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11 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
12 FOR THE COUNTY OF SAN BERNARDINO - RANCHO CUCAMONGA DIVISION

13 CHINO BASIN MUNICIPAL WATER  
14 DISTRICT,

15 Plaintiff,

16 vs.

17 CITY OF CHINO, et al.,

18 Defendants.

Case No. RCV 51010

[Assigned for All Purposes to the Hon. J. Michael  
Gunn]

**MOTION REQUESTING APPROVAL  
OF:**

1. WATERMASTER ANNUAL REPORT
2. STATUS REPORT NOS. 5 and 6
3. INTERVENTION OF NIAGARA BOTTLING COMPANY

Hearing Date: June 5, 2003  
Hearing Time: 1:30 pm  
Dept: R8

I.

**WATERMASTER'S 25TH ANNUAL REPORT**

On January 31, 2003, Watermaster transmitted its 25th Annual Report along with a revised intended reporting schedule to the Court. This transmittal as well as a copy of the Annual Report and the revised reporting schedule were served upon the parties. However, at the time of transmitting the Annual Report to the Court and serving it on the Parties, Watermaster did not set a hearing date for the Court to receive and file the Annual Report. Thus, Watermaster hereby renews its request to receive and file Watermaster's 25th Annual Report and revised reporting schedule at the hearing on the date indicated above.

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II.

STATUS REPORT Nos. 5 & 6

On January 6, 2003 Watermaster filed its Status Report No. 5 (covering October and November of 2002), and on April 1, 2003, Watermaster filed its Status Report No. 6 (covering December 2002 and January and February 2003) with the Court. At the time of filing no hearing date was set to receive and file the Status Reports. Watermaster thus hereby requests the Court to receive and file Status Report Nbs. 5 & 6.

III.

INTERVENTION OF NIAGARA BOTTLING COMPANY

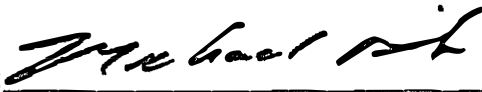
On April 1, 2003, Watermaster received a request from Niagara Bottling Company, LLC to intervene into the Judgment. Niagara requests intervention as a member of the Appropriative Pool with an adjudicated production right of 0 acre-feet per year and will pay a full replenishment assessment on all water that it produces from the Chino Basin.

At the April 10, 2003 Pool Meetings, all three Pools recommended unanimously that the Advisory Committee and Board approve Niagara's request. This recommendation was approved unanimously by the Advisory Committee and Board at their April 24, 2003 meetings.

Watermaster hereby requests the Court approve Niagara's voluntary intervention into the Appropriative Pool with an adjudicated production right of 0 acre-feet per year with a full replenishment obligation.

HATCH & PARENT, A LAW CORPORATION

May 6, 2003

By:   
\_\_\_\_\_  
Scott S. Slater  
Michael T. Fife  
Attorneys for  
CHINO BASIN WATERMASTER



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**SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
**FOR THE COUNTY OF SAN BERNARDINO - RANCHO CUCAMONGA DIVISION**

**CHINO BASIN MUNICIPAL WATER DISTRICT,**

**Plaintiff,**

**vs.**

**CITY OF CHINO, et al.,**

**Defendants.**

**Case No. RCV 51010**

[Assigned for All Purposes to the Hon. J. Michael Gunn]

**MOTION FOR APPROVAL OF METROPOLITAN DRY YEAR YIELD FUNDING AGREEMENT**

**Hearing Date: June 5, 2003**  
**Hearing Time: 1:30**  
**Dept: R8**

**I.**

**INTRODUCTION**

At the Advisory Committee and Board Meetings held on March 27, 2003, Watermaster approved a Groundwater Storage Program Funding Agreement No. 49960 ("Agreement") that establishes the financial terms for a 100,000 acre-foot storage account for the Metropolitan Water District of Southern California ("Metropolitan") as part of the Chino Basin Storage and Recovery Program. A final copy of this Agreement is attached here as Exhibit 1.

Part III.C. of this Agreement requires that as a condition precedent to Metropolitan's funding obligation, that Watermaster will receive approval and recognition of the Agreement from this Court. Watermaster's role with regard to storage in the Basin is defined by the Judgment, and is more specifically defined with regard to the Storage and Recovery Program in

1 the Peace Agreement. Consequently, Watermaster brings this motion under Paragraph 31 of the  
2 Judgment and requests an Order from the Court declaring that the Agreement is consistent with  
3 Watermaster's responsibilities under the Peace Agreement.

## 4 II.

### 5 BACKGROUND

6 Under section 5.2(c) of the Peace Agreement, the parties created a Storage and Recovery  
7 Program with an initial storage capacity target of 500,000 acre-feet. (*See also* OBMP  
8 Implementation Plan Program Element 9). Analysis of the Storage and Recovery Program was  
9 included in the Programmatic Environmental Impact Report for the OBMP which was certified  
10 by the Inland Empire Utilities Agency on July 12, 2000. On July 13, 2000, the Court Ordered  
11 Watermaster to proceed in a manner consistent with the Peace Agreement and the OBMP  
12 Implementation Plan. (July 13, 2000 Order, p. 4.)

13 Pursuant to section 5.2(c)(iv)(b) of the Peace Agreement, Watermaster committed to  
14 prioritize its efforts to regulate and condition the storage and recovery of water developed in the  
15 Storage and Recovery Program for the mutual benefit of the parties to the Judgment and to give  
16 first priority to Storage and Recovery Programs that provide broad mutual benefits.

17 Thus, the standard upon which the Court should base its approval and recognition of the  
18 Agreement is whether the Agreement satisfies the commitments Watermaster made in the Peace  
19 Agreement regarding the Storage and Recovery Program. In this regard it is important to  
20 emphasize that the Agreement before the Court is a funding Agreement only. The specific terms  
21 of the Agreement will be described below, but in a broad sense the Agreement only establishes  
22 the business deal between IEUA, TVMWD and Watermaster, and Metropolitan.

23 In other words, no Storage and Recovery Application as defined by Article X of  
24 Watermaster's Rules and Regulations is currently before the Court. Such an Application will  
25 define the facilities to be constructed through the Agreement and will provide a reasonably  
26 specific description of the storage and extraction plans for the water such that Watermaster will  
27 be able to provide an analysis of the potential for Material Physical Injury to any party or the  
28 Basin.

1 As a statement of the business deal points between Watermaster, IEUA, TVMWD and  
2 Metropolitan, the Agreement merely describes the scope of the storage account that will be  
3 provided to Metropolitan in exchange for its satisfaction of the financial obligations as described  
4 in the Agreement. Thus, at this point in the process, the extent of the analysis for approval of the  
5 Agreement is limited to whether the Agreement conforms to the Peace Agreement § 5.2(c)(iv)(b)  
6 requirement that the Storage and Recovery Program provide broad mutual benefits and otherwise  
7 not be in conflict with any provision of the Judgment, Peace Agreement or Rules and  
8 Regulations.

9 The Watermaster Advisory Committee and Board have both found that the Agreement  
10 does provide broad mutual benefits and thus is consistent with the requirements of the Peace  
11 Agreement. The specific findings that led to this conclusion are described more fully below.  
12 Watermaster now requests the Court to ratify this decision and declare that, based on the scope of  
13 the Agreement before the Court, and based on the findings of broad mutual benefit made by the  
14 Advisory Committee and Board, the Agreement constitutes a valid and binding obligation of  
15 Watermaster.

### 16 III.

#### 17 PROCESS RELATED TO NEGOTIATION AND APPROVAL OF THE FUNDING 18 AGREEMENT

19 IEUA and Watermaster jointly submitted a proposal to Metropolitan in January 2001 to  
20 allow Metropolitan to utilize a portion of the storage space available through Watermaster's  
21 Storage and Recovery Program in exchange for facilities and other consideration. The terms of  
22 the Agreement have been the subject of numerous and ongoing discussions at the Pools and at ad  
23 hoc meetings of the proposed project participants.

24 At the February 13, 2003 Pool Meetings, a Memorandum and Attachments was made  
25 available to the parties that included all of the previous memoranda and attachments that have  
26 been made available to the parties since negotiations with Metropolitan began in 2001. A copy of  
27 this Memorandum and Attachments is attached here as Exhibit 2. On the basis of this material,  
28 the Appropriative Pool and Overlying Non-Agricultural Pool voted unanimously to recommend

1 approval of the Agreement. The Agricultural Pool unanimously concurred in this  
2 recommendation at their meeting which was held on February 25, 2003. The Memorandum and  
3 Attachments was made available to the Advisory Committee and Board at their regular meetings  
4 on February 27, 2003.

5 At their February 27, 2003 meetings, both the Advisory Committee and Board voted  
6 unanimously to provide conceptual approval to the Agreement. However, since specific findings  
7 concerning the satisfaction of the terms of the Peace Agreement were not before the Advisory  
8 Committee and Board, it was determined that final approval of the Agreement would be provided  
9 at the March 27, 2003 meetings.

10 At the March 27, 2003 meetings, the Advisory Committee and Board had before them a  
11 staff report which recited the procedural history above and provided specific findings concerning  
12 the broad mutual benefits to be provided under the Agreement. A copy of this staff report is  
13 attached here as Exhibit 3. The findings before Watermaster were:

- 14 • With regard to the breadth of the distribution of the benefits, the February 13,  
15 2003 Memorandum and Attachments described the direct beneficiaries of this  
16 Agreement as the Cities of Chino, Chino Hills, Ontario, Pomona, Upland, and the  
17 Cucamonga County and Monte Vista Water Districts. (Memorandum page 2.) The  
18 Memorandum indicated that San Antonio Water Company is negotiating its  
19 participation, and since the date of the Memorandum Fontana Water Company  
20 and Jurupa Community Services District have also initiated negotiations  
21 concerning their participation.
- 22 • With regard to the nature of the benefits to be received, many analyses have been  
23 provided to the parties over the past two years of discussion of the Agreement.  
24 Actual dollar values of the Agreement have changed as specific terms were  
25 renegotiated and facility-related specifications were refined. Attachment III to the  
26 February 13, 2003 Memorandum and Attachments provided a specific analysis by  
27 Black & Veatch of the value to the participants based on the terms of participation  
28 at that time. This analysis determined that the unit storage benefit based on a

1                   100,000 acre-foot storage commitment is \$433 per acre-foot. The February 13,  
2                   2003 Memorandum provided a detailed description of all of the items of benefit  
3                   under the Agreement. (Memorandum page 6.)  
4

5                   Thus, in summary, the Advisory Committee and Board found that the benefits under the  
6 Agreement will be distributed to virtually all the members of the Appropriative Pool. There has  
7 been no indication that any party who desires to be a participant under the Agreement has been  
8 denied such an opportunity. Since this Agreement represents only 20% of the entire storage  
9 capacity available in the Storage and Recovery Program, it is not necessary that the benefits inure  
10 to all members of the appropriative and non-agricultural pools in order to satisfy the  
11 requirements of the Peace Agreement that a proposal provide broad based benefits. Taking into  
12 account all of the items of benefit such as the facilities to be constructed, the delayed cost of  
13 delivered water, the reimbursement for the treatment costs of pumped water, and the credits to be  
14 received for operation, maintenance and power costs when water is being extracted from storage,  
15 the Advisory Committee and Board concluded that the Agreement provides satisfactory benefits,  
16 and thus that the Agreement as a whole provides the broad mutual benefits as required under the  
17 Peace Agreement.

18                   At the Advisory Committee level there was lengthy discussion about the broad based  
19 benefits to be received through the Agreement and through the Storage and Recovery Program  
20 generally. Some parties voiced concern that specific plans for the other targeted 400,000 acre-feet  
21 of storage in the Storage and Recovery Program had not been developed. The parties agreed that  
22 it is important that they focus their efforts on developing a specific plan to utilize the remainder  
23 of the Storage and Recovery asset. At the conclusion of this discussion, there was one dissenting  
24 vote on approval of the Metropolitan Agreement from San Antonio Water Company on the basis  
25 of the uncertainty associated with the remainder of the Storage and Recovery Program.<sup>1</sup>  
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<sup>1</sup> Subsequently the parties have initiated discussions concerning the disposition of the remainder of the storage asset. The first such meeting was held on April 17, 2003.



1 The Advisory Committee forwarded the Agreement to the Board with a unanimous vote  
2 constituting a mandate. The Board adopted the findings made in the staff report and on that basis  
3 voted to approve the Agreement unanimously.

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5  
6 **IV.**

7 **TERMS OF THE FUNDING AGREEMENT**

8 The terms of the Agreement relate primarily to Metropolitan's funding obligation and  
9 describe in broad terms the scope of the storage asset that will be committed to Metropolitan's  
10 use in exchange for that funding.

11 The Agreement specifies that Metropolitan will receive a storage account in the amount  
12 of 100,000 acre-feet ("Maximum Storage Amount"). (Agreement Part IV.A.1.a. and Part  
13 VII.A.1.) Metropolitan may deliver water into this account at a maximum rate of 25,000 acre-feet  
14 per year. (Agreement Part IV.A.1.a., Part IV.A.2.a., and Part VII.A.1.) Metropolitan may extract  
15 water from this account at a maximum rate of 33,000 acre-feet per year. (Agreement Part  
16 IV.A.1.a., Part IV.A.2.b.) Under the Agreement, these delivery and extraction rates are called the  
17 "Operational Capacity Thresholds."

18 To extract water from its account, Metropolitan shall request such delivery in a specified  
19 amount from Watermaster, IEUA and TVMWD with 15 days notice. (Agreement Part VII.C.1.)  
20 The Agreement recognizes that the placement and removal of water from storage will need to be  
21 accomplished by parties other than the signatories to the Agreement because none of IEUA,  
22 TVMWD, nor Watermaster, pumps water from the Chino Basin. The Agreement thus requires  
23 that a second tier of agreements be executed which will cover the specific operational  
24 requirements to allow for the use of Metropolitan's storage account. (Agreement Part IV.A.1.b.)  
25 These agreements are being referred to as "Local Agency Agreements" and are currently under  
26 development for execution between IEUA and TVMWD and the participating local agencies.  
27 Under the Agreement, the parties have one year to meet Metropolitan's delivery request.  
28 (Agreement Part VII.C.3.)

1 In exchange for these storage rights, Metropolitan agrees to fund the construction of  
2 facilities (including design and environmental compliance) with a value of up to \$27.5 million.  
3 (Agreement Part V.A.1.) The purpose of the facilities is to allow the Watermaster parties to meet  
4 the Operational Capacity Thresholds as described above. (Agreement Part IV.A.2.b.)  
5 Accordingly, prior to the completion of the facilities, the Operational Capacity Thresholds will  
6 be proportionately reduced. (Agreement Part IV.A.2.b.) The participating entities receive a  
7 benefit from these facilities because the parties are able to use the facilities whenever they are not  
8 being used to meet the Operational Capacity Thresholds. (Agreement Part VIII.) For example,  
9 when Metropolitan has not requested that water be withdrawn from its account, the participating  
10 entities can use the extraction wells for their own supply purposes. The participating parties will  
11 be the owners of the facilities. (Agreement Part IV.B.5.)

12 There are other operating features of the program that result in benefit for the parties.  
13 When Metropolitan delivers in-lieu water into its storage account, that water is provided to a  
14 participating entity without cost. (Agreement Part VII.B.2.) This results in a deferred water cost  
15 savings for that party. Then, upon extraction of the water, Metropolitan pays the operation and  
16 maintenance costs of the extraction facilities that can be attributed to the use of the facilities to  
17 pump the stored water. (Agreement Part VI.D.1.) Metropolitan will also pay the unit electrical  
18 cost for pumping the stored water. (Agreement Part VI.D.2.) Finally, Metropolitan will pay an  
19 administrative fee of \$132,000 which will offset the Watermaster staff time that will be necessary  
20 to administer the program. (Agreement Part VI.D.3.)

21 Metropolitan is currently negotiating several other storage agreements with entities  
22 throughout Southern California. Watermaster has reviewed two such agreements that have  
23 already been executed, one with the Central Basin Municipal Water District and City of Long  
24 Beach, and another with the Foothill Municipal Water District, and has found that those  
25 agreements contain virtually the same terms as the Agreement with Watermaster, IEUA and  
26 TVMWD. The items of benefit available to the parties are thus commensurate with the benefits  
27 being received in other basins.

28 V.

1                   **RELATIONSHIP BETWEEN FUNDING AGREEMENT AND LOCAL AGENCY**  
2   **AGREEMENTS**

3                   Due to the fact that specific facilities-related issues tied to the Local Agency Agreements  
4 are still under consideration, approval of Metropolitan’s participation in the Storage and  
5 Recovery program has been bifurcated into two steps. The first step concerns the approval of the  
6 business deal points relating to Metropolitan’s use of 100,000 acre-feet of storage capacity within  
7 the Storage and Recovery Program. The conclusion of this step is the approval of the Agreement  
8 currently before the Court.

9                   The Agreement that has been approved by the Advisory Committee and Board is a  
10 description of the funding terms which Metropolitan must comply with in exchange for use of the  
11 storage space. Thus, while the Agreement commits the parties to allocate 100,000 AF of the  
12 500,000 AF Storage and Recovery Program to Metropolitan, the specific location and operation  
13 of the facilities necessary to accomplish this commitment must still be analyzed by Watermaster  
14 under the Material Physical Injury standard of the Peace Agreement and Rules and Regulations.  
15 This approval will take the form of Watermaster approval of the Local Agency Agreements by  
16 way of a Storage and Recovery Application filed under Article X of Watermaster’s Rules and  
17 Regulations.

18                   The Agreement itself contemplates the necessity of such further Watermaster approval.  
19 The Agreement contains the provisions that: “Watermaster reserves the right to approve the  
20 location and amount of storage and extraction pursuant to this Agreement, in accordance with the  
21 Judgment, OBMP and its policies applicable to the Judgment Parties.” (Agreement Part  
22 VI.A.3.c., *see also* Part VII.A.1.)

23                   The Local Agency Agreements specify the details of the facilities that are to be  
24 constructed under the Agreement, and contain the details regarding each of the agencies’  
25 commitments regarding the storage and extraction of water. Approval of this component will  
26 follow the procedures for approval of a Storage and Recovery Application under Article X of the  
27 Rules and Regulations.

28

1 Because Watermaster was not yet taking action on an Application under Article X, the  
2 basis for its decision to approve the Agreement was limited to whether the funding Agreement  
3 satisfies the Peace Agreement requirement that the funding proposal provide broad mutual  
4 benefits.

5 **VI.**

6 **DISPOSITION OF OTHER METROPOLITAN STORAGE ACCOUNTS**

7 Metropolitan has other storage accounts in the Chino Basin that predate the negotiation of  
8 the current Agreement.

9 Metropolitan's primary storage account in the Chino Basin is its Cyclic Storage Account  
10 dated December 4, 1978 and which was approved by the Court in January 1979. This account is a  
11 100,000 acre-foot storage account whose purpose is to allow for the pre-delivery of  
12 replenishment water to the Basin. The Cyclic Storage Agreement has been extended several  
13 times with the most recent Sixth Amendment having been made as of January 1, 1998. There is  
14 currently approximately 35,000 acre-feet of water in this account. A copy of the Cyclic Storage  
15 Agreement as well as the amendments extending its term is attached here as Exhibit 4.

16 As part of the process of entering in to the new storage Agreement with Metropolitan, the  
17 Cyclic Storage Account will be preserved, though Watermaster anticipates that the Seventh  
18 Amendment to the Cyclic Storage Agreement will specify that no further water can be placed  
19 into the account without a new agreement with Watermaster. The Seventh Amendment to the  
20 Cyclic Storage Account will be submitted to the Pools at their May meetings.

21 The other two accounts held by Metropolitan in the Chino Basin are the Metropolitan  
22 Trust Storage Agreement which was approved by the Court in August of 1986 and the Short-  
23 Term Conjunctive Use Agreement (CB-5) which was approved in September of 1993. There is  
24 no water currently stored under the Short-Term Conjunctive Use Agreement and 4,739 acre-feet  
25 of water stored in the Trust Storage Agreement. The new storage Agreement specifies that both  
26 of these storage accounts will be eliminated and the water held in the Trust Storage Account will  
27 be transferred into the new storage account. (Part VI.C.1.a; *see* Exhibit E.) A copy of the Trust  
28

1 Storage Agreement and the Short Term Conjunctive Use Agreement are included here as  
2 Exhibits 5 and 6.

3 In summary, previous to the current Agreement, Metropolitan had three storage accounts  
4 in the Chino Basin. As part of the Agreement, two of these accounts will be eliminated and the  
5 water currently contained in the accounts will be rolled-over into the new account created by the  
6 Agreement. This will leave Metropolitan with two storage accounts in the Chino Basin – a  
7 100,000 AF account whose purpose is to provide for dry year supplies, and a cyclic account  
8 whose purpose is to provide for the pre-delivery of replenishment water. Since Metropolitan does  
9 not anticipate delivering any additional water into the Cyclic Account, the quantity of water in  
10 this account will be gradually diminished until it has been exhausted, leaving Metropolitan with a  
11 single storage account in the Basin.

12 VII.

13 CONCLUSION

14 The Agreement has been the subject of a lengthy negotiation and approval process which  
15 has resulted in direct participation by virtually all members of the Appropriative Pool, and no  
16 objection from any members of the Agricultural or Non-Agricultural Pools.

17 On the basis of the satisfaction of the requirements of section 5.2(c)(iv)(b) of the Peace  
18 Agreement, Watermaster requests the Court to recognize and approve the Agreement.

19  
20  
21 HATCH & PARENT, A LAW CORPORATION

22  
23 *May 6, 2003*

24 By *Michael T. Fife*

25 Scott S. Slater  
26 Michael T. Fife  
27 Attorneys for  
28 CHINO BASIN WATERMASTER

# **EXHIBIT 1**

**AGREEMENT NO. 49960**  
**GROUNDWATER STORAGE PROGRAM**  
**FUNDING AGREEMENT**

**BY AND AMONG**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**AND**

**INLAND EMPIRE UTILITIES AGENCY**

**AND**

**THREE VALLEYS MUNICIPAL WATER DISTRICT**

**AND**

**CHINO BASIN WATERMASTER**

**DATED AS OF \_\_\_\_\_, 2003**

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## GROUNDWATER STORAGE PROGRAM FUNDING AGREEMENT

**THIS GROUNDWATER STORAGE PROGRAM FUNDING AGREEMENT** (this “Agreement”), dated as of March 1, 2003, is entered into by and among **THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA** (“**Metropolitan**”), a public entity of the State of California, **INLAND EMPIRE UTILITIES AGENCY**, a municipal water district of the State of California (“**IEUA**”), **THREE VALLEYS MUNICIPAL WATER DISTRICT**, a municipal water district of the State of California (“**TVMWD**”) and **CHINO BASIN WATERMASTER**, an entity established by the Superior Court of the State of California as described in Recital F below (“**Watermaster**”).

### I. RECITALS

- A. In March 2000, California voters approved Proposition 13 (“**Prop. 13**”) authorizing the State of California to sell \$1.97 billion in general obligation bonds for water related projects throughout the State. The Governor’s Budget Act for 2000, Chapter 52, Statutes of 2000, appropriated to the California Department of Water Resources (“**DWR**”) local assistance grants for groundwater storage and supply reliability projects in the amount of \$161,544,000 by budget item 3860-01-6027, payable from the Interim Reliable Water Supply and Water Quality Infrastructure and Managed Subaccount.
- B. Metropolitan subsequently was selected by DWR as a grant recipient for \$45 million (the “**Prop. 13 Funds**”) to be used for groundwater storage projects within its service area. In a letter dated October 13, 2000 (the “**DWR Funding Letter**”) (see Exhibit A attached hereto), DWR set forth the specific terms and conditions of the grant to Metropolitan.
- C. On September 20, 2000, Metropolitan sent a letter to its twenty-six member public agencies (consisting of cities, municipal water districts and a county water authority within its 5,155 square-mile service area covering portions of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties), requesting a list of groundwater storage projects to be considered for Prop. 13 Funding. On November 1, 2000, Metropolitan delivered to those member public agencies that indicated an interest in the Prop. 13 groundwater storage programs the Request for Proposals for Participation in Groundwater Storage Programs Using Proposition 13 Funds, RFP No. WRM-2 (the “**RFP**”) (see Exhibit B attached hereto). Metropolitan subsequently conducted a Pre-Submittal Workshop, open to the public, on November 8, 2000, to address any concerns or questions regarding the RFP.
- D. Metropolitan anticipated that programs funded by the Prop. 13 Funds would store water (by various methods) that Metropolitan imports from the State Water Project and the Colorado River. This stored water would be pumped by the member agency (or a sub-agency) with a corresponding reduction in surface water

deliveries from Metropolitan. As a result, Metropolitan would have a greater amount of water to distribute within its service area. In addition, such groundwater storage programs are part of a larger effort to meet water supply demands in Southern California, as specifically set forth in the Integrated Water Resources Plan (“IRP”) approved by Metropolitan’s Board of Directors in 1996, and the Groundwater Storage Principles (see Appendix A of Exhibit B attached hereto) adopted in connection therewith by Metropolitan’s Board of Directors in January 2000.

- E. IEUA and TVMWD are both municipal water districts formed in 1950 and have been member agencies of Metropolitan since their formation. IEUA was formerly known as Chino Basin Municipal Water District. IEUA serves a portion of San Bernardino County and has one or more designated representatives on Metropolitan’s Board of Directors. TVMWD was formerly known as Pomona Valley Municipal Water District. TVMWD serves a portion of Los Angeles County and has one or more designated representatives on Metropolitan’s Board of Directors.
- F. The Watermaster was established under the Judgment in the Superior Court of California for County of San Bernardino, entitled, “Chino Basin Municipal Water District v. City of Chino, et al.,” entered into on January 27, 1978 (“**Judgment**”). The Watermaster is responsible for managing the Chino Groundwater Basin (“Chino Basin”) in the most beneficial manner and for equitably administering and enforcing the provisions of the Judgment.
- G. Metropolitan has the following storage agreements with IEUA and Chino Basin Watermaster beginning in 1979:
1. Cyclic Storage Agreement approved by the Court in January 1979.
  2. The MWD Trust Storage Agreement approved by the Court in August 1986.
  3. The Short-Term Conjunctive Use Agreement (CB-5) approved in September 1993.
- H. On January 19, 2001, the Proposal for Chino Basin Groundwater Storage Project (the “**Proposal**”) was submitted by IEUA for Metropolitan’s consideration (see Exhibit C attached hereto). On April 10, 2001, Metropolitan notified IEUA that the program described in its Proposal had been selected for further consideration (see Exhibit D attached hereto) and that it was eligible for up to \$9 million of the Prop. 13 Funds. The Program is also eligible for disbursement of up to \$ 18.5 million of other funds administered by Metropolitan. The Prop. 13 Funds plus the Metropolitan funds specifically allocated to the proposed Program are referred to herein as the “**Program Funds**.”
- I. During further development of the Program, the City of Pomona was identified as a participating retail agency (Operating Party) for implementation of the Program. The City of Pomona is a sub-agency of TVMWD, and TVMWD has therefore joined this Agreement.

- J. Accordingly, the parties hereto (each a “Party” and, collectively, the “Parties”) desire to enter into a mutually beneficial agreement for a groundwater storage program funded by Program Funds that will achieve reasonable and beneficial conjunctive use of Metropolitan’s water supply to provide 33,000 acre-feet of additional pumping capacity in the Chino Basin in accordance with this Agreement and the Groundwater Storage Principles referenced above. This Agreement describes the terms of the Program agreed to among Metropolitan, the Watermaster, IEUA, and TVMWD which includes the terms for the storage and delivery of stored water from Metropolitan, the construction of groundwater production facilities, and the funding of such facilities. All of the elements together as described in this Agreement shall constitute the “Program”.
- K. Pursuant to the provisions of California Environmental Quality Act (CEQA) and the State CEQA Guidelines, IEUA, acting as lead agency, prepared and processed a Final Program Environmental Impact Report (Final PEIR) for the Chino Basin Watermaster Optimum Basin Management Program (OBMP) which included conjunctive use Storage and Recovery Program of 500,000 acre-feet (the “**Storage and Recovery Program**”). Among other things, the Final PEIR evaluated the environmental effects associated with the construction activities that are tied to and funded by this Agreement. On July 12, 2000, IEUA certified the Final PEIR and approved the OBMP.
- L. Subsequent to certification of the Final PEIR, IEUA found that it needed to make minor modifications to the proposed construction activities. IEUA determined that these modifications would not result in any significant new environmental effects, substantially increase the severity of previously identified effects, or require any new mitigation measures beyond those examined by and proposed in the Final PEIR. IEUA prepared a Finding of Consistency (i.e., Addendum) documenting this determination, which it certified on December 18, 2002.
- M. TVMWD and Metropolitan, acting as responsible agencies, have reviewed the information contained in the Final PEIR and Finding of Consistency, and have adopted IEUA’s findings concerning the environmental effects associated with the construction activities that are tied to and funded by this Agreement.
- N. As of the date of this Agreement, no legal action has been filed challenging the Final PEIR, the Finding of Consistency, or any determination and approvals issued by IEUA, TVMWD or Metropolitan that relate to the Program or this Agreement.
- O. IEUA and Watermaster are funding a \$45 million Recharge Master Plan capital improvement program, separate and apart from this agreement, that will increase significantly the ability for Metropolitan to store water through direct replenishment into Metropolitan’s storage account. Under the OBMP the parties to the Judgment have agreed to expand the existing Chino I Desalter from 8 mgd

to 14 mgd and build the Chino II Desalter at a capacity of 10 mgd to produce and treat approximately 25,000 AF per year of poor quality water to minimize downstream water quality impacts on the Orange County Water District (OCWD) consistent with the OBMP Program Environmental Impact Report and Chino I expansion/Chino II Desalter Environmental Impact Report and the Memorandum of Understanding with OCWD.

**NOW, THEREFORE,** in consideration of the foregoing Recitals, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

**II. EFFECTIVE DATE AND TERM**

**A. Effective Date**

Upon execution by all Parties, this Agreement shall be deemed effective as of March 1, 2003 (the “**Effective Date**”).

**B. Termination Date**

This Agreement shall initially terminate on the date which is twenty-five years after the Effective Date, unless sooner terminated in accordance herewith (the “**Initial Termination Date**”). Notwithstanding the foregoing, this Agreement will renew for a five-year period commencing on the Initial Termination Date, and each fifth anniversary thereof (each, a “**Renewal Date**”), if written consent of all parties is filed with Metropolitan at least 90 days prior to each termination date. This Agreement shall absolutely terminate and be of no further force or effect on the date that is fifty years after the Effective Date (the “**Final Termination Date**”).

**III. CONDITIONS PRECEDENT TO FUNDING OBLIGATION AND PROGRAM IMPLEMENTATION**

Metropolitan’s funding obligations with respect to construction of the Facilities (as set forth in Article V below) are subject to the satisfaction of the following conditions precedent, or waiver of the condition(s) precedent, by Metropolitan:

**A. CEQA.**

Any and all environmental reviews and supporting documentation (“**CEQA Documents**”) required to implement the Program and/or this Agreement shall have been completed, certified and approved by the Parties in accordance with CEQA and its guidelines. Further, the time period for commencing a legal action challenging any of these CEQA Documents, or challenging any certifications, findings, determinations, approvals or authorizations that are related to or based



upon such CEQA Documents, shall have lapsed with no such legal action having been filed.

**B. DWR Commitment**

The conditions necessary to receive Prop. 13 Funds under the DWR Funding Letter shall have been satisfied, and DWR shall be committed to disbursing the Prop. 13 Funds to Metropolitan in accordance with the DWR Funding Letter, the Schedule and the Budget.

**C. Permits and Approvals**

Any authorizations, consents, licenses, permits and approvals from any Governmental Authority (as defined hereafter) or person as may be required by applicable law to construct and operate the Program (including, without limitation, the approvals or consents from other groundwater users in the Chino Basin, or parties whose approval is required by any judgment in an adjudicated basin, and approval and recognition of this Agreement by the San Bernardino Superior Court with continuing jurisdiction over the Judgment (collectively, the “**Required Approvals**”) shall have been obtained. IEUA shall have delivered reasonably satisfactory evidence of such Required Approvals to Metropolitan. None of the Required Approvals shall impose any condition to such approval that a Party finds unacceptable, and any acceptable conditions to the Required Approvals shall have been satisfied or waived by the person imposing such condition or will be satisfied by the Program as then contemplated.

“**Governmental Authority**” means any federal, state, local or other governmental, regulatory or administrative agency, governmental commission, department, board, subdivision, court, tribunal, or other governmental arbitrator, arbitral body or other authority.

**D. No Litigation**

IEUA, TVMWD, and Watermaster shall have certified that, except as disclosed in writing to Metropolitan and accepted by Metropolitan in its reasonable discretion, there is no litigation, including any arbitration, investigation or other proceeding, pending before any court, arbitrator or Governmental Authority, nor any such litigation threatened, nor any decree, order or injunction issued by any court, arbitrator or Governmental Authority and remaining in effect, which relates to Program Funds or the Program or which prevents or hinders (or seeks to prevent or hinder) implementation of the Program, or which raises a question as to the validity of this Agreement, or any of the other Program agreements.

The date upon which each of the foregoing conditions has been satisfied or waived by Metropolitan, as set forth in a written notice from Metropolitan to IEUA, shall be the “**Funding Obligation Date.**”

## IV. PROGRAM PLANNING AND CONSTRUCTION

### A. Planning

#### 1. General Description of Program

The Program includes the following components:

- a. Metropolitan shall have the right to: (1) deliver and store imported water supplies in the Chino Basin at up to a rate of 25,000 acre-feet per year and up to 100,000 AF in storage at any time (“**Maximum Storage Amount**”), subject to higher amounts if approved in advance by the Chino Basin Watermaster, and (2) cause Chino Basin stored water to be produced at a rate of 33,000 AF per year, pursuant to the Exhibit G “Performance Criteria” of this Agreement, the Chino Basin Judgment and the Watermaster Rules and Regulations. Watermaster will provide for rights to store and extract water from the Chino Basin.
- b. The 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 also listed in Exhibit H. IEUA and TVMWD will enter into agreements with the **Operating Parties** within their respective service areas that will require such **Operating Parties** to operate and maintain the Facilities.
- c. Water provided for storage by Metropolitan hereunder (“**Program Water**”) will be untreated water, as defined in Section 4104 of Metropolitan’s Administrative Code. Water stored by spreading or injection in the Chino Basin must meet the applicable water quality requirements as required by the Watermaster and any other regulatory agency with jurisdiction over the Chino Basin.
- d. Metropolitan will fund the construction of the Facilities in accordance with this Agreement.

#### 2. Operational Capacity Thresholds

The Program “**Operational Capacity Thresholds**” are:

- a. *Storage.* Water can be stored in the following ways: (1) spreading, (2) injection, (3) in-lieu deliveries (pursuant to the administration procedures described in Exhibit F) and transfer from existing Metropolitan storage accounts consistent with the Chino Basin

Judgment. Metropolitan can store water in the Chino Basin at a rate of 25,000 AF per year, unless a greater amount is approved by the Watermaster.

- b. *Extraction.* At a minimum, the Facilities, when combined with the existing groundwater production capacity of the Operating Parties as defined in Exhibit H, if necessary, shall be designed to have the capacity to extract water from the Chino Basin at a rate of 33,000 AF per year. Prior to the completion of all Facilities, the minimum extraction capacity shall be a pro rata portion of the extraction capacity based on the Facilities then completed.

### 3. Submission of Plans, Schedule and Budget

On or before September 1, 2004, IEUA shall deliver to Metropolitan the engineering and construction plans and specifications (the “**Plans**”), a construction schedule (the “**Schedule**”) and a construction budget (the “**Budget**”) for the Facilities. At a minimum:

- a. The Plans shall describe in reasonable detail the construction and design of the Facilities, and shall conform to any requirements of DWR;
- b. The Schedule shall state the date of construction commencement, the anticipated completion date (which shall occur no later than March 8, 2008, ), key milestone dates in the interim (each a “**Milestone Date**”) including timing of discrete program elements (“**Discrete Program Elements**”) and major tasks (“**Tasks**”) within them; and
- c. The Budget shall contain an itemized summary of Program costs including costs of the contractors, consultants, and other service providers, and all materials anticipated to be purchased in connection with the Program. For the purpose of Metropolitan’s payment of invoices from Program Funds (“**Invoice**”) pursuant to Section V(D), the Budget shall be divided into phases corresponding to the Milestone Dates, Discrete Program Elements and Tasks set forth in the Schedule.

### 4. Review and Approval of Schedule and Budget

- a. Metropolitan shall review and approve or disapprove, by written notice to IEUA, the Schedule and Budget for the Facilities within ten (10) business days after Metropolitan’s receipt thereof (once so approved, the “**Approved Budget**” and the “**Approved Schedule**”). If Metropolitan has not acted on the schedule or budget within ten (10)

business days after Metropolitan's receipt, the schedule or budget shall be deemed approved.

- b. For all Facilities funded in whole or part with Prop. 13 funds, all Metropolitan approvals shall be conditional upon DWR approvals. IEUA acknowledges and agrees that Metropolitan intends to submit the Schedule and Budget to the DWR for its review and approval, and Metropolitan shall disapprove the Schedule and/or Budget upon DWR's disapproval of the Schedule and/or Budget.
- c. If Metropolitan (or DWR, if applicable) disapproves of the Schedule and/or Budget, Metropolitan shall specify the reasons for the disapproval in its disapproval notice to IEUA. Metropolitan shall thereafter promptly meet with IEUA to correct any deficiencies to the Schedule and/or Budget such that the Schedule and Budget are reasonably acceptable to Metropolitan, DWR (if applicable) and IEUA.
- d. Notwithstanding any requirements of DWR as noted in clause (b) above, or any other terms or conditions set forth herein, neither DWR nor Metropolitan shall have any responsibility for reviewing or approving the Plans, and IEUA assumes all responsibility for the proper design, planning, and specifications of the Facilities.
- e. IEUA, may, as warranted, update the Approved Schedule and Approved Budget for the Facilities to reflect changes as necessary. However, under no condition may the Completion Date exceed March 8, 2008, or the total budget exceed the specified amount allocated as Program Funds unless such overages shall be the responsibility of IEUA. Review and approval of the proposed update shall follow the above procedure.

**B. Construction**

1. Contracting

IEUA shall retain, or cause to be retained through agreements with the Operating Parties, qualified contractor(s) and consultants to design and construct the Facilities. All contracts let for project construction shall be let by competitive bid procedures that assure award of the contract to the lowest responsible bidder, except as may be otherwise authorized under the enabling authority for IEUA and/or the California Public Contract Code.

## 2. Construction Supervision and Responsibility

- a. *Diligent Prosecution of Facility Construction.* IEUA agrees to faithfully and diligently complete, or cause to be completed, the construction of the Facilities in accordance with the Plans, Approved Budget and Approved Schedule.
- b. *Supervision.* As among Metropolitan, IEUA, TVMWD, and the Watermaster, IEUA shall be responsible for all work in connection with the construction of the Facilities and for persons engaged in the performance of such work.
- c. *Compliance with Laws.* IEUA shall ensure that all construction in connection with the Program complies with any applicable federal, state and local laws, rules and regulations, including, without limitation, environmental, procurement and safety laws, rules, regulations and ordinance.
- d. *Contracting Disputes.* IEUA shall be responsible for any and all disputes arising out of its contracts for work on the Program, including, without limitation, any bid disputes and payment disputes with contractors or subcontractors. Metropolitan will not mediate disputes between IEUA, TVMWD, their Operating Parties and any other entity in connection herewith.

## 3. Inspection Right

During reasonable business hours, Metropolitan and/or the DWR, with respect to Facilities funded with Prop. 13 Funds (and any of their designated representatives or agents), may enter upon the Program site and inspect the on-going and/or completed construction activities.

Metropolitan agrees to exercise commercially reasonable efforts to deliver advance written notice to IEUA of any such visit to the Program site (it being acknowledged, however, by IEUA that the DWR may inspect the Program site at any and all reasonable times without prior notice pursuant to the terms of the DWR Funding Letter).

## 4. Completion of Construction

- a. *Completion Date.* IEUA shall assure that Completion of the Facilities occurs not later than March 8, 2008. **“Completion”** means (x) performance of the construction in a good and workmanlike manner, free and clear of mechanics’, materialmens’ and other liens or security interests, claims or encumbrances relating to such construction, subject only to completion of punch list items which do not materially interfere with the use or

functionality of the Facilities, and (y) the payment of all costs to the persons entitled thereto less retainage or reserves for punch list items.

- b. *Completion Notification and Certification.* IEUA shall notify Metropolitan within ten business days after Completion of Facilities by each Operating Party. Such notification shall include a certification from the IEUA, the general contractor (if applicable) and a California Registered Civil Engineer affirming Completion and that the Facilities: (i) are as described in Exhibit H; (ii) have been constructed substantially in accordance with the Plans; (iii) have been adequately tested and meet the Operational Capacity Thresholds; and (iv) are otherwise sufficient to achieve the goals of the Program (as stated in Exhibit H).

5. Ownership of Project

Metropolitan will have no ownership interest in the Facilities. The Operating Parties shall have sole ownership and control of the Facilities, and the real property interests in connection therewith, subject to the rights and obligations of the Parties under this Agreement.

**V. PROJECT CONSTRUCTION FUNDING (NOT INCLUDING OPERATION AND MAINTENANCE/ENERGY COST FUNDING)**

**A. Metropolitan Funding Obligation; Shortfalls**

- 1. After the Funding Obligation Date, subject to and in accordance with the terms and conditions of Section V(C) below, Metropolitan hereby agrees to fund the payment of eligible costs for constructing the Facilities in accordance with the Approved Budget (the “**Program Construction Costs**”) in an amount not to exceed \$27.5 million, inclusive of design and construction of Facilities and the costs to comply with CEQA. Of these Program Construction Costs, \$9 million is being funded by Prop 13 Funds.

**B. Cost Overruns**

- 1. IEUA agrees to pay, and Metropolitan shall have no liability for, any costs of constructing the Facilities in excess of the amounts set forth in the applicable Approved Budget (on line-item and aggregate bases); provided, however, that upon written request from IEUA, Metropolitan shall approve, conditional upon DWR approval, reallocation of any demonstrated costs savings from one line-item of the Approved Budget to

another line item in order to cover any cost overruns for the \$9 million funded by Prop. 13 Funds for specific Program facilities.

2. Should bids for construction of the Program Facilities exceed the Approved Budget by more than 5%, IEUA may review such cost increase with Metropolitan to determine the appropriate way to proceed with the Program. Metropolitan and IEUA may mutually agree to a cost share, a change in scope of the Program, or to discontinue the Program.
3. IEUA agrees to reimburse Metropolitan for any of its costs intended to be reimbursed with Prop. 13 Funds that are disapproved by DWR, within thirty (30) days of receipt of invoice from Metropolitan for such reimbursement. IEUA agrees to pay interest computed at an annual rate equal to that earned by Surplus Money Investment Fund (SMIF) rate as provided for in Government Code Sections 16480 et seq., calculated monthly, on any outstanding amounts so invoiced by Metropolitan, beginning thirty days after the date such invoice is received until paid.

### **C. Disbursement Protocol**

#### **1. Invoice Payment.**

Commencing on the Funding Obligation Date, and continuing not more often than monthly thereafter, IEUA may submit for Metropolitan's consideration and payment from the Program Funds an Invoice for costs incurred. Each Invoice shall set forth in reasonable detail those Program Construction Costs that have been incurred since submittal of the prior Invoice and shall reference Discrete Program Elements and Tasks as outlined in the Approved Budget and Schedule. Each Invoice shall be accompanied by a Progress Report pursuant to Section X (B)(1). Work accomplished on each Discrete Program Element shall be briefly described, and the percent complete shall be presented with the percent and actual amounts expended to date on each Discrete Program Element. Metropolitan shall review and approve or disapprove (in part or whole) the Invoice and provide payment of Program Funds to IEUA for all approved portions of the Invoice within 30 days of receipt. If Metropolitan disapproves any portion of an Invoice, it shall state its reasons for such disapproval in writing and cooperate in good faith with IEUA, to promptly achieve a mutually acceptable revision to the disallowed portion of the Invoice. Metropolitan agrees to pay interest at the rate and in the manner specified in Section V(B)(2) on approved portions of invoices paid more than thirty (30) days after receipt of such invoice by Metropolitan.

2. Certification of Expenditures

With each Invoice submitted for Program Construction Costs, IEUA shall also provide its written certification and a written certification from the general contractor, if any, affirming that invoiced amounts were utilized exclusively for construction of the Facilities in accordance with the Plans and Approved Budget. Such certification shall be accompanied by evidence of payment for services and/or materials delivered in connection with the construction of the Facilities.

3. Disbursement of Program Funds

Upon Metropolitan's payment of Program Funds pursuant to an Invoice, Metropolitan shall have fulfilled its obligation with respect to such payment, and shall have no obligations to ensure disbursement to the appropriate Party(ies) entitled thereto.

## VI. OPERATING COMMITTEE

### A. Operating Committee

1. Composition of Committee.

A committee (the "**Operating Committee**") shall be established for the specific purposes specified herein. The Operating Committee shall have five members, two representatives from Metropolitan and three representatives chosen by IEUA, TVMWD, and Watermaster in any manner determined by IEUA, TVMWD, and Watermaster. The local agencies listed in Exhibit H may also attend meetings of the Operating Committee. With respect to any matter on which the Operating Committee cannot reach unanimous agreement, the Operating Committee shall submit such matter for determination by a consultant and/or arbitration panel in accordance with Section XIII(A).

2. Meeting of Operating Committee

The Operating Committee shall meet:

- a. as reasonably often as necessary to implement operations and take other needed action pursuant to this Agreement. Such tasks will include preparation of Operating Committee's certification to Watermaster regarding monthly storage achieved utilizing methodology specified in Exhibit F (Accounting Methodology).
- b. within thirty days after the execution of this Agreement; and thereafter at least sixty days prior to the end of each fiscal year



(which fiscal year shall run from July 1 through June 30) to develop Program Annual Operating Plan for the subsequent year and to review need for adjustments to Electrical Costs and Operation and Maintenance Costs; and

- c. by August 31 of each year review prior fiscal year performance for storage and/or extraction in conformance with the Annual Operating Plan and Exhibit G, Performance Criteria; and for assessment of per-acre-foot Electrical Costs and Operation and Maintenance Costs to be paid by Metropolitan.

### 3. Annual Operating Plan

- a. The Annual Operating Plan shall provide an estimated schedule and location for all storage and extraction under this Agreement and in conformance with Exhibit G (Performance Criteria) on a monthly basis for the upcoming fiscal year and documentation of adequate available capacity with respect to the Program Facilities capacity to accommodate Metropolitan's rights pursuant to Section VII hereof. Initial operation of the Metropolitan Storage Account prior to completion of Facilities funded under this Agreement shall be accomplished under the Annual Operating Plan. Until all Facilities are completed, partial performance shall be pro rata according to the proportion of Facilities listed in Exhibit H which are then complete.
- b. The Annual Operating Plan shall provide sufficient information to allow the Operating Committee and Watermaster to assess potential impacts from the Program on the Chino Basin and the Judgment Parties, such as : (1) current and projected water levels in the basin; and (2) short-term and long-term projections of Chino Basin water supply and water quality. The Operating Committee and the Watermaster may request additional information from the Operating Parties.
- c. Consistent with Section VIII(A) below, the Annual Operating Plan shall not limit Metropolitan's ability to modify its call for extraction or storage of water upon fifteen (15) days advance notice as provided in Sections VII(A) and VII(C). Watermaster reserves the right to approve the location and amount of storage and extraction pursuant to this Agreement, in accordance with the Judgment, OBMP and its policies applicable to the Judgment Parties.
- d. Storage and extraction operations under this Agreement shall be in accordance with the provisions of the Annual Operating Plan as

adopted or as amended to accommodate changed circumstances or new information. The Annual Operating Plan may be amended: (1) at the request of a member of the Operating Committee and with the concurrence of the Operating Committee and approval of the Watermaster (2) as a requirement of the Watermaster in the implementation of the Judgment and OBMP with specific adjustments proposed by consensus of the Operating Committee and approved by the Watermaster.

#### 4. Specific Duties

Without limiting the foregoing, the Operating Committee shall:

- a. Properly account for the amounts of all water stored and extracted and submit a report of these amounts achieved for the Metropolitan Storage Account to Watermaster and Metropolitan on a monthly basis but not more than two months in arrears. At the end of the fiscal year, an annual reconciliation shall be performed of storage and extraction, and any adjustments to the monthly submittals shall be submitted to the Watermaster and to Metropolitan in a timely manner for consideration in the preparation of the Watermaster's annual assessment package.
- b. Within two months following formal issuance of Watermaster's annual report, perform an annual reconciliation of Metropolitan and IEUA's and TVMWD's records with Watermaster's annual report and Metropolitan's water billing inclusive of credits for the Operation and Maintenance Costs and Electrical Costs, and prepare any needed paperwork for adjustments to the billing.
- c. Consistent with Section VIII(A) below, confirm that sufficient excess operable production capacity was maintained for the conjunctive use Program during the prior year, unless different criteria are agreed upon by the Operating Committee.
- d. Prepare and deliver to the Parties, on or before September 1 of each year, a written annual report outlining the Program Annual Operating Plan for the subsequent year, and the Operating Committee's actions during the prior year (the "**Operating Committee Annual Report**").
- e. Every five years, commencing upon the Completion Date, the Operating Committee shall review the maintenance charge set forth in Section VI(D)(1) of this Agreement. To such end, the Operating Committee shall conduct a survey of operation and maintenance costs with respect to facilities within the Program

Basin and which are comparable to the Facilities. Based on such survey and other information the Operating Committee deems relevant, the Operating Committee shall approve a new Operation and Maintenance Cost for the next five-year period.

- f. Every year commencing upon Completion Date, determine the electrical power unit rates(s) (dollars per AF of Stored Water Deliveries) for the respective Operating Party(ies) to extract water. The electrical power cost to extract Program Water (the “Electrical Costs”) shall be equal to Stored Water Deliveries (as defined in Section VII(C) below) for the applicable period multiplied by the applicable electrical power unit rate(s) for the Operating Party(ies) that extracted the water. The Operating Committee shall ensure that the electrical power unit rate per acre-foot of extracted water calculated for each Operating Party is reflective of actual energy costs.

#### **B. IEUA and TVMWD Obligations**

Subject to Section VI(C), IEUA and TVMWD hereby agree to do, or to cause through agreements with the Operating Parties in their respective service areas, the following:

1. Cause the Facilities to be operated and maintained in as good and efficient condition as upon their construction, ordinary and reasonable wear and depreciation excepted, and otherwise in accordance with industry standards (and DWR standards and requirements, if any);
2. Provide for all repairs, renewals, and replacements necessary to the efficient operation of the Facilities;
3. To the extent existing facilities are utilized for the Program, provide for all repairs, renewals, and replacements necessary to the efficient operation of such existing facilities;
4. Certify the amount of water in the Metropolitan Storage Account pursuant to the Operating Committee accounting; and
5. Upon call by Metropolitan for Stored Water Delivery, operate Facilities, combined with the existing infrastructure, at Operational Capacity Thresholds necessary to meet performance targets as outlined in Exhibit G.

#### **C. Watermaster Obligations**

Watermaster hereby agrees to:

1. Maintain records of the amounts of all water stored in and extracted from the Chino Basin pursuant to this Agreement and consistent with the Judgment and Rules and Regulations, and provide to Metropolitan an amount specified in an account to be designated as the **Metropolitan Storage Account**. Watermaster will maintain a monthly statement regarding the account as information becomes available and will document in its annual report all water stored in and withdrawn from the Metropolitan Storage Account. Watermaster shall account for Metropolitan stored water as follows:
  - a. The amount of any water stored in the Chino Basin on behalf of Metropolitan prior to the Effective Date of this Agreement shall be credited to the Metropolitan Storage Account on the Effective Date pursuant to the procedure set forth in Exhibit E.
  - b. Watermaster shall credit water which Metropolitan delivers for storage to the Metropolitan Storage Account on an acre-foot for acre-foot basis, less any losses assessed.
  - c. Losses assessed by Watermaster against the Metropolitan Storage Account will be equivalent to losses assessed Judgment parties for participation in the Storage and Recovery Program.
  - d. Watermaster shall debit the Metropolitan Storage Account one acre-foot for each acre-foot of water produced from the account. Watermaster accounting for water produced from the Metropolitan Storage Account shall specify quantities produced by each Operating Party.
  - e. Watermaster shall obtain from Operating Committee on a monthly basis its report of the amount of storage achieved using the methodology specified in Section VII(B) and Exhibit F of this Agreement.
2. Report the total active and inactive annual extraction capacity of the Operating Parties in the Watermaster's annual report.

**D. Metropolitan Obligations**

In accordance with the procedures set forth in clause (E) below, Metropolitan hereby agrees to:

1. Pay costs of operating and maintaining the Facilities at the unit rate (dollars per AF of Stored Water Deliveries) determined by the Operating Committee for the Operating Party(ies) that extracted water as adjusted when and as required by Section VI(A)(4)(e) (the "**Operation and**

**Maintenance Costs**”). Operation and Maintenance Costs will include a dollar per AF amount for each AF produced by an Operating Party from Metropolitan’s Storage Account through the funded ion exchange facilities equal to the Operating Party’s variable costs of treating Metropolitan’s State Water Project surface deliveries (expressed as dollar per AF of treating such water). Such variable costs shall exclude capital, debt service, or replacement costs and include only variable operating and maintenance costs at the Water Facilities Authority Treatment Plant, CCWD Lloyd Michael Filtration Plant, or the Miramar Treatment Plant. The dollar per AF cost shall be calculated by dividing the variable costs by the quantity of water produced by the treatment plants. The dollar per acre-foot shall be determined by the Operating Committee pursuant to Section VI(A)(4)(e);

2. Pay the Electrical Costs as determined in Section VI(A)(4)(f) to extract water from the basin, if any, equal to **Stored Water Deliveries** (as defined in Section VII(C) below) for the applicable period for the Operating Party(ies) that extracted the water; and
3. From and after the first full year in which water is stored in the Program Basin on Metropolitan’s behalf, and on or prior to July 1 of each subsequent year, pay an administrative fee in an annual amount of \$132,000 to the Watermaster (as such amount is adjusted on each anniversary of the execution of this Agreement by the lesser of 2.5% or the Retail Consumer Price Index for the City of Los Angeles published by the Engineering News Record), for the incremental costs and expenses of administering the Program during such year. Such administrative fee is subject to adjustment from time to time as approved by the Operating Committee.

**E. Payment of Operation and Maintenance Costs and Electrical Costs**

1. Amounts owing by Metropolitan pursuant to Section VI(D) for Operation and Maintenance Costs and Electrical Costs shall be paid through a credit to Metropolitan’s monthly invoice for the Stored Water Delivery to TVMWD or IEUA, as applicable, pursuant to Section VII(D). Upon the credit to Metropolitan’s invoice for the Operation and Maintenance Costs and Electrical Costs, Metropolitan will have satisfied its funding obligations with respect thereto.

**F. Annual Reconciliation**

1. Reconciliation of Metropolitan Storage Account and Costs.

As noted in Section VI(A)(4)(a) above, the Operating Committee will conduct an annual reconciliation of the prior year’s credits and debits to

the Metropolitan Storage Account. If such reconciliation reveals that the actual amount of water delivered by Metropolitan for storage pursuant to Section VII(A)(1), or the actual amount of Stored Water Deliveries, as defined in Section VII(C) below, during the prior year were not accurately accounted for, then the Operating Committee shall reflect this in its year-end assessment of storage and extraction provided to the Watermaster. The Watermaster shall determine the manner in which any credits or debits to the Metropolitan Storage Account shall be made.

The Operating Committee shall complete its reporting and processing of any prior year adjustments to the Metropolitan water invoice within two months of the formal issuance of the Watermaster's annual report, as provided in Section VI(A)(4)(b).

## **VII. GROUNDWATER STORAGE AND EXTRACTION**

### **A. Metropolitan's Storage Account Rights**

1. During any fiscal year of the term of this Agreement, Metropolitan may deliver up to 25,000 AF of Program Water for storage in the Program Basin with an equivalent amount to be accounted for in the Metropolitan Storage Account pursuant hereto; provided, however, that total Program Water stored on behalf of Metropolitan in the Program Basin, pursuant to this Agreement, shall never exceed the Maximum Storage Amount unless approved by the Watermaster. Deliveries shall be subject to the prior approval of the Watermaster pursuant to the policies described in subsection 5 below. Metropolitan shall not be obligated to pay any fees associated with basin utilization.
2. Metropolitan may make such deliveries to IEUA or TVMWD on fifteen (15) days advance notice to such Party and Watermaster. Watermaster will credit the Metropolitan Storage Account by the amount of Program Water delivered to IEUA or TVMWD.
3. Upon notification by Metropolitan pursuant to Section VII(A)(2), IEUA or TVMWD and Watermaster may either: (a) directly store the amount of any such delivery of Program Water in the Chino Basin (e.g., by injection or spreading); or (b) store the amount of any such delivery of Program Water in the Chino Basin by in lieu storage, i.e., by reducing pumping from the Chino Basin by the amount of such delivery.
4. The quantity of Program Water delivered to the Metropolitan Storage Account in any given month shall be determined in accordance with the accounting methodology set forth in Exhibit F.

5. The Watermaster's Storage and Recovery Policies shall be applied to Program Water stored under this Agreement in a non-discriminatory manner consistent with the application of such policies to any other participant in the Storage and Recovery Program, including all parties to the Judgment. Furthermore, the Watermaster shall not impose any policies upon the Program Water, whether or not imposed on other parties, that would materially alter the benefits provided to or the obligations imposed upon Metropolitan under this Agreement. Without limiting the foregoing, the Watermaster shall not impose any policies that would create any significant discrepancies between the amount of Program Water delivered by Metropolitan for storage in the Program Basin and the amount of Program Water that Metropolitan is entitled to extract from such basin pursuant to this Agreement.

**B. Certification of Deliveries to Metropolitan Water Account**

1. Metropolitan shall deliver available Program Water to IEUA or TVMWD at the appropriate service connection for storage in the Metropolitan Storage Account consistent with the Annual Operating Plan. In any month where imported water is delivered to the Chino Basin through a Metropolitan service connection, the Party receiving Program Water shall certify the facts concerning the quantities of such deliveries to Metropolitan and Watermaster in writing or electronically in a format satisfactory to Metropolitan by a responsible officer of such Party.
2. Metropolitan will credit the appropriate IEUA or TVMWD invoice at the applicable rate for each acre-foot of water certified by such Party for that service connection.
3. Certifications of Program Water for a given billing period must be received by Metropolitan before 3:30 p.m. on the third working day after the end of the month to receive credit on the bill for that billing period or any preceding billing period.
4. No certification received after six months following the end of any month in which a credit for Program Water is claimed will be accepted.

**C. Extraction of Stored Water**

1. In lieu of providing all or some of its regular surface water deliveries to IEUA or TVMWD, Metropolitan may, on fifteen (15) days advance notice, deliver water to such Party on the first of the following month by requesting such Party to debit the Metropolitan Water Account (each such delivery being a "**Stored Water Delivery**"); provided, however, that unless permitted by Watermaster, such Stored Water Deliveries shall not, in any fiscal year exceed the lesser of (a) 33% of the Maximum Storage

Amount or (b) the amount then remaining in the Metropolitan Storage Account. Metropolitan's regular surface water deliveries to IEUA and TVMWD will be reduced by the amount of such Stored Water Delivery. During an emergency or unforeseen operational condition, IEUA and TVMWD will use their best efforts in responding to Metropolitan's request for a Stored Water Delivery.

2. IEUA and TVMWD, as applicable, shall pump the amount of the Stored Water Delivery from the Chino Basin in lieu of receiving its regular surface water deliveries in accordance with specific direction from the Watermaster.
3. IEUA and TVMWD shall have twelve months to comply with Metropolitan's extraction request in accordance with the performance criteria described in Exhibit "G" to this Agreement.

**D. Payment for Extraction of Stored Water**

Upon call by Metropolitan for Stored Water Delivery, Metropolitan shall invoice IEUA or TVMWD for the amount reported as extracted by the Operating Committee pursuant to Section VI(A)(4)(a), and such Party shall pay to Metropolitan the then applicable full-service rate (or its equivalent, as determined by Metropolitan in its reasonable discretion) as if such Stored Water Deliveries were surface water deliveries through its service connection. The invoice from Metropolitan shall include credits for the Operation and Maintenance Costs and the Electrical Costs associated with the Stored Water Delivery. Where prior storage accounts are credited to the Metropolitan Water Account pursuant to Section VI(C)(1)(a), this water shall constitute the Stored Water Delivery prior to any water credited to the Metropolitan Water Account after the Effective Date, and shall be paid for at the appropriate rate indicated in Exhibit E.

**VIII. OTHER USES OF FACILITIES**

**A. Allowed Use**

IEUA and TVMWD may use Program Facilities for purposes unrelated to the Program so long as such use does not interfere with the Program and the excess operable production capacity is maintained as necessary for performance under this Program, unless monthly operable production capacity on other than a monthly basis is agreed to by the Operating Committee.

- B. IEUA and Watermaster shall certify to the Operating Committee that there will exist at all times excess operable production capacity in the Chino Basin of at least an annual extraction of 33,000AF or 3.3% of Maximum Storage Amount for performance under this conjunctive use Program.



**IX. REPRESENTATIONS, WARRANTIES AND AFFIRMATIVE COVENANTS OF PARTIES**

**A. Of IEUA and TVMWD**

IEUA and TVMWD respectively represent, warrant and covenant as follows:

1. Power and Authority

That it is a municipal water district, duly organized and validly existing under the laws of the State of California; that it has all necessary power and authority to enter into this Agreement and to perform its obligations hereunder on the terms set forth in this Agreement, and that the execution and delivery hereof by it and the performance of its obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or instrument to which it is a party or by which it is bound.

2. Authorization; Valid Obligation

That all proceedings required to be taken by or on behalf of such Party to authorize it to make, deliver and carry out the terms of this Agreement have been duly and properly taken, and that this Agreement is its valid and binding obligation enforceable in accordance with its terms, except as the same may be affected by bankruptcy, insolvency, moratorium or similar laws or by legal or equitable principles relating to or limiting the rights of contracting parties generally.

3. No Litigation

To the best of its knowledge, there is no litigation, proceeding or investigation pending or threatened, to which it is or would be a party, or which does or would bind or relate to the Program Basin, directly or indirectly, which, individually or in the aggregate, if adversely determined, might materially and adversely affect its ability to perform its obligations under this Agreement, or which raises a question as to the validity of this Agreement, or any action to be taken hereunder.

4. Compliance with Laws

In the performance of its obligations hereunder, such Party and its contractors and subcontractors will comply with all applicable laws, regulations and ordinances, including, without limitation:

- a. the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), and the regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.);
- b. Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.5) and the regulations or standards adopted by the DWR relating thereto;
- c. the nondiscrimination program requirements of Government Code, Section 12990, and Title 2, California Code of Regulations, Section 8103;
- d. Section 3700 of the California Labor Code, requiring every employer to be insured against liability for workers' compensation or to undertake self insurance in accordance with the provisions of that code, and such Party affirms that it will comply with such provisions before commencing the construction of the Facilities and will exercise best efforts to make the its contractors and subcontractors aware of this provision;
- e. the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and have or will provide a drug-free workplace; and
- f. the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant thereto.

Such party and its contractors and subcontractors will give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. Such Party and its contractors will include the nondiscrimination and compliance provisions of this clause in all contracts and subcontracts let for the construction of the Facilities.

5. Compliance with DWR Requirements

The Plans comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter. During the performance of its obligations herein, such Party will comply with any DWR requirements, including any requirements set forth in the DWR Funding Letter.

6. No Construction

That construction of the Facilities and related work (including planning activities) did not commence prior to the Effective Date.

7. Capacity

Such Party and its contractors, subcontractors and their respective agents will at all times act in an independent capacity and not purport to act as, or represent to others that they are, officers, employees, representatives or agents of Metropolitan, DWR or the State of California.

8. Oversight and Supervision of Construction

Such Party will oversee and supervise all contractors and keep control of all work and provisions of services and materials in connection with the Program.

9. Maintain Ownership of Program Property

Such Party will not sell, abandon, lease, transfer, exchange, mortgage, hypothecate or encumber in any manner whatsoever all or any portion of any real or other property necessarily connected or used in conjunction with the Program.

10. Protection of Others' Rights

Such Party will fully protect and preserve the rights of overlying landowners, other groundwater users or water rights holders, parties whose approval is required by any judgment in an adjudicated basin, and all groundwater management agencies or other applicable regulatory agencies, and will take the necessary actions (including groundwater monitoring and mitigation and/or limiting extraction of groundwater) to protect such rights.

**B. Of Watermaster**

Watermaster and its contractors, subcontractors and their respective agents will at all times act in an independent capacity and not purport to act as, or represent to others that they are, officers, employees, representatives or agents of Metropolitan, DWR or the State of California. Watermaster represents, warrants and covenants as follows:

1. Power and Authority

That Watermaster is a court-appointed entity created through the Judgement, duly organized and validly existing under the laws of the State

of California; that it has all necessary power and authority to enter into this Agreement and to perform its obligations hereunder on the terms set forth in this Agreement, and that the execution and delivery hereof by Watermaster and the performance by Watermaster of Watermaster's obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or instrument to which Watermaster is a party or by which Watermaster is bound.

2. Authorization; Valid Obligation

That all proceedings required to be taken by or on behalf of Watermaster to authorize it to make, deliver and carry out the terms of this Agreement have been duly and properly taken, and that this Agreement is a valid and binding obligation of Watermaster enforceable in accordance with its terms, except as the same may be affected by bankruptcy, insolvency, moratorium or similar laws or by legal or equitable principles relating to or limiting the rights of contracting parties generally.

3. No Litigation

To the best of Watermaster's knowledge, there is no litigation, proceeding or investigation pending or threatened, to which Watermaster is or would be a party, or which does or would bind or relate to the Chino Basin, directly or indirectly, which, individually or in the aggregate, if adversely determined, might materially and adversely affect the ability of Watermaster to perform its obligations under this Agreement, or which raises a question as to the validity of this Agreement, or any action to be taken hereunder.

4. Compliance with Laws

In the performance of its obligations hereunder, Watermaster will comply with all applicable laws, regulations and ordinances, including, without limitation:

- a. the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), and the regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.);
- b. Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Government Code, Sections 11135-11139.5) and the regulations or standards adopted by the DWR relating thereto;

- c. the nondiscrimination program requirements of Government Code, Section 12990, and Title 2, California Code of Regulations, Section 810.3;
- d. Section 3700 of the California Labor Code, requiring every employer to be insured against liability for workers' compensation or to undertake self insurance in accordance with the provisions of that code, and Watermaster affirms that it will comply with such provisions before commencing the construction of the Facilities and will exercise best efforts to make the its contractors and subcontractors aware of this provision;
- e. the Drug-Free Workplace Act of 1990 (Government Code 8.350 et seq.) and have or will provide a drug-free workplace; and
- f. the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant thereto.

Watermaster will give written notice of its obligations under this clause to labor organizations with which it has a collective bargaining or other agreement.

5. Compliance with DWR Funding Letter

During the performance of its obligations herein, Watermaster will comply with the terms and provisions of the DWR Funding Letter (Exhibit A), as applicable.

6. Capacity

Watermaster and its contractors, subcontractors and their respective agents will at all times act in an independent capacity and not purport to act as, or represent to others that they are, officers, employees, representatives or agents of Metropolitan, DWR or the State of California.

**C. Of Metropolitan**

Metropolitan represents, warrants and covenants as follows:

1. Power and Authority

That Metropolitan is a public agency and quasi-municipal corporation, duly organized and validly existing under the laws of the State of California; that it has all necessary power and authority to enter into this Agreement and to perform its obligations hereunder on the terms set forth

in this Agreement, and that the execution and delivery hereof by Metropolitan and the performance by Metropolitan of Metropolitan's obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or instrument to which Metropolitan is a party or by which Metropolitan is bound.

2. Authorization; Valid Obligation

That all proceedings required to be taken by or on behalf of Metropolitan to authorize it to make, deliver and carry out the terms of this Agreement have been duly and properly taken, and that this Agreement is a valid and binding obligation of Metropolitan enforceable in accordance with its terms, except as the same may be affected by bankruptcy, insolvency, moratorium or similar laws or by legal or equitable principles relating to or limiting the rights of contracting parties generally.

3. No Litigation

To the best of Metropolitan's knowledge, there is no litigation, proceeding or investigation pending or threatened, to which Metropolitan is or would be a party, directly or indirectly, which, individually or in the aggregate, if adversely determined, might materially and adversely affect the ability of Metropolitan to perform its obligations under this Agreement, or which raises a question as to the validity of this Agreement, or any action to be taken hereunder.

**X. RECORD KEEPING, REPORTING, INSPECTION AND AUDIT**

**A. Record Keeping**

1. IEUA shall maintain audit and accounting procedures and written accounts with respect to the Program that are in accordance with generally accepted accounting principles and practices, consistently applied. IEUA shall keep complete and accurate records of all receipts, disbursements, and interest earned on expenditures of Program Funds.
2. IEUA and its respective contractors and subcontractors shall maintain copies of all contracts, agreements, and other documents relating to the Program for a minimum of three years following Program completion.
3. IEUA and TVMWD shall keep on file, for the useful life of the Facilities, as-built plans and the specifications of the Facilities. Such documents shall be made available for inspection by the State, Metropolitan, and upon reasonable notice.

4. IEUA shall require its contractors and subcontractors to maintain books, records, and other documents pertinent to their work in accordance with generally accepted accounting principles and practices, consistently applied.

## **B. Reporting**

### **1. Construction Progress Reports**

During construction of the Facilities, a monthly progress report shall accompany each Invoice submitted by IEUA to Metropolitan (each a “**Progress Report**”), certified by a designated official of such Party, providing in reasonable detail, a description of (a) the work accomplished during the invoice period and the percent complete on each Discrete Program Element (b) and the amount of Program Construction Funds expended on each Discrete Program Element and Tasks, the purposes of those expenditures, the total amount expended and remaining of the budget for that Discrete Program Element. In the absence of a monthly Invoice, IEUA shall deliver the Progress Report detailing progress and expenditures for the month, and reporting on status of construction activities within 30-days after the month.

### **2. O&M Reports**

Commencing on the first day of the month which is ninety days following the Completion Date, and unless otherwise determined by the Operating Committee, on a semi-annual basis thereafter throughout the term of this Agreement, IEUA and TVMWD shall deliver to Metropolitan and the Operating Committee a report (an “**O&M Report**”) summarizing the operational and maintenance activities conducted in connection with the Program during the prior period.

## **C. Inspection**

Metropolitan and the DWR may inspect the aforementioned books, records and any other Program-related information at any time, upon reasonable advance notice to IEUA or TVMWD, as applicable.

## **D. Audit Rights and Obligations**

1. Pursuant to California Government Code Section 8546.7, IEUA and its contractors and subcontractors shall be subject to the examination and audit by the State Auditor for a period of three years after Program completion. IEUA agrees that, IEUA and its contractors and subcontractors shall be subject to examination and audit by Metropolitan and DWR for such period.

2. Within thirty days after the Completion of a Program Facility, IEUA shall, at its expense, cause an audit of all Program Construction Costs and expenses with respect to such Facility to be conducted by an independent certified public accountant and deliver to Metropolitan a report prepared by such accountant in connection therewith.

## **XI. INDEMNITY**

### **A. General Indemnity**

Each Party hereto shall indemnify, defend and hold harmless the other Party and its elected officials, officers and employees from and against any and all lawsuits, actions, causes of action, claims and damages and any and all court costs and attorneys' fees related thereto ("**Claims**"), in any way arising out of or connected with the performance or nonperformance of the indemnifying Party's duties or the discharge of or failure to discharge that Party's obligations hereunder to the maximum extent permitted by law.

### **B. IEUA Specific Indemnity**

Without limiting the foregoing indemnity, IEUA hereby agrees to indemnify, defend and hold harmless TVMWD, Metropolitan and Watermaster, their elected officials, officers and employees from and against any and all Claims, in any way arising out of or connected with the Program, including any Claims by DWR or any other branch, agency or department of the State of California in connection with the Program (except for a breach of the DWR Funding Letter attributable to Metropolitan) or breach of its obligations hereunder, or otherwise to the extent of such Party's responsibility hereunder or to the extent that such Party caused or exacerbated such or other Claim(s).

### **C. TVMWD Specific Indemnity**

Without limiting the foregoing indemnity, TVMWD hereby agrees to indemnify, defend and hold harmless IEUA, Metropolitan and Watermaster, their elected officials, officers and employees from and against any and all Claims, in any way arising out of or connected with the Program, including any Claims by DWR or any other branch, agency or department of the State of California in connection with the Program (except for a breach of the DWR Funding Letter attributable to Metropolitan) or breach of its obligations hereunder, or otherwise to the extent of such Party's responsibility hereunder or to the extent that such Party caused or exacerbated such or other Claim(s).

### **D. Watermaster Specific Indemnity**

Without limiting the indemnity in clause(A) above, Watermaster hereby agrees to indemnify, defend and hold harmless Metropolitan and IEUA and TVMWD, and



their elected officials, officers and employees from and against any and all Claims, in any way arising out of or connected with the Program, including any Claims by DWR or any other branch, agency or department of the State of California in connection with the Program (except for a breach of the DWR Funding Letter attributable to Metropolitan or IEUA's and TVMWD's breach of its obligations hereunder), or otherwise to the extent of Watermaster's responsibility hereunder or to the extent that it caused or exacerbated such Claim(s).

**E. Metropolitan Specific Indemnity**

Without limiting the indemnity in clause (A) above, Metropolitan hereby agrees to indemnify, defend and hold harmless IEUA and TVMWD and Watermaster, their elected officials, officers and employees from and against any and all Claims arising out of or connected with a failure under or breach of the DWR Funding Letter by Metropolitan, or otherwise to the extent of Metropolitan's responsibility hereunder or to the extent that it caused or exacerbated such or other Claim(s).

**XII. INSURANCE**

**A. General Required Coverages**

IEUA and TVMWD through agreement with their respective Operating Parties shall procure, pay for and keep in full force and effect, at all times during the term of this Agreement the following insurance (to the extent not already maintained by IEUA and TVMWD or their respective Operating Parties):

1. Commercial general liability insurance insuring IEUA and TVMWD against liability for personal injury, bodily injury, death and damage to property (including the Facilities) arising from IEUA's and TVMWD's performance under this Agreement. Said insurance shall include coverage in an amount equal to at least Five Million Dollars (\$5,000,000), and shall contain "blanket contractual liability" and "broad form property damage" endorsements insuring IEUA's and TVMWD's performance of its obligations to indemnify Metropolitan as set forth herein (the "**CGL Insurance**"); and
2. Pursuant to Section 3700 of the California Labor Code, workers' compensation insurance with employer's liability in the amounts required by any applicable laws (the "**Workers' Compensation Insurance**").
3. IEUA and TVMWD will provide proof of automobile liability insurance as required by the State of California Department of Motor Vehicles.

**B. Specific Policy Requirements**

Each policy of insurance required to be carried pursuant to this Agreement: (1) shall, except with respect to Worker's Compensation Insurance, name Metropolitan as an additional insured; (2) shall be in a form reasonably satisfactory to Metropolitan; (3) shall be carried with companies reasonably acceptable to Metropolitan; (4) shall provide that such policy shall not be subject to cancellation, lapse or change except after at least thirty (30) days prior written notice to Metropolitan, and (5) shall, except with respect to the Environmental Liability Insurance required under clause (D) below, be on an "occurrence" basis and not on a "claims-made" basis.

**C. Deductibles/Self-Insurance.**

The insurance required by this Section XII may contain deductibles or self-insured retentions. IEUA and TVMWD through agreement with their respective Operating Parties shall be solely responsible for any such deductibles and/or self-insured retentions applicable to the coverages specified in Section XII(A). Metropolitan, at its option, may require IEUA and TVMWD to secure a surety bond or an irrevocable and unconditional letter of credit in order to ensure payment of such deductibles or self-insured retention. Insurance policies that contain deductibles or self-insured retentions in excess of \$25,000 per occurrence shall not be acceptable without the prior approval of Metropolitan.

## 1. Insurance Certificates.

Metropolitan reserves the right to require certified complete copies of any insurance certificates required by this Agreement but the receipt of such certificates shall not confer responsibility upon Metropolitan as to sufficiency of coverage.

## 2. Acceptability of Insurers

All insurance required by this Agreement shall be placed with insurers admitted to transact business in the State of California for the applicable class of insurance, as required by §700 of the California Insurance Code. Each insurer shall have a current Best Insurance Guide rating of not less than AVII, unless a lower rating is approved in writing by Metropolitan. Similarly, each self-insurer (including, if applicable, IEUA, TVMWD and/or its Operating Parties) shall have a self-insured liability program that is based upon excess liability policies rated at AVII or higher, unless otherwise approved in writing by Metropolitan.

**D. Environmental Liability Insurance**

1. If IEUA, TVMWD and Metropolitan agree to procure environmental liability insurance, IEUA and TVMWD shall obtain and Metropolitan shall pay 50% of the cost of the policy of environmental liability insurance that, at a minimum, shall cover: (1) the costs of on-site and off-site clean-up of pollution conditions relating to or arising from the Program (including natural resource damages, changes in water quality regulatory requirements and/or changes in the quality of water in the basin below original water quality readings); and (2) losses resulting from tort claims for bodily injury and property damage resulting from pollution conditions relating to or arising from the Program. Such insurance shall have limits of liability and terms and conditions (including premiums) reasonably approved by Metropolitan. Notwithstanding the foregoing, if Metropolitan reasonably agrees that, despite IEUA's and TVMWD's good faith and diligent efforts to obtain such environmental liability insurance, the coverage required herein is not available on commercially reasonable terms, IEUA and TVMWD shall obtain the coverage that most closely approximates the coverage required herein that is available on commercially reasonable terms or consider other risk financing alternatives. Metropolitan shall pay 50% of the cost of any such alternative coverage or risk financing alternative selected by IEUA and TVMWD, provided that the terms and conditions (including premiums) have been reasonably approved by Metropolitan.
2. For purposes of this Section XII(B), the "costs" of environmental liability insurance, alternative coverage or risk financing alternatives to be shared by the parties as provided in the prior paragraph shall include (1) insurance premiums and other up-front or periodic costs of coverage; (2) deductibles payable in connection with claims; and (3) any out-of-pocket costs (including court costs, attorneys' fees and other litigation expenses) incurred in connection with enforcement or collection under the policy, alternative coverage or other risk financing alternative.

**XIII. DISPUTE RESOLUTION; DEFAULTS AND REMEDIES****A. Dispute Resolution**

If any dispute arises between or among the Parties regarding interpretation or implementation of this Agreement (or the Operating Committee is unable to reach agreement on a matter being considered by it), the Parties will endeavor to resolve the dispute by using the services of a mutually acceptable consultant. The fees and expenses of the consultant shall be shared equally by the Parties. Except for disputes relating to exercises of Metropolitan discretion pursuant to Sections V(C); VII(A); VII(C); VII(D); XII(A) and XIII(B), if a consultant cannot be agreed upon, or if the consultant's recommendations are not acceptable to all

Parties (or, in the case of the Operating Committee, to the members thereof), and unless the Parties (or members of the Operating Committee) otherwise agree, such dispute shall be settled by arbitration in accordance with the Rules of the American Arbitration Association in the County of Los Angeles, California. The arbitration panel acting pursuant to said rules may order any legal or equitable relief permitted by California law, including, without limitation, (1) declaratory and injunctive relief, (2) **SPECIFIC PERFORMANCE OF THE TERMS, CONDITIONS AND OBLIGATIONS OF THIS AGREEMENT**, (3) monetary liability, or (4) any other relief (including, without limitation, termination of this Agreement, as set forth in Section XIII(B) below) consistent with the purposes of this Agreement and applicable to the matter. The arbitration panel shall also be empowered to make final and binding determinations with respect to matters before the Operating Committee, where the members of the Committee were unable to reach agreement. Judgment upon the award rendered by the arbitration panel may be entered and enforced by any court having jurisdiction thereof.

## **B. Defaults and Remedies**

1. Should IEUA or TVMWD, each acting through agreement with its respective Operating Parties, fail to fully perform in the extraction of Program Water from the Metropolitan Water Storage Account in accordance with Exhibit G in response to a call from Metropolitan that has been approved by the Watermaster, and upon a determination by the Operating Committee that full performance could and should have occurred, then Metropolitan shall invoice to IEUA or to TVMWD, as appropriate, water delivered equal to the quantity in acre-feet of non-performance at two times the Tier 2 full service water rate (or its equivalent, as determined by Metropolitan in its reasonable discretion) currently then in effect (“**Nonperformance Penalty**”).
2. Should the Operating Committee in its review of incomplete performance, as specified in paragraph B (1) above, determine that unanticipated operational or water quality considerations precluded full performance, the Operating Committee shall not recommend to Metropolitan that the Nonperformance Penalty be assessed. In such case, IEUA or TVMWD, whichever is the responsible Member Agency, shall work with the nonperforming Operating Party to promptly set out a mutually agreeable course of action and schedule to correct the deficiency and present such to the Operating Committee for its concurrence. Future nonperformance outside of the agreed-upon schedule (provided that the Operating Committee has concurred with such schedule) would be subject to the Nonperformance Penalty.

**C. Termination**

1. Notwithstanding anything to the contrary herein, upon a breach of any provision of this Agreement by IEUA, TVMWD or Watermaster or any of them, Metropolitan may terminate this Agreement as to the breaching Party, by written notice to IEUA, TVMWD and Watermaster. Upon such termination, the breaching Party shall be required to reimburse Metropolitan for all Program Funds advanced to such Party by Metropolitan pursuant to this Agreement. Further, Metropolitan may require the breaching Party to purchase in equal installments over a 5-year period, at Metropolitan's then applicable full-service rate (or its equivalent, as determined by Metropolitan in its reasonable discretion), the balance of any water then identified in the Metropolitan Water Account. Upon full reimbursement and payment of the amounts required pursuant to this Section XIII(C), this Agreement shall be fully terminated as to the breaching Party.
2. Notwithstanding anything to the contrary herein, upon a breach of any provision of this Agreement by Metropolitan, IEUA and TVMWD may terminate its participation in this Agreement by written notice to Metropolitan. Upon such termination, the terminating Party shall be responsible to purchase in equal installments over a 5 year period, at Metropolitan's then applicable full-service rate (or its equivalent as determined by Metropolitan in its reasonable discretion), the balance of any water then identified in the Metropolitan Storage Account.

**D. Remedies Are Cumulative**

The rights and remedies of the Parties are cumulative, and the exercise by any Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same breach or any other breach by the other Party.

**XIV. FORCE MAJEURE EVENTS****A. Excuse to Performance**

In addition to specific provisions of the Agreement, lack of performance by any Party shall not be deemed to be a breach of this Agreement, where delays or defaults are due to acts of God, or the elements, accident, casualty, labor disturbances, unavailability or delays in delivery of any product, labor, fuel, service or materials, failure or breakdown of equipment, strikes, lockouts, or other labor disturbances, acts of the public enemy, orders or inaction of any kind from the government of the United States, the State of California, or any other governmental, military or civil authority (other than Metropolitan, IEUA, TVMWD or Watermaster), war, insurrections, riots, epidemics, landslides,

lightning, droughts, floods, fires, earthquakes, arrests, civil disturbances, explosions, freight embargoes, lack of transportation, breakage or accidents to vehicles, or any other inability of any Party, whether similar or dissimilar to those enumerated or otherwise, which are not within the control of the Party claiming such inability or disability, which such Party could not have avoided by exercising due diligence and care and with respect to which such Party shall use all reasonable efforts that are practically available to it in order to correct such condition (such conditions being herein referred to as “**Force Majeure Events**”).

**B. Responding to Force Majeure Events**

The Parties agree that in the event of a Force Majeure Event which substantially interferes with the implementation of this Agreement, the Parties will use their best efforts to negotiate an interim or permanent modification to this Agreement which responds to the Force Majeure Event and maintains the principles pursuant to which this Agreement was executed.

**XV. MISCELLANEOUS**

**A. Entire Agreement**

This Agreement constitutes the entire agreement between the Parties pertaining to the matters provided for herein and, except as herein provided, supersedes all prior and/or contemporaneous agreements and understanding, whether written or oral, between the Parties relating to the matters provided for herein.

**B. Interpretation**

The Parties have participated in the drafting of this Agreement and the Agreement shall not be construed for or against any Party. The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against any of the Parties hereto and Section 1654 of the Civil Code has no application to interpretation of this Agreement. In addition, this Agreement shall be construed to the maximum extent possible in conformance with Prop. 13, the DWR Funding Letter, the IRP, the Groundwater Storage Principles, the RFP, and the Proposal. Notwithstanding anything to the contrary herein, to the extent this Agreement conflicts with the RFP and/or Proposal, this Agreement shall control.

**C. Further Assurances**

Each Party, upon the request of the other, agrees to perform such further acts and to execute and deliver such other documents as are reasonably necessary to carry out the provisions of this instrument.

**D. Counterparts**

This Agreement, and any document or instrument entered into, given or made pursuant to this Agreement or authorized hereby, and any amendment or supplement thereto may be executed in two or more counterparts, and by each party on a separate counterpart, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document. Any signature page of this Agreement or of such an amendment, supplement, document or instrument may be detached from any counterpart without impairing the legal effect of any signatures thereon, and may be attached to another counterpart identical in form thereto but having attached to it one or more additional signature pages. In proving this Agreement or any such amendment, supplement, document or instrument, it shall not be necessary to produce or account for more than one counterpart thereof signed by the Party against whom enforcement is sought.

**E. Assignment**

No Party shall transfer this Agreement, in whole or in part, or any of its interests hereunder, to any other person or entity, without the prior written consent of the other Parties. Any attempt to transfer or assign this Agreement, or any privilege hereunder, without such written consent shall be void and confer no right on any person or entity that is not a Party to this Agreement. Nothing contained herein shall prevent the Parties from subcontracting for the performance of obligations hereunder, provided, however, no such subcontracting shall relieve the Parties from the performance of their respective obligations hereunder.

**F. Venue**

Any legal actions initiated pursuant to this Agreement or otherwise with respect to its subject matter must be instituted in the Superior Court of the County of Los Angeles, State of California, or in the Federal District Court in the Central District of California.

**G. Governing Law; Attorneys Fees and Costs**

The laws of the State of California shall govern the interpretation and enforcement of this Agreement. The non-prevailing party in any claim, suit or other action, including use of the dispute resolution as provided for in Section XIII(A), brought by such party shall pay to the prevailing party the costs of such prevailing party's attorneys fees and expenses and all other costs and expenses incurred by the prevailing party in defense of such action.

**H. Notice**

Formal written notices, demands, correspondence and communications between the Parties authorized by this Agreement shall be sufficiently given if personally served or dispatched by registered or certified mail, first-class, postage prepaid, return receipt requested, to the Parties as follows:

To IEUA: Inland Empire Utilities Agency  
General Manager  
P.O. Box 697  
Rancho Cucamonga, CA 91729

To TVMWD: Three Valleys Municipal Water District  
General Manager  
1021 E. Miramar Avenue  
Claremont, CA 91711

To Watermaster: Chino Basin Watermaster  
Chief Executive Officer  
86.32 Archibald Avenue, Suite 109  
Rancho Cucamonga, CA 91730

To Metropolitan: The Metropolitan Water District  
of Southern California  
Chief Executive Officer  
700 No. Alameda Street  
Los Angeles, California 90012

Such written notices, demands, correspondence and communications may be sent in the same manner to such other persons and addresses as either Party may, from time to time, reasonably designate by mail as provided in this Section. Notice shall be deemed given when received by mail or when personally served.

**I. Successors**

This Agreement shall bind and inure to the benefit of the Parties, and their respective successors and assigns.

**J. Severability**

Should any provisions of this Agreement prove to be invalid or illegal, such invalidity or illegality shall in no way affect, impair or invalidate any other provisions hereof, and such remaining provisions shall remain in full force and effect; provided, however, if the illegality or invalidity of any provision



undermines the intent of the Parties, then the Parties shall attempt in good faith to amend the agreement in order to fulfill the intent of the Parties. If the Parties are unable to so amend the Agreement, then the Agreement shall terminate and be of no further force or effect.

**K. Time is of the Essence**

Time is of the essence with respect to the performance of every provision of this Agreement in which time of performance is a factor.

**L. Amendment**

This Agreement may be amended only in writing duly executed by the Parties hereto. Notwithstanding the foregoing, individual items listed in Exhibit H are subject to adjustment pursuant to the procedure set forth in Exhibit H.

*[Remainder of Page Intentionally Blank – Signature Pages Follow]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first set forth above.

**THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA**

By: \_\_\_\_\_  
Ronald R. Gastelum  
Chief Executive Officer

Date: \_\_\_\_\_

**APPROVED AS TO FORM:  
Jeffrey Kightlinger  
General Counsel**

By: \_\_\_\_\_  
Sydney Bennion  
Assistant General Counsel

Date: \_\_\_\_\_

**INLAND EMPIRE UTILITIES AGENCY**

By: \_\_\_\_\_  
Richard Atwater  
General Manager

Date: \_\_\_\_\_

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
(Name)  
General Counsel

Date: \_\_\_\_\_

**THREE VALLEYS MUNICIPAL WATER  
DISTRICT**

By: \_\_\_\_\_  
(Name)  
General Manager

Date: \_\_\_\_\_

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Steve Kennedy  
District Counsel

Date: \_\_\_\_\_

**CHINO BASIN WATERMASTER**

By: \_\_\_\_\_  
John Rossi  
Watermaster

Date: \_\_\_\_\_

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Michael Fife  
General Counsel

Date: \_\_\_\_\_

**EXHIBIT A**

**DWR FUNDING LETTER**

# **Exhibit B**

## **REQUEST FOR PROPOSAL**

# **Exhibit C**

## **THE PROPOSAL**

# **Exhibit D**

## **METROPOLITAN AWARD LETTER**

# **Exhibit E**

## **PROCEDURE FOR INITIAL CALCULATION OF METROPOLITAN STORAGE ACCOUNT**

Exhibit E is to itemize a pre-existing storage account to be rolled over into the conjunctive use Program Metropolitan Storage Account. This rollover water is to be called and sold to IEUA on a first in/first out basis. The applicable water rate to be paid for each rolled over account is specified in this exhibit, as is the responsibility for extraction costs, facility maintenance fees, etc.

<b>Water Account</b>	<b>Quantity of Water Transferred (Acre-feet)</b>	<b>Water Rate to be Paid when called under this Agreement for firm delivery</b>	<b>Responsibility for Costs: Electrical and Operation &amp; Maintenance Costs</b>	<b>Losses</b>
Trust Storage Account	4,739	Untreated replenishment rate at the time the water is called under this Agreement	IEUA	None
Trust Storage Account	X <sup>1</sup>	Untreated firm rate at the time the water is called under this Agreement	Metropolitan	Losses assigned at same rate as to other storage water in Chino Basin

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<sup>1</sup> Acre-feet of water stored by Metropolitan in the Chino Basin with the authorization of the Watermaster during the period beginning March 1, 2003 through the Effective Date.



## ACCOUNTING METHODOLOGY

### Annual Operating Plan

Commencing upon the Effective Date of this Agreement and thereafter prior to the beginning of each fiscal year, the Operating Committee will develop an Annual Operating Plan to forecast IEUA's and TVMWD's operations for the coming year in terms of groundwater production and imported water delivery absent the Program, as well as intended storage through in-lieu deliveries, injection and direct spreading, and extraction. Deliveries to the Metropolitan Storage Account through in-lieu deliveries, injection, or direct spreading will be determined using methodologies detailed in this Exhibit F.

The Annual Operating Plan must reflect IEUA's and TVMWD's monthly operations in terms of groundwater production and imported water deliveries absent the Program. If water is to be stored through direct injection or spreading or in-lieu deliveries, the Annual Operating Plan must indicate the months when the deliveries to the Chino Basin are expected to occur. If water is to be extracted, the operating schedule must reflect the amount of imported water that will be delivered from the Metropolitan Storage Account each month.

Upon call by Metropolitan for storage or extraction, the Operating Committee shall prepare a revision to the Annual Operating Plan for submission to Metropolitan, IEUA, TVMWD, and Watermaster, which would indicate the revised monthly storage or extraction amounts for the Metropolitan Storage Account. Metropolitan shall invoice for extracted Stored Water Delivery on a monthly basis at the firm water rate minus pumping and Operations and Maintenance Costs, according to the revised Annual Operating Plan. Any adjustments to the quantities billed shall be made during the year-end reconciliation.

### Calculation of Storage and Extraction

IEUA and TVMWD shall account for all water stored and extracted in the Chino Basin by their respective subagencies and each submit its certification of these total amounts and the subset of these amounts achieved for the Metropolitan Storage Account. IEUA and TVMWD shall each submit this certification to Metropolitan and the Watermaster on a monthly basis. At the end of each fiscal year, IEUA and TVMWD shall perform an annual assessment of total storage and extraction and the subset achieved for the Metropolitan Storage Account. Any adjustments to the monthly submittals shall be provided by IEUA to Metropolitan and to the Watermaster in a timely manner for consideration in the preparation of the Watermaster's annual report.

All accounting for the Metropolitan Storage Account shall conform to the following unless otherwise agreed by Metropolitan, IEUA, TVMWD, and Watermaster:

- a. Initial storage balance upon execution of this Agreement shall be consistent with Exhibit E “Procedure for Initial Calculation of Metropolitan Storage Account”. This initial storage balance is firm water to be billed at the rate designated in Exhibit E upon its extraction. This water, when extracted, shall be part of IEUA’s firm water allocation pursuant to the rate structure. This water shall be first in, and first out of the Metropolitan Storage Account.
- b. All other water delivered to the Metropolitan Storage Account shall be “new wet-water storage” to the Chino Basin, and not accomplished through an accounting transfer of pre-existing storage. New storage is achieved through demonstrated in-lieu delivery spreading, or injection of imported water supplied by Metropolitan.
- c. Monthly amounts certified by IEUA or TVMWD as in-lieu storage cannot exceed:
  1. extraction capacity available within IEUA’s or TVMWD’s service area in the month certified, and
  2. amount of firm water purchased by IEUA or TVMWD from Metropolitan in the month certified.

In-lieu storage amount will be equal to the difference between the amount pumped during the year and the sum of the pumping rights, but in no case shall be larger than the quantity of water purchased from Metropolitan or the pumping capacity.

Within two months following the formal issuance of Watermaster’s annual report, the Operating Committee shall perform an annual reconciliation of Metropolitan and IEUA’s and TVMWD’s records with the Watermaster report with respect to total storage and/or extraction from the Metropolitan Storage Account and Metropolitan’s water billing inclusive of credits for the Operation and Maintenance Costs and Electrical Costs, and prepare any needed paperwork for adjustments to the billing.

# Exhibit G

## Chino Basin Conjunctive Use “Dry Year” Storage Project Performance Criteria

Metropolitan may, on fifteen (15) days notice, require Program Agency to meet the objectives of the project as follows:

- 1) IEUA and TVMWD agree to reduce imported water deliveries by approximately 33,000 AF from the preceding 12 month period during the next 12 month period; and
- 2) IEUA, TVMWD and Chino Basin Watermaster through their agreements with Operating Parties will cause to be pumped during the next 12 months 33,000 AF from the Metropolitan Storage Account; and
- 3) Chino Basin pumping by the Operating Parties in the Dry Year program within the Chino Basin appropriate pool will increase over the previous year by 33,000 AF.

All three performance targets do not need to be met precisely ( + or – 10 percent.) As an example, IEUA and TVMWD would meet the objectives of the program if all three of the following occurred:

30,000 AF	Reduced imported full service deliveries when compared to the preceding 12 months.
31,000 AF	Pump from Metropolitan Storage Account.
34,000 AF	Increase pumping by Operating Parties, when compared to the preceding year.

However, the Operating Committee may mutually agree that performance targets are met even though a performance target is not met (a scenario when retail conservation were to exceed 15 – 25 percent or if other local supplies were developed, e.g., dramatic increase in recycled water use, may reduce the opportunity for the retail agencies to pump 33,000 AF from the Metropolitan Storage Account.) In this case, the Operating Committee would need to agree on the variance procedures for accepting a modified performance target after the episode. It should be generally agreed that additional use and production of all local supplies native to the Chino Basin area should not be restricted or cause IEUA, TVMWD or Chino Basin Watermaster (or the Operating Parties) to be out of compliance of the performance target. It should also be agreed that if IEUA and TVMWD retailers demand firm water from Metropolitan over the twelve month period, the pumped water would come from the Metropolitan Storage Account up to 33,000AF.

The objective of the program is to provide 33,000 acre-feet of additional pumping capacity in the Chino Basin for dry year use, to allow Metropolitan, IEUA and TVMWD the flexibility to utilize the Facilities in the most efficient manner possible (including normal year and wet years) and to ensure that upon a call of Metropolitan’s stored water, Facilities will be used to provide an additional supply of water to meet IEUA’s and TVMWD’s needs. A partial call will be addressed through a pro rata performance of all three objectives .

## Exhibit H

### DESCRIPTION OF PROGRAM FACILITIES & OPERATING PARTIES

[NOTE: Need to include updated list of Operating Parties, the Facilities to be constructed, operated and maintained by each, the yield to be produced by each, and the funding amount and source allocated to each. IEUA to provide final version of exhibit.]

Agency	Facility Name	Location
<b>Ion Exchange Nitrate Removal Facility</b>		
City of Chino	Southwest A	Phillips Blvd & Central Ave
	Southwest A alternative	Benson Ave, south of Francis St
	Northwest B	Palo Verde St & Benson Ave
City of Chino Hills	Southwest C	State St & Ramona Ave
	Southwest D	Chino Hills Pkwy & Ramona Ave
CCWD	North Central	Apricot St & Amethyst Ave
MVWD	Southwest B	Monte Vista Ave, btwn Phillips Blvd & Grand Ave
	Northwest B	Palo Verde St & Benson Ave
City of Ontario	Central	Cucamonga Ave, btwn Fourth St & I St
City of Pomona	West	First St & San Lorenzo St
City of Upland	Northwest A	Ninth Ave, west of Mountain Ave
<b>Well Facilities</b>		
	<b>Quantity</b>	
CCWD	2	East Ave & I-15 Fwy
MVWD	1	Monte Vista Ave & Richton St
City of Ontario*	1	Monte Vista Ave & Richton St
	1	Seventh St & Grove Ave
	1	1150 Hellman Ave
	1	Concours & Milliken Ave
	1	1335 Holt Blvd
	1	G St & Grove Ave
	1	Belmont St & Grove Ave
	1	Jurupa St & Dupont Ave
SAWC	1	Eight St, btwn San Antonio Ave & Euclid Ave

\*City of Ontario will select four of the seven listed well sites

The foregoing list is a preliminary list based on reasonable expectations of the Parties as of the Effective Date. Individual items on this Exhibit H may be adjusted from time to time by written notice from IEUA or TVMWD, as applicable, and Watermaster to Metropolitan. Each such notice shall specify the items to be adjusted and the amount of adjustment and shall certify to Metropolitan that after making such adjustment the Operational Capacity Thresholds continue to be met. Each notice which meets the requirements of this paragraph shall modify this Exhibit H to the extent provided in the notice.

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# **EXHIBIT 2**

# ATTACHMENT VII

Attachment VII



**Inland Empire**  
UTILITIES AGENCY

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Date: February 5, 2003

To: Honorable Board of Directors

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

Thomas A. Love  
Executive Manager -- Engineering & Planning

Subject: MWD Groundwater Storage Program Agreement

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**RECOMMENDATION**

It is recommended that the Board of Directors:

1. Authorize the Chief Executive Officer/General Manager to execute the MWD Groundwater Storage Program Agreement with MWD, Chino Basin Watermaster and Three Valleys Municipal Water District; and
2. Authorize the Chief Executive Officer/General Manager to execute the new agreement for MWD's local project funding of IEUA's Regional Recycling Program (formerly Carbon Canyon Reclamation Agreement).

**BACKGROUND**

Chino Basin Watermaster and IEUA jointly submitted a proposal to MWD in January, 2001, for a groundwater conjunctive use storage program. In April, 2001, MWD approved the proposal (and eight other proposals from member agencies). MWD has \$45 million in Prop. 13 grant funding from the California Department of Water Resources. Of these DWR grant funds, \$9 million was allocated to the Chino Basin Storage Program.

In November, 2001, MWD and IEUA agreed to the 100,000 AF Storage Program Term Sheet (see attached) and MWD funding (up to \$1.6 million) for all costs associated with CEQA compliance and preliminary engineering studies for the ultimate \$27.5 the million facilities. MWD also agreed to modify the Carbon Canyon Reclamation Local Projects Funding Agreement and to assist in the refurbishment of existing replenishment connections and the construction of one new replenishment connection.

The Chino Basin Groundwater Storage Project with MWD would allow up to 100,000 acre-feet of water to be stored by MWD in wet years and in times of imported water shortages (drought or emergencies), the new facilities would produce 33,000 acre-feet in a twelve month period. The new facilities funded by this agreement would be owned and operated by the following participating utilities:

City of Chino  
City of Chino Hills  
City of Ontario  
City of Pomona  
City of Upland  
Cucamonga County Water District  
Monte Vista Water District

All of the \$27.5 million is for new wells and ion exchanges facilities. Chino Basin Watermaster also is reimbursed by MWD for the administrative costs (initially \$132,000 annually, indexed in the future) related to the storage accounting.

As part of the MWD Groundwater Storage Program and the OBMP Recharge Master Plan, MWD has agreed to assist in the cost-sharing and refurbishment of existing replenishment connections (CB-11TB, CB-13T, CB-14T, and CB-15T) and the construction of one new connection along the Etiwanda Feeder. MWD staff would review and approve design drawings, inspect the constructed facilities, and approve all connections at an estimated cost of \$600,000. The construction costs for these connections would be funded under the \$39 million Recharge Master Plan capital budget funding agreement with Watermaster. IEUA has completed all the CEQA and permits for these connections.

Another key component of this agreement with MWD is the amendment to the existing Carbon Canyon Local Projects (LPP) Funding Agreement. Currently, the Carbon Canyon LPP Funding Agreement is limited to recycled water delivered to customers from RP-2/RP-5 and Carbon Canyon. Currently less than 1,500 acre-feet annually receives the \$154 acre-feet rebate. The agreement limit is for 13,500 acre-feet per year. The amended agreement would allow the rebate credits to apply to all new customers served by RP-4 and RP-1. IEUA would be able to reach the 13,500 acre-feet per year limit within the next few years and thus increase our revenue by over \$1.75 million per year.

MWD's Board will consider this item on February 11, Three Valleys MWD on February 19, and Chino Basin Watermaster on February 27, 2003. Your Board approval of this agreement with Chino Basin Watermaster, Three Valleys MWD and MWD will increase significantly the local supplies to our service area. In effect, this is the key program for "drought proofing" our service area.

CEQA compliance has been fully completed with the OBMP PEIR (July 12, 2000) and IEUA's PEIR for the Wastewater Facilities Master Plan and Recycled Water Feasibility Study (June 28, 2002). On December 28, your Board approved the Finding of Consistency with the participating agency facilities funded by this MWD Groundwater Storage Program Agreement.

### **PRIOR BOARD ACTION**

1. August 15, 2000 – IEUA Board approved the Terms of Agreement with MWD.
2. October 17, 2001 – IEUA Board approved the Term Sheet (100,000 AF storage account and 33,000 AF/Y dry year program).
3. November 21, 2001 – IEUA Board approved the Advance Funding Agreement (\$1.6 million) with MWD for CEQA and Preliminary Design Services (Black and Veatch, Wildermuth, and Tom Dodson).
4. December 18, 2002 – IEUA Board approved CEQA “Finding of Consistency.”

### **IMPACT ON BUDGET**

The total funding agreement is \$27.5 million. All of these MWD/DWR funds are “pass through” grants to the participating agencies. IEUA administrative, accounting, legal and auditing costs will be charged to the Water Fund and be recovered through IEUA's surcharge (currently \$7/AF) for imported water.

The amendment to the Carbon Canyon Local Project Agreement with MWD would result in the \$154 per acre-foot rebate applying to all new landscape and industrial customers throughout the IEUA service area. The annual cap is 13,500 acre-feet (or approximately \$2.05 million in annual revenue). Currently, IEUA (2002) received about \$250,000. With the new customers (e.g., Reliant, Inland Paper) expected in 2003 and 2004, the rebate from MWD will reach the maximum amount (13,500 acre-feet by 2005) resulting in an increase in MWD rebates of potentially \$1.75 million. During the term of this agreement (expires in 2017) the increased revenue would be about \$19 million to IEUA.

# ATTACHMENT VIII

Attachment VIII



# BOARD ACTION

- **Board of Directors**  
**Water Planning, Quality and Resources Committee**

February 11, 2003 Board Meeting

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8-10

## Subject

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Authorize entering into an agreement for the Conjunctive Use Storage Project with Inland Empire Utilities Agency, Three Valleys Municipal Water District and Chino Basin Watermaster under Proposition 13, and authorize the modification of the Carbon Canyon Reclamation Agreement

## Description

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The Governor's Annual Budget Act, released in May 2000, appropriated to the Department of Water Resources local assistance grant funds from Proposition 13. From these funds, the state allocated \$45 million to Metropolitan to help finance Southern California water reliability projects targeting groundwater conjunctive-use projects within Metropolitan's service area. These conjunctive-use projects will improve the water supply reliability for the entire region by creating additional dry-year supply, as targeted in the Integrated Resources Plan.

In April 2001, the Board directed staff to finalize agreement terms with the sponsoring entities that were selected through the Prop. 13 competitive Request for Proposal process. Among the programs selected was the Chino Basin Groundwater Storage Project, sponsored by Inland Empire Utilities Agency and the Chino Basin Watermaster. The Three Valleys Municipal Water District will also be participating in the program with its subagency, the city of Pomona. A portion of the Chino Basin is within the TVMWD service area and the city of Pomona will be a retail agency operating program facilities.

This conjunctive-use program was recommended to receive \$9 million from the Prop. 13 funds allocated to Metropolitan. In November 2001, the Board authorized the Chief Executive Officer to proceed with finalizing an expanded program costing an additional \$18.5 million. The expanded program included the modification of the agreement for the Carbon Canyon Reclamation Project under the Local Projects Program and refurbishment of inactive Inland Empire replenishment connections.

The Chino Basin Groundwater Storage Project will enable Metropolitan to store up to 100,000 acre-feet of water in the Chino Basin when surplus water is available during wet years and produce 33,000 acre-feet per year during dry, drought, or emergency periods. The program facilities include new wells and ion exchange treatment facilities. On Aug. 22, 2001, Inland Empire submitted the signed Program Term Sheet (**Attachment 1**) for this project to Metropolitan. The Program Term Sheet briefly describes the key articles of the agreement, consistent with Metropolitan's Principles for Groundwater Storage approved by the Board in January 2000, and is the basis of the contractual agreement. The submittal of the signed Program Term Sheet by Inland Empire signified the intent to execute an agreement to develop the conjunctive-use project.

As part of the conjunctive-use project, Metropolitan would agree to a cost sharing approach to refurbish four existing replenishment connections and one new connection along the Etiwanda Feeder. Metropolitan would review and approve design drawings, inspect constructed facilities, and approve all connections at a cost of \$700,000. Inland Empire will fund and contract for the design and construction of all five connections. Inland Empire would also be responsible for all permits and environmental work necessary to complete the new connection and reactivate the old replenishment connections. Another component of the project would permit modification of the Carbon Canyon Reclamation Project agreement to allow for credits under the Local Projects Program to be applied to other areas in the Inland Empire service area under a new agreement. The resultant acceleration of recycled water use would enable local agencies to redirect groundwater production to higher-value

February 11, 2003 Board Meeting

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Page 2

potable applications, offsetting demand for imported water. The agreement limit of 13,500 acre-feet per year would remain unchanged. Therefore, Metropolitan would have no new funding commitment.

Metropolitan has prepared the agreement consistent with the Program Term Sheet for the Chino Basin Groundwater Storage Project and the modified agreement for the Carbon Canyon Reclamation Project. These agreements are available for review at the Executive Secretary's office. Under the agreement, Inland Empire will be responsible for the preparation of the CEQA documentation as the lead agency and the design, construction and operation of the facilities. This conjunctive-use program would add to the programs the Board approved last year with the city of Long Beach and Three Valleys Municipal Water District.

### **Policy**

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By Minute Item 43668, dated August 17, 1999, the Board adopted a Statement of Needs for the CALFED Bay-Delta Program.

By Minute Item 43860, dated January 11, 2000, the Board approved strategies for implementing Groundwater Storage Programs within Metropolitan's service area.

By Minute Item 44210, dated October 17, 2000, the Board adopted Resolution 8706 to accept the grant for funds from Proposition 13.

By Minute Item 44427, dated April 10, 2001, the Board gave authority to finalize agreement terms for Groundwater Conjunctive-Use Projects using Proposition 13 Funds.

By Minute Item 44695, dated November 20, 2001, the Board gave authority to proceed with finalizing agreements at increased funding levels for the Chino and Orange County Groundwater Storage Programs.

### **California Environmental Quality Act (CEQA)**

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CEQA determination(s) for Option #1:

#### **Conjunctive Use Storage Project with Inland Empire Utilities Agency, Three Valleys MWD and Watermaster under Proposition 13**

Pursuant to the provisions of CEQA and the State CEQA Guidelines, Inland Empire, acting as Lead Agency, prepared and processed a Final Program Environmental Impact Report (Final PEIR) for the Chino Basin Optimum Basin Management Program. The Final PEIR was certified and the project was approved by the Lead Agency on July 12, 2000. The environmental effects associated with construction activities tied to the proposed agreement between Metropolitan, Inland Empire, Three Valleys MWD and the Watermaster were evaluated in the Final PEIR. Subsequent to that process, proposed minor modifications to those construction activities were found to be necessary. As a consequence, Inland Empire prepared a Finding of Consistency with the Final PEIR/Initial Study (i.e., Addendum) relating to those proposed modifications and found that no new significant effects would occur or no new mitigation measures would be required beyond what had been previously addressed in the Final PEIR. The Addendum was certified by Inland Empire on December 18, 2002. Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the certified Final PEIR and Addendum and adopt the Lead Agency's findings prior to approval of the proposed agreement. The Final PEIR and addendum are available in the Executive Secretary's Office for review.

The CEQA determination is: Review and consider information provided in the 2000 certified Final PEIR and in the 2002 certified Addendum, and adopt the Lead Agency's findings related to the proposed agreement.

#### **Amendment to the Carbon Canyon Reclamation Agreement**

Pursuant to the provisions of CEQA and the State CEQA Guidelines, Inland Empire, acting as Lead Agency, prepared and processed the Final PEIR for the Chino Basin Optimum Basin Management Program. The Final PEIR was certified and the project was approved by the Lead Agency on July 12, 2000. The environmental effects associated with construction activities tied to the proposed modification to the existing agreement were evaluated in the Final PEIR. Metropolitan shall have no obligations regarding funding of the future improvements under this proposed modification, until such time as the Lead Agency has complied with the



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Page 3

requirements of CEQA and the State CEQA Guidelines. Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the certified Final PEIR and adopt the Lead Agency's findings prior to approval of the proposed modification to the existing agreement. The Final PEIR is available in the Executive Secretary's Office for review.

The CEQA determination is: Review and consider information provided in the 2000 certified Final PEIR, and adopt the Lead Agency's findings related to the proposed agreement.

CEQA determination for Option #2:

None required

### **Board Options/Fiscal Impacts**

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#### **Option #1**

Adopt the CEQA determination and

- a. Authorize the CEO to enter into an agreement acceptable to the General Counsel substantially in the form on file with the Executive Secretary for the Chino Basin Groundwater Storage Project with Inland Empire Utilities Agency, Three Valleys Municipal Water District, and the Chino Basin Watermaster.
- b. Authorize the CEO to enter into an agreement acceptable to the General Counsel substantially in the form on file with the Executive Secretary that will modify the Carbon Canyon Reclamation agreement to allow credits under the Local Projects Program to be applied to other areas in the Inland Empire service area.
- c. Appropriate \$18.5 million for Metropolitan's costs associated with the design and construction of the Chino Basin Groundwater Storage Project.
- d. Appropriate \$700,000 for Metropolitan's costs associated with the review, approval of design drawings, and inspection of the refurbished and new replenishment connections.

**Fiscal Impact:** Up to \$19.2 million in Proposition 13 or other state funds, or Metropolitan's Local Groundwater Storage Program (Appropriation 15272). No additional financial commitment for the LPP will be realized.

#### **Option #2**

Do not proceed with approval of agreement.

**Fiscal Impact:** May jeopardize current plans to spend \$9 million of Proposition 13 funds in the Chino Basin.

### **Staff Recommendation**

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#### **Option #1**

  
 Stephen N. Arakawa  
 Manager, Water Resource Management

1/14/2003

Date

  
 Ronald R. Gastelum  
 Chief Executive Officer

1/20/2003

Date

**Attachment 1 – Terms of Agreement for the Chino Basin Groundwater Storage Project**

BLA #1946

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Attachment 1, Page 1 of 5

**Proposition 13  
Groundwater Storage Program  
Term Sheet**

ARTICLE	DESCRIPTION
I. Recitals	Establishes Metropolitan's Board-adopted Groundwater Storage Principles as basis for agreement and includes items as necessary from the participants of the agreement.
II. Effective Date and Term	A. 25-year Term with renewal by mutual consent
III. Conditions Precedent to Project Funding Obligation	A. CEQA B. DWR commitment - DWR agreement conditions fulfilled C. Permits and Approvals - All authorizations shall have been obtained D. No litigation E. No Existing Force Majeure Event
IV. Program Planning and Construction	A. Planning <ol style="list-style-type: none"> <li>1. General description</li> <li>2. Operational Capacity thresholds</li> <li>3. Submission of Plans, Schedule and Budget - By September 1, 2003 agency shall deliver engineering, construction, schedule and budget to Metropolitan</li> <li>4. Metropolitan shall review and approve schedule and budget only. Metropolitan shall submit schedule and budget to DWR for approval</li> </ol> B. Construction - Program Agency is responsible for the construction. Metropolitan and DWR retain inspection right. Metropolitan has no ownership interest in the Program facilities
V. Project Construction Funding Procedure (not including Maintenance/Energy Cost Funding)	A. Metropolitan Funding Obligation - Sets Metropolitan maximum funding obligation B. Contribution from Agency - Sets Agency contribution (if any)

**Proposition 13  
Groundwater Storage Program  
Term Sheet**

ARTICLE	DESCRIPTION
	<p>C. Cost Overruns - Agency liable for overruns</p> <p>D. Disbursement Protocol</p> <ol style="list-style-type: none"> <li>1. Agency submits 90-day budget for Metropolitan approval. Metropolitan approves or disallows and forwards to DWR. DWR approves and sends money to Metropolitan. Metropolitan forwards money to agency</li> <li>2. Agency must certify expenditures</li> <li>3. Funds held in a construction trust account</li> <li>4. Ten percent retainage by DWR</li> </ol>
<p>VI. Operation of Project</p>	<p>A. Operating Committee</p> <ol style="list-style-type: none"> <li>1. Two members from Metropolitan and two members representing the Basin - disputes according to Article XIV</li> <li>2. Annual Planning Meeting, Operating Budget, and Schedule - Committee to develop and manage O&amp;M plan for year, including Agency baseline, schedule and budget</li> <li>3. Committee duties                             <ol style="list-style-type: none"> <li>a. Account for storage and extraction and losses</li> <li>b. Annual reconciliation of water accounts, energy and operations expenses</li> <li>c. Confirm Baseline Assurances</li> <li>d. Prepare annual Program operating report</li> <li>e. Coordinate timing, locations and nature of storage</li> </ol> </li> </ol> <p>B. Program Agency Obligations</p> <ol style="list-style-type: none"> <li>1. Operate and maintain facilities in good condition</li> <li>2. Provide for repairs</li> </ol>

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Attachment I, Page 3 of 5

**Proposition 13  
Groundwater Storage Program  
Term Sheet**

ARTICLE	DESCRIPTION
	<ul style="list-style-type: none"> <li>3. Maintain the Agencies' facilities as necessary</li> <li>4. Certify water delivered into Metropolitan account</li> <li>C. Metropolitan Obligations                             <ul style="list-style-type: none"> <li>1. Pay for maintenance of Program facilities</li> <li>2. Pay for power to pump water</li> <li>3. Pay annual administrative fee (ratio of \$100,000 per 25,000 AF of yield)</li> </ul> </li> <li>D. Payment of O&amp;M: Agency may choose to receive payment in form of credit on water bill</li> <li>E. Annual Reconciliation - Reconcile actual storage and O&amp;M costs</li> </ul>
<p><b>VII. Groundwater Storage and Extraction</b></p>	<ul style="list-style-type: none"> <li>A. Storage of water - Metropolitan can store up to 25 percent of its total capacity rights per year on fifteen days notice</li> <li>B. Extraction of Stored Water - Metropolitan can extract up to 33 percent of its total capacity rights per year on fifteen days notice</li> <li>C. Agency will certify storage and extraction deliveries</li> <li>D. Payment for Stored Water - Agencies pay full service rate</li> <li>E. Disposition of water in storage at termination of agreement</li> </ul>
<p><b>VIII. Other Uses of Facilities</b></p>	<ul style="list-style-type: none"> <li>A. Agencies may use facilities, but may not use the facilities in a manner that would negatively impact Metropolitan financially. Agencies responsible for O&amp;M when they use facilities.</li> </ul>
<p><b>IX. Baseline Assurances</b></p>	<ul style="list-style-type: none"> <li>A. Agency covenants not to operate the facilities in a manner that would negatively impact Metropolitan financially.</li> <li>B. Agency pays full service rate for water if they operate the facilities in a manner that would negatively impact Metropolitan financially.</li> </ul>

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Attachment 1, Page 4 of 5

**Proposition 13  
Groundwater Storage Program  
Term Sheet**

ARTICLE	DESCRIPTION
X. Representations, Warranties and Affirmative Covenants of Parties	
XI. Record Keeping and Audit Provisions	
XII. Indemnity	A. General Indemnity B. Program Agency indemnity of Metropolitan C. Metropolitan indemnity of Agency
XIII. Insurance	A. General Required Coverage B. Environmental Liability Insurance - Commercially available to cover on- and off-site clean up of pollution arising from the program and losses from tort claims. Liability insurance will also cover payment of future costs to upgrade Program water quality, seismic, fire/hazardous materials handling or other regulatory/safety rules. Metropolitan and Agency share cost. C. Extra Expense Insurance D. Specific Policy Requirements E. Deductibles/Self Insurance F. Metropolitan copies of insurance certificates G. Acceptability of Insurers
XIV. Defaults and Remedies	A. Dispute Resolution - Disputes will be handled by 1) Operating Committee, 2) Mutually acceptable consultant, or 3) Arbitration B. Termination - If there is a breach of contract by the Agency, Metropolitan may terminate with written notice. Agency to purchase water over 3 year period and pay liquidated damages. C. Liquidated Damages - Agency repays the program construction costs

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Attachment 1, Page 5 of 5

**Proposition 13  
Groundwater Storage Program  
Term Sheet**

ARTICLE	DESCRIPTION
XV. Force Majeure Events	A. Provisions for Force Majeure Events
XVI. Miscellaneous	A. Miscellaneous Legal Provisions
Exhibits	A. DWR Funding Letter B. RFP C. Agency Proposal D. Metropolitan Award Letter E. Initial Storage Account (Cyclic) F. Accounting and Certification for Storage and Extraction

Concur:

Concur:



Ronald R. Gastelum  
Chief Executive Officer  
The Metropolitan Water District  
of Southern California



Richard W. Atwater  
Chief Executive Officer/General Manager  
Inland Empire Utilities Agency

August 17, 2001  
Date

AUGUST 22, 2001  
Date

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# ATTACHMENT IX

Attachment IX





# Dry Year Yield Project

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Review MWD  
Contract Terms

January 2003

# Overview of Agreements

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- Agreement w/ MWD
  - Recitals
  - 25 year Term – Option for Mutual Extensions at 5 years each
  - Funding Conditions
    - CEQA
    - DWR
    - Permits
    - No Litigation

# Overview of Agreements

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- Program Description
  - MWD Deliver up to 25,000 AFY
    - Pursuant to Operating Committee Plan
    - Subject to WM Rules and Regs
    - WM can approve higher amounts
  - MWD Call up to 33,000 AFY
  - IEUA & TVMWD Enter into Agreements with Operating Parties
  - Spread Water must meet WM and other regulatory water quality requirements

# Overview of Agreements

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- Program Description - Continued
  - Water can be spread , in lieu, or injected
  - Finalizing Language on links to prior MWD storage agreements
  - Extraction commitment will be pro rata prior to full completion
  - MWD will fund Facilities per Exhibit (to be finalized)

# Overview of Agreements

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- Program Description - Continued
  - No MWD charges for water supply when water put in ground
  - MWD pay a portion of treatment costs
  - MWD untreated rate charged when water is extracted
  - MWD reimbursed pumping costs when extracting
  - Pumping Costs fixed by agency and reviewed every 5 years
  - CBWM receive \$132,000 (indexed) annual administrative fee

# Overview of Agreements

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- Program Description - Continued
  - Agencies may use facilities when not in call mode
  - Agencies must maintain capacity for extraction call defined as excess operable production capacity of at least 33,000 AF annually

# Submission on Plans, Schedule & Budget

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- Must Submit Plans, Schedule and Budget by Sept. 1, 2003
- Must Complete Facilities by March 8, 2008
- MWD has 10 days to review/approve submittals – otherwise deemed approved
- MWD commitments conditioned on DWR approval for \$9 million

# Construction

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- IEUA shall retain or cause to be retained, qualified contractors/consultants
- MWD/DWR right to inspect
- MWD no ownership in Facilities



# Cost Overruns

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- MWD shall, conditioned on DWR approval, re-allocate budget between line items
- If Bids exceed 5%, MWD and IEUA may mutually agree to cost share, change scope, discontinue project element
- IEUA agrees to reimburse MWD if DWR disapproves cost item

# Disbursement Protocol

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- IEUA invoice MWD monthly
- MWD pay within 30 days of receipt
- Invoice must be certified and contain copies of invoices, etc.
- IEUA distributes funds to other parties, as appropriate

# Operating Committee

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- Five Members – 2 Chosen by MWD and 3 chosen by CBWM, IEUA, & TVMWD
- Develop Annual Operating Plan
- Meet regularly
- Certify storage balances
- Review CBWM annual report to verify MWD storage complies with agreement requirements
- Committee shall submit a report on activities to Watermaster



# ATTACHMENT X

Attachment X

**CHINO BASIN OPTIMUM BASIN  
MANAGEMENT PROGRAM**

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**Chino Basin Dry-Year Yield and  
Storage & Recovery Programs  
Development**

presented by:  
Black & Veatch  
September 4, 2002

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**Initial Facilities/MWD Conceptual Report**

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- Site descriptions, field sketches, vicinity street maps & aerial photos were prepared:
  - Treatment Facilities
    - Southwest A (City of Chino)
    - Southwest B (MWD)
    - Northwest (City of Upland)
    - Central (City of Ontario)
    - North Central (CCWD)
    - West (City of Pomona AIX plant expansion)
  - Wells
    - Four new wells for Ontario
    - Two new wells for CCWD
    - One new well for MWD
    - One new well for SAWC

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**MWD Dry Year Yield IX Facilities**

Facility	Owner	FeedwaterWells
SWA - Phillips Blvd & Central Ave (or Benson south of Francis)	Chino	Chino 3, 5, 9 (or 3, 10, 12)
SWB - Grand & Montic Vista Ave	MWD	MWD 2
NW - 9th St & Mountain Ave	Upland	Upland 3, 8, 13
Central - Galvin	Ontario	Ontario 3, 4, 18, 19
North Central - Amethyst Av & Apricot St	CCWD	CCWD 15, 17, 31 (or 13, 23, 26, 33)
West - AIX	Pomona	Existing Plant

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**MWD Dry Year Yield IX Facilities –  
New Requests**

Facility	Owner	Feedwater Wells
Slate St & Ramona Ave	Chino Hills	New well with IX?
Chino Hills Pkwy & Ramona Ave	Chino Hills	Palisier
Palo Verde St & Benson Ave	MWWD/Chino	New Well

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**MWD Dry Year Yield Wells**

Facility	Owner	Number of Wells
East Ave & I-15 Fwy	CCWD	2
Various Sites	Ontario	2
Monte Vista Ave & Richton St	MWWD	1
8th St. between San Antonio & Euclid	SAWC	1

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**Dry Year Yield Program – MWD Proposal**

- IX Facilities
  - Treatment Capacity = 1,500 gpm (2,400 AFY)
  - With blending = 1,860 gpm (3,000 AFY)
  - Shift obligation = 3,000 AFY
- Wells
  - Eight new wells producing 15,000 AFY
  - Shift obligation = 1,875 AFY for each well

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**Actual Yield for Typical IX Facility**

- Average nitrate concentration = 60 mg/L
- Treated water = 1,500 gpm
- Bypass blending = 925 gpm
- Total blended product = 2,425 gpm (3,900 AFY)
- Difference in yield = Blended product – Shift obligation
- Difference in yield = 3,900 – 3,000 = 900 AFY

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**Actual Yield for Typical Well**

- Range of production from each well = 1,500 – 2,000 gpm (2,400 – 3,250 AFY)
- Difference in yield = Well production – Shift obligation
- Min difference in yield = 2,400 – 1,875 = 525 AFY
- Max difference in yield = 3,250 – 1,875 = 1,375 AFY
- Range of difference in yield: 525-1,375 AFY

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**Cucamonga County Water District**

- North Central IX Facility – Reservoir 3, Apricot Av & Amethyst St
  - Feedwater wells – CCWD 15, 17, 31 (or 13, 23, 26, 33)
- Shift obligation: 3,000 AFY
- Actual yield: 3,250 AFY

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**Cucamonga County Water District**

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- Two new wells – East Ave at I-15 Fwy; Baseline Rd near Cherry Ave
- Shift obligation: 3,750 AFY
- Actual yield: 4,800-6,500 AFY
- Total shift obligation (IX + wells) = 6,750 AFY
- Total actual yield: 8,050-9,750 AFY

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**City of Ontario**

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- Four new wells
  - Fourteen potential sites are available
  - BV needs to finalize well locations
- Shift obligation: 7,500 AFY
- Actual yield: 9,600-13,000 AFY

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**City of Pomona**

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- Expand existing AIX facility
  - Feedwater wells: Pomona 21, 24, 36
- Shift obligation: 3,000 AFY
- Actual yield: 4,000 AFY

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**City of Upland**

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- Northwest IX Facility – Ninth St near Mountain Av
  - Feedwater wells: Upland 3, 8, 13
- Shift obligation: 3,000 AFY
- Actual yield: 3,275 AFY

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**City of Chino**

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- Southwest-A IX Facility – Phillips Blvd & Central Av
  - Feedwater wells: Chino 3, 5, 9 (Chino 3, 10, 12)
- Shift obligation: 3,000 AFY
- Actual yield: 3,900 AFY

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**Monte Vista Water District**

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- Southwest-B IX Facility – Monte Vista Av & Grand St
  - Feedwater well: Well 2
- Shift obligation: 2,000 AFY
- Actual yield: 1,600 AFY

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**Monte Vista Water District**

- New well: Monte Vista Av & Richton St
- Shift obligation: 1,875 AFY
- Actual yield: 2,400 AFY
- Total shift obligation (IX + wells) = 3,875 AFY
- Total actual yield: 4,000 AFY

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**City of Chino Hills**

New requests from Chino Hills

- New well w/ IX treatment at State St & Ramona Av (2,400 AFY)
- Refurbishment of Pellisier well, including IX treatment

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**MVWD & Chino Consolidated IX Facility**

- New well with IX treatment at Palo Verde St & Benson Av
- Shared equally between MVWD & City of Chino
- Shift obligation: 2,400 AFY
- Actual yield: 2,400 AFY

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**Possible Funding/Take Obligation Approach  
(Capital Allocation)**

\$ (in millions)	Agency	AF (in 1000's)
8.7	CCWD	11
6.3	Ontario	8
4.0	MVWD	5
- 3.2	Chino	4
0.7	Pomona	1.24
1.6	Chino Hills	2
2.4	Upland	3
0.0	Other	0
25.2		33

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**Possible Funding/Take Obligation Approach  
(Based on New Yield)**

\$ (in millions)	Agency	AF (in 1000's)
4.6	CCWD	1
4.6	Ontario	1
4.6	MVWD	1
4.6	Chino	1
4.6	Pomona	1
4.6	Upland	1
27.5		6

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# CONJUNCTIVE USE PERFORMANCE CONTRACTS

MWD

## IEUA/Chino Basin Watermaster

- Dry Year Take 33,000 AFY
- Storage Accounting
- Invoicing of water in/out
- Recharge approval MZ 1,2,3
- Tier 1/Tier 2 Purchase Order
- Spreading Schedule
- In Lieu

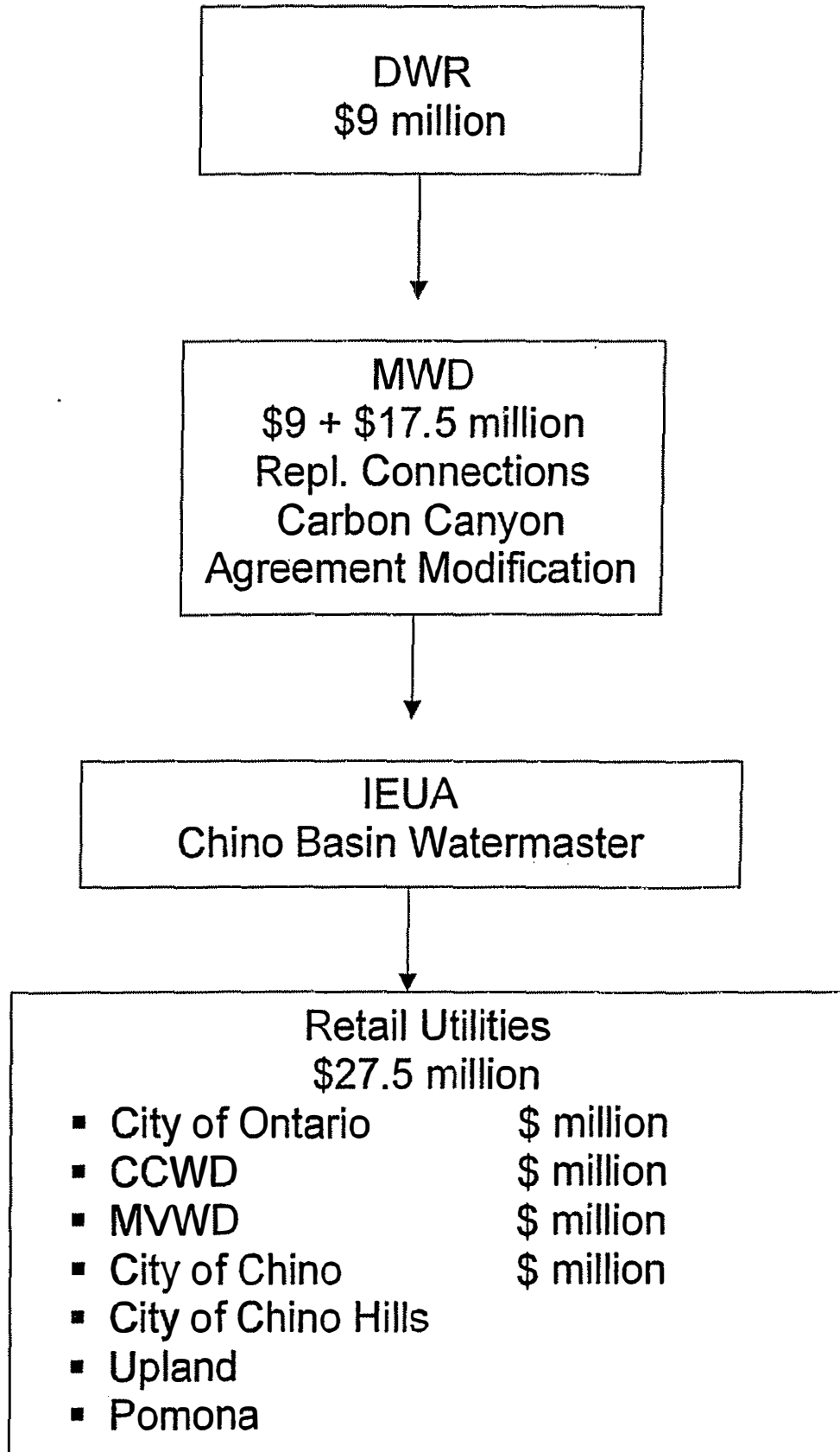
## Retail Utilities

- CCWD
- City of Ontario
- MVWD/Chino/Chino Hills
- City of Upland
- City of Pomona

Take

33,000

# FUNDING ARRANGEMENTS



## **DESIGN OF FACILITIES**

- 100% Reimbursed from MWD/DWR
- B/V Design Team for Ion Exchange Facilities
- New Wells – Option for CCWD and Ontario
- Permits completed by Retail Agency.

PLANNING	CEQA	PRELIMINARY DESIGN
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- \$1.6 million – 100% Reimbursed by MWD/DWR
- B/V, Wildermuth, Dodson Consultant Team (\$1.6 million)
- Watermaster/IEUA
- Replenishment Connections
  - ✓ \$1 million MWD
  - ✓ Recharge Master Plan Design Coordination
- IEUA Carbon Canyon Agreement
  - ✓ Tom Love/MWD Staff



# ATTACHMENT XI

Attachment XI

## Let's Review

**MWD Is Willing To Provide \$27.5M  
For 20,000 to 38,000 AFY Dry-Year  
Supply Program including 6 New  
Regional Ion Exchange Treatment  
Plants and New Groundwater Wells**

## Where Do We Stand Without The Program?

<b>Costs:</b> Pay To Pump Groundwater	\$100/AF
<u>      Purchase Replenishment Water</u>	<u>\$250/AF</u>
Total	\$350/AF

**Benefits:** None

### Questions:

- 1) Can Dry-Year Demands Be Met With Reduced Firm Imported MWD Deliveries?
- 2) Potential Impacts of the New Rate Structure

## What If The Program Is Implemented?

### Potential Benefits:

Capital	\$27.5M
Pumping	\$100/AF (Put and Take)
Annual Storage Losses	\$250 x 4% Storage Vol.
Water Left In Basin	\$250/AF
OBMP Assessment Fee	\$0-20/AF (Put and Take)
Surface Water Treatment	\$0-50/AF

### Additional Benefits:

- Clean-up of Basin
- Additional Dry-Year Supply
- MWD Connections
- Implement OBMP
- Potential Desalter 2 LRP Rebate

## What If The Program Is Implemented?

### Costs:

In-lieu Water	\$350/AF
<u>IX Treatment(18000/38000)</u>	<u>\$33/AF</u>
<u>Total</u>	<u>\$383/AF</u>

### Benefits:

In-lieu Pumping(Put)	\$100/AF
Pumping/O&M(Take)	\$100/AF
<u>OBMP Fee</u>	<u>\$20/AF</u>
<u>Total</u>	<u>\$220/AF</u>

## Comparison With And Without Program

- Without Program:
  - Costs = \$350/AF - Benefits = \$0
  - Net Costs = \$350/AF
- With Program
  - Costs = \$383/AF - Benefits = \$220
  - Net Costs = \$163/AF
- Overall Savings = \$187/AF\*

\*Note: Does not include all potential benefits (ie, capital facilities, OBMP fees, losses)



## Summary of MWD Proposition 13 Program Benefits?

### Case I - 38,000 AFY Dry-Year Program

MWD	\$27.5 Million Capital
MWD	\$100/AF (Take Pumping O&M)
MWD	\$20/AF (Put & Take OBMP Fee)
MWD	\$50/AF (In-lieu Water Treatment Cost)

## Summary of MWD Proposition 13 Program Benefits?

### Case II - 38,000 AFY Dry-Year Program

MWD	\$27.5 Million Capital
MWD	\$100/AF (Take Pumping O&M)
MWD	\$5/AF (Reduced Put & Take OBMP Fee)

## Summary of MWD Proposition 13 Program Benefits?

### Case I

Secure Dry-Year Supply	38,000AFY
Total Benefit	\$71 Million
Average Benefit	\$373/AF

### Case II

Secure Dry-Year Supply	38,000AFY
Total Benefit	\$56 Million
Average Benefit	\$296/AF



## A Typical Take Year

Assume 38,000 AF Take in 2009

- Benefits
  - Avoided Pumping (\$100/AF)
  - Storage Losses (\$250/AF)
  - OBMP Fee (\$20/AF)
  - Total = \$6.9M (or \$4.3M in 2009 PV)
- Costs
  - IX Treatment (\$70/AF)
  - Total = \$1.6M (or \$1.0M in 2009 PV)
- Difference = \$5.3M (or \$3.3M in 2009 PV)

## A Typical Put Year

Assume 17,000 AF Put in 2002

- Benefits
  - Avoided Pumping (\$100/AF)
  - Storage Losses (\$250/AF)
  - OBMP Fee (\$20/AF)
  - Total = \$2.2M (or \$2.0M in 2009 PV)
- Costs
  - None
- Difference = \$2.2M (or \$2.0M in 2009 PV)

## **Policy Discussion Issues**

### **MWD Proposition 13 Program**

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- Define Phase 1 Projects

## **Policy Discussion Issues**

### **MWD Proposition 13 Program**

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- Homework Assignment
  - 3 Alternatives
    - New wells
    - Wellhead treatment
    - 50/50 new wells/wellhead treatment
  - Capacities
    - 10,000 AFY
    - 15,000 AFY
    - 20,000 AFY

## **Policy Discussion Issues MWD Proposition 13 Program**

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- Alternatives Were Analyzed Using MWD's Hydrology/Financial Model
  - MWD historically has not included their water cost when evaluating other programs
    - Arvin Edison
    - Semitropic
    - Cadiz

## **Policy Discussion Issues MWD Proposition 13 Program**

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- Assumptions/Inputs to MWD Model



*MWD Hydrology/Financial Model*



## **Policy Discussion Issues**

### **MWD Proposition 13 Program**

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- Assumptions

## **Policy Discussion Issues**

### **MWD Proposition 13 Program**

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- Wellhead Treatment--Assumptions

## **Policy Discussion Issues**

### **MWD Proposition 13 Program**

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- New Wells--Assumptions

## **Policy Discussion Issues**

### **MWD Proposition 13 Program**

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- Results of MWD Model--Relative Unit Value

## **Policy Discussion Issues MWD Proposition 13 Program**

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- **Benefits of MWD Prop 13 Program**
  - Capital Funding for Chino Basin Projects
  - Provides up to 18,000 AFY
  - Provides Opportunity to Minimize O&M Cost Risk
  - Increasing local supply provides for:
    - Reduced growth charge
    - Summer peaking

## **Policy Discussion Issues MWD Proposition 13 Program**

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- **MWD Negotiation Points**
  - Wellhead treatment
  - Put side
    - Request monthly deliveries
  - Take side
    - Water returned on annual basis
  - Minimize length of term

## **Policy Discussion Issues MWD Proposition 13 Program**

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- Summary
  - Proceed w/ Prop. 13 grant for treatment alternatives
  - Define actual projects
    - Verify capital cost vs. yield

## **Comparison of MWD Prop. 13 Grant**

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## **Proposed Chino Facilities**

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- Utilize Ion Exchange for Nitrate Removal
- 3 Regional Nitrate Removal Plants
  - Northwest Treatment Plant
  - Southwest Treatment Plant
  - Cucamonga Treatment Plant

## **Proposed Chino Facilities**

---

- Assumptions
  - Ion Exchange: \$0.70/gal.
  - Ion Exchange Facility O&M: \$0.20/ 1000 gal.
  - Piping: \$7/inch-diameter/LF
  - Rehabilitation of Existing Wells: \$100,000/ea.
  - Drill and Equip New Wells: \$800,000/ea.
  - Contingency: 15%
  - Engineering, Legal/Admin.: 15%, 10%

## Northwest Treatment Plant

---

- Capacity: 3000gpm (4800 AF)
- No. of Wells: 3 w/1 standby  
(Upland #3, #8, #13, and Monte Vista #4)
- Piping:
  - Brine Water to NRW
  - Finished Water to Distribution System

## Northwest Treatment Plant

---

- Total Capital Cost: \$6.2M
  - Plant: \$3M
  - Wells: \$0.4M
  - Piping: \$0.9M
  - Fees/Cont.: \$1.9M
- O & M Costs:
  - Plant/Wells: \$0.36M
  - Energy: \$0.45M

## Southwest Treatment Plant

---

- Capacity: 3000gpm (4800 AF)
- No. of Wells: 3  
(Chino #10, #12, and new well in Ontario)
- Piping:
  - Brine Waste to NRW
  - Finished Water to Distribution System

## Southwest Treatment Plant

---

- Total Capital Cost: \$6.5M
  - Plant: \$3M
  - Wells: \$1.0M
  - Piping: \$0.5M
  - Fees/Cont.: \$2.0M
- O & M Costs:
  - Plant/Wells: \$0.34M
  - Energy: \$0.45M

## Cucamonga Treatment Plant

---

- Capacity: 1800gpm (2900 AF)
- No. of Wells: 1  
(Cucamonga County #8)
- Piping:
  - Brine Water to NRW
  - Finished Water to Distribution System

## Cucamonga Treatment Plant

---

- Total Capital Cost: \$3.4M
  - Plant: \$1.8M
  - Wells: \$0.1M
  - Piping: \$.4M
  - Fees/Cont.: \$1.1M
- O & M Costs:
  - Plant/Wells: \$0.21M
  - Energy: \$0.27M



## **Proposed Chino Facilities**

---

- **Summary:**

- Total Capital Cost: \$16.1 M

- Total Storage: 37,500 AF

- O&M:

- Put: \$25/AF      Take: \$170/AF

- Dry Year Yield:

- 12,500 AF/Yr      \$1290 \$/AF

## **Comparison of MWD Prop. 13 Grant**

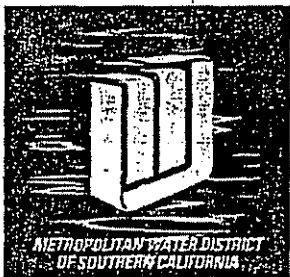
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# ATTACHMENT XII

Attachment XII

# Proposition 13 Funding Of The Chino Basin Groundwater Storage Program

## *Conceptual Facility Descriptions And Scope of Work*



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**INLAND EMPIRE UTILITIES AGENCY  
CHINO BASIN WATERMASTER**

in cooperation with

**METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA**

---



**November 2001  
Draft**



**BLACK & VEATCH**  
C o r p o r a t i o n

B&V Project No. 99247



## Executive Summary

This report presents conceptual planning level information on the facilities associated with Metropolitan Water District of Southern California's Groundwater Storage Program in the Chino Basin. The Inland Empire Utilities Agency, in cooperation with the Chino Basin Watermaster and its stakeholders, submitted a proposal outlining various groundwater storage programs to the Metropolitan Water District. Since the proposal was submitted, the Metropolitan Water District, Chino Basin Watermaster, Inland Empire Utilities Agency, and Black & Veatch have refined the storage projects and developed a program that achieves an optimum combination of projects which will provide an additional source of dry-year water supply when Metropolitan Water District's resources are limited. The program also increases Metropolitan Water District's operational flexibility. This program will set the framework for ultimate conjunctive use throughout the Basin with the eventual development of supplies that could be exported to other parts of Metropolitan Water District's service area. The program represents the consensus of Chino Basin Watermaster and the Basin's stakeholders and collectively provides seasonal peaking benefits, dry-year yield, improved water quality, and will help balance recharge of the Basin.

The program's facilities consist of new ion exchange groundwater treatment plants and new groundwater wells. Six ion exchange groundwater treatment plants will be constructed throughout the northern, central, and western sections of the Basin near existing groundwater wells that have been identified as having excessive concentrations of nitrate. The ion exchange treatment process will remove most of the nitrate from the groundwater, allowing it to be pumped into the distribution system to meet overlying retailer water demands. The new groundwater wells will draw water from the Basin in areas where nitrate concentrations meet existing drinking water regulations allowing the water to be delivered directly into the retailer distribution systems without additional treatment for nitrate removal. Each of the six treatment plants provides 3000 acre-feet per year of dry year yield and the new groundwater wells will provide an additional 15,000 acre-feet per year, making the total dry-year yield of the program 33,000 acre-feet per year.

Probable costs for the facilities were estimated based on construction and operation and maintenance expenses for similar projects and on information provided by equipment suppliers. A 20 percent contingency was added to the estimated project cost to account for the level of detail associated with a conceptual level estimate. The estimated costs for the ion exchange facilities was \$20 million and the new groundwater wells were estimated to cost \$7.5 million, making total estimated capital expenses for the project \$27.5 million. An additional \$1 million dollars will be provided for the installation of new interconnections with the Metropolitan Water District.



## Executive Summary



The estimated preliminary design fee for the facilities is \$1.6 million. Task descriptions and details on the fee estimate are included in Appendix A. The proposed design schedule is included in Appendix B. The schedule shows the project beginning in December, 2001 and ending in October, 2002.





## 1.0 Introduction

This chapter presents the historic and institutional background of the Chino Basin, describes the goals of this project, and summarizes the facilities required to implement the project.

### 1.1 Historic and Institutional Background

The Chino Basin (Basin) consists of approximately 235 square miles in the upper Santa Ana River Watershed. The Basin is located predominately in the west end of San Bernadino and Riverside Counties and includes the cities of Chino, Ontario, Chino Hills, Norco, and several communities. Most of the Basin is located in the Inland Empire Utilities Agency's service area. The Basin is bounded geographically by the Cucamonga Basin and the San Gabriel Mountains to the north, the Rialto-Colton Basin to the northeast, the chain of Jurupa, Pedley, and La Sierra Hills to the southwest, and San Jose Hills and the Pomona and Claremont Basins to the northwest.

The boundary of the Chino Basin is legally defined in the Judgement in the case of *Chino Basin Municipal Water District vs. the City of Chino, et al.* (SBSC Case No. RCV 51010), issued in 1978. Since that time, the Basin has been operated in accordance with the judgement under the auspices of a court-appointed Watermaster. The Watermaster has several advisory committees made up of various stakeholders (Chino Basin producers) to the judgement. Figure 1-1 illustrates the Basin's hydrologic and legal boundaries.

The Basin is one of the largest groundwater basins in southern California with approximately 5 million acre-feet (AF) of water in the Basin and an unused storage capacity of about 1 million AF. Water supply retailers in the Basin produce groundwater for all or part of their municipal and industrial demand. Additionally, approximately 300-400 agricultural users utilize groundwater from the Basin. Demand is also supplemented by surface water provided by the Metropolitan Water District of Southern California (Metropolitan). As urbanization of the agricultural areas in the southern section of the Basin occurs, the agricultural water demands will decrease and the demand from urban users will increase. This demographic change is expected to dramatically increase urban water demands in the cities of Chino, Chino Hills, and Ontario, as well as Jurupa Community Services District.



Chapter 1  
Introduction



Figure 1-1 Placeholder





## 1.2 Project Goals

In January of 2000, Metropolitan's Board of Directors adopted Principles for Developing Groundwater Storage Programs (Principles). On November 1, 2000, Metropolitan distributed a Request for Proposals (RFP) for groundwater storage programs using funds from Proposition 13 (Prop 13) developed using the Board's Principles. In accordance with the RFP, Inland Empire Utilities Agency (IEUA), in cooperation with the Chino Basin Watermaster (Watermaster) and its stakeholders, submitted a proposal outlining various groundwater storage projects. On April 10, 2001, Metropolitan notified IEUA that it had been selected for further consideration to receive Prop 13 funding.

The IEUA proposal outlined 38 projects that provided over 149,000 acre-feet per year (AFY) of dry-year yield. Since the proposal was submitted, Watermaster, IEUA, Metropolitan, and Black & Veatch have held meetings to refine the projects and develop a program that achieves an optimum combination of projects which will provide an additional source of dry-year water supply when Metropolitan's resources are limited. Implementation of the program would also increase Metropolitan's operational flexibility. This program will set the framework for ultimate conjunctive use throughout the Basin with the eventual development of supplies that could be exported to other parts of Metropolitan's service area.

This summarizes the facilities associated with the program and provide conceptual level planning details on the facilities. The facilities represent the consensus of Watermaster and the Basin's stakeholders and collectively provides seasonal peaking benefits, dry-year yield, and improved water quality and will help balance recharge of the Basin. The program was established such that sales of Metropolitan water to retailers in the Basin would not be negatively impacted while also providing opportunities for Metropolitan to enhance blending of water from the State Water Project and Colorado River. The regional conjunctive use program will effectively meet overlying demands via in-lieu water deliveries. Furthermore, the program meets the goals of the Basin's Optimum Basin Management Program (OBMP), which are:

- Enhance basin water supplies
- Protect and enhance water quality
- Enhance management of the basin
- Equitably finance the OBMP







### 1.3 Facilities Description

The program's facilities consist of new ion exchange groundwater treatment plants and new groundwater wells. Six ion exchange groundwater treatment plants will be constructed throughout the northern, central, and western sections of the Basin near existing groundwater wells that have been identified as having excessive concentrations of nitrate (concentrations greater than those allowed by existing drinking water regulations). The ion exchange treatment process will remove most of the nitrate from the groundwater, allowing it to be pumped into the distribution system to meet overlying retailer water demands. Additional details on the ion exchange plants can be found in Chapter 2.

The program also includes drilling and installing new groundwater wells in the Basin. The new wells will draw water from the Basin in areas where nitrate concentrations meet existing drinking water regulations, allowing the water to be delivered directly into the retailer distribution systems without additional treatment for nitrate removal. Similar to the ion exchange treatment plants, the new wells will also provide additional dry-year yield to the Basin. The new groundwater wells are described in Chapter 3.

### 1.4 Acronyms & Abbreviations

The following acronyms and abbreviations are used in this report:

AF	acre-feet
AFY	acre-feet per year
AWWA	American Waterworks Association
Basin	Chino Basin
gpm	gallons per minute
IEUA	Inland Empire Utilities Agency
Metropolitan	Metropolitan Water District of Southern California
Mg/L	milligrams per liter
Mgd	million gallons per day
O&M	operations and maintenance
OBMP	Optimum Basin Management Program
RFP	Request for Proposals
Watermaster	Chino Basin Watermaster





## 2.0 Regional Ion Exchange Plants

This section provides an overview of the ion exchange treatment process and describes the assumptions and general engineering design criteria used to design the facilities. Conceptual level facility descriptions of the new treatment plants are presented at the end of the section.

### 2.1 Ion Exchange

Current federal regulations limit the concentration of nitrate in drinking water to 10 milligrams per liter (mg/L), expressed as nitrogen, or 45 mg/L, expressed as nitrate. Nitrate in groundwater sources can be attributed to irrigation return flows from agriculture, dairy waste, municipal waste discharge, and groundwater pumping patterns. Nitrate concentrations in excess of the current regulated level can be found in much of the groundwater supply in the northern, central, and western sections of the Basin. Historic sampling and monitoring data of the groundwater indicates that nitrate concentrations are slowly increasing in the southern section of the Basin also. Currently, water retailers in the Basin either deliver low-nitrate groundwater directly into their distribution systems, blend high-nitrate groundwater with low-nitrate groundwater, or treat high-nitrate groundwater through ion exchange plants. In order for the groundwater in the northern, central, and western sections of the Basin to continue to be utilized as a drinking water source, nitrate concentrations need to be reduced to a level below regulated standards. As the existing nitrate concentrations increase and spread across the Basin, the available groundwater supply that meets existing regulations will continue to be reduced.

Ion exchange is documented as one of the simplest and most cost-effective methods of nitrate removal (ref: Water Quality and Treatment, [American Waterworks Association] ©1990). Ion exchange is a treatment process in which contaminated water passes through a solid resin material and one ion of the contaminant (nitrate) in the water adsorbs onto the resin and exchanges itself for one ion of the resin, which is released back into the water. Contaminants continue to be adsorbed onto the resin until there are no ions in the resin left to exchange, at which time the resin material is "regenerated" with new ions so that the process can continue. (In actual operations, practical limitations are reached prior to this point requiring regeneration to occur earlier.) Resins can be designed and manufactured to have a greater affinity to exchange ions with a specified contaminant than for other ions present in the water. It should be noted that the ion exchange process does have contaminant removal limitations. When contaminant levels are extremely high, the exchange of ions occurs very fast and it is no longer economically feasible to regenerate the resin to remove the contaminant.

Because of the number of existing high-nitrate wells in the basin, the varying nitrate concentrations in the wells, and the varying well capacities, ion exchange treatment plants placed at each existing well would be expensive and difficult to operate and





integrate with existing distribution components. Instead, a regional approach to the wellhead treatment was developed. By consolidating water from several existing wells and delivering it to one regional ion exchange treatment plant, the facilities could be scaled up in size, reducing some of the manufacturing costs. The regional ion exchange plants and associated groundwater wells were also located and designed such that the facilities would be similar in size, further reducing manufacturing and engineering costs and increasing constructability of the facilities.

## 2.2 General Engineering Design Criteria

Various engineering criteria were used to develop the conceptual level facilities identified in this report. The criteria are summarized in Table 2-1 and are described in further detail below.

**Table 2-1**  
**General Engineering Design Criteria**

<b>Facility Component</b>	<b>Design Criteria</b>
<i>Facilities</i>	
Facility Name	Southwest A, Southwest B, Northwest, North Central, Central, and West
<i>Source Water Systems</i>	
Well Production Capacity	Obtained from well's owner
Average TDH per well	600 feet
Wellhead Pump Efficiency	70 percent
<i>Groundwater Treatment</i>	
Process Type	Ion Exchange
Source Water Nitrate Concentration	Maximum concentration listed in the water quality database or obtained from water retailer
Treatment Capacity	1500 gpm (except the West Facility which has a capacity of 1860 gpm)
Waste Flow	5 percent of treatment capacity
Treated Water Nitrate Concentration	5 mg/L (as Nitrate)
Maximum Allowable Nitrate Concentration in the Distribution System (for Blending)	25 mg/L (as Nitrate)
Total Facility Capacity (with Blending)	1860 gallons per minute (gpm)

The capacity of the existing groundwater wells varied from 600 gpm to 2500 gpm. At some wells, retailers are using a percentage of the available capacity for blending with low-nitrate water. For those wells, it was assumed that remaining capacity would be available for the new ion exchange plants.





Regional Ion Exchange Plants

It was assumed that wellhead pumping and valving operation and control would be tied to the treatment facility to allow groundwater flow and nitrate concentration to be balanced with the rated capacity of the ion exchange treatment plant. Additional valving and controls may be required at those wells currently utilized by water retailers for blending. This will allow the groundwater to be conveyed to either the ion exchange plant and/or the blending unit.

A database of water quality information for existing groundwater wells located in the Basin is maintained based on information and data supplied by the California Department of Health Services and supplemented by additional data provided by other sources. The database was queried for maximum nitrate concentrations measured at the wells in the last five years (1996-2001). For the development of this report, it was assumed that the facilities would be designed for the nitrate concentration meeting the aforementioned query criteria. Additional data and research will be necessary during future design phases to determine the design nitrate concentration(s) for each facility. If nitrate concentrations for a well were not listed in the database then the well's owner was contacted to estimate the nitrate concentration. Specific well nitrate levels are detailed in later sections of this chapter. Figure 2-1 shows the approximate geographic location of the existing Chino Basin groundwater wells listed in the database. The aforementioned maximum nitrate concentrations are detailed in Appendix C.

It was assumed that the waste regenerate flow would be 5 percent of the treatment capacity. It was further assumed that the waste flow would be discharged to the non-reclaimable wastewater system instead of the local retailer's sewage system because of the high salinity of the regenerate water. Because of the relatively small waste flows at the facilities, it was assumed that the discharge wastewater piping would be oversized to allow for future expansion at the facilities and also allow other recycled water dischargers to tie into the new recycled water system piping. When possible, the new treatment facilities were located near existing non-reclaimable wastewater system infrastructure. This reduces the capital expenses associated with each facility, increases the constructability of the facilities, and reduces traffic problems and roadway congestion associated with pipeline installation. Figure 2-2 shows the existing non-reclaimable wastewater system piping in the Basin.

While the removal efficiency of the ion exchange plants will vary slightly depending on many factors, it was assumed that the treated water nitrate level would be approximately 5 mg/L, expressed as nitrate. For blending, it was assumed that the nitrate concentration of the blended water would not exceed 25 mg/L. The blending capabilities downstream of the plants are dependant on the nitrate concentrations present in the untreated groundwater; the higher the nitrate concentration in the groundwater, the lower the combined flow exiting the blending unit. Because of the number of assumptions made for the conceptual level design presented in this report, it was assumed that an additional 360 gpm would be obtained from blending operations.





Chapter 2  
Regional Ion Exchange Plants

Figure 2-1





**Chapter 2**  
**Regional Ion Exchange Plants**



Figure 2-2





Details on the treated/blended water piping will be included in subsequent levels of the design. Because of the number of hydraulic considerations that must be analyzed when connecting a new source to an existing distribution system, conceptual treated/blended piping layouts were not identified for this report. It was assumed that the treated/blended water piping could be tied into a local retailer's distribution piping at a location near the new treatment facility, but that location was not identified for this report.

### 2.3 Facility Overview

A total of six regional ion exchange plants are included in the program. Each of the six plants has a treatment capacity of 1500 gpm, except for the West plant which has a 1860 gpm treatment capacity. As previously mentioned, it was assumed that an additional 360 gpm of facility capacity could be obtained by blending the treated water with high nitrate groundwater downstream of the ion exchange plant (except for the West facility, which does not have a downstream blending unit). The typical ion exchange process flow schematic is shown on Figure 2-3. As shown on the figure, high-nitrate groundwater can either be obtained by bypassing a percentage of the groundwater around the ion exchange process and adding it downstream of the plant or adding high-nitrate water from a separate well not connected to the facility. The blending stations will bring the total capacity of each facility to 1860 gpm or 3000 AFY.

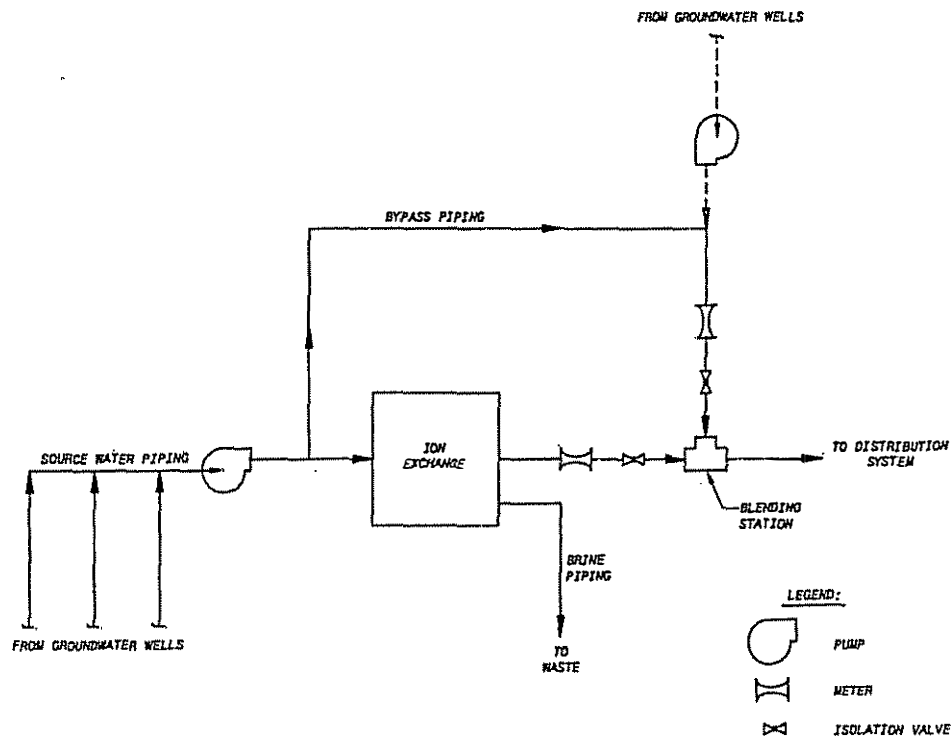


Figure 2-3. Typical Ion Exchange Process Flow Schematic





Figure 2-4 shows the northern, central, and western sections of the Basin and major water and recycled water infrastructure in that area. The figure and detailed drawings also schematically show the locations of the six ion exchange treatment plants and the appurtenant source water and non-reclaimable wastewater piping. Table 2-2 summarizes the ion exchange facilities.

**Table 2-2**  
**Ion Exchange Treatment Plant Summary**

Facility Name	Treatment Capacity (gpm/AF)	Total Capacity w/Blending (gpm/AF)	Groundwater Wells
Southwest A	1500/2400	1860/3000	Chino #3, #5, and #9
Southwest B	1500/2400	1860/3000	Monte Vista #1 and #2
Northwest	1500/2400	1860/3000	Upland #3, #8, and #10
North Central	1500/2400	1860/3000	Ontario #4 and #9 and San Antonio #12
Central	1500/2400	1860/3000	CCWD #8, #10, and #20 and San Antonio #31
West	1860/3000	1860/3000	Pomona #21, #24, and #36

## 2.4 Facility Description

A description of each of the ion exchange groundwater treatment facilities follows.

### 2.4.1 Southwest A Facility

The Southwest A facility will be located at an existing site near the intersection of Phillips Boulevard and Central Avenue. The City of Chino has three existing wells at the site and enough additional land to house the treatment facility. One of the existing wells at the site, Chino Well No. 3, will be tied into the treatment plant. Two additional wells, Chino Well Nos. 5 and 9, are located at a single site southeast of the treatment facility, approximately 2/3 of a mile away. The wells will be connected to a common header pipe that will be routed to the new treatment facility. Waste regenerate piping will be connected to the existing recycled water pipe on Phillips Street. A schematic layout of the primary treatment facilities is shown on Figure 2-5. The existing wells' production capacities and nitrate concentrations are shown in Table 2-3.







Chapter 2  
Regional Ion Exchange Plants



Figure 2-4 Placeholder





**Chapter 2**  
**Regional Ion Exchange Plants**



Figure 2-5 Placeholder





Table 2-3  
Southwest A Facility Well Information

Well Name	Production Capacity (gpm/AFY)	Nitrate Concentration (mg/L as Nitrate)
City of Chino No. 3	600/960	55
City of Chino No. 5	1000/1600	41
City of Chino No. 9	2200/3500	76

### 2.4.2 Southwest B Facility

The Southwest B facility will be located at an existing site near the intersection of Phillips Boulevard and Monte Vista Avenue. The Monte Vista Water District has an existing well at the site and enough additional land to house the treatment facility. The site's existing well, Monte Vista Water District Well No. 2, will be tied into the treatment plant. An additional well, Monte Vista Water District Well No. 1, is located northeast of the treatment facility approximately 1-1/4 miles away. A new pipeline will be installed connecting the existing well to the new treatment facility. Waste regenerate piping will be connected to the existing recycled water pipe in Phillips Street. A schematic layout of the primary treatment facilities is shown on Figure 2-5. The existing wells' production capacities and nitrate concentrations are shown in Table 2-4.

Table 2-4  
Southwest B Facility Well Information

Well Name	Production Capacity (gpm/AFY)	Nitrate Concentration (mg/L as Nitrate)
Monte Vista Water District No. 1	1000/1060	70
Monte Vista Water District No. 2	1000/1060	70

### 2.4.3 Northwest Facility

The Northwest facility will be located at an existing site near the intersection of Mountain Avenue and Ninth Street. The City of Upland has three existing wells (Well Nos. 3, 8, and 10) near the site. The wells will be connected into a common header pipe which will be tied into the treatment facility. Waste regenerate piping will be connected to the West Edison Regional Recycled Water Line. A schematic layout of the primary treatment facilities is shown on Figure 2-6. The existing wells' production capacities and nitrate concentrations are shown in Table 2-5.





Chapter 2  
Regional Ion Exchange Plants



Figure 2-6 Placeholder





**Table 2-5**  
**Northwest Facility Well Information**

Well Name	Production Capacity (gpm/AFY)	Nitrate Concentration (mg/L as Nitrate)
City of Upland No. 3	800/1300	87
City of Upland No. 8	800/1300	90
City of Upland No. 10	800/1300	90

#### **2.4.4 North Central Facility**

The North Central facility will be located at an existing site near Sixth Street and the I-10 overpass. The San Antonio Water Company has an existing well at the site and enough additional land to house the treatment facility. The site's existing well, San Antonio Water Company No.12, will be tied into the treatment plant. The City of Ontario has two additional wells located near the site. City of Ontario Well No. 9 is located approximately  $\frac{3}{4}$  of a mile northwest of the new treatment facility and City of Ontario Well No. 5 is located approximately one mile southeast of the new treatment facility. New pipelines will be installed to connect the existing wells to the new treatment facility. Waste regenerate piping will be connected to the West Edison Regional Recycled Water Line. A schematic layout of the primary treatment facilities is shown on Figure 2-7. The existing wells' production capacities and nitrate concentrations are shown in Table 2-6.

**Table 2-6**  
**North Central Facility Well Information**

Well Name	Production Capacity (gpm/AFY)	Nitrate Concentration (mg/L as Nitrate)
City of Ontario No. 4	1250/2000	58
City of Ontario No. 9	1800/2880	57
San Antonio Water Company No.12	700/1120	47



Chapter 2  
Regional Ion Exchange Plants



Figure 2-7 Placeholder





### 2.4.5 Central Facility

The Central facility will be located at an existing site on Carnelian Street, just south of Baseline Road. The Cucamonga County Water District has an existing reservoir at the site and enough additional land to house the treatment facility. Existing wells located near the site (San Antonio Water Company Well No.12 and Cucamonga County Water District Well Nos. 8, 10, and 20) will be connected into a common header pipe, which will be tied into the treatment facility. Waste regenerate will be delivered to the East Edison Regional Recycled Water Line by extending recycled water system piping to the new treatment facility. A schematic layout of the primary treatment facilities is shown on Figure 2-8. The existing wells' production capacities and nitrate concentrations are shown in Table 2-7.

**Table 2-7**  
**Central Facility Well Information**

Well Name	Production Capacity (gpm/AFY)	Nitrate Concentration (mg/L as Nitrate)
Cucamonga County Water District No. 8	1700/2700	98
Cucamonga County Water District No. 10	1000/1600	60
Cucamonga County Water District No. 20	1100/1750	90
San Antonio Water Company No. 12	2500/4000	48

### 2.4.6 West Facility

The West facility will be located at an existing site just south of State Street. Existing wells located near the site (Pomona Well Nos. No.21, 24, and 36) will be connected into a common header pipe which will be tied into the treatment facility. Waste regenerate will be delivered to the Recycled Water System Pipe running on Grand Avenue. A schematic layout of the primary treatment facilities is shown on Figure 2-9. The existing wells' production capacities and nitrate concentrations are shown in Table 2-8. Only the treatment plant is being constructed as part of this program. Piping and appurtenant well upgrades will be funded through other programs.

**Table 2-8**  
**West Facility Well Information**

Well Name	Production Capacity (gpm/AFY)	Nitrate Concentration (mg/L as Nitrate)
Pomona #21	TBD	45
Pomona #24	TBD	40
Pomona #36	TBD	60





**Chapter 2**  
**Regional Ion Exchange Plants**



Figure 2-8 Placeholder







**Chapter 2**  
**Regional Ion Exchange Plants**



Figure 2-9 Placeholder





### 3.0 New Groundwater Wells

In addition to the new ion exchange treatment facilities, new groundwater wells will be drilled and installed to provide additional dry year yield to the Basin. As shown on Figure 3-1, the new groundwater wells will be located in the general geographic area defined by the following boundaries: west of I-15, east of Euclid Ave, north of I-60, and south of Metropolitan's Upper Feeder. This area was selected because existing sampling data indicates that nitrate concentrations are below the current regulated levels allowing the groundwater to be pumped into the distribution system without installing nitrate removal facilities. Additionally, the likelihood of increased nitrate concentrations in the future is relatively low.

The number of wells selected for the program will be based on several factors including:

- Expected well capacity
- Expected groundwater quality
- Available land for new well pumping equipment and appurtenances
- Distribution system hydraulics

Well locations will be identified during future phases of the design of the facilities. Prior to siting the well locations, additional sampling and preliminary design work must be conducted to confirm the proposed well locations. Regardless of the number of new wells, the combined dry-year yield of the wells will be equal to 15,000 AFY.





**Chapter 3**  
**New Groundwater Wells**



Figure 3-1 Placeholder





## 4.0 Groundwater Storage Program Safe Yield

The facilities detailed in this report are capable of supplementing up to 33,000 AFY (29.5 million gallons per day [mgd]) of water to the Basin's retailers during periods of dry weather when Metropolitan supplies are limited. The facilities also provide Metropolitan with operational flexibility. An itemized listing of each facility's dry-year yield is shown in Table 4-1 and described in further detail below.

**Table 4-1**  
**Dry Year Yield**

<b>Facility</b>	<b>Dry Year Yield</b>
<i>Ion Exchange Plants</i>	
Southwest A	3000 AFY
Southwest B	3000 AFY
Northwest	3000 AFY
Central	3000 AFY
North Central	3000 AFY
West	3000 AFY
<i>New Groundwater Wells</i>	
Total	20,000 AFY
<b>TOTAL</b>	<b>38,000 AFY</b>

As previously described, all of the ion exchange groundwater treatment facilities have a dry year yield of 3000 AFY (1860 gpm). For all of the treatment facilities, except the West facility, the dry year yield is calculated as the sum of the 1500 gpm treatment plant capacity and the 360 gpm assumed blending capacity. The West treatment facility does not have a blending unit downstream of the plant. Instead, the treatment capacity of the West facility is 1860 gpm, which is equal to the total capacity of the other treatment facilities. As previously mentioned, the new groundwater wells will provide an additional 15,000 AFY of dry year yield. This makes the total dry year yield of the program 33,000 AFY.





## 5.0 Estimated Facilities Costs

This section describes the assumptions made to produce a conceptual level opinion of probable cost estimate. A summary of the estimate is presented at the end of the section.

### 5.1 General Cost Assumptions

Probable costs for the facilities identified in this section are based on construction and operation and maintenance (O&M) expenses for similar projects and on information provided by equipment suppliers. Probable costs include allowances for general contract requirements (contractor mobilization, supervision, temporary utilities, and equipment rentals), as well as allowances for professional services (engineering, construction management, legal, and administration). A 20 percent contingency was added to project cost to account for the level of detail associated with a conceptual level estimate. Table 5-1 summarizes the cost assumptions used on this project.

Table 5-1  
General Capital Cost and O&M Expense Assumptions

Facility Component	Cost Factor
<i>Capital Costs</i>	
Existing Well Rehabilitation	Varies based on well condition
Ion Exchange Treatment	\$0.70 / gpd of treatment capacity
Pipeline Installation	\$6 / inch-diameter / linear foot
<i>O&amp;M and Energy Expenses</i>	
Treatment Plant O&M	\$0.20 / 1000 gallons treated water
Wellhead O&M	\$4,500 / 1000 gpm capacity
Pipeline O&M	\$5,600 / mile
Energy	\$0.08 / kilowatt-hour

Cost assumptions for existing well rehabilitation were obtained from the water retailers and were based on the condition and age of the well and the wellhead pumping equipment.

### 5.2 Opinion of Probable Costs

Table 5.2 summarizes the opinion of probable costs for the new ion exchange treatment facilities. Additional details on the opinion of probable costs are included as Appendix D.





**Table 5-2**  
**Opinion of Probable Cost – Treatment Facilities**  
 Note: All prices shown in \$1000

Treatment Facility	Southwest A	Southwest B	Northwest	Central	North Central	West	Total
Well Rehabilitation	\$150	\$100	\$240	\$200	\$260	\$0	\$950
Source Water Pipeline	\$220	\$400	\$170	\$600	\$310	\$0	\$1,700
Treatment Plant Costs	\$1,510	\$1,510	\$1,510	\$1,510	\$1,510	\$0	\$7,550
Treated Water Pipeline	\$190	\$190	\$190	\$190	\$190	\$0	\$950
Discharge Water Pipeline	\$6,000	\$6,000	\$320	\$6,000	\$710	\$0	\$1,050
<i>Estimated Construction</i>	<i>\$2,080</i>	<i>\$2,210</i>	<i>\$2,430</i>	<i>\$2,510</i>	<i>\$2,990</i>	<i>\$0</i>	<i>\$12,220</i>
Contingency	20%	20%	20%	20%	20%	20%	20%
<i>Total Estimated Construction</i>	<i>\$2,500</i>	<i>\$2,650</i>	<i>\$2,920</i>	<i>\$3,010</i>	<i>\$3,580</i>	<i>\$0</i>	<i>\$14,660</i>
Engineering	15%	15%	15%	15%	15%	15%	15%
Legal/Administration	10%	10%	10%	10%	10%	10%	10%
<b>Total Estimated Capital Costs</b>	<b>\$3,120</b>	<b>\$3,320</b>	<b>\$3,640</b>	<b>\$3,760</b>	<b>\$4,480</b>	<b>\$1,700</b>	<b>\$20,000</b>

As shown in the Table 5-2, the new ion exchange facilities are estimated to cost approximately \$20 million. The new groundwater wells are estimated to cost an additional \$7.5 million. An additional \$1.0 million is being provided to install new interconnections with Metropolitan. The combined capital costs of the treatment plants, groundwater wells, and interconnections is \$28.5 million. The estimated capital costs and hydrologic criteria were entered into Metropolitan's relative unit model. The results of the model are attached in Appendix E.



# APPENDICES





# APPENDIX A







**APPENDIX B**





## APPENDIX C





# APPENDIX D





# APPENDIX E



# ATTACHMENT XIII

Attachment XIII



# CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730  
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI  
Chief Executive Officer

TRACI STEWART  
Chief of Watermaster Services

## STAFF REPORT

DATE: July 19, 2001  
TO: Watermaster Board Members  
Watermaster Advisory Committee Members  
SUBJECT: MWD Proposition 13 Dry Year Yield Program

### SUMMARY

*Issue* – Status Report

*Recommendation* – no action at this time

*Fiscal Impact* – Ranging from \$20 million to \$27 million in grant funding from MWD to implement dry year yield projects.

IEUA submitted a proposal in response to a MWD request for proposals on behalf of the Chino Basin Watermaster on January 19, 2001. The proposal was for a portion of the grant funding MWD will receive under Proposition 13. MWD subsequently short-listed the proposal to receive \$9+ million dollars of the \$45 million it is receiving under Proposition 13 from DWR.

The Ad Hoc Storage and Recovery Focus group has been working with Mr. Dave Argo of Black and Veatch to prioritize and refine the projects submitted to MWD to receive the \$9+ million. As a result of this effort, the Focus Group concluded projects involving wellhead treatment are the type most suited to develop dry year yield capability for the basin and the region. Mr. Argo was tasked to further develop this conceptual proposal, which included almost \$20 million in treatment project capital costs, and to discuss the concept with MWD staff. Mr. Argo and Mr. Rich Atwater discussed the proposal with MWD staff and were given an indication that MWD would be interested in funding up to \$20 million in wellhead treatment projects, but that they needed to see the proposal evaluated using their spreadsheet model first. Mr. Argo met with MWD staff to facilitate this evaluation in the recent past.

At the meeting to evaluate the proposal, MWD staff indicated a willingness to fund up to \$27 million for a dry year yield program comprised of the wellhead treatment projects previously proposed and the new wells listed in the January 19, 2001 proposal. The Ad Hoc Focus Group is currently considering this counter proposal, but has not developed any recommendation at this time.

The attached "form" or "standard" term sheet from MWD was submitted to numerous MWD member agencies at approximately the same time as the last Ad Hoc Focus Group meeting. Both Mr. Argo and Mr. Atwater were unaware that it was in the process of being developed and sent out when they met with MWD staff, and were therefore surprised to receive it.

Watermaster staff and counsel have now reviewed the attached term sheet and recommend it be discussed at the Ad Hoc Focus Group so that a recommended response can be developed. It should be considered as an initial cut at a term sheet by MWD staff that is subject to negotiation.



**MWD**  
**METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**  
**WATER RESOURCE MANAGEMENT GROUP**  
 11th Floor (213) 217-6119

**FAX**

**TO:** EDGAR FANDIALAN, AT WATER

**JULY 10, 2001**

COMPANY NAME/FACILITY

FROM

**INLAND EMPIRE UTILITIES AGENCY**

**EDGAR FANDIALAN**

FAX NUMBER (Include Area Code)

DEPARTMENT/OFFICE

**909 428-6164**

**WATER RESOURCE MANAGEMENT**

NO. OF PAGES (Include Cover Sheet)

OFFICE TELEPHONE NUMBER

**4 or 5**

**213 217-6764**

REMARKS:  Urgent  For your review  Reply ASAP  Please comment

**COMMENTS:**

Attached is a copy of the Terms of Agreement for Proposition 13 Funding for Chino Basin Programs.

The hardcopy to follow by Fed-X.



**MWD**  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Executive Office

July 9, 2001

Mr. Richard W. Atwater  
Chief Executive Officer/General Manager  
Inland Empire Utilities Agency  
P.O. Box 697  
Rancho Cucamonga, CA 91729-0697

Dear Mr. Atwater:

Terms of Agreement for Proposition 13 Funding for Chino Basin Programs

On November 1, 2000, The Metropolitan Water District of Southern California (Metropolitan) sent out a Request for Proposals (RFP) for groundwater storage programs using funds from Proposition 13 (Prop 13). Included with that RFP was a schedule setting the milestones that each agency must meet to receive Prop 13 funding. On April 10, 2001, Metropolitan notified Inland Empire Utilities Agency that it had been selected for further consideration to receive Prop 13 funding. In that letter, Metropolitan reiterated its schedule for disbursing those funds. That letter specified that Inland Empire Utilities Agency and Metropolitan would agree on the terms of the program (Program) by August 1, 2001. To ensure adequate time for any necessary board or agency approvals, Metropolitan is extending this deadline to September 4, 2001. To meet this requirement for agreement in principle, we have enclosed a term sheet (Term Sheet-Attachment 1) that will be the basis of our contractual agreement.

In January of 2000, Metropolitan's Board of Directors adopted Principles for Developing Groundwater Storage Programs (Principles-Attachment 2). The RFP was developed using these Principles as the basis for scoring the proposals. The enclosed Term Sheet establishes these Principles as the basis of a contractual agreement, and by signing, our agencies signify our intent to execute an agreement to develop the Program.

As soon as you sign the Term Sheet, our agencies can execute a side-letter agreement that will allow Inland Empire Utilities Agency to begin to receive Prop 13 funds for work to be performed to meet the requirements of the California Environmental Quality Act (CEQA). Under this side-letter agreement Inland Empire Utilities Agency would agree to produce CEQA documentation that Metropolitan, as a responsible agency, believes will be adequate for its use. If for whatever reason Inland Empire Utilities Agency does not complete this documentation, or if the documentation is not sufficient, then Inland Empire Utilities Agency would have to pay back Prop 13 funds expended for the CEQA documentation. Upon completion of the environmental review process, and if our agencies determine it is appropriate to proceed, then we would execute by September 1, 2002, a contractual agreement based upon the Term Sheet.



Mr. Richard W. Atwater

Page 3

July 9, 2001

- Inland Empire Utilities Agency will be able to use the facilities for other purposes when Metropolitan does not need the facilities.
- When Inland Empire Utilities Agency uses the facilities for its own purposes, Inland Empire Utilities Agency covenants not to use the facilities in a manner that would impact Metropolitan financially.
- Metropolitan and Inland Empire Utilities Agency will mutually indemnify each other and agree to share the risks of the Program.
- Metropolitan and Inland Empire Utilities Agency will share the cost of an environmental liability insurance policy, if a reasonable policy can be obtained.
- Metropolitan and Inland Empire Utilities Agency will agree to binding arbitration for the majority of the sections in the agreement.
- Metropolitan and Inland Empire Utilities Agency will agree on how or if to roll over existing storage accounts into the agreement. Water from these accounts will be produced under the call provisions of the agreement.
- The agreement will outline a process for determining in-lieu and direct storage. The operating committee will administer this process.

Metropolitan looks forward to reaching agreement with Inland Empire Utilities Agency to develop the Chino Basin Programs storage program. Such storage programs are a critical step toward implementing the Integrated Resources Plan, which will ensure southern California's reliability into the future. Enclosed are two signed copies of the Term Sheet. Your returned, signed copy of the Term Sheet signifies your agreement with these terms and conditions. As soon as we are in agreement, a contract will be forwarded to you for execution. We look forward to working together with you and your staff in moving to the implementation phase of the Program.

Very truly yours,



Ronald R. Gastelum  
Chief Executive Officer

RLH:cny


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Enclosures

ARTICLE	DESCRIPTION
	<p>D. Disbursement Protocol</p> <ol style="list-style-type: none"> <li>1. Agency submits 90-day budget for Metropolitan approval. Metropolitan approves or disallows and forwards to DWR. DWR approves and sends money to Metropolitan. Metropolitan forwards money to agency.</li> <li>2. Agency must certify expenditures</li> <li>3. Funds held in a construction trust account</li> <li>4. Ten percent retainage by DWR</li> </ol>
<p>VL Operation of Project</p>	<p>A. Operating Committee</p> <ol style="list-style-type: none"> <li>1. Two members from Metropolitan and two from Agency (or one from Agency and one from sub-agency)-disputes according to Article XIV</li> <li>2. Annual Planning Meeting, Operating Budget, and Schedule-Committee to develop O&amp;M plan for year, including Agency Baseline, schedule and budget</li> <li>3. Committee duties <ol style="list-style-type: none"> <li>a. Account for storage and extraction;</li> <li>b. Reconcile water accounts, energy and operations expenses</li> <li>c. Confirm Baseline Assurances</li> <li>d. Prepare annual operating report</li> </ol> </li> </ol> <p>B. Program Agency Obligations</p> <ol style="list-style-type: none"> <li>1. Operate and maintain facilities in good condition</li> <li>2. Provide for repairs</li> <li>3. Maintain the Agencies' facilities as necessary</li> <li>4. Certify water delivered into Metropolitan account</li> </ol> <p>C. Metropolitan Obligations</p> <ol style="list-style-type: none"> <li>1. Pay for maintenance of facilities</li> <li>2. Pay for power to pump water</li> <li>3. Pay administrative fee (ratio of \$100,000 per 25,000 AF of yield)</li> </ol>

ARTICLE	DESCRIPTION
	F. Metropolitan copies of insurance certificates G. Acceptability of Insurers
XIV. Defaults and Remedies  Inland Empire Utilities Agency	A. Dispute Resolution-Disputes will be handled by 1) Operating Committee, 2) Mutually acceptable consultant, or 3) Arbitration  B. Termination-If there is a breach of contract by the Agency, Metropolitan may terminate with written notice. Agency to purchase water over 3 year period and pay liquidated damages.  C. Liquidated Damages-Agency repays the program construction costs  D. Remedies are Cumulative
XV. Force Majeure Events	
XVI. Miscellaneous	
Exhibits	A. DWR Funding Letter B. RFP C. Agency Proposal D. Metropolitan Award Letter E. Initial Storage Account (Cyclic) F. Accounting and Certification for Storage and Extraction

Concur:

  
 Ronald R. Gastelum  
 Chief Executive Officer  
 The Metropolitan Water District  
 of Southern California

Date

7/9/01

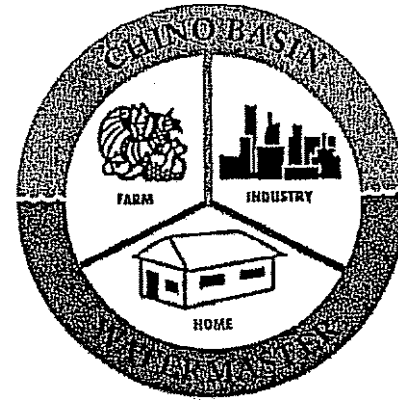
Concur:

Mr. Richard W. Atwater  
 Chief Executive Officer/General Manager  
 Inland Empire Utilities Agency

Date

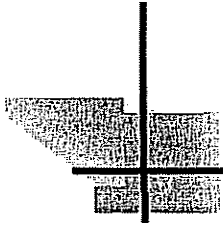
# ATTACHMENT XIV

Attachment XIV



# Conjunctive Use Program To Satisfy MWDSC Firm Demand

April 13, 2000



# Objectives of the Proposal

---

- No or reduced cost to implement OBMP
- Reduce summertime peaking on Rialto Pipeline
- Meet Basin plan salinity objectives by delivering State Water Project water
- Minimize (or eliminate) surface water deliveries to Chino Basin during future droughts and/or emergencies
- Stored water available to export to other member agencies
- Provides benefit to entire MWDSC service area, and state

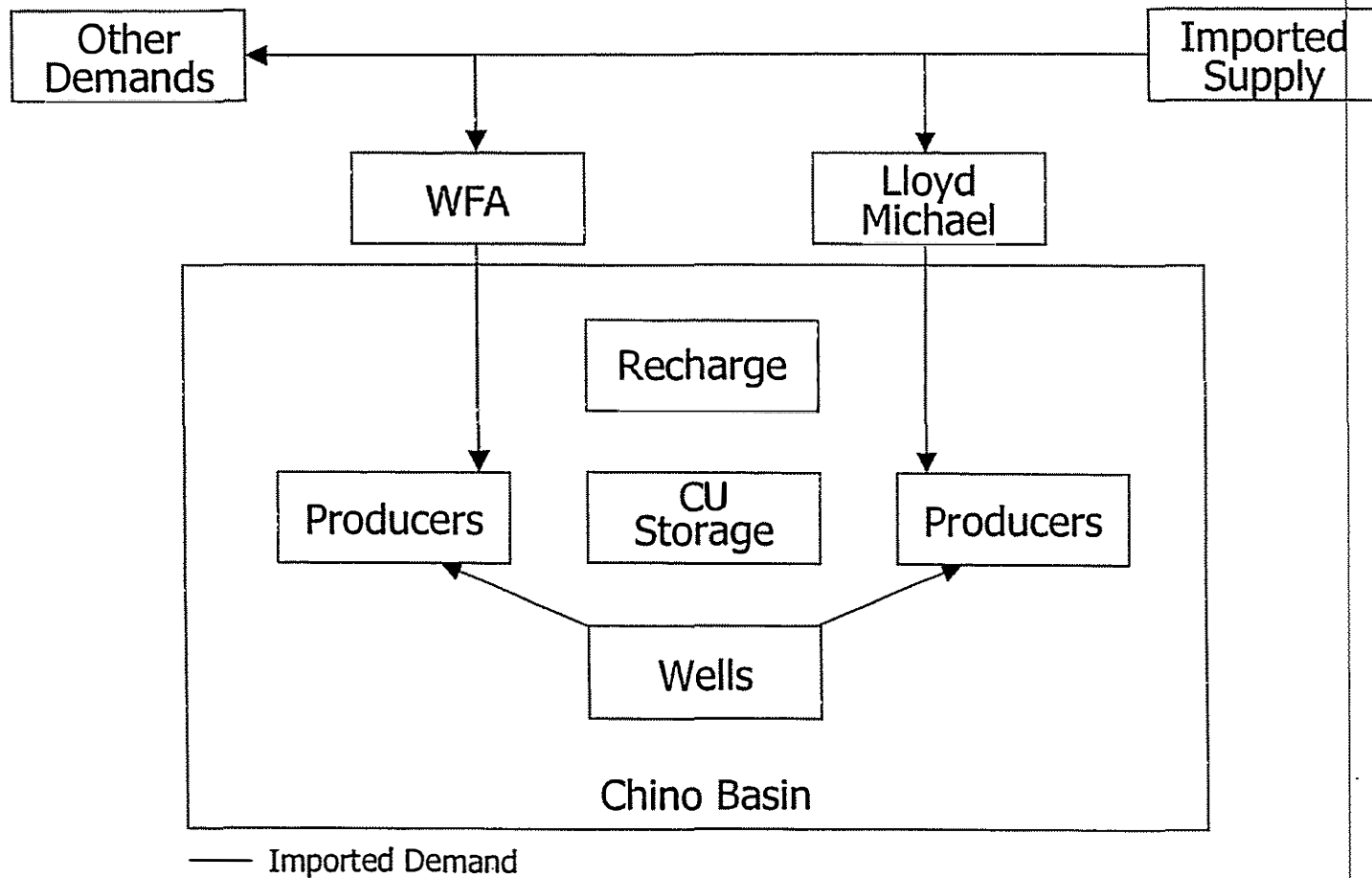


# Facts about the Chino Basin

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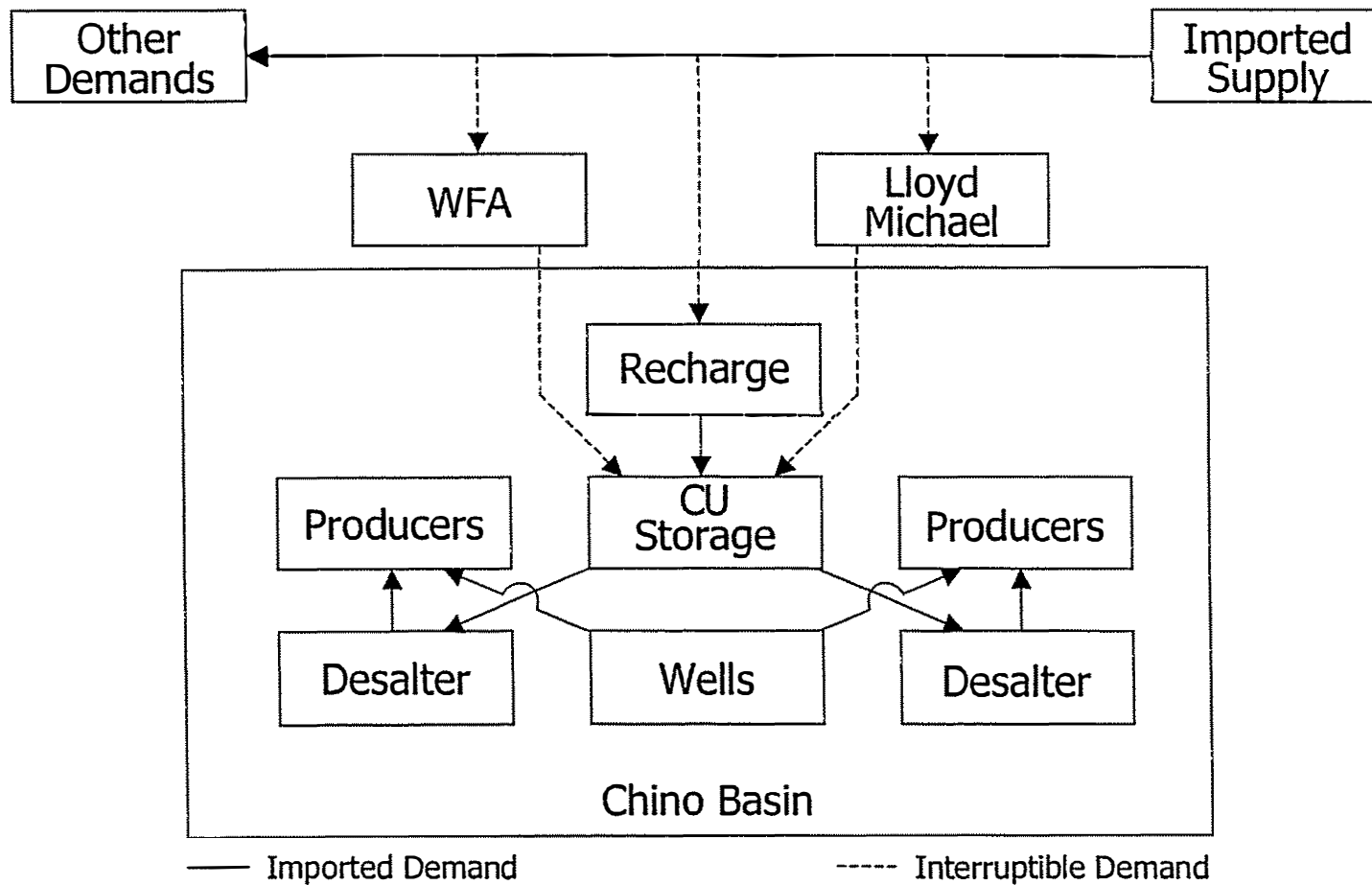
- Court mandates Watermaster to implement OBMP
- Average cost to implement OBMP program elements is \$13M/yr for the next 20-year
- Basin has about 1,000,000 AF unused storage capacity
- Total MWDSC direct deliveries used in Chino Basin was about 42,000 AF during FY 1998-99
- The projected demand ranges from 50,000 ~ 80,000 AF in 2005

# Present Arrangement





# Proposed Arrangement





# Proposed Elements

---

- Develop a program for 150,000 ~ 240,000 AF through direct spreading, direct injection, in-lieu deliveries, and transfer of previously stored water
- Establish contractual storage right for MWDSC to store and withdraw imported water
- MWDSC finance new recharge basins, wells, treatment facilities, conveyance, and pump stations for delivery and extraction up to \$300/AF



## Proposed Elements – cont'd

---

- MWDSC pays Watermaster for management services (e.g., annual assessments)
- Producers establish and produce at current groundwater baseline pumping capacity based on the agreement
- MWDSC pay producers for incremental O&M cost to pump above baseline during peak months
- Member agencies assure MWDSC as a supplemental supplier of imported water



## Proposed Elements – cont'd

---

- Assure MWDSC that IEUA, Three Valleys, and Western can reduce (or eliminate) surface water demand, when requested by MWDSC
- Assure that MWDSC as a supplemental supplier of imported water
- MWDSC extract stored water at a rate exceeding 50,000 AF/yr, with  $\leq 50\%$  at north of SR-60
- Establish a 25-year term with right to renew upon mutual consent



# Implementation Approach

---

- Watermaster implements a conjunctive use storage program with MWDSC for 150,000 ~ 240,000 AF, 50% in-lieu/50% surface spreading
- MWDSC sells desalted water for non-interruptible un-treated rate \$350/AF
- MWDSC finances and constructs desalters and conveyance system to Lloyd Michael and WFA
- MWDSC finances new recharge basins and Watermaster assessments
- MWDSC, equivalently, pays reduced storage cost



# MWDSC Benefits

---

- Increased yield for 50,000 ~ 80,000 AFY
- Improved drought self sufficiency
- Reduced cost for water storage
- Reduced environmental impact compared to above-ground reservoir
- Increased cash flow
- Eliminate requirement for future expansion of Lloyd Michael, WFA, and Rialto pipeline



# Watermaster Benefits

---

- Implement OBMP with no or little financial burden to Watermaster parties
- Guaranteed wet water recharge
- No annual assessment to Watermaster parties
- Parties still can transfer water among producers
- Increased yield due to storm water and recycled water recharge
- Use of Water Bond and matching funds could be optimized



# Staff Recommendations

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- Develop and implement a conjunctive use program as a response to the DEIR, as part of the FEIR, or as a supplement to the FEIR



# ATTACHMENT XV

*Attachment XV*

**John V. Rossi**

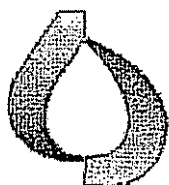
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**From:** John V. Rossi  
**Sent:** Wednesday, January 15, 2003 10:28 AM  
**To:** Janine Wilson  
**Subject:** FW: Final Draft MWD/Watermaster/IEUA Agreement and Draft Retail Utility Funding Agreement Memo From Richard Atwater w/attachments

Please print 15 copies on each...

-----Original Message-----

**From:** April Woodruff [mailto:awoodruff@ieua.org]  
**Sent:** Wednesday, December 11, 2002 9:01 AM  
**To:** John V. Rossi; robertd@ccwdwwater.com; Traci Stewart; argodg@bv.com; kjeske@ci.ontario.ca.us; rturner@ci.upland; mkinsey@mwwd.org; mmaestas@chinohills.org; dcrosley@cityofchino.org; henry\_pepper@ci.pomona.ca.us; rwellington@tstonramp.com  
**Cc:** Richard Atwater; dbrown@sycr.com; Tom Love; Larry Rudder; Garth Morgan; Martha Davis  
**Subject:** Final Draft MWD/Watermaster/IEUA Agreement and Draft Retail Utility Funding Agreement Memo From Richard Atwater w/attachments



**Inland Empire**  
UTILITIES AGENCY

### Memorandum

Office of the Chief Executive Officer

---

General Manager

**DATE:** December 10, 2002

**TO:** Participants in the MWD Dry Year Yield (\$27.5 Million) Conjunctive Use Project

**FROM:** Richard W. Atwater

**SUBJECT:** Final Draft MWD/Watermaster/IEUA Agreement and Draft Retail Utility Funding Agreement

---

Please find attached the final draft of the agreement with MWD for the Dry Year Yield Project. The agreement is in a form that should be considered for approval in January or February, 2003 by IEUA, Watermaster and MWD.

Consistent with the schedule developed last spring, the CEQA "Finding of Consistency" is scheduled for approval by the IEUA Board next Wednesday, December 18, 2002. Please remember we have a December 31, 2002 deadline to complete the CEQA task under the reimbursement agreement from MWD. To date IEUA under its reimbursement agreement with MWD (\$1.6 million) has funded all the work conducted by Tom Dodson and Associates, Wildermuth and Black & Veatch.

I have also included a first draft of the retail agreement for each participant. John Rossi has sent out this week the proposed allocation of the \$27.5 million with the 33,000 AF dry year performance obligation.

In October 2001, IEUA's Board of Directors with Watermaster concurrence, approved the Term Sheet with MWD (see attached one page summary of the key deal points on the Term Sheet). As reported at our meetings at Watermaster and working group meetings with the participants in the MWD Dry Year Yield Project, Watermaster staff, myself and Doug Brown, as legal counsel have attempted to negotiate with MWD an agreement that minimizes the paperwork and accounting requirements and provides the maximum operating flexibility to each retail utility in the ownership and use of the funded facilities. We think we have accomplished that objective.

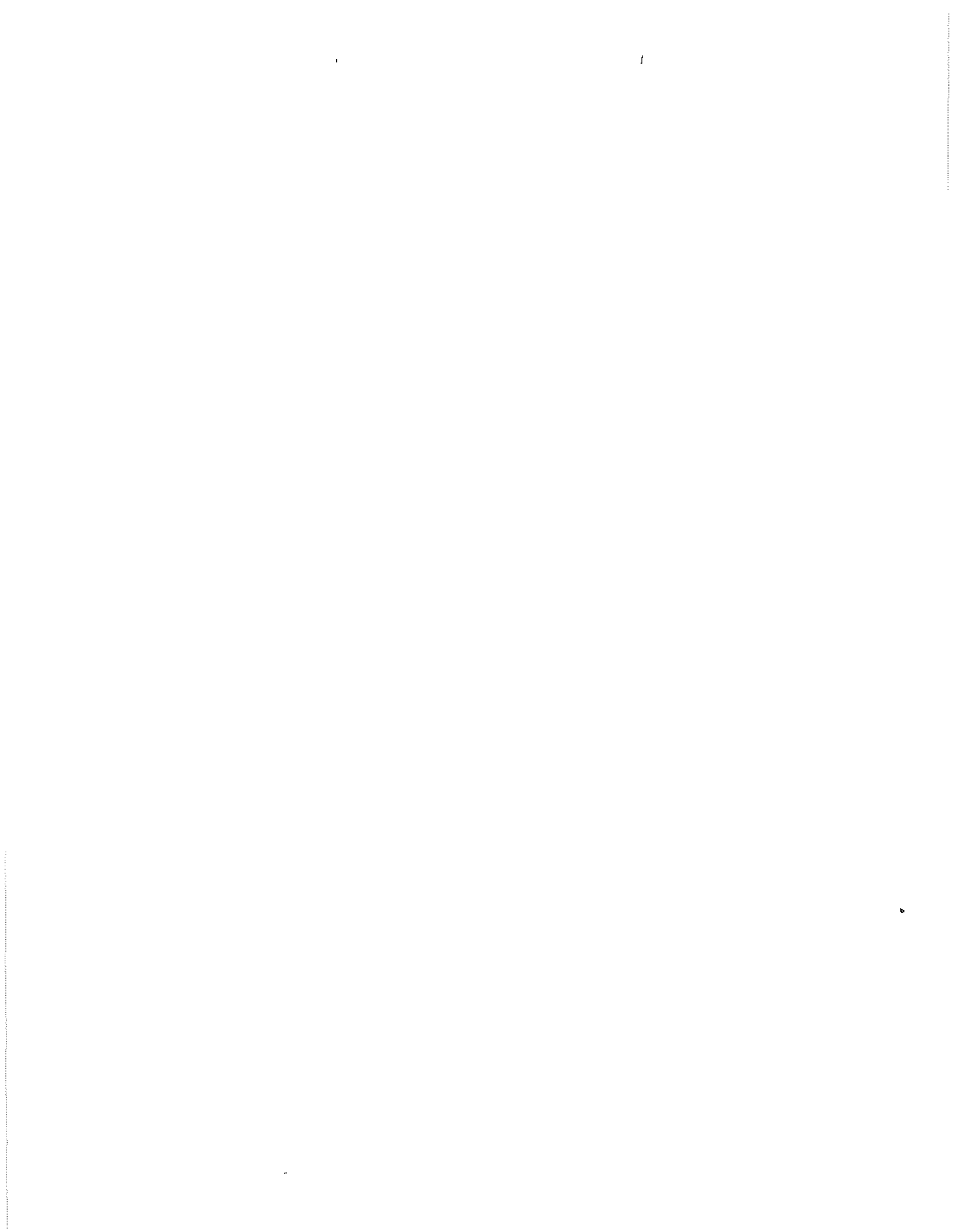
Three Valleys MWD has been added as a signatory to the agreement to provide for the funding and performance obligations arrangements with the City of Pomona.

### **Summary of MWD Agreement Deal Points:**

- I. Recitals - Recognizes OBMP and overall Chino Basin activities.
- II. 25 year agreement with renewal if mutually agreed.
- III. Legal due diligence.
- IV. Planning and Construction- monthly progress reports and assurance that funding is accomplished within specific time constraints.
- V. Construction funding limited to \$27.5 million but if individual projects go over budget by 5 percent or more, can re-evaluate going forward, including discontinuing the project.
- VI. Operating committee - MWD/IEUA/Watermaster/TVMWD membership plus we propose a separate local operating committee. Annual operating plans developed for storage up to 25,000 AF and dry year "take" pumping plans of 33,000 AF. Detailed record keeping and accounting of MWD 100,000 AF storage is required.
- VII. Description of the storage account — in lieu, spreading or injection (Watermaster has decision making on amount and where MWD water is placed into storage). Payment of pumped MWD account water is consistent with Term Sheet except we are resolving how much MWD will pay for operation and maintenance costs (MWD is willing to pay for WFA/CCWD water treatment costs for in lieu).
- VIII. Key point MWD allows local control and use of facilities (see page 20).
- IX. Reps and Warranties--- standard boilerplate.
- X. Record Keeping, Reporting, Inspection, and Audit--- don't get "grumpy" but DWR and MWD paperwork requirements is no better or worse than the SAWPA/SWRCB paperwork for the Prop. 13 grants.
- XI. Indemnity
- XII. Insurance-
- XIII. Dispute Resolution---- key point, retail utility penalty for non-performance is double the Tier II rate (remember IICP was triple MWD full service rate).

Exhibits---- Consolidation of cyclic and trust storage accounts is recommended.  
Performance obligation is described in Exhibit E (previously handed out)

cc: John Rossi, Chino Basin Watermaster



# ATTACHMENT XVI

Attachment XVI

# **CHINO BASIN OPTIMUM BASIN MANAGEMENT PROGRAM**

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-Appropriative Pool Meeting-

## **Chino Basin Dry-Year Yield and Storage & Recovery Programs Development**

presented by:

**Black & Veatch**

**August 8, 2002**

# Agenda

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- Critical Policy Decisions
- Overview of Decision Management Tree
- Initial Facilities/MWD Conceptual Report
- Facilities Siting Issues
- Alternative Facilities Siting Investigations
- Decision Deadline – September 1

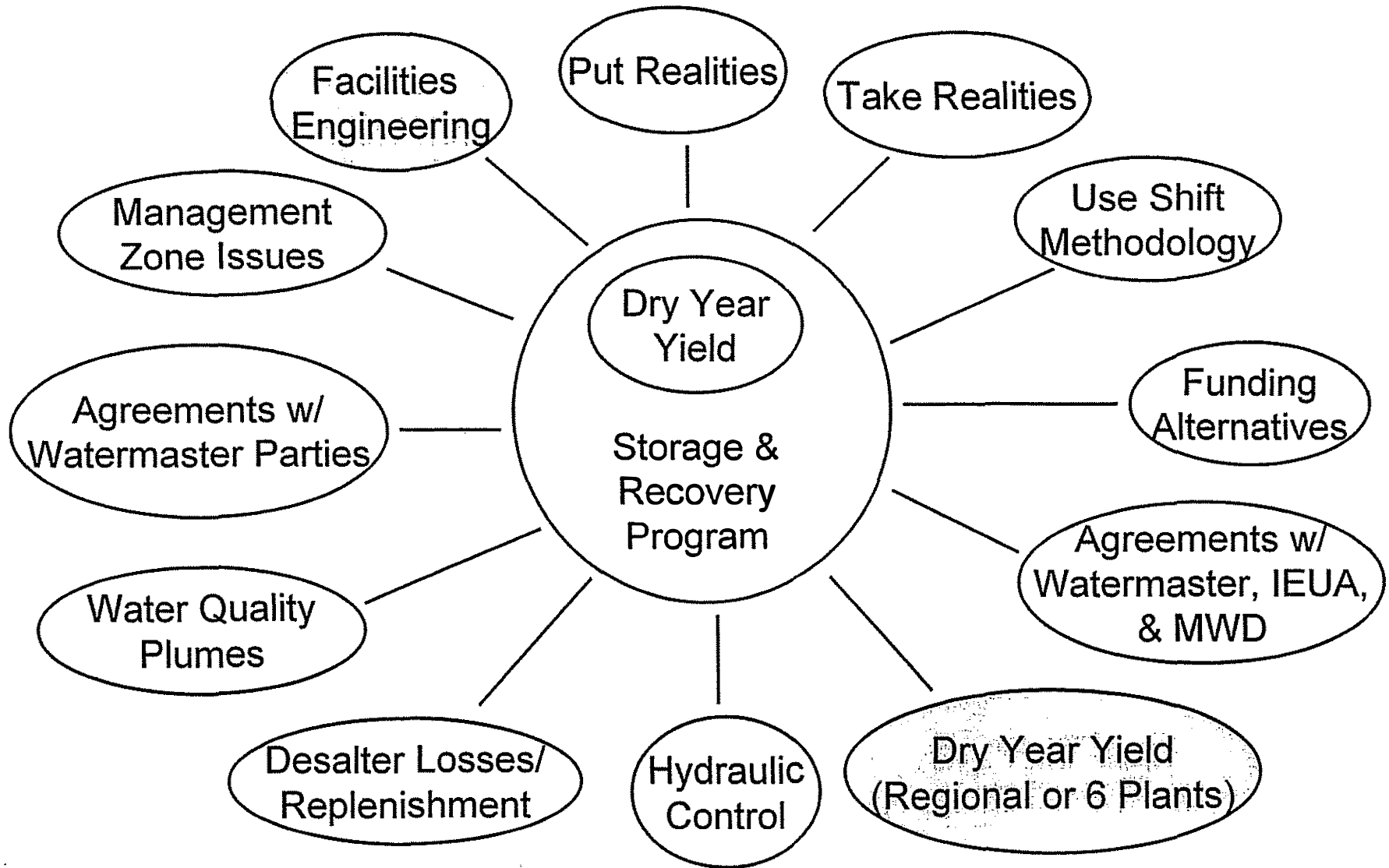


# Resolution of Critical Policy Decisions

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- Critical Decision No. 1--  
Facilities/Locations
- Critical Decision No. 2--Funding  
Methodology

# DECISION MANAGEMENT TREE

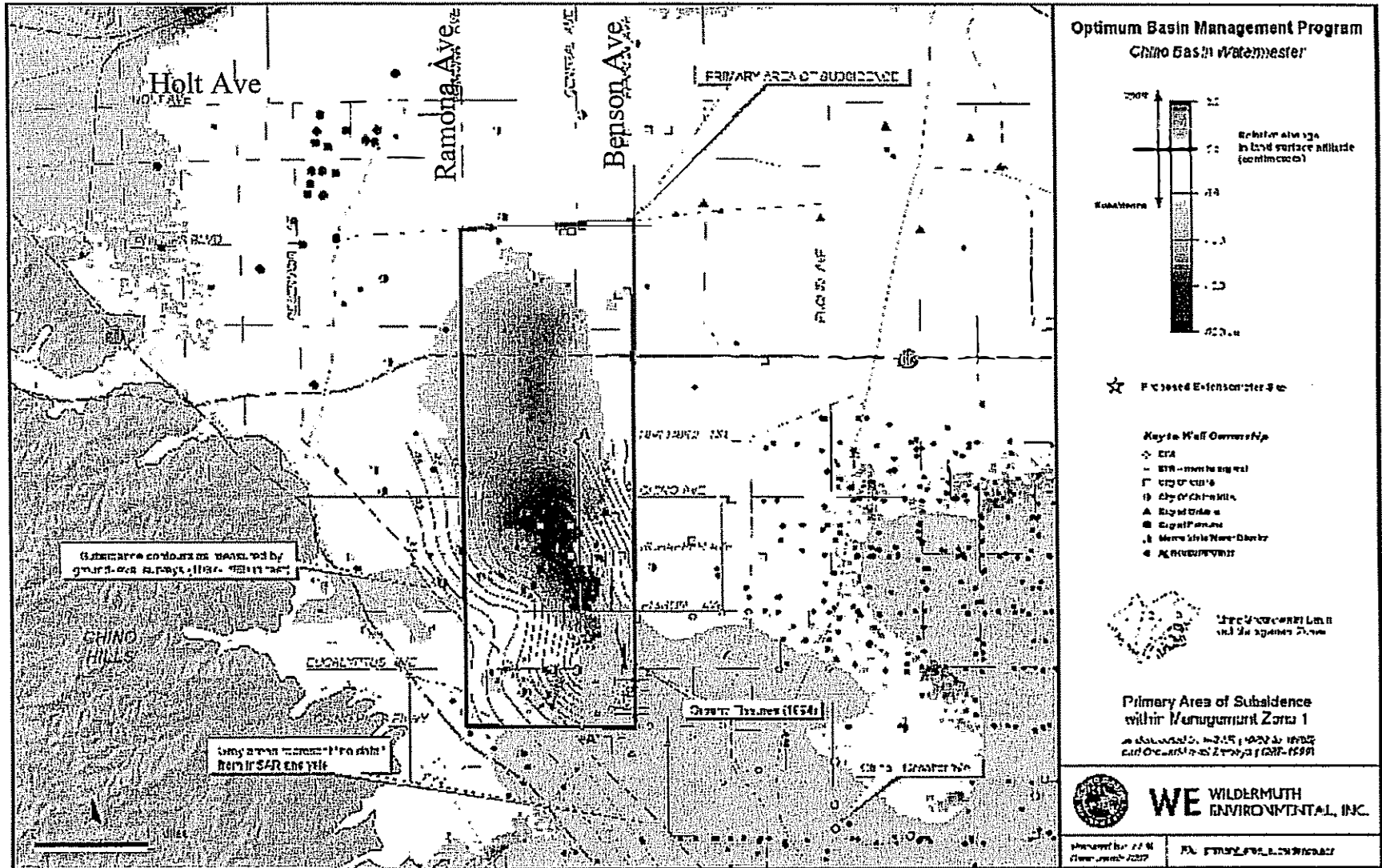


# Facilities Siting Issues

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- Sites were determined in relation to current facilities
- Important for CEQA (TDA)
- “Critical path” for moving forward with preliminary design
- Initial site investigation conducted for sites identified in Conceptual Facility Descriptions Report (January '02)
- Location of subsidence impaired area in MZ1 may impact facilities siting

# MZ1 Subsidence Impaired Area



# Impact of Subsidence on Facilities Siting

---

- SW-A and SW-B facility sites fall within subsidence zone.
- Alternative sites to SW-A and SW-B were explored.
- New sites for a consolidated SW-A / SW-B facility were assessed.
- Alternative sites to other IX facilities and combinations of facilities were investigated.

# Initial Facilities/MWD Conceptual Report

---

- Site descriptions, field sketches, vicinity street maps & aerial photos were prepared:
  - Treatment Facilities
    - Southwest A (City of Chino)
    - Southwest B (MVWD)
    - Northwest (City of Upland)
    - Central (City of Ontario)
    - North Central (CCWD)
    - West (City of Pomona AIX plant expansion)
  - Wells
    - Four new wells for Ontario
    - Two new wells for CCWD
    - One new well for MVWD
    - One new well for SAWC

# Facilities Siting Issues

---

- Current facility siting preferences
- Location of subsidence impaired area in MZ1 may impact facilities siting
- Additional treatment capacity vs. new wells
- We are looking for your guidance...

# Alternative Facilities Site Investigations

Facility	Owner	Feedwater Wells
<b>SWA</b> - Phillips Blvd & Vernon Ave	Chino	Chino 3, 5, 9 (or 3, 10, 12)
<b>SWA</b> - Phillips Blvd & Central Ave	Chino	Chino 3, 5, 9 (or 3, 10, 12)
<b>SWB</b> - MVWD Well 2	MVWD	MVWD 1, 2
<b>NW</b> - 9th St & Mountain Ave	Upland	Upland 3, 8, 13
<b>Central</b> - SAWC Well 12	Ontario	Ontario 4, 9; SAWC 12
<b>Central</b> - E. of SAWC Well 12	Ontario	Ontario 4, 9; SAWC 12
<b>North Central</b> - CCWD Res. 2A	CCWD	CCWD 8, 10, 20
<b>North Central</b> - CCWD Res. 3	CCWD	CCWD 15, 17, 31



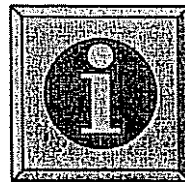
# Alternative Facilities Site Investigations

Facility	Owners	Feedwater Wells
NW Cons. - Upland Well 8	Upland/MVWD	TBD
NW Cons. - MVWD Wells 4 & 27	Upland/MVWD	MVWD 4, 27; Upland 3, 8, 13
SW Cons. - Sunrise Park	MVWD/Chino	MVWD 9, 10, 12
SW Cons. - MVWD Well 9	MVWD/Chino	MVWD 9, 10, 12
SW Cons. - MVWD Well 12	MVWD/Chino	MVWD 9, 10, 12
SW Cons. - Gibbs Park	MVWD/Chino	MVWD 9, 10, 12
SW Cons. - Benson Ave & Palo Verde St	MVWD/Chino	MVWD 4, 9, 10, 12, 27
SW Cons. - Monte Vista Ave & Palo Verde St	MVWD/Chino	MVWD 4, 6, 9, 10, 27
SW Cons. - Ramona Ave at State St	MVWD/Chino	New wells would be needed

# Alternative Facilities Site Investigations (con't.)

---

- Capital costs were developed for all sites

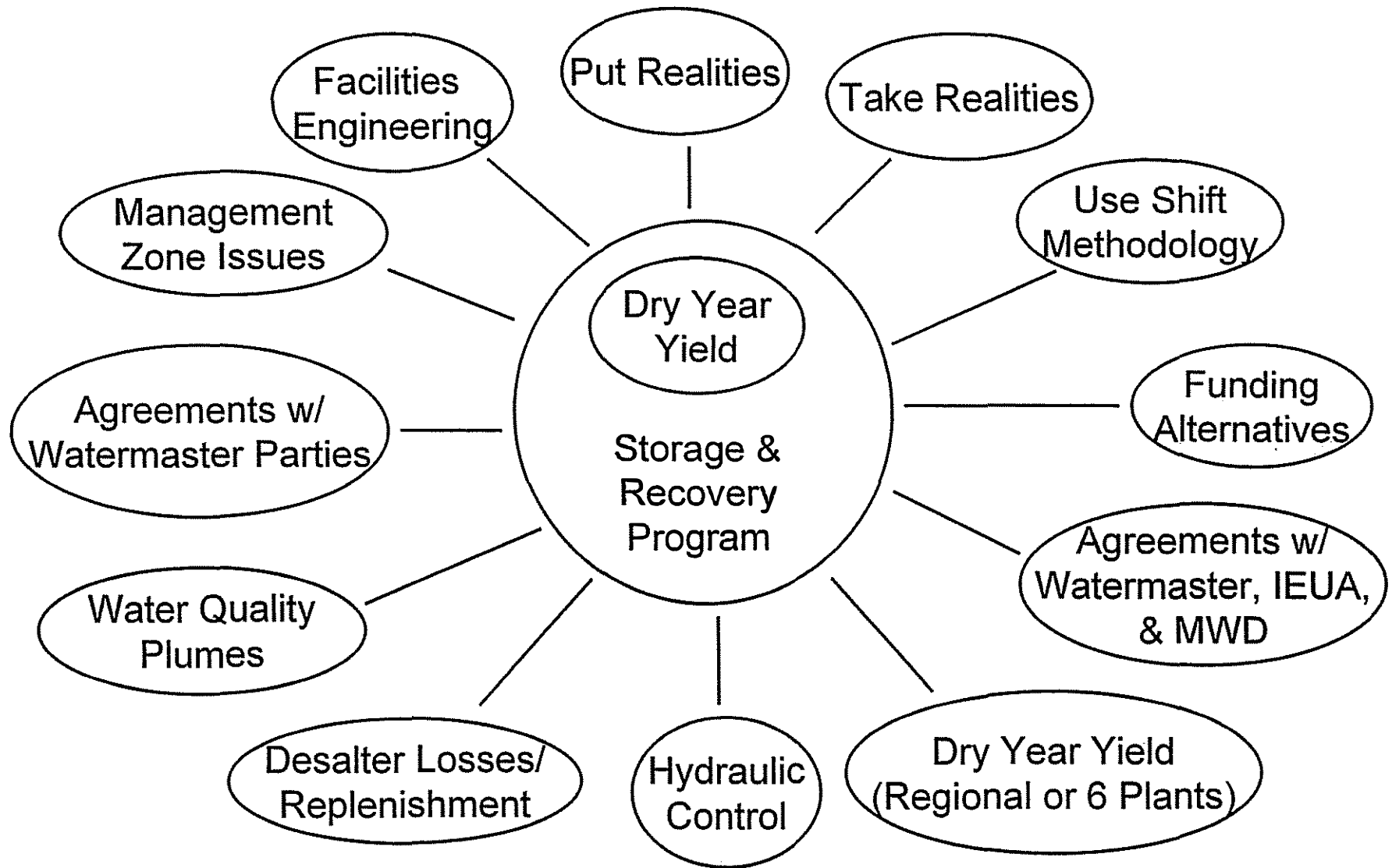


# Critical Decision No. 1

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- We need to finalize the facilities and their locations in order to meet Project Schedule and begin CEQA process
- We need to confirm current WQ information in order to minimize future cost impacts

# DECISION MANAGEMENT TREE



## Possible Funding/Take Obligation Approach (Capital Allocation)

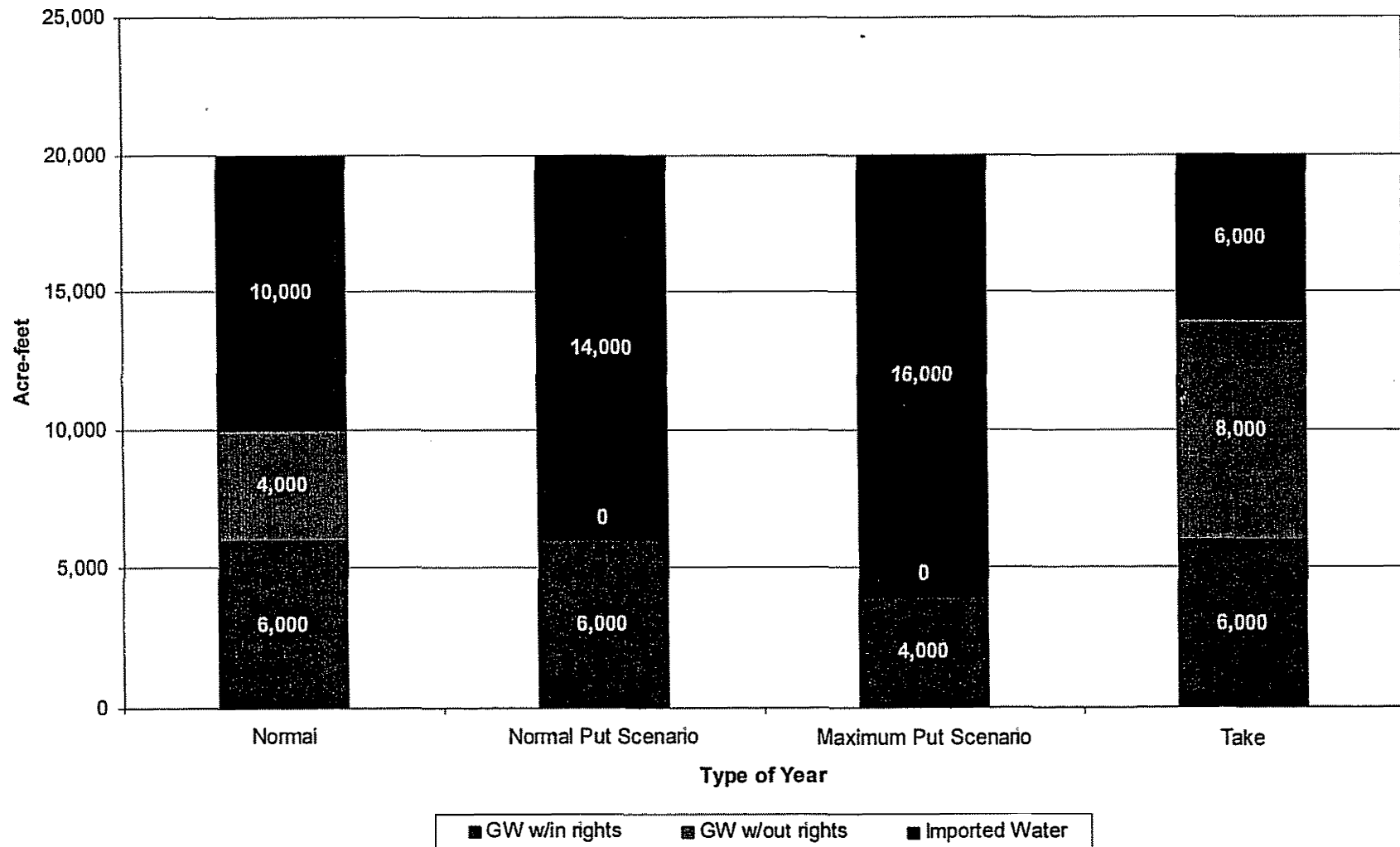
\$ (in millions)	Agency	AF (in 1000's)
8.1	CCWD	10
8.1	Ontario	10
3.2	MVWD	4
3.2	Chino	4
1.7	Pomona	2
3.2	Upland	4
27.5		34

# Funding Methodology Based on Put/Take Deliveries

CHINO BASIN OPTIMUM BASIN MANAGEMENT PROGRAM			
STORAGE AND RECOVERY PROGRAM			
Put & Take Rate Model			
Assumptions			
MWD untreated water rate	\$350	/AF	
Imported water O&M/trtmt cost	\$50	/AF	
CBWM put assessment	\$185	/AF	
GW pumping cost	\$100	/AF	
GW treatment cost (IX)	\$70	/AF	
PUT YEAR			
Water treatment charge	\$50		
CBWM put assessment	\$185		
Avoided GW pumping cost	(\$100)		
<b>Net put water rate</b>	<b>\$135</b>	<b>/AF</b>	
TAKE YEAR			
GW treatment cost (IX)	\$70		
MWD pays GW pumping cost	(\$100)		
MWD water rate payment	\$350		
CBWM put assessment prepay	(\$185)		
<b>Net take water rate</b>	<b>\$135</b>	<b>/AF</b>	

# Impact of GW Rights on Put/Take

Chino Basin Appropriator



# Funding Methodology Based on Put/Take Deliveries

CHINO BASIN OPTIMUM BASIN MANAGEMENT PROGRAM			
STORAGE AND RECOVERY PROGRAM			
Put & Take Rate Model			
MWD untreated water rate	\$350	/AF	
Imported water O&M cost	\$50	/AF	
CBWM put assessment	\$83	/AF	
GW pumping cost	\$100	/AF	
GW treatment cost (IX)	\$70	/AF	
<b>PUT YEAR</b>			
Water treatment charge	\$50		
CBWM put assessment	\$83		
Avoided GW pumping cost	(\$100)		
Lost pumping right	\$205		
<b>Net put water rate</b>	<b>\$238</b>		
<b>TAKE YEAR</b>			
GW treatment cost (IX)	\$70		
MWD pays GW pumping cost	( \$00)		
MWD water rate payment	\$350		
CBWM put assessment prepay	(\$83)		
<b>Net take water rate</b>	<b>\$238</b>		



# Critical Decision No. 2

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- We need to finalize funding methodology:
  - Based on capital only
  - Based on put/take water deliveries
  - Combination of both

# Final Verification of Appropriator Water Supply Plans

Year 2000 Use					
Current Use/Hold Year (AF)					
Agency	Chino GW	Imported	CDA	Other*	Total
Chino	9,645	5,349	10	100	15,103
CCWD	6,195	29,460	0	14,200	49,854
Chino Hills	3,366	11,777	775	400	16,318
MVWD	9,582	2,397	0	0	11,979
Pomona	17,963	2,899	0	15,960	36,822
Ontario	34,598	9,080	1,500	840	46,018
Upland	6,173	5,217	0	10,612	22,002
Fontana	20,555	0	0	20,100	40,655
JCSD	15,454	0	1,241	500	17,195
SAWC	40	0	0	5,018	5,058
<b>Total</b>	<b>123,571</b>	<b>66,178</b>	<b>3,526</b>	<b>67,730</b>	<b>261,005</b>

\* Accounts for all surface water, recycled water, and other groundwater basin supply.

Actual CY 2000 Use  
(from CBWM records)

Year 2020 Use					
Projected Use/Hold Year (AF)					
Agency	Chino GW	Imported	CDA	Other*	Total
Chino	10,000	3,200	5,000	1,050	19,250
CCWD	12,390	39,096	0	18,744	70,230
Chino Hills	12,610	3,000	4,200	2,610	22,420
MVWD	14,160	500	0	0	14,660
Pomona	19,100	7,044	0	15,960	42,104
Ontario	33,940	20,630	5,000	3,360	62,930
Upland	4,100	7,590	0	9,580	21,270
Fontana	24,800	15,230	0	16,070	56,100
JCSD	14,475	0	8,200	500	23,175
SAWC	1,260	0	0	3,520	4,780
<b>Total</b>	<b>146,835</b>	<b>96,290</b>	<b>22,400</b>	<b>71,394</b>	<b>336,919</b>

\* Accounts for all surface water, recycled water, and other groundwater basin supply.

Projected CY 2020  
Use (from OBMP  
Implementation Plan  
& via communication  
with agencies)

# Overview of Asset Inventory

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- Summary of existing groundwater production and imported water treatment capabilities
- Water quality issues also identified
- Used to estimate additional facilities required to implement an in-lieu Storage & Recovery Program larger than current capabilities
- Final verification requested...

# **Agreements with CBWM, IEUA, & MWD**

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# Activities Planned for Next Few Months

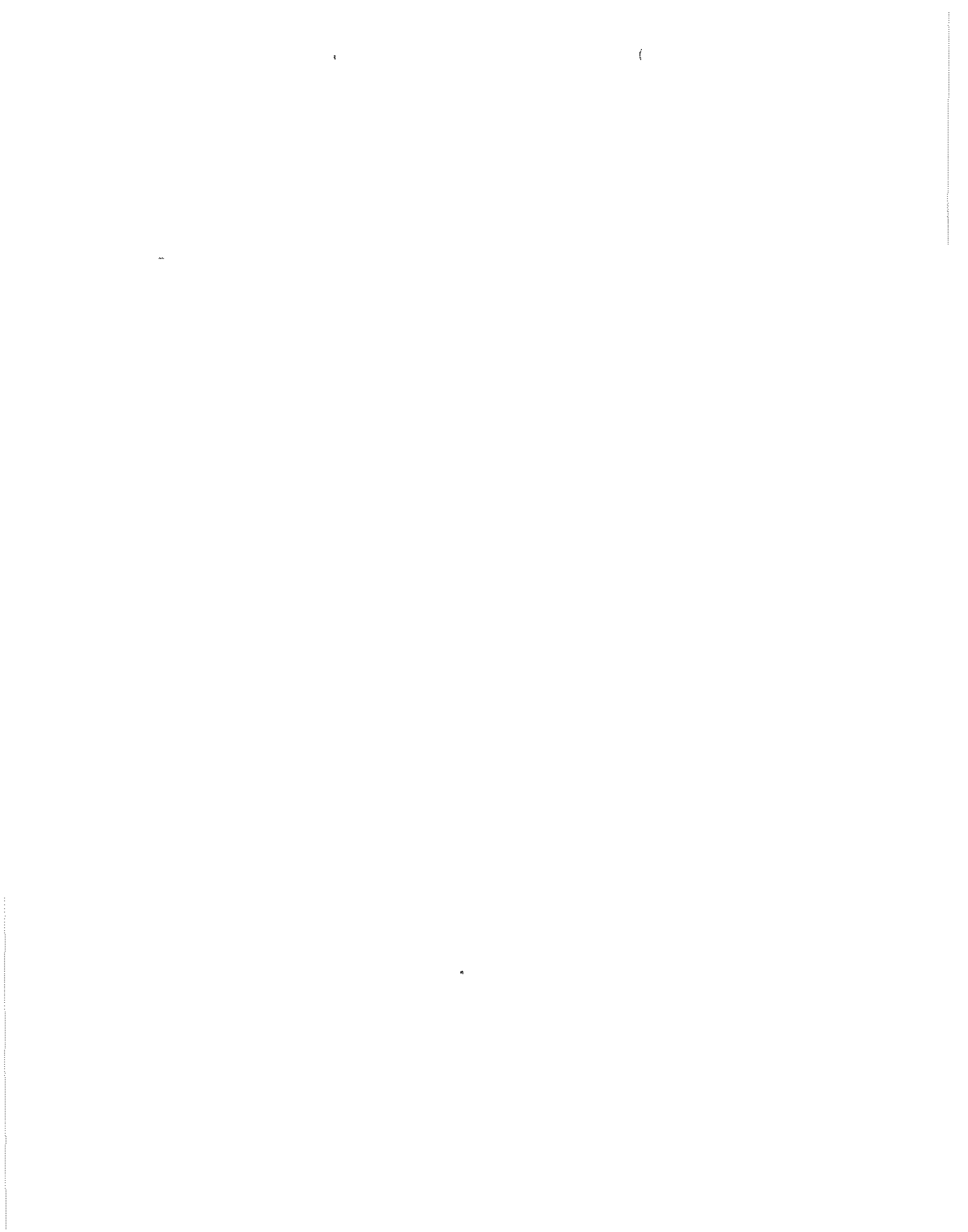
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- Finalize siting / DYY facilities
- Initiate CEQA
- Develop Preliminary Design Report
- Initiate Groundwater Modeling

# What's Next...

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- Possible Funding/Take Obligation Approach
- Put & Take Rate Model??
- Various Agreements
  - CBWM & IEUA with MWD
  - IEUA with Internal Parties
  - Internal Parties to Internal Parties



# ATTACHMENT XVII

Attachment XVII



**Dry Year Yield Project - Allocation of Funding**  
**January 9, 2003**

Revised

Agency	Total Increased Yield				Shift Performance Obligation			Funding Allocation (1)(3)			Cost Per AF	Wells	Treatment
	Treatment(5)	No. Wells	Well(4)	Total	Treatment	Well(4)	Total	Wells	Treatment(6)	Total	Average	Cost per	Cost Per
	AFY		AFY	AFY	AFY	AFY		\$ 650	\$ 925			AF	AF
Pomona (2)	3,110	-	-	3,110	2,000	-	2,000	-	1,700,000	1,700,000	850	-	850
Monte Vista	1,600	1	2,419	4,019	1,544	2,419	3,963	1,572,581	1,428,200	3,000,781	757	650	925
San Antonio	-	-	-	-	-	-	-	-	-	-	-	-	-
Chino	1,201	-	-	1,201	1,159	-	1,159	-	1,072,043	1,072,043	925	-	925
Upland	3,110	-	-	3,110	3,001	-	3,001	-	2,776,064	2,776,064	925	-	925
Chino Hills	1,500	-	-	1,500	1,448	-	1,448	-	1,338,938	1,338,938	925	-	925
CCWD	3,200	3	7,258	10,458	3,088	6,532	9,620	4,245,968	2,856,400	7,102,368	738	650	925
Ontario	1,600	3	7,258	8,858	1,544	6,532	8,076	4,245,968	1,428,200	5,674,168	703	650	925
<b>Subtotal</b>	<b>15,321</b>	<b>7</b>	<b>16,935</b>	<b>32,256</b>	<b>13,784</b>	<b>15,484</b>	<b>29,267</b>	<b>10,064,516</b>	<b>12,599,844</b>	<b>22,664,360</b>	<b>774</b>	<b>650</b>	<b>914</b>
Reserve for Unsubscribed Funds (6)									48,575	48,575			
Unsubscribed (6) (7)					3,733		3,733		2,787,065	2,787,065	747		
<b>Total</b>					<b>17,516</b>	<b>15,484</b>	<b>33,000</b>	<b>10,064,516</b>	<b>15,435,484</b>	<b>25,500,000</b>			

**Criteria for Allocation of Funding:**

- 1) Based Allocation of Grant Funds on two Factors:
  - a) Utilized \$650 per AF of Well Capacity Developed
  - b) Utilize \$925 per AF for Treatment Capacity Developed
- 2) City of Pomona was allocated \$1,700,000 for 2,000AF of Shift Obligation per the original proposal to MWD.
- 3) Funds to be Allocated was reduced to \$25,550,000 (estimated funds available for construction and final design).
 

Total Funding	27,500,000
CEQA, Pre-Design, Modeling	(2,000,000)
Funding for Construction, Design, etc.	<u>25,500,000</u>
- 4) 1,500 gpm utilized for estimate of Well Capacity Developed. CCWD and Ontario well capacity reduced by 10% to limit shift obligation to amounts requested.
- 5) Submitted figures used for estimate of Treatment plant Capacity Developed less 3.5% to limit shift obligation to amounts requested.
- 6) To the extent the total project participant shift obligation is less than the MWD contract amount of 33,000, the unsubscribed funds would not be expended:

Total Program Funding	\$ 27,500,000
Percent Subscribed	89%
Subtotal	24,389,572
Less: CEQA, Pre-Design, etc. @ .	89% (1,773,787)
Funds to be Expended	<u>22,615,785</u>
Suscribed Amount	<u>22,664,360</u>
Reserve for Under-Subscribing	<u>48,575</u>
Revised Unsubscribed Account	<u>2,787,065</u>
Revised Rate per AF	<u>747</u>

The unsubscribed pool could be reduced now to \$2,330,694 at \$704 per AF. This would eliminate uncertainty with further project changes as to funding.

- 7) Any further project amendments would be processed on a first come, first serve basis. Funding would come from the unsubscribed balance at the rate of \$704 per AF for treatment capacity developed and \$650 per AF for well capacity developed.

**Chino Basin Watermaster**

# **Dry Year Yield Project**



**Memorandum & Attachments**

**February 13, 2003**





## CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730  
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

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JOHN V. ROSSI  
Chief Executive Officer

### Memorandum

Date: February 13, 2003

Distribution: Interested Watermaster Parties

From: John V. Rossi, Chief Executive Officer

Subject: Dry Year Yield Project

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#### Background

The Watermaster and the Inland Empire Utilities Agency jointly submitted a proposal to MWD in January 2001, for a groundwater conjunctive use storage program. In April 2001, MWD approved the proposal for \$27.5, which includes \$9 million from the Department of Water Resources, State of California, and \$19.5 million from MWD directly. The funding would be utilized to build wells and wellhead treatment facilities (ion exchange).

In October 2001, MWD and IEUA agreed to the 100,000 AF Storage Program Term sheet (Attachment I) and an advance funding agreement for \$1.6 million for costs associated with CEQA compliance and preliminary engineering studies including water modeling of the basin. MWD also agreed to modify the Carbon Canyon Reclamation Local Projects Funding Agreement, and to assist in the refurbishment of existing replenishment connections and the construction of a new connection. The agreement required that CEQA approvals be completed by December 2002. This deadline was met.

CEQA compliance has been completed by way of:

- The OBMP PEIR (July 12, 2000)
- IEUA's PEIR for the Wastewater Facilities Master Plan and Recycled Water Feasibility Study (June 28, 2002)
- IEUA's Findings of Consistency for the Project (December 28, 2002)

Wildermuth Environmental, Inc., in conjunction with Black & Veatch, has performed an analysis of the proposed project to evaluate the potential impacts on the basin and the parties. Extensive water modeling has been performed. The project components were compared to previous

**Dry Year Yield Project  
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analysis done for the Programmatic Environmental Impact Report for the OBMP. No significant impacts were found as compared to the earlier work.

In the past 18 months, staffs of IEUA and the Watermaster, along with consultants Black and Veatch, have presented various fiscal and engineering analyses of the project components, both to the Pools, Advisory Committee, and Watermaster Board as well as to a committee of the project participants on a more detailed basis.

**Participating Agencies**

As submitted in the original proposals, several appropriate Pool members who have the ability to shift off of MWD supplies, are participating in the project:

City of Chino  
City of Chino Hills  
City of Ontario  
City of Pomona  
City of Upland  
Cucamonga County Water District  
Monte Vista Water District

The San Antonio Water Company has expressed interest in the project. Their participation would require subsequent agreements with others receiving supplies from MWD in order to complete the shift to and from MWD.

The Three Valley Municipal Water District is also a party to the agreement to facilitate the City of Pomona's participation. The City of Pomona receives its imported water supplies from MWD via the Three Valley Municipal Water District.

**Agreement Terms**

The Chino Basin Groundwater Storage Project would allow 100,000 acre-feet of water to be stored by MWD in wet years and in times of imported water shortages (drought or emergencies), the new facilities could be called upon to produce up to 33,000 acre-feet in any twelve month period.

The draft MWD agreement (Attachment II) includes the following highlights:

- 1) A 100,000 acre foot storage (maximum) account

**Dry Year Yield Project**  
**Memorandum**  
**February 13, 2003**  
**Page 3**

- 2) Allows MWD to call on up to 33,000 acre feet per year, up to the amount stored in the account
- 3) MWD would provide \$700,000 worth of work associated with design review, inspection, and approval of imported water connections
- 4) Provide additional credits associated with the Local Projects Program (estimated at \$1.5 million per year by 2005)
- 5) Up to 25,000 acre feet per year of recharge water (in lieu, recharge, etc) with Watermaster approval
- 6) \$132,000 administrative fees per year (indexed)
- 7) Water provided to basin in put year would not be assessed a water supply rate charge
- 8) Water pumped out of the basin in dry year would be charge at untreated rate
- 9) Pumping costs would be reimbursed by MWD
- 10) Treatment costs would be reimbursed by MWD
- 11) Term of 25 years with 5 year options (mutual) for renewal
- 12) Allows for continuation of the MWD Cyclic Account
- 13) Planning and Construction- monthly progress reports and assurance that funding is accomplished within specific time constraints
- 14) Construction funding limited to \$27.5 million but if individual projects go over budget by 5 percent or more, can re-evaluate going forward, including discontinuing the project.
- 15) Operating committee- MWD/IEUA/Watermaster/TVMWD membership plus we propose a separate local operating committee. Annual operating plans developed for storage up to 25,000 AF and dry year "take" pumping plans of 33,000 AF. Detailed record keeping and accounting of MWD 100,000 AF storage is required.
- 16) Key point MWD allows local control and use of facilities
- 17) Dispute Resolution---- key point, retail utility penalty for non-performance is double the Tier II rate (remember IICP was triple MWD full service rate).
- 18) Expands the Carbon Canyon Local Projects credits (approximately \$1.2 million per year by 2005)

The contract benefits, costs, and obligations will be passed on to project participants by way of a retail agreement between the individual project parties, IEUA, TVMWD, and the Watermaster.

**Questions Received and responses regarding Dry Year Yield Storage Agreement**

In the past month, as the draft agreements have been circulated, various questions have been presented. The following are generally the questions that Watermaster has accumulated with related responses:

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1. **Question:** What is the total amount that MWD can bring in?

**Answer:** The proposed agreement would allow an additional 100,000 acre-feet of storage in the basin. Currently, MWD has several Storage Agreements (see Attachment V) with the Chino Basin:

- 1979 Cyclic Agreement - Allows 100,000 AF of storage. Currently has an approximate account balance of 35,500 acre-feet for replenishment purposes. The Watermaster has previously notified that MWD would not be putting additional water in. Therefore, some 65,000 acre-feet of storage is available from current obligations. Watermaster initiates requests from this account.
- 1986 Trust Agreement - Current balance is 4,740 AF. This agreement allowed for in-lieu exchanges only of non-interruptible water. Transactions for this water are at MWD's request.
- 1992 CB-5 Short-term Agreement. Allows for a maximum of 5,000 acre-feet of storage of supplemental water. MWD initiates activity to and from account. Currently, no water is in storage in this account.

Watermaster and IEUA staff are finalizing language to roll the Trust account into the proposed account. Staff recommends that the Cyclic Account remain and is discussing an option to re-initiate water deliveries into the account. This recommendation is based on the perceived benefit of having additional amounts of replenishment water available in future years.

2. **Question:** How does this storage account relate to the Storage and Recovery Program? Is this part of the 500K?

**Answer:** No formal designation has been made regarding the 100,000 acre-feet of storage per the agreement. The Storage and Recovery proposals for 500,000 acre-feet of storage were sent out (July 2001) after MWD approved the grant (April 2001) for this Project. The analysis performed by Wildermuth Environmental evaluated the 100,000 acre-feet as a subset or part of the 500,000 Storage and Recovery offering.

3. **Question:** Is it true that we cannot deal with any other agency except MWD because of the constraints on use of facilities?

**Answer:** No. The agreement requires performance in call years, but otherwise does not prohibit use by the agencies owning the facilities for this or other purposes.

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4. **Question:** Has a valuation been performed that will describe the valuation of the program for the member agencies.

**Answer:** Yes. Attachment III, prepared by Black & Veatch, outlines the benefits of the project. Previously, the Watermaster had another consultant perform an analysis of potential values associated with other storage and recovery projects. The project analyzed was the proposed, and now defunct, Cadiz / MWD project. Further work was initiated to analyze the benefits of this project, but the analysis was completed by Black & Veatch to reduce consulting costs.

5. **Question:** We need to see a comparison between this program and the responses to the RFP's.

**Answer:** Attachment IV outlines the proposals received on the Storage and Recovery project. A detailed comparison is difficult due to the lack of specificity on the proposals received. It should be noted that staff evaluating the proposals found that each depended upon MWD transmission facilities, MWD policies regarding water quality and wheeling, and in most cases, would require MWD as a source of water.

6. **Question:** What happens in the event of pollution? Is it a force majeure event? Do the participating entities cover this risk? Is it an excuse for performance or who is liable? Is it Watermaster's responsibility?

**Answer:** No. It is a risk for future performance borne by each participating agency. Each agency needs to assess its risk associated with future water quality regulations, etc.

7. **Question:** What plans are there, if any, for the other 400K?

**Answer:** Watermaster is continuing to pursue opportunities with the proposing agencies and MWD. As storage becomes more valuable given the ever-changing dynamics regarding MWD, Colorado River, and state project water supplies, opportunities will arise. MWD policies on ambient water quality, wheeling rates, and investments in storage programs might be modified. Concerted and coordinated efforts by the parties will be necessary to make change to this end.

8. **Question:** How does this deal relate to the in lieu capacity?



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**Answer:** Currently, in-lieu deliveries are limited on the outside by MWD deliveries, or 33,000 acre-feet. Realistically, in-lieu deliveries are limited to the amount of shift obligation parties are willing to assume. This amount is largely dependent upon facilities needed when extreme shifting is undertaken. As an example, of the 33,000 acre-feet of shift obligation for this project, the participants have requested only 29,000 acre-feet. In any event, the 33,000 acre-feet represents approximately half of the current 65,000 acre-feet of MWD deliveries. This amount is expected to exceed 100,000 acre-feet in the next 15 to 20 years as growth continues.

9. **Questions:** Identify all of the items of benefit.

**Answer:** Attachment VI outlines the various benefits and obligations. Several of the more significant are:

- \$27.5 million for new facilities
- Facility ownership retained by participants
- In-lieu water delivered at no cost for supply rate component
- Treatment costs reimbursed up to \$25 per AF
- Pumping costs and O&M costs reimbursed
- Carbon Canyon Agreement expanded – should bring in additional \$1.5 million to Regional Sewer agencies per year after 2005.
- Storage account losses
- Administrative fee - \$132,000 per year (indexed)
- Option to re-initiate Cyclic account for pre-delivery of replenishment water
- Potential water quality blending benefits in put years
- Potential cost savings for water delivered at higher hydraulic gradient in put years

10. **Question:** Is it possible to get this to the Watermaster Board in February? Is this considered an “application”?

**Answer:** As this is a Watermaster initiated storage account, staff believes that the prior agendized reports and updates serve as compliance with the 90-day notice requirement for this agreement's related storage account. The agreement is agendized for the February Pool meetings. As a 21-day period is required from the Pool meetings until such time as the Advisory Committee and Board may consider approval, the agreement will be agendized for a full briefing to the Advisory Committee and Watermaster Board in February, and for consideration at the March meetings.

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11. **Question:** Are there alternatives to MWD?

**Answer:** Alternatives could include no project at this time and other water agencies. Other proposals or opportunities appear to be dependent upon MWD's approval (transmission facilities, wheeling rates, water supply, etc.). Another possibility is to apply for grant funding from Prop. 50, and the federal government, build the facilities, and then market the capacity to shift, and/or store water. To date, other agencies have not indicated a desire to fund facilities and participate in a storage and recovery project without coordinating with MWD.

12. **Question:** Does this have a benefit to others in the Basin?

**Answer:** At a minimum, the losses taken on the account, the administrative fee, and the additional credits received on the Carbon Canyon agreement modification, can benefit other Appropriative and Non-Ag Pool members. In direct benefits, such as additional facilities to provide flexibility to deal with water supply anomalies (allowing for trading of water at inter-connections) may be developed as well.

13. **Question:** Should we consider taking some of that 500K back into the local storage accounts?

**Answer:** It is another possibility; to the extent the Appropriative and Non-Ag Pool members find that this could be beneficial.

14. **Question:** Is there language in the Agreement that says that this will not be a template for future deals or that this will not preclude other deals?

**Answer:** The agreement does not contain language that precludes any other deals from being transacted, or that it is a template for any other deals.

15. **Question:** The Agreement does not say too much about "Dry Year Yield." Is the intention still that this is a dry year yield program?

**Answer:** Yes. Language defines that when a call is made for drought or emergency purposes, the participants have 12 months to meet their obligation. Staff is drafting additional clarifying language.

16. **Question:** Where does the Agreement say that a call by MWD must be a 12-month call?

**Dry Year Yield Project  
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**Answer:** The language is contained on Page 6, section IV.A.1.b and in Exhibit G. Staff is drafting additional clarifying language.

17. **Question:** Is two weeks notice an appropriate amount of time when the call will create a yearlong commitment?

**Answer:** This is consistent with long-standing MWD seasonal storage service policies.

18. **Question:** What is the process for Watermaster's approval of the annual operating plan?

**Answer:** After the annual plan is agreed upon at the Operating Committee level, the plan will be submitted through the Watermaster Pools, to the Advisory Committee, and Board to consider and approve the recharge amounts and methods.

19. **Question:** What is the full range of costs for which local agencies can seek reimbursement?

**Answer:** They include pumping electrical and O&M costs, up to \$25 per acre-foot for treatment costs. The design, right-of-way, and construction costs will be funded on a reimbursement basis.

20. **Question:** Does Watermaster retain control over where water is delivered and extracted?

**Answer:** As previously described, Watermaster will approve water delivered into storage as to amount and method. Extractions are based on MWD call, and Watermaster will not have discretion of this activity.

### **Financial Impacts**

Attachment III is a financial analysis prepared by Black & Veatch. Cash flows were estimated for benefits and costs over the life of the project. The present value of the elements is computed. The value of the proposed 100,000 acre-foot storage program is calculated to be \$433 per acre-foot. Project participants should find values exceeding this figure when factoring in service reliability gains, pumping lift savings, additional blending water availability and other benefits dependent upon individual agency water system configurations.

**Dry Year Yield Project  
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**Summary**

Many meetings with staff of the participating agencies, the Watermaster, IEUA, and Black & Veatch have been held over the past year. Consensus has been reached on funding allocations, performance obligation targets, and other project facility elements.

Staff recommends that the Pools recommend to the Advisory Committee approval of the agreement in substantial form and authorize staff and legal counsel to finalize clarifying language.

**Attachments**

Many meetings have been held regarding this project. The following table outlines the attachments that include various financial analysis, power point presentations, and other information that has been presented in the last 18 months:

<b>Description</b>	<b>Attachment #</b>	<b>Comment</b>
October Memo re: Term Sheet	Attachment I	Business Deal Points
Draft MWD Agreement – revised Feb. 4, 2003	Attachment II	
Black & Veatch Financial Analysis	Attachment III	Revised February 2003
Matrix of Storage and Recovery Proposals Received	Attachment IV	
Matrix of Existing MWD Storage Accounts	Attachment V	
IEUA Presentation on Project Benefits	Attachment VI	February 5, 2003
IEUA Board Letter – Consider Agreement	Attachment VII	February 5, 2003
MWD Board Comm. Recommendation	Attachment VIII	February 11, 2003
CBWM power point presentation	Attachment IX	January 2003
CBWM power point presentations	Attachment X	September 2003
IEUA power point presentations	Attachment XI	
Conceptual Facilities Report	Attachment XII	November 2001
CBWM Status Report	Attachment XIII	July 19, 2001

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CBWM power point presentation	Attachment XIV	April 2000
IEUA Memo on Deal Points	Attachment XV	December 10, 2002
CBWM power point to Appropriative Pool	Attachment XVI	August 8, 2002
CBWM Funding Allocation	Attachment XVII	January 9, 2003

# ATTACHMENT I

Attachment I

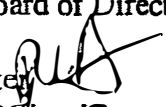


Inland Empire  
UTILITIES AGENCY

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Date: October 17, 2001

To: The Honorable Board of Directors

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

Subject: MWD Proposed Term Sheet for Proposition 13 Grant Funding of the Chino Basin Groundwater Storage Program – Amendments to the Term Sheet

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### RECOMMENDATION

It is recommended that the Board of Directors approve the amended Terms of Agreement for Proposition 13 Funding for Chino Basin Programs, and authorize the Chief Executive Officer/General Manager to execute the amended Term Sheet.

### BACKGROUND

Agency staff and Chino Basin Watermaster have been working with MWD staff on an arrangement for the Chino Basin Groundwater Storage Program funding from MWD (and Proposition 13 grants). The amended Term Sheet provides \$27.5 million for constructing new production facilities for the benefit of the retail water utilities.

- \$ 9 million would be funded from Proposition 13
- \$18.5 million would be funded by MWD

In addition, MWD agreed to amend IEUA's recycled water local projects agreement to be applied throughout IEUA's service area.

The Term Sheet provides established principles for the execution of a contract. In addition, MWD has agreed to advance funds (approximately \$1.5 million) for the CEQA/preliminary engineering activities.

The Term Sheet also indicates that the contract may not be executed until September 1, 2002. The contract will be required prior to award of construction contracts.

**Chino Basin Groundwater Conjunctive Use Program  
Metropolitan/IEUA/Chino Basin Watermaster Partnership Under Proposition 13 RFP  
Program Terms**

<b>Program Storage Target</b>	<b>100,000 AF</b> (Operating Committee will establish actual levels)
<b>Annual Yield Target</b>	<b>33,000 AF</b> (Operating Committee will establish actual levels)
<b>Total Water</b>	Program will be cycled as necessary over program term to meet dry year demands or emergencies.
<b>Total Capital Investments</b>	<p><b>TOTAL = \$27.5 million</b></p> <p>\$9 million from Prop 13 fund</p> <ul style="list-style-type: none"> <li>➤ Cost-based</li> <li>➤ Ion Exchange Treatment Facilities</li> </ul> <p>\$18.5 million from Metropolitan or other sources</p> <ul style="list-style-type: none"> <li>➤ Subject to approval by the Metropolitan Board</li> <li>➤ Ion Exchange Treatment Facilities</li> <li>➤ 8 Pumping Wells</li> </ul>
<b>Annual Administration Fee</b>	<p>\$132,000</p> <ul style="list-style-type: none"> <li>➤ Fee will be escalated using the lesser of 2.5% or CPI</li> </ul>
<b>Program Term</b>	25 years
<b>Storage Losses</b>	Metropolitan will be assessed storage loss in the same manner as other parties in the basin.
<b>Payment for Water Delivery</b>	Metropolitan will be paid the firm untreated water rate when water is produced from storage.
<b>Energy &amp; Maintenance Cost</b>	Metropolitan will pay the actual Energy and Maintenance cost to extract annual yield.
<b>Miscellaneous Conditions</b>	<ul style="list-style-type: none"> <li>➤ Replenishment Connections – Metropolitan forces to refurbish and activate existing connections -- will be listed.</li> <li>➤ Metropolitan and IEUA staff to produce engineering report for proposed new connections and develop cost sharing plan</li> <li>➤ Replenishment connections may be used to store Metropolitan water.</li> <li>➤ Metropolitan will allow shifting a portion of Carbon Canyon Reclamation Project yield under the Local Resources Program to other IEUA recycling plants.</li> </ul>



# CHINO BASIN

## Water Resources Capital Improvement Program

### Chino I/II Desalters

- 25,000 AF/Y
- \$68 Million

### MWD Conjunctive Use

- 100,000 AF
- \$28.5 million

### Recharge Master Plan

- 23,000 AF/Y New Stormwater
- 20 - 40 AF/Y Recycled Water
- 80 - 120,000 AF/Y Imported Water

### Recycled Water

- 60 - 70,000 AF/Y
- \$120 million

“\$40 - 50 million Capital Cost”

# ATTACHMENT II

Attachment II

**AGREEMENT NO. 49960**  
**GROUNDWATER STORAGE PROGRAM**  
**FUNDING AGREEMENT**

**BY AND AMONG**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**AND**

**INLAND EMPIRE UTILITIES AGENCY**

**AND**

**THREE VALLEYS MUNICIPAL WATER DISTRICT**

**AND**

**CHINO BASIN WATERMASTER**

**DATED AS OF \_\_\_\_\_, 2003**

**Notice: added language to XLB and XIII.C to address TVMWD concerns on indemnity and termination language. Also, added language to address in-lieu treated water delivery and O&M Costs for the City of Pomona see Sections IV.A.1.c, VII.D.1, VII.D.**

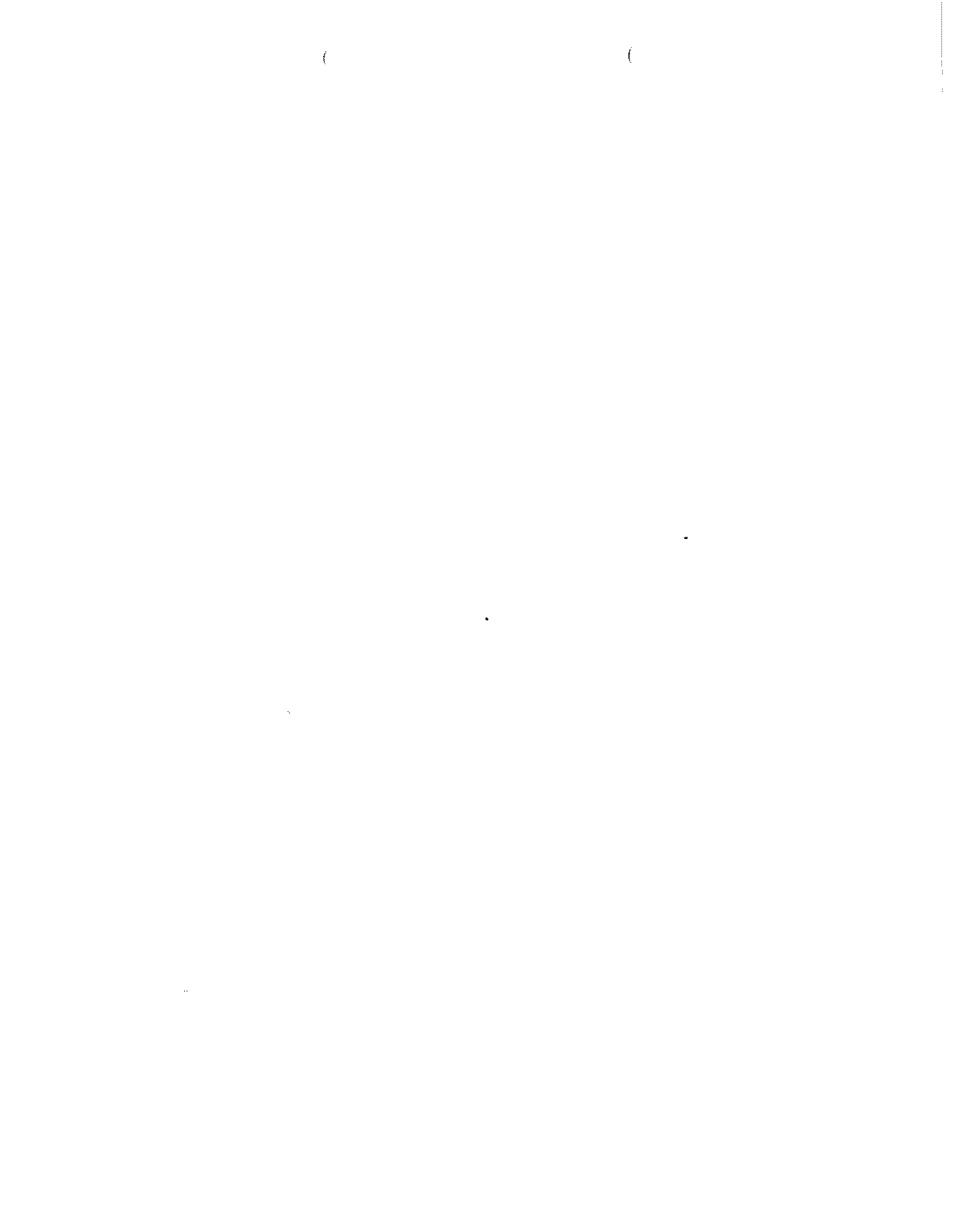
**Items that still need to be resolved: Exhibit H needs to be updated**

This attachment has been removed due to subsequent revisions. The final version can be found at “Exhibit 1”



# ATTACHMENT III

Attachment III



Assumptions	
Net Capital Investment	\$ 27,500,000
Prop. 13 Funding	\$
Total Capital Investment	\$ 27,500,000
Interest Rate	6.0%
Amortization Period	25 years
Inflation Rate	3.0%
Salvage Value of IX Plants	20%
Salvage Value of New Wells	50%
Salvage Value of the Facilities	25%
Salvage Value of Facilities	\$10,220,770
Met Dry Year Deliveries Reduced By	20%
Value of Dry Year Retail Water Sale	\$450 per acre-ft
Take Water Purchase Cost	
(Paid by Appropriators)	\$350 per acre-ft
Unit Groundwater Pumping Cost	
(Paid by Metropolitan)	\$100 per acre-ft
Unit State Water Project Pumping Cost	
(Paid by Metropolitan)	\$100 per acre-ft
Ion Exchange Treatment Cost	
(Paid by Appropriators)	\$20 per acre-ft
(Paid by Metropolitan)	\$50 per acre-ft
Add'l Water Delivery Cost	
Trml Costs for In-Situ (by Met)	\$50 per acre-ft
Trml Costs for In-Situ (by App)	\$50 per acre-ft
Storage Fee (by Met)	\$0 per acre-ft
Admin Fee (by Met)	\$132,000 per year
LPP Funding to Recharge Plan (by Met)	\$1,575,000 per year
Value of Storage Losses In Ann	\$250 per acre-ft
Value of Storage to Metropolitan	\$0 per acre-ft
Total Dry Year Yield	33,000 AFY
Yield From IX Treatment	18,000 AFY
Yield From New Wells	15,000 AFY
Maximum Storage Used During Term	99,610 acre-ft
Losses from Storage	0.0% of water in storage

Appropriators Results	
Present Value of Annual Benefits to Appropriators	\$86,783,309
Present Value of Depreciated Facilities	\$3,781,000
Present Value of Take Costs	\$49,215,840
Present Value Benefit to Appropriators	\$43,348,529
Unit Storage Benefit to the Appropriators	\$449
Unit benefit based on a 100,000 AF Program	\$433/AF

Metropolitan Results	
Present Value of Annual Benefits to Metropolitan	\$38,310,590
Present Value of Metropolitan Costs	\$102,039,273
Present Value Benefit to Metropolitan	(\$64,019,682)
Unit Storage Benefit to Metropolitan	(\$649)
Unit Benefit Based on Purchased Water	(\$392)

Year	Annual Basin Storage				Benefits to Appropriators										
	Puts To Storage (acre-ft)	Takes From Storage (acre-ft)	Storage Losses (acre-ft)	Storage Level (acre-ft)	Avoided Groundwater Pumping	Capture of Losses	Capture of Water Left in Storage	Water Treatment For Inflow	LPP Recharge Funding	Admin Fee	Dry Year Retail Water Sale	Total Benefit	Benefit PV	Purchase of Take Water	
2001	0		0	0	\$0	\$0	\$0	\$0	\$1,575,000	\$132,000	\$0	\$1,707,000	\$1,707,000	\$0	
2002	17,000		510	19,460	\$1,751,000	\$131,325	\$0	\$8,755,000	\$1,575,000	\$135,260	\$0	\$4,458,125	\$4,215,212	\$0	
2003	17,000		1,499	31,991	\$1,803,530	\$397,678	\$0	\$9,017,655	\$1,575,000	\$138,683	\$0	\$4,818,658	\$4,288,807	\$0	
2004	17,000		2,429	46,561	\$1,857,038	\$683,078	\$0	\$9,280,818	\$1,575,000	\$142,150	\$0	\$5,167,281	\$4,338,549	\$0	
2005	17,000		3,304	60,257	\$1,913,365	\$929,577	\$0	\$9,550,892	\$1,575,000	\$145,703	\$0	\$5,520,328	\$4,372,617	\$0	
2006	17,000		4,125	73,132	\$1,970,766	\$1,195,832	\$0	\$9,825,383	\$1,575,000	\$149,348	\$0	\$5,875,128	\$4,399,984	\$0	
2007	17,000		4,898	85,234	\$2,029,889	\$1,462,094	\$0	\$1,014,944	\$1,575,000	\$153,080	\$0	\$6,225,007	\$4,395,434	\$0	
2008	17,000		5,624	98,810	\$2,090,788	\$1,729,217	\$0	\$1,045,393	\$1,575,000	\$156,907	\$0	\$6,597,302	\$4,387,583	\$0	
2009		33,000	4,807	58,803	\$4,180,341	\$1,522,218	\$0	\$0	\$1,575,000	\$180,829	\$3,782,307	\$11,200,693	\$7,027,454	\$14,831,184	
2010		33,000	2,538	23,285	\$4,305,752	\$927,049	\$0	\$0	\$1,575,000	\$184,850	\$3,875,178	\$10,748,724	\$8,382,153	\$15,070,130	
2011	20,000		1,958	41,289	\$2,897,833	\$870,580	\$0	\$1,343,918	\$1,575,000	\$189,971	\$0	\$9,445,308	\$3,599,584	\$0	
2012	20,000		3,076	58,763	\$2,788,468	\$1,084,531	\$0	\$1,384,234	\$1,575,000	\$173,195	\$0	\$8,085,439	\$3,669,301	\$0	
2013	20,000		4,092	74,102	\$2,851,522	\$1,458,408	\$0	\$1,425,781	\$1,575,000	\$177,525	\$0	\$7,488,218	\$3,721,414	\$0	
2014	20,000		5,048	88,655	\$2,837,857	\$1,852,860	\$0	\$1,468,534	\$1,575,000	\$181,963	\$0	\$6,915,155	\$3,757,817	\$0	
2015		33,000	4,353	51,782	\$4,891,548	\$1,848,201	\$0	\$0	\$1,575,000	\$188,513	\$4,492,391	\$12,891,651	\$5,701,890	\$17,470,411	
2016	20,000		3,702	68,000	\$3,115,935	\$1,441,950	\$0	\$1,557,607	\$1,675,000	\$191,175	\$0	\$7,882,627	\$3,280,893	\$0	
2017	20,000		4,680	83,320	\$3,209,413	\$1,877,507	\$0	\$1,604,708	\$1,575,000	\$195,935	\$0	\$6,462,582	\$3,331,264	\$0	
2018	7,800		5,224	85,588	\$1,239,836	\$2,159,703	\$0	\$810,819	\$1,575,000	\$200,854	\$0	\$5,794,010	\$2,151,889	\$0	
2019	0		5,138	80,460	\$0	\$2,185,818	\$0	\$0	\$1,575,000	\$205,875	\$0	\$3,968,693	\$1,389,708	\$0	
2020		33,000	3,839	43,822	\$5,788,570	\$1,882,318	\$0	\$0	\$1,575,000	\$211,022	\$5,207,813	\$14,462,821	\$4,780,150	\$20,252,695	
2021	0		2,817	41,805	\$0	\$1,181,808	\$0	\$0	\$1,575,000	\$216,297	\$0	\$2,973,103	\$927,028	\$0	
2022	0		2,460	38,545	\$0	\$1,144,224	\$0	\$0	\$1,575,000	\$221,795	\$0	\$2,940,929	\$865,090	\$0	
2023	0		2,313	36,232	\$0	\$1,107,838	\$0	\$0	\$1,575,000	\$227,247	\$0	\$2,919,085	\$807,584	\$0	
2024	0		2,174	34,058	\$0	\$1,072,809	\$0	\$0	\$1,575,000	\$232,829	\$0	\$2,880,537	\$754,117	\$0	
2025		33,000	1,853	5	\$8,708,221	\$535,363	\$0	\$0	\$1,575,000	\$238,752	\$8,037,308	\$15,094,754	\$3,729,080	\$23,478,772	
2026	0		0	4	\$0	\$148	\$0	\$0	\$1,575,000	\$244,721	\$0	\$1,819,809	\$424,027	\$0	
2027	0		0	4	\$0	\$143	\$0	\$0	\$1,575,000	\$250,839	\$0	\$1,825,882	\$401,369	\$0	
								\$2,245		\$2,245			\$2,245	\$494	
Total	248,500	115,000	61,486		\$58,195,274	\$29,940,124	\$2,245	\$16,113,422	\$42,625,000	\$5,004,384	\$23,375,168	\$176,159,636	\$88,783,309	\$80,803,503	



Assumption
Met Capital Investment
Prop. 13 Funding
Total Capital Investment
Interest Rate
Amortization Period
Inflation Rate
Salvage Value of IX Plants
Salvage Value of New Wells
Salvage Value of the Facilities
Salvage Value of Facilities
Met Dry Year Deliveries Reduced By
Value of Dry Year Retail Water Sale
Take Water Purchase Cost
(Paid by Appropriators)
Unit Groundwater Pumping Cost
(Paid by Metropolitan)
Unit State Water Project Pumping Cost
(Paid by Metropolitan)
Ion Exchange Treatment Cost
(Paid by Appropriators)
(Paid by Metropolitan)
Add'l Water Delivery Cost
Trmt Costs for In-Situ (by Met)
Trmt Costs for In-Situ (by App)
Storage Fee (by Met)
Admin Fee (by Met)
LPP Funding to Recharge Plan (by Met)
Value of Storage Losses to App
Value of Storage to Metropolitan
Total Dry Year Yield
Yield From IX Treatment
Yield From New Wells
Maximum Storage Used During Term
Losses from Storage

Year	Cost to Appropriators				Benefits to Metropolitan Water District			
	Ion X Treatment	Water Treatment For In Situ	Total Cost	Cost PV	Sale of Water	Benefit of Storage	Total Benefit	Benefit PV
2001	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2002	\$0	\$875,500	\$875,500	\$825,643	\$0	\$0	\$0	\$0
2003	\$0	\$901,765	\$901,765	\$802,588	\$0	\$0	\$0	\$0
2004	\$0	\$928,818	\$928,818	\$779,853	\$0	\$0	\$0	\$0
2005	\$0	\$958,882	\$958,882	\$757,782	\$0	\$0	\$0	\$0
2006	\$0	\$985,383	\$985,383	\$736,335	\$0	\$0	\$0	\$0
2007	\$0	\$1,014,044	\$1,014,044	\$715,466	\$0	\$0	\$0	\$0
2008	\$0	\$1,045,393	\$1,045,393	\$695,248	\$0	\$0	\$0	\$0
2009	\$459,037	\$0	\$15,097,232	\$9,485,916	\$14,631,194	\$0	\$14,631,194	\$9,179,792
2010	\$469,718	\$0	\$15,539,849	\$9,169,013	\$15,070,130	\$0	\$15,070,130	\$8,919,687
2011	\$0	\$1,343,918	\$1,343,918	\$750,436	\$0	\$0	\$0	\$0
2012	\$0	\$1,384,234	\$1,384,234	\$729,187	\$0	\$0	\$0	\$0
2013	\$0	\$1,425,781	\$1,425,781	\$708,559	\$0	\$0	\$0	\$0
2014	\$0	\$1,468,534	\$1,468,534	\$688,509	\$0	\$0	\$0	\$0
2015	\$544,532	\$0	\$18,014,044	\$7,068,027	\$17,470,411	\$0	\$17,470,411	\$7,727,160
2016	\$0	\$1,557,007	\$1,557,007	\$850,085	\$0	\$0	\$0	\$0
2017	\$0	\$1,604,708	\$1,604,708	\$831,687	\$0	\$0	\$0	\$0
2018	\$0	\$919,818	\$919,818	\$230,178	\$0	\$0	\$0	\$0
2019	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2020	\$831,262	\$0	\$20,884,257	\$8,902,919	\$20,252,095	\$0	\$20,252,095	\$8,693,678
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2025	\$731,808	\$0	\$24,210,578	\$5,979,493	\$23,478,772	\$0	\$23,478,772	\$5,798,753
2026	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2027	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$2,833,358	\$16,113,422	\$109,850,281	\$49,215,840	\$90,603,603	\$0	\$90,603,603	\$38,310,590

# ATTACHMENT IV

Attachment IV



<i>Entity</i>	<i>Purpose</i>	<i>Quantity</i>	<i>Water Source</i>	<i>Financial Consideration</i>	<i>Duration</i>	<i>Other Comments</i>
Castaic Lake Agency	Dry year banking	60 KAF storage, 20 KAF extraction, with option to double these amounts		Negotiable with understanding that all parties must benefit, including rightholders and MWD, financially viable relative to alternatives; \$300/AF paid over 10 years for storage; pay up to MWD's interruptible rate for in-lieu deliveries in Chino, share any cost savings if Chino provides water at lower cost, plus other	Long-term relationship	Can develop exchange agreement with MWD; wants to "capitalize" financial terms so that its participation can be included in its connection fee program

<i>Entity</i>	<i>Purpose</i>	<i>Quantity</i>	<i>Water Source</i>	<i>Financial Consideration</i>	<i>Duration</i>	<i>Other Comments</i>
Orange County Water District	Storage, exports, wastewater	10 KAF stored over 2 years; up to 50 KAF of basin exports; wastewater purchases to enhance flows in SAR	Stored water from MWD and SBVMWD, or other sources	Pay up front fees, storage fees, put and take fees, with prices reflecting water quality parameters	25 years	Meet water quality standards for TDS, nitrates, VOC's, "other compounds"; consistent with 1969 Judgment; expand agreement if initial successful;
MWDOC	Meet dry years needs, growth	45 KAF to 90 KAF storage volume; 15 KAF to 30 KAF dry year yield; 15 KAF dry year supply; annual need 10 KAF to 50 KAF	same as OCWD	Financial terms reflect cost (net of state/federal funds) relative to cost of MWD supplies and other reliability	presumably in tandem with OCWD	Proposal offered on behalf of South County agencies outside OCWD, but may be extended to include Brea and La Habra; possible pipeline connection, Baker Pipeline or interconnects to MWD treated or local pipelines
Central Coast Water Authority	firm up SWP supplies and meet dry year demands	Store 18 KAF per year; need new supplies for growth	They will provide water for storage	unstated	unstated	Delivery via exchange agreement

<i>Entity</i>	<i>Purpose</i>	<i>Quantity</i>	<i>Water Source</i>	<i>Financial Consideration</i>	<i>Duration</i>	<i>Other Comments</i>
San Diego County Water Authority	Meet dry year needs, normal demands	30 KAF in summer period in normal years, 35 KAF in dry years	Surplus water available to SD, unclear about the role of basin exports	Negotiate cost sharing + fees, but request a payment if local users pump "delivered water" for	30 years	Proposes extraction of local groundwater, with SD returning water later via delivery of "surplus" available to SD
MWDSC	Storage program to meet in basin and out of basin demands	not specified	presumably MWD supplies	unspecified	unspecified	MWD meets 200 KAF of firm demands in IEUA, Three Valley, Western
Northern Group	Respond to MWD rate structure	45 KAF AF to 60 KAF per yr	MWD water?	not specified	not specified	10 MWD member agencies, including IEUA
Sweetwater Authority	Efficient use of their capacities + drought	5 KAF per yr	basin exports?	not specified	not specified	Member agency of SDCWA
City of San Diego	Increased independence and diversification of water	unspecified	unspecified	unspecified	unspecified	"placeholder" letter

# ATTACHMENT V

*Attachment V*

Description	Cyclic 01-1979	Trust 08-1986	CB-5 Short-Term 09-1992	Dry Year Yield – 2003
Max amount	100,000 af	none	5,000 af	100,000 af +
Status	Expired	Existing	Rolled into Trust account	Negotiating
Current amount stored	35,543.6 af	4,739.5 af	0	0
Type Water/Use	Replenishment only	Supplemental – MWD could export		Supplemental
Price/Af	Interruptible	Non-interruptible	Non-interruptible	Non-interruptible, unless rolled over from cyclic
Method of delivery	Initially, spreading Amended, in-lieu	In-lieu exchange only	In-lieu	In-lieu, direct
Puts to Account	Up to account max. MWD est avail	No limit MWD est avail	N/A	25,000 af/yr MWD requests put
Takes from Account	WM requests Max = account balance Available when surface water unavailable for replenishment Cannot be exported	MWD requests Max = account balance Can be exported by MWD, or used locally	N/A N/A N/A	MWD calls - mandatory 33,000 af/yr Available when surface water unavailable for firm demands Can be used locally
Losses	No ET, other as agreed by MWD & WM	none	N/A	Pursuant to Peace Agreement
Admin/Storage Fees	none	none	N/A	\$132,000/yr + escalation
Forms	N/A	Pre-approved	N/A	Annual Op Plan as approved
Accounting	MWD notifies WM by 15 <sup>th</sup> of subsequent month	Reported in Ann Rept	N/A	Op Committee by Aug 31, & Ann Rept
Judicial Review	Paragraph 31 of Judgment	Not provided	N/A	Arbitration



# ATTACHMENT VI

Attachment VI

P. 01/20  
IEUA  
MWD  
JR



**Inland Empire**  
UTILITIES AGENCY

FEB 05 2003

**Fax Memorandum**

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Office of the Chief Executive Officer  
General Manager

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**DATE:** February 5, 2003

**TO:** John Rossi, Chino Basin Watermaster - 484-3890  
Rich Hansen, Three Valleys MWD - 625-5470  
Henry Pepper, City of Pomona - 620-2030  
Dave Crosley, City of Chino - 590-5535  
Mike Maestas, City of Chino Hills- 364-2695  
Mark Kinsey, Monte Vista Water District- 624-4725  
Rob Turner, City of Upland- 391-9923  
Ken Jeske, City of Ontario- 391-2567  
Robert DeLoach, Cucamonga County Water District - 476-8032

**FROM:** Richard W. Atwater

**SUBJECT:** MWD Dry Year Agreement Benefits

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Please find an updated powerpoint presentation in the benefits of the MWD \$27.5 million agreement, one page term sheet and the MWD Board memo's recommending approval.

If you have any questions, please call me.

# CHINO BASIN

## Water Resources Capital Improvement Program

### Chino I/II Desalters

- 25,000 AF/Y
- \$68 Million

### MWD Conjunctive Use

- 100,000 AF Storage Account
- 33,000 AF/Y Dry Year Yield
- \$28.5 million

### Recharge Master Plan

- 23,000 AF/Y New Stormwater
- 20 - 40 AF/Y Recycled Water
- 80 - 120,000 AF/Y Imported Water

“\$40 – 50 million Capital Cost”

### Recycled Water

- 60 – 70,000 AF/Y
- \$120 million

# Chino I/II Desalters

25,000 AF/Y of New Drinking Water

- Capital Funding: \$68 million
  - \$48 million (SAWPA Prop. 13 Grant)
  - \$20 million (local revenue bond debt)
  
- Revenue: MWD \$250/AF rebate
  - Water Sales

# Recharge Master Plan

## Capital Funding: \$40 – \$50 million

- \$19 million (SAWPA Prop. 13 Grant)
- \$19 million (local revenue bond debt – IEUA/CBWM)
- \$1 million from MWD – cooperation on connections
- \$5 million IEUA Recycled Water Recharge Projects

## Revenues – Debt Service Plus O&M

- \$5/AF Pump Fee (appropriations)
- \$100/EDU IEUA Connection Fee
- \$200,000 General Fund ad valorem (IEUA)

## Storage and Recovery (500,000 AF)

- \$27.5 Million (MWD)
- 100,000 AF Total Storage  
33,000 AF dry year
- Energy, O&M, treatment MWD Pays
- Expands Recycled Water Agreement  
 $\$154/\text{AF} \times 13,500 = \$2 \text{ million/year}$

# Recycled Water Program

- \$120 million Capital Cost
- 60 – 70,000 AF/Y
- State/Federal Grants \$20-\$45 million
- Reduces EDU Monthly Sewer Fee

# SUMMARY

Capital Improvements: \$250-300 million

New Local Water Supplies: 95,000 AF

New Storage: 100,000 AF

New Dry Year Yield: 33,000+ AF

*“Drought Proof Strategy Implemented Without Any Significant Increase in Water/Sewer Rates”*



# Benefits

- \$27.5 Million for OBMP Capital Projects
  - Upfront CEAQ/Engineering @\$1.6 million
- Watermaster Fees: \$132,000/Y
- 100,000 AF Free In-Lieu Water (\$10-15 million Value) (Next 5 Years)
- IEUA Recycled Water Rebate (Carbon Copy on LPP): \$1 Million/Year
  - IEUA Funds Portion of Recharge Master Plan
- Storage Losses 6% Per Year-\$50-75 million

## Benefits (cont.)

- Retail Utilities own and operate new pumping capacity – increased capability to use more local supplies when available.
- Reduced MWD purchased – avoid Tier 2
  - \$3 – \$5 million per year
- Avoidance of peaking and growth charges
  - \$2 - \$4 million per year potential savings
  - Provides infrastructure for Implementing Storage and Recovery Deals (400,000 AF)

# Comparison with OCWD

	<u>OCWD</u>	<u>Chino Basin</u>
Capital Funding (CEQA)/Engineering Annual Fees	\$26.5 million (0) \$80,000	\$27 million (1.5 million) \$132,000
Total Storage	60,000 AF (transfer from existing storage account)	100,000 AF Cyclic (35,000 AF)
Dry Year	20,000 AF	33,000 AF
New In-Lieu Water	0	100,000 AF (\$10 - \$15 million)
Losses	6% (3,600 AF/Y)	6% (6,000 F/Y)
Local Project Funding (recycled Water)	0	\$1 - \$1.5 million/year

# TOTAL VALUE TO CHINO BASIN

- Local supplies-droughts and emergencies \$\$\$\$
- Reduces Water Rate Increases for Next 5 Years
- Water and Sewer Rates in Chino Basin Substantially lower than other basins in Southern California
- No Cost sharing required by Retail Utilities
- MZ-1 Forbearance Agreement-3,000 AF in lieu with Chino and Chino Hills (only cost effective solution)

**BOARD  
ACTION**

- **Board of Directors**  
**Water Planning, Quality and Resources Committee**

February 11, 2003 Board Meeting

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**8-10****Subject**

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Authorize entering into an agreement for the Conjunctive Use Storage Project with Inland Empire Utilities Agency, Three Valleys Municipal Water District and Chino Basin Watermaster under Proposition 13, and authorize the modification of the Carbon Canyon Reclamation Agreement

**Description**

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The Governor's Annual Budget Act, released in May 2000, appropriated to the Department of Water Resources local assistance grant funds from Proposition 13. From these funds, the state allocated \$45 million to Metropolitan to help finance Southern California water reliability projects targeting groundwater conjunctive-use projects within Metropolitan's service area. These conjunctive-use projects will improve the water supply reliability for the entire region by creating additional dry-year supply, as targeted in the Integrated Resources Plan.

In April 2001, the Board directed staff to finalize agreement terms with the sponsoring entities that were selected through the Prop. 13 competitive Request for Proposal process. Among the programs selected was the Chino Basin Groundwater Storage Project, sponsored by Inland Empire Utilities Agency and the Chino Basin Watermaster. The Three Valleys Municipal Water District will also be participating in the program with its subagency, the city of Pomona. A portion of the Chino Basin is within the TVMWD service area and the city of Pomona will be a retail agency operating program facilities.

This conjunctive-use program was recommended to receive \$9 million from the Prop. 13 funds allocated to Metropolitan. In November 2001, the Board authorized the Chief Executive Officer to proceed with finalizing an expanded program costing an additional \$18.5 million. The expanded program included the modification of the agreement for the Carbon Canyon Reclamation Project under the Local Projects Program and refurbishment of inactive Inland Empire replenishment connections.

The Chino Basin Groundwater Storage Project will enable Metropolitan to store up to 100,000 acre-feet of water in the Chino Basin when surplus water is available during wet years and produce 33,000 acre-feet per year during dry, drought, or emergency periods. The program facilities include new wells and ion exchange treatment facilities. On Aug. 22, 2001, Inland Empire submitted the signed Program Term Sheet (**Attachment 1**) for this project to Metropolitan. The Program Term Sheet briefly describes the key articles of the agreement, consistent with Metropolitan's Principles for Groundwater Storage approved by the Board in January 2000, and is the basis of the contractual agreement. The submittal of the signed Program Term Sheet by Inland Empire signified the intent to execute an agreement to develop the conjunctive-use project.

As part of the conjunctive-use project, Metropolitan would agree to a cost sharing approach to refurbish four existing replenishment connections and one new connection along the Etiwanda Feeder. Metropolitan would review and approve design drawings, inspect constructed facilities, and approve all connections at a cost of \$700,000. Inland Empire will fund and contract for the design and construction of all five connections. Inland Empire would also be responsible for all permits and environmental work necessary to complete the new connection and reactivate the old replenishment connections. Another component of the project would permit modification of the Carbon Canyon Reclamation Project agreement to allow for credits under the Local Projects Program to be applied to other areas in the Inland Empire service area under a new agreement. The resultant acceleration of recycled water use would enable local agencies to redirect groundwater production to higher-value

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potable applications, offsetting demand for imported water. The agreement limit of 13,500 acre-feet per year would remain unchanged. Therefore, Metropolitan would have no new funding commitment.

Metropolitan has prepared the agreement consistent with the Program Term Sheet for the Chino Basin Groundwater Storage Project and the modified agreement for the Carbon Canyon Reclamation Project. These agreements are available for review at the Executive Secretary's office. Under the agreement, Inland Empire will be responsible for the preparation of the CEQA documentation as the lead agency and the design, construction and operation of the facilities. This conjunctive-use program would add to the programs the Board approved last year with the city of Long Beach and Three Valleys Municipal Water District.

### **Policy**

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By Minute Item 43668, dated August 17, 1999, the Board adopted a Statement of Needs for the CALFED Bay-Delta Program.

By Minute Item 43860, dated January 11, 2000, the Board approved strategies for implementing Groundwater Storage Programs within Metropolitan's service area.

By Minute Item 44210, dated October 17, 2000, the Board adopted Resolution 8706 to accept the grant for funds from Proposition 13.

By Minute Item 44427, dated April 10, 2001, the Board gave authority to finalize agreement terms for Groundwater Conjunctive-Use Projects using Proposition 13 Funds.

By Minute Item 44695, dated November 20, 2001, the Board gave authority to proceed with finalizing agreements at increased funding levels for the Chino and Orange County Groundwater Storage Programs.

### **California Environmental Quality Act (CEQA)**

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CEQA determination(s) for Option #1:

#### **Conjunctive Use Storage Project with Inland Empire Utilities Agency, Three Valleys MWD and Watermaster under Proposition 13**

Pursuant to the provisions of CEQA and the State CEQA Guidelines, Inland Empire, acting as Lead Agency, prepared and processed a Final Program Environmental Impact Report (Final PEIR) for the Chino Basin Optimum Basin Management Program. The Final PEIR was certified and the project was approved by the Lead Agency on July 12, 2000. The environmental effects associated with construction activities tied to the proposed agreement between Metropolitan, Inland Empire, Three Valleys MWD and the Watermaster were evaluated in the Final PEIR. Subsequent to that process, proposed minor modifications to those construction activities were found to be necessary. As a consequence, Inland Empire prepared a Finding of Consistency with the Final PEIR/Initial Study (i.e., Addendum) relating to those proposed modifications and found that no new significant effects would occur or no new mitigation measures would be required beyond what had been previously addressed in the Final PEIR. The Addendum was certified by Inland Empire on December 18, 2002. Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the certified Final PEIR and Addendum and adopt the Lead Agency's findings prior to approval of the proposed agreement. The Final PEIR and addendum are available in the Executive Secretary's Office for review.

The CEQA determination is: Review and consider information provided in the 2000 certified Final PEIR and in the 2002 certified Addendum, and adopt the Lead Agency's findings related to the proposed agreement.

#### **Amendment to the Carbon Canyon Reclamation Agreement**

Pursuant to the provisions of CEQA and the State CEQA Guidelines, Inland Empire, acting as Lead Agency, prepared and processed the Final PEIR for the Chino Basin Optimum Basin Management Program. The Final PEIR was certified and the project was approved by the Lead Agency on July 12, 2000. The environmental effects associated with construction activities tied to the proposed modification to the existing agreement were evaluated in the Final PEIR. Metropolitan shall have no obligations regarding funding of the future improvements under this proposed modification, until such time as the Lead Agency has complied with the

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requirements of CEQA and the State CEQA Guidelines. Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the certified Final PEIR and adopt the Lead Agency's findings prior to approval of the proposed modification to the existing agreement. The Final PEIR is available in the Executive Secretary's Office for review.

The CEQA determination is: Review and consider information provided in the 2000 certified Final PEIR, and adopt the Lead Agency's findings related to the proposed agreement.

CEQA determination for Option #2:

None required

### Board Options/Fiscal Impacts

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#### Option #1

Adopt the CEQA determination and

- a. Authorize the CEO to enter into an agreement acceptable to the General Counsel substantially in the form on file with the Executive Secretary for the Chino Basin Groundwater Storage Project with Inland Empire Utilities Agency, Three Valleys Municipal Water District, and the Chino Basin Watermaster.
- b. Authorize the CEO to enter into an agreement acceptable to the General Counsel substantially in the form on file with the Executive Secretary that will modify the Carbon Canyon Reclamation agreement to allow credits under the Local Projects Program to be applied to other areas in the Inland Empire service area.
- c. Appropriate \$18.5 million for Metropolitan's costs associated with the design and construction of the Chino Basin Groundwater Storage Project.
- d. Appropriate \$700,000 for Metropolitan's costs associated with the review, approval of design drawings, and inspection of the refurbished and new replenishment connections.

**Fiscal Impact:** Up to \$19.2 million in Proposition 13 or other state funds, or Metropolitan's Local Groundwater Storage Program (Appropriation 15272). No additional financial commitment for the LPP will be realized.

#### Option #2

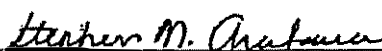

Do not proceed with approval of agreement.

**Fiscal Impact:** May jeopardize current plans to spend \$9 million of Proposition 13 funds in the Chino Basin.

### Staff Recommendation

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#### Option #1

	1/14/2003
Stephen M. Arakawa Manager, Water Resource Management	Date
	1/20/2003
Ronald R. Gastelum Chief Executive Officer	Date

### Attachment 1 – Terms of Agreement for the Chino Basin Groundwater Storage Project

BLA #1946

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Attachment 1, Page 1 of 5

**Proposition 13  
Groundwater Storage Program  
Term Sheet**

ARTICLE	DESCRIPTION
I. Recitals	Establishes Metropolitan's Board-adopted Groundwater Storage Principles as basis for agreement and includes items as necessary from the participants of the agreement.
II. Effective Date and Term	A. 25-year Term with renewal by mutual consent
III. Conditions Precedent to Project Funding Obligation	A. CEQA B. DWR commitment - DWR agreement conditions fulfilled C. Permits and Approvals - All authorizations shall have been obtained D. No litigation E. No Existing Force Majeure Event
IV. Program Planning and Construction	A. Planning <ol style="list-style-type: none"> <li>1. General description</li> <li>2. Operational Capacity thresholds</li> <li>3. Submission of Plans, Schedule and Budget - By September 1, 2003 agency shall deliver engineering, construction, schedule and budget to Metropolitan</li> <li>4. Metropolitan shall review and approve schedule and budget only. Metropolitan shall submit schedule and budget to DWR for approval</li> </ol> B. Construction - Program Agency is responsible for the construction. Metropolitan and DWR retain inspection right. Metropolitan has no ownership interest in the Program facilities
V. Project Construction Funding Procedure (not including Maintenance/Energy Cost Funding)	A. Metropolitan Funding Obligation - Sets Metropolitan maximum funding obligation B. Contribution from Agency - Sets Agency contribution (if any)



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Attachment 1, Page 2 of 5

**Proposition 13  
Groundwater Storage Program  
Term Sheet**

ARTICLE	DESCRIPTION
	<p>C. Cost Overruns - Agency liable for overruns</p> <p>D. Disbursement Protocol</p> <ol style="list-style-type: none"> <li>1. Agency submits 90-day budget for Metropolitan approval. Metropolitan approves or disallows and forwards to DWR. DWR approves and sends money to Metropolitan. Metropolitan forwards money to agency</li> <li>2. Agency must certify expenditures</li> <li>3. Funds held in a construction trust account</li> <li>4. Ten percent retainage by DWR</li> </ol>
<p><b>VI. Operation of Project</b></p>	<p>A. Operating Committee</p> <ol style="list-style-type: none"> <li>1. Two members from Metropolitan and two members representing the Basin - disputes according to Article XIV</li> <li>2. Annual Planning Meeting, Operating Budget, and Schedule - Committee to develop and manage O&amp;M plan for year, including Agency baseline, schedule and budget</li> <li>3. Committee duties                         <ol style="list-style-type: none"> <li>a. Account for storage and extraction and losses</li> <li>b. Annual reconciliation of water accounts, energy and operations expenses</li> <li>c. Confirm Baseline Assurances</li> <li>d. Prepare annual Program operating report</li> <li>e. Coordinate timing, locations and nature of storage</li> </ol> </li> </ol> <p>B. Program Agency Obligations</p> <ol style="list-style-type: none"> <li>1. Operate and maintain facilities in good condition</li> <li>2. Provide for repairs</li> </ol>

**Chino Basin Groundwater Conjunctive Use Program  
Metropolitan/IEUA/Chino Basin Watermaster Partnership Under Proposition 13 RFP  
Program Terms**

<b>Program Storage Target</b>	100,000 AF (Operating Committee will establish actual levels)
<b>Annual Yield Target</b>	33,000 AF (Operating Committee will establish actual levels)
<b>Total Water</b>	Program will be cycled as necessary over program term to meet dry year demands or emergencies.
<b>Total Capital Investments</b>	<p><b>TOTAL = \$27.5 million</b></p> <p>\$9 million from Prop 13 fund</p> <ul style="list-style-type: none"> <li>&gt; Cost-based</li> <li>&gt; Ion Exchange Treatment Facilities</li> </ul> <p>\$18.5 million from Metropolitan or other sources</p> <ul style="list-style-type: none"> <li>&gt; Subject to approval by the Metropolitan Board</li> <li>&gt; Ion Exchange Treatment Facilities</li> <li>&gt; 8 Pumping Wells</li> </ul>
<b>Annual Administration Fee</b>	<p>\$132,000</p> <ul style="list-style-type: none"> <li>&gt; Fee will be escalated using the lesser of 2.5% or CPI</li> </ul>
<b>Program Term</b>	25 years
<b>Storage Losses</b>	Metropolitan will be assessed storage loss in the same manner as other parties in the basin.
<b>Payment for Water Delivery</b>	Metropolitan will be paid the firm untreated water rate when water is produced from storage.
<b>Energy &amp; Maintenance Cost</b>	Metropolitan will pay the actual Energy and Maintenance cost to extract annual yield.
<b>Miscellaneous Conditions</b>	<ul style="list-style-type: none"> <li>&gt; Replenishment Connections – Metropolitan forces to refurbish and activate existing connections -- will be listed.</li> <li>&gt; Metropolitan and IEUA staff to produce engineering report for proposed new connections and develop cost sharing plan</li> <li>&gt; Replenishment connections may be used to store Metropolitan water.</li> <li>&gt; Metropolitan will allow shifting a portion of Carbon Canyon Reclamation Project yield under the Local Resources Program to other IEUA recycling plants.</li> </ul>

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Attachment 1, Page 3 of 5

**Proposition 13  
Groundwater Storage Program  
Term Sheet**

ARTICLE	DESCRIPTION
	<ul style="list-style-type: none"> <li>3. Maintain the Agencies' facilities as necessary</li> <li>4. Certify water delivered into Metropolitan account</li> <li>C. Metropolitan Obligations                             <ul style="list-style-type: none"> <li>1. Pay for maintenance of Program facilities</li> <li>2. Pay for power to pump water</li> <li>3. Pay annual administrative fee (ratio of \$100,000 per 25,000 AF of yield)</li> </ul> </li> <li>D. Payment of O&amp;M: Agency may choose to receive payment in form of credit on water bill</li> <li>E. Annual Reconciliation - Reconcile actual storage and O&amp;M costs</li> </ul>
<b>VII. Groundwater Storage and Extraction</b>	<ul style="list-style-type: none"> <li>A. Storage of water - Metropolitan can store up to 25 percent of its total capacity rights per year on fifteen days notice</li> <li>B. Extraction of Stored Water - Metropolitan can extract up to 33 percent of its total capacity rights per year on fifteen days notice</li> <li>C. Agency will certify storage and extraction deliveries</li> <li>D. Payment for Stored Water - Agencies pay full service rate</li> <li>E. Disposition of water in storage at termination of agreement</li> </ul>
<b>VIII. Other Uses of Facilities</b>	<ul style="list-style-type: none"> <li>A. Agencies may use facilities, but may not use the facilities in a manner that would negatively impact Metropolitan financially. Agencies responsible for O&amp;M when they use facilities.</li> </ul>
<b>IX. Baseline Assurances</b>	<ul style="list-style-type: none"> <li>A. Agency covenants not to operate the facilities in a manner that would negatively impact Metropolitan financially.</li> <li>B. Agency pays full service rate for water if they operate the facilities in a manner that would negatively impact Metropolitan financially.</li> </ul>

# CONJUNCTIVE USE PERFORMANCE CONTRACTS

MWD

## IEUA/Chino Basin Watermaster

- Dry Year Take 33,000 AF/Y
- Invoicing of water in/out
- Tier 1/Tier 2 Purchase Order
- Storage Accounting
- Recharge approval MZ 1,2,3
- Spreading Schedule
- In Lieu

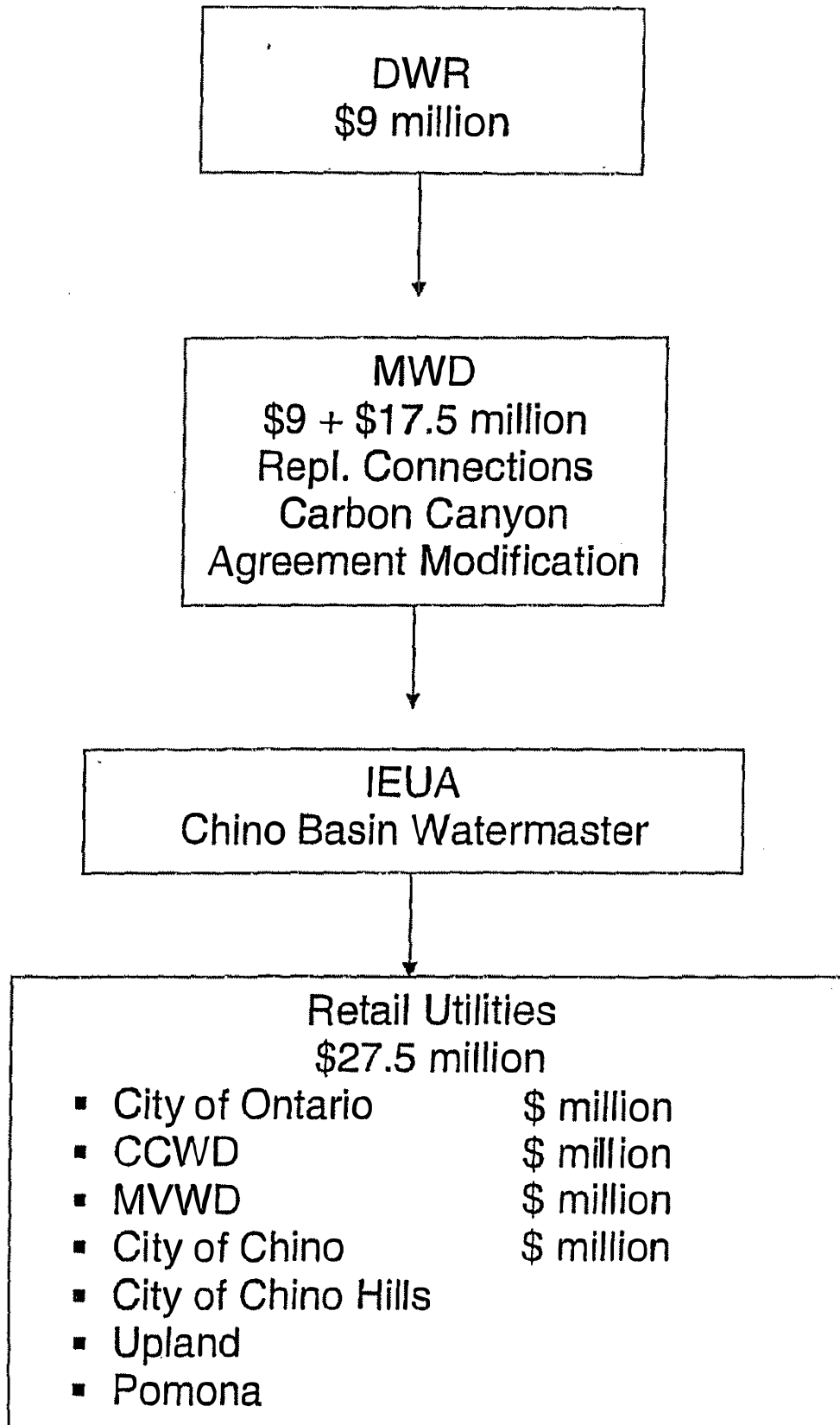
## Retail Utilities

### Take

- CCWD
- City of Ontario
- MVWD/Chino/Chino Hills
- City of Upland
- City of Pomona

33,000

# FUNDING ARRANGEMENTS



# **EXHIBIT 3**



# CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730  
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

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**JOHN V. ROSSI**  
Chief Executive Officer

## STAFF REPORT

**DATE:** March 27, 2003

**TO:** Advisory Committee Members  
Watermaster Board Members

**SUBJECT:** Approval of Storage and Recovery Funding Agreement with Metropolitan

### SUMMARY

**Issue** – Approval of Storage and Recovery Funding Agreement with Metropolitan

**Recommendation** – Staff recommends the funding agreement with Metropolitan be approved subject to final non-substantive revisions and submitted to Court for approval.

**Fiscal Impact** – As described in discussion below

### BACKGROUND

Under section 5.2(c) of the Peace Agreement, the parties created a Storage and Recovery Program with an initial storage capacity target of 500,000 acre-feet. Pursuant to section 5.2(c)(iv)(b) of the Peace Agreement, Watermaster shall prioritize its efforts to regulate and condition the storage and recovery of water developed in the 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.

Watermaster and the Inland Empire Utilities Agency jointly submitted a proposal to Metropolitan in January 2001 to allow Metropolitan to utilize a portion of the storage space available through Watermaster's Storage and Recovery Program in exchange for facilities and other consideration. The terms of the agreement have been the subject of numerous and ongoing discussions between the Appropriative Pool and the specific Appropriative Pool members who are to receive benefits and accept burdens under the Agreement.

At the February 13, 2003 Pool Meetings, a Memorandum and Attachments was made available to the parties that included all of the previous memoranda and attachments that had been made available to the parties since negotiations with Metropolitan began in 2001. On the basis of this material, the Appropriative Pool and Overlying Non-Agricultural Pool voted unanimously to recommend approval of the Agreement. The Agricultural Pool unanimously concurred in this recommendation at their meeting, which was held on February 25, 2003. The Memorandum and Attachments were made available to the Advisory Committee and Board at their regular meetings on February 27, 2003.

At their February 27, 2003 meetings both the Advisory Committee and Board voted unanimously to provide conceptual approval to the Agreement. However, since specific findings concerning the satisfaction of the terms of the Peace Agreement were not before these entities, it was determined that final approval of the Agreement would be provided at the March 27, 2003 meetings.

**DISCUSSION**

The Memorandum and Attachments distributed to the parties at the February meetings provides the record for Watermaster's consideration of the Agreement.

Due to the fact that specific facilities-related issues tied to the Local Agency Agreements are still under consideration, approval of Metropolitan's participation in the Storage and Recovery program has been bifurcated into two steps. The first step concerns the approval of the business deal points relating to Metropolitan's use of 100,000 acre-feet of storage capacity within the Storage and Recovery Program. The Agreement that is currently subject to approval by the Advisory Committee and Board is a description of the funding terms between Metropolitan and the relevant Watermaster parties for use of the storage space. Before any water can actually be put into storage, however, there will need to be a subsequent approval. This approval will take the form of Watermaster approval of the Local Agency Agreements. The Local Agency Agreements specify the details of the facilities that are to be constructed under the Agreement, and contain the details regarding each of the agency's commitments regarding the storage and extraction of water. Approval of this component will follow the procedures for approval of a Storage and Recovery Application under Article X of the Rules and Regulations.

Because Watermaster is not yet taking action on an Application under Article X, the basis for its decision is limited to whether the funding Agreement satisfies the Peace Agreement requirement that the funding proposal was prioritized because it provides broad benefits.

**FINDINGS**

The February 13, 2003 Memorandum described the direct participant beneficiaries of this Agreement as the Cities of Chino, Chino Hills, Ontario, Pomona, Upland, and the Cucamonga County and Monte Vista Water Districts (Memorandum page 2.) The Memorandum indicated that San Antonio Water Company is negotiating its participation, and since the date of the Memorandum, Fontana Water Company and Jurupa Community Services District have also begun negotiations concerning their participation.

Many analyses have been provided to the parties over the past two years of discussion of the Agreements. Actual dollar values of the Agreement have changed as specific terms were renegotiated and facility-related specifications were refined. Attachment III to the February 13, 2003 Memorandum and Attachments provided a specific analysis by Black & Veatch of the value to the participants based on the terms of participation at that time. This analysis determined that the unit storage benefit based on a 100,000 acre-foot storage commitment is \$433 per acre-foot. The February 13, 2003 Memorandum provided a detailed description of all of the items of benefit under the Agreement (Memorandum page 6.)

Attachment IV to the February 13, 2003 Memorandum and Attachments contained a matrix comparison of all of the expressions of interest that were received in response to Watermaster's Request for Proposals to participate in the Storage and Recovery Program. At this time, none of the parties who have submitted proposals have been able to provide enough specificity to enable a detailed comparison between their proposal and the terms of the Agreement. It was noted, however, in the February 13, 2003 Memorandum that staff has found that each of the proposals depend upon Metropolitan transmission facilities, Metropolitan policies regarding water quality and wheeling, and in most cases, would require Metropolitan as a source of water (Memorandum page 5.) In other words, the implementation of any other proposal currently under submission for the use of the other 400,000 acre-feet of storage within the initial Storage and Recovery target amount, will require cooperation through Metropolitan.

**CONCLUSION**

The terms of the funding Agreement have been thoroughly discussed and analyzed by Watermaster and the parties and there does not seem to be disagreement among the parties about the items of benefit available under the Agreement. Based upon this information, the members of the Appropriative and Non-Agricultural Pools recommended unanimously to proceed with the Agreement.

Watermaster staff believes that the benefits to be received under the Agreement satisfy the terms of the Peace Agreement section 5.2(c)(iv)(b) and recommend approval of this funding Agreement specifying the terms under which 100,000 acre-feet of storage within the Storage and Recovery Program will be made available to Metropolitan.



# **EXHIBIT 4**

SIXTH AMENDMENT TO THE  
CHINO BASIN CYCLIC STORAGE AGREEMENT

This Amendatory Agreement (hereinafter "Amendment") is made as of Jan. 1 1998, by and between the Metropolitan Water District of Southern California (hereinafter "Metropolitan"), the Inland Empire Utilities Agency, a municipal water district (hereinafter "Inland") and the Chino Basin Watermaster (hereinafter "Watermaster"). Chino Basin Municipal Water District was renamed Inland Empire Utilities Agency, a municipal water district, as of July 1, 1998, and is referred to as "Inland" in this Amendment.

RECITALS

WHEREAS, the parties to this Amendment entered into an agreement titled Chino Basin Cyclic Storage Agreement, (hereinafter, "Agreement), dated December 4, 1978, for the purpose of giving Metropolitan the right to store up to 100,000 acre-feet of State Project water in the Chino Basin;

WHEREAS, the Agreement has been extended by previous amendments to December 31, 1997;

WHEREAS, water stored under the Agreement is used to meet Inland's groundwater replenishment demands pursuant to specific criteria set forth in Article 6 of the Agreement;

WHEREAS, under its terms, the Agreement allows Metropolitan to deliver State Project Water to the Chino Basin for spreading and percolation into the Chino Basin, and such quantities of water, less losses, are to be credited by the Watermaster to Metropolitan's Cyclic Storage Account;

WHEREAS, the parties to the Agreement are reviewing a number of policies and procedures that may affect the terms of storage and delivery of water under future amendments to the Agreement;

WHEREAS, the parties to the agreement desire to extend the term of the Agreement one year in order to continue the benefits that the Agreement provides while the aforementioned review is taking place;

NOW, THEREFORE, the parties hereby enter into this Amendment to the Agreement as follows:

COVENANTS

1. Article 9 (a) of the Agreement is hereby amended by extending the term of the Agreement to December 31, 1998.

2. This Amendment shall be effective as of January 1, 1998, and Watermaster shall petition the Court for ratification of such approval as a portion of its next Watermaster Annual Report.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by its authorized officers.

ATTEST:

THE INLAND EMPIRE UTILITIES AGENCY

Tony Catter...  
Secretary

By: Anne Alvarado

APPROVED AS TO FORM:

(SEAL)

[Signature]  
Attorney for Inland Empire Utilities Agency

ATTEST:

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

[Signature]  
Executive Secretary

By: [Signature]  
Deputy General Manager

APPROVED AS TO FORM:

Gregory Taylor  
General Counsel

(SEAL)

[Signature]  
General Counsel

ATTEST:

THE CHINO BASIN WATERMASTER

Josephine M. Johnson  
Secretary

By: [Signature]

APPROVED AS TO FORM AND EXECUTION:

(SEAL)

[Signature]  
Attorney for Watermaster

(O:\OPSEXEC\CONTRADMAGREEMTS\CHINO\CHINO-CY2.DOC)

FIFTH AMENDMENT TO THE  
CHINO BASIN CYCLIC STORAGE AGREEMENT

This Amendatory Agreement (hereinafter "Amendment") is made as of January 5, 1997, by and between the Metropolitan Water District of Southern California (hereinafter "Metropolitan"), the Chino Basin Municipal Water District (hereinafter "Chino") and the Chino Basin Watermaster (hereinafter "Watermaster").

RECITALS

WHEREAS, The parties to this Amendment entered into an agreement titled Chino Basin Cyclic Storage Agreement, (hereinafter, "Agreement"), dated December 4, 1978, for the purpose of giving Metropolitan the right to store up to 100,000 acre-feet of State Project water in the Chino Basin;

WHEREAS, the Agreement has been extended by previous amendments to January 5, 1997;

WHEREAS, water stored under the Agreement is used to meet Chino's groundwater replenishment demands pursuant to specific criteria set forth in Article 6 of the Agreement;

WHEREAS, under its terms, the Agreement allows Metropolitan to deliver State Project Water to the Chino Basin for spreading and percolation into the Chino Basin, and such quantities of water, less losses, are to be credited by the Watermaster to Metropolitan's Cyclic Storage Account;

WHEREAS, the parties to the Agreement are reviewing a number of policies and procedures that may affect the terms of storage and delivery of water under future amendments to the Agreement;

WHEREAS, the parties to the agreement desire to extend the term of the Agreement one year in order to continue the benefits that the Agreement provides while the aforementioned review is taking place;

NOW, THEREFORE, the parties hereby enter into this Amendment to the Agreement as follows:

COVENANTS

1. Article 9 (a) of the Agreement is hereby amended by extending the term of the Agreement to December 31, 1997.

2. This Amendment shall be effective as of the date first above written, and Watermaster shall petition the Court for ratification of such approval as a portion of its next Watermaster Annual Report.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by its authorized officers.

ATTEST:

THE CHINO BASIN WATERMASTER

  
\_\_\_\_\_  
Secretary

By:   
\_\_\_\_\_

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Attorney for Watermaster

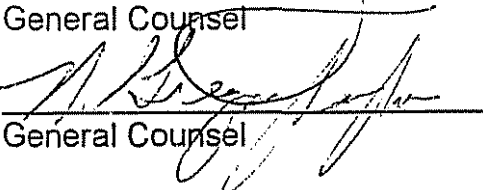
ATTEST:

THE METROPOLITAN WATER  
DISTRICT OF SOUTHERN CALIFORNIA

\_\_\_\_\_  
Executive Secretary

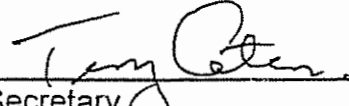
 9/30/97  
\_\_\_\_\_  
Deputy General Manager

APPROVED AS TO FORM:

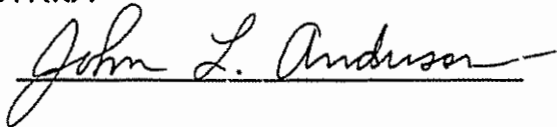
Gregory Taylor  
General Counsel  
  
\_\_\_\_\_  
General Counsel

(SEAL)

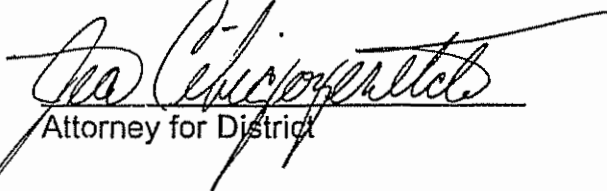
ATTEST:

  
Secretary

THE CHINO BASIN MUNICIPAL WATER DISTRICT

By: 

APPROVED AS TO FORM AND EXECUTION:

  
Attorney for District

(SEAL)



FOURTH AMENDMENT TO THE  
CHINO BASIN CYCLIC STORAGE AGREEMENT

This Amendatory Agreement (hereinafter "Amendment") is made as of January 5, 1996, by and between the Metropolitan Water District of Southern California (hereinafter "Metropolitan"), the Chino Basin Municipal Water District (hereinafter "Chino") and the Chino Basin Watermaster (hereinafter "Watermaster").

RECITALS

WHEREAS, The parties to this Amendment entered into an agreement titled Chino Basin Cyclic Storage Agreement (hereinafter, "Agreement"), dated December 4, 1978, for the purpose of giving Metropolitan the right to store up to 100,000 acre-feet of State Project water in the Chino Basin;

WHEREAS, the Agreement has been extended by previous amendments to January 5, 1996;

WHEREAS, water stored under the Agreement is used to meet Chino's groundwater replenishment demands pursuant to specific criteria set forth in Article 6 of the Agreement;

WHEREAS, under its terms, the Agreement allows Metropolitan to deliver State Project Water to the Chino Basin for spreading and percolation into the Chino Basin, and such quantities of water, less losses, are to be credited by the Watermaster to Metropolitan's Cyclic Storage Account;

---

WHEREAS, the parties to the Agreement are reviewing a number of policies and procedures that may affect the terms of storage and delivery of water under future amendments to the Agreement;

WHEREAS, the parties to the agreement desire to extend the term of the Agreement one year in order to continue the benefits that the Agreement provides while the aforementioned review is taking place;



NOW, THEREFORE, the parties hereby enter into this Amendment to the Agreement as follows:

COVENANTS

1. Article 9 (a) of the Agreement is hereby amended by extending the term of the Agreement an additional one year to January 5, 1997.

2. This Amendment shall be effective as of the date first above written, and Watermaster shall petition the Court for ratification of such approval as a portion of its next Watermaster Annual Report.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by its authorized officers.

ATTEST:

John L. Anderson  
Secretary

THE CHINO BASIN WATERMASTER

By: Bill Hill

APPROVED AS TO FORM:

\_\_\_\_\_  
Attorney for Watermaster

ATTEST:

Karen E. Duff  
Executive Secretary

THE METROPOLITAN WATER  
DISTRICT OF SOUTHERN CALIFORNIA

By: Walter B. ...  
Assistant General Manager  
DEPUTY

APPROVED AS TO FORM:

Gregory Taylor  
General Counsel  
Gregory Taylor  
DEPUTY GENERAL COUNSEL

(SEAL)





THIRD AMENDMENT TO THE  
CHINO BASIN CYCLIC STORAGE AGREEMENT

This Amendatory Agreement (hereinafter "Amendment") is made as of January 5, 1994 by and between the Metropolitan Water District of Southern California (hereinafter "Metropolitan"), the Chino Basin Municipal Water District (hereinafter "Chino") and the Chino Basin Watermaster (hereinafter "Watermaster").

RECITALS

WHEREAS, The parties to this Amendment entered into an agreement titled Chino Basin Cyclic Storage Agreement (hereinafter, "Agreement"), dated December 4, 1978, for the purpose of giving Metropolitan the right to store up to 100,000 acre-feet of State Project water in the Chino Basin;

WHEREAS, the Agreement has been extended by previous amendments to January 5, 1994;

WHEREAS, the second amendment, in addition to extending the term of the Agreement, added a section 2.1 to allow storage by in-lieu exchanges of imported water as well as transfer of operating safe yield from the Trust Storage account to the Cyclic Storage account;

WHEREAS, water stored under this Amendment will be used

to meet Chino's groundwater replenishment demands pursuant to specific criteria set forth in Article 6 of the Agreement;

WHEREAS, under its terms, the Agreement allows Metropolitan to deliver State Project Water to the Chino Basin for spreading and percolation into the Chino Basin, and such quantities of water, less losses, are to be credited by the Watermaster to Metropolitan's Cyclic Storage Account;

WHEREAS, Metropolitan, at times, would like to have the option to accrue water into its Cyclic Storage Account through the use of injection wells that place water into the Chino Basin;

WHEREAS, Metropolitan's water supplies from the Colorado River are available at times for cyclic storage in Chino Basin, while on other occasions Metropolitan may have no replenishment water to deliver for replenishment of the Chino Basin;

WHEREAS, replenishment of the Chino Basin with Colorado River water is not normally considered to be preferred due to the amounts of Total Dissolved Solids contained in such water;

WHEREAS, the parties to this Amendment desire to extend the term of the Agreement in order to continue the benefits that the Agreement provides;

NOW, THEREFORE, the parties hereby enter into this

Amendment to the Agreement as follows:

COVENANTS

1. Sub-paragraphs (f), (h) and (i) of the Definitions in the Agreement are hereby amended to read:

" (f) 'Imported Water'--Shall mean water obtained by Metropolitan from facilities of the California State Water Project or Metropolitan's Colorado River Aqueduct.

" (h) 'Spreading'--The acts of transporting to and placement of water in the water percolation basins of Chino Basin as authorized herein. Spreading shall also mean the injection of Imported Water into the groundwater basin using injection wells.

" (i) 'Spreading Agency'--The San Bernardino County Flood Control District, the Chino Basin Water Conservation District, or any other agency approved by Watermaster to perform spreading activities."

2. The first sentence of Article 1 of the Agreement is hereby amended to read:

"Metropolitan is hereby granted by Watermaster the right to store water from the State Project and Colorado River in the

Chino Basin for utilization in accordance with the provisions of this Agreement."

3. The first sentence of Article 2 of the Agreement is hereby amended to read:

"Imported water may be placed in storage pursuant to Watermaster's right to cause water to be spread in the spreading grounds of Spreading Agencies."

4. Article 9(a) of the Agreement is hereby amended by extending the term of the Agreement an additional two years to January 5, 1996.

5. Article 9(d) of the Agreement is hereby amended to read:

" (d) Upon mutual agreement of the parties hereto, this Agreement may be extended for additional terms, not to exceed five years each."

6. This Amendment shall be effective as of the date first above written, and Watermaster shall petition the Court for ratification of such approval as a portion of its next Annual Watermaster Report.

IN WITNESS WHEREOF, the parties hereto have caused this

Amendment to be duly executed by its authorized officers.

ATTEST:

THE CHINO BASIN MUNICIPAL WATER DISTRICT ACTING AS CHINO BASIN WATERMASTER

John L. Anderson  
Secretary

By: Bill Hill  
President

APPROVED AS TO FORM:

Glenn R. Smith  
Attorney for Watermaster

(SEAL)

ATTEST:

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Daren E. Delf  
Executive Secretary

By: Bill Ferguson  
Assistant General Manager

APPROVED AS TO FORM:  
Gregory Taylor  
General Counsel

(SEAL)

SR Justin H. O'Byrne  
Deputy General Counsel

ATTEST:

THE CHINO BASIN MUNICIPAL WATER DISTRICT

John L. Anderson  
Secretary

By: Bill Hill

APPROVED AS TO FORM  
AND EXECUTION:

Alan R. Matts  
Attorney for District

(SEAL)





SECOND AMENDMENT TO  
CHINO BASIN CYCLIC STORAGE AGREEMENT

This AMENDATORY AGREEMENT is made as of January 5, 1989, by and between CHINO BASIN MUNICIPAL WATER DISTRICT, herein referred to as "Chino," a public corporation of the State of California, acting on its own behalf and as Chino Basin Watermaster, herein referred to as "Watermaster," and THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, herein referred to as "Metropolitan" a metropolitan water district organized under the Metropolitan Water District Act of the State of California.

RECITALS

A. The parties to this Second Amendatory Agreement entered into an agreement titled Chino Basin Cyclic Storage Agreement ("Agreement"), dated December 4, 1978, for the purpose of giving Metropolitan the right to store up to 100,000 acre-feet of State Project water in the Chino Basin. The "Agreement" was extended for a second term of five years by Amendment dated May 30, 1984 to January 5, 1989.

B. Water stored under this Second Amendatory Agreement will be used to meet Chino's groundwater

replenishment demands pursuant to specific criteria set forth in Article 6 of the "Agreement".

C. Under its terms, the "Agreement" allows Metropolitan to deliver State Project water to Chino Basin for spreading and percolation into the Basin. Such quantities of water, less losses, are to be credited by the Watermaster to Metropolitan's Cyclic Storage Account.

D. Metropolitan, at times, would like to have the option to accrue water into its Cyclic Storage Account indirectly by an exchange of surface deliveries of supplemental water with any party to the Judgment in the Chino Basin Case, to the extent that such party assigns an equal amount of its operating safe-yield groundwater to Metropolitan.

E. The Agreement further provides that it may be extended for additional terms, not to exceed five years each, by mutual agreement of the parties thereto.

F. The parties to this Second Amendatory Agreement desire to extend the term of the Cyclic Storage Agreement

because there should be State Project Water available for storage under the Cyclic Storage Agreement and in order to continue the benefits that the Cyclic Storage Agreement provides.

#### COVENANTS

1. Expansion of Storage Rights. The "Agreement" is hereby amended by the addition of the following as Article 2.1:

"Metropolitan may acquire stored water in its Chino Basin Cyclic Storage Account by assignment from its Trust Storage Account or by exchanging deliveries from Metropolitan's distribution system with a party to the Judgment for an equal amount of the party's share of operating safe-yield groundwater. The Watermaster shall credit Metropolitan's Cyclic Storage Account with that exchange water upon filing by Metropolitan or by such parties of an assignment, lease, or license pursuant to applicable Watermaster Rules and Regulations, as amended, including Rule 3.14 thereof."

2. Extension of Term. Article 9(a) is amended by extending the term of the Agreement an additional five years to January 5, 1994.
  
3. Remaining Provisions. Except as hereby amended, the Agreement shall remain in full force and effect.
  
4. Effective Date and Ratification. This Amendatory Agreement shall be effective from January 5, 1989 and Watermaster shall petition the Court for ratification of such approval as a portion of its next Annual Watermaster Report.

IN WITNESS WHEREOF, the parties hereto have caused this Amendatory Agreement to be duly executed by its authorized officers.

ATTEST:

CHINO BASIN MUNICIPAL WATER DISTRICT  
Acting as CHINO BASIN WATERMASTER

John L. Anderson  
Secretary

By [Signature]  
President

APPROVED AS TO FORM  
AND EXECUTION:

(SEAL)

Glenn R. Smith  
Attorney for Watermaster

ATTEST:

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

Carl Boronkay  
General Manager

Darren E. Deff  
Executive Secretary

By [Signature]  
Duane Georgeson  
Assistant General Manager

APPROVED AS TO FORM

(SEAL)

Victor Gleason  
for General Counsel

ATTEST:

CHINO BASIN MUNICIPAL WATER DISTRICT

John L. Anderson  
Secretary

By [Signature]

APPROVED AS TO FORM  
AND EXECUTION

(SEAL)

Lois E. Jeffrey  
Attorney for District



AMENDMENT TO  
CHINO BASIN CYCLIC STORAGE AGREEMENT

This AMENDATORY AGREEMENT is made this 30th day of May 1984, by and between CHINO BASIN MUNICIPAL WATER DISTRICT, herein referred to as "Chino," a public corporation of the State of California, acting on its own behalf and as Chino Basin Watermaster, herein referred to as "Watermaster," and THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, herein referred to as "Metropolitan" a metropolitan water district organized under the Metropolitan Water District Act of the State of California.

RECITALS

- A. The parties to this Amendatory Agreement entered into an agreement titled Chino Basin Cyclic Storage Agreement ("Agreement"), dated December 4, 1978, for the purpose of giving Metropolitan the right to store up to 100,000 acre-feet of State project water in the Chino Basin.
  
- B. Water stored under this Amendatory Agreement will be used to meet Chino's groundwater replenishment demands pursuant to specific criteria set forth in Article 6 of the Cyclic Storage Agreement.



- C. Under its terms the Agreement expires on January 4, 1984, five years after its effective date of January 5, 1979. The Agreement further provides that it may be extended for additional terms, not to exceed five years each, by mutual agreement of the parties thereto.
- D. The parties to this Amendatory Agreement desire to extend the term of the Cyclic Storage Agreement because there is presently an abundance of State Project water available for storage under the Cyclic Storage Agreement and in order to continue the benefits that the Cyclic Storage Agreement provides.

COVENANTS

1. Extension of Term. Article 9(a) is amended by extending the term of the Agreement an additional five years to January 5, 1989.
  
2. Remaining Provisions. Except as hereby amended, the Agreement shall remain in full force and effect.
  
3. This Amendatory Agreement shall become effective upon the date shown hereon and Chino shall petition the Court for ratification of such approval as a portion of the Seventh Annual Watermaster Report.

IT WITNESS WHEREOF, the parties hereto have caused this Amendatory Agreement to be duly executed by its authorized officers.

ATTEST:

CHINO BASIN MUNICIPAL WATER DISTRICT  
Acting as CHINO BASIN WATERMASTER

John L. Anderson  
Secretary

By John G. Gully  
President

APPROVED AS TO FORM  
AND EXECUTION:

(SEAL)

Guido R. Smith  
Attorney for Watermaster

ATTEST:

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

Doreen E. Hoff  
Executive Secretary

By Carl B. Borker  
General Manager

APPROVED AS TO FORM:

Victor S. G. ...  
for General Counsel

(SEAL)

ATTEST:

CHINO BASIN MUNICIPAL WATER DISTRICT

John L. Anderson  
Secretary

By John A. Gilder  
President

APPROVED AS TO FORM  
AND EXECUTION

Regina A. Hayward  
Attorney for District

(SEAL)



CHINO BASIN  
CYCLIC STORAGE AGREEMENT

THIS AGREEMENT made and entered into this 14<sup>th</sup> day of November, 1978, by and between CHINO BASIN MUNICIPAL WATER DISTRICT, herein referred to as "Chino," a public corporation of the State of California, acting on its own behalf and as Chino Basin Watermaster, herein referred to as "Watermaster," and THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, herein referred to as "Metropolitan," a metropolitan water district organized under the Metropolitan Water District Act of the State of California.

RECITALS

A. Pursuant to the final Judgment in the Chino Basin Case, water rights have been adjudicated in Chino Basin, and the Court has appointed the Chino Basin Municipal Water District as Watermaster to administer and enforce the Judgment pursuant to the Court's continuing jurisdiction.

B. The Judgment defines and declares the existence of groundwater storage capacity in Chino Basin, establishes priorities for use of such storage capacity, and authorizes

the Watermaster to enter into storage agreements for the regulation and administration of the use of such storage capacity.

C. Metropolitan provides imported supplemental water for sale to its member agencies throughout the Coastal Plain of Southern California. Metropolitan has two major sources of water, to wit, (1) rights to water from the Colorado River, and (2) rights to water from the State Project. Metropolitan is empowered to enter into agreements to utilize groundwater storage capacity on a cyclic basis for the storage and regulation of its imported water supplies, to provide operational flexibility to Metropolitan for the benefit of all of its member public agencies.

D. It is the purpose of this Agreement to provide for and define cyclic storage rights for Metropolitan in Chino Basin, and to set forth the procedures and criteria for protection, administration, and coordination of said cyclic storage rights.

E. At times, Metropolitan may have quantities of State Project water available for cyclic storage in Chino

Basin, while on other occasions Metropolitan may have no replenishment water to deliver for spreading in the Chino Basin. Furthermore, Watermaster's projected need for replenishment water is subject to significant change annually, depending on demands in excess of operating safe yield, while Metropolitan's annual State project water delivery schedule cannot normally be modified without incurring adverse financial consequences.

F. The Watermaster and San Bernardino County Flood Control District have entered into an agreement whereby said District will undertake the responsibilities associated with the actual spreading operations in Chino Basin.

#### DEFINITIONS

As used in this Agreement, the following terms shall have the meanings herein set forth:

(a) "Chino Basin"--The underground water basin as defined in the final Judgment entered in the Chino Basin Case.

(b) "Chino Basin Case"--CBMWD v. City of Chino, et al., San Bernardino Superior Court No. 164327.



(c) "Conjunctive Use Water"--Imported water caused to be stored in the Chino Basin by nonparties to the Judgment who may thereafter extract said stored water minus losses to meet water service requirements.

(d) "Court"--The State Court having continuing jurisdiction over the Chino Basin Case.

(e) "Cyclic Water"--Imported water caused to be spread and stored for Metropolitan in Chino Basin to meet future replenishment requirements pursuant to this Agreement as determined by the parties hereto.

(f) "Imported Water"--Shall mean water obtained by Metropolitan from facilities of the California State Water Project.

(g) "Judgment"--The final Judgment entered in the Chino Basin Case.

(h) "Spreading"--The acts of transporting to and placement of water in the water percolation basins of Chino Basin as authorized herein.

(i) "Spreading Agency"--The San Bernardino County Flood Control District.

(j) "State Project"--The State Water Resources Development System, as defined in the Burns-Porter Act. (Water Code 12930, et seq.)

(k) "Storage Right"--The right to store imported water in Chino Basin as defined and set forth in Paragraph 1 of this Agreement.

(l) "Watermaster"--Chino Basin Municipal Water District, acting as Watermaster in the Chino Basin Case.

#### COVENANTS

1. Storage Right. Metropolitan is hereby granted by Watermaster the right to store water from the State Project in the Chino Basin for utilization in accordance with the provisions of this Agreement. Metropolitan is authorized to store in the Chino Basin up to 100,000 acre-feet of such water at any one time. Said right constitutes

a firm commitment of storage capacity in Chino Basin. Storage rights granted under this Agreement shall have equivalent spreading priority with storage rights granted to other parties under other Chino Basin cyclic storage agreements.

2. Watermaster Control of Storage Procedure. Water from the State Project may be placed in storage pursuant to Watermaster's right to cause water to be spread in the spreading grounds of San Bernardino County Flood Control District and Chino Basin Water Conservation District. All requests to store water in the Chino Basin shall be subject to the approval of the Watermaster. To the extent that Metropolitan desires to deliver water for spreading, it shall request a spreading schedule from Watermaster. Upon Watermaster's approval of Metropolitan's request for a spreading schedule, Watermaster shall provide an appropriate spreading schedule to Metropolitan in writing. Thereafter, Watermaster will cause such water to be spread in the basin in accordance with confirmed spreading schedule. Metropolitan reserves the right to suspend delivery of water or reduce the delivery rate for cyclic storage pursuant to said spreading schedules if it determines it necessary to meet its other water service obligations. Watermaster reserves the right

to order the cessation or reduction in delivery rate of water being spread for cyclic storage if, in its judgment, it determines that: a) continuance of spreading of Cyclic Water or the delivery rate thereof would be in violation of any of the conditions or restrictions in Watermaster's spreading agreement referred to in paragraph F of this Agreement; or b) quantities of water being spread are causing or have caused significant adverse water quality or water spreading problems in the Basin.

3. Delivery Facilities. The use and construction of service connections and of facilities for temporary service connections shall be handled by separate agreement between the appropriate parties. The point of delivery of the service connections shall be the point of discharge from Metropolitan's control valves into the conveyance channel or works owned and controlled by other entities.

4. Procedures and Accounting for Water in Storage. Watermaster shall maintain a continuing account of Metropolitan's Cyclic Water. For that purpose, Metropolitan shall, on or before the 15th of each month following that month in which any water is placed in storage, provide Watermaster with a

notice of the actual amount of water it has delivered pursuant to this Agreement on a report form prescribed by Watermaster.

5. Loss of Stored Water. Any loss of Cyclic Water stored in Metropolitan's account under this Agreement shall be deducted from that account pursuant to the following rules:

(a) Evaporation and transpiration losses which may occur during spreading operations shall not be charged to Metropolitan as they are the type of losses normally incurred in the delivery of replenishment water.

(b) Watermaster shall determine other losses of water stored in Chino Basin and assign them on the basis that Metropolitan's Cyclic Water floats on top of native groundwater and water stored by Parties to the Judgment. The amount of losses assigned to Metropolitan shall be limited to the extent that they are caused by Metropolitan's cyclic water being in storage in Chino Basin. Such loss determination shall take into account the following:

i) Any increase in loss of natural water from Chino Basin which would have replenished said basin had water not been stored for nonparties to the Judgment; and

ii) Any increase in loss of groundwater supplies wasting from the Chino Basin which would not have been lost if water had not been in storage in Chino Basin for nonparties to the Judgment.

Any losses chargeable to Metropolitan under the provisions of subparagraphs i) or ii) above shall be based on criteria developed and agreed to jointly by Watermaster and Metropolitan and supported by specific findings.

6. Utilization of Cyclic Water. Except as provided in Article 11 of this Agreement, the ultimate disposition of Metropolitan's Cyclic Water shall be a sale to Chino to satisfy replenishment water requirements established by Watermaster. Upon Chino's request to Metropolitan for replenishment water, Metropolitan, in its discretion, may

furnish either cyclic water stored for its account in the basin or surface water that may be available in Metropolitan's distribution system for groundwater replenishment pursuant to Metropolitan's Administrative Code, Chapters 312 and 322. Watermaster may review Metropolitan's decision of which water to utilize and may meet and confer with Metropolitan in regard to any of Watermaster's concerns related to said decision. Cyclic Water shall be sold at the Metropolitan rate for such replenishment water prevailing at the time of the sale. This Agreement shall not obligate Metropolitan to deliver water for replenishment purposes other than as provided for in its Administrative Code, or to take any action that is inconsistent with the Metropolitan Water District Act.

7. Charges and Credits. There shall be no charge, rent, assessment, or expense assessed against Metropolitan for storing Cyclic Water in the Chino Basin. No charge shall be levied against any party hereto by any of the other

said parties for the use of physical facilities including service connections, flood control channels, spreading basins or hydrologic services utilized in connection with the exercise of the storage rights granted herein.

8. Reports and Inspection.

(a) Reports to Watermaster. Metropolitan shall file with Watermaster such reports as are reasonably required by Watermaster to provide full information as to storage and transfers of Cyclic Water hereunder.

(b) Watermaster Annual Report. In Watermaster's annual report to the Court in the Chino Basin Case, Watermaster shall set forth in detail the amounts of Metropolitan's Cyclic Water, additions to storage during the preceding year, and losses and transfers of such water.

9. Term.

(a) The term of this Agreement shall commence on the day, month, and year established pursuant to



Article 10 of this Agreement and shall terminate five years thereafter unless terminated or extended as hereinafter provided. Except as provided herein, termination of the Agreement shall affect termination of the right to place water in storage but shall not impair Metropolitan's ownership or right to waters theretofore stored or Metropolitan's right to transfer the same pursuant to Articles 6 or 11 of this Agreement. The rights herein granted shall not be terminated on less than 90 days written notice, except as provided in paragraph 9(c) of this Agreement.

(b) The rights herein granted to Metropolitan may be reduced or terminated by subsequent order of the Court to the extent it is shown that a substantial portion of the capacities hereby set aside and reserved for Metropolitan are and have remained unused for an unreasonable period or are otherwise operated contrary to the requirements of Section 2 of Article 10 of the California Constitution, but that reduction or termination shall not impair Metropolitan's ownership of or right to waters theretofore stored or Metropolitan's right to transfer the same pursuant to Articles 6 or 11 of this Agreement.

(c) Metropolitan may request amendment of this Agreement, or require its termination upon 60 days written notice, if the conditions specified in its Administrative Code, Chapters 312 and 322, relating to uniform conditions of water service and water sales to all of Metropolitan's member public agencies, are amended in a manner which requires amendment of this Agreement to provide uniform conditions of water service and water sales to all its member public agencies. In the event Metropolitan elects to terminate this Agreement for the reasons authorized in this paragraph, Chino shall at the request of Watermaster purchase all water, or any part thereof, then stored pursuant to this Agreement in Metropolitan's Cyclic Water account; provided, however, that Metropolitan may schedule the sale within one year of Chino's purchase request to Metropolitan, to the extent necessary to avoid impairment of Metropolitan's ability to meet its water service responsibilities as specified in its Administrative Code, Chapters 312 and 322. Metropolitan shall sell the water upon Chino's request pursuant to this section, and the charge for such replenishment water shall be at the rate prevailing at the time of Chino's request to purchase.

(d) Upon the mutual agreement of the parties hereto, this Agreement may be extended for additional terms, not to exceed five years each, provided, Watermaster shall report its intention to consider an extension of this Agreement in minutes of its meetings at least 90 days prior to any such extension.

10. Effective Date of Agreement. This Agreement shall become effective only upon approval by the Court and upon compliance with the California Environmental Quality Act. Chino shall advise the parties hereto by written notice of the date on which both conditions are met, and that date shall become the effective date of this Agreement.

11. Transfer of Cyclic Water to Conjunctive Use. Upon mutual agreement of the parties hereto, and the execution of an appropriate agreement for conjunctive use water as defined in definition (c) of this Agreement, water stored pursuant to this Agreement may be transferred to a conjunctive use program. The conjunctive use agreement shall also provide for payment of spreading costs plus interest incurred by Watermaster as defined in the future by the parties thereto.

12. Indemnification.

Except as provided in this section, Watermaster shall indemnify and defend Metropolitan and hold it harmless from liability for property damage or personal injury arising from water that Metropolitan delivers for storage under this Agreement. Watermaster shall also indemnify and defend Metropolitan and hold it harmless from any claims arising from the storage of water under this Agreement or from the recapture or delivery of such water, or from any claims arising from damage or injury caused by any negligent performance by Watermaster. Metropolitan shall indemnify and defend Watermaster and any of its officers, agents, or employees, and shall hold them harmless from any claims arising from:

(a) Metropolitan's control, carriage, handling, use, disposal, or distribution of water before Metropolitan delivers such water for storage under this Agreement; (b) damage or injury caused as a result of Metropolitan's delivery flows in excess of those requested by Watermaster in its written spreading schedules; or (c) damage or injury caused by any negligent performance by Metropolitan.

13. Notices. Any notices may be given by mail and postage prepaid addressed as follows:

The Metropolitan Water District  
of Southern California  
Post Office Box 54153  
Terminal Annex  
Los Angeles, California 90054

Chino Basin Municipal Water District  
Post Office Box 697  
Cucamonga, California 91730

Chino Basin Watermaster  
Post Office Box 697  
Cucamonga, California 91730

14. Judicial Review. The operations of this Agreement shall be subject to review and enforcement by the Court on timely motion by any party to this Agreement pursuant to Article 31 of the Judgment, to the extent that the Court permits Metropolitan to participate in those review proceedings on the same basis as if it were a party to the Judgment. This section shall not impair any other legal remedy that either party may have under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by its authorized officers.

ATTEST:

CHINO BASIN MUNICIPAL WATER DISTRICT  
Acting as CHINO BASIN WATERMASTER

*Carroll L. K...*  
Secretary

BY *Carl B. ...*  
President

APPROVED AS TO FORM  
AND EXECUTION:

*Donald J. ...*  
Attorney for Watermaster

(SEAL)

ATTEST:

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

*Karen E. ...*  
Executive Secretary

BY *Ernest ...*  
General Manager

APPROVED AS TO FORM:

*Vida E. ...*  
for General Counsel

(SEAL)

DATED: DEC 4 1978

ATTEST:

CHINO BASIN MUNICIPAL WATER DISTRICT

*Ernest L. Kuebler*  
Secretary

BY *Carl B. Mungole*  
President

APPROVED AS TO FORM  
AND EXECUTION:

(SEAL)

*Eugene A. Nyanteh*  
Attorney for District

# **EXHIBIT 5**



WM

AGREEMENT

This agreement is entered into this 6 day of August, 1986 by and between CHINO BASIN MUNICIPAL WATER DISTRICT as CHINO BASIN WATERMASTER ("WATERMASTER") and on its own behalf and THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ("MWD").

WHEREAS, MWD and certain parties to the Judgment desire to enter into an exchange of water whereby MWD delivers surface water to a party to the Judgment, in exchange for which that party will exchange, assign, transfer and/or lease to MWD a like amount of its share of Operating Safe Yield in place in the Chino Basin; and

WHEREAS, there exists no provision for a uniform storage agreement on account of and for MWD as set forth in the Judgment; and

WHEREAS, WATERMASTER, with the consent of the Advisory Committee, is desirous of cooperating and acting jointly with MWD and its exchange parties to the end that the purpose of the physical solution imposed by the Judgment may be fully and economically carried out, as mandated, inter alia, in Paragraph 26 of the Judgment; and

WHEREAS, uniform storage agreements have been adopted pursuant to Paragraph 28 of the Judgment; and

WHEREAS, the parties hereto wish to enter into an agreement to afford MWD the benefits of the uniform storage agreements conferred upon parties to the Judgment pursuant to Paragraph 28 of the Judgment, which storage agreements have been approved by written order of the court;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. WATERMASTER shall establish a storage account for the benefit of MWD in the form of the storage accounts approved by WATERMASTER and the court pursuant to Paragraph 28 of the Judgment, which storage account shall be entitled "Chino Basin Watermaster, In Trust For The Metropolitan Water District of Southern California".
2. WATERMASTER shall administer said account for and on behalf of MWD so that MWD may assign, at a time determined by MWD, water stored in the account to either a party to the Judgment; any then existing MWD storage account or combination of accounts pursuant to the provisions of the WATERMASTER agreement or agreements for that account or accounts; or MWD itself for extraction pursuant to applicable Watermaster Rules and Regulations.

3. WATERMASTER shall adopt and submit to the court for its written approval, the assignment and transfer forms attached hereto as Exhibits 1, 2, and 3, respectively entitled "ASSIGNMENT/TRANSFER/LEASE OF WATER RIGHTS TO CHINO BASIN WATERMASTER, IN TRUST FOR THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA", "REQUEST OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA TO ASSIGN/TRANSFER/LEASE WATER RIGHTS", and "ASSIGNMENT/TRANSFER/LEASE OF WATER RIGHTS". Said exhibits are incorporated herein by reference.
  
4. In the event the court does not approve this trust agreement and/or the forms herein set forth, or this agreement is frustrated in its purpose by any other means, and, in the event assignments have been made to WATERMASTER on account of and in trust for MWD, then and at such time WATERMASTER will purchase from MWD at its (MWD's) cost or, at MWD's discretion, transfer to any other storage account or accounts MWD may then have, subject to the provisions of the WATERMASTER agreements for those accounts, water so held in storage and this agreement shall be deemed void.

This agreement shall remain valid until revoked by subsequent written revocation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by its authorized officers.

ATTEST:

John L. Anderson  
Secretary

CHINO BASIN MUNICIPAL WATER DISTRICT  
ACTING AS WATERMASTER

By [Signature]  
President

APPROVED AS TO FORM:

Guido R. Smith  
Attorney for Watermaster

(Seal)

ATTEST:

Dawn Chin  
for Executive Secretary

THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA

By [Signature]  
General Manager

APPROVED AS TO FORM:

Victor E. DeLeon  
for General Counsel

(Seal)

REQUEST OF  
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
TO  
ASSIGN/TRANSFER/LEASE WATER RIGHTS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
("Assignor/Lessor") requests CHINO BASIN WATERMASTER to  
assign/transfer/lease to \_\_\_\_\_  
("Assignee/Lessee"), commencing on \_\_\_\_\_ and  
terminating on \_\_\_\_\_, the quantity of  
\_\_\_\_\_ acre feet of water in its storage account entitled  
"Chino Basin Watermaster, In Trust For The Metropolitan Water District  
of Southern California".

Said assignment/transfer/lease shall be conditioned upon:

(1) Assignee/Lessee shall exercise said right on behalf of  
Assignor/Lessor under the terms of the Judgment and for the  
period described above. The first water produced in any year  
shall be that produced pursuant to carry-over rights defined in  
the Judgment. After production of its carry-over rights, if any,  
the next (or first if no carry-over rights) water produced by  
Assignee/Lessee from the Chino Basin shall be that produced  
hereunder.

(2) Assignee/Lessee shall put all waters utilized pursuant  
to said assignment/transfer/lease to reasonable beneficial use,

(3) Assignee/Lessee shall pay all Watermaster assessments on account of the water production hereby assigned/transferred/leased.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by its authorized officers on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

ATTEST:

\_\_\_\_\_  
Secretary

CHINO BASIN MUNICIPAL WATER DISTRICT  
ACTING AS WATERMASTER

By \_\_\_\_\_  
President

APPROVED AS TO FORM:

\_\_\_\_\_  
Attorney for Watermaster

(Seal)

ATTEST:

\_\_\_\_\_  
Executive Secretary

THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA

By \_\_\_\_\_  
General Manager

APPROVED AS TO FORM:

\_\_\_\_\_  
General Counsel

(Seal)

ASSIGNMENT/TRANSFER/LEASE OF WATER RIGHTS

CHINO BASIN WATERMASTER ("Assignor/Lessor"), as Trustee of that account entitled "Chino Basin Watermaster, In Trust For The Metropolitan Water District of Southern California" herewith assigns/transfers/leases to \_\_\_\_\_ ("Assignee/Lessee"), commencing on \_\_\_\_\_ and terminating on \_\_\_\_\_, the quantity of \_\_\_\_\_ acre feet of The Metropolitan Water District of Southern California waters in trust.

Said assignment/transfer/lease is conditioned upon:

(1) Assignee/Lessee shall exercise said right on behalf of Assignor/Lessor under the terms of the Judgment and for the period described above. The first water produced in any year shall be that produced pursuant to carry-over rights defined in the Judgment. After production of its carry-over rights, if any, the next (or first if no carry-over rights) water produced by Assignee/Lessee from the Chino Basin shall be that produced hereunder.

(2) Assignee/Lessee shall put all waters utilized pursuant to said assignment/transfer/lease to reasonable beneficial use.

(3) Assignee/Lessee shall pay all Watermaster assessments on account of the water production hereby assigned/transferred/leased.

DATED: \_\_\_\_\_

CHINO BASIN WATERMASTER  
Assignor/Lessor (print or type)

\_\_\_\_\_  
Name

\_\_\_\_\_  
Street

\_\_\_\_\_  
City State Zip

\_\_\_\_\_  
By Title

ASSIGNMENT/TRANSFER/LEASE OF WATER RIGHTS  
TO CHINO BASIN WATERMASTER, IN TRUST FOR  
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

\_\_\_\_\_  
("Assignor/Lessor")

herewith assigns/transfers/leases to CHINO BASIN WATERMASTER, for transfer to the storage account entitled "Chino Basin Watermaster, In Trust For The Metropolitan Water District of Southern California" ("Assignee/Lessee"), commencing on \_\_\_\_\_ and terminating on \_\_\_\_\_, the quantity of \_\_\_\_\_ acre feet of Appropriative or Overlying (Non-Agricultural) Pumping Rights (\_\_\_\_\_ acre feet of corresponding shares of initial Operating Safe Yield), adjudicated to Assignor/Lessor or his predecessor in interest in Judgment rendered in the case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," San Bernardino Superior Court No. 164327.

Said assignment/transfer/lease is conditioned upon:

(1) The Metropolitan Water District of Southern California or its successor in interest to the rights assigned/transferred/leased herein shall exercise said right on behalf of Assignor/Lessor under the terms of the Judgment and for the period described above. The first water produced in any year shall be that produced pursuant to carry-over rights defined in the Judgment. After production of its carry-over rights, if any, the next (or first if no carry-over rights) water produced by Assignee/Lessee from the Chino Basin shall be that produced hereunder.

(2) The Metropolitan Water District of Southern California, or its successor in interest to the rights

assigned/transferred/leased herein shall put all waters utilized pursuant to said assignment/transfer/lease to reasonable beneficial use.

(3) The Metropolitan Water District of Southern California, or its successor in interest to the rights assigned/transferred/leased herein shall pay all Watermaster assessments on account of the water production hereby assigned/transferred/leased.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by its authorized officers on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

ASSIGNOR/LESSOR

\_\_\_\_\_  
Name (print or type)

\_\_\_\_\_  
Street

\_\_\_\_\_  
City State Zip

APPROVED AS TO FORM:

\_\_\_\_\_  
Attorney for Watermaster

ATTEST:

\_\_\_\_\_  
Executive Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
General Counsel

CHINO BASIN MUNICIPAL WATER DISTRICT  
ACTING AS WATERMASTER

By \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA

By \_\_\_\_\_  
General Manager

To be executed by both Assignor/Lessor and The Metropolitan Water District of Southern California and if separately requested by Watermaster, to be accompanied by a map of the service area where the water was used by Assignor/Lessor and if separately requested by Watermaster, a map of the service area where the water is intended to be used by Assignee/Lessee.

# **EXHIBIT 6**



Agreement No. 3734

CHINO BASIN SHORT-TERM CONJUNCTIVE-USE PROJECT  
AGREEMENT BETWEEN  
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
THE CHINO BASIN MUNICIPAL WATER DISTRICT  
THE THREE VALLEYS MUNICIPAL WATER DISTRICT  
AND THE CHINO BASIN WATERMASTER

THIS Agreement (hereinafter "AGREEMENT") is entered into as of August 21, 1992 by and between the METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA (hereinafter "METROPOLITAN"), the CHINO BASIN MUNICIPAL WATER DISTRICT (hereinafter "CHINO BASIN MWD"), the THREE VALLEYS MUNICIPAL WATER DISTRICT (hereinafter "THREE VALLEYS MWD"), and the CHINO BASIN WATERMASTER (hereinafter "WATERMASTER").

RECITALS

WHEREAS, METROPOLITAN was incorporated under the Metropolitan Water District Act ("Act") for the purpose of developing, storing, and distributing water for domestic and municipal purposes, and is empowered to enter into agreements to exchange its imported water for groundwater;

WHEREAS, sustained drought conditions require that METROPOLITAN seek methods of storing its available State Water Project water in 1992 for use during potential shortage conditions in 1993 and 1994;

WHEREAS, the parties desire to participate in a Short-Term Conjunctive Use Project (hereinafter PROJECT) to permit in-lieu storage of a limited quantity of imported water in, and extraction of a like amount of groundwater from, the Chino Basin (hereinafter "BASIN"), pursuant to exchange of imported METROPOLITAN water for Chino Basin groundwater pumping rights, and construction and/or operation of related extraction facilities;

WHEREAS, the the terms of this AGREEMENT do not set any precedent regarding future conjunctive-use projects in Chino Basin;

WHEREAS, use of BASIN storage capacity and extraction of stored groundwater from the BASIN is subject to the conditions of the Judgment entered in Superior Court of the State of California for the County of San Bernardino (hereinafter "COURT") as a result of Case No. WCV51010 (formerly Case No. SCV164327) entitled "Chino Basin Municipal Water District v. City of Chino et al," signed by the Honorable Judge Howard B. Wiener on January 27, 1978 (hereinafter "JUDGMENT"); and such JUDGMENT appointed CHINO BASIN MWD, acting by and through a majority of its five-member Board of Directors, to administer and enforce the provisions of the JUDGMENT and any subsequent COURT orders;

WHEREAS, on August 6, 1986, the WATERMASTER, CHINO BASIN MWD, and METROPOLITAN entered into a Trust Storage Agreement (hereinafter "TSA") which permits storage of imported water by means of in-lieu exchange using the uniform storage provisions established pursuant to the JUDGMENT;

WHEREAS, CHINO BASIN MWD (as Lead Agency) has concluded that the PROJECT is exempt from the requirements of the California Environmental Quality Act;

NOW, THEREFORE, the parties hereby enter into this AGREEMENT to provide for and define the procedures and criteria for a limited PROJECT for the storage of water by METROPOLITAN in the BASIN which will be extracted by METROPOLITAN for delivery through its regional distribution system in accordance with the following criteria:

Section 1: Project Process.

1.1 METROPOLITAN shall deliver untreated imported water

(hereinafter "EXCHANGE WATER") to parties to the JUDGMENT (hereinafter, "LOCAL AGENCIES" in exchange for an assignment of BASIN pumping rights from LOCAL AGENCIES to WATERMASTER in trust in a WATERMASTER account (hereinafter, "Trust Storage Account") for METROPOLITAN pursuant to METROPOLITAN's TSA with WATERMASTER. ✱

1.2 WATERMASTER, CHINO BASIN MWD, and THREE VALLEYS MWD shall select the participating LOCAL AGENCIES which shall enter into exchange agreements with METROPOLITAN and their respective allocations of EXCHANGE WATER as provided herein.

1.3 WATERMASTER shall administer the resulting assignments of pumping rights under the TSA in a manner that allows METROPOLITAN to exercise those rights pursuant to this AGREEMENT or, at METROPOLITAN's option, in any other manner allowed under the TSA. ✱

Section 2: Facilities.

2.1 Extraction Wells. The parties agree that METROPOLITAN may extract groundwater by using new wells constructed by METROPOLITAN or by using existing facilities under separate arrangements between METROPOLITAN and the owners of existing facilities near METROPOLITAN's Upper Feeder to extract groundwater made available by the PROJECT.

2.2 Extracted Water Conveyance Facilities. The water extracted by METROPOLITAN from groundwater storage under the project may be placed into METROPOLITAN's distribution system.

Section 3: Operation.

3.1 Accounting.

(a) Each LOCAL AGENCY shall file with WATERMASTER such

reports, accountings, and assignments on approved forms as are reasonably required by WATERMASTER to provide full information as to deliveries and assignments of EXCHANGE WATER hereunder; and shall pay WATERMASTER a sum equal to all WATERMASTER assessments that would have been applicable to it had it exercised the water production rights that it assigns to METROPOLITAN.

(b) METROPOLITAN shall file with WATERMASTER such approved forms as are required for METROPOLITAN to extract groundwater under this AGREEMENT; and shall pay WATERMASTER for normal "General Administrative Watermaster Expense" as specified in the WATERMASTER's Rules and Regulations (Section 3.19(a)) for such extraction (such expenses have historically been reported by WATERMASTER as "General Administration" costs applied to the Appropriative Pool; such costs were \$0.59/acre-foot in water year 1991-1992). METROPOLITAN shall have the right to audit WATERMASTER's accounting records for the term of this AGREEMENT.

(c) In WATERMASTER's annual report to the COURT under the JUDGMENT, WATERMASTER shall set forth the details regarding the PROJECT.

3.2 Storage Method. METROPOLITAN's EXCHANGE WATER shall be placed into storage using the following in-lieu procedures:

(a) METROPOLITAN, METROPOLITAN's appropriate Member Agency, and each LOCAL AGENCY shall enter into a letter agreement (hereinafter, "EXCHANGE AGREEMENT") consistent with the format in the attached Exhibit "A." Assignment of Chino Basin pumping rights to METROPOLITAN shall be executed pursuant to the provisions of the TSA. ★

(b) In exchange for the delivery of EXCHANGE WATER specified in EXCHANGE AGREEMENTS, WATERMASTER shall assign to METROPOLITAN's Trust Storage Account an equivalent amount of the LOCAL AGENCY's Chino Basin pumping rights, utilizing the court-approved Exhibit 1 form provided for under METROPOLITAN's TSA.

(c) Exchange deliveries by METROPOLITAN shall be subject to the Water Service Regulations in METROPOLITAN's Administrative Code, shall not be non-interruptible service, and shall be subject to interruption.

(d) Exchange deliveries shall be subject to the operational considerations of both METROPOLITAN and the respective LOCAL AGENCY.

(e) METROPOLITAN shall deliver EXCHANGE WATER at a METROPOLITAN service connection pursuant to the respective EXCHANGE AGREEMENT.


(f) Any imported water delivered in excess of the 5,000 acre-foot exchange limit under this AGREEMENT during the term of the storage component of this AGREEMENT shall be billed at the applicable rates for the class of service at the time of delivery.


3.3 Storage and Extraction Limits. METROPOLITAN may store up to 5,000 acre-feet of water under this agreement in its Trust Storage Account under this AGREEMENT. The parties agree that METROPOLITAN may extract that stored water from the BASIN for delivery to its distribution system, and that the total of such extractions from all locations within the BASIN shall not exceed 1,000 acre-feet per month. METROPOLITAN shall not deliver more water to its distribution system than its gross water sales to the BASIN in the fiscal year of such delivery.

3.4 Measurements. METROPOLITAN shall measure the quantity of imported water delivered at each METROPOLITAN service connection that will be utilized to deliver EXCHANGE WATER under this AGREEMENT. METROPOLITAN's Member Agencies shall certify quantities of EXCHANGE WATER delivered under this AGREEMENT. METROPOLITAN shall measure quantities of groundwater extracted from the BASIN and delivered to its distribution system under this AGREEMENT. METROPOLITAN shall provide a single report to WATERMASTER regarding the storage of water, and shall provide monthly reports to WATERMASTER regarding extraction and deliveries to its system. Reports shall be due within 30 days of the end of the month. Measurements shall be consistent with METROPOLITAN's normal metering practices.

3.5 Financing. Each party shall be responsible for financing its own requirements under this AGREEMENT.

#### Section 4: Term

4.1 Storage. All EXCHANGE WATER shall be delivered prior to September 30, 1992. Such term may be extended upon agreement by all parties. In-lieu exchange may be terminated unilaterally by any party given 5 days advance notice subject to terms and conditions herein. Termination of the AGREEMENT shall not impair METROPOLITAN's ownership or right to extract waters theretofore assigned to METROPOLITAN's Trust Storage Account under this AGREEMENT. 

4.2 Extraction. Delivery of water stored in METROPOLITAN's Trust Storage Account to METROPOLITAN's distribution system pursuant to this AGREEMENT must be completed within two (2) years from the time that all EXCHANGE WATER has been delivered to the LOCAL AGENCIES. 

Section 5: Indemnification.

5.1 METROPOLITAN will indemnify and defend WATERMASTER, CHINO BASIN MWD, and THREE VALLEYS MWD and any of their officers, agents, and employees, and will hold them harmless from any claims arising from:

(a) METROPOLITAN's control, carriage, handling, use, disposal, or distribution of water either:

i. Before METROPOLITAN delivers such water for storage under the AGREEMENT; or

ii. after METROPOLITAN's extraction and delivery of extracted water into its distribution system under this AGREEMENT.

(b) METROPOLITAN's delivery of water for storage or its recovery of groundwater under this AGREEMENT in a manner not previously approved by WATERMASTER; or

(c) Negligent performance by METROPOLITAN under this AGREEMENT.

5.2 As a condition for indemnification hereunder:

(a) WATERMASTER and/or CHINO BASIN MWD and/or THREE VALLEYS MWD must provide prompt and timely notice to METROPOLITAN of the claim or litigation to which the indemnification relates; and

(b) WATERMASTER and/or CHINO BASIN MWD and/or THREE VALLEYS MWD will cooperate in the compromise, settlement, litigation, or other resolution or disposition of such claim or litigation.

5.3 WATERMASTER, CHINO BASIN MWD, and THREE VALLEYS MWD will indemnify and defend METROPOLITAN, its officers, agents, and employees and will hold them harmless from any other claims arising from METROPOLITAN's storage, recovery, and transportation of water as approved by the WATERMASTER and/or CHINO BASIN MWD and/or THREE VALLEYS MWD under this AGREEMENT.

Section 6: Notice.

6.1 Any notice required under this AGREEMENT shall be given by mail, postage prepaid, addressed as follows:

General Manager  
The Metropolitan Water District  
of Southern California  
Post Office Box 54153  
Los Angeles, California 90054

General Manager  
Chino Basin Municipal Water District  
P.O. Box 697  
Rancho Cucamonga, California 91729-0697

General Manager  
Three Valleys Municipal Water District  
P.O. Box 1300  
Claremont, California 91711

Chief, Watermaster Services  
Chino Basin Watermaster  
P.O. Box 697  
Rancho Cucamonga, California 91729-0679

Any party may change such address by notification given to the other party as provided in this section.

Section 7: Signatures.

7.1 The individuals executing this AGREEMENT represent and



warrant that they have participated in the drafting of this AGREEMENT and that they have the authority to enter into and to execute this AGREEMENT on behalf of the respective legal entities of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT effective as of the date first above written.

APPROVED AS TO FORM:  
Fred Vendig  
General Counsel

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

By: U. S. G. E.  
Deputy General Counsel

By: Carl G. [Signature]

APPROVED AS TO FORM:

THE CHINO BASIN MUNICIPAL WATER  
DISTRICT

By: \_\_\_\_\_

By: Thomas J. Doman

APPROVED AS TO FORM:

THE THREE VALLEYS MUNICIPAL  
WATER DISTRICT

By: \_\_\_\_\_

By: [Signature]

APPROVED AS TO FORM:

THE CHINO BASIN MUNICIPAL WATER  
DISTRICT ACTING AS  
WATERMASTER

By: \_\_\_\_\_

By: Edwin James

EXHIBIT "A"

AGREEMENT BETWEEN  
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
THE \_\_\_\_\_ MUNICIPAL WATER DISTRICT  
AND THE \_\_\_\_\_,  
\_\_\_\_\_, 1992

THIS Agreement (hereinafter "EXCHANGE AGREEMENT") is entered into as of August \_\_, 1992, by and between the Metropolitan Water District of Southern California (hereinafter "METROPOLITAN"), the \_\_\_\_\_ Municipal Water District (hereinafter "\_\_\_\_\_ MWD"), and the \_\_\_\_\_ (hereinafter "LOCAL AGENCY").

RECITALS

WHEREAS, METROPOLITAN, CHINO BASIN MWD, Three Valleys Municipal Water District, and Chino Basin Watermaster (hereinafter, "WATERMASTER") have entered into an agreement for implementation of a Chino Basin Short-Term Conjunctive Use Project (hereinafter, "AGREEMENT");

WHEREAS, LOCAL AGENCY has adjudicated Appropriative or Overlying (Non-agricultural) pumping right to extract Chino Basin Safe Yield groundwater from the Chino Basin;

WHEREAS, on August 6, 1986, the WATERMASTER, CHINO BASIN MWD, and METROPOLITAN entered into a Trust Storage Agreement (hereinafter "TSA") which permits storage of imported water by means of in-lieu exchange using the uniform storage provisions established pursuant to the Judgment entered in Superior Court of the State of California for the County of San Bernardino as a result of Case No. WCV51010 entitled "Chino Basin Municipal Water District v. City of Chino et al,";

WHEREAS, LOCAL AGENCY desires to enter into an

agreement (hereinafter "EXCHANGE AGREEMENT") for exchange of water using the in-lieu procedures under the terms and conditions outlined in the AGREEMENT, and agrees to accept responsibility as a "LOCAL AGENCY" under the terms and conditions as outlined in the AGREEMENT which are incorporated herein by reference;

NOW, THEREFORE, the parties hereby enter into this EXCHANGE AGREEMENT to provide for water exchange in accordance with the following:

Section 1: Delivery Schedule.

1.1 METROPOLITAN shall provide \_\_\_\_ acre-feet of its imported water to LOCAL AGENCY from METROPOLITAN service connection number \_\_\_\_, or at any other service connection that may be mutually agreed upon.

Section 2: Assignment of Safe Yield.

2.1 LOCAL AGENCY agrees to assign an equal amount of its Chino Basin pumping rights equal to METROPOLITAN's exchange deliveries to the WATERMASER in trust for METROPOLITAN in accordance with the TSA. Such assignment shall be made within ninety (90) days from the time that all EXCHANGE WATER has been delivered to the LOCAL AGENCY.

2.2 LOCAL AGENCY shall file with WATERMASTER such reports, accountings, and assignments on approved forms as are reasonably required by WATERMASTER to provide full information as to deliveries and assignments of EXCHANGE WATER hereunder; and shall pay WATERMASTER a sum equal to all WATERMASTER assessments that would have been applicable to it had it exercised the water

production rights that it assigns to METROPOLITAN.

Section 3: Warranties.

3.1 The LOCAL AGENCY warrants through execution of the EXCHANGE AGREEMENT that it will increase the amount of water that it receives from METROPOLITAN's distribution system by the amount stated in the EXCHANGE AGREEMENT during the delivery period so that METROPOLITAN can increase its importation of water into its service area.

Section 4: Notice.

4.1 Any notice required under this EXCHANGE AGREEMENT would be given by mail, postage prepaid, addressed as follows:

General Manager  
The Metropolitan Water District  
of Southern California  
Post Office Box 54153  
Los Angeles, California 90054

General Manager  
(METROPOLITAN Member Agency)  
(METROPOLITAN Member Agency Address)

General Manager  
(Local Agency)  
(Local Agency Address)

4.2 Any party may change such address by notification given to the other party as provided in this section.

Section 5: Signatures.

5.1 The individuals executing this EXCHANGE AGREEMENT represent and warrant that they have participated in the drafting of this EXCHANGE AGREEMENT and that they have the authority to enter into and to execute this EXCHANGE AGREEMENT on behalf of the respective legal entities of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this EXCHANGE AGREEMENT effective as of the date first above written.

APPROVED AS TO FORM:  
Fred Vendig  
General Counsel

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

By: \_\_\_\_\_  
Deputy General Counsel

By: \_\_\_\_\_

\_\_\_\_\_  
(METROPOLITAN MEMBER AGENCY)

By: \_\_\_\_\_

\_\_\_\_\_  
(LOCAL AGENCY)

By: \_\_\_\_\_

First Amendment to Agreement No. 3734

CHINO BASIN SHORT-TERM CONJUNCTIVE-USE PROJECT  
AMENDATORY AGREEMENT BETWEEN  
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
THE CHINO BASIN MUNICIPAL WATER DISTRICT  
THE THREE VALLEYS MUNICIPAL WATER DISTRICT  
AND THE CHINO BASIN WATERMASTER

THIS Amendatory Agreement (hereinafter "AMENDMENT") is made as of Oct 6, 1993 by and between the METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA (hereinafter "METROPOLITAN"), the CHINO BASIN MUNICIPAL WATER DISTRICT (hereinafter "CHINO BASIN MWD"), the THREE VALLEYS MUNICIPAL WATER DISTRICT (hereinafter "THREE VALLEYS MWD"), and the CHINO BASIN WATERMASTER (hereinafter "WATERMASTER").

RECITALS

WHEREAS, METROPOLITAN, CHINO BASIN MWD, THREE VALLEYS MWD, and WATERMASTER entered into an agreement on August 21, 1992 to permit in-lieu storage of 5,000 acre-feet of imported water in, and extraction of a like amount of groundwater from, the Chino Basin (hereinafter "BASIN"), pursuant to exchange of imported METROPOLITAN water for Chino Basin groundwater pumping rights, and construction and/or operation of related extraction facilities (hereinafter "PROJECT AGREEMENT");

WHEREAS, METROPOLITAN entered into an agreement with the Cucamonga County Water District (hereinafter "CCWD") and CHINO

BASIN MWD to utilize their facilities at, and contiguous to, the service connection commonly known as "CB-5" to extract groundwater from the BASIN on September 10, 1992 (hereinafter "JOINT USE AGREEMENT");

WHEREAS, the JOINT USE AGREEMENT provided for the delivery of 5,000 acre-feet of groundwater and a minimum flow of 5,000 gpm from and through CCWD's facilities;

WHEREAS, 4806.13 acre-feet of water were stored on behalf of METROPOLITAN in its Trust Storage Account as provided for under the PROJECT AGREEMENT, storage of such water was completed on September 30, 1992, and the term of the PROJECT AGREEMENT will subsequently expire on September 30, 1994;

WHEREAS, METROPOLITAN has made a significant capital investment in facilities constructed at and contiguous to the CB-5 connection to transfer water from CCWD's facilities to METROPOLITAN's distribution system, and the construction of such improvements has been completed;

WHEREAS, CCWD's ability to serve water to its service area has recently been affected by difficulties arising from diminished water quality within its service area, and such events are not considered by the parties to have been brought about as the result of negligence on the part of CCWD;

WHEREAS, the CCWD obligation regarding facilities in the JOINT USE AGREEMENT are regarded as being excess to CCWD's needs except during interruption of supply sources;

WHEREAS, CCWD's ability to serve its customers water supply needs and meet its obligation under the JOINT USE AGREEMENT require that either METROPOLITAN forego extraction of the full amount of water stored under the PROJECT AGREEMENT and not be allowed to recover its investment of capital; or, that METROPOLITAN seek extension of the term of the PROJECT AGREEMENT;

WHEREAS, the parties desire to extend the term of the PROJECT AGREEMENT for delivery of water stored in METROPOLITAN's Trust Storage Account to METROPOLITAN's distribution system an additional one (1) year to September 30, 1995;

NOW, THEREFORE, the parties hereby enter into this AMENDMENT to the PROJECT AGREEMENT to amend Article 4.2 of the PROJECT AGREEMENT to read:

" 4.2 Extraction. Delivery of water stored in METROPOLITAN's Trust Storage Account to METROPOLITAN's distribution system pursuant to this AGREEMENT must be completed prior to September 30, 1995."

IN WITNESS WHEREOF, the parties hereto have caused this



AMENDMENT to be duly executed by its authorized officers, which is effective as of the date first above written.

APPROVED AS TO FORM:  
Gregory Taylor  
General Counsel

THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

By: *Vicki S. [Signature]*  
Deputy General Counsel

By: *[Signature]*  
Assistant General Manager

THE CHINO BASIN MUNICIPAL WATER  
DISTRICT

By: *[Signature]*

THE THREE VALLEYS MUNICIPAL  
WATER DISTRICT

By: \_\_\_\_\_

THE CHINO BASIN MUNICIPAL WATER  
DISTRICT ACTING AS  
WATERMASTER

By: *[Signature]*



CHINO BASIN WATERMASTER

Case No. RCV 51010

Chino Basin Municipal Water District v. The City of Chino

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 May 7, 2003 I served the following for hearing on June 5, 2003, 1:30 p.m., Dept. R8

- A. **Motion Requesting Approval of:**
  - 1. **Watermaster Annual Report**
  - 2. **Status Report Nos. 5 and 6**
  - 3. **Intervention of Niagara Bottling Company**
- B. **Motion for Approval of Metropolitan Dry Year Yield Funding Agreement**

BY MAIL: 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, addresses as follows:

**See attached service list:**

Attorney Service List  
Mailing List 1

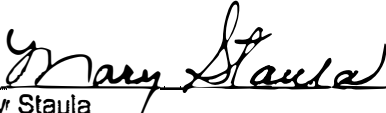
BY PERSONAL SERVICE: I caused such envelope to be delivered by hand to the addressee.

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

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.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on May 7, 2003 in Rancho Cucamonga, California.

  
\_\_\_\_\_  
Mary Staula  
Chino Basin Watermaster

---

Distribution List Name: Mailing List 1 - Service List - E-mail

**Members:**

A.W." Butch" Araiza (E-mail)	butcharaiza@mindspring.com
Arnold Rodriguez (E-mail)	jarodriguez@sarwc.com
Barret Kehl (E-mail)	CBWCD.email@verizon.net
Bill Dendy (E-mail)	bdendy@aol.com
Bill Rice (E-mail)	brice@rb8.swrcb.ca.gov
Bill Stafford (E-mail)	marygold@goldcom.com
Bob Feenstra (E-mail)	milkproducerscouncil@juno.com
Bob G Kuhn (E-mail)	bgkuhn@aol.com
Carole McGreevy (E-mail)	cmcgreevy@jcsd.us
Cole Frates (E-mail)	cfrates@laynewater.com
Craig Stewart (E-mail)	cstewart@geomatrix.com
Curtis Aaron (E-mail)	caaron@fontana.org
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Dan Rodriguez (E-mail)	dan_rodriguez@ci.pomona.ca.us
Dave Argo (E-mail)	argodg@bv.com
Dave Crosley (E-mail)	DCrosley@cityofchino.org
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Erick Vaughn (E-mail)	stefengr@aol.com
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Fred Lantz (E-mail)	flantz@ci.burbank.ca.us
Gene Koopman (E-mail)	GTKoopman@aol.com
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