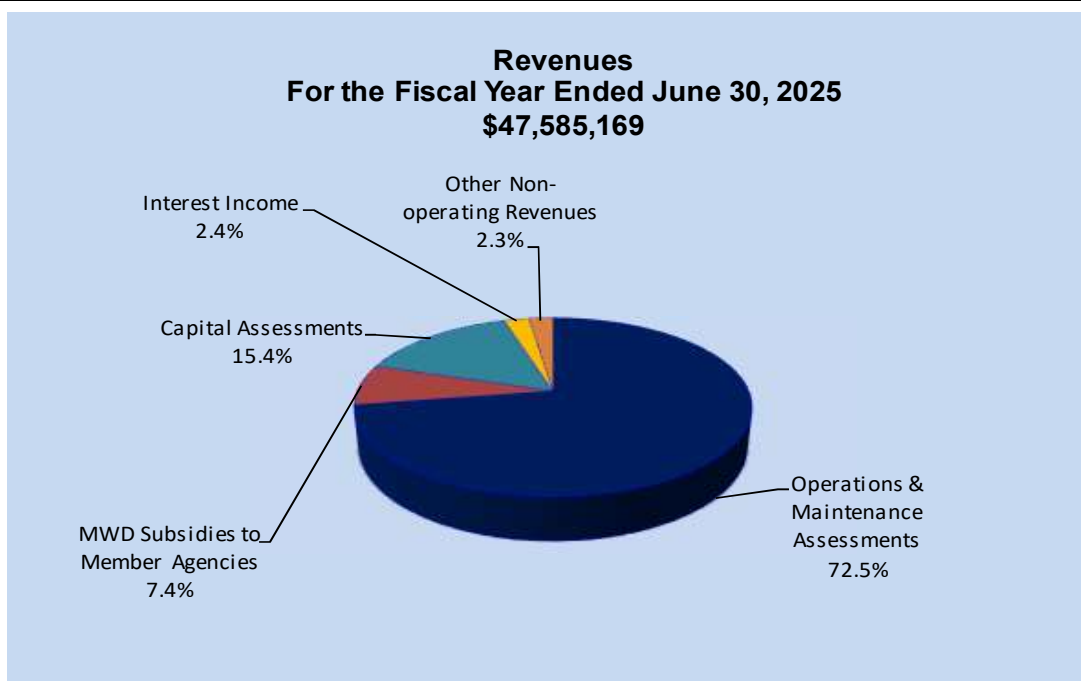
Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Revenues

Total revenues for the Fiscal Year ended June 30, 2025, amounted to \$47.6M. The following table presents revenue by category.

Revenue by Category
For the Fiscal Year Ended June 30, 2025
(With Comparative Totals for the Fiscal Year Ended June 30, 2024)

Revenue Category	2024/2025		2023/2024		Increase/<Decrease> from 2023/2024	
	Amount	% Of Total	Amount	% Of Total	Amount	% Of Change
Operations & Maintenance Assessments	\$ 34,504,344	72.5%	\$ 34,027,504	40.4%	\$ 476,840	1.4%
MWD Subsidies to Member Agencies	3,511,248	7.4%	2,527,240	3.0%	984,008	38.9%
Groundwater Replenishment Credit	-	0.0%	38,599,448	45.8%	(38,599,448)	(100.0%)
Capital Assessments	7,305,880	15.4%	7,805,268	9.3%	(499,388)	(6.4%)
Interest Income	1,150,920	2.4%	770,362	0.9%	380,558	49.4%
Other Non-operating Revenues	1,112,777	2.3%	516,643	0.6%	596,134	115.4%
Total Revenues	\$ 47,585,169	100.0%	\$84,246,465	100.0%	\$ (36,661,296)	(43.5%)



Operations and maintenance assessments to member agencies for the fiscal year ended June 30, 2025, totaled \$35,504,344, reflecting an increase of \$477K (1.4%) compared to the prior fiscal year. The increase was primarily driven by higher budget allocations for utilities and outside labor costs, partially offset by lower budget allocations for chemicals.

Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Revenues (continued)

For fiscal year 2024/25, the Metropolitan Water District (MWD) subsidy was estimated at \$3.5 million, reflecting an increase in the allowable yield from 24,776.9 acre-feet to 34,424 acre-feet at a rate of \$102 per acre-foot. This subsidy is recorded as both a revenue and a corresponding expense of the Authority, as it is fully passed through to the member agencies. The calculation is prepared and submitted by the Inland Empire Utilities Agency (IEUA) to MWD, with final approval and disbursement determined solely by MWD. Accordingly, the Authority has no discretion over the subsidy amount reported.

Capital assessments totaled \$7,305,880, an increase of \$500K (6.4%) from the prior year, due to additional funding requirements for both existing and new capital projects. Interest income increased by \$381K, reflecting higher interest rates during the fiscal year and additional funds deposited into the Authority's reserves. Other non-operating revenues amounted to \$1,112,777, representing a significant increase of \$596K from the previous year, primarily due to market value adjustments on investments and the scheduled amortization of deferred financing costs.

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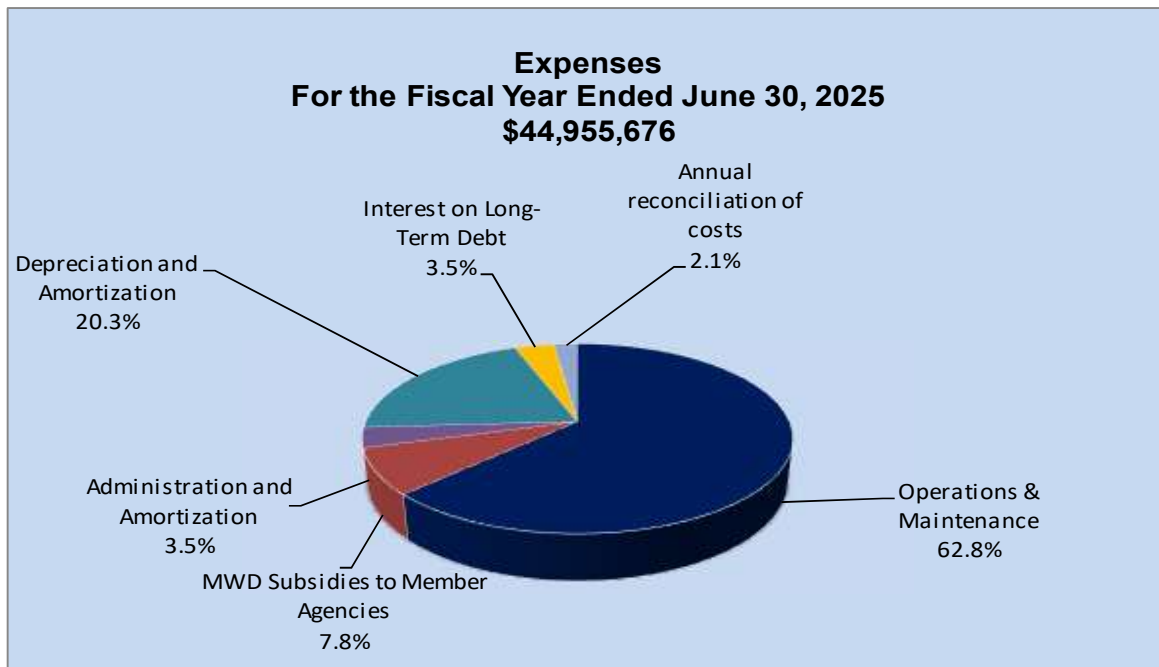
Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Expenses

Total expenses for the Fiscal Year ended June 30, 2025, were \$45M. The following table presents expenses by category compared to the previous Fiscal Year.

Expense Category	2024/2025		2023/2024		Increase/<Decrease> from 2023/2024	
	Amount	% Of Total	Amount	% Of Total	Amount	% Of Change
Operations & Maintenance	\$ 28,219,755	62.8%	\$ 28,782,457	35.0%	\$ (562,702)	(2.0%)
MWD Subsidies to Member Agencies	3,511,248	7.8%	2,527,240	3.1%	984,008	38.9%
Groundwater Replenishment	-	0.0%	38,599,448	46.9%	(38,599,448)	(100.0%)
Administration and Amortization	1,554,291	3.5%	1,489,420	1.8%	64,871	4.4%
Depreciation and Amortization	9,144,000	20.3%	8,822,794	10.7%	321,206	3.6%
Interest on Long-Term Debt	1,570,471	3.5%	1,731,867	2.0%	(161,396)	(9.3%)
Annual reconciliation of costs	955,911	2.1%	385,646	0.5%	570,265	147.9%
Total Expenses	\$ 44,955,676	100.0%	\$ 82,338,872	100.0%	\$ (37,383,196)	(45.4%)



Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Expenses (continued)

Operational and maintenance expenses decreased by \$562K or 2%, compared to the prior fiscal year. The decrease was primarily attributable to lower chemical costs, as the Authority went out to bid for its chemical supply contracts during the fiscal year, securing more favorable pricing compared to the elevated levels experienced during the COVID-19 period. In addition, no resin replacement costs were incurred in fiscal year 2024/25, whereas such costs were posted in fiscal year 2023/24. These savings were partially offset by higher expenditures in other categories. Maintenance costs increased due to well and pump motor repairs required for aging infrastructure, while materials and supplies rose as a result of one-time purchases of high-value replacement parts for essential equipment. Labor expenses also grew under the terms of the new Memorandum of Understanding with the Inland Empire Utilities Agency (IEUA), which serves as the contract operator for the Chino I facility. Taken together, the expense trends highlight the combined impact of competitive bidding, which provided cost relief, balanced against necessary increases in labor, supplies, and maintenance to ensure continued operational reliability and sustain long-term performance of CDA's facilities. The favorable pricing secured through the chemical bid process is expected to continue providing savings into fiscal year 2025/26.

In addition, interest payments on long-term debt decreased by 9.3%, or \$161K, consistent with the debt service schedule for the 2016A Revenue Refunding Bonds.

Administration and general expenses increased by \$65K, or 4.4 percent, compared to the prior fiscal year. The increase was primarily attributable to higher property insurance costs, reflecting both rate adjustments and the addition of newly insured assets. In addition, retirement benefit costs rose following an increase in the employer contribution rate from 20 percent to 25 percent effective February 6, 2025, along with the reclassification of a part-time position to full-time. CDA reports as a single enterprise (business-type) activity; therefore, "major fund" discussion focuses on the primary enterprise fund and significant internal activity categories that drive member assessments.

Operations & Maintenance Program

O&M assessments increased 1.4% in fiscal year 2024/25 to maintain service levels amid rising energy costs and the ongoing maintenance needs of aging assets. Power and chemical costs continue to be the Authority's most significant variable expenses, as both fluctuate directly with water production levels. Electricity costs decreased slightly compared to the prior year, reflecting consistent usage levels and incremental efficiency measures that helped offset the impact of higher underlying rates. Chemical costs also declined after the Authority went out to bid for supply contracts and secured more favorable pricing compared to the elevated levels experienced during the COVID-19 period.

Detailed Analyses (continued)

Fund-Level Highlights for Enterprise Activities (continued)

Water Production and Delivery

In the fiscal year ended June 30, 2025, the Authority delivered a total of 36,543.4 acre-feet (AF) of product water, marking the fifth consecutive year in which the 35,200 AF production target was achieved. Distribution among member agencies was as follows in AF: City of Chino (5,160.3), City of Chino Hills (4,319.7), City of Norco (1,061.9), City of Ontario (8,960.2), Santa Ana River Water Company (1,255.8), Jurupa Community Services District (12,143.9), and Western Municipal Water District (3,641.7). Additional historical production data is provided in the Statistical Section of this report.

Capital & Fixed Project

Targeted capital and maintenance projects were completed during the reporting period to address asset condition risks, improve operational reliability, and extend the useful life of critical infrastructure. At Chino I, these projects included additional internal coating repairs and inspection of manway, pump analysis and upgrades under the clean-in-place program, end-user pump station repairs, and a PACSCAN control upgrade to enhance valve automation. At Chino II, efforts focused on improving system efficiency through lighting upgrades at the Concentrate Reduction Facility (CRF), a chemical optimization study, coating of ion exchange vessels and brine tanks, and the replacement of chlorine pump skids. In addition, a cybersecurity project for Chino II's operational systems is currently underway to strengthen network security and protect critical infrastructure.

Collectively, these efforts reflect CDA's strategy to balance cost recovery with proactive maintenance. They are expected to moderate unplanned outages, support system reliability, and reduce operating risk. Looking ahead, similar asset preservation and efficiency projects are anticipated to continue into fiscal year 2025/26 and beyond, aligning with the Authority's long-term focus on sustaining reliable operations while managing cost variability.

Significant Capital Asset & Long-Term Financing Activity

Capital Assets

CDA has maintained a consistent long-term investment program over the past decade, with net investment in capital assets increasing from \$169.9 million in FY 2016 to \$209.6 million in FY 2025. This steady growth reflects ongoing infrastructure reinvestment in the Chino I and II facilities and related distribution assets. (See Statistical Section – Net Position by Component, Page 54).

Significant Capital Asset & Long-Term Financing Activity (continued)

Capital Assets (continued)

On June 30, 2025, the Authority's total capital assets were approximately \$354.9M, with accumulated depreciation of \$101.5M, resulting in net capital assets of \$253.3M. Construction in progress totaled \$29.1M, primarily related to the South Archibald Plume Cleanup Project (~\$26 M), with the remaining \$3.1M reflecting ongoing improvements at both Chino I and Chino II facilities. The increase in construction in progress underscores the Authority's continued investment in long-term reliability and regulatory compliance.

Selected Fiscal Year 2024/25 Capital Work (Closed)

- Chino I Additional Internal Manways Coating & Inspection
- Chino I Clean-In-Place Pump Analysis
- Chino I End User Pump Station Repairs
- Chino I PAC Scan Upgrade
- Chino II IX Vessels & Brine Tanks Coating
- Chino II Chlorine Pumps Skids Replacement
- Chino II CRF Lighting Upgrades
- Chino II Chemical Optimization Study

In-Progress / FY25 Focus Items

- Chino I Chemical Room Coating & Rehabilitation
- Chino I Containment & Exterior Coating
- Chino II Lime Tank Improvements
- Chino II Pellet Reactor Re-coating
- Chino II New Well Construction

Long-Term Financing Activity

As of June 30, 2025, the Authority's long-term debt obligations consisted solely of the 2016A Desalter Revenue Refunding Bonds, originally issued to refinance the 2008A Bonds, obtain a debt service reserve surety, and achieve net present value savings of approximately \$9.8M while maintaining the original June 2035 maturity date. The Authority's outstanding 2016A Revenue Bonds have declined steadily in line with scheduled principal amortization, reducing total debt from \$67.1 million in FY 2016 to \$41.8 million in FY 2025. (See Statistical Section – Debt Service Payment Schedule, Page 58).

Significant Capital Asset & Long-Term Financing Activity (continued)

Long-Term Financing Activity (continued)

Principal payments totaled \$3.4 million on June 1, 2025, consistent with the scheduled amortization from the prior year. The next principal payment of \$3.5 million is scheduled for June 1, 2026. Interest expense for FY 2024/25 was approximately \$1.6 million, which is in line with the Authority's declining debt service schedule as outstanding principal continues to be repaid.

In addition to its long-term revenue bond obligations, the Authority reported a lease payable of approximately \$165,855 and a subscription payable of \$58,815 as of June 30, 2025, representing long-term commitments. No new long-term debt was issued during the fiscal year. CDA continues to monitor capital financing needs and debt capacity as part of its multi-year financial planning process.

Change in Reporting Treatment of Groundwater Replenishment Credit

In fiscal year 2024/25, the Authority revised its financial reporting to discontinue recognizing the Groundwater Replenishment Credit as both an operating revenue and a matching expense. Because the Authority does not receive or control the related resources, the activity is no longer included in the enterprise fund financial statements.

Because this is a change in financial statement presentation, it was applied prospectively in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections. The change has no impact on net position or cash flows but does affect the comparability of operating revenues and expenses between fiscal years. This change is discussed in detail in Note 11 to the financial statements.

Currently Known Facts, Decisions, or Conditions

The following items were known to management as of the date of issuance of the FY2024/25 financial statements and are expected to materially influence CDA's future financial position or operating results:

Regional Growth and Water Demand

The Inland Empire continues to experience strong economic activity, particularly in the logistics and healthcare sectors, which remain leading drivers of job growth. Sustained population increases, supported by relatively more affordable housing compared to coastal markets, continue to bolster water demand among CDA's member agencies. In FY 2024/25, CDA delivered 36,543.4 acre-feet of water, achieving its 35,200 AF target for the fifth consecutive year. As shown in the Statistical Section (Page 61), CDA has maintained the required production levels of 35,200 AF over the past five years, demonstrating both the reliability of its treatment facilities and stable regional demand. This trend is expected to continue, supporting predictable operating revenues in future years.

Currently Known Facts, Decisions, or Conditions (continued)

Regional Growth and Water Demand

The member agency service area now encompasses more than 1.6 million residents, with Western Municipal Water District accounting for approximately 63% of the population base. This demographic stability provides a strong foundation for sustained water demand and long-term financial planning. (See Statistical Section – Population Served by Member Agencies, Page 62).

Inflationary Cost Environment

Prices for electric power, treatment chemicals, critical materials, and specialized components continue to reflect inflationary pressures, supply chain constraints, and international tariffs. Notable increases have occurred in items such as membranes, resins, valves, and imported equipment, where global sourcing challenges and new import duties have raised procurement costs. While overall inflation has moderated, energy services and specialty chemicals remain elevated, reinforcing the need for active cost management. To mitigate these pressures, CDA employs strategies such as cooperative purchasing with regional partners, bulk procurement of high-turnover supplies, and timing purchases to align with favorable market conditions.

Labor Market & Contracted Compensation Pressures

CDA contracts operations of its facilities to the Inland Empire Utilities Agency (IEUA) for Chino I and to the Jurupa Community Services District (JCSO) for Chino II. In fiscal year 2024/25, both agencies implemented regional compensation adjustments in response to competitive labor market conditions. These adjustments were reflected in higher labor billings to CDA and contributed to upward pressure on O&M expenses (see Operations and Maintenance Program discussion). As labor for plant operations is provided through these contract agencies, the adjustments do not affect CDA's own staffing levels but are passed through via contract costs. Similar labor market factors may result in additional adjustments in future periods. Management will continue to monitor these trends and coordinate with contract operators to ensure costs remain aligned with service needs and financial planning.

Insurance Market Tightening

Property and liability insurance premiums increased slightly in fiscal year 2024/25 and are expected to remain elevated due to broader market conditions. The Authority continues to ensure compliance with ACWA JPIA requirements and coverage standards, maintaining adequate protection of its assets and operations. Looking ahead, insurance costs are expected to remain a pressure point in fiscal year 2025/26, reflecting continued firm market rates.

Capital Execution & Funding Outlook

CDA initiated construction of a new production Chino II Well to enhance long-term water supply reliability. The project is funded by a \$10 million restricted capital reserve, with design scheduled for completion in fiscal year 2025/26. As a multi-year undertaking, the well is expected to take approximately five years to complete.

PFAS Litigation and Treatment Mitigation

CDA is eligible to receive a portion of the 3M Public Water System (PWS) Settlement for PFAS-related contamination. Although no cash has been received as of June 30, 2025, a payout schedule has been confirmed, with disbursements expected to begin in FY2025/26 and continue over multiple years.

GASB Standards Implementation Horizon

The Governmental Accounting Standards Board (GASB) continues to issue new standards that will shape the presentation of financial information in the coming years. CDA has already implemented GASB Statement No. 101 (*Compensated Absences*) and adopted GASB Statement No. 102 (*Certain Risk Disclosures*). For the current reporting period, no disclosures are required under GASB 102 because the Authority does not have risk events that meet the reporting criteria. Looking ahead, GASB Statement No. 103 (*Financial Reporting Model Improvements*) and GASB Statement No. 104 (*Disclosure of Certain Capital Assets*) will become effective in fiscal year 2025/26.

While the Authority is still evaluating the precise financial reporting impact of these standards, they are not expected to materially affect CDA's underlying economic position. Instead, the changes will primarily influence the presentation and disclosure of financial information. CDA has begun planning efforts, including coordination with auditors and staff training, to ensure timely compliance. The Authority also continues to monitor GASB projects on revenue and expense recognition, infrastructure assets, and going concern disclosures, which may affect reporting in future years.

Contacting CDA Financial Management

This financial report aims to offer a comprehensive view of the Chino Basin Desalter Joint Exercise of Powers Authority's financial situation. It is a resource for various stakeholders, including the Authority's members, citizens, customers, investors, and creditors. Through this report, the Authority aims to provide transparency regarding its financial activities and demonstrate its responsibility in managing the revenues it receives.

If you have any questions or require further financial details, please do not hesitate to reach out to the Authority's Treasurer at the following address:

*Chino Basin Desalter Authority - Treasurer's Office
3550 E. Philadelphia, Suite 170
Ontario, CA 91761*

The Treasurer's office will be able to assist with any questions or requests for additional financial information you may have.



CHINO BASIN DESALTER AUTHORITY (CDA)

OVERVIEW OF THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

The Authority's financial report consists of two main components: Management's Discussion and Analysis (MD&A) and the Basic Financial Statements (including accompanying Notes). The MD&A is presented as required supplementary information and provides a narrative introduction and analysis of the Authority's financial activities, offering context to the financial statements that follow.

The Basic Financial Statements present the Authority's financial position and operating results and are prepared using the economic resources measurement focus and the full accrual basis of accounting, consistent with enterprise fund reporting. The Basic Financial Statements include:

- Statement of Net Position – Reports the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and resulting net position, providing a snapshot of the Authority's financial standing at year-end.
- Statement of Revenues, Expenses, and Changes in Net Position – Presents all revenues and expenses for the year, distinguishing between operating and nonoperating categories, and shows how these activities affected the Authority's net position.
- Statement of Cash Flows – Summarizes the Authority's cash inflows and outflows from operating, noncapital financing, capital and related financing, and investing activities, and displays the Authority's cash position at fiscal year-end.
- Notes to the Basic Financial Statements – Provide additional details and explanations essential for a complete understanding of the Basic Financial Statements, including significant accounting policies, capital asset and debt activity, and other required disclosures.

Together, the MD&A, the Basic Financial Statements, and the accompanying Notes provide both a broad overview and detailed information on the Authority's financial condition and performance.



CHINO BASIN DESALTER AUTHORITY
Statement of Net Position
Fiscal Year Ended June 30, 2025

	<u>2025</u>
ASSETS	
Current assets	
Unrestricted current assets	
Cash & investments (Note 2)	\$ 27,886,457
Accounts receivable (Note 3)	3,708,119
Deposits	6,180
Total unrestricted current assets	<u>31,600,756</u>
Restricted current assets	
Cash & investments held for Expansion project (Note 2 & 4)	881,045
Cash & investments held for South Archibald Plume project (Note 2 & 4)	2,261,245
Total restricted current assets	<u>3,142,290</u>
Total current assets	<u>34,743,046</u>
Noncurrent assets	
Unrestricted noncurrent assets	
Long term investments (Note 2 & 4)	8,507,254
Total restricted noncurrent assets	<u>8,507,254</u>
Capital assets (Note 7)	
Land	4,380,071
Capital projects in progress	29,149,948
Capital assets being depreciated, net of accumulated depreciation	210,099,602
Intangible assets, net of accumulated amortization	9,704,651
Total capital assets	<u>253,334,272</u>
Other assets	
Prepaid bond insurance	65,309
Total other assets	<u>65,309</u>
Total noncurrent assets	<u>261,906,835</u>
Total assets	<u>296,649,881</u>
Deferred outflows of resources	
Deferred amount on debt refunding	2,541,946
Total deferred outflows of resources	<u>\$ 2,541,946</u>

The accompanying notes are an integral part of the basic financial statements

	<u>2025</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 4,612,652
Accrued liabilities	32,717
Compensated absences - current payable (Note 9)	35,150
MWD contribution due to member agencies	3,511,248
Retentions payable	89,189
Long-term debt, due within one year (Note 9)	3,540,000
Interest payable	118,001
Phase 3 Expansion Sponsor deposit	517,799
South Archibald Plume deposit	2,253,451
Advances from San Bernardino County	1,307,633
Liability for leasing agreements - due within one year (Note 9)	29,679
Subscription liability - due within one year (Note 9)	28,918
Total current liabilities	<u>16,076,437</u>
 Total current liabilities	 <u>16,076,437</u>
Noncurrent liabilities	
Long-term debt, due in more than one year (Note 9)	42,539,247
Compensated absences payable (Note 9)	138,952
Liability for subscription (Note 9)	29,897
Liability for leasing agreements (Note 9)	136,176
Total noncurrent liabilities	<u>42,844,272</u>
 Total liabilities	 <u>58,920,709</u>
 NET POSITION	
Net investment in capital assets	209,572,301
Unrestricted	<u>30,698,817</u>
 Total net position	 <u>\$ 240,271,118</u>

The accompanying notes are an integral part of the basic financial statements

CHINO BASIN DESALTER AUTHORITY
Statement of Revenues, Expenses and
Changes in Net Position
Fiscal Year Ended June 30, 2025

	<u>2025</u>
OPERATING REVENUES	
Operations and maintenance assessments	\$ 34,504,344
MWD contribution revenue	<u>3,511,248</u>
Total operating revenues	<u>38,015,592</u>
OPERATING EXPENSES	
Operations and maintenance	28,219,755
MWD contributions to member agencies	3,511,248
Administration and general	1,554,291
Depreciation and amortization	<u>9,144,000</u>
Total operating expenses	<u>42,429,294</u>
Operating Loss	<u>(4,413,702)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,150,920
Fixed project/capital assessments	7,305,880
Other nonoperating revenue (expenses)	1,112,777
Interest on long-term debt	(1,570,471)
Annual reconciliation of costs	<u>(955,911)</u>
Total nonoperating revenues (expenses)	<u>7,043,195</u>
(Loss) / gain before contributions	<u>2,629,493</u>
CAPITAL CONTRIBUTIONS	
Capital grants	634,355
Contributed capital for South Archibald Plume Project	<u>1,651,011</u>
Total capital contributions	<u>2,285,366</u>
Change in net position	<u>4,914,859</u>
Total net position - beginning	<u>235,356,259</u>
Total net position - ending	<u><u>\$ 240,271,118</u></u>

The accompanying notes are an integral part of the basic financial statements

CHINO BASIN DESALTER AUTHORITY**Statement of Cash Flows****June 30, 2025**

	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 33,538,574
Cash payments to suppliers for goods and services	(24,459,013)
Cash payments for contract labor	<u>(4,373,309)</u>
Net cash provided by operating activities	<u>4,706,252</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(3,191,829)
Fixed project/capital assessments	7,305,880
South Archibald Plume deposit	1,651,011
Advances Received from San Bernardino County	1,338,082
State Capital grant	634,355
Annual reconciliation of project costs	(955,911)
Other Agency Financing Sources	74,375
Other Capital and Related Financing Sources	11,369
Principal paid on capital debt	(3,968,923)
Interest paid on capital debt	<u>(1,570,299)</u>
Net cash provided by capital and related financing activities	<u>1,328,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,150,920</u>
Net cash provided by investing activities	<u>1,150,920</u>
Net increase in cash and cash investments	7,185,282
Cash and cash investments - beginning	<u>32,350,719</u>
Cash and cash investments - ending	<u><u>\$ 39,536,001</u></u>

The accompanying notes are an integral part of the basic financial statements

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED
FOR OPERATING ACTIVITIES**

Operating Loss	\$ (4,413,702)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	9,144,000
(Increase) decrease in operating assets	
Accounts receivable	(1,017,064)
Increase (decrease) in operating liabilities	
Accounts payable and other liabilities	196,323
MWD rebates due to member agencies	969,432
Retentions payable	51,294
Accrued liabilities	(224,031)
Net cash provided by operating activities	<u><u>\$ 4,706,252</u></u>

**RECONCILIATION OF CASH & CASH EQUIVALENTS TO
THE STATEMENT OF NET POSITION**

Cash & cash investments at end of year	<u>\$ 39,536,001</u>
Total cash and cash investments	<u><u>\$ 39,536,001</u></u>
Unrestricted current cash & investments	\$ 27,886,457
Restricted current assets held for expansion project	881,045
Restricted current assets held for south archibald plume project	2,261,245
Long-term investment held with trustee/fiscal agent	8,507,254
Total cash, investments and restricted assets	<u><u>\$ 39,536,001</u></u>

NONCASH CAPITAL, FINANCING, AND INVESTING ACTIVITIES

2025

Change in fair value of long term investments	\$ (164,975)
Intangible Lease Building	10,178
Subscription-Based Information Technology Arrangements (SBITA)	8,793
Total noncash capital, financing, and investment activities	<u><u>\$ 183,946</u></u>

The accompanying notes are an integral part of the basic financial statements



CHINO BASIN DESALTER AUTHORITY

INDEX OF NOTES OF FINANCIAL STATEMENTS

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NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2025

(1) Reporting Entity and Summary of Significant Accounting Policies:

This note outlines the key accounting principles and policies used in the preparation of the Authority's basic financial statements in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Description of the Reporting Entity

The Chino Basin Desalter Authority (CDA) is a Joint Exercise of Powers Authority established in September 2001. The CDA consists of several member agencies, including the cities of Chino, Chino Hills, Ontario, and Norco, as well as the Jurupa Community Services District, Santa Ana River Water Company, Western Municipal Water District, and Inland Empire Utilities Agency (IEUA).

CDA is considered a primary government for financial reporting purposes under generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) definitions. It is legally and fiscally independent and is not included in the financial statements of any other government. CDA does not have any component units that meet the criteria for inclusion in its financial reporting entity.

The governing authority of CDA is vested in a Board of Directors comprised of eight members, one representative appointed by each participating agency. Seven of the eight directors have voting rights. The IEUA participates as a non-voting ex officio member, pursuant to the terms of the JPA agreement. Voting power is weighted based on each member agency's contractual commitment to purchase product water. A quorum requires the presence of at least five of the seven voting members. The CDA Board appoints a General Manager/Chief Executive Officer to oversee daily operations. The Board also appoints a Secretary and a Treasurer and designates the location of CDA's principal administrative office by resolution.

The Authority's accounting policies strictly adhere to GAAP as applicable to governmental entities and align with all relevant GASB pronouncements.

Fund Accounting

The CDA's resources are allocated to, and accounted for, in one fund classified as an Enterprise Fund.

(1) Reporting Entity and Summary of Significant Accounting Policies (continued):

Proprietary Fund Types

Basis of Accounting, Measurement Focus and Enterprise Fund Accounting

The financial activities of the Chino Basin Desalter Authority (CDA) are reported in a single Enterprise Fund, which is used to account for operations that are financed and conducted in a manner similar to private business enterprises. The governing body has determined that the cost of providing goods or services—including depreciation and amortization—should be recovered primarily through user charges and periodic member agency assessments.

The Enterprise Fund is accounted for using the economic resources measurement focus and the full accrual basis of accounting. Under this basis:

Revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of related cash flows.

The Statement of Net Position includes all current and noncurrent assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

The difference between total assets and deferred outflows, and total liabilities and deferred inflows, is reported as net position, which is classified as follows:

1. **Net investment in capital assets** – representing the Authority’s capital assets net of accumulated depreciation and related outstanding debt.
2. **Restricted net position** – representing resources subject to externally imposed legal, contractual, or regulatory constraints.
3. **Unrestricted net position** – representing resources that are available for general operational purposes and not subject to external restrictions.

The Statement of Revenues, Expenses, and Changes in Fund Net Position reports all operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing water treatment and delivery services, while nonoperating items include investment income, interest expense, and capital contributions.

This financial reporting framework is consistent with the standards set forth by the Governmental Accounting Standards Board (GASB) for proprietary fund types and is designed to ensure transparency, accountability, and comparability in financial reporting for public utilities and similar entities.

(1) Reporting Entity and Summary of Significant Accounting Policies (continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, as well as the disclosure of contingent items and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Use of Restricted and Unrestricted Funds

Restricted net position represents resources that are subject to externally imposed constraints, such as those imposed by creditors, grantors, laws, agreements or regulations. These funds may only be used for specific purposes as defined by the external parties.

In contrast, unrestricted net position consists of resources that are not subject to externally imposed restrictions. These amounts may be used at the discretion of the Authority to meet ongoing obligations, fund operations, or address other general purposes.

Budgetary Policy and Control

The Chino Basin Desalter Authority (CDA) adopts an annual operating and capital budget prior to the beginning of each fiscal year. The budget is prepared by the Treasurer and submitted to the Board of Directors for formal review and approval.

The Authority maintains a system of budgetary controls to ensure adherence to the appropriations authorized in the adopted budget. Any amendments to the budget or transfers of operating funds to or from reserve accounts in excess of \$50,000 require explicit approval by the Board of Directors. Unexpended or uncommitted budget appropriations lapse at fiscal year-end, with the exception of amounts designated for multi-year capital projects. This policy supports the prudent allocation of resources and ensures that funds are used in accordance with their approved purpose.

CDA is not legally required to present budgetary comparison schedules as part of its basic financial statements, and therefore such schedules are not included.

(1) Reporting Entity and Summary of Significant Accounting Policies (continued):

Cash and Investments

The Authority's investments are reported in accordance with the Governmental Accounting Standards Board (GASB) Statement Nos. 31, 40, and 72. The following summarizes the Authority's policy for measuring and presenting cash and investments in the financial statements:

1. **Short-Term Investments:** Investments in debt instruments with a remaining maturity of one year or less at the time of purchase are reported at amortized cost, which approximates fair value.
2. **All Other Investments:** Investments that do not meet the criteria for short-term classification are reported at fair value in accordance with GASB Statement No. 72, using quoted market prices or other appropriate valuation techniques.
3. **Presentation of Cash and Cash Equivalents:** For financial reporting purposes, cash and cash equivalents include balances in demand deposit accounts, cash on hand, money market mutual funds, and amounts invested in the Local Agency Investment Fund (LAIF) with original maturities of three months or less. These amounts may be reported in various line items, such as cash, investments, or restricted assets, based on their purpose or designation.
4. **Risk Disclosures:** The Authority complies with the provisions of GASB Statement No. 40, which require disclosures regarding interest rate risk, credit risk, custodial credit risk, and concentration of credit risk for deposits and investments.

Materials and Supplies

The Authority does not maintain inventory balances for financial reporting purposes. All materials and supplies are expensed at the time of acquisition. As such, no inventory is reported on the Statement of Net Position as of June 30, 2025.

Capital Assets

Property, plant, and equipment are initially recorded on the financial statements at their historical cost. This cost includes not only the purchase price but also expenses related to rehabilitation, construction, and other ancillary costs that are necessary to put the assets into productive use. In cases where assets are donated to the Authority, they are recognized in the financial statements at their acquisition value as of the donation date. This ensures that the value of donated assets is accurately reflected in the financial statements. The Authority maintains specific capitalization thresholds that dictate when the costs associated with an asset are capitalized. These thresholds are established to determine which expenditures meet the criteria for inclusion in the cost of property, plant, and equipment.

(1) Reporting Entity and Summary of Significant Accounting Policies (continued):

Capital Assets (continued)

The proper application of these principles ensures that the financial statements of the Authority provide a reliable and comprehensive representation of its investments in property, plant, and equipment, including both purchased and donated assets, while adhering to defined capitalization thresholds. Current capitalization thresholds are reflected in the following table.

Type of Expenditure	Total Cost	Estimated Life	Increases Estimated Life	Enhances Performance
Office Equipment	≥ \$5,000	> 1 Year	N/A	N/A
Computer Equipment	≥ \$5,000	> 1 Year	N/A	N/A
Other Equipment	≥ \$5,000	> 1 Year	N/A	N/A
Maintenance & Repair Expenditures	≥ \$5,000	> 1 Year	YES	-----
Maintenance & Repair Expenditures	≥ \$5,000	≥ 3 Years	-----	YES
Capital Projects	≥ \$5,000	≥ 3 Years	N/A	N/A
Single Year Capital Projects	≥ \$5,000	≥ 3 Years	N/A	N/A
Multi Year Capital Projects	≥ \$15,000	≥ 3 Years	N/A	N/A

New tangible and intangible assets are recorded in the financial statements at the end of each fiscal year. This includes the acquisition or creation of these assets during the year. Depreciation and amortization expenses begin in the subsequent fiscal year after the assets have been added to the financial statements. These expenses are calculated using the straight-line method, which means the cost of the assets is allocated evenly over their estimated useful lives. The estimated useful lives of these assets range from 5 to 50 years. This range determines the period over which the cost of the assets will be allocated as depreciation or amortization expense.

This accounting approach ensures that the costs of acquiring or creating tangible and intangible assets are recognized in the financial statements. Their respective depreciation and amortization expenses are accounted for systematically over their estimated useful lives, providing a more accurate representation of the assets' consumption or diminishing value.

Estimated useful lives are:	 Furniture, machinery and equipment	5 – 10 years
	 Improvements	15 years
	 Buildings and plants	5 – 50 years
	 Intangible Assets	30 – 50 years

(1) Reporting Entity and Summary of Significant Accounting Policies (continued):

Capital Assets (continued)

The Authority capitalizes interest on tax-exempt debt issued to finance construction projects; net of interest earned on the unspent proceeds. This approach ensures that the financial statements accurately reflect the true cost of financing the construction projects by capitalizing the interest expenses while considering any offsetting interest income earned on unspent proceeds.

Deferred Outflows/Inflows of Resources:

The statement of net position may include sections for deferred outflows of resources and deferred inflows of resources in addition to assets and liabilities.

Deferred Outflows of Resources: Deferred outflows of resources represent situations where resources have been consumed or used in a manner that applies to future periods, but the recognition of these as outflows (expenditures) is postponed until those future periods. The Authority has recognized deferred outflows of resources amounting to \$ 2,541,946 at the end of June 30, 2025, which is related to the extinguishment of the 2008A Series Bonds and the issuance of the 2016A Revenue Refunding Bonds. These amounts are not considered immediate outflows but pertain to future periods.

Deferred Inflows of Resources: While deferred outflows represent future expenses, deferred inflows of resources signify resources that have been acquired but apply to future periods and are not recognized as immediate inflows (revenues) until those future periods arrive. According to the information provided, the Authority currently has no deferred inflows of resources to report on in its financial statements.

The use of these categories helps ensure that the timing of certain financial transactions and their impact on future periods is accurately reflected in the financial statements.

Prepaid Costs

Prepaid bond insurance costs on debt issuances are to be amortized over the life of the debt. For the 2016A Desalter Revenue Refunding bonds, the remaining amortization period is 10 years at the end of June 30, 2025.

Operating revenues and expenses relate to transactions generated as a direct result of the core business in which the Authority is engaged. These transactions can be repetitive in nature within the normal business cycle. Non-operating revenues and expenses are transactions incurred infrequently during the Authority's business. These types of transaction are generally not directly related to the general business of the Authority.

(1) Reporting Entity and Summary of Significant Accounting Policies
(continued):

Operating and Non-Operating Revenues and Expenses

The Authority classifies revenues and expenses as operating or non-operating based on the nature of the underlying transactions. Operating revenues and expenses are those that result from the provision of water services, which represent the Authority's principal ongoing operations.

Non-operating revenues and expenses include items that are incidental to, or arise from, capital and financing activities. These include construction-related transactions funded by Expansion Project Sponsors, the South Archibald Plume Project, and receipts from Federal and State grants. Grant receipts are considered pass-through transactions; therefore, the related payments made to the Expansion Project Sponsors are recorded as non-operating expenses, with the corresponding receipts recognized as non-operating revenues. This classification reflects the nature of these transactions as unrelated to the Authority's primary service activities.

(2) Cash and Investments:

This note provides a summary of the Authority's cash and investment balances as of the fiscal year-end, including the types of instruments held, valuation methods, risk disclosures, and compliance with applicable state statutes and the Authority's investment policy. Cash and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position

Unrestricted current cash & investments	\$	11,721,588
Restricted current assets held for Ph3 Expansion Project		881,045
Restricted current assets held for South Archibald Plume Project		2,261,245
Unrestricted Short-Term & Long-term investment		24,672,123
Total cash and investments	\$	39,536,001
Deposits with financial institutions	\$	1,452,149
Investments		38,083,852
Total cash and investments	\$	39,536,001

(2) Cash and Investments (continued):

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below outlines the types of investments authorized for the Authority as per the California Government Code and the Authority's Investment Policy. It also provides information on the associated risks, including interest rate risk, credit risk, and concentration of credit risk. Please note that this table does not cover investments of debt proceeds held by a bond trustee, which are typically governed by the terms and conditions specified in the debt agreements of the Authority. The Authority's investment strategy is designed to align with these guidelines and manage risk appropriately.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Commercial Paper	270 days	None	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	90 days	None	None
Medium Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	None	None
State Investment Pool	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by a bond trustee are typically governed by specific provisions outlined in the respective debt agreements, which may override general provisions in the California Government Code or the Authority's Investment Policy.

The table below outlines the types of investments authorized for funds held by a bond trustee and highlights key provisions in the debt agreements related to the quality of risk, interest rate risk, credit risk, and concentration of credit risk. These provisions are essential to ensure compliance with the terms and conditions of the debt agreements and the prudent management of the funds.

Authorized Investment Type	Minimum Rating	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment One Issuer
U.S. Treasury Obligations	None	None	None	None
U.S. Agency Securities	None	None	None	None
Money Market Funds	AA-m / Aa2	N/A	None	None
Certificates of Deposits	None	None	None	None
Investment Agreements	None	None	None	None
Commercial Paper	A-1 / Prime-1	270 days	None	None
Banker's Acceptances	A-1 / Prime-1	1 Year	None	None
Repurchase agreements	A	30 days	None	None
LAIF	None	N/A	None	None
Medium-Term Note	A	5 Years	None	None

(2) Cash and Investments (continued):

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk related to changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Disclosures Relating to Interest Rate Risk

Investment Type	Value	12 or Less	13 to 24	25 to 60
Negotiable Certificates of Deposit	\$ 986,414	\$ 487,064	\$ 499,350	\$ -
Money Market Mutual Funds	1,491,786	1,491,786	-	-
State Investment Pool	9,227,653	9,227,653	-	-
U.S. Treasury Notes	3,988,830	2,981,250	1,007,580	-
U.S. Government Sponsored Entities	10,859,380	5,867,060	1,999,310	2,993,010
Medium Term Notes	8,837,499	6,829,495	-	2,008,004
Cash with Fiscal Agents:				
Money Market Mutual Funds	2,692,290	2,692,290	-	-
Total	<u>\$ 38,083,852</u>	<u>\$ 29,576,598</u>	<u>\$ 3,506,240</u>	<u>\$ 5,001,014</u>

(2) Cash and Investments (continued):

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Authority's Investment Policy outlines key principles related to the management of its investments, which include the limitation to securities with a final state maturity not exceeding five years. This policy restricts the investment horizon to a relatively shorter term to manage interest rate risk. To effectively manage exposure to interest rate risk, the Authority adopts a strategy that combines both short-term and long-term investments. This diversification allows for a balanced allocation of investments across different maturities. Maturities of investments are evenly distributed to ensure consistent cash flow and maintain liquidity to meet the Authority's operational needs. This approach prevents the concentration of maturity in any given period. The Authority uses the segmented time distribution method to disclose interest rate risk. This method allows for transparent reporting of the maturity distribution of investments and provides transparency regarding the Authority's exposure to fluctuations in interest rates over different time segments. These investment strategies and disclosure methods help the Authority prudently manage its investments while mitigating interest rate risk and maintaining liquidity for its operational requirements.

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer of an investment may not fulfill its obligation to the holder of the investment. This risk is typically evaluated through credit ratings assigned by nationally recognized statistical rating organizations (NRSROs). This information serves to communicate the criteria set by the Authority's Investment Policy regarding the minimum credit rating required for its investments. It also provides stakeholders with an understanding of how well the actual investments align with these criteria in terms of credit risk. Below is information regarding the minimum rating required by the Authority's Investment Policy and the actual Moody's rating as of the fiscal year ended June 30, 2025:

(2) Cash and Investments (continued):

Disclosures Relating to Credit Risk (continued)

<u>Investment Type</u>	<u>Value</u>	<u>Minimum Rating</u>	<u>Aaa</u>	<u>A1 to A3</u>	<u>Aa2</u>	<u>Unrated</u>
Negotiable Certificates of Deposit	\$ 986,414	N/A	\$ -	\$ -	\$ -	\$ 986,414
Money Market Mutual Fund	1,491,786	N/A	-	-	-	1,491,786
Cash with Fiscal Agents :						
Money Market Mutual Fund	2,692,290					2,692,290
State Investment Pool	9,227,653	N/A	-	-	-	9,227,653
U.S. Treasury Note	3,988,830	N/A	3,988,830	-	-	-
U.S. Gov't Sponsored Entities	10,859,380	N/A	10,859,380	-	-	-
Medium Term Notes	1,952,000	A	-	1,952,000	-	-
Medium Term Notes	2,925,495	A	-	-	2,925,495	-
Medium Term Notes	1,952,000	A	-	1,952,000	-	-
Medium Term Notes	997,804	A	-	-	997,804	-
Medium Term Notes	1,010,200	A	-	1,010,200	-	-
Total	<u>\$ 38,083,852</u>		<u>\$ 14,848,210</u>	<u>\$ 4,914,200</u>	<u>\$ 3,923,299</u>	<u>\$ 14,398,143</u>

Concentration of Credit Risk

The Investment Policy of the Authority contains several limitations on the amount that can be invested in any one issuer and type of investment as well as that stipulated by the California Government Code. Investments in any one issuer (excluding investment pool) that represent 5% or more of the total Authority investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
Federal Home Loan Bank	U.S. Gov't Issues	\$ 10,859,380	28.51%
Citizens Business Bank	Money Market Mutual Fund	4,184,076	10.99%
Bank of America Corp	Medium Term Note	1,952,000	9.46%
Canadian Imperial Bank	Medium Term Note	2,925,495	8.47%
Royal Bank of Canada	Medium Term Note	1,010,200	5.98%
Citigroup Inc	Medium Term Note	1,952,000	5.86%
National Bank of Canada	Medium Term Note	997,804	5.85%
Total		<u>\$ 23,880,955</u>	<u>91.03%</u>

(2) Cash and Investments (continued):

Concentration of Credit Risk

Custodial credit risk for both deposits and investments presents risks that, in the event of a depository financial institution's failure or a counterparty's failure, a government may not recover its deposits or the value of its investments, including collateral securities held by external parties. The California Government Code and the Authority's Investment Policy do not impose specific legal or policy restrictions to limit exposure to custodial credit risk for deposits or investments, except for the following deposit provisions:

The California Government Code requires that financial institutions secure deposits made by state or local governmental units. This security is achieved by pledging securities in an undivided collateral pool held by a depository regulated under state law unless waived by the governmental unit. The market value of these pledged securities must be at least 110% of the total deposited amount by public agencies. Furthermore, California law permits financial institutions to secure City deposits by pledging first trust deed mortgage notes with a value of 150% of the secured public deposits. It's important to note that the Authority's deposits are safeguarded through FDIC insurance or collateralization, as California Law mandates. Additionally, investments held by a fiscal agent are managed based on the terms of the applicable trust agreement. The trustee is responsible for selecting, acquiring, and safeguarding these investments on behalf of the reporting government.

In summary, custodial credit risk management is addressed through specific provisions for deposits in the California Government Code and the Authority's Investment Policy. While these provisions aim to secure governmental funds, investments may carry varying degrees of risk based on individual agreements and arrangements. Additionally, investments held by a fiscal agent are managed according to trust agreements, ensuring prudent management and safekeeping of these assets on behalf of the reporting government.

Investment in State Investment Pool

The Authority actively participates in the Local Agency Investment Fund (LAIF), operating under the regulatory framework outlined in California Government Code Section 16429 and overseen by the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value of the entire LAIF portfolio in relation to the portfolio's amortized cost. Moreover, the balance available for withdrawal from the Authority's LAIF investment is calculated according to LAIF's accounting records, which follows an amortized cost basis. LAIF requires withdrawals of over \$10,000,000 at least 24-hours' notice, a minimum of \$5K withdrawal threshold, and a monthly limit of 15 withdrawal transactions.

(2) Cash and Investments (continued):

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). This hierarchy is designed to increase transparency and consistency in fair value reporting by classifying inputs used to determine fair value into three distinct levels based on the reliability and observability of those inputs.

- **Level 1** inputs are the most reliable and are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Authority can access at the measurement date.
- **Level 2** inputs are observable, either directly or indirectly, but do not qualify as Level 1. These may include quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, or inputs such as interest rates and yield curves that are observable for the asset or liability.
- **Level 3** inputs are unobservable and are used when observable inputs are not available. Valuations at this level rely on significant judgment, including assumptions and estimation techniques, often involving complex models.

This classification framework enables stakeholders to assess the objectivity and reliability of the Authority's valuation techniques and better understand the nature of the inputs used in determining the fair value of its financial assets.

Fair Value Measurement Table

Investment Type	Not Subject to fair value measurement	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs level 3
Negotiable Certificates of Deposit ²	\$ -	\$ -	\$ 986,414	\$ -
Money Market Mutual Funds	1,491,786	-	-	-
Cash with Fiscal Agents:				
Money Market Mutual Funds	2,692,290			
State Investment Pool ¹	9,227,653	-	-	-
U.S. Gov't Sponsored Entities ²	-	-	14,848,210	-
Medium Term Notes ²	-	-	8,837,499	-
Sub-total	<u>\$ 13,411,729</u>	<u>\$ -</u>	<u>\$ 24,672,123</u>	<u>\$ -</u>
Total	<u><u>\$ 38,083,852</u></u>			

(3) Accounts Receivable:

As of June 30, 2025, the Authority is engaged in an on-going legal dispute with a contractor due to damage done to the Chino I Desalter Raw Water pipeline last May 25, 2022, which is the subject of an ongoing investigation and potential litigation. The damage to the water pipeline was allegedly caused by Golden State Boring & Pipe Jacking, a subcontractor of Leatherwood Construction, Inc. (LCI), during the Euclid Avenue Sanitary Sewer Improvements from Kimbal Ave to Merrill Avenue Construction project, resulting in a claim for restitution of damages and potential loss of revenue by Chino Basin Desalter Authority.

The estimated financial impact of this litigation has been recognized in accordance with accounting standards by temporarily booking the amount of \$317,487 in accounts receivable with a corresponding entry to Allowance for Doubtful Accounts. The Authority has booked the amount related to this litigation based on the management's best estimate as of the reporting date.

Management is actively cooperating with legal counsel to assess the claim's merits, evaluate potential outcomes, and explore potential settlement discussions. Given the uncertainty of the litigation, the estimated loss is subject to revision as additional information becomes available during the legal proceedings. The Authority will closely monitor the progress of the litigation and any changes in estimates. Any significant changes to the estimate of the potential loss will be recorded in the financial statements when such changes become known.

Stakeholders are cautioned to rely on something other than the current estimate of the potential loss, as it may be subject to change. The Authority will disclose material developments in the legal proceedings as accounting and disclosure standards require. The financial statements do not reflect any potential insurance recoveries, if applicable, as the outcome of the litigation and the recoveries are uncertain. Management believes that the ultimate resolution of this litigation when it occurs, will not have a material adverse impact on the Authority's financial position or results of operations.

(4) Restricted Assets:

This note discloses assets that are restricted in use due to external legal, contractual, or regulatory requirements. Such assets are segregated from unrestricted resources and are designated for specific purposes, including debt service, capital improvements, and project-related obligations, in accordance with governing agreements or formal actions of the Board of Directors.

As of the reporting date, restricted assets include the following:

- deposits held in lieu of retention, in compliance with contractual requirements to segregate funds for contractor retention payments.
- funds reserved for eligible costs related to the Phase 3 Expansion Project.
- funds restricted for expenditures related to the South Archibald Plume remediation project.

(5) Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To address these exposures, the Authority maintains comprehensive insurance coverage through participation in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA). The Authority is designated as an Additional Covered Party under written intergovernmental agreements with ACWA JPIA member agencies. As of June 30, 2025, the Authority had the following insurance coverage in effect:

- General Liability and Errors & Omissions - The Authority covers general liability, contractual liability, products/completed operations, and errors and omissions. Coverage is provided up to \$5,000,000 per occurrence, with a \$5,000,000 annual aggregate.
- Automobile Liability- Coverage for owned, hired, and non-owned vehicles is provided up to \$1,000,000 per occurrence.
- Property Coverage - The Authority maintains coverage for buildings, fixed equipment, personal property, auto physical damage, mobile equipment, and crime. Property is insured to the values reported and filed with ACWA JPIA.
- Workers' Compensation and Employer's Liability - Workers' compensation is covered at statutory limits. Employer's liability coverage includes:
 - \$2,000,000 per accident
 - \$2,000,000 per employee for disease
 - \$2,000,000 aggregate disease limit

All coverages are subject to the terms, conditions, and exclusions of the respective coverage documents. As part of the intergovernmental agreement, ACWA JPIA has waived its right of recovery (subrogation) against the Authority, in accordance with written contract provisions. The Authority has not experienced any claims settlements in excess of insurance coverage in the past three years. There were no significant reductions in insurance coverage from the prior year.

Claim Liabilities

The Authority recognizes claim liabilities when there is a likelihood of incurring a loss, and the estimated loss amount can be reasonably determined. These liabilities encompass provisions for both reported claims and incurred but not yet reported claims (IBNRs). A negative figure may arise due to changes in the estimated unpaid claims balance at the start of the current year. The computation of claim liabilities considers various factors, including the impact of inflation, recent trends in claim settlements (such as frequency and payout amounts), and broader economic and societal influences. As of June 30, 2025, the Authority has not recorded any liabilities related to claims or judgments. Furthermore, no documented losses have been incurred in the past three years.

(6) Contingencies:

Amounts received or anticipated from grant agencies are subject to potential audits and subsequent adjustments by the grantor authority. It's important to note that any disallowed claims, including those for which funds have already been collected, may result in liabilities for the Authority. While the exact amount of expenditures that the grantor may disallow cannot be determined at this moment, the Authority believes that these potential amounts are expected to be minor and not material.

Furthermore, the annual reconciliation process, which compares actual operations and maintenance costs to the budget for the fiscal year 2024/2025, may lead to either unrecorded liabilities or receivables. The outcome of this reconciliation will determine the specific amount, which remains undetermined at this time. This process reflects the ongoing financial management efforts to ensure accurate reporting and accountability for grant-related activities.

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(7) Changes in Capital Assets:

Capital Assets

This note summarizes the Authority's capital assets, including assets under construction, completed infrastructure, depreciation, and changes in capital asset balances during the fiscal year, in accordance with GASB reporting requirements. The following is a summary of capital assets, accumulated depreciation and amortization, jobs in progress and intangible assets on June 30, 2025, with changes therein:

	Balance at 06/30/24	Additions	Transfers & Retirements	Balance at 06/30/25	Accumulated Depreciation / Amortization at 06/30/25	Net Book Value at 06/30/25
Capital Assets, not being depreciated:						
Land	\$ 4,380,071	\$ -	\$ -	\$ 4,380,071	\$ -	\$ 4,380,071
Capital Projects in Progress	26,804,348	4,382,188	(2,036,588)	29,149,948	-	29,149,948
Total capital assets, not being depreciated	31,184,419	4,382,188	(2,036,588)	33,530,019	-	33,530,019
Capital assets, being depreciated:						
Treatment plants, pump stations and pipelines	272,988,919	-	-	272,988,919	(72,296,330)	200,692,589
Land Improvements/ Easements	14,869,711	-	-	14,869,711	(9,770,087)	5,099,624
Equipment	6,959,078	1,652,286	-	8,611,364	(4,303,974)	4,307,390
Total capital assets, being depreciated	294,817,708	1,652,286	-	296,469,994	(86,370,391)	210,099,603
Capital Assets, being amortized						
Computer software	157,846	80,737	-	238,583	(157,846)	80,737
Lease Building	258,855	10,178	-	269,033	(117,467)	151,566
Subscription Asset	139,718	8,793	-	148,511	(89,821)	58,690
Supplementary treatment capacity	24,216,851	-	-	24,216,851	(14,803,194)	9,413,657
Total capital assets, being amortized	24,773,270	99,708	-	24,872,978	(15,168,328)	9,704,650
Total capital assets	\$ 350,775,397	\$ 6,134,182	\$ (2,036,588)	\$ 354,872,991	\$ (101,538,719)	\$ 253,334,272

(7) Changes in Capital Assets (continued):

Changes in Accumulated Depreciation and Amortization

The following is a summary of property, plant and equipment accumulated depreciation and amortization on June 30, 2025:

	Balance at 6/30/2024	Additions	Transfers & Retirements	Balance at 6/30/2025
Treatment plants, pump stations and pipelines	\$ (64,734,054)	\$ (7,562,276)	\$ -	\$ (72,296,330)
Land				
improvements/easements	(9,378,274)	(391,813)	-	(9,770,087)
Equipment	(3,889,162)	(414,812)	-	(4,303,974)
Accumulated depreciation	(78,001,490)	(8,368,901)	-	(86,370,391)
Computer software	(157,846)	-	-	(157,846)
Lease Building	(87,913)	(29,554)	-	(117,467)
Subscription Asset Software	(60,713)	(29,108)	-	(89,821)
Supplementary treatment capacity	(14,086,756)	(716,438)	-	(14,803,194)
Accumulated amortization	(14,393,228)	(775,100)	-	(15,168,328)
Total accumulated depreciation/amortization	\$ (92,394,718)	\$ (9,144,001)	\$ -	\$ (101,538,719)

Depreciation and amortization of tangible and intangible assets has been computed on a straight-line basis over various estimated useful lives ranging from five to fifty years. All new tangible and intangible assets are added at each fiscal year end. Depreciation and amortization start in the following fiscal year and are computed using the straight-line method over the estimated useful lives (5 - 50 years) of the assets.

The value of the Subscription Asset Software was \$148,511 with accumulated amortization of \$89,821, and the value of the right-to-use asset for the Lease Building was \$269,033 with accumulated amortization of \$117,467. For the fiscal year ended June 30, 2025, the depreciation and amortization expenses were \$9,144,001.

(7) Changes in Capital Assets (continued):

Capital Projects in Progress

This section of the financial statements captures the total expenses accumulated for capital projects that are currently underway but still need to be finalized and put into operation. These expenses encompass construction, equipment acquisition, and other costs linked to the ongoing projects. Capital projects in progress are presented on the balance sheet as assets and are subject to regular updates as project milestones are reached and expenses are recognized. For the period ended on June 30, 2025, the capital projects in progress are as follows:

Chino Desalter No. 1 & 2	\$	2,640,481
Chino Desalter Phase 3 Expansion		536,773
South Archibald Plume Cleanup		25,972,694
Total Capital Projects in Progress	\$	29,149,948

(8) Construction Commitments:

As of June 30, 2025, the Authority has made commitments to undertake multiple significant construction contracts during the upcoming fiscal year. These major projects encompass the following.

1. **Chino I Chemical Containment Coating and IX Vessel Coating** - The Authority undertook critical asset preservation work at the Chino I Desalter focused on corrosion protection and regulatory compliance. The project scope included the recoating of the acid and caustic chemical containment areas and the surface preparation and protective coating of four Ion Exchange (IX) vessels. Over time, chemical exposure and environmental conditions degrade protective linings, which can compromise secondary containment integrity and accelerate vessel corrosion. Recoating the containment areas restores the chemical-resistant barrier system, reducing the risk of seepage or structural deterioration and ensuring compliance with environmental and safety regulations. Likewise, the surface preparation and application of industrial-grade coatings to the IX vessels mitigate external corrosion, extend the service life of these critical treatment assets, and reduce long-term maintenance costs. These improvements represent part of CDA's ongoing preventative maintenance program, designed to safeguard water quality, optimize operational reliability, and preserve the Authority's long-term capital investment in treatment infrastructure.

(8) Construction Commitments (continued):

2. **South Archibald Plume Construction and Inspection Two Additional Monitoring Well** - The project involves the drilling, construction, development, and testing of two additional dual-completion nested monitoring wells, designated II-MW-6 and II-MW-7. These wells are required under the Proposition 1 Grant Agreement and by the Santa Ana Regional Water Quality Control Board as part of the Monitoring and Reporting Program for the South Archibald Plume Project. Well II-MW-6 is located east of the plume on Eucalyptus Avenue, while Well II-MW-7 is situated southeast of the plume near Celebration Park. The addition of these wells will expand CDA's monitoring network, improve data collection on groundwater conditions, and ensure continued compliance with regulatory requirements for plume management and reporting.
3. **Chino II Concentrate Reduction Facility (CRF) Seed Wash System Upgrade** - The Chino II CRF, the first of its kind designed to treat concentrate from RO, is being upgraded with the addition of a seed wash system to enhance the performance of the pellet reactor softening process. The system will improve solids management and process stability by maintaining consistent seed quality, thereby minimizing fluctuations in pellet growth and reducing abrasive material carryover. These improvements are expected to lower mechanical wear on pumps and seals, reduce downtime and labor costs associated with maintenance and annual cleanouts, and extend equipment longevity. Modeled after successful implementation at other water treatment facilities, this upgrade represents an evolution in CRF technology and will contribute to smoother operations, improved reliability, and reduced long-term operating costs.

(9) Long-Term Liabilities:

This note presents the Authority's outstanding long-term obligations as of June 30, 2025. These obligations include bonded debt, compensated absences, lease liabilities recognized under GASB Statement No. 87, and subscription-based information technology arrangements in accordance with GASB Statement No. 96. Long-term liabilities are reported at the unpaid principal balance, net of any applicable premiums or discounts, and are typically liquidated through operating revenues or designated reserves.

Summary of long-term debt activity for the fiscal year ended June 30, 2025, was as follows:

(9) Long-Term Liabilities(continued):

2016A Desalter Revenue Refunding Bonds

On July 14, 2016, the Authority issued Revenue Refunding Bonds, Series 2016A, in the amount of \$67,105,000. The Bonds will bear a fixed interest rate between 2.00% to 5.00% annually and payable semi-annually through the year 2035.

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2025:

	Beginning			Ending	Due within	Due after
Bonds Payable	Balance	Additions	Reductions	Balance	One year	One year
2016A Bonds	\$ 45,160,000	\$ -	\$ 3,370,000	\$ 41,790,000	\$ 3,540,000	\$ 38,250,000
Net Premium (discount)	4,718,170	-	428,923	4,289,247	-	4,289,247
	<u>\$ 49,878,170</u>	<u>\$ -</u>	<u>\$ 3,798,923</u>	<u>\$ 46,079,247</u>	<u>\$ 3,540,000</u>	<u>\$ 42,539,247</u>

For financial presentation purposes, the balance of the deferred bond premium was combined into the long-term bond debt liability, with an aggregate balance on June 30, 2025, of \$46,079,247. All of the revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established or continued pursuant to the Indenture are irrevocably pledged by the Authority to secure the payment of the principal of and interest on, and the premium, if any, on the Bond in accordance with their terms and provisions of the Indenture subject only to the provisions of the Indenture permitting the application thereof for the purpose and on the terms and conditions set forth therein. As of June 30, 2025, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	\$ 3,540,000	\$ 1,416,012	\$ 4,956,012
2027	3,680,000	1,274,413	4,954,413
2028	3,865,000	1,090,413	4,955,413
2029	4,015,000	935,813	4,950,813
2030	4,105,000	855,512	4,960,512
2031 - 2035	22,585,000	2,208,250	24,793,250
Subtotal	41,790,000	7,780,413	49,570,413
Plus: Net Prem/(Disc)	4,289,247	-	4,289,247
Total debt service payments	<u>\$ 46,079,247</u>	<u>\$ 7,780,413</u>	<u>\$ 53,859,660</u>

(9) Long-Term Liabilities (continued):

Compensated Absences

The Authority provides its employees with compensated absences, including vacation leave, sick leave, and other forms of paid time off in accordance with its personnel policies. In accordance with GASB Statement No. 101, Compensated Absences, the liability for unused leave is recognized as an expense and liability in the period in which the leave is earned, provided it is probable that the leave will be used or paid.

The liability for compensated absences is recorded in the proprietary (enterprise) fund financial statements and is classified as either a current or noncurrent liability based on the expected timing of payment or settlement. The current portion represents leave expected to be used or paid within the next fiscal year, while the remaining balance is considered non-current. Compensated absences are measured using the employees' pay rates in effect as of the financial statement date. The reported liability also includes salary-related payments associated with the payment of compensated absences, such as the employer's share of Medicare and retirement contributions. All compensated absences are liquidated from the Authority's enterprise fund.

The table below outlines the changes in compensated absences liabilities for the fiscal year ending June 30, 2025:

<u>Beginning</u>			<u>Ending</u>	<u>Due within</u>	<u>Due after</u>
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One year</u>	<u>One year</u>
\$ 153,562	\$ 60,114	\$ 39,574	\$ 174,102	\$ 35,150	\$ 138,952

Lease Payable

The Authority accounts for lease obligations in accordance with GASB Statement No. 87, Leases. This standard requires the recognition of a lease liability and a corresponding intangible right-to-use lease asset for all leases with terms greater than 12 months.

As of June 30, 2025, the Authority had one active lease agreement for office space located at 3550 E. Philadelphia Street, Unit 170, Ontario, California. The lease was originally executed on February 19, 2020, and amended on April 2, 2025, to extend the term through June 30, 2030. Monthly base rent increases by approximately 4% annually beginning in fiscal year 2026. The value of the right-to-use asset for the Lease Building was \$269,033 with accumulated amortization of \$117,467. Summary of changes in long term lease liabilities for the fiscal year ended June 30, 2025:

<u>Lease Liability</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>	<u>Due after</u>
					<u>One year</u>	<u>One year</u>
Lease Building	\$ 183,341	\$ 10,178	\$ 27,664	\$ 165,855	\$ 29,679	\$ 136,176

(9) Long-Term Liabilities (continued):

Lease Payable (continued)

Principal and Interest Requirements to Maturity:

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	\$ 29,679	\$ 2,018	\$ 31,697
2027	31,350	1,614	32,964
2028	33,095	1,188	34,283
2029	34,915	739	35,654
2030	36,816	265	37,080
Total	<u>\$ 165,855</u>	<u>\$ 5,824</u>	<u>\$ 171,678</u>

The lease carries an interest rate of 1.33%, with monthly payments ranging from \$2,641 to \$3,090 over the lease term. The lease does not include variable payments, residual value guarantees, or termination penalties. All lease-related assets and liabilities are reported in the Authority's enterprise fund. The Authority does not act as a lessor in any leasing arrangements.

Subscription Payable

The Authority accounts for its subscription-based information technology arrangements (SBITAs) in accordance with GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement requires the recognition of a subscription liability and an intangible right-to-use subscription asset for eligible SBITAs.

As of June 30, 2025, the Authority had three active subscription arrangements for software services. These SBITAs are related to enterprise-level IT systems used for accounting, electronic bidding and procurement oversight, and facility operations. Each agreement provides the Authority with the right to access and use a vendor-hosted software platform over a defined subscription term. The value of the Subscription Asset Software was \$148,511 with accumulated amortization of \$89,821. The subscription agreements do not include variable payments, termination penalties, or residual value guarantees.

(9) Long-Term Liabilities (continued):

Subscription Payable (continued)

Lease Liability	Beginning Balance	Additions	Reductions	Ending Balance	Due within One year	Due after One year
Subscription Liability	\$ 78,463	\$ 8,793	\$ 28,441	\$ 58,815	\$ 28,918	\$ 29,897

Principal and Interest Requirements to Maturity:

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	\$ 28,918	\$ 1,709	\$ 30,627
2027	29,897	868	30,766
Total	\$ 58,815	\$ 2,577	\$ 61,393

The subscription arrangements carry fixed interest rates ranging from 2.0237% to 3.1600%, with annual payments ranging from \$3,000 to \$23,000, depending on the system and term. No variable payments or other components outside the scope of the liability were incurred during the fiscal year ended June 30, 2025. All SBITA-related assets and liabilities are reported in the Authority's enterprise fund.

(10) Arbitrage Rebate Obligation:

Arbitrage rebate is a term used to describe the mandatory payment made to the U.S. Treasury when earnings on tax-exempt bond proceeds exceed the yield of the tax-exempt bond issue because those proceeds were invested at a higher yield. Federal regulations stipulate that the arbitrage liability and cumulative excess arbitrage earnings must be calculated and remitted to the U.S. Treasury at the conclusion of the fifth bond year and subsequently every fifth year thereafter.

It's important to note that the 2016A Desalter Revenue Refunding Bonds are subject to arbitrage limitations, but no rebate liability is applicable for the period ended June 30, 2025.

(11) Groundwater Replenishment Expense/Credits – Change in Reporting:

During fiscal year 2024/25, the Authority discontinued its previous practice of reporting the Chino Basin Watermaster Groundwater Replenishment Credit as both an operating revenue and a corresponding operating expense. Upon review, management determined that the Authority neither receives, controls, nor administers the related resources. As such, the transaction does not meet the criteria for recognition within the Authority's enterprise fund financial statements.

This determination aligns with the control principles established under GASB Statement No. 84, Fiduciary Activities, which distinguishes transactions that fall outside a government's financial reporting entity. The change represents a reclassification in presentation rather than a change in accounting principle or correction of an error and has been applied prospectively in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections.

The prior reporting treatment represented a non-cash wash transaction, wherein equal amounts of operating revenue and expense were recognized, resulting in no effect on the Authority's net position or cash flows. Accordingly, prior-period financial statements have not been restated.

(12) Defined Contribution Pension Plans:

In March 2011, the Authority's Board of Directors adopted a resolution establishing a deferred compensation plan under Internal Revenue Code (IRC) Section 401(a) and designated Mission Square Retirement (formerly ICMA-RC Services, LLC) as the plan administrator. Any amendments or modifications to the plan require formal approval by the Board of Directors.

The plan operates as a defined contribution retirement plan. All qualified employees are required to contribute 4% of their earnings, and the Authority makes a corresponding employer contribution. On February 6, 2025, the Board of Directors approved an increase in the Authority's contribution rate from 20% to 25% of the employee's earnings, effective as of the approval date. An exception to this contribution formula exists for the General Manager's position, which is governed by a separately negotiated employment agreement that specifies a defined monthly pension amount instead of a percentage-based contribution.

As of June 30, 2025, the 401(a) plan's total assets amounted to \$1,932,650, reflecting an increase of \$275,223 compared to the prior fiscal year. The financial statements of the Authority do not include the financial information related to the 401(a) Defined Contribution Plan and 457 Deferred Compensation plans. The exclusion of these plans from the financial statements is based on the principle that the Authority does not exercise control over the investments or assets held within these Plans. The omission of the Plans from the financial statements has no impact on the financial position, results of operations, or cash flows of the Authority. This information provides an overview of the establishment, administration, and contribution structure of the Authority's deferred compensation plan, emphasizing its adherence to IRC Section 401(a) requirements and Section 457.

(13) Subsequent Event: PFAS Settlement Proceeds:

Subsequent to the end of the fiscal year, June 30, 2025, the Chino Basin Desalter Authority (CDA) received notification of an approved disbursement under the national Public Water System (PWS) Settlement with 3M Company, related to litigation concerning the presence of per-and polyfluoroalkyl substances (PFAS) in public drinking water supplies.

CDA is a registered claimant in the settlement and has submitted the required documentation demonstrating eligibility. While an initial disbursement has been allocated, the payment schedule and final award amounts remain subject to review and confirmation by the settlement administrator.

As of the issuance of these financial statements, CDA has not recognized revenue from this settlement. In accordance with GASB Statement No. 33 and GASB Statement No. 56, the settlement is disclosed as a non-recognized subsequent event, as the proceeds are contingent upon future administrative and legal actions and are not yet deemed both measurable and available as of June 30, 2025.

Based on preliminary allocation notices, CDA may be eligible to receive up to \$14,744,181 over multiple years. This amount is subject to attorneys' fees, administrative costs, and other deductions under the settlement terms. No portion of this settlement has been recorded as an asset or revenue in the current fiscal year.

The CDA Board intends to establish a PFAS Reserve Fund to manage any proceeds received in the future. These funds will be used for:

- Reimbursement of eligible PFAS-related treatment expenses
- Capital improvements related to PFAS mitigation
- Technical, legal, or regulatory compliance activities



CHINO BASIN DESALTER AUTHORITY (CDA) INTRODUCTION TO THE STATISTICAL SECTION FOR THE YEAR ENDED JUNE 30, 2025

This section of the Chino Basin Desalter Authority's Annual Comprehensive Financial Report provides a statistical overview designed to offer historical and contextual information that supports the financial statements and footnote disclosures. The information presented in this section is intended to enhance understanding of the Authority's overall financial position, operational trends, and economic environment.

The Statistical Section is organized as follows:

Financial Trends – Presents trend data to help readers evaluate how CDA's financial position and performance have changed over time. For business-type activities, revenues are shown by major source, distinguishing operating, noncapital subsidy, and other nonoperating revenues and expenses.

Revenue Capacity – Provides information on CDA's primary revenue sources, aiding readers in assessing the Authority's ability to generate revenues.

Debt Capacity – Offers data on the Authority's outstanding debt and its ability to issue and service additional debt in the future.

Demographic and Economic Information – Supplies indicators of the broader economic and demographic context in which CDA operates.

Operating Information – Contains data on service levels and infrastructure to help readers understand CDA's operational activities.

Collectively, these schedules provide a long-term perspective that enriches the reader's understanding of CDA's financial condition and trends.



CHINO BASIN DESALTER AUTHORITY

Historical Operating Results

Statement of Revenues, Expenses and Changes in Fund Net Position

Fiscal Years Ended June 30, 2016, through 2025

(In Thousand Dollars)



	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Operating Revenues										
Operations and maintenance assessments	\$ 34,504	\$ 34,028	\$ 32,407	\$ 27,670	\$ 26,572	\$ 23,357	\$ 20,786	\$ 19,382	\$ 17,044	\$ 16,618
Rebate credits - MWD	3,511	2,527	2,780	3,552	3,552	2,704	2,702	2,654	2,687	2,415
Groundwater replenishment credit	-	38,599	36,379	34,479	30,222	25,521	23,127	20,897	18,367	20,049
Total operating revenues	38,015	75,154	71,566	65,701	60,346	51,582	46,615	42,933	38,098	39,082
Operating Expenses										
Operations and maintenance	28,220	28,783	27,811	24,162	22,311	17,371	17,404	14,483	11,478	11,355
MWD credits to member agencies	3,511	2,527	2,780	3,552	3,552	2,704	2,702	2,654	2,687	2,415
Groundwater replenishment expense	-	38,599	36,379	34,479	30,222	25,521	23,127	20,897	18,367	20,049
Administration and general	1,554	1,489	1,210	1,096	1,087	1,253	1,081	1,267	1,141	1,021
Depreciation and amortization	9,144	8,823	9,092	8,813	5,858	4,316	4,149	4,102	4,053	3,984
Total operating expenses	42,429	80,221	77,272	72,102	63,030	51,165	48,463	43,403	37,726	38,824
Operating income (loss)	(4,414)	(5,067)	(5,706)	(6,401)	(2,684)	417	(1,848)	(470)	372	258
Nonoperating Revenues (Expenses)										
Interest income	1,151	770	389	187	205	378	336	382	108	324
Fixed project/capital assessments	7,306	7,805	7,194	6,847	8,505	7,043	6,206	6,541	5,659	10,823
Other nonoperating revenues (expenses)	1,112	517	12	(710)	(38)	312	497	338	(1,033)	387
Interest on long-term debt	(1,571)	(1,731)	(1,886)	(2,032)	(2,172)	(2,304)	(2,428)	(2,544)	(2,203)	(3,723)
Annual reconciliation of costs	(956)	(386)	(413)	(1,174)	(4,744)	(2,166)	(3,899)	(4,260)	(4,209)	(1,301)
Payments of federal grants to Sponsors	-	-	-	-	-	(272)	-	(96)	(200)	(4,768)
Total nonoperating revenues (expenses)	7,043	6,976	5,296	3,118	1,756	2,991	712	361	(1,878)	1,742
Income (loss) before contributions	2,629	1,908	(410)	(3,283)	(928)	3,408	(1,136)	(109)	(1,506)	2,000
Capital Contributions										
Capital grants	634	508	1,391	665	-	272	-	96	200	4,769
Contrib Capital - Expansion Ph 3 Proj	-	449	35	124	4,251	1,018	4,816	3,597	10,578	19,615
Contrib Capital - South Archibald Plume Proj	1,651	398	135	1,176	16,018	4,540	852	708	336	28
Contrib Capital - Chino Airport Plume Proj	-	-	-	-	-	-	-	-	-	-
Prior year adjustment	-	(8,405)	-	-	-	-	-	(749)	-	-
Total capital contributions	2,285	(7,050)	1,561	1,965	20,269	5,830	5,668	3,652	11,114	24,412
Change in net position	4,915	3,264	1,151	(1,318)	19,341	9,238	4,532	3,543	9,608	26,412
Total net position - beginning, as restated	235,357	232,093	230,942	232,260	212,919	203,681	199,149	195,606	185,998	159,587
Total net position - ending	\$ 240,271	\$ 235,357	\$ 232,093	\$ 230,942	\$ 232,260	\$ 212,919	\$ 203,681	\$ 199,149	\$ 195,606	\$ 185,998

Source: Chino Basin Desalter Authority's Financial Statements

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net Investment in Capital Assets (a)	\$ 209.6	\$ 211.0	\$ 213.0	\$ 214.9	\$ 215.6	\$ 197.9	\$ 192.7	\$ 182.9	\$ 179.0	\$ 169.9
Reserved for Membranes Repl	-	-	-	-	-	-	-	-	-	-
Unrestricted	30.7	24.3	19.0	16.0	16.6	14.9	11.0	17.0	16.6	16.1
Total Net Position	<u>\$ 240.3</u>	<u>\$ 235.3</u>	<u>\$ 232.0</u>	<u>\$ 237.2</u>	<u>\$ 232.7</u>	<u>\$ 213.0</u>	<u>\$ 203.7</u>	<u>\$ 199.9</u>	<u>\$ 195.6</u>	<u>\$ 186.0</u>



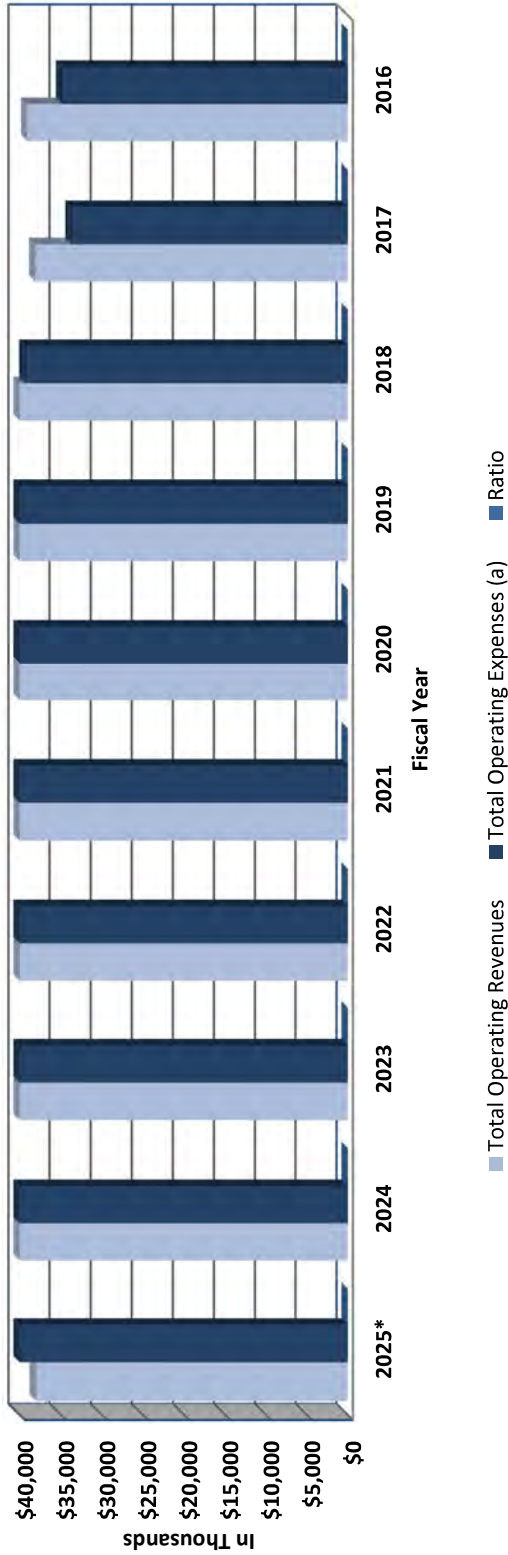
Note (a) - The debt service amount has been incorporated into the calculation of investment in net capital assets.

Source: Chino Basin Desalter Authority's Financial Statements

CHINO BASIN DESALTER AUTHORITY
Other Fiscal Indicator - Service Obligation
Fiscal Years Ended June 30, 2016, through 2025
(Dollars in Thousands)



Operating Revenue/Operating Expenses



Total Operating Revenues

2025*	2024	2023	2022	2021	2020	2019	2018	2017	2016
\$ 38,016	\$ 75,154	\$ 71,566	\$ 65,701	\$ 60,346	\$ 51,582	\$ 46,615	\$ 42,933	\$ 38,098	\$ 39,082

Total Operating Expenses (a)

2025*	2024	2023	2022	2021	2020	2019	2018	2017	2016
\$ 42,429	\$ 80,221	\$ 77,273	\$ 72,102	\$ 63,030	\$ 51,165	\$ 44,314	\$ 39,300	\$ 33,674	\$ 34,841

Ratio

2025*	2024	2023	2022	2021	2020	2019	2018	2017	2016
0.9	0.9	0.9	0.9	1.0	1.0	1.1	1.1	1.1	1.1

Description – This indicator reflects the extent to which the Authority’s annual operating revenues are sufficient to cover its annual operating expenses. A ratio of 1.0 or higher signifies that the Authority generated enough revenue to fully support its operations, demonstrating that it operated within its means.

(a) excluding depreciation and amortization expenses

* Decrease due to the change in accounting reporting for the Groundwater Replenishment Expense/Credit (Details in Note 11)

Source: Chino Basin Desalter Authority's Financial Statements

CHINO BASIN DESALTER AUTHORITY

Revenues by Source
Last Ten Fiscal Years
(in million dollars)



	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
O&M Assessments	\$ 34.5	\$ 34.0	\$ 32.4	\$ 27.7	\$ 26.6	\$ 23.4	\$ 20.8	\$ 19.4	\$ 17.0	\$ 16.6
MWD Contributions	3.5	2.5	2.8	3.6	3.6	2.7	2.7	2.7	2.7	2.4
Total Operating Revenue	38.0	36.5	35.2	31.3	30.2	26.1	23.5	22.1	19.7	19.0
Fixed Project Assessments	7.3	7.8	7.2	6.8	8.5	7.0	6.2	6.5	5.6	10.8
Other Nonoperating Revenue	2.3	1.3	0.4	-	0.2	0.7	0.5	0.3	0.1	0.7
Total Nonoperating Revenue	9.6	9.1	7.6	6.8	8.7	7.7	6.7	6.8	5.7	11.5
Total Combined Revenues	\$ 47.6	\$ 45.6	\$ 42.8	\$ 38.1	\$ 38.9	\$ 33.8	\$ 30.2	\$ 28.9	\$ 25.4	\$ 30.5



Source: Chino Basin Desalter Authority's Financial Statements

CHINO BASIN DESALTER AUTHORITY
Operating Indicators
Staffing Allocations
As of June 30, 2025



Total Staffing Positions	Full Time Equivalent	Part-time	Total
Administration	4	1	5
Operations	0	0	0
Total CDA Staff	4	1	5
Chino I - Contracted Staff	7	1	8
Chino II - Contracted Staff	12	0	12
Total Contracted Staff	19	1	20
Total	23	2	25

Note: Chino I operations is under contract with Inland Empire Utilities Agency
Chino II operations is under contract with Jurupa Community Service District

Sources: Administration - Actual FTE as of June 30, 2025
Chino I & II - Total labor hours as per actual billing for the fiscal year June 30, 2025

CHINO BASIN DESALTER AUTHORITY
Debt Service Payment Schedule
Fiscal Years 2017-2035



Fiscal Year	Interest	Principal	Total Payment	Principal Balance
Beginning balance of the 2016A Bond				\$ 67,105,000
2017	\$ 2,293,814	\$ 2,560,000	\$ 4,853,814	64,545,000
2018	2,553,763	2,305,000	4,858,763	62,240,000
2019	2,438,513	2,465,000	4,903,513	59,775,000
2020	2,315,263	2,645,000	4,960,263	57,130,000
2021	2,183,013	2,780,000	4,963,013	54,350,000
2022	2,044,013	2,910,000	4,954,013	51,440,000
2023	1,898,513	3,065,000	4,963,513	48,375,000
2024	1,745,262	3,215,000	4,960,262	45,160,000
2025	1,584,513	3,370,000	4,954,513	41,790,000
2026	1,416,012	3,540,000	4,956,012	38,250,000
2027	1,274,412	3,680,000	4,954,412	34,570,000
2028	1,090,413	3,865,000	4,955,413	30,705,000
2029	935,812	4,015,000	4,950,812	26,690,000
2030	855,513	4,105,000	4,960,513	22,585,000
2031	763,150	4,195,000	4,958,150	18,390,000
2032	595,350	4,365,000	4,960,350	14,025,000
2033	420,750	4,540,000	4,960,750	9,485,000
2034	284,550	4,670,000	4,954,550	4,815,000
2035	144,450	4,815,000	4,959,450	-

Source: 2016A Bonds Debt Service Schedule

CHINO BASIN DESALTER AUTHORITY
Ratio of Outstanding Debt by Type
For The Last Ten Fiscal Years



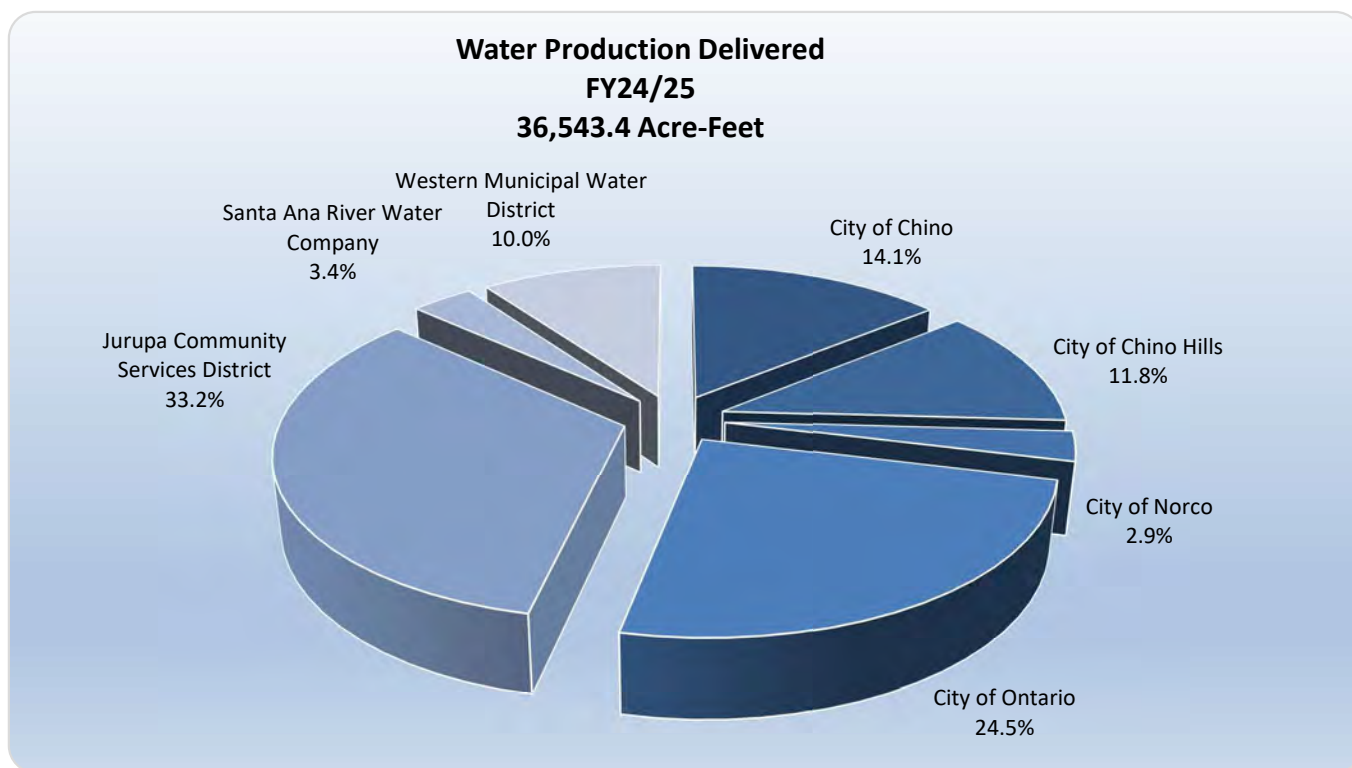
Fiscal Year	Revenue Bonds	Other Liabilities	Lease Payable	Subscription Payable	Total Debt	Total Assets	Total Debt Per Capita
2025	\$ 46,079,247	\$ -	\$ 165,855	\$ 58,815	\$ 46,303,917	\$ 296,295,497	15.6%
2024	49,878,170	-	183,341	78,464	50,139,975	296,295,497	16.9%
2023	53,522,095	-	209,583	155,495	53,887,173	306,018,270	17.6%
2022	57,016,021	80,000	-	-	57,096,021	309,281,174	18.5%
2021	60,354,946	80,000	-	-	60,434,946	314,860,756	19.2%
2020	63,563,870	80,000	-	-	63,643,870	299,129,623	21.3%
2019	66,637,795	80,000	-	-	66,717,795	284,199,297	23.5%
2018	69,531,720	80,000	-	-	69,611,720	283,342,902	24.6%
2017	72,265,644	80,000	-	-	72,345,644	311,956,970	23.2%
2016	76,066,072	80,000	-	-	76,146,072	284,150,138	26.8%

Source: Chino Basin Desalter Authority's Financial Data

CHINO BASIN DESALTER AUTHORITY
Water Production Delivered to Member Agencies
For Fiscal Year Ended June 30, 2025



CDA Members	Total Acre-Feet *	Percentage of Acre-Feet Total
City of Chino	5,160.3	14.1%
City of Chino Hills	4,319.7	11.8%
City of Norco	1,061.9	3.0%
City of Ontario	8,960.2	24.5%
Jurupa Community Services District	12,143.9	33.2%
Santa Ana River Water Company	1,255.8	3.4%
Western Municipal Water District	3,641.7	10.0%
Total	36,543.4	100.0%



**AF (Acre-Foot) – An acre-foot is a unit of water measurement equal to 325,900 gallons. This amount is generally sufficient to supply the annual indoor and outdoor water needs of two average households.*

Source: Chino Basin Desalter Authority's Production Report

CHINO BASIN DESALTER AUTHORITY

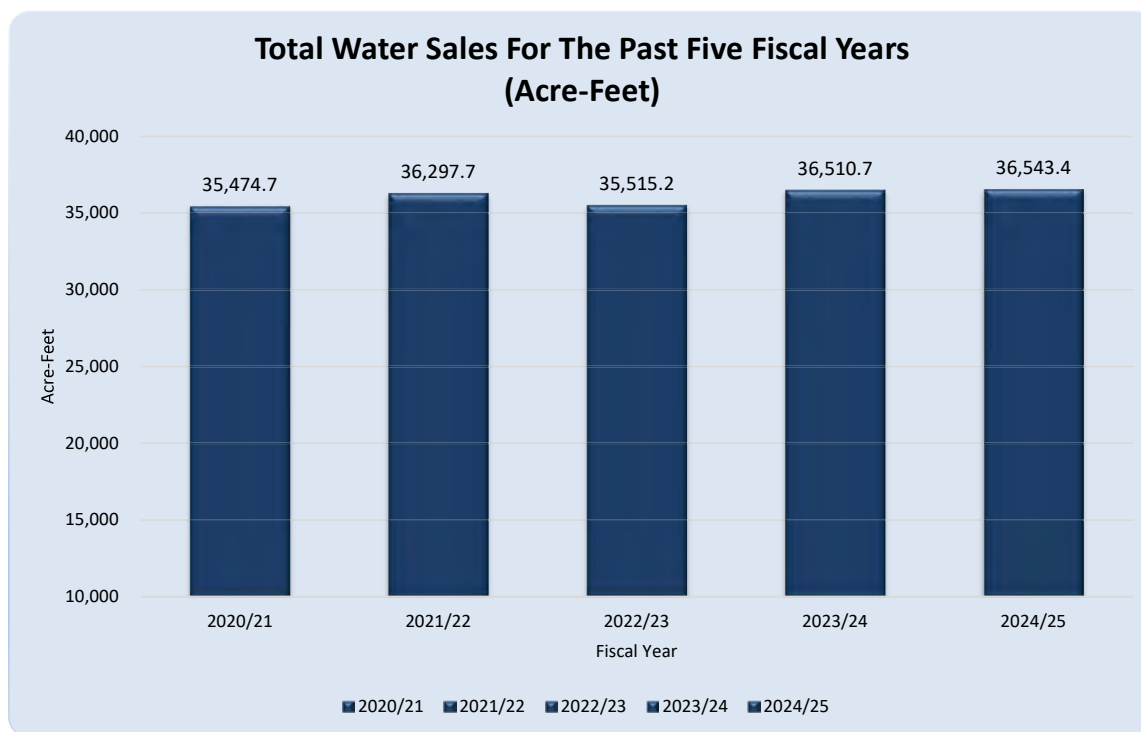
Actual Desalter Water Sales

For the Past Five Fiscal Years

(In Acre-Feet)



Fiscal Year	City of Chino	City of Chino Hills	City of Norco	City of Ontario	Jurupa Community Services District	Santa Ana River Water Company	Western MWD	Total Acre-Feet
2020/21	5,027.0	4,234.1	1,014.8	8,616.7	11,822.5	1,209.4	3,550.2	35,474.7
2021/22	5,068.5	4,232.2	1,074.6	9,113.7	12,046.9	1,235.5	3,526.3	36,297.7
2022/23	5,045.1	4,240.1	1,049.4	8,588.8	11,821.1	1,206.4	3,564.4	35,515.2
2023/24	5,178.9	4,423.9	1,060.2	8,932.5	12,079.7	1,239.7	3,595.8	36,510.7
2024/25	5,160.3	4,319.7	1,061.9	8,960.2	12,143.9	1,255.8	3,641.7	36,543.4



Source: Chino Basin Desalter Authority's Production Report

CHINO BASIN DESALTER AUTHORITY
Demographic and Economic Statistics
Population Served by Member Agencies
As of June 30, 2025



CDA Members	Population	% of Total
Western Municipal Water District*	980,000	63%
City of Ontario	188,077	12%
Jurupa Community Services District	179,963	12%
City of Chino	95,055	6%
City of Chino Hills	77,314	5%
City of Norco	26,079	2%
Santa Ana River Water Company*	6,400	0%
	1,552,888	100%

*Estimated

Sources: San Bernardino County Data
On-line Inquiries
Western MWD Website; ESRI Site Map



A joint project with:
The City of Chino
The City of Chino Hills
The City of Norco
The City of Ontario
Jurupa Community Services District
Santa Ana River Water Company
Inland Empire Utilities Agencies
Western Municipal Water District

CHINO BASIN DESALTER AUTHORITY



ADMINISTRATION OFFICE

3550 E. Philadelphia Street,
Suite 170 Ontario, CA 91761



PHONE NUMBER

Main: (909) 218-3230

Finance: (909) 218-3735



WEBSITE / EMAIL

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CHINO BASIN WATERMASTER

Case No. RCVRS 51010

Chino Basin Municipal Water District v. City of Chino, et al.

PROOF OF SERVICE

I declare that:

I am employed in the County of San Bernardino, California. I am over the age of 18 years and not a party to the action within. My business address is Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California 91730; telephone (909) 484-3888.

On September 23, 2026, I served the following:

1. REQUEST FOR JUDICIAL NOTICE IN SUPPORT OF CUCAMONGA VALLEY WATER DISTRICT'S MOTION CHALLENGING WATERMASTER'S APPROVAL OF FISCAL YEAR 2025/2026 ASSESSMENT PACKAGE

/ X / BY MAIL: in said cause, by placing a true copy thereof enclosed with postage thereon fully prepaid, for delivery by the United States Postal Service mail at Rancho Cucamonga, California, addresses as follows:

See attached service list: Mailing List 1

/ ___ / BY PERSONAL SERVICE: I caused such envelope to be delivered by hand to the addressee.

/ ___ / BY FACSIMILE: I transmitted said document by fax transmission from (909) 484-3890 to the fax number(s) indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting fax machine.

/ X / BY ELECTRONIC MAIL: I transmitted notice of availability of electronic documents by electronic transmission to the email address indicated. The transmission was reported as complete on the transmission report, which was properly issued by the transmitting electronic mail device.

See attached service list: Master Email Distribution List

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on September 23, 2026, in Rancho Cucamonga, California.



By: Ruby Favela Quintero
Chino Basin Watermaster

PAUL HOFER
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ONTARIO, CA 91761

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