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9	SUPERIOR COURT OF THE STATE OF CALIFORNIA  COUNTY OF SAN BERNARDINO		
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12	CHINO BASIN MUNICIPAL WATER DISTRICT,	) CASE NO. RCV 51010	
13	Plaintiff,	Judge: Honorable J. Michael Gunn	
14	v.	MOTION FOR AN ORDER APPROVING WATERMASTER'S	
15	CITY OF CHINO, et al.,	ADOPTION OF AN OBMP AND DIRECTING WATERMASTER TO	
16	CITT OF CITINO, Et al.,	PROCEED IN ACCORDANCE WITH	
17	Defendants.	THE PEACE AGREEMENT, THE OBMP IMPLEMENTATION PLAN,	
18		AND THE PRO FORMA RECHARGE MEMORANDUM OF AGREEMENT;	
19		POINTS AND AUTHORITIES IN SUPPORT OF MOTION; AND PROPOSED ORDER	
20		) Date: June 29, 2000	
21		) Time: 1:30 PM ) Dept: R8	
22			
23	By this motion and supported by the accompanying points and authorities Watermaster		
24	requests this Court to approve its adoption of the OBMP and to enter an order directing		
25	Watermaster to proceed in accordance with the Peace Agreement, the OBMP Implementation		
26	Plan, and the pro forma Recharge Memorandum of Agreement.		
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## HATCH AND PARENT

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9	COUNTY OF SAN I	BERNARDINO	
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11	CHINO BASIN MUNICIPAL	) CASE NO. RCV 51010	
12	WATER DISTRICT,	) Judge: Honorable J. Michael Gunn	
13	Plaintiff,	) POINTS AND AUTHORITIES IN	
14		<ul><li>SUPPORT OF MOTION FOR AN</li><li>ORDER APPROVING</li></ul>	
15	v.	) WATERMASTER'S ADOPTION OF THE OBMP AND DIRECTING	
16		) WATERMASTER TO PROCEED IN ACCORDANCE WITH THE PEACE	
17	CITY OF CHINO, et al.,	) AGREEMENT, THE OBMP ) IMPLEMENTATION PLAN, AND	
18		) THE PRO FORMA RECHARGE ) MEMORANDUM OF AGREEMENT	
19	Defendants.	) Date: July 13, 2000	
20		) Time: 1:30 PM ) Dept: R8	
21		) )	
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23	I	·	
24	INTRODUC	CTION	
25	Watermaster for the Chino Basin has adopt	ed an Optimum Basin Management Program	
26	("OBMP"), which is the product of countless hours of research, study, negotiation and final		
27	compromise. Watermaster urges this Court to respect the compromise that will benefit thousand		
28	Tompromiso. Watermater argos and Court to respe	compromise that the contract the detailer	

of people and businesses and the delicate balancing of interests that the compromise reflects by entering the proposed order attached hereto and allow Watermaster to proceed with its OBMP.

II

## STATEMENT OF THE FACTS

## A. Background

In 1978, Judgment was entered in *Chino Basin Municipal Water District v. City of Chino*, et al., San Bernardino Superior Court No. 164327, now redesignated as No. RCV 51010 by stipulation among the various Parties. The essence of this Judgment was the development of a physical solution to the groundwater conditions in the Chino Basin. (Judgment, Part VI.)

Subject to limitations contained elsewhere in the Judgment, Watermaster, with the advice of the Advisory and Pool Committees, was "granted discretionary powers in order to develop an optimum basin management program for Chino Basin." (Paragraph 41.) The goals and plans of the OBMP Phase I Report previously transmitted to the Court, as implemented through the OBMP Implementation Plan (Exhibit B to the Peace Agreement) and in a manner consistent with the Peace Agreement constitute Watermaster's OBMP.

Under the supervision of this Court, Watermaster and many Parties to the Judgment have spent an incalculable number of hours in an effort to study, analyze and plan for an OBMP. These efforts resulted in the preparation of the Phase I Report dated August 19, 1999. However, it remained for Watermaster to transform the goals and studies in the Phase I Report into a plan that could be implemented without endless litigation, political posturing and the attendant delays.

In its Order of October 28, 1999, the Court adopted a timeline for the finalization of the OBMP. (Order, p.5.) This timeline includes a completion date of June 30, 2000, for the Final OBMP. (Order, p.5 line 25.)

To meet the timeline, Watermaster began a facilitation effort through its general counsel to compliment the many Watermaster committee meetings. Successful technical work had been previously performed by the Watermaster staff and its consultants, with input from Mr. Scalmanini.

Watermaster received regular reports from their general counsel on the progress of the

facilitation process. (See Declaration of Scott S. Slater, Attachment 1 hereto.) The Advisory Committee and the Watermaster Board openly reviewed, debated and provided input on the shape and form of commitments and documentation. The first success to emerge from these discussions was the "Memorandum of Principles," ("MOP") which was signed by representatives of the participating Parties on May 2, 2000, and was presented by Watermaster and the Parties to the Special Referee Ms. Schneider and her assistant Mr. Scalmanini on May 4, 2000, in Ontario, California. This document was approved by each of the Watermaster Pools, the Advisory Committee, and, by a unanimous vote, the Watermaster Board.

The MOP was the first step in defining the terms and framework for a binding agreement between the Parties. It was a blueprint for the negotiations to come as the Parties agreed that any binding agreement that followed would need to be consistent with the MOP. With this framework in place the Parties began negotiating a more definitive agreement that would enable implementation of the OBMP.

Ultimately, these processes along with the scrutiny and leadership of the Watermaster Board bore fruit in the form of the documents transmitted to this Court as attachments to this motion and that provide the basis for the successful implementation of the OBMP.

## B. The Documents

The first of the documents is referred to as the Peace Agreement (Attachment 2 hereto). This Agreement is appropriately named, as its purpose is to cooperatively settle long-standing disputes and find a common ground and interpretation of the Judgment whereby the OBMP could be effectively implemented.

The second important document is the OBMP Implementation Plan, Exhibit B to the Peace Agreement. It provides the detail on how Watermaster will proceed to implement the goals and plans contained in the Phase I OBMP Report.

Exhibit A to the Peace Agreement is the Resolution adopted by Watermaster, as requested by the Parties to the Judgment and expressing its commitment to proceed in accordance with the Peace Agreement and the OBMP Implementation Plan. The final document is the pro forma

Recharge Memorandum of Agreement (MOA) which provides a template and sets forth certain minimum requirements for future agreements between Watermaster and persons who wish to conduct recharge activities in the Chino Basin.

## C. Status of Approval

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On June 15, 2000, the Watermaster Board, following unanimous approval of the Advisory Committee, itself unanimously voted to transmit a copy of the Peace Agreement and the OMBP Implementation Plan to the Court for its consideration. Watermaster has now completed final drafting of all underlying documents and they are appended within Attachment 2 to this motion. It has circulated the Peace Agreement and the OBMP Implementation Plan to each of the Parties to the Peace Agreement and it has received overwhelming support to proceed.

Following approval of the Advisory Committee, the Watermaster Board voted to adopt a Resolution approving the OBMP.

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## **ARGUMENT**

- A. The Court Should Order Watermaster to Adopt the Goals and Plans of the Phase I
  Report As Implemented Pursuant to the OBMP Implementation Plan and Consistent
  With the Peace Agreement as its Optimum Basin Management Program and Proceed
  in Accordance With the Peace Agreement and the OBMP Implementation Plan.
- 1. Timely Action is Required.

The Chino Basin is currently presented with a unique opportunity to move forward with a plan which will provide for the effective and efficient implementation of the OBMP. Several events have recently coalesced to create this window of opportunity. Chief amongst these is the availability of funding through Proposition 13. This funding is of sufficient quantity to resolve many of the difficult fiscal challenges raised to a successful implementation of the OBMP without forcing any one interest to suffer disproportionate economic harm. Watermaster is mindful that its ability to effectuate the compromise represented by the Peace Agreement and Implementation Plan could be severely jeopardized by conflict or delay.

There are other reasons why the time is now ripe for implementation of the OBMP. For

example, there is growing political support, both in Sacramento as well as locally, for the types of programs envisioned in the OBMP. There is also an active market for assets such as the groundwater storage space that will be utilizable if the Parties can reach peace. Indeed Watermaster has received several letters of inquiry expressing interest in any groundwater storage projects that might be developed. Finally, and perhaps most importantly there is a growing recognition by the Parties that the Chino Basin is a valuable asset that must be managed responsibly.

# 2. The Court Should Give Due Regard to the Compromise Supported by Watermaster and the Parties to the Judgment.

The Judgment previously entered in this case sought to effectuate a "physical solution" pursuant to Article X, Section 2 of the California Constitution. The Parties to the Judgment have recommended an obvious and controverted improvement to that physical solution. Watermaster has concurred in this recommendation, and without an objection being filed by any Party to the Judgment, this Court should defer to their collective request and order the measure as requested herein. City of Lodi v. East Bay Mun. Utilities Dist. (1936) 7 Cal.2d 316, 339; Tulare Dist. v. Lindsay-Strathmore Dist. (1935) 3 Cal.2d 489, 579; Big Bear Muni. Water Dist. v. Bear Valley Mutual Water Co. (1989) 207 Cal.App.3d 363; Central Basin Muni. Water Dist. v. Fossette (1965) 235 Cal.App.2d 689, 700.)

## B. Summary of the Peace Agreement

The Peace Agreement is composed of 11 sections that cover all of the major issues of contention surrounding OBMP implementation and that establish a framework of agreement through which these issues are put to rest for the term of the Agreement. Some of the key provisions are summarized below:

## 1. Conditions Precedent

Article III of the Agreement reflects the desire to preserve both the benefits of the bargain to each of the Parties thereto as well as Watermaster's independence. Under the Agreement, Watermaster must first commit to certain actions, namely the provisions of Article V and the OBMP Implementation Plan, without signing the Agreement. (See § 3.2(a).)

Second, the compromises made by the Parties assume that certain funding will be made available pursuant to Proposition 13, and that they will be willing to act in accordance with what they

believe are reasonable assumptions. (See § 3.2(b).) On the other hand, if that assumption, proves to be inaccurate, it would be unfair to hold them to enforce the Agreement.

In sophisticated contracts such conditions are common place. (See, e.g., Civ. Code § 1434 et seq.; Palo Alto Town & Country Village Inc. v. BBTC & Co. (1974) 11 Cal.3d 494, 502; Platt Pacific. Inc. v. Andelson (1993) 6 Cal.4th 307, 313; Sheldon Builders Inc. v. Trojan Towers (1967) 255 Cal.App.2d 781.) The identified conditions precedent are fair, useful and wise under the circumstances.

By its adoption of the Resolution attached hereto as Exhibit 2, Watermaster has already taken action to satisfy the provisions of Section 3.1(a). The Court need only further order Watermaster to proceed as requested for this contingency to be met.

As for Section 3.1(b), at the time of filing of this motion, Watermaster is under the good faith belief that the conditions precedent will be satisfied on or before October 1, 2000. The California Legislature has included more than \$121,000,000 in its proposed budget for allocation to Santa Ana Watershed Project Authority. Accordingly, Parties have not made an illusory commitment.

## 2. Watermaster Performance

The longest and most detailed section of the Agreement, Article V covers the manner in which Watermaster will perform its duties. This section covers the issues of (a) recharge and replenishment, (b) storage and recovery, (c) transfers, (d) assessments, credits, and reimbursements, (e) salt credits, and (f) metering, all of which are essential to a successful and effective implementation of the OBMP.

## (a) Recharge and Replenishment

While Watermaster will not own recharge projects, it will administer and direct all supplemental water recharge activities in the Basin. Watermaster's administration shall be guided by the principles of protecting and enhancing the safe yield of the Basin, maintaining a balance between recharge and production in each area and sub-area of the Basin, and a universal standard of preventing any material physical injury to any Party to the Judgment or the Basin resulting from recharge and replenishment activities.

In addition to being guided by these general policies, Watermaster will undertake best efforts to ensure that there is sufficient recharge capacity in order to carry out recharge activities. Best

efforts requires more than simple good faith in executing the agreement. "Best efforts" as defined in the Agreement and given its traditional commercial context means that Watermaster will actively move toward achieving these goals. (See Third Story Music, Inc. v. Waits (1995) 41 Cal.App.4th 798, 806 (citing Zilg v. Prentice-Hall, Inc. (2d Cir. 1983) 717 F.2d 671, 679-681); see also Best Efforts as Diligence Insurance: In Defense of "Profit Uber Alles" (1986) 86 Colum. L. Rev. 1728, 1731.)

Additionally, Watermaster will establish and periodically update criteria for the use of water from different sources for replenishment purposes, ensure a proper accounting of all sources of recharge, and use recharge to address land subsidence issues. Under Watermaster's direction, recharge shall be conducted using water of the lowest cost and highest quality, giving preference as far as possible to the use of native storm water.

A specific recharge activity described in the Agreement is the recharge of supplemental water in Management Zone 1. For a period of five years Watermaster will 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. The recharged supplemental water shall increase the operating safe yield under the Judgment. The cost and allocation of this supplemental water shall be apportioned pro rata among the members of the Appropriative Pool according to the producer's share of the initial safe yield.

Collectively, these measures will ensure that a safe groundwater level is maintained, require Watermaster to make procedural improvements and physically recharge water in specific locations. Moreover, when the replenishment obligations to satisfy the demands of the Desalters are considered, the financial penalty for not expanding recharge capacity and sources of supply is serious.

For example, if the cost of interruptible supplies from the Metropolitan Water District were the source of replenishment water, a minimum price of \$250 per acre foot would be assessed. If demand exceeds 10,000 acre feet per year as projected, the replenishment water obligation for the Desalters alone could easily exceed \$2.5 million per year!

## (b) Storage and Recovery

Section 5.2 of the Agreement fairly balances the needs of the Parties to the Judgment to

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within the long-term need of developing a basin-wide Storage and Recovery Program. First, the Agreement confirms that Watermaster shall exercise regulatory control over the storage space in the Chino Basin. This view finds support under California law, with Watermaster's control over the basin and the consent of the Parties providing it with the right to regulate storage and recapture of water from the Chino Basin. (See, e.g., City of Los Angeles v. City of San Fernando (1975) 14 Cal.3d 199, 263-264.)

Watermaster's control should ensure that deleterious effects do not result from an excess of water being placed in or recovered from storage. The Parties' consent to Watermaster's control provides a rational approach to managing both local storage needs and balancing those needs against the advantages that may be achieved through a robust Storage and Recovery Program. Moreover, California policy recognizes that groundwater storage programs are a critical component of sustainable water supply. (See DWR, The California Water Plan Update, Bulletin 160-98, at p. 3-51 to 3-53.) In fact, in Southern California, the DWR recognizes that as opposed to construction of new reservoirs, storage of water in natural groundwater basins, such as the Chino Basin, is a high ranking low cost waste supply management tool. (See DWR, The California Water Plan Update, Bulletin 160-98, Table 7-30, at p. 7-72.)

For a period of five years from the effective date of the Agreement, any Party to the Judgment may apply to Watermaster to store supplemental water in the Basin, and the quantity of water currently held in storage by each Party is confirmed and protected.

Initially, storage requests for supplemental water will be honored until a cumulative capacity of 50,000 acre-feet has been reached. After this initial five year period, local storage applications will be subject to objection by any Party if that Party can establish that the storage proposal will cause material physical injury to the Party or the Basin. As for local storage, there will be a presumption that the storage will not cause material physical injury, but this presumption is rebuttable.

As for a Storage and Recovery Program, Watermaster is required to seek proposals from qualified parties, without regard to whether they are public or private. The initial target for the cumulative capacity of water held in storage under this program is set at 500,000 acre-feet in addition

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to quantities of water held in local storage accounts. Past experience with similar projects in Kern County and in San Bernardino County have demonstrated the potential for significant financial returns and Watermaster is pleased to promote and facilitate such a program here.

In the absence of a public or private partnership with persons other than Parties to the Judgment, it is anticipated that Watermaster may be required to fund all or some of the recharge efforts associated with a Storage and Recovery Program. Accordingly, the Appropriative Pool and the Overlying Non-Agricultural Pool shall enjoy the proceeds from a Storage and Recovery Program as they will pay the Overlying Agricultural Pool's assessments.

## (c) <u>Transfers</u>

The transfer section resolves a longstanding disagreement about the breadth and depth of Watermater review and administration of transfers generally as well as issues specific to the early transfer of unproduced Agricultural Pool water, and the conversion of agricultural land to urban use.

With regard to transfers generally, the Peace Agreement provides, as it did in the storage section above, that all transfers shall be evaluated according to the universal standard that they not cause material physical injury to any Party to the Judgment or the Basin. The standard finds considerable support in the statutes and case law. (See, e.g. Barton v. Riverside Water Co. (1909) 155 Cal. 509; Scott Fruit Growers' Supply Co. (1927) 202 Cal. 47, 52-53; Pleasant Valley Canal Co. v. Boror (1998) 61 Cal. App.4th 742; Water Code §§ 1702, 1736.) In the event that a Party can produce evidence to demonstrate that a transfer will cause physical injury, Watermaster must hold a hearing and base its decision upon the record without considering impacts attributable to other transfers. Given the traditional nature and application of the "no-injury" standard, Watermaster and ultimately the Court should be able to administer transfers with some certainty of outcome.

Section 5.3 of the Agreement also sets forth a basis whereby the members of the Appropriative Pool will attain a greater sense of reliability. By authorizing an "early transfer" of unproduced Agricultural Pool water to the Appropriative Pool, the Peace Agreement guarantees to the Appropriative Pool that it shall receive a minimum of 32,800 acre-feet per year. The 32,800 acre feet is an estimate of the present quantity of unproduced agricultural water that would be made available to the members of the Appropriative Pool in addition to water attributable to agricultural

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land conversion to urban use without replenishment obligation. However, this should not be understood to mean that the Appropriative Pool obtains a license to overdraft the Basin. It does not.

As stated above, the Appropriative Pool only retains the right to plan on the annual minimum quantity of 32,800 acre feet. Should the Agricultural Pool produce more water than is presently projected, the Appropriative Pool would be required to purchase replenishment water to cover any shortfall; unless of course, the Agricultural Pool exceeded its respective caps of 82,800 and 414,000 for one and five years production. (See § 5.3(g).)

Finally, when agricultural land converts to urban use, the amount of water rights converted shall be changed from the current 2.6 acre-feet, which includes 1.3 acre-feet going to the Appropriative Pool generally and 1.3 acre-feet going to the entity providing water service to the land, to 2.0 acre-feet, all of which shall be allocated to the member of the Appropriative Pool on the effective date of the Agreement whose sphere of influence or service area contains the land. In short summary this portion of the Agreement will trigger the need for a modification to the Judgment. However, it is reasonable under the circumstances of the entire Agreement to lower the total quantity of water available on conversion while simultaneously providing all the converted water to the existing appropriator which must design, build and operate their systems to accommodate the projected demand created by converting agricultural properties.

#### (d) Assessments, Credits, and Reimbursements

The primary procedure established by section 5.4 of the Peace Agreement is to develop a process whereby any Party may make application to Watermaster for a credit against OBMP assessments or a reimbursement. The purpose of such a credit or reimbursement will be to compensate the Party for the capital or operations and maintenance expenses incurred in the future implementation of a project or program which directly contributes to the goals of the OBMP. The Agreement identifies the City of Pomona and Kaiser Ventures as two entities who have made past contributions and specifically defines the credits that they will receive.

In addition, this section of the Peace Agreement articulates the commitment of the Appropriative Pool to pay all of the Agricultural Pool's assessments.

#### (e) Metering

Within thirty-six months of the execution of the Peace Agreement, Agricultural Pool meters 1 shall be installed. Watermaster shall provide these meters and shall cover the cost of any installation, 2 maintenance, inspection, testing, and repairing. The members of the Agricultural Pool shall provide 3 reasonable access to locations appropriate for these purposes. Any assessments levied against the 5 Agricultural Pool for these activities shall be paid by the Appropriative Pool.

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#### 3. Covenants by the Members of the Agricultural Pool

One of the key compromises that led to the MOP and then the Agreement was the commitment of the Agricultural Pool to be relieved of investments in recharge and storage and recovery activities in exchange for waiving out of any proceeds retained from third parties for storage and recovery programs. In other words, in exchange for the commitment by the Appropriative Pool to pay the assessments of the Agricultural Pool (see §§ 5.4(a)) which will fund recharge efforts, the Agricultural Pool agrees to forego any of the benefits of a Storage and Recovery Program in the Basin and yet to lend their support and cooperation to the development of such a program so long as the members of the Agricultural Pool or the Basin are not subject to material physical injury.

#### 4. **Desalters**

The section covers the details of the funding and operation of the Desalters for the Chino Basin which includes the existing Desalter (Chino I Desalter), an expansion of the existing Desalter (Chino I Expansion), the next planned Desalter (Chino II Desalter), and any future Desalters (Future Desalters). It describes the manner in which they will be funded, who will own and operate them, where replenishment water will come from, and how the desalted water will be distributed.

The Agreement contemplates that the Inland Empire Utilities Agency (IEUA) and the Western Municipal Water District (WMWD), acting independently or, in their complete discretion, acting through Project Committee 14 (PC 14) will construct, own, and operate all of the Desalters. The Chino I Desalter currently has a capacity of about 8 mgd, and will be expanded by between 2 mgd and 6 mgd. The Chino II Desalter will have a capacity of 10 mgd and shall be designed to deliver water to the Jurupa Community Services District, the City of Ontario, and others subject to the availability of funding.

Capital funding for the Chino I Expansion and the Chino II Desalter will be derived primarily

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from Proposition 13 funds. Any remaining capital costs, as well as operation and management costs shall be funded from the following sources and in the following order of priority: other federal, state, or SAWPA funding, Metropolitan Water District of Southern California subsidies, revenue from the sale of Desalter product water, and finally, any additional revenue arranged by IEUA and WMWD. Fifty percent of any annual revenues received in excess of the actual ongoing operation, maintenance, and replenishment expenses derived from the sale of water to any person not a producer under the Judgment or to OCWD, shall be provided to Watermaster for use as an off-set against any future assessments.

Replenishment water for the Desalters will be provided first from the Watermaster Desalter replenishment account, then from new yield, then from safe yield, and finally through Watermaster purchases of replenishment water. As noted above, because the burden of providing replenishment water for the Desalters will ultimately fall on the members of the appropriative pool, there is a great incentive to actively pursue cost-effective recharge for the Chino Basin as soon as possible.

Members of the Appropriative Pool and the State of California shall have the first priority right to purchase water from the Chino I Expansion and the Chino II Desalter. The Orange County Water District ("OCWD") shall have the second priority right to purchase this water. If there is any water remaining after satisfaction of the requests by these Parties, any other person may purchase water from the Desalters. The price paid for such water by members of the Appropriative Pool, the State of California, or OCWD shall be the actual cost of providing the water, but shall not exceed \$375 per acre-foot as adjusted by the consumer's price index. The cost to all other persons shall be no less than the cost of comparable alternative water supplies. Any Party to the Peace Agreement may request a term of 30 years for their water supply contract from the Desalter.

#### 5. **Term**

The initial term for this Agreement shall be thirty (30) years, with any Party having the right to extend the Agreement for one additional thirty year term. The lengthy term provides the Parties with the prospect of a continuing and reliable business relationship. The long term certainty will prove useful when seeking to cultivate public and private partnerships on matters such as basin storage capacity in the future.

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While the commitments contained in Article VII should set forth an adequate structure to address the need for Desalters in the decades ahead, in the event that Watermaster should determine that such Desalters are necessary and should future funding of capital facilities be unavailable to IEUA or WMWD, then the Parties would have an obligation to mediate any dispute about funding for Desalters. Termination of the Agreement, however, is not a remedy.

#### C. Summary of the Implementation Plan

While the Peace Agreement articulates the procedural agreements that are necessary in order to implement the OBMP, the Implementation Plan contains the technical details that will lead to achievement of the goals described in the OBMP Phase I Report. The Implementation Plan specifies the timelines according to which activities will be and are taking place, and it specifies the monetary commitments that will be necessary in order to continue these activities for each of the nine OBMP Program Elements. It is the express intention of the Parties that the Implementation Plan be interpreted consistent with the Peace Agreement, and, in fact, many of the provisions of the Peace Agreement are reiterated in the Implementation Plan. In addition, the Implementation Plan includes provisions that were previously segregated into the separate Recharge Policy as well as the substantive points of agreement from the draft recharge MOA and draft water supply MOA.

A draft facilities plan is attached to the Implementation Plan (as attachment 1) and depicts the manner in which Desalted water will be made available to the Parties to the Agreement and other persons. This plan was recently amended to clarify that Santa Ana Water Company could purchase desalted water from the Chino II Desalter through an interconnection with the Jurupa distribution lines, or at its own expense through an independent pipeline to the Chino II Desalter.

#### D. Summary of Recharge Memorandum of Agreement

While the ancillary documents such as the Recharge Policy and the recharge and water supply MOA's were incorporated within the Implementation Plan, it was recognized by the Parties that Watermaster would still need to enter into agreements with Parties who wish to perform recharge activities. Thus, while all of the substantive provisions of the previous recharge MOA were incorporated into the Implementation Plan, a proforma recharge MOA has still been retained to serve as a model for future agreements between Watermaster and Parties wishing to perform recharge

activities.

Watermaster has wisely retained discretion to negotiate favorable agreements with Parties for recharge and replenishment of water into the Basin.

## E. Summary of Resolution

The Resolution adopted by Watermaster is in conformity with Section 3.1(a) of the Agreement. Moreover, it also seeks to overcome another challenge presented by the procedural and substantive rigors associated with environmental review.

Because this Court has previously ruled that the approval and implementation of the OBMP is subject to review under CEQA, a Programmatic EIR (PEIR) is being prepared to address any environmental impacts. This Court designated the IEUA as the lead agency for CEQA purposes.

The comment period for written comments on the draft PEIR ended on June 23, 2000 and IEUA held a scheduled meeting to receive further public comment on June 28, 2000. It has scheduled a further meeting to certify the PEIR on July 12, 2000, one day prior to the Court's scheduled hearing on the continuation of the Watermaster nine member Board.

As it was not legally possible to have the respective boards of various public agencies approve the Agreement and Implementation Plan, Watermaster's approval was made subject to the unanimous approval by each of the Parties to the Peace Agreement after the environmental document had been certified.

Under CEQA, before a Party may commit to action that falls under the jurisdiction of the act, it must complete all necessary CEQA review, including final certification of any pending Environmental Impact Reports. However, assuming without conceding that Watermaster is subject to CEQA, Watermaster's approval will not result in any irrevocable commitments. Because the form of its Resolution will still allow the final project to be subject to full CEQA review, making preliminary decisions necessary to reach the eventual implementation of the project, will comply with CEQA. (Stand Tall on Principles v. Shasta Union High School Dist. ("STOP")(1991) 235 Cal.App.3d 772, 781 ("The Board's resolutions . . . do not constitute an 'approval' under CEQA because they do not commit the District to a definite course of action since they are expressly made contingent on CEQA compliance."). For example, although the school district in STOP had selected

the site that it wanted, the court held that the selection was not itself an "approval" for CEQA purposes because it remained "contingent upon completion of the EIR process." (Id. at 777.)

Here, while all the Parties agreed to submit the Peace Agreement as a potential physical solution to the problems facing the Chino Basin, submitting this solution to the Court is not an "approval" for CEQA purposes. (See id. at 781; see also City of Lodi v. East Bay Mun. Utilities Dist. (1936) 7 Cal.2d 316, 339 (submitting physical solution to court requires further court approval).) In fact, full implementation of the OBMP, depends upon final certification of the PEIR by IEUA. Until then, this Court retains the ability to accept evidence of potential physical solutions, such as the documents attached to this Motion, and it is this evidence, not any final, binding approval, that the Parties to the Judgment urge this Court to consider with this motion. (See Lodi, 7 Cal.2d at 339 (discussing court's duty to accept and consider evidence of proposed physical solution).)

## V

## CONCLUSION

Watermaster's work is not done. Attachment 3 to this motion is a time line for further action by Watermaster. Watermaster urges this Court to recognize the substantial efforts made by Watermaster Board and staff to achieve the broad consensus of support by the Parties to the Judgment for it to move forward with implementation of its OBMP in a way that fairly balances the interests of the Parties to the Judgment, the public interest and the Constitutional requirements set forth in Article X, Section 2 and enter the proposed order attached hereto.

21 Dated: June 29, 2000

HATCH AND PARENT

SCOTT S. SLATER MICHAEL T. FIFE JUSTIN J. LUCKE

Attorneys for Chino Basin Watermaster

SB 239998 v 3:08350.0001

SCOTT S. SLATER (State Bar No. 117317) 1 MICHAEL T. FIFE (State Bar No. 203025) JUSTIN J. LUCKE (State Bar No. 205004) 2 HATCH AND PARENT 21 East Carrillo Street 3 Santa Barbara, CA 93101-2782 Telephone: (805) 963-7000 4 Facsimile: (805) 965-4333 5 Attorneys for Chino Basin Watermaster 6 7 8 SUPERIOR COURT OF THE STATE OF CALIFORNIA 9 **COUNTY OF SAN BERNARDINO** 10 11 CHINO BASIN MUNICIPAL CASE NO. R.C.V. 51010 WATER DISTRICT, 12 Judge: Honorable J. MICHAEL GUNN Plaintiff, 13 PROPOSED ORDER 14 CITY OF CHINO, et al., 15 16 Defendants. Date: 17 Time: 18 FINDINGS 19 20 Watermaster's approval of the Peace Agreement and its commitment to implement the Phase I Report through the provisions of the OBMP Implementation Plan as expressly set forth in Article 21 V of the Peace Agreement is in furtherance of the physical solution set forth in the Judgment, and 22 Article X, Section 2 of the California Constitution. 23 The goals and plans of the OBMP Phase I Report as implemented through the OBMP 24 Implementation Plan attached as Exhibit "B" to the Peace Agreement in the manner set forth in the 25 Peace Agreement constitute the OBMP. 26 27 The Peace Agreement and OBMP Implementation Plan implement the goals and plans of the 28

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OBMP Phase I Report. Subject to the satisfaction of the identified contingencies, adaptive management consistent with the Peace Agreement and the continuing jurisdiction of the Court, Watermaster has satisfied its obligation to prepare and implement an optimum basin management program.

## **ORDER**

Subject to the continuing jurisdiction of the Court, the Court Orders:

- 1. Watermaster shall adopt the goals and plans of the Phase I Report implemented pursuant to the OBMP Implementation Plan consistent with the Peace Agreement as its Optimum Basin Management Program.
- 2. The Watermaster shall proceed in accordance with the Peace Agreement and the OBMP Implementation Plan.
- 3. Watermaster shall prepare and file quarterly reports with the Court regarding its progress in implementing the OBMP.
- 4. Watermaster shall prepare and timely file and serve a motion to request those amendments to the Judgment identified in Article IV, and any other amendments it believes necessary, no later than August 15, 2000. A hearing on this motion for amendments to the Judgment shall be consolidated with a hearing on the continuance of the nine-member board on September 28, 2000.

The Court's findings, approval and order are expressly conditioned upon the satisfaction of the following conditions precedent:

- 1. Unanimous approval of the Peace Agreement by the Parties thereto, no later than August 1, 2000;
- 2. Certification of the Programmatic Environmental Impact Report for the OBMP by Inland Empire Utilities Agency;
- Appropriation by the California Legislature of at least \$121,000,000 from the 3. proceeds made available by the passage of Proposition 13, for the benefit of the Santa Ana Watershed Project Authority, by October 1, 2000.

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In an effort to provide a comfortable and less contentious forum for Parties to the Judgment,

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to air their respective grievances and concerns, and to facilitate good faith bargaining and the development of a win / win negotiation, I recommended to the Watermaster Board that it facilitate another process among the Parties to the Judgment.

- After obtaining the concurrence of the Board, I contacted the attorneys for the various Parties 5. to the Judgment and began holding meetings to determine if there was a method whereby the Parties could solve their legal differences amicably.
- Regular meetings began on March 22, 2000 and these meetings were held at various 6. locations, among and between the Parties to the Judgment for over three months. I served as the facilitator at these meetings.
- At least twenty-five different lawyers have attended one or more of the meetings and voiced 7. any concerns they may have had. Other parties, unrepresented by counsel, also chose to regularly attend these meetings. In no instance has any party that requested to participate been excluded from doing so.
- The confidence of these negotiations has been faithfully respected by me as the facilitator and each of the negotiators. The progress of the negotiations has been regularly reported to the Watermaster and indeed this Court at the last scheduled hearing on April 6, 2000.
- 9. Watermaster received a full presentation concerning the Memorandum of Principles, the first written product of the legal negotiations, as did the court's special referee, on May 4, 2000. The Watermaster Board unanimously approved the Memorandum in open session at its Board meeting on May 25, 2000.
- 10. The Joint Pool and Advisory Committees as well as the Board have routinely discussed the progress of the meetings and have been briefed on the full text of the Peace Agreement and the OBMP Implementation Plan attached thereto. In addition, the Board members have noted their concerns and suggested improvements which were incorporated into the Peace Agreement and the **OBMP** Implementation Plan.
- From the point of the initiation of the meetings, I had not heard any objection to the meetings or the process from any person, until my receipt of the pleading filed with this Court on behalf of

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the Santa Ana River Water Company (SARWC) on June 23, 2000.

- I responded to Ms. Staples, attorney for SARWC by telephone and received one letter from 12. her requesting copies of relavent documents. Upon that request, I agreed to transmit copies of all relevant documents to Ms. Staples and to answer any questions that she might have.
- Neither Ms. Staples nor any member of Santa Ana Water Company were ever excluded from any Watermaster meeting of any kind.
  - It was never my intention to exclude any person or representative from participating in the 14. facilitated process nor to deny them the reciprocal benefits and burdens of the Peace Agreement.
  - I am not aware of a single person or Party to the Judgment who is concerned or objects to 15. the facilitation efforts that Watermaster has provided through its counsel.
  - 16. Upon receipt by me, of the Santa Ana Water Company pleading on Monday June 26, 2000, and on several occasions since, I have spoken with Ms. Staples, attended a public meeting of the Jurupa Community Services District (JCSD) on Monday evening June 26, 2000 and participated in conference calls on Tuesday June 27, 2000 with, among others, Ms. Staples and John Shatz, general counsel for JCSD.
  - 17. Ms. Staples and Mr. Shatz have worked professionally and cooperatively to develop a key series of clarifications which have resolved SAWC's concerns.
  - 18. I have been informed by both of them verbally and in writing, that neither Ms. Staples nor her client SAWRC have any objection to the Watermaster Board proceeding to adopt the Peace Agreement and the OBMP Implementation Plan with the clarifications identified in her correspondence of June 28, 2000 attached as Exhibit I, hereto. These clarifications have been incorporated into the Peace Agreement, the OBMP Implementation Plan and the facilities plan, as requested by Ms. Staples and these changes are acceptable to JCSD, all Parties to the Peace Agreement and to Watermaster.
  - Based upon these clarifications and Watermaster's agreement to proceed in accordance with her letter, Ms Staples has graciously agreed on behalf of her client to support Watermaster's Motions filed herewith.

I declare under penalty of perjury that the foregoing is true and correct and if called upon could and would testify to the foregoing facts.

Dated: June 28, 2000

HATCH AND PARENT

SCOTTS STATER

SCOTT S. SLATER Attorney for Chino Basin Watermaster

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June 28, 2000

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## VIA FACSIMILE AND U.S. MAIL

Inland Empire Utilities Agency Attn: Garth Morgan 9400 Cherry AV, Bldg. A Fontana, CA 92335 Chino Basin Watermaster Attn: Traci Stewart 8632 Archibald Avenue, Suite 109 Rancho Cucamonga, CA 91730

Re:

Program Environmental Impact Report for the Chino Basin Optimum Basin Management Plan, Peace Agreement, OBMP Implementation Plan, Revised Draft Water Supply Plan Phase 1 Desalting Project Facilities Report

Dear Mr. Morgan and Ms. Stewart:

On behalf of Santa Ana River Water Company ("Santa Ana"), we previously submitted objections, conditional opposition and comments on the Draft Program Environmental Impact Report ("PEIR"), the Peace Agreement, the OBMP Implementation Plan and the Revised Draft Water Supply Phase I Desalting Project Facilities Report (collectively, the "OBMP Documents"). Santa Ana's objections, conditional opposition and comments were also filed with the Court.

Since that time, we have identified revisions which are needed to conform the OBMP Documents to the project analyzed in the PEIR. The revisions are summarized in the attachment to this letter. The revisions clarify that Santa Ana will be a recipient of a portion of the Chino II desalter water that was allocated to Jurupa Community Services District ("Jurupa") in the OBMP Documents. Jurupa concurs in the revisions.

Upon incorporation of the attached revisions, Santa Ana withdraws its objections and conditional opposition to the OBMP Documents and supports the Inland Empire Utilities Agency's certification of the PEIR. Santa Ana also supports Watermaster's approval of the Peace Agreement, the OBMP Implementation Plan, and the Revised Draft Water Supply Phase I

Inland Empire Utilities Agency Chino Basin Watermaster June 28, 2000 Page 2

Desalting Project Facilities Report as revised to incorporate the attached revisions. Likewise, Santa Ana supports the Court's approval of the Peace Agreement, the OBMP Implementation Plan as revised to incorporate the attached revisions.

Santa Ana appreciates the Herculean efforts by the Watermaster, its staff and legal counsel, and by the parties to the Chino Basin adjudication, to develop a plan to protect, restore, and manage the basin's invaluable resources. The requested revisions to the OBMP Documents will help to ensure that Santa Ana's interests in those resources are likewise protected.

Sincerely,

Michele A. Staples

Michilla Staples

MAS/jaa 366552.1

Inland Empire Utilities Agency Chino Basin Watermaster June 28, 2000 Page 3

## REVISIONS TO OPTIMUM BASIN MANAGEMENT PLAN PEACE AGREEMENT

Section 1.1. Definitions. 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 Water Supply Plan Phase 1 Desalting Project Facilities Report (Table B-4), 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.

## REVISIONS TO OBMP IMPLEMENTATION PLAN

Revise Table 2 so that it is consistent with Table B-4 of the OBMP Revised Draft Water Supply Plan Phase 1 Desalting Project Facilities Report, as revised (the revisions to Table B-4 are discussed below).

## REVISIONS TO OBMP REVISED DRAFT WATER SUPPLY PLAN PHASE 1 DESALTING PROJECT FACILITIES REPORT

- 1. Update Figures ES-1, 3-1, 3-2, and 3-9 to include a future Santa Ana River Water Company ("SARWC") 1000' long, 8" diameter water transmission pipeline from Chino II to the intersection of Bellegrave and Troth.
- 2. Update Table 3-8 to include the SARWC pipeline mentioned in No.1 (WSA: SARWC, Diameter = 8").

Inland Empire Utilities Agency Chino Basin Watermaster June 28, 2000 Page 4

- 3. Add a footnote on Tables 2-1 and B-1 stating the following: "The Chino II water demands shown for JCSD include service to SARWC. Table B-4 summarizes this service in greater detail."
- 4. Page 2-8: Change first sentence of bottom paragraph to read: "The new Chino II groundwater treatment facility would serve treated groundwater to JCSD, SARWC, and the Cities of Ontario and Norco."
- 5. Page 3-22: Change first sentence of section 3.5.2 to read: "The new Chino II Desalter would deliver treated groundwater to JCSD, SARWC, and the Cities of Ontario and Norco during Phase 1."
- 6. Page 3-22: Change third sentence of section 3.5.2 to read: "The treated water would be initially discharged into the JCSD water system, where it could readily be wheeled to SARWC, Ontario, and Norco via existing pipelines."
- 7. Table B-4: Change "Supply to SARWC (Chino GW)" to "Supply to SARWC (Chino GW/Chino I)."
- 8. Add the new definition of "Jurupa Community Services District" that is to be added to the OBMP Peace Agreement, discussed above.

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## 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 within action. My business address is Chino Basin Watermaster, 8632 Archibald Avenue, Suite 109, Rancho Cucamonga, California 91730; telephone (909) 484-3888.

On June 29, 2000, I served the attached:

- 1. Ex Parte Application for an Order Shortening Time.
- 2. Declaration of Michael Fife.
- 3. Proposed Order.
- 4. Motion to Continue July 13, 2000 Hearing.
- 5. Points and Authorities in Support of Motion.
- 6. Proposed Order.
- 7. Motion for an Order Approving Adoption of the OBMP.
- 8. Points and Authorities in Support of Motion.
- 9. Proposed Order.
- 10. Declaration of Scott Slater.
- 11. Peace Agreement.
- 12. Timeline.

in said cause, by placing a true copy thereof enclosed with postage thereon fully prepaid, for delivery by United States Postal Service mail at Rancho Cucamonga, California, addressed as follows:

## See attached service lists:

- Attorney Service List
- Mailing List A

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed at Rancho Cucamonga, California, on June 29, 2000.

Michelle Lauffer

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SANDY OLSON WALNUT VALLEY WATER DISTRICT 271 S BREA CANYON RD WALNUT CA 91789

ROBB QUINCEY
INLAND PACIFIC WATER COMPANY
8300 UTICA AVE 3RD FLOOR
RANCHO CUCAMONGA CA 91730

DAVID RINGEL MONTGOMERY WATSON P.O. BOX 7009 PASADENA CA 91109-7009

WAYNE SALMI PRAXAIR 5735 AIRPORT DR ONTARIO CA 91761

JOSEPH C SCALMANINI 500 FIRST ST WOODLAND CA 95695

DAVID SCRIVEN
KRIEGER & STEWART ENGINEERING
3602 UNIVERSITY AVE
RIVERSIDE CA 92501

BILL STAFFORD

MARYGOLD MUTUAL WATER CO

9725 ALDER ST

BLOOMINGTON CA 92316-1637

RUBEN MONTES
SAN BERNARDINO CTY FLD CONT DIS'
825 E THIRD ST
SAN BERNARDINO CA 92415

CHRIS NAGLER
DEPT OF WATER RESOURCES
770 FAIRMONT AVE SUITE 102
GLENDALE CA 91203-1035

DANA OLDENKAMP
MILK PRODUCERS COUNCIL
3214 CENTURION PL
ONTARIO CA 91761

HENRY PEPPER CITY OF POMONA 505 S GAREY AVE POMONA CA 91766

LEE R REDMOND III
KAISER VENTURES INC
3633 E INLD EMP BLVD STE 850
ONTARIO CA 91764

ARNOLD RODRIGUEZ SANTA ANA RIVER WATER CO 10530 54TH ST MIRA LOMA CA 91752-2331

PATRICK SAMPSON P.O. BOX 660 POMONA CA 91769

JOE SCHENK CITY OF NORCO P.O. BOX 428 NORCO CA 91760-0428

MICHAEL SMITH
NICHOLS STEAD BOILEAU & KOSTOFF
223 W FOOTHILL BLVD #200
CLAREMONT CA 91711-2708

MICHELE STAPLES
JACKSON DEMARCO & PECKENPAUGI
4 PARK PLAZA 16TH FL
IRVINE CA 92614

DAVID STARNES
MOBILE COMMUNITY MGMT CO
1801 E EDINGER AVE STE 230
SANTA ANA CA 92705

CRAIG STEWART
GEOMATRIX CONSULTANTS INC.
330 W BAY ST STE 140
COSTA MESA CA 92629

LENNA TANNER
CITY CLERK - CITY OF CHINO
P.O. BOX 667
CHINO CA 91708-0667

MICHAEL THIES SPACE CENTER MIRA LOMA INC 3401 S ETIWANDA AVE BLDG 503 MIRA LOMA CA 91752-1126

MANAGER
THREE VALLEYS M W D
P.O. BOX 1300
CLAREMONT CA 91711

GEOFFREY VANDEN HEUVEL CBWM BOARD 7551 KIMBALL AVE CHINO CA 91710

JAMES WARD THOMPSON & COLGATE P.O. BOX 1299 RIVERSIDE CA 92502

CHARLES R. WHITE DWR-SO DIST 770 FAIRMONT AVE GLENDALE CA 91203-1035

JEROME WILSON CBWM BOARD 6035 FALLING TREE LN ALTA LOMA CA 91737 L HAIT STERN & GOLDBERG 9150 WILSHIRE BLVD STE 100 BEVERLY HILLS CA 90210

TRACI STEWART
CHINO BASIN WATERMASTER
8632 ARCHIBALD ST STE 109
RANCHO CUCAMONGA CA 91730

JIM TAYLOR
POMONA UTILITY SVS DEPT.
148 N HUNTINGTON BLVD
POMONA CA 91768

DAVID THOMPSON
GE/MGR ENV REMEDIATION PRGM
640 FREEDOM BUSINESS CTR.
KING OF PRUSSIA PA 19406

HAROLD TREDWAY 10841 PARAMOUNT BLVD DOWNEY CA 90241

ERICK VAUGHN ANGELICA RENTAL SERVICE 1575 N CASE ST ORANGE CA 92867-3635

MARK WARD

AMERON INTERNATIONAL

13032 SLOVER AVE

FONTANA CA 92335-6990

MICHAEL WHITEHEAD SAN GABRIEL VALLEY WC P.O. BOX 6010 EL MONTE CA 91734 TOM STETSON STETSON ENGINEERS INC 3104 E GARVEY AVE WEST COVINA CA 91791

SWRCB - DIV OF WATER RIGHTS P.O. BOX 2000 SACRAMENTO CA 95809-2000

JERRY THIBEAULT RWQCB - SANTA ANA REGION 3737 MAIN ST STE 500 RIVERSIDE CA 92501-3339

JOHN THORNTON
PSOMAS AND ASSOCIATES
3187 RED HILL AVE, SUITE 250
COSTA MESA CA 92626

ARLAN VAN LEEUWEN FAIRVIEW FARMS 6875 PINE AVE CHINO CA 91710-9165

ERIC WANG SUNKIST GROWERS INC 760 E SUNKIST ST ONTARIO CA 91761

RAY WELLINGTON
SAN ANTONIO WATER COMPANY
139 N EUCLID AVE
UPLAND CA 91786-6036

MARK WILDERMUTH
WILDERMUTH ENVIRONMENTAL INC
415 N EL CAMINO REAL STE A
SAN CLEMENTE CA 92672